

**FALCK
RENEWABLES SpA**
**Interim Financial Report
at 30 June 2019**

Board of Directors

Milan, 30 July 2019

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

Interim Financial Report at 30 June 2019

Contents

Contents

Contents	2
1. Company officers.....	4
2. Group structure	5
3. Consolidated financial highlights	7
4. Interim Financial Report	8
4.1 Falck Renewables Group operating and financial review.....	9
4.1.1 Falck Renewables Group profile	9
4.1.2 Regulatory framework	9
4.1.3 Performance	24
4.1.4 Non-financial performance indicators	31
4.1.5 Share price performance	31
4.1.6 Performance of the business sectors.....	32
4.1.7 Significant business events in the first half of 2019.....	39
4.1.8 Environment, health and safety.....	40
4.1.9 Research and Development activities.....	41
4.1.10 Risks and uncertainties	41
4.1.11 Significant events after the balance sheet date	58
4.1.12 Management outlook and going concern.....	58
4.2 Operating and financial review of Falck Renewables SpA.....	59
4.2.1 Financial highlights.....	59
4.2.2 Performance and review of business.....	59
4.2.3 Employees.....	60
4.2.4 Capital expenditure.....	60
4.2.5 Corporate controls.....	60
4.2.6 Related party transactions.....	60
4.2.7 Direction and coordination activities.....	61
4.2.8 Holding of own shares or parent company shares	61
4.2.9 Purchase and sale of own shares or parent company shares during the first half	61
4.2.10 Stock option and stock grant plans.....	61
5. Abbreviated consolidated interim financial reports at 30 June 2019	63
5.1 Consolidated balance sheet	64
5.2 Consolidated income statement.....	65
5.3 Consolidated statement of comprehensive income	66
5.4 Consolidated financial report.....	67
5.5 Consolidated statement of changes in equity	68
5.6 Explanatory notes and additional information on the financial reports	69
5.6.1 Basis of preparation of the consolidated financial statements	69
5.6.2 Scope of consolidation	70
5.6.3 Accounting principles and method of consolidation	74
5.6.4 Sector information.....	75
5.6.5 Balance sheet contents and movements.....	76
5.6.6 Income statement content and movements	94

Contents

5.7	Additional disclosures on financial instruments	103
6.	Supplementary information to the consolidated financial statements	114
6.1	List of investments in subsidiaries and associates.....	115
7.	Certification of the abbreviated interim reports as per Article 81-ter of CONSOB Regulation no. 11971 dated 14 May 1999 as amended and s.i.....	118
8.	Independent Auditors' Report.....	120

1 Company officers

1. Company officers

Board of Directors

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

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

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

Board of statutory auditors

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

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

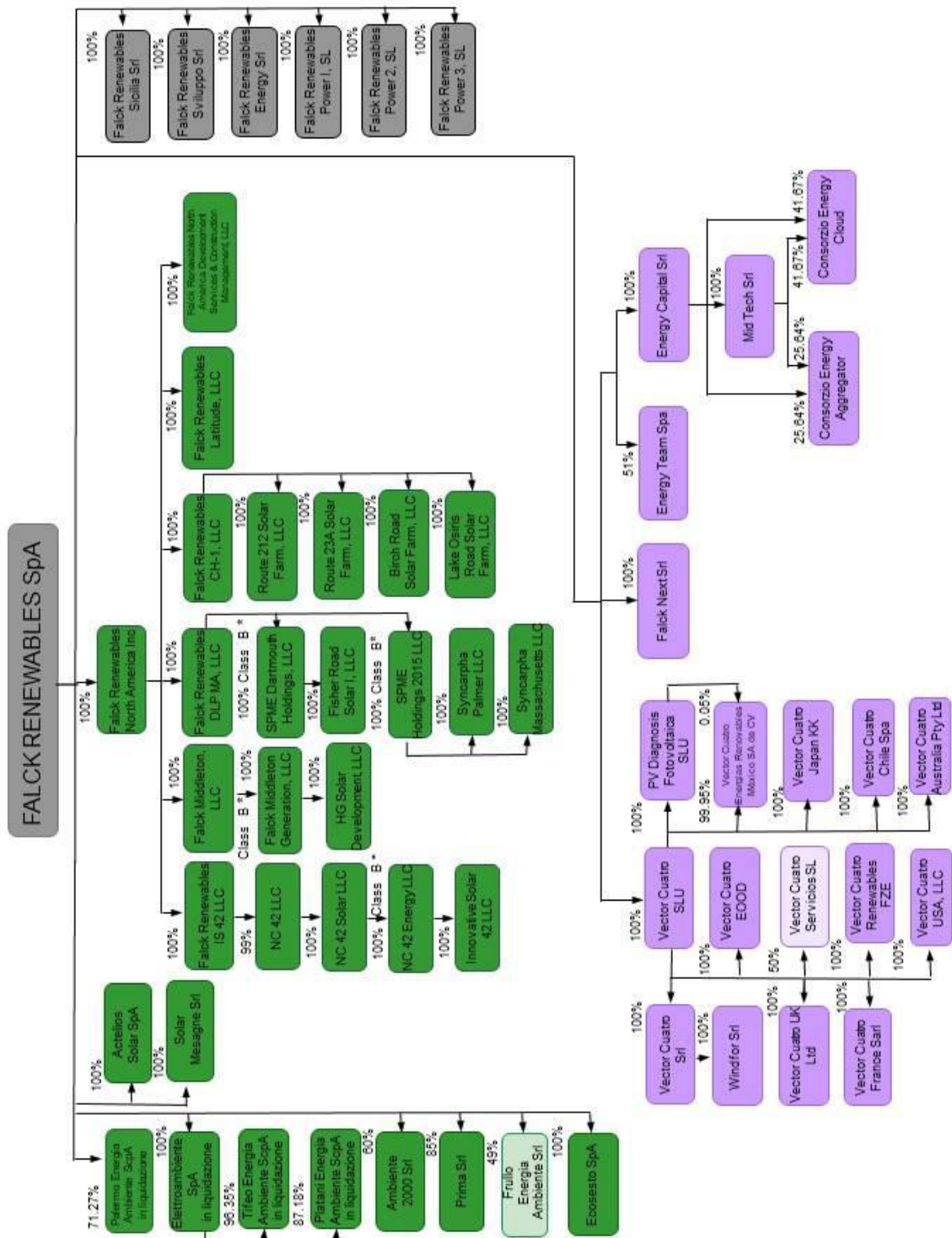
Independent auditors

EY SpA

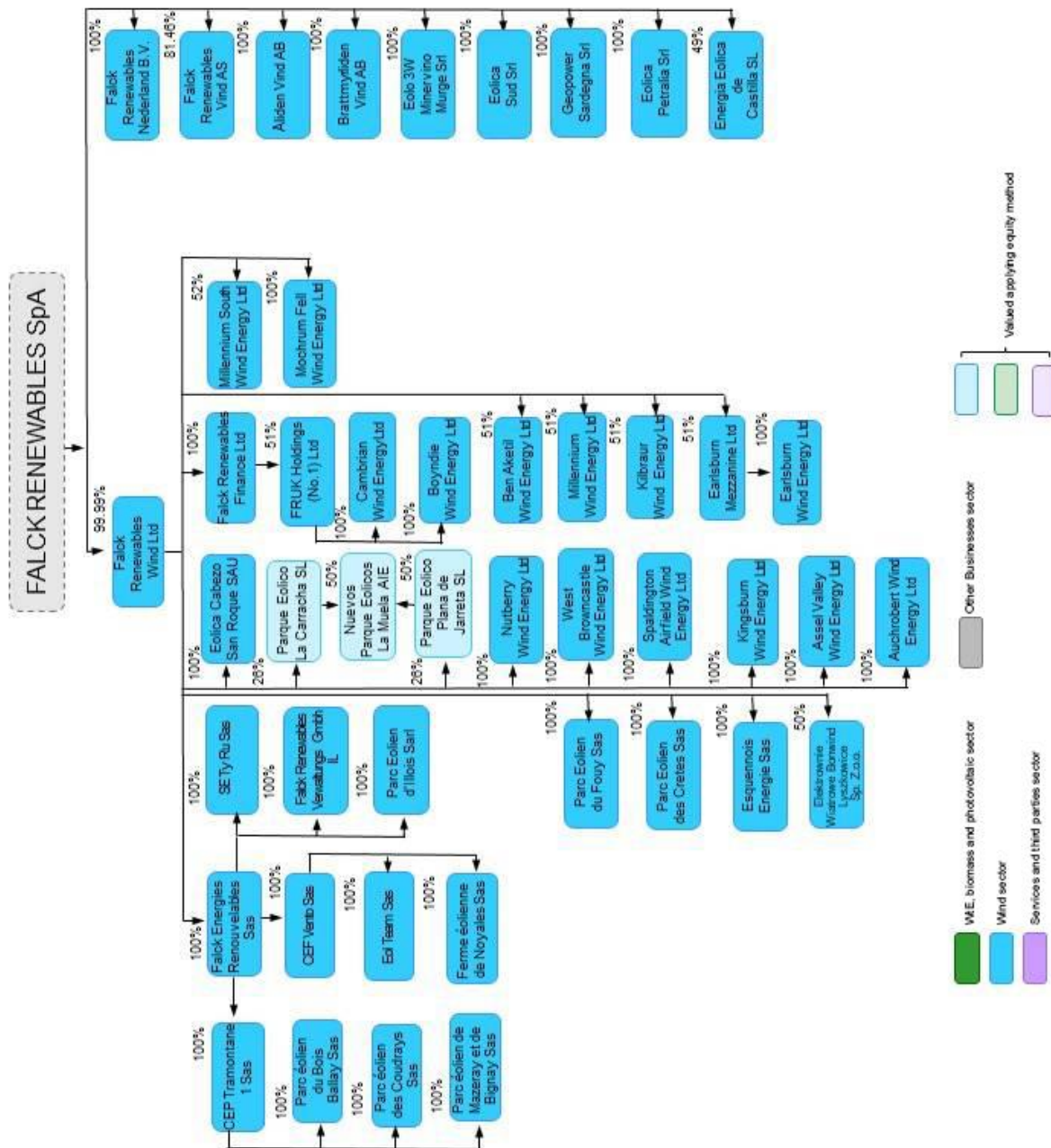
2 Group structure

2. Group structure

STRUCTURE OF THE FALCK RENEWABLES GROUP AT 30 JUNE 2019



2 Group structure



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

3 Consolidated financial highlights

3. Consolidated financial highlights

(€ thousands)	30.6.2019	30.6.2018	31.12.2018
Revenue from sale of goods and services	185,417	164,974	335,889
EBITDA (1)	104,869	99,389	191,456
Operating profit/(loss)	64,919	62,794	115,463
Profit/(loss) for the year	34,795	34,312	60,422
Falck Renewables SpA profit/(loss) for the year	27,323	27,702	44,159
Earnings per share (€) (2)	0.094	0.096	0.153
No. shares in circulation (annual average) in thousands	289,204	289,846	289,522
No. shares in circulation (end of the year) in thousands	289,204	289,235	289,204
- Net financial payables (credits)	(56,182)	(208,893)	(191,171)
- “Non-recourse” project financing	687,184	746,034	700,365
Total net financial position without derivatives (credits)	631,002	537,141	509,194
- Interest rate, commodity and exchange rate derivative financial instruments (cred	49,298	42,854	37,973
Total net financial position with derivatives (credits)	680,300	579,995	547,167
Net financial position net of operating leases	608,099	579,995	547,167
Net equity	562,907	529,080	556,120
Equity attributable to Falck Renewables SpA equity holders	508,438	480,293	501,424
Equity holders earnings per share (€) (2)	1.758	1.651	1.732
Capital expenditure	70,664	32,069	86,976
EBITDA/Revenue	56.6%	60.2%	57.0%
Operating profit/Revenue	35.0%	38.1%	34.4%
Profit for the year/Equity	6.2%	6.5%	10.9%
Net financial position/Equity	1.21	1.10	0.98
Total number of group employees (no.)	461	370	460
(1) EBITDA = 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;			
(2) Calculated according to the average annual number of shares.			

4. Interim Financial Report

4 Interim Financial Report

This interim financial report at 30 June 2019 was drafted in compliance with Article 154-ter of Legislative Decree 58/1998 and international accounting standards recognised by the European Community under EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002, and in particular IAS 34 - Interim financial reporting, in addition to the provisions issued in implementation of Article 9 of Legislative Decree 38/2005.

By drafting the interim report based on IAS 34, the Falck Renewables Group has chosen to publish summary information on the abbreviated interim consolidated financial reports at 30 June 2019.

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

4.1 Falck Renewables Group operating and financial review

4.1.1 Falck Renewables Group profile

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

As at 30 June 2019, 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 Mexico and Bulgaria.

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

The Falck Renewables Group operates in the following business sectors:

- Wind energy, which produces 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.

In 2018 the "Other assets" segment was introduced, consisting of Falck Renewables SpA, Falck Renewables Energy Srl, and the development companies.

4.1.2 Regulatory framework

The European Union endorsed the Kyoto Protocol and has developed a specific energy strategy aimed at facilitating renewable energy use.

"Directive 2009/28/EC" set targets for the development of renewable sources for each Member State and requires that each State develops its own National Renewable Energy Action Plan. Italy announced its

4 Interim Financial Report

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 (i) maintain the increase in temperature under 2 degrees, (ii) make efforts to keep it within 1.5 degrees, (iii) stop the increase of greenhouse gas emissions as soon as possible, reaching the point when the production of new greenhouse gases will be low enough to be absorbed naturally in the second half of the century. They also agreed to monitor progress every five years at new Conferences, and lastly to invest 100 billion dollars every year in the poorest countries to help them develop less polluting sources of energy.

On 30 November 2016, the European Commission presented the so-called “energy package” containing the DG Energy proposals concerning renewables, energy efficiency, the internal electricity market, biofuels, Union energy governance, Acer and supply security, for the 2020-2030 period.

This package - 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.

Recent changes in tax law

Regarding the changes made to the tax rules in force in the main countries in which the Group currently operates, most of the changes indicated below have been reported in previous financial statements, having been introduced by financial statement laws approved by the respective countries in 2018. A summary is provided below for the sake of completeness.

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 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.

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,

4 Interim Financial Report

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. Lastly, according to the instructions issued at the end of 2017 by the IRS, the reduction of the so-called "ITC" credit for solar power plants whose construction begins after 31 December 2019 has been confirmed.

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

In the Netherlands, the corporate tax rate is 22.55% 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:

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

4 Interim Financial Report

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 06/08/10 (Third Energy Account) applies to plants that entered into service after 1 January 2011 with the exception of those governed by Law 129/2010. MD 12 May 2011 (Fourth Energy Account) established that the provisions of MD 06 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;

4 Interim Financial Report

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

The Group has chosen option c) point 3.

Following an appeal filed by a number of operators, the Regional Administrative Court 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 has 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.

Other major events affecting the regulatory framework governing renewable electricity production

National Energy Strategy (SEN) and National Integrated Plan for Energy and Climate (PNIEC)

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.

In compliance with Regulation 2018/1999 on the Governance of the Energy Union, the Italian proposal for the Integrated National Plan for Energy and Climate (PNIEC) was sent to Brussels on 8 January 2019. The PNIEC is currently being discussed by national and EU institutional stakeholders and will be published in its final version by the end of 2019. Unlike the SEN, the Plan has a binding legal nature that commits each Member State to a common European effort, providing corrective mechanisms and the possible imposition of penalties in case of non-compliance. As far as market penetration of renewables is concerned, the Plan provides for a contribution of 30% of gross final energy consumption from renewable energy sources by 2030, thus differentiating between different sectors: 55.4% in the electricity sector, 33.1% in the thermal sector (heating and cooling) and 21.6% in the transport sector.

4 Interim Financial Report

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 is currently managing 5 UVAMs, qualified during the procurement procedure held in June 2019, for a total of 5.8 MW.

Energy management

The implementation of more active Group energy management continued in 2019 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.

4 Interim Financial Report

Moreover, with Resolution no. 195/2019/r/efr of 21 May 2019, the Authority revised the formula for calculating the IA reliability index used in the calculation of wind power loss (MPE), to be granted to dispatching users who reduced the plant's production in order to comply with dispatching orders issued by Terna. The new calculation is applied retroactively for the years 2017 and 2018, by means of adjustments that Terna will make by 31 December 2019.

In May 2019, the FRE also joined EEX (European Energy Exchange), the main trading platform for financial derivatives of Energy and CO2 Emissions, while simultaneously announcing the launch of proprietary trading activities.

❖ *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 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).

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

4 Interim Financial Report

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. These plants therefore only receive the market value of the energy produced as revenue. The Group's two Spanish plants came on stream in 2003 and 2004 and therefore fall within this category and ceased benefiting from any form of incentive and began selling electricity generated exclusively at market price in 2013.

The same scheme is applied to new plants with the only exception that the level of Reasonable Profitability is determined by the producers themselves in response to competitive auctions organised periodically by the Spanish government, which provide maximum quotas (MW) to which will be assigned the Adjusted Retribution.

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

The incentives system for the production of electricity from renewable sources is based almost entirely on the Renewable Obligation (RO), which gives rise to the 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 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 RO 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 to 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.

4 Interim Financial Report

New ROC levels were introduced in late July 2012 in respect of new plants that will enter into service from April 2013. Onshore wind farms that commenced operations after April 2013 will be awarded 0.9 ROCs for each MWh produced.

ROCs and SROCs are tradable (it is also possible to 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 132V grids are considered transmission grids, which also are more common in Scotland than they are in England and Wales. Furthermore, it is also of note how the transmission grids in Scotland are owned by two companies (Scottish Hydro Electricity Transmission Ltd - SHETL - and Scottish Power Transmission Ltd - SPT -) depending on the geographical location, but with the Scottish transmission system managed by NGET.

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

NGET and OFGEM held an organised consultation process begun in November 2018 to assist the overhaul of the entire tariff system and determination of Embedded Benefits, in which Falck took part. This process was completed in February 2019 and an official response from the regulatory authority is expected by the end of the summer. 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 was 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

4 Interim Financial Report

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. Subsequent bids for CfDs took place during 2017 and May 2019 but, as anticipated, no allocations to onshore wind farms were included; on the contrary, auctions were only open to so-called "less mature renewable technologies" (CfD POT 2) - of which offshore wind farms are part. 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

4 Interim Financial Report

years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years. In addition, the decree provides, during the 15 years of the contract, a €2.8/MWh management premium, which mainly aims to cover the variable and fixed costs related to market access and to the capacity market.

- FiT – as per the decree dated 17 June 2014 - The decree specifies a fixed tariff regime (€82/MWh subject to annual indexation) for the first ten years of generation, while the tariff for the last five years of the contract is linked to the volume of energy produced in the first ten years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years.

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

- 1) Plants with a maximum of 6 turbines, each with a maximum nominal capacity of 3 MW.
The decree published on 10 May 2017 will be applied and incur benefits according to the following CfD regime:
 - a. A basic level for the tariff, based on the diameter of the turbine's largest rotor, as follows:
 - i. Rotor diameter ≤ 80 m – €74/MWh
 - ii. Rotor diameter ≥ 100 m – €72/MWh
 - iii. Rotor diameter from 80 to 100 m – On a linear scale from €74/MWh to €72/MWh;
 - b. The basic level of the tariff is capped at €40/MWh, applied if the plant's annual production exceeds a certain threshold (also depending on the rotor diameter). This cap applies only to production over the established production ceiling;
 - c. The CfD contract has a 20 year duration;
 - d. The basic level of the tariff is subject to annual indexing;
 - e. A management premium of €2.8/MWh (not subject to indexing), designed to cover fixed and variable costs for accessing the market and capacity market.
- 2) Wind farms with a minimum of 7 turbines.
The multi-year tender program for onshore wind farms will be applied and incur benefits according to the following CfD regime:
 - a. A basic level for the tariff, as established and presented by the owner of the project for the wind farm participating in the tender. 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 ($\geq 40\%$ of shares): €3/MWh
 - ii. participatory financing ($\geq 10\%$ 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 and 2019, aims to incentivize 3.38 GW of aggregated capacity from December 2017 to June 2020.

4 Interim Financial Report

On 24 April 2016 and 27 October 2016, the French government issued the so-called “Renewables Target Development Decree” and “Energy Multi Annual Programming Decree” respectively, defining the objectives for 2018 and 2023 in terms of renewable energy. Given the contents of the above decrees, the installed capacity target with regard to onshore wind is expected to reach 15 GW in 2018 and a value between 21.8 GW and 26 GW by 2023. At 31 March 2019, the onshore wind capacity installed in France is equal to 154.3 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 Columbia, also require utilities to guarantee a certain percentage of energy use from solar, wind or other renewable sources.

In May 2019, the Group also announced a new investment for the installation of a 6.6 MWh battery storage system that will be connected to its solar power plant in Middleton, Massachusetts. Middleton Electric Light Department (MELD), a Massachusetts utility, has entered into a long-term capacity agreement with Falck Renewables North America Development Services & Construction Management, LLC for the dispatching of energy accumulated during periods of high system charges. The storage plant will allow MELD to reduce these charges, generating benefits for the entire local community, which will benefit from the lower operating costs of the system.

▪ *Federal incentives*

Solar Investment Tax Credit (ITC)

The Solar Investment Tax Credit (ITC) is one of the key mechanisms in federal policy supporting the uptake of solar power in the US.

The ITC is a federal tax credit worth 30% of investment, granted to solar energy producers, and can be used against personal or corporate income tax due to the federal government. The ITC is based on the percentage invested in solar properties: both residential and commercial ITCs are worth 30% of the base invested in suitable properties under construction up until 2019. The ITC will then fall to 26% in 2020 and 22% in 2021. After 2021, the commercial and utility credits will fall to a fixed 10%. Utility scale projects that begin construction before 31 December 2021 will continue to earn 30%, 26% or 22% ITCs if they commence activities before 31 December 2023.

▪ *North Carolina*

The RPS in North Carolina requires 12.5% of total energy use to be from renewable sources by 2021. 0.2% of this quota (12.5%) must come from solar sources (although 88% of the new capacity required by the RPS will presumably be solar power), while the remaining amount must be covered by new wind farms. In particular, 2016 estimates (the latest available) put wind and solar capacity as required by the RPS at 243.3 and 240.7 MW respectively.

RECs

The North Carolina RPS specifies that public utilities can purchase RECs (Renewable Energy Certificates) in order to meet the requirements: in fact, in some areas of the US, energy from renewable sources is sold to utilities by the producers at the price that it would cost users to generate the same amount of energy (so-called avoided cost). Every MWh of qualifying renewable energy receives three types of payment: an energy quota, a capacity quota and the relative Renewable Energy Certificate. The overall cost of the energy generated, including the REC costs, are therefore transferred to the utility clients.

4 Interim Financial Report

The North Carolina Utilities Commission has set up the North Carolina Renewables Tracking System (NC-RETS) for issuing and monitoring the RECs. North Carolina utilities use the NC-RETS to demonstrate compliance with the RPS.

In fact, the REC market in the state is mainly driven by RPS compliance, although utilities can purchase up to 25% of their RPS requirement through qualified, out-of-state REC markets.

Renewable energy producers can register their plants with the commission. If approved, they will be able to use NC-RETS to create and sell RECs to Investor-Owned, Municipal or Cooperative Utilities that need to meet their obligatory quotas. NC-RETS uses energy production data that can be verified by the participating structures to generate a digital certificate for each MWh produced.

