



FINANCIAL REPORT

AT 31 DECEMBER 2019

Falck
Renew
ables

PURE POWER TO GROW



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FALCK RENEWABLES SpA

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Direction and coordination by Falck SpA
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Financial Report

at 31 December 2019

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



Energy transition and the fight against climate change are at the heart of the current economic, national and international scenario, and renewable energy sources play a key role. This is a challenge in which everyone has a part to play, that asks industry and institutions worldwide to interpret change and to make an active contribution to making it a reality. It calls on everyone, but above all those who, like us, have the intrinsic values of sustainable development in the evolution of their business and in their DNA.

The economic, financial and industrial results for 2019, the best ever, show us that we are on the right track. We will continue in this direction, pursuing the mission and values that distinguish us and that clearly express our role as a company strongly committed to the process of decarbonisation of the planet. As players in the renewable energy sector, we could consider ourselves inherently sustainable. Nonetheless, sustainability is about much more than that for us, encompassing every aspect of our business. Sustainability means creating shared value for all our stakeholders, while maintaining the conditions that allow this creation of value over time.

This is the basis for all our hard work and today we present to shareholders and all stakeholders in

general, with great satisfaction, the results achieved in a year of excellent performance.

The figures in the Financial Statements at 31 December 2019 show Revenues of €374.5 million, up 11.5% on 2018. We achieved the highest EBITDA ever, at €204 million, up 6.5% over the previous year. Group net income reached €48.4 million, an improvement of 10.9% on last year. Investments, including plant acquisitions, also grew to €197.2 million compared to €122.4 million in 2018. The proposed dividend to shareholders, 6.7 eurocents per share, is the maximum value established by the current dividend policy.

Also in 2019, our electricity generation increased by 9% compared to the previous year, thanks to increased wind production in Italy and a wider perimeter of our plants, following the acquisition of wind assets in France, 56 MW, the full operation of 20.5 MW of solar energy in the United States and the start of operations in Norway and Sweden with a capacity of about 97 MW.

In the second half of 2019, we recorded a slight reduction in energy prices in Italy and the UK. Thanks to our hedging strategy, we were able to limit the effects of the bearish trend, containing it in Italy and

the UK at -2% and -1% respectively, compared to average prices that fell by 14% and 24% respectively.

From an operational point of view, we revamped 6 MW of the Spinasanta solar plant with the aim of improving production performance. We were also able to renegotiate Actelios Solar's credit line on better terms, increasing the financing by an additional €13.3 million.

We have signed an agreement that extends the agreement for the land area right of our largest wind farm in Sardinia (138 MW) until 2041, which allows us to plan the extension of its production activities over the long term.

The development of new wind, solar and storage plants is fundamental to our growth and we are working hard to increase the number of projects in progress. Indeed, as of today, we have a pipeline in development that consists of 2 GW of projects.

In the United States, we have signed an agreement with a partner as prestigious as Eni to develop, build and finance projects from renewable sources - solar photovoltaic, onshore wind and storage. Our goal is to reach 1 GW by 2023. Also in the USA, we installed our first battery-powered storage system - connected to our solar system in Middleton, Massachusetts - in partnership with Middleton Electric Light Department. The battery uses 100% solar energy from our plant and provides the customer with sustainable and flexible on-demand services. In Italy we acquired 230 MW of solar projects in the initial development phase from Canadian Solar and in the UK we signed an agreement with REG Windpower for the joint development of approximately 200 MW of wind and solar projects.

We have entered into several PPAs (Power Purchase Agreements), with contracts signed in Spain, Sweden and the UK.

Our Energy Management activities are showing increasingly important results, with the dispatching in Italy of 964 GWh in 2019, which sums up the total of our electricity production and the share dispatched on behalf of third parties (83

GWh). Considerably more than the 360 GWh dispatched in 2018.

Services and products dedicated to energy-intensive industrial and commercial customers also performed well, with Energy Team results up 10% year-on-year.

We have not neglected to focus on digital innovation. We have developed NUO, an advanced virtual asset manager for real-time monitoring and optimisation of plant performance, to manage our assets. This is a digital solution that we also provide to third party customers.

As a company, we're used to looking ahead, thinking about the future.

It is on this basis that we have decided to strengthen our commitment to sustainability and social responsibility. In 2019, we worked on several fronts with this goal in mind. We started with sustainability governance, setting up the Control, Risks and Sustainability Committee and assigning it consulting and proposing functions. We worked to integrate sustainability with our strategy, observing how these two elements are intimately linked. With this in mind, we agreed that the only viable strategy for Falck Renewables is a Sustainable Strategy, focused on creating value for all our stakeholders by listening to their voice and opinions. We drew up a Sustainability Plan and integrated strategy, which we call the Sustainability Framework (SUF), broken down into objectives, linking the issues that are most material for us to the UN's Sustainable Development Goals on which our activity can have a positive impact. We have made the risk analysis and management model (Risk Assessment Framework) more innovative, integrating it into the Sustainable Framework and placing the elements of sustainability alongside the canonical industrial pillars, in order to support long-term decisions and systems for verifying short-term results more effectively. In 2019, we worked on the second edition of our upcoming sustainability report "Sustainability at the Core", as a way to communicate the sustainability of our business by reporting our non-financial results.

One of the goals we set ourselves last year was to be able to export our established community engagement model even outside the UK. In 2019 we took the first step by setting up a community benefit scheme in Sweden.

2019 was not just a year geared towards governing the present in the best possible way. It was a decisive year for planning the future. A future that we are looking at with a fresh eye, supported by the work that we have begun to set up and that will lead us, in early 2020, to present a new Corporate Identity.

But, above all, a future made up of important challenges, with the elaboration of a strategic plan that projects the Group to 2025. This plan - which we

have named Roadmap 2025 - sets ambitious targets, including a significant increase in economic and financial results, a doubling of installed capacity (avoiding, with clean generation, the emission of about 6 million tons of CO₂ into the atmosphere) and the distribution to our numerous stakeholders of €1.3 billion of added value produced.

We are therefore preparing to seize all the opportunities that the market can offer, thanks to the evolution of our integrated business model, according to the three values that distinguish us: innovation, competence and attention. For a more sustainable and shared future, capable of generating long-term value for all our stakeholders and the communities in which we operate.

The Chairman
Enrico Falck

The Chief Executive Officer
Toni Volpe

Notice of annual general meeting

CALL NOTICE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

Shareholders eligible to vote are invited at the Ordinary and Extraordinary Shareholders' Meeting convened on 7 May 2020 at 11 a.m., on first call, at Company's offices in Milan (Italy), Corso Venezia 16, and, if necessary, on 8 May 2020, on second call, same time and location, to discuss and resolve upon the following

Agenda

Ordinary Part

1. Annual financial Report at 31 December 2019:
 - 1.1 presentation of the Financial Statements at 31 December 2019, together with the Board of Directors' Report on Operations, the Statutory Auditors' Report and the Legal Auditing Firms' Report: related and consequent resolutions. Presentation of the Consolidated Financial Statements at 31 December 2019;
 - 1.2 proposed allocation of the profit for the year and dividend distribution to Shareholders: related and consequent resolutions.
2. Authorisation to purchase and dispose of treasury shares pursuant to articles 2357 and 2357-ter of the Italian Civil Code, article 132 of Legislative Decree no. 58/98 and article 144-bis of the Regulations approved by Consob with resolution 11971/1999 and subsequent amendments: related and consequent resolutions.
3. Stock grant plan 2020-2022 pursuant to art. 114-bis of Legislative Decree no. 58/98: related and consequent resolutions.
4. Appointment of the Board of Directors:
 - 4.1 determination of the number of members of the Board of Directors;
 - 4.2 determination of the term of office;
 - 4.3 appointment of the members of the Board of Directors;
 - 4.4 determination of the remuneration of the members of the Board of Directors.
5. Appointment of the Board of Statutory Auditors for the period 2020-2021-2022:
 - 5.1 appointment of regular auditors and alternate auditors;
 - 5.2 appointment of the Chairman of the Board of Statutory Auditors;
 - 5.3 determination of the remuneration of the regular auditors.
6. Annual report on the remuneration policy and compensation paid:
 - 6.1 Approval of the "2020 Remuneration Policy" contained in Section I, pursuant to Article 123-ter, paragraph 3-bis, of Legislative Decree no.58/98;
 - 6.2 consultative vote on the "compensation paid in 2019" indicated in Section I, pursuant to Article 123-ter, paragraph 6, of Legislative Decree no.58/98.

Extraordinary Part:

1. Proposal to amend Article 9 of the Article of Association to introduce the increase of voting rights pursuant to Article 123-quinquies Legislative Decree No. 58/98. Related and consequent resolutions.

*In order to minimize the risks associated with the current health emergency, the Company has decided to make use of the option established by Decree Law no. 18 of 17 March 2020, setting out "Measures to strengthen the National Health Service and economic support for families, workers and companies connected with the epidemiological emergency by COVID-19" (the "Decree"), to provide that shareholders' participation in the Shareholders' Meeting shall be **exclusively through the designated representative** pursuant to Article 135-undecies of Legislative Decree no. 58/98, without physical participation by shareholders.*

Share Capital and shares with voting rights (art. 125-quarter of Legislative Decree No. 58/98)

To date, the share capital of Falck Renewables S.p.A. (hereinafter the "**Company**") subscribed and fully paid up, amounts to € 291,413,891.00, and is divided into 291,413,891 shares, with a par value of Euro 1 each. Each share entitles its owner to one vote. At today's date, the Company owns 2,210,000 shares with suspended voting rights.

Entitlement to participate and vote at the Shareholders' Meeting

In relation to the intervention and vote from the entitled individuals, we are providing the following information (in compliance with art.125-bis of the Legislative Decree 58/98):

- Under art. 83-*sexies* of the Legislative Decree 58/98 the entitlement to intervene and exercise voting rights at Shareholders' Meeting – which may be exercised **exclusively through the Designated Representative** – is evidenced by a notice to be made to the Company by the authorised intermediary, based on the latter's accounting records at the end of the seventh trading day preceding the scheduled date of the Shareholders' Meeting on first call, i.e., **April 27, 2020** (*record date*). Any persons that will prove to be shareholders of the Company following such date, shall not be entitled to intervene and vote at the Shareholders' Meeting. The intermediary's notice must reach the Company by the end of the third trading day preceding the scheduled date of the Shareholders' Meeting, i.e., no later than the **May 4, 2020**. This is without prejudice to the legitimate attendance and voting, if the notice is received by Company after the specified term of **April 27, 2020**, provided that it is received before the start of works of the meeting on single call;
- No voting procedures by correspondence or electronic message are foreseen.

The participation of the directors, statutory auditors, the secretary of the meeting, the representative of the auditing firm and the designated representative pursuant to art. 135-*undecies* of Legislative Decree No. 58/98 will take place in compliance with the containment measures provided for by law, including through the use of remote connection systems, in accordance with the provisions in force.

Participation in the Shareholders' Meeting and granting of proxy to the Designated representative

Pursuant to article 106, paragraph 4, of the Decree, attendance of the Shareholders' Meeting is only permitted through Spafid S.p.A. – with registered office in Milan – shareholders' representative designated by the Company, in accordance with Art. 135-*undecies*, of Legislative Decree No. 58/98 (the "**Designated Representative**"). Shareholders wanting to attend the Shareholders' Meeting must, therefore, confer upon the Designated Representative the delegation – with voting instructions – on all or some of the proposed resolutions on the items on the agenda, using the specific delegation form prepared by said Designated Representative in accordance with the Company and available on the Company's website <https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/7-maggio-2020>.

The proxy with voting instructions must be sent, in original, together with a copy of an identity document of the proxy grantor with current validity or, if the proxy grantor is a legal person, the *pro tempore* legal

representative or another person with relevant powers, together with suitable documentation to certify its qualification and powers, to the aforesaid Designated Representative, by the end of the second trading day prior to the date of the Shareholders' Meeting set on first and also on second call (i.e. by 11:59 p.m. on **May 5, 2020** or May 6, 2020 respectively), to the certified e-mail address assemblee@pec.spafid.it with Ref. "Proxy AGM Falck Renewables S.p.A. 2020" or by courier/received delivery (to the following address: Spafid S.p.A., Foro Buonaparte, 10 - 20121 Milan, Ref. " Proxy AGM Falck Renewables S.p.A. 2020").

The sending of the proxy, signed with a qualified electronic or digital signature in accordance with current regulations, to the above-mentioned certified e-mail address satisfies the requirement of written form.

In accordance with said Decree, the Designated Representative may also be granted proxies and/or sub-delegations pursuant to article 135-*novies* of the Legislative Decree 58/98 as an exception to article 135-*undecies*, paragraph 4 of the Legislative Decree 58/98. For this purpose, the specific proxy/sub-delegation, form available on the website <https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/7-maggio-2020> must be used and sent to Spafid S.p.A., together with an identity document and, in the case of a delegating legal person, a document proving the powers to issue the proxy.

The proxy, thus conferred, shall be valid only for the proposals in relation to which voting instructions were conferred. The proxy and voting instructions can be revoked by the end of the second trading day prior to the date set for the Shareholders' Meeting on first and second call (i.e. by 11:59 p.m. on **May 5, 2020** or May 6, 2020 respectively) in the above manner.

In order to grant and send proxies/sub-delegations, also electronically, the procedures indicated in the proxy form must be followed. The proxy must be received by and no later than 6:00 p.m. on the day before the date of the Shareholders' Meeting (and in any case no later than the meeting starts). The proxy pursuant to art. 135-*novies* of the Legislative Decree 58/98 and the related voting instructions can always be revoked before said deadline. Any information relating to the granting of proxies and further methods of sending and notifying such proxies may be requested to the Designated Representative at the e-mail address confidential@spafid.it or by calling (+39) 0280687331.

Please note that there are no procedures for voting by correspondence or electronic means.

The Company reserves the right to supplement and/or amend the above instructions in consideration of the need to monitor the current COVID-19 epidemic emergency and its developments which that cannot currently be forecast.

Right to request integrations and to present new proposals of resolutions (art. 126-bis of Legislative Decree No. 58/98)

In compliance with the law, the Shareholders, who individually or jointly account for at least one fortieth of the share capital may request, within ten days of publication of this notice of calling (i.e. within **April 6, 2020**), the integration of the list of items on the Agenda, specifying in the request the additional proposed items, or present proposals of resolutions on items already on the Agenda.

Shareholder for whom the Company has received the notice from an authorised intermediary pursuant to the applicable laws are entitled to request integration of the list of items on the Agenda or present proposals of resolutions.

The requests, together with the certificate attesting entitlement to participate, must be presented in writing and be submitted to the Company via certified e-mail address FKR.societario@legalmail.it or the e-mail address segreteria@falckgroup.eu.

By the same deadline and in the same manner as per the request of integration of the Agenda, the Shareholders shall submit a report on the motivations of for the proposals of resolutions on the new items for which they require discussion or for the proposal of resolutions presented on items already on the Agenda. The notice of possible additional items placed on the Agenda or possible presentation of further proposals of resolutions on items already on the Agenda is given by the Company in the same form prescribed for the publication of this notice of calling, at least fifteen days prior to the scheduled date of the Shareholders' Meeting, on first call.

Contextually with the publication of such integration notice, the report drawn up by the requesting Share-

holders, accompanied by possible observations by the Board of Directors, shall be made available to the public by the Company in the same forms. Please be reminded that the Agenda cannot be integrated with items on which, in accordance with the law, the Shareholders' Meeting resolves on proposal of the administrative body or on the basis of a project or report prepared by it, other than those specified under Article 125-ter, paragraph 1, of Legislative Decree No. 58/98.

Right to ask questions on items on the Agenda (art. 127-ter of Legislative Decree No. 58/98)

The shareholders with voting rights and in relation to whom the Company has received a specific notice with relevant certification evidencing the capacity as shareholder from an authorised intermediary may ask questions on the items on the agenda even before the Shareholders' Meeting, by means of electronic communication to the certified email FKR.societario@legalmail.it or email segreteria@societaria@falckgroup.eu.

The certification is not necessary, if the specific notice necessary for the intervention in the Shareholders' Meeting is received by the Company from the authorised intermediary itself.

Questions must be presented by **27 April 2020** (the seventh trading day prior to the Shareholders' Meeting on first call). The Company will answer questions received by that deadline, by the second day prior to the Shareholders' Meeting (i.e. by 5 May 2020), by publishing the answers on the company's website <https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/7-maggio-2020>.

Appointment of the Board of Directors

The Board of Directors is composed of 5 to 15 members; the Shareholders' Meeting shall determine the number of members, within the above limits, prior to their appointment.

Directors are appointed by the Shareholders' Meeting on the basis of lists submitted by the Shareholders in accordance with the procedure described in art. 17 of the Article of Association, to which express reference is made for matters not listed below.

Only Shareholders holding, individually or jointly with other Shareholders, at least 1.0% of the Company's share capital are entitled to submit lists, as established by the CONSOB resolution no. 28 issued on January 30, 2020. In addition, Shareholders entitled to submit lists are also invited to review the Guidance provided by the Board of Directors on the size and composition of the Board of Directors, which are available on the Company's website (<https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/7-maggio-2020>).

Each Shareholder may submit or participate to the submission of only one list and each candidate may be presented only in one list, otherwise ineligibility will occur.

Pursuant to Article 147-ter, paragraph 1-ter, of Legislative Decree No. 58/98, the new Board of Directors must be composed at least two-fifths of Directors of the less-represented gender, rounded up to the next higher unit in the case of a fractional number.

Pursuant to Article 17, paragraph 6 of the Article of Association, lists with a number of candidates equal to or higher than three must be composed of candidates belonging to both genders, in accordance with the applicable regulations in force to ensure the balance between genders.

The lists of candidates must be filed by the Shareholder or by the Shareholders at the registered office of the Company at least 25 calendar days prior to the date on which the Shareholder's Meeting is convened (i.e., within **Sunday 12 April 2020**) by certified electronic e-mail at the address FKR.societario@legalmail.it. The ownership of the minimum capital share necessary in order to submit the lists, in the percentage referred to above, is ascertained on the basis of the shares resulting registered in the Shareholder's name at the date on which the lists are filed with the Company. Proof of ownership may be produced after the lists have been filed, but within the term prescribed for the publishing of the lists by the Company (i.e. within **16 April 2020**), by means of a communication released by an intermediary authorized in accordance with the regulations in force.

By the terms set forth as above, the following documents must also be filed together with each list: i) statements by which the individual candidates accept their candidacies and declare, under their own responsibility, that no cause of ineligibility or incompatibility exists and that they possess the requisites

prescribed by the laws and regulations in force for the respective positions; ii) *curriculum vitae* relating to each candidate's personal and professional characteristics, indicating the candidate's potential suitability to be classified as independent according to the definitions provided by the legal and regulatory provisions in force and by the Corporate Governance Code of listed companies; iii) information regarding the identity of the Shareholders submitting the lists, with the indication of the aggregate percentage interest owned, certified by the appropriate documentation issued by a legally authorized intermediary. Lists which do not meet the above requirements shall be treated as not submitted.

It is hereby reminded that Shareholders submitting a "minority list" should follow the recommendations provided by CONSOB with the Communication no. DEM/9017893 issued on February 26, 2009.

For further information on the appointment of the Board of Directors, please refer to the illustrative report drawn up by the Board of Directors in accordance with Art. 125-ter of Consolidated Law on Finance made available to the public by the terms and means set by law.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors consists of three Statutory Auditors, appointed by the Shareholders' Meeting that determines their remuneration. The Shareholders' Meeting appoints also two Alternate Statutory Auditors.

The appointment of Statutory Auditors takes place based on lists of candidates according to the procedure described in Article 24 of the Article of Association. Only those shareholders which, solely or together with other Shareholders, are holding at least 1% of the corporate capital, will have the right to present a list of candidates, in compliance with CONSOB's resolution no. 28 of 30 January 2020.

At least two fifths of the Statutory Auditors must belong to the least represented gender, in compliance with the provisions of art. 148 of Legislative Decree No. 58/98, as amended by the Budget Law 2020 (Law no. 160 of 27 December 2019). However, following Consob Communication no. 1/20 of 30 January 2020, the rule of rounding down to the lower unit is applied to the Board of Statutory Auditors composed of three standing auditors, instead of rounding up to the lower unit as currently provided for in paragraph 3 of Article 144-undecies.1 ("Gender balance") of the Issuers' Regulations.

