

# FALCK RENEWABLES Group

Interim financial report at 31 March 2020

Board of Directors

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Milan, 13 May 2020

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

## Interim financial report at 31 March 2020

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## Summary

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## 1. Company officers

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## 1. Company officers

### Board of Directors

|                                 |                         |
|---------------------------------|-------------------------|
| Falck Enrico Ottaviano          | Executive Chairman      |
| Corbetta Guido Giuseppe Maria   | Deputy Chairman         |
| Volpe Toni                      | Chief Executive Officer |
| Caldera Elisabetta (*)          | Director                |
| Dassù Marta (*)                 | Director                |
| Falck Federico Francesco Sergio | Director                |
| Giadrossi Nicoletta (*)         | Director                |
| Grenon Georgina (*)             | Director                |
| Marchi Filippo Claudio Neil     | Director                |
| Ott Andrew Lee (*)              | Director                |
| Pietrogrande Paolo (*)          | Director                |
| Stefini Silvia (*)              | Director                |

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

The Board of Directors was nominated by the Shareholders' Meeting on 07 May 2020.

### Board of statutory auditors

|                            |                              |
|----------------------------|------------------------------|
| Righetti Dario             | Chairman                     |
| Conca Giovanna             | Statutory auditor            |
| Paleologo Oriundi Patrizia | Statutory auditor            |
| Busetto Domenico           | Substitute statutory auditor |
| Delfrate Daniela           | Substitute statutory auditor |

The Board of Statutory Auditors was nominated by the Shareholders' Meeting on 07 May 2020.

### Independent auditors

PricewaterhouseCoopers SpA

## 2. Financial information

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2. Financial information

2.1 Income statement

|  |  |               |               | (€ thousands)  |
|--|--|---------------|---------------|----------------|
|  |  | 31.3.2020     | 31.3.2019*    | 31.12.2019     |
| Revenues   |  | 121,034       | 105,929       | 374,494        |
| Direct costs   |  | (54,590)      | (47,748)      | (199,897)      |
| Personnel costs  |  | (11,554)      | (9,762)       | (41,222)       |
| Other income   |  | 5,118         | 1,734         | 10,747         |
| Administrative expenses  |  | (11,023)      | (6,923)       | (29,683)       |
| Net margin from trading activities                                   |  | 83            |               | (44)           |
| <b>Operating profit/(loss)</b>                                       |  | <b>49,068</b> | <b>43,230</b> | <b>114,395</b> |
| Financial income/(expenses)  |  | (10,785)      | (10,083)      | (39,139)       |
| Investment income/(expenses)   |  | (31)          |               | 37             |
| Share of profit of investments accounted for using the equity method |  | 710           | 1,511         | 2,670          |
| <b>Profit/(loss) before tax</b>                                      |  | <b>38,962</b> | <b>34,658</b> | <b>77,963</b>  |
| Income tax expense   |  |               |               | (14,782)       |
| <b>Profit/(loss) for the year</b>                                    |  |               |               | <b>63,181</b>  |
| Profit attributable to non-controlling interests                     |  |               |               | 14,745         |
| <b>Profit attributable to owners of the parent</b>                   |  |               |               | <b>48,436</b>  |
| <b>EBITDA (1)</b>  |  | <b>72,516</b> | <b>63,046</b> | <b>204,011</b> |

(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.

(\*) The figures at 31 March 2019 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisitions of Windfor Srl, Energy Team SpA and Energia Eolica de Castilla SI.

2. Financial information

2.2 Net financial position

|   |                  | (€ thousands)    |                  |
|---|------------------|------------------|------------------|
|   | 31.3.2020        | 31.12.2019       | 31.3.2019*       |
| Current third party financial liabilities                             | (109,457)        | (89,722)         | (82,353)         |
| Current third party financial liabilities for operating leases        | (4,976)          | (4,971)          | (4,347)          |
| Current third party financial receivables                             | 13,195           | 7,681            | 9,668            |
| Other securities  |                  |                  |                  |
| Cash and cash equivalents   | 225,610          | 131,232          | 202,160          |
| <b>Current net financial position</b>                                 | <b>124,372</b>   | <b>44,220</b>    | <b>125,128</b>   |
| Non-current third party financial liabilities                         | (707,371)        | (697,847)        | (741,838)        |
| Non-current third party financial liabilities for operating leases    | (75,550)         | (75,761)         | (69,019)         |
| Other securities  |                  |                  |                  |
| <b>Non-current financial position</b>                                 | <b>(782,921)</b> | <b>(773,608)</b> | <b>(810,857)</b> |
| <b>Net financial position pursuant to Consob circular</b>             |                  |                  |                  |
| <b>Consob circular DEM/6064293/2006</b>                               | <b>(658,549)</b> | <b>(729,388)</b> | <b>(685,729)</b> |
| Non-current third party financial receivables                         | 8,936            | 8,622            | 10,781           |
| Non-current Group financial receivables                               |                  |                  |                  |
| <b>Total net financial position</b>                                   | <b>(649,613)</b> | <b>(720,766)</b> | <b>(674,948)</b> |
| - of which “non-recourse” project financing                           | (656,382)        | (671,909)        | (737,022)        |
| - of which fair value of derivatives                                  | (42,042)         | (32,587)         | (37,263)         |
| - of which financial liabilities for operating leases                 | (80,526)         | (80,732)         | (73,366)         |
| <b>Net financial position net of fair value of derivatives</b>        | <b>(607,571)</b> | <b>(688,179)</b> | <b>(637,685)</b> |
| <b>Net financial position net of operating leases</b>                 | <b>(569,087)</b> | <b>(640,034)</b> | <b>(601,582)</b> |
| <b>Net financial position net of operating leases and derivatives</b> | <b>(527,045)</b> | <b>(607,447)</b> | <b>(564,319)</b> |

(\*) The figures at 31 March 2019 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisitions of Windfor Srl, Energy Team SpA and Energia Eolica de Castilla SI.



### 3. Notes to the interim financial report

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### 3. Notes to the interim financial report

#### 3.1 Accounting policies

At 31 March 2020, the Falck Renewables Group consists of 112 companies, of which 105 are consolidated on a line-by-line basis, and 7 are consolidated applying the equity method.

During the first three months of 2020, the following companies were incorporated:

- EF Columbus Energy Holdings LLC, 51% owned by Falck Renewables North America Inc and consolidated on a line-by-line basis at 31 March 2020;
- EF Columbus Renewables LLC, 50% owned by Falck Renewables North America Inc and consolidated using the equity method at 31 March 2020.