NC-RETS and all the relative FER energy production records are controlled by the Public Staff of the North Carolina Utilities Commission.

- *Massachusetts*

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

RECs

In Massachusetts, 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.

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% deduction 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

4 Interim Financial Report

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 NYSEERDA; 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 NYSEERDA, 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 NYSEERDA or other sources. Since 2018, NYSEERDA 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 NYSEERDA, 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 NYSEERDA 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.

Community Solar

"Reforming the Energy Vision" (REV), introduced by Governor Andrew M. Cuomo, outlines the energy strategy of the State of New York. The tariff structure in place before the REV was implemented for distributed resources (DER) did not adequately compensate for many of its components. In March 2017, the Public Service Commission (PSC) issued a VDER Order to properly compensate DERs with power up to 2 MWca. In February 2018, the PSC amended this directive, increasing the maximum rated power of the DER from 2 MWca to 5 MWca. In April 2019, the Commission further amended the directive to align the remuneration of the DERs with the production capacity of the LSEs and the peaks in demand, containing any reductions in the resources distributed and increasing the availability of Community credit - which replaced the Market Transition Credit - in the following LSEs: NYSEG (125 MWca at 2.25 cents/kWh), National Grid (525 MWca at 2.25 cents/kWh), RG&E (80 MWca at 2.25 cents/kWh) and ConEdison (350 MWca at 12 cents/kWh). Since two New York State utilities - Central Hudson and Orange & Rockland - exceeded their maximum contribution to the DERs of the solar communities, NYSEERDA, through the NY-Sun program, has allocated new investments for the development of solar projects in their respective areas, equal to \$0.30/Wcc for an additional 70 MWcc and \$0.15/Wcc for an additional 65 MWcc.

- *Customs tariffs*

The Trump administration, through the Trade Representative of the United States of America, has applied a series of duties on products imported from several countries, including China, which could be used in projects related to

4 Interim Financial Report

the production and storage of solar energy, with possible repercussions on prices. In January 2018, the Trump administration applied a 30% duty on solar panels imported from China, forecasting a 5% tariff decrease over four years, to stabilise at 15% in 2021. Other components used in renewable projects such as inverters and batteries are also likely to be affected by customs tariffs. Current customs tariffs are included in market quotations and are therefore already incorporated into project budgets. The new customs tariffs may increase the cost of new projects in the future, posing a risk if existing supply contracts include components affected by the new tariff system.

❖ *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.

❖ *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

4 Interim Financial Report

14% by 2020 and aiming to achieve 16% by 2023. The Energy Agreement confirmed the SDE+ regime as the main tool for supporting renewables and promoting a more stable investment policy.

The SDE+ system provides energy producers with financial compensation for renewable energy generated, calculated on the difference between the cost of renewable and fossil fuel energy. SDE+ compensates producers for this difference for a certain number of years, according to the type of technology used and the location of the project. This means that the SDE+ contribution also depends on the performance of energy prices.

On 30 November 2016, given the considerable delay in achieving national emission reduction targets set by the EU, the government proposed a 33% increase in the annual budget for supporting renewable energy projects.

4.1.3 Performance

The Group uses the following alternative performance indicators:

- EBITDA is measured by the Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions and the income tax expense;
- Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets;
- Net financial position without operating leases: for the purposes of calculating the Financial Ratio, the financial payables for operating leases recorded in accordance with IFRS 16 are not included in the calculation of the Consolidated Net Financial Debt as defined above in the Corporate Loan Agreement.

The accounting policies and measurement criteria applied in the preparation of the interim financial report at 30 June 2019 are consistent with those adopted for the previous period and the year-end financial statements, except for those that came into effect on 1 January 2019.

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

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. 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.

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

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

4 Interim Financial Report

The effects of adopting the new standard on operating leases are shown below:

- an increase of €70.5 million in Assets for rights of use and €71.6 million in Financial liabilities for operating leases at 1 January 2019. At 30 June 2019, Assets for rights of use amounted to €70.9 million and Financial liabilities for operating leases amounted to €72.2 million;
- a €3.2 million reduction in operating lease instalments in the first half of 2019, with an improvement in EBITDA of the same amount;
- a €2.7 million increase in amortisation and depreciation in the first half of 2019 for the aforementioned rights of use, with an increase in operating income of approximately €0.5 million;
- higher financial charges in the first half of 2019 of €1.5 million;
- the effect on the net result was a loss of €0.7 million.

In the first half of 2019, Falck Renewables Group **revenues** amounted to €185,417 thousand, an increase of €20,443 thousand (+12%) on the 2018 first half.

The increase in **revenue** is due to: (i) approximately €12.7 million for the change in the scope of consolidation as a result of the acquisitions of Energy Team SpA, Windfor Srl and the consortia for the management of interruptibility services in the Italian energy market in 2018 and the acquisition in March 2019 of 5 French wind farms with a grid capacity of 56 MW, fully operational solar power plants in the USA partially offset by the sale of Esposito Servizi Ecologici Srl, ii) for approximately €5 million, to the greater volume of energy sold by Falck Renewables Energy Srl, in order to mitigate the cost of imbalance, iii) the increase in prices for the sale of electricity from wind farms in the United Kingdom, net of the ROC Recycle component, iv) for approximately €2.1 million, higher revenues from curtailment (compensation for requests for shutdowns by the grid operator) compared with the first half of 2018, (v) the increase in prices for the waste disposal and treatment service (+13%) for the WtE plant in Trezzo sull'Adda and (vi) the higher volumes of deliveries for the WtE plant in Trezzo sull'Adda.

The GWh generated in the wind sector in the first half of 2019 amounted to 982 compared to 939 recorded in the 2018 first half (+5% compared to the same period in 2018). The overall GWh generated globally by all of the Group's technologies totalled 1,177 compared to 1,129 in the first half of 2018 (+4% compared to the same 2018 period).

As mentioned above, in the first half of 2019 electricity sale prices, including the incentive component, increased by 13% in Italy for WtE plants, by 10% in Spain for wind farms and by 8% in the United Kingdom for wind farms, compared with the first half of 2018.

In Italy, for wind farms, prices, including price risk hedging, are substantially stable.

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

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 0.7% in the first half of 2019 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 30 June 2019	0.89655
End of period exchange rate 30 June 2018	0.88605
End of period exchange rate 31 December 2018	0.8945
Average exchange rate 30 June 2019	0.8736
Average exchange rate 30 June 2018	0.8798
Average exchange rate 31 December 2018	0.8847

4 Interim Financial Report

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	185,417	164,974	335,889
Operating profit/(loss)	64,919	62,794	115,463
EBITDA	104,869	99,389	191,456
Profit/(loss) before tax	46,343	44,188	77,306
Profit/(loss) for the year	34,795	34,312	60,422
Profit for the year attributable to owners of the parent	27,323	27,702	44,159
Invested capital net of provisions	1,243,207	1,109,075	1,103,287
Total Group and third party equity	562,907	529,080	556,120
Net financial position - indebtedness/(asset)	680,300	579,995	547,167
of which “non-recourse” project financing	687,184	746,034	700,365
Investments	70,664	32,069	86,976
Employees at the period-end	(no.) 461	370	460
Ordinary shares	(no.) 291,413,891	291,413,891	291,413,891

Revenues in the first half of 2019 may be analysed by sector as follows:

	(€ thousands)			
	30.6.2019	%	30.6.2018	%
WtE, biomass and solar sector	33,121	18	32,419	20
Wind sector	124,563	67	122,097	74
Services sector	21,222	11	5,888	4
Other Businesses	37,064	20	15,157	9
Partial total	215,970	116	175,561	106
Elimination of intercompany revenues	(30,553)	-16	(10,587)	-6
Total	185,417	100	164,974	100

Against growth in revenues of approximately €20.4 million, costs were up by approximately €13.1 million and other income fell by €5.2 million, resulting in an increase in operating income of €2.1 million, due to the following trends:

- **Other income** declined by €5,236 thousand compared with the first half of 2018. In fact, the first half of 2018 was affected by the non-recurring positive effect, amounting to €7.6 million, resulting from the release of certain provisions and reserves following the settlement of a dispute relating to certain sites belonging to the Sicilian projects in liquidation. The effect was partly offset by higher insurance indemnities in the first half of 2019 compared to the same period in 2018.
- **Direct costs and expenses** increased by €13,629 thousand, mainly for: (i) the purchase of energy from the market by Falck Renewables Energy Srl in order to mitigate imbalancing costs; (ii) higher service costs related to interruptibility service management consortia in the Italian energy market; (iii) higher amortisation due to higher installed capacity; and (iv) higher amortisation of user rights pursuant to IFRS 16. It should be noted that in the 2019 half-yearly report, this item includes the write-down of €0.7 million relating to the portfolio of contracts following the impairment test of the Vector Cuatro group;
- **Personnel costs** increased by €3,356 thousand compared to the first half of 2018; this increase was mainly due to the acquisitions of Energy Team SpA and Windfor Srl, partially offset by the decrease in employees due to the sale of Esposito Servizi Ecologici Srl. Internal growth also took place as the main functions, during 2018 and 2019, were structured to cope with the development of the new initiatives included in the business plan;

4 Interim Financial Report

- **General and administrative expenses** decreased by €3,950 thousand compared to the first half of 2018 due to lower transaction consultancy costs, lower information technology consultancy costs and lower rental costs after IFRS 16 came into force; the first half of 2018 was affected by €0.5 million in non-recurring transaction costs, offset by the release of funds, for the closure of a dispute relating to certain lands of Sicilian projects in liquidation.

The effect of the above trends is that in the first half of 2019 **EBITDA** reached €104,869 thousand (€99,389 thousand in the first half of 2018) and **Operating income** amounted to €64,919 thousand (€62,794 thousand in the first half of 2018).

EBITDA and Operating income for the first half of 2018 were affected by the non-recurring event, amounting to €7.1 million, resulting from the release of certain provisions and allocations, net of transaction costs, for the settlement of a dispute relating to certain sites belonging to the Sicilian projects in liquidation ("**2018 Non-recurring Event**").

The application of IFRS 16 had a positive impact on EBITDA in the first half of 2019 of €3.2 million and a positive impact of €0.5 million on Operating income.

Therefore:

- (i) net of the effects of the application of IFRS 16, **EBITDA** for the first half of 2019 would have been €101.7 million, an increase of 10% (+€9.4 million) on the first half of 2018, which, net of the effects of the 2018 Non-recurring Event, would have been €92.3 million;
- (ii) net of the effects of the application of IFRS 16, **operating income** for the first half of 2019 would have been €64.4 million, an increase of 16% (+€8.7 million) on the first half of 2018, equal to €55.7 million, after deducting the non-recurring Event 2018.

EBITDA for the first half of 2019 increased compared to the first half of 2018, due to: (i) the consolidation of Energy Team Srl, the US solar power plants, included in the scope for the whole half year, and from March 2019 the 5 French wind farms with a grid capacity of 56 MW; (ii) higher revenues from curtailment and higher volumes of electricity; (iii) lower operating costs of the plants in operation; (iv) higher energy sales prices in the United Kingdom net of the ROC Recycle component; and (v) higher insurance premiums.

Excluding the resale of energy purchased from the market by Falck Renewables Energy Srl, in order to mitigate the cost of imbalances, from 2018 and 2019 revenues for €5.9 million and €10.9 million respectively, EBITDA as a proportion of revenues was 60.1% (62.5% in 2018).

Net financial expenses increased by €100 thousand compared to the first half of 2018. Financial expenses were also affected by the introduction of IFRS 16 as from 1 January 2019, which resulted in a €1.5 million increase in interest expenses for the Group.

This effect was totally offset by higher exchange gains and management actions aimed at increasing financial cost efficiency.

The above factors led to the Falck Renewables Group to post a **profit before income tax and non-controlling interests** of €46,343 thousand in the 2019 first half, with an increase of 5% over the first half of 2018 (€+2,155 thousand). The application of IFRS 16 had the effect of reducing the pre-tax result by €0.9 million.

Income tax as of 30 June 2019 totalled €11,548 thousand (€9,876 thousand the previous year).

Income tax in the first half of 2019 was positively affected by €0.7 million in consolidation income.

Compared to taxes for the first half of 2018, the increase was mainly due to higher taxable income generated by recent acquisitions and lower consolidation income.

As a result, **net income** amounted to €34,795 thousand, up €483 thousand on 30 June 2018.

4 Interim Financial Report

Group net income, amounting to €27,323 thousand, decreased by €379 thousand compared with the first half of 2018 (€27,702 thousand).

The application of IFRS 16 negatively affected net income by €0.7 million and the Group's share by €0.6 million.

In the first half of 2018, the net result was affected by the Non-recurring Event 2018, amounting to €7.1 million, and the result for the period amounting to €6.8 million.

Therefore:

- (iii) **net income** for the first half of 2019, net of the effects of the application of IFRS 16, would have been €35.5 million, an increase of 31% (+€8.3 million) compared to the first half of 2018, which, net of the effects of the 2018 Non-recurring Event, would have been €27.2 million;
- (iv) **Group net income** for the first half of 2019, net of the effects of the application of IFRS 16, would have been €27.9 million and would have increased by 34% (+€7 million), compared to the net income for the first half of 2018, equal to €20.9 million, after deducting the 2018 Non-recurring Event.

NFP, including the fair value of derivatives, amounted to €680,300 thousand compared to €547,167 thousand at 31 December 2018. This includes:

- €687,184 thousand in non-recourse loans, down €13,181 thousand on 31 December 2018;
- the liability for operating leases, which in accordance with IFRS 16 is classified as a financial liability, amounting to €72,201 million. Net of this amount, NFP would have been €608,099 thousand, an improvement on 31 December 2018 due to the investments made during the period, net of cash generated by the group's operations.
- net financial debt of €101,792 thousand relating to projects under construction and development which, at 30 June 2019, had not yet generated full year revenue; net of this amount, the fair value of derivatives (€49,298 thousand at 30 June 2019 compared with €37,973 thousand at 31 December 2018) and financial debt under operating leases, the net financial position would have been €457,009 thousand.

The following items are responsible for the change in the net financial position: the cash flow from operating activities amounts to approximately €74.1 million and is offset by net investments, including the change in the scope of consolidation, made in 2019 for €107.5 million and dividends distributed for €27.7 million. The exchange rate effect had a positive effect on net financial debt of €1 million, while the change in the fair value of derivatives had a negative effect on the net financial position of €3.5 million. The application of the new IFRS 16 standard resulted in an increase in the net financial position of approximately €71.6 million at 1 January 2019. Moreover, the investment by minority shareholders boosted the net financial position by €2.1 million.

Excluding the fair value of derivatives, the **net financial position** showed a debit balance of €631,002 thousand (€509,194 thousand at 31 December 2018).

Finally, it should be noted that the financial position at 30 June 2019 includes non-recourse project financing ("Gross Project Debt") for €687,184 thousand (€700,365 thousand at 31 December 2018).

Moreover, 81% of Gross debt, amounting to €723,829 thousand excluding the fair value of derivatives and the debt under operating leases, is hedged against interest rate fluctuations using interest rate swaps and by fixed-rate loans for a total amount of €585,360 thousand.

The net financial position (excluding the fair value of derivatives and the debt under operating leases, amounting to €558,801 thousand) is also hedged against interest rate fluctuations by fixed-rate loans and interest rate swaps for an amount equal to 105% of financial debt.

4 Interim Financial Report

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

Total Gross Debt without Fair Value of Derivatives and operating leases	723,832
of which Project Gross Debt (Project GD)	687,184
% GD Project / GD	95%
Total Gross Debt without Fair Value of Derivatives and operating leases	723,832
Total hedged against interest rate fluctuations	585,360
% Hedged	81%
Total NFP without Fair Value of Derivatives and operating leases	558,801
Total hedged against interest rate fluctuations	585,360
% Hedged	105%

In the first half of 2019, investments totalled €70,664 thousand.

Investments in property, plant and equipment amounted to €67,345 thousand and mainly related to the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France (€25,341 thousand), the construction of the wind farms in Brattmyrliden (€290 thousand) and Aliden (€22,524 thousand) in Sweden, and Falck Renewables Vind in Norway (€10,834 thousand), Energia Eolica de Castilla in Spain (€5,670 thousand), maintenance work on the Eolo 3W Minervino Murge plant (€340 thousand) and the Trezzo plant (€422 thousand), construction of the Falck Middleton battery (€595 thousand) and capitalisation of rights of use (€744 thousand).

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

Investments in intangible assets amounted to €3,319 thousand and mainly relate to operating software and licensing costs of €1,634 thousand, development costs of €386 thousand and costs on Falck Renewables Vind concessions of €1,259 thousand.

Other investments (change in scope of consolidation)

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

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

The investment in acquisitions, recorded as a change in the scope of consolidation, amounted to €45,042 thousand (including the net financial position acquired), which must be added to the investments in tangible and intangible fixed assets described above for a total of €115,706 thousand.

4 Interim Financial Report

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

At 30 June 2019, the **workforce** was composed as follows:

	(Number)		
	30.6.2019	30.6.2018	31.12.2018
Managers	54	48	54
White-collar staff	373	274	360
Blue-collar staff	34	48	46
Total employees in consolidated entities	461	370	460

The increase is mainly due to the acquisitions of Energy Team SpA and Windfor Srl, partially offset by the decrease in employees due to the sale of Esposito Servizi Ecologici Srl. There was also internal growth as the main functions, during 2018 and 2019, were structured to cope with the development of new initiatives provided for in the business plan.

The number of employees by sector is composed as follows:

	(Number)		
	30.6.2019	30.6.2018	31.12.2018
WtE, biomass and solar sector	67	84	84
Wind sector	26	45	27
Services sector	280	144	271
Other Businesses	88	97	78
Total	461	370	460

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

	(MW)		
Technology	30.6.2019	30.6.2018	31.12.2018
Wind	825.9	769.9	769.9
WtE	20.0	20.0	20.0
Biomass	15.0	15.0	15.0
Photovoltaic	128.6	128.6	128.6
Total	989.5	933.5	933.5

The installed capacity increased by 56 MW compared to 30 June 2018.

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

4 Interim Financial Report

4.1.4 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	30.6.2019	30.6.2018
Gross electricity generated	GWh	1,177	1,129
Total waste handled	tonnes/000	74	128

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

The decrease in total waste managed is mainly due to the sale of Esposito Servizi Ecologici Srl (56,792 tons compared to 30 June 2018).

4.1.5 Share price performance

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



During the first half of 2019, the share price confirmed the growth trend that began in the last part of 2018, recording an increase of 57% at the end of June 2019 compared to the end of December 2018, reaching a value of €3.692 per share. The update of the business plan, which took place on 12 December 2018, significantly boosted the share's value and attracted the interest and approval of the financial community. 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 growth, raising all targets over the plan period along with the dividend policy planned 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 plans even beyond the horizon of the business plan. Regarding our activities in the United Kingdom, the uncertainty about the UK Government's exit strategy from the European

4 Interim Financial Report

Community has caused a number of potential risks, described in section 4.1.10. f Risks and uncertainties "Risks related to the outcome of the UK referendum on staying in the European Union ("Brexit)". No significant impacts have emerged from the evolution of the average Euro/Sterling exchange rate, which changed from 0.8798 in the first half of 2018 to 0.8736 in the first half of 2019, with a revaluation of 0.7%.

During the first half of 2019, we continued to focus on communicating to the market the main issues emerging from the presentation of the business plan and the growth of assets, promptly updating the financial community on the evolution of the process of construction of new projects in Northern Europe and Spain.

Particular efforts were made to increase the number of meetings with potential investors, both domestic (at the Milan Stock Exchange on various occasions) and international, in the main financial centres of New York, Paris (twice), Lugano, Copenhagen, Frankfurt, London and Vienna. We held roadshows to meet the financial community, and took part in events held by brokers and specialised companies.

The attendance at the Italian Investment Conference organised by Kepler Chevreux and Unicredit on 22 May, and at the Renewable Energy Forum organised jointly at the end of June by Oddo BHF and Natixis, where the company had the opportunity to meet some important institutional investors, was also particularly important.

In June and July JP Morgan Asset Management Holdings INC, on behalf of its subsidiaries in the UK, China and Taiwan, announced that it held 5.075% (5.014% at 30 June 2019) of the share capital of Falck Renewables SpA.

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.

Falck Renewables shares are also part of the FTSE Italia Mid Cap index: this index gathers the main medium capitalisation shares and helps to improve the group's visibility with investors. These indexes are updated each quarter.

In addition to the website www.falckrenewables.eu, which meets all of the criteria for companies listed on the STAR segment, from 2012 the Company is also active on Twitter with the account @falckrenewables which provides the latest news regarding the Group in real-time.

4.1.6 Performance of the business sectors

The Falck Renewables Group operates in the following business sectors:

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

This section provides a brief commentary on the main income statement, balance sheet and financial data for the Group's business segments, while the notes to the financial statements present all the segment's income statement and balance sheet data, with evidence of Falck Renewables SpA, which will be shown separately.

4 Interim Financial Report

❖ **WtE, biomass and solar sector**

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

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	33,121	32,419	67,801
Operating profit/(loss)	8,619	6,799	11,572
EBITDA	16,298	16,816	30,794
Profit/(Loss) for the period	5,708	4,302	8,387
Group profit/(loss)	5,390	4,284	7,734
Intangible assets	313	7	473
Property, plant and equipment	247,513	247,764	240,138
Net financial position - indebtedness/(asset)	149,214	162,808	141,286
of which non-recourse project financing	54,466	58,176	55,296
Capital expenditure	1,298	13,566	11,275
Employees at the period-end	(no.)	67	84

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 June 2018, the HG Solar Development LLC plant in Massachusetts, US, was powered up. The plant was acquired and constructed during the first half of 2018, and has an installed power of 6 MV.

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

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

The sector recorded a slight increase in revenues (+2%) compared to the first half of 2018. The higher installed capacity in the USA (+20.5MW) more than offset the reduction resulting from the sale of Esposito Servizi Ecologici Srl. The Waste to Energy plants in Trezzo sull'Adda and the biomass plants in Rende benefited respectively from higher waste delivery prices (+13% compared to the same period of the previous year) and higher electricity production (the Rende plant carried out two-yearly maintenance last year).

As a result of the production deriving from the higher installed capacity, the collection of an insurance indemnity, the lower maintenance costs of the biomass plant in Rende and the effects of the entry into force of IFRS 16 (effect equal to €503 thousand), EBITDA amounted to €16,298 thousand and decreased compared to the first half of 2018 (-€518 thousand): compared to revenues, it amounted to 49.2% (51.9% in 2018). In 2018 EBITDA was affected by the non-recurring effect, amounting to €7,098 thousand, resulting from the release of certain provisions and charges, net of transaction costs, for the closure of disputes relating to certain land of Sicilian projects in liquidation. Net of this effect, EBITDA for the first half of 2019 would have increased by 68% (+ €6,580 thousand).

As a result, operating income increased by €1,820 thousand to €8,619 thousand. Net of the non-recurring effect, operating income for the first half of 2019 would have increased by €8,918 thousand.

Capital expenditure on property, plant and equipment and intangible assets in the first half of 2019 amounted to €1,298 thousand and mainly related to maintenance work on the Trezzo plant (€422 thousand) and the construction of the Falck Middleton battery (€595 thousand).

4 Interim Financial Report

The net financial position, which shows a net debt of €149,214 thousand, was down €13,594 thousand on 30 June 2018, mainly due to the cash flow generated by plants in operation, partially offset by investments made in 2018 and 2019 and the coming into force of IFRS 16, which resulted in an increase of €12,457 thousand in financial payables under operating leases at 30 June 2019.

