

FALCK RENEWABLES
Group

**Interim financial report at
31 March 2019**

Board of Directors

Milan, 9 May 2019

FALCK RENEWABLES SpA
Share capital €291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
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Milan Companies Register
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Interim financial report at 31 March 2019

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1. Company officers

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. Financial information

2. Financial information

2.1 *Income statement*

				(EUR thousands)
		31.3.2019	31.3.2018	31.12.2018
Revenues		105,929	92,092	335,889
Direct costs		(47,039)	(40,885)	(169,070)
Employee costs		(9,762)	(8,186)	(34,504)
Other income		1,697	669	13,236
Administrative expenses		(6,923)	(5,197)	(30,088)
Operating profit/(loss)		43,902	38,493	115,463
Financial income/(expenses)		(10,083)	(9,844)	(40,899)
Investment income/(expenses)				(3)
Share of profit of investments accounted for using the equity method		1,511	1,144	2,745
Profit/(loss) before tax		35,330	29,793	77,306
Income tax expense				(16,884)
Profit/(loss) for the year				60,422
Profit attributable to non-controlling interests				16,263
Profit attributable to owners of the parent				44,159
EBITDA (1)		63,009	54,836	191,456

¹ EBITDA = EBITDA is measured by the Falck Renewables Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions and the income tax expense. This indicator was calculated applying best market practice taking into consideration the Group financing contracts.

2. Financial information

2.2 Net financial position

			(EUR thousands)
	31.3.2019	31.12.2018	31.3.2018
Short-term third party financial liabilities	(82,353)	(78,226)	(76,960)
Short-term third party financial liabilities for operating leases	(4,347)		
Short-term third party financial receivables	9,668	2,615	1,968
Other securities			
Cash and cash equivalents	202,160	218,188	296,364
Short-term net financial position	125,128	142,577	221,372
Medium/long-term third party financial liabilities	(741,992)	(700,847)	(769,117)
Medium/long-term third party financial liabilities for operating leases	(69,019)		
Other securities			
Medium/long-term financial position	(811,011)	(700,847)	(769,117)
Net financial position pursuant to Consob circular DEM/6064293/2006	(685,883)	(558,270)	(547,745)
Medium/long-term third party financial receivables	10,781	11,103	13,248
Medium/long-term Group financial receivables			
Total net financial position	(675,102)	(547,167)	(534,497)
- of which “non-recourse” project financing	(737,022)	(700,365)	(777,605)
- of which fair value of derivatives	(37,263)	(37,973)	(44,074)
- of which financial liabilities for operating leases	(73,366)		
Net financial position net of fair value of derivatives	(637,839)	(509,194)	(490,423)
Net financial position net of operating leases	(601,736)	(547,167)	(534,497)
Net financial position net of operating leases and derivatives	(564,473)	(509,194)	(490,423)

3. Notes to the interim financial report

3. Notes to the interim financial report

3.1 *Accounting policies*

At 31 March 2019, the Falck Renewables Group consisted of 102 companies, of which 97 are consolidated on a line-by-line basis and 5 are consolidated applying the equity method.

During the first three months, Falck Renewables North America Development Services & Construction Management LLC, a wholly-owned subsidiary of Falck Renewables North America Inc., was incorporated and consolidated on a line-by-line basis.

Also in the first three months of 2019, the following companies were acquired, consolidated on a line-by-line basis from the date of acquisition of control:

- CEF Vento SAS, 100% owned by Falck Energie Renouvelables SAS;
- CEP Tramontane 1 SAS, 100% owned by Falck Energie Renouvelables SAS;
- Eol Team SAS, 100% owned by CEF Vento SAS;
- Ferme Eolienne de Noyales SAS, 100% owned by CEF Vento SAS;
- Parc Eolien du Bois Ballay SAS, 100% owned by CEP Tramontane 1 SAS;
- Parc Eolien de Mazeray et de Bignay SAS, 100% owned by CEP Tramontane 1 SAS;
- Parc Eolien des Coudrays SAS, 100% owned by CEP Tramontane 1 SAS.

In January 2019 Falck Renewables SpA completed the sale of 100% of its shares in Esposito Servizi Ecologici Srl.

Ongarhill Wind Energy Limited and PV Diagnosis Srl were liquidated.

Falck Renewables NC Dominion-1 LLC also changed its name to Falck Renewables Latitude LLC.

This interim financial report at 31 March 2019 has been prepared in accordance with the International Financial Reporting Standards (IAS/IFRS). The income statement presents costs by function, with items measured in line with IFRS requirements.

The report also complies with article 154-ter, paragraph 5 of Legislative Decree 58/1998.

Following the simplifications introduced by Legislative Decree 25 of 15 February 2016 (implementing Directive 2013/50/EU, the so-called Transparency II directive) 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 interim financial reports in the forms adopted so far.

With reference to the accounting policies in force as of 1 January 2019 compared to those applicable to the 2018 financial year, the only significant change has been the adoption of IFRS 16 "Leases".

IFRS 16 sets out 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. At the date of commencement of the lease, the lessee records a financial liability for future lease payments and an asset that represents the right to use the underlying asset for the term of the contract. After the initial recognition, interest expenses on the lease liability and the amortisation of the right to use the asset are also recorded.

Lessees will have to remeasure the lease liability when certain events occur (for example: a change in the conditions of the lease, or a change in future lease payments following changes in an index or a rate used to calculate them). In general, the lessee will recognise the change to the leasing liabilities as an adjustment of the rights of use.