On 20 March 2020 Eni New Energy US Inc ("ENE US") and Falck Renewables North America Inc. ("FRNA") completed the strategic agreement announced on 20 December 2019. This agreement involves the creation of an equally owned platform, through EF Columbus Renewables LLC, for the development, construction and financing of new projects from renewable sources such as solar, photovoltaic, onshore wind and storage. At the same time, under the terms of the agreement, FRNA sold to ENE US 49% of the shares in EF Columbus Energy Holdings LLC, owner of the plants currently operating in the United States, for a total capacity of 112.5 MW.

In March 2020, Falck Renewables SpA completed the purchase of the shares held by Ascia Renovables SI in Energia Eolica de Castilla SI. As a result of this transaction Falck Renewables SpA holds a 100% stake.

The interim financial report at 31 March 2020 has been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). The income statement presents costs by function, which with regard to measurement of the headings, corresponds to IFRS requirements.

The interim financial report has also been prepared in conformance with article 154-ter, paragraph 5 of Legislative Decree 58/1998.

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.

#### *Definitive Purchase Price Allocations*

In the first half of 2019, the Group completed the Purchase Price Allocation relating to the acquisition of Windfor Srl presented as provisional at 30 September 2018, 31 December 2018 and 31 March 2019.

During the third quarter of 2019, the Group also completed the Purchase Price Allocation of Energy Team SpA and Energia Eolica de Castilla SI which had been presented as provisional at 31 December 2018, 31 March 2019 and 30 June 2019.

Below is the Income Statement and Net Financial Position with final allocations for the first quarter of 2019.

3. Notes to the interim financial report

|  | <b>31.3.2019</b>       | <b>IFRS 3</b> | <b>31.3.2019</b> |
|--|------------------------|---------------|------------------|
|  | Provisional allocation |               | Final allocation |
| Revenues   | 105,929                |               | 105,929          |
| Direct costs   | (47,039)               | (709)         | (47,748)         |
| Personnel costs  | (9,762)                |               | (9,762)          |
| Other income   | 1,697                  | 37            | 1,734            |
| Administrative expenses  | (6,923)                |               | (6,923)          |
| Net margin from trading activities                                   |                        |               |                  |
| <b>Operating profit/(loss)</b>                                       | <b>43,902</b>          | <b>(672)</b>  | <b>43,230</b>    |
| Financial income/(expenses)  | (10,083)               |               | (10,083)         |
| Investment income/(expenses)   |                        |               |                  |
| Share of profit of investments accounted for using the equity method | 1,511                  |               | 1,511            |
| <b>Profit/(loss) before tax</b>                                      | <b>35,330</b>          | <b>(672)</b>  | <b>34,658</b>    |
|  |                        |               |                  |
| <b>EBITDA</b>  | <b>63,009</b>          | <b>37</b>     | <b>63,046</b>    |

3. Notes to the interim financial report

|   |                        |               | (€ thousands)    |
|---|------------------------|---------------|------------------|
|   | <b>31.3.2019</b>       | <b>IFRS 3</b> | <b>31.3.2019</b> |
|   | Provisional allocation |               | Final allocation |
| Current third party financial liabilities                             | (82,353)               |               | (82,353)         |
| Current third party financial liabilities for operating leases        | (4,347)                |               | (4,347)          |
| Current third party financial receivables                             | 9,668                  |               | 9,668            |
| Other securities  |                        |               |                  |
| Cash and cash equivalents   | 202,160                |               | 202,160          |
| <b>Current net financial position</b>                                 | <b>125,128</b>         |               | <b>125,128</b>   |
| Non-current third party financial liabilities                         | (741,992)              | 154           | (741,838)        |
| Non-current third party financial liabilities for operating leases    | (69,019)               |               | (69,019)         |
| Other securities  |                        |               |                  |
| <b>Non-current financial position</b>                                 | <b>(811,011)</b>       | <b>154</b>    | <b>(810,857)</b> |
| <b>Net financial position pursuant to Consob circular</b>             |                        |               |                  |
| <b>Consob circular DEM/6064293/2006</b>                               | <b>(685,883)</b>       | <b>154</b>    | <b>(685,729)</b> |
| Non-current third party financial receivables                         | 10,781                 |               | 10,781           |
| Non-current Group financial receivables                               |                        |               |                  |
| <b>Total net financial position</b>                                   | <b>(675,102)</b>       | <b>154</b>    | <b>(674,948)</b> |
| - of which “non-recourse” project financing                           | (737,022)              |               | (737,022)        |
| - of which fair value of derivatives                                  | (37,263)               |               | (37,263)         |
| - of which financial liabilities for operating leases                 | (73,366)               |               | (73,366)         |
| <b>Net financial position net of fair value of derivatives</b>        | <b>(637,839)</b>       | <b>154</b>    | <b>(637,685)</b> |
| <b>Net financial position net of operating leases</b>                 | <b>(601,736)</b>       | <b>154</b>    | <b>(601,582)</b> |
| <b>Net financial position net of operating leases and derivatives</b> | <b>(564,473)</b>       | <b>154</b>    | <b>(564,319)</b> |

### 3. Notes to the interim financial report

#### 3.2 Main changes

The Group uses the following alternative performance indicators:

- EBITDA is measured by the Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions, and income tax;
- Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets;
- Net financial position without operating leases: for the purposes of calculating the Financial 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.

Falck Renewables Group first quarter 2020 revenues amounted to €121,034 thousand, up by €15,105 thousand (+14.3%) on the first quarter 2019.

The increase in **revenues** is due mainly to: (i) for approximately €3.1 million to the change in the scope of consolidation due to the acquisitions made in 2019 of the 5 French wind farms with a grid capacity of 56 MW; (ii) for approximately €3.1 million to the commissioning at the end of December 2019 of the wind farms in Hennøy (Norway) and Åliden (Sweden) with a grid capacity of 96.8 MW and at the beginning of February 2020 of the Spanish wind farm Energia Eolica de Castilla with a grid capacity of 10 MW; (iii) for approximately €8.3 million for increased production in the wind power sector in the UK and France partially offset by lower production in Italy in the wind power sector and the biomass plant shut down for scheduled maintenance; (iv) for approximately €3.4 million for the greater volume of energy sold by Falck Next Energy Srl; (v) for approximately €0.9 million to the increase in quantities and prices relating to the waste disposal and treatment service for the WtE plant at Trezzo sull'Adda, offset for approximately €4.9 million by the decrease in electricity selling prices in the main reference markets such as the United Kingdom, Italy and Spain.

