FINANCIAL REPORT

AT 31 DECEMBER 2018

FALCK RENEWABLES

GRUPPOFALCK

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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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Financial Report
at 31 December 2018

Letter from the Chairman and Chief Executive Officer to shareholders and stakeholders

The fight against climate change and the drive for decarbonisation and technological development - to name but a couple of the most striking elements - are changing the mix of energy sources we use, reshaping our economic system. The renewable energy industry is one of the sectors undergoing the most significant changes, placing itself within the evolution that the system as a whole is experiencing.

The shift from stimulated growth to growth driven by a conscious and evolving demand for environmentally conscious options at market prices poses new challenges and requires us to anticipate the needs of a changing environment. With this in mind, we have taken a proactive strategy that seeks to optimise the allocation of capital between proprietary assets, energy services for end consumers and the development of new production projects from renewable sources.

This has led us to close 2018 with our best results ever, cementing a positive growth trend that began some years ago. We have surpassed all the profitability targets we had set, generating an extraordinary level of cash flow that has allowed us to achieve a net financial position/EBITDA ratio of 2.9 - our lowest ever. We have achieved consolidated revenue growth of approximately 17% in comparison to 2017, EBITDA growth of more than 28%, and more than doubled the Group's net profit.

We have continued with our investment plan, consolidated our growth in the US solar market, and are continuing with the construction of five wind farms in Sweden, Norway and Spain, while strengthening the service sector through targeted acquisitions. With a 51% stake in Energy Team SpA, we have entered fast-growing sectors such as consumption monitoring and flexibility management in the electricity markets. With the acquisition of 100% of Windfor Srl, we have strengthened our expertise in technical advisory services for the wind energy sector, confirming our growth trend and strategic interest in services for renewable assets.

These results allow us to confidently look to a future that sets even more ambitious goals that must be met if we are to successfully face the new challenges of the evolving economic situation. Starting with digital innovation, which is the main driver of development for providing new, increasingly advanced services.

In short, the results achieved confirm a virtuous cycle in which we can give continuity and positivity to the relationship between vision, activities and results, to the satisfaction of all stakeholders, both internal and external, who share the Group's vision with us in various ways. Starting with all our shareholders who believed in our project and to whom we have - as a duty - guaranteed a fair return on invested capital, with a dividend increasing by 19% per annum.

Based on these significant results, on 12 December 2018 we presented the update of the Business Plan proposing more ambitious targets, a renewed financial solidity and greater attention to balancing the allocation of capital. We have raised our 2021 targets for installed capacity (+4%), service EBITDA (+55%) and Group Net Profit (+33%) compared to the previous plan. The capital allocated to asset development and services almost doubled in the period 2018 - 2021, while 77% continues to be used to increase assets on the balance sheet.

All our activities are moving in a very precise direction: the convergence and alignment of all shareholders' and other stakeholders' interests in the process of generating shared value, triggering positive development paths.

Thanks to this modus operandi, we are able to create long-term and sustainable improvements in performance, making our business stronger.

For us, sustainability means the ability to generate long-term value while maintaining the relationships between the business and its surroundings that allow it to continue. Sustainability is, therefore, an intrinsic driver of our business strategy.

In practice, our activities transform different types of capital - financial, human, social and relational - in order to create value and to pursue our goals with ever greater conviction.

In an effort to share our vision in this area, the Group will soon be publishing a specific sustainability report on its economic, environmental and social results, with particular attention to the impacts on local communities and the global context, representing our contribution to creating a better world. For us and for our children.

Chairman
Enrico Falck

Chief Executive Officer
Toni Volpe

1
Notice of annual general meeting

Shareholders eligible to vote are invited at the Ordinary Shareholders' Meeting convened on **<u>15th April 2019</u>** at **<u>11 a.m.</u>**, on first call, at the Mediobanca offices in Milan, Via Filodrammatici 3, and, if necessary, on 16th of April 2019, on second call, same time and location, to discuss and resolve upon the following

Agenda

1. Proposed Approval of the Financial Statements at 31st December 2018, together with the Board of Directors' Report on Operations, the Statutory Auditors' Report and the Legal Auditing Firms' Report. Allocation of the profit for the year and dividend distribution to Shareholders: related and consequent resolutions. Presentation of the Consolidated Financial Statements at 31st December 2018.
2. Presentation of the Remuneration Report pursuant to Articles 123-ter of Legislative Decree No. 58/98, and 84-*quarter* of CONSOB Resolution No. 11971/1999 and advisory vote of the Shareholders on the First Section of the said Report.
3. Appointment of the Legal Auditing Firm for the period 2020-2028.

<u>Share Capital and shares with voting rights (art. 125-*quarter* of Legislative Decree No. 58/98)</u>
To date, the share capital of Falck Renewables S.p.A. (hereinafter the "**Company**") subscribed and fully paid up, amounts to € 291,413,891.00, and is divided into 291,413,891 shares, with a par value of Euro 1 each. Each share entitles its owner to one vote. At today's date, he Company owns 2,210,000 shares with suspended voting rights.

<u>Entitlement to participate and vote (art. 83-*sexies* of Legislative Decree No. 58/98)</u>
In relation to the intervention and vote from the entitled individuals, we are providing the following information (in compliance with art.125-*bis* of the Legislative Decree 58/98):

– Under art. 83-*sexies* of the Legislative Decree 58/98 the entitlement to attend and exercise voting rights at Shareholders' Meeting is established pursuant to a notice to be made to the Company by an authorised intermediary, based on the latter's accounting records at the end of the seventh trading day preceding the scheduled date of the Shareholders' Meeting on first call, i.e., 4th of April 2019 (*record date*). Any persons that prove to be shareholders of the Company following such date, based on accounting records, shall not be entitled to participate or vote at the Shareholders' Meeting. The intermediary's notice must reach the Company by the end of the third trading day preceding the scheduled date of the Shareholders' Meeting, i.e., no later than the 10th April 2019. This is without prejudice to legitimate attendance and voting, if the notice is received by Company after the specified term of the 10th April 2018, provided that it is received before the start of works of the meeting on single call;
– No voting procedures by correspondence or electronic message are foreseen.

The participation in the Shareholders' Meeting is governed by the applicable laws and regulations and by the provisions of the Corporate By-laws and Procedural Rules for Shareholders' Meetings, which are available on the corporate website www.falckrenewables.eu under Corporate Governance section.

<u>Proxy Voting (art. 135-*novies* of Legislative Decree No. 58/98)</u>
The owner of right of vote at the Shareholders' Meeting may be represented by a written proxy to be transmitted in accordance with the applicable laws provisions, with the possibility to sign the proxy

form available in printable version on the Company's website https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/15-aprile-2019. The voting proxies can be forwarded to the Company, together with a copy of an identity document of the proxy grantor, by registered letter with acknowledgment of receipt or certified electronic mail at the following addresses: Falck Renewables S.p.A., Corso Venezia 16, 20121 Milano, e-mail: FKR.societario@legalmail.it. Any prior notification does not exempt the delegate, during the accreditation for access to the Shareholders' Meeting, from the obligation to attest under his own responsibility, the conformity of the notified proxy to the original and the identity of the delegator.

The proxy can be granted, without expenses for the proxy grantor (save for delivery expenses) with voting instructions on all or some of the items on the Agenda to Società per Amministrazioni Fiduciarie SPAFID S.p.A., with registered office in Milan, as Appointed Representative by the Company pursuant to Article 135-*undecies* of the Legislative Decree 58/98. The proxy must contain voting instruction on all or some of the items on the Agenda and only applies to proposals for which voting instructions are given. No powers may be granted to Spafid except in its capacity as designated representative of the Company.
The proxy shall be granted with execution of the specific proxy form available, with the related instructions for the filling and submission, at the registered office and on the Company's website https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/15-aprile-2019.
The form proxy must be delivered in original form to the aforementioned designated representative by the end of the second open market day preceding the date set for the Meeting, on first and second call (i.e. by April 11, 2019 or April 12, 2019 respectively) to the following address: Spafid S.p.A., Foro Buonaparte, 10 -20121 Milan, Ref. "Proxy AGM Falck Renewables S.p.A. 2019", by hands in office time (from 9 a.m. to 5 p.m.) or sent via courier or by registered letter with acknowledgment of receipt.
Without prejudice to the sending of the original proxy with voting instructions, the proxy may be also notified electronically via certifies email to the following address assemblee@pec.spafid.it. The sending, to the previously mentioned certified email address, of the proxy signed with a digital signature, in accordance with current legislation, satisfies the requirement of the written form.
The proxy and voting instructions may be revoked until the end of the second open market day preceding the date set for the Meeting, on first and second call (i.e. by April 11, 2019 or April 12, 2019 respectively) as described above.
Please note that the shares, for which the proxy was granted, in full or in part, are counted for the purposes of determining that the meeting has been validly convened. In relation to proposals for which voting instructions were not given, the Shareholders' shares do not count towards the calculation of the majority and the proportion of capital required for the approval of resolutions..

Right to request integrations and to present new proposals of resolutions (art. 126-*bis* of Legislative Decree No. 58/98)
Shareholders, who individually or jointly account for at least one fortieth of the share capital may request, within ten days of publication of this notice of calling (i.e. within March 25th, 2019), the integration of the list of items on the Agenda, specifying in the request the additional proposed items, or present proposals of resolutions on items already on the Agenda.
Are entitled to request integration of the list of items on the Agenda or present proposals of resolutions the Shareholder for whom the Company has received the notice from an authorised intermediary pursuant to the applicable laws.
The requests, together with the certificate attesting entitlement to participate, must be presented in writing and be submitted to the Company within to the deadline specified above, also by correspondence, at registered offices in Corso Venezia 16, Milan or via certified electronic email at the address FKR.societario@legalmail.it.
By the said deadline and in the same manner, the Shareholders shall submit to the Board of Directors a report giving a report for the proposals of resolutions on the new items for which they require discussion

or for the proposal of resolutions presented on items already on the Agenda.
The notice of additional items placed on the Agenda or the presentation of further proposals of resolutions on items already on the Agenda is given in the same form prescribed for the publication of this notice of calling, at least fifteen days prior to the scheduled date of the Shareholders' Meeting, in first call.
Simultaneously with the publication of the notice of additional items placed on the Agenda or presentation of further proposals of resolutions on items already on the Agenda, a report drawn up by the requesting Shareholders, accompanied by any and all observations by the Board of Directors, shall be made available to the public in the same form prescribed for the dissemination of documents pertaining to Shareholders' Meetings.
The Agenda cannot be integrated with items on which, in accordance with the law, the Shareholders' Meeting resolves on proposal of the administrative body or on the basis of a project or report prepared by it, other than those specified under Article 125-ter, paragraph 1, of Legislative Decree No. 58/98

Right to ask questions on items on the Agenda (art. 127-*ter* of Legislative Decree No. 58/98)
The shareholders with voting rights and in relation to whom the Company has received a specific notice (with relevant certification evidencing the capacity as shareholder from an authorised intermediary) within and no later than April 12th 2019 may ask questions concerning the items on the agenda prior to the Shareholders' Meeting, by submitting them by registered letter with acknowledgement of receipt or by using the certified electronic mail to the following addresses: Falck Renewables S.p.A., Corso Venezia 16, Milan, e-mail: FKR.societario@legalmail.it, The aforementioned certification is not necessary, if the specific notice is received from the authorised intermediary itself.
The questions received prior to the Shareholders' Meeting shall, at the latest, be answered during the Meeting, with the right for the Company to provide a unique answer for questions with the same contents. The Company reserves the right to provide a single answer to questions with the same content. It should also be noted that the responses in paper format made available to each of the persons entitled to vote at the beginning of the Shareholders' Meeting will be considered provided in the Meeting.

Documentation
The documents regarding the Shareholders' Meeting, as provided for by applicable laws, shall be made available to the public at the Company's registered office in Corso Venezia 16, Milan, on the Company's website https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/15-aprile-2019, and on the authorised storage system "eMarket STORAGE" (available at www.emarketstorage.com) as follow:

– the Financial Statements for the year ended 31st December 2018, the Report on Operations, the 2018 Corporate Governance and ownership structure Report, the Statutory Auditors' Report and the Legal Auditing Firms' Report shall be made available to the public by 24 March 2019, as described above;
– the Remuneration Report pursuant to Article 123-*ter* of Legislative Decree No. 58/98, shall be made available to the public by 24 March 2019, as described above;
– the reports of the Board of Directors *i.e.* the report on the first point on the agenda including the related proposal; the report on the Remuneration Report relating to point two on the agenda and the report on the appointment of the Legal Auditing Firm for the period 2020-2028 relating to point three on the agenda pursuant to Article 125-*ter* of Legislative Decree No. 58/98 are available to the public as of today's date.

Those eligible to attend to the Shareholders' Meeting have the right to obtain copy of the documentation regarding the Shareholders' Meeting.

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Those eligible to attend the Shareholders' Meeting are invited to arrive sufficiently in advance of the scheduled starting time of the Meeting, to facilitate registration and admission procedures, which will start from 10.30 a.m. They are also invited to show copy of the notice received from the designated intermediary in order to facilitate the accreditation process.

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The full text of this notice of calling has been published on today's date, on the Company's website and on the authorized storage system "eMarket STORAGE" (available at www.emarketstorage.com), and for extract on the newspaper "MF/Milano Finanza".

Milano, March 15th 2019

The Chairman of the Board of Directors
Enrico Falck

The official text is the Italian version of the document. Any discrepancies or differences arisen in the translation are not binding and have no legal effect. In case of any dispute on the content of the document, the Italian original shall always prevail.

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Company officers

Board of Directors

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

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

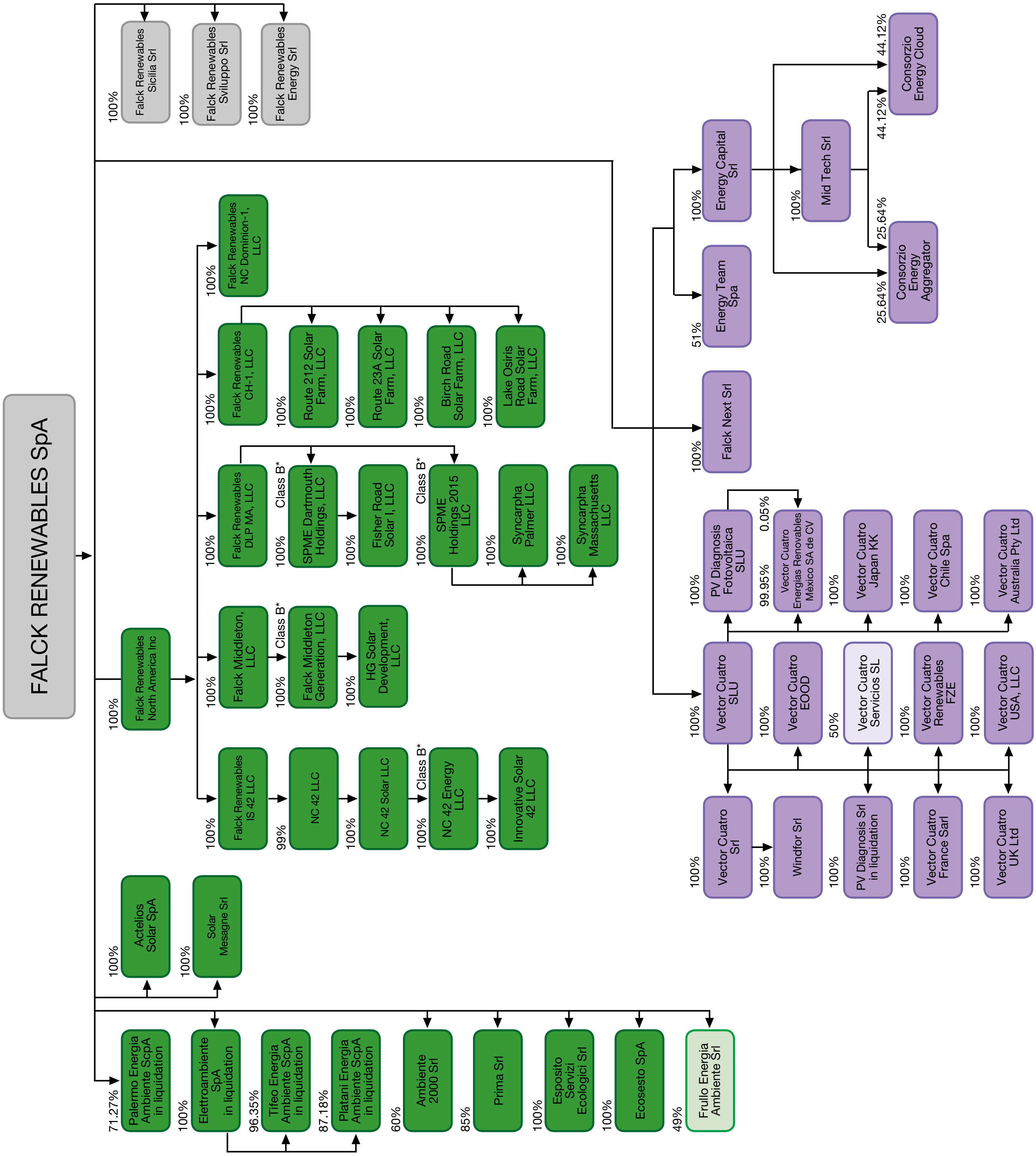
The Board of Statutory Auditors was nominated by the Shareholders' Meeting on 27 April 2017

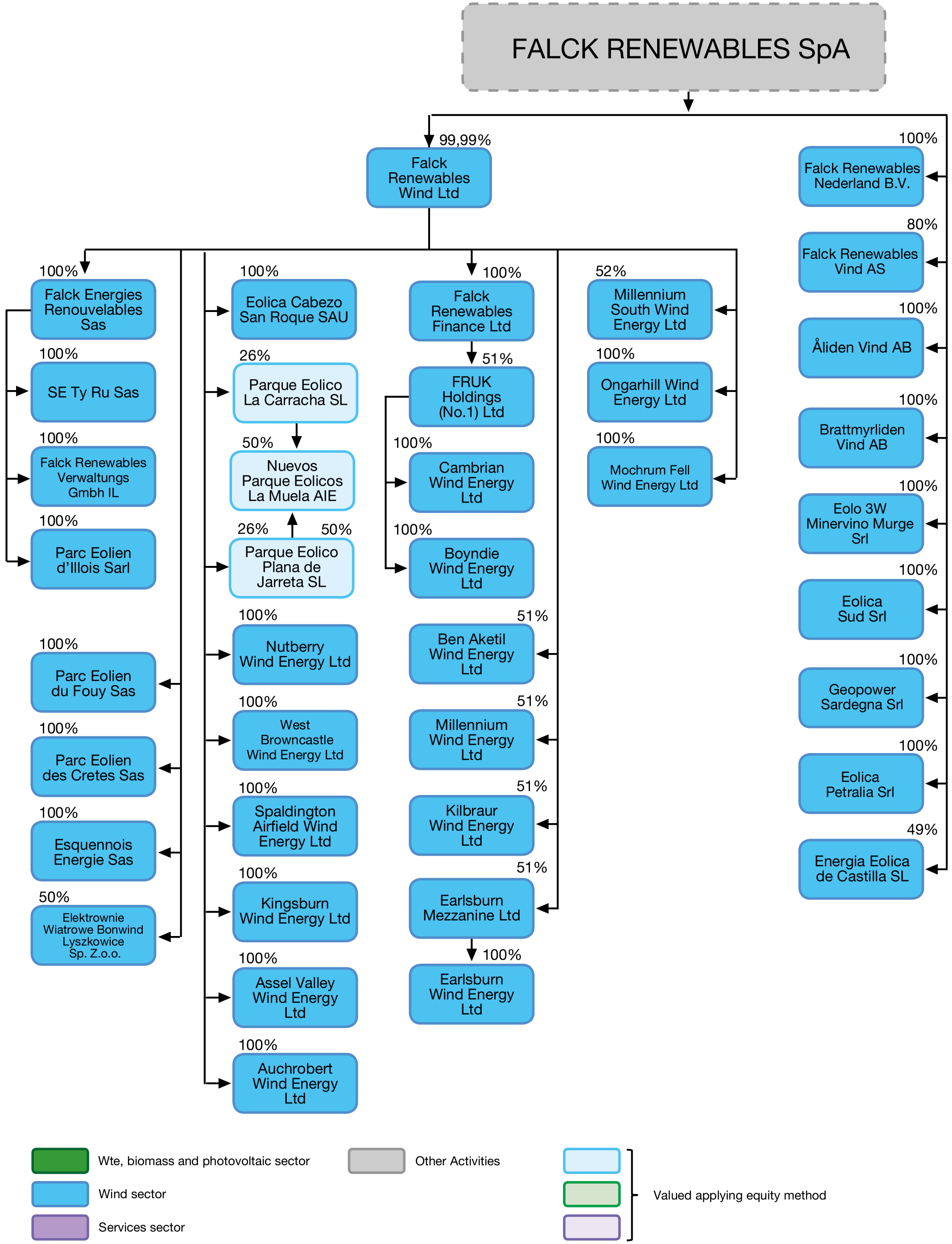
Independent auditors

EY SpA

3

Group Structure





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

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Consolidated financial highlights

(EUR thousands)	2018	2017*	2016	2015
Revenues	335,889	288,619	249,622	270,740
EBITDA (1)	191,456	149,366	136,292	152,375
Operating profit/(loss)	115,463	75,372	59,644	66,313
Profit/(loss) for the year	60,422	31,458	1,865	18,696
Falck Renewables SpA profit/(loss) for the year	44,159	19,788	(3,935)	5,275
Earnings per share (EUR) (2)	0.153	0.068	(0.014)	0.018
No. shares in circulation (annual average) in thousands	289,522	289,963	290,954	290,954
No. shares in circulation (end of the year) in thousands	289,204	289,904	290,954	290,954
- Net financial payables (credits)	(191,171)	(255,070)	(231,550)	(68,097)
- “Non-recourse” project financing	700,365	793,138	734,875	634,699
Total net financial position without derivatives (credits)	509,194	538,068	503,325	566,602
- Interest rate derivative financial instruments (credits)	35,671	46,569	58,791	62,153
- Commodities derivative financial instruments (credits)	1,824			
- Foreign exchange derivative financial instruments (credits)	478	(90)	(160)	1,095
Total net financial position with derivatives (credits)	547,167	584,547	561,956	629,850
Equity	556,120	497,559	475,859	518,971
Equity attributable to Falck Renewables SpA	501,424	449,226	439,994	472,472
Equity holders earnings per share (EUR) (2)	1.732	1.549	1.512	1.624
Capital expenditure	86,976	28,038	92,464	60,042
EBITDA/Revenue	57.0%	51.8%	54.6%	56.3%
Operating profit/Revenue	34.4%	26.1%	23.9%	24.5%
Profit for the year/Equity	10.9%	6.3%	0.4%	3.6%
Net financial position/Equity	0.98	1.17	1.18	1.21
Total number of group employees (no.)	460	351	329	305

(1) EBITDA = EBITDA is measured by the Falck Renewables 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. This amount was calculated applying best market practice taking into consideration the Group’s most recent financing contracts.
(2) Calculated according to the average annual number of shares.

(*) 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. For more details, please refer to the Notes to the Consolidated Report.

5

Directors' Report

OPERATING PLANTS/UNDER CONSTRUCTION PLANTS

- HEADQUARTERS
- PHOTOVOLTAIC ENERGY
- THERMAL PLANTS: WASTE TO ENERGY/BIOMASS ENERGY
- WIND ENERGY
- UNDER CONSTRUCTION

Dear Shareholders,

The parent company's separate financial statements and the consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS).

5.1 Economic framework

In 2018, the upward trend in the wholesale price of electricity, which began in 2017, was confirmed. The main cause of this growth is the sharp rise in commodity prices, in particular:

- the price of CO2, which increased from € 7.81/tonne to € 24.26/tonne (+211%) after the approval of Directive 2018/410/EU, which revises the rules of the EU ETS mechanism for the 2021-2030 period;
- the average price of gas, with the TTF, the main HUB of reference for the European market, which went from € 17.97/MWh to € 21.88/MWh (+22%) after the fall in production capacity of the Dutch Groningen gas field and the lengthening of maintenance times for the TENP (Trans Europa Natural Gas Pipeline) pipeline.

These factors are compounded by French nuclear production of 17.26 TWh, about 1.5 TWh lower than the historical average and only 0.8 TWh above the minimum levels reached in 2017, and strong geopolitical instability throughout Europe, particularly regarding Brexit, which has increased the tension among operators in the electricity market.

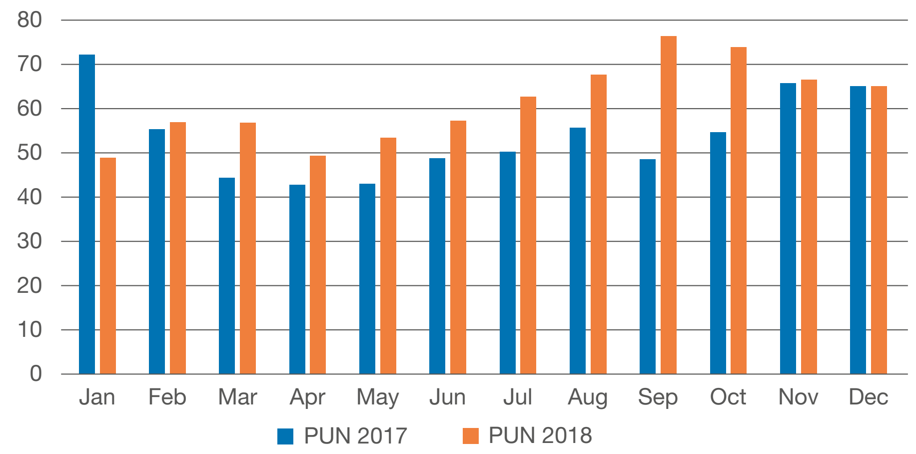
Faced with these factors, energy prices in the main countries of interest to the Falck group rose in 2018, from +9.67% in Spain to +49.57% in the Nordic countries.

Country	2018 price [EUR/MWh]	2017 price [EUR/MWh]	Delta [17/18]
Italy	61.31	53.95	**+13.64%**
UK	57.25 [GBP/MWh]	45.30 [GBP/MWh]	**+26.38%**
Spain	57.29	52.24	**+9.67%**
Nordpool	43.99	29.41	**+49.57%**
France	50.20	44.97	**+11.62%**
Germany	44.47	34.19	**+30.06%**

Source: GME and N2EX

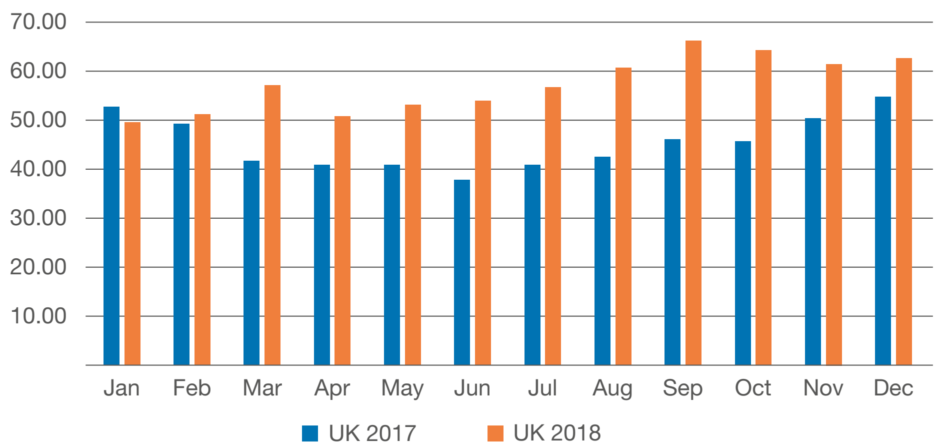
In Italy, the average Single National Price (PUN) rose to € 61.31/MWh in 2018, up by 13.64% on the prior year 2017 (€ 53.95/MWh) and 43.31% on 2016 (€ 42.78/MWh). The month with the highest price was September (€ 76.32/MWh), down from the peak reached in January 2018 when the French nuclear crisis hit hardest. In particular, the second and third quarters had very high prices, resulting from the sharp rise in EUA certificates that began in June. These increases raised the production cost of combined cycle plants, which are the marginal producers of the Italian system, creating a cascade effect. In the first quarter of 2018, the PUN was € 54.21/MWh compared to € 57.48/MWh in 2017 (-5.69%). This drop was mainly due to the resumption of production at French plants, resulting in more energy entering Italy, and higher hydroelectric production. The growth trend resumed during the second quarter, which recorded a value of € 53.37/MWh, +18.84% compared to 2017 (€ 44.91/MWh). The third quarter (€ 68.83/MWh) also closed up by 33.41% compared to 2017 (€ 51.59/MWh), as a result of the sharp rise in gas and CO_2 prices. Finally, the last quarter of 2018 (+10.97%) saw prices stabilise in October and November before the classic decline due to the end of the year. The GRIN incentive (ex-Green Certificate) rose to € 98.95/MWh in 2018, against € 107.34/MWh the previous year.

PUN 2017-2018 (EUR/MWh) - Source GME



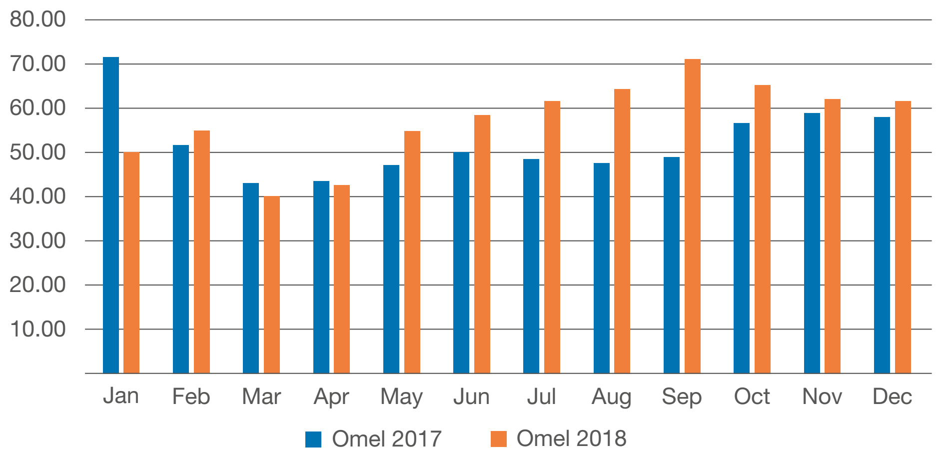
The UK market was affected by the rise in natural gas prices: in 2018 the price of electricity was £ 57.25/MWh, compared to £ 45.30/MWh the previous year (+26.38%), and increases were seen in each quarter. After starting slightly above the previous year, the first quarter (£ 52.65/MWh) recorded an increase of 9.77%. Prices grew strongly from the second quarter onwards (£ 52.65/MWh): +31.62% in the second and +42.04% in the third quarter, with the September price reaching a record of £ 66.13/MWh. Prices in the last three months of the year were also high due to the rise in the cost of emissions and the uncertainties linked to Brexit (+25.15%).

N2EX 2017-2018 Day Ahead prices (GBP/MWh) - Source N2EX



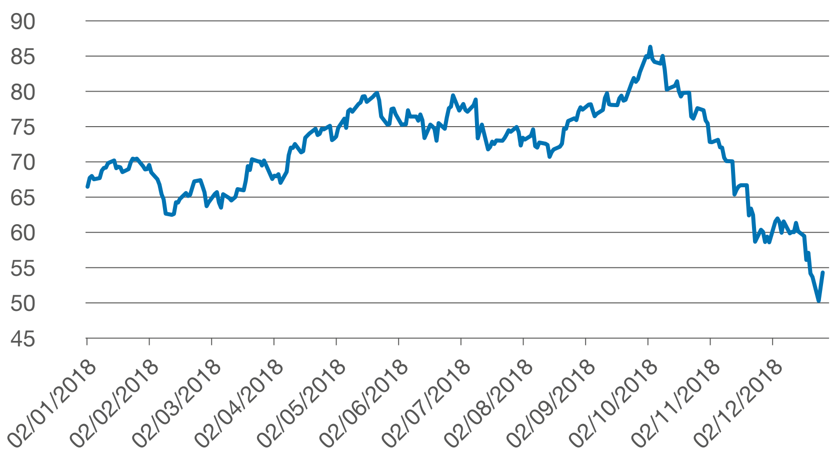
The electricity prices in Spain followed the same trend as elsewhere, although less markedly, with 2018 closing at € 57.29/MWh (+9.67% on 2017). The first quarter, given the stabilisation of the nuclear situation in France, saw a decrease of 14.30% compared to 2017. However, the price increases resumed in the second quarter in response to the rise in commodity prices. In particular, the third quarter recorded the greatest fluctuation compared to the previous year (+90.58% to € 65.77/MWh vs. € 34.51/MWh).

OMEL Day-Ahed (EUR/MWh) - Source GME



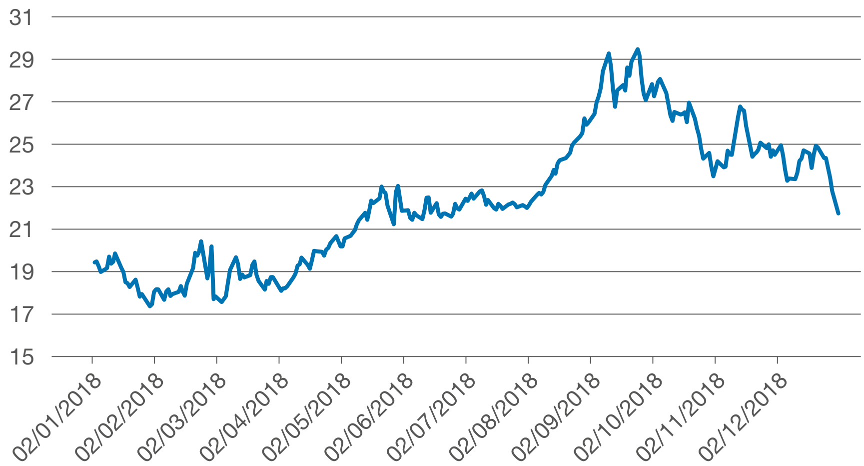
Turning to the performance of other commodities in Europe, Brent oil closed 2018 at an average of $ 71.91/ barrel, up by $ 17.2/ barrel on average prices in 2017. Price performance followed two contrasting phases during the year. An initial part of the year where Brent continued to climb slightly but almost steadily, reaching its highest level in recent years at $ 86.29/Barrel in October, was followed by a sharp fall that brought the price at the end of the year to $ 54.47/Barrel, at the levels of early 2017. This trend was generated by a combination of factors, including a decline in global economic growth prospects and US-China trade tensions. In the meantime, supply rose significantly, especially in the US and Russia, with production at its highest in the last 10 years and in OPEC member countries due to strong pressure from President Trump ("OPEC monopoly must get prices down now").

Brent (USD/Bbl) - Source Reuters



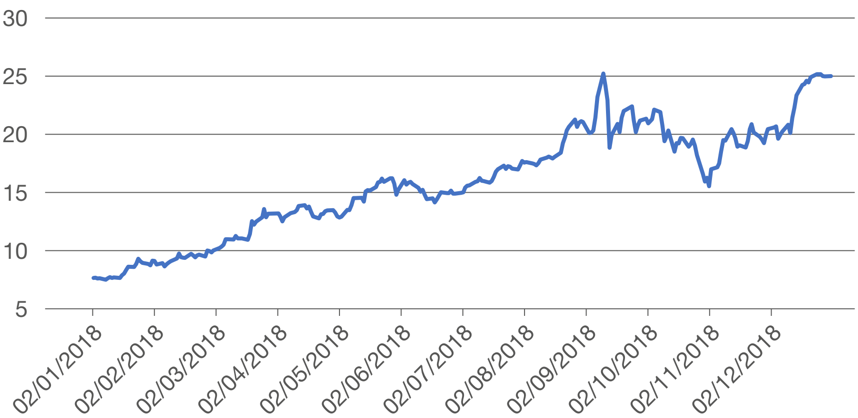
As described, the price of gas also rose in 2018. In particular, the TTF, the main European hub, closed the year with average spot prices of € 21.88/MWh, which rose exponentially compared to the previous year. The first quarter saw prices stabilise, mainly due to a warmer winter than forecast. Growth started slowly but steadily at the beginning of the second quarter as a result of the decrease in the extraction capacity of the Groningen gas field, but then increased more sharply in the third quarter, driven by speculation on emission certificates (EUA), which affected all energy commodities, and by the rise in oil prices. At the end of the year there was a slight decrease due to the fall in Brent prices. In Italy, according to initial estimates, consumption decreased by 3.4% compared to 2017. The biggest decline was in January, with a fall of almost 21%. Consumption in all sectors fell in 2018, although most of the decline came from thermoelectric power plants (-8.1%).

TTF (EUR/MWh) - Source Reuters



The EUA certificate of CO_2 chart is of particular interest this year: as mentioned above, the uncertainty generated by the approval of Directive 2018/410/EU in the first part of the year led to a steady increase in these certificates. In the second quarter many operators decided to take advantage of the situation by taking speculative positions in the market, generating considerable uncertainty about the true value and significantly increasing volatility.

EUA (EUR/Tonne) - Source Reuters

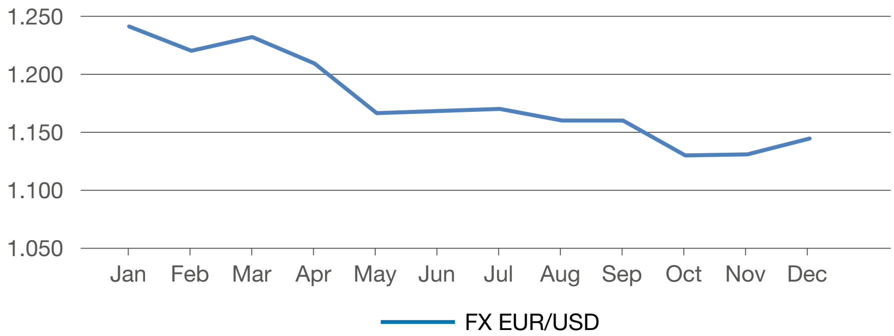


As a result of trade wars and geopolitical tensions, 2018 saw a slowdown in global economic growth, which remained at the previous year's level of +3.7%. According to the latest IMF estimates, Italy's GDP has also slowed, with the most optimistic forecasts putting growth at 1.2% in 2018 and 0.6% in 2019, compared to 1.5% in 2017. Initial ECB figures put Eurozone GDP growth at 2% compared to +2.4% in the previous year, confirming the global economic slowdown. Inflation is expected to remain low. In the euro area, it reached 1.8% in 2018, which is expected to continue in 2019, while it is expected to fall to 1.6% in 2020.

In terms of currency exchange rates, the US dollar strengthened against the Euro throughout 2018, following the economic growth trend in the United States.

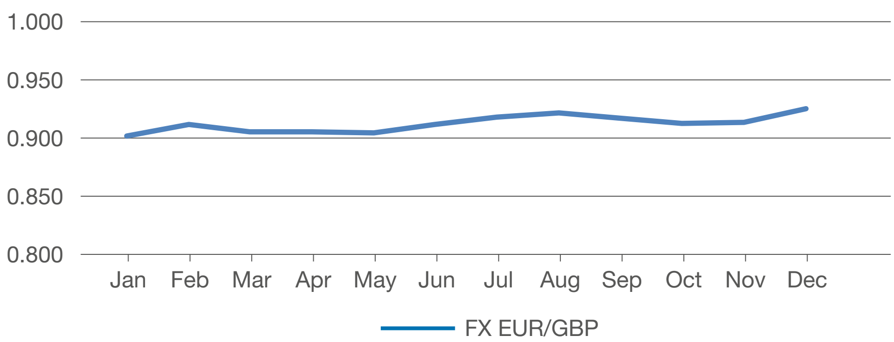
In the third quarter of 2018, the EUR/USD exchange rate fell below the ratio of 1.15, returning to the levels of summer 2017.

FX EUR/USD - Source Bloomberg



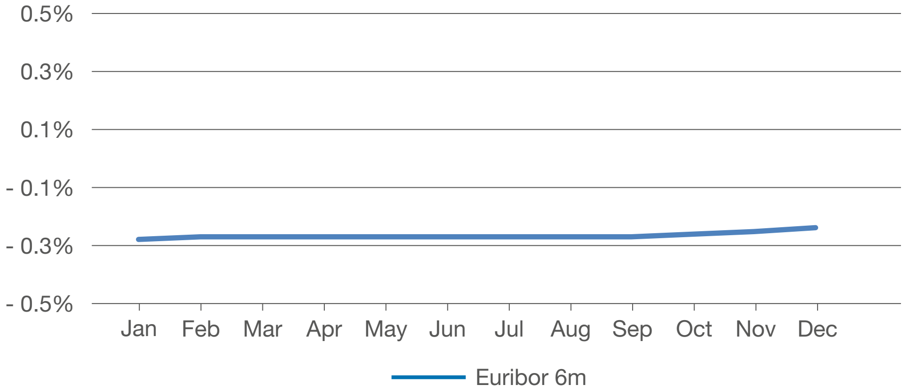
The EUR/GBP exchange rate remained stable between 0.85 and 0.90 throughout 2018.

FX EUR/GBP - Source Bloomberg



Looking at interest rates, the 6-month Euribor remained negative throughout 2018, in line with the ECB's monetary policy aiming to support economic growth in the Euro area.

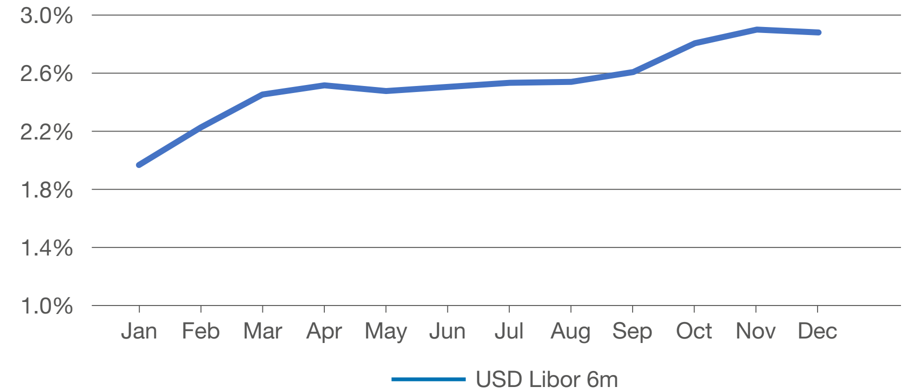
Euribor 6m - Source Bloomberg



Interest rates on the US dollar were affected by the interventions of the FED during the year (the last increase in the official rate to 2.50% was in December 2018) and by expectations of restrictive monetary policy.

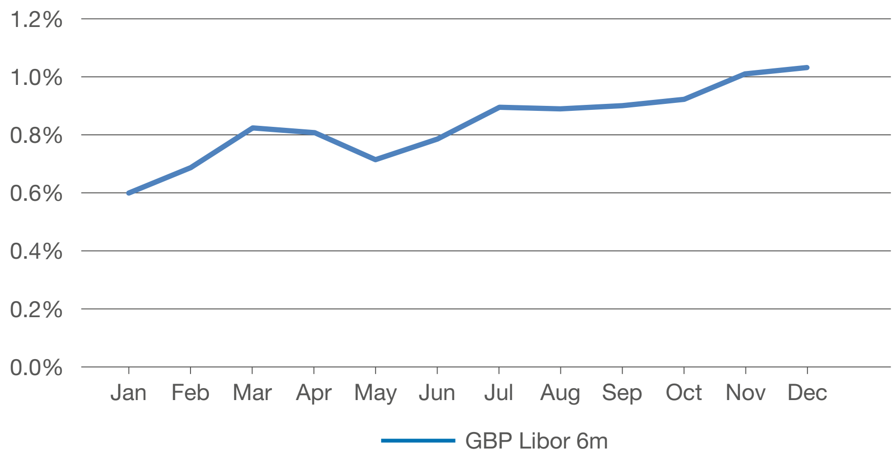
As a result, the USD Libor maintained a growth trend throughout the year.

USD Libor 6m - Source Bloomberg



In the United Kingdom, the money market stood out for its growth trend in early 2018, on the expectation of an increase in interest rates by the Bank of England (BoE).
In August 2018, the BoE raised the official rate from 0.50% to 0.75%.
The Sterling Libor, which had already anticipated the BoE's market moves, confirmed the upward trend in rates in the second half of 2018 to settle above 1% at the end of the year.

GBP Libor 6m - Source Bloomberg



5.2 Falck Renewables Group operating and financial review

5.2.1 Falck Renewables Group profile

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

As at 31 December 2018, Falck Renewables SpA and its subsidiaries (the "Group") were mainly active in Italy, the United Kingdom, Spain and France and, as a result of recent acquisitions, also in the United States, while ready-to-build projects were acquired in Norway and Sweden, some of which are already under construction, and the development of new plants was boosted 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, photovoltaic plants, 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 revenues from selling energy and from incentive tariffs applicable to the Group's wind farms;
- WtE, biomass and solar, which mainly earn revenues by selling electricity, treating and providing waste used to generate electricity in WtE plants. For solar plants, significant revenues also comes from incentives under the Energy Account in Italy and investment incentives in the US, while for biomass plants, revenues is mainly earned on applicable incentives (ex-"green certificates");
- The Services sector, consisting mainly of (i) the Spanish group Vector Cuatro acquired in 2014, active in the services and management of plants for the production of renewable energy, with a deep-rooted and extensive international presence, and (ii) Energy Team SpA, acquired in October 2018, a leading company in Italy for consumption monitoring and flexibility management services on the energy markets.

5.2.2 Regulatory framework

The European Union endorsed the Kyoto Protocol and has developed a specific energy strategy aimed at facilitating renewable energy use.
Directive 2009/28/EC set targets for the development of renewable sources for each Member State and requires that each State develop its own National Renewable Energy Action Plan. Italy announced its National Renewable Energy Action Plan to the European Commission on 30 June 2010, pledging that by 2020 17% of gross domestic consumption, including 6.38% of energy consumption in the transport sector, 28.97% of electricity and 15.83% of heating and cooling, will be met through renewable energy.
At the World Climate Conference held in Paris, December 2015, delegates from 195 countries signed an agreement committing to reduce polluting emissions in order to maintain the increase in temperature under 2 degrees, and make efforts to keep it within 1.5 degrees, and stop the increase of greenhouse gas emissions as soon as possible, reaching the point when the production of new greenhouse gases will be low enough to be absorbed naturally in the second half of the century. They also agreed to monitor progress every five years at new Conferences, and lastly to invest $ 100 billion 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 - called "Clean Energy for All Europeans" - was discussed in the European Parliament and Council during 2018. On 21 December, EU Directive 2018/2001 ("REDII") was published in the Official Journal of the European Union, setting a binding target of 32% for renewable sources by 2030. At the same time, Regulation 2018/1999 on governance and Directive 2018/2002 on energy efficiency were published. In addition, an agreement was reached between the Council, Parliament and Commission on the Electricity Regulation and the Directive, which will be definitively approved in 2019.
In accordance with the provisions of the Regulation on Governance, each Member State has produced and sent to the European Commission an initial proposal for a National Energy and Climate Plan, which must be finalised by the end of 2019 and must contain detailed information on the policy instruments that will be implemented to achieve the EU targets by 2030.

Rende (Cosenza) biomass and photovoltaic plant

Recent changes in tax law

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

In Italy, Decree 119/2018 (published in the Official Gazette on 23 October 2018) once again extended for Italy the new provisions introduced in the VAT area by the 2015 Stability Law (Law 190 of 23 December 2014) concerning the application of the so-called "reverse charge" mechanism to the sale of gas and electricity to a taxable dealer, including the sale of so-called gas and electricity “Green Certificates”. The deadline for the application of this mechanism, originally set at 31 December 2018, is


Trezzo sull'Adda (Milan) WtE plant

now extended to 30 June 2022. 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. Again, with reference to Italy, it should also be noted that the Budget Law for 2019 raised the percentage of capital property tax (IMU) deductible from corporate income relative from 20% to 40%. On the other hand, it also confirmed that the same tax cannot be deducted for regional business tax (IRAP) purposes.

With reference to the United Kingdom, the corporate income tax rate was confirmed at 19%, reduced to 17% from 2021.

In France, the reductions in the tax rate were confirmed, setting a rate of 28.92% for 2020, 27.37% for 2021 and 25.83% from 2022. Again, with reference to France, like other European countries, the rules on the deduction of financial components have been modified to bring them into line with EU Directive 2016/1164, the so-called ATAD - Anti Tax Avoidance Directive. This amendment, which affects an already particularly strict set of rules, has no substantial impact on the current structure of the Group in France.

Meanwhile, 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. Taxes for the period have been calculated in accordance with current legislation. Finally, it should be noted that according to the instructions issued by the IRS at the end of 2017, solar plants can benefit from the "ITC" credit provided that the plant construction starts before 1 January 2020 and that the plant is put into operation before 1 January 2024.

There has been a progressive reduction in the tax rate in the Netherlands, Sweden and Norway.

In the Netherlands, the corporate tax rate is 22.5% from 2020 and will be reduced to 20.5% for tax periods after 2021.

As regards Sweden, the corporate income tax (CIT) rate has been further reduced with a progressive reduction of the rate to 21.4% starting from financial year 2019 and to 20.6% starting from the financial year following that closed on 31 December 2020.

Lastly, the Norwegian 2019 budget also reduced the corporate income tax rate (CIT) from 23% to 22%, effective from 2019.

- ***Italy: Regulation of the wind, WtE, biomass and solar 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:

- incentive tariffs, formerly Green Certificates (GC);
- the Energy Account governing solar plants;
- the Energy Account for solar thermodynamic plants.

The Granarolo dell'Emilia plant, owned by Frullo Energia e Ambiente Srl, 49% owned by the Group and consolidated using the equity method, benefitted from the portion of the incentive relating to the so-called "avoided costs" under CIP 6/92 up until 31 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 be 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 requires all IAFR plant owners to sign the so-called GRIN Agreement (Incentive Recognition Management).
GRIN agreements have therefore been signed with the entitled Group companies (except for Prima Srl, which 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.
On 16 November 2018, the Lazio Regional Administrative Court, with sentence no. 11136, annulled the draft agreement of 20 April 2016 because it had been adopted by the GSE in the absence of the power to impose the agreement with reference to power plants powered by renewable sources already incentivised with Green Certificates. Possible impacts and consequences of this ruling will be assessed after any actions that the GSE takes in this regard.

Resolution 16/2019/R/efr dated 22 January 2019 stated that the average 2018 electricity sale price (€ 61.91/MWh) should be used to calculate the incentives replacing GC in 2019. For the year 2019, the value of the Incentive Fee was set at € 92.11 per MWh. The GRIN incentive (ex-Green Certificate) rose to € 98.95/MWh in 2018, against € 107.34/MWh the previous year.

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-solar 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 solar plants and was originally introduced by Ministerial Decrees (MD) 28 July 2005 and 6 February 2006 (First Energy Account), which were subsequently amended by MD 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 solar systems including those that commenced operations after 31 December 2010, provided that (i) by 31 December 2010 the solar 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 6 August 2010 (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.

All of the Group's solar 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 into operation, 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 Minister of Economic Development decree and vary between 15% and 25% for the Group;
c. retaining the current 20-year incentive period, the tariff is reduced for the remaining incentive period by a percentage of the incentive awarded at the time the existing legislation came into force as follows:
    1) 6% for plants between 200 kW and 500 kW;
    2) 7% for plants between 500 kW and 900 kW;
    3) 8% for plants with nominal capacity in excess of 900 kW.

The Group has chosen option c) point 3.


Buddusò – Alà dei Sardi (Olbia Tempio) wind farm

Following an appeal filed by a number of operators, the Regional Administrative Court 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 court declared the question of the constitutionality of Article 26, Paragraphs 2 and 3 set forth in competitiveness Legal Decree 91/2014 ungrounded. After the Constitutional Court rejected the findings of constitutional legitimacy, the Regional Administrative Court decided to refer the matter to the European Court.
On 21 February 2017, the GSE published "DTR" for plants receiving incentives under the Energy Account ("Procedures for managing maintenance and technological modernisation of plants"). The document aims to "reduce and simplify operator requirements" to the GSE and "make it easier to achieve general environmental sustainability objectives". It also opens new possibilities for revamping and repowering plants.

c) Feed-in tariff for solar thermodynamic plants

Ministerial Decree 6 July 2012 (Article 28) implementing Directive 2009/EC/28, extends MD 11 April 2008 “governing the criteria and procedures to promote the production of electricity from solar energy by way of thermodynamic cycles”, which would otherwise 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 for the thermodynamic component.

La Calace (Solar Mesagne – Brindisi) photovoltaic plant

Cardonita – Centuripe (Enna) photovoltaic plant

Other major events affecting the regulatory framework governing renewable electricity production

National Energy Strategy (SEN)

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

New balancing regulations

In recent years, while awaiting the publication of the so-called European Balancing Network Code, the authority has repeatedly intervened in relation to actual imbalances. Following consultation document 277/2017/R/eel, on 8 June 2017 the Authority issued resolution 419/2017/R/eel introducing the new system for calculating the aggregated zonal imbalances (as defined by Terna) from 1 September 2017, which effectively makes it difficult for operators to forecast the zonal sign, and therefore to use this forecast to their own advantage. The document also confirms the proposal to maintain the single price system for all non-enabled units from the same date, thereby confirming the calculation system for all the Group's plants. In contrast, from 1 July 2017 it also introduced 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 on 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.
On 14 November 2018, Terna published the procedure for the forward procurement of dispatching resources provided by the Mixed Virtual Enabled Units (UVAM), as part of pilot projects for participating in the dispatching of renewables, demand, distributed generation, storage and electric mobility. Falck Renewables Energy Srl has qualified a 1.3 MW UVAM, which will be able to participate in procurement procedures during 2019.