The Group has implemented IFRS 16 with the simplified approach for all leasing contracts. The Group has decided to apply the standard to contracts previously identified as operating leases, which in 2018 apply

3. Notes to the interim financial report

IAS 17 and IFRIC 4. Therefore, the Group did not apply the standard to contracts that were not previously identified as leases under IAS 17 and IFRIC 4.

The Group made use of the exceptions permitted by the principle on operating leases for which the terms of the lease contract expire within 12 months from the date of initial application (1 January 2019) and on leasing contracts for which the underlying asset has an insignificant value.

Adopting the new standard on operating leases had the following effects:

- an increase of €69.7 million in Assets for rights of use and €70.7 million in Financial liabilities for operating leases at 1 January 2019; at 31 March 2019, Assets for rights of use amounted to €72.2 million and Financial liabilities for operating leases amounted to €73.4 million;
- a €1.4 million reduction in operating lease instalments in the first quarter of 2019, with an improvement in EBITDA for the same amount;
- a €1.3 million increase in amortisation and depreciation in the first quarter of 2019 for the aforementioned rights of use and a €0.7 million increase in financial expenses in the first quarter of 2019;
- a net reduction of €0.6 million in profit before tax.

3.2 *Main changes*

The Group uses the following alternative performance indicators:

- EBITDA is measured by the Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions and income tax;
- 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;
- Net financial position without operating leases: for the purposes of calculating the financial covenants, financial liabilities for operating leases (in accordance with IFRS 16) are shown separately from the Net financial position.

Falck Renewables Group first quarter 2019 revenues amounted to €105,929 thousand, with an increase of €13,837 thousand (+15.0%) over the first quarter 2018.

The increase in **revenues** is due to: (i) approximately €4.9 million for the change in the scope of consolidation as a result of the 2018 acquisitions of Energy Team SpA, Windfor Srl and the consortia for the management of interruptibility services in the Italian energy market, the solar power plants in the US and the acquisition, in March 2019, of five French wind farms with a grid capacity of 56 MW, partially offset by the sale of Esposito Servizi Ecologici Srl; ii) the greater volume of energy sold by Falck Renewables Energy Srl, mitigating the imbalance cost by approximately €4.1 million; iii) the increase in prices for the sale of electricity from wind farms in the UK and, to a lesser extent, in Italy and Spain; iv) the increase in revenues from curtailment (offsets against requests for shutdowns by the grid operator) in the UK compared with the first quarter of 2018 for approximately €4.1 million; and (v) the increase in prices for waste disposal and treatment services (+16%) for the WtE plant in Trezzo sull'Adda. Revenues were partially reduced by the lower production of energy, despite the higher installed capacity (989.5 MW at 31 March 2019 compared to 913 MW at 31 March 2018) and lower contribution volumes relating to the WtE plant in Trezzo sull'Adda.

The GWh generated in the wind sector in the first quarter of 2019 amounted to 588 compared to 607 recorded in the 2018 first quarter (-3% compared to the same 2018 period). The overall GWh generated

3. Notes to the interim financial report

globally by all of the Group's technologies totalled 676, compared to 691 in the first quarter of 2018 (-2% compared to the same 2018 period).

As already mentioned, the decrease in production was offset by a 2% increase in first quarter 2019 electricity sale prices including the incentive component for wind farms in Italy compared to the first quarter of 2018, including price risk hedging activities, and a 16% increase in WtE plants; this was mirrored by an 18% increase in wind farms in Spain and a 9% increase in wind farms in the UK.

In Italy, on the other hand, prices for biomass plants fell by 2% due to the incentive component and for solar plants by 4%, while in France the feed-in tariff mechanism neutralised price fluctuations (+1%).

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 1.2% in the first quarter of 2018 compared to the same period of the previous year.

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

	EUR/GBP
End of period exchange rate 31 March 2019	0.8583
End of period exchange rate 31 March 2018	0.8749
End of period exchange rate 31 December 2018	0.89453
Average exchange rate 31 March 2019	0.8725
Average exchange rate 31 March 2018	0.8834
Average exchange rate 31 December 2018	0.8847

"Direct costs and expenses" increased by €6,154 thousand, of which €4.1 million for the purchase of energy from the market by Falck Renewables Energy Srl in order to mitigate imbalancing costs, and for the consolidation of consortia for the management of energy interruptibility services on the Italian market, with the related costs.

Personnel costs increased by €1,576 thousand, mainly due to the average increase in the workforce (+90 employees) compared to the first quarter of 2018.

The increase in the average number of employees is mainly due to the acquisitions of Energy Team SpA and Windfor Srl.

Other income increased by €1,028 thousand, mainly due to the insurance coverage of solar power plants in the USA.

EBITDA for the first quarter 2019 amounted to €63,009 thousand (2018 first quarter – €54,836 thousand), corresponding to 59.5% of revenues (2018 first quarter: 59.5%). EBITDA increased compared to the first quarter of 2018 (+15% and +€8,173 thousand), despite the lower production of electricity from wind sources: (i) because of the higher prices for the sale of energy in some countries; (ii) because of the higher revenues from curtailment in the United Kingdom and the higher volumes of electricity sold by the biomass plant in Rende; (iii) because of the lower operating costs of the plants in operation; (iv) due to the consolidation of Energy Team Srl, the US solar plants for a grid capacity of 20.5 MW, and from March 2019 the five French wind farms with a grid capacity of 56 MW.

Excluding the resale of energy purchased from the market by Falck Renewables Energy Srl in order to mitigate imbalancing costs, for €2.6 million and €6.7 million in 2018 and 2019 respectively, EBITDA as a proportion of revenues was 63.5% (61.3% in 2018).