The GWh generated in the wind sector in the first quarter of 2020 amounted to 832 compared to 588 recorded in the first quarter 2019 (+42% year on year). The overall GWh generated globally by all of the Group's technologies totalled 912 compared to 676 in the first quarter of 2019 (+35% year on year).

As mentioned earlier in this Report, the increase in production was offset in the first quarter of 2020 by a year on year decrease of 5% in electricity sale prices, including the incentive component: in Italy, by 5% for wind farms, including price risk hedging, by 1% for solar farms, and by 11% for WtE; in Spain, by 34% for wind farms; and in the United Kingdom, by 7% for wind farms.

In Italy, on the other hand, biomass plant prices rose by 4% due to the incentive component and prices for the waste disposal and treatment service by 9%, while in France the feed-in tariff mechanism neutralized the price fluctuation (+1%).

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 1.2% in the first quarter of 2020 compared to the same period of the previous year.

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

3. Notes to the interim financial report

|  | Euro/GBP |
|--|----------|
| End of period exchange rate 31 March 2020    | 0.8864   |
| End of period exchange rate 31 March 2019    | 0.8583   |
| End of period exchange rate 31 December 2019 | 0.8508   |
| Average exchange rate 31 March 2020          | 0.8623   |
| Average exchange rate 31 March 2019          | 0.8725   |
| Average exchange rate 31 December 2019       | 0.8778   |

Revenue by business category may be analysed as follows:

|   | (€ thousands)  |                |
|---|----------------|----------------|
|   | 1 Quarter 2020 | 1 Quarter 2019 |
| Sale of electricity, thermal energy and other goods | 107,824        | 95,248         |
| Waste treatment and disposal                        | 5,025          | 4,146          |
| Services and management of renewable energy plants  | 7,516          | 6,503          |
| Other operating income                              | 669            | 32             |
| <b>Total</b>  | <b>121,034</b> | <b>105,929</b> |

Against an increase in revenues of approximately €15.1 million, costs, including depreciation and amortisation, rose by approximately €12.7 million and other income increased by €3.4 million, resulting in an increase in Operating Profit of €5.8 million, due to the following trends:

**Other income** increased by €3,384 thousand, mainly due to the capital gain of €4,007 thousand realised following the sale by the Group of 50% of the interest in EF Columbus Renewables LLC (and therefore joint control) to Eni New Energy US Inc with the consequent deconsolidation of the same and the first recognition at fair value of the remaining 50% interest. The effect was partially offset by lower insurance settlements of €760 thousand compared with the previous period.

**Direct costs and expenses** increased by €6,842 thousand, mainly due to: (i) the purchase of energy from the market by Falck Next Energy Srl; (ii) higher costs and depreciation due to the increased installed capacity; and (iii) higher maintenance costs for the biennial shutdown of the biomass plant.

**Personnel costs** increased by €1,792 thousand, mainly due to the average increase in the workforce (+66 employees) compared to the first quarter of 2019. The increase in the average number of employees is mainly due to internal staff growth as the main functions have been structured to cope with the development of the new initiatives envisaged in the business plan. Compared with 2019, higher costs for the 2017-2019 Long Term Incentive Plan also had an impact of €402 thousand on personnel costs.

**General and administrative expenses** increased by €4,100 thousand compared with the same period of 2019, mainly due to costs associated with development activities in the various businesses (assets, services and digital asset management), the increase in the scope of consolidation mentioned above, higher provisions made during the period and, lastly, higher Long Term Incentive Plan 2017-2019 costs of €488 thousand.

As a result of these trends, in the first three months of 2020, **EBITDA** amounted to €72,516 thousand (€63,046 thousand in 2019), 59.9% of revenues (59.5% in the first quarter of 2019) and **Operating Profit** amounted to €49,068 thousand (€43,230 thousand in 2019), 40.5% of revenues (40.8% in the first quarter of 2019).

First quarter 2020 **EBITDA** increased compared to the first quarter 2019 (+15% and +€9,470 thousand) despite a decrease in electricity prices for the first quarter: (i) the change in the scope of consolidation due

### 3. Notes to the interim financial report

to the acquisitions in 2019 of the 5 French wind farms; (ii) the commissioning at the end of December 2019 of the wind farms in Hennøy (Norway) and Åliden (Sweden) and at the beginning of February 2020 of the Spanish wind farm Energia Eolica de Castilla; (iii) the increased production in the wind sector in the UK and France, partially offset by the lower production in Italy in the wind sector and the biomass plant shut down for scheduled maintenance; (iv) the increase in quantities and prices relating to the waste disposal and treatment service for the WtE plant in Trezzo sull'Adda; and (v) the capital gain realised following the sale by the Group of 50% of the shares in EF Columbus Renewables LLC to Eni New Energy US Inc. with consequent deconsolidation of these shares and the first recognition at fair value of the remaining 50% shareholding.

**Net financial expenses** increased by €702 thousand compared to the 2019 first quarter. The increase is due to higher negative exchange rate differences partially offset by lower financial charges related to a lower average non-recourse financing debt than in the previous period and by management actions aimed at making financial costs more efficient.

The above factors led to the Falck Renewables Group to post a **profit before income tax and non-controlling interests** of €38,962 thousand in the 2019 first quarter, with an increase of 12.4% over the first quarter 2019 (+€4,304 thousand).

The **net financial position including the fair value of derivatives** totalled €649,613 thousand compared to €720,766 thousand at 31 December 2019 and comprised:

- non-recourse financing of €656,382 thousand, down €15,527 thousand on the balance at 31 December 2019;
- the liability for operating leases, which in accordance with IFRS 16 is classified as a financial liability, amounting to €80,526 million. Net of this amount, the net financial position would have amounted to €569,087 thousand;
- net financial debt of €83,452 thousand relating to projects under construction and development that, at 31 March 2020, had not yet generated full year revenues; net of this amount, the fair value of derivatives (€42,042 thousand at 31 March 2020 compared with €32,587 thousand at 31 December 2019) and financial debt under operating leases, the net financial position would have been €443,593 thousand.