Energy management

The implementation of more active Group energy management continued in 2018 with the main objective of mitigating and managing risk while maximising revenues. Continuing with the strategy outlined in the Industrial Plan, the Energy Management team increased the share of the Group's plants managed by Falck Renewables Energy Srl (FRE), as a user of feed-in dispatching. In fact, in 2018 the wind farms of Eolo 3W and Eolica Petralia and the solar plants of Actelios Solar were added to the portfolio managed by FRE, with the exception of the solar plant of Trezzo which remained in Dedicated Retreat (RiD). As of 1 January 2019, the Geopower and Eolica Sud plants were also taken over by FRE. In 2019, therefore, Falck Renewables Energy will have all the Group's Italian plants under its dispatching contract (with the exception of the Trezzo solar plant).
This will 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.

- ***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 Royal Decrees (RD) 436/2004 and 661/2007. New regulations were approved in July 2010 which do not materially impact the Group’s wind farms falling under the RD 436/2004.
RD 436/2004 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).

RD 436/2004 was superseded by RD 661/2007, which 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 RD 436/2004. 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).


La Muela (Aragon- Spagna) wind farm

RD 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 (RD 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 RD 29/2012).
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.
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 revenues 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 revenues. 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 Renewables Obligation Certificate (ROC) market. The ROC market mechanism replaced the previous "Feed-in Tariff" system (FiT – an all-inclusive system covering energy and incentive), the so-called "Non Fossil Fuel Obligation" (NFFO).

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

Millenium (Great Britain) wind farm

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 2006 ROs (England and Wales) and the 2007 ROs (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 ROCs and Scottish Renewable Obligations Certificates (SROCs) on behalf of the Gas and Electricity Markets Authority (GEMA). The ROs 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 RO scheme 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

Assel Valley (Great Britain) wind farm

April 2013. Onshore wind farms that commenced operations after April 2013 will be awarded 0.9 ROCs for each MWh produced.

Boyndie (Great Britain) wind farm

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 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).

Auchrobert (Great Britain) wind farm

NGET and OFGEM held an organised consultation process to assist the overhaul of the entire tariff system and determination

Ben Aketil (Great Britain) wind farm

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.

The provisions on network usage charges are likely to be subject to further changes following a new and more significant revision managed by the regulatory authority OFGEM. The ongoing review, which is currently the subject of a sector consultation, aims to address the main changes that have taken place since the current regime was introduced. The changes with the greatest impact on Falck's UK generation fleet are likely to involve the payment of Embedded Benefits, originally designed to remunerate embedded generation plants that help to compensate for the amount of energy to be imported from the transmission grid to the hubs of the connection network. However, as the national energy mix has evolved, the amount of generation embedded in the system has increased to such an extent that some of the grid's hubs are now considered as net exports of energy to the transmission grid (i.e. the reverse of the original situation). The review is also considering a reform of the balancing charges (which currently do not apply to embedded plants) and represents a long-term solution for the small producer reduction mechanism that applies to plants below 100 MW connected to 132 kV in Scotland.

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


Le Fouy (France) wind farm

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/KWh subject to annual indexation) for the first ten years of generation, while the tariff for the last five years of the contract is linked to the volume of energy produced in the first ten years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15-year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years.

Esquennoy (France) wind farm

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. According to the plan, the maximum value of the base tariff is € 74.8/MWh (this maximum value will be reduced to € 70/MWh by 2020);
   b. If the project involves a participatory investment (with a minimum of 40% of shares) or financing (with a minimum of 10% excluding senior debt) with local and/or private public bodies, the level of the base rate will increase as follows:
      i. participatory investment (≥ 40% of shares): € 3/MWh
      ii. participatory financing (≥ 10% excluding senior debt): € 1/MWh,
      iii. from 20% to 40% shares: linear scaling;
   c. The CfD contract has a 20-year duration;
   d. The basic level of the tariff is subject to annual indexing.

The multi-year tender program for onshore wind farms published on 5 May 2017, and modified in 2018, aims to incentivize 3.38 GW of aggregated capacity from December 2017 to June 2020.

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 1 September 2018, the onshore wind capacity installed in France is equal to 14.3 GW.

- ***US - regulatory framework in the solar sector***

The Falck Renewables Group has been operating in North Carolina since December 2017 with a 92 MW solar plant, and in Massachusetts since June 2018 with four solar 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 solar 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

<u>*Solar Investment Tax Credit (ITC)*</u>
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.

<u>RECs</u>
The North Carolina RPS specifies that public utilities can purchase RECs (Renewable Energy Certificates) in order to meet the requirements of the RPS. 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,

IS42 (North Carolina – USA) photovoltaic plant

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, the eligible solar systems produce Solar Renewable Energy Certificates (SRECs), which energy suppliers purchase to comply with the solar carve-out of the RPS. As a result of changes introduced to the objectives of the RPS, new SREC quotas have been created. The first program, the Solar Carve-Out Program (later called Class I SREC) was replaced by the Solar Carve-Out II Program (or Class II SREC). In general, Class I SRECs apply to solar systems built on or after 1 January 2008, while Class II SRECs apply to projects built on or after 1 January 2013. The SREC-II program was replaced in November 2018 by the new Solar Massachusetts Renewable Target (SMART). This program provides for the application of a graduated incentive differentiated by territory and type of technology. The percentages of the various SMART incentive groups decrease as each band is saturated and vary according to the size of the project and the territory in which the utility is located. The plants can also receive additional tolerance percentages based on the type of off-taker, location, monitoring and the presence of storage systems.

Middleton (Massachusetts) photovoltaic plant

Middleton (Massachusetts) photovoltaic plant

The price of the SRECs 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 5% detraction for administrative expenses. SREC 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.

- New York

Unlike most state-run RPS programs that require utilities to provide a certain percentage of their electrical load through renewable energy, the State of New York uses a centralised procurement model. As the central procurement agency, the New York State Energy Research and Development Authority (NYSERDA) manages several renewable development programs within the state. In return, NYSERDA holds all rights and concessions relating to the renewable qualification of the electricity generated, which is taken into account for the achievement of the State's RPS objectives.
The RPS is an integral part of the Clean Energy Standard (CES), a further measure that sets a state target of 50% renewable electricity by 2030, with a progressive transition programme from 2017 onwards.
The New York State RPS requires each load serving entity (LSE) - including any entity or organisation such as licensed utilities, municipalities and electricity cooperatives, necessary for the supply of energy or energy services to end customers - to provide its end customers with certificates associated with new renewable sources, called Tier 1 Renewable Energy Credits (RECs). The LSEs have several solutions to ensure compliance with the system: the purchase of Tier 1 REC from NYSERDA; the direct procurement of Tier 1 REC through agreements with renewable producers or intermediaries; the self-supply of Tier 1 REC; the payment of Alternative Compliance Payment (ACP); or a combination of these options. Unlike other countries where Tier 1 certificates are reserved for a particular set of renewable energies, ESC Tier 1 is designed to promote technologies that qualify as new renewable sources. All qualifying installations that commenced operation after 1 January 2015 are classified as Tier 1 sources.

The CES has a further mechanism requiring LSEs to purchase Zero-Emissions Credits (ZECs) from NYSERDA, the value of which is estimated on the basis of the amount of government load or energy required, pro rata for each LSE, in a given year of compliance.

RECs
The CES sets the amount of load that Level 1 RECs can cover annually. Following the revision introduced by the Phase 2 Implementation Plan in December 2017, utilities are expected to meet an annual first-level REC target of 0.15% by 2018, 0.78% by 2019, 2.84% by 2020 and 4.20% by 2021. Utilities meet their commitments by purchasing the required amount of RECs from NYSERDA or other sources. Since 2018, NYSERDA has been selling Tier 1 RECs to utilities on a quarterly basis, if available. For the 2018 commitment period, the price of certificates is set at $ 17.01/MWh. In addition, Level 1 RECs are made available in subsequent years if some of them have not been purchased.
The New York Generation Attribute Tracking System (NYGATS), operated by NYSERDA, is responsible for monitoring and reporting information on electricity produced, imported and consumed within the state. NYGATS must also demonstrate LSE compliance and progress towards the CES target of 50% renewables by 2030. Utilities must register with NYGATS to create an account through which to manage their CES obligations. LSEs that fail to meet their obligations are required to pay an ACP to NYSERDA as an alternative compliance system. The ACP tariff is $ 18.71/MWh for application year 2018 and represents the maximum potential cost of an REC.

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

Åliden (Sweden)

Åliden (Sweden)

- ***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.

Hennøy (Norway)

Hennøy (Norway)

5.2.3 Performance

The Group uses the following alternative performance indicators:

- 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 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.

The accounting standards and concepts applied in the preparation of the financial statements at 31 December 2018 are in line with those adopted for the preparation of the previous year-end financial statements, with the exception of the implementation of new standards, amendments and interpretations that became effective from 1 January 2018 but do not have a material impact on the consolidated financial statements.

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 effects of these operations to be calculated at the renegotiation date, thereby requiring the amortisation plan to be recalculated, starting from the renegotiation date, adjusting 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 has therefore 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 impact in 2018 was an increase in financial charges of approximately € 5 million. The application of this principle increased the net financial position at 1 January 2018 by approximately € 17.4 million.

In 2018 the "Other assets" segment was introduced, consisting of Falck Renewables SpA, Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl and Falck Renewables Energy Srl. Until 31 December 2017, Falck Renewables Energy Srl ("FRE") was part of the "WtE, biomass and solar" 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 2017, we restated sector data at 31 December 2017 to make them comparable to those from 2018.

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 purchases were made in the last two quarters of 2017. For more details, please refer to the Notes to the Consolidated Report.

The Group's economic results at 31 December 2018 were higher than expected and showed strong growth compared to the previous accounting period thanks to: (i) the increase in electricity production; (ii) the increase in energy prices in some countries, which more than offset the reduction in energy prices in others; and (iii) cost-cutting and plant efficiency measures taken by management.

Consolidated revenues grew by € 47,270 thousand on the prior year (approx. +16.4%).

Annual electricity production was 2,187 GWh compared to 2,043 GWh in 2017, up 7% due mainly to solar production in the US compared to the same period of the previous year (+142 GWh) and the production of Auchrobert, which was powered up in April 2017 (+30 GWh). In general, although production increased in comparison to 2017, it remained 5% lower than forecast due to low winds in the UK and partly in Italy, Spain and France.

This significant increase in revenues is due to: (i) the increase in production due to the increase in installed capacity (933.5 MW in 2018 compared to 913 MW in 2017) compared to 2017, as a result of the acquisition of the Innovative Solar 42 solar plant (92 MW) in North Carolina in December 2017, which contributed to producing energy for the whole of 2018; (ii) the powering-up of the solar plant of HG Solar Development LLC in Massachusetts (6 MW) and the acquisition of three solar projects in Massachusetts, already in operation (14.5MW) in June 2018; (iii) the resale of energy purchased from the market by Falck Renewables Energy Srl, in order to mitigate the imbalance cost and optimise the sale, for € 14.2 million.

Conversely, prices for the sale of electricity from wind power increased significantly in the United Kingdom in 2018 (+15%), while in France the feed-in tariff mechanism essentially neutralised price fluctuations (+1%). In Spain, prices for the sale of electricity from wind power rose by 2%.
Still in the wind sector, Italy saw a 5% reduction in electricity sale prices, including the incentive component, compared with 2017.

Solar energy sale prices grew by 3% on the prior year in Italy, while prices remained unchanged in the US because the Innovative Solar 42 solar plant has a contract for the sale of electricity at a fixed reference price per MWh without an obligation to deliver the physical quantity not produced.

On the other hand, waste disposal prices rose by 20%, while the price of electricity for WtE plants fell by 15%.

In general, prices in the various countries where the Group operates were still, on average, significantly higher than the forecasts for 2018, which included expectations of price reductions.

Furthermore, with reference to production in the United Kingdom, the pound fell by an average of 0.9% against the euro in 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 December 2018	0.8945
End of period exchange rate 31 December 2017	0.8872
Average exchange rate 31 December 2018	0.8847
Average exchange rate 31 December 2017	0.8767

(EUR thousands)		31.12.2018	31.12.2017*
Revenue		335,889	288,619
Operating profit		**115,463**	**75,372**
EBITDA		**191,456**	**149,366**
Profit for the year		**60,422**	**31,458**
Profit for the year attributable to owners of the parent		**44,159**	**19,788**
Invested capital net of provisions		1,103,287	1,082,106
Total Group and third party equity		556,120	497,559
Net financial position - indebtedness/(asset)		**547,167**	**584,547**
of which “non-recourse” project financing		700,365	793,138
Investments		**86,976**	**28,038**
Employees at the period-end	(no.)	460	351
Ordinary shares	(no.)	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.

Revenue in 2018 may be analysed by sector as follows:

(EUR thousands)	2018	%	2017	%
Sale of electricity and thermal energy	295,270	87.9	255,307	88.5
Waste treatment and disposal	22,680	6.8	19,820	6.9
Operation and management of renewable power plants	12,903	3.8	11,178	3.9
Other operating income	5,036	1.5	2,314	0.8
Total	**335,889**	**100**	**288,619**	**100**

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

The efficiency improvement and repositioning of costs continued, aiming on one hand to reduce their incidence per MW installed, also thanks to the renegotiation of some costs, and on the other to increase Business Development activities.

As a result, EBITDA reached € 191,456 thousand (€ 149,366 thousand in the same period of 2017), corresponding to 57.0% of revenues (51.8% in 2017). EBITDA increased by € 42,090 thousand compared to 2017, an increase of +28.2%, a record high for the Falck Renewables Group.
Excluding from 2018 revenues the resale of energy purchased from the market by Falck Renewables Energy Srl in order to mitigate the cost of imbalancing and optimise sales, for € 14.2 million, EBITDA/revenues was of 59.5% (51.8% at 31 December 2017).

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 amounted to € 115,463 thousand, an increase of € 40,091 thousand over 2017 and corresponds to 34.4% of revenues (26.1% in 2017).
Operating profit was affected by allocations to reserves of around € 9 million, mainly for disputes and the impairment of receivables for the Sicilian project companies, the restoration of certain plant components in the US due to atmospheric events and the adjustment of future charges to be incurred for extraordinary maintenance work on Ecosesto SpA.

In 2017, operating profit was affected by allocations to the risk fund and bad debt provision, for a total of approximately € 14 million.

Following the impairment test carried out in 2018, the company wrote down (i) the Vector Cuatro contract portfolio due to the termination of some multi-year contracts for € 508 thousand, and (ii) the Ty Ru plant for € 1,177 thousand euro, of which € 261 thousand in goodwill; (iii) the Eolica Petralia plant for € 1,478 thousand; (iv) the Solar Mesagne plant for € 139 thousand; and (v) to restore the value of the Eolica Cabezo San Roque plant for € 946 thousand. The net impact of these impairments amounted to € 2,356 thousand.

Net financial charges increased by € 5,639 thousand compared to 2017.
The increase in financial charges is mainly due to the entry into force, as from 1 January 2018, of IFRS 9, which resulted in higher financial charges for the Group of approximately € 5 million.

Income tax as of 31 December 2018 totalled € 16,884 thousand (€ 10,983 thousand in the previous year).

This figure was affected by the significant growth in the Group's results. It should be noted that due to the excellent results in the calculation of the taxes for the period it was possible to deduct interest expenses not deducted in previous years, in application of the provisions of the Consolidated Income Tax Act, reducing the tax burden by € 1,986 thousand.

As a result of the above factors, **Net profits** posted a positive balance of € 60,422 thousand, equal to 18.0% of revenues. Minority interests increased (€ +4,593 thousand), mainly due to higher profits earned by wind farms located in the United Kingdom, as a result of which **the Group's share of net profit** was € 44,159 thousand, up sharply (+123%) compared with the € 19,788 thousand of the previous year.

2018 net profit, adjusted for the non-recurring effect of the closure of land disputes relating to some of the Sicilian projects under liquidation, was of € 53.3 million, while Group net profit was of € 37.3 million.

The **net financial position, net of the fair value of derivatives** showed net indebtedness of € 509,194 thousand, down from € 538,068 thousand at 31 December 2017.

The **net financial position including the fair value of derivatives (NFP)** totalled € 547,167 thousand at 31

December 2018 (€ 584,547 thousand at 31 December 2017).
The following components affected the variation in NFP: cash generated from operating activities, amounting to approx. € 141.1 million, offset by net investment, including the change in the consolidation perimeter, worth € 122.2 million in 2018, from the purchase of treasury shares and € 26.4 million in dividends distributed. The appreciation of the EUR against the GBP and USD had a positive effect on net financial debt in GBP of € 1.4 million, and the change in the fair value of derivatives had a positive effect on the net financial position of € 8.3 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 € 17.7 million.

Lastly, we note that the financial position includes non-recourse project financings ("Gross Project Debt") for a total of € 700,365 thousand at 31 December 2018 (€ 793,138 thousand at 31 December 2017).

The NFP comprises net financial liabilities of € 47,310 thousand relating to projects under construction and development that were not yet fully revenues generating at 31 December 2018; the net financial position net of this amount and the fair value of derivatives would have amounted to € 461,884 thousand.

The net financial position of the project companies (Project NFP) including Project Gross Debt, the fair value of derivatives used to hedge interest rate variations for the debt and the liquidity of the financing projects themselves is € 630,763 thousand.

Moreover, Gross Project Debt is hedged, using interest rate swaps, against interest rate variations for a total of € 596,631 thousand, equal to 85% of the debt.

As a result of these factors, even the net financial position of € 509,194 thousand (excluding the fair value of derivatives) is also hedged against interest rate variations using interest rate swaps or fixed rate loans for a total of more than 117% of the financial debt. This high percentage is due to the fact that, with gross financial debt hedged against interest rate, the Group has a total liquidity, including that of the companies in project financing for € 105,271 thousand, equal to € 218,188 thousand which is obviously not hedged against interest rate.

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

(EUR thousands)	**31.12.2018**
Total NFP without Fair Value of Derivatives	509,194
Total hedged against interest rate fluctuations	596,631
% Hedged/NFP net of derivatives	117%
Total Gross Debt with Fair Value of Derivatives (GD+FVD)	779,073
of which Project Gross Debt + Fair Value of Project Derivatives on interest rates	736,034
% Project GD with FV of Derivatives/(GD+FVD)	94%
Total Gross Debt without Fair Value of Derivatives (GD)	738,824
of which Project Gross Debt (Project GD)	700,365
% Project GD/GD	95%
Project Gross Debt (Project GD)	700,365
Total hedged against interest rate fluctuations	596,631
% Hedged/Project GD	85%
Total Gross Debt without Fair Value of Derivatives (GD)	738,824
Total hedged against interest rate fluctuations	596,631
% Hedged/GD	81%
Total net financial position with Fair Value of Derivatives (NFP)	547,167
of which Project Financing Net Debt (Project NFP) (*)	630,763
% Project NFP/NFP	115%

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

Capital expenditure for the period, amounting to € 86,976 thousand, represents the Group's financial commitment for plant and machinery, as well as for improvements to plant and equipment in operation.
Investments in property, plant and equipment amounted to € 51,703 thousand and mainly related to the construction of the Auchrobert wind farms in the UK (€ 459 thousand), Brattmyrliden (€ 6,397 thousand) and Åliden (€ 11,631 thousand) wind farms in Sweden, Falck Renewables Vind (€ 17,878 thousand) in Norway, of Energia Eolica de Castilla in Spain (€ 3,801 thousand), of the HG Solar plant in the US (€ 9,654 thousand) and of the solar plants of Fisher Road Solar I, LLC Syncarpha Palmer LLC and Syncarpha Massachusetts LLC in the US (€ 657 thousand) and other minor investments (€ 1,226 thousand).
Investments in intangible assets amounted to € 35,273 thousand and mainly relate to goodwill following the acquisition of Energy Team SpA for € 32,020 thousand and Windfor Srl for € 285 thousand, expenses incurred for the acquisition of software licences and management system development by the parent company Falck Renewables SpA for € 1,173 thousand and expenses on the concession of Falck Renewables Vind for € 1,469 thousand and for operating software, technical consultancy and internal costs.

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

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;
- Windfor Srl, 100% owned by Vector Cuatro Srl;
- Energy Team SpA, 51% held by Falck Renewables SpA;
- Energy Capital Srl, 100% held by Falck Renewables SpA;
- Mid Tech Srl, 100% held by Energy Capital Srl;
- Consorzio Energy Cloud, 44.12% held by Energy Capital Srl and 44.12% by Mid Tech Srl;
- Consorzio Energy Aggregator, 25.64% held by Energy Capital Srl and 25.64% by Mid Tech Srl;
- Energia Eolica de Castilla SL, 49% held by Falck Renewables SpA.

Investment in the acquisitions, recorded as a variation in the consolidation perimeter, amounted to € 35,383 thousand (including third party and acquired net financial position), in addition to investment in tangible and intangible assets described above.

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

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

(MW)

Technology	31 December 2018	31 December 2017
Wind	769.9	769.9
WtE	20.0	20.0
Biomass	15.0	15.0
Photovoltaic	128.6	108.1
Total	**933.5**	**913.0**

The installed capacity increased by 20.5 MW compared to 31 December 2017.
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 month of June, Falck Renewables DLP MA LLC also acquired three operating solar plants in Massachusetts, US, for a total of 14.5 MW.

In addition, on 6 December 2018 Falck Renewables SpA, through its subsidiary Falck Energies Renouvelables SAS, signed a preliminary agreement with Glennmont Clean Energy Coöperatief UA 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).
The closing is expected in March 2019.
If this capacity is also considered, the Group reaches 989.5 MW.

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

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

The reconciliation of equity and the profit for the year, as at 31 December 2018, may be summarised as follows:

(EUR thousands)	Share capital and reserves	Profit for the year	Total Group Equity
Falck Renewables SpA financial statements	**469,934**	**36,969**	**506,903**
- Difference between adjusted net equity of consolidated entities and carrying value of related investments	(76,269)	57,415	(18,854)
- Write-off of dividends from consolidated entities	53,113	(53,113)	
- Realized profits on sale of assets between Group companies, net of depreciation and amortisation	(1,085)	143	(942)
- Investments valued applying equity method	11,572	2,745	14,317
Group profit and equity	**457,265**	**44,159**	**501,424**

Note: the amounts are stated net of tax.

5.2.4 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	31.12.2018	31.12.2017
Gross electricity generated	GWh	2,187	2,043
Total waste handled	Ton	251,516	260,331

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

5.2.5 Share price performance

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

In 2018, the share price increased by 8% compared to the end of December 2017, reaching a value of € 2.345 per share. However, especially in the first quarter, the stock's performance showed marked volatility, mainly due to the instability of the Italian political situation, with results always exceeding expectations at each closing period. The weakness in September and October, again caused by external factors attributable to the Italian scenario, was fully recovered in the following months, allowing the share to improve compared to the end of the previous year: the presentation of the updated business plan on 12 December 2018, obtained the strong appreciation of the financial community. On that occasion, the Company updated the market on its growth strategy, initially presented at the end of November 2016 and subsequently updated in mid-December 2017, reaffirming the increase in its installed capacity and allocating significant resources to the growth of both service activities (with a strong acceleration of Energy Management and Energy Efficiency activities, in addition to the increase in Asset Management activities, also leveraging on investments in digitisation) and those related to asset development, improving all targets over the plan period and also providing for an increase in the dividend policy for the period 2019 - 2021: the common denominator that characterises the upward revision of the forecasts is the financial solidity that will provide the necessary flexibility to face the growth programmes even beyond the current business plan. Regarding our activities in the UK, there are potential uncertainties, mainly linked to the difficulty of concluding negotiations with the EU with a shared agreement, 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")*".
During 2018, the Group continued to focus on communicating the main points of the business plan and asset growth to the market, promptly updating the financial community on the progress of the new construction projects in the US, Northern Europe and Spain, as well as the acquisition of plants in operation in the US (solar) and France (wind), the latter to be completed during the first few months of 2019.
We also made a particular effort to meet more often with potential investors, both at home (Milan, several meetings) and abroad (New York, Paris with two meetings), Oslo, Frankfurt, London, Madrid and Vienna).

We held roadshows to meet the financial community, and took part in events held by brokers and specialised companies.
Our attendance at the Italian Investment Conference organised by Kepler Chevreaux and Unicredit in mid-May was also particularly important, as was participation in the Infrastructure Day organised in September by Borsa Italiana and its main brokers, where the company had the opportunity to meet a number of important 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.

5.2.6 Performance of the business sectors

The Falck Renewables Group operates in the following business sectors:

- WtE and waste treatment, biomass and solar;
- wind;
- services;
- other business.

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 solar sector***

Notarpanaro (Solar Mesagne – Brindisi) photovoltaic plant

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 business" segment was introduced, consisting of Falck Renewables SpA, Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and solar" 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. Data as of 31 December 2017 have been restated to reflect the composition of the new sectors.

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

(EUR thousands)		**31.12.2018**	**31.12.2017***
Revenue		67,801	60,361
EBITDA		**30,794**	**18,104**
Operating profit/(loss)		**11,572**	**152**
Profit/(loss) for the period		**8,387**	**(1,181)**
Group profit/(loss)		**7,734**	**(673)**
Intangible assets		**473**	
Property, plant and equipment		**240,138**	**203,192**
Net financial position - indebtedness/(asset)		**141,286**	**153,035**
of which non-recourse project financing		55,296	59,865
Investment in fixed assets during the year		**11,275**	**1,702**
Employees at the period-end	(no.)	84	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.

The sector shows revenue up by € 7,440 thousand compared to 2017 due to (i) the increase in production deriving from the increased solar production capacity (equal to € 9.4 million in increased revenue), partly offset by the scheduled stop (biennial) of the Rende hybrid plant and the decrease in the quantity of treated waste due to an accidental stop of the waste-to-energy plant in Trezzo sull'Adda; and (ii) the increase in waste disposal prices (+ 20%) partly offset by lower electricity sales prices, compared to 2017.

2018 was characterised by electricity sales prices, inclusive of the incentive component, down from 2017, for Italian WtE plants by 15%, biomass plants by 5% and up for Italian solar plants by 3%.
It should be noted that in the US, the Innovative Solar 42 solar 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.

As a result of the above trends, EBITDA also increased compared to the same period of the previous year (+€ 12,690 thousand, +70.1%) and amounted to € 30,794 thousand; when compared to revenues, it stood at 45.4% (30.0% in 2017).

EBITDA was also affected by the non-recurring cost (€ 7,098 thousand) 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.

Operating profit improved by € 11,420 thousand and now totals € 11,572 thousand.

Operating profit was affected by the provision of € 3,884 thousand for disputes with the Sicilian project companies in liquidation, € 1,075 thousand for the restoration of certain plant components in the US due to atmospheric events, and € 533 thousand for the adjustment of future charges to be incurred for extraordinary maintenance work on Ecosesto SpA.

Following the impairment test carried out in 2018, the Solar Mesagne solar plant was written down by € 139 thousand.

It should be noted that in 2017 provisions amounted to € 11 million and revaluations net of impairments in 2017 amounted to € 2 million.
The net financial position shows a net debt of € 141,286 thousand (€ 153,035 thousand at 31 December 2017), significantly better than the previous year due to the cash generated by the plants.
The net financial position includes non-recourse project financing for € 55,296 thousand (31 December 2017: € 59,865 thousand) and the fair value of derivatives to hedge interest rate exposure for € 2,587 thousand (€ 3,447 thousand at 31 December 2017).

In 2018, investments in tangible and intangible fixed assets amounted to € 11,275 thousand and mainly concerned the construction and purchase of the solar plant of HG Solar Development LLC in the US (€ 9,654 thousand), the purchase of the solar plants of Fisher Road Solar I LLC Syncarpha Palmer LLC and Syncarpha Massachusetts LLC in the US (€ 657 thousand) and improvements to the plants of Prima (€ 396 thousand) and Esposito (€ 176 thousand).

- *Wind sector*

Les Crets (France) photovoltaic plant

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

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

(EUR thousands)		31.12.2018	31.12.2017*
Revenue		238,948	216,759
EBITDA		**181,177**	**149,987**
Operating profit/(loss)		**128,158**	**99,103**
Profit/(loss) for the period		**69,605**	**47,477**
Group profit/(loss)		**53,960**	**35,299**
Intangible assets		**96,952**	**96,281**
Property, plant and equipment		**804,531**	**819,565**
Net financial position - indebtedness/(asset)		**473,264**	**570,956**
of which non-recourse project financing		645,069	733,273
Investment in fixed assets during the year		**43,763**	**25,830**
Employees at the period-end	(no.)	27	41

(*) 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 Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

In July 2018, Falck Renewables SpA and Falck Renewables Wind Ltd sold the company staff branches to Vector Cuatro Srl and to 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.

The increase in **revenue** (+€ 22,189 thousand, +10.2%) is mainly due to the increase in energy prices in the United Kingdom (+15%) and Spain (+2%), which were partly offset by the 0.9% devaluation of the GBP against the EUR, and by the 5% decrease in energy sales prices in Italy, including the incentive component;

in France, the Feed-in tariff mechanism essentially neutralised the price fluctuation (+1%).

Higher production also contributed to higher revenue, which in 2018 was equal to 1,812 GWh compared to 1,789 GWh in 2017 (+1%). Cost control continued thanks to the renegotiation of some contracts.

As a result of the above, EBITDA amounted to € 181,177 thousand, an increase of € 31,190 thousand (+20.8%) and, when compared to revenues, stood at 75.8% (69.2% in 2017).

Operating profit increased by € 29,055 thousand (+29.3%) compared to 2017 and represented 53.6% of revenues (45.7% in 2017).
Following the impairment test carried out in 2018, the Ty Ru wind farm was written down by € 1,177 thousand and Eolica Petralia by € 1,478 thousand. Conversely, the Eolica Cabezo San Roque plant was revalued by € 946 thousand.

Net financial position amounted to € 473,264 thousand, including non-recourse project financing of € 645,069 thousand and the fair value of derivatives hedging interest rate, exchange rate and commodity risks of € 34,057 thousand, and showed a significant improvement at 31 December 2017 (€ 570,956 thousand) due to the cash generated in the period net of dividends distributed and investments. The application of IFRS 9 resulted in a benefit of approximately € 17 million on the net financial position at 1 January 2018.

Net of the fair value of the derivatives, the net financial position would be € 439,207 thousand.

Investments in the period amounted to € 43,763 thousand, with reference to:

(EUR thousands)	Property, plant and equipment	Intangible assets	Total
Okla and Hennøy wind farm	18,100	1,479	**19,579**
Aliden wind farm	12,233		**12,233**
Brattmyrliden wind farm	7,492		**7,492**
Energia Eolica de Castilla wind farm	3,801		**3,801**
Auchrobert wind farm	459		**459**
Other smaller wind farms	199		**199**
Total	**42,284**	**1,479**	**43,763**

Borea transaction: *Earn-out and Derisking*

The 2014 agreement with CII Holdco for the sale of 49% of the "Target Companies" based in the UK (Ben Aketil Wind Energy Ltd, Millennium Wind Energy Ltd, Cambrian Wind Energy Ltd, Boyndie Wind Energy Ltd, Earlsburn Wind Energy Ltd, Kilbraur Wind Energy Ltd) envisages a further deferred amount payable to the Falck Renewables Group based on the actual performance of the wind farms at the Target Companies (in terms of GWh generated) compared to a pre-determined target for the 2014–2018 period, to be settled in cash at the end of this period applying an earn-out mechanism capped at £ 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.
Based on initial estimates, an earn-out in favour of the Group of € 2,053 thousand was preliminarily included in the 2018 financial statements.

The Agreement also establishes that CII HoldCo Ltd has the right to a reduction in the transfer price (De-risking) payable in 2021 based on the difference, where negative, between the average annual electricity price in the UK for the period 2014-2020 and £ 25 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 transfer, multiplied by CII Holdco's interest in each target company for each year of the period under review (capped at 49%, representing the current percentage ownership in each target company) and taking into consideration the time factor applying an interest rate of 10% ("the Formula"). Any amount due will be paid by the Falck Renewables Group to CII HoldCo up to the amount of dividends, interest and loan repayments paid by the Target Companies to the Group. The potential price reduction for the Group will therefore be limited to the cash distributable by the Target Companies from 2021.

This price reduction clause will be cancelled with immediate effect in the event that in any year of the period under review CII HoldCo Ltd sells its entire stake in the Target Companies to third parties. In the event that the resulting difference is positive, CII HoldCo Ltd will not be required to compensate the Falck Renewables Group.
The Group has appointed an independent expert to calculate the potential sum payable in relation to the Formula. The expert ran a series of simulations based on stress scenarios with respect to the expected energy price curves in the UK market from 2016 to 2020, taking into account that the average prices per MWh were as follows: £ 41.83 for 2014, £ 40.25 for 2015, £ 40.76 for 2016, £ 45.49 for 2017 and £ 57.79 for 2018. The estimates, based on the results to date, show that the possibility of a price adjustment in favour of CII HoldCo Ltd is very unlikely.

- ***Services sector***

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

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

(EUR thousands)		**31.12.2018**	**31.12.2017**
Revenue		20,121	12,103
EBITDA		**962**	**1,968**
Operating profit/(loss)		**(444)**	**(843)**
Profit/(loss) for the period		**(594)**	**(854)**
Group profit/(loss)		**(594)**	**(854)**
Intangible assets		**41,089**	**9,411**
Property, plant and equipment		**1,229**	**633**
Net financial position - indebtedness/(asset)		**998**	**(2,109)**
of which non-recourse project financing			
Investment in fixed assets during the year		**32,743**	**217**
Employees at the period-end	(no.)	271	131

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 company in consumption control services and flexibility management in the electricity markets.

In July 2018, Falck Renewables SpA and Falck Renewables Wind Ltd sold the company *staff* branches to Vector Cuatro Srl and to 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.

Revenue rose by € 8,018 thousand due to higher plant management services in Italy and the UK, mainly due to the transfer of the aforementioned business units, and to the consolidation of Energy Team SpA and the consortia for the management of the national interruptibility service.

EBITDA amounted to € 962 thousand, down by € 1,006 thousand over the same period last year due to lower revenues from transactions and higher staff costs, equal to 4.8% of revenues (2017: 16.3%).
Revenue from consortia for the management of the national interruptibility service, amounting to approximately € 2 million, do not generate a margin.

Following the impairment tests run in 2018, we wrote down the Vector Cuatro contract portfolio by € 508 thousand due to the termination of some multi-year contracts.
On the other hand, the clients were asked to pay a penalty of € 588 thousand, which was recorded in the first half of 2018.

Following the impairment tests run in 2017, we wrote down the Vector Cuatro contract portfolio by € 1,750 thousand due to the termination of some multi-year contracts.

Net financial position was a net liability of € 998 thousand, down by € 3,107 thousand in comparison to 31 December 2017, also due to the acquisition of the business branches from Falck Renewables SpA.

Investments in the sector of € 32,743 thousand refer mainly to goodwill following the provisional allocation of the purchase of goodwill of Energy Team SpA for € 32,020 thousand and Windfor Srl for € 285 thousand.

- ***Other Businesses***

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

(EUR thousands)		31.12.2018	31.12.2017
Revenue		33,089	2,650
EBITDA		**(16,927)**	**(20,387)**
Operating profit/(loss)		**(20,224)**	**(25,992)**
Profit/(loss) for the period		**35,905**	**27,848**
Group profit/(loss)		**35,905**	**27,848**
Intangible assets		**2,097**	**1,443**
Property, plant and equipment		**303**	**282**
Net financial position - indebtedness/(asset)		**14,790**	**(56,187)**
of which non-recourse project financing			
Investment in fixed assets during the year		**1,365**	**294**
Employees at the period-end	(no.)	78	94

In 2018 the "Other activities" segment was introduced, consisting of Falck Renewables SpA ("FKR"), Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl and Falck Renewables Energy Srl. FRE, until 2017, was part of the "WtE, biomass and solar" 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.
Data as of 31 December 2017 have been restated to reflect the composition of the new sectors.
In July 2018, Falck Renewables SpA and Falck Renewables Wind Ltd sold the company staff branches to Vector Cuatro Srl and to 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 € 30,439 thousand, due to the sale of energy by Falck Renewables Energy Srl which mainly began in 2018.

The financial position (mainly from Falck Renewables SpA) posted a debit balance of € 14,790 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, Italy 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 € 1,329 thousand (€ 90 thousand at 31 December 2017).
Net of the fair value of the derivatives, the net financial position would be € 13,461 thousand.
Capital expenditure for the period totalled € 1,365 thousand, of which € 1,193 thousand related to software licences and the development of management systems.

This table sets out the data for the sector:

(EUR thousands)	FKR	Other companies	Disposals	Sector
Revenue	126	32,963		**33,089**
EBITDA	(16,950)	23		**(16,927)**
Operating profit/(loss)	(20,247)	23		**(20,224)**
Profit/(loss) for the year	36,969	(173)	(891)	**35,905**
Intangible assets	2,097			**2,097**
Property, plant and equipment	303			**303**
Net financial position - indebtedness/(asset)	19,352	(4,562)		**14,790**
of which non-recourse project financing				
Investment in fixed assets during the year	1,365			**1,365**

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

5.2.7 Review of business in 2018

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 the Brattmyrliden plant commissioning 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, US) from the developer HG Solar, and signed an EPC (Engineering, Procurement and Construction) agreement with Conti Solar. The fully operational 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).


Hennøy (norway) wind farm

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

Massachussetts photovoltaic plant

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.

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 indirectly contributes to the capital of the 6 MW HG Solar Development LLC plant in Massachusetts, US.

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, 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.

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.
The purchase will cost € 0.625 million.

With reference to the project financing of the Se Ty-Ru plant, on 4 July 2018 the company agreed some amendments to the loan agreement with the creditor banks, including a reduction in the fixed rate relative to a tranche of the loan, and the use of part of the project cash to repay part of the loan in advance, along with the simultaneous restructuring of the repayment plan. As a result of these changes to the loan contract, the project will benefit from better ratios for future distributions.

On 2 October 2018 Falck Renewables SpA finalised the agreement for the acquisition of 51% of Energy Team SpA, Italy's leading company in consumption control services and flexibility management in the electricity markets. The provisional acquisition price, of approximately € 18.3 million, financed entirely with the Company's own financial resources, will be subject to possible adjustments typical of this type of transaction primarily based on results and financial position. The payment was equal to 40% of the agreed price and the balance will be adjusted by 30% as a result of the price adjustment. The remaining 30% will be deposited in escrow and issued upon expiry of the compensation obligations to be paid by the sellers. Also on 2 October, a shareholders' agreement was signed introducing a lock-up period for minority shareholders, as well as purchase and sale options that can be exercised three years after closing and whose valuation will be based, among other things, on future EBITDA and NFP. With this operation, Falck Renewables aims to strengthen the Energy Team's offer in a sector with high growth potential such as consumption monitoring, energy efficiency and flexibility for consumers and energy producers. The Development Plan for the two companies also provides for the continuity of Energy Team activities with the participation of current management.

On 12 October 2018, Falck Renewables SpA signed a preliminary purchase contract covering 100% of the shares held in Esposito Servizi Ecologici Srl with IMG 2 Srl, a company operating in the waste disposal sector in Lombardy for a number of years, for a total of € 1,190 thousand. The final contract was completed on 15 January 2019.

On 24 October 2018, Falck Renewables SpA renewed the contracts for the O&M service with the Nordex group for 14 of its wind farms in Europe, concluding a 5-year framework agreement covering the entire Falck Renewables portfolio with Nordex wind technology. The maintenance contract will cover 159 turbines from 2 to 2.5 MW installed between 2007 and 2016 in Great Britain, France and Italy.
The agreement redefines the structure of the service contract, bringing innovative conditions and standards that meet the needs of both parties. The cost of the service is linked to the results in terms of the actual production of the plants. This approach guarantees additional production planning for wind farms and allows Nordex Group to plan more efficient plant maintenance.

On 27 November 2018 Falck Renewables SpA acquired 49% of Energia Eolica de Castilla S.L. "('EEC') from ASCIA Renovables SL.
EEC is the owner of a wind project, located in the Spanish region of Castilla y León, consisting of 4 turbines, with a total capacity of 10 MW and an expected production of 33 GWh per year.
The total price for the acquisition of 100% of the shares is approx. € 1.2 million to be paid in several instalments. A shareholders' agreement was also signed to allow Falck Renewables to control EEC, as well as a lock-up agreement and purchase and sale options exercisable three years after the closing.
The plant will become operational in the last quarter of 2019. The asset management services will be provided, according to the different areas of expertise, by Ascia and Vector Cuatro, who supported Falck Renewables in the transaction.

On 6 December 2018 Falck Renewables SpA, through its subsidiary Falck Energies Renouvelables SAS, signed a preliminary agreement with Glennmont Clean Energy Coöperatief UA for 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 (installed capacity 59.5 MW) and a total output of 117 GWh. The agreement will enable Falck Renewables to strengthen its presence in France, fostering synergies with the Group's other plants and creating a critical mass of wind farms in the country.
The projects, which started operating between 2006 and 2013, were purchased at a price of approximately € 37 million, financed entirely from the company's own financial resources. The agreement provides for the buyer to take over the financing contracts with the banks. The acquisition is expected to close in March 2019.
The plants benefit from the stable and consolidated French mechanism of incentives for renewables, which consists of an average Feed-in Tariff of € 90/MWh for a residual average incentive period of about 6 and a half years. Annual forecast EBITDA for 2018 is approximately € 6.6 million.

For details of non-recurring operations in 2018, please refer to paragraph 27 of the Notes.

Internal group restructuring not affecting the consolidation perimeter

In July 2018, Falck Renewables SpA and Falck Renewables Wind Ltd sold the company staff branches to Vector Cuatro Srl and to Vector Cuatro UK Ltd respectively. A total of 37 people were transferred. The operation was carried out in order to provide the aforementioned companies with qualified staff, with considerable experience in the renewable energy sector and already operating, in order to support the business service both for the Group and for third parties, as well as take advantage of the related synergies.

5.2.8 Employees

At the end of the year, the Group had 460 employees, as follows:

(number)	31.12.2018	31.12.2017	Change
Managers	54	47	7
White-collar staff	360	255	105
Blue-collar staff	46	49	(3)
Total employees in consolidated entities	**460**	**351**	**109**

The expansion in the number of staff is due to the fact that all functions, during 2018, were structured to cope with the development of new initiatives provided for in the business plan. The increase in the number of employees is also due to the acquisitions of Energy Team SpA and Windfor Srl.

5.2.9 Environment, health and safety

Falck Renewables was founded with a strong ethos of protecting the environment, Corporate Social Responsibility issues and the health and safety of its employees and local communities where it builds or manages its plants.
With a view to continuous improvement, in 2018 it renewed its OHSAS 18001 certification for its Sesto site, while Ecosesto, the Rende site, moved from OHSAS 18001 to ISO 45001.

During the second half of 2018, the company worked on setting up a corporate body that defined group guidelines, policies and standards to be implemented and disseminated in all the companies it owns.
It also has a team of internal auditors to verify regulatory compliance and compliance with group standards. The team is composed of QHSE experts from multiple countries within the EU and the UK, so as to ensure a more international approach and a broader vision that is not limited to the individual countries of origin.

To ensure proper performance evaluation on QHSE issues, the company is implementing a software that allows us to measure KPIs and view their trends, so as to effectively monitor them and implement corrective measures if necessary.

Our commitment to HSE issues is based on:
- training, education and information on these issues;
- system audits to verify the implementation of group guidelines and standards;
- specialist advice to all company functions;
- commitment and strong commitment on the part of the Board and the front line.

The updated certifications are as follows:

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	Trezzo sull'Adda WtE plant
	Environmental management system UNI EN ISO 14001:2015	
	Safety management system OHSAS 18001:2007	
Prima Srl	Quality management system UNI EN ISO 9001:2015	Trezzo sull'Adda WtE plant
	Environmental management system UNI EN ISO 14001:2015	
	EMAS registration	
Esposito Servizi Ecologici Srl	Quality management system UNI EN ISO 9001:2015	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 14001:2015	Gorle plant: sections a) and b)
	EMAS registration	Gorle plant: sections a) and b)
Ecosesto SpA	Quality management system UNI EN ISO 9001:2015	Rende biomass plant
	Environmental management system UNI EN ISO 14001:2015	
	Safety management system ISO 45001:2018	

In Italy, Eolica Sud Srl and Eolo 3W Minervino Murge Srl have Environmental Management Systems certified according to UNI EN ISO 14001: 2015 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 14001:2015	Minervino Murge wind farm
	EMAS registration	
Eolica Sud Srl	Environmental management system UNI EN ISO 14001:2015	San Sostene wind farm

No accidents took place at any Group company during 2018.
However, the effects of an accident that took place in 2017 continued for several months in 2018.

5.2.10 Research and development activities

During 2018, the company began research and development activities and focused its efforts in particular on projects it considers particularly innovative. The amount spent in 2018 was € 959 thousand.

Research projects focused in particular on information systems for the digitised management of the asset management processes of wind and solar plants.

Research activities will continue in 2019.

We are confident that the positive outcome of these innovations will boost turnover and the company's financial results.

5.2.11 Risks and uncertainties

The main risks and uncertainties facing the Falck Renewables Group are analysed by type below. Please note that, under the Risk Management project, the Falck Renewables Group continued risk analysis and took 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 counterparts. 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 client 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.
It should be noted that the Spanish group Vector Cuatro and the Energy Team group, although characterised by a broad third-party customer base, have not yet substantially changed the Group's trade credit risk profile.
With most off-takers, the Group requires credit risk mitigation tools, by issuing bank guarantees and/or parent company guarantees.
With reference to the Group, the liquidity present in the companies' subject to project financing conditions is deposited with the bank account (which is generally one of the Lender Banks of the project financing).
The rest of the liquidity is generally deposited on demand and/or in the short term with 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.

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 produces a monthly update of its net financial position and rolling financial forecast, with final figures for the period summarised by sector and for the entire group. On 30 July 2018 Falck Renewables SpA amended its original revolving corporate loan agreement of 12 June 2015, increasing the amount to € 325 million and postponing its maturity to 31 December 2023; it had not been used by 31 December 2018. 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 € 113 million at 31 December 2018 that were not subject to project financing restrictions and are deposited with local banks.

3. Plant financing risks

The Group finances its projects, particularly in the wind and solar sectors, mainly through project financing or similar financial instruments without recourse to shareholders (i.e. without guarantees issued by the Falck Renewables SpA parent company). 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 2018. 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 adopts a policy for managing the risk of interest rate fluctuations on medium/long-term third party loans, which provides for exposure coverage of no less than 70% on average, unless otherwise specifically requested by the Lender Institutions. The Group follows established operating practices aimed at monitoring risk and avoiding speculative transactions. 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.
  The operations and conditions of the Project Financing require IRS hedges to mitigate the risks of the Lenders and, if the conditions for operations to hedge interest rate risk are met, they recorded in accordance with the rules of hedge accounting. Consequently, changes in the fair value of these derivatives follow the general rule applied to trading derivatives, and are charged directly to profit or loss with a direct impact on profit for the period. The Group had hedged a significant portion of the net debt against increases in interest rates through IRS at 31 December 2018.

- **Foreign exchange risk**

  Foreign exchange risk arises on the Group's operations outside the "Euro 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 (ii) 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 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, revenues and costs of consolidated entities that prepare financial statements in a currency other than the EUR. The Group does not hedge translation risk.

5. Commodity risk

In expanding its operating areas, the Group managed the dispatching of approximately 40% of the energy produced by the plants in the Italian portfolio, with the aim of minimising operating and balancing costs and stabilising the group's revenues at a consolidated level using financial hedges. From 2019 onwards, the entire production of Italian assets will be dispatched internally without recourse to third-party operators.
The Group's results are exposed to the risk of fluctuations in the prices of the commodities traded, to the volume risk deriving from the variability in the volumes of electricity generated by wind or solar power plants whose production is not programmable and depends on the availability of natural resources, and to the operational risk deriving from the level of adequacy of the set of technical and organisational measures implemented by the Group to carry out the company's activities connected with the dispatching of electricity 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 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. Moreover, the Group is finalising a Hedging Policy that defines how and when to cover its plants.

- **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 (weather derivatives) 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 dispatching 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 2018, work continued on the liquidation of the project companies and the management of the following disputes:

- **EPC Sicilia Srl/Falck/Falck Renewables**

  EPC Sicilia Srl ("EPC"), in its capacity as assignee of Pianimpianti Srl, a shareholder of Tifeo, PEA and Platani, following the claims for damages made over the years which continue to be rejected by the companies concerned, nevertheless issued a writ of summons dated 28 November 2018 to Falck SpA, Falck Renewables SpA and the pro-tempore directors of the companies for alleged unlawful conduct in the management of the agreement with the Regional Waste and Water Agency of the Sicilian Region ("ARRA") of 28 April 2009 signed by the Sicilian project companies, as well as for the conclusion of the subsequent settlement agreements of 8 May 2015 signed by the Sicilian project companies with ARRA. The alleged liability of Falck and Falck Renewables, by virtue of the alleged management and coordination of the Sicilian project companies, is of causing those companies to breach the provisions of the aforementioned agreements of 2009 and the subsequent waiver of the claims and related litigation always by the Sicilian project companies against ARRA following the signing of the 2015 Settlement Agreement. EPC is claiming € 10,588 thousand in compensation for the alleged damages suffered for various reasons, as well as € 507 thousand for the alleged loss of value of its shareholdings in the Sicilian project companies, both amounts without prejudice to any greater damages that will be quantified in the course of the proceedings. The hearing is scheduled for September 2019. The proceedings have recently been initiated and are still in progress and the outcome is not foreseeable at the moment.

- **Gulino Group SpA vs. Tifeo**

On 28 December 2009 Gulino Group SpA ("Gulino") served 2 writs to 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. The dispute was called to a hearing on 26 July 2018 in order to close the case. 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 was posted in the 2018 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, 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). The sentence has been rendered final.
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. At the hearing of 11 December 2018 Falck, Falck Renewables, Tifeo and Elettroambiente requested that the case be adjourned pursuant to Article 309 of the Italian Code of Civil Procedure to allow the agreements reached to be formalised. The judge granted the request and set the hearing for 29 March 2019.

- **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. The Court of Appeal has postponed the hearing to 12 March 2020, for the same administrative reasons.
  Supported by legal advice, we believe that the case could be lost, 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 proceedings are in a preliminary phase, and Tifeo and Elettroambiente have asked permission to request that the Sicily Region indemnify them against the claim, in application of article 7 of the settlement. The Judge issued an order on 7 November 2018, ruling that in compliance with Legislative Decree 150/2011 the matter must be heard by a judicial panel, and setting a date of 12 December 2018 for the hearing. At the hearing of 12 December 2018, the chief judge disregarded the opinion of the panel and reassigned the case to section VI, confirming Mr. Macripò as Judge-Rapporteur. Mr. Macripò set a panel hearing for 22 May 2019, and a hearing to include the Department in the case on 25 March 2019. 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 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 Sardinia Srl to FRWL, as well as corporate collateral up to a maximum of € 3,621 thousands issued by Falck SpA in favour of GEO alone. The request concerns the payment of additional sums by way of compensation under the contract (€ 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. At the hearing before the Court of Appeal of Milan, GEO MBH asked to ascertain and declare the partial invalidity of the award, while Falck and FRWL requested to reject the appeal of the award in its entirety and, incidentally, declare the award partially invalid only in so far as it orders FRWL to pay GEO MBH € 940 thousand, confirming the award for the remainder, with an order for costs and fees. The Court then held the case in abeyance and granted the parties statutory time-limits for filing the details of the closing statements and responses. 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; no expenses have therefore been posted in these financial reports.

- **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. The court-appointed expert submitted their findings, the conclusions of which are in the Company's favour. At the hearing of 15 November 2018, the counterparty filed critical notes to the technical report, asking for the court-appointed expert to be called for clarification or, alternatively, for a different expert to be appointed. The lawyers assisting the company have objected to the inadmissibility of the filing of these notes as they were not authorised by the Court, also explaining the reasons why it is considered that the report of the expert witness has exhaustively demonstrated the non-existence of the claim brought by Mr. Curione. The company's lawyers have also asked the judge to set a hearing for the conclusion of the case, considering that the case is ready for adjudication. The Judge, having acknowledged this, reserved his opinion on the parties' requests until the reservation is lifted. When the reservation was lifted by court order dated 20 November 2018, the Judge acknowledged the "irregularity" of the report filed by Mr. Curione, but found that it was not necessary to appoint a new expert opinion as the technical consultant had "already responded to the critical remarks of the parties". The Judge then adjourned the case to the hearing for the closing statements on 14 May 2019. 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 481 of 14 November 1995; (iii) and the correspondence from Gestore dei Servizi Energetici GSE S.p.A. (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 Regional Administrative Court sent notification that the case had expired given that five years had passed from the date of filing; if the company was interested in continuing the appeal, a new case would need to be filed by 10 January 2019, otherwise the judge would declare the appeal null and void. The Company has assessed that there is no longer any interest, also in view of the negative outcome of similar cases brought by other operators, and therefore no new request for a hearing has been filed. The court's ruling to close the case for expiry 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 6 February 2006 to MD 28 July 2005 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 date of the hearing is pending. The Company set up a provision for the amount requested by the GSE in previous periods.