The net financial position includes non-recourse project financing of €54,466 thousand (€58,176 thousand at 30 June 2018) and the negative fair value of interest rate risk hedging derivatives of €2,982 thousand (€3,194 thousand at 30 June 2018).

❖ Wind sector

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

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	124,563	122,097	238,948
Operating profit/(loss)	67,425	66,586	128,158
EBITDA	96,560	92,377	181,177
Profit/(Loss) for the period	37,250	36,384	69,605
Group profit/(loss)	30,072	29,785	53,960
Intangible assets	98,117	96,384	96,952
Property, plant and equipment	941,846	813,276	804,531
Net financial position - indebtedness/(asset)	528,487	497,504	473,264
of which non-recourse project financing	632,718	687,858	645,069
Capital expenditure	67,652	19,048	43,763
Employees at the period-end	(no.)	26	45
		27	

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

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

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

The increase in **revenues** (€2,466 thousand) is mainly due to: (i) the increase in prices for the sale of electricity from wind sources in the United Kingdom, net of the ROC Recycle component, (ii) higher revenues from curtailment (compensation for requests for shutdowns by the grid operator) compared to the first quarter of 2018 for €2.1 million and (iii) the change in the scope of consolidation of 5 French wind farms with a grid capacity of 56 MW.

The GWh generated in the wind sector in the first half of 2019 amounted to 982 compared to 939 recorded in the 2018 first half (+5% compared to the same period in 2018).

As mentioned above, during the first quarter of 2019 electricity sales prices, including the incentive component, increased by 10% in Spain and 8% in the United Kingdom, net of the ROC Recycle component, compared with the first quarter of 2018, while in France the feed-in tariff mechanism neutralised price fluctuations (+1%).

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 0.7% in the first half of 2018 compared to the same period of the previous year.

4 Interim Financial Report

EBITDA amounted to €96,560 thousand, an increase of €4,183 thousand over the same period last year and equal to 77.5% of revenue (2018: 75.7%).

The increase in EBITDA was primarily due to: (i) the positive dynamics related to revenues and (ii) the coming into force of IFRS 16 (€1,887 thousand).

As a result of the above, operating income increased by €839 thousand compared to the first half of 2018 and represented 54.1% of revenues (54.5% in 2018).

During the first half of 2019, investments in tangible and intangible fixed assets amounted to €67,652 thousand and mainly concerned the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France (€25,341 thousand) and the construction of the Brattmyrliiden (€825 thousand) and Aliden (€22,715 thousand) wind farms in Sweden, Falck Renewables Vind in Norway (€11,000 thousand), Energia Eolica de Castilla in Spain (€5,731 thousand) and maintenance work on the Eolo 3W Minervino Murge plant (€340 thousand).

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

Other investments (change in scope of consolidation)

The investment in acquisitions, recorded as a change in the scope of consolidation, amounted to €45,042 thousand (including the net financial position acquired), which must be added to the investments in tangible and intangible fixed assets described above for a total of €112,694 thousand.

The net financial position amounted to €528,487 thousand, including non-recourse project financing for €632,718 thousand and the negative fair value of interest rate, foreign exchange and commodity hedging derivatives for €43,897 thousand, up €30,983 thousand on 30 June 2018 due to the entry into force of IFRS 16, which increased financial payables for operating leases at 30 June 2019 by €56,621 thousand, and due to investments and acquisitions of wind farms in France, partially offset by cash generated by operating plants.

Details and figures at 30 June 2019 of subsidiaries with significant non-controlling interests are shown below, in compliance with IFRS 12:

	Registered offices	Currency	Share capital	% direct holding	%	Indirect holding Subsidiary
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1		51.000	Falck Renewables Finance Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000		51.000	Falck Renewables Wind Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Earlsburn Mezzanine Ltd
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100		51.000	Falck Renewables Wind Ltd

4 Interim Financial Report

Main balance sheet information:

	(€ thousands)				
	Non-current assets	Current assets	Net equity	Non-current liabilities	Current liabilities
FRUK Holdings (No.1) Ltd	16,828	19,158	(970)	28,440	8,515
Boyndie Wind Energy Ltd	12,832	2,904	7,488	2,316	5,932
Cambrian Wind Energy Ltd	34,451	12,689	21,494	6,489	19,158
Earlsburn Mezzanine Ltd	48,945	2,806	30,218	20,670	863
Earlsburn Wind Energy Ltd	32,331	4,169	15,198	13,606	7,697
Ben Aketil Wind Energy Ltd	29,458	3,938	8,758	14,755	9,883
Kilbraur Wind Energy Ltd	60,155	7,744	17,315	43,383	7,201
Millennium Wind Energy Ltd	67,982	9,765	26,084	42,528	9,135

Main income statement information:

	(€ thousands)			
	Revenue	Operating profit/(loss)	Profit/(loss) before tax	Profit/(loss) for the year
FRUK Holdings (No.1) Ltd		(16)	4,112	4,244
Boyndie Wind Energy Ltd	1,986	1,015	1,001	806
Cambrian Wind Energy Ltd	9,102	2,955	2,848	2,306
Earlsburn Mezzanine Ltd		(16)	4,261	4,278
Earlsburn Wind Energy Ltd	5,992	4,095	3,791	3,075
Ben Aketil Wind Energy Ltd	3,737	2,289	1,902	1,540
Kilbraur Wind Energy Ltd	10,410	4,820	3,984	3,234
Millennium Wind Energy Ltd	11,243	6,435	5,653	4,581

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) envisaged 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 was below the pre-established target, the Falck Renewables Group would not be under any obligation to compensate CII HoldCo Ltd.

According to the calculation mechanism, an earn-out in favour of the Group of €3,118 thousand was recorded, of which €2,053 thousand was recorded in the 2018 financial statements.

The Agreement also establishes that CII HoldCo Ltd is entitled to reduce the sale price (Derisking) payable in 2021 if the average UK annual electricity price for the period 2014-2020 falls below £ 25 per MWh (nominal not adjusted for inflation), multiplied by actual annual production in MWh in the same period for each wind farm involved in the sale, multiplied by CII Holdco's interest in each target company for each year of the period under review (capped at 49%, representing the current percentage ownership in each target company) and taking into consideration the time factor applying an interest rate of 10% ("the Formula"). Any amount due will be paid by the Falck Renewables Group to CII HoldCo up to the amount of dividends, interest and loan

4 Interim Financial Report

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.

At the end of 2018, the Group 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. With reference to the year 2019, it should be noted that average prices per MWh have never fallen below £25. 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 key financial highlights of this sector may be summarised as follows:

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	21,222	5,888	20,121
Operating profit/(loss)	474	56	(444)
EBITDA	2,484	388	962
Profit/(Loss) for the period	(64)	(48)	(594)
Group profit/(loss)	(64)	(48)	(594)
Intangible assets	40,321	9,254	41,089
Property, plant and equipment	2,795	614	1,229
Net financial position - indebtedness/(asset)	1,196	(1,267)	998
of which non-recourse project financing			
Capital expenditure	625	100	32,743
Employees at the period-end	(no.) 280	144	271

The sector consists mainly of the Spanish group Vector Cuatro and the Energy Team SpA group (the latter consolidated from 3 October 2018). This sector is active in the services and management of renewable energy production facilities, with a strong and extensive international presence with offices in Spain, Italy, France, Japan, Mexico, the United Kingdom and Bulgaria.

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

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

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

On 2 October 2018, Falck Renewables SpA finalised the agreement for the acquisition of 51% of Energy Team SpA, Italy's leading consumer control and flexibility management services in the electricity markets, which is 100% consolidated under put-and-call agreements on the remaining shares, with the related financial debt recorded as a counter entry. The acquisition of Energy Team SpA will be subject to purchase price allocation, in accordance with IFRS 3, to be completed within 12 months from the date of acquisition.

4 Interim Financial Report

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

Revenues increased by €15,334 thousand, due to increased asset management services, mainly due to the transfer of the aforementioned business units, and to the consolidation of Energy Team Spa, Windfor Srl and the consortia for the management of the energy interruptibility service on the Italian market.

EBITDA amounted to €2,484 thousand, an increase of €2,096 thousand over the same period last year and equal to 11.7% of revenue (2018: 6.6%). The increase is mainly attributable to the new and broader scope of companies belonging to the sector and to the entry into force of IFRS 16 (€434 thousand).

Revenues from consortia for the management of the energy interruptibility service on the Italian market, amounting to approximately €5 million, do not generate margins. Excluding these revenues, the percentage of EBITDA in 2019 would be approximately 15.3% of revenues in the sector.

Capital expenditure on property, plant and equipment and intangible assets in the first half of 2019 amounted to €625 thousand and related mainly to furniture and office equipment.

The 2019 interim financial statements include a write-down of €652 thousand relating to the portfolio of contracts following the impairment test of the Vector Cuatro group.

The net financial position showed net debt of €1,196 thousand, an increase of €2,463 thousand with respect to 30 June 2018, due to the effect of the acquisition of the business units from Falck Renewables SpA in 2018 and to the entry into force of IFRS 16, which increased financial payables under operating leases by €1,461 thousand at 30 June 2019.

❖ Other Activities

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

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	37,064	15,157	33,089
Operating profit/(loss)	(11,954)	(6,656)	(20,224)
EBITDA	(10,639)	(5,898)	(16,927)
Profit/(Loss) for the period	380	12,774	35,905
Group profit/(loss)	380	12,774	35,905
Intangible assets	3,523	1,531	2,097
Property, plant and equipment	1,947	216	303
Net financial position - indebtedness/(asset)	84,401	2,168	14,790
of which non-recourse project financing			
Capital expenditure	2,104	277	1,365
Employees at the period-end	(no.) 88	97	78

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

Revenues post an increase of 21,907 thousand Euro, due to the sale of energy by Falck Renewables Energy Srl.

4 Interim Financial Report

Operating income fell by €5,298 thousand. This decline was mainly due to lower releases of provisions for risks.

Capital expenditure for the period amounted to €2,104 thousand, of which €1,832 thousand related to intangible assets (software, licences and development costs).

This table sets out the data for the sector:

	(€ thousands)			
	FKR	Other companies	Eliminations	Sector
Revenue	49	37,015		37,064
EBITDA	(10,672)	33		(10,639)
Operating profit/(loss)	(11,746)	(208)		(11,954)
Intangible assets	3,523			3,523
Property, plant and equipment	1,947			1,947
Net financial position - indebtedness/(asset)	99,580	(15,179)		84,401
of which non-recourse project financing				
Capital expenditure	1,863	241		2,104
Employees at the period-end	(no.)	88		88

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

The financial position (primarily Falck Renewables SpA) showed a net debt of €84,401 thousand, compared with a net debt of €2,168 thousand at 30 June 2018. The increase in debt is due to capital increases in companies in Italy, Norway, Sweden and the USA, the acquisition of Energy Team and its consortia and the distribution of dividends to shareholders net of dividends received.

The financial position also deteriorated as a result of the entry into force of IFRS 16, which increased financial payables for operating leases at 30 June 2019 by €1,662 thousand.

The net financial position includes the negative fair value of foreign exchange and commodity hedging derivatives for €2,419 thousand (negative for €2,337 thousand at 30 June 2018).

4.1.7 Significant business events in the first half of 2019

The following were the most significant events that took place:

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

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

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

4 Interim Financial Report

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

4.1.8 Environment, health and safety

Not only has the Falck Renewables Group always invested in many forms of clean energy, it also wants to be a leader in the energy transition, promoting sustainable development in the territories in which it operates.

One of the Group's main objectives is the responsible management of environmental, resource and energy aspects, reducing environmental impact throughout the asset's life cycle by constantly adopting advanced sustainability practices both during construction and during management. In particular:

- minimising the CO2 footprint;
- reducing polluting emissions;
- participating in the decarbonisation economy.

The other key aspect is managing resources, primarily employees. In the Group's QHSE Policy, Falck Renewables is committed to ensuring integrated process management with the aim of minimising risks and ensuring the safety and health of all workers.

For this reason, the company's top management is continuously committed to ensuring that system certifications are obtained and subsequently maintained.

Safety management systems (BS OHSAS 18001 and UNI EN ISO 45001) are an integral part of the approach to sustainability and ensure optimal management of work within the company organisation.

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 Environmental management system UNI EN ISO 14001:2015 Safety management system OHSAS 18001:2007	Trezzo sull'Adda WtE plant
Prima Srl	Quality management system UNI EN ISO 9001:2015 Environmental management system UNI EN ISO 14001:2015 EMAS registration	Trezzo sull'Adda WtE plant
Ecosesto SpA	Quality management system UNI EN ISO 9001:2015 Environmental management system UNI EN ISO 14001:2015 Safety management system ISO 45001:2018	Rende biomass plant

4 Interim Financial Report

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 EMAS registration	- Minervino Murge wind farm
Eolica Sud Srl	Environmental management system UNI EN ISO 14001:2015	- San Sostene wind farm

During the first half of 2019, the company published four Group QHSE Guidelines and conducted fourteen inspections by the Team of internal auditors, which is part of the Corporate Structure. A number of analyses were carried out at the sites in order to verify regulatory compliance, system management and management of maintenance contracts.

Other checks were carried out at suppliers of ecological services, in particular at authorised disposal companies, to verify the effective management, both documentary and physical, of the waste delivered.

Since the beginning of 2019, the training courses for new recruits have been managed internally, in order to guarantee a course more focused on specific needs, without using a standardised module valid for all product sectors. In the first half of 2019, 56 new employees were trained, for a total of 224 hours of training on this subject alone.

In the first half of 2019, a minor accident occurred at one of the offices of Vector Cuatro, which was expected to last five days.

4.1.9 Research and Development activities

During 2018, the Group began research and development activities and focused its efforts in particular on projects it considers particularly innovative. The amount spent in the first half of 2019 was €1,149 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.

The positive outcome of these innovations could generate good results in terms of revenues with favourable effects on the Group's profitability.

4.1.10 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

4 Interim Financial Report

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.

For most offtakers, Group companies require credit risk mitigation tools by issuing bank guarantees and/or parent company guarantees in their favour.

Energy dispatching is partly managed within the Group through Falck Renewables Energy Srl.

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 centralised treasury department that employs a “domestic” cash pooling system between Falck Renewables SpA and all of the Group's Italian subsidiaries that do not have project financing (the latter may not participate in the system due to the “without recourse” financing mechanisms).

The Group also carries out netting of opposing balances through the use of specific intercompany corresponding accounts. The Falck Renewables Group 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 corporate loan agreement of 12 June 2015 with a pool of banks, increasing the amount to €325 million and postponing its maturity to 31 December 2023; it had not been used by 30 June 2019. 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 €43 million at 30 June 2019 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

4 Interim Financial Report

"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 hedging at 30 June 2019.

- **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 (i) translation risk, both of which impact the Group's income statement and balance sheet.

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

The Group strives to minimise exposure to 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*

Since the beginning of 2019, the Group has managed all the energy produced by the plants in the Italian portfolio independently, without resorting to third-party dispatching operators, with the aim of minimising operating and balancing costs and stabilising group revenues at a consolidated level by means of financial hedges.

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 activities connected with the dispatching of electricity on the market.

4 Interim Financial Report

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. In order to optimise the execution process of its hedging and trading activities, in 2019 Falck Renewables Energy Srl completed the onboarding process on the European Energy Exchange (EEX) market platform, which will give it real-time access to the physical and financial derivative contracts of the electricity markets listed on the Exchange.

At the beginning of 2019, with a view to continuously improving processes and with the objective of ensuring constant monitoring of its internal control system, a specific structure was also set up within the Risk Management function, which is responsible for monitoring and reporting the Group Portfolio's exposure to risks and coordinating the development of policies and the monitoring and reporting tools used (ETRM). Specifically, these activities are governed by the Energy Risk Policy, which requires specific risk limits to be applied in terms of risk capital and the use of financial derivatives commonly used on the market, in order to keep exposure within the established limits. The Hedging Policy and the Trading Policy are currently being finalised, regulating the operating methods and timing for hedging the Group's facilities, the risk profile deemed acceptable by the Group, the limits in terms of Risk Capital, VaR and Stop Loss and the escalation processes that govern the Hedging and Trading activities carried out by the Energy Management structure.

- **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 threshold in order to limit over-hedging.

- **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 (Power Purchase Agreement) contracts with the third parties appointed to withdraw the energy. In order to improve the price risk mitigation process, in 2019 the Energy Management and Risk Management structures will finalise a Hedging Policy calibrated to the technical characteristics and geographical location of the production fleet, in order to minimise the variability of the group's financial results deriving from the volatility of electricity prices. The hedging operations will be governed by the Hedging Policy in line with the principles of the Energy Risk Policy.

The group will also implement a Trading Policy in order to regulate proprietary trading activities. This policy will govern the trading of energy derivatives on the EEX platform with the aim of generating profits by exploiting market volatility.

- **Operating risk**

In order to manage and identify adequate measures to minimise operating risk in relation to the company's activities selling energy, the Energy Management department, supported by Operations and IT, performs regular assessments of corporate procedures, information flows (to and from plants), the IT infrastructure used for despatching and the quality of the data used in this activity. These activities ensure that despatching and plant operations take place in line with corporate procedures, and with sufficient levels of reliability and traceability.

4 Interim Financial Report

Lastly, at the start of 2019, with a view to continuously improving processes and market operations, the Trading and Risk Management system was implemented to manage monitoring and reporting activities.

b) Legal

Sicilian Projects:

During 2019, work continued on the liquidation of the project companies and the management of the following disputes:

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

EPC Sicilia S.r.l. ("EPC"), in its capacity as successor in title to the company Pianimpianti S.r.l., a shareholder of Tifeo, PEA and Platani, on 28 November 2018 served notice of summons on the companies Falck SpA and Falck Renewables SpA, as well as on their pro tempore directors, for alleged unlawful conduct in managing the agreement with the Regional Waste and Water Agency of the Sicily Region ("ARRA") of 28 April 2009, entered into by the Sicilian project companies, and for the conclusion of the subsequent settlement agreements of 8 May 2015, also 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 only recently begun, are therefore still in progress and their outcome is not foreseeable at the moment.

- **Panelli / Falck Renewables - Elettroambiente - Tifeo**

In a writ of summons served in January 2015, Panelli Impianti Ecologici SpA, in liquidation ("**Panelli**"), filed a claim for alleged damages caused by the decision taken in January 2010 to refuse the renewal of the administrative authorisations necessary for the landfill (and/or, in any case, waste management plants) of some land located in Avola, Lentini and Augusta. The hearing for the final decision, initially set for 8 July 2016, was postponed several times at the joint request of the parties, pending negotiations. Most recently, pending the formalisation of the agreements reached, the judge adjourned the hearing until 1 October 2019, pursuant to Article 309 of the Italian Code of Civil Procedure, in order to allow the completion of the settlement agreement by the bodies of the Panelli Composition with Creditors.

- **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

4 Interim Financial Report

was sued by Tifeo and Elettroambiente and they, given their discontinuation of action, should be charged the related legal costs. The claim against Tifeo and Elettroambiente only concerns the reimbursement of legal expenses incurred by Panelli. At the hearing held on 30 November 2016, the judge adjourned the case to 14 December 2017 for the purpose of reaching conclusions and, subsequently (at the joint request of Tifeo, Elettroambiente and Panelli) further adjourned the proceedings for the same parties to allow them to verify the possibility of an amicable settlement of the dispute. The next hearing, for the same parties, is set for 12 March 2020, due to Court of Appeal requirements.

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. With an order issued at the end of the hearing of 23 January 2019, the President of the Board of Statutory Auditors authorised the Sicily Region to be called to the hearing of 22 May 2019. Tifeo and Elettroambiente, on the one hand, and Zurich, on the other, promptly sued the Sicily Region. The Sicily Region appeared before the court in a response dated 10 May 2019, specifying that: (i) although it does not contest the services rendered by Russo, it has not yet paid the relevant fees, since the latter has not proposed an amount; (ii) it has not formally appointed Stallone as a lawyer, having exclusively authorised Russo to use his services at his own expense. At the outcome of the hearing of 22 May 2019, the Board of Arbitrators adjourned the case to the hearing of 10 July 2019, in order to allow the parties to "assess a settlement of the dispute", with the burden on them to "inform the rapporteur of the outcome of the negotiations at least three days before the hearing". At the hearing of 10 July 2019, the parties acknowledged that a settlement had not been reached and reiterated their respective defences.

Other:

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

On 29 May 2015, GEO Gesellschaft für EneR.G.ie 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:

4 Interim Financial Report

- 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 05 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. By its ruling no. 1146/2019 of 15 March 2019, the Milan Court of Appeal dismissed the appeal against the arbitration award brought by GEO and Mr. Claes and Mr. Schirru and ordered the appellants to pay the costs of the proceedings in favour of Falck SpA and Falck Renewables Wind Ltd. Following the ruling, the arbitration award is therefore confirmed in its entirety, with the result that GEO, Claes and Schirru are ordered to pay: (i) Falck the sum of €1,900 thousand; (ii) Falck Renewables Wind the sum of €3,830 thousand; (iii) both companies the costs of the arbitration proceedings totalling €145 thousand. The applicants were also ordered to return to Falck the original guarantee issued in 2009. The decision of the Court of Appeal can be appealed before the Supreme Court within the statutory time limits (and in particular: 6 months from today or 60 days from any notification of the ruling). On 25 March 2019 Falck SpA and Falck Renewables Wind Ltd sent the counterparty a request for payment of the ruling and the ruling of the Court of Appeal. Pending receipt of a response from the counterparty, the Companies are currently evaluating whether any enforcement action should be taken. At present, the risk of annulment of the award is only considered possible, and therefore no charges have been reflected in these financial statements.

- **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 court-appointed expert's report is in the Company's favour, showing that the alleged claim does not exist. Following the hearing of 14 May 2019 to finalise the conclusions, the judge adjourned the case for decision. 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

4 Interim Financial Report

“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. On 29 May 2019 the petition was declared invalid by decree no. 3491/2019. The company, noting that no objection has been made to this decree (deadline 28 July 2019), will evaluate how to settle the underlying amount disputed. The provision for risks set aside by the Company in the 2012 financial statements is equal to the amount of the adjustments for 2010, 2011 and 2012.

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 has set aside the sum requested by the GSE in previous years, amounting to approximately €529 thousand.

- **Actelios Solar SpA**

With letter dated 7 April 2015, GSE has informed the company of the start the process for the recalculation of the incentive tariff and the recovery of sums in the meantime received following the exclusion of the ISTAT 2005 revaluation by the aforementioned incentive tariff, pursuant to State Council plenary meeting judgement no. 9 of 4 May 2012, which considered the changes made to MD 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 submitted additional pleas in law to the pending action (R.G.

4 Interim Financial Report

1355/2016) against the communication of 27 February 2016. The date of the hearing is pending. The Company has already set aside the sum of €40 thousand in previous years.

- **Prima S.r.l.**

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. The date of the hearing is pending. In addition, by letter dated 10 February 2017, the GSE informed the company that it would be recognised, for the period 2008-2012, as having no green certificates 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, set aside a provision in previous years for the probable risk of losing as a result of the provisions of the abovementioned resolution.

- **Prima S.r.l.**

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. The appeal was declared invalid by decree no. 3484/2019 of 19 May 2019. The company, noting that no objection has been made to this decree (deadline 28 July 2019), will evaluate how to settle the underlying amount disputed. The provision for risks set aside by the company in previous years amounts to €3,911 thousand.