EBITDA was also affected by the entry into force of IFRS 16 on 1 January 2019, which led to a different accounting treatment for the Group, reducing lease payments costs by €1.4 million (operating leases), which

3. Notes to the interim financial report

are now required to be accounted for using the so-called financial method, previously applied by IFRS only to financial leases.

These factors brought **Operating profit** to €43,902 thousand, an increase of €5,409 thousand (+14%) accounting for 41.4% of revenues (41.8% in the first quarter of 2018). This item includes amortisation and depreciation for rights of use, in accordance with IFRS 16, for €1.3 million.

Net financial expenses increased by €239 thousand compared to the 2018 first quarter. Financial charges were also affected by the introduction of IFRS 16 on 1 January 2019, resulting in a €0.7 million increase in interest expenses for the Group.

This effect was partially offset by management actions aimed at improving the efficiency of debt management and by higher positive exchange rate differences.

As a result of the above, Falck Renewables Group posted a **profit before income tax and non-controlling interests** of €35,330 thousand in the 2019 first quarter, up by 19% on the first quarter 2018 (+€5,537 thousand). The application of IFRS 16 had the effect of reducing the pre-tax result by €0.6 million.

The **net financial position, including the fair value of derivatives**, amounted to €675,102 thousand compared with €547,167 thousand at 31 December 2018. This item includes:

- non-recourse loans of €737,022 thousand, up €36,657 thousand over 31 December 2018 due to the acquisition of companies with a portfolio of five wind farms in operation in France and the write-down of the euro against the pound sterling;
- the liability for operating leases, which in accordance with IFRS 16 is classified as a financial liability, amounting to €73,366 million. Net of this amount, the net financial position would have amounted to €601,736 thousand.
- net financial debt of €82,600 thousand relating to projects under construction and development which, at 31 March 2019, had not yet generated full year revenues; net of this amount, the fair value of derivatives (€37,263 thousand at 31 March 2019 compared with €37,973 thousand at 31 December 2018) and financial debt for operating leases, the net financial position would have been €481,873 thousand.

The changes in the net financial position were as follows: cash flow from operating activities amounted to approximately €38.6 million and was offset by net investments, including the change in the scope of consolidation, made in 2019 for €83.4 million. The devaluation of the euro against the pound sterling and the dollar negatively affected net financial debt by €11.1 million, while the change in the fair value of derivatives had a negative effect of €1.9 million on the net financial position. The application of the new IFRS 16 standard resulted in an increase in the net financial position of approximately €70.7 million at 1 January 2019. Moreover, the investment by minority shareholders boosted the net financial position by €0.6 million.

Net financial position without the fair value of derivatives shows a debit balance of €637,839 thousand (€509,194 thousand at 31 December 2018): the change is due to the factors described above.

Total gross debt without fair value of derivatives and without operating leases is hedged against the risk of interest rate changes using interest rate swaps for an amount equal to approximately 81%. The total net financial position, excluding the fair value of derivatives and operating leases, is hedged for 111%.

This high percentage is due to the fact that, with gross financial debt hedged against interest rate, the Group has a total liquidity, including that of the companies in project financing for €139,255 thousand, equal to €202,160 thousand, which is obviously not hedged against interest rate.

Revenues by business category may be analysed as follows:

3. Notes to the interim financial report

	(EUR thousands)	
	1 Quarter 2019	1 Quarter 2018
Sale of electricity, thermal energy and other goods	95,248	82,867
Waste treatment and disposal	4,146	6,212
Services and management of renewable energy plants	6,503	2,367
Other operating income	32	646
Total	105,929	92,092

3.3 Performance of the business sectors

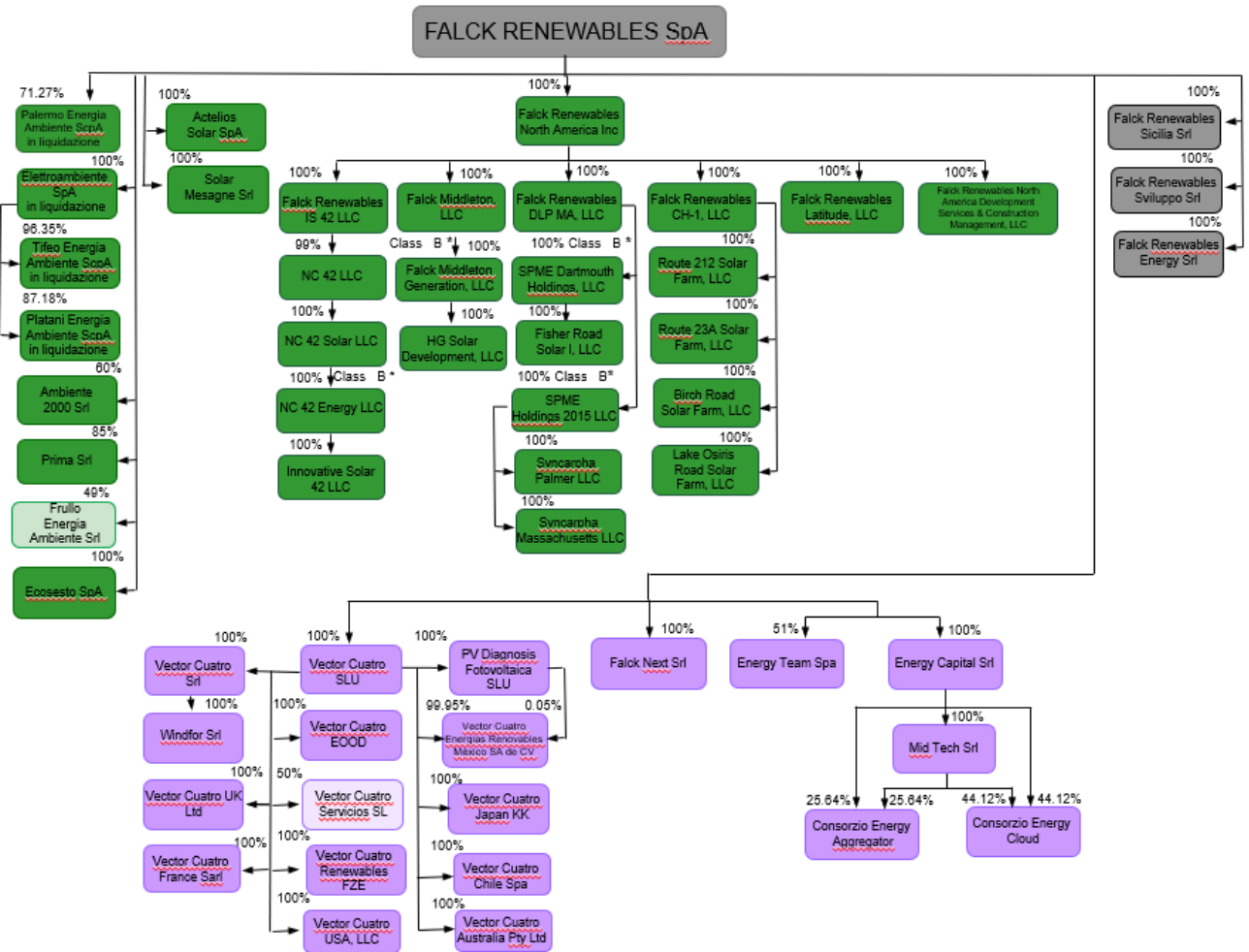
This paragraph provides the key financial highlights and a brief commentary on the four sectors (“WtE, biomass and solar”, “Wind”, “Services” and “Other businesses”) which make up the Group.