The components leading to the change in the net financial position are as follows: cash generation from operating activities amounts to approximately €44 million and is offset by net investments of €37.6 million made in 2020. The devaluation of the Pound against the Euro had a positive effect worth €13.3 million on net financial debt, while the variation in fair value for the derivatives negatively affected the net financial position by €1 million. The sale of assets in the USA, net of investments in the development company EF Columbus Renewables LLC, had a positive effect of €55.8 million. The adjustment of user rights in accordance with IFRS 16 resulted in an increase in the net financial position of approximately €3.3 million.

Moreover, 72% of Gross debt, amounting to €762,397 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 €546,890 thousand.

The net financial position (excluding the fair value of derivatives and the debt under operating leases, amounting to €527,045 thousand) is also hedged against interest rate fluctuations by fixed-rate loans and interest rate swaps for an amount equal to 104% of financial debt.

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

3. Notes to the interim financial report

|   |         |
|---|---------|
| Total Gross Debt without Fair Value of Derivatives and operating leases | 762,397 |
| of which Project Gross Debt (Project GD)                                | 656,382 |
| % GD Project/GD   | 86%     |

|   |         |
|---|---------|
| Total Gross Debt without Fair Value of Derivatives and operating leases | 762,397 |
| Total hedged against interest rate fluctuations                         | 546,890 |
| % Hedged/GD   | 72%     |

|  |         |
|--|---------|
| Total NFP without Fair Value of Derivatives and operating leases | 527,045 |
| Total hedged against interest rate fluctuations                  | 546,890 |
| % Hedged   | 104%    |

**3.3 Performance of the business sectors**

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

Revenues by business sector, compared to the 2019 first quarter, are illustrated in the table below:

|                           | 31.3.2020      | 31.3.2019      | (€ thousands)<br>Change |
|---------------------------|----------------|----------------|-------------------------|
| WtE, biomass and solar    | 13,790         | 14,930         | (1,140)                 |
| Wind sector               | 88,896         | 76,679         | 12,217                  |
| Services sector           | 10,130         | 9,580          | 550                     |
| Other Businesses          | 20,976         | 21,715         | (739)                   |
| Consolidation adjustments | (12,758)       | (16,975)       | 4,217                   |
| <b>Total</b>              | <b>121,034</b> | <b>105,929</b> | <b>15,105</b>           |

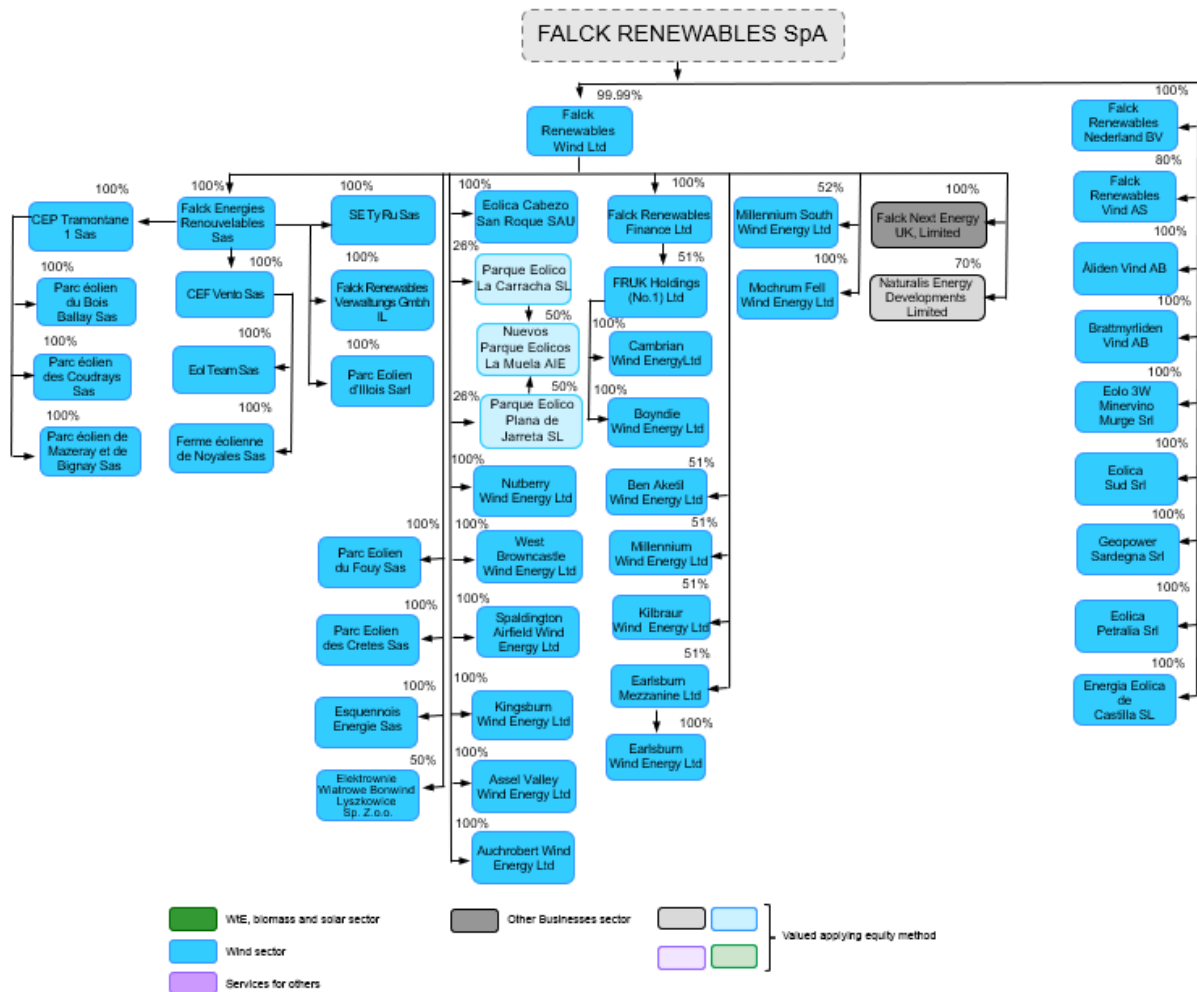


3. Notes to the interim financial report

❖ Group structure by sector



3. Notes to the interim financial report



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

3. Notes to the interim financial report

❖ **WtE, biomass and solar sector**

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

|  |       | (€ thousands)  |                |
|--|-------|----------------|----------------|
|  |       | 31.3.2020      | 31.3.2019      |
| Revenues   |       | 13,790         | 14,930         |
| <b>EBITDA</b>  |       | <b>8,541</b>   | <b>6,219</b>   |
| <b>Operating profit/(loss)</b>                       |       | <b>4,764</b>   | <b>2,679</b>   |
| <b>Intangible assets</b>                             |       | <b>473</b>     | <b>465</b>     |
| <b>Property, plant and equipment</b>                 |       | <b>245,652</b> | <b>251,950</b> |
| <b>Net financial position - indebtedness/(asset)</b> |       | <b>87,376</b>  | <b>149,915</b> |
| of which non-recourse project financing              |       | 60,388         | 55,680         |
| <b>Investments</b>                                   |       | <b>564</b>     | <b>413</b>     |
| Employees at the period-end                          | (no.) | 69             | 64             |