- **Ecosesto SpA-Eolica Petralia S.r.l.-Eolica Sud S.r.l.-Eolo 3W MM S.r.l.-Geopower Sardegna S.r.l. and Prima S.r.l.**

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. By deed served on 15 May 2019, the GSE appealed to the Council of State against the

4 Interim Financial Report

abovementioned decision. The companies - with the exception of Prima Srl - filed an appeal within the deadline.

- **GSE vs Geopower Sardegna S.r.l.**

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.

Companies consolidated at equity:

- **Frullo Energia Ambiente S.r.l. ("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 first instance of the proceedings was closed with a ruling published on 17 September 2014, by which the Lazio Regional Administrative Court rejected the appeal by the FEA. The decision was challenged before the Council of State, which has not yet scheduled a hearing to discuss the merits. The Company set up a provision for the amount requested by the GSE in previous periods.

- **Frullo Energia Ambiente S.r.l. ("FEA") vs GSE**

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 provider at that time, excluding services not functional to the production of electrical energy from ancillary services, which today, by contrast, were included in the calculation of the amounts to be recovered from FEA. At the hearing on 17 January 2017, at the suggestion of the presiding judge, it was decided to proceed by filing a request for withdrawal in order to set the hearing in the near future, with the possibility, pending, to introduce precautionary action where the savings and loan bank should proceed with the recovery of the incentive considered in excess. On 2 May, FEA presented an appeal on additional grounds, along with a motion to suspend the payment notification no. 2266 dated 1 March 2017 from

4 Interim Financial Report

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. The debate on the substance is scheduled for 10 October 2019. FEA has set aside the amount requested by the GSE.

- **Frullo Energia Ambiente S.r.l. (“FEA”) vs GSE**

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

Tax litigation:

- **Falck Renewables SpA/Vector Cuatro Srl**

In 2018, the Tax Office 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 Tax Office 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 SpA in liquidation (“PEA”)**

On 22 July 2011 the Tax Office enforced the 12 December 2007 performance bond for €1,111 thousand, issued by Unicredit in PEA’s interest in favour of the tax authorities in relation to the request for repayment of the 2006 VAT credit (amounting to €1,008 thousand). On 29 July 2011, PEA was notified of a tax assessment

4 Interim Financial Report

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 Tax Office and upheld the ruling of the contested Provincial Tax Commission. Subsequently, since the Tax Office challenged decision no. 4869/14/18 of the Palermo Regional Tax Commission before the Supreme Court, the Company filed a counter-claim with the Supreme Court on 14 June 2019.

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 Tax Office. The company has already notified the operative part of sentence to the Tax Office. The Tax Office has notified the Company of the appeal to the Supreme Court on 25 July 2016. The company has therefore notified its defence to the Tax Office dated 30 September 2016 and filed at the Supreme Court on 12 October 2016. Given the complexity of the litigation proceedings described above, the constant attitude of the Tax Office to them and the requests to repay VAT credits earned, together with the upcoming closure of the liquidation procedure, 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 Tax Office notified its refusal to the VAT credit refund claim for 2008 filed in 2009 for EUR 2,206 thousand. On 22 July 2016, the company consequently filed an appeal of the denial act with the Palermo Provincial Commission, which met on 13 February 2019. In a decision issued on 4 March, the Palermo Provincial Tax Commission rejected the Company's appeal (notified to the Company on 18 March 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 13 February 2019 (decision filed on 11 March 2019), the Palermo Provincial Tax Commission met to discuss the dispute and, on the same date, dismissed the appeal filed by the Company.

On 27 June 2017, the Tax Office filed a notification of liquidation for stamp (and Land Registry) duties worth a total of €579 thousand. The notification is in relation to the payment of taxation on the ruling filed in 11 September 2014 in which the Court of Enna closed the litigation between Tifeo and Gulino, ordering Tifeo to perform the sale agreement for the land in Enna and Assoro.

In September 2017, the Company received the outcome of the previously submitted Self-defence Request, in which the Tax Office 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 Tax Office 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 Tax Office 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

4 Interim Financial Report

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.

The Office appealed against the abovementioned judgment at first instance, contesting the findings of the judgment at first instance. Consequently, the Company acted by notifying its counter-arguments to the Regional Tax Commission for Sicily on 13 June 2019.

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

On 1 December 2016 the Tax Office notified its refusal to the VAT credit refund claim for 2008 filed in 2009 for €976 thousand. On 27 January 2017, the company has filed an appeal against the act of denial. On 25 January 2019 the Provincial Tax Commission of Palermo met to discuss the dispute, declaring the appeal inadmissible on the same date (notified to the Company on 18 March 2019). 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 Tax Office 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 Tax Office - Cosenza Province launched a general inspection at the company's offices for the 2014 tax period, in order to check that tax, VAT, direct and regional taxation obligations had been correctly met. The Tax Office inspection resulted in an assessment in which the inspectors claim findings for a total of approximately €190 thousand. Given the complexity of the subject, and the uncertainty of the litigation, the Company assessed the risk of losing as probable and has set aside the entire amount claimed, including sanctions and interest (€243 thousand). On 23 November 2017, we presented briefs demonstrating that we acted correctly. On 4 September 2018 a meeting was held at the Cosenza Tax Office, on their invitation. Discussions between the Company and the Tax Office 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 07 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

4 Interim Financial Report

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.

In recent years, there have been many regulatory interventions that have changed, in general less favourably, the incentive mechanisms, primarily in Spain where the incentives for Group plants have been cancelled, but also in the United Kingdom where, from August 2015, the exemption from the Climate Change tax was abolished that represented, through the LECs mechanism (certificates related to the exemption), an additional remuneration for renewable plants, or in Italy where, for example, Law 116/2014, so-called "Spalma-incentivi", reduced incentives in the photovoltaic sector by 8%¹.

It is appropriate to emphasise the risks associated with the progressive change in the renewable energy market scenario, always monitored by the Group, which appears to be characterised by a process of increased competition and gradual reduction of the advantages offered to the sector itself. Combined with this scenario, it should also be considered that despite enjoying several incentives, the renewables sector is also subject to potential decreases in energy prices due to differing and concurring factors (for example macroeconomic and regulatory). These dynamics mainly affect some of the countries where the Group operates, i.e. the UK, Spain and Italy, while the new rate scheme in France (based on the Contracts for Differences) protects against drops in electricity prices, although the use of the competitive auction system could lead to a fall in prices for some types of plant.

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

Regarding the imbalances, from 01 September 2017 the new system for calculating aggregated zonal imbalances introduced by the Authority with resolution 419/2017/R/eel dated 08 June 2017 came into effect. The resolution effectively makes it more complicated for operators to forecast and take advantage of the zonal sign, as well as introducing a no-arbitrage macro-zonal fee from 01 July 2017, while maintaining the single price for all non-enabled units.

¹ For more information, see section "Regulatory Framework"

4 Interim Financial Report

Moreover, by publishing resolution 922/2017/R/eel, the Authority has completed the reform of the general system fee tariff structure for non-residential clients. This reform, along with the reform of energy-intensive use, changes the weight of the fixed and variable parts of the general system fees from 01 January 2018, and will affect energy efficiency measures and self-provision initiatives, whose remuneration structures depend on the structure of the bills issued to end users.

The new incentive decree for the production of electricity from plants powered by renewable sources (the so-called FER1 decree or mature FER decree, which also includes wind and solar sources) was initially planned for the end of 2018, indicating the month of January 2019 as the period of implementation of the first tender procedures. However, the decree is late and there is still significant uncertainty about the timing of implementation: during the first half of the year, there was a discussion between the national government and the Competition DG of the European Commission, which ended at the beginning of June with the EU green light for the measure. We therefore hope for a rapid implementation by the national government.

In other countries, the incentive systems for new plants, as has already happened in Italy, are moving towards the competitive bidding mechanism with respect to incentive schemes based on a "Feed-in" system. In France for example, following the publication of the "Energy and Transaction Act" dated 18 August 2015, the incentive scheme (FiT) was phased out in favour of the new one based on so-called "Contracts for differences", which involves the recognition of a premium for the producer compared to the market price on the basis of a contract with an obligated off-taker. In the UK, the ROC (Renewable Obligation Certificate) is no longer issued to new projects and has now been replaced with a Contracts for Differences (CfD) mechanism that involves a competitive auction process held periodically to allow projects to stipulate long term contracts for the sale of electricity at a strike price set by the government based on the technology in question. However, the only CfD auction held in 2017 was only open to "less established technologies" such as offshore wind, therefore excluding onshore wind and solar projects from participating. To date, the British government has not announced a new auction.

In November 2018, the Office of Gas and Electricity Markets (OFGEM) launched a consultation on the Targeted Charging Review (TCR) in relation to the reform of network charges, requesting responses from the industry by February 2019. The TCR aims to address the main changes since the entry into force of the current regime. The expected changes that will have a significant impact on the Falck fleet in the UK relate to changes to the Transmission Residual Charge and the balancing system (the so-called Balancing System Use of System Use of System charges - BSUoS). The changes made are likely to take effect from 2021 or 2022.

The existing agreements are designed to reward embedded generation plants that help to compensate for the amount of energy that needs to be imported from the transmission grid to the nerve centres of the grid connection. 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 TCR marks an attempt by OFGEM to more accurately reflect the current and future generation mix in order to ensure a level playing field for all producers, as well as a long-term solution for the small producer reduction mechanism that applies to plants of less than 100 MW connected to 132 kV in Scotland. However, the proposed changes could have a negative impact and there has been widespread opposition from renewable energy producers to the requests made. Falck is actively working with trade associations.

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.

4 Interim Financial Report

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 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.

Considering the knowledge and skills needed to carry out the Group's activities, especially with reference to the business model that envisages the development of new activities and markets, the aspects connected with the management and development of the most important professional skills should also be noted following the growth of the services sector. 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. Under the Share Plan in force at 30 June 2019, the Chief Executive Officer of Falck Renewables SpA was granted 591,000 share rights and some Group managers 503,039 share rights.

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. The Cash Plan in place at 30 June 2019 has a total value of approximately €1.2 million if 120% of the three-year target is reached.

4 Interim Financial Report

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 QHSE/Compliance division. In the event that plant management, technology and/or materials used were no longer efficient, some, or all, of the Group's owned plants may suffer a drop in the volume of electricity produced with a consequent negative impact on the Group's results, state of affairs and financial position. The Group actively oversees these potential risk areas and constantly monitors plant Operation and Maintenance activities to ensure full compliance with applicable regulations and optimum levels of efficiency and effectiveness when the plants are in service.

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

At 30 June 2019 the Falck Renewables Group was present in the UK with twelve plants in operation (of which one in England of 11.75 MW, ten in Scotland of a total of 342.75 MW and one in Wales of 58.5 MW) with a total installed capacity, calculated at 100%, of 413 MW. Please also remember that of the twelve plants in operation in the UK, six plants, with a total of 273 MW, were subject to 49% transfer in March 2014 to CII Holdco (share 134 MW).

Given the 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"). There is still a great deal of uncertainty about the conclusion of the results of the negotiations with the EU, after the British Parliament rejected the agreement on Brexit reached with the EU by Theresa May's government, opening up scenarios of extreme uncertainty about the possible ways in which the UK will have to leave the European Union.

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

Following lengthy negotiations between EU leaders and the British prime minister, the EU has decided to grant a 'flexible' extension which will give the UK time until 31 October 2019, giving the British government an extra six months to have the withdrawal agreement negotiated over the last two years between London and Brussels approved by Parliament, as the President of the EU Council has indicated that the EU does not intend to change the withdrawal agreement already negotiated, or to change strategy and consider how to get a vote on the withdrawal of Brexit.

Prime Minister May had reiterated her willingness to have the withdrawal agreement approved by her Parliament before the European elections on 23-26 May.

Following unsuccessful attempts at negotiation and internal tensions, Theresa May announced her resignation on 24 May, with effect from 7 June. Most believe that this could further complicate the dialogue with the European institutions, making it uncertain whether a shared agreement could be reached by the new deadline of

4 Interim Financial Report

the end of October 2019. During this period, Great Britain continues to maintain all its rights and obligations, remaining a member of the Union and has also participated in the European elections.

The doubts about the outcome of the negotiations with the EU prevent operators from assuming what the geo-political, economic, financial, fiscal and industrial scenarios will be, also with reference to the British electricity market and the policies for the development and promotion of renewable energy following Brexit. It is therefore impossible to exclude the risk of volatility on the financial markets in the near future, including interest rates and the exchange rate for the pound sterling, with knock-on effects on the demand for electricity and a tightening of the credit market; for the moment, however, there is no sign of any of the above, given the openness towards clean energy by some members of the British government and the liquidity of the credit market. Furthermore, it cannot be ruled out that financial effects may also spread to other EU Member States, especially to those countries that have strong government debt exposures or banking sectors with strong exposures or weaker economies, in a climate that is not particularly favourable for the European Monetary Union, and that they may lead to an economic slowdown that, in addition to affecting the United Kingdom, may extend to other countries, with an effect on exchange rates, interest rates but also on 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.

4.1.11 Significant events after the balance sheet date

On 4 July 2019 Falck Renewables Energy Srl changed its name to Falck Next Energy Srl.

On 18 July Falck Renewables SpA signed a preliminary agreement with the Canadian Solar Group for the purchase of 70% of Big Fish SPV Srl, the owner of a solar project under development in Sicily, for a total capacity of up to 195 MW.

The price for the shareholding in Big Fish SPV Srl is approximately €60 thousand, and may subsequently increase to a maximum of €145 thousand, depending on the total final capacity of the project. Falck Renewables SpA has also reimbursed pro-rata the development costs incurred to date. The project, which has secured connection permits and preliminary land rights, will begin the authorisation process in the last quarter of 2019. The Parties will contribute pro rata to the development of the project. The operation also includes the stipulation of a shareholders' agreement that provides for a lock-up mechanism, which will end when the exit mechanisms from the company are activated, and a reciprocal change of control clause that implies, as the case may be, the right or obligation of Falck Renewables to acquire the minority interests. Once the authorisations for the construction of the plant have been obtained, Falck Renewables SpA may exercise a call option for the purchase of the remaining 30% of Big Fish SPV Srl.

The closing took place on 25 July 2019.

4.1.12 Management outlook and going concern

The Group's results for 2019 will benefit from (i) the production of the solar power plants in Massachusetts (20.5 MW) for the entire year; (ii) the production of the five wind farms in operation in France acquired in March 2019 (56 MW) for ten months; and (iii) the results of Energy Team SpA for the entire year.

4 Interim Financial Report

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.

4.2 Operating and financial review of Falck Renewables SpA

4.2.1 Financial highlights

	(€ thousands)		
	30.6.2019	30.6.2018	31.12.2018
Revenue	49	80	126
Operating profit/(loss)	(11,746)	(6,483)	(20,247)
Profit before taxation	(2,000)	10,117	32,120
Profit/(loss) for the year	702	12,995	36,969
Net financial position (assets)/liabilities	99,580	6,308	19,352
Capital expenditure	1,863	277	1,365
Employees at the period-end	(no.) 88	97	78
Ordinary shares	(no.) 291,413,891	291,413,891	291,413,891

4.2.2 Performance and review of business

Falck Renewables SpA reported a net profit of €702 thousand for the year to 30 June 2019 (€12,995 thousand in the first half of 2018).

The decrease in net profit is due to lower dividends from subsidiaries and lower release of the provision for risks.

The financial position showed a debit balance of €99,580 thousand, compared with a debit balance of €6,308 thousand at 30 June 2018.

The increase in the financial position compared to 30 June 2018 is due to the capital increases in companies in Italy, Norway, Sweden and the USA, as well as to the acquisition of Energy Team and its Consortia and the distribution of dividends to shareholders net of dividends received.

The entry into force of IFRS 16 increased financial payables for operating leases at 30 June 2019 by €1,662 thousand.

We remind you that on 12 June 2015, Falck Renewables SpA entered into a new Corporate Loan contract, subsequently modified on 30 July 2018, for €325 million maturing on 31 December 2023; as of 30 June 2019 the new loan has not yet been used.

4 Interim Financial Report

The net financial position also includes the negative fair value of the derivatives to hedge interest rate and foreign exchange risks for €4,609 thousand.

| 4.2.3 Employees

The total number of Company employees at 30 June 2019 was 88, comprising 26 managers and 62 white collar workers, representing an increase of 10 compared to the total at 31 December 2018.

| 4.2.4 Capital expenditure

Capital expenditure for the period totalled €1,863 thousand, of which €1,590 thousand related to software licences and the development of management systems.

| 4.2.5 Corporate controls

Falck Renewables SpA continued to rationalise the organisational structure in order to ensure the transparency and efficiency of its corporate governance system.

The share capital is entirely formed of ordinary shares. The reference shareholder is Falck SpA, which holds 60% of capital directly, and a further 1.77% through its 100% subsidiary Falck Energy SpA.

The shareholder JPMorgan Asset Management Holdings INC, through its subsidiaries in the United Kingdom and Taiwan, holds 5.014% of the share capital as of 30 June 2019.

The remaining shares are held by shareholders with holdings worth less than 5% each.

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

- a Code of Self-Discipline
- a Code of Ethics
- an Internal Dealing procedure
- Insider Dealing and disclosure procedure and the regulations for keeping the register of persons with access to insider information
- a related party transaction procedure
- a policy on the accumulation of offices

The company is governed by a Board of Directors.

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

The Company has adopted the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana SpA; the Board of Directors has therefore set up the Human Resources and Appointments Committee and the Risk and Sustainability Control Committee to provide advice and make proposals.

In compliance with Legislative Decree 231/01, the company has also brought in an organisation and management model and appointed a specific Supervision Body.

An Investor Relator has been appointed to periodically inform the market about the company and Group.

| 4.2.6 Related party transactions

Relations with subsidiaries and associates

Falck Renewables SpA carries out arm's length transactions of both a trade and financial nature with its subsidiaries and associates.

These transactions allow for Group synergies to be achieved through the use of common services and know-how and the application of common financial policies.

4 Interim Financial Report

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 30 June 2019 and no transactions of an economic or financial nature take place with the former.

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

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

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

4.2.7 Direction and coordination activities

In accordance with article 2497-bis, paragraphs 1 and 5 of the Italian Civil Code, we inform you that the Company is directed and coordinated by the parent Falck SpA. As explained above, transactions with the parent company are of a commercial nature and have had a positive impact on the result for the year in terms of revenues from management services (€82 thousand) and out-of-period income (38 thousand). Charges made by Falck SpA for a total of €535 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.

4.2.8 Holding of own shares or parent company shares

In compliance with Article 2428, paragraph 2, point 3 of the Italian Civil Code, the company declares that at 30 June 2019 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.

No subsidiaries held shares in Falck Renewables SpA at 30 June 2019, either through trust companies or third parties.

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

In accordance with the provisions of article 2428, paragraph 2, point 4, of the Italian Civil Code, we inform you that during the first six months of 2019 the company did not purchase or sell its own shares.

4.2.10 Stock option and stock grant plans

The Shareholders' Assembly on 27 April 2017 approved, at the end of a process that also involved the human resources committee, the "2017-2019 stock grant plan" (the "Share Plan") addressed to the Chief Executive

4 Interim Financial Report

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 Plan² 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 treasury 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.

On behalf of the board of directors
The Chairman
Enrico Falck

Milan, 30 July 2019

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

**5. Abbreviated consolidated
interim financial reports at 30 June 2019**

5.1 Consolidated balance sheet

5.1 Consolidated balance sheet

		(€ thousands)			
		30.6.2019		31.12.2018	
	Notes	<i>of which related parties</i>		<i>of which related parties</i>	
Assets					
A Non-current assets					
1	(1)	142,220		140,580	
2	(2)	1,190,028		1,043,025	
3	(3)	2,054		1,214	
4	(4)	21,237		22,804	
5	(5)	9,161	8,834	11,103	9,618
6	(6)				
7	(8)	17,534		19,892	
8	(7)	3,072		3,479	
Total		1,385,306		1,242,097	
B Current assets					
1	(9)	7,725		5,828	
2	(6)	102,084	253	98,678	304
3	(7)	40,875	17,173	37,730	10,872
4	(5)	4,294	1,622	2,615	1,631
5		936		1,787	
6	(10)	154,496		218,188	
Total		310,410		364,826	
C Non-current assets held for sale					
Total assets		1,695,716		1,610,624	
Liabilities					
D Net equity					
1		291,414		291,414	
2		189,701		165,851	
3					
4		27,323		44,159	
Total Group equity	(11)	508,438		501,424	
5		54,469		54,696	
Total equity	(11)	562,907		556,120	
E Non-current liabilities					
1	(14)	759,494	19,740	700,847	19,718
2	(15)	2,464		3,585	
3	(16)	56,432	2,364	57,565	2,734
4	(8)	35,730		26,755	
5	(12)	81,902		79,867	
6	(13)	4,512		4,316	
Total		940,534		872,935	
F Current liabilities					
1	(15)	48,011	1,041	48,287	704
2	(16)	55,507	29,478	52,425	24,302
3	(14)	88,757	1,887	78,226	2,511
4	(12)				
Total		192,275		178,938	
G Liabilities associable with non-current assets intended for sale					
Total liabilities		1,695,716		1,610,624	

For details of related party transactions, see page 90.
There were no significant transactions in the first half of 2019.

5.2 Consolidated income statement

5.2 Consolidated income statement

		(€ thousands)			
		30.6.2019		30.6.2018	
	Notes	<i>of which related parties</i>		<i>of which related parties</i>	
A	Revenue	(17)	185,417	164,974	
	Direct costs		(93,275)	(79,646)	
	Employee costs	(18)	(19,697)	(16,341)	
	Other income	(20)	5,112	214	10,348
	Administrative expenses	(21)	(12,591)	(548)	(16,541)
	Net margin from trading activities		(47)		
B	Operating profit/(loss)		64,919	62,794	
	Financial income/(expenses)	(22)	(19,463)	(84)	(19,563)
	Investment income and expenses	(23)			
	Share of profit of investments accounted for using the equity method	(24)	887	887	957
C	Profit/(loss) before tax		46,343	44,188	
	Income tax expense	(25)	(11,548)	(9,876)	
D	Profit/(loss) for the year		34,795	34,312	
E	Profit attributable to non-controlling interests		7,472	6,610	
F	Profit/(Loss) attributable to owners of the parent		27,323	27,702	
	<i>Earnings per share attributable to owners of the parent (€)</i>	(11)	<i>0.094</i>	<i>0.096</i>	
	<i>Diluted earnings attributable to owners of the parent (€)</i>	(11)	<i>0.094</i>	<i>0.095</i>	

For details of "related party transactions", see page 102.
There were no significant transactions in the first half of 2019.