Revenues by business sector, compared to the 2018 first quarter, are illustrated in the table below:

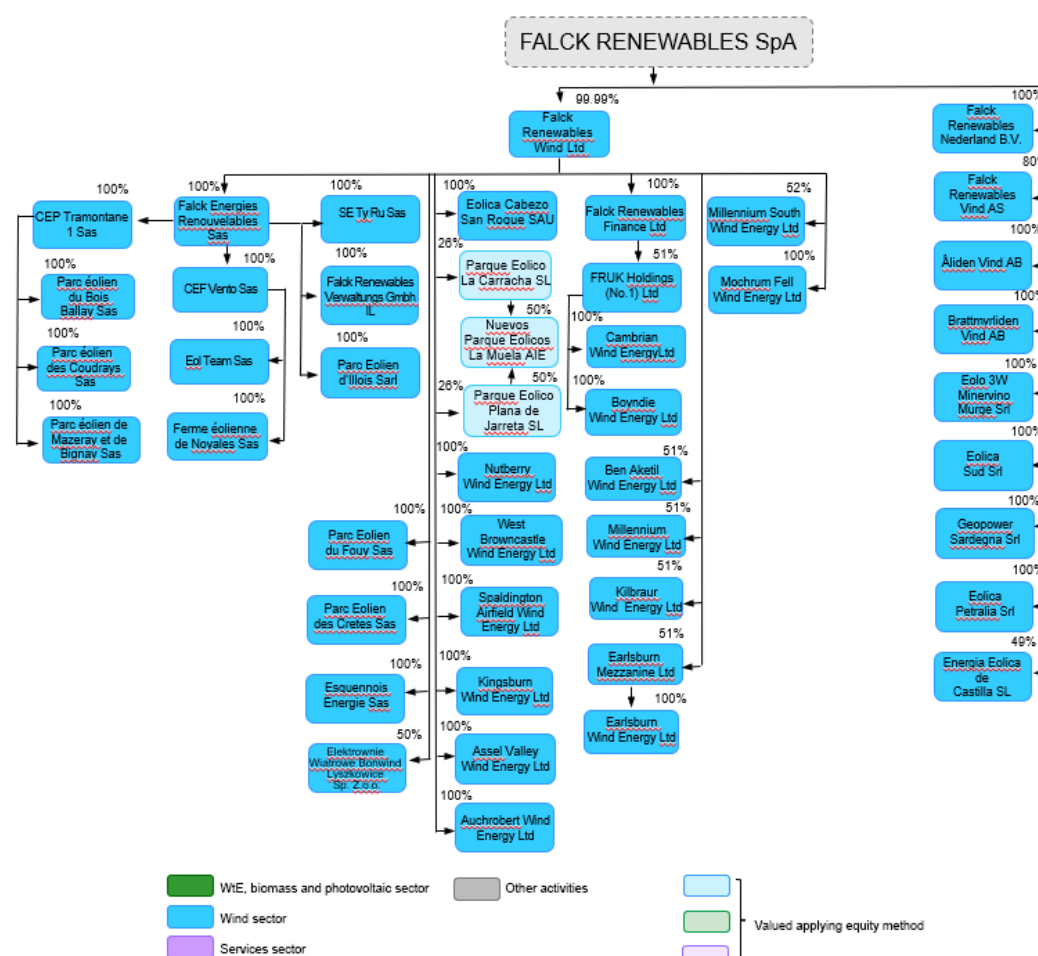
	(EUR thousands)		
	31.3.2019	31.3.2018	Change
WtE, biomass and solar	14,930	14,965	(35)
Wind sector	76,679	72,135	4,544
Services sector	9,580	2,898	6,682
Other Businesses	21,715	7,821	13,894
Consolidation adjustments	(16,975)	(5,727)	(11,248)
Total	105,929	92,092	13,837

3. Notes to the interim financial report

❖ Group structure by sector



3. Notes to the interim financial report



* The class B quotas guarantee the control of the company, while class A quotas belonging to Firstar Development LLC attribute protective rights

❖ WtE, biomass and solar power sector

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

	(EUR thousands)	
	31.3.2019	31.3.2018
Revenues	14,930	14,965
EBITDA	6,219	3,102
Operating profit/(loss)	2,679	22
Intangible assets	465	7
Property, plant and equipment	251,950	202,836
Net financial position - indebtedness/(asset)	149,915	152,638
of which non-recourse project financing	55,680	56,306
Investments	413	3,324
Employees at the period-end	(no.) 64	82

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.