Candidates must satisfy the requirements of good standing and professionalism set forth in the applicable regulations and particularly in Decree no. 162 dated March 30, 2000 as well as the requirements of professionalism set forth in Article 24 of the Articles of Association.

As for situations of ineligibility and limits on the accumulation of directorships and audit appointments that can be held by Statutory Auditors, the current dispositions of law and regulation find full application. The lists of candidates shall be filed by the Shareholders by **Sunday 12 April 2020** by certified electronic e-mail at the address FKR.societario@legalmail.it. The ownership of the minimum shareholding required for the submission of the lists, to the extent indicated above, is determined with regard to the shares registered in favor of the shareholder the day on which the lists are filed with the company. The relevant certification can be also provided after the filing of the list, as long as within the deadline for the publication of the lists by the company (**16 April 2020**), by notice issued by an authorized intermediary by the terms and means set by law.

The lists must be filed - within the time limits mentioned above (**12 April 2020**) - accompanied by the following documents and information: (i) statements of the candidates for the acceptance of their candidacy attesting, under their own responsibility, the inexistence of any causes of ineligibility and incompatibility, as well as the existence of the requirements provided for by the applicable law, regulations and statutory rules; (ii) the curriculum vitae regarding the personal and professional characteristics of each candidate, including the list of administration and control roles held in other companies by the candidate; (iii) information on the identity of the shareholders who have submitted them, with the indication of the percentage held and the certification attesting to the ownership of such shares issued by an authorized intermediary; and (iv) a statement of Shareholders other than those holding, even jointly, a controlling participation in the Company or a relative majority therein, confirming the absence of any connection with the latter pursuant to Article art. 144-quinquies of CONSOB Regulation no. 11971 of May

14, 1999, also taking account of the recommendations made by CONSOB with Communication no. DEM / 9017893 of February 26, 2009.

In the event of – upon the expiry of the aforementioned term for filing the lists (**12 April 2020**) – only one list has been filed or only those lists which are filed by Shareholders connected to each other pursuant to and in accordance with legislative and regulatory framework have been filed, other lists may be filed until the third day subsequent to said date (i.e. by **15 April 2020**). In such event the threshold of participation in the corporate capital set forth for the filing of the lists shall be reduced by 50% and shall be therefore equal to 0,50% of the corporate capital.

Lists not compliant with the aforementioned rules shall be deemed as not filed.

For further information on the appointment of the Board of Statutory Auditors please see the report on the related item on the agenda, prepared by the Board of Directors pursuant to Article 125-ter of Legislative Decree no. 58/98, available to the public in compliance with the terms and conditions set forth by the applicable law.

Documentation

The documents regarding the Shareholders' Meeting, as provided for by applicable laws, shall be made available to the public at the Company's registered office in Corso Venezia 16, Milan, on the Company's website <https://www.falckrenewables.eu/corporate-governance/assemblee-degli-azionisti/7-maggio-2020>, and on the authorised storage system "eMarket STORAGE" (available at www.emarketstorage.com) as follow:

- today the Explanatory Report on the appointment of the Board of Directors, the Board of Statutory Auditors with related remuneration as well as the Guiding Opinion from the Board of Directors regarding the management and professional profiles of the members of the new Board of Directors that are deemed to be appropriate (items 4 and 5 on the agenda);
- by March 30, 2020, the Annual Financial Report and the other documents referred to in Article 154-ter of Legislative Decree no. 58/98 and therefore the draft Financial Statements and the consolidated financial statements at 31 December 2019, the Report on Operations, the Statutory Auditors' Report and the Legal Auditing Firms' Report, the 2019 Corporate Governance and Ownership Structure Report and the Annual Remuneration Report (items 1 and 6 on the agenda);
- by April 7, 2020, the Explanatory Reports pursuant to Article 125-ter of Legislative Decree no. 58/98 on the items on the agenda with related resolution proposals, as well as the Information Document and the Explanatory Report on the stock grant plan referred to in point 3 on the agenda;
- by April 16, 2020, the Explanatory Report on the authorization to purchase and dispose of treasury shares (item 2 on the agenda) and the Explanatory Report on the extraordinary part of the agenda with the related resolution proposals as well as the candidates' lists for the appointment of the Board of Directors and the Board of Statutory Auditors.

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

Due to the emergency of COVID-19, the Company recommends to use using the forms of remote communication indicated in this notice in order to exercise shareholders' rights.

Finally, the Company reserves the right to supplement and/or amend the content of this notice should it become necessary as a result of the evolution of the current emergency situation related to COVID-19.

The full text of call notice has been published on today's date, on the Company's website and on the au-

thorized storage system "eMarket STORAGE" (available at www.emarketstorage.com), and for extract on the newspaper "MF/Milano Finanza".

Milan, March 27, 2020

The Chairman of the Board of Directors
Enrico Falck

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

Company officers

Board of Directors

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

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

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

Board of statutory auditors

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

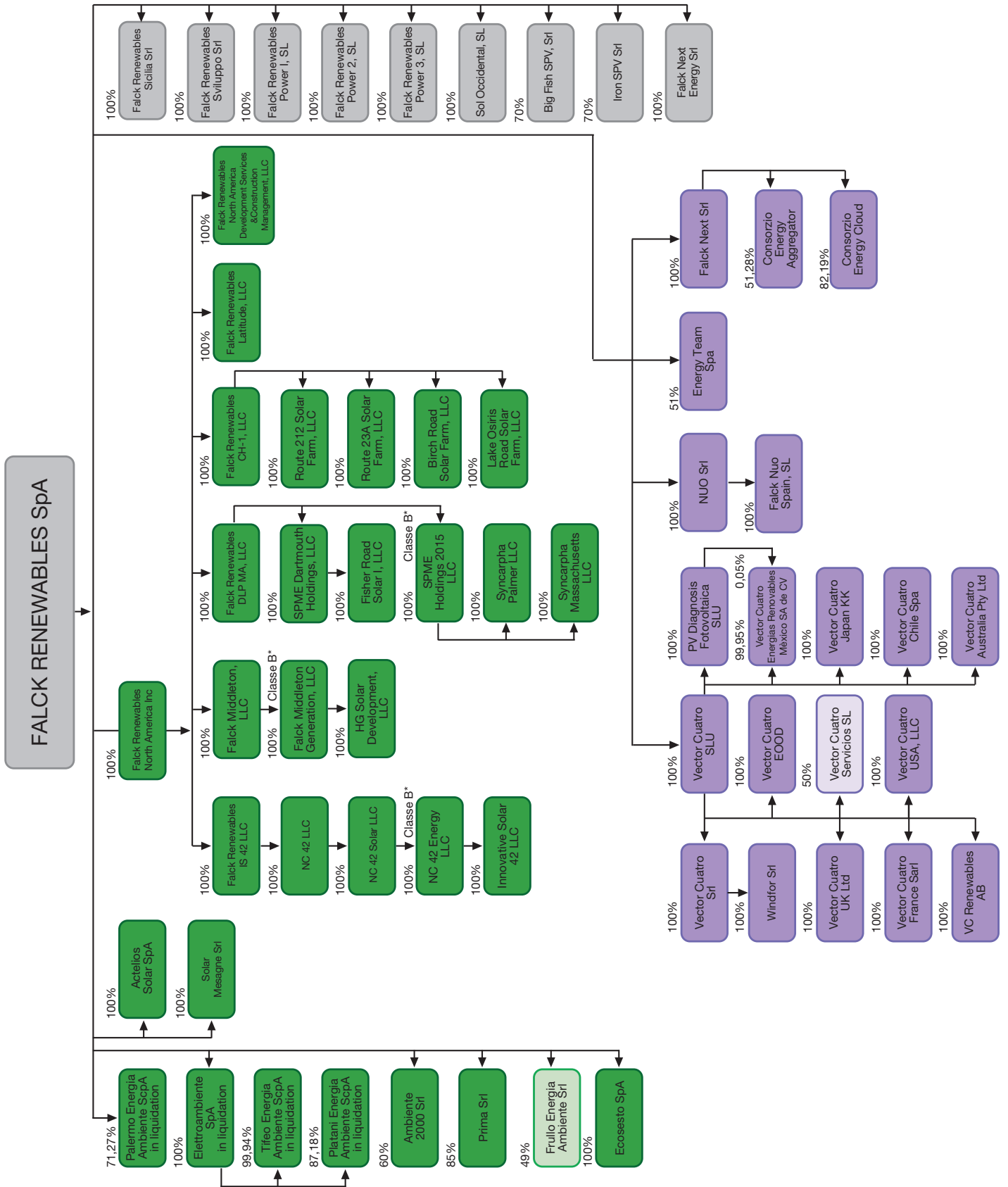
The Board of Statutory Auditors was appointed by the Shareholders' Meeting on 27 April 2017.

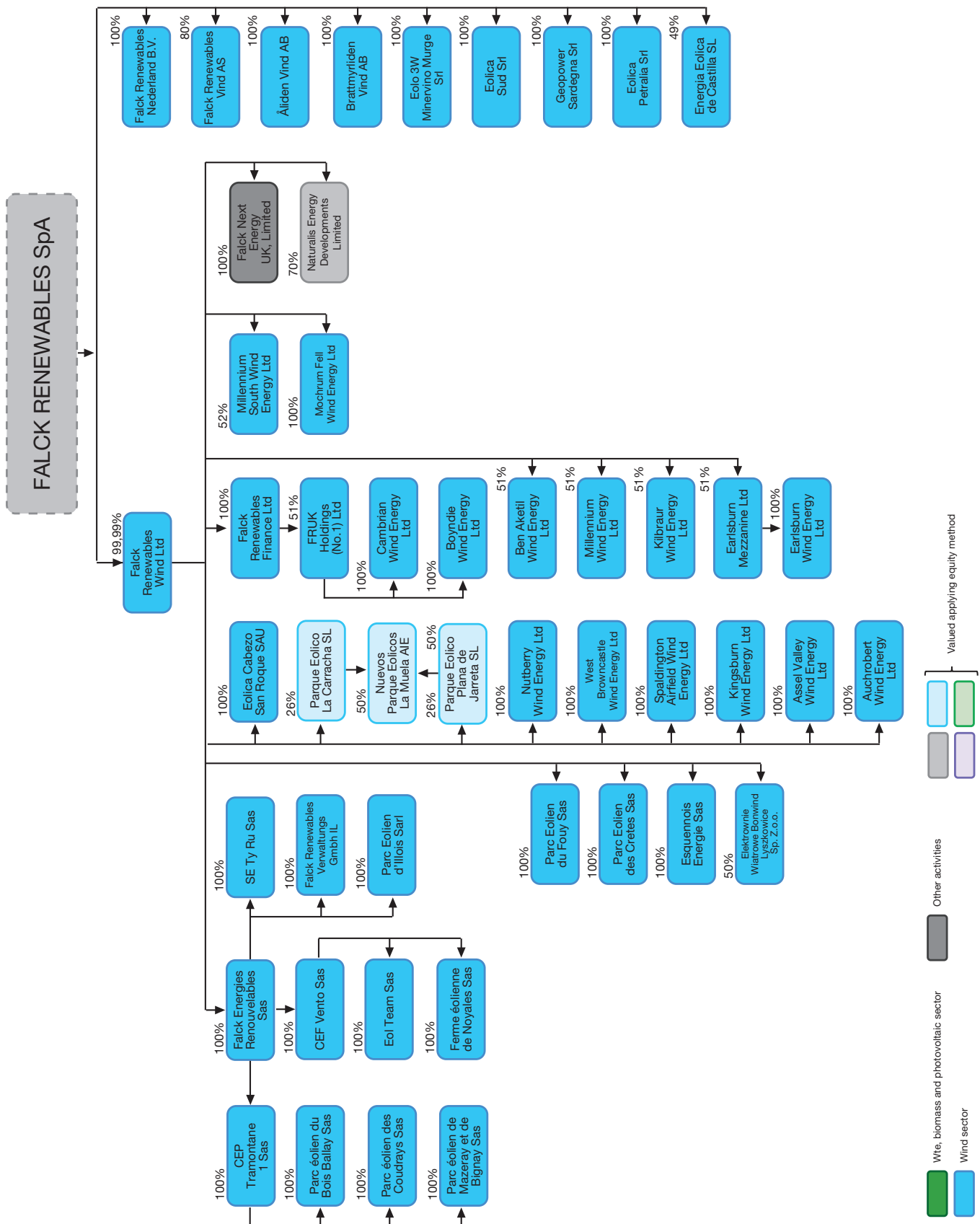
* Mr. Gianluca Pezzati replaced Mr. Massimo Scarpelli as Chairman of the Board of Statutory Auditors on 7 December 2019.

Independent auditors

EY SpA

Company Officers





Wre, biomass and photovoltaic sector
 Wind sector
 Services Sector
 Other activities
 Valued applying equity method

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

4

Consolidated financial highlights

(€ thousands)	2019	2018*	2017	2016
Revenues from sale of goods and services	374,494	335,889	288,619	249,622
EBITDA (1)	204,011	191,478	149,366	136,292
Operating profit/(loss)	114,395	114,771	75,372	59,644
Profit/(loss) for the year	63,181	59,921	31,458	1,865
Falck Renewables SpA profit/(loss) for the year	48,436	43,658	19,788	(3,935)
Earnings per share (€) (2)	0.167	0.151	0.068	(0.014)
No. shares in circulation (annual average) in thousands	289,204	289,522	289,963	290,954
No. shares in circulation (end of the year) in thousands	289,204	289,204	289,904	290,954
- Net financial payables (credits)	16,270	(191,325)	(255,070)	(231,550)
- "Non-recourse" Project financing	671,909	700,365	793,138	734,875
Total net financial position without derivatives (credits)	688,179	509,040	538,068	503,325
- Interest rate, commodity and exchange rate derivative financial instruments (credits)	32,587	37,973	46,479	58,631
Total net financial position with derivatives (credits)	720,766	547,013	584,547	561,956
Net financial position net of operating leases	640,034	547,013	584,547	561,956
Equity	607,663	555,619	497,559	475,859
Equity attributable to Falck Renewables SpA equity holders	549,582	500,923	449,226	439,994
Equity holders earnings per share (€) (2)	1.900	1.730	1.549	1.512
Capital expenditure	152,150	86,976	28,038	92,464
EBITDA/Revenues	54.5%	57.0%	51.8%	54.6%
Operating profit/Revenues	30.5%	34.2%	26.1%	23.9%
Profit for the period/Equity	10.4%	10.8%	6.3%	0.4%
Net financial position/Equity	1.19	0.98	1.17	1.18
Total number of Group personnel (no.)	498	460	351	329

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

(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.

5

Directors' report



OPERATING PLANTS/UNDER CONSTRUCTION PLANTS

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

Dear Shareholders,

The parent company's separate financial statements and the consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS).

5.1 Economic framework

Following two years of growth, electricity prices began to slow in 2019.

The main cause of this downturn is the sharp drop in gas prices on all major European HUBs. Gas is used in combined cycles and sets the marginal price of electricity, especially in Italy. In particular, the average price of gas on the TTF platform, the main reference HUB for the European market, decreased from 21.88 €/MWh (2018 average price) to 13.56 €/MWh in 2019 (-38.0%). The fall in price, which began in February 2019, peaked in September 2019 when the price reached 7.18 €/MWh (the lowest level recorded since 2009).

The decrease in gas prices was mainly driven by two factors:

- the sharp increase - at the European level - of LNG (*Liquefied Natural Gas*) imports from the USA at significantly lower costs than the value of Russian and Norwegian gas. LNG share of total gas consumed and stored has settled at around 20% compared to an average of around 9% in the previous 5 years;
- particularly unfavourable weather conditions, with a mild summer and reduced demand for cooling consumption, and a particularly warm winter that led to a contraction in gas consumption for heating, creating an excess of supply.

In response to these factors, energy prices fell sharply during 2019 in the Falck Renewables Group's main countries of interest, from -25.24% in the UK to -10.25% in the Scandinavian countries (Sweden and Norway).

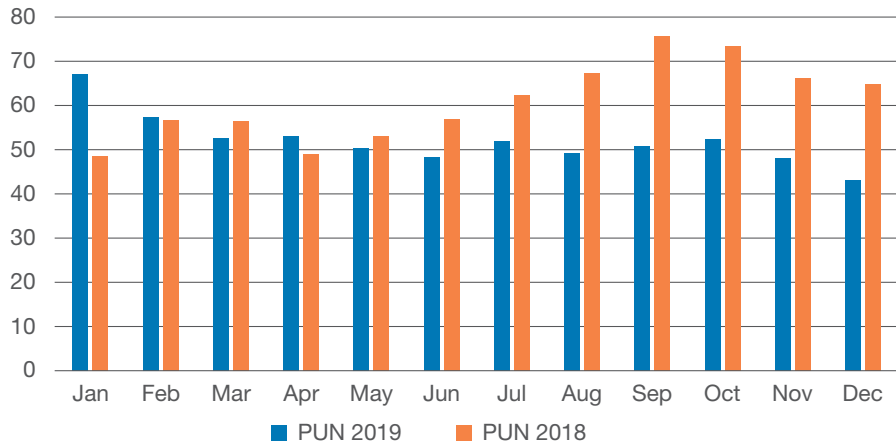
Country	2019 price [€/MWh]	2018 price [€/MWh]	Delta [18/19]
Italy	52.33	61.31	-14.65%
UK	42.94 [£/MWh]	57.44 [£/MWh]	-25.24%
Spain	47.68	57.29	-16.77%
Scandinavia	39.48	43.99	-10.25%
France	39.45	50.20	-21.41%
Germany	37.67	44.47	-15.29%

Source: GME and N2EX

In Italy, the average Single National Price (abbreviated PUN in Italian) in 2019 was €52.33/MWh, down 14.65% compared with 2018 (€61.31/MWh). The month with the highest price was January (€67.65/MWh), when TTF gas prices were still above €20/MWh.

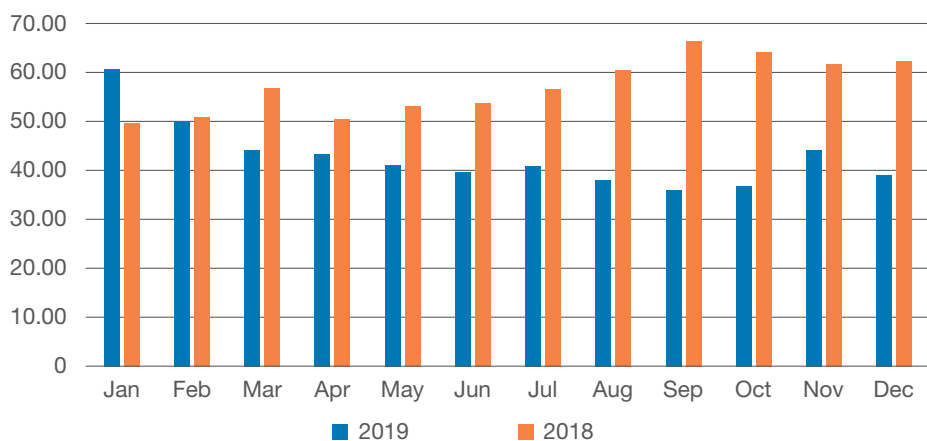
The GRIN incentive (ex-Green Certificate) rose to €91.89/MWh in 2019, against €98.95/MWh the previous year.

••••| PUN Day Ahead (€/MWh) - Source GME



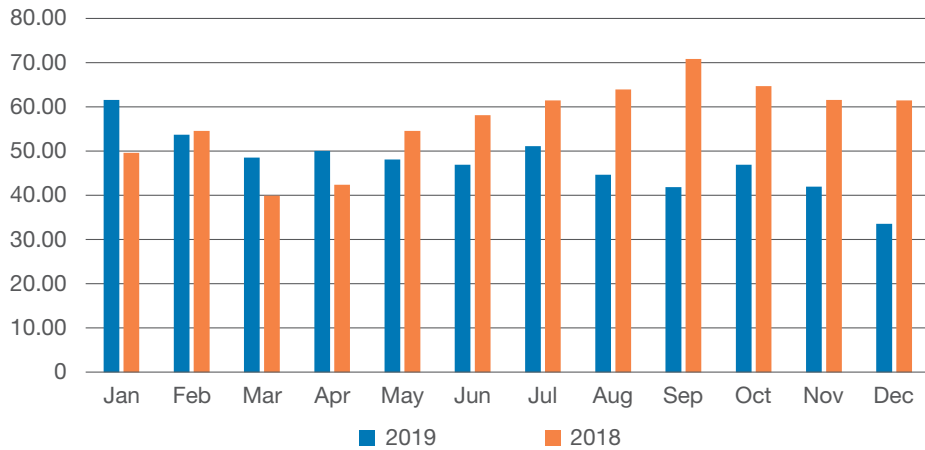
The UK market was also affected by the drop in natural gas prices: in 2019 the price of electricity was £42.94/MWh compared with £57.44/MWh the previous year (-25.24%) and there were reductions in each quarter. The uncertainty surrounding Brexit did not affect electricity prices during 2019, instead influencing the prices of CO₂ emissions.