This sector focuses on electricity production from renewable sources in particular through the conversion of urban waste to energy (WtE) and from biomass and solar power.

The strategy is developed through the management of operating power plants and the development of new projects, either directly or through joint ventures with leading industrial enterprises.

On 20 March 2020 Eni New Energy US Inc ("ENE US") and Falck Renewables North America Inc. ("FRNA") completed the strategic agreement announced on 20 December 2019. This agreement provides for the creation of an equal platform for the development, construction and financing of new renewable energy projects such as solar, onshore wind and storage. At the same time, under the terms of the agreement, FRNA transferred to ENE US 49% of the shares in the installations currently operating in the United States. These shares relate to a total portfolio of 112.5 MW. The total value paid by ENE US to FRNA was approximately \$71 million.

The sector reported a €1,140 thousand reduction in revenues compared to the first quarter 2019, down by 8%. The main effect was due to the scheduled maintenance shutdown of the Rende Biomass plant and the consequent drop in production (-37% compared to the previous period).

This effect was only partially offset by the increase in electricity production and the higher quantities and higher waste disposal and treatment prices at the Waste to Energy plant in Trezzo sull'Adda.

EBITDA amounted to €8,541 thousand and was up compared to the first quarter of 2019 (+€2,322 thousand): compared to revenues it was 61.9% (41.7% in 2019).

The increase in EBITDA was mainly due to the capital gain of €4,007 thousand realised following the sale by the Group of 50% of the shares in EF Columbus Renewables LLC to Eni New Energy US Inc. with consequent deconsolidation of these shares and the first recognition at fair value of the remaining 50% shareholding. The effect was partially offset by the costs for the biennial maintenance of the Rende plant and lower insurance compensation compared to the previous period.

As a result, operating income increased by €2,085 thousand to €4,764 thousand.

Investments on property, plant and equipment and intangible assets in the first quarter of 2020 amounted to €564 thousand and mainly related to maintenance work on the plants of Ecostesto SpA (€262 thousand), Actelios Solar SpA (€130 thousand) and development costs (€172 thousand).

The net financial position, which shows a debit balance of €87,376 thousand, decreased by €62,539 thousand compared to 31 March 2019 mainly due to the proceeds from the sale of shares in EF Columbus Energy Holdings LLC and EF Columbus Renewables LLC to Eni New Energy US Inc and the cash generation of operating plants net of investments.

### 3. Notes to the interim financial report

The net financial position includes non-recourse project financing of €60,388 thousand (€55,680 thousand at 31 March 2019) and negative fair value of interest rate risk hedging derivatives of €241 thousand (€2,820 thousand at 31 March 2019).

#### ❖ Wind sector

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

|  |       | (€ thousands)    |                |
|--|-------|------------------|----------------|
|  |       | 31.3.2020        | 31.3.2019      |
| Revenue  |       | 88,896           | 76,679         |
| <b>EBITDA</b>  |       | <b>71,275</b>    | <b>62,007</b>  |
| <b>Operating profit/(loss)</b>                       |       | <b>53,318</b>    | <b>47,464</b>  |
| <b>Intangible assets</b>                             |       | <b>99,139</b>    | <b>100,299</b> |
| <b>Property, plant and equipment</b>                 |       | <b>1,026,950</b> | <b>950,681</b> |
| <b>Net financial position - indebtedness/(asset)</b> |       | <b>449,355</b>   | <b>561,535</b> |
| of which non-recourse project financing              |       | 595,994          | 681,342        |
| <b>Capital expenditure</b>                           |       | <b>34,739</b>    | <b>44,310</b>  |
| Employees at the period-end                          | (no.) | 28               | 28             |

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

The wind farms in Hennøy (Norway) and Åliden (Sweden) became operational at the end of December 2019, and the Spanish wind farm Energia Eolica de Castilla became operational in February 2020, increasing the total installed capacity of the Group by 106.8 MW.

The increase in revenues (€12,217 thousand) was mainly due to: (i) the increase in production capacity due to the entry into operation of the wind farms in Hennøy (Norway), Åliden (Sweden) and the Spanish wind farm Energia Eolica de Castilla; and (ii) the excellent winds in the United Kingdom and France, which more than offset the lower production in Italy and the lower prices of energy sales. Moreover, compared to the previous period, the Group benefited for the entire quarter from the power generation of the 5 French wind farms, an acquisition completed in March 2019.

In the first quarter of 2020, the prices for the sale of electric power, including the incentive component, decreased by 6% in Italy, 34% in Spain and 7% in the United Kingdom compared with the first quarter of 2019, while in France, the feed-in tariff mechanism neutralized the price fluctuation (+1%).

The GWh generated in the wind sector in the first quarter of 2020 amounted to 832 compared to 588 recorded in the 2019 first quarter (+42% compared to the same 2019 period).

With reference to production in the UK, there was also an average revaluation of the Pound sterling against the Euro of 1.2% in the first quarter of 2020 compared to the same period of the previous year.

EBITDA amounted to €71,275 thousand, an increase of €9,268 thousand over the same period last year and equal to 80.2% of revenue (2019: 80.9%).

The increase in EBITDA was mainly due to the positive revenue dynamics partially offset by higher maintenance requirements during the period.

As a result, the operating result increased by €5,854 thousand compared to the first quarter of 2019 and represented 60.0% of revenues (61.9% in 2019).

### 3. Notes to the interim financial report

Operating Profit was also affected by higher depreciation and amortisation caused by an increase in production capacity of €1.1 million and higher additions to provisions for risks and charges and higher writedowns of receivables for a total of €2.4 million.