3. Notes to the interim financial report

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 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 MW.

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.

On 15 January 2019, Esposito Servizi Ecologici Srl was sold.

The sector's revenues were substantially in line with those of the first quarter of 2018. The reduction in revenues resulting from the sale of Esposito Servizi Ecologici Srl and the planned shutdown of the WtE plant in Trezzo sull'Adda was almost entirely offset by: (i) production deriving from the higher installed capacity as a result of the acquisition of photovoltaic plants in the United States (20.5 MW) during 2018; (ii) the increase in the price of waste disposal services (+16%) for the WtE plants; (iii) the higher volumes of electricity sold by the biomass plant in Rende. We would also point out the strong performance of Italian solar power plants in the first quarter of 2019 compared to the same period in 2018. Note that during 2018, the biomass plant in Rende was shut down for biannual maintenance.

As a result of the production deriving from the higher installed capacity, the collection of an insurance indemnity, the lower maintenance costs of the Rende biomass plant and the effects of the coming into force of IFRS 16 (€210 thousand), EBITDA amounted to €6,219 thousand and increased compared to the first quarter of 2018 (+€3,117 thousand): compared to revenues, it stood at 41.7% (20.7% in 2018).

The effect of the above trends is that operating income increased by €2,657 thousand to €2,679 thousand.

During the first quarter of 2019, investments in tangible and intangible fixed assets amounted to €413 thousand and mainly concerned maintenance work on the Trezzo plant (€330 thousand).

The net financial position, which shows a debit balance of €149,915 thousand, is down €2,723 thousand on 31 March 2018, mainly due to the cash flow generated by plants in operation, partially offset by investments made in 2018 and the coming into force of IFRS 16, which resulted in an increase of €12,791 thousand in financial payables for operating leases at 31 March 2019.

The net financial position includes non-recourse project financing of €55,680 thousand (€56,306 thousand at 31 March 2018) and the negative fair value of interest rate risk hedging derivatives of €2,820 thousand (€3,017 thousand at 31 March 2018).

❖ Wind sector

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

		(EUR thousands)	
		31.3.2019	31.3.2018
Revenues		76,679	72,135
EBITDA		62,007	56,645
Operating profit/(loss)		47,464	43,767
Intangible assets		100,299	96,923
Property, plant and equipment		950,681	816,253
Net financial position - indebtedness/(asset)		561,535	517,135
of which non-recourse project financing		681,342	721,299
Capital expenditure		44,310	3,745
Employees at the period-end	(no.)	28	42

3. Notes to the interim financial report

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.

In July 2018, Falck Renewables Wind Ltd sold the business unit of some staff functions to Vector Cuatro UK Ltd. 17 people were transferred to the Services sector from the Wind sector.

In addition, in March 2019 Falck Energies Renouvelables SAS completed the acquisition of 100% of the companies with a portfolio of 5 wind farms in operation in France. The portfolio includes 25 turbines with a total grid capacity of 56 MW.

The increase in **revenues** (€4,544 thousand) is mainly due to: (i) the increase in electricity sale prices from wind power in the UK and, to a lesser extent, in Italy and Spain; (ii) higher revenues from curtailment (compensation for grid operator stoppages) in the UK compared to the first quarter of 2018 for €4.1 million. Revenues were partially reduced by lower energy production, despite the higher installed capacity resulting from the acquisition of wind farms in France (56 MW) in March 2019, which produced 17 GWh in the period.

The GWh generated in the wind sector in the first quarter of 2019 amounted to 588 compared to 607 recorded in the 2018 first quarter (-3% compared to the same 2018 period). It should be noted that curtailments compensated for the lower production.

As mentioned above, in the first quarter of 2019, the decrease in production was offset by an increase in electricity sales prices, including the incentive component, of 1% in Italy, 18% in Spain and 9% in the UK, compared with the first quarter of 2018, while in France the feed-in tariff mechanism neutralised price fluctuations (+1%).

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 1.2% in the first quarter of 2018 compared to the same period of the previous year.

EBITDA amounted to €62,007 thousand, an increase of €5,362 thousand over the same period last year and equal to 80.9% of revenue (2018: 78.5%).

The increase in EBITDA was primarily due to: (i) the positive dynamics relating to revenues; (ii) the entry into force of IFRS 16 (€885 thousand); (iii) the lower operating costs of plants in operation resulting from both the lower volumes previously highlighted and the lower need for maintenance during the period.

As a result, the operating result increased by €3,697 thousand compared to the first quarter of 2018 and represented 61.9% of revenues (60.7% in 2018).

In the first quarter of 2019, investments in tangible and intangible fixed assets amounted to €44,310 thousand and mainly related to the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France (€21,892 thousand), the construction of the Brattmyrliiden (€455 thousand) and Aliden (€18,900 thousand) wind farms in Sweden, Falck Renewables Vind in Norway (€2,292 thousand) and Energia Eolica de Castilla in Spain (€443 thousand).