••••| UK 2018-2019 Day Ahead prices (£/MWh) - Source Nordpool



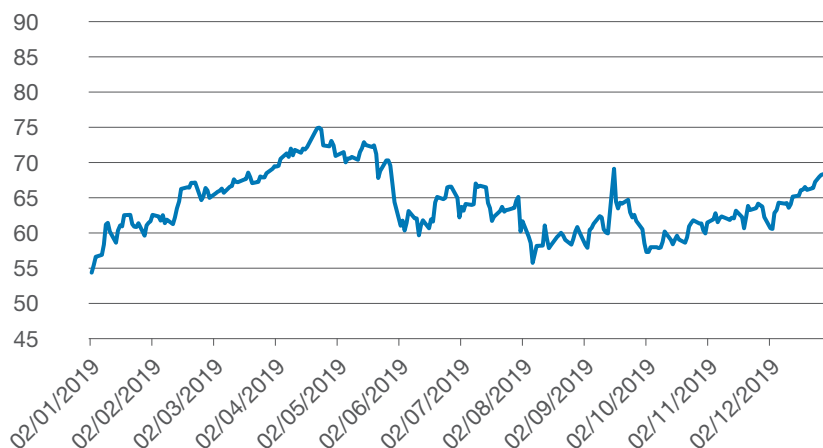
The price of electricity in Spain followed the same trend as in the countries analysed above. 2019 closed at €47.68/MWh (-16.77% compared to 2018).

OMEL Day-Ahead (€/MWh) - Source GME | ●●●●



Looking at the performance of other commodities at the European level, oil (Brent) closed 2019 with an average of \$64.16 per barrel, down by \$7.74 per barrel compared to the average levels of 2018. During the whole year the product has moved in a price range between \$60/barrel and \$70/barrel, below the threshold that OPEC countries consider satisfactory for their products. These lower-than-expected values are due primarily to the shale oil boom in the United States. American production has reached a record level, turning the country into the world's largest oil producer, frustrating OPEC countries' efforts to raise prices through planned cuts in production and extraction. Production disruptions in the Libyan fields and the attack by drones on Saudi oil infrastructure failed to keep Brent at \$70/barrel for more than a few days. Moreover, the forecasts on the fundamentals did not help. The latest report on the oil market by the International Energy Agency (IEA) said that production will exceed demand by 700,000 barrels per day in early 2020.

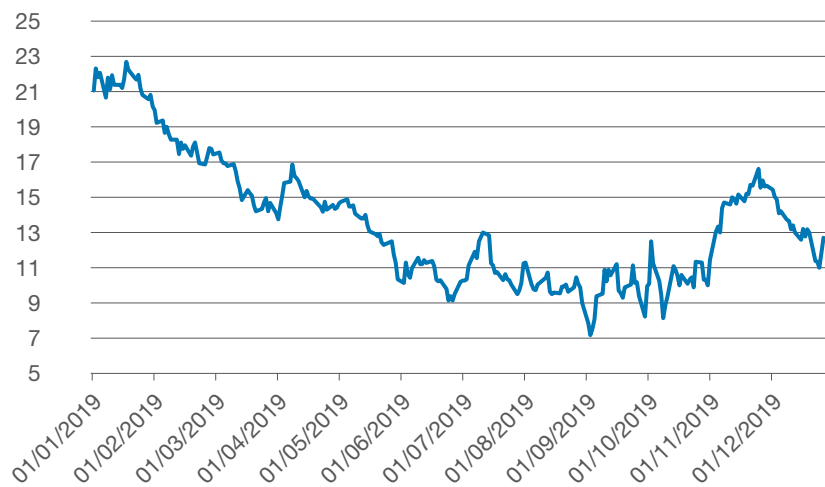
Brent (\$/Bbl) - Source Reuters | ●●●●



As mentioned above, the price of gas fell sharply during 2019. In particular, the TTF, Europe's leading HUB, closed the year with average spot prices of €13.45/MWh compared to €21.88/MWh in 2018. Commodity prices fell steadily over the past year due to an oversupply of the product. Tensions between suppliers, with

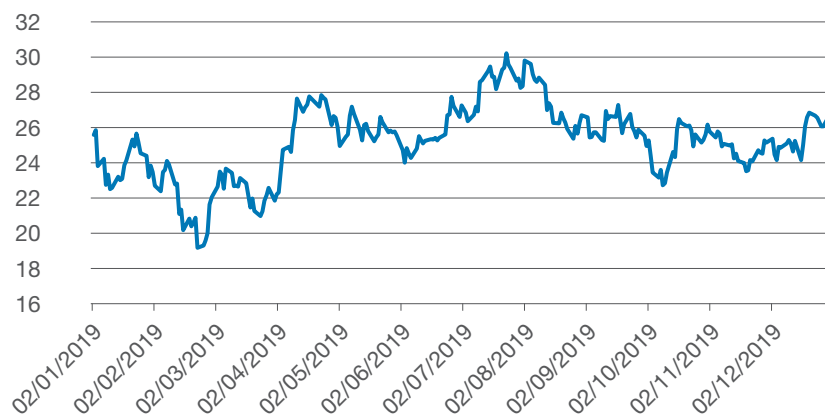
America on the one hand with its LNG sold at low prices, and Russia on the other, which does not want to see its share of the reference market decrease once the agreement for the extension of gas transit through Ukraine has been signed, meant that Europe was offered more gas than it consumes, especially after a winter with temperatures well above average throughout Northern Europe. In Italy, demand for natural gas grew by 4.9% in the first three quarters of the year compared with the first nine months of 2018. Early analyses linked the increased gas consumption to thermoelectric uses.

••••| TTF (€/MWh) - Source Reuters



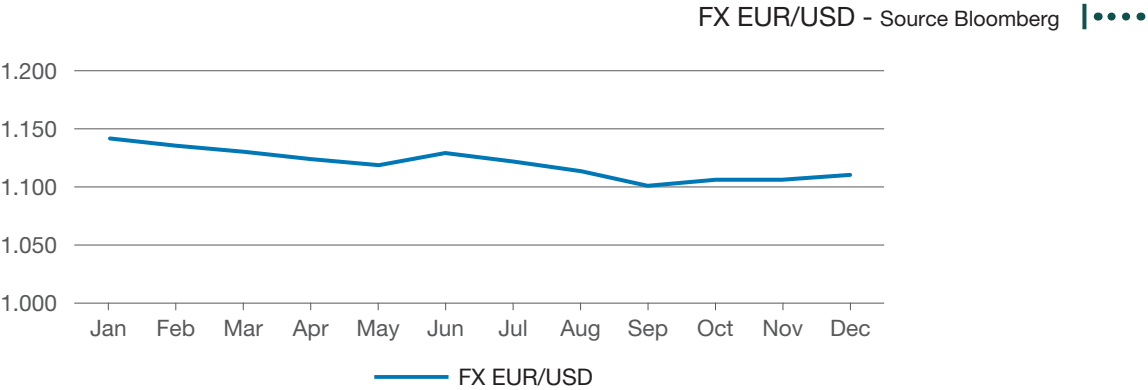
After the strong increase of the previous year due to the introduction by the European Union of the SRM mechanism, EUA CO₂ certificates had quotations between €24/Ton and €28/Ton. Quotes outside the range stem from uncertainty surrounding the Brexit process.

••••| EUA (€/Ton) - Source Reuters

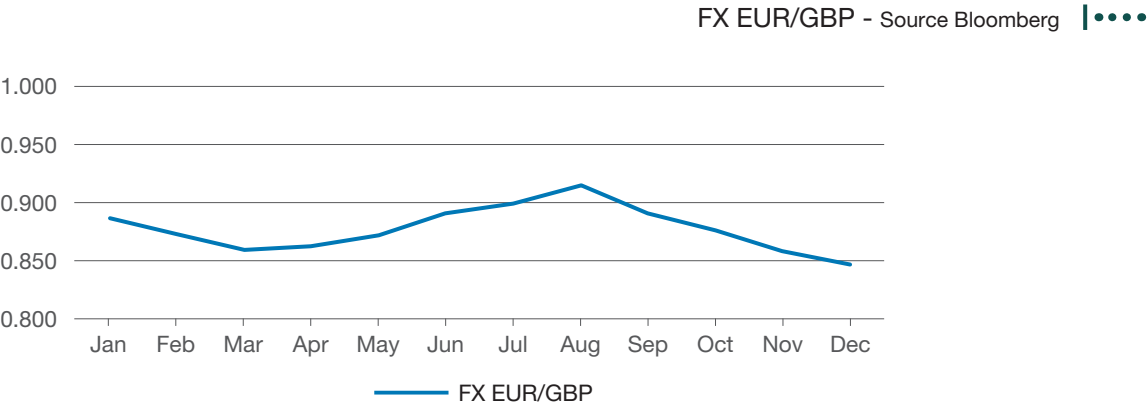


2019 was strongly conditioned by trade wars and geopolitical tensions, particularly between the US, China and Iran, and saw world economic growth remain at slightly lower levels than the previous year (+3.3% vs. +3.6%). According to the latest ISTAT estimates, Italy's GDP is expected to grow by 0.2% in 2019, a marked slowdown from +0.8% in 2018. However, GDP growth is expected to be 0.6% in 2020. Initial ECB figures put Eurozone GDP growth at 1.5% compared to 2.2% in the previous year, confirming the global economic slowdown. According to ISTAT, inflation should remain low. In the euro area it reached 1.2% in 2019 and is expected to reach 1.3% in 2020.

In terms of currency exchange rates, the US dollar strengthened within a range of 1.10 to 1.15 dollars per euro, with a significant gain in 2019.

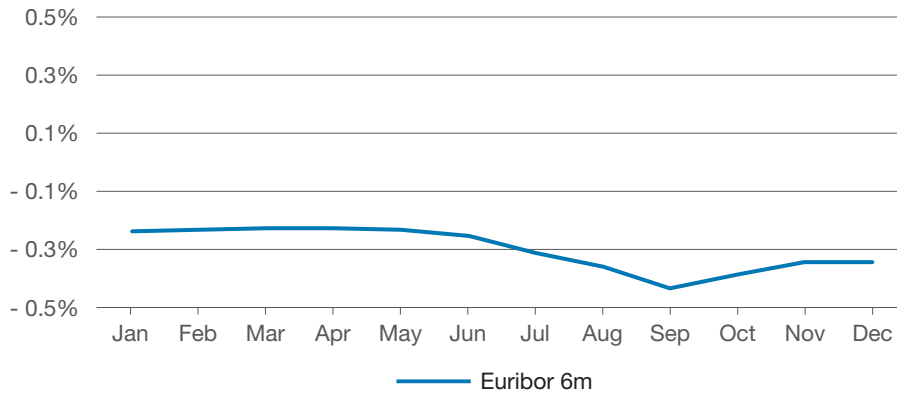


The Euro/British pound exchange rate remained between 0.84 and 0.90 throughout 2019, with a peak of 0.92 in August 2019, when there was greater uncertainty over Brexit.



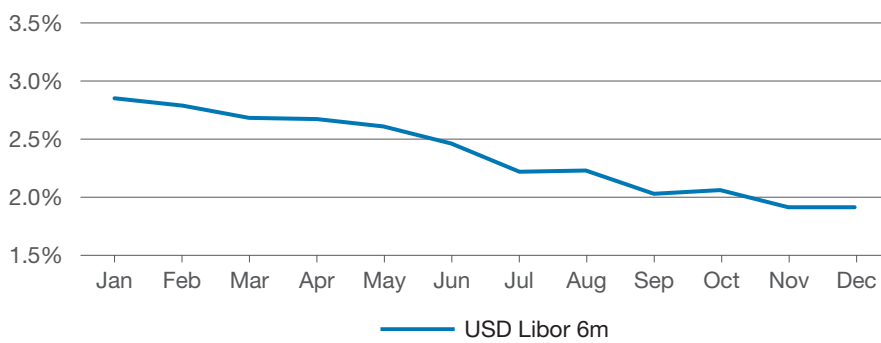
Looking at interest rates, the 6-month Euribor remained negative throughout 2019, in line with the ECB's monetary policy aiming to support economic growth in the euro area.

••••| Euribor 6m - Source Bloomberg

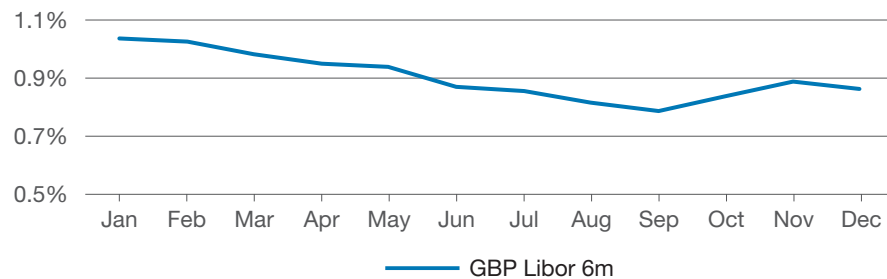


Interest rates on the US dollar were affected by cuts in FED rates during the year and expectations of expansionary monetary policy. As a result, the USD Libor maintained a downward trend during the year.

••••| USD Libor 6m - Source Bloomberg



In the United Kingdom, the money market was characterised by a slight reduction in interest rates during 2019, also linked to uncertainty over Brexit. The BoE held the official rates steady throughout 2019, and is expected to cut them in 2020.



5.2 Falck Renewables Group operating and financial review

5.2.1 Falck Renewables Group profile

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

At 31 December 2019, Falck Renewables SpA and its subsidiaries ("Group") operated mainly in Italy, the United Kingdom, Spain, France and the United States of America, while in Norway and Sweden ready-to-build projects were acquired, some of which are already in operation, and in the Netherlands new plant development activities were boosted.

The Vector Cuatro Group, a 100% subsidiary, also operates in other Countries such as Japan, Mexico and Bulgaria.

The Falck Renewables Group's activities are concentrated in the production of electricity from renewable energy sources through wind, solar, WtE and biomass plants, the provision of plant management services for the production of renewable energy and the development and sale of plants to third parties.

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;
- the WtE, biomass and solar energy sector, whose revenues come mainly from the sale of electricity, from the transfer of waste for the production of WtE energy. For solar plants, significant revenues also come from incentives under the Energy Account in Italy and investment incentives in the US, while for biomass plants, revenues are 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;
- the "Other Activities" segment, comprising Falck Renewables SpA, Falck Next Energy Srl and the development companies.

5.2.2 Regulatory framework

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

On 21 December 2018, Directive (EU) 2018/2001 (REDII), was published in the Official Journal of the European Union, setting a binding target of 32% from renewable sources by 2030. Between December 2018 and June 2019, the Regulation on the governance of the Energy and Climate Action Union (EU 2018/1999), the Regulation and Directive on the internal market in electricity (EU 2019/943 and EU 20019/944 respectively) and the new Energy Efficiency Directive (EU 2018/2002) were also published.

In accordance with the provisions of the Regulation, each Member State has produced and sent to the European Commission a first proposal for a National Energy and Climate Plan, to be finalized by the end of 2019, containing detailed information on the policy tools to be implemented to achieve the EU targets by 2030.



Rende (Cosenza) biomass and photovoltaic plant

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.

As far as Italy is concerned, the extension provided for in Article 2, paragraph 2-bis of Decree Law 119 dated 23/10/2018, as amended by Conversion Law no. 136 of 17/12/2018, concerning the application of the reverse charge regime to supplies of gas and electricity to a taxable dealer was also applicable in 2019. This mechanism, which will remain in force until 30 June 2022, restricts certain Group companies operating in Italy from offsetting their VAT receivables against their payables, causing these companies to file claims for reimbursement in order to obtain their recovery.

Again with reference to Italy, it should also be noted that in addition to providing for the repeal of the TASI and the consequent reformulation of the IMU from 2020, the Budget Law for 2020 progressively increases the percentage of deductibility of the IMU for the purposes of determining business income, set at 50% for 2019 and 60% for 2020 and 2021, becoming fully deductible from the following tax period. The same tax was confirmed as non-deductible for the purposes of the regional tax on productive activities.

With regard to the UK, the 19% corporate income tax rate has been confirmed, reduced to 17% from 2021 for Group companies, although in light of Brexit and the ongoing negotiations on economic agreements with the EU, all eyes will be on the next steps by the UK Government on the tax package in general.

In France, the reductions in the tax rate were confirmed, setting a rate of 28% for 2020, 26.5% for 2021 and 25% from 2022.

Meanwhile, the US passed an important tax reform on 22 December 2017 (Pub. L. no. 115-97), significantly reducing corporate income tax rates (CIT) from 35% to 21% from 2018. Among the numerous changes

made, we were particularly interested in the introduction of limits to interest liability deductibility and the removal of the time limit for carrying over tax losses generated from 2018 onwards, although only up to 80% of taxable income. Moreover, the carryback option for tax losses was also removed. The implementation of the Tax Cuts and Jobs Act (TCJA) of 2017 continued during 2019 and will continue in the coming months through the publication of official circulars and guidelines by the IRS. Finally, it should be noted that, in application of current legislation, the reduction to 26% of the so-called Investment Tax Credit "ITC" from which solar plants whose construction begins after 31 December 2019 can benefit is confirmed. The ITC will decrease to 22% from 2021 and then further decrease to 10% in 2022 for the so-called Utility and Commercial Scale plants only, as it is no longer available for residential plants, again from 2022.

The Netherlands, Sweden and Norway have witnessed a gradual reduction in the tax rate for corporate income determination purposes as explained below.

In the Netherlands the corporate tax rate will be 25% in 2020, and will be reduced to 21.7% for subsequent tax periods.

In Sweden, the reduction of the corporate income tax rate to 21.4% for the year 2019 and to 20.6% as from the year 2021 remains confirmed.

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. the Incentive, previously known as Green Certificates (CVs), for renewable plants with the exception of solar energy;
- 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.



Trezzo sull'Adda (Milan) WtE plant

a) Incentive tariffs, formerly Green Certificates (GC)

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 € by the GSE on net energy generation in addition to earnings from the use of energy.

In order to benefit from the Incentive, the GSE requires all owners of plants powered by renewable sources (IAFR) to sign a so-called GRIN Agreement (Incentive Recognition Management).

GRIN agreements (accompanied by a reserve letter) were therefore signed (with the exception of Prima Srl, for which the issue of Green Certificates had not been requested).

On 20 June 2016, the appeal by those Group companies was notified and filed with the Lazio Regional Administrative Court, through the GRIN Agreement.

On 16 November 2018, the Lazio Regional Administrative Court (TAR) with sentence no. 11136 annulled the scheme of the Agreement of 20/04/2016 in so far as it was adopted by the GSE in the absence of the power to impose the agreement itself with reference to the IAFRs 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 no. 16/2019/R/efr of 22 January 2019, for the purposes of quantifying the value of the Incentive replacing the green certificate for 2019, set the 2018 average value of the electricity transfer price as €61.91/MWh. The value of the Incentive for 2019 was set at €92.11/MWh. The value of the GRIN Incentive (former Green Certificate) in 2018 was €98.95/MWh.

Ecosesto SpA's biomass plant, on the other hand, has an incentive as described above, increased by a multiplication coefficient applied following the issue of the certification, issued by MIPAF, which guarantees that the biomass used comes from short supply chains (i.e. within a radius of 70 km from the plant).

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). For 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.



Cardonita-Centuripe (Enna) photovoltaic plant

MD 6/8/10 (Third Energy Account) applies to plants that entered into service after 1 January 2011 with the exception of those governed by Law 129/2010. MD 12 May 2011 (Fourth Energy Account) established that the provisions of MD 6 August 2010 be applied to plants that entered into service by 31 May 2011. MD 05 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:



La Calce (Solar Mesagne-Brindisi) photovoltaic plant

- a. the incentive period is extended to 24 years commencing from the date the plant came into operation, and is then recalculated applying the percentage reductions illustrated in the decree;
- b. retaining the original 20 year incentive period, the tariff is recalculated based on an initial period whereby the incentive is lower than the current equivalent and a subsequent period with the incentive restated to the original amount. The reduction percentages will be determined by Minister of Economic Development decree and vary between 15% and 25% for the Group;
- c. retaining the current 20 year incentive period, the tariff is reduced for the remaining incentive period by a percentage of the incentive awarded at the time the existing legislation came into force as follows:
 - 1) 6% for plants between 200 kW and 500 kW;
 - 2) 7% for plants between 500kW and 900 kW;
 - 3) 8% for plants with nominal capacity in excess of 900 kW.