- **Actelios Solar SpA**

With letter dated 7 April 2015, GSE has informed the company of the start of the process for the recalculation of the incentive tariff and the recovery of sums in the meantime received following the exclusion of the ISTAT 2005 revaluation by the aforementioned incentive tariff, pursuant to State Council plenary meeting judgement no. 9 of 4 May 2012, which considered the changes made to MD 6 February 2006 to MD 28 July 2005 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. While waiting for a hearing to be set, by letter dated 10 February 2017, GSE has informed the company that the same was recognised, for the 2008-2012 period, Green Certificates not due. Against this decision, the company filed an appeal on 26 May 2017. The date of the hearing is pending.

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 481 of 14 November 1995; (iii) the correspondence from GSE of 18 December 2012, protocol P20120229091, addressed to Prima Srl regarding the "Adjustment of prices applicable to electricity sold to GSE in 2010, 2011 and 2012 under sales agreements governed pursuant to CIP 6/92". The Regional Administrative Court sent notification that the case had expired given that five years had passed from the date of filing; if the company was interested in continuing the appeal, a new case would need to be filed by 10 January 2019, otherwise the judge would declare the appeal null and void. The Company has decided that there is no longer an interest in the case and therefore no new request for a hearing will be filed.
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. By decision of the Lazio Regional Administrative Court dated 16 November 2018, the Regional Administrative Court upheld the appeal filed and annulled the draft agreement of 22 April 2016 on the grounds that it had been adopted by the GSE in the absence of the power to impose the agreement with regard to power plants powered by renewable sources already incentivised with green certificates. The effects of the ruling and the possible appeal by the GSE are currently being assessed.

- **Geopower Sardegna Srl vs GSE**

With a letter dated 25 January 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 Company has drafted and filed its defence. On 13 November 2018 a settlement agreement was reached with a disbursement of € 90 thousand. The lawsuit will be cancelled pursuant to Article 309 of the Italian Criminal Code.

- **Mauro Saviola Srl Group vs Energy Team S.r.l.**

  In a writ of summons dated 8 November 2018, Mauro Saviola Group Srl brought legal action against Energy Team SpA ("**ET**"), asking the judge: (i) to correctly qualify the "Interconnector management technical and administrative assistance activities" contract of 8 April 2016 and the related Addendum of 16 and 17 June 2016, which lasts until 3 December 2021; (ii) to assess and declare null the contract and to declare the contractual agreements relating to fees/fees due to ET invalid; (iii) to declare that ET is not owed any payment/fees; (iv) order ET to reimburse the amount of € 1,209 thousand plus interest received as payment/fee; (v) order ET to repay the amount of € 80 thousand unduly paid pursuant to Article 4.4 of the Contract. The first hearing has been set for 19 March 2019. ET is currently evaluating its defence. At present, ET's risk of losing the case is considered possible.

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 481 of 14 November 1995; (iii) the correspondence from GSE of 18 December 2012, protocol P20120229091, addressed to Frullo Energia Ambiente Srl regarding the “Adjustment of prices applicable to electricity sold to GSE in 2010, 2011 and 2012 under sales agreements governed pursuant to CIP 6/92”. The action was notified and filed. The first hearing took place on 8 July 2014 following which the court adjourned the proceedings for final ruling. In the ruling 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 an 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 claim, 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 provided 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 Cassa Depositi e Prestiti bank should proceed with the recovery of the incentive considered in excess. On 2 May, FEA presented an appeal on additional grounds, along with a motion to suspend the payment notification no. 2266 dated 1 March 2017 from the Fund for energy and environmental services (CSEA) for € 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. With sentence no. 2338/2018, the Lombardy Regional Administrative Court rejected the main appeal and declared itself incompetent to decide on the additional grounds, referring the matter to the Lazio - Rome Regional Administrative Court. The judgement was challenged before the Council of State.
FEA has set aside the amount requested by the 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 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 28/2011 on the power plant powered by waste called "CTV2" and identified with the number IAFR 2160 - commercial continuation", and prot. GSE/P20160041049 6 April 2016, concerning "Control activities through verification and inspection carried out 28-29 May 2015 pursuant to Article 42 of Legislative Decree 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 it.
The date of the hearing is pending. The Lombardy Regional Administrative Court issued a provision referring the matter to the territorial jurisdiction of the Lazio - Rome Regional Administrative Court (TAR). FEA has resumed the case before the latter Court. The company has set aside 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. During the course of the current year, the same Tax Police Unit concluded the assessment and issued the related tax audit report, setting out a single finding for the tax year 2013. In particular, the Tax Police Unit of the Milan Finance Police contested the incorrect documentation of revenues from services rendered to Group companies for a total amount of € 80 thousand. In order to avoid lengthy and costly litigation and to reduce the burden of administrative penalties, the Company has decided to regularise its position with the Inland Revenue, finalising the related amendment in December 2018, with an impact on the income statement of less than € 30 thousand.
  Also in 2018, the Inland Revenue contested the incorrect quantification of the registration tax due in relation to the transfer of the "Procurement" business unit with effect from 1 July 2018. The contested amount amounts to approximately € 55 thousand, including registration tax, penalties and interest. Falck Renewables SpA and Vector Cuatro Srl (jointly liable) were both notified of this adjustment. The parties, challenging in full the approach adopted by the tax authorities and the resulting findings, brought an appeal on 25 January 2019. As with the deed of sale of the "Procurement" business unit, on 19 December 2018 the Inland Revenue presented two additional requests for information, requesting the Company to produce documentation relating to the sale of the "HR/Administration" and "Operation" business units. The discussions relating to these two businesses are still ongoing. At present, the risk of losing the case is only considered possible and therefore no charges have been reflected in these financial statements.

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

  On 22 July 2011 the Inland Revenue Agency 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.
  On 23 October 2018, the Regional Tax Commission for Sicily met and, on the same date, rejected the appeal filed by the Inland Revenue and upheld the ruling of the contested Provincial Tax Commission. 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 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 Inland Revenue has notified the Company of the appeal to the Supreme Court on 25 July 2016. The company has therefore notified its defence to the Inland Revenue dated 30 September 2016 and filed at the Supreme Court on 12 October 2016. Given the complexity of the litigation proceedings described above, the constant attitude of the inland revenue

to them and the requests to repay VAT credits earned, together with the upcoming closure of the liquidation procedure, in the last financial period 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 Inland Revenue 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, which met on 13 February 2019. Given that the amount involved in this dispute is unlikely to be recovered by the end of the liquidation procedure, the company decided to write down the amounts during the previous year.
On 27 June 2017, the Inland Revenue 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.
In September 2017, the Company received the outcome of the previously submitted Self-defence Request, in which the Inland Revenue refused the Company's requests.
The Company, supported by its consultants, therefore filed a specific request to the taxpayer's Guarantor claiming that the tax assessment by the Inland Revenue is entirely ungrounded. The Guarantor decided to close the case, given the dispute yet to be resolved.
On 11 January 2019, the Provincial Tax Commission of Enna met and upheld the appeal filed by Tifeo, ordering the Inland Revenue to pay the costs of the proceedings.
Given the rigidity of the position of the tax authorities, which rejected the request for self-protection presented by the Company and submitted specific defensive briefs, the Taxpayer's Guarantor only referred to the tax authorities' response to the request for self-protection; given the relative position, the uncertainty about the outcome of the dispute, and the approaching closure of the liquidation procedure, we decided to write down the registration tax credit previously recorded for € 528 thousand.

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

On 1 December 2016 the Inland Revenue 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. On 25 January 2019, the Provincial Tax Commission of Palermo met to discuss the dispute. The Company is waiting to receive the relevant decision. Given the complexity of the litigation proceedings relating to these credits, the constant attitude of the inland revenue to them and the requests to repay VAT credits earned, together with the upcoming closure of the liquidation procedure, during the last financial period 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 inland revenue - 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 Inland Revenue 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. On 4 September 2018 a meeting was held at the Cosenza Inland Revenue agency, on the agency's invitation. Discussions between the Company and the Inland Revenue in relation to the latter's findings are still ongoing.

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 Article 5 of Italian Legislative Decree 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 in 2016, the company did not come to any agreement with the Unione dei Comuni Terre di Pianura, which 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. On 15 June 2018, the Company filed an appeal with the Emilia Romagna Regional Tax Tribunal to completely overturn these rulings.
  In October 2018, the Unione dei Comuni Terre di Pianura and the Company carried out an in-depth mediation procedure, after which they agreed, solely for the purposes of conciliation and without this constituting in any way recognition of their reciprocal adverse positions, to consider the tax due for the years subject to assessment, calculated in accordance with the principles for calculating the land registry income of the factories in line with the regulations in force for the years 2010 to 2015. Following this settlement agreement, the Company agreed to pay a total of € 4,530 thousand (last instalment to be paid in April 2023) in instalments for the above years, partly offset by the contribution agreed with Herambiente (€ 2,250 thousand).

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).
Since Falck Renewables Energy Srl has also taken over the management of all the Group's plants, attention must also be paid to the measures relating to the electricity market in general. Finally, the regulations relating to energy efficiency and self-production and self-consumption systems must also be considered.

It is appropriate to emphasise the risks associated with the progressive change in the renewable energy market scenario, 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), and the fact that the incentives have a set time limit.
Over the last few years, there have been numerous regulatory interventions that have changed the incentive mechanisms, generally less favourably (for more details see section "5.2.2 Regulatory framework"): 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 solar 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 solar 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

Toni Volpe (CEO) during the *Capital Markets Day*

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 12 December 2018 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 2017-2019 Long Term Incentive Plan 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 2017-2019, which will see the free assignment of a maximum of 1,500,000 ordinary company shares, equal to a maximum of about 0.515% of the Company's share capital, to the CEO and certain Group managers. The Share Plan is subject to the acceptance of two conditions: (i) performance related to the sustainability of the Group's balance sheet expressed by the relationship between Net Financial Position and EBITDA; and (ii) the existence of the relationship between the beneficiary and the company. The Cash Plan, on the other hand, is subject to: (i) achieving a financial target for EBITDA over the three years 2017-2019; and (ii) achieving both of the Share Plan conditions. On 31 December 2018 the Falck Renewables SpA CEO received 591,000 shares under the Share Plan, and some Group managers received 413,077 shares, in addition to bonuses under the Cash Plan for a total of € 1.2 million, subject to achieving 120% of the three-year target.
In February 2019 a further 89,962 share rights were assigned to certain Group managers, while the amount of share rights assigned to the Group's Chief Executive Officer remained unchanged.

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 31 December 2018 the Falck Renewables Group had twelve plants in operation in the United Kingdom (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. Moreover, of the twelve plants operating in the

United Kingdom, six plants, for a total of 273 MW, were sold at 49% in March 2014 to CII Holdco (share attributable to 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) recovered. There is still a great deal of uncertainty about the conclusion of the results of the negotiations with the European Union on Brexit, due to the recent resounding rejection of the agreement by the British Parliament. This makes the conclusion of the negotiations and the possible ways in which the United Kingdom will be able to leave the European Union by the deadline set for 29 March 2019 extremely uncertain.

In fact, after formally invoking Article 50 of the Lisbon Treaty and requesting to leave the European Union, the UK government 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. However, as mentioned, the proposed agreement was rejected by the British Parliament on 15 January 2019.

Doubts over the result of the still ongoing 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, 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 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 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 GBP exchange rate which, in the event of devaluation, could have a positive impact on the Group's debt in GBP while also negatively affecting the financial indicators, net equity and future cash flow from UK assets that are converted, even in translation, into EUR.

5.2.12 Significant events after the balance sheet date

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.

5.2.13 Management outlook and going concern

The Group's results for 2019 will benefit from the production (i) of the recently acquired solar plants in Massachusetts (20.5 MW) (ii) of the companies owning a portfolio of 5 wind farms in operation in France for a total grid capacity of 56 MW and (iii) of the results of the acquisition of Energy Team SpA.

Construction of the Åliden (Sweden), Hennøy (Norway) and Carrecastro (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.

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.

5.3 Operating and financial review of Falck Renewables SpA

5.3.1 Financial highlights

(EUR thousands)		**31.12.2018**	**31.12.2017**
Revenue		126	138
Operating profit/(loss)		**(20,247)**	**(25,903)**
Profit for the year		**36,969**	**27,850**
Invested capital net of provisions		526,255	431,440
Equity		506,903	486,344
Net financial position - indebtedness/(asset)		**19,352**	**(54,904)**
Investments		**1,365**	**294**
Employees at the period-end	(no.)	78	94
Ordinary shares	(no.)	291,413,891	291,413,891

5.3.2 Performance and review of business

In July 2018, Falck Renewables SpA sold the company staff branches to Vector Cuatro Srl. A total of 20 people were transferred.

The Company recorded a profit for the year of € 36,969 thousand in 2018, after amortisation and deprecia-

tion of € 472 thousand and tax credits of € 4,849 thousand.
The result was affected by: (i) a € 6,965 thousand increased in release of provisions for risks, net of allocations, compared to the previous year, mainly relating to the Sicily Projects; (ii) higher dividends (€ 3,208 thousand) including the dividend generated by the sale of the business units to Vector Cuatro Srl (€ 891 thousand); (iii) higher revaluations, net of impairments, of equity investments for € 1,027 thousand offset by higher services for € 1,783 thousand.

The net financial position was a net liability of € 19,352 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 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.

It should be noted that 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: as at 31 December 2018, the new financing has not yet been used.

5.3.3 Employees

The total number of Company employees at 31 December 2018 was 78, comprising 26 managers and 52 white collar workers, representing a decrease of 16 compared to the total at 31 December 2017.
In fact, in July 2018, Falck Renewables SpA sold the company staff branches to Vector Cuatro Srl. A total of 20 people were transferred.

5.3.4 Capital expenditure

Capital expenditure for the period totalled € 1,365 thousand, of which € 1,193 thousand related to software licences and the development of management systems.

5.3.5 Directors, statutory auditors, key managers and their interests

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

5.3.6 Related party transactions

Relations with subsidiaries and associates

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

activities, details of which are provided in the notes to the financial statements and include:

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

Relations with the parent company Falck SpA

Falck SpA, which is in turn 65.96% owned by Finmeria Srl, held a 61.77% stake in the Company at 31 December 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.

5.3.7 Direction and coordination activities

In accordance with article 2497-bis, paragraphs 1 and 5 of the Italian Civil Code, we inform you that the Company is directed and coordinated by the parent Falck SpA. The activities performed are of a commercial nature as noted above, and resulted in € 261 thousand of income relating to management services (€ 154 thousand), recharged insurance expenses (€ 5 thousand) and extraordinary income (€ 102 thousand). Charges made by Falck SpA for a total of € 1,109 thousand for the use of the Falck brand negatively impacted the operating result.

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

5.3.8 Holding of own shares or parent company shares

In compliance with Article 2428, paragraph 2, point 3 of the Italian Civil Code, the company declares that at 31 December 2018 it held 2,210,000 own shares with a nominal value of € 2,210,000 representing 0.7584% of share capital.

The carrying value of own shares held is € 2,924,259 corresponding to an average share price of € 1.3232.
The Shareholders' Meeting held on 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program. This authorisation expired in July 2018.
The company will be able to purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.
In 2018, on the basis of the treasury share purchase plan, it purchased 700,000 shares, corresponding to

0.2402% of the share capital. No subsidiaries held shares in Falck Renewables SpA at 31 December 2018, either through trust companies or third parties.

5.3.9 Purchase and sale of own shares or parent company shares

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

- purchased 700,000 shares corresponding to 0.2402% of share capital;
- did not purchase or sell any shares or holdings in parent companies.

5.3.10 Share schemes

The Shareholders' Assembly on 27 April 2017 approved, at the end of a process that also involved the human resources committee, the "2017-2019 stock grant plan" (the "Share Plan") addressed to the Chief Executive Officer and to managers and employees with key roles within the Company and its subsidiaries as per Article 114-bis of Leg. Dec. 58 of 24 February 1998 ("TUF").
The Share Plan, with a duration of three years, is intended for the free assignment of a maximum of 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[1] 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 2018. 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 Article 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, 478,986 equity rights were also assigned to some Group managers, reduced to 413,077 following the resignation of a beneficiary in December 2018. In February 2019 a further 89,962 share rights were assigned to certain Group managers, while the amount of share rights assigned to the Group's Chief Executive Officer remained unchanged.

5.3.11 Corporate governance and Code of Self Discipline

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

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

5.3.12 Participation in the opt-out regime

The Board of Directors, given the regulatory simplification introduced by the CONSOB in resolution 18079 dated 20 January 2012, resolved on 18 January 2013 to take part in the opt-out scheme described in Articles 70 paragraph 8 and 71 paragraph 1-bis of the Listing Rules 11971/99 (and subsequent modifications and amendments). As a result, the Company is not required to meet the obligations to publish the information documents required for significant mergers, spin-offs, capital contributions in kind, purchases and sales.

5.3.13 Legislative decree 231/2001

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

5.3.14 Proposed appropriation of profit for the year

Dear Shareholders,

Your company's financial statements at 31 December 2018 closed with a net profit of € 36,968,925.50.

We propose to allocate this profit as follows:

(EUR)

At 289,203,891 ordinary shares (*) € 0.063	18,219,845.13
Retained earnings carried forward	18,749,080.37
Total 2018 profit for the year	**36,968,925.50**

(*) net of 2,210,000 own shares held

On behalf of the board of directors
The Chairman
Enrico Falck

Milan, 7 March 2019

6

Consolidated financial statements

6.1 Balance sheet

(EUR thousands)	Notes	31.12.2018	of which related parties	31.12.2017*	of which related parties
Assets					
A Non-current assets					
1 Intangible assets	(1)	140,580		107,135	
2 Property, plant and equipment	(2)	1,043,025		1,022,302	
3 Investments and securities	(3)	1,214		265	
4 Investments accounted for using the equity method	(4)	22,804		21,865	
5 Medium/long-term financial receivables	(5)	11,103	9,618	12,251	11,239
6 Deferred income tax assets	(8)	19,892		27,352	
7 Other receivables	(7)	3,479		1,081	
Total		**1,242,097**		**1,192,251**	
B Current assets					
1 Inventories	(9)	5,828		4,932	
2 Trade receivables	(6)	98,678	304	103,304	376
3 Other receivables	(7)	37,730	10,872	25,561	9,304
4 Short-term financial receivables	(5)	2,615	1,631	1,720	1,542
5 Securities	(3)	1,787			
6 Cash and cash equivalents	(10)	218,188		261,517	
Total		**364,826**		**397,034**	
C Non-current assets held for sale		**3,701**			
Total assets		***1,610,624***		***1,589,285***	
Liabilities					
D Equity					
1 Share capital		291,414		291,414	
2 Reserves		165,851		138,024	
3 Retained earnings					
4 Profit for the year		44,159		19,788	
Equity attributable to owners of the parent	(11)	**501,424**		**449,226**	
5 Non-controlling interests		54,696		48,333	
Total equity	(11)	**556,120**		**497,559**	
E Non-current liabilities					
1 Medium/long-term financial liabilities	(14)	700,847	19,718	770,776	1,309
2 Trade payables	(15)	3,585		3,722	
3 Other non-current liabilities	(16)	57,565	2,734	45,599	2,930
4 Deferred income tax liabilities	(8)	26,755		24,442	
5 Provisions for other liabilities and charges	(12)	79,867		76,265	
6 TFR (Staff leaving indemnity)	(13)	4,316		4,017	
Total		**872,935**		**924,821**	
F Current liabilities					
1 Trade payables	(15)	48,287	704	43,142	499
2 Other payables	(16)	52,425	24,302	34,323	12,732
3 Short-term financial liabilities	(14)	78,226	2,511	89,259	1,254
4 Provisions for other liabilities and charges	(12)			181	
Total		**178,938**		**166,905**	
G Liabilities attributable to non-current assets held for sale		**2,631**			
Total liabilities		***1,610,624***		***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 150.
Significant non-recurring transactions are disclosed on page 167

6.2 Income statement

(EUR thousands)		Notes	2018	2018 of which related parties	2017*	2017* of which related parties
A	**Revenue**	(17)	335,889		288,619	
	Direct costs	(19)	(169,070)		(148,328)	
	Employee costs	(18)	(34,504)		(28,973)	
	Other income	(20)	13,236	808	4,524	358
	Administrative expenses	(21)	(30,088)	(1,109)	(40,470)	(783)
B	**Operating profit/(loss)**		**115,463**		**75,372**	
	Financial income/(expenses)	(22)	(40,899)	(149)	(35,260)	(273)
	Investment income/(expenses)	(23)	(3)		45	
	Share of profit of investments accounted for using the equity method	(24)	2,745	2,745	2,284	2,284
C	**Profit/(loss) before tax**		**77,306**		**42,441**	
	Income tax expense	(25)	(16,884)		(10,983)	
D	**Profit/(loss) for the year**		**60,422**		**31,458**	
E	Profit attributable to non-controlling interests		16,263		11,670	
F	**Profit/(Loss) attributable to owners of the parent**		**44,159**		**19,788**	
	Earnings per share attributable to owners of the parent	(11)	*0.153*		*0.068*	
	Diluted earnings per share attributable to owners of the parent	(11)	*0.152*		*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. To find out more, see the explanatory notes at 5.6.2 Consolidation area.

For details of related party transactions, see page 166.
Significant non-recurring transactions are disclosed on page 167.

6.3 Consolidated statement of comprehensive income

	(EUR thousands)	2018 Gross	2018 Tax	2018 Net	2017* Gross	2017* Tax	2017* Net
A	**Profit for the year**	**77,306**	**(16,884)**	**60,422**	**42,441**	**(10,983)**	**31,458**
	Other items of comprehensive income						
	Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax						
	Foreign exchange differences on translation of overseas financial statements	560		560	(6,804)		(6,804)
	Fair value adjustment of financial assets held for sale	139	(34)	105	(139)	34	(105)
	Share of other comprehensive income of investments accounted for using the equity method	86		86	142		142
	Fair value adjustments of derivatives designated as cash flow hedges**	7,412	(1,483)	5,929	12,154	(3,058)	9,096
B	**Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax**	**8,197**	**(1,517)**	**6,680**	**5,353**	**(3,024)**	**2,329**
	Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax						
	Other items included in equity concerning associated and joint venture companies measured with the equity method	50		50	(37)		(37)
	Balance of actuarial gains/(losses) on employee defined benefit plans	(45)		(45)	(10)		(10)
C	**Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax**	**5**		**5**	**(47)**		**(47)**
B+C	**Other comprehensive income/(loss)**	**8,202**	**(1,517)**	**6,685**	**5,306**	**(3,024)**	**2,282**
A+B+C	**Total comprehensive income/(loss)**	**85,508**	**(18,401)**	**67,107**	**47,747**	**(14,007)**	**33,740**
	Attributable to:						
	- Owners of the parent			50,074			22,734
	- Non-controlling interests			17,033			11,006

(*) 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.

(**) Inclusive of the effects of changes in tax rates

6.4 Statement of cash flows

(EUR thousands)	Notes	2018	2018 of which related parties	2017*	2017* of which related parties
Cash flow from operating activities					
Profit for the year		60,422		31,458	
Adjusted for:					
Amortisation of intangible assets	(19) - (21)	762		935	
Depreciation of property, plant and equipment	(19) - (21)	64,038		58,420	
Impairment/(revaluation) of intangible assets	(19) - (21)	769		2,953	
Impairment/(revaluation) of property, plant and equipment	(19) - (21)	1,677		(2,495)	
Write-down of non-current assets					
Staff leaving indemnity provision	(18)	876		791	
Fair value of investments and other securities					
Financial income	(22)	(9,500)	(437)	(4,152)	(42)
Financial expenses	(22)	50,399	586	39,412	316
Dividends					
Share of profit of investments valued using equity method	(24)	(2,745)	(2,745)	(2,284)	(2,284)
(Gain)/loss on sale of intangibles					
(Gain)/loss on disposal of property, plant and equipment		24			
(Gain)/loss on sale of investments					
Investment (income)/expenses	(23)			(45)	
Other changes		641		1,762	
Income tax expense (income statement)	(25)	16,884		10,983	
Operating profit before changes in net working capital and provisions		**184,247**		**137,738**	
Change in inventories	(19)	(896)		(414)	
Change in trade receivables		6,575		(18,375)	
Change in trade payables		6,910		(20,809)	
Change in other receivables/payables		(18,987)		5,059	
Net change in provisions		5,551		7,229	
Change in employee payables - staff leaving indemnity paid during year	(13)	(985)		(726)	
Cash flow from operating activities		**182,415**		**109,702**	
Interest paid		(40,962)	(213)	(35,843)	(246)
Tax paid/collected		(9,961)		(5,451)	
Net cash flow from operating activities (1)		**131,492**		**68,408**	
Cash flow from investing activities					
Dividends		980	980	1,470	1,470
Proceeds from sale of property, plant and equipment		135			
Proceeds from sale of intangible assets					
Proceeds from sale of investment activities					
Purchases of intangible assets	(1)	(2,969)		(734)	
Purchases of property, plant and equipment	(2)	(48,347)		(18,065)	
Acquisition of investments		(868)		(375)	
Sale of investments					
Purchase of own shares	(10)	(1,486)		(1,035)	
Purchase of subsidiaries net of cash		(31,792)	(2,500)	(40,675)	
Interest received		8,411	437	4,432	42
Net cash flow from investing activities (2)		**(75,936)**		**(54,982)**	
Cash flow from financing activities					
Dividends paid		(23,970)	(18,092)	(21,742)	(16,352)
Proceeds from share capital increase and capital contribution net of expenses		8,004	8,004	604	604
Change in scope of consolidation					
Net change in financial receivables		1,528	1,528	(12,781)	(12,781)
Loans granted					
New borrowings				100,224	
Repayment of borrowings		(84,205)	(238)	(72,509)	(4,116)
Sale of investments net of costs incurred					
Net cash flow from financing activities (3)		**(98,643)**		**(6,204)**	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		**(43,087)**		**7,222**	
Cash and cash equivalents at 1 January		261,517		256,611	
Translation (loss)/gain on cash and cash equivalents		(242)		(2,316)	
Cash and cash equivalents at 31 December	(9)	**218,188**		**261,517**	

(*) 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.

6.5 Statement of changes in equity

(EUR thousands)	Share capital	Reserves	Profit for the year	Total Group equity	Third party equity	Total equity
At 31.12.2016	**291,414**	**152,515**	**(3,935)**	**439,994**	**35,865**	**475,859**
Appropriation of 2016 profit		(3,935)	3,935			
Dividends paid		(14,205)		(14,205)	(7,537)	(21,742)
Other comprehensive profit items included in equity		2,979		2,979	(661)	2,318
Purchase of own shares		(1,035)		(1,035)		(1,035)
Other movements		1,705		1,705	8,996	10,701
Profit for the year at 31 December 2017			19,788	19,788	11,670	31,458
At 31.12.2017*	**291,414**	**138,024**	**19,788**	**449,226**	**48,333**	**497,559**
Appropriation of 2017 profit		19,788	(19,788)			
Dividends paid		(15,365)		(15,365)	(9,637)	(25,002)
Other comprehensive profit items included in equity		5,915		5,915	770	6,685
First-time application of IFRS 9		13,367		13,367	(51)	13,316
Purchase of treasury shares		(1,486)		(1,486)		(1,486)
Other movements		5,608		5,608	(982)	4,626
Profit for the year at 31 December 2018			44,159	44,159	16,263	60,422
At 31.12.2018	**291,414**	**165,851**	**44,159**	**501,424**	**54,696**	**556,120**

(*) 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.

6.6 Explanatory notes

6.6.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) endorsed by the European Union and the provisions pursuant to Article 9 of Legislative Decree 38/2005.

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

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

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

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

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

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

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

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

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

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

- ***Consolidated statement of changes in equity***
  The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenues, income, cost and expense not recorded in the income statement but recognised directly in consolidated equity based on specific IAS/IFRS requirements.

The consolidated financial statements of the Falck Renewables SpA Group are prepared in € thousands except otherwise indicated.
These consolidated financial statements as of 31 December 2018 will be up for approval and authorisation for publication by the board of directors' meeting on 7 March 2019.

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

6.6.2 Scope of consolidation

The consolidated financial statements for the year ended 31 December 2018 include the financial statements of the parent company Falck Renewables SpA and its subsidiaries.
Falck Renewables controls an entity when it has the power to influence significant decisions, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity: in this case the entity is consolidated on a line-by-line basis.
The companies in which the parent company exercises joint control with other shareholders (joint-ventures) and those in which it exercises a significant influence are accounted for using the equity method.

The Falck Renewables Group consists of 97 companies, of which 92 are consolidated on a line-by-line basis, and 5 are consolidated applying the equity method.
Esposito Srl, which is held for sale, has been consolidated using the method set out in IFRS 5.

During 2018, 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.;
- Falck Next Srl, 100% held by Falck Renewables SpA;
- Vector Cuatro Australia Pty Ltd., 100% held by Vector Cuatro SLU;
- Vector Cuatro USA LLC, 100% held by Vector Cuatro SLU;
- Falck Renewables Sviluppo Srl, 100% held by Falck Renewables SpA;
- Falck Renewables Sicilia Srl, 100% held by Falck Renewables SpA;
- Falck Renewables NC Dominion-1 LLC, 100% held by Falck Renewables North America Inc;
- Falck Renewables CH-1 LLC, 100% held by Falck Renewables North America Inc.

Furthermore, 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;
- Windfor Srl, 100% owned by Vector Cuatro Srl;
- Energy Team SpA,51% held by Falck Renewables SpA;
- Energy Capital Srl, 100% held by Falck Renewables SpA;
- Mid Tech Srl, 100% held by Energy Capital Srl;
- Consorzio Energy Cloud, 44.12% held by Energy Capital Srl and 44.12% by Mid Tech Srl;
- Consorzio Energy Aggregator, 25.64% held by Energy Capital Srl and 25.64% by Mid Tech Srl;
- Energia Eolica de Castilla SL, 49% held by Falck Renewables SpA;
- Route 212 Solar Farm LLC, 100% held by Falck Renewables CH-1 LLC;
- Route 23A Solar Farm LLC, 100% held by Falck Renewables CH-1 LLC;
- Birch Road Solar Farm LLC, 100% held by Falck Renewables CH-1 LLC;
- Lake Osiris Road Solar Farm LLC, 100% held by Falck Renewables CH-1 LLC.

In accordance with IFRS 3, the Falck Renewables Group has consolidated Energy Team SpA and Energia Eolica de Castilla SL at 100%, taking into account that Falck Renewables has full control of the significant activities and any economic returns distributed to minority shareholders will be discounted by the exercise price of put and call options on the remaining portion of the shares.

In August 2018 Falck Renewables Verwaltungs Gmbh was put into liquidation and Falck Renewables GmbH & Co. KG was wound up.
The investment held by Falck Renewables GmbH & Co. KG in SE Ty-Ru has been transferred to Falck Energies Renouvelables Sas.

The companies included in the scope of consolidation at 31 December 2018 are listed in the supplementary information (point 7.1).

The Group completed the acquisition of the following PPAs, which were shown as provisional at 31 December 2017.

Final Purchase Price Allocation of the acquisitions of NC 42 LLC, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB, concluded in the first half of 2018

The Purchase Price Allocation of the following acquisitions made in 2017 has been completed: NC 42 LLC, Falck Renewables Vind AS, Åliden Vind AB and Brattmyrliden Vind AB.

NC 42 LLC Group
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 a controlling interest in the NC 42 group was accounted for in accordance with IFRS 3, applying the purchase method, by calculating the fair value of the assets and liabilities acquired, including the minority interest.
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 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 €-2,589 thousand, as set out below:

NC 42 LLC Group

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company 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)
Non-controlling interest	(10,462)	1,138	(9,324)
Total net assets acquired	**36,339**	**2,589**	**38,928**
Property, plant and equipment (allocation at lowest price paid)		(2,589)	(2,589)
Total acquisition cost	**36,339**		**36,339**

The following table shows the total revenues and net profits of the NC 42 LLC group for 2017 and 2018. The cumulative impact on net equity from the date of acquisition to the date of these financial reports is of -€ 1,232 thousand, including the conversion reserves.

(EUR/000)	2017	2018
Revenue	318	6,210
Profit (loss) from the period	(220)	(1,012)

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 a controlling interest in Falck Renewables Vind AS was accounted for in accordance with IFRS 3, applying the purchase method, by calculating the fair value of the 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

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at the acquisition date (final allocation)
Intangible assets	2,271		2,271
Other assets/(liabilities)	143		143
Non-controlling interests	(483)		(483)
Total net assets acquired	**1,931**		**1,931**
Concessions (allocated at the 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, and concluded with the 2018 Interim Reports, did not change the conclusion found during the provisional PPA.

The company is under construction, and no income was therefore recorded at 31 December 2018. The net profit/(loss) of Falck Renewables Vind AS for the years 2017 and 2018 is shown below. The cumulative impact on net equity from the date of acquisition to the date of these financial reports is of -€ 465 thousand.

(EUR/000)	2017	2018
Revenue		
Profit (loss) from the period	(141)	(324)

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 accounted for in accordance with IFRS 3, applying the purchase method, by calculating the fair value of the 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

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at 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 the highest price paid)	281		281
Deferred liabilities	(78)		(78)
Total acquisition cost	**4,530**		**4,530**

Brattmyrliden Vind AB

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at 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 the 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, and concluded with the 2018 Interim Reports, did not change the conclusion found during the provisional PPA. The companies are under construction, and no income was therefore recorded at 31 December 2018. The net profit/(loss) of the two companies for the years 2017 and 2018 is shown below. The cumulative impact on net equity from the date of acquisition to the date of these interim reports is of -€ 306 thousand for Åliden Vind AB, and -€ 121 thousand for Brattmyrliden Vind AB.

	Åliden Vind AB		Brattmyrliden Vind AB	
(EUR/000)	2017	2018	2017	2018
Revenue				
Profit (loss) from the period	(142)	(164)	(27)	(94)

The following table shows the Balance Sheet at 31 December 2017 and the 2017 Income Statement with the final allocation:

(EUR thousands)		Notes	31.12.2017 provisional allocation	IFRS 3	31.12.2017 final allocation
Assets					
A	**Non-current assets**				
	1 Intangible assets	(1)	107,135		107,135
	2 Property, plant and equipment	(2)	1,024,885	(2,583)	1,022,302
	3 Securities and investments	(3)	265		265
	4 Investments accounted for using the equity method	(4)	21,865		21,865
	5 Medium/long-term financial receivables	(5)	12,251		12,251
	6 Trade receivables	(6)			
	7 Deferred income tax assets	(8)	27,352		27,352
	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 Short-term financial receivables	(5)	1,720		1,720
	5 Securities				
	6 Cash and cash equivalents	(10)	261,517		261,517
	Total		**397,034**		**397,034**
C	**Non-current assets held for sale**				
Total assets			***1,591,868***	***(2,583)***	***1,589,285***
Liabilities					
D	**Total equity**				
	1 Share capital		291,414		291,414
	2 Reserves		136,459	1,565	138,024
	3 Retained earnings				
	4 Profit for the year		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 Medium/long-term financial liabilities	(14)	769,946	830	770,776
	2 Trade payables	(15)	3,722		3,722
	3 Other payables	(16)	45,556	43	45,599
	4 Deferred income 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	(13)	4,017		4,017
	Total		**927,022**	**(2,201)**	**924,821**
F	**Current liabilities**				
	1 Short-term trade payables	(15)	43,142		43,142
	2 Other payables	(16)	34,527	(204)	34,323
	3 Short-term 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 associable with non-current assets**				
Total liabilities			***1,591,868***	***(2,583)***	***1,589,285***

(EUR thousands)		Notes	2017 *Provisional allocation*	IFRS 3	2017 *Final allocation*
A	Revenue	(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/(loss)**		**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/(loss)**		**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/(loss) before income tax**		**42,428**	**13**	**42,441**
	Income tax expense	(25)	(10,362)	(621)	(10,983)
F	**Profit/(loss) for the year**		**32,066**	**(608)**	**31,458**
G	Profit attributable to non-controlling interests		11,716	(46)	11,670
H	**Profit/(Loss) attributable to owners of the parent**		**20,350**	**(562)**	**19,788**
	Diluted earnings per share attributable to owners of the parent	(11)	*0.070*	*(0.002)*	*0.068*

Purchase Price Allocation of the acquisitions of HG Solar Development LLC, SPME Holdings 2015 LLC, and SPME Dartmouth Holdings LLC, concluded in the second half of 2018

During the second half of 2018, the Purchase Price Allocation of the following acquisitions made in the first half of 2018 was completed: HG Solar Development LLC, SPME Holdings 2015 LLC, and SPME Dartmouth Holdings LLC.

<u>HG Solar Development LLC</u>
Following the acquisition on 14 February 2018 of 100% of the shares in HG Solar Development LLC by Falck Middleton LLC, the company was consolidated on the balance sheet and financial position from 14 February 2018 with effect on the consolidated income statement from 15 February 2018.
The cost of the acquisition was € 874 thousand, of which € 830 thousand paid in 2018 and € 44 thousand retained as collateral.
On the acquisition date, the company had no accounting balances.
The acquisition was accounted for in accordance with IFRS 3, applying the purchase method, by calculating the fair value of the assets and liabilities acquired.

The difference between the price paid and the net equity acquired, amounting to € 874 thousand, was allocated to tangible assets in progress.

HG Solar Development, LLC

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at the acquisition date (final allocation)
Property, plant and equipment			
Trade receivables/(payables)			
Other assets/(liabilities)			
Net financial position			
Third party net worth			
Total net assets acquired			
Net property, plant and equipment (allocation at the lowest price paid)	874		874
Total acquisition cost	**874**		**874**

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

The following table shows the total revenues and net profit for 2018 of HG Solar Development LLC. The cumulative impact on net equity from the date of acquisition to the date of these interim reports is of € 704 thousand, including the conversion reserves.

(EUR/000)	2018
Revenue	920
Profit (loss) from the period	666

SPME Holdings 2015 LLC and SMPE Dartmouth Holdings LLC

Following the acquisition on 5 June 2018 of 100% of the class B shares in SPME Holdings 2015 LLC and SMPE Dartmouth Holdings LLC by Falck Renewables DLP LLC, the companies were consolidated on the balance sheet and financial position from 5 June 2018 with effect on the consolidated income statement from 6 June 2018.

The acquisition cost was € 24,507 thousand, of which € 23,717 thousand paid on the acquisition date (€ 14,582 thousand for SPME Holdings 2015 LLC and € 9,135 thousand for SMPE Dartmouth Holdings LLC) and € 790 thousand for the valuation of the call option for the purchase of shares in the tax equity partner (€ 470 thousand for SPME Holdings 2015 LLC and € 320 thousand for SMPE Dartmouth Holdings LLC).

The net assets on the acquisition date amounted to € 13,440 thousand for SPME Holdings 2015 LLC and € 10,410 thousand for SMPE Dartmouth Holdings LLC.

The acquisition was accounted for in accordance with IFRS 3, applying the purchase method, by calculating the fair value of the assets and liabilities acquired.

The difference between the price paid for the acquisition of SPME Holdings 2015 LLC and the net equity acquired was allocated to the solar plant for € 1,612 thousand, as detailed in the following table:

SPME Holdings 2015, LLC

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at the acquisition date (final allocation)
Intangible assets		158	158
Property, plant and equipment	19,824	(267)	19,557
Trade receivables/(payables)	465	(9)	456
Other assets/(liabilities)	(9,780)	2,894	(6,886)
Net financial position	155		155
Third party net worth			
Total net assets acquired	**10,664**	**2,776**	**13,440**
Property, plant and equipment (allocation at lowest price paid)	4,960	(3,348)	1,612
Deferred tax liabilities	(1,042)	1,042	
Total net assets acquired	**14,582**	**470**	**15,052**

The difference between the price paid for the acquisition of SPME Dartmouth Holdings LLC and the net equity acquired was allocated to the solar plant for -€ 955 thousand, as detailed in the following table:

SPME Dartmouth Holdings, LLC

(EUR/000)	Carrying value of the acquired company at the acquisition date (provisional allocation)	Adjustment at the time of final allocation	Carrying value of the acquired company at the acquisition date (final allocation)
Intangible assets		52	52
Property, plant and equipment	14,810	(130)	14,680
Trade receivables/(payables)	239		239
Other assets/(liabilities)	(5,412)	780	(4,632)
Net financial position	71		71
Third party net worth			
Total net assets acquired	**9,708**	**702**	**10,410**
Property, plant and equipment (allocation at lowest price paid)	(725)	(230)	(955)
Deferred tax credits	152	(152)	
Total acquisition cost	**9,135**	**320**	**9,455**

The following table shows the amount of revenues and net profit for 2018 of SPME Holdings 2015 LLC and SPME Dartmouth Holdings LLC. The cumulative effect on shareholders' equity from the acquisition date to the date of these financial statements is € 773 thousand for SPME Holdings 2015 LLC and € 927 thousand for SPME Dartmouth Holdings LLC, including the translation reserve.

	SPME Holdings 2015, LLC	SPME Dartmouth Holdings, LLC
(EUR/000)	**2018**	**2018**
Revenue	1,323	1,310
Profit/(loss) from the period	731	877

Purchase Price Temporary allocation of the acquisitions of Windfor Srl, Energy Team SpA and Energia Eolica de Castilla Sl

On 2 August 2018 Vector Cuatro Srl acquired 100% of Windfor Srl, a well-known leader in technical advisory services for the wind power sector in Italy.
The company's financial position was entirely consolidated on 2 August 2018, and recorded on the income statement from 3 August 2018.

Furthermore, on 2 October 2018 Falck Renewables SpA finalised the acquisition of 51% of Energy Team Spa, a leading company in Italy in the services of consumption monitoring and flexibility management in the electricity markets. On the same date, a shareholders' agreement was signed under which the parties exchanged an option right for the purchase or sale of the remaining shares (49%), available for exercise three years after the closing.
The company's financial position was entirely consolidated on 2 October 2018, and recorded on the income statement from 3 October 2018. In accordance with IFRS 3, the Falck Renewables Group has consolidated Energy Team SpA at 100%, taking into account that Falck Renewables SpA has full control of the significant activities and any economic returns distributed to minority shareholders will be discounted by the exercise price of put and call options on the remaining 49% of the shares.

Finally, on 27 November 2018 Falck Renewables SpA acquired 49% of the shares of Energia Eolica de Castilla SL, the owner of a 10 MW ready-to-build solar project in the Castilla y León region of Spain. The value of the holdings will automatically rise to 93% on receipt of the authorisations provided for in the contract. On the same date, a shareholders' agreement was signed under which the parties exchanged an option right for the purchase or sale of the remaining shares (7%), available for exercise three years after the closing. In accordance with IFRS 10, Falck Renewables has de facto control of the company in respect of the shareholders' agreement, in particular by appointing the key figures of the company and controlling the main corporate bodies.
The company's financial position was entirely consolidated on 27 November 2018, and recorded on the income statement from 28 November 2018. The Falck Renewables Group has also 100% consolidated its stake in Eolica de Castilla, for the same reasons given above for the consolidation of Energy Team.

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.

Windfor Srl

The acquisition cost was € 618 thousand, of which € 442 thousand paid in 2018; the remaining € 176 thousand was divided into two further instalments of € 60 thousand to be paid in the second half of 2021, and € 116 thousand in the second half of 2023.

The net equity on the date of acquisition was of € 332 thousand. The difference between the net equity acquired and the price paid was provisionally allocated to goodwill for € 285 thousand.

Energy Team SpA

The cost of acquiring 100% of Energy Team's shares was preliminarily estimated at € 37,206 thousand, including the valuation of options to buy and sell shares currently held by minority shareholders, and is subject to a price adjustment mechanism based primarily on results and net financial position, which will be finalised in the first half of 2019. The amount paid in 2018 was € 6,241 thousand.

The total net equity on the date of acquisition was of € 5,187 thousand. The difference between the net equity acquired and the price paid, including the valuation of the purchase and sale options of the shares currently held by minority shareholders, was provisionally allocated to goodwill for € 32,019 thousand.

Energia Eolica de Castilla SL

The acquisition cost € 1,357 thousand, € 465 thousand of which paid in the first half of 2018 and € 892 thousand to be paid at a later date, when certain conditions occur. The total net equity on the date of acquisition was of € 42 thousand. The difference between the net assets acquired and the price paid was provisionally allocated to the solar plant for € 1,825 thousand and under deferred tax liabilities for € 509 thousand. The following table shows the contribution made by the companies acquired during the second half of 2018 in the consolidated financial statements:

(EUR/000)	Windfor Srl	EnergyTeam SpA	Energia Eolica de Castilla Sl
Property, plant and equipment	10	592	317
Intangible assets	23	20	
Provisional PPA (current property, plant and equipment)			1,825
Provisional PPA (goodwill)	285	32,019	
Deferred assets/(liabilities)		(1)	(467)
Trade receivables/(payables)	370	2,749	
Other assets/(liabilities)	(189)	(1,859)	
Financial receivables/(payables)	6	1,757	(400)
Price	**505**	**35,277**	**1,275**
Acquisition cash flow analysis:			
Total acquisition cost	**618**	**37,206**	**1,357**
Acquired cash and cash equivalents	113	1,929	82
Price	**505**	**35,277**	**1,275**
Debt for acquisitions at 31.12.2018	176	30,965	892
Net financial cost of acquisitions	**329**	**4,312**	**383**

The revenues and results at 31 December 2018 of the companies acquired, as from the date of their consolidation in the Falck Renewables Group, are as follows:

- Windfor Srl: Revenues € 357 thousand Profit/(loss) (€ 35) thousand
- Energy Team SpA: Revenues € 3,452 thousand Profit/(loss) (€ 772) thousand
- Energia Eolica de Castilla Sl: Revenues € 0 thousand Profit/(loss) (€ 0) thousand.

6.6.3 Principles of consolidation

The companies included within the scope of consolidation applying the line-by-line method are those controlled by the parent company, also through indirect holdings.
Associated companies and those entities on which the parent company exercises joint control together with other third parties are consolidated using the equity method.
The financial statements of the companies included within the scope of consolidation have been adjusted, where necessary, to bring them into line with Group accounting policies that conform to IAS/IFRS.
The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the parent company gains control and up to the date on which this control ceases.
All significant intercompany balances and transactions are eliminated.
Profits arising on transactions between consolidated entities, or with companies accounted for under the equity method, which are included within assets at the year-end as they are not yet realised, are eliminated.
The book value of consolidated investments is eliminated against the related share of equity inclusive of any fair value adjustments on acquisition. The differences between acquisition cost and net equity on the acquisition date are, where possible, allocated to specific assets and liabilities of the acquired company.
Any further difference that may arise, if positive, is treated as goodwill, if not previously allocable to assets and as such accounted for in accordance with IFRS 3 and subject to impairment at least once a year.
If a negative difference remains, it is charged to the Income Statement, if it cannot be allocated as a decrease in the value of the assets.
The Group applies the option in IFRS 3 paragraph 45 and following that allows the evaluation period to be extended for a maximum of 12 months following the acquisition date.
The non-controlling interests in net equity and profit for the period of consolidated entities attributable to non-controlling interests are disclosed under separate headings in the consolidated balance sheet and income statement.
The ownership percentage used for companies consolidated line-by-line is the statutory amount considering also indirect holdings, unless specified otherwise and explained in a note.
Dividends received by the parent company or other consolidated companies from investments included within the scope of consolidation are reversed in the consolidated income statement.
The assets and liabilities in the financial statements of subsidiaries denominated in foreign currencies are translated to € applying the year-end exchange rate.
The income statements of the financial statements of subsidiaries denominated in foreign currencies are translated to € using the average exchange rate for the year. Maintaining the same level of revenues and margins, fluctuations in foreign exchange rates may impact the value of revenues, costs and profit restated in €.
The differences arising from the translation of opening balances at year-end rates are recorded in the translation reserve together with the difference arising on translation of the income statement and balance sheet values of profit for the year.

The following exchange rates were used to translate the financial statements:

	Average value 2018	31.12.2018	Average value 2017	31.12.2017
British Pounds (GBP)	0.8847	0.89453	0.8767	0.88723
US Dollars (USD)	1.181	1.145	1.1297	1.1993
Polish Zloty (PLN)	4.2615	4.3014	4.257	4.177
Mexican Pesos (MXN)	22.7054	22.4921	21.3286	23.6612
New Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Canadian Dollars (CAD)	1.5294	1.5605	1.4647	1.5039
Japanese Yen (JPY)	130.3959	125.8500	126.7112	135.0100
Chilean Peso (CLP)	756.9400	794.3700	732.6070	737.2900
United Arab Emirates Dirham (AED)	4.3371	4.2050	4.1475	4.4044
Norwegian Krone (NOK)	9.5975	9.9483	9.3270	9.8403
Swedish Krona (SEK)	10.2583	10.2548	9.6351	9.8438
Australian Dollar (AUD)	1.5797	1.6220	1.4732	1.5346

6.6.4 Accounting policies

The valuation and measurement of financial information for the year ended 31 December 2018 have been based on the IAS/IFRS currently in force and their related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

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

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

These estimates and assumptions are reviewed periodically and the effects of all differences relating to the current accounting period are recognised in the income statement. Where the adjustment covers both current and future reporting periods, the adjustment is recorded in the year in which the adjustment is made and future periods.

The actual results may differ, in some cases significantly, from the estimated amounts due to changes in the circumstances on which the estimate was based.

The accounting policies used for the preparation of the consolidated financial statements are in line with those applied at 31 December 2017 with the exception of the adoption of new standards, amendments and interpretations that came into force on 1 January 2018.

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" criterion). 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 in this case.

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 extinction, any cost or commission sustained are recorded as income or losses associated with the extinction. If the exchange or modification is 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.
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 credit impairment fund.

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
Regulations 2016/1905 and 2017/1987 issued by the European Commission on 22 September 2016 and 31 October 2017, respectively, endorsed IFRS 15 "Revenues from contracts with customers" (IFRS 15) and the document "Clarifications of IFRS 15 Revenues from contracts with customers", which define the recognition and measurement criteria for revenues from contracts with customers (including contracts relating to contract work). In particular, IFRS 15 requires that the recognition of revenues be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation (i.e. contractual promises to transfer goods and/or services to a customer); (iii) calculation of the transaction price; (iv) allocation of the transaction price to the performance obligation identified on the basis of the stand-alone selling price of each good or service; and (v) recognition of revenues when the related performance obligation is met. 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. In addition, through Energy Team, acquired at the end of 2018, the Group operates in the field of consumption monitoring and flexibility management services in the electricity markets.
As part of the process of assessing the impact of applying the new principle, the Group has identified the following types of revenues:

(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, and energy efficiency 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 integrates the accounting information to be provided with reference to the nature, amount, timing and uncertainty of revenues and the relative cash flows.
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. Information has also been provided on the relationship between the disaggregated revenues and revenues presented for each sector. In 2017 and 2018, 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 that does not qualify as an investment entity has a holding in an associated company or joint venture that is an investment entity, when applying the equity method, the former entity can decide to maintain the fair value measurement applied by the investment entity (associate or joint venture) when measuring their own investments. This choice can be made separately for each associate or joint venture that is an investment entity up to the last of the following dates to occur: (a) the initial measurement of the holding in the associate or joint venture that is an investment entity; (b) when the associate or joint venture becomes an investment entity; or (c) when the associate or joint venture that is an investment entity becomes parent company for the first time. 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.

New standards issued but not yet effective

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 form 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 (worth less than 5,000 USD) and short-term leasing contracts (contracts maturing within 12 months or less). 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 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.

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. Lessees may choose to apply the standard using a fully retrospective approach, a modified retrospective approach or a simplified approach in which no adjustment is made to equity at the transition date.

In 2018, the Group calculated the potential effects of IFRS 16 on its consolidated financial statements.

Transition to IFRS 16
The Group plans to implement IFRS 16 with the simplified approach for all leasing contracts. The Group has decided to apply the standard to contracts previously identified as leases which in 2018 apply IAS 17 and IFRIC 4. Therefore, the Group will not apply the standard to contracts that were not previously identified as leases under IAS 17 and IFRIC 4.

The Group will make use of the exceptions proposed by the principle on leasing contracts 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.

In 2018, the Group carried out a detailed analysis of the impacts of IFRS 16. In summary, the expected effects of adopting the new standard in 2019 are:

An increase in Assets for rights of use and Financial liabilities for operating leases of between € 70 and € 75 million. Lower operating lease payments of between € 6 and € 7 million are expected.

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The interpretation defines the accounting rules for income tax when its treatment gives rise to uncertainties affecting the application of IAS 12, and does not apply to taxes that do not fall under the scope of IAS 12, or specifically include any reference to sanctions or interest relating to uncertain tax treatment.
The interpretation specifically deals with the following points:
- if an entity handles uncertain tax issues separately;

- the entity's assumptions regarding the assessment of tax treatment by the tax authorities;
- how an entity calculates taxable income (or tax losses), taxable base, unused tax losses, unused tax credits and tax rates;
- how an entity handles changes in facts and circumstances.

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation
In accordance with IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the statement of comprehensive income, provided that the contractual cash flows are "exclusively principal and interest payments on the reference amount" (the SPPI criterion) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset exceeds the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract.
The amendments must be applied retrospectively and are effective from 1 January 2019, and early application is permitted. These amendments do not affect the Group’s consolidated financial statements.