The data relating to the acquisition of the French companies being acquired will be subject to purchase price allocation, in accordance with IFRS 3, to be completed within 12 months of the acquisition date.

The net financial position amounts to €561,535 thousand, including non-recourse project financing of €681,342 thousand and the negative fair value of interest rate, foreign exchange and commodity hedging derivatives of €41,203 thousand. The increase of €44,400 thousand at 31 March 2018 is due to the entry into force of IFRS 16, which increased financial payables for operating leases by €57,467 thousand at 31 March 2019, and to the effect of investments partially offset by cash generated by operating plants.

3. Notes to the interim financial report

❖ Services sector

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

	(EUR thousands)	
	31.3.2019	31.3.2018
Revenues	9,580	2,898
EBITDA	703	273
Operating profit/(loss)	149	114
Intangible assets	41,026	9,320
Property, plant and equipment	2,545	626
Net financial position - indebtedness/(asset)	2,858	(1,673)
of which non-recourse project financing		
Investments	196	45
Employees at the period-end	(no.) 273	137

The sector consists mainly of the Spanish group Vector Cuatro and the Energy Team SpA group (the latter consolidated from 3 October 2018). 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, Japan, Mexico, the United Kingdom and Bulgaria.

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

Energy Team offers consumption monitoring and flexibility management services on the electricity markets.

On 2 August 2018, the Vector Cuatro Srl subsidiary concluded an agreement to acquire 100% of Windfor Srl, a leading and well-known technical advisory firm in the Italian wind power sector.

On 2 October 2018, Falck Renewables SpA finalised the agreement for the acquisition of 51% of Energy Team SpA, Italy's leading consumer control and flexibility management services in the electricity markets, which is 100% consolidated under put-and-call agreements on the remaining shares, with the related financial debt recorded as a counter-entry.

In July 2018 Falck Renewables SpA and Falck Renewables Wind Ltd sold the business units of certain staff functions to Vector Cuatro Srl and Vector Cuatro UK Ltd, respectively. The total number of people transferred to the Services sector was 37, of which 20 from the Other Activities sector and 17 from the Wind sector.

Revenues increased by €6,682 thousand, due to increased asset management services, mainly associated with the transfer of the aforementioned business units, and to the consolidation of Energy Team SpA, Windfor Srl and the consortia for the management of the energy interruptibility service on the Italian market.

EBITDA amounted to €703 thousand, an increase of €430 thousand over the same period last year and equal to 7.3% of revenue (2019: 9.4%). Most of the increase is attributable to the new and broader scope of companies in the sector, which was partially offset by lower asset management margins compared to last year.

Revenues from consortia for the management of the energy interruptibility service on the Italian market, amounting to approximately €2.5 million, do not generate margins. Excluding these revenues, the percentage of EBITDA in 2019 would be approximately 9.9% of revenues in the sector.

During the first quarter of 2019, investments in tangible and intangible fixed assets amounted to €196 thousand.

3. Notes to the interim financial report

The net financial position showed net debt of €2,858 thousand, an increase of €4,531 thousand with respect to 31 March 2018, due to the effect of the acquisition of the business units from Falck Renewables SpA in 2018 and to the entry into force of IFRS 16, which increased financial payables under operating leases by €1,255 thousand at 31 March 2019.

❖ Other Businesses

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

		(EUR thousands)	
		31.3.2019	31.3.2018
Revenues		21,715	7,821
EBITDA		(5,899)	(5,138)
Operating profit/(loss)		(6,422)	(5,531)
Intangible assets		2,532	1,467
Property, plant and equipment		2,134	252
Net financial position - indebtedness/(asset)		43,792	(50,121)
of which non-recourse project financing			
Investments		746	121
Employees at the period-end	(no.)	87	98

In July 2018, Falck Renewables Wind Ltd sold the business unit of some staff functions to Vector Cuatro UK Ltd. 20 people were transferred from Other Activities to Services.

Revenues post an increase of €13,894 thousand, due to the sale of energy by Falck Renewables Energy Srl.

Operating income fell by €891 thousand. This decrease is mainly attributable to start-up and development/commercial costs relating to Energy Management & Downstream services, to certain variable cost components and to the strengthening of certain staff structures.

Capital expenditure for the period amounted to €746 thousand, of which €590 thousand related to intangible assets (software, licences and development costs).

This table sets out the data for the sector:

		(EUR thousands)			
		FKR	Other companies	Eliminations	Sector
Revenues		22	21,693		21,715
EBITDA		(6,081)	182		(5,899)
Operating profit/(loss)		(6,527)	105		(6,422)
Intangible assets		2,532			2,532
Property, plant and equipment		2,134			2,134
Net financial position - indebtedness/(asset)		57,074	(13,282)		43,792
of which non-recourse project financing					
Capital expenditure		670	76		746
Employees at the period-end	(no.)	87			87

Note: FKR is Falck Renewables SpA; Other companies include Falck Renewables Energy Srl, Falck Renewables Sviluppo Srl and Falck Renewables Sicilia Srl.

3. Notes to the interim financial report

The financial position (mainly from Falck Renewables SpA) posted a debit balance of €43,792 thousand, compared to a credit balance of €50,121 thousand at 31 March 2018. The reduction in the credit balance in comparison to 31 March 2018 was due to investments/capital injections in companies acquired in Italy, Norway, Sweden and the US, the acquisition of Energy Team and the relative consortia, and the distribution of dividends to shareholders net of dividends received.

The financial position also deteriorated as a result of the entry into force of IFRS 16, which increased financial payables for operating leases at 31 March 2019 by €1,853 thousand.