The Group has chosen option c) point 3.

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



Notarpanaro (Solar Mesagne-Brindisi) photovoltaic plant

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 (SEN). 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. Following an interlocutory phase with the various national and EU institutions held during 2019, the final version of the PNIEC was sent to the European Commission by the deadline of 31 December 2019 and published by the Ministry of Economic Development in January 2020. 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.

FER1 Decree

On 9 August 2019 the FER1 Decree promoting the production of energy from renewable sources to reach the European targets for 2030 defined in the Integrated National Energy and Climate Plan (PNIEC) was published in the Official Gazette. The competitive procedures for auctions (>1MW) and registers (<1MW), divided into 7 calls, started on 30 September 2019 and will end on 30 October 2021. The incentive will be calculated as a two-way Difference Contract, generating the indifference of the market price with respect to a price level determined as a result of bankruptcy proceedings (auctions or registers). The quota foreseen for the auctions dedicated to wind and photovoltaic sources is a total of 5500 MW.

Revision and reform of the Italian Electricity Market

The Authority, with Resolution 393/2015/R/eel, has begun a total overhaul of the dispatching service regulations in accordance with the 2015-2018 strategic framework guidelines and the relevant European legislation (EU Regulation 1222/15 - CACM, EU regulations on the so-called “balancing guidelines”); these procedures also covered the implementation of the provisions of Decree 102/2014 on dispatching.

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*”. This marked the launch of an initial pilot phase involving consumers and non-enabled units (including storage), as well as using 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 Next Energy Srl currently manages 17 UVAM, qualified during the procurement process for the period 1 January - 31 December 2020, for a total of 32 MW.

On 23 July 2019, ARERA also published the consultation document 322/2019/R/eel "Testo Integrato del Dispacciamento elettrica (TIDE) - Orientamenti complessivi". The text outlines the reform of the electricity dispatching service, how the necessary resources can be provided and how they are remunerated, and how to adapt the energy markets to the new context with a view to achieving European targets by 2030. The document aims to introduce a number of important new features, including continuous trading with closure at h-1 in the intraday market, the application of negative prices on MGP and MI, the definition of nodal imbalances, and the new role of the Balancing Service Provider, which should be fully implemented by late 2021/early 2022.

Capacity Market

The Ministerial Decree of 28 June 2019 approved the rules governing the system of remuneration of the availability of electricity generation capacity in Italy (Capacity Market). The first auctions for the 2022 and 2023 delivery period were held in November 2019. On 28 November 2019 Falck Next Energy Srl participated in the parent auction for the 2023 delivery period, through the two projects of Mezzanelle and Cerro, both consisting of a solar system coupled to a storage system. For the two plants, qualified as significant new unauthorised production units within the meaning of the regulations, authorisation requests have been made to the Puglia Region and if the relevant authorisation process is completed by 31 December 2020, the contract entered into with Terna will allow them to receive a premium of €75,000/MW/year for 15 years - in the period 2023-2037 - on a qualified power of 9 MW.

Energy management

During 2019, the Group continued to implement the strategy of actively managing the energy produced by the Group's generation portfolio with the main objective of mitigating and managing risks on the sale of the product while maximising revenues. The Energy Management team continued to increase the share of the Group's plants dispatched on the market by Falck Next Energy Srl, in accordance with the Industrial Plan. Accordingly, during 2018 the wind farms of Eolo 3W and Eolica Petralia and the Actelios Solar Srl photovoltaic plants were added to the portfolio managed by Falck Next Energy Srl, with the exception of the Trezzo solar plant which remained in GSE's Dedicated Withdrawal (RiD). As from 1 January 2019, the Geopower and Eolica Sud plants also entered the Falck Next Energy Srl feed-in dispatching perimeter. Falck Next Energy Srl currently manages all of the Group's Italian plants under its dispatching contract (with the exception of the Trezzo solar power plant), for a total volume of 848 GWh. Since July 2019, Falck Next Energy Srl has also managed third party plants, with an additional capacity of 408 GWh to date.

These activities will therefore see Falck Next Energy Srl playing an increasingly active role as an operator in the wholesale energy sales market and will allow the Group to become increasingly independent in the future in the sale and valorisation of the electricity produced by its plants.

With reference to wind power, the dispatching activity also includes - for Falck Next Energy Srl - adjusting the economic items relating to any requests for reduction or interruption of production by the national transmission grid operator (Terna). In this regard, it should be noted that the Authority, with Resolution 195/2019/r/efr of 21 May 2019, revised the formula for calculating the reliability index (IA) used in the calculation of wind power loss (MPE), resulting from dispatching orders issued by Terna. The new calculation is applied retroactively for the years 2017 and 2018, by means of adjustments that Terna made by 31 December 2019. In particular, for the Group's wind farms, Terna has settled a total of approximately €199 thousand for the period 2017 - 2019 (first half).

In May 2019, Falck Next Energy also joined EEX (European Energy Exchange), the leading trading platform for energy and CO2 emissions financial derivatives, and announced 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 are the Royal Decrees (RD) 436/2004 and 661/2007. New regulations were approved in July 2010 that 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 2008, RD 1578/2008 reduced the economic regime.

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 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, and 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.



Carreastro (Spain) wind farm

The RD 413/2014 published on 10 June 2014 redefines the system of remuneration incentives for existing plants, providing a contribution compared to market value of a minimum integration of non-recoverable costs arising from the market trading of electricity. The value of the Adjusted Remuneration is based on standard costs (CAPEX and OPEX) derived from market averages and is designed to supplement the revenues of the plants so that they can achieve the so-called Reasonable Profitability, defined in the regulations and calculated on the basis of the yields of Spanish government bonds. All plant revenue flows, including past revenues, are taken into account at the end of each six-year Regulated Period in order to calculate the Adjusted Retribution. This approach therefore resulted in the fact that older plants (as a general reference those commissioned before 2005) are believed to have already reached Reasonable Profitability thanks to the incentives received in the past and, therefore, are not qualified to receive any Adjusted Retribution. 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, ceasing to benefit from any form of incentive and beginning to sell 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 NFFPA (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.



Ben Aketil (Great Britain) wind farm

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 a minimum 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) were introduced and remained 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 2019 to 31 March 2020 the minimum quota each supplier must meet is 0.484 ROCs per MWh of energy distributed in Great Britain (England, Scotland and Wales) and 0.190 in Northern Ireland.

Compliance under the ROs scheme is regulated through a certification system using ROCs and SROCs. Renewable energy generators receive ROCs or SROCs for each MWh of electricity generated depending on the technology and source of energy employed.

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

ROCs and SROCs are tradable (and can take part in auctions organised by the NFPA), are priced in the market and traded at a premium compared to the market price of a similar quantity of energy ("Feed-in Premium" mechanism).

Wind farms connected to the local distribution grid (therefore all of the Group's wind farms with the exception of Kilbraur and Millennium) are also usually entitled to receive other incentives, known as "Embedded Benefits". In fact, since these plants are connected to the low voltage regional electricity distribution network rather than to the high voltage transmission network operated by the National Grid Electricity Transmission (NGET), they avoid (or reduce) the charges imposed to access the national transmission network TNUoS (Transmission Network Use of System).



Assel Valley (Great Britain) wind farm

It is worth noting that in England and Wales, grids up to 132 kV are considered distribution grids, while connections above 132 kV are considered as belonging to the transmission grid. The situation is different in Scotland where 132 V grids are considered transmission grids, which also are more common in Scotland than they are in England and Wales. 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, both operating under 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 that collects the 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 Renewables'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



Boyndie (Great Britain) wind farm



Auchrobert (Great Britain) wind farm



Cefn Croes (Great Britain) wind farm

plants) and represents a long-term solution for the small producer reduction mechanism that applies to plants below 100 MW connected to 132 kV in Scotland.

The reform of the incentives schemes available to renewable energy producers in the UK envisages the introduction of:

- **Feed-in Tariffs by means of Contracts for Difference (FiT-CfD)** For new plants that would benefit from ROCs or SROCs, the reform introduces a new incentive system (replacement of ROC and SROCs) which provides a Feed-in Tariff (FiT). The FiT value is established as a result of competitive bidding and is named Strike Price. This value should reflect the

appropriate return on the investment cost of the technology used. Once entitled to the right to FiT, the plant is required to sell the electricity on the market. If the average market price of wholesale electricity in the UK (Reference Price) is lower than the Strike Price, the plant receives a FiT to integrate electricity sales revenues; otherwise, if it is higher, the plant must return the difference.

- **Capacity Market:** 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 has been 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 Falck Renewables Group's development projects 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**

During the early 2000s, the French government published several pieces of legislation aimed at providing a legislative framework consistent with the development of renewable energy sources, with decrees and directives associated with them. In particular (i) Law no. 108/2000 of 10 February 2000 on "*la modernisation et au développement du service public et l'électricité*" (and subsequent amendments and additions to the Law of 3 January 2003 and the Law of 15 July 2003, "French Law on Electricity") and (ii) Decree no. 410/2001 of 10 May 2001 requiring *Electricité de France* (EDF) and local distributors to purchase electricity produced by producers of electricity from renewable sources on the basis of an electricity purchase contract with a duration of 15 or 20 years (Feed-in Tariff - FiT). Following the issue of Law 992/2015 of 17 August 2015 on

energy transition and green growth, other authorised operators were granted the right to purchase electricity generated from renewable sources.

The incentive system established by these regulations is no longer in force in the wind power sector; nevertheless, wind farms that had signed a 15-year FiT contract (prior to the elimination of the FiT incentive system) will continue to enjoy the benefits of the system until the expiry of the contracts signed. This measure envisages the gradual transition for new plants from the current incentive system (FiT) to a new regime based on so-called “Contracts-for-Difference” (CfD). This incentive scheme requires plants to sell the electricity they produce directly or through an aggregator on the market and then receive an additional remuneration, a premium, paid on the basis of a contract with an obligatory 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.



Le Fouy (France) wind farm

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 regulatory framework to allow 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:

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 tariff has a base level, subject to annual indexing amounting to €82/MWh for the first ten years of energy production, while the tariff for the last five years of the contract is related to the amount of energy produced in the first ten years. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas mid and high-wind speed sites will see a decrease in the applicable tariff in the last 5 years. In addition, the decree provides, during the 15 years of the contract, a €2.8/MWh management premium, which mainly aims to cover the variable and fixed costs related to market access and to the capacity market.



Esquennois (France) wind farm

- FiT – as per the decree dated 17 June 2014, there is a fixed tariff regime (€82/KWh subject to annual indexing) 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 \leq 80 m – €74/MWh
 - ii. Rotor diameter \geq 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 incentivise 3.38 GW of aggregated capacity from December 2017 to June 2020.

On 24 April 2016 and 27 October 2016, the French government issued the so-called "Renewables Target Development Decree" and "Energy Multi Annual Programming Decree" respectively, defining the objectives for 2018 and 2023 in terms of renewable energy. Given the contents of the above decrees, the installed capacity target with regard to onshore wind is expected to reach a value between 21.8 GW and 26 GW by 2023. At 30 September 2019, the onshore wind capacity installed in France is equal to 15.9 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 of the RPS. In fact, in some areas of the US, energy from renewable sources is sold to utilities by the producers at the price that it would cost users to generate the same amount of energy (so-called avoided cost). Every MWh of qualifying renewable energy receives three types of payment: an energy quota, a capacity quota and the relative Renewable Energy Certificate. The overall cost of the energy generated, including the REC costs, are therefore transferred to the utility clients.

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

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



IS42 (North Carolina) photovoltaic plant

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



Middleton (Massachusetts) photovoltaic plant

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, NYSEDA holds all rights and concessions relating to the renewable qualification of the electricity generated, which is taken into account for the achievement of the State's RPS objectives.

The RPS is an integral part of the Clean Energy Standard (CES), a further measure that sets a state target of 50% renewable electricity by 2030, with a progressive transition programme from 2017 onwards.

The New York State RPS requires each load serving entity (LSE) - including any entity or organisation such as licensed utilities, municipalities and electricity cooperatives, necessary for the supply of energy or energy services to end customers - to provide its end customers with certificates associated with new renewable sources, called Tier 1 Renewable Energy Credits (RECs). The LSEs have several solutions to ensure compliance with the system: the purchase of Tier 1 REC from NYSEDA; 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 NYSEDA, 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 NYSEDA or other sources. Since 2018, NYSEDA has been selling Tier 1 RECs to utilities on a quarterly basis, if available.

The New York Generation Attribute Tracking System (NYGATS), operated by NYSEDA, 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 NYSEDA as an alternative compliance system.

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, NYSEDA, 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 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. In particular, two wind farms entered into operation during 2019 - Åliden Vind



Hennøy (Norway) wind farm

with a capacity of 46.8 MW and Hennøy with a capacity of 50 MW - while two other wind farms are still under construction.

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.

The target set for 2020 was reached in May 2019 and it is expected that the 2030 target will also be reached well in advance of the reference year.

- *Netherlands: regulatory framework in the wind and solar sectors*

The Group is developing some renewable energy plants in the Netherlands.

In the autumn of 2012, the Rutte-Asscher government tried to set more ambitious targets than those in the EU agreement, with renewable energy penetration of 16% by 2020.

The September 2013 Energy Agreement reflected this drive to increase FER use in the country, setting a target of 6,000 MW installed by 2020 (including the current 2,500 MW), while confirming the EU commitment of 14% by 2020 and aiming to achieve 16% by 2023. The Energy Agreement confirmed the SDE+ regime as the main tool for supporting renewables and promoting a more stable investment policy.

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

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

In May 2019 the Dutch Senate approved, among other measures, the Climate Act, with the aim of achieving a 95% reduction in greenhouse gas emissions by 2050 compared to 1990 levels, with an intermediate reduction target of 49% by 2030. In June 2019, the Climate Agreement was also published, which defines concrete measures to achieve the intermediate target of 2030 set out in the Climate Act. This agreement specifically provides for a production target of at least 35 TWh/year from large-scale onshore renewables (>15kW) to be achieved by 2030 (mainly solar photovoltaic and wind), combined with a growth in decentralised renewables. The 2019 Climate Agreement also provides for the introduction of a new support scheme for renewables, the so-called SDE++, which is scheduled to enter into force on 1 January 2020. The revised mechanism expands the pool of eligible technologies compared to the previous SDE+, which allowed only solar, onshore wind, biomass, geothermal and hydropower.

5.2.3 Performance

The Group uses the following alternative performance indicators:

- a. EBITDA is measured by the Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, allocations to risk provisions and the income tax expense;
- b. Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets;
- c. 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 31 December 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 adopted IFRS 16 with the retrospective method modified 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.

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.

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

- an increase of €75,314 thousand in Assets for rights of use at 1 January 2019 and €76,377 thousand in Financial liabilities for operating leases. At 31 December 2019, assets for rights of use amounted to €77,341 thousand and financial liabilities for operating leases to €80,732 thousand;
- lower operating lease payments for 2019 of €6,637 thousand with a corresponding improvement in EBITDA;
- higher amortisation and depreciation for the year 2019 for the above mentioned rights of use for €5,944 thousand with an improvement in the operating result of about €693 thousand;
- higher financial charges for 2019 of €3,108 thousand;
- the effect on the net result was a loss of €1,925 thousand.

In 2019 the Falck Renewables Group recorded revenue of €374,494 thousand, an increase of €38,605 thousand (+11.5%) compared to 2018.

The increase in **revenues** is due mainly to: (i) for approximately €24 million, to the change in the scope of consolidation due to the acquisitions made during the last part of 2018 of Energy Team SpA, Windfor Srl and the consortia managing the interruptibility service in the Italian energy market, the acquisition, in March 2019, of five French wind farms with a grid capacity of 56 MW and the full operation of solar plants in the USA, partially offset by the sale of Esposito Servizi Ecologici Srl; (ii) approximately €11 million due to the higher volume of energy sold by Falck Next Energy Srl also to mitigate the cost of the imbalance; (iii) approximately € 3 million due to the higher volumes of electricity sold (mainly due to the excellent wind conditions in Italy) net of the curtailment component; and (iv), approximately € 1 million due to exchange rate fluctuations.

In 2019, the GWh produced by the wind sector amounted to 1,995 compared to 1,812 in the same period of 2018 (+10% compared to the same period of 2018). The GWh produced globally by all the Group's technologies amounted to 2,391 compared to 2,187 in 2018, up 9% over the same period of the previous year.

With reference to the trend in electricity sales prices in 2019, the most significant changes with respect to 2018 can be summarised as follows: for WtE plants, there was an increase of 18%; for wind farms in the United Kingdom, including the incentive component, there was a decrease of 1%; for Italian wind farms, including price risk hedging, there was a decrease of around 2%. There was also a significant decrease in the price of energy sales in Spain (-13%) while the limited price changes in the remaining countries did not have a significant impact on Group revenues.

Furthermore, with reference to production in the United Kingdom, the average revaluation of the pound sterling against the euro was 0.8% in 2019 compared to the previous period.

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

	Euro/GBP
End of period exchange rate 31 December 2019	0.85080
End of period exchange rate 31 December 2018	0.89453
Average exchange rate 31 December 2019	0.87780
Average exchange rate 31 December 2018	0.88470

<i>(€ thousands)</i>	31.12.2019	31.12.2018*
Revenues	374,494	335,889
Operating profit	114,395	114,771
EBITDA	204,011	191,478
Profit before tax	77,963	76,614
Profit for the period	63,181	59,921
Profit for the period attributable to owners of the parent	48,436	43,658
Invested capital net of provisions	1,328,429	1,102,632
Total Group and third party equity	607,663	555,619
Net financial position - indebtedness/(asset)	720,766	547,013
of which "non-recourse" project financing	671,909	700,365
Investments	152,150	86,976
Personnel at the period-end	(no.) 498	460
Ordinary shares	(no.) 291,413,891	291,413,891

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

2019 revenues may be analysed by sector as follows:

<i>(€ thousands)</i>	2019	%	2018	%
Sale of electricity and thermal energy	323,755	86.5	295,270	87.9
Waste treatment and disposal	19,149	5.1	22,680	6.8
Services and management of renewable energy plants	30,136	8.0	12,903	3.8
Other operating income	1,454	0.4	5,036	1.5
Total	374,494	100	335,889	100

Revenues from Services and management of renewable energy plants are those deriving mainly from the Vector Cuatro Group, Energy Team and the consortia managing the interruptibility service in the Italian energy market. Against growth in revenues of approximately €38.6 million, costs were up by approximately €36.5 million and other income fell by €2.5 million, resulting in an increase in operating income of €0.4 million, due to the following trends:

- **Other income** decreased by €2,511 thousand compared to the previous year. In fact, 2018 was affected by the non-recurring positive effect, amounting to €7.6 million, resulting from the release of certain provisions and reserves for the closure of a dispute relating to some land of the Sicilian projects in liquidation ('Non-recurring event 2018'). The effect was partly offset by other positive components, such as higher insurance indemnities, higher operating grants and, finally, higher capital gains in 2019 compared to the same period in 2018;
- **Direct costs and expenses** increased by €30,113 thousand mainly for: (i) the purchase of energy from the market by Falck Next Energy Srl in order to mitigate imbalance costs; (ii) the aforementioned ex-

pansion in the Group's scope of consolidation; (iii) higher amortisation due to higher installed capacity; (iv) higher amortisation of rights of use pursuant to IFRS 16, partially offset by lower rental and leasing costs; (v) higher amortisation of the customer list, interruptibility contracts and know-how of Energy Team SpA as a result of Price Purchase Allocation activities. In 2019, this item includes a write-down of €1.8 million attributable to the Vector Cuatro Group's contract portfolio, a write-down of the Vector Cuatro Goodwill of €0.5 million and a write-down of the Ty Ru wind farm of €0.3 million, the write-down of €6.1 million of Actelios Solar SpA's solar plants in anticipation of replacing 6 MW of existing solar modules with better performing models to improve the profitability of the plants and the revaluation of Rende's biomass plant for €2.4 million.