5.3 Consolidated statement of comprehensive income

5.3 Consolidated statement of comprehensive income

		(€ thousands)					
		30.6.2019			30.6.2018		
		Gross	Tax	Net	Gross	Tax	Net
A	Profit for the year	46,343	(11,548)	34,795	44,188	(9,876)	34,312
Other items of comprehensive income							
<i>Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax</i>							
	Foreign exchange differences on translation of overseas financial statements	(262)		(262)	1,877		1,877
	Fair value adjustment of financial assets held for sale				139	(34)	105
	Share of other comprehensive income of investments accounted for using the equity method	16		16	58		58
	Fair value adjustments of derivatives designated as cash flow hedges	(3,563)	323	(3,240)	4,111	(665)	3,446
B	Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax	(3,809)	323	(3,486)	6,185	(699)	5,486
<i>Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax</i>							
	Share of other comprehensive income of investments accounted for using the equity method	(19)		(19)	(6)		(6)
	Balance of actuarial gains/(losses) on employee defined benefit plans				(6)		(6)
C	Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax	(19)		(19)	(12)		(12)
B+C	Other comprehensive income/(loss)	(3,828)	323	(3,505)	6,173	(699)	5,474
A+B+C	Total comprehensive income/(loss)	42,515	(11,225)	31,290	50,361	(10,575)	39,786
Attributable to:							
	- Owners of the parent			24,407			32,234
	- Non-controlling interests			6,883			7,552

5.4 Consolidated financial report

5.4 Consolidated financial report

		(€ thousands)			
		30.6.2019		30.6.2018	
	Notes	<i>of which related parties</i>		<i>of which related parties</i>	
Cash flow from operating activities					
Profit for the year		34,795		34,312	
<i>Adjusted for:</i>					
Amortisation of intangible assets	(19)-(21)	346		364	
Depreciation of property, plant and equipment	(19)-(21)	36,272		31,778	
Impairment/(revaluation) of intangible assets	(19)-(21)	1,128			
Impairment/(revaluation) of property, plant and equipment	(19)-(21)			68	
Adjustment of non-current assets					
Staff leaving indemnity provision	(18)	545		430	
Stock grant plan costs	(18)-(21)	285		181	
Fair value of investments and other securities					
Financial income	(22)	(15,132)	(242)	(5,244)	(217)
Financial expenses	(22)	34,595	301	24,807	273
Dividends					
Share of profit of investments valued using equity method	(24)	(887)	(887)	(957)	(957)
(Gain)/loss on sale of intangibles	(20)				
(Gain)/loss on sale of property, plant and equipment	(20)	(822)		27	
(Gain)/loss on sale of investments					
Investment (income)/expenses					
Other changes		(102)		193	
Income tax (income statement)	(25)	11,548		9,876	
Operating profit before changes in net working capital and provisions		102,571		95,835	
Change in inventories	(9)	(1,897)		162	
Change in trade receivables	(6)	(3,927)		(484)	
Change in trade payables	(15)	(1,397)		(2,801)	
Change in other receivables/payables		(4,184)		(10,142)	
Net change in provisions	(12)	2,035		1,764	
Change in employee payables - staff leaving indemnity paid during year	(13)	(349)		(442)	
Cash flow from operating activities		92,852		83,892	
Interest paid		(24,438)	(100)	(19,814)	(109)
Tax paid/collected		(2,933)		(3,425)	
Net cash flow from operating activities (1)		65,481		60,653	
Cash flow from investing activities					
Dividends					
Proceeds from sale of property, plant and equipment		346		136	
Proceeds from sale of intangible assets					
Proceeds from sale of investment activities		1,849			
Purchases of intangible assets	(1)	(3,319)		(462)	
Purchases of property, plant and equipment	(2)	(41,421)		(26,499)	
Equity investments		(839)		(522)	
Sale of investments					
Purchase of own shares	(11)			(1,422)	
Purchase of subsidiaries net of cash		(33,733)	(2,360)	(26,200)	(2,360)
Interest received		17,293		242	
Net cash flow from investing activities (2)		(59,824)		(49,877)	
Cash flow from financing activities					
Dividends paid	(11)	(27,566)	(20,686)	(20,367)	(14,490)
Proceeds from share capital increase and capital contribution net of expenses		2,057		2,057	
Change in scope of consolidation					
Net change in financial receivables		768		768	
New borrowings		1,115			
Loans granted					
Repayment of borrowings		(45,554)		(35,864)	
Net cash flow from financing activities (3)		(69,180)		(51,961)	
Net (decrease)/increase in cash and cash equivalents (1+2+3)		(63,523)		(41,185)	
Cash and cash equivalents at 1 January		218,188		261,517	
Translation (loss)/gain on cash and cash equivalents		(169)		173	
Cash and cash equivalents at the end of the period	(10)	154,496		220,505	

5.5 Consolidated statement of changes in equity

5.5 Consolidated statement of changes in equity

	(€ thousands)					
	Share capital	Reserves	Profit for the period	Total Net third party Group	Third party equity	Total equity
At 31.12.2017 *	291,414	138,024	19,788	449,226	48,333	497,559
Appropriation of 2017 profit		19,788	(19,788)			
First-time application of IFRS 9		13,367		13,367	(51)	13,316
Dividends paid		(15,365)		(15,365)	(4,886)	(20,251)
Other comprehensive profit items included in equity		4,532		4,532	942	5,474
Purchase of own shares		(1,422)		(1,422)		(1,422)
Other movements		2,253		2,253	(2,161)	92
Profit for the year at 30 June 2018			27,702	27,702	6,610	34,312
At 30.6.2018	291,414	161,177	27,702	480,293	48,787	529,080
Dividends paid					(4,751)	(4,751)
Other comprehensive profit items included in equity		1,383		1,383	(172)	1,211
Purchase of own shares		(64)		(64)		(64)
Other movements		3,355		3,355	1,179	4,534
Profit for the year at 31 December 2018			16,457	16,457	9,653	26,110
At 31.12.2018	291,414	165,851	44,159	501,424	54,696	556,120
Appropriation of 2018 profit		44,159	(44,159)			
Dividends paid		(18,220)		(18,220)	(9,498)	(27,718)
Other comprehensive profit items included in equity		(2,916)		(2,916)	(589)	(3,505)
Other movements		827		827	2,388	3,215
Profit for the year at 30 June 2019			27,323	27,323	7,472	34,795
At 30.6.2019	291,414	189,701	27,323	508,438	54,469	562,907

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

5.6 Explanatory notes and additional information on the financial reports

5.6 Explanatory notes and additional information on the financial reports

5.6.1 Basis of preparation of the consolidated financial statements

The abbreviated consolidated interim financial statements for the period 01 January 2019 to 30 June 2019 were drafted in compliance with IAS 34 - Interim financial reporting.

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 accounting policies used for the preparation of the abbreviated consolidated interim reports are in line with those applied for the consolidated financial statements at 31 December 2018, with the exception of those that came into effect on 1 January 2019.

As they do not show all the information required for the annual consolidated reports, the interim reports should be read together with the consolidated financial statements at 31 December 2018.

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

- ***Consolidated balance sheet***

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

- ***Consolidated income statement***

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

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

- operating profit;
- profit before 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 financial report***

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

5.6 Explanatory notes and additional information on the financial reports

Consolidated statement of changes in consolidated equity

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

The abbreviated consolidated interim reports are shown in EUR and the balances and notes are expressed in thousands of EUR, unless specifically indicated otherwise.

These abbreviated consolidated interim financial statements at 30 June 2019 were approved, and publication authorised, by the Board of Directors on 30 July 2019.

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

5.6.2 Scope of consolidation

The consolidated, abbreviated interim financial statements for the year ended 30 June 2019 include the financial statements of the parent company Falck Renewables SpA and its subsidiaries.

Falck Renewables SpA controls an entity when it has the power to influence significant decisions, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity: in this case the entity is consolidated on a line-by-line basis.

The companies in which the parent company exercises joint control with other shareholders (joint-ventures) and those in which it exercises a significant influence are consolidated using the equity method.

The Falck Renewables Group consists of 105 companies, of which 100 are consolidated on a line-by-line basis, and 5 are consolidated applying the equity method.

During the first six months, the following companies were incorporated:

- Falck Renewables North America Development Services & Construction Management, LLC, wholly owned by Falck Renewables North America, Inc. and full consolidated;
- Falck Renewables Power 1 SL, wholly owned by Falck Renewables S.p.A. and fully consolidated;
- Falck Renewables Power 2 SL, wholly owned by Falck Renewables S.p.A. and fully consolidated;
- Falck Renewables Power 3 SL, a wholly-owned subsidiary of Falck Renewables S.p.A. and fully consolidated.

During the first six months of 2019, the following companies were acquired and fully consolidated:

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

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

In addition, Ongarhill Wind Energy Limited and PV Diagnosis Srl were liquidated.

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

5.6 Explanatory notes and additional information on the financial reports

Definitive Purchase Price Allocation for Windfor Srl

In the first half of the year, the Group completed the following PPA, which had been presented as provisional as at 31 December 2018:

Windfor Srl

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 02 August 2018, and recorded on the income statement from 03 August 2018.

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 total net equity on the date of acquisition was of €333 thousand.

The acquisition of a controlling interest in Windfor Srl 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 for the period, amounting to €285 thousand, has been allocated to goodwill, as detailed in the following table:

(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	23		23
Property, plant and equipment	10		10
Trade receivables/(payables)	370		370
Other assets/(liabilities)	(189)		(189)
Net financial position	119		119
Total net assets acquired	333		333
Goodwill (allocated at the highest price paid)	285		285
Deferred liabilities	0		0
Total acquisition cost	618		618

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

The following table shows the amount of revenues and net income of Windfor Srl from the date of first consolidation: revenues of €517 thousand (€357 thousand in 2018); profit/(loss) -€48 thousand (-€35 thousand in 2018)

Purchase Price Temporary allocation of the acquisitions of EnergyTeam SpA, Energia Eolica de Castilla SI, CEP Tramontane 1 Sas and CEF Vento Sas

On 2 October 2018 Falck Renewables SpA finalised the acquisition of 51% of Energy Team SpA, an Italian leading company in consumption control and flexibility management services 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 02 October 2018, and recorded on the income statement from 03 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.

5.6 Explanatory notes and additional information on the financial reports

Moreover, 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.

Lastly, in March 2019 Falck Energies Renouvelables SAS acquired 100% of the shares in the French companies CEP Tramontane 1 SAS and CEF Vento SAS. CEP Tramontane 1 SAS is, in turn, the owner of 100% of the shares of the following three wind companies: Parc éolien du Bois Ballay SAS, Parc éolien de Mazeray et de Bignay SAS and Parc éolien des Coudrays SAS, while CEF Vento SAS holds 100% of the shares of the following two wind companies: Eol Team SAS and Ferme éolienne de Noyales SAS. With this operation, the Group has acquired a total of five wind farms in operation in France for a total of 59.5 MW.

The companies' financial positions were entirely consolidated, and recorded on the income statement from 1 March 2019.

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, in application of IFRS 3. The completion of these activities, which will be finished < 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.

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 on results and net financial position, which will be finalised in the third quarter 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 and will be amortised based on the residual useful life of the plant acquired.

CEP Tramontane 1 SAS and CEF Vento SAS

The acquisition cost was €36,863 thousand, paid in full in 2019, of which €22,810 thousand to take over the shareholders' loan and €14,053 thousand to purchase shares.

Consolidated shareholders' equity at the date of acquisition amounted to -€3,432 thousand.

5.6 Explanatory notes and additional information on the financial reports

The difference between the net equity acquired and the price paid was preliminarily allocated to wind farms for €25,341 thousand and to deferred tax liabilities for €7,856 thousand and is amortised on the basis of the average residual useful life of the plants acquired.

The following table shows the contribution to the consolidated financial statements at the date of first-time consolidation of the companies acquired during the first half of 2019, in addition to the value of the residual debt for acquisitions at 30 June 2019:

(€ thousands)	CEP Tramontane 1 SAS and CEF Vento SAS
Property, plant and equipment	45,037
Intangible assets	
Provisional PPA (property, plant and equipment)	25,341
Provisional PPA (current property, plant and equipment)	
Provisional PPA (goodwill)	
Deferred assets/(liabilities)	(11,186)
Trade receivables/(payables)	
Other assets/(liabilities)	(1,050)
Financial receivables/(payables)	(26,934)
Price	31,208
Acquisition cash flow analysis:	
Total acquisition cost	36,863
Acquired cash and cash equivalents	5,655
Price	31,208
Debt for acquisitions at 30 06 2019	
Net financial cost of acquisitions	31,208

5.6 Explanatory notes and additional information on the financial reports

The net revenues and results from the date of their first consolidation in the Falck Renewables Group of companies whose PPAs have not yet been completed are as follows:

- Energy Team SpA: revenues €6,218 thousand (€3,452 thousand in 2018); profit/(loss) €636 thousand (€772 thousand in 2018)
- Energia Eolica de Castilla Sl: revenues €0 thousand; profit/(loss) €68 thousand
- CEP Tramontane 1 SAS, CEF Vento SAS and their subsidiaries: revenues €3,641 thousand; profit/(loss) €500 thousand.

5.6.3 Accounting principles and method of consolidation

The accounting policies used for the preparation of the abbreviated consolidated interim reports are in line with those applied for the consolidated financial statements at 31 December 2018, with the exception of the policies applicable from 01 January 2019. The joint ventures were consolidated using the equity method.

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

New standards and amendments entered into force for the first time since 01 January 2019, as required by the EU during its approval

With reference to the accounting policies in force as of 01 January 2019 compared to those applicable to the 2018 financial year, the only significant effect concerns the adoption of IFRS 16 "Leases", illustrated below.

IFRS 16 Leases

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. 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.

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

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

For the effects, please refer to the directors' report in chapter "4.1.3 Performance".

5.6 Explanatory notes and additional information on the financial reports

5.6.4 Sector 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.

	(€ thousands)											
	WTE, biomass, solar		Wind		Services		Other Businesses		Elimination		Consolidated	
Operations	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Revenue	33,121	32,419	124,563	122,097	21,222	5,888	37,064	15,157	(30,553)	(10,587)	185,417	164,974
Direct costs	(22,360)	(22,795)	(51,560)	(49,976)	(8,878)	(1,556)	(36,152)	(15,194)	25,675	9,875	(93,275)	(79,646)
Employee costs	(2,755)	(3,492)	(1,601)	(2,352)	(10,035)	(4,243)	(5,485)	(6,255)	179	1	(19,697)	(16,341)
Other income	3,262	8,710	1,610	597	499	480	3,351	3,492	(3,610)	(2,931)	5,112	10,348
Administrative expenses	(2,649)	(8,043)	(5,587)	(3,780)	(2,334)	(513)	(10,685)	(3,856)	8,664	(349)	(12,591)	(16,541)
Net margin from trading activities							(47)				(47)	
Operating profit/(loss)	8,619	6,799	67,425	66,586	474	56	(11,954)	(6,656)	355	(3,991)	64,919	62,794
Financial income/(expenses)	(2,185)	(2,492)	(17,743)	(18,271)	(115)	(1)	1,713	2,020	(1,133)	(819)	(19,463)	(19,563)
Investment income/(expenses)							7,872		(7,872)			
Share of profit of investments accounted for using the equity method	882	946			5	11		14,504		(14,504)	887	957
Profit/(loss) before tax	7,316	5,253	49,682	48,315	364	66	(2,369)	9,868	(8,650)	(19,314)	46,343	44,188
Tax	(1,608)	(951)	(12,432)	(11,931)	(428)	(114)	2,749	2,906	171	214	(11,548)	(9,876)
Profit/(loss) for the year	5,708	4,302	37,250	36,384	(64)	(48)	380	12,774	(8,479)	(19,100)	34,795	34,312
Profit/(loss) attributable to non-controlling interests	318	18	7,178	6,599					(24)	(7)	7,472	6,610
Profit/(loss) attributable to owners of the parent	5,390	4,284	30,072	29,785	(64)	(48)	380	12,774	(8,455)	(19,093)	27,323	27,702

	(€ thousands)											
	WTE, biomass, solar		Wind		Services		Other Businesses		Elimination		Consolidated	
Financial position	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Intangible assets	313	7	98,117	96,384	40,321	9,254	3,523	1,531	(54)	(21)	142,220	107,155
Property, plant and equipment	247,513	247,764	941,846	813,276	2,795	64	1,947	216	(4,073)	(2,215)	1,190,028	1,059,655
Net financial position	149,214	162,808	528,487	497,504	1,196	(1,267)	84,401	2,168	(82,998)	(8,128)	680,300	579,995
Investments in the period	1,298	13,566	67,652	19,048	625	100	2,104	277	(1,015)	(922)	70,664	32,069

5.6 Explanatory notes and additional information on the financial reports

5.6.5 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

	(€ thousands)							
	Balance at 31.12.2018	Acquisitions	Effect of variation	Reclassifications	Disposals	Other (impairment) movements Revaluations	Amortisation/ depreciation	Balance at 30.6.2019
1.1 Industrial patent rights and intellectual property rights	1,038			7			(177)	868
1.2 Concessions, licences, trademarks and similar rights	18	35	1				(26)	28
1.3 Goodwill	117,304		(111)					117,193
1.4 Other intangibles	2,929	23	2	67		2	(656)	2,224
1.5 Assets under construction and advance payments	19,291	3,261	4	(74)		(103)	(472)	21,907
Total	140,580	3,319	(104)			(101)	(1,128)	142,220

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)
- CEF Vento SAS and CEP Tramontane 1 SAS (Eol Team SAS, Ferme Eolienne de Noyales, Parc Eolien du Bois Ballay, Parc Eolien de Mazeray et de Bignay, Parc Eolien des Coudrays plants)
- 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 Carreastro)
- Eolica Cabezo San Roque Sau (Cabezo wind farm)
- Eolica Petralia Srl (Petralia Sottana wind farm)
- Eolica Sud Srl (San Sostene wind farm)

5.6 Explanatory notes and additional information on the financial reports

- Eolo 3W Minervino Murge Srl (Minervino Murge wind farm)
- Esquennois Energie Sas (Oise wind farm)
- Falck Renewables Wind Ltd (wind sector parent company)
- Falck Renewables Vind AS (grants for the wind farms in Okla and Hennøy)
- Fisher Road Solar I LLC (solar plant in Dartmouth, Massachusetts)
- Frullo Energia Ambiente Srl (Granarolo dell’Emilia WtE plant)
- Geopower Sardegna Srl (Buddusò-Alà dei Sardi wind farm)
- Vector Cuatro group (services)
- HG Solar Development LLC (solar plant in Middleton, Massachusetts)
- Innovative Solar 42 LLC (solar farm in Fayetteville, North Carolina)
- Kilbraur Wind Energy Ltd (Kilbraur wind farm)
- Kingsburn Wind Energy Ltd (Kingsburn wind farm)
- Millennium Wind Energy Ltd (Millennium wind farm)
- Nutberry Wind Energy Ltd (Nutberry wind farm)
- Parc Eolien du Fouy Sas (Maine et Loire wind farm)
- Parc Eolien des Cretes Sas (Maine et Loire wind farm)
- Prima Srl (Trezzo sull’Adda WtE plant)
- Solar Mesagne Srl (Mesagne solar plants)
- Spaldington Airfield Wind Energy Ltd (Spaldington wind farm)
- Syncarpha Massachusetts LLC (solar plant in Leominster, Massachusetts)
- Syncarpha Palmer 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)

Goodwill at 30 June 2019 comprised:

Goodwill	(€ thousands)
	Book value at 30.06.2019
Energy Team SpA	32,019
Geopower Sardegna Srl	16,245
Cambrian Wind Energy Ltd	12,383
Falck Renewables Wind Ltd	10,222
Ben Aketil Wind Energy Ltd	9,757
Earlsburn Wind Energy Ltd	9,608
Millennium Wind Energy Ltd	9,312
Vector Cuatro SLU	6,146
Boyndie Wind Energy Ltd	4,078
Kilbraur Wind Energy Ltd	3,708
Eolica Sud Srl	1,967
Eolo 3W Minervino Murge Srl	1,748
Total	117,193

With reference to the measurement of the Vector Cuatro contract portfolio, recorded under other intangible assets, we report an impairment of €652 thousand due to the termination of some multi-year contracts.

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

5.6 Explanatory notes and additional information on the financial reports

Investments in intangible assets amounted to €3,319 thousand and mainly relate to operating software and licensing costs of €1,634 thousand, development costs of €386 thousand and costs on Falck Renewables Vind concessions of €1,259 thousand.

2 Property, plant and equipment

Movements in the period were as follows:

	Balance at 31.12.2018	Acquisitions	IFRS 16	Change in scope of consolidation	Reclassifications	Effect of variation	Disposals	Other (Impairment) movements Revaluations	Amortisation/ depreciation	Balance at 30.6.2019
(€ thousands)										
Gross values										
2.1 Land	8,442					(1)				8,441
2.2 Industrial buildings	2,508				(653)					1,855
2.3 Plants and machinery	1,468,102	25,486		74,892	461	(266)	(799)			1,567,876
2.4 Industrial and office equipment	1,864	4			25	1				1,894
2.5 Other assets	4,543	209			59	2	(96)	(6)		4,711
2.6 Assets operated under concession	93,558				461	(1)				94,018
2.7 Rights of use		744	70,516	2,017	653	(12)		221		74,139
2.8 Assets under construction and advances	46,093	40,902					(1,000)			85,995
Total gross value	1,625,110	67,345	70,516	76,909	6	(277)	(895)	215		1,838,929
Accumulated depreciation										
2.1 Land										
2.2 Industrial buildings	(1,345)					255			(31)	(1,121)
2.3 Plants and machinery	(502,104)			(31,867)	(6)	731	490		(31,186)	(563,942)
2.4 Industrial and office equipment	(1,548)					(1)			(55)	(1,604)
2.5 Other assets	(3,696)						72	6		(163)
2.6 Assets operated under concession	(73,392)								(2,178)	(75,570)
2.7 Rights of use					(255)	31			(2,659)	(2,883)
Total depreciation	(582,085)			(31,867)	(6)	761	562	6	(36,272)	(648,901)
Net book amounts										
2.1 Land	8,442					(1)				8,441
2.2 Industrial buildings	1,163					(398)			(31)	734
2.3 Plants and machinery	965,998	25,486		43,025	455	465	(309)		(31,186)	1,003,934
2.4 Industrial and office equipment	316	4			25				(55)	290
2.5 Other assets	847	209			59	2	(24)		(163)	930
2.6 Assets operated under concession	20,166				461	(1)			(2,178)	18,448
2.7 Rights of use		744	70,516	2,017	398	19		221	(2,659)	71,256
2.8 Assets under construction and advances	46,093	40,902					(1,000)			85,995
Total net book amounts	1,043,025	67,345	70,516	45,042	484	(333)	221		(36,272)	1,190,028

The rights of use relate to the effects of IFRS 16, which sets out the principles for recognising, measuring, presenting and disclosing leases and requires lessees to account for all leases in the financial statements on the basis of a single model similar to that used to account for finance leases in accordance with IAS 17.

Purchases - Purchases mainly refer to the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France (€25,341 thousand), the construction of the wind farms in Brattmyrliden (€290 thousand) and Aliden (€22,524 thousand) in Sweden, and Falck Renewables Vind in Norway (€10,834 thousand), Energia Eolica de Castilla in Spain (€5,670 thousand), maintenance work on the Eolo 3W Minervino Murge plant (€340 thousand) and the Trezzo plant (€422 thousand), construction of the Falck Middleton battery (€595 thousand) and capitalisation of rights of use (€744 thousand).

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

5.6 Explanatory notes and additional information on the financial reports

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

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

Investment in the acquisitions, recorded as a variation in the consolidation area, amounted to €45,042 thousand (including the acquired net financial position).

Property, plant and equipment at 30 June 2019 did not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

There are no financial charges charged to property, plant and equipment during the year.

3 Investments and securities

These are Energy Team securities for a total of €1,028 thousand (of which €936 thousand short-term), the 1.807% stake in Fondo Italiano per l'Efficienza Energetica SGR SpA for a total of €1,862 thousand and the options to purchase equity investments in Norway for a total of €100 thousand.