The net financial position includes the positive fair value of foreign exchange and commodity hedging derivatives for €6,760 thousand (negative for €578 thousand at 31 March 2018).

3.4 Performance of the parent company Falck Renewables SpA

The following paragraph offers a commentary of the performance of the Parent Company, which falls under the "Other Businesses" sector.

The income statement of Falck Renewables SpA for the three months ended 31 March 2019 recorded a loss before income tax of €5,697 thousand (loss of €4,875 thousand in the first quarter of 2018). There was an increase in services (up €1,395 thousand), lower payroll costs (down €613 thousand) due to the transfer of business units to the Services sector and lower releases of provisions for risks net of provisions (up €380 thousand).

Net financial income increased by €398 thousand due mainly to higher exchange differences.

The Parent Company's income statement does not yet include the dividends from investments, which will contribute to the result only during the second part of the year.

At 31 March 2019, the Company's workforce consisted of 87 employees, of which 26 executives and 61 office staff, 11 fewer than in the first quarter of 2018.

In July 2018, Falck Renewables Wind Ltd sold the business unit of some staff functions to Vector Cuatro UK Ltd. A total of 20 people were transferred.

Capital expenditure for the period totalled €670 thousand, of which €514 thousand related to software and licences.

The net financial position was a net liability of €57,074 thousand, compared to an asset of €48,120 thousand at 31 March 2018.

The reduction in the credit balance in comparison to 31 March 2018 was due to investments/capital injections in companies acquired in Italy, Norway, Sweden and the US, the acquisition of Energy Team and the relative consortia, and the distribution of dividends to shareholders net of dividends received in 2018.

The entry into force of IFRS 16 increased financial payables for operating leases at 31 March 2019 by €1,853 thousand.

On 30 July 2018, Falck Renewables SpA signed an amendment to the "Corporate Loan" agreement stipulated on 12 June 2015. The change led to an increase from €150 million to €325 million and an extension of the maturity from 30 June 2020 to 31 December 2023, while the other very favourable conditions remain unchanged: at 31 December 2018, the new financing had not yet been used.

The net financial position also includes the positive fair value of the derivatives to hedge foreign exchange risks for €3,947 thousand (negative for €288 thousand at 31 March 2018).

3. Notes to the interim financial report

3.5 Employees

The total number of employees at 31 March 2019 comprised:

	31.3.2019	31.12.2018	(Units) 31.3.2018
Managers	54	54	50
White-collar staff	364	360	261
Blue-collar staff	34	46	48
Total	452	460	359

The increase compared to 31 March 2018 is mainly due to the acquisitions of Energy Team SpA and Windfor Srl in 2018, partially offset by the sale of Esposito Servizi Ecologici Srl in 2019.

The number of employees by sector is composed as follows:

	31.3.2019	31.12.2018	(Units) 31.3.2018
WtE, biomass and solar power sectors	64	84	82
Wind sector	28	27	42
Services sector	273	271	137
Other Businesses	87	78	98
Total	452	460	359

3.6 Installed capacity

Technology	31.3.2019	31.12.2018	(MW) 31.3.2018
Wind	825.9	769.9	769.9
WtE	20.0	20.0	20.0
Biomass	15.0	15.0	15.0
Solar	128.6	128.6	108.1
Total	989.5	933.5	913.0

The installed capacity increased by 76.5 MW compared to 31 March 2018.

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 MW.

In the same month of June, Falck Renewables DLP MA LLC also acquired three operating solar power plants in Massachusetts, US, for a total of 14.5 MW.

Moreover, on 15 March 2019 Falck Energies Renouvelables SAS signed an agreement for the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France. The portfolio includes 25 turbines with a total grid capacity of 56 MW (installed capacity 59.5 MW).

3. Notes to the interim financial report

3.7 Investments

In the first quarter of 2019, investments totalled €45,147 thousand.

Investments in property, plant and equipment amounted to €43,241 thousand and mainly related to the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France (€21,892 thousand), the construction of the Brattmyrleden (€188 thousand) and Aliden (€18,777 thousand) in Sweden, Falck Renewables Vind in Norway (€944 thousand), Energia Eolica de Castilla in Spain (€413 thousand) and maintenance work on the Trezzo plant (€330 thousand).

The data relating to the acquisition of the French companies being acquired will be subject to purchase price allocation, in accordance with IFRS 3, to be completed within 12 months of the acquisition date.

Investments in intangible assets amounted to €1,906 thousand and mainly relate to operating software and licensing costs of €530 thousand and costs on Falck Renewables Vind concessions of €1,259 thousand.

Other investments (variation in the consolidation scope)

The following companies were acquired during 2019, and consolidated line-by-line from the date of their acquisition:

- CEF Vento SAS, 100% owned by Falck Energie Renouvelables SAS;
- CEP Tramontane 1 SAS, 100% owned by Falck Energie Renouvelables SAS;
- Eol Team SAS, 100% owned by CEF Vento SAS;
- Ferme Eolienne de Noyales SAS, 100% owned by CEF Vento SAS;
- Parc Eolien du Bois Ballay SAS, 100% owned by CEP Tramontane 1 SAS;
- Parc Eolien de Mazeray et de Bignay SAS, 100% owned by CEP Tramontane 1 SAS;
- Parc Eolien des Coudrays SAS, 100% owned by CEP Tramontane 1 SAS;

The investment in acquisitions, recorded as a change in the scope of consolidation, amounted to €45,040 thousand (including the net financial position acquired), in addition to the investments in tangible and intangible fixed assets described above for a total of €90,187 thousand.

3.8 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	31.3.2019	31.3.2018
Gross electricity generated	GWh	676	691
Total waste handled	Ton	32,147	69,613

The “Total waste handled” figure also includes intermediate waste.