- **Personnel costs** increased by €6,718 thousand compared to 2018; the increase is mainly due to the acquisition of Energy Team SpA in the last quarter of 2018, partially offset by the decrease in employees due to the sale of Esposito Servizi Ecologici Srl. In addition, there was internal staff growth as the main functions, during 2019, were structured to cope with the development of the new initiatives envisaged in the business plan.
- **General and administrative expenses** fell by €405 thousand on 2018 mainly due to the effect of: (i) a decrease of about €3 million in provisions; and (ii), an increase of about €3.9 million in utilisations of provisions for risks partially offset by: (iii) higher service costs of about €1 million; (iv) higher write-downs of €0.7 million; (v) higher amortisation of usage rights pursuant to IFRS 16 of €1.6 million; and (vi), higher non-current operating expenses of €3 million.

In 2019 the higher charges for non-current operations were due to the settlement of a dispute with the GSE. This amount had already been set aside as a provision for risks in previous years and the settlement of the dispute resulted in the use of provisions for risks of the same amount.

As a result of the above trends in 2019, **EBITDA** reached €204,011 thousand (€191,478 thousand in 2018) and **Operating profit** amounted to €114,395 thousand (€114,771 thousand in 2018).

The application of IFRS 16 had a positive impact on EBITDA in 2019 of €6.6 million and a positive impact of €0.7 million on Operating income.

Therefore:

- a. **EBITDA** for 2019, adjusted for the effects of the application of IFRS 16, would be €197.4 million, up 7% (+€13 million) compared to EBITDA for 2018, which, adjusted for the effects of the 2018 Non-recurring Event 2018, would amount to €184.4 million;
- b. adjusted for the effects of the application of IFRS 16, the operating result for 2019 would be €113.7 million and would be up by 5.6% (+€6 million), if compared with the **operating result** for 2018, equal to €107.7 million, after having adjusted for the Non-recurring Event 2018.

EBITDA in 2019 increased compared to 2018, net of the Non-recurring Event 2018, mainly due to the dynamics already described with reference to the increase in Revenues: (i) for the consolidation of Energy Team Srl, the US solar plants, included in the perimeter for the entire period, and from March 2019 the five French wind farms with a grid capacity of 56 MW; (ii) for the higher volumes of electricity in Italy; (iii) for the higher prices for the waste disposal and treatment service for the WtE plant at Trezzo sull'Adda; (iv) for the lower operating costs of the plants in operation (it should be noted that in 2018 the biomass plant at Rende had carried out biennial maintenance); and (v), for other components such as the aforementioned higher insurance compensation.

Excluding the resale of energy purchased from the market by Falck Next Energy Srl, in order to mitigate the cost of imbalances, from 2019 and 2018 revenues for €19.7 million and €14.2 million respectively, EBITDA as a proportion of revenues was 57.5% (59.5% in 2018). Excluding the revenues for 2019 and 2018 also the revenues of the consortia managing the energy interruptibility service on the Italian market, EBITDA compared to revenues was 59.3% (59.9% in 2018).

Net financial expenses decreased by €1,760 thousand compared to 2018. Financial expenses were also affected by the introduction of IFRS 16 as from 1 January 2019, which resulted in a €3.1 million increase in interest expenses for the Group.

This effect was fully offset by higher exchange rate gains, lower financial charges related to a lower average debt of non-recourse loans than in the previous period and management actions aimed at making financial costs more efficient.

Income tax as of 31 December 2019 amounted to €14,782 thousand (€16,693 thousand in the previous year).

This figure was positively impacted mainly by (i) the recognition of deferred tax assets, totalling €3.8 million, following the review of the useful life of Geopower's wind farm, and (ii) the use by Energy Team SpA of the "Patent box" scheme for the facilitated taxation of income from the use of intangible assets (i.e. trademark and know-how), with a total tax impact of €1.3 million.

As a result of the above factors, **Net profits** posted a positive balance of Euro 63,181 thousand, equal to 16.9% of revenue. Minorities are down (-€1,518 thousand), mainly due to lower profits made by the wind farms located in the United Kingdom.

Group net profit amounted to €48,436 thousand, an increase (+10.9%) compared to €43,658 thousand in the previous year.

Excluding the effects of the application of IFRS 16, the **net result** for 2019 would have been €65.1 million and would have increased by 23.3% (+€12.2 million), compared with the net result for 2018, €52.8 million, after excluding the non-recurring Event 2018.

Group net profit for 2019, adjusted for the effects of the application of IFRS 16, would have been €50.1 million and would have increased by 36.1% (+€13.3 million), if compared with Group net profit for 2018, equal to €36.8 million, after having adjusted for the 2018 Non-recurring Event.

The **net financial position**, without the fair value of derivatives, shows a debit balance of €688,179 thousand (€509,040 thousand at 31 December 2018): the balance at 31 December 2019 was affected by the application of IFRS 16 for €80,732 million.

The **net financial position including the fair value of derivatives (NFP)** amounted to €720,766 thousand compared with €547,013 thousand at December 31, 2018. This includes:

- non-recourse financing of €671,909 thousand, down €28,456 thousand on the balance at 31 December 2018;
- €80,732 million due under operating leases, which in accordance with IFRS 16 is classified as financial debt. Net of this amount, NFP would have been €640,034 thousand, an improvement on 31 December 2018 due to the investments made during the period, net of cash generated by the group's operations;
- includes net financial payables of €157,566 thousand relating to projects under construction and development during 2019 which, at December 31, 2019, have not yet generated full year revenues; net of this amount, the fair value of derivatives (€32,587 thousand at December 31, 2019 compared to €37,973 thousand at December 31, 2018) and financial payables for operating leases, the net financial position would be €449,881 thousand.

The increase in the net financial position, amounting to approximately €173.8 million, is essentially attributable to acquisitions and investments in plants under construction made during the period, net of some disposals, amounting to approximately €190.8 million; the generation of operating cash flow, amounting to €134.8 million, and the positive change in the fair value of derivatives, amounting to about €5.3 million,

more than offset the distribution of dividends and changes in minorities, amounting to about €31.9 million, and the negative exchange rate effect, amounting to about €14.8 million, and the application of the new IFRS 16 standard, amounting to about €76.4 million.

Moreover, 75% of Gross debt, amounting to €748,962 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 €559,402 thousand.

The net financial position (excluding the fair value of derivatives and the debt under operating leases, amounting to €607,447 thousand) is also hedged against interest rate fluctuations by fixed-rate loans and interest rate swaps for an amount equal to 92% 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:

<i>(€ thousands)</i>	31.12.2019
Total Gross Debt without Fair Value of Derivatives and operating leases	748,962
of which Project Gross Debt (Project GD)	671,909
% GD Project/GD	90%
Total Gross Debt without Fair Value of Derivatives and operating leases	748,962
Total hedged against interest rate fluctuations	559,402
% Hedged/GD	75%
Total NFP without Fair Value of Derivatives and operating leases	607,447
Total hedged against interest rate fluctuations	559,402
% Hedged	92%

Investments in tangible and intangible assets for the period amounted to €152,150 thousand.

Capital expenditures on property, plant and equipment totalled € 139,480 thousand and related mainly to the acquisition of 100% of the companies holding a portfolio of five wind farms in operation in France (€19,095 thousand) and the construction of the Brattmyrliden wind farms (€17,904 thousand) and Aliden (€37,492 thousand) in Sweden, Falck Renewables Vind in Norway (€42,223 thousand), of Energia Eolica de Castilla in Spain (€8,621 thousand), maintenance work on the Eolo 3W Minervino Murge plant (€387 thousand), the Actelios Solar SpA plant (€1,549 thousand), the Trezzo plant (€1,030 thousand) and the Kilbraur Wind Energy plant (€356 thousand), the construction of the Falck Middleton battery (€3,069 thousand), the purchase of office furniture and investment in offices (€1,631 thousand), the capitalisation on the Geopower Sardegna Srl plant of the costs relating to the extension of the duration of the land lease contracts (€2,384 thousand) and the capitalisation of rights of use (€2,608 thousand).

The data relating to the acquisition of the French companies were subject to purchase price allocation in accordance with IFRS 3. For more details, please refer to the Notes to the Consolidated Report.

Capital expenditure on intangible assets amounted to €12,670 thousand and mainly comprised operating software and licensing costs of €5,731 thousand, development costs of €4,691 thousand, costs on the concessions of Falck Renewables Vind amounting to €1,259 thousand and Parc Eolien d'Illlois Sarl amounting to €473 thousand and the capitalisation of user rights amounting to €516 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 €45,034 thousand (including the NFP acquired), which must be added to the investments in tangible and intangible fixed assets described above for a total of €197,184 thousand.

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

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

(MW)

Technology	31.12.2019	31.12.2018
Wind	922.7	769.9
WtE	20.0	20.0
Biomass	15.0	15.0
Photovoltaic	128.6	128.6
Total	1,086.3	933.5

The installed capacity increased by 152.8 MW compared to 31 December 2018.

During March 2019 an agreement was signed by Falck Energies Renouvelables Sas for the acquisition of 100% of companies holding a portfolio of five wind farms in operation in France with an installed capacity of 56 MW.

In addition, wind farms in Hennøy (Norway) and Åliden (Sweden) started operation at the end of December 2019 with a total of 96.8 MW.

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

The consolidation reserve includes the differences arising from the elimination of the book value of consolidated investments against the related share of net equity.

As a result the other equity headings correspond to the amounts disclosed in the parent company's financial statements.

The reconciliation of equity and the profit for the year, as at 31 December 2019, may be summarised as follows:

<i>(€ thousands)</i>	Share capital and reserves	Profit for the period	Total Group Equity
Falck Renewables SpA financial statements	489,069	27,314	516,383
- Difference between adjusted net equity of consolidated entities and carrying value of related investments	(49,136)	68,796	19,660
- Write-off of dividends from consolidated entities	50,488	(50,488)	
- Profits on asset sales between Group companies, net of relative depreciation and amortisation	(1,049)	143	(906)
- Investments valued applying equity method	11,774	2,671	14,445
Group profit and equity	501,146	48,436	549,582

Note: the amounts are stated net of tax.

5.2.4 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	31.12.2019	31.12.2018	Var	Var %
Gross electricity generated	GWh	2,391	2,187	204	9%
Total waste handled	Ton	144,414	251,516	(107,102)	-43%

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

The increase in electricity produced has been illustrated above.

The decrease in total waste managed is mainly due to the sale of Esposito Servizi Ecologici Srl (105,606 tons compared to 31 December 2018).

5.2.5 Share price performance

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



The performance of the share during 2019 confirmed and consolidated the growth trend that began in the last part of 2018, recording an increase of +103% at the end of December 2019 compared to the end of December 2018, reaching a value of €4.76 per share. The update of the business plan, which took place on 12 December 2018, provided an important boost to the stock's appreciation. On that occasion the parent company Falck Renewables SpA updated the market on its growth strategy, which was initially presented at the end of November 2016 and subsequently updated in mid-December 2017, reaffirming the objective of increasing its installed capacity by improving all the objectives of the plan years and also envisaging an increase in dividend policy. The next appointment with the market for the presentation of the new industrial plan has been set for March 2020.

The partnership with the ENI Group for the joint development of projects in the United States was announced in December 2020, confirming the growth strategy that the Group intends to adopt in the coming years, with the aim of developing at least 1 GW of capacity by the end of 2023. Regarding activities in the United Kingdom, there are potential risks and uncertainties related to the evolution of the country, especially after the decision to confirm the exit from the European Community, as explained in paragraph 5.12.11 *Risks and uncertainties f) "Risks related to the outcome of the British referendum on staying in the European Union ("Brexit")"*. There are no significant impacts emerging from the evolution of the average Euro/Sterling exchange rate: in 2018 it was 0.8847, while in 2019 it was 0.8778 with an average revaluation of sterling against the euro of 0.8% in 2019 compared to the previous period.

During 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 (three times), Lugano, Copenhagen, Frankfurt, London (several times), Vienna and Amsterdam.

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 Chevreau 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 September 2019, at UBS's invitation, the company also took part in the Global Renewables Conference in London, which involves leading European players in the sector.

During the months of June and July 2019 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 Falck Renewables SpA's share capital, disclosing in the following months the reduction of the holding below the 5% threshold, defined as the first limit for the disclosure of significant holdings in the event that the issuer is an SME.

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.

The Falck Renewables share is also part of the FTSE Italia Mid Cap index, which consists of the main mid-cap stocks: this has contributed to increasing 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.

5.2.6 Performance of the business sectors

The Falck Renewables Group operates in the following business sectors:

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

This paragraph therefore illustrates the principal results of operations, net assets and financial data of the Group's sectors, supported by a brief commentary, while the notes to the financial statements report the full results of operations and net assets of the sectors with separate disclosure of the amounts relating to Falck Renewables SpA which are commented on in a separate note.

- **WtE, biomass and solar sector**



Leominster (USA) photovoltaic plant

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

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

In 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 capacity of 6 MW.

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

On 15 January 2019, Esposito Servizi Ecologici Srl was sold. This transaction led to a reduction of 20 employees for the Group compared to 31 December 2018.

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Revenues	68,026	67,801
EBITDA	33,846	30,794
Operating profit/(loss)	13,786	11,572
Profit/(loss) for the period	10,072	8,387
Profit/(loss) attributable to owners of the parent	9,413	7,734
Intangible assets	301	473
Property, plant and equipment	244,541	240,138
Net financial position - indebtedness/(asset)	153,610	141,286
of which non-recourse project financing	59,823	55,296
Capital expenditure	6,488	11,275
Personnel at the period-end	(no.) 68	84

The sector recorded a slight increase in revenues (+0.3%) compared to the year ended 31 December 2018. The greater installed capacity in the USA (+20.5MW) once up and running, the greater production of electricity by the Waste to Energy plants in Trezzo sull'Adda and the biomass in Rende and the higher prices for the handling and disposal of waste (+17% compared to the same period of the previous year) by the WtE plant in Trezzo more than offset the reduction resulting from the sale of Esposito Servizi Ecologici Srl.

As a result of the production resulting from the higher installed capacity, the collection of an insurance indemnity, the lower maintenance costs of the biomass plant in Rende (in 2018 the scheduled two-year maintenance had been carried out), the higher prices for waste disposal and treatment, the higher electricity production of the plants and the effects of the entry into force of IFRS 16 (effect equal to €1,013 thousand), EBITDA amounts to €33,846 thousand and is up compared to 2018 (+€3,052 thousand). 49.8% when expressed as a percentage of revenue (2018 – 45.4%). In 2018 EBITDA was affected by the non-recurring effect, amounting to €7,098 thousand, resulting from the release of certain provisions and allocations, net of transaction costs, for the closure of disputes relating to certain land of Sicilian projects in liquidation. Net of this non-recurring effect, EBITDA for 2019 would have increased by 42.8% (+ €10,150 thousand).

Operating profit rose by €2,214 thousand and now totals €13,786 thousand. Net of the non-recurring effect of 2018, operating income in 2019 would have increased by €9,312 thousand.

During 2019, Actelios Solar SpA's photovoltaic plants were written down by €6.1 million in anticipation of the replacement of solar modules, for a total of 6MW, with more efficient models to improve the profitability of the plants, and a revaluation was also made to restore the value of the Rende biomass plant for approximately €2.4 million following the impairment test.

Capital expenditure on property, plant and equipment and intangible assets in 2019 amounted to €6,488 thousand and principally related to maintenance work on the Trezzo plant (€1,030 thousand), the Rende hybrid plant (€480 thousand) and the Actelios Solar SpA solar plant (€1,549 thousand) and the construction of an energy storage battery at Falck Middleton's US photovoltaic plant (€3,069 thousand).

The net financial position, which shows a debit balance of €153,610 thousand, increased compared to 31 December 2018 by €12,324 thousand mainly due to investments made in 2019 of €6,488 thousand and the entry into force of IFRS 16, which resulted in an increase in financial payables for operating leases of €12,628 thousand at 31 December 2019, partially offset by the cash generation from operating plants.

The net financial position includes non-recourse project financing of €59,823 thousand (€55,296 thousand at 31 December 2018) and negative fair value of interest rate risk hedging derivatives of €11 thousand (€2,587 thousand at 31 December 2018).

- **Wind sector**



Le Cretes (France) wind farm

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

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Revenues	247,080	238,948
EBITDA	186,663	181,177
Operating profit/(loss)	127,512	128,158
Profit/(loss) for the period	72,916	69,605
Profit/(loss) attributable to owners of the parent	58,787	53,960
Intangible assets	101,211	96,952
Property, plant and equipment	1,020,884	804,531
Net financial position - indebtedness/(asset)	501,441	473,264
of which non-recourse project financing	612,086	645,069
Capital expenditure	133,847	43,763
Personnel at the period-end	(no.) 28	27

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. In addition, as previously mentioned, wind farms in Hennøy (Norway) and Åliden (Sweden) started operation at the end of December 2019 with a total of 96.8 MW.

In the third quarter of 2019 the Group completed the purchase price allocation, in accordance with IFRS 3, of the acquisition Energia Eolica de Castilla SI, which had been presented as provisional at 31 December

2018 and 30 June 2019, and in the fourth quarter the purchase price allocation of the acquisition of the French companies presented as provisional at 30 June 2019.

The increase in revenues (€8,132 thousand) is essentially due to the above mentioned increase in the scope of consolidation for the acquisition of the French plants and the start-up of the wind farms in Hennøy (Norway) and Åliden (Sweden). On the other hand, the excellent windiness recorded in Italy was more than offset by the decrease in energy transfer prices both in Italy and in the United Kingdom.

As mentioned earlier in this Report, electricity sales prices, including the incentive component, decreased in 2019 by 1% in the United Kingdom, 13% in Spain and 4% in Italy, before the price risk hedges, which are recognized in the "Other Activities" segment, compared with the previous year, while in France the feed-in tariff mechanism neutralised the price fluctuation (+1%).

During 2019, the GWh produced by the wind sector amounted to 1,995 GWh compared to 1,812 GWh in 2018 (+10% compared to 2018), including the production of the French wind farms acquired and that deriving from the plants in Sweden and Norway that became operational during the year.

With reference to production in the UK, there was also an average revaluation of the pound sterling against the euro of 0.8% in 2019 compared to the previous year.

EBITDA amounted to €186,663 thousand, an increase of €5,486 thousand over last year and equal to 75.5% of revenue (2018: 75.8%).

The increase in EBITDA was primarily due to: (i) the positive dynamics related to revenues and (ii) the coming into force of IFRS 16 (€3,865 thousand).

Operating profit was down by €646 thousand compared to 2018 and was 51.6% of revenues (53.6% in 2018) due to higher service costs, higher provisions, compared to 2018, net of releases and higher amortisation and depreciation following the entry into force of IFRS 16 and the acquisition of the 5 wind farms in France in March 2019. During 2019, the Ty Ru wind farm was written down by €0.3 million.

In December 2019, Geopower extended its surface law contracts with the municipalities where the wind power plant is located by 10 years, thereby extending the useful life of the plant by 6 years on the basis of a technical report. This extension allowed the company to record deferred tax assets of €3.8 million, which resulted in an improvement in net profit.

In 2019, capital expenditures on property, plant and equipment and intangible assets totalled €133,847 thousand and related mainly to the acquisition of 100% of the companies that own a portfolio of five wind farms in operation in France (€19,095 thousand) and the construction of the Brattmyrliden (€18,925 thousand) and Aliden (€37,744 thousand) wind farms in Sweden, Falck Renewables Vind in Norway (€42,468 thousand), Energia Eolica de Castilla in Spain (€8,679 thousand), maintenance work on the Eolo 3W Minervino Murge plant (€387 thousand) and Kilbraur Wind Energy (€356 thousand), the capitalisation on the Geopower Sardegna Srl plant of the costs



Hennøy (Norway) wind farm

relating to the extension of the duration of the land surface right contracts (€2,384 thousand) and costs on the concessions of Falck Renewables Vind amounting to €1,259 thousand and Parc Eolien d'Illois Sarl amounting to €473 thousand and the capitalisation of rights of use amounting to €1,055 thousand.

Other investments (change in scope of consolidation)

The investment in acquisitions, recorded as a change in the scope of consolidation, amounted to €45,034 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 €178,881 thousand.

The net financial position amounted to €501,441 thousand, including non-recourse project financing for €612,086 thousand and the negative fair value of interest rate, foreign exchange and commodity hedging derivatives for €35,041 thousand, up €28,177 thousand on 31 December 2018 due to the entry into force of IFRS 16, which increased financial payables for operating leases at 31 December 2019 by €64,726 thousand, and due to investments and acquisitions of wind farms in France, partially offset by cash generated by operating plants and the capital increases for the Swedish and Norwegian companies.