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 set out the accounting rules in the event that, during the reporting period, there is an amendment, reduction or settlement of the plan. The amendments specify that when an amendment, curtailment or regulation of the plan occurs during the period, an entity is required to:
determine the cost of service for the remainder of the period following the plan amendment, curtailment or settlement, using key actuarial assumptions to remeasure the net defined benefit liability (asset) so that it reflects the benefits offered by the plan and the assets of the plan after that event;
determine the net interest for the period remaining after the plan amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the plan assets after that event; and the discount rate used to settle the net defined benefit liability (asset).

The amendments also clarify that an entity should first quantify all costs related to previous work, rather than the profit or loss that occurred at the time of the settlement, without taking into account the effect of the activity ceiling. This amount is recognised in profit or loss. Subsequently, after the plan is amended, reduced or settled, the entity quantifies the effect of the asset ceiling. Any such changes, except as already included in net interest, shall be recognised in other comprehensive income. The amendments apply to plan amendments, curtailments or regulations that occur from the first annual period beginning on or after 1 January 2019, and early application is permitted. These changes will apply only to any future changes to the plan, reductions or transactions of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments specify that an entity applies IFRS 9 for long-term investments in an associate or joint venture, for which the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interest).
This clarification is relevant because it implies that the expected loss model on receivables in IFRS 9 applies to such long-term investments. The amendments also clarify that, in applying IFRS 9, an entity shall not take into account any loss of the associate or joint venture or any impairment of the investment recognised as an adjustment to the net investment in the associate or joint venture that results from the application of IAS 28 Investments in Associates and Joint Ventures.
The amendments must be applied retrospectively and are effective from 1 January 2019, and early application is permitted. Since the Group does not hold long-term interests in its associates and joint ventures, the amendments will not have an impact on the consolidated financial statements.

Annual Improvements 2015-2017 Cycle (published in December 2017)

These improvements include:

IFRS 3 Business Combinations
The amendments specify that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination that has taken place in several stages, including a review at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing so, the acquirer remeasures the entire participation previously held interest in the joint operation.
The entity applies these changes to business combinations for which the acquisition date coincides with or is subsequent to the first financial year starting from 1 January 2019, with the permitted early application. These amendments apply to the Group's subsequent business combinations.

IFRS 11 Joint Arrangements
A party that participates in a joint operation, without having joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3.
The amendments clarify that investments previously held in such a joint operation are not remeasured. Entities must apply the amendments to transactions in which they have joint control from the beginning of the reporting period on or after 1 January 2019, and early application is permitted. These amendments are not currently applicable to the Group but may become applicable in the future.

IAS 12 Income Taxes
The amendments clarify that the effects of taxes on dividends are more related to past transactions or events that generated distributable profits than to distributions to shareholders. Therefore, the effects of income taxes on dividends are recorded in profit or loss, other comprehensive income or equity in line with the way similar transactions or events were handled by the entity in the past.
The amendments apply for annual periods beginning on or after 1 January 2019, and early application is permitted. When applying the amendments for the first time, they must be applied to taxation on dividends recorded from the beginning of the first reporting period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs
The amendments clarify that entities must handle as non-specific loans any loan made which was intended from the outset to develop an asset, when all the actions necessary to prepare that asset for use or sale are

completed. The amendments apply to borrowing costs incurred from the beginning of the period in which the entity first applies them. The amendments apply for annual periods beginning on or after 1 January 2019, and early application is permitted. Since current Group practice is already in line with those amendments, the Group has not recorded any impact on its consolidated financial statements.

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

Business combinations and goodwill

Business combinations are accounted for applying the purchase method. The cost of an acquisition is measured as the fair values at the date of exchange of all assets acquired and liabilities assumed and any non-controlling interest in the acquiree. For each business combination the Group establishes whether to measure the non-controlling interest in the acquiree at fair value or the non-controlling interest's proportionate share of the identifiable net assets of the acquiree. The acquisition costs are charged to profit or loss as incurred and classified in administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed on the basis of contractual terms, economic conditions and other pertinent conditions existing at the acquisition date. This may include the separation of embedded derivatives from host contracts.

Where the business combination is achieved in stages, the previously held interest is remeasured at fair value at the acquisition date and the resultant gain or loss is recognised in profit or loss. This amount is also taken into account in the determination of goodwill.

The contingent consideration is measured at fair value at the time of the business combinations. The change in fair value of the contingent consideration is classified as assets or liabilities such as a financial instrument which is the subject of IFRS 9 Financial Instruments: recognition and measurement, is recognised in the income statement or the statement of other comprehensive income. If the additional consideration is not within the scope of IFRS 9, it is accounted for in accordance with the relevant IFRS. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and its subsequent settlement is accounted for within equity.

Initial recognition of goodwill is at cost measured as the difference between the aggregate of the value of the consideration transferred and the amount of any non-controlling interest and the net value of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the consideration transferred, the Group ensures that the identification of all of the assets acquired and liabilities assumed is complete and reviews the procedures used to determine the amounts recognised at the date of acquisition. Where following this review the fair value of the net assets acquired exceeds the consideration transferred, the difference (gain) is recognised in profit or loss, if not previously attributable to a reduction in the assets.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of carrying out the impairment test, goodwill acquired from a business combination is allocated, at the date of acquisition, to each of the cash generating units that benefit from the acquisition irrespective of whether the assets or liabilities of the acquired entity are assigned to that unit at the acquisition date.

Where goodwill is allocated to a cash generating unit and part of the operations of the CGU is disposed, the goodwill associated with the disposed business is included in the carrying amount in order to determine the gain or loss on sale. The goodwill associated with the disposed business is determined on the basis of the relative values of the disposed business and the remaining portion of the CGU.

Fair value measurement

The Group measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. The fair value of financial instruments valued at amortised cost is summarised in the notes to the consolidated financial statements.

Fair value is the price at which an orderly transaction to sell an asset or transfer a liability would take place

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

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

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

Intangible assets
An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured. Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over their estimated useful economic life.
Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortization is parameterised to the period of their estimated useful life and starts when the asset is available for use.
Intangible assets with an indefinite useful life and those not available for use are tested for impairment. This test consists in a comparison between the future estimated cash flows from the intangible asset and the net book value. The method of discounted operating cash flows is applied based on projections included in future business plans approved by company management.
Costs relating to the acquisition of CIP 6/92 rights are amortised over the related benefit period.
Goodwill principally relates to the differences arising on first-time consolidation between the book value of the investments and the corresponding share of equity of the consolidated companies, adjusted in order to take into consideration both significant intercompany transactions and the fair values of the identifiable net assets and liabilities of the acquired company. Goodwill is subjected to an impairment test, at least on an annual basis, in order to identify permanent reductions in value.
In order to perform the impairment test correctly, goodwill has been allocated to each of the cash generating units (CGUs) that benefit from the acquisition. The Group defines CGUs as the smallest, reasonably identifiable group of operations that generates cash flows substantially independently from the cash flows generated by other units or groups of units. Given the nature of the renewable energy business (WtE, biomass, wind and solar energy) whereby individual plants in special purpose project companies are iden-

tified and measured separately and are generally financed separately from other projects through non-recourse debt to the shareholders, the CGUs represent either the proprietary project companies or those that operate renewable energy power plants. Consequently, these are independent from others generating their own cash flows and operating in an active market with their own products.

Property, plant and equipment

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

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

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

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

Impairment of assets

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

Securities and investments

Investments in other companies and other investments
In accordance with IFRS 9 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value through profit or loss with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied. Gains and losses arising on adjustments to value of shares held for sale are recognised as a specific reserve within equity.
Where impairment losses exist or in the event of disposal of the related asset, the gains and losses recorded in equity up until this point are recycled to the income statement. Shares and investments held for sale are measured at fair value with any adjustment recognised in the income statement. Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

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

Financial assets

Classification
In accordance with IFRS 9 and IAS 32, financial assets are classified into the following four categories:
1. financial assets 'at fair value through profit or loss';
2. held-to-maturity investments;
3. loans and financial receivables similar to loans;
4. available-for-sale financial assets.

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

Financial assets 'at fair value through profit or loss'
This category has two sub-categories:
1. Financial assets held for trading;
2. Financial assets designated to the fair value category on initial recognition. This category includes all financial investments other than equity instruments that are not quoted in an active market but for which a fair value may be reliably measured.

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

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

exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as financial assets held for trading and measured at fair value.

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

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

Accounting treatment
Financial assets 'at fair value through profit or loss' held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition. Gains or losses relating to financial assets held for trading are recognised immediately in the income statement.
Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement. For this purpose, the Group has defined quantitative parameters that identify a prolonged and significant decline in market prices, with particular reference to a significant decrease in terms of value and a prolonged decrease over time.
Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.
In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.
In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).
Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.
Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity. Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.
Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the Group transfers the financial asset together with all of the related risks and rewards.

Inventories
Finished goods are stated at the lower of purchase cost and net realisable value.
Purchase cost is determined using the weighted average cost method.
Obsolete and slow-moving inventory is valued based on possible future use or realisation.

With regard to contract work in progress that spans more than one accounting period, valuation is based on income matured to date with reasonable certainty, determined by comparing actual costs to date with the total estimated costs to completion.

Receivables

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

Cash and cash equivalents

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

Non-current assets disposed of or held for sale (Discontinued operations)

Non-current assets that have been disposed of or that are held for sale include those assets (or groups of assets) due to be disposed of and for which the accounting value will be recovered principally through sale rather than future use. Non-current assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

In accordance with IFRS standards, the figures relating to discontinued operations are presented in two specific items of the balance sheet: assets held for sale and liabilities related to assets held for sale; and in a specific item in the income statement: net profit (loss) from discontinued operations or assets held for sale.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount may be made.

No provision is made for risks in relation to which the recognition of a liability is only possible. In this case the risk is disclosed in the relevant note on contingencies and commitments and no provision is made.

Provisions may be analysed as follows:

Litigation

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

Investments

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

Environmental

This provision comprises future obligations in relation to the decommissioning of power plants at the end of their useful life, with a corresponding increase in the book value of the asset to which the obligation relates, which are calculated based on independent expert valuations. The portion of the total classified in property, plant and equipment that exceeds the amount expected to be realised on sale of the recovered materials is subject to depreciation.

This provision also includes amounts provided to meet future commitments in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of authorisations from the relevant authorities. These provisions are based on estimates prepared by specialist enterprises and are charged to the income statement.

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

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

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

Financial payables
Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method. Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk. The Group has entered into Interest Rate Swaps (IRS) in order to hedge the risk arising on fluctuations in interest rates applicable to project financing. Where possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IFRS 9.

With regard to the derivative contracts on interest rates entered into by Falck Renewables SpA, the fair value was adjusted to take into account counterparty risk (DVA – Debit Valuation Adjustment) by including a correction factor in the yield curve.
This measurement was not applied to derivatives on project financing rates as:
- the interest rate applied by the lending banks already takes into account the intrinsic risk of the financed company;
- at the time of carrying out impairment tests, the calculation assumptions envisaged that future cash flows of the individual companies allow recovery of not only the asset value but also repayment of the residual borrowing including the fair value of the associated derivative.

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

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

market rates, the benefit arising from this difference is recognised as an additional government grant.

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

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

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

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

Incentive plan
During 2017 the Falck Renewables SpA Shareholders' Meeting approved a share incentive plan. In April 2017, the incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares. During 2017, a total of 478,986 shares were also assigned to some Group managers, reduced to 413,077 following the resignation of a beneficiary in December 2018. In February 2019 a further 89,962 share rights were assigned to certain Group managers, while the amount of share rights assigned to the Group's Chief Executive Officer remained unchanged.

The cost of the share transactions was recorded at fair value on the date the shares were assigned, using an appropriate evaluation method, as described in detail in the notes to these 2018 financial statements to which we refer, and is not subject to any subsequent adjustment.
The fair value of the services received by the owners of the plan in exchange for the shares received was calculated indirectly with reference to the fair value of the shares. This cost was recorded throughout the vesting period under employee expenses, or service costs if the beneficiary was not an employee, balanced by a specific reserve in equity. The accumulated costs were recorded according to the best estimate of the number of shares that will effectively reach maturity. The cost recorded under the results for the period represents the variation in the accumulated cost recorded at the beginning and end of the period. No costs were recorded for rights that did not reach maturity due to failure to achieve performance or service targets.

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

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

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

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

Interest
Financial income is accounted for applying the accruals concept.

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

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

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

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

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

VAT
Revenue, costs and assets are recorded net of VAT except where:
- VAT on the purchase of goods or services is not deductible in which case it is included in the pur-

chase cost of the asset or as part of the cost charged to the income statement;
- it relates to trade receivables and payables disclosed gross of VAT.

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

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

6.6.5 Financial risk management: objectives and criteria

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

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

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

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

Liquidity risk
The objective of the Group is to achieve a balance between maintaining available funds and ensuring flexibility through the use of loans and bank overdrafts. The Group entered into a loan agreement for € 325,000 thousand on 12 June 2015 that matures on 31 December 2023 with the purpose of funding the parent company's liquidity requirements and to provide capital to, and finance, its subsidiaries.
This loan had not been drawn down at 31 December 2018.
The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these ratios were met on all annual and biannual reporting dates from 30 June 2015 to 31 December 2018, based on these financial statements.

Cash and cash equivalents not restricted under project financing amounted to € 112,917 thousand at 31 December 2018 and are deposited with banks following assessment of the related counterparty risk.

The cash and cash equivalents of Group companies financed under project financing principally comprise the current account balances that are restricted by the obligations established under the project financing contracts. The balance relating to the wind sector is € 100,531 thousand, while that of the WtE, biomass and solar sector is € 4,740 thousand. The Group considers the level of credit risk associated with these deposits to be acceptable.

6.6.6 Capital risk management

The key objectives of the Group regarding capital management are creating value for its shareholders and ensuring the going concern of the business. The Group has also set a goal of maintaining the best possible capital structure in order to reduce the cost of debt and fulfil the financial covenants imposed by the loan agreement. All of the loan covenants were met during the year. No changes were made to the capital risk management objectives, policies and procedures during the year.

6.6.7 Segment information

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

In 2018 the "Other assets" segment was introduced, consisting of Falck Renewables SpA, Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and solar" 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.

Data as of 31 December 2017 have been restated to reflect the composition of the new sectors.

(EUR thousands)	WTE, biomass, photovoltaic		Wind		Services		Holding		Elimination		Consolidated	
Operations	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Revenue	67,801	60,361	238,948	216,759	20,121	12,103	33,089	2,650	(24,070)	(3,254)	335,889	288,619
Direct costs	(47,603)	(43,464)	(100,575)	(100,970)	(7,524)	(4,229)	(32,528)	(2,493)	19,160	2,828	(169,070)	(148,328)
Employee costs	(6,794)	(6,114)	(3,981)	(3,786)	(12,122)	(7,118)	(11,695)	(11,955)	88		(34,504)	(28,973)
Other income	10,029	1,143	2,174	2,943	807	235	5,839	8,118	(5,613)	(7,915)	13,236	4,524
Administrative expenses	(11,861)	(11,774)	(8,408)	(15,843)	(1,726)	(1,834)	(14,929)	(22,312)	6,836	11,293	(30,088)	(40,470)
Operating profit/(loss)	**11,572**	**152**	**128,158**	**99,103**	**(444)**	**(843)**	**(20,224)**	**(25,992)**	**(3,599)**	**2,952**	**115,463**	**75,372**
Financial income/(expenses)	(5,178)	(3,479)	(37,263)	(35,123)	(85)	(134)	3,811	4,590	(2,184)	(1,114)	(40,899)	(35,260)
Investment income/ (expenses)	2,724	2,262		45	21	21	47,492	43,655	(47,495)	(43,654)	2,742	2,329
Profit/(loss) before income tax	**9,118**	**(1,065)**	**90,895**	**64,025**	**(508)**	**(956)**	**31,079**	**22,253**	**(53,278)**	**(41,816)**	**77,306**	**42,441**
Income tax expense	(731)	(116)	(21,290)	(16,548)	(86)	102	4,826	5,595	397	(16)	(16,884)	(10,983)
Profit/(loss) for the year	**8,387**	**(1,181)**	**69,605**	**47,477**	**(594)**	**(854)**	**35,905**	**27,848**	**(52,881)**	**(41,832)**	**60,422**	**31,458**
Profit/(loss) attributable to non-controlling interests	653	(508)	15,645	12,178					(35)		16,263	11,670
Profit/(loss) attributable to owners of the parent	**7,734**	**(673)**	**53,960**	**35,299**	**(594)**	**(854)**	**35,905**	**27,848**	**(52,846)**	**(41,832)**	**44,159**	**19,788**

(EUR thousands)	WTE, biomass, photovoltaic		Wind		Services		Holding		Elimination		Consolidated	
Financial position	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*	2018	2017*
Intangible assets	473		96,952	96,281	41,089	9,411	2,097	1,443	(31)		140,580	107,135
Property, plant and equipment	240,138	203,192	804,531	819,565	1,229	633	303	282	(3,176)	(1,370)	1,043,025	1,022,302
Net financial position	141,286	153,035	473,264	570,956	998	(2,109)	14,790	(56,187)	(83,171)	(81,148)	547,167	584,547
Investments	11,275	1,702	43,763	25,830	32,743	217	1,365	294	(2,170)	(5)	86,976	28,038

(*) 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

6.6.8 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

(EUR thousands)		At 31.12.2017	Additions	Foreign exchange differences	Reclas-sifica-tions	Change in scope of consolidation	IFRS 5	(impairment) Revaluation	Amortisation	Balance at 31.12.2018
1.1	Industrial patent rights and intellectual property rights	1,283			127				(372)	1,038
1.2	Concessions, licences, trademarks and similar rights	2	15			20			(19)	18
1.3	Goodwill	85,663	32,304	(402)				(261)		117,304
1.4	Other intangibles	3,547	23	31		207		(508)	(371)	2,929
1.5	Assets under construction and advance payments	16,640	2,931	(144)	(127)		(9)			19,291
Total		**107,135**	**35,273**	**(515)**		**227**	**(9)**	**(769)**	**(762)**	**140,580**

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 (solar 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 solar plant)
- Energy Team SpA (services)
- Energia Eolica de Castilla SL (wind farm in Carrecastro)
- Eolica Cabezo San Roque Sau (Cabezo wind farm)
- Eolica Petralia Srl (Petralia Sottana wind farm)
- Eolica Sud Srl (San Sostene wind farm)
- Eolo 3W Minervino Murge Srl (Minervino Murge wind farm)
- Esposito Servizi Ecologici Srl (Gorle waste treatment plants)
- Esquennois Energie Sas (Oise wind farm)

- Falck Renewables Wind Ltd (wind sector parent company)
- Falck Renewables Vind AS (grants for the wind farms in Okla and Hennøy)
- Frullo Energia Ambiente Srl (Granarolo dell'Emilia WtE plant)
- Geopower Sardegna Srl (Buddusò-Alà dei Sardi wind farm)
- Vector Cuatro group (services)
- 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 solar plants)
- Spaldington Airfield Wind Energy Ltd (Spaldington wind farm)
- Syncarpha Massachusetts LLC (solar plant in Leominster, Palmer, and Dartmouth in Massachusetts)
- Ty Ru Sas (Plouigneau wind farm)
- West Browncastle Wind Energy Ltd (West Browncastle wind farm)

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

Goodwill at 31 December 2018 comprised:

Goodwill

(EUR thousands)	Book value at 31.12.2018
Energy Team SpA	32,020
Geopower Sardegna Srl	16,246
Cambrian Wind Energy Ltd	12,411
Falck Renewables Wind Ltd	10,222
Ben Aketil Wind Energy Ltd	9,778
Earlsburn Wind Energy Ltd	9,630
Millennium Wind Energy Ltd	9,333
Vector Cuatro SLU	6,146
Boyndie Wind Energy Ltd	4,087
Kilbraur Wind Energy Ltd	3,716
Eolica Sud Srl	1,967
Eolo 3W Minervino Murge Srl	1,748
Total	**117,304**

With reference to the measurement of the Vector Cuatro contract portfolio, recorded under other intangible assets, we report an impairment of € 508 thousand due to the termination of some multi-year contracts. On

the other hand, the client was asked to pay a penalty of € 588 thousand, which was recorded in 2018.
In addition, the goodwill of Ty Ru was written down by € 261 thousand due to lower future margins expected by management.

Purchases mainly relate to goodwill following the acquisition of Energy Team SpA for € 32,020 thousand (pending finalisation of the purchase price allocation) and Windfor Srl for € 285 thousand, expenses incurred for the acquisition of software licences and management system development by the parent company Falck Renewables SpA for € 1,173 thousand and technical consultancy and internal costs for the Okla project of Falck Renewables Vind AS for € 1,469 thousand, and other minor amounts.

Impairment tests

Impairment tests were performed on goodwill, intangible assets and the property, plant and equipment allocated to the CGUs at 31 December 2018 in accordance with the procedures established in IAS 36. In particular, the recoverable amount was determined for each of the individual CGUs (which generally corresponds to each individual project launched) based on value in use, which is calculated using the projection of operating cash flows discounted by the after tax weighted average cost of capital (WACC), which varies depending on the expected useful life of the plants. Given the nature of the business the recoverable amount of each unit was determined estimating the discounted operating cash flows over the remaining term of each project, and assuming for all of the industrial plants a prudent nil terminal value. The projected cash flows are based on the following assumptions:

- expected production values of the wind/solar and waste to energy/biomass plants based on historic productivity figures;
- forecast sales prices and incentives during the expected residual life of the plants, using short term market projections provided by independent, internationally recognised energy sector providers, and medium/long-term projections by the internal Energy Management department, taking into account regulatory requirements;
- waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;
- operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

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

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 4.2% to 5.2%
Wind sector UK:	from 4.4% to 5.0%
Wind sector Italy:	from 5.5% to 5.9%
Wind sector Spain:	3.4%
Services sector Spain:	5.3%
Wind sector France:	from 4.2% to 4.4%
Solar sector US:	from 5.5% to 5.7%
Photovoltaic Italy:	from 5.4% to 5.7%

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

General factors

- In comparison to the Group's previous forecasts, expected electric energy prices in the various countries where the Group operates, considered over the entire useful life of the plants, changed as follows:
  - Italy: firstly, the variations in energy prices were strongly impacted by the calculation of the incentive, which offset 78% of the variations (although one year off). Prices (given by the sum of energy and incentives) were substantially in line with the forecasts in the previous report, with a notable reduction only for the Sicily area;
  - UK: the wholesale price curves used to forecast cash flow in the 2018 accounts did not show any significant variations from the previous year;
  - Spain: the market rate shows stronger than growth than forecast in the previous year. The Cabezo San Roque plant benefited from this effect;
  - France: electricity tariff increases were much more limited than those used in the last financial statements. This reduction affects plants from the end of the period in which they benefit from a so-called Feed-in Tariff regime (15 years from plant start-up).
- There were no significant variations in tax legislation in the various countries in comparison to the forecasts used in last year's report;
- WACC rates used to discount cash flows were updated based on the performance of long-term government bond yields (at the basis of the risk-free component of the WACC itself), interest rates applied to bank debt, and the new residual useful life of the wind and solar plants. The WACC rate for Italian wind farms recorded a growth of about 0.6%, while there were no significant changes in other countries/technologies.

Factors relating to the wind sector

- As in 2017, in 2018 the Company once again updated the estimates relating to the future production levels of each wind farm, also taking into consideration historical wind levels in the various locations. This update was carried out on all the plants in operation by the internal Performance & Improvement division, based both on historical statistical data and on estimates prepared by a third party, market leader in wind assessment, taking into account the availability for each individual plant;
- With specific reference to the Cabezo San Roque plant, the aforementioned increase in future prices led to an impairment loss of approximately € 0.9 million. On the other hand, the forecast downturn in growth in the curves in France and Sicily and the update of the applicable discount rate led to the following impairments: Ty Ru plant approximately € 1.2 million, Petralia Sottana plant approximately € 1.5 million.

With reference to the Solar Mesagne solar plant, an impairment of about € 0.1 million was recorded.

Vector Cuatro group impairment tests

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

The recoverable amount was determined on the basis of an explicit operating cash flow plan for a five-year period and a terminal value. The discount rate applied was 5.3% taking into consideration a sample of comparable companies operating in the services sector.
For the subsequent flows, the terminal value was calculated as a perpetuity on the basis of a normalised cash

flow equal to the average EBITDA achieved in the last three years (2016-2018), to which a growth rate (g) equal to zero has been applied.

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

With specific reference to the multi-year contract portfolio, on the other hand, a detailed analysis of its residual value led to the need for an impairment of approximately € 0.5 million (of which approximately € 0.2 million already carried out in the September 2018 quarterly report). This impairment is mainly due to the termination in 2018 of some multi-year asset management contracts and the reduction of the "scope of work" for others.

The net effect of these impairment losses and reversals on the Group's assets is consequently approximately € 2.4 million in writedowns, of which approximately € 0.8 million in intangible assets and approximately € 1.6 million in property, plant and equipment.

Impairment test: sensitivity analyses

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

This illustrates the most outcomes described above which combine both the financial and operating/industrial elements of the sensitivity analyses compared to the base case:

VARIATIONS VS BASE CASE (EUR/million)	Base case	Electricity prices -10%; Discount rate +0.5%	Electricity prices +10%; Discount rate -0.5%
Net revaluations/ (impairments)	(2.4)	(9.5)	3.1

In the most difficult scenario, in addition to the CGUs already subject to impairment in the basic case, there is also a potential impairment of the NC42 plant and a smaller impairment of Cabezo San Roque.
After reviewing the various outcomes and taking into consideration the variables used to prepare the base case, the directors consider the valuations made to perform the impairment tests with reference to the base case and the relative impairments and adjustments to be adequate. They also confirm that the trend in these variables will be monitored in order to identify any adjustments in the estimates of the recoverable values of the amounts recorded in the financial statements.

2 Property, plant and equipment

Movements in the period were as follows:

(EUR thousands)	Balance at 31.12.2017*	Additions	Variations consolida-tion area	Capitalisation and reclassi-fication	Foreign exchange differ-ences	Disposals and impair-ments	Other move ments	IFRS 5	(Impair-ment losses) Revalua-tions	Depreciation	At 31.12.2018
Gross values											
2.1 Land	8,740				(3)		(280)		(15)		8,442
2.2 Buildings	1,831	26	653		(1)		(1)				2,508
2.3 Plants and machinery	1,421,654	10,813	41,001	390	1,647	(60)	(2,468)	(3,288)	(1,587)		1,468,102
2.4 Industrial and commercial equipment	2,926	47	287	22		(95)		(1,318)	(5)		1,864
2.5 Other assets	5,050	137	487	10	2	(75)		(1,068)			4,543
2.6 Assets operated under concession	93,143			741		(326)					93,558
2.7 Assets under construction and adv.	6,309	40,680	317	(1,163)	26			(6)	(70)		46,093
Total gross value	**1,539,653**	**51,703**	**42,745**		**1,671**	**(556)**	**(2,749)**	**(5,680)**	**(1,677)**		**1,625,110**
Accumulated depreciation											
2.1 Land											
2.2 Buildings	(1,035)		(250)				1			(61)	(1,345)
2.3 Plants and machinery	(440,302)		(6,760)		1,444		110	2,659		(59,255)	(502,104)
2.4 Industrial and office equipment	(2,579)		(174)			89	1	1,242		(127)	(1,548)
2.5 Other assets	(4,035)		(405)		1	74	(1)	1,039		(369)	(3,696)
2.6 Assets operated under concession	(69,400)					234				(4,226)	(73,392)
Total depreciation	**(517,351)**		**(7,589)**		**1,445**	**397**	**111**	**4,940**		**(64,038)**	**(582,085)**
Net book amounts											
2.1 Land	8,740				(3)		(280)		(15)		8,442
2.2 Buildings	796	26	403		(1)					(61)	1,163
2.3 Plants and machinery	981,352	10,813	34,241	390	3,091	(60)	(2,358)	(629)	(1,587)	(59,255)	965,998
2.4 Industrial and commercial equipment	347	47	113	22		(6)	1	(76)	(5)	(127)	316
2.5 Other assets	1,015	137	82	10	3	(1)	(1)	(29)		(369)	847
2.6 Assets operated under concession	23,743			741		(92)				(4,226)	20,166
2.7 Assets under construction and adv.	6,309	40,680	317	(1,163)	26			(6)	(70)		46,093
Total property, plant and equipment	**1,022,302**	**51,703**	**35,156**		**3,116**	**(159)**	**(2,638)**	**(740)**	**(1,677)**	**(64,038)**	**1,043,025**

(*) 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.

Additions - These refer mainly to the construction of the Auchrobert wind farms in the UK (€ 459 thousand), Brattmyrliden (€ 6,397 thousand) and Åliden (€ 11,631 thousand) wind farms in Sweden, Falck Renewables Vind (€ 17,878 thousand) in Norway, and Energia Eolica de Castilla wind farms in Spain (€ 3,801 thousand), the HG Solar plant in the US (€ 9,654 thousand) and the solar plants of Fisher Road Solar I, LLC, Syncarpha Palmer, LLC and Syncarpha Massachusetts, LLC in the US (€ 657 thousand) and other minor investments (€ 1,226 thousand).

Property, plant and equipment at 31 December 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 € 52 thousand entirely relating to wind farms under construction.

The change in the scope of consolidation refers mainly to the consolidation of the companies of the Fisher Road Solar I, LLC, Syncarpha Palmer, LLC and Syncarpha Massachusetts group, LLC, Energy Team SpA, Windfor Srl, and Energia Eolica de Castilla SL.
Buildings include financial leases of properties, with a book value at 31 December 2018 of € 398 thousand, net of depreciation. Residual debt amounts to € 130 thousand euros, of which € 41 thousand due within one year, € 41 thousand due between one and two years and the remainder due within five years.

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

3 Investments and financial assets

These are Energy Team securities for a total of € 1,879 thousand (of which € 1,787 thousand short-term), the shareholding of 1.807% in Fondo Italiano per l'Efficienza Energetica SGR SpA for a total of € 1,022 thousand and the purchase options for shareholdings in Norway for a total of € 100 thousand.
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

(EUR thousands)	At 31.12.2017	Revaluation (Impairment)	Fair value adjustment to total equity	Dividends	Other movements	At 31.12.2018
Frullo Energia Ambiente Srl	21,783	2,724	136	(1,943)	1	22,701
Parque Eolico La Carracha Sl						
Parque Eolico Plana de Jarreta Sl						
Nuevos Parque Eolicos La Muela AIE						
Vector Cuatro Servicios SL	82	21				103
Total	**21,865**	**2,745**	**136**	**(1,943)**	**1**	**22,804**

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

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

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

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

5 Financial receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	11,442	9,618	1,824	12,869	11,239	1,630	(1,427)	(1,621)	194
Amounts owed by associates									
Derivative financial instruments	2,276	1,485	791	1,102	1,012	90	1,174	473	701
Total	**13,718**	**11,103**	**2,615**	**13,971**	**12,251**	**1,720**	**(253)**	**(1,148)**	**895**

Financial receivables are disclosed net of the provision for doubtful accounts of € 1,412 thousand.
In order to hedge the interest rate risk on the project financing loans of some subsidiaries, we activated third-party hedging interest rate swaps, which at 31 December 2018 had a fair value of € 1,485 thousand.

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 € 729 thousand at 31 December 2018 (31 December 2017 – € 90 thousand).

In order to hedge the commodity risk, we took out third-party hedging derivatives, for a positive fair value of € 62 thousand at 31 December 2018.

Please note that the fair value of non-current derivatives at 31 December 2018 has been adjusted for counterparty risk (CVA - Credit Valuation Adjustment) in line with IFRS 13. The following table shows the details of the credit valuation adjustments made, by rating and by sector:

(EUR thousands)	Fair value risk free	Fair value - Credit Valuation adjusted	Delta
Rating			
S&P A	1,604	1,476	(128)
S&P BBB	9	9	
Total	**1,613**	**1,485**	**(128)**
Sector			
Banks	1,613	1,485	(128)
Total	**1,613**	**1,485**	**(128)**

6 Trade receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	98,403		98,403	102,928		102,928	(4,525)		(4,525)
Amounts owed by subsidiaries									
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	159		159	241		241	(82)		(82)
Amounts owed by other Falck Group companies	35		35	54		54	(19)		(19)
Total	**98,678**		**98,678**	**103,304**		**103,304**	**(4,626)**		**(4,626)**

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

(EUR thousands)	31.12.2018
Italy	57,141
United Kingdom	24,822
Germany	9,537
United States	2,383
Denmark	1,724
Switzerland	1,310
France	1,033
Spain	547
Japan	288
Mexico	256
Other	327
Bad debt provision	(965)
Total	**98,403**

These receivables are disclosed net of the provision for doubtful accounts of € 965 thousand at 31 December 2018 recorded in order to adjust them to recoverable value.

The total value of third-party trade receivables, amounting to € 98,403 thousand, at 31 December 2018 amounted to € 57,885 thousand and € 37,746 thousand expired for less than one month, and € 2,772 thousand expired for more than one month.

7 Other receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owned by third parties	4,061	246	3,815	2,117	277	1,840	1,944	(31)	1,975
Amounts owned by associates	1,943		1,943	980		980	963		963
Amounts owned by parent company	8,929		8,929	8,324		8,324	605		605
Amounts owned by the Falck Group									
Advances	419		419	439		439	(20)		(20)
Tax credits	15,196		15,196	7,893		7,893	7,303		7,303
Guarantee deposits	881	663	218	663	581	82	218	82	136
Accrued income and prepayments	9,780	2,570	7,210	6,226	223	6,003	3,554	2,347	1,207
Total	**41,209**	**3,479**	**37,730**	**26,642**	**1,081**	**25,561**	**14,567**	**2,398**	**12,169**

Other receivables are disclosed net of the provision for doubtful accounts of € 9,017 thousand at 31 December 2018 recorded in order to adjust them to recoverable value.

Other receivables increased mainly due to tax receivables for VAT refunds requested.

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 € 1,943 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

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

(EUR thousands)	**31.12.2018**	**31.12.2017***
Intangible assets	(2,883)	(3,780)
Property, plant and equipment	(19,498)	(16,896)
Risk and expenses provisions	5,935	4,864
Provision for doubtful accounts	187	214
Tax losses carried forward	2,065	2,752
Other allocations	174	1,032
Derivative financial instruments	8,981	10,456
Amortised cost method	(2,293)	3,137
Other	469	1,131
Total	**(6,863)**	**2,910**

(*) 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.

The balance of € 6,863 thousand comprises € 19,892 thousand of deferred income tax assets net of € 26,755 thousand of deferred income tax liabilities.

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

Deferred taxes on tax losses were posted where deemed recoverable.

The decrease in net deferred tax assets is also due to the impact of the transition to the new IFRS 9 standard with an effect of € 4,123 thousand.

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

	(EUR thousands)
31 December 2017	**27,352**
Movements through the income statement	(2,663)
Movements recorded within equity	(800)
Change in the scope of consolidation	66
Reclassifications	(3,993)
Other movements and foreign exchange effects	(70)
31 December 2018	**19,892**

Movements in deferred income tax liabilities were as follows:

	(EUR thousands)
31 December 2017	**(24,442)**
Movements through the income statement	301
Movements recorded within equity	(2,147)
Change in the scope of consolidation	(25)
Reclassifications	3,993
Other movements and foreign exchange effects	(4,435)
31 December 2018	**(26,755)**

B Current assets

9 Inventories

Inventories at 31 December 2018 consisted of the following:

(EUR thousands)	31.12.2018	31.12.2017	Change
Raw materials and consumables	3,511	2,879	632
Semi-finished goods			
Work in progress			
Finished goods	2,317	2,053	264
Advances			
Total	**5,828**	**4,932**	**896**

Raw materials refer to the biomass stocks of Ecosesto SpA and the raw materials of Ambiente 2000 Srl and Energy Team, while finished products refer to spare parts for plants in operation and for Energy Team SpA.

10 Cash and cash equivalents

(EUR thousands)	31.12.2018	31.12.2017	Change
Short-term bank and post office deposits	218,172	261,499	(43,327)
Cash in hand	16	18	(2)
Total	**218,188**	**261,517**	**(43,329)**

Cash and cash equivalents not linked to project financing contracts of € 112,917 thousand was placed with banks on short-term deposit.
The cash and cash equivalents of Group companies financed under project financing principally comprise the current account balances that are restricted by the obligations established under the project financing contracts. The balance relating to the wind sector is € 100,531 thousand, while that of the WtE, biomass and solar sector is € 4,740 thousand.

The cash balances linked to project financing contracts analysed by company at 31 December 2018 were as follows:

	(EUR thousands)
Actelios Solar SpA	3,675
Innovative solar 42 LLC	1,065
Total WtE, biomass and photovoltaic sector	**4,740**
FRUK Holdings (no.1) Ltd	1,356
Cambrian Wind Energy Ltd	5,431
Boyndie Wind Energy Ltd	641
Earlsburn Mezzanine Ltd	576
Earlsburn Wind Energy Ltd	3,886
Ben Aketil Wind Energy Ltd	2,687
Millennium Wind Energy Ltd	7,107
Kilbraur Wind Energy Ltd	6,469
Nutberry Wind Energy Ltd	4,352
West Browncastle Wind Energy Ltd	3,289
Spaldington Wind Energy Ltd	1,438
Kingsburn Wind Energy Ltd	3,523
Assel Valley Wind Energy Ltd	4,195
Auchrobert Valley Wind Energy Ltd	7,749
Eolica Sud Srl	14,412
Eolo 3W Minervino Murge Srl	7,117
Geopower Sardegna Srl	17,622
Eolica Petralia Srl	4,078
SE Ty Ru Sas	2,146
Parc Eolien du Fouy Sas	796
Parc Eolien des Crêtes Sas	571
Esquennois Energie Sas	1,090
Total Wind sector	**100,531**
Total cash balances linked to project financing	**105,271**

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

Liabilities

D Equity

11 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of € 1 each.
At 31 December 2018, the parent company Falck Renewables SpA had 2,210,000 own shares for a face value of € 2,210,000, representing 0.7584% of total share capital.
The carrying value of own shares held is € 2,924,259 corresponding to an average share price of € 1.3232.

The Shareholders' Meeting of 16 January 2017 authorised the purchase and distribution of treasury shares and start of the share buyback program. This authorisation expired in July 2018.
The company will be able to purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.

In 2018, on the basis of the treasury share purchase plan, it purchased 700,000 shares, corresponding to 0.2402% of the share capital.

Movements in equity during 2018 and 2017 were as follows:

			Reserves								
(EUR thousands)	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
At 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 profit 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 at 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**
At 31.12.2017 *	**291,414**	**470,335**	**(371,598)**	**(2,338)**	**(40,754)**	**(693)**	**83,072**	**19,788**	**449,226**	**48,333**	**497,559**

(EUR thousands)	Share capital	Share premium account	Reserves: Demerger reserve under common control	Reserves: Translation reserve	Reserves: Cash flow hedge reserve	Reserves: Actuarial gains/ losses reserve	Reserves: Other reserves	Reserves: Profit for the year	Group equity	Third party equity	Total
At 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)**	(9,637)	**(25,002)**
Other comprehensive income items included in equity				607	5,200	3	105		**5,915**	770	**6,685**
Purchase of own shares							(1,486)		**(1,486)**		**(1,486)**
Stock grant plan at fair value							434		**434**		**434**
Other movements							5,174		**5,174**	(982)	**4,192**
Profit for the year								44,159	**44,159**	16,263	**60,422**
At 31.12.2018	**291,414**	**470,335**	**(371,598)**	**(1,731)**	**(35,554)**	**(690)**	**105,089**	**44,159**	**501,424**	**54,696**	**556,120**

(*) 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 31 December 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.

	31.12.2018	31.12.2017*
Weighted average number of ordinary shares in issue (number)	289,522,332	289,963,261
Profit attributable to ordinary equity holders of the parent (EUR thousands)	44,159	19,788
Basic earnings per share (EUR per share)	**0.153**	**0.068**

	31.12.2018	31.12.2017*
Weighted average number of ordinary shares in issue (number)	289,522,332	289,963,261
Weighted average number of potential shares following the stock grant plan (number of shares)	1,068,541	584,757
Weighted average number of ordinary shares in issue (number) following diluted profit	290,590,873	290,548,018
Profit attributable to ordinary equity holders of the parent (EUR thousands)	44,159	19,788
Diluted earnings per share (EUR per share)	**0.152**	**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

(EUR thousands)	31.12.2017	Change in scope of consolida-tion	Charges	Utliza-tions/ payments	Other movements	IFRS 5	Foreign exchange diff.	31.12.2018
Non-current provisions for other liabilities and charges								
- litigation provision								
- environmental provision	54,914	427	533	(253)	(1,189)	(235)	(82)	54,115
- other risks provision	21,351	1,405	6,632	(3,686)			50	25,752
Total non-current provisions for other liabilities and charges	**76,265**	**1,832**	**7,165**	**(3,939)**	**(1,189)**	**(235)**	**(32)**	**79,867**
Non-current provisions for other liabilities and charges								
- other risks provision	181			(181)				
Total current provisions for other liabilities and charges	**181**			**(181)**				
Total provisions for liabilities and charges	**76,446**	**1,832**	**7,165**	**(4,120)**	**(1,189)**	**(235)**	**(32)**	**79,867**

Group provisions were classified as 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 € 1,832 thousand mainly refers to the first-time consolidation of Ficher Road Solar I LLC, Syncarpha Palmer LLC and Syncarpha Massachusetts LLC.

The amount of € 533 thousand to reserves refers to future extraordinary maintenance costs for Ecosesto SpA.

Provisions of € 6,632 thousand mainly refer to provisions for litigation regarding the Sicilian project companies in liquidation.

The amount of € 3,686 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)

(EUR thousands)	31.12.2017	Charges	Interest costs	Change in scope of consolida-tion	IFRS 5	Actuarial (gains)/ losses	Payments	31.12.2018
Managers	737	295	9	16		(86)	(372)	599
White and blue-collar staff	3,280	581	46	865	(573)	131	(613)	3,717
Total	**4,017**	**876**	**55**	**881**	**(573)**	**45**	**(985)**	**4,316**

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

The actuarial financial assumptions utilised to calculate the estimated cost in 2018, compared to 2017, are as follows:

(%)	31.12.2018	31.12.2017	Change
Annual discount rate	1.57%	1.30%	0.27%
Annual inflation rate	1.85%	1.70%	0.15%
Annual total pay increase rate*	2.00%	1.70%	0.30%
Annual TFR increase rate	2.89%	2.78%	0.11%

(*) The annual total pay increase is 1.5% for 2019, 1.75% for 2020 and 2% for subsequent years

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

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

The results of the sensitivity analyses are summarised as follows:

Sensitivity analysis - Annual discount rate

(EUR thousands)	+0.50%	-0.50%
Managers	576	615
White and blue-collar staff	3,549	3,908

Sensitivity analysis - Annual inflation rate

(EUR thousands)	+0.25%	-0.25%
Managers	600	591
White and blue-collar staff	3,757	3,686

Sensitivity analysis - Annual turnover rate

(EUR thousands)	+2.00%	-2.00%
Managers	590	603
White and blue-collar staff	3,643	3,816

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

	Future cash flows				
(EUR thousands)	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	57	55	164	427	435
White and blue-collar staff	405	262	962	1,978	8,611
Total	**462**	**317**	**1,126**	**2,405**	**9,046**

14 Financial liabilities

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017*			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	38,459	31,031	7,428	19,316	15,154	4,162	19,143	15,877	3,266
"Non-recourse" project financing	700,365	632,689	67,676	793,138	710,304	82,834	(92,773)	(77,615)	(15,158)
Derivative financial instruments	40,249	37,127	3,122	47,581	45,318	2,263	(7,332)	(8,191)	859
Total	**779,073**	**700,847**	**78,226**	**860,035**	**770,776**	**89,259**	**(80,962)**	**(69,929)**	**(11,033)**

(*) 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 31 December 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 31 December 2018 based on these financial reports.

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

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

In order to hedge the interest rate risk on project financing and to convert the rate from variable to fixed, the companies under project financing 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.
Details of Falck Renewables Group's outstanding interest rate and forex hedging agreements at 31 December 2018 are disclosed in the note "Additional disclosures on financial instruments in accordance with IFRS 7".

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

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 31 December 2018, the financial parameters of all Group companies were over the minimum default level.

Financial payables were positively impacted by the entry into force of IFRS 9 on 1 January 2018, which resulted in lower financial payables 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 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. At the same date, the positive effect on the Net Financial Position was approximately € 17.4 million; the Group will not therefore be able to benefit in the future from the lower interest deriving from the renegotiations.

Financial payables to third parties increased mainly due to the "PUT option" for the shareholders of Energy Team SpA.

15 Trade payables

Trade payables at 31 December 2018 compared to the previous year-end may be analysed as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	51,295	3,585	47,710	46,440	3,722	42,718	4,855	(137)	4,992
Due to parent company	577		577	424		424	153		153
Total	**51,872**	**3,585**	**48,287**	**46,864**	**3,722**	**43,142**	**5,008**	**(137)**	**5,145**

Amounts due to the parent company principally comprise amounts due to Falck SpA for use of the Falck trademark. Non-current trade payables relate to accruals for maintenance costs and rent due after more than one year. Trade payables to third parties increased mainly due to the increase in the scope of consolidation.

16 Other payables

Other payables at 31 December 2018 compared to 31 December 2017 are as follows:

	31.12.2018			31.12.2017*			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	50,610	4,391	46,219	32,781	5,148	27,633	17,829	(757)	18,586
Due to parent company	3,107		3,107	4,560		4,560	(1,453)		(1,453)
Due to other Falck Group companies	25		25				25		25
Advances	145		145	192		192	(47)		(47)
Accruals and deferred income	56,103	53,174	2,929	42,389	40,451	1,938	13,714	12,723	991
Total	**109,990**	**57,565**	**52,425**	**79,922**	**45,599**	**34,323**	**30,068**	**11,966**	**18,102**

(*) 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:

(EUR thousands)	31.12.2018	31.12.2017
Tax payables	11,914	8,893
Debt for company acquisitions	17,836	6,746
Debts to partners and shareholders in the consolidated tax regime	8,633	6,514
Other amounts due to employees and holiday pay	7,413	4,578
Amounts due on court sentences		1,812
Dividends payable	1,182	1,050
Social security payables	1,401	697
Other minor amounts	2,231	2,491
Total	**50,610**	**32,781**

The "debt for company acquisitions" refers to debts and interest payable to the previous shareholders of Ålid-en Vind AB, Brattmyrliden Vind AB, HG Solar Development LLC, Energy Team SpA, Windfor Srl, Energia Eolica de Castilla SL 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 31 December 2018 consisted of € 56,103 thousand were mainly composed of contributions under Law 488, and ITC contributions for a total of € 55,065 thousand relating to the contribution accruable in future years, of which € 53,174 thousand in other non-current payables and € 1,891 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.

Non-current assets and liabilities held for sale

On 12 October 2018, Falck Renewables SpA signed with IMG 2 Srl, a company that has been operating for years in the waste disposal sector in Lombardy, a preliminary purchase and sale agreement for 100% of the shares held in Esposito Servizi Ecologici Srl, for a final consideration of € 1,190 thousand, also adjusting the values of cash and cash equivalents and thus not generating capital gains or losses in the 2019 financial statements. The final contract was completed on 15 January 2019. The transaction was reported as a disposal group in accordance with paragraphs 8 and 41 of IFRS 5.
The amounts classified under non-current assets and liabilities held for sale are shown below.

(EUR thousands)	At 31.12.2018
Intangible assets	9
Property, plant and equipment	740
Other non-current receivables	283
Deferred income tax assets	52
Current client receivables	2,552
Other current receiveables	65
Total assets	**3,701**
Provisions	(235)
Staff leaving indemnity (TFR)	(573)
Non-current trade receivables	(1,623)
Other current receivables	(200)
Total liabilities	**(2,631)**
Net assets held for sale	**1,070**

Commitments and contingencies

Guarantees issued at 31 December 2018 amounted to € 207,903 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 € 169,099 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for € 3,506 thousand. Also included are € 20,159 thousand of bank guarantees and other guarantees of € 15,139 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 31 December 2018, of which € 1,829 thousand still due to be paid on the basis of any additional investments made by the Fund.

Related party transactions

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

	Trade receivables			Trade payables		
(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**	**31.12.2018**	**31.12.2017**	**Change**
Parent company						
Falck SpA	159	241	(82)	577	424	153
Total parent company	**159**	**241**	**(82)**	**577**	**424**	**153**
Associates						
Frullo Energia Ambiente Srl	81	81				
Total associates	**81**	**81**				
Other Group companies						
Falck Energy SpA	19	31	(12)			
Sesto Siderservizi Srl	16	23	(7)			
Total other Group companies	**35**	**54**	**(19)**			
Other related parties						
CII HoldCo Ltd	29		29	117		117
Svelgen Kraft Holding and associates				10	75	(65)
Total other related parties	**29**		**29**	**127**	**75**	**52**
Total	**304**	**376**	**(72)**	**704**	**499**	**205**
% incidence on balance sheet heading	**0.3%**	**0.4%**		**1.4%**	**1.1%**	

	Financial receivables			Financial payables		
(EUR thousands)	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Associates						
Vector Cuatro Servicios Sl						
Total associates						
Other related parties						
CII HoldCo Ltd	11,249	12,781	(1,532)	2,305	2,563	(258)
Firstar Development, LLC				1,218		1,218
Energy Team SpA shareholders				18,609		18,609
Energia Eolica de Castilla SL shareholders				97		97
Total other related companies	**11,249**	**12,781**	**(1,532)**	**22,229**	**2,563**	**19,666**
Total	**11,249**	**12,781**	**(1,532)**	**22,229**	**2,563**	**19,666**
% incidence on balance sheet heading	**82.0%**	**91.5%**		**2.9%**	**0.3%**	

	Other receivables			Other payables		
(EUR thousands)	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Parent company						
Falck SpA	8,929	8,324	605	3,107	4,560	(1,453)
Total parent company	**8,929**	**8,324**	**605**	**3,107**	**4,560**	**(1,453)**
Falck Group companies						
Falck Energy Srl				25		25
Total Falck Group companies				**25**		**25**
Associates						
Frullo Energia Ambiente Srl	1,943	980	963			
Parque Eolico La Carracha SL						
Parque Eolico Plana de Jarreta SL						
Total associates	**1,943**	**980**	**963**			
Other related parties						
CII HoldCo Ltd				4,379	3,146	1,233
Svelgen Kraft Holding and associates				2,088	4,588	(2,500)
Energy Team SpA shareholders				12,388		12,388
Energia Eolica de Castilla SL shareholders				795		795
Firstar Development, LLC				4,254	3,368	886
Total other related parties				**23,904**	**11,102**	**12,802**
Total	**10,872**	**9,304**	**1,568**	**27,036**	**15,662**	**11,374**
% incidence on balance sheet heading	**26.4%**	**34.9%**		**24.6%**	**19.6%**	

Net financial position

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

(EUR thousands)	31.12.2018	31.12.2017*	Change
Short-term third party financial liabilities	(78,226)	(89,259)	11,033
Short-term third party financial receivables	2,615	1,720	895
Short-term Group financial receivables			
Cash and cash equivalents	218,188	261,517	(43,329)
Short-term net financial position	**142,577**	**173,978**	**(31,401)**
Medium/long-term third party financial liabilities	(700,847)	(770,776)	69,929
Medium/long-term financial position	**(700,847)**	**(770,776)**	**69,929**
Net financial position pursuant to CONSOB circular DEM/6064293/2006	**(558,270)**	**(596,798)**	**38,528**
Medium/long-term third party financial receivables	11,103	12,251	(1,148)
Total net financial position	**(547,167)**	**(584,547)**	**37,380**
- of which "non-recourse" financing	**(700,365)**	**(793,138)**	**92,773**

(*) 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.