Investments on property, plant and equipment and intangible assets in the first quarter of 2020 amounted to €34,739 thousand and principally related to the construction of the Brattmyrliden (€30,901 thousand) and Åliden (€261 thousand) wind farms in Sweden, Falck Renewables Vind in Norway (€1,501 thousand) and Energia Eolica de Castilla in Spain (€1,908 thousand).

The net financial position amounted to €499,355 thousand, including non-recourse project financing of €595,994 thousand and the negative fair value of derivatives hedging interest rate, foreign exchange and commodity risk for €39,300 thousand, and decreased by €112,180 thousand compared with March 31, 2019 due to the cash generated by operating plants net of investments.

#### ❖ Services sector

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

|  |       | (€ thousands)  |               |
|--|-------|----------------|---------------|
|  |       | 31.3.2020      | 31.3.2019*    |
| Revenues   |       | 10,130         | 9,580         |
| <b>EBITDA</b>  |       | <b>209</b>     | <b>740</b>    |
| <b>Operating profit/(loss)</b>                       |       | <b>(984)</b>   | <b>(523)</b>  |
| <b>Intangible assets</b>                             |       | <b>45,693</b>  | <b>48,188</b> |
| <b>Property, plant and equipment</b>                 |       | <b>3,014</b>   | <b>2,545</b>  |
| <b>Net financial position - indebtedness/(asset)</b> |       | <b>(1,018)</b> | <b>2,704</b>  |
| of which non-recourse project financing              |       |                |               |
| <b>Investments</b>                                   |       | <b>3,670</b>   | <b>196</b>    |
| Employees at the period-end                          | (no.) | 313            | 273           |

(\*) The figures at 31 March 2019 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Windfor Srl and Energy Team SpA.

The sector mainly comprises the Spanish group Vector Cuatro, Energy Team SpA (the latter consolidated as from 3 October 2018), Falck Next Srl and Nuo Srl.

This sector operates in services and the management of renewable energy production facilities, with a strong and extensive international presence with offices in Spain, Italy, France, Chile, Japan, Mexico, and the United Kingdom.

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

Energy Team SpA and Falck Next Srl work side-by-side with producers and consumers (Public Administration, Industry and Tertiary Sector, Local Communities) for a sustainable energy development, implementing efficient, transparent and intelligent measurement, management and local energy production systems.

Nuo Srl offers digital asset management solutions in order to optimise asset management and performance thanks to the support of digital technology.

In July 2019, a business unit transfer from Vector Cuatro Srl to Falck Renewables Sviluppo Srl was completed. The business unit comprises three Business Development employees and goodwill arising from intellectual capital.

The sector shows an increase in revenues of €550 thousand due both to increased activities in the asset management sector and to the increase in Energy Team SpA and consortia in the interruptibility sector. EBITDA, on the other hand, fell by approximately €531 thousand to 2.1% of revenues (7.7% in 2019)

### 3. Notes to the interim financial report

due to the start-up activities of the newly formed company Nuo Srl, which provides digital asset management services, and the higher development costs of Falck Next Srl.

Net financial position amounts to €1,018 thousand and shows an improvement of €3,722 thousand over 31 March 2019 due to the cash generated by service activities, mainly by Energy Team.

#### ❖ Other Businesses

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

|  |       | (€ thousands)  |                |
|--|-------|----------------|----------------|
|  |       | 31.3.2020      | 31.3.2019      |
| Revenues   |       | 20,976         | 21,715         |
| <b>EBITDA</b>  |       | <b>(7,393)</b> | <b>(5,899)</b> |
| <b>Operating profit/(loss)</b>                       |       | <b>(8,002)</b> | <b>(6,422)</b> |
| <b>Intangible assets</b>                             |       | <b>10,497</b>  | <b>2,532</b>   |
| <b>Property, plant and equipment</b>                 |       | <b>2,564</b>   | <b>2,134</b>   |
| <b>Net financial position - indebtedness/(asset)</b> |       | <b>197,098</b> | <b>43,792</b>  |
| of which non-recourse project financing              |       |                |                |
| <b>Investments</b>                                   |       | <b>1,728</b>   | <b>746</b>     |
| Employees at the period-end                          | (no.) | 108            | 87             |

In July 2019, a business unit transfer from Vector Cuatro Srl to Falck Renewables Sviluppo Srl was completed. The business unit comprises three Business Development employees and goodwill arising from intellectual capital.

Revenues were down €739 thousand, largely due to the energy sales activities of Falck Next Energy Srl, as a combined effect of the higher amount of energy sold for the management of plants by third parties and the lower amount of energy sold from group plants.

Operating profit fell by €1,580 thousand. This decrease is mainly attributable to higher asset development and digital asset management costs, Long Term Incentive Plan 2017-2019 costs and the strengthening of certain staff structures.

Investments for the period amounted to €1,728 thousand, of which €1,569 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         |
| Revenues   |       | 20             | 20,970          | (14)           | <b>20,976</b>  |
| <b>EBITDA</b>  |       | <b>(5,141)</b> | <b>(306)</b>    | <b>(1,946)</b> | <b>(7,393)</b> |
| <b>Operating profit/(loss)</b>                       |       | <b>(5,734)</b> | <b>(322)</b>    | <b>(1,946)</b> | <b>(8,002)</b> |
| <b>Intangible assets</b>                             |       | <b>5,658</b>   | <b>4,839</b>    |                | <b>10,497</b>  |
| <b>Property, plant and equipment</b>                 |       | <b>2,564</b>   |                 |                | <b>2,564</b>   |
| <b>Net financial position - indebtedness/(asset)</b> |       | <b>214,049</b> | <b>(16,705)</b> | <b>(246)</b>   | <b>197,098</b> |
| of which non-recourse project financing              |       |                |                 |                |                |
| <b>Capital expenditure</b>                           |       | <b>1,215</b>   | <b>513</b>      |                | <b>1,728</b>   |
| Employees at the period-end                          | (no.) | 103            | 5               |                | <b>108</b>     |

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

### 3. Notes to the interim financial report

The financial position (primarily Falck Renewables SpA) showed a net debt of €197,098 thousand, compared with a net debt of €43,792 thousand at 31 March 2019. The increase in debt is due to capital increases in companies in Italy, Sweden, Norway and the USA to support the development and construction of new plants and the distribution of dividends to shareholders net of dividends received.