The decrease in total waste managed is mainly due to the sale of Esposito Servizi Ecologici Srl (28,828 tonnes compared to 31 March 2018) and the rest to the planned shutdown of the Trezzo plant.

4. Directors' report

4. Directors' report

4.1 *Review of significant business developments*

On 15 January 2019 Falck Renewables completed the sale of 100% of the shares held in Esposito Servizi Ecologici Srl for a total price of €1,190 thousand.

On 15 March 2019 Falck Energies Renouvelables SAS completed the purchase of 5 wind farms in France, equal to approximately 56 MW of grid capacity for a total value of approximately €37 million.

On 7 May 2019 Middleton Electric Light Department ("MELD"), a Massachusetts-based utility, entered into a long-term capacity agreement with a Falck Renewables Group company for the dispatching of energy accumulated during periods of high system costs. The storage plant will allow MELD to reduce these charges, generating benefits for the entire Middleton community, which will benefit from the lower operating costs of the system. The investment is estimated at \$3.6 million for the installation of a 6.6 MWh battery storage system that will be connected to the solar power plant in Middleton, Massachusetts (USA). The battery is expected to be commissioned in the third quarter of 2019.

On 8 May 2019 Falck Renewables Vind A.S. signed a supply contract with Vestas Norway A.S. for the purchase of 5 V117-4.2 MW wind turbines for its Okla wind farm in Norway, with a total capacity of 21 MW and a total value of approximately €13.1 million, financed entirely from its own resources. The parties have also signed a long-term operations and maintenance agreement.

No other significant changes took place regarding the status of litigation disclosed in the financial reports at 31 December 2018, which may be referred to for full details.

4.2 *Risk relating to the outcome of the British referendum on remaining in the European Union ("Brexit")*

At 30 March 2019 the Falck Renewables Group was present in the UK with twelve plants in operation (of which one in England of 11.75 MW, ten in Scotland of a total of 342.75 MW and one in Wales of 58.5 MW) with a total installed capacity, calculated at 100%, of 413 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 size 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"). There is still a great deal of uncertainty about the conclusion of the results of the negotiations with the EU, after the British Parliament rejected the agreement on Brexit reached with the EU by Theresa May's government, opening up scenarios of extreme uncertainty about the possible ways in which the UK will have to leave the European Union.

The British government, in fact, after formally invoking Article 50 of the Treaty of Lisbon calling for the exit from the EU, had reached a substantial agreement to begin the so-called phase "two" of the negotiations, relating to trade treaties that will regulate relations between the EU and the UK, when the latter will be outside the single European market. However, as mentioned, the agreement proposed by the government was rejected by the British Parliament three times, voting on an amendment to the law on the exit of the UK from the EU, which required Premier Theresa May to formally request the European Parliament to extend the exit date, so as to avoid the risk of an exit without agreements (so-called "No Deal"), at the end of the period originally set to 29 March 2019.

Following lengthy negotiations between EU leaders and the British prime minister, the EU has decided to grant a 'flexible' extension which will give the UK time until 31 October 2019, giving the British

4. Directors' report

government an extra six months to have the withdrawal agreement negotiated over the last two years between London and Brussels approved by Parliament, as the President of the EU Council has indicated that the EU does not intend to change the withdrawal agreement already negotiated, or to change strategy and consider how to get a vote on the withdrawal of Brexit.

During this period, the UK will retain all its rights and obligations, remain a member of the Union and will have to organise the upcoming European elections in its territory. Prime Minister May, however, reiterated her desire to have the withdrawal agreement approved by Parliament as quickly as possible so that the country can leave by 22 May, before the next European elections on 23-26 May.

The doubts about the outcome of the negotiations with the EU prevent operators from forecasting future geo-political, economic, financial, fiscal and industrial scenarios, also with reference to the British electricity market and the policies for the development and promotion of renewable energy following 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, with knock-on effects on the demand for electricity and a tightening of the credit market; for the moment, however, there is no sign of any of the above, given the openness towards clean energy among members of the British government and the liquidity of the credit market. The financial effects could possibly spread to other EU member states, especially those with high levels of government debt, high exposure in the banking sector or weaker economies or parliamentary elections in 2019 (including those for the European parliament) 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 in the last two years 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 pound exchange rate which, in the event of devaluation, could have a positive impact on the Group's debt in pounds while also negatively affecting the financial indicators, net equity and future cash flow from UK assets that are converted, even in translation, into euros.

4.3 *Management outlook*

The Group's results for 2019 will benefit from: (i) the production of the recently acquired solar power plants in Massachusetts (20.5 MW) for 5 months more than in 2018; (ii) the production of the companies holding a portfolio of 5 wind farms in operation in France for a total grid capacity of 56 MW from March 2019; and (iii) the result of the acquisition of Energy Team SpA for the entire year.

Construction of the Åliden (Sweden), Hennøy (Norway) and Carreastro (Spain) wind farms for a total of 107 MW is expected to be completed by the end of 2019.

The Business Plan, updated on 12 December 2018, 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.

4. Directors' report

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.

5. Certification of the Corporate Accounting
Documents Officer pursuant to Article
154-bis, paragraph 2 of
Italian Legislative Decree 58/1998

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As required by Article 154-bis, paragraph 2 of the Consolidated Finance Act (Legislative Decree 58/1998), Paolo Rundeddu, in his capacity as corporate accounting documents officer, declares that the accounting information contained in this interim financial report at 31 March 2019 is consistent with the data in the documents, accounting records and other records.

Milan, 9 May 2019

Paolo Rundeddu
(Corporate accounting
documents officer)