During 2019, the Fondo Italiano per l'Efficienza Energetica SGR SpA continued its operational management of the Fund according to the development plan approved by its Board of Directors. For further information on total investments, please see the section “Commitments and contingencies”.

4 Investments accounted for using the equity method

	(€ thousands)					
	At 31.12.2018	Revaluations (Impairment)	Adjustment to total equity	Dividends	Other movements	At 30.6.2019
Frullo Energia Ambiente Srl	22,701	882	(4)	(2,450)		21,129
Parque Eolico La Carracha SI						
Parque Eolico Plana de Jarreta SI						
Nuevos Parque Eolicos La Muela AIE						
Vector Cuatro Servicios SL	103	5				108
Total	22,804	887	(4)	(2,450)		21,237

These comprise the 49% stake in Frullo Energia Ambiente Srl, the 26% holdings in Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI, 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 SI.

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

Details and figures of associated companies consolidated using the equity method at 30 June 2019 are shown below, in compliance with IFRS 12:

5.6 Explanatory notes and additional information on the financial reports

	Registered offices	Currency	Share capital	% direct holding	Indirect holding	
					%	Subsidiary
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 SI	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta SI	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

Main balance sheet information:

	(€ thousands)				
	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Frullo Energia Ambiente Srl	62,040	17,104	43,299	10,549	25,296
Nuevos Parque Eolicos La Muela AIE	2	50	38		13
Parque Eolico La Carracha SI	10,973	4,793	4,389	9,628	1,749
Parque Eolico Plana de Jarreta SI	10,958	4,771	3,172	10,895	1,663
Vector Cuatro Servicios SL	146	214	216	39	104

Main income statement information:

	(€ thousands)			
	Revenue	Operating income/(loss)	Profit/(loss) before tax	Net income/(loss)
Frullo Energia Ambiente Srl	12,922	2,638	2,549	1,786
Nuevos Parque Eolicos La Muela AIE	376			
Parque Eolico La Carracha SI	3,146	1,641	1,481	1,110
Parque Eolico Plana de Jarreta SI	3,020	1,532	1,372	1,029
Vector Cuatro Servicios SL	71	16	13	10

5 Financial receivables

As at 30 June 2019, this item is broken down as follows:

	(€ thousands)								
	30.6.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	10,535	8,834	1,701	11,442	9,618	1,824	(907)	(784)	(123)
Amounts owed by associates									
Derivative financial instruments	2,920	327	2,593	2,276	1,485	791	644	(1,158)	1,802
Total	13,455	9,161	4,294	13,718	11,103	2,615	(263)	(1,942)	1,679

Financial receivables are disclosed net of the provision for doubtful accounts of €1,411 thousand.

Non-current amounts owed by third parties relate to the loan to Verus Energy Oak for €734 thousand that has been written down to nil in previous years, following a decision not to continue the investment.

5.6 Explanatory notes and additional information on the financial reports

Amounts owed by associates include the financial receivables of €231 thousand due from Parque Eolico La Carracha SI and €446 thousand due from Parque Eolico Plana de Jarreta SI, both of which have been written down to nil in previous years.

In order to hedge the commodity risk, we took out third-party hedging derivatives, for a fair value of €2,610 thousand at 30 June 2019.

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 €130 thousand at 30 June 2019 (31 December 2018: €729 thousand).

Third party derivative interest rate swaps, whose fair value at 30 June 2019 is positive for €180 thousand, were taken out to hedge project financing interest rate risks for Spaldington Airfield Wind Energy Ltd and Kingsburn Wind Energy Ltd.

Please note that the fair value of non-current derivatives at 30 June 2019 has been adjusted for counterparty risk (CVA - Credit Value Adjustment) in line with IFRS 13. The following table shows the details of the credit valuation adjustments made, by rating and by sector:

	Fair value risk free	Fair value - Credit Valuation adjusted	(€ thousands) Delta
Rating			
S&P A	241	180	(61)
S&P AA-	147	147	
Total	388	327	(61)
Sector			
Banks	388	327	(61)
Total	388	327	(61)

6 Trade receivables

As at 30 June 2019, this item is broken down as follows:

	30.6.2019		31.12.2018			Change		
	Total	Non-Current	Total	Non-Current	Current	Total	Non-current	Current
From clients	101,868	101,868	98,403	98,403	3,465	3,465		
From associates	71	71	81	81	(10)	(10)		
From parents	82	82	159	159	(77)	(77)		
From other Falck Group entities	63	63	35	35	28	28		
Total	102,084	102,084	98,678	98,678	3,406	3,406		

5.6 Explanatory notes and additional information on the financial reports

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

	(€ thousands)
	30.06.2019
Italy	72,960
United Kingdom	17,304
Germany	6,041
Mexico	337
France	1,324
United States	1,714
Spain	1,335
Japan	689
Other	164
Total	101,868

These receivables are disclosed net of the provision for doubtful accounts of €1,491 thousand at 30 June 2019 recorded in order to adjust them to recoverable value.

7 Other receivables

As at 30 June 2019, this item is broken down as follows:

	(€ thousands)								
	30.6.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	1,491	248	1,243	4,061	246	3,815	(2,570)	2	(2,572)
Amounts owed by associates	4,393		4,393	1,943		1,943	2,450		2,450
Amounts owed by parent company	12,780		12,780	8,929		8,929	3,851		3,851
Advances	160		160	419		419	(259)		(259)
Tax credits	16,451		16,451	15,196		15,196	1,255		1,255
Guarantee deposits	844	689	155	881	663	218	(37)	26	(63)
Accrued income and prepayments	7,828	2,135	5,693	9,780	2,570	7,210	(1,952)	(435)	(1,517)
Total	43,947	3,072	40,875	41,209	3,479	37,730	2,738	(407)	3,145

Other receivables are shown net of the allowance for doubtful accounts recorded to adjust them to their estimated realisable value which, at 30 June 2019, amounted to €9,177 thousand, mainly relating to tax receivables.

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

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

The amount due from associates relates to current and prior year dividends of €4,393 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 borrowings and insurance premiums.

5.6 Explanatory notes and additional information on the financial reports

8 Deferred income tax assets and liabilities

The deferred tax assets at 30 June 2019 amounted to €17,534 thousand, down by €2,358 thousand compared to the total at 31 December 2018.

Deferred tax liabilities, amounting to €35,730 thousand, rose by €8,975 thousand in comparison to 31 December 2018.

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

Deferred taxes on tax losses were posted where deemed recoverable.

B Current assets

9 Inventories

Inventories at 30 June 2019 consisted of the following:

	(€ thousands)		
	30.6.2019	31.12.2018	Change
Raw materials and consumables	4,054	3,511	543
Semi-finished goods			
Work in progress			
Finished goods	3,671	2,317	1,354
Advances			
Total	7,725	5,828	1,897

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 Energy Team SpA and the plants in operation.

10 Cash and cash equivalents

	(€ thousands)		
	30.6.2019	31.12.2018	Change
Short-term bank and post office deposits	154,481	218,172	(63,691)
Cash in hand	15	16	(1)
Total	154,496	218,188	(63,692)

Current account balances of the companies funded using project financing schemes are restricted by the obligations under the project financing contracts. Cash and cash equivalents totalled €111,469 thousand, of which €104,547 thousand in the Wind segment and €6,922 thousand in the WtE, biomass and solar segments.

5.6 Explanatory notes and additional information on the financial reports

The cash balances linked to project financing contracts analysed by company at 30 June 2019 were as follows:

(€ thousands)

Actelios Solar SpA	5,350
Innovative solar 42 LLC	1,572
Total WtE, biomass and solar sector	6,922
FRUK Holdings (no.1) Ltd	1,125
Cambrian Wind Energy Ltd	6,717
Boyndie Wind Energy Ltd	2,062
Earlsburn Mezzanine Ltd	146
Earlsburn Wind Energy Ltd	1,896
Ben Aketil Wind Energy Ltd	1,978
Millennium Wind Energy Ltd	4,125
Kilbraur Wind Energy Ltd	3,527
Nutberry Wind Energy Ltd	3,781
West Browncastle Wind Energy Ltd	3,786
Spaldington Wind Energy Ltd	2,007
Kingsburn Wind Energy Ltd	3,643
Assel Valley Wind Energy Ltd	5,154
Auchrobert Valley Wind Energy Ltd	6,088
Eolica Sud Srl	13,107
Eolo 3W Minervino Murge Srl	7,159
Geopower Sardegna Srl	24,590
Eolica Petralia Srl	3,838
SE Ty Ru Sas	2,416
Parc Eolien du Fouy Sas	1,071
Parc Eolien des Crêtes Sas	669
Esquennois Energie Sas	1,572
CEP Tramontane 1 S.A.S.	2,804
Ferme éolienne de Noyales S.A.S	1,153
Parc éolien du Bois Ballay S.A.S.	17
Parc éolien des Coudrays S.A.S.	63
Parc éolien de Mazeray et de Bignay S.A.S.	53
Total Wind sector	104,547
Total cash balances linked to project financing	111,469

Lastly, we note that the cash held by Falck Renewables SpA amounted to €6,291 thousand.

Liquidity fell due to dividend payouts and the investments made during the period.

5.6 Explanatory notes and additional information on the financial reports

Liabilities

D Equity

11 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of €1 each. At 30 June 2019, 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 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.

Movements in equity during the 2018 period and the first half of 2019 were as follows:

	(€ thousands)										
	Share capital	Premium price reserves	Reserves from spin off under common control	Conversion reserves	Hedging reserves	Actuarial reserves	Other reserves	Result for the period	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
2016 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 profit 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 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.

5.6 Explanatory notes and additional information on the financial reports

(€ thousands)											
	Share capital	Reserves					Other reserves	Result for the period	Group equity	Third party equity	Total
		Premium price reserves	Reserves from spin off under common control	Conversion reserves	Hedging reserves	Actuarial reserves					
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
2018 Holding profit allocation to reserves							44,159	(44,159)			
Dividends paid							(18,220)		(18,220)	(9,498)	(27,718)
Other comprehensive profit items included in equity				5	(2,902)	(19)			(2,916)	(589)	(3,505)
Purchase of own shares											
Stock grant plan fair value							285		285		285
Other movements							542		542	2,388	2,930
Profit for the year								27,323	27,323	7,472	34,795
At 30.06.2019	291,414	470,335	(371,598)	(1,726)	(38,456)	(709)	131,855	27,323	508,438	54,469	562,907

Earnings per share

In compliance with IAS 33, the figures used to calculate the diluted and financial earnings per share are provided below.

Basic earnings per share are calculated by dividing the net earnings for the period attributable to parent company shareholders by the average weighted number of ordinary shares in circulation during the period of reference, excluding treasury shares and including any shares and financial instruments with a possible diluting effect.

At 30 June 2019, the average weighted number of shares in circulation was increased to take account of the diluting effect of the stock grant plan.

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

	30.6.2019	31.12.2018
Weighted average number of ordinary shares in issue (number)	289,203,891	289,522,332
Profit attributable to ordinary equity holders of the parent (€ thousands)	27,323	44,159
Profits (losses) per base share (€ per share)	0.094	0.153

	30.6.2019	31.12.2018
Weighted average number of ordinary shares in issue (number)	289,203,891	289,522,332
Weighted average number of potential shares following the stock grant plan (number of shares)	1,078,631	1,068,541
Weighted average number of ordinary shares in issue (number) following diluted profit	290,282,522	290,590,873
Profit attributable to ordinary equity holders of the parent (€ thousands)	27,323	44,159
Diluted profits (losses) per share (€ per share)	0.094	0.152

5.6 Explanatory notes and additional information on the financial reports

12 Provisions for other liabilities and charges

	(€ thousands)						
	Balance at 31.12.2018	Change in scope of consolidation	Allocations	Used	Other movements	Change	Balance at 30.6.2019
Non-current provisions for other liabilities and charges							
- litigation provision							
- environmental provision	54,115	1,200		(66)	544	(36)	55,757
- other risks provision	25,752		949	(561)		5	26,145
Total non-current provisions for other liabilities and charges	79,867	1,200	949	(627)	544	(31)	81,902
Non-current provisions for other liabilities and charges							
- other risks provision							
Total current provisions for other liabilities and charges							
Total provisions for liabilities and charges	79,867	1,200	949	(627)	544	(31)	81,902

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 €1,200 thousand refers mainly to the first-time consolidation of French companies owning five wind farms.

The amount of €949 thousand refers mainly to provisions relating to the Sicilian project companies in liquidation and for the risk of recharging of works and for penalties due to the grid operator in the United Kingdom.

The amount of €627 thousand refers mainly to the use of a provision for work on solar power plants.

13 Staff leaving indemnity

	(€ thousands)				
	Balance 31.12.2018	Allocations	Other movements	Used and payments	Balance 30.6.2019
Managers	599	138		(150)	587
White and blue-collar staff	3,717	407		(199)	3,925
Total	4,316	545		(349)	4,512

The staff leaving indemnity (TFR) fund represents actualized debt to employees.

5.6 Explanatory notes and additional information on the financial reports

14 Financial liabilities

As at 30 June 2019, this item is broken down as follows:

	(€ thousands)								
	30.6.2019			31.12.2018			Variations		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	36,538	31,914	4,624	38,459	31,031	7,428	(1,921)	883	(2,804)
“Non-recourse” project financing	687,184	612,751	74,433	700,365	632,689	67,676	(13,181)	(19,938)	6,757
Financial leasing debts	72,311	68,513	3,798				72,311	68,513	3,798
Derivative financial instruments	52,218	46,316	5,902	40,249	37,127	3,122	11,969	9,189	2,780
Total	848,251	759,494	88,757	779,073	700,847	78,226	69,178	58,647	10,531

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 from 30 June 2020 to 31 December 2023.

The loan is aimed at supporting the Group’s financial requirements and business development activities. The loan had not been drawn down at 30 June 2019.

The parent company has placed a pledge on the shares held in Falck Renewables Wind Ltd in respect of this loan corresponding to a nominal value of £ 37,755 thousand.

The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these parameters were met as at 30 June 2019 based on these interim financial statements.

Financial debt for leases relates to the effects of IFRS 16, which sets out the principles for recognising, measuring, presenting and disclosing leases and requires lessees to account for all leases in the financial statements on the basis of a single model similar to that used to account for financial leases in accordance with IAS 17. Financial lease payables include €72,201 thousand from operating leases and €110 thousand from financial leases.

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

In order to hedge the interest rate risk on project financing and to convert the rate from variable to fixed, the companies 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.

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.

5.6 Explanatory notes and additional information on the financial reports

At 30 June 2019, the financial parameters of all Group companies were over the minimum default level.

Please refer to paragraph 5.7 Additional disclosures on financial instruments for further details.

15 Trade payables

Trade payables at 30 June 2019 compared to the previous year are as follows:

	(€ thousands)								
	30.6.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	49,643	2,464	47,179	51,295	3,585	47,710	(1,652)	(1,121)	(531)
Due to parent company	832		832	577		577	255		255
Total	50,475	2,464	48,011	51,872	3,585	48,287	(1,397)	(1,121)	(276)

16 Other payables

Other payables at 30 June 2019 compared to 31 December 2018 are as follows:

	(€ thousands)								
	30.6.2019			31.12.2018			Variations		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	44,870	3,927	40,943	50,610	4,391	46,219	(5,740)	(464)	(5,276)
Due to parent company	10,118		10,118	3,107		3,107	7,011		7,011
Due to other Falck Group companies				25		25	(25)		(25)
Advances	207		207	145		145	62		62
Accruals and deferred income	56,744	52,505	4,239	56,103	53,174	2,929	641	(669)	1,310
Total	111,939	56,432	55,507	109,990	57,565	52,425	1,949	(1,133)	3,082

Amounts due to third parties may be detailed as follows:

	(€ thousands)	
	30.06.2019	31.12.2018
Tax payables	10,102	11,914
Company acquisition debt	14,835	17,836
Debts to partners and shareholders in the consolidated tax regime	9,334	8,633
Other amounts due to employees and holiday pay	5,404	7,413
Dividends payable	1,249	1,182
Social security payables	1,504	1,401
Other minor amounts	2,442	2,231
Total	44,870	50,610

The “debt for company acquisitions” refers to debts and interest payable to the previous shareholders of Åliden 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. Accrued expenses and deferred income at 30 June 2019, totalling €56,744 thousand, mainly comprise grants pursuant to Law 488 and ITC (Investment Tax Credit) grants.

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.

5.6 Explanatory notes and additional information on the financial reports

Non-current assets and liabilities held for sale

The figures at 31 December 2018 refer to the sale of Esposito Servizi Ecologici Srl. The transaction was reported as a disposal group in accordance with paragraphs 8 and 41 of IFRS 5.

Commitments and contingencies

Guarantees issued at 30 June 2019 amounted to €205,660 thousand. Guarantees relating to subsidiary undertakings principally consist of performance bonds to guarantee completion of work in progress, participate in tenders for contracts and site decommissioning and clearance for a total of EUR 167,643 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for EUR 3,506 thousand. Also included are €20,394 thousand of bank guarantees and other guarantees of €14,117 thousand. In addition, the Group has subscribed to 3,000 shares in the Fondo Italiano per l'Efficienza Energetica SGR SpA for a total commitment of €3,000 thousand, at 30 June 2019, of which €990 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.

	(€ thousands)					
	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent company						
Falck SpA	82	832			12,780	10,118
Total parent company	82	832			12,780	10,118
Associates						
Frullo Energia Ambiente Srl	71				4,393	
Parque Eolico La Carracha SI						
Parque Eolico Plana de Jarreta SI						
Vector Cuatro Servicios SI						
Total associates	71				4,393	
Other Group companies						
Sesto Siderservizi Srl	39					
Falck Energy SpA	24					
Total other Group companies	63					
Other related parties						
Svelgen Kraft Holding and associates		44				306
Firstar Development, LLC				872		4,042
Energy Team SpA shareholders				18,609		11,289
Energia Eolica de Castilla SL shareholders				98		795
CII HoldCo Ltd	37	165	10,456	2,048		5,292
Total other related parties	37	209	10,456	21,627		21,724
Total	253	1,041	10,456	21,627	17,173	31,842
% incidence on income statement heading	0.2%	2.1%	77.7%	2.5%	39.1%	28.4%

5.6 Explanatory notes and additional information on the financial reports

Net financial position

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

			(€ thousands)
	30.6.2019	31.12.2018	Change
Short-term third party financial liabilities	(84,999)	(78,226)	(6,773)
Short-term third party financial liabilities for operating leases	(3,758)		(3,758)
Short-term third party financial receivables	4,294	2,615	1,679
Other securities			
Cash and cash equivalents	154,496	218,188	(63,692)
Short-term net financial position	70,033	142,577	(72,544)
Medium/long-term third party financial liabilities	(691,051)	(700,847)	9,796
Medium/long-term third party financial liabilities for operating leases	(68,443)		(68,443)
Other securities			
Medium/long-term financial position	(759,494)	(700,847)	(58,647)
Net financial position pursuant to			
Consob circular DEM/6064293/2006	(689,461)	(558,270)	(131,191)
Medium/long-term third party financial receivables	9,161	11,103	(1,942)
Medium/long-term associated party financial receivables			
Total net financial position	(680,300)	(547,167)	(133,133)
- of which “non-recourse” project financing	(687,184)	(700,365)	13,181
- of which fair value of derivatives	(49,298)	(37,973)	(11,325)
- of which financial liabilities for operating leases	(72,201)		(72,201)
Net financial position net of fair value of derivatives	(631,002)	(509,194)	(121,808)
Net financial position net of operating leases	(608,099)	(547,167)	(60,932)
Net financial position net of operating leases and derivatives	(558,801)	(509,194)	(49,607)

Disclosures relating to electric power plants

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

5.6 Explanatory notes and additional information on the financial reports

1. Disclosures relating to power plants in service at 30 June 2019

DISCLOSURES RELATING TO POWER PLANTS IN SERVICE							
Plant	Owner	Percentage ownership	Date entered into service	Installed capacity (MW)	Energy generated by the plant (GWh)	Net book value (€ thousands)	
WTE plant Trezzo (MI) **	Prima Srl	85%	Sept 2003	20.0	55	18,454	
Biomass plant Rende (CS) ***	Ecoesto SpA	100%	revamping Jan. 2011	15.0	52	14,469	
Photovoltaic Rende (CS)	Ecoesto SpA	100%	July 2007	1.0	1	2,719	
Photovoltaic plants Sicily*	Actelios Solar SpA	100%	April 2011	13.1	9	31,053	
Photovoltaic plant Mesagne (BR) *	Solar Mesagne Srl	100%	July 2009 May 2010	2.0	1	4,508	
Solar plant North Carolina (US)	Innovative Solar 42 LLC	99% class B	Sept 2017	92.0	64	126,243	
Solar plant New York (USA)*	HG Solar Development LLC	100% class B	June 2018	6.0	4	10,930	
Solar plant Delaware (USA)*	Fisher Road Solar I LLC	100% class B	May 2014 (A)	6.0	4	15,815	
Solar plant Delaware (USA)*	Syncarpha Palmer LLC	100% class B	Dec 2015 (A)	6.0	4	16,691	
Solar plant Delaware (USA)*	Syncarpha Massachusetts LLC	100% class B	May 2015 (A)	2.5	1	6,541	
Wind farm Cefn Croes (Wales)*	Cambrian Wind Energy Ltd	51%	April 2005	58.5	74	21,643	
Wind farm Boyndie (Scotland)*	Boyndie Wind Energy Ltd	51%	June 2006 June 2010	16.7	21	8,727	
Wind farm Earlsburn (Scotland)*	Earlsburn Wind Energy Ltd	51%	Dec. 2007	37.5	53	22,413	
Wind farm Ben Aketil (Scotland)*	Ben Aketil Wind Energy Ltd	51%	June 2008 Jan. 2011	27.6	33	15,897	
Wind farm Millennium (Scotland)*	Millennium Wind Energy Ltd	51%	Mar 2009 Feb 2011	65.0	78	58,635	
Wind farm Kilbraur (Scotland)*	Kilbraur Wind Energy Ltd	51%	Feb 2009 Sept 2011	67.5	78	56,149	
Wind farm Nutberry (Scotland)*	Nutberry Wind Energy Ltd	100%	Oct. 2013	15.0	24	24,897	
Wind farm West Browncastle (Scotland)*	West Browncastle Wind Energy Ltd	100%	June 2014	30.0	34	48,070	
Wind farm Spaldington (England)*	Spaldington Airfield Wind Energy Ltd	100%	May 2016	11.8	13	21,583	
Wind farm Kingsburn (Scotland)*	Kingsburn Wind Energy Ltd	100%	May 2016	22.5	37	35,924	
Wind farm Assel Valley (Scotland)*	Assel Valley Wind Energy Ltd	100%	Oct. 2016	25.0	37	42,664	
Wind farm Auchrobert (Scotland)*	Auchrobert Wind Energy Ltd	100%	April 2017	36.0	47	57,040	
Wind farm San Sostene (CZ)*	Eolica Sud Srl	100%	Oct. 2009 Oct. 2010	79.5	87	85,567	
Wind farm Minervino Murge (BT) *	Eolo 3W Minervino Murge Srl	100%	Dec. 2008	52.0	49	60,222	
Wind farm Buddusò - Alà dei Sardi (OT) ****	Geopower Sardegna Srl	100%	July 2011 Dec. 2011	138.0	193	140,990	
Wind farm Petralia Sottana (PA) *	Eolica Petralia Srl	100%	April 2012	22.1	21	27,800	
Wind farm Finistère (France)*	SE Ty Ru Sas	100%	July 2012	10.0	10	11,690	
Wind farm Maine et Loire (France)*	Parc Eolien du Fouy Sas	100%	April 2009	10.0	9	7,631	
Wind farm Maine et Loire (France)*	Parc Eolien des Crêtes Sas	100%	April 2009	10.0	7	8,077	
Wind farm Oise (France)*	Esquennois Energie Sas	100%	July 2009	12.0	11	10,611	
Wind farm Marne (France)*	Eol Team SAS	100%	Aug 2006 (B)	12.0	8	13,897	
Wind farm Aisnes (France)*	Ferme Eolienne de Noyales SAS	100%	Aug 2009 (B)	10.0	7	11,679	
Wind farm Cher (France)*	Parc Eolien du Bois Ballay SAS	100%	Sept 2011 (B)	12.0	9	15,906	
Wind farm Charente-Maritime (France)*	Parc Eolien de Mazeray et de Bignay SAS	100%	Mar 2013 (B)	12.0	7	16,057	
Parc Eolien Cher (France)*	Parc Eolien des Coudrays SAS	100%	June 2011 (B)	10.0	7	11,769	
Wind farm Zaragoza (Spain)*	Eolica Cabezo San Roque Sau	100%	Jan. 2004	23.3	28	6,170	
Total				989.5	1,177	1,089,131	

* The net book value includes, in addition to the value of the plant, the value of the land owned by the project company or the value of the rights to use the land on which the plant is located (in accordance with IFRS 16).