Disclosures relating to electric power plants

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

1. Disclosures relating to power plants in service at 31 December 2018

DISCLOSURES RELATING TO POWER PLANTS IN SERVICE AT 31 DECEMBER 2018

Plant	Owner	Percentage ownership	Date entered into service	Installed capacity (MW)	Energy generated by the plant (GWh)	Net book value (EUR thousands)
WTE plant Trezzo (MI) **	Prima Srl	85%	Sept 2003	20.0	101	20,209
Biomass plant Rende (CS) ***	Ecosesto SpA	100%	revamping Jan. 2011	15.0	103	15,053
Photovoltaic Rende (CS)	Ecosesto SpA	100%	July 2007	1.0	1	2,831
Photovoltaic plants Sicily*	Actelios Solar SpA	100%	April 2011	13.1	18	32,041
Photovoltaic plant Mesagne (BR) *	Solar Mesagne Srl	100%	July 2009 May 2010	2.0	3	4,648
Photovoltaic plant North Carolina (US)	Innovative Solar 42 LLC	99% class B	Sept 2017	92.0	134	121,525
Solar plant New York (US)	HG Solar Development, LLC	100% class B	June 2018	6.0	4	9,579
Solar plant Delaware (US)	Fisher Road Solar I, LLC	100% class B	June 2018	6.0	5	13,754
Solar plant Delaware (US)	Syncarpha Palmer, LLC	100% class B	June 2018	6.0	4	15,079
Solar plant Delaware (US)	Syncarpha Massachusetts, LLC	100% class B	June 2018	2.5	2	6,131
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd	51%	April 2005	58.5	146	22,018
Wind farm Boyndie (Scotland)	Boyndie Wind Energy Ltd	51%	June 2006 June 2010	16.7	38	8,453
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	51%	Dec. 2007	37.5	107	21,615
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	51%	June 2008 Jan. 2011	27.6	69	16,438
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	51%	March 2009 Feb. 2011	65.0	167	52,993
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	51%	Feb. 2009 Sept. 2011	67.5	158	56,536
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	100%	Oct. 2013	15.0	50	22,705
Wind farm West Browncastle (Scotland)	West Browcastle Wind Energy Ltd	100%	June 2014	30.0	75	43,195
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	100%	May 2016	11.8	26	20,064
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	100%	May 2016	22.5	79	33,796
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	100%	Oct. 2016	25.0	74	40,676
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	100%	April 2017	36.0	99	53,899
Wind farm San Sostene (CZ)	Eolica Sud Srl	100%	Oct. 2009 Oct. 2010	79.5	158	88,288
Wind farm Minervino Murge (BT) *	Eolo 3W Minervino Murge Srl	100%	Dec. 2008	52.0	89	58,754
Wind farm Buddusò - Alà dei Sardi (OT) ****	Geopower Sardegna Srl	100%	July 2011 Dec. 2011	138.0	309	146,301
Wind farm Petralia Sottana (PA) *	Eolica Petralia Srl	100%	April 2012	22.1	42	26,763
Wind farm Plouigneau (France)	SE Ty Ru Sas	100%	July 2012	10.0	20	11,687
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	100%	April 2009	10.0	17	7,359
Wind farm Maine et Loire (France)	Parc Eolien des Cretes Sas	100%	April 2009	10.0	18	7,797
Wind farm Oise (France)	Esquennois Energie Sas	100%	July 2009	12.0	21	10,429
Wind farm Saragozza (Spain)	Eolica Cabezo San Roque Sau	100%	Jan. 2004	23.3	50	6,569
Total				**933.5**	**2,187**	**997,185**

(*) 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	Commit-ments, guar-antees 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.
Rende biomass plant	Ecosesto SpA	(1,575)	Medium and Long-term loans	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	(22,075)	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 (US)	Innovative Solar 42 LLC	(33,221)	Loan note*	28/02/2033	A	C
Solar plant Massachusetts (US)	HG Solar Development LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Massachusetts (US)	Fisher Road Solar I LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Massachusetts (US)	Syncarpha Palmer LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Massachusetts (US)	Syncarpha Massachusetts LLC		N.A.	N.A.	N.A.	N.A.
Wind farm Cefn Croes (Wales) Wind farm Boyndie (Scotland)	FRUK Holdings (No.1) Ltd	(33,334)	Project financing	31/12/2025	A	C
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd	(3,046)	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	(21,704)	Project financing	31/03/2026	A	C
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	(9,851)	Project financing	15/04/2022	A	C
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	(13,576)	Project financing	31/12/2024	A	C
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	(34,088)	Project financing	15/04/2027	A	C
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	(39,210)	Project financing	15/10/2027	A	C
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	(19,095)	Project financing	31/03/2029	A	C
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	(36,754)	Project financing	31/12/2033	A	C
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	(13,412)	Project financing	30/06/2034	A	C
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	(30,711)	Project financing	30/06/2034	A	C
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	(42,463)	Project financing	31/12/2034	A	C
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	(52,441)	Project financing	31/12/2035	A	C
Wind farm San Sostene (CZ)	Eolica Sud Srl	(68,084)	Project financing	30/06/2025	A	C
Wind farm Minervino Murge (BT)	Eolo 3W Minervino Murge Srl	(35,317)	Project financing	31/12/2023	A	C
Wind farm Buddusò - Alà dei Sardi (OT)	Geopower Sardegna Srl	(152,130)	Project financing	30/06/2027 30/06/2024	A	C
Wind farm Petralia Sottana (PA)	Eolica Petralia Srl	(14,101)	Project financing	30/06/2027	A	C
Wind farm Plouigneau (France)	SE Ty Ru Sas	(6,432)	Project financing	31/03/2029 30/06/2030	A	C
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	(5,843)	Project financing	15/07/2026	A	C
Wind farm Maine et Loire (France)	Parc Eolien des Cretes Sas	(6,119)	Project financing	15/07/2026	A	C
Wind farm Oise (France)	Esquennois Energie Sas	(7,358)	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		**(700,365)**				
Total others		**(1,575)**				
Total Financing		**(701,940)**				

(*) A loan note is a form of financing similar to Project Financing
A Standard security package for project finance operations
B Letters of patronage
C Financial covenants that block default distributions and events
D Amount not included in consolidation and equal to EUR 3,784 thousand as at 31 December 2018

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

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

*2. Disclosures relating to power plants not yet in service at 31 December 2018**

INFORMATION ON ENERGY PRODUCTION PLANTS NOT YET IN OPERATION

(EUR thousands)

Plant	Owner	Progress	Installed capacity (MW)	Estimated start date	NBV at 31.12.2018
Wind farm Illois (France)	Parc Eolien d'Illois Sarl	Authorised	Up to 12	Subject to third party appeal	Not material
Wind farm Okla and Hennøy (Norway)	Falck Renewables Vind AS	Hennoy under construction	71	Fourth quarter of 2019 and end of fourth quarter of 2020, respectively	19,669
Aliden wind farm (Sweden)	Aliden Vind AB	Under construction	46.8	End of fourth quarter of 2019	12,834
Brattmyrliden wind farm (Sweden)	Brattmyrliden Vind AB	Construction start date	74.1	End of fourth quarter of 2020	8,578
Carrecastro wind farm (Spain)	Energia Eolica de Castillia SL	Construction start date	10	End of fourth quarter of 2019	4,118

(*) progress is shown at the date of this report

6.6.9 Income statement content and movements

17 Revenue

Revenue consisted of the following:

(EUR thousands)	31.12.2018	31.12.2017	Change
Sale of goods	295,270	255,307	39,963
Sale of services	40,619	33,312	7,307
Total	**335,889**	**288,619**	**47,270**

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

(EUR thousands)	31.12.2018	31.12.2017	Change
Sale of electricity and incentives	295,270	255,307	39,963
Total	**295,270**	**255,307**	**39,963**

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

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Waste treatment and disposal	22,680	19,820	2,860
Renewable energy plant services and management	12,903	11,178	1,725
Other operating income	5,036	2,314	2,722
Total	**40,619**	**33,312**	**7,307**

Revenues from Services and renewable energy plants were mainly generated by the Vector Cuatro Group and Energy Team. Consolidated revenues grew by € 47,270 thousand on the prior year (approx. +16.4%).
Annual electricity production was 2,187 GWh compared to 2,043 GWh in 2017, up 7% due mainly to solar production in the US compared to the same period of the previous year (+142 GWh) and the production of Auchrobert, which was turned on in April 2017 (+30 GWh). In general, although production increased in comparison to 2017, it remained 5% lower than forecast due to low winds in the UK and partly in Italy, Spain and France.

This significant increase in revenues is due to: (i) the increase in production resulting from the higher installed capacity (933.5 MW in 2018 compared to 913 MW in 2017) as a result, compared to 2017, of the acquisition of the Innovative Solar 42 (92 MW) solar plant in North Carolina in December 2017, which contributed to producing energy for the whole of 2018, the powering of the HG Solar Development LLC solar plant in Massachusetts in the United States (6 MW) and the acquisition of three solar projects in Massachusetts in the United States, already in operation (14.5MW), in June 2018; (ii) the resale of energy purchased from the market by Falck Renewables Energy Srl, in order to mitigate the cost of imbalance and optimise the sale, for € 14.2 million.

Conversely, prices for the sale of electricity from wind power increased significantly in the United Kingdom in 2018, while in France the feed-in tariff mechanism essentially neutralised price fluctuations (+1%). In Spain, prices for the sale of electricity from wind power rose by 2%.

Still in the wind sector, Italy saw a 5% reduction in electricity sale prices, including the incentive component, compared with 2017.

In Italy, solar energy prices rose by 3% compared to the previous year, while in the US, the Innovative Solar 42 plant has a contract for the sale of electricity at a fixed reference price per MWh without an obligation to deliver the physical quantity not produced, and therefore the price has not changed.

On the other hand, waste disposal prices rose by 20%, while the price of electricity for WtE plants fell by 15%.

In general, prices in the various countries where the Group operates were still significantly higher than the forecasts for 2018, which included expectations of price reductions.

Furthermore, with reference to production in the United Kingdom, the pound fell by an average of 0.9% against the euro in 2018 compared to the same period of the previous year.

Revenue analysed by country of origin per client is as follows:

(EUR thousands)

Revenues by Geographic Area	Sales revenues from electricity	Revenues from incentives/ green certificates	Sales revenues from sale of products	Total electric energy and other assets	Revenues from services and plant management	Revenues from waste treatment and disposal	Other revenues	TOTAL
Italy	40,350	76,172	1,632	**118,154**	**6,110**	**22,680**	**152**	**147,096**
United Kingdom	75,705	58,379	10	**134,094**	**462**		**4,884**	**139,440**
Germany			12	**12**	**84**			**96**
Denmark	14,125			**14,125**				**14,125**
Switzerland	9,233	145	2	**9,380**	**38**			**9,418**
France	7,035		1	**7,036**	**536**			**7,572**
United States	7,617	2,146	56	**9,819**	**44**			**9,863**
Spain	2,583		1	**2,584**	**1,856**			**4,440**
Japan					**1,957**			**1,957**
Other			66	**66**	**1,816**			**1,882**
TOTAL REVENUES	**156,648**	**136,842**	**1,780**	**295,270**	**12,903**	**22,680**	**5,036**	**335,889**

The following table shows a breakdown of revenues by sector at 31 December 2018 and 31 December 2017:

(EUR thousands) **31.12.2018**

Revenues by type	WtE, biomass, photovoltaic	Wind	Services	Other activities	Elimination	Consolidated
Sales revenues from electricity	26,024	115,996		32,962	(18,334)	156,648
Revenues from incentives/green certificates	18,774	118,068				136,842
Sales revenues from recycled products	180		1,600			1,780
Total electric energy and other assets	**44,978**	**234,064**	**1,600**	**32,962**	**(18,334)**	**295,270**
Revenues from services and plant management	**106**	**17**	**18,493**		**(5,713)**	**12,903**
Revenues from waste treatment and disposal	**22,680**					**22,680**
Other revenues	**37**	**4,867**	**28**	**127**	**(23)**	**5,036**
Total	**67,801**	**238,948**	**20,121**	**33,089**	**(24,070)**	**335,889**

(EUR thousands)			31.12.2017			
Revenues by type	**WtE, biomass, photovoltaic**	**Wind**	**Services**	**Other activities**	**Elimination**	**Consolidated**
Sales revenues from electricity	20,790	98,240		2,512	(2,144)	119,398
Revenues from incentives/green certificates	19,234	116,364				135,598
Sales revenues from recycled products	305	6				311
Total electric energy and other assets	**40,329**	**214,610**		**2,512**	**(2,144)**	**255,307**
Revenues from services and plant management	**143**		**11,967**		**(932)**	**11,178**
Revenues from waste treatment and disposal	**19,821**		**136**		**(137)**	**19,820**
Other revenues	**68**	**2,149**		**138**	**(41)**	**2,314**
Total	**60,361**	**216,759**	**12,103**	**2,650**	**(3,254)**	**288,619**

The following table shows revenues divided by their recognition date:

(EUR thousands)	31.12.2018	31.12.2017
Goods/services transferred on a specific date	323,526	278,586
Services transferred over time	12,363	10,033
Total	**335,889**	**288,619**

18 Employee costs

Employee costs may be analysed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Salaries and wages	25,833	21,642	4,191
Social security costs	6,680	5,655	1,025
Staff leaving indemnity (TFR)	876	791	85
Other costs	1,115	885	230
Total	**34,504**	**28,973**	**5,531**

The average number of employees was as follows:

(number)	31.12.2018	31.12.2017
Managers	51	44
White-collar staff	291	254
Blue-collar staff	48	50
Total average number of employees	**390**	**348**

The cost of employees increased by € 5,531 thousand, mainly due to the increase in average headcount (+42). This growth is due to the fact that all functions, during 2018, were structured to cope with the development of new initiatives provided for in the business plan. The increase in the average number of employees is also due to the acquisitions of Energy Team SpA and Windfor Srl. Compared with 2017, payroll costs were also affected by higher Long Term Incentive Plan costs of € 192 thousand and one-off costs of € 1,174 thousand.

19 Direct costs

Direct costs may be analysed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Materials used and purchased	28,043	15,673	12,370
Services	45,487	41,624	3,863
Other costs	28,029	27,623	406
Change in inventories	527	(414)	941
Net typical allocation to/(use) of operating provisions	280	4,556	(4,276)
Amortisation of intangible assets	408	565	(157)
Impairment of intangible assets	769	2,953	(2,184)
Depreciation of property, plant and equipment	63,850	58,243	5,607
Impairment/(recovery) of property, plant and equipment	1,677	(2,495)	4,172
Total	**169,070**	**148,328**	**20,742**

Direct costs and expenses increased by € 20,742 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.

Following the impairment test carried out in 2018, the company wrote down (i) the Vector Cuatro contract portfolio due to the termination of some multi-year contracts for € 508 thousand, and (ii) the Ty Ru plant for € 1,177 thousand euro, of which € 261 thousand in goodwill; (iii) the Eolica Petralia plant for € 1,478 thousand; (iv) the Solar Mesagne plant for € 139 thousand; and (v) to restore the value of the Eolica Cabezo San Roque plant for € 946 thousand. The net impact of these impairments amounted to € 2,356 thousand.

Impairment losses totalled € 436 thousand in 2017. In 2017, the item Direct costs and expenses also included the provision of € 4,914 thousand for the adjustment of future charges to be incurred for extraordinary maintenance work on Ecosesto SpA.

Net of impairment losses, the above provisions and energy purchase costs, the increase is due to the higher production capacity compared to 2017, which is reflected in the increase in performance and depreciation.

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

Below is the breakdown of minimum payments, variable instalments and collections for subleases as at 31 December 2018:

(EUR thousands)	**31.12.2018**
Minimum payments	7,525
Contingent rents	4,163
Sublease collections	(84)
Total	**11,604**

Below is the detail, by maturity, future minimum payment, at the current value, of operating leases updated as of 31 December 2018:

(EUR thousands)	**31.12.2018**
Up to 12 months	6,785
1-2 years	5,918
2-5 years	15,942
over 5 years	82,348
Total	**110,993**

The table below provides details by future payment due date for subleases, the current value, as at 31 December 2018:

(EUR thousands)	**31.12.2018**
Up to 12 months	3
1-2 years	
2-5 years	
over 5 years	
Total	**3**

20 Other income

Other income may be analysed as follows:

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Current operating income	2,133	1,008	1,125
Non-current operating income	11,103	3,516	7,587
Total	**13,236**	**4,524**	**8,712**

Income from operating activities may be further detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Income from services	291	396	(105)
Rental income	75	14	61
Capital grants	1,718	563	1,155
Other income	49	35	14
Total	**2,133**	**1,008**	**1,125**

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

(EUR thousands)	31.12.2018	31.12.2017	Change
Non-recurring income	3,336	2,433	903
Gains on disposal of property, plant and equipment	9	4	5
Insurance compensation	1,381	291	1,090
Contractual penalties	589	214	375
Compensation for damages		540	(540)
Other	5,788	34	5,754
Total	**11,103**	**3,516**	**7,587**

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 further detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Consumables	1,069	976	93
Services	14,904	15,870	(966)
Other costs	7,077	7,506	(429)
Non-operating expenses	3,064	10,583	(7,519)
Amortisation of intangible assets	354	370	(16)
Depreciation of property, plant and equipment	188	177	11
Net allocations to risk provisions	3,432	4,988	(1,556)
Total	**30,088**	**40,470**	**(10,382)**

The Allocations to provisions net of utilizations heading includes provisions for a total of € 5,384 thousand for the Sicilian project companies.
It also includes part of the effects of the settlement of a dispute concerning land belonging to Sicilian projects in liquidation, amounting to € 1,801 thousand in connection with the reversal of the fund for litigation.

In 2017, approximately € 5 million in allocations to risk provisions net of utilizations were set aside against future litigation arising from the current or previous years regarding disputes with the Electricity, Gas and Water Authority for € 2 million over the reimbursement of incentives, which the Group has appealed to the regional court (TAR), in addition to updating liability estimates for past and current litigations, including with employees.
Non-operating costs in 2017 include the transaction cost of a multi-year contract, linked to revenues, with a developer for wind farms in the UK, for a total of € 7,984 thousand.

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 € 444 thousand, of which € 191 thousand with reference to the stock grant plan.

22 Financial income and expenses

Financial income and expenses comprised:

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Financial expenses	(42,997)	(36,778)	(6,219)
Foreign exchange losses	(7,404)	(2,634)	(4,770)
Financial income	1,541	485	1,056
Foreign exchange gains	7,909	3,646	4,263
Borrowing costs capitalised on assets under construction	52	21	31
Total	**(40,899)**	**(35,260)**	**(5,639)**

Net financial expenses increased by € 5,639 thousand compared to 2017.
The increase in financial charges is mainly due to the entry into force, as from 1 January 2018, of IFRS 9, which resulted in higher financial charges for the Group of approximately € 5 million.

There were no finance costs due to Falck SpA.
Finance costs for 2018 and 2017 may be further analysed as follows:

	31.12.2018			
(EUR thousands)	**Debenture loans**	**Bank loans**	**Others**	**Total**
Payable to others		46,329	4,072	50,401
Total		**46,329**	**4,072**	**50,401**

Foreign exchange losses are classified in bank loans and others for € 6,491 thousand and € 913 thousand respectively. In comparison with 2017, exchange rate losses increased by € 4,770 thousand.

	31.12.2017			
(EUR thousands)	**Debenture loans**	**Bank loans**	**Others**	**Total**
Payable to others		36,138	3,274	39,412
Total		**36,138**	**3,274**	**39,412**

Finance income for 2018 and 2017 may be further analysed as follows:

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Interest and commission - banks	8,150	1,584	6,566
Other	1,300	2,547	(1,247)
Total	**9,450**	**4,131**	**5,319**

Bank interest and commission comprise € 7,145 thousand of foreign exchange gains and € 764 thousand in other interest. The variation from 2017 was mainly due to an increase in exchange rate gains (€ 4,263 thousand).

23 Investment income

Investment income may be analysed as follows:

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Dividends	8		8
Gains on derecognition of investments		45	(45)
Impairment	(11)		(11)
Loss on derecognition of investments			
Total	**(3)**	**45**	**(48)**

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

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

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Frullo Energia Ambiente Srl	2,724	2,263	461
Palermo Energia Ambiente SpA in liquidation			
Vector Cuatro Servicios Sl	21	21	
Parque Eolico La Carracha Sl			
Parque Eolico Plana de Jarreta Sl			
Total	**2,745**	**2,284**	**461**

25 Income tax expense

(EUR thousands)	31.12.2018	31.12.2017	Change
Current tax	14,522	9,470	5,052
Deferred income tax	2,362	1,513	849
Total	**16,884**	**10,983**	**5,901**

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

Income tax as of 31 December 2018 amounted to € 16,884 thousand (€ 10,983 thousand in the previous year).

This figure was affected by the significant growth in the Group's results. Please note that due to the excellent results in the calculation of the taxes for the period it was possible to deduct interest expenses not deducted in previous years, in application of the provisions of the Income Tax Act, reducing the tax burden by € 1,986 thousand.

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

(EUR thousands)	31.12.2018	31.12.2017
Profit before taxation	**77,306**	**42,441**
Taxes calculated applying tax rates to Group profit	(17,111)	(8,928)
Income not subject to tax	3,831	197
Expenses not deductible for tax purposes	(5,749)	(7,133)
Deferred income tax assets on change in tax rate	295	210
Use of retained losses from previous years		2
Consolidation revenues	1,324	2,729
Prepaid taxes following review of useful life		1,455
Other differences	526	485
Total income tax	**(16,884)**	**(10,983)**

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 each year 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 31 December 2018, worth € 191 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

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

In the following months of 2017, some Group managers were also granted a total of 478,986 shares. The fair value per share assigned, calculated as the weighted average share price on the date of assignment net of forecast dividends during the vesting period, was of € 1,3123. The fair value of the stock grants at 31 December 2018, worth € 243 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.
The following parameters were used to calculate the fair value:

		First Assignment	Second Assignment
Share price	(EUR)	1.40	1.90
Shares assigned	(shares)	451,713	27,273
Exercise price	(EUR)	NA	NA
Vesting period	(years)	3	3
Forecast dividends	(EUR)	0.11	0.11
Risk free interest rate	(%)	-0.18%	-0.32%

In 2018 65,909 equity rights assigned to managers were cancelled.
The fair value per share of the shares assigned to managers at 31 December 2018 was € 1.3169.

As the shares were assigned free of charge, the exercise price was zero.
At 31 December 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)	(65,909)	
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 31/12/2018	**1,004,077**	**NA**
Available for exercise at the end of the year	-	

Related party transactions

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

(EUR thousands)	Revenues from sale of goods	Revenues from services	Other income	Direct costs	Admin. expenses	Financial expenses	Financial income	Income from investments
Parent company								
Falck SpA			656		(1,109)			
Total parent company			**656**		**(1,109)**			
Associates								
Frullo Energia Ambiente Srl			117					2,724
Palermo Energia Ambiente ScpA								
Vector Cuatro Servicios SL								21
Parque Eolico Plana de Jarreta SL								
Total associates			**117**					**2,745**
Group companies								
Falck Energy SpA			19					
Sesto Siderservizi Srl			16			(53)		
Total Group companies			**35**			**(53)**		
Other related companies								
CII HoldCo Ltd						(213)	437	
Energy Team SpA shareholders						(32)		
Svelgen Kraft Holding and associates						(3)		
Firstar Development, LLC						(285)		
Total other related companies						**(533)**	**437**	
Total			**808**		**(1,109)**	**(586)**	**437**	**2,745**
% incidence on income statement heading			**6.1%**		**3.7%**	**1.2%**	**4.6%**	**100%**

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 course of 2018;

- Settlement between Tifeo Energia Ambiente Scpa in liquidation and Gulino Group SpA in relation to land, as described in detail on page 70 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.

	Total equity		Profit/(loss) for the year		Net result		Net financial borrowings		Cash flows*	
(EUR thousands)	Abs. value	% impact	Abs. value	% impact	Abs. value	% impact	Abs. value	% impact	Abs. value	% impact
Book value	**556,120**		**60,422**		**44,159**		**(547,167)**		**(43,329)**	
Land transaction	(7,094)	-1.3%	(7,094)	-13.3%	(6,835)	-18.3%	2,000	-0.4%	2,000	-4.8%
Gross figurative book value	**549,026**		**53,328**		**37,324**		**(545,167)**		**(41,329)**	

The incidence impact is calculated on the gross figurative book value
(*) Cash flow refers to the increase (or decrease) of cash and cash equivalent in the year

28 Uncharacteristic and uncommon transactions

In accordance with Consob communication DEM/6064293 of 28 July 2006, in the course of 2018 the Falck Renewables Group did not carry out any uncharacteristic and/or uncommon transactions, as defined in the above communication.

29 Auditors' remuneration

(EUR thousands)	Audit of annual and interim reports	Other activities
Falck Renewables SpA	287	17
WtE, biomass and solar sector	250	8
Wind sector	407	8
Services sector	59	
Total	**1,003**	**33**

The Parent Company's fees amount to € 297 thousand, of which € 16 thousand for other activities.
Please note that most of the companies consolidated on a line-by-line basis were audited by EY SpA.
Other activities principally relate to the certification of covenants and accounting unbundling activities.

30 Public grants - information pursuant to Law 124 of 4 August 2017 - Article 1, paragraphs 125-129

"Law 124 of 4 August 2017 - Article 1, paragraphs 125-129. Transparency and publicity obligations" introduced a series of publicity and transparency obligations for entities having economic relations with the Public Administration, starting with the 2018 financial statements.

This provision has raised questions of interpretation and application that are still unresolved. The Group has therefore carried out the necessary in-depth studies and, also in the light of the most recent guidelines, considers that the following do not fall within the scope of the publication obligation:

- the general measures that can be used by all companies that fall within the general structure of the reference system defined by the State (for example, ACE);
- selective economic advantages, received under an aid scheme, available to all undertakings meeting certain conditions, on the basis of predetermined general criteria (e.g. grants for research and development projects and tax benefits);
- public resources from public bodies in other countries (European or non-European) and from European institutions;
- training contributions received from inter-professional funds (e.g. Fondimpresa and Fondirigenti); as funds having the associative form and legal nature of private-law bodies, which are financed by contributions paid by the same companies;
- Recognition of green certificates for wind farms and incentive tariffs for solar farms.

On this basis, the group has not received any public funding in Italy.

31 Remuneration of the supervisory bodies, general managers and other key management

A	B	C	D	1	2	3		4	5	6	7	8
Name and Surname	Office	Period in office	Expiry of the term of office	Fixed payments	Committee participation payments	Non-equity variable payments		Fringe benefits	Other payments	Total	Equity payment fair value	Director and employee severance indemnity
						Bonusesand other incentives	Profit sharing					
Enrico Falck	Chairman	01.01.2018 - 31.12.2018	2019 financial statement approval	240,000					9,074	249,074		
Guido Corbetta	Deputy Chairman	01.01.2018 - 31.12.2018	2019 financial statement approval	35,000						35,000		
Toni Volpe	Chief Executive Officer and General Manager	01.01.2018 - 31.12.2018	2019 financial statement approval	350,000 (1)		293,000 (2)		19,305		662,305	191,061.59 (3)	
Federico Falck	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000					120,296 (4)	145,296		
Elisabetta Falck	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000						25,000		
Libero Milone	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	60,000 (5)					85,000		
Barbara Poggiali	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	50,000 (6)					75,000		
Elisabetta Caldera	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	60,000 (7)					85,000		
Filippo Marchi	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000						25,000		
Georgina Grenon	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	30,000 (8)					55,000		
Paolo Pietrogrande	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	30,000 (2)					55,000		
Marta Dassù	Director	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000	30,000 (8)					55,000		
Bernardo Rucellai	Secretary of the HR committee	01.01.2018 - 31.12.2018	2019 financial statement approval							10,000		
Giovanni Maria Garegnani	Supervision body Chairman	01.01.2018 - 31.12.2018	2019 financial statement approval	35,000						35,000		
Luca Troyer	Supervision body	01.01.2018 - 31.12.2018	2019 financial statement approval	25,000						25,000		
Massimo Scarpelli	Chairman Of The Board Of Statutory Auditors	01.01.2018 - 31.12.2018	2019 financial statement approval	75,000						75,000		
Alberto Giussani	Statutory Auditor	01.01.2018 - 31.12.2018	2019 financial statement approval	50,000						50,000		
Giovanna Conca	Statutory Auditor	01.01.2018 - 31.12.2018	2019 financial statement approval	50,000						50,000		
Managers with Strategic Positions (10)		01.01.2018 - 31.12.2018		929,807.35		377,657.17 (11)		136,151.81	43,750 (12)	1,487,366.33	205,063 (13)	87,720.66
Total				**2,014,807.35**	**260,000**	**680,657.17**	**-**	**155,456.81**	**173,120**	**3,284,041.33**	**396,124.59**	**87,720.66**

(1) Fee as Director, fee as Chief Executive Officer and as General Manager
(2) Maximum estimate of 120% of amounts under the 2018 MBO plan, to be paid out in 2019
(3) Calculated as per IFRS 2 with reference to the 2018 period
(4) Fee referred to "special assignments" as per Falck Renewables SpA. Board of Directors' resolution dated 27 April 2017
(5) Fee as Chairman of the Control and Risk Committee and member of the Human Resources Committee
(6) Fee as member of the Human Resources Committee and Control and Risk Committee
(7) Fee as Chairman of the Human Resources Committee and member of the Control and Risk Committee
(8) Fee as member of the Advisory Board
(9) Fee as Secretary of the CRU
(10) Managers with strategic positions for the period in question are:
- Paolo Rundeddu
- Marco Cittadini
- Vittorio Grande. These amounts refer to the period 01.01.2018-24.12.2018, which was his last day of work after handing in his resignation.
- Scott Gilbert, Falck Renewables Wind Ltd. employee. The amounts were converted at the average EUR-GBP exchange rate in 2018 (0.8847€/£)
- Carmelo Scalone, Vector Cuatro SLU. employee

(11) Maximum estimate of 120% of amounts under the 2018 MBO plan, to be paid out in 2019
(12) One-off bonus
(13) Calculated in accordance with IFRS 2 with reference to financial year 2018 and referring to DRS Paolo Rundeddu, Carmelo Scalone, Marco Cittadini, Scott Gilbert and Vittorio Grande, the last-named having left on 24/12/2018.

6.7 Additional disclosures on financial instruments in accordance with IFRS 7

This note sets out the additional disclosures relating to financial assets and liabilities in accordance with IFRS 7. This disclosure respects the order of the IFRS. Where the information requested was not considered material the related paragraph was omitted.

The note is presented in two sections. The first sets out detailed information regarding financial assets and liabilities, in particular regarding their classification in compliance with IFRS 9, the impact on the income statement for the year and their fair value. The second section presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2018 and where significant at 31 December 2017.

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 or similar financial structures, resulting in an overall net indebtedness. Financial assets and liabilities are almost entirely measured at cost and amortised cost in the financial statements, with the exception of the 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 as although undertaken to hedge exposure do not meet the requirements to be measured in accordance with hedge accounting. The main impact of the financial derivatives on the income statement does not arise from changes in the value of the financial assets and liabilities recorded on the balance sheet, but from the interest income and expense (in respect of interest rate swaps) and foreign exchange gains and losses (arising on foreign exchange derivatives).

Credit risk is not considered to be significant: the high concentration of trade receivables due from a few counterparties is strongly mitigated by their corresponding credit rating and the risk profile. Liquidity risk is moderate as trade payables due within one year are offset by significant cash reserves, while the most significant borrowings relate to long-term project financing contracts.
The Group also has committed credit facilities relating to the € 325 million finance contract renegotiated on 30 July 2018 that is subject to covenants and has not yet been drawn down. The only market risk considered to be significant is interest rate risk as almost all Group borrowings are at variable rates, although the risk is mitigated by IRS contracts.

The Falck Renewables Group adopts well-established internal procedures in the management of credit, liquidity and market risks on financial assets and liabilities, which are documented in the Group's policies and procedures.

Section I: Additional disclosures on assets/liabilities

1. *Balance sheet*

1.1 Categories of financial assets and liabilities

The tables below illustrate the carrying values at 31 December 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.

At 31 December 2018 the total financial assets of the Falck Renewables Group amounted to € 335,468 thousand and financial liabilities totalled € 853,035 thousand, compared to a total balance sheet value of € 1,610,624 thousand. The financial assets and liabilities are almost entirely measured at cost and amortised cost. The principal financial assets comprise trade receivables and cash and cash equivalents, while the main financial liabilities relate to borrowings and trade payables. The financial impact of financial assets and liabilities measured at fair value through profit or loss or through equity is significant: the latter mainly consists of derivative financial instruments.

31 December 2018

(EUR thousands)	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					1,183,605	**1,183,605**
Securities and investments		3,001		3,001	22,804	**25,805**
Financial receivables	11,442	706	1,570	13,718		**13,718**
Inventories					5,828	**5,828**
Trade receivables	98,678			98,678		**98,678**
Deferred income tax assets					19,892	**19,892**
Other receivables	1,883			1,883	39,326	**41,209**
Cash and cash equivalents	218,188			218,188		**218,188**
Assets held for sale					3,701	**3,701**
Total	**330,191**	**3,707**	**1,570**	**335,468**	**1,275,156**	**1,610,624**
Liabilities						
Total equity					556,120	**556,120**
Financial payables	728,462	11,292	39,319	779,073		**779,073**
Trade payables	51,872			51,872		**51,872**
Other payables	22,090			22,090	87,900	**109,990**
Deferred income tax liabilities					26,755	**26,755**
Provisions for other liabilities and charges					79,867	**79,867**
Staff leaving indemnity (TFR)					4,316	**4,316**
Liabilities held for disposal					2,631	**2,631**
Total	**802,424**	**11,292**	**39,319**	**853,035**	**757,589**	**1,610,624**

Restatement with the new IFRS 9 categories

	1 January 2018					
(EUR thousands)	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					1,129,437	1,129,437
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					27,352	27,352
Other receivables	1,602			1,602	25,040	26,642
Cash and cash equivalents	261,517			261,517		261,517
Total	**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**

31 December 2017 (*)

(EUR thousands)	Amortised cost			Fair value through profit or loss		Fair value against equity or cost	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
	Loans and receiv-ables	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								1,129,437	1,129,437
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								27,352	27,352
Other receivables		1,602					1,602	25,040	26,642
Cash and cash equivalents	261,517						261,517		261,517
Total	**377,690**	**1,602**		**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.

1.2 Collateral – Financial assets pledged as security

Financial assets pledged as security for liabilities comprise the shares of the companies listed in the table below. The pledge values correspond to the face value of the shares in question.

	Currency	Value of pledge
Actelios Solar SpA	EUR	120,000
Ben Aketil Wind Energy Ltd	GBP	51
Boyndie Wind Energy Ltd	GBP	100
Cambrian Wind Energy Ltd	GBP	100
Earlsburn Mezzanine Ltd	GBP	510
Earlsburn Wind Energy Ltd	GBP	51
Nutberry Wind Energy Ltd	GBP	100
West Browncastle Wind Energy Ltd	GBP	100
Kingsburn Wind Energy Ltd	GBP	100
Spaldington Airfiled Wind Energy Ltd	GBP	100
Assel Valley Wind Energy Ltd	GBP	100
Auchrobert Wind Energy Ltd	GBP	100
Eolica Petralia Srl	EUR	2,000,000
Eolica Sud Srl	EUR	5,000,000
Eolo 3w Minervino Murge Srl	EUR	10,000
Esquennois Energie Sas	EUR	37,000
FRUK Holdings (no. 1) Ltd	GBP	0.51
Falck Renewables Wind Ltd	GBP	37,754,814
Geopower Sardegna Srl	EUR	2,000,000
Kilbraur Wind Energy Ltd	GBP	51
Millennium Wind Energy Ltd	GBP	51
Parc Eolien des Cretes Sas	EUR	37,000
Parc Eolien du Fouy Sas	EUR	37,000
Parque Eolico Plana de Jarreta Sl	EUR	26,000
Parque Eolico La Carracha Sl	EUR	26,000
SE Ty Ru Sas	EUR	1,009,003

In addition, the following have been received as security for the obligations of the sellers:

- Pledge of the shares of Energia Eolica de Castilla SL for an amount of € 2 thousand
- Cash deposit by Svelgen Kraft Holding AS (minority shareholder of Falck Renewables Vind AS) for an amount of € 1,180 thousand
- Withheld by Falck Renewables SpA from the shareholders of Energy Team SpA for € 5,492 thousand.

2. Income statement and total equity

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

The table below shows the net gains/losses generated in 2018 and 2017 by the financial assets/liabilities reclassified, for both periods under analysis, according to IFRS 9 categories.
The main heading relates to the gains and losses arising on the increase in the value of derivative financial instruments.

31 December 2018

(EUR thousands)	Gains/(losses) through profit or loss	Gains/(losses) recycled from equity to profit or loss	Gains/(losses) recorded against equity	Total
FA at fair value	611		569	**1,180**
FA at amortised cost				
FL at fair value	(1,363)		7,246	**5,883**
FL at amortised cost				
Total	**(752)**		**7,815**	**7,063**

31 December 2017

(EUR thousands)	Gains/(losses) through profit or loss	Gains/(losses) recycled from equity to profit or loss	Gains/(losses) recorded against equity	Total
FA at fair value	(70)			**(70)**
FA at amortised cost				
FL at fair value	(367)		12,015	**11,648**
FL 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 change of € 7,815 thousand includes an increase of € 10,197 thousand in interest rate derivatives, a fall of € 815 thousand in foreign exchange derivatives and a fall of € 1,567 thousand in commodity hedging contracts.

Losses recognized in the income statement mainly include negative changes in the fair value of royalty instruments (€ 1,375 thousand) and positive changes in the value of derivatives through profit or loss (€ 626 thousand).

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2018 and 2017.

31 December 2018			
(EUR thousands)	**Interest income/ (expense)**	**Fee income/ (expense)**	**Total**
FA not at fair value through profit or loss	1,387	24	1,411
FL not at fair value through profit or loss	(38,070)	(1,969)	(40,039)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(1,519)		(1,519)
Total	**(38,202)**	**(1,945)**	**(40,147)**

31 December 2017			
(EUR thousands)	**Interest income / (expense)**	**Fee income / (expense)**	**Total**
FA not at fair value through profit or loss	307	3	310
FL not at fair value through profit or loss	(32,761)	(1,643)	(34,404)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(729)		(729)
Total	**(33,183)**	**(1,640)**	**(34,823)**

The reconciliations of the above amounts with net finance costs recorded in the 2018 and 2017 income statements are as follows.

31 December 2018	
(EUR thousands)	
Gains/(losses) through profit or loss	(752)
Total interest income/(expense)	(38,202)
Fee income/(expense)	(1,945)
Total	**(40,899)**
Net financial costs per income statement	**(40,899)**

31 December 2017	
(EUR thousands)	
Gains/(losses) through profit or loss	(437)
Total interest income/(expense)	(33,183)
Fee income/(expense)	(1,640)
Total	**(35,260)**
Net financial costs per income statement	**(35,260)**

2.2 Provision for doubtful accounts

Total charges of € 15 thousand were made in 2018 and comprised:
- € 84 thousand in respect of trade receivables of the Vector Cuatro group;
- € 69 thousand in respect of trade receivables of Energy Team SpA;
- € 30 thousand used by Esposito Servizi Ecologici Srl and € 108 thousand used by Vector Cuatro group.

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

3. Further additional disclosures

3.1 Accounting policies

The accounting policies adopted for the recognition and measurement of financial assets and liabilities are presented in the notes to the consolidated financial statements in paragraph 6.6.4 Accounting policies.

3.2 Fair value

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2018 and 31 December 2017. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities or medium/long-term financial liabilities that, based on sample calculations, did not give rise to material differences.
The fair value of derivative financial instruments at the balance sheet date is equal to the discounted future cash flows given the EUR curve at 31 December and its related forward rates.
The fair value of forward exchange contracts is measured using the year-end spot rates (31 December 2018), and forward rates and yield curves on foreign currencies.

31 December 2018

(EUR thousands)	Carrying amount	Fair value
Financial assets		
Securities and investments	3,001	3,001
Financial receivables	13,718	13,718
Trade receivables	98,678	98,678
Other receivables	1,883	1,883
Cash and cash equivalents	218,188	218,188
Total	**335,468**	**335,468**
Financial liabilities		
Financial payables	779,073	779,073
Trade payables	51,872	51,872
Other payables	22,090	22,090
Total	**853,035**	**853,035**

31 December 2017		
(EUR thousands)	**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**

Analysis of financial liabilities at 31 December 2018 and 31 December 2017 by instrument and conditions.

31 December 2018					
(EUR thousands)	**Interest rate %**	**Fair Value**	**Carrying amount**	**Current portion**	**Non-current portion**
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosesto	3-month Euribor + spread	1,575	1,575	1,575	
Shareholders' loan - Prima		1,441	1,441	1,441	
Sicily Projects' loans		842	842		842
Bank payables for interest matured and not paid		916	916	916	
Shareholders' loan - Wind sector		2,554	2,554	2,038	516
Royalty instruments payables		10,362	10,362		10,362
Other bank loans		315	315	295	20
Participatory loan		400	400	400	
Financial leasing		130	130	41	89
Minority purchase options		19,924	19,924	722	19,202
Total borrowings		**38,459**	**38,459**	**7,428**	**31,031**
Project financing Actelios Solar SpA	6-month Euribor + spread	22,075	22,075	2,421	19,654
Loan notes Innovative Solar 42 (*)	Fixed	33,221	33,221	2,125	31,096
Cambrian Project financing	6-month Libor + spread	3,046	3,046	3,046	
FRUK Project financing	6-month Libor + spread	33,334	33,334	2,811	30,523
Earlsburn Mezzanine project financing	6-month Libor + spread	21,704	21,704	993	20,711
Earlsburn Project financing	6-month Libor + spread	9,851	9,851	2,462	7,389
Ben Aketil Project financing	6-month Libor + spread	13,576	13,576	2,082	11,494
Millennium Project financing	6-month Libor + spread	34,088	34,088	4,957	29,131
Kilbraur Project financing	6-month Libor + spread	39,210	39,210	4,171	35,039
Nutberry Project financing	6-month Libor + spread	19,095	19,095	937	18,158
West Browncastle Project financing	6-month Libor + spread	36,755	36,755	1,448	35,307
Kingsburn Project financing	6-month Libor + spread	30,711	30,711	1,204	29,507
Spaldington Project financing	6-month Libor + spread	13,412	13,412	611	12,801
Assel Valley Project financing	6-month Libor + spread	42,463	42,463	1,948	40,515
Auchrobert project financing	6-month Libor + spread	52,441	52,441	1,342	51,099
Eolica Sud Project financing	6-month Euribor + spread	68,084	68,084	8,167	59,917
Eolo 3W Project financing	6-month Euribor + spread	35,317	35,317	6,438	28,879
Geopower Project financing	6-month Euribor + spread	152,130	152,130	15,891	136,239
Eolica Petralia Project financing	6-month Euribor + spread	14,101	14,101	1,192	12,909
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	6,432	6,432	760	5,672
Fouy Project financing	6-month Euribor + spread	5,843	5,843	802	5,041
Crêtes Project financing	6-month Euribor + spread	6,119	6,119	833	5,286
Esquennois Project financing	6-month Euribor + spread	7,357	7,357	1,035	6,322
Total borrowings under project financing		**700,365**	**700,365**	**67,676**	**632,689**
IRS - Actelios Solar SpA		2,585	2,585		2,585
Embedded derivative - Ecosesto		3	3		3
IRS - Cambrian		1	1	1	
IRS - Boyndie					
IRS - FRUK		206	206		206
IRS - Earlsburn Mezzanine					
IRS - Earlsburn					
IRS - Ben Aketil		1,566	1,566		1,566
IRS - Millennium		83	83	83	
IRS - Kilbraur		251	251	251	
IRS - Nutberry		1,933	1,933		1,933
IRS - West Browncastle					
IRS - Assel Valley		807	807		807
IRS - Auchrobert		335	335		335
IRS - Eolica Sud		7,089	7,089		7,089
IRS - Eolo 3W		3,450	3,450		3,450
IRS - Geopower		15,230	15,230		15,230
IRS - Eolica Petralia		961	961		961
IRS - Ty Ru		364	364		364
IRS - Fouy		692	692		692
IRS - Crêtes		719	719		719
IRS - Esquennois		882	882		882
IRS - Eolica Cabezo					
Total interest rate derivative financial instruments		**37,157**	**37,157**	**335**	**36,822**
Exchange rates - Falck Renewables		304	304	304	
Exchange rates - Aliden		133	133	133	
Exchange rates - Brattmyrliden		702	702	566	136
Exchange rates - Falck Renewables Vind		67	67	67	
Total exchange rate derivative financial instruments		**1,206**	**1,206**	**1,070**	**136**
Commodities - Falck Renewables Energy		1,717	1,717	1,717	
Commodities – Aliden		77	77		77
Commodities - Falck Renewables Vind		92	92		92
Total commodities derivative financial instruments		**1,886**	**1,886**	**1,717**	**169**
Total financial liabilities		**779,073**	**779,073**	**78,226**	**700,847**

31 December 2017

(EUR thousands)	Interest rate %	Fair Value	Carrying amount	Current portion	Non-current portion
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosesto	3-month Euribor + spread	3,150	3,150	1,575	1,575
Shareholders' loan - Prima		1,381	1,381		1,381
Sicily Projects' loans		753	753		753
Bank payables for interest matured and not paid		1,084	1,084	1,084	
Shareholders' loan - Wind sector		2,812	2,812	1,503	1,309
Royalty instruments payables		10,136	10,136		10,136
Total borrowings		**19,316**	**19,316**	**4,162**	**15,154**
Actelios Solar project financing	6-month Euribor + spread	26,041	26,041	3,686	22,355
Loan notes Innovative Solar 42	Fixed	33,823	33,823	1,996	31,827
Cambrian Project financing	6-month Libor + spread	5,961	5,961	3,037	2,924
Boyndie Project financing	6-month Libor + spread				
FRUK Project financing	6-month Libor + spread	36,460	36,460	2,681	33,779
Earlsburn Mezzanine project financing	6-month Libor + spread	22,675	22,675	804	21,871
Earlsburn Project financing	6-month Libor + spread	12,262	12,262	2,255	10,007
Ben Aketil Project financing	6-month Libor + spread	15,726	15,726	15,726	
Millennium Project financing	6-month Libor + spread	38,938	38,938	4,485	34,453
Kilbraur Project financing	6-month Libor + spread	43,461	43,461	3,862	39,599
Nutberry Project financing	6-month Libor + spread	20,887	20,887	827	20,060
West Browncastle Project financing	6-month Libor + spread	39,424	39,424	1,573	37,851
Kingsburn Project financing	6-month Libor + spread	32,595	32,595	1,201	31,394
Spaldington Project financing	6-month Libor + spread	14,769	14,769	520	14,249
Assel Valley Project financing	6-month Libor + spread	45,747	45,747	1,555	44,192
Auchrobert project financing	6-month Libor + spread	54,111	54,111	954	53,157
Eolica Sud Project financing	6-month Euribor + spread	83,912	83,912	8,866	75,046
Eolo 3W Project financing	6-month Euribor + spread	42,404	42,404	5,878	36,526
Geopower Project financing	6-month Euribor + spread	174,742	174,742	17,917	156,825
Eolica Petralia Project financing	6-month Euribor + spread	17,911	17,911	1,682	16,229
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	9,532	9,532	892	8,640
Fouy Project financing	6-month Euribor + spread	6,576	6,576	732	5,844
Crêtes Project financing	6-month Euribor + spread	6,880	6,880	761	6,119
Esquennois Project financing	6-month Euribor + spread	8,301	8,301	944	7,357
Eolica Cabezo Project financing	6-month Euribor + spread				
Total borrowings under project financing		**793,138**	**793,138**	**82,834**	**710,304**
IRS - Actelios Solar		3,437	3,437		3,437
Embedded derivative - Ecosesto		10	10		10
IRS - Cambrian		25	25		25
IRS - Boyndie					
IRS - FRUK		569	569		569
IRS - Earlsburn Mezzanine		198	198		198
IRS - Earlsburn		33	33		33
IRS - Ben Aketil		2,263	2,263	2,263	
IRS - Millennium		356	356		356
IRS - Kilbraur		584	584		584
IRS - Nutberry		2,513	2,513		2,513
IRS - West Browncastle		339	339		339
IRS - Assel Valley		1,346	1,346		1,346
IRS - Auchrobert		911	911		911
IRS - Eolica Sud		8,783	8,783		8,783
IRS - Eolo 3W		4,602	4,602		4,602
IRS - Geopower		17,426	17,426		17,426
IRS - Eolica Petralia		1,042	1,042		1,042
IRS - Ty Ru		334	334		334
IRS - Fouy		849	849		849
IRS - Crêtes		882	882		882
IRS - Esquennois		1,079	1,079		1,079
IRS - Eolica Cabezo					
Total derivative financial instruments		**47,581**	**47,581**	**2,263**	**45,318**
Total financial liabilities		**860,035**	**860,035**	**89,259**	**770,776**

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

Book value as of 31.12.2017	**860,035**
New borrowings	
Repayments	(84,205)
Foreign exchange difference	(1,730)
Fair value variation	(5,883)
Change in the scope of consolidation	20,905
Other	(10,049)
Book value as of 31.12.2018	**779,073**

The table below provides an analysis of derivatives and financing contracts to which they relate:

– Instruments with a positive fair value at 31 December 2018:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Kingsburn Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	24,039	851
Spaldington Airfield Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	11,211	394
Kilbraur Wind Energy Ltd	Interest rate swap	15/04/2024	GBP	18,478	148
Earlsburn Mezzanine Ltd	Interest rate swap	31/03/2026	GBP	19,135	7
Earlsburn Wind Energy Ltd	Interest rate swap	15/04/2022	GBP	8,570	7
Millennium Wind Energy Ltd	Interest rate swap	15/10/2024	GBP	22,185	47
West Browncastle Wind Energy Ltd	Interest rate swap	31/12/2033	GBP	30,771	31
Total derivative financial instruments					**1,485**

– Instruments with a negative fair value at 31 December 2018:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Cambrian Wind Energy Ltd	Interest rate swap	31/12/2019	GBP	2,594	(1)
FRUK Holdings No. 1 Ltd	Interest rate swap	31/12/2025	GBP	28,902	(206)
Ben Aketil Wind Energy Ltd	Interest rate swap	31/12/2024	GBP	12,399	(1,566)
Millennium Wind Energy Ltd	Interest rate swap	15/04/2019	GBP	6,470	(83)
Kilbraur Wind Energy Ltd	Interest rate swap	15/10/2019	GBP	12,563	(251)
Nutberry Wind Energy Ltd	Interest rate swap	29/03/2029	GBP	18,159	(1,933)
Assel Valley Wind Energy Ltd	Interest rate swap	31/12/2034	GBP	33,832	(807)
Auchrobert Wind Energy Ltd	Interest rate swap	31/12/2035	GBP	40,525	(335)
Eolica Sud Srl	Interest rate swap	31/12/2024	EUR	59,995	(7,089)
Eolo 3W Minervino Murge Srl	Interest rate swap	31/12/2023	EUR	31,855	(3,450)
Geopower Sardegna Srl	Interest rate swap	30/06/2027	EUR	107,511	(15,118)
Geopower Sardegna Srl	Interest rate swap	30/06/2024	EUR	16,048	(112)
Eolica Petralia Srl	Interest rate swap	30/06/2027	EUR	11,924	(961)
Se Ty Ru Sas	Interest rate swap	30/09/2022	EUR	473	(13)
Se Ty Ru Sas	Interest rate swap	30/06/2028	EUR	3582	(351)
Parc Eolien du Fouy Sas	Interest rate swap	15/07/2024	EUR	4,889	(692)
Parc Eolien des Cretes Sas	Interest rate swap	15/07/2024	EUR	5,078	(719)
Esquennois Energie Sas	Interest rate swap	15/07/2024	EUR	6,305	(882)
Actelios Solar SpA	Interest rate swap	30/06/2026	EUR	23,069	(2,585)
Total derivative financial instruments					**(37,154)**

– Embedded derivatives with a negative fair value at 31 December 2018:

(EUR thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Ecosesto SpA	Embedded derivative	31/12/2019	EUR	1,575	(3)
Total derivative financial instruments					**(3)**

Analysis of interest rate and foreign exchange hedges of the Falck Renewables Group at 31 December 2018:

Derivative assets:

(EUR thousands)	31.12.2017	Change in scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2018
Kingsburn Wind Energy Ltd	680		176	1	(6)	851
Spaldington Airfield Wind Energy Ltd	315		82		(3)	394
Kilbraur Wind Energy Ltd	17		131			148
Earlsburn Mezzanine Ltd			7			7
Earlsburn Wind Energy Ltd			7			7
Millennium Wind Energy Ltd			47			47
West Browncastle Wind Energy Ltd			31			31
Total IRS	**1,012**		**481**	**1**	**(9)**	**1,485**
Derivatives on Falck Renewables SpA exchange rates	90			540		630
Derivatives on Åliden Vind AB exchange rates			5			5
Derivatives on Brattmyrliden Vind AB exchange rates			27	(3)		24
Derivatives on Falck Renewables Wind exchange rates				70		70
Total derivatives on exchange rates	**90**		**32**	**607**		**729**
Derivatives on Falck Renewables Energy commodities			56	6		62
Total derivatives on commodities			**56**	**6**		**62**
Total	**1,102**		**569**	**614**	**(9)**	**2,276**

Derivative liabilities:

(EUR thousands)	31.12.2017	Change in the scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2018
Cambrian Wind Energy Ltd	(25)		22	2		(1)
FRUK Holdings No. 1 Ltd	(569)		356	2	5	(206)
Earlsburn Mezzanine Ltd	(198)		207	(11)	2	
Earlsburn Wind Energy Ltd	(33)		36	(3)		
Ben Aketil Wind Energy Ltd	(2,263)		674	4	19	(1,566)
Millennium Wind Energy Ltd	(356)		272	(2)	3	(83)
Kilbraur Wind Energy Ltd	(584)		299	30	4	(251)
Nutberry Wind Energy Ltd	(2,513)		536	24	20	(1,933)
West Browncastle Wind Energy Ltd	(339)		334	2	3	
Assel Valley Wind Energy Ltd	(1,346)		526	2	11	(807)
Auchrobert Wind Energy Ltd	(911)		567	2	7	(335)
Eolica Sud Srl	(8,783)		1,680	14		(7,089)
Eolo 3W Minervino Murge Srl	(4,602)		1,144	8		(3,450)
Geopower Sardegna Srl	(17,426)		2,107	89		(15,230)
Eolica Petralia Srl	(1,042)		79	2		(961)
Se Ty Ru Sas	(334)		(31)	1		(364)
Parc Eolien du Fouy Sas	(849)		146	11		(692)
Parc Eolien des Cretes Sas	(882)		152	11		(719)
Esquennois Energie Sas	(1,079)		185	12		(882)
Actelios Solar SpA	(3,437)		425	427		(2,585)
Total IRS	**(47,571)**		**9,716**	**627**	**74**	**(37,154)**
Derivatives on Falck Renewables SpA exchange rates				(304)		(304)
Derivatives on Åliden Vind AB exchange rates			(133)			(133)
Derivatives on Brattmyrliden Vind AB exchange rates			(714)	12		(702)
Derivatives on Falck Renewables Wind exchange rates						
Total derivatives on exchange rates			**(847)**	**(359)**		**(1,206)**
Derivatives on Falck Renewables Energy Energy			(1,454)	(263)		(1,717)
Derivatives on Åliden Vind commodities			(77)			(77)
Derivatives on Falck Renewables Vind commodities			(92)			(92)
Total derivatives on commodities			**(1,623)**	**(263)**		**(1,886)**
Total	**(47,571)**		**7,246**	**5**	**74**	**(40,246)**

Embedded derivatives:

(EUR thousands)	31.12.2017	Change in the scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	31.12.2018
Ecosesto SpA	(10)			7		(3)
Total embedded derivatives	**(10)**			**7**		**(3)**

A detailed analysis of the composition of financial receivables at 31 December 2018 and 31 December 2017 is shown below:

31 December 2018

(EUR thousands)	Fair value	Carrying amount	Current portion	Non-current portion
Receivables from banks for interest accrued and not yet collected	193	193	193	
Receivables from third party shareholders	11,249	11,249	1,631	9,618
Interest rate derivatives on the UK plants	1,485	1,485		1,485
Exchange rate derivatives on the Norway and Sweden plants	29	29	29	
Derivatives on Falck Renewables SpA exchange rates by currency balance	700	700	700	
Derivatives on commodities	62	62	62	
TOTAL	**13,718**	**13,718**	**2,615**	**11,103**

31 December 2017

(EUR thousands)	Fair value	Carrying amount	Current portion	Non-current portion
Receivables from banks for interest accrued and not yet collected	88	88	88	
Receivables from third party shareholders	12,781	12,781	1,542	11,239
Interest rate derivative on Spaldington, Kingsburn and Kilbraur	1,012	1,012		1,012
Assel Valley derivatives on exchange rates to cover orders				
Derivative on Falck Renewables SpA exchange rates for GBP and YEN currency balance sheet	90	90	90	
TOTAL	**13,971**	**13,971**	**1,720**	**12,251**

3.3 Fair value – hierarchy

All financial instruments measured at fair value have been classified in the three categories below, based on the lowest level of significant input in determining overall fair value:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: valuation techniques where the lowest level of significant input for the purpose of measuring fair value is observable either directly or indirectly;
- level 3: valuation techniques where the lowest level of significant input for the purpose of measuring fair value is unobservable.