Borea transaction: *Earn-out and Derisking*

The 2014 agreement with CII Holdco for the sale of 49% of the "Target Companies" based in the UK (Ben Aketil Wind Energy Ltd, Millennium Wind Energy Ltd, Cambrian Wind Energy Ltd, Boyndie Wind Energy Ltd, Earlsburn Wind Energy Ltd, Kilbraur Wind Energy Ltd) envisages a further deferred amount payable to the Falck Renewables Group based on the actual performance of the wind farms at the Target Companies (in terms of GWh generated) compared to a pre-determined target for the entire 2014–2018 period, to be settled in cash at the end of this period applying an earn-out mechanism capped at £10 million. If, on the other hand, the Target wind farm performance is below the pre-established target, the Falck Renewables Group is under no obligation to compensate CII HoldCo Ltd.

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 has the right to a reduction in the transfer price (De-risking) payable in 2021 based on the difference, where negative, between the average annual electricity price in the UK for the period 2014-2020 and GBP 25 per MWh (nominal not adjusted for inflation), multiplied by actual annual production in MWh in the same period for each wind farm involved in the transfer, multiplied by CII Holdco's interest in each target company for each year of the period under review (capped at 49%, representing the current percentage ownership in each target company) and taking into consideration the time factor applying a discount rate of 10% ("the Formula"). Any amount due will be paid by the Falck Renewables Group to CII HoldCo up to the amount of dividends, interest and loan repayments paid by the Target Companies to the Group. The potential price reduction for the Group will therefore be limited to the cash distributable by the Target Companies from 2021.

This price reduction clause will be cancelled with immediate effect in the event that in any year of the period under review CII HoldCo Ltd sells its entire stake in the Target Companies to third parties. In the event that the resulting difference is positive, CII HoldCo Ltd will not be required to compensate the Falck Renewables Group.

The Group has appointed an independent expert to calculate the potential sum payable in relation to the Formula. The expert carried out a series of simulations based on assumptions of stress scenarios with respect to the expected energy price curves in the UK market for 2020, taking into account that the average prices per MWh were as follows: for the year 2014 £41,83, for the year 2015 £40,25, for the year 2016 £40,76, for the year 2017 £45,49, for the year 2018 £57,79 and finally for the year 2019 £42,87. The

estimates, based on the results to date, show that the possibility of a price adjustment in favour of CII HoldCo Ltd is very unlikely.

- **Services sector**

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

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018*
Revenues	43,713	20,121
EBITDA	6,045	984
Operating profit/(loss)	(1,528)	(1,136)
Profit/(loss) for the period	(452)	(1,095)
Profit/(loss) attributable to owners of the parent	(453)	(1,095)
Intangible assets	43,205	48,960
Property, plant and equipment	3,211	1,229
Net financial position - indebtedness/(asset)	(581)	844
of which non-recourse project financing		
Capital expenditure	1,756	32,743
Employees at the period-end	301	271
	(no.)	

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA.

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 Group completed the purchase price allocation in the third quarter of 2019, in accordance with IFRS 3.

In July 2019, a business unit transfer from Vector Cuatro Srl to Falck Renewables Sviluppo Srl was completed. The unit was comprised of 3 Business Development staff and goodwill from intellectual property.

Revenues increased by €23,592 thousand, due to the consolidation, for a full year, of Energy Team SpA,

Windfor Srl and the energy interruptibility service management consortia on the Italian market and the increased asset management services, mainly as a result of the transfer of the staff divisions on 1 July 2018.

EBITDA amounted to €6,045 thousand, an increase of €5,061 thousand over the same period last year and equal to 13.8% of revenues (2018: 4.9%). 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 (€685 thousand).

Revenues from consortia for the management of the energy interruptibility service on the Italian market, amounting to approximately €10.5 million, do not generate significant margins. Excluding these revenues, the percentage of EBITDA in 2019 would be approximately 18.2% of revenues in the sector (5.4% in 2018).

The data at 31 December 2019 include a write-down of €1.8 million attributable to the Vector Cuatro Group's contract portfolio and a write-down of goodwill of €0.5 million also relating to the Vector Cuatro Group.

Higher amortisation and depreciation of (i) the customer list, interruptibility contracts and know-how of Energy Team SpA following the Price Purchase Allocation activity for €2.1 million and (ii) the rights of use following the entry into force of IFRS 16 for € 0.7 million also affected Operating Profit.

During 2019, investments in property, plant and equipment and intangible assets amounted to €1,756 thousand and mainly related to office furniture and investments, capitalisation of user rights and operating software and licences.

The net financial position is in credit and amounts to €581 thousand and shows an improvement of €1,425 thousand compared to 31 December 2018, mainly due to the cash generated by the sector, partially offset by the entry into force of IFRS 16, which increased financial payables for operating leases at 31 December 2019 by €1,462 thousand and for investments in 2019.

- **Other Businesses**

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Revenues	72,378	33,089
EBITDA	(21,907)	(16,927)
Operating profit/(loss)	(26,350)	(20,224)
Profit/(loss) for the period	27,185	35,905
Profit/(loss) attributable to owners of the parent	27,192	35,905
Intangible assets	12,111	2,097
Property, plant and equipment	2,648	303
Net financial position - indebtedness/(asset)	149,408	14,790
of which non-recourse project financing		
Capital expenditure	12,111	1,365
Personnel at the period-end	(no.) 101	78

In July 2019, a business unit transfer from Vector Cuatro Srl to Falck Renewables Sviluppo Srl was completed. The unit was comprised of 3 Business Development staff and goodwill from intellectual property.

Revenues posted an increase of €39,289 thousand, due to the sale of energy by Falck Next Energy Srl.

Operating profit fell by €6,126 thousand. This decline was mainly attributable to lower releases of provisions for risks and higher service costs.

Capital expenditure for the period amounted to €12,111 thousand, of which €10,519 thousand relating to intangible assets (software, licences, user rights and development costs) and €1,592 thousand relating to property, plant and equipment (furniture, office equipment and user rights).

This table sets out the data for the sector:

<i>(€ thousands)</i>	FKR	Other companies	Eliminations	Sector
Revenues	88	72,290		72,378
EBITDA	(22,067)	160		(21,907)
Operating profit/(loss)	(26,409)	59		(26,350)
Intangible assets	7,777	4,334		12,111
Property, plant and equipment	2,648			2,648
Net financial position - indebtedness/(asset)	164,563	(15,155)		149,408
of which non-recourse project financing				
Capital expenditure	7,689	4,422		12,111
Personnel at the period-end	(no.)	96	5	101

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 €149,408 thousand, compared with a net debt of €14,790 thousand at 31 December 2018. 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 financial position also improved as a result of the entry into force of IFRS 16, which increased financial payables for operating leases at 31 December 2019 by €1,916 thousand.

The net financial position includes the positive fair value of foreign exchange and commodity hedging derivatives for €2,465 thousand (negative for €1,329 thousand at 31 December 2018).

5.2.7 Review of business in 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), en-

tered 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 plant came into operation in December 2019.

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.

On 25 July Falck Renewables SpA signed an 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 secured the connection permits and preliminary rights to the land, began 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.

On 9 September 2019, Energia Eolica de Castilla signed a long-term contract (Power Purchase Agreement) with Hòlaluz, a Spanish energy supplier. The contract allows a coverage of about 75% of the plant's production. The seven-year agreement is one of the first of its kind for wind projects in Spain and represents an important milestone for bilateral renewable energy purchase and sale contracts between a wind farm and an energy supplier to end customers, as it does not rely on public subsidies or support.

On 23 September 2019, Kilbraur Wind Energy Ltd signed a Power Purchase Agreement (PPA) for the sale of 100% of the energy produced by the Kilbraur wind farm in the UK to Shell Energy Europe Ltd. The contract came into force in October 2019. The agreement will result in the sale of the energy and associated benefits, such as ROCs, ROC Recycle and REGOs, produced by the plant located near Golspie, Scotland, and follows a similar agreement signed last April with Shell Energy Europe Ltd for the Millennium wind farm, located near Fort Augustus, Scotland.

On 10 October 2019, Falck Renewables Wind Ltd signed a joint development agreement with REG Windpower Ltd for approximately 200 MW of solar and wind projects in the UK. A dedicated development company, Naturalis Energy Developments Ltd, has been acquired for this purpose, owned 70% by Falck Renewables Wind Ltd and 30% by REG Damery Developers Ltd. The company will benefit from services provided by the REG team, which has experience in development, management and design, and from Falck Renewables' know-how in engineering, purchasing, financing, sustainability and PPA Origination. Two projects included in the portfolio, one wind and one solar, have already been approved. Once the authorisation process has been completed, Falck Renewables Wind Ltd will have an option to buy and build the projects or sell one or more of them on the market.

On 25 October 2019, Actelios Solar SpA successfully renegotiated and extended a €21.7 million non-course project financing agreement for three solar power plants in Sicily, with the addition of €13.3 million,

for a total of €35 million. Actelios Solar SpA has a portfolio of 13 MW of solar power, with plants located in the municipalities of Vittoria (Ragusa), Centuripe (Enna) and Catania, for a total annual production of green energy of 19.9 GWh which allows the savings of about 10 thousand tons of CO₂ per year. The renegotiated project financing contract, entirely with Crédit Agricole Corporate & Investment Bank, as Structuring Arranger, Hedging Provider and Agent Bank, is valid until December 2029, with a maturity of 3.5 years longer than the previous one and better terms and conditions. Crédit Agricole Italia is acting as Account Bank. The additional funding will also be used to replace 6 MW of existing solar modules to improve plant performance and return on investment.

Falck Renewables SpA received the 2019 Financial Statements Oscar in the Medium and Small Listed Companies category (excluding Financial Companies) on 13 November 2019. The Award, now in its 55th edition and organised by Ferpi (Federazione Relazioni Pubbliche Italiana), was awarded to Italian companies that stood out in business reporting and in the care of relations with stakeholders, generating social and economic value through activities based on sustainability.

On 19 December 2019 the companies Parc Eolien du Fouy SAS, Parc Eolien des Cretes Sas and Esquennois Energie SAS renegotiated the non-recourse project financing of €16.8 million in order to obtain better terms and conditions. The renegotiated project financing contract, which was executed with the current lender Landesbank Baden-Württemberg, includes an optimised repayment profile and net cash flow with improved financial conditions (estimated interest savings of around 20% until the loans mature on 15 July 2026), which will allow for more distributions in the future.

On 19 December 2019 the Group purchased from Canadian Solar Group 70% of Iron SPV Srl, which owns a solar project under development in Sicily for a total capacity of 35 MW. The authorisation process for the construction of the plant will begin in 2020, when the remaining 30% will be purchased.

On 19 December 2019 Geopower Sardegna Srl signed an agreement with the municipalities of Buddusò and Ala de Sardi extending the agreement, concerning the right to the surface area of land, until the year 2041 confirming the company's commitment to pay an annual fee to both municipalities for the entire duration of the agreement. This extension extends the service life of the wind farm.

On 20 December 2019 Eni New Energy US Inc. ("ENE US") and Falck Renewables North America Inc. ("FRNA") signed a strategic agreement for the joint development of renewable energy projects in the United States. 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 will transfer 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 consisting of five solar power plants in operation in North Carolina and Massachusetts, one of which, Middleton (Massachusetts), with energy storage of 6.6 MWh. The total value paid by ENE US to FRNA will be approximately \$70 million at closing, including a stock of solar panels worth approximately \$12.7 million, and will be subject to adjustment in line with market practice. The plants will continue to be operated, controlled and consolidated by FRNA, which will hold 51% of them.

On 23 December 2019 Falck Middleton Generation, LLC signed with U.S. Bancorp Community Development Corporation the financing for the battery-powered storage system (6.6 MWh) connected to the solar power plant in operation in Middleton, Massachusetts (USA). Tax equity will contribute a minority share of the \$3.6 million investment project, which includes equipment, engineering and construction services and development costs. Furthermore, the Middleton Electric Light Department ("MELD"), Massachusetts Public Power utility, has entered into a capacity contract with Falck Middleton Generation which allows MELD to reduce system charges, creating benefits for the entire Middleton community which can thus benefit from the reduction in system operating costs. On 30 December 2019, the plants in Hennøy (Norway) and Åliden (Sweden) became operational by adding 96.8 MW of new Group installed capacity.

5.2.8 Personnel

At the end of the year, the Group had 498 personnel, as follows:

<i>(Number)</i>	31.12.2019	31.12.2018	Change
Managers	55	54	1
White-collar staff	410	360	50
Blue-collar staff	33	46	(13)
Total personnel in consolidated entities	498	460	38

The increase is mainly due to internal growth, as the main departments were adapted in 2019 to deal with the development of new initiatives envisaged in the business plan, partially offset by the reduction in employees due to the sale of Esposito Servizi Ecologici Srl. For a breakdown of the workforce by sector, please refer to the following:

<i>(Number)</i>	31.12.2019	31.12.2018	Delta
WtE, biomass and solar	68	84	(16)
Wind sector	28	27	1
Services sector	301	271	30
Other Businesses	101	78	23
Total	498	460	38

5.2.9 Environment, health and safety

The Falck Renewables Group is constantly committed to integrating the principles of sustainable development in all its activities worldwide.

In particular, Falck Renewables Group is committed to training its personnel, improving its management by enhancing professional and managerial skills, promoting diversity, managing employees, motivating them and adhering to the ethical principles established in its Code of Ethics.

In order to achieve and adapt to the new industry standards, Falck Renewables Group has certified many of its sites and companies, managing all business processes in an integrated manner, so that the QHSE management systems 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	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	Environmental management system UNI EN ISO 14001:2015 Safety management system ISO 45001:2018	Rende biomass plant
Falck Next	Environmental management system UNI EN ISO 14001:2015 Quality management system UNI EN ISO 9001:2015 Safety management system ISO 45001:2018	Offices
Vector Cuatro Slu	Asset Management System UNI EN ISO 55001:2015 Quality management system UNI EN ISO 9001:2015	Vector Spain

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 2019, the company published further procedures for the safe management of its activities in the wind energy sector, enabling it to have shared standards worldwide.

During 2019, 24 inspections were carried out by the team of internal auditors, created within the Corporate structure, to verify regulatory compliance, systems management and maintenance contract management.

Since the beginning of 2019, training courses for new recruits have been managed internally, in order to ensure that the course is more targeted to specific needs. In 2019, more than 900 hours of training were provided on the State-Region agreements for safety issues.

During 2019, three accidents were reported, one of which was in progress, with a prognosis of 14 days. The first accident took place in the company Vector Cuatro, based in Turin, lasting 7 days and the second at the company Ambiente 2000, with a prognosis of 6 days.

5.2.10 Research and development activities

During 2019, the company continued the research and development activities begun in 2018 and focused its efforts in particular on projects that it considers particularly innovative. The amount spent in 2019 was €2,300 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 2020.

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

5.2.11 Risks and uncertainties

The main risks and uncertainties facing the Falck Renewables Group are analysed by type below. Please note that, under the Risk Management project, the Falck Renewables Group continued risk analysis and took an organic approach to risk management. The main activities performed include: (i) defining Group risk identification and monitoring methods; (ii) risk analysis of corporate processes, new business, and forecast data used to support decision-making; (iii) sharing periodic risk assessment analysis with Group management; (iv) the introduction by the Falck Renewables SpA Board of Directors of the Risk Appetite Framework that sets out the level of risk that the Group is willing to accept in order to pursue its goals.

A) Financial

1. Credit risk

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk linked with the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparts. By nature, commercial customers are low-risk: most of the exposure to third-party customers (not related parties) is, in fact, to electricity service or utility and offtaker operators and the degree of concentration of customers can be considered average, but they are customers with good creditworthiness. Moreover, 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 managed in Italy within the Group through Falck Next Energy Srl.

It should be noted that the Spanish group Vector Cuatro and Energy Team SpA, although characterised by a broad third-party customer base, have not yet substantially changed the Group's trade credit risk profile. The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also contained as the derivatives are negotiated with leading financial institutions.

With 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).

With particular reference to the situation of some Italian and foreign banks, it should be noted that the Group is closely monitoring 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. The revolving pool loan agreement for Falck Renewables SpA (“Corporate Loan”) - amended on 30 July 2018 - of €325 million was partially utilised at 31 December 2019 for an amount of €32 million. 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.

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 of €325 million will support the Group's financial needs and the development of its activities. The "revolving" nature of this loan, which was obtained at favourable market conditions, makes it particularly flexible and available for use until its expiry (on 31 December 2023).

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 are 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 31 December 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 euro. 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. Also during the same year, third-party plant dispatching management was started up, an activity that should be expanded in subsequent years, allowing the Group to diversify its portfolio at a zonal and/or territorial level.

The Group's results are exposed to the risk of commodity price volatility, the volume risk deriving from the non-programmability of the production of wind or solar power plants whose production depends on the availability of natural resources, and the operational risk deriving from the level of adequacy of all the technical and organisational measures implemented by the Group to carry out activities related to the dispatching of electricity on the market.

In order to mitigate these risks, a special structure was set up within the Energy Management Department, acting in accordance with a specific Energy Risk Policy approved at the Group level, to perform hedging activities (price fixing strategies for the physical volumes underlying the portfolio), trading (strategies designed to achieve 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 Next 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. During the year, the Trading Policy was completed to define the Group's acceptable risk profile, the limits in terms of Risk Capital, VaR and Stop Loss and the escalation processes that govern the trading activities carried out by the Energy Management Department.

- **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 2020 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.

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.

Furthermore, from the beginning of 2019 Falck Next Energy Srl became Balance Service Provider (BSP) and participated in the auctions held by Terna for the procurement of dispatching resources for the owners of Mixed Enabled Virtual Units (UVAM). This activity involves sending and loading flexibility profiles of aggregated customers within UVAM and operational management on the MSD market to respond to Terna's requests. The Energy Management structure is finalising internal procedures for the management of this activity and has an aggregate flexibility aggregation system.

- **Counterparty risk**

For new projects that do not benefit from a guaranteed remuneration system (FiT, CfD) and/or incentive scheme, the Group is negotiating Renewable PPA contracts at a fixed price whose duration is generally longer than 5 years in order to mitigate price risk, stabilising the project cash flows also to

facilitate access to project financing systems for such projects. The counterparties in these contracts (off-takers) are generally companies that consume the energy produced by the plant or other entities (traders/utility) that resell the energy withdrawn from the plant to third parties.

In the case of the Renewable PPA, the counterparty risk for the Group is the risk that the off-taker is unable to meet its obligations during the contractual period (e.g. withdrawal of the quantities of energy subject to contract, late payments and financial difficulties, etc.).

Counterparty risk management is therefore one of the main elements in establishing the financial viability of a project.

In the Falck Group, counterparty risk management includes assessing the current soundness of the off-taker in providing guarantees and an outlook on the risks that could arise in the long term with respect to the contract. It is very important to draw up a contractual structure that can provide a long-term mitigation of the operational risks arising from the management of this type of operation.

In some cases, in order to cover the counterparty risk and promote the project's financeability, the group requires the off-taker to issue bank guarantees or parent company guarantees covering a percentage of the notional value of the contract for its entire duration.

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**

On 28 November 2018 EPC Sicilia Srl ("EPC"), as successor in title to Pianimpianti Srl, a shareholder of Tifeo, PEA and Platani, served a writ of summons on Falck SpA, Falck Renewables SpA and their pro tempore representatives for alleged unlawful conduct in the management of the agreement with the Regional Agency for Waste and Water of the Sicily Region ("ARRA") dated 28 April 2009, entered into by the Sicily Project companies and the subsequent settlement agreements signed by the Sicily Project companies with ARRA on 8 May 2015. 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. Falck and Falck Renewables appeared before the court promptly and at the same time entered into negotiations with the counterparty, which are still pending, for the amicable settlement of the dispute. 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, notified to Falck Renewables - Elettroambiente - Tifeo, 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. On 31 July 2019, the Parties reached an agreement, following which the Judge, by decree no. 2042/2019 of 1 October 2019, declared the proceedings extinguished.

- **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 of 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 requested that Tifeo and Elettroambiente be ordered to reimburse the costs of the dispute at both instances of the proceedings, arguing that Panelli itself had been summoned by Tifeo and Elettroambiente. In view of their waiver of their claims in the proceedings, the latter companies should be charged with the relevant court costs. The claim against Tifeo and Elettroambiente only concerns the reimbursement of legal expenses incurred by Panelli.