** 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

(A) The company was included in the scope of consolidation of the Falck Renewables Group from June 2018 following an acquisition

(B) The company was included in the scope of consolidation of the Falck Renewables Group from March 2019 following an acquisition

5.6 Explanatory notes and additional information on the financial reports

INFORMATION ON FINANCIAL DEBT						
Plant	Owner	Financial liabilities (€ thousands)	Associated financial exposure			
			Nature of finance	Maturity	Commitments, guarantees issued to financial inst.s (see footnote)	Significant contractual terms (see footnote)
WTE plant Trezzo (MI)	Prima Srl		N.A.	N.A.	N.A.	N.A.
Biomass plant Rende (CS)	Ecosesto SpA	(788)	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	(22,187)	Project financing	30/06/2026	A	C
Photovoltaic plant Mesagne (BR)	Solar Mesagne Srl	D	Current account with the parent company	N.A.	N.A.	N.A.
Photovoltaic plant North Carolina (USA)	Innovative Solar 42 LLC	(32,279)	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)	FRUK Holdings (No.1) Ltd	(32,282)	Project financing	31/12/2025	A	C
Wind farm Boyndie (Scotland)	FRUK Holdings (No.1) Ltd					
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd	(3,044)	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	(21,070)	Project financing	31/03/2026	A	C
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	(8,253)	Project financing	15/04/2022	A	C
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	(12,534)	Project financing	31/12/2024	A	C
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	(30,680)	Project financing	15/04/2027	A	C
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	(36,213)	Project financing	15/10/2027	A	C
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	(18,495)	Project financing	31/03/2029	A	C
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	(35,988)	Project financing	31/12/2033	A	C
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	(13,145)	Project financing	30/06/2034	A	C
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	(29,967)	Project financing	30/06/2034	A	C
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	(41,329)	Project financing	31/12/2034	A	C
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	(51,433)	Project financing	31/12/2035	A	C
Wind farm San Sostene (CZ)	Eolica Sud Srl	(62,760)	Project financing	30/06/2025	A	C
Wind farm Minervino Murge (BT)	Eolo 3W Minervino Murge Srl	(31,058)	Project financing	31/12/2023	A	C
Wind farm Buddusò - Alà dei Sardi (OT)	Geopower Sardegna Srl	(146,010)	Project financing	30/06/2027 30/06/2024	A	C
Wind farm Petralia Sottana (PA)	Eolica Petralia Srl	(13,485)	Project financing	30/06/2027	A	C
Wind farm Finistère (France)	SE Ty Ru Sas	(6,088)	Project financing	30/09/2022 30/06/2028	A	C
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	(5,442)	Project financing	15/07/2026	A	C
Wind farm Maine et Loire (France)	Parc Eolien des Crêtes Sas	(5,703)	Project financing	15/07/2026	A	C
Wind farm Oise (France)	Esquennois Energie Sas	(6,839)	Project financing	15/07/2026	A	C
Wind farm Marne (France)	Eol Team SAS		N.A.	N.A.	N.A.	N.A.
Wind farm Aisnes (France)	Ferme Eolienne de Noyales SAS	(3,335)	Project financing	31/08/2022	A	C
2 wind farms Cher (France)	CEP Tramontane 1 S.A.S.**	(17,565)	Project financing	31/12/2025	A	C
Wind farm Cher (France)	Parc Eolien du Bois Ballay SAS**		N.A.	N.A.	N.A.	N.A.
Wind farm Charente-Maritime (France)	Parc Eolien de Mazeray et de Bignay SAS**		N.A.	N.A.	N.A.	N.A.
Parc Eolien Cher (France)	Parc Eolien des Coudrays SAS**		N.A.	N.A.	N.A.	N.A.
Wind farm Saragozza (Spain)	Eolica Cabezo San Roque Sau		N.A.	N.A.	N.A.	N.A.
Total Project Financing		(687,184)				
Total others		(788)				
Total Financing		(687,972)				

* A loan note is a form of financing similar to Project Financing

** Parc Eolien du Bois Ballay Sas, Parc Eolien du Coudrays Sas, Parc Eolien de Mazeray et de Bignay Sas and CEP Tramontane 1 Sas are part of the same financing with credit lines granted to CEP Tramontane 1 SAS and joint guarantees.

- (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 €3,624 thousand as at 30 June 2019

5.6 Explanatory notes and additional information on the financial reports

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.

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

2. Disclosures relating to power plants not yet in service at 30 June 2019

(€ thousands)					
INFORMATION ON ENERGY PRODUCTION PLANTS NOT YET IN OPERATION					
Plant	Owner	Progress	Installed capacity (MW)	Estimated start date	NBV at 30.06.2019
Wind farm Illois (France)	Parc Eolien d’Illois Sarl	Authorised	Up to 12	Subject to third party appeal	Not material
Carrecastro wind farm (Spain) *	Energia Eolica de Castilla SL	Construction start date	10	End of fourth quarter of 2019	10,210
Wind farm Okla and Hennøy (Norway)**	Falck Renewables Vind AS	Hennøy under construction Okla authorised	71	Fourth quarter of 2019 and end of fourth quarter of 2020, respectively	41,776
Aliden wind farm (Sweden)**	Aliden Vind AB	Under construction	46.8	Fourth quarter of 2019	43,476
Brattmyrliden wind farm (Sweden)**	Brattmyrliden Vind AB	Construction start date	74.1	End of fourth quarter of 2020	19,268

The state of progress is updated to the date of this Interim Report.

(*) The net book value includes, in addition to the value of the plant, the value of the rights to use the land on which the plant will be built (in accordance with IFRS 16).

(**) The net carrying amount includes, in addition to the value of the plant, the value of the concessions and rights to use the land on which the plant will be built (in accordance with IFRS 16).

5.6.6 Income statement content and movements

17 Revenue

Revenue consisted of the following:

	(€ thousands)	
	30.6.2019	30.6.2018
Sale of goods	160,511	145,992
Sale of services	24,906	18,982
Total	185,417	164,974

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

	(€ thousands)	
	30.6.2019	30.6.2018
Sale of electricity and incentives	158,778	145,896
Sale of other goods	1,733	96
Total	160,511	145,992

5.6 Explanatory notes and additional information on the financial reports

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

		(€ thousands)	
		30.6.2019	30.6.2018
Waste treatment and disposal		9,684	11,115
Renewable energy plant services and management		14,057	4,657
Other operating income		1,165	3,210
Total		24,906	18,982

The increase in **revenue** is due to: (i) approximately €12.7 million for the change in the scope of consolidation as a result of the acquisitions of Energy Team SpA, Windfor Srl and the consortia for the management of interruptibility services in the Italian energy market in 2018 and the acquisition in March 2019 of 5 French wind farms with a grid capacity of 56 MW, fully operational solar power plants in the USA partially offset by the sale of Esposito Servizi Ecologici Srl, ii) for approximately €5 million, to the greater volume of energy sold by Falck Renewables Energy Srl, in order to mitigate the cost of imbalance, iii) the increase in prices for the sale of electricity from wind farms in the United Kingdom, net of the ROC Recycle component, iv) for approximately €2.1 million, higher revenues from curtailment (compensation for requests for shutdowns by the grid operator) compared with the first half of 2018, (v) the increase in prices for the waste disposal and treatment service (+13%) for the WtE plant in Trezzo sull'Adda and (vi) the higher volumes of deliveries for the WtE plant in Trezzo sull'Adda.

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

(€ 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	40,672	40,158	1,606	82,436	9,880	9,684	182	102,182
United Kingdom	29,823	19,790	2	49,615	119		879	50,613
Germany	7,769	6,523	2	14,294	1		22	14,317
France	7,130		8	7,138	211			7,349
United States	4,058	1,288	(6)	5,340				5,340
Spain	1,396			1,396	1,680		82	3,158
Japan					1,475			1,475
Mexico			10	10	548			558
Other	28	143	111	282	143			425
TOTAL REVENUES	90,876	67,902	1,733	160,511	14,057	9,684	1,165	185,417

5.6 Explanatory notes and additional information on the financial reports

The following table shows a breakdown of revenues by sector at 30 June 2019 and 30 June 2018:

30 June 2019

REVENUES BY TYPE OF GOODS AND SERVICES	WTE, BIOMASS AND SOLAR	WIND	SERVICES	OTHER ACTIVITIES	ELIMINATION	CONSOLIDATED
Sales revenues from electricity	14,385	64,675		36,963	(25,147)	90,876
Revenues from incentives/green certificates	9,008	58,894				67,902
Sales revenues from sale of products			1,753		(20)	1,733
Total electric energy and other assets	23,393	123,569	1,753	36,963	(25,167)	160,511
Revenues from services and plant management	44	11	19,336	52	(5,386)	14,057
Revenues from waste treatment and disposal	9,684					9,684
Other revenues		983	133	49		1,165
TOTAL	33,121	124,563	21,222	37,064	(30,553)	185,417

30 June 2018

REVENUES BY TYPE OF GOODS AND SERVICES	WTE, BIOMASS AND SOLAR	WIND	SERVICES	OTHER ACTIVITIES	ELIMINATION	CONSOLIDATED
Sales revenues from electricity	12,696	54,125		15,077	(9,265)	72,633
Revenues from incentives/green certificates	8,424	64,839				73,263
Sales revenues from sale of products	96					96
Total electric energy and other assets	21,216	118,964		15,077	(9,265)	145,992
Revenues from services and plant management	69		5,617		(1,029)	4,657
Revenues from waste treatment and disposal	11,115		271		(271)	11,115
Other revenues	19	3,133		80	(22)	3,210
TOTAL REVENUES	32,419	122,097	5,888	15,157	(10,587)	164,974

The following table shows revenues divided by their recognition date:

			(€ thousands)
		30.6.2019	30.6.2018
Goods/services transferred on a specific date		171,615	160,640
Services provided over time		13,802	4,334
Total		185,417	164,974

5.6 Explanatory notes and additional information on the financial reports

18 Employee costs

Details of the employee costs heading:

	(€ thousands)	
	30.6.2019	30.6.2018
Salaries and wages	14,992	11,989
Social security costs	3,910	3,096
Staff leaving indemnity (TFR)	545	430
Other costs	250	826
Total	19,697	16,341

The average number of employees was as follows:

	(number)	
	30.6.2019	30.6.2018
Managers	54	50
White-collar staff	365	267
Blue-collar staff	34	48
Total average number of employees	453	365

Personnel costs increased by €3,356 thousand compared to the first half of 2018.

The increase in personnel costs compared to 30 June 2018 is mainly due to the acquisitions of Energy Team SpA and Windfor Srl, partially offset by the decrease in employees for the sale of Esposito Servizi Ecologici Srl and to internal growth as the main functions, during 2018 and 2019, were structured to cope with the development of new initiatives provided for in the business plan.

19 Direct costs

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

	(€ thousands)	
	30.6.2019	30.6.2018
Materials and Energy	20,300	12,587
Services	25,537	21,873
Other costs	13,373	13,391
Change in inventories	(1,897)	162
Net typical allocation to/(use) of operating provisions	(66)	(85)
Amortisation of intangible assets	182	178
Impairment/(recovery) of intangible assets	656	
Depreciation of property, plant and equipment	33,535	31,679
Amortisation of rights to use	1,829	
Impairment/(recovery) of property, plant and equipment		68
Capitalised costs for investment contracts	(174)	(207)
Total	93,275	79,646

Direct costs and expenses increased by €13,629 thousand mainly as a result of (i) the purchase of energy from the market by Falck Renewables Energy Srl in order to mitigate imbalance costs, (ii) higher costs for services related to interruptibility service management consortia in the Italian energy market, (iii) higher amortisation due to higher installed capacity and (iv) higher amortisation of rights of use in accordance with IFRS 16.

It should be noted that this item includes the write-down of €652 thousand of the contract portfolio of the Vector Cuatro group due to the termination of some multi-year contracts.

5.6 Explanatory notes and additional information on the financial reports

20 Other income

Other income may be analysed as follows:

		(€ thousands)	
		30.6.2019	30.6.2018
Current operating income		1,269	936
Non-current operating income		3,843	9,412
Total		5,112	10,348

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

		(€ thousands)	
		30.6.2019	30.6.2018
Service revenues		211	161
Capital grants		953	735
Other		105	40
Total		1,269	936

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

		(€ thousands)	
		30.6.2019	30.6.2018
Extraordinary income		1,190	3,145
Gains on disposal of property, plant and equipment		822	6
Insurance indemnities		1,731	33
Contractual penalties			471
Other		100	5,757
Total		3,843	9,412

The Extraordinary income and Other items headings in 2018 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.

21 Administrative expenses

Administrative expenses may be detailed as follows:

		(€ thousands)	
		30.6.2019	30.6.2018
Consumables		575	608
Services		7,732	8,864
Other costs		3,003	3,464
Non-current operating expenses		261	2,600
Amortisation of intangible assets		164	186
Impairment of intangible assets		472	
Depreciation of property, plant and equipment		78	99
Amortisation of rights to use		830	
Write-offs of property, plant and equipment			
Allocations to/(use of) risk provisions		1,073	1,206
Indirect capitalised costs for investment contracts		(1,597)	(486)
Total		12,591	16,541

5.6 Explanatory notes and additional information on the financial reports

This item decreased by €3,950 thousand compared to the first half of 2018 due to lower transaction consultancy costs, lower information technology consultancy costs and lower rental costs after IFRS 16 came into force; the first half of 2018 was affected by €0.5 million in non-recurring transaction costs, offset by the release of funds, for the closure of a dispute relating to certain lands of Sicilian projects in liquidation.

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 €204 thousand, of which €96 thousand with reference to the stock grant plan.

22 Financial income and expenses

Financial income and expenses comprised:

		(€ thousands)	
		30.6.2019	30.6.2018
Financial expenses		(20,953)	(20,532)
Financial expenses for leasing debts under IFRS 16		(1,455)	
Foreign exchange losses		(12,187)	(4,275)
Financial income		1,009	600
Foreign exchange gains		14,123	4,635
Borrowing costs capitalised on assets under construction			9
Total		(19,463)	(19,563)

Finance costs may be further analysed as follows:

				(€ thousands)	
	From debentures	From banks	From others	Total	
Payable to others		30,102	4,493	34,595	
Total		30,102	4,493	34,595	

The table below shows financial income at 30 June 2019:

		(€ thousands)	
		30.6.2019	30.6.2018
Interest income and commission from banks		12,448	4,564
Interest income and commission from others		2,684	671
Total		15,132	5,235

Net financial expenses increased by €100 thousand compared to the first half of 2018. Financial expenses were also affected by the introduction of IFRS 16 as from 1 January 2019, which resulted in a €1.5 million increase in interest expenses for the Group.

This effect was totally offset by higher exchange gains and management actions aimed at increasing financial cost efficiency.

23 Investment income/(costs)

This heading was zero at 30 June 2019.

5.6 Explanatory notes and additional information on the financial reports

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

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

			(€ thousands)
		30.6.2019	30.6.2018
Frullo Energia Ambiente Srl		882	946
Palermo Energia Ambiente SpA in liquidation			
Parque Eolico La Carracha SI			
Parque Eolico Plana de Jarreta SI			
Vector Cuatro Servicios SI		5	11
Total		887	957

25 Income tax expense

Income tax as of 30 June 2019 totalled €11,548 thousand (€9,876 thousand the previous year).

Income tax in the first half of 2019 was positively affected by €0.7 million in consolidation income. Compared to taxes for the first half of 2018, the increase was mainly due to higher taxable income generated by recent acquisitions and lower consolidation income.

26 Additional disclosures in accordance with IFRS 16

The Group has land leases for some of its production sites, as well as leases for its head office and for the offices of its subsidiaries and other minor leases. The review of the contractual terms and conditions concluded that, with the exception of a building lease contract, for all other contracts in place at 30 June 2019 all significant risks and rewards of ownership of the assets had not been transferred to the Group but remained with the lessor. These contracts were therefore accounted for as operating leases in accordance with IFRS 16.

The following table shows the net book value of the rights of use at 30 June 2019, broken down by type of asset leased and changes during the period:

	Balance at 31.12.2018	Prima Increase application of IFRS 16	Variations area consolid	Reclassification	Effect variation	Other move impairment Revaluat ations	Amortisation/ depreciation	Balance at 30.6.2019
Gross values								
Rights of use - Land		66,307	194	2,017		(12)	220	68,726
Rights of use - Buildings		2,791	228		653		1	3,673
Rights of use - Other assets		1,418	322					1,740
Total gross value		70,516	744	2,017	653	(12)	221	74,139
Accumulated depreciation								
Rights of use - Land						31		(1,841)
Rights of use - Buildings					(255)			(616)
Rights of use - Other assets								(202)
Total depreciation					(255)	31		(2,659)
Net book amounts								
Rights of use - Land		66,307	194	2,017		19	220	(1,841)
Rights of use - Buildings*		2,791	228		398		1	(616)
Rights of use - Other assets		1,418	322					(202)
Total net rights of use		70,516	744	2,017	398	19	221	(2,659)

(*) The balance at 30 June 2019 includes €389 thousand relating to a lease agreement for a property classified as a financial lease.

With regard to the balance at 30 June 2019 of the financial liability associated with the above contracts, see the paragraph on Financial payables in this Half-yearly Report.

5.6 Explanatory notes and additional information on the financial reports

Details of the costs charged to the income statement at 30 June 2019 are shown below:

	(€ thousands)
	30.06.2019
Amortisation of rights of use for land	1,841
Amortisation of rights of use for buildings*	616
Amortisation of rights of use for other assets	202
Total amortisation	2,659
Total financial expenses for financial liabilities	1,455
Short term, low value leasing costs	500
Variable leasing costs	1,541
Total costs recorded on the Income statement	6,155

(*) The balance at 30 June 2019 includes €9 thousand relating to a lease agreement for a property classified as a financial lease.

27 Share-based Payments

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

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

The fair value of the services received by the owners of the incentive plan as consideration for the shares assigned has been indirectly calculated with reference to the fair value of the shares, and the amount to be assigned on an accrual basis has been calculated *pro-rata temporis* over the entire vesting period.

The fair value valuation was performed according to current accounting standards, in particular IFRS 2.

The incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares in April 2017. The fair value per share assigned, calculated as the share price on the date of assignment net of forecast dividends during the vesting period, was of €0.9699. The fair value of the stock grants at 30 June 2019, worth €96 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

The following parameters were used to calculate the fair value:

Share price	(Euro)	1.13
Exercise price	(Euro)	NA
Vesting period	(years)	3
Forecast dividends	(Euro)	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. 65,909 equity rights assigned to managers were cancelled in 2018.

In February 2019, a further 89,962 equity rights were assigned to certain Group managers.

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 €1,527.

5.6 Explanatory notes and additional information on the financial reports

The following parameters were used to calculate the fair value:

		First Assignment	Second Assignment	Third Assignment
Share price	(Euro)	1.40	1.90	2.81
Rights assigned	(shares)	451,713	27,273	89,962
Exercise price	(Euro)	NA	NA	NA
Vesting period	(years)	3	3	1
Forecast dividends	(Euro)	0.11	0.11	0.06
Risk free interest rate	(%)	-0.18%	-0.32%	0.20%

As the shares were assigned free of charge, the exercise price was zero.

The fair value of the stock grants at 30 June 2019, worth €189 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.

At 30 June 2019, the following rights were held:

	Number of shares	Average exercise price
Rights at 01/01/2019	1,004,077	NA
New rights assigned during the period	89,962	NA
(Rights cancelled during the period)		
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 30/06/2019	1,094,039	NA
available for exercise at the end of the year	-	

28 Significant non-recurring events and transactions

Pursuant to CONSOB Communication DEM/6064293 of 28 July 2006, there were no significant non-recurring transactions by the Falck Renewables SpA Group in the first half of 2019.

Related party transactions

	Revenues from sales goods	Revenues from sales services	Other revenues	Costs and expenses direct	Expenses general and managed	Costs financial	Revenues financial	Revenues from investments	(€ thousands)
Parent company									
Falck SpA			120		(535)				
Total parent company			120		(535)				
Associates									
Frullo Energia Ambiente Srl			71					882	
Parque Eolico La Carracha Sl									
Parque Eolico Plana de Jarreta Sl									
Vector Cuatro Servicios Sl								5	
Total associates			71					887	
Group companies									
Sesto Siderservizi Srl			18			(25)			
Falck Energy SpA			5						
Total Group companies			23			(25)			
Other related companies									
Firstar Development, LLC						(200)			
Svelgen Kraft Holding and associates					(13)	(1)			
CII HoldCo Ltd						(100)	242		
Total other related parties					(13)	(301)	242		
Total			214		(548)	(326)	242	887	
% incidence on income statement heading			4.2%		-4.4%	-0.9%	1.6%	100%	

5.7 Additional information on financial instruments

5.7 Additional disclosures on financial instruments

IAS 34.16A(j), amended by IFRS 13, requires the Group to provide information on the fair value of the financial instruments indicated in IFRS 7 and IFRS 13. The information refers to 30 June 2019 and 31 December 2018.

In particular, 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.

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. Both financial assets and liabilities are almost exclusively valued in the financial statements at cost or amortised cost, with the exception of royalty instruments, payables for the purchase of minority options and derivative financial instruments, which are valued at fair value. These are recorded in accordance with hedge accounting with all changes in fair value recorded in equity, with the exception of a number of these transactions, which although undertaken to hedge exposure, do not meet the requirements to be measured in accordance with hedge accounting.

The main impact of financial instruments on the income statement is therefore not due to changes in the value of financial assets and liabilities recorded in the balance sheet, but rather to interest income and expense (in the case of interest rate derivatives), to positive and negative exchange rate differences (in the case of exchange rate derivatives) and to adjustments to revenues in the case of instruments hedging the price of energy sold.