At 31 December 2018, the Group held the following instruments measured at fair value:

31 December 2018				
(EUR thousands)	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		729		729
Derivative contracts on interest rates		1,485		1,485
Derivative contracts on commodities		62		62
Financial assets at fair value on the income statement		2,901	100	3,001
Total assets		**5,177**	**100**	**5,277**
Financial liabilities measured at FV				
Forward transactions on foreign currency		1,206		1,206
Derivative contracts on interest rates		37,157		37,157
Derivative contracts on commodities		1,886		1,886
Financial liabilities at fair value on the income statement			10,362	10,362
Total liabilities		**40,249**	**10,362**	**50,611**

31 December 2017				
(EUR thousands)	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**

Section II: Risks arising from financial instruments

1. Credit risk

1.1 Qualitative disclosures

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk linked with the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparties. In relation to commercial customers, their nature that determines a low level of risk should be highlighted: 93.54% of the exposure to third parties (not related parties) is, in fact, with high-standing national energy suppliers or utilities/off-takers. The degree of concentration of customers is high, however they have a strong credit rating.

The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with leading financial institutions. A summary quantitative indication of the maximum exposure to credit risk is the carrying amount of the financial assets, expressed gross of derivatives with a positive fair value and net of any guarantees. The Group does not enter into instruments or guarantees to mitigate credit risk; consequently, the disclosures below are not affected by such instruments.

1.2 Quantitative disclosures

The maximum credit risk exposure at 31 December 2018 amounted to € 335,468 thousand. It can be broken down as follows:

31 December 2018

(EUR thousands)	Gross	Write-down	Net
Securities and investments	3,001		3,001
Financial receivables	15,130	(1,412)	13,718
Trade receivables	99,643	(965)	98,678
Other receivables	3,122	(1,239)	1,883
Cash and cash equivalents	218,188		218,188
Total	**339,084**	**(3,616)**	**335,468**

The maximum credit risk exposure at 31 December 2017 amounted to € 380,659 thousand. It can be broken down as follows:

31 December 2017

(EUR thousands)	Gross	Write-down	Net
Securities and investments	265		265
Financial receivables	15,389	(1,418)	13,971
Trade receivables	104,228	(924)	103,304
Other receivables	2,742	(1,140)	1,602
Cash and cash equivalents	261,517		261,517
Total	**384,141**	**(3,482)**	**380,659**

An analysis of trade receivables at 31 December 2018 and 31 December 2017 by class of customer with the corresponding percentage of total receivables is set out below. This provides a summary indication of the concentration of commercial credit risk.

(EUR thousands)	31 December 2018	
Customer classes	**Total exposure**	**% exposure by customer class**
Energy suppliers/utility companies/off-takers	92,043	93.54%
Public authorities	77	0.08%
Related parties (excluding Group companies)		
Other entities	6,283	6.38%
Total trade receivables	**98,403**	**100.00%**

(EUR thousands)	31 December 2017	
Customer classes	**Total exposure**	**% exposure by customer class**
Energy suppliers/utility companies/off-takers	97,710	94.93%
Public authorities	192	0.19%
Related parties (excluding Group companies)		
Other entities	5,026	4.88%
Total trade receivables	**102,928**	**100.00%**

The ageing analysis of trade receivables by class of customer, analysed by the overdue periods used internally to monitor receivables, as at 31 December 2018 and 31 December 2017, is set out below. Balances not yet due at 31 December 2018 and 31 December 2017 are also presented.

(EUR thousands)	31 December 2018							
		Overdue						
Customer classes	**Total exposure**	**0-30**	**31-60**	**61-90**	**91-120**	**> 120**	**Total overdue**	**Not yet due**
Energy suppliers/utility companies/off-takers	92,043	35,601	1,159	61	49	551	37,421	54,622
Public authorities	77					77	77	
Related parties (excluding Group companies)								
Other entities	6,283	2,145	477	115	44	239	3,020	3,263
Total trade receivables	**98,403**	**37,746**	**1,636**	**176**	**93**	**867**	**40,518**	**57,885**

(EUR thousands)	31 December 2017							
		Overdue						
Customer classes	**Total exposure**	**0-30**	**31-60**	**61-90**	**91-120**	**> 120**	**Total overdue**	**Not yet due**
Energy suppliers/utility companies/off-takers	97,710	24,578	1,207	69	61	168	26,083	71,627
Public authorities	192	18	15	10	44	77	164	28
Related parties (excluding Group companies)								
Other entities	5,026	1,624	427	207	143	333	2,734	2,292
Total trade receivables	**102,928**	**26,220**	**1,649**	**286**	**248**	**578**	**28,981**	**73,947**

2. Liquidity risk

2.1 Qualitative disclosures

Liquidity risk is summarised in the tables below that illustrate the financial liabilities grouped by maturity date. The Falck Renewables Group has a group treasury department that employs a “domestic” cash pooling system between Falck Renewables SpA and all of the Group’s Italian subsidiaries that do not have project financing (entities with project financing may not participate in the pooling system due to the liquidity management and debt restrictions imposed by the contracts).
The Group also carries out netting of opposing balances through the use of specific intercompany corresponding accounts. The Falck Renewables Group prepares an update of the cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by a summary evaluation and commentary.

2.2 Quantitative disclosures
Financial liabilities are analysed by contractual maturity across four time bands. The analysis has been concentrated on bank borrowings and shareholders’ loans. The latter have been disclosed separately. Liabilities in respect of royalty instruments have also been disclosed separately as payment depends on the performance of the financed wind farms. Royalty instruments represent a financial instrument used by wind farms in the UK to acquire the consent of local communities in which the wind farms are located.

31 December 2018					
Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Bank payables	2,786	20			2,806
Project financing	67,676	68,321	235,505	328,863	700,365
Trade payables	48,287	3,585			51,872
Other	1,163	41	19,251		20,455
Total	**119,912**	**71,967**	**254,756**	**328,863**	**775,498**

31 December 2018

Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Shareholder loans	3,479	1,357			4,836
Royalty instruments				10,362	10,362
Other payables	17,818	2,517	1,755		22,090
Total	**21,297**	**3,874**	**1,755**	**10,362**	**37,288**

31 December 2017

Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Bank payables	2,659	1,575			4,234
Project financing	82,834	74,769	230,515	405,020	793,138
Trade payables	43,142	672	1,691	1,359	46,864
Other					
Total	**128,635**	**77,016**	**232,206**	**406,379**	**844,236**

31 December 2017

Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Shareholder loans	1,503	1,309	753	1,381	4,946
Royalty instruments				10,136	10,136
Other payables	5,230	1,755	3,279		10,264
Total	**6,733**	**3,064**	**4,032**	**11,517**	**25,346**

In order to provide a better analysis of the overall financial commitments underlying the liabilities illustrated in the table above, a calculation was made of interest due to be paid for each maturity period shown.

Since contract interest rates on listed loans are all floating, quarterly or 6-month, and closely linked to Euribor rates (for Euro area companies) and Libor (for UK companies), the amounts were calculated considering implicit rates in the swap rate curve compared to Euribor and Libor rates as at 31 December 2018. Therefore, the simplified hypothesis that quarterly and 6-month interest payments would have the same start and end dates for various loans was introduced.

The estimated value of the differentials relating to derivative financial instruments held at 31 December 2018 was calculated. The estimated differentials were calculated applying the implicit forward rates in the zero coupon curve at 31 December 2018 without discounting cash flows. In this case a detailed analysis of each derivative instrument held was performed.

31 December 2018

Analysis of financial liabilities (estimated flows on contractual basis: interest costs plus IRS differentials)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Differential IRS	10,774	8,497	13,982	2,339	35,592
Bank payables	22				22
Project financing	15,771	15,342	40,405	47,619	119,137
Total	**26,567**	**23,839**	**54,387**	**49,958**	**154,751**

31 December 2018

Analysis of financial liabilities (estimated flows on “estimated” contractual basis: interest costs)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Shareholder loans	14	10			24
Total	**14**	**10**			**24**

31 December 2017

Analysis of financial liabilities (estimated flows on contractual basis: interest costs plus IRS differentials)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Differential IRS	13,338	10,734	17,705	4,568	46,345
Bank payables	32	12			44
Project financing	15,785	16,201	46,971	62,269	141,226
Total	**29,155**	**26,947**	**64,676**	**66,837**	**187,615**

31 December 2017

Analysis of financial liabilities (estimated flows on “estimated” contractual basis: interest costs)					
(EUR thousands)	**< 12 months**	**1 - 2 years**	**2 - 5 years**	**> 5 years**	**Total**
Shareholder loans	154	92	36		282
Total	**154**	**92**	**36**		**282**

3. Market risk

3.1 Interest rate risk

3.1.1 Qualitative disclosures

The Falck Renewables Group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, 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 specific case in consideration of the amount of exposure and current financial market conditions.

The Falck Renewables Group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging. Moreover, the derivatives held at the year-end were acquired in order to allow the debt structure to meet the "covenants" established by the financial institutions in relation to project financing. In particular, borrowings at variable rates for these contracts are matched with opposing IRS that partially convert the borrowings from variable to fixed rates.

The degree of the Falck Renewables Group's interest rate exposure was measured through a sensitivity analysis performed applying the guidelines provided in paragraph 40 of IFRS 7 and the examples illustrated in Implementation Guide (IG) 35. A brief description of the method used to perform the sensitivity analyses and the results are provided below.

Firstly, the effect on profit for the year was determined applying a different yield curve to that used at the reporting date. For the Falck Renewables Group this means recalculating the fair value of the derivative instruments and charging directly to the income statement the difference between the simulated fair value and the value at the year-end. This provides both the portfolio risk on derivatives held at the balance sheet date and the related effect on profit/(loss) for the year.
The analyses were performed taking into consideration investments valued using the equity method as the impact of interest rate fluctuations on financial performance and the financial position of these entities impact consolidated profit for the year and total equity. These analyses did not include Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl (in which 26% interests are held) as the net equity of these companies included in the consolidated financial statements at 31 December 2018 was negative, and any changes applied would not be sufficient to give rise to them being included in the Group's consolidated financial statements.

The actual impact on profit for the year of a different scenario for interest rates also depends on the average financial assets and liabilities for the period on which interest accrues. The example provided in IG35 of IFRS 7 refers to the effect on the financial statements originating from a different interest rate arising "during" the year. Once the finance income and costs relating to a new scenario become known it is easy to verify, measuring the difference between these and the actual income/expense, the effect of a new interest rate scenario on the income statement.

The sensitivity analysis assumed two scenarios, a decrease and an increase in interest rates. Changes in interest rates for each scenario have been applied: 1) to the yield curve at the reporting date, assuming a parallel shift in the yield curve; 2) to the average interest rate paid in the course of the year on variable rate borrowings; 3) to the average interest rate earned during the year on variable rate financial assets; 4) to the interest rates used to determine the differentials paid/received during the year on derivative financial instruments.

As already noted the change in fair value of each derivative instrument held at 31 December 2018, together with the related impact on profit for the year, was calculated for each scenario. The impact on profit arising from changes in finance income and costs was also calculated for each scenario. The tables below illustrate the outcome of these analyses.
Given the current market situation and the potential rise in interest rates, an increase of 50 basis points and a decrease of 15 basis points were applied.
An increase of 50 basis points would have resulted in a positive impact on profit of approximately 0.62%, while a decrease of 15 basis points would have determined a negative impact on profit for the year of approximately 0.19%.

3.1.2 Quantitative disclosures

- **Scenario Euribor/Libor +50 bp**

Derivatives impact

Scenario I: Euribor/Libor + 50 bp

	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Actelios Solar SpA	Hedge Accounting	(2,585)	(2,146)	439	439		0.00%		(105)	0.00%
Geopower Sardegna Srl	Hedge Accounting	(15,230)	(12,721)	2,509	2,509		0.00%		(602)	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(3,450)	(3,082)	368	368		0.00%		(88)	0.00%
Eolica Sud Srl	Hedge Accounting	(7,089)	(6,193)	896	896		0.00%		(215)	0.00%
Eolica Petralia Srl	Hedge Accounting	(961)	(701)	260	260		0.00%		(62)	0.00%
Esquennois Energie Sas	Hedge Accounting	(882)	(778)	104	104		0.00%		(26)	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(719)	(635)	84	84		0.00%		(21)	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(692)	(611)	81	81		0.00%		(20)	0.00%
SE Ty-Ru Sas	Hedge Accounting	(364)	(307)	57	57		0.00%		(14)	0.00%
Cambrian Wind Energy Ltd	Hedge Accounting	(1)	1	2	2		0.00%			0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(103)	167	270	270		0.00%		(46)	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(36)	253	289	289		0.00%		(49)	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(1,566)	(1,399)	167	167		0.00%		(28)	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	7	73	66	66		0.00%		(11)	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	7	442	435	435		0.00%		(74)	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(1,933)	(1,439)	494	494		0.00%		(84)	0.00%
FRUK Holdings (no. 1) Ltd	Hedge Accounting	(206)	233	439	439		0.00%		(75)	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	31	1,225	1,194	1,194		0.00%		(203)	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	851	1,800	949	949		0.00%		(161)	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	394	831	437	437		0.00%		(74)	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(807)	620	1,427	1,427		0.00%		(243)	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(335)	1,447	1,782	1,782		0.00%		(303)	0.00%
Total companies consolidated line-by-line		**(35,669)**	**(22,920)**	**12,749**	**12,749**		**0.00%**		**(2,504)**	**0.00%**
Frullo Energia Ambiente Srl	Hedge Accounting	(25)	(22)	3	3		0.00%		(1)	0.00%
Total companies consolidated with the equity method		**(25)**	**(22)**	**3**	**3**		**0.00%**		**(1)**	**0.00%**
TOTAL		**(35,694)**	**(22,942)**	**12,752**	**12,752**		**0.00%**		**(2,505)**	**0.00%**

Total impact

Scenario I: Tasso Euribor/Libor + 50 bp

	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS
Impact of change in fair value of derivatives	12,752	(2,505)	10,247		0.00%	
Impact on finance costs and IRS differentials (*)				(781)	-1.01%	187
Impact on finance income and IRS differentials (*)				1,260	1.63%	(302)
TOTAL	**12,752**	**(2,505)**	**10,247**	**479**	**0.62%**	**(115)**

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies, 25% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

- **Scenario Euribor/Libor -15 bp**

Derivatives impact

Scenario II: Tasso Euribor/Libor - 15 bp

	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Actelios Solar SpA	Hedge Accounting	(2,585)	(2,716)	(132)	(132)		0.00%		32	0.00%
Geopower Sardegna Srl	Hedge Accounting	(15,230)	(15,983)	(753)	(753)		0.00%		181	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(3,450)	(3,560)	(110)	(110)		0.00%		27	0.00%
Eolica Sud Srl	Hedge Accounting	(7,089)	(7,358)	(269)	(269)		0.00%		65	0.00%
Eolica Petralia Srl	Hedge Accounting	(961)	(1,039)	(78)	(78)		0.00%		19	0.00%
Esquennois Energie Sas	Hedge Accounting	(882)	(913)	(31)	(31)		0.00%		8	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(719)	(744)	(25)	(25)		0.00%		6	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(692)	(716)	(24)	(24)		0.00%		6	0.00%
SE Ty-Ru Sas	Hedge Accounting	(364)	(381)	(17)	(17)		0.00%		4	0.00%
Cambrian Wind Energy Ltd	Hedge Accounting	(1)	(2)	(1)	(1)		0.00%			0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(103)	(184)	(81)	(81)		0.00%		14	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(36)	(123)	(87)	(87)		0.00%		15	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(1,566)	(1,616)	(50)	(50)		0.00%		9	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	7	(13)	(20)	(20)		0.00%		3	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	7	(124)	(131)	(131)		0.00%		22	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(1,933)	(2,081)	(148)	(148)		0.00%		25	0.00%
FRUK Holdings (no. 1) Ltd	Hedge Accounting	(206)	(338)	(132)	(132)		0.00%		22	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	31	(327)	(358)	(358)		0.00%		61	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	851	566	(285)	(285)		0.00%		48	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	394	263	(131)	(131)		0.00%		22	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(807)	(1,235)	(428)	(428)		0.00%		73	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(335)	(870)	(535)	(535)		0.00%		91	0.00%
Total companies consolidated line-by-line		**(35,669)**	**(39,494)**	**(3,826)**	**(3,826)**		**0.00%**		**753**	**0.00%**
Frullo Energia Ambiente Srl	Hedge Accounting	(25)	(26)	(1)	(1)		0.00%			0.00%
Total companies consolidated with the equity method		**(25)**	**(26)**	**(1)**	**(1)**		**0.00%**			**0.00%**
TOTAL		**(35,694)**	**(39,520)**	**(3,827)**	**(3,827)**		**0.00%**		**753**	**0.00%**

Total impact

	Scenario II: Tasso Euribor/Libor - 15 bp					
	Change BS	Tax effect on BS	Net impact on BS	Change IS	% on profit before income tax	Tax effect on change in IS
Impact of change in fair value of derivatives	(3,827)	753	(3,074)		0.00%	
Impact on finance costs and IRS differentials (*)				234	0.30%	(56)
Impact on financial income and IRS differentials (*)				(378)	-0.49%	91
TOTAL	**(3,827)**	**753**	**(3,074)**	**(144)**	**-0.19%**	**35**

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies, 25% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

3.2 Foreign exchange risk

3.2.1 Qualitative disclosures

Foreign exchange risk arises on the Group's operations outside the "Eurozone" (UK, US, Norway, Sweden, and to a lesser extent Japan, Bulgaria and Mexico).
The Group's foreign exchange risk management policy, in line with the financial instruments accounting management policy, involves monitoring the foreign exchange balance to identify exposure and stipulate currency forward contracts where necessary. Currency forward transactions are entered into as new intercompany balances arise in order to maintain each company's and the Group's foreign exchange balance.
The Group mitigates foreign exchange risk on intercompany financial receivables and payables in currencies other than the functional currency through plain vanilla transactions, such as forward currency purchase/sale contracts. In this specific case, Falck Renewables SpA hedges the exchange rate risk on financial payables in GBP to the subsidiary Falck Renewables Wind Ltd, which in turn hedges its financial receivable in EUR from Falck Renewables SpA.

These same hedging transactions may be used for significant asset and services purchase contracts in foreign currencies other than the functional currency.

With regard to the major currencies other than the €, the Falck Renewables Group exposure to foreign exchange fluctuations was measured by performing a sensitivity analysis to determine the impact of fluctuations in exchange rates on the balances denominated in foreign currencies of all Group companies at 31 December 2018. A brief description of the method used to perform the sensitivity analyses and the results are provided below.

The analyses were performed assuming two scenarios, a 10% appreciation/depreciation in the spot rate between the exchange rate in which the amount is denominated and the reporting currency.
In the case of the Falck Renewables Group, this involved:

- recalculating the fair value of cash flow hedges and transferring directly to equity the difference between the simulated fair value and the actual difference at the year-end. This makes it possible to identify at the same time the risk arising on the derivatives portfolio at the year-end and the impact on total equity;
- recalculate the net foreign exchange difference arising on foreign currency balances not hedged by derivative instruments.

The analyses did not include the financial payables of the parent company due from Falck Renewables Wind

Ltd in GBP as any fluctuations in exchange rates recorded at the year-end in net finance costs is compensated by the change in fair value of the related derivative financial instruments entered into to hedge the foreign exchange exposure of the companies with this change also recorded in net finance costs in the income statement.

Moreover, the analysis does not include the trade payables of companies under construction in Sweden and Norway, since they are covered by specific contracts using financial derivative instruments on exchange rates. The simulations carried out show that a 10% increase in the value of foreign currency items compared to the reporting currency would have had an impact on the balance of foreign currency items and, consequently, on the consolidated pre-tax result as a negative exchange difference of € 248 thousand. A 10% depreciation of the item in foreign currency against the reporting currency would have had an impact on the balance and, consequently, on the pre-tax result as a positive exchange difference of € 248 thousand.

This analysis relates to the foreign exchange risk exposure in accordance with IFRS 7 and does not therefore take into account the positive or negative impact arising from the translation of overseas subsidiaries prepared in functional currencies other than the EUR where there is an appreciation/depreciation in the relevant foreign currencies.

3.2.2 Quantitative disclosures

- **Scenario exchange rates + 10%**

Scenario I: + 10% exchange range change

	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				(248)	-0.41%	(55)	(193)
TOTAL				**(248)**	**-0.41%**	**(55)**	**(193)**

(*) The calculation of the tax effect on derivatives is based on the Group's weighted average tax rate of 22.13%.

- **Scenario exchange rates - 10%**

Scenario II: - 10% exchange range change

	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				248	0.41%	55	193
TOTAL				**248**	**0.41%**	**55**	**193**

(*) The calculation of the tax effect on derivatives is based on the Group's weighted average tax rate of 22.13%.

3.3 Price risk on energy commodities

3.3.1 Qualitative disclosures

The price risk on energy commodities is understood as the possibility that fluctuations in the market prices of energy materials could produce significant variations in revenues compared with a certain amount established during the economic planning phase.
In accordance with the provisions of the Group's Energy Risk Policy, the Group's price risk management activity consists of stabilizing revenues by executing forward sales contracts (so-called "commodity swaps") with qualified banks.

These transactions are treated in accordance with hedge accounting rules when there is a correlation between the hedging instruments used and the energy portfolio managed by the Group.

A brief description of the method used to perform the sensitivity analyses and the results are provided below. For this purpose, two scenarios were considered that respectively reflect a 10% appreciation and a 10% depreciation of the forward energy price at each date the hedge was put in place.
In the case of the Falck Renewables Group, this is equivalent to recalculating the fair value of cash flow hedge derivatives and transferring the difference between the simulated and actual fair value at the end of the period directly to equity. This shows both the risk of the portfolio of derivative products outstanding at the end of the period and their impact on shareholders' equity.

3.3.2 Quantitative disclosures

- **Scenario commodity prices + 10%**

Scenario I: + 10% change in commodity prices

Market	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Italy	Hedge Accounting	(1,655)	(4,388)	(2,733)	(2,733)		0.00%		656	0.00%
Sweden	Hedge Accounting	(77)	(247)	(170)	(170)		0.00%		37	0.00%
Norway	Hedge Accounting	(92)	(295)	(203)	(203)		0.00%		47	0.00%
Total		**(1,824)**	**(4,930)**	**(3,106)**	**(3,106)**		**0.00%**		**740**	**0.00%**

(*) To calculate the tax effect on derivatives, rates of 24% for Italy, 22% for Sweden and 23% for Norway were used.

- **Scenario commodity prices - 10%**

Scenario I: - 10% change in commodity prices

Market	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before income tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Italy	Hedge Accounting	(1,655)	1,078	2,733	2,733		0.00%		(656)	0.00%
Sweden	Hedge Accounting	(77)	93	170	170		0.00%		(37)	0.00%
Norway	Hedge Accounting	(92)	111	203	203		0.00%		(47)	0.00%
Total		**(1,824)**	**1,282**	**3,106**	**3,106**		**0.00%**		**(740)**	**0.00%**

(*) To calculate the tax effect on derivatives, rates of 24% for Italy, 22% for Sweden and 23% for Norway were used.

7

Supplementary information to the consolidated financial statements

7.1 List of investments in subsidiaries and associates

Companies consolidated applying the line-by-line method

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding %	Indirect holding Parent Company
Falck Renewables SpA	Milan	EUR	291,413,891			
Actelios Solar SpA	Santa Caterina di Villarmosa (CS)	EUR	120,000	100.000		
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	100.000		
Ambiente 2000 Srl	Milan	EUR	103,000	60.000		
Assel Valley Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Auchrobert Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Birch Road Solar Farm LLC	Delaware (US)	USD	-		100.000	Falck Renewables CH-1, LLC
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
Energy Aggregator Consortium	Milan (MI)	EUR	7,800		25.640	Mid Tech Srl
					25.640	Energy Capital Srl
Energy Cloud Consortium	Milan (MI)	EUR	6,800		44.120	Mid Tech Srl
					44.120	Energy Capital Srl
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000		51.000	Falck Renewables Wind Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Earlsburn Mezzanine Ltd
Ecosesto SpA	Rende (CS)	EUR	5,120,000	100.000		
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	245,350	100.000		
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	132,000		50.000	Falck Renewables Wind Ltd
Energia Eolica de Castilla SL	Madrid (Spain)	EUR	3,200	49.000		
Energy Capital Srl	Trezzano sul Naviglio (MI)	EUR	10,200	100.000		
Energy Team SpA	Milan (MI)	EUR	120,000	51.000		
Eolica Cabezo San Roque Sau	Madrid (Spain)	EUR	1,500,000		100.000	Falck Renewables Wind Ltd
Eolica Petralia Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	100.000		
Eolica Sud Srl	Sesto S. Giovanni (MI)	EUR	5,000,000	100.000		
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Esquennois Energie Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	EUR	60,000		100.000	Falck Renewables Wind Ltd
Falck Middleton LLC	Delaware (US)	USD	-		100.000	Falck Renewables North America Inc
Falck Middleton Generation LLC	Delaware (US)	USD	-		100.000 class B*	Falck Middleton, LLC
Falck Next Srl	Sesto San Giovanni (MI)	EUR	1,000,000	100.000		
Falck Renewables CH-1 LLC	Delaware (US)	USD	-		100.000	Falck Renewables North America Inc
Falck Renewables DLP MA LLC	Delaware (US)	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 (US)	USD	-		100.000	Falck Renewables North America Inc

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

Companies consolidated applying the line-by-line method continued

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent Company
Falck Renewables NC Dominion-1 LLC	Delaware (US)	USD	-		100.000	Falck Renewables North America Inc
Falck Renewables Nederland BV	Amsterdam (Netherlands)	EUR	10,000	100.000		
Falck Renewables North America Inc	Delaware (US)	USD	5	100.000		
Falck Renewables Sviluppo Srl	Milan (MI)	EUR	10,000	100.000		
Falck Renewables Sicilia Srl	Milan (MI)	EUR	10,000	100.000		
Falck Renewables Vind AS	Sandane (Norway)	NOK	23,276,000	80.000		
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	EUR	10,000	100.000		
Falck Renewables Verwaltungs Gmbh (in liquidation)	Nuremberg (Germany)	EUR	25,000		100.000	Falck Energies Renouvelables Sas
Fisher Road Solar I LLC	Delaware (US)	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)	EUR	2,000,000	100.000		
HG Solar Development LLC	New York (United States)	USD	-		100.000	Falck Middleton Generation, LLC
Innovative Solar 42 LLC	North Carolina (US)	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
Lake Osiris Road Solar Farm LLC	Delaware (US)	USD	-		100.000	Falck Renewables CH-1, LLC
Mid Tech Srl	Milan (MI)	EUR	10,000		100.000	Energy Capital Srl
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
NC 42 LLC	Delaware (US)	USD	-		99.000	Falck Renewables IS 42 LLC
NC 42 Solar LLC	Delaware (US)	USD	-		100.000	NC 42 LLC
NC 42 Energy LLC	Delaware (US)	USD	-		100.000 class B*	NC 42 Solar LLC
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ongarhill Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	120,000	71.273		
Parc Eolien d'Illois Sarl	Rennes (France)	EUR	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien des Crêtes Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien du Fouy Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	3,364,264		87.180	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (MI)	EUR	5,430,000	85.000		
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100		100.000	Vector Cuatro SLU
PV Diagnosis Srl (in liquidation)	Milan	EUR	10,000		100.000	Vector Cuatro SLU
Route 212 Solar Farm LLC	Delaware (US)	USD			100.000	Falck Renewables CH-1, LLC

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

Companies consolidated applying the line-by-line method continued

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent Company
Route 23A Solar Farm LLC	Delaware (US)	USD			100.000	Falck Renewables CH-1, LLC
SE Ty Ru Sas	Rennes (France)	EUR	1,009,003		100.000	Falck Energies Renouvelables Sas
Solar Mesagne Srl	Brindisi	EUR	50,000	100.000		
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
SPME Dartmouth Holdings LLC	Delaware (US)	USD			100.000 class B*	Falck Renewables DLP MA, LLC
SPME Holdings 2015 LLC	New Jersey (United States)	USD			100.000 class B*	Falck Renewables DLP MA, LLC
Syncarpha Massachusetts LLC	Delaware (US)	USD			100.000	SPME Holdings 2015, LLC
Syncarpha Palmer LLC	Delaware (US)	USD			100.000	SPME Holdings 2015, LLC
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	4,679,829		96.350	Elettroambiente SpA
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	100.000		
Vector Cuatro Australia Pty Ltd	Sydney (Australia)	AUD	1		100.000	Vector Cuatro SLU
Vector Cuatro Renewables FZE	Dubai (UAE)	AED	300,000		100.000	Vector Cuatro SLU
Vector Cuatro Srl	Turin	EUR	25,000		100.000	Vector Cuatro SLU
Vector Cuatro Chile Spa	Santiago (Chile)	CLP	20,000,000		100.000	Vector Cuatro SLU
Vector Cuatro France Sarl	Lyon (France)	EUR	50,000		100.000	Vector Cuatro SLU
Vector Cuatro EOOD	Sofia (Bulgaria)	BGN	2,000		100.000	Vector Cuatro SLU
Vector Cuatro Japan KK	Tokyo (Japan)	JPY	1,000,000		100.000	Vector Cuatro SLU
Vector Cuatro US LLC	Delaware (US)	USD	1,000		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	190,000		100.000	Vector Cuatro SLU
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Windfor Srl	Milan (Mi)	EUR	10,400		100.000	Vector Cuatro Srl

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

Companies consolidated by equity method

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

8

Falck Renewables SpA
separate financial statements at 31 December 2018

8.1 Falck Renewables SpA balance sheet

(EUR thousands)		Notes	31.12.2018	of which related parties	31.12.2017	of which related parties
Assets						
A	**Non-current assets**					
	1 Intangible assets	(1)	2,097		1,443	
	2 Property, plant and equipment	(2)	303		282	
	3 Securities and investments	(3)	536,675		434,834	
	4 Trade receivables	(5)				
	5 Medium/long-term financial receivables	(4)	51,836	51,836	56,807	56,807
	6 Deferred income tax assets	(7)	819		1,406	
	7 Other receivables	(6)	2,352		26	
	Total		**594,082**		**494,798**	
B	**Current assets**					
	1 Inventories	(8)				
	2 Trade receivables	(5)	7,962	7,907	7,372	7,277
	3 Other receivables	(6)	14,674	12,940	13,734	12,165
	4 Financial receivables	(4)	28,878	27,956	23,214	23,036
	5 Securities					
	6 Cash and cash equivalents	(9)	92,693		130,524	
	Total		**144,207**		**174,844**	
C	**Non-current assets held for sale**					
Total assets			***738,289***		***669,642***	
Liabilities						
D	**Equity**					
	1 Share capital		291,414		291,414	
	2 Reserves		150,029		151,012	
	3 Retained earnings		28,491		16,068	
	4 Profit for the year		36,969		27,850	
	Total equity	(10)	**506,903**		**486,344**	
E	**Non-current liabilities**					
	1 Medium/long-term financial liabilities	(13)	18,842			
	2 Other non-current liabilities	(15)	1,834		2,460	
	3 Deferred income tax liabilities					
	4 Provisions for other liabilities and charges	(11)	5,804		8,358	
	5 Staff leaving indemnity	(12)	1,347		1,957	
	Total		**27,827**		**12,775**	
F	**Current liabilities**					
	1 Trade payables	(14)	9,714	4,766	6,940	1,400
	2 Other payables	(15)	19,928	58	7,942	103
	3 Short-term financial liabilities	(13)	173,917	172,846	155,641	155,641
	4 Provisions for other liabilities and charges					
	Total		**203,559**		**170,523**	
G	**Liabilities attributable to non-current assets held for sale**					
Total Liabilities			***738,289***		***669,642***	

No significant non-recurring transactions occurred during 2018.
Related party transactions are disclosed on page 235.

8.2 Falck Renewables SpA income statement

			2018		2017	
(EUR thousands)		Notes		*of which related parties*		*of which related parties*
A	**Revenue**	(16)	126	22	138	41
	Direct costs	(18)				
	Direct labour costs	(17)	(11,695)		(11,955)	
	Other income	(19)	6,209	5,787	6,361	6,020
	Administrative expenses	(20)	(14,887)	(4,108)	(20,447)	(1,980)
B	**Operating profit/(loss)**		**(20,247)**		**(25,903)**	
	Financial income/(expenses)	(21)	4,280	4,549	4,597	5,917
	Investment income and expenses	(22)	48,087	48,090	43,584	43,584
C	**Profit/(loss) before income tax**		**32,120**		**22,278**	
	Income tax expense	(23)	4,849		5,572	
D	**Profit for the year**		**36,969**		**27,850**	

No significant non-recurring transactions occurred during 2018.
Related party transactions are disclosed on page 243.

8.3 Falck Renewables SpA statement of comprehensive income

(EUR thousands)		2018 Gross	2018 Tax	2018 Net	2017 Gross	2017 Tax	2017 Net
A	**Profit for the year**	**32,120**	**4,849**	**36,969**	**22,278**	**5,572**	**27,850**
	Other items of comprehensive income						
	Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax						
	Foreign exchange differences on translation of overseas financial statements						
	Fair value adjustment of available-for-sale financial assets	139	(34)	105	(139)	34	(105)
	Fair value adjustments of derivatives designated as cash flow hedges						
B	**Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax**	**139**	**(34)**	**105**	**(139)**	**34**	**(105)**
	Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax						
	Balance of actuarial gains/(losses) on employee defined benefit plans	92		92	(4)		(4)
C	**Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax**	**92**		**92**	**(4)**		**(4)**
B+C	**Other comprehensive income/(loss)**	**231**	**(34)**	**197**	**(143)**	**34**	**(109)**
A+B+C	**Total comprehensive income/(loss)**	**32,351**	**4,815**	**37,166**	**22,135**	**5,606**	**27,741**

8.4 Falck Renewables SpA statement of cash flows

(EUR thousands)	Notes	2018	2018 of which related parties	2017	2017 of which related parties
Cash flow from operating activities					
Profit for the year		36,969		27,850	
Adjusted for:					
Amortisation and impairment of intangible assets	(20)	352		364	
Depreciation and impairment of property, plant and equipment	(20)	120		134	
Staff leaving indemnity provision	(12)	486		469	
Impairment of investments and other securities	(22)	1,148	1,138	2,435	2,435
Financial income	(21)	(14,730)	(5,344)	(7,279)	(5,974)
Financial charges	(21)	10,450	795	2,682	57
Dividends	(22)	(49,235)	(49,228)	(46,019)	(46,019)
Share of profit of investments valued using equity method					
Gain/(loss) on sale of intangibles					
Gain/(loss) on disposal of property, plant and equipment					
Gain/(loss) on sale of investments					
Other cash flows	(20-10)	206		434	
Income tax (income statement)	(23)	(4,849)		(5,572)	
Operating (loss) before changes in net working capital and provisions		**(19,083)**		**(24,502)**	
Change in inventories					
Change in trade receivables	(5)	(436)		(3,906)	
Change in trade payables	(14)	2,774		1,705	
Change in other receivables/payables		(1,531)		(781)	
Net change in provisions	(11)	(2,554)		4,013	
Change in employee payables - staff leaving indemnity paid during year	(12)	(495)		(433)	
Cash flow from operating activities		**(21,325)**		**(23,904)**	
Interest paid		(9,853)	(795)	(2,248)	(19)
Tax paid/collected		5,849	5,849	4,500	4,500
Net cash flow from operating activities (1)		**(25,329)**		**(21,652)**	
Cash flow from investing activities					
Dividends		47,184	47,177	46,769	46,769
Proceeds from sale of property, plant and equipment					
Proceeds from sale of intangible assets					
Proceeds from sale of investment activities					
Purchases of intangible assets	(1)	(1,193)		(240)	
Purchases of property, plant and equipment	(2)	(172)		(54)	
Acquisition of investments	(3)	(74,427)	(73,559)	(206,221)	(206,221)
Own shares purchased	(10)	(1,486)		(1,035)	
Sale of investments		508			
Interest received		14,494	5,344	6,079	5,974
Net cash flow from investing activities (2)		**(15,092)**		**(154,702)**	
Cash flow from financing activities					
Dividends paid	(10)	(15,365)	(9,543)	(14,205)	(8,820)
Share capital increase and share capital contributions					
Expenses on capital transactions					
Proceeds from borrowings					
Loans granted					
Net change in financial receivables	(4-13)	17,955	17,955	208,035	208,035
Repayment of borrowings					
Net cash flow from financing activities (3)		**2,590**		**193,830**	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		**(37,831)**		**17,476**	
Cash and cash equivalents at 1 January		130,524		113,048	
Cash and cash equivalents at 31 December	(9)	**92,693**		**130,524**	

8.5 Falck Renewables SpA statement of changes in equity

(EUR thousands)	Share capital	Reserves	Profit for the year	Total equity
31.12.2016	**291,414**	**161,631**	**20,609**	**473,654**
Appropriation of 2016 profit		20,609	(20,609)	
Dividends paid		(14,205)		(14,205)
Purchase of own shares		(1,035)		(1,035)
Other movements		(109)		(109)
Share-based payment schemes		189		189
Profit for the year to 31 December 2017			27,850	27,850
31.12.2017	**291,414**	**167,080**	**27,850**	**486,344**
Appropriation of 2017 profit		27,850	(27,850)	
Dividends paid		(15,365)		(15,365)
Purchase of own shares		(1,486)		(1,486)
Other movements		124		124
Share-based payment schemes		317		317
Profit for the year to 31 December 2018			36,969	36,969
31.12.2018	**291,414**	**178,520**	**36,969**	**506,903**

8.6 Falck Renewables SpA notes to the financial statements

Direction and coordination activities

In accordance with article 2497 bis, paragraph 4 of the Italian Civil Code, the key information from the latest approved financial statements of Falck SpA (31 December 2017) is disclosed, due to the fact that the latter performs direction and coordination activities. For a full and better understanding of the financial position of Falck SpA at 31 December 2017, and the profit for the year then ended, reference should be made to its financial statements complete with the independent auditors' report, which are available at the parent company's registered offices and on its website www.falck.it.

BALANCE SHEET

(EUR thousands)			31.12.2017	31.12.2016
A)	**SHARE CAPITAL SUBSCRIBED AND NOT YET PAID**			
B)	**FIXED ASSETS**			
I.	Intangible assets		399	559
II.	Property, plant and equipment		4	18
III.	Financial assets			
	1	Shareholdings Investments	336,672	336,911
	2	Receivables	149	148
	3	Other securities		
	4	Active financial instruments		
	Total financial fixed assets		336,821	337,059
TOTAL FIXED ASSETS			**337,224**	**337,636**
C)	**CURRENT ASSETS**			
I.	Inventories			
II.	Receivables			
	1	Trade receivables		
	2	Due from subsidiaries	9,256	15,173
	3	Due from associates		
	4	Due from parent company		
	5	Due from subsidiaries of subsidiaries		
	5-bis	Tax credits	6,867	6,464
	5-ter	Deferred tax assets	76	80
	5-quater	Due from others	148	148
	Total receivables		16,347	21,865
III.	Financial assets not considered as fixed assets			
	1	Investments in subsidiaries		
	2	Investments in associates		
	3	Investments in other companies		
	4	Own shares		
	5	Other securities		
	6	Bills receivable		
	Total financial assets not considered as fixed assets			
IV.	Cash and cash equivalents		644	593
TOTAL CURRENT ASSETS			**16,991**	**22,458**
D)	**ACCRUED INCOME AND PREPAYMENTS**		**7**	**1**
TOTAL ASSETS			**354,222**	**360,095**
A)	**SHAREHOLDERS' EQUITY**			
I.	Share capital		72,793	72,793
II.	Share premium reserve		35,609	35,609
III.	Revaluation reserves			
IV.	Legal reserve		14,559	14,559
V.	Statutory reserves			
VI.	Other reserves		19,409	19,409
VII.	Reserve for hedging forecast financial flows		(5)	(19)
VIII.	Retained earnings (Losses carried forward)		98,274	98,645
IX.	Profit/(loss) for the year		5,724	1,111
X	Negative own shares reserve		**(12,196)**	**(12,192)**
TOTAL SHAREHOLDERS' EQUITY			**234,167**	**229,915**
B)	**TOTAL PROVISIONS FOR RISKS AND CHARGES**		**20,633**	**20,321**
C)	**EMPLOYEES' SEVERANCE INDEMNITY**		**92**	**83**
D)	**PAYABLES**			
	1	Bonds and debenture loans		
	2	Convertible bonds debenture loans	31,183	31,183
	3	Amounts due to shareholders for loans		
	4	Amounts due to banks	56,507	64,325
	5	Amount owed to other financial creditors		
	6	Advance payments received		
	7	Trade payables	1,173	1,260
	8	Bills payable		
	9	Amounts due to subsidiary companies	9,179	10,998
	10	Amounts due to associated companies		
	11	Amounts due to parent company		
	12-14	Amounts due to the tax authorities	1,075	1,814
	15	Amounts due to Group companies		
TOTAL PAYABLES			**99,117**	**109,580**
E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**		**213**	**196**
TOTAL LIABILITIES			**354,222**	**360,095**

INCOME STATEMENT

(EUR thousands)		31.12.2017	31.12.2016
A)	**Value of production**		
1	Revenues from sales and services	780	521
2	Changes in inventories of work in progress, semi-finished and finished products		
3	Change in contract work in progress		
4	Capitalised internal work		
5	Other revenues and income	210	373
	Total value of production	**990**	**894**
B)	**Cost of production**		
6	Raw materials, subsidiary materials, consumables and goods		
7	Services	(1,334)	(1,325)
8	Rentals and leasing charges	(8)	(12)
9	Employee costs	(163)	(218)
10	Amortisation, depreciation and impairments	(197)	(174)
11	Changes in inventories of raw materials, consumables and goods		
12	Provisions for risks	(350)	(92)
13	Other provisions		
14	Other operating charges	(83)	(82)
	Total cost of production	**(2,135)**	**(1,903)**
	Difference between value and cost of production	**(1,145)**	**(1,009)**
C)	**Financial income/(expenses)**		
15	Income from investments	8,576	7,972
16	Other financial income	94	254
17	Other finance expenses	(1,980)	(2,133)
17 bis	Exchange gains and losses		
	Total financial income/(expenses)	**6,690**	**6,093**
D)	**Value adjustments of financial assets**	**(238)**	**(3,942)**
E)	**Extraordinary income and expenses**		
	Profit for the year before taxation	**5,307**	**1,142**
22	Tax on profit for the year	417	(31)
23	**Profit for the year**	**5,724**	**1,111**

8.6.1 Accounting policies

The valuation and measurement of financial information for the year ended 31 December 2018 have been based on the IAS/IFRS currently in force and their related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The Company's separate financial statements are prepared in € and all values are rounded to thousands of € except where otherwise indicated.
The financial statements are prepared under the historical cost convention, with the exception of derivative instruments and available-for-sale financial assets, which are measured at fair value. The carrying value of those assets and liabilities that are covered by fair value hedges and that would normally be recorded at amortised cost, is adjusted to reflect changes in the fair value attributable to the hedged risks.
Non-current assets and tangible fixed assets held for sale are recorded at the lower of net book value and fair value less costs of disposal.
Preparation of the financial statements in accordance with IFRS requires management to make estimates, valuations and assumptions on the accounting value of a number of assets and liabilities and related disclosures, and contingent assets and liabilities at the date of the financial statements. The estimates and assumptions are based on historical results and other reasonable information and are adopted when the carrying value of the assets or liabilities may not be reliably estimated using other sources. Actual amounts may differ from estimates.
These estimates and assumptions are reviewed periodically and the effects of all differences relating to the current accounting period are recognised in the income statement. Where the adjustment covers both current and future reporting periods, the adjustment is recorded in the year in which the adjustment is made and future periods.
The actual results may differ, in some cases significantly, from the estimated amounts due to changes in the circumstances on which the estimate was based.

The financial statements have been prepared in accordance with "International Financial Reporting Standards - IFRS" issued by the International Financial Reporting Standards Board, based on the documents published in the Official Journal of European Union (The OJ).

The accounting standards used to draw up the financial statements are in line with those used for the financial statements as at 31 December 2017, with the exception of the adoption of the new standards, amendments and interpretations in force from 1 January 2018, which do not have a significant impact on the financial statements of the Company.

New standards and amendments entered into force for the first time since 1 January 2018, as required by the EU during its approval
Although these new standards and amendments are applied for the first time in 2018 they did not materially impact the Group's consolidated financial statements.

With reference to the recently issued accounting standards, please refer to the consolidated reports.

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

Fair value measurement
The Company measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. The fair value of financial instruments valued at amortised cost is summarised in

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

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

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

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

Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortization is parameterised to the period of their estimated useful life and starts when the asset is available for use. Intangible assets are tested annually for impairment. In accordance with IAS 36 the carrying amount of assets is reviewed for impairment whenever there is an indication that it may not be recoverable. Assets are disclosed net of any recognised impairment losses.

Intangible assets also include "industrial patent rights" that comprise costs incurred for the automation and mechanisation of the information systems that are subject to an amortisation rate of 20%.

Property, plant and equipment
Falck Renewables SpA opted for the cost method in preparing the first IAS/IFRS financial statements, as prescribed by IFRS 1. As a result, with regard to property, plant and equipment, the Company has preferred not to adopt the fair value approach. Property, plant and equipment is recorded at acquisition or production cost including directly attributable costs.
Property, plant and equipment is valued at cost, net of depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less impairment losses.

In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach). The depreciation rates applied represent the estimated useful life of the assets.
The rates applied to the various asset categories are as follows:

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

These rates are applied based on months of actual use with regard to assets that come into use during the year. Ordinary maintenance costs are charged to expenses in the year in which they are incurred. Maintenance costs that increase the future economic benefits derived from the assets are capitalised on the related asset and depreciated over the residual useful life. Borrowing costs for the construction of a plant or its acquisition are capitalised up until the moment in which the asset is ready for use in the production process.

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

Securities and investments

Investments in subsidiaries and associates
Investments in subsidiaries and associates are valued at cost. Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

Investments in other companies and other investments
In accordance with IFRS 9 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied.
Gains and losses arising on adjustments to value are recognised as a specific reserve within equity. Where impairment losses exist or in the event of disposal of the related asset, the gains and losses recorded in equity up until this point are recycled to the income statement. Investments held for sale are measured at fair value with any adjustment recognised in the income statement.
Cost is reduced for any indication of impairment where investments have recorded losses and no profits

are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

Financial assets

Classification
In accordance with IFRS 9 and IAS 32, financial assets are classified into the following four categories:

1. Financial assets ‘at fair value through profit or loss’;
2. Held-to-maturity investments;
3. Loans and financial receivables similar to loans;
4. Available-for-sale financial assets.

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

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

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

Financial instruments, with the exception of hedge instruments, are included in this category and their fair value recorded in the income statement.

All assets within this category are classified as current if they are held for trading purposes or where disposal is expected within 12 months from the year end. Designation of a financial instrument to this category is irrevocable and may take place only on initial recognition.

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

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

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

Accounting treatment
Financial assets 'at fair value through profit or loss' held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition.
Gains or losses relating to financial assets held for trading are recognised immediately in the income statement. Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement.
Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.
In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.
In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).
Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.
Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity. Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.
Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the company transfers the financial asset together with all of the related risks and rewards.

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

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

Cash and cash equivalents
Cash and cash equivalents include cash on hand and demand and short-term deposits, the latter maturing

in less than three months at the outset. Cash and cash equivalents are recorded at nominal value, or in the case of balances denominated in foreign currency, at the year-end spot rate which represents the fair value.

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

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

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

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

Environmental provision
This provision is set up to meet future requirements in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of permission from the relevant authorities. The provision is based on estimates prepared by specialist enterprises.

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

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

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

Financial payables
Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method.
Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk. The derivative instruments are not accounted for using hedge accounting and in accordance with IFRS 9 are recognised at fair value through profit or loss. The Company adopted IAS 39 from 1 January 2005.

If possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IFRS 9.

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

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

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

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

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

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

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

Revenue from sale of goods
Revenue from the sale of products is recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.

Revenue from provision of services
Revenue from services is recognised once the service has been rendered.

Interest
Finance income is accounted for applying the accruals concept.

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

Other income
Other income comprises amounts that do not relate to the core business of the Company and, in accordance with IAS 1 which has been applied from 1 January 2005, is classified in ordinary activities and disclosed separately in the notes to the financial statements where material in value.

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

Tax
Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation.
Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.
Deferred income tax assets are recognised only where it is probable that the temporary differences will reverse in the immediate future and to the extent that there will be sufficient taxable income against which these temporary differences may be utilised. The balance of deferred income tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that sufficient future taxable profits will be available to offset all or part of the tax credit.
Unrecognised deferred income tax assets are reviewed at each balance sheet date and are recognised where it is probable that they may be recovered against future taxable profits.
Income taxes on items recognised directly in equity are also recognised in equity and not through the income statement.
Deferred income tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities, respectively.

Value added tax (VAT)
Revenue and costs are recorded net of VAT. Trade receivables and payables are recorded gross of VAT.
The net amount of VAT recoverable or due to the tax authorities is disclosed either in trade receivables or payables respectively.

8.6.2 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

(EUR thousands)		At 31.12.2017	Additions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Other movements	Impairment losses	Amortisa-tion	At 31.12.2018
1.1	Industrial patent rights and intellectual property rights	1,281		126		(187)			(352)	868
1.2	Concessions, licences, trademarks and similar rights									
1.3	Goodwill									
1.4	Other intangibles									
1.5	Assets under construction and advances	162	1,193	(126)						1,229
Total		**1,443**	**1,193**			**(187)**			**(352)**	**2,097**

Capital expenditure, which amounted to € 1,193 thousand, related to the acquisition of software licenses and management system developments.

Sales of € 187 thousand refer to the sale of the staff business to Vector Cuatro Srl. The operation was carried out in order to provide the company with qualified staff, with considerable experience in the renewable energy sector and already operating, in order to support the business service both for the Group and for third parties, as well as take advantage of the related synergies.

No borrowing costs were capitalised during the year.

2 Property, plant and equipment

Movements in the period were as follows:

(EUR thousands)	At 31.12.2017	Additions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Impairment losses	Deprecia-tion	At 31.12.2018
Gross values								
2.1 Land								
2.2 Buildings								
2.3 Plants and machinery								
2.4 Industrial and office equipment			2					2
2.5 Other assets	1,026		10		(85)			951
2.6 Assets operated under concession								
2.7 Assets under construction and advances	10	172	(12)					170
Total gross value	**1,036**	**172**			**(85)**			**1,123**
Accumulated depreciation								
2.1 Land								
2.2 Buildings								
2.3 Plants and machinery								
2.4 Industrial and office equipment								
2.5 Other assets	(754)				54		(120)	(820)
2.6 Assets operated under concession								
Total depreciation	**(754)**				**54**		**(120)**	**(820)**
Net book amounts								
2.1 Land								
2.2 Buildings								
2.3 Plants and machinery								
2.4 Industrial and office equipment			2					2
2.5 Other assets	272		10		(31)		(120)	131
2.6 Assets operated under concession								
2.7 Assets under construction and advances	10	172	(12)					170
Total property, plant and equipment	**282**	**172**			**(31)**		**(120)**	**303**

Additions for a total of € 172 thousand mainly refer to hardware and office materials.