The net financial position includes the negative fair value of foreign exchange and commodity hedging derivatives for €2,501 thousand (positive for €6,760 thousand at 31 March 2019).

#### 3.4 Performance of the parent company Falck Renewables SpA

The performance of the Parent Company which is part of the "Other Businesses" sector commented on in the previous paragraph is presented below.

The income statement of Falck Renewables SpA for the three months ended 31 March 2020 recorded a loss before income tax of €5,393 thousand (loss of €5,697 thousand in the first quarter of 2019). The negative result is due to: (i) higher services for €998 thousand; (ii) higher personnel costs for €592 thousand; and (iii) net financial income down by €655 thousand mainly due to higher interest expense, lower interest income and lower foreign exchange differences. These higher costs were offset by the capital gain on the sale of the digital asset management software to Nuo Srl for an amount of €1,946 thousand.

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

As at 31 March 2020, the Company's workforce consisted of 103 employees, of which 27 executives and 76 clerical staff, and was 16 more than in the first quarter of 2019.

Investments for the period totalled €1,215 thousand, of which €1,056 thousand related to software and licences.

The financial position showed a debit balance of €214,049 thousand, compared with a debit balance of €57,074 thousand at 31 March 2019.

The increase in debt is due to capital increases in companies in Italy, Sweden, Norway and the USA to support the development and construction of new plants and the distribution of dividends to shareholders net of dividends received.

It should be noted that on 30 July 2018, Falck Renewables SpA signed an amendment to the "*Corporate Loan*" agreement stipulated on 12 June 2015. The amendment entailed an increase in the amount from €150 million to €325 million and an extension of the deadline from 30 June 2020 to 31 December 2023, while the other very favourable conditions remained unchanged: as at 31 March 2020 the amount of €50 million had been partially used.

The net financial position also includes the negative fair value of the derivatives to hedge foreign exchange risks for € 8,295 thousand (positive for € 3,947 thousand at 31 March 2019).

3. Notes to the interim financial report

**3.5 Personnel**

The total number of employees at 31 March 2020 comprised:

|                    | 31.3.2020  | 31.12.2019 | (Number)<br>31.3.2019 |
|--------------------|------------|------------|-----------------------|
| Managers           | 56         | 55         | 54                    |
| White-collar staff | 429        | 410        | 364                   |
| Blue-collar staff  | 33         | 33         | 34                    |
| <b>Total</b>       | <b>518</b> | <b>498</b> | <b>452</b>            |

The increase is mainly due to internal growth as the main functions, in continuity with 2019, are being structured to cope with the development of the new initiatives envisaged in the industrial plan. For a breakdown of the workforce by sector, please refer to the following:

|                               | 31.3.2020  | 31.12.2019 | (Number)<br>31.3.2019 |
|-------------------------------|------------|------------|-----------------------|
| WtE, biomass and solar sector | 69         | 68         | 64                    |
| Wind sector                   | 28         | 28         | 28                    |
| Services sector               | 313        | 301        | 273                   |
| Other Businesses              | 108        | 101        | 87                    |
| <b>Total</b>                  | <b>518</b> | <b>498</b> | <b>452</b>            |



### 3. Notes to the interim financial report

#### 3.6 Installed capacity

|              |                |                | (MW)         |
|--------------|----------------|----------------|--------------|
| Technology   | 31.3.2020      | 31.12.2019     | 31.3.2019    |
| Wind         | 932.7          | 922.7          | 825.9        |
| WtE          | 20.0           | 20.0           | 20.0         |
| Biomass      | 15.0           | 15.0           | 15.0         |
| Solar        | 128.6          | 128.6          | 128.6        |
| <b>Total</b> | <b>1,096.3</b> | <b>1,086.3</b> | <b>989.5</b> |

The installed capacity increased by 106.8 MW compared to 31 March 2019.

Wind farms in Hennøy (Norway) and Åliden (Sweden) started operation at the end of December 2019 with a total of 96.8 MW. In addition, in February 2020, the Spanish wind power plant Energia Eolica de Castilla became operational and increased the Group's installed capacity by 10 MW.

#### 3.7 Investments

In the first quarter of 2020, total investments were €37,559 thousand.

Investments in property, plant and equipment totalled €35,483 thousand and related mainly to the construction of the Brattmyrliden (€30,803 thousand) and Aliden (€261 thousand) wind farms in Sweden, Falck Renewables Vind (€1,501 thousand) in Norway, Energia Eolica de Castilla (€1,908 thousand) in Spain, maintenance work on the Ecosesto SpA plants (€262 thousand), Actelios Solar SpA (€130 thousand), the capitalisation of rights of use (€381 thousand) and the purchase of office furniture and investments (€109 thousand).

Investments in intangible assets amounted to €2,076 thousand and refer mainly to operating software and licenses for €1,225 thousand and development costs for €851 thousand.

#### 3.8 Non-financial performance indicators

The key non-financial indicators are as follows:

|                             | Unit of measurement | 31.3.2020 | 31.3.2019 |
|-----------------------------|---------------------|-----------|-----------|
| Gross electricity generated | GWh                 | 912       | 676       |
| Total waste handled         | Ton                 | 35,842    | 32,147    |

## 4. Directors' report

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## 4. Directors' report

### 4.1 Review of significant business developments in 2020

On 30 January 2020, Falck Renewables Vind AS signed a 10-year Power Purchase Agreement (PPA) for the sale of 70% of the electricity produced by its wind farm in Hennøy (Norway) to one of the most important energy players in Europe.

On 7 February 2020, the Spanish wind power plant Energia Eolica de Castilla started operation, which increased the Group's installed capacity by 10 MW. The plant was built in collaboration with Ascia Renovables SL. The company signed a long-term contract (Power Purchase Agreement, PPA) with Holaluz, a Spanish energy supplier, which will allow a stable revenue stream.

On 20 March 2020, Eni New Energy US Inc. ("ENE US") and Falck Renewables North America Inc. ("FRNA") completed the strategic agreement announced on 20 December 2019. This agreement involves setting up an equal platform for the development, construction and financing of new renewable energy projects such as solar, onshore wind and storage. At the same time, under the terms of the agreement, FRNA transferred to ENE US 49% of the shares in the installations currently operating in the United States. These shares relate to a total portfolio of 112.5 MW. The total value paid by ENE US to FRNA is approximately \$71 million.