On 31 July 2019, having reached an agreement for the amicable settlement of the dispute, the parties declared that they wished to waive the proceedings with the simultaneous reciprocal acceptance of their respective waivers pursuant to Article 306 of the Italian Code of Criminal Procedure and therefore asked the Court of Appeal to close the proceedings. With sentence no. 4280/2019 of 24 October 2019 the judgement was declared dismissed pursuant to Article 306 of the Italian Criminal Code.

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

By appeal pursuant to Article 702-bis of the Italian Criminal Code, filed on 17 March 2018 with the Court of Milan, Francesco Stallone and Pietro Carmelo Russo, lawyers, summoned Tifeo Energia Ambiente ScpA in liquidation ("Tifeo"), Elettroambiente SpA in liquidation ("Elettroambiente") and Zurich Insurance PLC, General Representative for Italy ("Zurich"), to request that they be ordered to pay the credit (alternatively quantified in €247,452.18 and in a sum of between a minimum of €294,387.64 and a maximum of €946,604.79, plus legal fees and interest pursuant to Article 1284(4) of the Civil Code), as consideration for the legal assistance provided to the Presidency of the Sicilian Region and the Department of Energy and Public Utilities of the Sicilian Region (together referred to as the "Sicily Region") in the proceedings before the Court of Milan, Section VI, R.G. 74223/2009, between the Sicily Region and the respondents - with judicial conciliation on 8 June 2015. 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. Tifeo and Elettroambiente asked for permission to request that the Sicily Region indemnify them against the claim, in application of Article 7 of the settlement. By order of 23 October 2019 the Court of Milan: (i) dismissed Stallone's claims, (ii) awarded Russo the sum of €234 thousand, plus VAT and CPA and court costs, of €20 thousand, (iii) ordered the regional authorities, Tifeo, Elettroambiente and Zurich, jointly and severally, to pay those amounts, (iv) ordered the regional authorities to reimburse Tifeo, Elettroambiente and Zurich all amounts paid to Russo by them, (v) ordered the regional authorities to reimburse Tifeo and Elettroambiente for the costs of the proceedings, of €18 thousand, plus incidental expenses (the same amount was also paid to Zurich). The order is enforceable and cannot be appealed (ex Article 14, para. 4, Legislative Decree 150/2011) and has no defects in law or in the part of the statement of reasons that would allow an appeal to the Court of Cassation. Negotiations are underway to reach a settlement agreement. In view of the difficulty of recovering any amount that the companies would be forced to pay in the event of a negative outcome, an adequate provision has been set up.

Others:

- **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 thousand issued by Falck SpA in favour of GEO alone. The request concerned 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:

- ordered 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. 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 decision has therefore been confirmed in full. The applicants were also ordered to return to Falck the original guarantee issued in 2009. The judgment of the Court of Appeal has become final. Meanwhile, 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.

- **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 judgment no. 2012 of 1 October 2019, the General Court of Monza rejected in full the claims brought by Mr. Curione, ordering him to pay the costs of the proceedings, which amounted to €29 thousand, and to pay the costs of technical consultancy fees (approximately €10 thousand).

On 10 December 2019 Mr. Curione filed an appeal. The Company is in the process of preparing a case before the Court of Appeal of Milan (deadline for filing on 1 April 2020). The Company had not set up a provision for risks and at the moment does not believe it will be necessary, as there are no new elements regarding the risk of loss.

Relations with the Ministry of Economic Development, AEEGI and GSE:

- **Ecosesto SpA**

By appeal filed on 23 April 2010, Ecosesto challenged the GSE measure of 13 February 2010, relating to the biomass plant of Rende, in the part in which, while recognizing the qualification as a plant powered by renewable sources, it applies a D coefficient equal to 0.9 instead of 1. By ruling no. 13251 of 19 November 2019, the Lazio Regional Administrative Court, Section III, held that the action brought by Ecosesto SpA should be dismissed. The time limit for any appeal will expire on 19 May 2020. The company is considering recourse to the Council of State.

- **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. Following the suspension of payments by the GSE, the Company filed a new request for withdrawal on 14 October 2017 for a hearing on the merits. 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 of the process for the recalculation of the incentive tariff and the recovery of sums in the meantime received following the exclusion of the ISTAT 2005 revaluation by the aforementioned incentive tariff, pursuant to State Council plenary meeting judgement no. 9 of 4 May 2012, which considered the changes made to MD 6 February 2006 to MD 28 July 2005 to be legitimate, annulling the rulings of the Court of First Instance that had upheld this revaluation (ruling which subsequently formed the Council of State in decision of 30 July 2013). This notification was challenged by the company that requested a positive outcome for the process and the non-recovery of the sums received in respect of the ISTAT revaluation from 2007 on. In the definitive ruling issued on 30 November 2015 and received on 7 December 2015, the GSE rejected all of the challenges raised by the company and notified that steps had been taken to recover the higher sums received in respect of the ISTAT revaluation amounting to € 19 thousand. On 20 January 2016, the Company notified the appeal against the measure and, since the hearing date was not set, has provided, on 5 April 2016, to submit withdrawal/joint discussion motion for all the associated cases with the same scope. In a letter dated 27 February 2016, GSE asked the company to pay the greater amount earned by way of ISTAT revaluation. The Company has submitted additional pleas in law to the pending action (R.G. 1355/2016) against the communication of 27 February 2016. Following the suspension of payments by the GSE, the Company filed a new request for withdrawal on 14 October 2017 for a hearing on the merits. The date of the hearing is pending. The Company has already set aside the sum of €40 thousand in previous years.

- **Prima Srl**

By resolution announced on 16 December 2016, the Regulatory Authority for Energy, Networks and Environment ("AREERA", 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, also on the basis of the information provided by its legal counsel, has accrued in previous years an amount equal to €6,638 thousand, relating to the risk of a probable loss depending on the provisions of the above-mentioned resolution.

- **Ecosesto SpA-Eolica Petralia Srl-Eolica Sud Srl-Eolo 3W MM Srl-Geopower Sardegna Srl and Prima Srl**

On 30 June 2016, the mentioned companies filed an appeal with the Lazio Regional Administrative Court for the annulment and/or declaration of invalidity - even partial - and ineffectiveness of the Convention for the economic regulation of the incentive on "net generation incentive" for remaining period of entitlement, after 2015, for plants that have acquired the right to benefit from Green Certificates pursuant to articles 19 and 30 of the Decree of 6 July 2012 (so-called "GRIN Convention"), as well as the Technical Annex thereto. The hearing for the case has been set for 28 September 2018. By decision of the Lazio Regional Administrative Court dated 16 November 2018, the Regional Administrative Court upheld the appeal filed and annulled the draft agreement of 22 April 2016 on the grounds that it had been adopted by the GSE in the absence of the power to impose the agreement with regard to power plants powered by renewable sources already incentivised with green certificates. By deed served on 15 May 2019, the GSE appealed to the Council of State against the above-mentioned decision. The companies - with the exception of Prima Srl - filed an appeal within the deadline. The date of the hearing is pending.

Companies consolidated at equity:

- **Fruzzo Energia Ambiente Srl ("FEA") vs Ministry of Economic Development**

Subsidiary FEA filed an action with the TAR in Lazio in relation to the Granarolo dell'Emilia WtE plant requesting cancellation of: (i) the Ministry of Economic Development Decree of 20 November 2012, (ii) the Resolution of the Italian Regulatory Authority for Electricity and Gas of 29 April 2010 - PAS 9/10, where this is also extended to "selected initiatives" defined in article 3, paragraph 7 of Law 481 of 14 November 1995; (iii) the correspondence from GSE of 18 December 2012, protocol P20120229091, addressed to Fruzzo 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 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 Srl (“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 over-estimated. 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 CSEA should proceed with the recovery of the incentive considered in excess. On 2 May, FEA presented an appeal on additional grounds, along with a motion to suspend the payment notification no. 2266 dated 01 March 2017 from the 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. 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. After discussing the substance of the case, the Council of State partially accepted the appeal. FEA has set aside the amount requested by the GSE.

- **Frullo Energia Ambiente Srl (“FEA”) vs. GSE**

With appeal filed with the Regional Administrative Court of Lombardy, FEA challenged, requesting cancellation, the provisions of GSE prot. GSE/P20160092819 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, 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 GSE as a provision for bad debts.

Tax litigation:

- **Palermo Energia Ambiente ScpA in liquidation (“PEA”)**

On 22 July 2011 the Tax Office enforced the 12 December 2007 performance bond for €1,111 thousand, issued by Unicredit in PEA’s interest in favour of the tax authorities in relation to the request for repayment of the 2006 VAT credit (amounting to €1,008 thousand). On 29 July 2011, PEA was notified of a tax assessment issued by the Tax Office 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 Office 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 Office 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 Office 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 disputes mentioned above, the constant attitude of the tax authorities with regard to them and the claims for refunds for VAT credits accrued, together with the approaching closure of the settlement procedure, in previous years it was deemed appropriate to write down in full the VAT credits mentioned above, as well as the VAT credit requested for refund for 2009 (about €489 thousand) and the existing VAT credit accrued that is not the subject of a refund request for the portion that is currently estimated not to be offset by the date scheduled for the closure of the settlement procedure (about €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 €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 previous years. 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 7 October 2019, the Company filed an appeal against the decision of the Provincial Tax Commission of Palermo.

Moreover, 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 Office' response to the request for self-protection; given the relative position, the uncertainty about the outcome of the dispute, and the approaching closure of the liquidation procedure, we decided to write down the registration tax credit previously recorded for €528 thousand.

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. On 25 November 2019, the Regional Tax Commission for Sicily rejected the Tax Authorities' appeal and upheld the Provincial Commission's decision. On 4 February 2020, the Avvocatura Generale dello Stato notified the appeal for cassation against the judgment issued by the Regional Tax Commission. The Company will therefore file a countersuit within the legal deadline.

- **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). On 30 September 2019, the Company filed an appeal against the decision of the Provincial Tax Commission of Palermo. 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 previous financial periods we decided to write down the abovementioned VAT credits along with the 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 claimed findings for a total of approximately €190 thousand. Given the complexity of the subject, and the uncertainty of the litigation, in previous periods the Company assessed the risk of losing as probable and set aside the entire amount claimed, including sanctions and interest (€243 thousand). On 3 December 2019 a settlement was signed with the Cosenza Tax Revenue Office, whereby the Company paid a total of €91 thousand in higher taxes, penalties and interest.

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).

The contested total for the 2010 - 2015 years amounts to approximately €29.2 million.

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). With regard to subsequent tax periods after settlement, the Company has begun discussions with the Revenue Office in order to reach an agreement with them.

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).

As Falck Next Energy Srl has taken over the management of the plants of the Group and of some third parties, we must also pay attention to the measures relating to the electricity market. Finally, the regulations relating to energy efficiency and self-production and self-consumption systems must also be considered.

It is appropriate to emphasise the risks associated with the progressive change in the renewable energy market scenario, 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).

In Italy, the situation is constantly evolving, and the electricity market is likely to be reviewed and reformed in upcoming years. In fact, on 23 July 2019, the Authority published the consultation document on the new Integrated Text on Electric Dispatching (TIDE), which introduces a series of measures aimed at identifying the main lines of action for the *evolution of the dispatching service in the new market context and integrating "Italian markets with those of other European countries"*. One of the various proposals is to introduce negative prices in the PGM and MI markets, probably from 2021 onwards, which will have an impact on both operating plants and future projects. The TIDE also illustrates the Authority's guidelines on the exploitation of imbalances as consistently as possible with the temporal, spatial and commodity dimensions that distinguish the value of energy in real time.

Moreover, by publishing Resolution 922/2017/R/eel, the Authority has completed the reform of the general system fee tariff structure for non-residential clients. This reform, along with the reform of energy-intensive use, changes the weight of the fixed and variable parts of the general system fees from 1 January 2018, and will affect energy efficiency measures and self-provision initiatives, whose remuneration structures depend on the structure of the bills issued to end users.

Finally, as specified in the Regulatory Framework chapter, on 28 November 2019 Falck Next Energy Srl participated, again in Italy, in the parent auction of the Capacity Market for the 2023 delivery period, presenting its bid for the two projects of Mezzanella and Cerro, both consisting of a photovoltaic system coupled to a storage system. The premium is subject to the completion of the authorisation process by 31 December 2020, under penalty of enforcement of the guarantee paid.

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 Ofgem (Office of Gas and Electricity Markets) launched a consultation on the Targeted Charging Review (TCR) in relation to the reform of network charges. The TCR aimed to address the main changes that have occurred since the entry into force of the existing scheme, reproducing more faithfully 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 producers reduction mechanism that applies to plants below 100 MW connected to 132 kV in Scotland. The related final decision was published by Ofgem on 21 November, essentially removing the benefit deriving from the application of some embedded benefits (respectively the Transmissions residual charges from 2021 and the distribution charges from 2022). Further updates are also planned over the coming months. This will result in lower revenues for embedded systems.

The Group constantly monitors the market and anticipates developments in order to mitigate, as much as possible, any negative impact and acts accordingly either by adapting its business management tools, establishing business partnerships and agreements or through the geographical diversification of its investments.

d) Strategic risks

The sources of energy used in this sector lead to highly variable production levels, due to the diverse climatic conditions of the locations of the wind farms and solar plants (including sun and wind), and production forecasts that are based on historic data and probability estimates. In particular, electricity generation from wind and solar sources, which represent a significant percentage of the Group's business, are associated with "non-programmable" climatic factors that are affected by seasonality during the year and do not generate constant production levels. Adverse climatic conditions, specifically long periods of low wind levels for the wind farms and low levels of sun rays for the solar plants compared to levels recorded during the development stages (regarding the availability of the source and forecast climatic conditions), could result in a drop in, or interruption of, the plant's activities with a fall in the volume of electricity generated and a negative impact on productivity and the Group's operating results, state of affairs and financial position.

The Group mitigates this risk by diversifying the geographical areas in which its plants are developed and by monitoring the trend of data relating to historical series both for plants already operational and for the identification of sites of interest in order to periodically update the estimates of future production of individual wind farms, taking into account both the actual windiness at the various sites and the related technical operation, recorded historically. 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 control this potential risk aspect, the Group implements, among other things, talent identification processes and has completed the preliminary process of analysis of the distinctive skills of "critical" internal resources aimed at defining the training plan to cover any gaps in skills and succession plans for the same resources: the analysis in question will be deepened and progressively updated both with reference to the evolution of business activities and on the basis of new organisational needs. 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:

- i. meeting a performance condition linked to the sustainability of the Group's balance sheet (expressed by the ratio of Net Financial Position to EBITDA);
- ii. achieving a condition of permanence of the existing relationship between the beneficiary and the company.

The Cash Plan on the other hand is subject to:

- i. attaining an economic target for cumulative EBITDA for the three-year period 2017-2019;
- ii. meeting both conditions of the Share Plan.

At 31 December 2019 the Share Plan relating to the CEO of Falck Renewables SpA for 591,000 share rights and 503,039 share rights to certain Group managers (of which 89,962 share rights were granted in February 2019) and the Cash Plan relating to the CEO and certain Group managers for a total of approximately €1.2 million were in place.

The Long Term Incentive Plan for 2017-2019 expired on 11 March 2020 and all targets were met. A new Long Term Incentive Plan is currently being drawn up for the period 2020-2022.

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 31 December 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").

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 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 pre-

vents 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 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.

g) Risks associated with the "Coronavirus" emergency "Covid 19"

Since the Group operates in a sector whose market dynamics are often linked to exogenous variables that cannot always be predicted, it is particularly concerned about the negative effects that may derive from the continuation of the epidemic and the emergency health situation that between the end of 2019 and the first months of 2020 is affecting some countries, including Italy (the Group's second largest market), together with the risk of a massive spread of the "Covid-19" virus, both in Europe and worldwide.

The directives and measures issued on the subject by the countries involved in this initial phase of the crisis, with the aim of containing the spread of contagion, provide for increasingly restrictive regulations on the mobility of people and goods, on the reduction/suspension of production activities in areas at greater risk of contagion, with consequent negative impacts on production activities in all industrial sectors and trade at national and international level.

The protraction, or even worsening, of such a situation may have significant effects on the Group's results, which are difficult to quantify as the effects may increase in proportion to the expansion of the health emergency.

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:

- 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");
- the sale of energy produced on the Italian market and on the other markets in which the Group operates (with regard to price trends for the component produced exposed to the volatility of spot prices on the electricity markets);

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- the management of continuity of operations 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 the operational limitations that an increasing reduction in the mobility of people and goods may cause in the management of 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) 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 (working from home).

5.2.12 Significant events after the balance sheet date

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 has signed a long-term contract (Power Purchase Agreement, PPA) with Holaluz, a Spanish energy supplier, which will allow a stable revenue stream.

5.2.13 Management outlook and going concern

The Group's 2020 results will benefit from (i) the production of wind farms in Åliden (46,8 MW, Sweden), Hennøy (50 MW, Norway) for the whole year, (ii) the production of the five wind farms in operation in France acquired in March 2019 (56 MW) for the entire year (iii) the production of the Energia Eolica de Castilla wind farm (10 MW, in Spain) for 11 months and the increase in production of approximately 15% of the Spinasanta solar plant (6 MW in Italy) since the second quarter of 2020.

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

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.

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

5.3 Operating and financial review of Falck Renewables SpA

5.3.1 Financial highlights

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Revenues	88	126
Operating profit/(loss)	(26,409)	(20,247)
Profit/(loss) for the period	27,314	36,969
Invested capital net of provisions	680,946	526,255
Equity	516,383	506,903
Net financial position - indebtedness/(asset)	164,563	19,352
Investments	7,689	1,365
Personnel at the period-end	(no.) 96	78
Ordinary shares	(no.) 291,413,891	291,413,891

5.3.2 Performance and review of business

The income statement of Falck Renewables SpA for the year ended 31 December 2019 shows a net profit of €27,314 thousand (€36,969 thousand for the year ended 31 December 2018).

The result is mainly affected by lower releases of provisions for risks compared with the previous year (€3,236 thousand), higher service costs (€3,233 thousand), lower investment income and expenses (€1,902 thousand) and lower financial income and expense (€1,599 thousand).

The financial position showed a debit balance of €164,563 thousand, compared with a debit balance of €19,352 thousand at 31 December 2018.

The increase in the financial position compared to 31 December 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 liabilities for operating leases at 31 December 2019 by €1,916 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 31 December 2019 the new loan was used for an amount of €32 million.

The net financial position also includes the negative fair value of the derivatives to hedge interest rate and foreign exchange risks for €1,451 thousand.

5.3.3 Personnel

The total number of Company personnel at 31 December 2019 was 96, comprising 25 managers and 71 white collar workers, representing an increase of 18 compared to the total at 31 December 2018.

5.3.4 Investments

Investments for the period amounted to €7,689 thousand, of which €5,582 thousand relating to software licenses for management system developments, €1,015 thousand relating mainly to the acquisition of hardware and office equipment and €1,092 thousand relating to rights of use under the new IFRS 16 accounting principle.

5.3.5 Directors, statutory auditors, key managers and their interests

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

5.3.6 Related party transactions

Relations with subsidiaries and associates

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

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

In particular, the transactions relate to specific activities, details of which are provided in the notes to the financial statements and include:

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

In addition to the above transactions, following the non-renewal of participation in the national tax consolidation scheme with the consolidating company Falck SpA, Falck Renewables SpA opted to set up its own regime from the 2019 tax year with the majority of the Italian subsidiaries.

Relations with the parent company Falck SpA

At 31 December 2019 the Company was 60.00% owned directly by Falck SpA, which in turn is 65.96% owned by Finmeria Srl, with which no economic and financial relationships exist.

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 Group VAT return with its parent company Falck SpA. With regard to the domestic tax consolidation regime, as mentioned above, Falck Renewables SpA decided to withdraw its participation in the tax consolidation regime with the consolidating company Falck SpA with effect from tax year 2019 by opting at the same time for its own regime with the majority of its Italian subsidiaries.

Subsequent to Consob's communication issued on 24 September 2010 detailing the position on related party transactions pursuant to Consob regulation 17221 of 12 March 2010 and ensuing amendments, the

board of directors of Falck Renewables SpA approved the procedure governing related party transactions on 12 November 2010.

5.3.7 Direction and coordination activities

In accordance with article 2497-bis, paragraphs 1 and 5 of the Italian Civil Code, we inform you that the Company is directed and coordinated by the parent Falck SpA. 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 of €239 thousand in revenues from management services (€201 thousand) and out-of-period income (€38 thousand). Charges made by Falck SpA for a total of €1,299 thousand for the use of the Falck brand negatively impacted the operating result.