Sales refer to the sale of the staff business to Vector Cuatro Srl.

3 Investments and financial assets

As at 31 December 2018, this item is broken down as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Investments in subsidiaries	527,081	426,097	100,984
Investments in associates	8,472	8,472	
Investments in other entities	1,022	165	857
Securities	100	100	
Total	**536,675**	**434,834**	**101,841**

The change in the value of investments in subsidiaries mainly refers to the acquisition of investments in Energy Team SpA (€ 37,206 thousand) and Energia Eolica de Castilla SL (€ 1,357 thousand) and to increases in the share capital and reserves of Falck Renewables North America Inc (€ 29,878 thousand), Aliden Vind AB (€ 11,247 thousand), Brattmyrliden Vind AB (€ 1,988 thousand), Falck Renewables Vind AS (€ 15,834 thousand), and Falck Renewables Energy Srl (€ 1,300 thousand).

The following companies were established in 2018, which involved the following disbursements, including capital increases:

- Falck Renewables Sviluppo Srl (€ 1,000 thousand)
- Falck Renewables Sicilia Srl (€ 1,000 thousand)
- Falck Next Srl (€ 1,000 thousand)

Impairment tests were carried out on the carrying value of all investments.
Some equity investments have been written down and their value reinstated. For further details, please refer to the impairment test section.

On 12 October 2018, Falck Renewables SpA signed with IMG 2 Srl, a company operating in the waste disposal sector in Lombardy for years, a preliminary purchase contract covering 100% of the shares held in Esposito Servizi Ecologici Srl, for a total of € 1,190 thousand. The final contract was completed on 15 January 2019.

The variation in other companies concerns the 1.807% investment 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”.

A comparison of the carrying amount of investments net of recognised impairment losses and the related share of net assets is illustrated below:

(EUR thousands)

Company	Business sector	Total equity at 31/12/2018	% holding	Falck Renewables SpA equity	Carrying value	Difference
Falck Renewables Sviluppo Srl	Other Businesses	889	100%	889	1,000	(111)
Falck Renewables Sicilia Srl	Other Businesses	946	100%	946	1,000	(54)
Falck Renewables Energy Srl	Other Businesses	338	100%	338	1,353	(1,015)
Ecosesto SpA	WtE, biomass, photovoltaic	12,648	100%	12,648	12,711	(63)
Falck Renewables North A. Inc	WtE, biomass, photovoltaic	70,790	100%	70,790	70,635	155
Actelios Solar SpA	WtE, biomass, photovoltaic	5,072	100%	5,072	1,125	3,947
Frullo Energia Ambiente Srl	WtE, biomass, photovoltaic	46,521	49%	22,795	8,472	14,323
Ambiente 2000 Srl	WtE, biomass, photovoltaic	3,346	60%	2,008	961	1,047
Prima Srl	WtE, biomass, photovoltaic	28,428	85%	24,164	23,103	1,061
Esposito Servizi Ecologici Srl	WtE, biomass, photovoltaic	426	100%	426		426
Solar Mesagne Srl	WtE, biomass, photovoltaic	1,111	100%	1,111	1,043	68
Falck Renewables Wind Ltd (consolidated)	Wind	265,752	99.99%	265,725	166,483	99,242
Falck Renewables Vind AS	Wind	24,709	80.00%	19,767	24,472	(4,705)
Aliden Vind AB	Wind	17,154	100%	17,154	18,062	(908)
Brattmyrliden Vind AB	Wind	7,238	100%	7,238	10,263	(3,025)
Eolica Sud Srl	Wind	12,733	100%	12,733	10,261	2,472
Geopower Sardegna Srl	Wind	11,489	100%	11,489	108,903	(97,414)
Eolo 3W Minervino Murge Srl	Wind	12,001	100%	12,001	16,966	(4,965)
Eolica Petralia Srl	Wind	8,052	100%	8,052	7,537	515
Falck Renewables Nederland BV	Wind	86	100%	86	408	(322)
Energia Eolica de Castilla SLU*	Wind	41	100%	41	1,357	(1,316)
Falck Next Srl	Services	849	100%	849	1,000	(151)
Energy Team SpA*	Services	5,701	100%	5,701	37,206	(31,505)
Energy Capital Srl	Services	10	100%	10	10	
Vector Cuatro SLU (consolidated)	Services	3,805	100%	3,805	11,222	(7,417)

(*) The carrying value of the investment was measured at 100% in accordance with IFRS 3 in consideration of the option rights.

For Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl, Falck Renewables Energy Srl, Ecosesto Spa, Falck Renewables Vind AS, Aliden Vind AB, Brattmyrliden Vind AB, Falck Renewables Nederland BV, Geopower Sardegna Srl, Eolo 3W Minervino Murge Srl, Energia Eolica de Castilla SL, Energy Team SpA, Falck Next Srl and Vector Cuatro SLU, the higher book value of the shareholding compared to the share of net equity pertaining to them is sustainable in relation to the expected income flows in subsequent years related to projects held by the companies or their subsidiaries and to projects in the development phase. For Esposito Servizi Ecologici, a check was carried out on any reductions in value with respect to the final sale price.

Impairment tests

Impairment tests were performed where there was indication of a fall in the value of investments at 31 December 2018 in accordance with the procedures established by IAS 36. In particular, the carrying value of

each investment was compared with the equity value. Equity value represents the difference between the enterprise value – based on the net present value of future cash flows of each entity (discounted using the WACC rate) – and the net indebtedness. The value of Falck Renewables Wind Ltd and Falck Renewables North America, as a sub-holding, was calculated using the "sum of the parts" method.
Therefore, the data related to the wind farms in the UK, France Spain ("Foreign Wind Farms") are included in the valuation of the consolidated Falck Renewables Wind, while the Italian wind farms (Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl) are directly owned by Falck Renewables SpA, having acquired these investments from Falck Renewables Wind Ltd in 2017.

The projected cash flows are based on the following assumptions:

- forecast production values of the wind/solar and waste to energy/biomass plants based on productivity assessments carried out by management;

- sales prices and incentives, during the expected life of the plants, determined on the basis of market projections for the short term, provided by external providers recognized internationally for the medium/long term and prepared by the internal department of Energy Management, taking into account the regulatory requirements;

- waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;

- operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

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

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 4.2% to 5.2%
Wind sector UK:	from 4.4% to 5.0%
Wind sector Italy:	from 5.5% to 5.9%
Wind sector Spain:	3.4%
Services sector Spain:	5.3%
Wind sector France:	from 4.2% to 4.4%
Solar sector US:	from 5.5% to 5.7%
Photovoltaic Italy:	from 5.4% to 5.7%

The evaluations were characterised by the factors summarised below; these factors had different effects according to the technological, geographical and competitive characteristics and the incentive system of the companies.

<u>General factors</u>
- In comparison to the Group's previous forecasts, expected electric energy prices in the various countries where the Group operates, considered over the entire useful life of the plants, changed as follows:
    - Italy: firstly, the variations in energy prices were strongly impacted by the calculation of the in-

centive, which offset 78% of the variations (although one year off); Prices (given by the sum of energy and incentives) are substantially in line with the forecasts in the previous report, with a notable reduction only for the Sicily area;

- Foreign Wind Sector
  UK: the wholesale price curves used to forecast cash flow in the 2018 accounts did not show any significant variations from the previous year;

  Spain: the energy market price shows a more significant growth than the one forecasted last year. The Cabezo San Roque plant benefited from this effect;

  France: electricity tariff's increases are much more limited than those used in the last financial statements. This reduction affects plants from the end of the period in which they benefit from a so-called Feed-in Tariff regime (15 years from plant start-up).

- As in 2017, also in 2018 the Company updated the estimates related to the future production levels of each wind farm, taking into consideration also historical wind levels in the different locations. This update was carried out for all the plants in operation by the internal Performance & Improvement division, based both on historical statistical data and on estimates prepared by a third party, market leader in wind assessment, considering the availability for each individual plant;
- There were no significant variations in tax legislation in the various countries in comparison to the forecasts used in last year's report;
- WACC rates used to discount cash flows were updated based on the performance of long-term government bond yields (at the basis of the risk-free component of the WACC itself), interest rates applied to bank debt, and the new residual useful life of the wind and solar plants. The WACC rate for Italian wind farms recorded a growth of about 0.6%, while there were no significant changes in other countries/technologies.

The results of the impairment test are summarised below:
- Eolica Petralia Srl: impairment of approximately € 2.6 million resulting from the combined effect of a reduction in the projected growth in future energy sales prices and an increase in the discount rate;
- Geopower Srl: impairment of € 1.6 million mainly due to the distribution of dividends in 2018;
- Solar Mesagne: reversal of approximately € 0.2 million in value generated by the positive impact of the results on the NFP;
- Ecosesto SpA: reversal of approximately € 2.8 million. This increase is due to the positive performance during the year, to the consequent improvement of the balance sheet (the company did not distribute dividends in 2018) and to some industrial improvements resulting from the efficiency gains made by the management, compared to those in the previous year. In particular, in the last two years, some technical issues have been solved,enabling the plant to achieve better performances in the coming years.

With specific reference to the sub-holdings Falck Renewables Wind Ltd and Falck Renewables North America, the respective equity value is higher than the carrying value, so that the carrying value of the investment is recoverable.

Sensitivity analyses

Impairment tests are based on estimates of production, electricity prices and other revenues/cost items (waste transfer) and the interest rates are calculated using the latest available information at the balance sheet date.
As there is a margin of uncertainty for each estimate, a sensitivity analysis was carried out on the recover-

able value of the various investments.
In relation to the volatility of electricity prices, which has become a feature in recent years, the following sensitivity analyses were carried out with respect to the "basic case": electricity prices sold by operating plants were 10% lower, the discount rate increased by 0.5%, and electricity prices sold by operating plants were 10% higher, with the discount rate 0.5% lower.
This illustrates the most relevant outcomes described above which combine both the financial and operating/industrial elements of the sensitivity analyses compared to the base case:

VARIATIONS VS BASE CASE (€/mio)	Base case	Electricity prices -10%; Discount rate +0.5%	Electricity prices +10%; Discount rate -0.5%
Net revaluations/ (impairments)	(1,1)	(27,9)	4,5

In the most severe sensitivity scenario, the equity investments Eolo 3W Minervino Murge, Falck Renewables Vind, Aliden and Solar Mesagne would also need to be written down, the latter for an insignificant amount, not subject to impairment in the Basic Case.
The directors, after having examined the scenarios and considered the variables on which the basic case was constructed, believe that the valuations made in terms of the impairment tests with reference to the basic case, the resulting impairment losses, and reversals are adequate. They also confirm that the trend in these variables will be monitored in order to identify any adjustment in the estimates of the recoverable values of the amounts recorded in the financial statements.

With specific reference to Vector Cuatro shares, the impairment test, based on explicit flows forecast in the 2019-2023 plan and terminal value calculated assuming the average EBITDA in the last three years as perpetual flow applying a growth rate (g) equal to zero, indicated the recoverability of the value posted in the Base Case and the various sensitivity, based on various 2019-2023 long-term growth hypotheses.

Elettroambiente SpA in liquidation
The entire stake in Elettroambiente and the financial and trade receivables due to Falck Renewables SpA by the former were fully written-off for the purpose of preparing the separate financial statements at 31 December 2012.
The 2018 result of Falck Renewables SpA includes the write-off of € 531 thousand against trade and financial receivables due to the former by Elettroambiente to reflect Falck Renewables SpA's financial commitment undertaken in 2014 following the liquidation of Elettroambiente.

Palermo Energia Ambiente SpA in liquidation
The entire stake in Palermo Energia Ambiente ScpA (Pea) and the trade and financial receivables due to Falck Renewables SpA by the former were fully written off in full at the time of preparation of the separate financial statements at 31 December 2011 and 2012.
The 2018 result of Falck Renewables SpA reflects the write-off against trade and financial receivables due to the former by Pea for € 19 thousand. Please note that, following the purchase of 48% of AMIA shareholdings, on 17 December 2015, Falck Renewables SpA is the majority shareholder of Palermo Energia Ambiente ScpA in liquidation.

With reference to liquidation, please see paragraphs 5.2.11 Risks and uncertainties b) Legal - Sicily Projects in the Report on Operations.

4 Financial receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	193		193	88		88	105		105
Amounts owed by subsidiaries	78,890	51,700	27,190	79,843	56,807	23,036	(953)	(5,107)	4,154
Derivative financial instruments	1,631	136	1,495	90		90	1,541	136	1,405
Total	**80,714**	**51,836**	**28,878**	**80,021**	**56,807**	**23,214**	**693**	**(4,971)**	**5,664**

Financial receivables are disclosed net of the provision for doubtful accounts of € 91,657 thousand.
The provision for doubtful accounts comprises the write-off in full of the financial receivables due from Palermo Energia Ambiente ScpA and from Platani Energia Ambiente ScpA for € 11,513 thousand and € 64 thousand respectively, and € 196 thousand that partially write-off financial receivables from Esposito Servizi Ecologici Srl and € 79,884 thousand that write-off the financial receivable due from Elettroambiente SpA.

Non-current receivables from subsidiaries relate to loans granted to Prima Srl for € 6,374 thousand, Actelios Solar SpA for € 9,083 thousand, Eolica Petralia Srl for € 5,184 thousand, Eolica Sud Srl for € 21,232 thousand, Elettroambiente SpA in liquidation for € 253 thousand and Eolo 3W Minervino Murge Srl for € 9,574 thousand.

Current receivables from subsidiaries relate to current accounts mainly held mainly with Ecosesto SpA (€ 13,288 thousand), Vector Cuatro Srl (€ 2,055 thousand), Vector Cuatro SLU (€ 1,896 thousand), Energia Eolica de Castilla SLU (€ 2,027 thousand) and Solar Mesagne Srl (€ 3,784 thousand).

All transactions with related parties are disclosed in the Related party transactions note.

5 Trade receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	55		55	95		95	(40)		(40)
Amounts owed by subsidiaries	7,632		7,632	6,901		6,901	731		731
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	159		159	241		241	(82)		(82)
Amounts owed by other Group companies	35		35	54		54	(19)		(19)
Total	**7,962**		**7,962**	**7,372**		**7,372**	**590**		**590**

The Company has a provision for doubtful accounts of € 5,725 thousand.
The Company does not have significant receivables due from non-domestic customers that require disclosure.

Trade receivables owed by Palermo Energia Ambiente ScpA (€ 2,356 thousand), Platani Energia Ambiente ScpA (€ 1,535 thousand), Tifeo Energia Ambiente ScpA (€ 1,793 thousand) and Elettroambiente SpA (€ 365 thousand) were written-off by a total charge of € 5,625 thousand to the provision for doubtful accounts.
All transactions with related parties are disclosed in the Related party transactions note.

6 Other receivables

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	686	28	658	602	26	576	84	2	82
Advances									
Amounts owed by subsidiaries	6,269		6,269	6,149		6,149	120		120
Amounts owed by associates	1,943		1,943	980		980	963		963
Amounts owed by parent company	4,728		4,728	5,036		5,036	(308)		(308)
Tax credits									
Accrued income and prepayments	3,400	2,324	1,076	993		993	2,407	2,324	83
Total	**17,026**	**2,352**	**14,674**	**13,760**	**26**	**13,734**	**3,266**	**2,326**	**940**

Non-current amounts owed by third parties comprise guarantee deposits.
Amounts owed by subsidiaries and associates relate to the dividends declared by the shareholders of Prima Srl, and Frullo Energia Ambiente Srl that had not been paid at the year-end. The amounts owed by parent company consist of the amount owed by Falck SpA under the Group consolidated tax regime.

All transactions with related parties are disclosed in the Related party transactions note.

7 Deferred income tax assets

Deferred income tax assets may be analysed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Employee bonuses and directors' emoluments	202	680	(478)
Intangible assets			
Derivative financial instruments	33	33	
Charges to provisions	461	456	5
Goodwill on acquisition of business	220	242	(22)
Dividends declared but not paid			
Other	(97)	(5)	(92)
Total	**819**	**1,406**	**(587)**

Deferred income tax assets in the financial statements of € 819 thousand, comprises € 916 thousand of deferred income tax assets net of deferred income tax liabilities of € 97 thousand.

B Current assets

8 Inventories

The Company had no inventories at 31 December 2018.

9 Cash and cash equivalents

(EUR thousands)	**31.12.2018**	**31.12.2017**	**Change**
Short-term bank and post office deposits	92,686	130,516	(37,830)
Cash in hand	7	8	(1)
Total	**92,693**	**130,524**	**(37,831)**

Cash and cash equivalents decreased by € 37,831 thousand on the previous year due to the equity investments made during 2018.

The fair value of deposits is in line with the nominal value at 31 December 2018.

Liabilities

D Equity

10 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of € 1 each.
At 31 December 2018, the parent company Falck Renewables SpA had 2,210,000 own shares for a face value of EUR 2,210,000, representing 0.7584% of total share capital.
The carrying value of own shares held is € 2,924,259 corresponding to an average share price of € 1.3232.

The Shareholders' Meeting of 16 January 2017 authorised the purchase and the distribution of treasury shares and the beginning of the share buyback program. This authorisation expired in July 2018.
The company will be able to purchase a maximum of 5,828,277 ordinary shares in Falck Renewables, corresponding to 2% of the share capital, taking into account the treasury shares held by the company on 16 January 2017 (460,000, corresponding to 0.1579% of the share capital) in compliance with legal and regulatory requirements as well as market practices currently in force, as applicable.

In 2018, on the basis of the treasury share purchase plan, it purchased 700,000 shares, corresponding to 0.2402% of the share capital.

Total equity may be analysed as follows:

(EUR thousands)	Total	Possible utilisation	Share available	Summary of utilisation in three previous financial years: To cover losses	Other reasons
Share Capital	**291,414**				
Capital reserves					
Share premium	470,335	A-B-C (*)	470,335		
Reserve for expenses on share capital increase	(8,731)		(8,731)		
Revaluation reserves ex Law 72/83	1,003	A-B	1,003		
Reserve ex art.54 Pres. Decree 597/73	3,424	A-B	3,424		
Reserve ex art.55 Pres. Decree 597/73	653	A-B	653		
Reserve for purchase of own shares	(2,924)		(2,924)		
Share schemes	506		506		
Fair value reserve					
Reserve for actuarial gains/(losses) on TFR	(61)		(61)		
Reserve for transactions under common control	(860)		(860)		
Demerger surplus	(371,598)		(371,598)		
Earnings reserves					
Legal reserve	58,282	B	58,282		
Retained earnings (Losses carried forward)	28,491	A-B-C	28,491		13,092
Profit/(loss) for the year	36,969				
Total	**506,903**		**178,520**		**13,092**
Distributable portion			118,497		
Restricted portion			60,023		

(*) Pursuant to article 2431 of the Italian Civil Code, the total reserve may be distributed only if the legal reserve meets the limit imposed by article 2430 of the Italian Civil Code. Currently, legal reserves have reached the aforesaid limit.

Key :
A: for capital increase
B: to cover losses
C: for distribution to shareholders

Movements in equity during 2017 and 2018 were as follows:

(EUR thousands)	At 31.12.2016	Appropriation of result	Profit for the year	Distribution of profits	Other movements	At 31.12.2017
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(403)				(1,035)	(1,438)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve					(105)	(105)
- share schemes reserve					189	189
- reserve for actuarial gains/(losses) on TFR	(138)				(4)	(142)
- reserve for transactions under common control	(860)					(860)
Retained earnings	9,664	20,609		(14,205)		16,068
Profit/(loss) for the year	20,609	(20,609)	27,850			27,850
Total	**473,654**		**27,850**	**(14,205)**	**(955)**	**486,344**

(EUR thousands)	At 31.12.2017	Appropriation of result	Profit for the year	Distribution of profits	Other movements	At 31.12.2018
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(1,438)				(1,486)	(2,924)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve	(105)				105	
- share schemes reserve	189				317	506
- reserve for actuarial gains/(losses) on TFR	(142)				81	(61)
- reserve for transactions under common control	(860)					(860)
Retained earnings	16,068	27,850		(15,365)	(62)	28,491
Profit/(loss) for the year	27,850	(27,850)	36,969			36,969
Total	**486,344**		**36,969**	**(15,365)**	**(1,045)**	**506,903**

The legal reserve has reached one fifth of the share capital, the reserve for expenses on share capital increase and the fair value reserve are disclosed net of the related tax effect.

11 Provisions for other liabilities and charges

(EUR thousands)	At 31.12.2017	Change in scope of consolidation	Allocations	Used	Other movements	Foreign exchange differences	At 31.12.2018
Provisions for pensions and similar obligations							
Other provisions							
- litigation							
- investments							
- other risk provisions	8,358		2,148	(4,702)			5,804
Total other provisions	8,358		2,148	(4,702)			5,804
Total	**8,358**		**2,148**	**(4,702)**			**5,804**

The other risks provision was set aside to cover litigation for the Sicilian projects.
The other risks provision mainly refers to the guarantee given by the Company to Palermo Energia Ambiente ScpA, covering payables, costs and expenses relating to liquidation and provisions for risks in connection with labour disputes.
Utilizations mainly relate to the release of the provision for risks in relation to the guarantee given by the Company to Elettroambiente SpA in liquidation.

12 Staff leaving indemnity (TFR)

(EUR thousands)	At 31.12.2017	Allocations	Interest costs	Other movements	Actualrial gain/(loss)	Utilised/ paid	At 31.12.2018
Managers	625	269	8	(80)	(76)	(308)	438
White and blue-collar staff	1,332	217	17	(454)	(16)	(187)	909
Total	**1,957**	**486**	**25**	**(534)**	**(92)**	**(495)**	**1,347**

The "Trattamento di Fine Rapporto" (TFR - Italian staff leaving indemnity), was subjected to an actuarial calculation by an independent expert.

The actuarial financial assumptions utilised to calculate the estimated cost in 2018, compared to 2017, are as follows:

(%)	31.12.2018	31.12.2017	Change
Annual discount rate	1.57%	1.30%	0.27%
Annual inflation rate	1.85%	1.70%	0.15%
Annual total pay increase rate*	2.00%	1.70%	0.30%
Annual TFR increase rate	2.89%	2.78%	0.11%

(*) The annual total pay increase is 1.5% for 2019, 1.75% for 2020 and 2% for subsequent years

The discount rate was based on the *iBoxx Eurozone Corporates AA 10+* index at the time of calculation.
A sensitivity analysis was carried out on the actuarial assumptions used in the model in accordance with IAS 19R.

The base case used the rates in the table above and increases and decreases of a half, a quarter and two percentage points respectively were applied to the most significant assumptions namely, the average discount rate, average inflation rate and average turnover rate.
The results of the sensitivity analyses are summarised as follows:

Sensitivity analysis - Annual discount rate

(EUR thousands)	+0.50%	-0.50%
Managers	425	452
White and blue-collar staff	876	955

Sensitivity analysis - Annual inflation rate

(EUR thousands)	+0.25%	-0.25%
Managers	441	435
White and blue-collar staff	916	902

Sensitivity analysis - Annual turnover rate

(EUR thousands)	+2.00%	-2.00%
Managers	435	443
White and blue-collar staff	897	926

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

Future cash flows

(EUR thousands)	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	49	46	132	325	226
White and blue-collar staff	93	100	322	600	1,380
Total	**142**	**146**	**454**	**925**	**1,606**

In July 2018, Falck Renewables SpA sold the company staff branches to Vector Cuatro Srl. A total of 20 people was transferred. The operation was carried out in order to provide the company with qualified staff, with considerable experience in the renewable energy sector and already operating, in order to support the services business both for the Group and for third parties, as well as to take advantage of the related synergies.

13 Financial liabilities

As at 31 December 2018, this item is broken down as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	18,706	18,706					18,706	18,706	
Amounts owed by subsidiaries	172,748		172,748	155,641		155,641	17,107		17,107
Derivative financial instruments	1,305	136	1,169				1,305	136	1,169
Total	**192,759**	**18,842**	**173,917**	**155,641**		**155,641**	**37,118**	**18,842**	**18,276**

Non-current payables to third parties refer to the fair value of the PUT options on the remaining shares of Energy Team SpA and Eolica Energia de Castilla SL.

Current liabilities due to subsidiaries mainly refer to the balance of the current account held with Falck Renewables Wind Ltd (€ 138,990 thousand), Ambiente 2000 Srl (€ 3,671 thousand), Falck Renewables Energy Srl (€ 4,221 thousand) and Prima Srl (€ 22,884 thousand).

All transactions with related parties are disclosed in the Related party transactions note.

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 has not been drawn down at 31 December 2018.
The 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 31 December 2018 based on these financial reports.

14 Trade payables

Trade payables at 31 December 2018 compared to the previous year are as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	4,948		4,948	5,540		5,540	(592)		(592)
Amounts due to subsidiaries	4,189		4,189	976		976	3,213		3,213
Amounts due to parent company	577		577	424		424	153		153
Total	**9,714**		**9,714**	**6,940**		**6,940**	**2,774**		**2,774**

The Company does not have significant trade payables with non-domestic customers that require disclosure. Payables to subsidiaries mainly refer to the payables to Falck Renewables Wind Ltd of € 193 thousand and to Vector Cuatro Srl of € 2,135 thousand, in addition to € 1,753 thousand due to Vector Cuatro SLU for services rendered.

Amounts due to the parent company comprise payables to Falck SpA for use of the Falck trademark.

All transactions with related parties are disclosed in the Related party transactions note.

15 Other payables

Other payables at 31 December 2018 compared to 31 December 2017 are as follows:

	31.12.2018			31.12.2017			Change		
(EUR thousands)	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	21,682	1,834	19,848	10,284	2,460	7,824	11,398	(626)	12,024
Amounts due to subsidiaries	58		58				58		58
Amounts due to associates									
Amounts due to parent company				103		103	(103)		(103)
Amounts due to other Group companies									
Accruals and deferred income	22		22	15		15	7		7
Total	**21,762**	**1,834**	**19,928**	**10,402**	**2,460**	**7,942**	**11,360**	**(626)**	**11,986**

Amounts due to third parties may be detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017
Company acquisition debt	17,449	6,746
Other amounts due to employees	2,145	1,825
Holiday pay	1,069	823
Social security payables	401	448
Other	618	442
Total	**21,682**	**10,284**

The debt for the acquisition of companies refers to debts and interest payable to the previous shareholders of Åliden Vind AB, Brattmyrliden Vind AB, Energy Team SpA, Windfor Srl, Energia Eolica de Castilla SL and Falck Renewables Vind AS.

Commitments and contingencies
Guarantees issued at 31 December 2018 amounted to € 197,740 thousand. Guarantees related to the company and subsidiary undertakings mainly 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 €

161,088 thousand and guarantees issued to the tax authorities in relation to requests for a refund of VAT receivables for € 2,388 thousand. Moreover, € 22,213 thousand of bank guarantees and other guarantees of € 12,051 thousand are included.
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 31 December 2018, of which € 1,829 thousand still due to be paid on the basis of any additional investments made by the Fund.

Related party transactions
In compliance with the CONSOB communications dated 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Company's results of operations, state of affairs and financial position.

Related party transactions represent the daily business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to CONSOB communication 6064293 of 28 July 2006, all related party transactions and the corresponding incidence on Falck Renewables SpA's balance sheet headings are provided below.

(EUR thousands)	Trade receivables			Trade payables		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Subsidiaries						
Actelios Solar SpA	132	84	48			
Aliden Vind AB	687	29	658			
Ambiente 2000 Srl	303	304	(1)			
Assel Valley Wind Energy Ltd	19	36	(17)			
Auchrobert Wind Energy Ltd	6	12	(6)			
Ben Aketil Wind Energy Ltd	3		3			
Boyndie Wind Energy Ltd	3		3			
Brattmyrliden Vind AB	1,152	48	1,104			
Cambrian Wind Energy Ltd	3		3			
Earlsburn Mezzanine Ltd	2		2			
Earlsburn Wind Energy Ltd	4	2	2			
Ecosesto SpA	481	664	(183)			
Energia Eolica de Castilla SL	13		13			
Elettroambiente SpA in liquidation	365		365			
Eolica Cabezo San Roque SAU	51	31	20			
Eolica Petralia Srl	210	210				
Eolica Sud Srl	244	263	(19)			
Eolo 3W Minervino Murge Srl	223	209	14			
Esposito Servizi Ecologici Srl	229	253	(24)			
Esquennois Energie Sas	21	4	17			
Falck Energies Renouvelables Sas	312	98	214	10		10
Falck Next Srl	8		8			
Falck Renewables Energy Srl	230	77	153			
Falck Renewables Finance Ltd	2		2			
Falck Renewables Nederland BV	38	90	(52)			
Falck Renewables North America Inc	181	223	(42)			
Falck Renewables Sicilia Srl	46		46			
Falck Renewables Sviluppo Srl	96		96			
Falck Renewables Vind AS	104		104			
Falck Renewables Wind Ltd	836	1,277	(441)	193	400	(207)
FRUK Holdings No1 Ltd	18	15	3			
Geopower Sardegna Srl	188	351	(163)	5		5
HG Solar Development LLC	5		5			
Kilbraur Wind Energy Ltd	27	32	(5)			
Kingsburn Wind Energy Ltd	4	2	2			
Millenium Wind Energy Ltd	5	5				
Nutberry Wind Energy Ltd	8	8				
Parc Eolien d'Illois Sarl	272	92	180			
Parc Eolien du Fouy Sas	19	5	14			
Parque Eolien des Cretes Sas	18	4	14			
Platani Energia Ambiente ScpA	59	134	(75)			
Prima Srl	320	1,966	(1,646)			
PV Diagnosis Fotovoltaica SLU	2		2			
PV Diagnosis Srl in liquid.		17	(17)			
Se Ty Ru Sas	57	25	32			
Solar Mesagne Srl	70	51	19			
Spaldington Airfield Wind Energy Ltd	3	1	2			
Vector Cuatro Chile Spa	2		2			
Vector Cuatro Energias Renovables Mèxico SA de CV	2		2			
Vector Cuatro EOOD	2		2			
Vector Cuatro France Sarl	17		17			
Vector Cuatro Japan KK	2		2			
Vector Cuatro Renewables FZE (Dubai)	2		2			
Vector Cuatro SLU	267	180	87	1,753	482	1,271
Vector Cuatro Srl	204	87	117	2,135	94	2,041
Vector Cuatro UK Ltd	50	6	44	93		93
West Browncastle Wind Energy Ltd	5	6	(1)			
Total subsidiaries	**7,632**	**6,901**	**731**	**4,189**	**976**	**3,213**
Associates						
Frullo Energia Ambiente Srl	81	81				
Total associates	**81**	**81**				
Parent company						
Falck SpA	159	241	(82)	577	424	153
Total parent company	**159**	**241**	**(82)**	**577**	**424**	**153**
Group companies						
Falck Energy SpA	19	31	(12)			
Sesto Siderservizi Srl	16	23	(7)			
Total Group companies	**35**	**54**	**(19)**			
Total	**7,907**	**7,277**	**630**	**4,766**	**1,400**	**3,366**
% incidence on balance sheet heading	**99.3%**	**98.7%**		**49%**	**20%**	

(EUR thousands)	Financial receivables			Financial payables		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Subsidiaries						
Actelios Solar SpA	9,083	10,708	(1,625)			
Ambiente 2000 Srl				3,671	2,913	758
Energy Aggregator Consortium	830		830			
Energy Cloud Consortium	43		43			
Ecosesto SpA	13,288	17,460	(4,172)			
Energia Eolica de Castilla SLU	2,027		2,027			
Energy Capital Srl	20		20			
Eolica Petralia Srl	5,184	6,197	(1,013)			
Eolica Sud Srl	21,232	24,265	(3,033)			
Eolo 3W Minervino Murge Srl	9,574	9,263	311			
Esposito Servizi Ecologici Srl	874	967	(93)			
Elettroambiente SpA in liquidation	253		253			
Falck Next Srl				936		936
Falck Renewables Energy Srl				4,221	1,283	2,938
Falck Renewables Sicilia Srl				987		987
Falck Renewables Sviluppo Srl				984		984
Falck Renewables Wind Ltd				138,990	134,321	4,669
Prima Srl	8,099	6,374	1,725	22,884	16,265	6,619
PV Diagnosis Srl in liquidation					41	(41)
Solar Mesagne Srl	3,784	4,609	(825)			
Vector Cuatro Japan KK				75	100	(25)
Vector Cuatro SLU	1,896		1,896		233	(233)
Vector Cuatro Srl	2,055		2,055		485	(485)
Vector Cuatro UK Ltd	648		648			
Total subsidiaries	**78,890**	**79,843**	**(953)**	**172,748**	**155,641**	**17,107**
Total	**78,890**	**79,843**	**(953)**	**172,748**	**155,641**	**17,107**
% incidence on balance sheet heading	**97.7%**	**99.8%**		**89.6%**	**100.0%**	

(EUR thousands)	Financial instruments - assets			Financial instruments - liabilities		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Subsidiaries						
Falck Renewables Wind Ltd				70		70
Brattmyrliden Vind AB	702		702	24		24
Aliden Vind AB	133		133	4		4
Falck Renewables Vind AS	67		67			
Total subsidiaries	**902**		**902**	**98**		**98**
% incidence on balance sheet heading	**55.3%**			**7.5%**		

(EUR thousands)	Other receivables			Other payables		
	31.12.2018	31.12.2017	Change	31.12.2018	31.12.2017	Change
Subsidiaries						
Prima Srl	5,950	5,950				
Ambiente 2000 Srl	196		196			
Vector Cuatro Srl				51		51
Aliden Vind AB	65		65	7		7
Falck Renewables Vind AS	58		58			
Brattmyrliden Vind AB		199	(199)			
Actelios Solar Spa						
Total subsidiaries	**6,269**	**6,149**	**120**	**58**		**58**
Associates						
Frullo Energia Ambiente Srl	1,943	980	963			
Total associates	**1,943**	**980**	**963**			
Parent company						
Falck SpA	4,728	5,036	(308)		103	(103)
Total parent company	**4,728**	**5,036**	**(308)**		**103**	**(103)**
Total	**12,940**	**12,165**	**775**	**58**	**103**	**(45)**
% incidence on balance sheet heading	**76.0%**	**88.4%**		**0.3%**	**1.0%**	

8.6.3 Income statement content and movements

16 Revenue

Revenue consisted of the following:

(EUR thousands)	31.12.2018	31.12.2017	Change
Revenue from sale of goods			
Revenue from provision of services	126	138	(12)
Total	**126**	**138**	**(12)**

17 Employee costs

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

(EUR thousands)	31.12.2018	31.12.2017	Change
Wages and salaries	8,005	8,169	(164)
Social security costs	2,437	2,463	(26)
Staff leaving indemnity (TFR)	486	469	17
Other costs	767	854	(87)
Total	**11,695**	**11,955**	**(260)**

The average number of employees was as follows:

(EUR thousands)	31.12.2018	31.12.2017
Managers	27	28
White-collar staff	60	66
Blue-collar staff		
Total average number of employees	**87**	**94**

In July 2018, the company sold the company staff branches to Vector Cuatro Srl. A total of 20 people was transferred. The operation was carried out in order to provide the company with qualified staff, with considerable experience in the renewable energy sector and already operating, in order to support the services business both for the Group and for third parties, as well as to take advantage of the related synergies.

Compared with 2017, payroll costs were also affected by higher Long-Term Incentive Plan costs of € 122 thousand and one-off costs of € 149 thousand.

18 Direct costs

The company did not incur direct costs and expenses in 2018 and 2017.

19 Other income

Other income may be analysed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Income from operating activities	5,689	5,995	(306)
Income from non-operating activities	520	366	154
Total	**6,209**	**6,361**	**(152)**

Income from operating activities may be further detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Income from services provided to other Group companies	5,491	5,728	(237)
Other income from Group companies	194	234	(40)
Other third party income	4	33	(29)
Total	**5,689**	**5,995**	**(306)**

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

(EUR thousands)	31.12.2018	31.12.2017	Change
Income relating to previous accounting periods	388	291	97
Income arising in other periods due to other Group companies	102	58	44
Other	30	17	13
Total	**520**	**366**	**154**

20 Administrative expenses

Administrative expenses may be detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Consumables	130	132	(2)
Services	12,485	10,702	1,783
Other costs	4,455	4,852	(397)
Non-operating expenses	52	5	47
Amortisation and impairment of intangible assets	352	364	(12)
Depreciation and impairment of property, plant and equipment	120	134	(14)
Allocations to/(use of) risk provisions	(2,707)	4,258	(6,965)
Total	**14,887**	**20,447**	**(5,560)**

General and administrative expenses decreased compared to the previous year, mainly due to the heading allocation and use of risk provisions, which last year showed a negative balance of € 4,258 thousand, while in 2018 it showed a positive balance of € 2,707 thousand. The decrease is mainly due to lower provisions for guarantees granted to Sicilian companies and for the risk of litigation with employees.

The increase in the item services is due to higher inter-company service costs.
In fact, as anticipated, in July 2018 the company sold its staff business to Vector Cuatro Srl. As part of the transaction, an inter-company service contract was drawn up between Falck Renewables SpA and Vector Cuatro Srl. The heading concerned, also includes the accrued cost of the CEO's Long-Term Incentive Plan for a total of € 444 thousand, of which € 191 thousand with reference to the stock grant plan.

Operating leases
The company holds leases for its headquarters and branch offices, for cars assigned to employees and rented computer material. It was estimated that all the significant risks and benefits typical of asset ownership have not been transferred to the Company, subject to contract terms and conditions. Consequently, these contracts were recognised as operating leases.
Below is described the breakdown of minimum payments, variable instalments and collections for subleases as at 31 December 2018:

(EUR thousands)	**31.12.2018**
Minimum payments	1,247
Contingent rents	
Sublease collections	(21)
Total	**1,226**

Below is described the detail of the future minimum payment by maturity for operating leases updated as of 31 December 2018:

(EUR thousands)	**31.12.2018**
Up to 12 months	830
1-2 years	456
2-5 years	183
over 5 years	40
Total	**1,509**

The table below provides details by the future payment due date for subleases, the current value, as at 31 December 2018:

(EUR thousands)	**31.12.2018**
Up to 12 months	
1-2 years	
2-5 years	
over 5 years	
Total	

21 Financial income and expenses

Financial income and expenses comprised:

(EUR thousands)	31.12.2018	31.12.2017	Change
Financial expenses	(10,450)	(2,682)	(7,768)
Financial income	14,730	7,279	7,451
Total	**4,280**	**4,597**	**(317)**

Financial expenses consisted of the following:

(EUR thousands)	31.12.2018	31.12.2017	Change
Bank interest			
Interest payable to subsidiaries and impaiments	795	57	738
Interest payable to associates and impairments			
Interest payable on corporate loan and other m/l-term borrowings			
Interest arising on amortised cost method	541	314	227
Bank charges	782	607	175
Commissions on guarantees	235	244	(9)
Interest cost on TFR	25	23	2
Other financial expenses	55	6	49
Foreign exchange losses	8,017	1,431	6,586
Total	**10,450**	**2,682**	**7,768**

Financial expenses costs for 2018 and 2017 may be further analysed as follows:

	31.12.2018			
(EUR thousands)	Debenture loans	Bank borrowings	Other	Total
Payable to subsidiaries			795	795
Payable to associates				
Payable to parent company				
Payable to others		9,575	80	9,655
Total		**9,575**	**875**	**10,450**

Amounts payable to others comprises € 25 thousand of interest costs on staff leaving indemnity (TFR).

	31.12.2018			
(EUR thousands)	Da prestiti obbligazionari	Da banche	Da altri	Total
Payable to subsidiaries			57	57
Payable to associates				
Payable to parent company				
Payable to others		2,580	45	2,625
Total		**2,580**	**102**	**2,682**

Financial income for the year ended 31 December 2018 may be detailed as follows:

(EUR thousands)	31.12.2018	31.12.2017	Change
Interest income, commissions, release of bad debt provision from subsidiaries	5,344	5,974	(630)
Interest income and commission from banks	364	97	267
Foreign exchange gains	9,022	1,208	7,814
Total	**14,730**	**7,279**	**7,451**

22 Investment income /(expenses)

(EUR thousands)	31.12.2018	31.12.2017	Change
Dividends from Frullo Energia Ambiente Srl	1,943	980	963
Dividends from Falck Renewables Wind Ltd	27,649	45,039	(17,390)
Impairment loss on Esposito Servizi Ecologici Srl		(2,800)	2,800
Dividends Vector Cuatro Srl	891		891
Dividends Ambiente 2000 Srl	196		196
Dividends Geopower Sardegna Srl	18,548		18,548
Revaluation (impairment loss) on Geopower Sardegna Srl	(1,561)		(1,561)
Revaluation (impairment loss) on Eolica Petralia Srl	(2,570)		(2,570)
Revaluation (impairment loss) on Ecosesto SpA	2,765		2,765
Revaluation (impairment loss) on Solar Mesagne Srl	229	636	(407)
Other	(3)	(271)	268
Total	**48,087**	**43,584**	**4,503**

Dividends from Vector Cuatro Srl relate to the sale of the staff business units accounted for on the basis of the "Preliminary Assirervi guidelines in relation to IFRS OPI No. 1 (Revised)".

23 Income tax expense

(EUR thousands)	31.12.2018	31.12.2017	Change
Current tax	5,437	5,186	251
Deferred tax	(588)	386	(974)
Total	**4,849**	**5,572**	**(723)**

(EUR thousands)	31.12.2018	31.12.2017
Profit before taxation	**32,120**	**22,278**
Taxes calculated applying tax rate to profit	(9,498)	(6,588)
Profits not subject to tax	15,322	12,482
Expenses not deductible for tax purposes	(1,977)	(2,188)
Income arising on Group consolidated tax regime	1,002	1,884
Other		(18)
Total income tax	**4,849**	**5,572**

With reference to the total taxes for the period, in addition to what has already been discussed in detail whitin the notes in the previous pages, it should be highlighted that the total is calculated on profits not subject to tax, mostly dividends, as well as on costs not relevant for tax purposes, mostly relating to the use of untaxed funds.

Related party transactions

In compliance with the CONSOB communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Company's results of operations, state of affairs and financial position.

Related party transactions represent the daily business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob circular 6064293 of 28 July 2006, all related party transactions and the corresponding incidence of related party transactions on Falck Renewables SpA's income statement are provided below.

(EUR thousands)	Revenue from sales and services	Other operating income	Operating income	Non-operating income	Direct costs	Administrative expenses	Investment income/ (expenses)	Interest and other financial income	Interest and other financial expenses
Subsidiaries									
Actelios Solar SpA			130					378	
Aliden Vind AB			77					616	
Ambiente 2000 Srl			303				196		(2)
Assel Valley Wind Energy Ltd			2					43	
Auchrobert Valley Wind Energy Ltd			2					9	
Ben Aketil Wind Energy Ltd			3						
Boyndie Wind Energy Ltd			3						
Brattmyrliden Vind AB			57					1,096	
Cambrian Wind Energy Ltd			3						
Earlsburn Mezzanine Ltd			2						
Falck Middleton LLC								35	
HG Solar Development LLC								9	
Earlsburn Wind Energy Ltd			3					3	
Ecosesto SpA			485				2,765	421	
Elettroambiente SpA (in liquid.)			14			344		187	
Energia Eolica de Castilla SL			5					8	
Eolica Cabezo San Roque SAU			18					2	
Eolica Petralia Srl			210				(2,570)	217	
Eolica Sud Srl			232					803	
Eolo 3W Minervino Murge Srl			222					314	
Esposito Servizi Ecologici Srl			192					122	
Esquennois Energie Sas			17						
Falck Energies Renouvelables Sas			312			(10)			
Energy Aggregator Consortium								5	
Falck Next Srl			9					1	
Falck Renewables Energy Srl			230					178	(2)
Falck Renewables Finance Ltd			2						
Falck Renewables Nederland BV			38						
Falck Renewables North America Inc			181						
Falck Renewables Sicilia Srl			46						
Falck Renewables Sviluppo Srl			96						
Falck Renewables Vind AS		2	350					213	
Falck Renewables Wind Ltd			849			(185)	27,649	35	(777)
FRUK Holdings No1 Ltd			3					35	
Geopower Sardegna Srl			188				16,987	3	
Kilbraur Wind Energy Ltd			3					61	
Kingsburn Wind Energy Ltd			2					5	
Millennium South Wind Energy Ltd			3					5	
Nutberry Energy Wind Ltd			2					15	
Palermo Energia Ambiente ScpA (in liquid.)			15			(19)			
Parc Eolien d'Illois Sarl			7					172	
Parc Eolien du Fouy Sas			14						
Parque Eolien des Cretes Sas			14						
Platani Energia Ambiente ScpA (in liquid.)			15			(99)		2	
Prima Srl			320					183	(14)
PV Diagnosis Fotovoltaica SLU			2						
PV Diagnosis Srl in liquid.			3						
Se Ty Ru Sas			32						
Solar Mesagne Srl			70				229	93	
Spaldington Airfield Wind Energy Ltd			2					2	
Tifeo Energia Ambiente ScpA (in liquid.)			33			(72)		31	
Vector Cuatro Chile Spa			2						
Vector Cuatro Energias Renovables Mèxico SA de CV			2						
Vector Cuatro EOOD			2						
Vector Cuatro France Sarl			17						
Vector Cuatro Japan KK			2						
Vector Cuatro Renewables FZE (Dubai)			2						
Vector Cuatro Slu			271			(949)		12	
Vector Cuatro Srl		20	203			(1,928)	891	15	
Vector Cuatro UK Ltd			50			(81)		6	
West Browncastle Wind Energy Ltd			2					9	
Total subsidiaries (cont.)		**22**	**5,374**			**(2,999)**	**46,147**	**5,344**	**(795)**
Parent company									
Falck SpA			159	102		(1,109)			
Total parent company			**159**	**102**		**(1,109)**			
Associates									
Frullo Energia Ambiente Srl			117				1,943		
Palermo Energia Ambiente ScpA (in liquid.)									
Total associates			**117**				**1,943**		
Group companies									
Falck Energy SpA			19						
Sesto Siderservizi Srl			16						
Total Group companies			**35**						
Total		**22**	**5,685**	**102**		**(4,108)**	**48,090**	**5,344**	**(795)**
% incidence on income statement heading		**17.5%**	**99.9%**	**19.6%**		**28.1%**	**100.7%**	**36.3%**	**7.6%**

24 Significant non-recurring events and transactions

Pursuant to CONSOB communication DEM/6064293 of 28 July 2006, no significant non-recurring transactions occurred in 2018.

25 Uncharacteristic and uncommon transactions

Pursuant to CONSOB communication DEM/6064293 of 28 July 2006, in the course of 2018 Falck Renewables SpA did not carry out any uncharacteristic and/or uncommon transactions, as defined in the communication.

26 Emoluments of directors and statutory auditors

In accordance with article 2427 of the Italian Civil Code, the total emoluments for each category are as follows:

(EUR thousands)	**31.12.2018**	**31.12.2017**
Directors' emoluments	1,609	1,529
Statutory Auditors' emoluments	175	175
Total	**1,784**	**1,704**

Toni Volpe's remuneration does not include remuneration in kind and general manager's remuneration for a total of € 125 thousand.

27 Share-based Payments

In order to set up an incentive and loyalty scheme for managers and employees in key roles within the Group, on 27 April 2017 the parent company's Shareholders' Assembly approved a 2017-2019 incentive plan, under which the CEO and some of the 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 31 December 2018, worth € 191 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

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

In the following months of 2017, some Company managers were also granted a total of 327,273 shares. The fair value per share assigned, calculated as the weighted average share price on the date of assignment net of forecast dividends during the vesting period, was of € 1,3256. The fair value of the stock grants at 31 December 2018, worth € 167 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

(EUR thousands)		First Assignment	Second Assignment
Share price	(EUR)	1.40	1.90
Rights assigned	(shares)	300,000	27,273
Exercise price	(EUR)	NA	NA
Vesting period	(years)	3	3
Forecast dividends	(EUR)	0.11	0.11
Risk free interest rate	(%)	-0.18%	-0.32%

65,909 equity rights assigned to managers were cancelled in 2018.
The fair value per share of the shares assigned to managers at 31 December 2018 was € 1.3361.

As the shares were assigned free of charge, the exercise price was zero.
At 31 December 2018, the following rights were held:

(EUR thousands)	Number of shares	Average exercise price
Rights at 01/01/2018	**918,273**	**NA**
New rights assigned during the period		NA
(Rights cancelled during the period)	(65,909)	
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 31/12/2018	**852,364**	**NA**
available for exercise at the end of the year		

28 Public grants - information pursuant to Law 124 of 4 August 2017 - Article 1, paragraphs 125-129

The "Law 124 of 4 August 2017 - Article 1, paragraphs 125-129. Transparency and publicity obligations" introduced a series of publicity and transparency obligations for entities having economic relations with the Public Administration, starting with the 2018 financial statements.

This provision has raised interpretation and application questions that have not found an answer yet . The company has therefore carried out the necessary in-depth studies and, also in the light of the most recent guidelines, considers that the following do not fall within the scope of the publication obligation:

- the general measures that can be used by all companies that fall within the general structure of the reference system defined by the State (for example, ACE);

- selective economic advantages, received under an aid scheme, available to all undertakings meeting certain conditions, on the basis of predetermined general criteria (e.g. grants for research and development projects and tax benefits);
- public resources from public bodies in other countries (European or non-European) and from European institutions;
- training contributions received from inter-professional funds (e.g. Fondimpresa and Fondirigenti); as funds having the associative form and legal nature of private-law bodies, which are financed by contributions paid by the same companies

On this basis, the group has not received any public funding in Italy.

8.7 Additional disclosures on financial instruments in accordance with IFRS 7

This note sets out the additional disclosures related to financial assets and liabilities in accordance with IFRS 7. These disclosures are presented in the same order as they are set out in IFRS 7 and have been omitted where not considered material. The note is presented in two sections. The first one sets out detailed information regarding financial assets and liabilities, while the second one presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2018 and where significant at 31 December 2017.

It sets out detailed information regarding financial assets and liabilities regarding 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 standard did not have an impact on the opening shareholders' equity reserves at 1 January 2018.

Before listing the detailed information, it should be noted that financial assets and liabilities are almost exclusively recorded in the financial statements at cost and amortised cost, except for financial-derivative instruments which are measured at fair value. The portion of these derivatives designated as hedging instruments is measured applying hedge accounting with changes in fair value posted in equity. In contrast, changes in the fair value related to the portion not designated as hedging instruments are posted in profit or loss.

Credit, liquidity and market risk are very limited. Credit risk exposure is not significant, as the majority of trade and financial receivables are with other Group companies, and not with third parties. Liquidity risk is also considered to be low due to the credit facility arising from the committed loan agreement entered into force on 12 June 2015 (renegotiated on 30 July 2018) that has not been drawn-down at present and the significant liquidity which is placed on short-term deposits with Italian banks. Furthermore, the contract is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity disclosed in the consolidated financial statements: these covenants were met in 2018 based on these financial statements. Interest rate risk arises on financial receivables due from subsidiaries and interest rate fluctuations would give rise to higher or lower finance income and therefore higher or lower dividends, consequently a sensitivity analysis was not performed. The liquidity on deposit with banks will be used in the future to finance subsidiaries' investments, thus generating further financial receivables. Falck Renewables SpA adopts specific procedures to manage the credit, liquidity and market risk on financial assets and liabilities. These processes have been documented in the Group's policies.