On 27 March 2020 Falck Renewables SpA completed the purchase of the shares held by Ascia Renovables SI in Energia Eolica de Castilla SI. As a result of this transaction Falck Renewables SpA holds 100% of the shares in the company whose plant commenced operations in February 2020.

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

At 31 March 2020, 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. Of these twelve plants in operation in the UK, six plants, with a total of 273 MW, were subject to 49% transfer in March 2014 to CII Holdco (share 134 MW).

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

After more than three years of negotiations with the European Union, from 1 February 2020, the United Kingdom is no longer considered a member of the European Union. In fact, on 29 January the European Parliament approved the agreement on Brexit which had been negotiated by the British Government and the European Commission in October 2019 and preliminarily approved by the British Parliament and the other European institutions involved, the Commission and the Council, between December 2019 and January 2020, following the new British parliamentary elections, held on 12 December 2019, which confirmed a broad consensus for the incumbent Prime Minister, leader of the Conservatives, Boris Johnson, awarding a strong majority in the newly constituted Parliament.

Since 1 February, therefore, the United Kingdom has formally left the European Union and a transition period has begun which will last at least until 31 December 2020, although the Parties confirm that there is a risk that the new negotiations will last a few years. During this transition period the UK will technically remain in the European Union but without participating in its decision-making bodies and in the interim parties will have to deal with very complex and sensitive trade agreements, which until now have been left open, including the system of tariffs which will affect thousands of products, the new

## 4. Directors' report

competitive relationship between British and European companies, the system of movement of people and the treatment of each other's citizens. The European negotiators' proposal should move towards an agreement without duties or quotas on any kind of product, provided that the UK commits to a number of conditions on labour rights, high European environmental standards and state aid rules. The negotiators' fear, however, is that in order to revive its economy after Brexit, the United Kingdom could offer particularly favourable conditions for multinationals, such as minimum wages, favourable tax systems, or low environmental regulatory standards, to compete with European companies.

The final outcome of the negotiations remains uncertain and the risk of no deal is not excluded. This prevents operators from speculating as to what the geo-political, economic, financial, fiscal and industrial scenarios might be, also with reference to the British electricity market and the development and incentive policies for 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 regard to the Falck Renewables Group's operating plants, the flows generated in sterling are used to service the portion of debt in the same currency.

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.

### **4.3 Risks associated with the "Coronavirus (Covid-19)" emergency**

Since the Group operates in a sector whose market dynamics are often linked to exogenous variables that are not always predictable, it is constantly monitoring the potential effects that may derive from the continuation of the pandemic, "Covid-19" and the emergency health situation that has been affecting many countries at both European and global level since the beginning of 2020.

The directives and measures issued in this area by the countries involved in this first phase of the crisis, with the aim of containing the spread of contagion, are providing for more restrictive rules on the mobility of people and goods, on the reduction/suspension of production activities in areas at greater risk of contagion (so-called lockdown), with consequent negative impacts on production activities in all industrial sectors and trade at national and international level.

This situation may have a significant impact on the Group's results, which is still difficult to quantify at this stage, as the effects could become more severe as the health emergency and, above all, the resulting macroeconomic emergency expands and continues.

To date, the Group's activities that are believed to be most affected by the emergency, leading to a potential significant reduction in activities with a consequent negative effect on expected results, are:

## 4. Directors' report

- the sale of energy produced on the Italian market and on the other markets in which the Group operates (with regard to a reduction in prices for the component produced exposed to the volatility of spot prices on the electricity markets);
- the construction and operation of the plants (with regard to the timing of supply of the various components, both wind and solar, considering, for example, that from the Hubei province in China alone, the initial epicentre of the emergency, comes a large part of the production of solar panels and other "main components"). It should be noted that the Group does not currently have any solar power plants under construction;
- the management of continuous operation in continuous cycle thermal plants (with regard to issues related to a forced absence of personnel, internal and external, from the workplace where a physical presence is required, or to operational limitations related to biomass supply, waste disposal and waste disposal activities, or in maintenance activities, planned or not, however managed through the activation of the applicable business continuity plans);
- the management of services provided by Group companies (e.g. Energy Team SpA) directly at customers' plants (e.g. energy audit and monitoring services, sale and installation of energy efficiency components, etc.) again due to the enforced absence of personnel, reduced mobility throughout the country, or closure of customers' production activities;
- lastly, the management of the activities carried out by the personnel in all the Italian and international offices, again connected to a compulsory absence from the workplace, in any case managed without any particular criticality through a widespread and prolonged use of "Smart Working" from the earliest stages of emergency in the various countries.

### 4.4 Management outlook

The Group's results in 2020 will benefit from: (i) the entry into operation of the wind farms in Åliden (Sweden), Hennøy (Norway) and Carreastro (Spain) for a total of 106.8 MW; and (ii) the production of the companies holding a portfolio of 5 wind farms operating in France with a total grid capacity of 56 MW for the whole year.

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

With reference to the "Coronavirus (or Covid-19) crisis", the Group's industrial production and results did not, on the whole, suffer in the first quarter, however (i) as a result of the slowdown in industrial production in some sectors in Europe, electricity price levels in the coming months could be significantly lower than in 2019 and compared with the previous year, as their volatility is very pronounced and in the first four months of the year they showed extremely significant changes both with respect to what was expected and with respect to the previous year, and (ii) the activities in the services sector, whose results affect the group's EBITDA by only 2% on average, have been and may be affected in part by the operating difficulties of its customers and of the entire reference industrial sector.

The return to operations of a series of industrial and commercial activities is expected to take place in the coming months, as communicated by the authorities of the countries where the Group operates (Phase 2 and Phase 3), will bring greater serenity to the electricity markets, improve and reduce the current volatility of electricity transfer prices, and allow the resumption and development of commercial activity in the services sector. The Company will closely monitor these dynamics also in order to contain the impact on results.

The Company reserves the right to update the outlook for operations, as part of its periodic reports during 2020, should the "Coronavirus (or Covid-19) crisis" have a material impact on the Group's economic and financial indicators.

#### 4. Directors' report

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

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

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As required by Article 154-bis, paragraph 2 of the Consolidated Finance Act (Legislative Decree no. 58/1998), Paolo Rundeddu, in his capacity as corporate accounting documents officer, declares that the accounting information contained in this interim financial report at 31 March 2020 is consistent with the data in the documents, accounting records and other records.

Milan, 13 May 2020

Paolo Rundeddu  
(Director responsible for drafting  
corporate accounting documents)