1. *Balance sheet*

The tables below illustrate the carrying values at 30 June 2019 and 31 December 2018 of the financial assets and liabilities reclassified 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.

At 30 June 2019 the total financial assets of the Falck Renewables Group amounted to €274,030 thousand, while financial liabilities amounted to €917,602 thousand, compared with a balance sheet total of €1,695,716 thousand. The financial assets and liabilities are almost entirely measured at cost or 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. Moreover, 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.

5.7 Additional information on financial instruments

(€ thousands)

30 June 2019						
	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					1,332,248	1,332,248
Securities and investments		2,990		2,990	21,237	24,227
Financial receivables	10,535	590	2,330	13,455		13,455
Inventories					7,725	7,725
Trade receivables	102,084			102,084		102,084
Deferred income tax assets					17,534	17,534
Other receivables	1,005			1,005	42,942	43,947
Cash and cash equivalents	154,496			154,496		154,496
Assets held for sale						
Total	268,120	3,580	2,330	274,030	1,421,686	1,695,716
Liabilities						
Net equity					562,907	562,907
Financial payables	765,103	35,889	47,259	848,251		848,251
Trade payables	50,475			50,475		50,475
Other payables	18,876			18,876	93,063	111,939
Deferred income tax liabilities					35,730	35,730
Provisions for other liabilities and charges					81,902	81,902
Staff leaving indemnity					4,512	4,512
Liabilities held for disposal						
Total	834,454	35,889	47,259	917,602	778,114	1,695,716

(€ thousands)

31 December 2018						
	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					1,183,605	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						
Net 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					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

5.7 Additional information on financial instruments

2. Income statement and total equity

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

The tables below illustrate the net gains or losses generated in the first half of 2019 and 2018 from the financial assets/liabilities reclassified according to IFRS 9, for both periods in question.

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

(€ thousands)

30 June 2019				
	Gains/(losses) through profit or loss	Gains/(losses) reclassified from equity to income statement	Gains/(losses) recorded in equity	Total
Financial assets at fair value	(112)		758	646
Financial assets at amortised cost				
Financial liabilities at fair value	(5,605)		(3,836)	(9,441)
Financial liabilities at amortised cost				
Total	(5,717)		(3,078)	(8,795)

(€ thousands)

31 December 2018				
	Gains/(losses) through profit or loss	Gains/(losses) reclassified from equity to income statement	Gains/(losses) recorded in equity	Total
Financial assets at fair value	611		569	1,180
Financial assets at amortised cost				
Financial liabilities at fair value	(1,363)		7,246	5,883
Financial liabilities at amortised cost				
Total	(752)		7,815	7,063

Losses recognised in the income statement mainly include negative changes in foreign exchange and interest rate derivatives of €4,954 thousand and €2,006 thousand, partially offset by positive changes in commodity hedging contracts of €787 thousand. This item also includes positive changes in the fair value of royalty instruments (€147 thousand) and minority purchase options (€309 thousand).

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 negative change of €3,078 thousand includes a negative change of €6,326 thousand in interest rate derivatives, a negative change of €273 thousand in foreign exchange derivatives and a positive change of €3,521 thousand in commodity hedging contracts.

5.7 Additional information on financial instruments

2.2 Provision for doubtful accounts

Total charges of €521 thousand were made in the first half of 2019 and comprised:

- €424 thousand set aside to cover trade receivables owed by Energy Team SpA;
- €114 thousand for the provision for trade receivables of the Vector Cuatro Group;
- use of €17 thousand by the Vector Cuatro group.

During the period, a provision of €172 thousand was also made for the write-down of other receivables, mainly relating to Falck Renewables Wind Ltd.

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

3 Further additional disclosures

3.1 Accounting policies

With regard to the accounting principles used for the recognition and measurement of financial assets and liabilities, reference should be made to the Report and Financial Statements at 31 December 2018.

The new IFRS 16 has been applied for the first time, and reference should be made to section 5.6.3 Accounting standards and consolidation techniques.

3.2 Risk management

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

3.3 Book value and fair value

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 30 June 2019 and 31 December 2018.

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

	(€ thousands)	
	30 June 2019	
	Carrying amount	Fair value
Financial assets		
Securities and investments	2,990	2,990
Financial receivables	13,455	13,455
Trade receivables	102,084	102,084
Other receivables	1,005	1,005
Cash and cash equivalents	154,496	154,496
Total	274,030	274,030
Financial liabilities		
Financial payables	848,251	848,251
Trade payables	50,475	50,475
Other payables	18,876	18,876
Total	917,602	917,602

5.7 Additional information on financial instruments

(€ thousands)

31 December 2018		
	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

At 30 June 2019, financial liabilities include €687,184 thousand in non-recourse project financing, €52,218 thousand in derivatives with a negative fair value, €36,538 thousand in other payables to third parties and €72,311 thousand in lease payables recognised in accordance with IFRS 16.

Loans due to third parties were composed of:

	30.06.2019	31.12.2018
Royalty instruments payables	11,308	10,362
Shareholders' loan - Wind sector	2,298	2,554
Mortgage from Banca Popolare di Sondrio	788	1,575
Shareholders' loan - Prima Srl		1,441
Payables for interest matured but not yet due on financings	1,180	916
Sicily Projects' loans	847	842
Other bank loans	95	315
Prestamo Eolica Castilla	400	400
Financial leasing	72,311	130
Minority purchase options	19,622	19,924
Total	108,849	38,459

5.7 Additional information on financial instruments

For further details, please see the following composition of project financings at 30 June 2019.

	30.06.2019				(€ thousands)	
	Interest rate %	Fair Value	Carrying amount	Current amount	Non-current amount	
Project financing Actelios Solar SpA	6-month Euribor + spread	22,187	22,187	3,866	18,321	
Loan notes Innovative Solar 42 (*)	Fixed	32,279	32,279	2,184	30,095	
Cambrian Project financing	6-month Libor + spread	3,044	3,044	3,044	0	
FRUK Project financing	6-month Libor + spread	32,282	32,282	4,792	27,490	
Earlsburn Mezzanine project financing	6-month Libor + spread	21,070	21,070	725	20,345	
Earlsburn Project financing	6-month Libor + spread	8,253	8,253	2,537	5,716	
Ben Aketil Project financing	6-month Libor + spread	12,534	12,534	2,150	10,384	
Millennium Project financing	6-month Libor + spread	30,680	30,680	5,094	25,586	
Kilbraur Project financing	6-month Libor + spread	36,213	36,213	4,194	32,019	
Nutberry Project financing	6-month Libor + spread	18,495	18,495	961	17,534	
West Browncastle Project financing	6-month Libor + spread	35,988	35,988	1,268	34,720	
Kingsburn Project financing	6-month Libor + spread	29,967	29,967	1,231	28,736	
Spaldington Project financing	6-month Libor + spread	13,145	13,145	596	12,549	
Assel Valley Project financing	6-month Libor + spread	41,329	41,329	1,877	39,452	
Auchrobert project financing	6-month Libor + spread	51,433	51,433	1,375	50,058	
Eolica Sud Project financing	6-month Euribor + spread	62,760	62,760	8,518	54,242	
Eolo 3W Project financing	6-month Euribor + spread	31,058	31,058	5,996	25,062	
Geopower Project financing	6-month Euribor + spread	146,010	146,010	15,837	130,173	
Eolica Petralia Project financing	6-month Euribor + spread	13,485	13,485	1,228	12,257	
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	6,088	6,088	699	5,389	
Fouy Project financing	6-month Euribor + spread	5,442	5,442	825	4,617	
Crêtes Project financing	6-month Euribor + spread	5,703	5,703	857	4,846	
Esquennois Project financing	6-month Euribor + spread	6,839	6,839	1,063	5,776	
CEP Tramontane project financing	6-month Euribor + spread	17,565	17,565	2,373	15,192	
Noyales project financing	3-month Euribor + spread	3,335	3,335	1,143	2,192	
Total borrowings under project financing		687,184	687,184	74,433	612,751	

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. Further details on these financial instruments are provided below.

The following table shows the reconciliation of financing liabilities for the first half of 2019:

Value at 31 December 2018	779,073
New borrowings	1,115
Repayments	(45,549)
Foreign exchange difference	(682)
Fair value variation	10,313
Change in scope of consolidation	27,012
First-time application of IFRS 16	71,582
Other	5,387
Value at 30 June 2019	848,251

5.7 Additional information on financial instruments

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

- Instruments with a negative fair value at 30 June 2019:

(€ thousands)					
Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Cambrian Wind Energy Ltd	Interest rate swap	31/12/2019	GBP	938	(1)
FRUK Holdings No. 1 Ltd	Interest rate swap	31/12/2025	GBP	27,984	(519)
Earlsburn Mezzanine Ltd	Interest rate swap	31/03/2026	GBP	18,548	(326)
Earlsburn Wind Energy Ltd	Interest rate swap	15/04/2022	GBP	7,182	(29)
Ben Aketil Wind Energy Ltd	Interest rate swap	31/12/2024	GBP	11,447	(1,473)
Millennium Wind Energy Ltd	Interest rate swap	15/04/2027	GBP	5,900	(88)
Millennium Wind Energy Ltd	Interest rate swap	15/10/2024	GBP	19,773	(133)
Kilbraur Wind Energy Ltd	Interest rate swap	15/10/2019	GBP	12,039	(125)
Kilbraur Wind Energy Ltd	Interest rate swap	15/04/2024	GBP	16,599	(29)
Nutberry Wind Energy Ltd	Interest rate swap	29/03/2029	GBP	17,647	(2,175)
West Browncastle Wind Energy Ltd	Interest rate swap	31/12/2033	GBP	30,100	(904)
Assel Valley Wind Energy Ltd	Interest rate swap	31/12/2034	GBP	32,892	(1,910)
Auchrobert Wind Energy Ltd	Interest rate swap	31/12/2035	GBP	39,691	(1,716)
Eolica Sud Srl	Interest rate swap	31/12/2024	EUR	55,735	(6,831)
Eolo 3W Minervino Murge Srl	Interest rate swap	31/12/2023	EUR	28,271	(3,106)
Geopower Sardegna Srl	Interest rate swap	30/06/2027	EUR	98,984	(17,760)
Geopower Sardegna Srl	Interest rate swap	30/06/2024	EUR	19,013	(273)
Eolica Petralia Srl	Interest rate swap	30/06/2027	EUR	11,379	(1,134)
Se Ty Ru Sas	Interest rate swap	30/09/2022	EUR	367	(9)
Se Ty Ru Sas	Interest rate swap	30/06/2028	EUR	3,582	(471)
Parc Eolien du Fouy Sas	Interest rate swap	15/07/2024	EUR	4,565	(661)
Parque Eolien des Cretes Sas	Interest rate swap	15/07/2024	EUR	4,742	(687)
Esquennois Energie Sas	Interest rate swap	15/07/2024	EUR	5,888	(842)
Ferme éolienne de Noyales S.A.S	Interest rate swap	28/02/2022	EUR	2,545	(184)
CEP Tramontane 1 S.A.S.	Interest rate swap	30/06/2025	EUR	10,676	(1,029)
CEP Tramontane 1 S.A.S.	Interest rate swap	31/12/2026	EUR	6,586	(861)
Actelios Solar SpA	Interest rate swap	30/06/2026	EUR	23,069	(2,981)
Total derivative financial instruments					(46,257)

- Embedded derivatives with a negative fair value at 30 June 2019:

(€ thousands)					
Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Ecosesto SpA	Embedded derivative	31/12/2019	EUR	788	(1)
Total derivative financial instruments					(1)

- Instruments with a positive fair value at 30 June 2019:

(€ thousands)					
Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Kingsburn Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	23,401	122
Spaldington Airfield Wind Energy Ltd	Interest rate swap	30/06/2034	GBP	10,975	58
Total derivative financial instruments					180

5.7 Additional information on financial instruments

Analysis of interest rate, foreign exchange and commodity hedges of the Falck Renewables Group at 30 June 2019:

Derivative liabilities:

	(€ thousands)					
	31.12.2018	Change in scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	30.06.2019
Cambrian Wind Energy Ltd	(1)					(1)
FRUK Holdings No. 1 Ltd	(206)		(313)	(1)	1	(519)
Earlsburn Mezzanine Ltd			(329)	3		(326)
Earlsburn Wind Energy Ltd			(30)	1		(29)
Ben Aketil Wind Energy Ltd	(1,566)		93	(3)	3	(1,473)
Millennium Wind Energy Ltd	(83)		(177)	39		(221)
Kilbraur Wind Energy Ltd	(251)		90	6	1	(154)
Nutberry Wind Energy Ltd	(1,933)		(252)	6	4	(2,175)
West Browncastle Wind Energy Ltd			(902)	(2)		(904)
Kingsburn Wind Energy Ltd						
Spaldington Airfield Wind Energy Ltd						
Assel Valley Wind Energy Ltd	(807)		(1,103)	(2)	2	(1,910)
Auchrobert Wind Energy Ltd	(335)		(1,381)	(2)	2	(1,716)
Eolica Sud Srl	(7,089)		269	(11)		(6,831)
Eolo 3W Minervino Murge Srl	(3,450)		351	(7)		(3,106)
Geopower Sardegna Srl	(15,230)		(1,008)	(1,795)		(18,033)
Eolica Petralia Srl	(961)		(171)	(2)		(1,134)
Se Ty Ru Sas	(364)		(117)	1		(480)
Parc Eolien du Fouy Sas	(692)		25	6		(661)
Parque Eolien des Cretes Sas	(719)		25	7		(687)
Esquennois Energie Sas	(882)		30	10		(842)
Ferme éolienne de Noyales S.A.S		(209)	23	2		(184)
CEP Tramontane 1 S.A.S.		(1,876)	(14)			(1,890)
Actelios Solar SpA	(2,585)		(132)	(264)		(2,981)
Total IRS	(37,154)	(2,085)	(5,023)	(2,008)	13	(46,257)
Derivatives on Falck Renewables SpA exchange rates	(304)			(4,306)		(4,610)
Derivatives on Åliden Vind AB exchange rates	(133)		(17)	1		(149)
Derivatives on Brattmyrliden Vind AB exchange rates	(702)		(299)	3		(998)
Derivatives on Falck Renewables Vind AS exchange rates	(67)			67		
Ambiente 2000 Srl exchange derivatives						
Derivatives on Falck Renewables Wind exchange rates				(77)		(77)
Total derivatives on exchange rates	(1,206)		(316)	(4,312)		(5,834)
Derivatives on Falck Next Energy commodities	(1,717)		1,334	257		(126)
Derivatives on Åliden Vind commodities	(77)		77			
Derivatives on Falck Renewables Vind commodities	(92)		92			
Total derivatives on commodities	(1,886)		1,503	257		(126)
Total	(40,246)	(2,085)	(3,836)	(6,063)	13	(52,217)

5.7 Additional information on financial instruments

Embedded derivatives:

	(€ thousands)					
	31.12.2018	Change in scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	30.06.2019
Ecocesto SpA	(3)			2		(1)
Total embedded derivatives	(3)			2		(1)

Derivative assets:

	(€ thousands)					
	31.12.2018	Change in scope of consolidation	Change through equity	Change through profit or loss	Foreign exchange difference	30.06.2019
Kingsburn Wind Energy Ltd	851		(727)		(2)	122
Spaldington Airfield Wind Energy Ltd	394		(336)			58
Kilbraur Wind Energy Ltd	148		(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	1,485		(1,303)		(2)	180
Derivatives on Falck Renewables SpA exchange rates	630			(629)		1
Derivatives on Åliden Vind AB exchange rates	5		43			48
Derivatives on Brattmyrliden Vind AB exchange rates	24			4		28
Derivatives on Falck Renewables Vind AS exchange rates				53		53
Derivatives on Falck Renewables Wind exchange rates	70			(70)		
Total derivatives on exchange rates	729		43	(642)		130
Derivatives on Falck Next Energy commodities	62		1,725	530		2,317
Derivatives on Åliden Vind AB commodities			141			141
Derivatives on Falck Renewables Vind commodities			152			152
Total derivatives on commodities	62		2,018	530		2,610
Total	2,276		758	(112)	(2)	2,920

3.4 Fair value – hierarchy

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

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

5.7 Additional information on financial instruments

The following tables show the financial instruments held by the Group at 30 June 2019 and 31 December 2018 at fair value:

(€ thousands)				
30 June 2019				
	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		130		130
Derivative contracts on interest rates		180		180
Derivative contracts on commodities		2,610		2,610
Financial assets at fair value on the income statement		2,890	100	2,990
Total assets		5,810	100	5,910
Financial liabilities measured at FV				
Forward transactions on foreign currency		5,834		5,834
Derivative contracts on interest rates		46,258		46,258
Derivative contracts on commodities		126		126
Financial liabilities at fair value on the income statement			30,930	30,930
Total liabilities		52,218	30,930	83,148

(€ thousands)				
31 December 2018				
	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		1,267	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

At the closure of each period, the Group determines if any transfer between hierarchy levels has taken place and reviews their classification (based on the lowest level of input that is significant to the entire fair value measurement). No such transfers were made between levels during the first half of 2019.

3.3 Fair value – calculation methods

The fair value of derivative financial instruments on interest rates, calculated on the date of closure of the first half, is equal to the discounted future cash flows given the forward rates curve at 30 June 2019.

The fair value of forward exchange contracts is measured using the year-end spot rates (June 2019), and forward rates and yield curves on foreign currencies.

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

5.7 Additional information on financial instruments

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

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

**6. Supplementary information to
the consolidated financial statements**

6 Supplementary information to the consolidated financial statements

6.1 List of investments in subsidiaries and associates

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Subsidiary
Companies consolidated applying the line-by-line method						
Falck Renewables SpA	Milan	EUR	291,413,891			
Actelios Solar SpA	Santa Caterina di Villamosa (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 (USA)	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
CEF Vento SAS	Paris (France)	EUR	12,614,619		100.000	Falck Energies Renouvelables Sas
CEP Tramontane 1 S.A.S.	Paris (France)	EUR	3,559,700		100.000	Falck Energies Renouvelables Sas
Energy Aggregator Consortium	Milan (Mi)	EUR	7,800		25.640	Mid Tech Srl
					25.640	Energy Capital Srl
Energy Cloud Consortium	Milan (Mi)	EUR	7,200		41.670	Mid Tech Srl
					41.670	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 tyszkowice Sp.Z.o.o.	tódz (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		
Eol Team SAS	Paris (France)	EUR	42,220		100.000	CEF Vento SAS
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		
Esquennois Energie Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	EUR	19,212,000		100.000	Falck Renewables Wind Ltd
Falck Middleton LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc
Falck Middleton Generation LLC	Delaware (USA)	USD	-	100,000 class B*		Falck Middleton LLC
Falck Next Srl	Sesto San Giovanni (Mi)	EUR	1,000,000	100.000		
Falck Renewables CH-1 LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc
Falck Renewables DLP MA LLC	Delaware (USA)	USD	-		100.000	Falck Renewables North America Inc

6 Supplementary information to the consolidated financial statements

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Subsidiary
Companies consolidated applying the line-by-line method						
Falck Renewables Finance Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Falck Renewables IS 42 LLC	Delaware (USA)	USD			100.000	Falck Renewables North America Inc
Falck Renewables Latitude LLC	Delaware (USA)	USD			100.000	Falck Renewables North America Inc
Falck Renewables Nederland BV	Amsterdam (Netherlands)	EUR	10,000	100.000		
Falck Renewables North America Development Services & Construction Management LLC	Delaware (USA)	USD			100.000	Falck Renewables North America Inc
Falck Renewables North America Inc	Delaware (USA)	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 Power 1 SI	Madrid (Spain)	EUR	300,000	100.000		
Falck Renewables Power 2 SI	Madrid (Spain)	EUR	300,000	100.000		
Falck Renewables Power 3 SI	Madrid (Spain)	EUR	300,000	100.000		
Falck Renewables Vind AS	Sandane (Norway)	NOK	30,404,000	81.462		
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
Falck Renewables Energy Srl	Sesto S. Giovanni (MI)	EUR	1,010,000	100.000		
Falck Renewables Verwaltungs Gmbh (in liquidation)	Nuremberg (Germany)	EUR	25,000		100.000	Falck Energies Renouvelables Sas
Ferme Eolienne de Noyales SAS	Paris (France)	EUR	37,000		100.000	CEF Vento SAS
Fisher Road Solar I LLC	Delaware (USA)	USD			100.000	SPME Dartmouth Holdings LLC
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1		51.000	Falck Renewables Finance Ltd
Geopower Sardegna Srl	Sesto S. Giovanni (MI)	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 (USA)	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 (USA)	USD			99.000	Falck Renewables IS 42 LLC
NC 42 Solar LLC	Delaware (USA)	USD			100.000	NC 42 LLC
NC 42 Energy LLC	Delaware (USA)	USD		100,000 class B*		NC 42 Solar LLC
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	120,000	71.273		
Parc Eolien d'Illinois Sarl	Rennes (France)	EUR	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien des Coudrays SAS	Paris (France)	EUR	868,000		100.000	CEP Tramontane 1 S.A.S.

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

6 Supplementary information to the consolidated financial statements

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Subsidiary
Companies consolidated applying the line-by-line method continued						
Parc Eolien des Crêtes Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien de Mazeray et de Bignay SAS	Paris (France)	EUR	1,321,750		100.000	CEP Tramontane 1 S.A.S.
Parc Eolien du Bois Ballay SAS	Paris (France)	EUR	1,235,000		100.000	CEP Tramontane 1 S.A.S.
Parc Eolien du Fouy Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente SepA (in liquidation)	Sesto S. Giovanni (MI)	EUR	3,364,260		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
Route 212 Solar Farm LLC	Delaware (USA)	USD			100.000	Falck Renewables CH-1 LLC
Route 23A Solar Farm LLC	Delaware (USA)	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 (USA)	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 (USA)	USD			100.000	SPME Holdings 2015 LLC
Syncarpha Palmer LLC	Delaware (USA)	USD			100.000	SPME Holdings 2015 LLC
Tifeo Energia Ambiente SepA (in	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 (USA)	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.

	Registered offices	Currency	Share capital	% direct holding	Indirect holding %	Subsidiary
Companies consolidated by the equity method						
Fruzzo 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 SI	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta SI	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

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

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

1. The undersigned Toni Volpe as Chief Executive Officer and Paolo Rundeddu as Manager assigned to prepare the accounting documents of Falck Renewables SpA hereby certify, taking into account the requirements of article 154-bis, paragraphs 3 and 4 of the Italian Legislative Decree no. 58 of 24 February 1998:

- their adequacy in relation to the characteristics of the company and
- effective application

the administrative and accounting procedures for the preparation of the 2019 abbreviated interim financial statements.

2. We further certify that:

2.1 the abbreviated consolidated financial reports:

- a) have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
- b) are consistent with the data in the accounting records and other corporate documents;
- c) provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer and of all of the companies included in the scope of consolidation.

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

It also includes a reliable analysis of the information on related party transactions.

The Chief Executive Officer

Director responsible for drafting
corporate accounting documents

Milan, 30 July 2019

8. Independent Auditors' Report

8 Independent Auditors' Report



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Review report on the interim consolidated financial statements

(Translation from the original Italian text)

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

Introduction

We have reviewed the interim consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Falck Renewables S.p.A. and its subsidiaries ("Falck Renewables Group") as of 30 June 2019. The Directors of Falck Renewables S.p.A. are responsible for the preparation of the interim consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed [consolidated] financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Falck Renewables Group as of June 30, 2019 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, August 1 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