Section I: Financial instruments

1. Balance sheet

1.1 Categories of financial assets and liabilities

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

31 December 2018

(EUR thousands)	Amortised cost	Fair value and variations through profit and loss	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					2,400	**2,400**
Investments and securities		1,122		1,122	535,553	**536,675**
Financial receivables	79,083	1,631		80,714		**80,714**
Inventories						
Trade receivables	7,962			7,962		**7,962**
Deferred income tax assets					819	**819**
Other receivables	8,699			8,699	8,327	**17,026**
Cash and cash equivalents	92,693			92,693		**92,693**
Non-current assets held for sale						
Total	**188,437**	**2,753**		**191,190**	**547,099**	**738,289**
Liabilities						
Equity					506,903	**506,903**
Financial payables	191,454	1,305		192,759		**192,759**
Trade payables	9,714			9,714		**9,714**
Other payables	17,448			17,448	4,314	**21,762**
Provisions for other liabilities and charges					5,804	**5,804**
Staff leaving indemnity					1,347	**1,347**
Non-current assets held for sale						
Total	**218,616**	**1,305**		**219,921**	**518,368**	**738,289**

Restatement with the new IFRS 9 categories

1 January 2018						
(EUR thousands)	**Amortised cost**	**Fair value and variations through profit and loss**	**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					1,725	**1,725**
Securities and investments		265		265	434,569	**434,834**
Financial receivables	79,931	90		80,021		**80,021**
Inventories						
Trade receivables	7,372			7,372		**7,372**
Deferred income tax assets					1,406	**1,406**
Other receivables	7,456			7,456	6,304	**13,760**
Cash and cash equivalents	130,524			130,524		**130,524**
Non-current assets held for sale						
Total	**225,283**	**355**		**225,638**	**444,004**	**669,642**
Liabilities						
Equity					486,344	**486,344**
Financial payables	155,641			155,641		**155,641**
Trade payables	6,940			6,940		**6,940**
Other payables	6,746			6,746	3,656	**10,402**
Provisions for other liabilities and charges					8,358	**8,358**
Staff leaving indemnity					1,957	**1,957**
Non-current assets held for sale						
Total	**169,327**			**169,327**	**500,315**	**669,642**

31 December 2017

(EUR thousands)	Amortised cost: Loans and receiv-ables	Amortised cost: Financial assets held-to-ma-turity	Amortised cost: Financial liabilities at amortised cost	Fair value through profit or loss: FA/FL designation on initial recognition	Fair value through profit or loss: FA/FL held for trading	Fair value against equity or cost: FA avaible for sale and other FL	Total FA/ FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
Assets									
Property, plant and equipment and intangibles								1,725	**1,725**
Securities and investments						265	**265**	434,569	**434,834**
Financial receivables	79,931					90	**80,021**		**80,021**
Inventories									
Trade receivables	7,372						**7,372**		**7,372**
Deferred income tax assets								1,406	**1,406**
Other receivables	6,930	526					**7,456**	6,304	**13,760**
Cash and cash equivalents	130,524						**130,524**		**130,524**
Total	**224,757**	**526**				**355**	**225,638**	**444,004**	**669,642**
Liabilities									
Equity								486,344	**486,344**
Financial payables			155,641				**155,641**		**155,641**
Trade payables			6,940				**6,940**		**6,940**
Other payables			6,746				**6,746**	3,656	**10,402**
Provisions for other liabilities and charges								8,358	**8,358**
Staff leaving indemnity								1,957	**1,957**
Total			**169,327**				**169,327**	**500,315**	**669,642**

1.2 Collateral – Financial assets pledged as security

With regard to the financial assets pledged as collateral, the shares held by Falck Renewables SpA in Actelios Solar SpA (€ 120 thousand) and Eolica Petralia Srl (€ 2,000 thousand) are pledged. The following are also included: Eolica Sud (€ 5,000 thousand), Eolo 3w Minervino Murge (€ 10 thousand), Geopower Sardegna Srl (€ 2,000 thousand) and Falck Renewables Wind Ltd (£ 37,755 thousand). The pledge values correspond to the face value of the shares in question.

In addition, the following have been received as security for the obligations of the sellers:

- pledge of the shares of Energia Eolica de Castilla SL for an amount of € 2 thousand;
- cash deposit by Svelgen Kraft Holding AS (minority shareholder of Falck Renewables Vind AS) for an amount of € 1,180 thousand;
- withheld by Falck Renewables SpA from the shareholders of Energy Team SpA for € 5,492 thousand.

2. Income statement and total equity

2.1 Income, expenses, gains or losses

The table below illustrates net gains/(losses) on financial assets and liabilities in 2018 and 2017 reclassified in accordance with IFRS 9. The only amount relates to gains on the increase in value of derivative financial instruments.

31 December 2018

(EUR thousands)	Gains/(losses) through profit or loss	Gains/(losses) reclassified from equity to income statement	Gains/(losses) recorded in equity	Total
FA at fair value	537			537
FA at amortised cost				
FL at fair value	(304)			(304)
FL at amortised cost				
Total	**233**			**233**

The overall change in fair value of all foreign exchange hedging contracts both with banks and Group companies totalled € 233 thousand and can be broken down as follows:

31 December 2017

(EUR thousands)	Gains/(losses) through profit or loss	Gains/(losses) reclassified from equity to income statement	Gains/(losses) recorded in equity	Total
FA at fair value	(61)		(139)	(200)
FA at amortised cost				
FL at fair value				
FL at amortised cost				
Total	**(61)**		**(139)**	**(200)**

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2018 and 2017.

	31.12.2018		
(EUR thousands)	Interest income/ (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	2,932	2,502	5,434
FL not at fair value through profit or loss	(1,359)	(1,018)	(2,377)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	990		990
Total	**2,563**	**1,484**	**4,047**

(EUR thousands)	31.12.2017 Interest income/ (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	4,309	(231)	4,078
FL not at fair value through profit or loss	(340)		(340)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	920		920
Total	**4,889**	**(231)**	**4,658**

The reconciliations of the above amounts with net finance costs recorded in the 2018 and 2017 income statements are as follows.

(EUR thousands)	31.12.2018
Gains/(losses) through profit or loss	233
Total interest income/expense	2,563
Fee income/expense	1,484
Total	**4,280**
Financial income (expenses) per income statement	**4,280**

(EUR thousands)	31.12.2017
Gains/(losses) through profit or loss	(61)
Total interest income/expense	4,889
Fee income/expense	(231)
Total	**4,597**
Financial income (expenses) per income statement	**4,597**

3. Additional disclosures

3.1 Accounting policies

The accounting policies adopted for the recognition and measurement of financial assets and liabilities are presented in the notes to the separate financial statements of Falck Renewables SpA in paragraph 8.6.1 Accounting policies.

3.2 Fair value

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2018 and 31 December 2017. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities.

31 December 2018

(EUR thousands)	Carrying amount	Fair value
Financial assets		
Investments and securities	1,122	1,122
Financial receivables	80,714	80,714
Trade receivables	7,962	7,962
Other receivables	8,699	8,699
Cash and cash equivalents	92,693	92,693
Total	**191,190**	**191,190**
Financial liabilities		
Financial payables	192,759	192,759
Trade payables	9,714	9,714
Other payables	17,448	17,448
Total	**219,921**	**219,921**

31 December 2017

(EUR thousands)	Carrying amount	Fair value
Financial assets		
Investments and securities	265	265
Financial receivables	80,021	80,021
Trade receivables	7,372	7,372
Other receivables	7,456	7,456
Cash and cash equivalents	130,524	130,524
Total	**225,638**	**225,638**
Financial liabilities		
Financial payables	155,641	155,641
Trade payables	6,940	6,940
Other payables	6,746	6,746
Total	**169,327**	**169,327**

Analysis of financial receivables and payables at 31 December 2018 and 31 December 2017 by instrument and conditions.

Financial receivables

31 December 2018

(EUR thousands)	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Loans due from subsidiaries	Miscellaneous	54,557	54,557	2,857	51,700
Loans due from associates					
Accrued interest		1,918	1,918	1,918	
Corresponding Group accounts	Euribor + Falck Renewables SpA cost of funding + spread	22,608	22,608	22,608	
Derivative financial instruments		1,631	1,631	1,495	136
Total financial receivables		**80,714**	**80,714**	**28,878**	**51,836**

The interest rate applied to loans to subsidiaries is as follows: Euribor + cost of funding of Falck Renewables SpA + spread for the shareholder loan of Prima Srl, fixed rate for the loan of Consorzio Energy Aggregator, is equal to Euribor + all-in senior margin + spread for project financing companies, the loan of Elettroambiente SpA in liquidation is non-interest bearing while the loan of Energia Eolica de Castilla SL has a return on profits.

Financial payables

31 December 2018

(EUR thousands)	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Corresponding current accounts	Euribor + spread	172,748	172,748	172,748	
Other loans					
Bank overdrafts					
IRS					
Foreign exchange derivatives		1,305	1,305	1,169	136
Debt for minority purchase options		18,706	18,706		18,706
Total financial liabilities		**192,759**	**192,759**	**173,917**	**18,842**

Financial receivables

31 December 2017

(EUR thousands)	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Loans due from subsidiaries	Miscellaneous	56,807	56,807		56,807
Loans due from associates					
Interest matured		88	88	88	
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	23,036	23,036	23,036	
Derivative financial instruments		90	90	90	
Total financial receivables		**80,021**	**80,021**	**23,214**	**56,807**

The interest rate applied to loans to subsidiaries is Euribor + Falck Renewables SpA cost of funding + spread for the Prima Srl shareholder loan, while Euribor + all-in senior margin + spread for project financing companies.

Financial payables

31 December 2017

(EUR thousands)	Effective interest rate	Fair value	Carrying amount	Current portion	Non-current portion
Corresponding current accounts	Euribor + spread	155,641	155,641	155,641	
Other loans					
Bank overdrafts					
IRS					
Foreign exchange derivatives					
Total financial liabilities		**155,641**	**155,641**	**155,641**	

4. Risks arising from financial instruments

4.1 Credit risk

The credit risk on third party financial and trade receivables is not considered significant as the related exposure is very limited.
With regard to the credit risk exposure on receivables due from subsidiaries, a significant charge was made to the provision for doubtful trade and financial receivables to take into account the uncertainties surrounding litigation with the Sicily Region.

The maximum credit risk exposure at 31 December 2018 amounted to € 190,068 thousand and consisted of the following:

31 December 2018

(EUR thousands)	Gross	Impairment	Net
Financial receivables	172,371	(91,657)	80,714
Trade receivables	13,687	(5,725)	7,962
Other receivables	8,699		8,699
Cash and cash equivalents	92,693		92,693
Total	**287,450**	**(97,382)**	**190,068**

The maximum credit risk exposure at 31 December 2017 amounted to € 225,373 thousand and consisted of the following:

31 December 2017

(EUR thousands)	Gross	Impairment	Net
Financial receivables	169,656	(89,635)	80,021
Trade receivables	15,548	(8,176)	7,372
Other receivables	7,456		7,456
Cash and cash equivalents	130,524		130,524
Total	**323,184**	**(97,811)**	**225,373**

4.2 Liquidity risk

Falck Renewables SpA's liquidity risk is modest; net financial debt amounted to € 192,759 thousand at 31 December 2018 (€ 155,641 thousand at 31 December 2017). This compares with total liabilities of € 738,289 thousand and € 669,642 thousand, in 2018 and 2017 respectively. Financial liabilities consist mainly of short-term payables relating to the current account payable to certain subsidiaries (Ambiente 2000 Srl, Falck Next Srl, Falck Renewables Energy Srl, Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl, Falck Renewables Wind Ltd, Prima Srl, and Vector Cuatro Japan KK).
Furthermore, Falck Renewables SpA has cash and cash equivalents of € 92,693 thousand placed on short-term deposit with Italian banks.

4.3 Market risk

4.3.1 **Interest rate risk**

Interest rate risk arises on financial receivables and payables due to/from subsidiaries and interest rate fluctuations would correspond to an increase or decrease in interest income that would result in lower or higher dividends therefore a sensitivity analysis has not been carried out.

Total financial assets and liabilities exposed to changes in interest rates are detailed below:

(EUR thousands)	31 December 2018
Financial assets	
Financial receivables	79,083
Derivative financial instruments	1,631
Cash and cash equivalents	92,693
Total	**173,407**
Financial liabilities	
Financial payables	(191,454)
Derivative financial instruments	(1,305)
Total	**(192,759)**
Net exposure	**(19,352)**

(EUR thousands)	31 December 2017
Financial assets	
Financial receivables	79,931
Derivative financial instruments	90
Cash and cash equivalents	130,524
Total	**210,545**
Financial liabilities	
Financial payables	(155,641)
Derivative financial instruments	
Total	**(155,641)**
Net exposure	**54,904**

9

Supplementary information to the separate financial statements of Falck Renewables SpA

9.1 List of direct and indirect investments in subsidiaries and associates

Directly controlled subsidiaries *(EUR thousands)*

	Registered offices	Currency	Share capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held hares (%)	Indirectly held shares (%)	Book value (EUR)
Actelios Solar SpA	Santa Caterina di Villarmosa (Cs)	EUR	120,000	5,072	1,713	100.000		1,124,979
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	17,154	(164)	100.000		18,061,655
Ambiente 2000 Srl	Milan (Mi)	EUR	103,000	3,346	387	60.000		960,707
Brattmyrliden Vind AB	Malmö (Sweden)	SEK	100,000	7,238	(94)	100.000		10,262,594
Ecosesto SpA	Rende (CS)	EUR	5,120,000	12,648	2,028	100.000		12,711,000
Energia Eolica de Castilla SL	Madrid (Spain)	EUR	3,200	41		49.000		1,357,414
Energy Capital Srl	Trezzano sul Naviglio (Mi)	EUR	10,200	10	(7)	100.000		10,200
Energy Team SpA	Milan (Mi)	EUR	120,000	5,701	772	51.000		37,206,235
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	245,350	(79,969)	4,825	100.000		
Eolica Petralia Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	8,052	196	100.000		7,537,000
Eolica Sud Srl	Sesto S. Giovanni (MI)	EUR	5,000,000	12,733	6,203	100.000		10,261,000
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (MI)	EUR	10,000	12,001	4,878	100.000		16,966,000
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (MI)	EUR	10,000	426	222	100.000		
Falck Next Srl	Sesto San Giovanni (Mi)	EUR	1,000,000	849	(151)	100.000		1,000,000
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	EUR	10,000	338	(8)	100.000		1,353,232
Falck Renewables Nederland BV	Amsterdam (Netherlands)	EUR	10,000	86	(322)	100.000		407,976
Falck Renewables North America Inc	Delaware (US)	USD	5	70,790	(756)	100.000		70,634,813
Falck Renewables Sicilia Srl	Milan (Mi)	EUR	10,000	946	(54)	100.000		1,000,000
Falck Renewables Sviluppo Srl	Milan (Mi)	EUR	10,000	889	(111)	100.000		1,000,000
Falck Renewables Vind AS	Sandane (Norway)	NOK	23,276,000	24,709	(324)	80.000		24,472,109
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	203,808	13,955	99.989		166,483,362
Geopower Sardegna Srl	Sesto S. Giovanni (MI)	EUR	2,000,000	11,489	12,903	100.000		108,903,000
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	120,000	(54,222)	(858)	71.273		
Prima Srl	Sesto S. Giovanni (MI)	EUR	5,430,000	28,428	758	85.000		23,103,159
Solar Mesagne Srl	Brindisi	EUR	50,000	1,111	184	100.000		1,043,000
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	4,712	482	100.000		11,221,971
								527,081,406

Indirectly controlled subsidiaries *(EUR thousands)*

	Registered offices	Currency	Share capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held hares (%)	Indirectly held shares (%)	Book value (EUR)
Assel Valley Wind Energy Ltd	Inverness (UK)	GBP	100	3,194	2,896		100.000	
Auchrobert Wind Energy Ltd	Inverness (UK)	GBP	100	5,720	4,072		100.000	
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100	1,275	4,347		51.000	
Birch Road Solar Farm LLC	Delaware (US)	USD					100.000	
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100	4,269	2,311		100.000	
Cambrian Wind Energy Ltd	London (UK)	GBP	100	10,122	4,485		100.000	
Energy Aggregator Consortium	Milan (Mi)	EUR	7,800	8			51.280	
Energy Cloud Consortium	Milan (Mi)	EUR	6,800	7			88.240	
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000	31,868	3,944		51.000	
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100	7,326	6,749		100.000	
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	132,000	(1,515)	(266)		50.000	
Eolica Cabezo San Roque Sau	Madrid (Spain)	EUR	1,500,000	5,521	383		100.000	
Esquennois Energie Sas	Rennes (France)	EUR	37,000	27	132		100.000	
Falck Energies Renouvelables Sas	Rennes (France)	EUR	60,000	(3,915)	(2,932)		100.000	
Falck Middleton LLC	Delaware (US)	USD		8,587	2,354		100.000	
Falck Middleton Generation LLC	Delaware (US)	USD		12,444			100.000 classe B*	
Falck Renewables CH-1 LLC	Delaware (US)	USD		224	(39)		100.000	
Falck Renewables DLP MA LLC	Delaware (US)	USD		24,308	1,665		100.000	
Falck Renewables Finance Ltd	London (UK)	GBP	100	20,012	501		100.000	
Falck Renewables IS 42 LLC	Delaware (US)	USD		37,354	(431)		100.000	
Falck Renewables NC Dominion-1 LLC	Delaware (US)	EUR					100.000	
Falck Renewables Verwaltungs Gmbh (in liquidation)	Nuremberg (Germany)	EUR	25,000	10	(5)		100.000	
Fisher Road Solar I LLC	Delaware (US)	USD		16,248	2,448		100.000	
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1	(4,857)	883		51.000	
HG Solar Development LLC	New York (US)	USD		6,459	666		100.000	
Innovative Solar 42 LLC	North Carolina (US)	USD		86,531	(298)		100.000	
Lake Osiris Road Solar Farm LLC	Delaware (US)	USD					100.000	
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100	16,481	7,428		51.000	
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100	4,469	2,990		100.000	
Mid Tech Srl	Milan (Mi)	EUR	10,000	11	(6)		100.000	
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100	17,468	8,774		51.000	
Millennium South Wind Energy Ltd	Inverness (UK)	GBP	100				52.000	
Mochrum Fell Wind Energy Ltd	Inverness (UK)	GBP	100				100.000	

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

Indirectly controlled subsidiaries (continued) *(EUR thousands)*

	Registered offices	Currency	Share capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held hares (%)	Indirectly held shares (%)	Book value (EUR)
NC 42 LLC	Delaware (US)	USD	-	46,783			99.000	
NC 42 Solar LLC	Delaware (US)	USD	-	46,782			100.000	
NC 42 Energy LLC	Delaware (US)	USD	-	89,806			100.000 classe B*	
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100	761	915		100.000	
Ongarhill Wind Energy Ltd	London (UK)	GBP	100				100.000	
Parc Eolien d'Illois Sarl	Rennes (France)	EUR	1,000	(357)	(206)		100.000	
Parc Eolien des Crêtes Sas	Rennes (France)	EUR	37,000	219	184		100.000	
Parc Eolien du Fouy Sas	Rennes (France)	EUR	37,000	127	210		100.000	
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	3,364,264	(31,676)	(854)		87.180	
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100	63	(6)		100.000	
PV Diagnosis Srl (in liquidation)	Milan	EUR	10,000	40	(5)		100.000	
Route 212 Solar Farm LLC	Delaware (US)	USD					100.000	
Route 23A Solar Farm LLC	Delaware (US)	USD					100.000	
SE Ty Ru Sas	Rennes (France)	EUR	1,009,003	2,295	15		100.000	
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100	4,656	237		100.000	
SPME Dartmouth Holdings LLC	Delaware (US)	USD		10,536	859		100.000 classe B*	
SPME Holdings 2015 LLC	New Jersey (United States)	USD		13,441	759		100.000 classe B*	
Syncarpha Palmer LLC	Delaware (US)	USD		12,924	1,577		100.000	
Syncarpha Massachusetts LLC	Delaware (US)	USD		5,372	635		100.000	
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	4,679,829	(39,128)	5,518		96.350	
Vector Cuatro Srl	Turin	EUR	25,000	247	82		100.000	
Vector Cuatro Australia Pty Ltd	Sydney (Australia)	AUD		(22)			100.000	
Vector Cuatro Chile Spa	Santiago (Chile)	CLP	20,000,000	(142)	(156)		100.000	
Vector Cuatro France Sarl	Lyon (France)	EUR	50,000	228	22		100.000	
Vector Cuatro EOOD	Sofia (Bulgaria)	BGN	2,000	78	38		100.000	
Vector Cuatro Japan KK	Tokyo (Japan)	JPY	1,000,000	554	131		100.000	
Vector Cuatro Energias Renovables Mèxico SA de CV	Miguel Hidalgo DF (Mexico)	MXN	2,066,000	(436)	(416)		100.000	
Vector Cuatro Renewables FZE	Dubai (UAE)	AED	300,000	(133)	(133)		100.000	
Vector Cuatro UK Ltd	London (UK)	GBP	190,000	85	93		100.000	
Vector Cuatro US LLC	Delaware (US)	USD	1,000	(8)	(8)		100.000	
Windfor Srl	Milan (Mi)	EUR	10,400	304	(35)		100.000	
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100	(1,067)	1,329		100.000	

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

Associates *(EUR thousands)*

	Registered offices	Currency	Share capital	Equity with result (EUR thousands)	Profit (loss) (EUR thousands)	Directly held hares (%)	Indirectly held shares (%)	Book value (EUR)
Frullo Energia Ambiente Srl	Bologna	EUR	17,139,100	46,521	5,290	49.000		8,471,678
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	EUR	10,000	38			50.000	
Parque Eolico La Carracha Sl	Zaragoza (Spain)	EUR	100,000	3,601	1,287		26.000	
Parque Eolico Plana de Jarreta Sl	Zaragoza (Spain)	EUR	100,000	2,339	1,021		26.000	
Vector Cuatro Servicios SL	Madrid (Spain)	EUR	30,000	206	42		50.000	

9.2 Summary of significant financial data from latest financial statements of subsidiaries and associates

Balance sheet

Directly controlled subsidiaries *(EUR thousands)*

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Actelios Solar SpA	33,756	6,695	5,072	32,361	3,018
Åliden Vind AB	15,944	2,559	17,154	77	1,272
Ambiente 2000 Srl	19	7,920	3,346	838	3,755
Brattmyrliden Vind AB	11,997	2,295	7,238	136	6,918
Ecosesto SpA	20,484	18,214	12,648	7,209	18,841
Energia Eolica de Castilla SL	2,335	146	41	2,027	413
Energy Capital Srl	15	18	10		23
Energy Team SpA	893	9,736	5,701	1,092	3,836
Elettroambiente SpA (in liquidation)	2	1,383	(79,969)	80,872	482
Eolica Petralia Srl	26,240	6,771	8,052	21,503	3,456
Eolica Sud Srl	93,430	23,691	12,733	93,096	11,292
Eolo 3W Minervino Murge Srl	60,479	12,658	12,001	51,833	9,303
Esposito Servizi Ecologici Srl	2,227	3,020	426	520	4,301
Falck Next Srl		993	849	9	135
Falck Renewables Energy Srl	391	6,102	337		6,156
Falck Renewables Nederland BV		260	86		174
Falck Renewables North America Inc	69,703	2,357	70,790		1,270
Falck Renewables Sicilia Srl		997	946		51
Falck Renewables Sviluppo Srl		994	889		105
Falck Renewables Vind AS	24,244	3,615	24,709	92	3,058
Falck Renewables Wind Ltd	34,362	216,773	203,808	20,306	27,021
Geopower Sardegna Srl	168,848	35,697	11,489	168,557	24,499
Palermo Energia Ambiente ScpA (in liquidation)	196	127	(54,222)	36,978	17,567
Prima Srl	25,058	37,277	28,428	10,987	22,920
Solar Mesagne Srl	4,808	321	1,111	100	3,918
Vector Cuatro SLU	3,178	5,555	4,712	26	3,995

Indirectly controlled subsidiaries *(EUR thousands)*

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Assel Valley Wind Energy Ltd	48,650	6,789	3,194	44,474	7,771
Auchrobert Wind Energy Ltd	62,512	11,400	5,720	55,104	13,088
Ben Aketil Wind Energy Ltd	23,004	6,128	1,275	15,918	11,939
Birch Road Solar Farm LLC					
Boyndie Wind Energy Ltd	8,664	2,010	4,269	1,737	4,668
Cambrian Wind Energy Ltd	22,441	13,856	10,122	5,607	20,568
Energy Aggregator Consortium		5,291	8		5,283
Energy Cloud Consortium		463	7		456
Earlsburn Mezzanine Ltd	50,370	3,248	31,868	20,616	1,134
Earlsburn Wind Energy Ltd	22,384	6,663	7,326	13,758	7,963
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	84	132	(1,515)		1,731
Eolica Cabezo San Roque Sau	6,574	831	5,521	1,708	176
Esquennois Energie Sas	10,731	1,580	27	7,999	4,285
Falck Energies Renouvelables Sas	2,925	4,589	(3,915)		11,429
Falck Middleton LLC	8,403	237	8,587		53
Falck Middleton Generation LLC	12,444	17	12,444		17
Falck Renewables CH-1 LLC	264		224		40
Falck Renewables DLP MA LLC	25,040	122	24,308	496	358
Falck Renewables Finance Ltd	159	20,230	20,013		376
Falck Renewables IS 42 LLC	38,062	25	37,354		733
Falck Renewables NC Dominion-1 LLC					
Falck Renewables Verwaltungs Gmbh (in liquidation)		18	10		8
Fisher Road Solar I LLC	16,305	958	16,248	983	32
FRUK Holdings (No.1) Ltd	16,900	16,544	(4,857)	31,245	7,056
HG Solar Development LLC	9,580	983	6,459	3,837	267
Innovative Solar 42 LLC	120,095	1,347	86,531	31,405	3,506
Lake Osiris Road Solar Farm LLC					
Kilbraur Wind Energy Ltd	57,243	12,631	16,481	44,881	8,512
Kingsburn Wind Energy Ltd	36,325	5,701	4,469	31,908	5,649
Mid Tech Srl	5	37	11	20	11
Millennium Wind Energy Ltd	51,314	14,805	17,468	38,538	10,113
Millennium South Wind Energy Ltd					
Mochrum Fell Wind Energy Ltd					

Indirectly controlled subsidiaries (continued) *(EUR thousands)*

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
NC 42 LLC	46,783		46,783		
NC 42 Solar LLC	46,782		46,782		
NC 42 Energy LLC	89,806		89,806		
Nutberry Wind Energy Ltd	25,276	6,358	761	22,460	8,413
Ongarhill Wind Energy Ltd					
Parc Eolien d'Illois Sarl	190	16	(357)		563
Parc Eolien des Crêtes Sas	8,244	862	219	6,654	2,233
Parc Eolien du Fouy Sas	7,642	1,111	127	6,382	2,244
Platani Energia Ambiente ScpA (in liquidation)	192	3,655	(31,676)	21,173	14,350
PV Diagnosis Fotovoltaica SLU	1	64	63		2
PV Diagnosis Srl (in liquidation)		40	40		
Route 212 Solar Farm LLC					
Route 23A Solar Farm LLC					
SE Ty Ru Sas	11,687	2,430	2,295	6,871	4,951
Spaldington Airfield Wind Energy Ltd	27,499	2,864	4,656	15,343	10,364
SPME Dartmouth Holdings LLC	14,831	958	10,536	4,945	308
SPME Holdings 2015 LLC	19,776	852	13,441	6,752	435
Syncarpha Palmer LLC	14,829	742	12,924	2,555	92
Syncarpha Massachusetts LLC	6,077	110	5,372	798	17
Tifeo Energia Ambiente ScpA (in liquidation)	1,281	3,377	(39,128)	29,181	14,605
Vector Cuatro Srl	1,712	3,312	247	792	3,985
Vector Cuatro Australia Pty Ltd		(6)	(22)		16
Vector Cuatro Chile Spa		79	(142)		221
Vector Cuatro France Sarl	7	487	228		266
Vector Cuatro EOOD	3	142	78		67
Vector Cuatro Japan KK	52	1,181	554		679
Vector Cuatro Energias Renovables Mèxico SA de CV	17	589	(436)		1,042
Vector Cuatro Renewables FZE	3	36	(133)		172
Vector Cuatro UK Ltd	4	1,609	85		1,528
Vector Cuatro US LLC		(4)	(8)		4
Windfor Srl	42	479	304	41	176
West Browncastle Wind Energy Ltd	46,914	5,925	(1,067)	40,832	13,074

Associates *(EUR thousands)*

	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Frullo Energia Ambiente Srl	61,723	17,463	46,521	10,525	22,140
Nuevos Parque Eolicos La Muela AIE	1	75	38		38
Parque Eolico La Carracha Sl	11,895	2,863	3,601	10,623	534
Parque Eolico Plana de Jarreta Sl	11,833	2,924	2,339	11,751	667
Vector Cuatro Servicios SL	17	207	206		18

Income Statement

Directly controlled subsidiaries *(EUR thousands)*

	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
Actelios Solar SpA	6,947	4,071	2,440	1,713
Åliden Vind AB		(89)	(204)	(164)
Ambiente 2000 Srl	8,397	554	557	387
Brattmyrliden Vind AB		(71)	(116)	(94)
Ecosesto SpA	22,126	3,084	2,642	2,028
Energia Eolica de Castilla SL				
Energy Capital Srl		(7)	(7)	(7)
Energy Team SpA	3,452	1,094	1,076	772
Elettroambiente SpA (in liquidation)		4,806	4,806	4,825
Eolica Petralia Srl	6,739	1,122	299	196
Eolica Sud Srl	24,857	13,024	8,553	6,203
Eolo 3W Minervino Murge Srl	13,878	9,224	6,831	4,878
Esposito Servizi Ecologici Srl	9,990	320	273	222
Falck Next Srl		(198)	(200)	(151)
Falck Renewables Energy Srl	32,962	188	15	(8)
Falck Renewables Nederland BV		(321)	(322)	(322)
Falck Renewables North America Inc		(2,348)	(756)	(756)
Falck Renewables Vind AS		(174)	(364)	(324)
Falck Renewables Sicilia Srl		(54)	(54)	(54)
Falck Renewables Sviluppo Srl		(111)	(111)	(111)
Falck Renewables Wind Ltd	5,298	1,395	14,741	13,955
Geopower Sardegna Srl	44,894	24,801	18,052	12,903
Palermo Energia Ambiente ScpA (in liquidation)		4,985	4,886	5,518
Prima Srl	21,471	1,078	863	758
Solar Mesagne Srl	1,093	344	247	184
Vector Cuatro SLU	7,114	(450)	332	482

Indirectly controlled subsidiaries *(EUR thousands)*

	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
Assel Valley Wind Energy Ltd	9,680	5,447	3,517	2,896
Auchrobert Wind Energy Ltd	12,889	7,478	5,004	4,072
Ben Aketil Wind Energy Ltd	9,518	6,240	5,370	4,347
Birch Road Solar Farm LLC				
Boyndie Wind Energy Ltd	4,716	2,882	2,876	2,311
Cambrian Wind Energy Ltd	18,671	5,824	5,562	4,485
Energy Aggregator Consortium	1,795	3		
Energy Cloud Consortium	255			
Earlsburn Mezzanine Ltd		(29)	4,045	3,944
Earlsburn Wind Energy Ltd	13,241	9,098	8,401	6,749
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.		(44)	(266)	(266)
Eolica Cabezo San Roque Sau	2,583	505	490	383
Esquennois Energie Sas	1,970	770	200	132
Falck Energies Renouvelables Sas	114	(2,234)	(2,932)	(2,932)
Falck Middleton LLC		(320)	2,354	2,354
Falck Middleton Generation LLC				
Falck Renewables CH-1 LLC		(39)	(39)	(39)
Falck Renewables DLP MA LLC		(308)	1,665	1,665
Falck Renewables Finance Ltd		527	618	501
Falck Renewables IS 42 LLC		(58)	(431)	(431)
Falck Renewables NC Dominion-1 LLC				
Falck Renewables Verwaltungs Gmbh		(5)	(5)	(5)
Fisher Road Solar I LLC	2,025	2,448	2,448	2,448
FRUK Holdings (No.1) Ltd		(31)	608	883
HG Solar Development LLC	920	678	666	666
Innovative Solar 42 LLC	6,210	(289)	(1,960)	(1,960)
Lake Osiris Road Solar Farm LLC				
Kilbraur Wind Energy Ltd	21,742	10,847	9,212	7,428
Kingsburn Wind Energy Ltd	8,806	4,803	3,398	2,990
Mid Tech Srl		(6)	(6)	(6)
Millennium Wind Energy Ltd	21,784	12,169	10,839	8,774
Millennium South Wind Energy Ltd				
Mochrum Fell Wind Energy Ltd				

Indirectly controlled subsidiaries (continued)

(EUR thousands)

	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
NC 42 LLC				
NC 42 Solar LLC				
NC 42 Energy LLC				
Nutberry Wind Energy Ltd	6,193	3,022	1,122	915
Ongarhill Wind Energy Ltd				
Parc Eolien d'Illois Sarl		(28)	(206)	(206)
Parc Eolien des Crêtes Sas	1,630	677	256	184
Parc Eolien du Fouy Sas	1,613	699	291	210
Platani Energia Ambiente ScpA (in liquidation)		(1,075)	(1,077)	(854)
PV Diagnosis Fotovoltaica SLU		(6)	(6)	(6)
PV Diagnosis Srl (in liquidation)		(6)	(6)	(5)
Route 212 Solar Farm LLC				
Route 23A Solar Farm LLC				
SE Ty Ru Sas	1,823	269	135	15
Spaldington Airfield Wind Energy Ltd	3,153	1,258	193	237
SPME Dartmouth Holdings LLC	1,310	867	859	859
SPME Holdings 2015 LLC	1,323	780	759	759
Syncarpha Palmer LLC	1,750	1,577	1,577	1,577
Syncarpha Massachusetts LLC	577	635	635	635
Tifeo Energia Ambiente ScpA (in liquidation)		4,984	4,886	5,518
Vector Cuatro Srl	4,718	181	159	82
Vector Cuatro Australia Pty Ltd		(22)	(22)	(22)
Vector Cuatro Chile Spa	26	(149)	(156)	(156)
Vector Cuatro France Sarl	596	31	28	22
Vector Cuatro EOOD	204	43	43	38
Vector Cuatro Japan KK	2,062	176	168	131
Vector Cuatro Energias Renovables Mèxico SA de CV	829	(341)	(358)	(416)
Vector Cuatro Renewables FZE	12	(137)	(133)	(133)
Vector Cuatro UK Ltd	1,455	121	114	93
Vector Cuatro US LLC		(8)	(8)	(8)
Windfor Srl	357	(53)	(53)	(35)
West Browncastle Wind Energy Ltd	8,744	3,881	1,663	1,329

Associates

(EUR thousands)

	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the year
Frullo Energia Ambiente Srl	32,859	8,859	8,335	5,290
Nuevos Parque Eolicos La Muela AIE	513			
Parque Eolico La Carracha Sl	5,002	1,589	1,287	1,287
Parque Eolico Plana de Jarreta Sl	4,718	1,323	1,021	1,021
Vector Cuatro Servicios SL	171	56	56	42

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Certification of the consolidated financial statements pursuant to article 81-ter of Consob Regulation no. 11971 dated 14 May 1999 as amended

FALCK RENEWABLES SPA
Via Alberto Falck, 4-16 (ang. viale Italia)
20099 Sesto San Giovanni (Mi)
tel. 02 24331
www.falckrenewables.eu

Cap. soc. Euro 291.413.891,00 int. vers.
Direzione e coordinamento
da parte di Falck SpA
Sede legale:
corso Venezia, 16 - 20121 Milano
Registro Imprese
C.F. e P.I. 03457730962
REA MI- 1675378

Certification of the consolidated financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999, as amended and s.i.

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

of administrative and accounting procedures for the preparation of the 2018 consolidated financial statements.
We further certify that:

1. the consolidated financial statements:
   a. have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
   b. are consistent with the data in the accounting records and other corporate documents;
   c. provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the scope of consolidation.

2. the directors' report includes a reliable analysis of the Group performance and results of operations and financial position of the issuer and of all the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed[1].

The Chief Executive Officer	Corporate Accounting Documents Officer
Toni Volpe	Paolo Rundeddu

Milan, 7 March 2019

[1] Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (Consolidated Finance Act).

FALCK RENEWABLES SPA
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Certification of the financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999, as amended

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

of administrative and accounting procedures for the preparation of the 2018 consolidated financial statements.

We further certify that:
1. the separate financial statements:
   a. have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
   b. are consistent with the data in the accounting records and other corporate documents;
   c. provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer.

2. the directors' report includes a reliable analysis of the performance and results of operations and the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed[1].

The Chief Executive Officer	Corporate Accounting Documents Officer
Toni Volpe	Paolo Rundeddu

Milan, 7 March 2019

[1] Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (TU)

11

Report of the Board of Statutory Auditors to the Shareholders' Meeting

Report by the Board of Auditors to the Shareholders' Meeting of Falck Renewables S.p.A. on 27 April 2017 pursuant to article 153 of Legislative Decree no. 58/1998 and article 2429, paragraph 2 of the Italian Civil Code

During the financial year ended 31 December 2018, we carried out the checks required by current law and regulations, pursuant to article 149 of Legislative Decree 58/1998 ("TUF" - Consolidated Finance Act) and the rules of conduct for boards of statutory auditors recommended by the Consigli Nazionali dei Dottori Commercialisti and Esperti Contabili (representative bodies of the Italian accounting professions) to which we refer in this report, which was prepared also taking into consideration the guidelines issued by CONSOB (the Italian stock exchange commission) in communication 1025564 of 6 April 2001 and ensuing amendments.

***

The board of statutory auditors (the Board) was appointed by the AGM on 27 April 2017 and will remain in office until the approval of the annual report for the year ended 31 December 2019.
The members of the Board have complied with the limits on the number of offices held as set forth in article 144 terdecies of the Listing Rules and have notified CONSOB accordingly.
The independent auditors are Reconta Ernst & Young SpA and reference should be made to the independent audit report. We note that the information disclosed in the financial statements for the year ended 31 December 2018 is comparable with that of 31 December 2017 and there have been no changes to the accounting standards adopted.

***

In consideration of the manner in which we performed our institutional activities, we confirm that:

- We attended all of the meetings of the Shareholders, the Board of Directors, the Risk Control Committee (RCC) and the Remuneration Committee (RC) that took place during the year and we obtained timely and adequate information from the directors regarding the activities performed, in accordance with regulatory and statutory requirements;
- We obtained suitable information in order to be able to perform our duties regarding verification of the adequacy of the Company's organisation structure and compliance with principles of correct administrative practice, through direct enquiries, the collation of information from officers responsible for the respective functions and exchanges of information and data with the independent auditors and with the boards of statutory auditors of the subsidiary companies;
- We oversaw the internal control and accounting-administrative systems, with the objective of verifying their adequacy to support operational requirements, as well as their reliability in presenting transactions, by examining company documentation, obtaining information from the heads of the relevant departments, and analysing the results of the work carried out by the independent auditors;
- We verified compliance with current legislation regarding the preparation, presentation and layout of both the separate Company and consolidated financial statements, taking into consideration the fact that the Company has prepared the separate company and the consolidated financial statements in accordance with International Financial Reporting Standards. Following publication of joint document no. 4 by Banca d'Italia/CONSOB/ISVAP dated 3 March 2010, the Board of Directors confirmed that the impairment tests performed on the assets carried in the balance sheet complied with the provisions of IAS 36 and approved them separately prior to that of the financial statements;
- We verified that the 2018 directors' report conforms to the law and is in agreement with the resolutions approved by the Board of Directors and with transactions presented in the Company's and the consolidated financial statements; more specifically in the notes on "Risks and uncertainties"

and "Management outlook and going concern" in the directors' report, the directors describe the major risks and uncertainties to which the Group is exposed, indicating those of a financial, legal, regulatory, strategic, and operational nature, providing details of all civil, tax and administrative litigation in which the Group is involved and providing detailed evidence of the status of litigation. No observations were required to be made by the Board in relation to the interim half-year report of the Company and the Group. The quarterly and half-yearly reports were prepared and published in accordance with current legislation and regulations.

In the course of our verification work, carried out in the manner described above, no significant matters emerged that required notification to the regulatory bodies. On the basis of our findings from the tests carried out and from information obtained, the decisions taken by the directors appear to comply with the law and the Company's articles of association, principles of correct administrative practice, are appropriate to and compatible with the Company's size and net assets, and meet Company requirements.

***

The specific disclosures to be included in this report are set out below in the order prescribed in the above-mentioned CONSOB communication of 6 April 2001.

1. We have obtained adequate information and investigated the major economic, financial and equity transactions undertaken by the Company and its subsidiaries, as disclosed in detail in the directors' report, to which we refer. More specifically, we bring your attention to the following:

   A. Information regarding pending and potential disputes, amply discussed in the Legal Risks section.
   B. The presentation to the financial community of the expected results for 2018 and of the Business Plan for the period 2019-2021, which took place on 12 December 2018, subject to approval on the same date by the Board of Directors.
   C. Disclosure that Falck SpA performs direction and coordination activities in respect of Falck Renewables SpA. The negative impact of related party transactions with the parent company for approximately € 848 thousand is illustrated in note 5.3.7 of the directors' report.

2. We have not been informed of uncharacteristic and/or uncommon transactions carried out during the year, including those with Group companies or related parties. The ordinary financial and trading transactions carried out between Group companies are disclosed in the directors' report and in the notes to the Company's and the consolidated financial statements. In particular, they are related to a number of specific transactions including treasury management, the provision of loans and guarantees, the provision of professional and other services, and the management of common services, which are all carried out at arm's length and are regulated by contractual agreements. The information obtained allowed us to confirm that the above transactions took place in accordance with the law and the Company's articles of association and that they were undertaken in the interests of the Company and the Group. Commencing 2010, the Related Party Transactions policy was approved by the Board of Directors in accordance with Consob recommendations. The impact on the financial statements of the transactions carried out with Falck SpA is indicated in detail in the Directors' Report.

3. Overall, the information provided by the directors in their report in accordance with article 2428 of the Italian Civil Code, in respect of the items illustrated at point 1 above, is considered adequate to provide all of the required disclosures.

4. Regarding the independent audit, the Legislative Decree 139/2015 introduced the requirement for the auditors to confirm that the directors' report complies with the applicable legislation and state any sig-

nificant errors found in the report. Moreover, as of 15 June 2017, the State Accountant General has introduced the new version of the accounting standard (SA Italia) 720 B for financial periods starting from 1 July 2016. Reconta Ernst & Young SpA's work was performed in compliance with these updated regulations and accounting standards. The independent auditors issued the audit report on 21 March 2019, in accordance with articles 14 and 16 of Legislative Decree 39 dated 27 January 2010, on the separate Company financial statements and the consolidated financial statements for the year ended 31 December 2018. These audit reports confirm that the Company's and the consolidated financial statements for the year ended 31 December 2018 comply with the provisions relating to the preparation of financial statements, that they have been properly presented and that they give a true and fair view of the state of affairs and the result of operations for the year of the parent company Falck Renewables SpA, and that the directors' report complies with the legal requirements, and that the audit found no significant errors in it. The auditors issued the "Additional Report for the internal control and audit committee" (in our case, the Board) on the same date. The Board submitted this additional report to the Chairman of the Board of Directors on 22 March 2019, asking them to distribute it to members of the board.

5. No petitions have been filed to date.

6. No petitions have been filed to date pursuant to article 2408 of the Italian Civil Code.

7. Reconta Ernst & Young SpA was appointed as the Company's independent auditors for 2011-2019 at the AGM held on 6 May 2011. No issues regarding the independence of the auditors arose during the year, taking into consideration the regulatory and professional requirements that govern audit activities. Moreover the independent auditors confirmed that based on all available evidence it maintained its independence and objectivity in respect of Falck Renewables SpA and that there were no changes regarding the existence of reasons for incompatibility defined under article 160 of the Consolidated Finance Act and chapter I bis of section IV of the listing rules. On 21 March 2019, the independent auditors confirmed that the independence requirement was met as per article 17, paragraph 9, letter a) of Legislative Decree 39/2010.

8. Reconta Ernst & Young SpA confirmed in its own audit that non-audit activities assigned to E&Y and other members of the same network by Group companies did not include any activities prohibited by the regulations; the fees paid by Falck Renewables SpA for non-audit services are indicated in the financial statement booklet at per art. 149 duodecies of the listing rules.

9. In the course of 2018, the board of statutory auditors did not issue any opinions prescribed by law. In relation to the forthcoming expiry of the independent audit engagement, in order to bring forward the appointment of the new auditor for the nine-year period 2020-28, on 6 March 2019 the Board drew up a reasoned proposal for the appointment of the independent auditor pursuant to art. 13 Legislative Decree no. 39/2010, to be presented to shareholders at the Shareholders' Meeting of 15 April 2019.

1. The control activities described above were carried out in 2018 through the attendance by the board of statutory auditors at:
   5 Board meetings, including the meeting on 20 March 2018 for drafting the annual report;
   1 Shareholders' meeting;
   12 Board of Directors' meetings;
   10 Risk Control Committee meetings (CCR);
   9 Human Resources Committee meetings (CRU).

2. We have no particular observations to make regarding compliance with the principles of correct administration that appear to have been adhered to at all times.

3. The Board has constantly updated its knowledge and verified the effectiveness of the Company's organisation structure, comparing it with the corporate organisation charts formally approved and communicated to CONSOB, through information gathered from each area and meetings with the heads of the internal control function and the independent auditors. The current organisational structure analysed by business units and functions, appears to be appropriate given the size of the Group and meets its operating requirements.

4. With regard to internal control system adequacy, the Board states to have: participated in the activities of the Risk Control Committee (RCC), attended where appropriate by the head of internal audit and the Risk manager; received regular reports from the head of internal audit regarding controls carried out; agreed the audit plan with the independent auditors; received information regarding the accounting standards adopted and the outcome of the audit activities from the Corporate Accounting Documents Officer and the independent auditors. The Board took note of the report issued by the head of internal audit to the Risk Control Committee regarding the adequacy of the internal control and risk management system in 2018. Falck Renewables SpA has for some time now adopted the Organisation and Operations Manual prepared in accordance with Legislative Decree 231/2001, aimed at preventing the commission of illegal offences as defined in the decree, thus safeguarding the administrative responsibility of the Company. A Supervisory Board (SB) has been appointed in order to enforce implementation of Model "231/01". The SB carries out supervisory, control and other activities independently and is composed of Giovanni Maria Garegnani Chairman, Luca Troyer and Siro Tasca, the head of internal audit.

5. We have no particular observations to report with regard to the adequacy of the administrative-accounting system and of its ability to present management activities fairly. Pursuant to Law 262/2005 (law on savings), a Corporate Accounting Documents Officer was appointed based on the proposal of the Internal Control Committee in agreement with the board of statutory auditors. A Group accounting manual and protocols and administrative-accounting procedures have been adopted regarding accounting closures, the preparation of the financial statements and reporting packages by subsidiaries. The Company maintains strict control over information from its subsidiaries in order to fulfil its regular communication requirements. The Corporate Accounting Documents Officer evaluates the administrative-accounting internal control system using tests performed by an independent third party. In accordance with Law 262/2005 the Company performed tests on the accounting closure and administrative procedures in general in order to confirm that the correct accounting data flows into the financial statements, documents and prospectuses.

6. An adequate flow of information between the parent company and its subsidiaries (also in relation to the communications covered by article 114.2 of Legislative Decree no. 58/98) is ensured through specific instructions sent to the subsidiaries by parent company management. The Group coordination activities are also guaranteed by the presence on the corporate bodies of the main subsidiaries of directors and members of top management of the parent company. In accordance with article 2497 bis of the Italian Civil Code, it is noted that Falck Renewables SpA is subject to direction and coordination activities by Falck SpA in the form of strategic directives, while the Company and its corporate bodies still maintain operating independence. Falck Renewables SpA performs direction and coordination activities in respect of its subsidiaries. We have no specific matters to note regarding the exchange of information with the boards of statutory auditors of the subsidiaries.

7. No significant matters emerged, which require specific mention, during the regular meetings between the statutory auditors and the independent auditors, held in accordance with article 150.2 of Legislative Decree 58/98.

8. The Company has adopted the Code of Self Discipline for listed companies. We note that the directors' report makes specific reference to the annual corporate governance report prepared in accordance with article 123 bis of the Consolidated Finance Act, to which reference should be made. The statutory auditors confirm in their report that the disclosures pursuant to article 123 bis, paragraph 1 letters c), d), f), l) m) and paragraph 2, letter b) of Legislative Decree 58/98 comply with legislation. The Board reported that the Board of Directors, in their meeting dated 7 March 2019, confirmed that they had carried out the independence requirement checks on its own non-executive members in compliance with article 3.C.1 of the Code of Self Discipline and the assessment criteria therein; the Board verified the correct application of the independence assessment criteria and procedures adopted by the Board of Directors and has no exceptions to note. The Board also verified the independence of its own board members through compliance with paragraph 10.C.2 of the Code of Self Discipline of Borsa Italiana. In 2010 the Board of Directors adopted the procedure regarding related party transactions prepared in accordance with article 2391 bis of the Italian Civil Code and based on CONSOB ruling 17221 of 12 March 2010 and ensuing amendments and interpretations. The Board of Directors has delegated the responsibility for overseeing related party transactions to the RCC.

9. Our work was carried out in 2018 in the normal course of business and no omissions, censurable actions or other irregularities emerged from our work that require disclosure.

10. In relation to the work performed during the financial year, we do not have any observations to report under article 153.2 of Legislative Decree 58/98 on the financial statements, their approval and on matters on which we are required to report. In addition, we have no observations to make regarding the Board of Directors' proposed allocation of profit for the year and the dividend distribution of € 0.063 per share.

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Pursuant to article 144 – quinquiesdecies of the Listing Rules, approved by CONSOB ruling 11971/99 and ensuing amendments, the list of offices held by the Board in companies listed in Book V, Chapter V, Headings V, VI and VII of the Italian Civil Code, is published by CONSOB on its website (www.consob.it).

Milan, 22 March 2019

The Board of Statutory Auditors

Massimo Scarpelli - Chairman

Giovanna Conca - Statutory auditor

Alberto Giussani – Statutory auditor

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Independent Auditors' Report

EY S.p.A.
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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Falck Renewables S.p.A. (the Company), which comprise the balance sheet as at December 31, 2018, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit response
Valuation of investments	
As of December 31, 2018 the balance of "Investments and securities" amounted to Euro 537 million. At least annually, Falck Renewables S.p.A. assesses the presence of impairment indicators for each investment and, if they are noted, an impairment test is performed for such assets. The processes and methodologies to evaluate and determine the recoverable amount of each investment are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts. Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of investments, we have identified this area as a key audit matter. Falck Renewables S.p.A. provides disclosures about the methodologies adopted for the valuation of investments, as well as the nature and the value of the assumptions adopted for impairment test in note 8.6.1 "Accounting principles" and note 8.6.2 "Balance sheet contents and movements", section A, paragraph 3 "Investments and financial assets" of the notes to the financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Company regarding the identification of impairment losses and investments valuation, as provided in the impairment test procedure approved by the Board of Directors on February 27, 2019; • the assessment of cash flow forecasts, as well as the underlying price and expected production curves used for their development. In addition, our procedures included: • the reconciliation of the cash flow forecasts used for each investment with the Company's Business Plan; • the assessment of the reasonableness of the forecast projections when compared to the historical accuracy of the previous forecasts; • the assessment of the determination of the discount rates. In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount. Lastly, we reviewed the disclosure provided in the notes to the financial statements.

<table>
<tr><th colspan="2">Contingent liabilities and provisions related to legal and tax proceedings</th></tr>
<tr><td>Falck Renewables S.p.A. and its subsidiaries are involved in some legal and tax proceedings.

The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex assumptions that by their nature imply the use of management's judgment, specifically with reference to the assessment of the uncertainties related to expected results of the proceedings that are not under the control of the Company, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels.

Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as the amounts involved, we have identified this area as a key audit matter.

The disclosures related to the contingent liabilities and provision for risks are provided in Note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 8.6.2 "Balance sheet contents and movements", paragraph 11 "Provision for other liabilities and charges" of the notes to the financial statements.</td><td>Our audit procedures related to this key audit matter included, among others:
• the understanding of the process implemented by the Company in order to identify and evaluate contingent liabilities and related accruals in accordance with the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets";
• the testing of the supporting documentation provided for the assessment of the proceedings and claims, also considering information obtained from internal and external legal counsels;
• the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels.

Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the financial statements of Falck Renewables S.p.A..</td></tr>
</table>

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Falck Renewables S.p.A. as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Falck Renewables S.p.A. as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 21, 2019

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.

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Falck Renewables Group (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit response
Valuation of goodwill and other intangible and tangible assets	
As of December 31, 2018 the balance of Intangibles assets amounted to Euro 141 million, including Euro 117 million of Goodwill, and Tangible assets amounted to Euro 1.043 million. The processes and methodologies to evaluate and determine the recoverable amount of each CGU are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts. Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of goodwill and other intangible and tangible assets, we have identified this area as a key audit matter. Falck Renewables Group provided disclosure about the methodologies adopted for the valuation of investments, as well as the nature and the value of the assumptions adopted for the impairment test of Goodwill and other Intangible and Tangible assets in note 6.6.4 "Accounting principles" and note 6.6.8 "Balance sheet contents and movements", section A, paragraph 1 "Intangible assets" of the notes to the consolidated financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Group regarding criteria and impairment test methodology approved by the Board of Directors on February 27, 2019; • the assessment of the adequacy of the CGUs' perimeter and allocation of the carrying amount of assets and liabilities to each CGU; • the assessment of cash flow forecasts, as well as the underlying price and expected production curves used for their development; • the assessment of the impairment test methodology adopted with respect to the provision of the international accounting standard IAS 36 "Impairment of Assets". In addition, our procedures included: • the assessment of the consistency of the cash flow forecasts used for each CGU with the actual Business Plan; • the assessment of the reasonableness of the forecasts projections when compared to the historical accuracy of the previous forecasts; • the assessment of the determination of the discount rates. In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount. Lastly, we reviewed the disclosure provided in the notes to the consolidated financial statements.

Contingent liabilities and provisions related to legal and tax proceedings	
The parent company Falck Renewables S.p.A. and the Group companies are involved in some legal and tax proceedings. The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex assumptions that by their nature imply the use of management's judgment, specifically with reference to the assessment of the uncertainties related to expected result of the proceeding that are not under the control of the Group, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels. Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as their relevance, we have identified this issue as a key audit matter. The disclosures related to the contingent liabilities and provision for risks are provided in Note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 6.6.8 "Balance sheet contents and movements", paragraph 12 "Provision for other liabilities and charges" of the notes to the consolidated financial statements.	Our audit procedures related to this key audit matter included, among others: • the understanding of the process implemented by the Group in order to identify and evaluate contingent liabilities and related accruals in accordance with the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets"; • the testing of the supporting documentation provided for the assessments of the proceedings and claims, also considering information obtained from internal and external legal counsels; • the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels. Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the consolidated financial statements of Falck Renewables Group.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Falck Renewables S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article

123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Falck Renewables Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Falck Renewables Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 21, 2019

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.

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FALCK RENEWABLES

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