We confirm compliance with the requirements of Article 37 of Consob Regulation no. 16191/2007, letters a), b), c) and d).

5.3.8 Holding of own shares or parent company shares

In compliance with Article 2428, paragraph 3, point 3 of the Italian Civil Code, the company declares that at 31 December 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 31 December 2019, either through trust companies or third parties.

5.3.9 Purchase and sale of own shares or parent company shares

In accordance with the provisions of Article 2428, paragraph 3, point 4, of the Italian Civil Code, we inform you that during 2019 the company did not purchase or sell its own shares.

5.3.10 Share schemes

The Shareholders' Assembly on 27 April 2017 approved, at the end of a process that also involved the human resources committee, the "2017-2019 stock grant plan" (the "Share Plan") addressed to the Chief Executive Officer and to managers and employees with key roles within the Company and its subsidiaries as per Article 114-bis of Leg. Dec. 58 of 24 February 1998 ("TUF").

The Share Plan, with a duration of three years, is intended for the free assignment of a maximum of 1,500,000 ordinary company shares to beneficiaries, equal to a maximum of about 0.515% of the Company's share capital, subject to the acceptance of two conditions (i) performance related to the sustainability of the Group's balance sheet expressed by the relationship between Net Financial Position and EBITDA (ii) the existence of the relationship between the beneficiary and the company.

The Share Plan, which is part of the Long Term Incentive Plan 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 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.

At 31 December 2019, the total number of share rights assigned to Group managers and the Chief Executive Officer was 1,094,039.

5.3.11 Corporate governance and Code of Self Discipline

Falck Renewables SpA complies and conforms to the Code of Self Discipline drawn up by the Corporate Governance Committee of Borsa Italiana SpA, as most recently amended in July 2015 to reflect recommendations therein and updated to reflect the Group's particular circumstances.

The report on Corporate Governance and Corporate Structure (the Report) provides an overview of the Group's adopted corporate governance model and discloses information regarding the ownership structure and compliance with the Code of Self Discipline, comprising the key governance principles implemented and the risk and internal control management system that oversees the financial disclosure process. This Report is provided as an appendix to the financial statements and follows the same reporting timetable as the latter and is available on the Company website www.falckrenewables.eu in the corporate governance section dedicated to Shareholders Assemblies.

5.3.12 Participation in the opt-out regime

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

5.3.13 Legislative Decree 231/2001

The Company has adopted an Organisation and Operations Manual as per Legislative Decree 231/2001, tailored to meet the specific requirements of Falck Renewables SpA and aimed at ensuring that the Company carries out its business correctly and transparently thus safeguarding its stakeholders.

The Supervisory Board, as per Legislative Decree 231/2001 is made up of two external components, Giovanni Maria Garegnani, as chairman, and Luca Troyer, in addition to an internal member, Siro Tasca, in charge of the company's Internal Audit department.

5.3.14 Proposed allocation of profit for the year

Dear Shareholders,

Your company's financial statements at 31 December 2019 closed with a net profit of €27,314,238.23.

We propose to allocate this profit as follows:

(euro)

At 290,297,930 ordinary shares (*) €0.067	19,449,961.31
Retained earnings carried forward	7,864,276.92
Total 2019 profit	27,314,238.23

(*) Net of 1,115,961 treasury shares (equal to 2,210,000 treasury shares less 1,094,039 shares relating to the Share Plan).

On behalf of the board of directors
The Chairman
Enrico Falck

Milan, 11 March 2020

6

**Consolidated financial statements
as of 31 December 2019**

6.1 Consolidated Financial Statement

(€ thousands)	Notes	31.12.2019	31.12.2018*	
			<i>of which</i>	<i>of which</i>
			<i>related parties</i>	<i>related parties</i>
Assets				
A Non-current assets				
1 Intangible assets	(1)	156,457		148,451
2 Property, plant and equipment	(2)	1,266,641		1,043,025
3 Investments and securities	(3)	2,318		1,214
4 Investments accounted for using the equity method	(4)	22,931		22,804
5 Medium/long-term financial receivables	(5)	8,622	8,505	11,103
6 Deferred tax asset	(8)	22,857		19,892
7 Other receivables	(7)	3,273		3,479
Total		1,483,099		1,249,968
B Current assets				
1 Inventories	(9)	30,128		5,828
2 Trade receivables	(6)	93,530	1,261	98,678
3 Other receivables	(7)	42,398	8,102	37,730
4 Short-term financial receivables	(5)	7,681	1,700	2,615
5 Securities	(3)	852		1,787
6 Cash and cash equivalents	(10)	131,232		218,188
Total		305,821		364,826
C Non-current assets held for sale				
Total assets		1,788,920		1,618,495
Liabilities				
D Equity				
1 Share capital		291,414		291,414
2 Reserves		209,732		165,851
3 Retained earnings				
4 Profit for the period		48,436		43,658
Equity attributable to owners of the parent	(11)	549,582		500,923
5 Non-controlling interest		58,081		54,696
Total equity	(11)	607,663		555,619
E Non-current liabilities				
1 Medium/long-term financial liabilities	(14)	773,608	20,108	700,693
2 Trade payables	(15)	2,321		3,585
3 Other payables	(16)	55,389	1,884	57,565
4 Deferred tax liabilities	(8)	43,612		35,373
5 Provisions for risks and charges	(12)	96,093		79,867
6 Staff leaving indemnity	(13)	4,812		4,316
Total		975,835		881,399
F Current liabilities				
1 Trade payables	(15)	70,620	708	48,287
2 Other payables	(16)	40,109	10,601	52,333
3 Short-term financial liabilities	(14)	94,693	1,858	78,226
4 Provisions for risks and charges	(12)			2,511
Total		205,422		178,846
G Liabilities attributable to non-current assets held for sale				
				2,631
Total passività		1,788,920		1,618,495

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

For details of "related party transactions", see page 145.

No significant non-recurring transactions occurred during 2019.

6.2 Consolidated Income statement

(€ thousands)	Notes	2019	2018*		
			<i>of which related parties</i>	<i>of which related parties</i>	
A Revenues	(17)	374,494	239	335,889	
Direct costs	(19)	(199,897)		(169,784)	
Personnel costs	(18)	(41,222)		(34,504)	
Other income	(20)	10,747	1,189	13,258	808
Administrative expenses	(21)	(29,683)	(1,337)	(30,088)	(1,109)
Net margin from trading activities		(44)			
B Operating profit/(loss)		114,395		114,771	
Financial income/(expenses)	(22)	(39,139)	(78)	(40,899)	(149)
Investment income/(expenses)	(23)	37		(3)	
Share of profit of investments accounted for using the equity method	(24)	2,670	2,670	2,745	2,745
C Profit/(loss) before tax		77,963		76,614	
Income tax expense	(25)	(14,782)		(16,693)	
D Profit/(loss) for the period		63,181		59,921	
E Profit attributable to non-controlling interests		14,745		16,263	
F Profit/(Loss) attributable to owners of the parent		48,436		43,658	
<i>Earnings per share attributable to owners of the parent</i>	(11)	0.167		0.151	
<i>Diluted earnings per share attributable to owners of the parent</i>	(11)	0.167		0.150	

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eólica de Castilla Sl.

For details of "related party transactions", see page 165.
No significant non-recurring transactions occurred during 2019.

6.3 Consolidated statement of comprehensive income

		2019			2018*		
<i>(€ thousands)</i>		Gross	Tax	Net	Gross	Tax	Net
A	Profit for the period	77,963	(14,782)	63,181	76,614	(16,693)	59,921
	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	15,750		15,750	560		560
	Fair value adjustment of financial assets held for sale				139	(34)	105
	Share of other comprehensive income of investments relating to associates and joint ventures accounted for using the equity method	16		16	86		86
	Fair value adjustments of derivatives designated as cash flow hedges	5,322	(1,750)	3,572	7,412	(1,483)	5,929
B	Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the year net of tax	21,088	(1,750)	19,338	8,197	(1,517)	6,680
	<i>Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax</i>						
	Other items included in equity concerning associated and joint venture companies measured with the equity method	(23)		(23)	50		50
	Balance of actuarial gains/(losses) on employee defined benefit plans	(118)		(118)	(45)		(45)
C	Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the year net of tax	(141)		(141)	5		5
B+C	Other comprehensive income/(loss)	20,947	(1,750)	19,197	8,202	(1,517)	6,685
A+B+C	Total comprehensive income/(loss)	98,910	(16,532)	82,378	84,816	(18,210)	66,606
	Attributable to:						
	- Owners of the parent			65,101			49,573
	- Non-controlling interests			17,277			17,033

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

6.4 Statement of cash flows

(€ thousands)	Notes	2019	2018*	
			<i>of which related parties</i>	<i>of which related parties</i>
Cash flow from operating activities				
Profit for the period		63,181		59,921
<i>Adjusted for:</i>				
Amortisation of intangible assets	(19) - (21)	3,617		1,476
Depreciation of property, plant and equipment	(19) - (21)	73,445		64,038
Impairment/(revaluation) of intangible assets	(19) - (21)	3,034		769
Impairment/(revaluation) of property, plant and equipment	(19) - (21)	4,065		1,677
Write-down of non-current assets				
Staff leaving indemnity provision	(18)	1,143		876
Stock grant plan costs		611		
Fair value of investments and other securities				
Financial income	(22)	(36,727)	(794)	(9,500) (437)
Financial expenses	(22)	75,866	766	50,399 586
Dividends		(37)		
Share of profit of investments valued using equity method	(24)	(2,670)	(2,670)	(2,745) (2,745)
(Gain)/loss on sale of intangibles		(198)	(198)	
(Gain)/loss on disposal of property, plant and equipment		(2,093)		24
Investment (income)/expenses	(23)			
Other changes		(24)		619
Income tax (income statement)	(25)	14,782		16,693
Operating profit before changes in net working capital and provisions		197,995		184,247
Change in inventories	(19)	(24,300)		(896)
Change in trade receivables		4,571		6,575
Change in trade payables		21,321		6,910
Change in other receivables/payables		(5,070)		(18,987)
Net change in provisions		(3,248)		5,551
Change in employee payables - staff leaving indemnity paid during year	(13)	(835)		(985)
Cash flow from operating activities		190,434		182,415
Interest paid		(62,452)	(193)	(40,962) (213)
Tax paid/collected		(13,051)		(9,961)
Net cash flow from operating activities (1)		114,931		131,492
Cash flow from investing activities				
Dividends		2,065	2,028	980 980
Proceeds from sale of property, plant and equipment		2,458		135
Proceeds from sale of intangible assets		355		
Proceeds from sale of investment activities		1,849		
Purchases of intangible assets	(1)	(11,401)		(2,969)
Purchases of property, plant and equipment	(2)	(117,498)		(48,347)
Acquisition of investments		(1,102)		(868)
Purchase of own shares	(10)			(1,486)
Purchase of subsidiaries net of cash		(43,756)	(12,833)	(31,792) (2,500)
Interest received		36,683	794	8,411 437
Net cash flow from investing activities (2)		(130,347)		(75,936)
Cash flow from financing activities				
Dividends paid		(32,382)	(25,220)	(23,970) (18,092)
Proceeds from share capital increase and capital contribution net of expenses		3,811	3,811	8,004 8,004
Change in scope of consolidation				
Net change in financial receivables		1,623	1,623	1,528 1,528
Loans granted				
New borrowings		52,577		
Repayment of borrowings		(101,586)	(565)	(84,205) (238)
Sale of investments net of costs incurred				
Net cash flow from financing activities (3)		(75,957)		(98,643)
Net (decrease)/increase in cash and cash equivalents (1+2+3)		(91,373)		(43,087)
Cash and cash equivalents at 1 January		218,188		261,517
Translation (loss)/gain on cash and cash equivalents		4,417		(242)
Cash and cash equivalents at 31 December	(9)	131,232		218,188

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

6.5 Statement of changes in equity

<i>(€ thousands)</i>	Share capital	Reserves	Profit for the period	Equity attr. to owners of the parent	Non controlling interest	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)			
Dividends paid		(15,365)		(15,365)	(9,637)	(25,002)
Other comprehensive profit items included in equity		5,915		5,915	770	6,685
First-time application of IFRS 9		13,367		13,367	(51)	13,316
Purchase of own shares		(1,486)		(1,486)		(1,486)
Other movements		5,608		5,608	(982)	4,626
Profit for the period at 31 December 2018			43,658	43,658	16,263	59,921
At 31.12.2018*	291,414	165,851	43,658	500,923	54,696	555,619
Appropriation of 2018 profit		43,658	(43,658)			
Dividends paid		(18,220)		(18,220)	(13,312)	(31,532)
Other comprehensive profit items included in equity		16,665		16,665	2,532	19,197
Other movements		1,778		1,778	(580)	1,198
Profit for the period at 31 December 2019			48,436	48,436	14,745	63,181
At 31.12.2019	291,414	209,732	48,436	549,582	58,081	607,663

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

6.6 Explanatory notes

6.6.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC) endorsed by the European Union and the provisions pursuant to Article 9 of Legislative Decree 38/2005.

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

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

The accounting principles used to prepare the consolidated financial statements are consistent with those used to prepare the consolidated financial statements at 31 December 2018, with the exception of those that came into force on 1 January 2019.

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

- ***Consolidated financial statement***
The consolidated financial statement is presented in sections with separate disclosure of assets, liabilities and equity. Assets and liabilities are classified in the consolidated financial statements as either current or non-current.
- ***Consolidated income statement***
The consolidated income statement presents costs by function, also using the variable element of cost as a distinguishing factor in the analysis of direct and general costs.

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

- gross profit;
- operating profit;
- profit before 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 period including income and expenses recognised directly in equity.
- **Consolidated cash flow statement**
The consolidated statement of cash flows presents an analysis by areas that generate cash flows as required by International Financial Reporting Standards.
- **Consolidated statement of changes in equity**
The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenues, income, cost and expense not recorded in the income statement but recognised directly in consolidated equity based on specific IAS/IFRS requirements.

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

These consolidated financial statements as of 31 December 2019 will be up for approval and authorisation for publication by the board of directors' meeting on 11 March 2020.

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

6.6.2 Scope of consolidation

The consolidated financial statements for the year ended 31 December 2019 include the financial statements of the parent company Falck Renewables SpA and its subsidiaries.

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

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

The Falck Renewables Group consists of 110 companies, of which 104 are consolidated on a line-by-line basis, and 6 are consolidated applying the equity method.

During 2019, the following companies were consolidated line-by-line:

- Falck Renewables North America Development Services & Construction Management, LLC, wholly owned by Falck Renewables North America, Inc.;
- Falck Renewables Power 1 SL, 100% owned by Falck Renewables SpA;
- Falck Renewables Power 2 SL, 100% owned by Falck Renewables SpA;
- Falck Renewables Power 3 SL, 100% owned by Falck Renewables SpA;
- Falck Next Energy UK Ltd, 100% owned by Falck Renewables Wind Ltd;
- NUO Srl 100% owned by Falck Renewables SpA;
- Falck Nuo Spain SL, 100% owned by NUO Srl;
- VC Renewables AB, 100% owned by Vector Cuatro SLU.

Furthermore, the following companies were acquired and consolidated line-by-line:

- 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;
 - Sol Occidental SL, 100% owned by Falck Renewables SpA;
 - Big Fish Srl, 70% owned by Falck Renewables SpA;
 - Iron SPV Srl, 70% held by Falck Renewables SpA.

During 2019 the company Naturalis Energy Developments Ltd, 70% owned by Falck Renewables Wind Ltd consolidated using the equity method, was acquired.

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

In addition, the companies Ongarhill Wind Energy Limited and PV Diagnosis Srl and Vector Cuatro Renewables FZE were liquidated.

Lastly, Falck Renewables NC Dominion-1 Llc changed its name to Falck Renewables Latitude Llc and Falck Renewables Energy Srl changed its name to Falck Next Energy Srl.

Furthermore, during the year Mid Tech Srl and Energy Capital Srl were merged by incorporation into Falck Next Srl. The shares held in Consorzio Energy Aggregator and Consorzio Energy Cloud were subsequently transferred to Falck Next Srl.

Internal group restructuring not affecting the consolidation perimeter

In July 2019, a business unit transfer from Vector Cuatro Srl to Falck Renewables Sviluppo Srl was completed. The unit was comprised of 3 Business Development staff and goodwill from intellectual property. The transfer provided the company with qualified staff, with considerable experience in the renewable energy sector, in order to support business development both for the Group and for third parties.

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 2 August 2018, and recorded on the income statement from 3 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:

(€/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			
Total acquisition cost	618		618

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

Below is the amount of Windfor's revenues and net profit for the year 2018, starting from the date of the first consolidation on 3 August 2018, and for 2019:

(€/000)	2018	2019
Revenues	357	1,373
Profit/(loss) from the period	-48	13

The cumulative effect on shareholders' equity from the date of acquisition to the date of this report is equal to -€35 thousand.

Definitive Purchase Price Allocation for Energy Team SpA and Energia Eolica de Castilla SI

In the first nine months of 2019, the Group completed the following PPAs, which were shown as provisional at 31 December 2018, 31 March 2019 and 30 June 2019.

Energy Team SpA

On 2 October 2018, Falck Renewables SpA finalised the acquisition of 51% of Energy Team SpA, Italy's 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 2 October 2018, and recorded on the income statement from 3 October 2018. In accordance with IFRS 3, the Falck Renewables Group consolidated Energy Team SpA at 100%, taking into account that Falck Renewables SpA has full control of the relevant activities.

The cost of acquiring 100% of Energy Team's shares was definitively recorded as €36,516 thousand including the valuation of options to buy and sell shares currently held by minority shareholders, and subject to a price adjustment mechanism based on results and net financial position, which will be finalised in the first nine months of 2019.

The amount paid in 2019 for the purchase of 51% was €11,627 thousand, while €6,242 thousand had already been paid in 2018.

The total net equity on the date of acquisition was of €4,696 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 allocated as shown below:

<i>(€/000)</i>	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	20		20
Property, plant and equipment	592		592
Trade receivables/(payables)	2,749		2,749
Other assets/(liabilities)	37	(491)	(454)
Net financial position	1,789		1,789
Total net assets acquired	5,187	(491)	4,696
Know-how		7,088	7,088
Trade relations		8,255	8,255
Interruptibility contracts		16,142	16,142
Deferred liabilities		(8,784)	(8,784)
Goodwill	32,019	(22,900)	9,119
Total acquisition cost	37,206	(690)	36,516

The price allocation on the net assets acquired was completed on the date of publication of the Interim Report on Operations as at 30 September 2019, through independent expert valuation, and led to the identification of three main assets that allow the Group to generate overincome, namely:

- "Know-how", defined as a set of company-owned technical-industrial information, skills and experience, including commercial or scientific experience, transferred by means of a brand/software matrix and protected as secret and legally safeguardable information, with a useful life of 8 years;
- "Trade relations", consisting of the ability to maintain ongoing relationships with loyal customers during the financial years following the acquisition, with a useful life of 16 years;
- "Interruptibility contracts", relating to the electricity supply interruptibility service that Energy Team provides to customers who have entered into contractual agreements with Terna SpA, as part of the "Regulation for the forward supply of instantaneous and emergency interruptible resources", with a useful life of 11 years and 3 months.

Below is the amount of Energy Team SpA's revenues and net result for 2018, starting from the date of the first consolidation on 3 October 2018, and for 2019:

(€/000)	2018	2019
Revenues	3,452	14,346
Profit/(loss) from the period	271	2,023

The cumulative effect on shareholders' equity from the date of acquisition to the date of this report is equal to €2,294 thousand, including both the results of Energy Team SpA and the amortisation and depreciation recorded on the assets to be allocated, net of the related tax effects.

Energia Eolica de Castilla SL

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 wind power 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 acquisition of 100% of the shares of Energia Eolica de Castilla SL, including the valorisation of the purchase options, 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 allocated to the wind plant for €1,825 thousand and under deferred tax liabilities for €510 thousand and will be amortised based on the residual useful life of the plant acquired.

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

(€/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			
Property, plant and equipment	317		317
Trade receivables/(payables)			
Other assets/(liabilities)	43		43
Net financial position	(318)		(318)
Third party net worth			
Total net assets acquired	42		42
Property, plant and equipment (allocation at lowest price paid)	1,825		1,825
Deferred tax liabilities	(510)		(510)
Total acquisition cost	1,357		1,357

The following table shows the amount of revenues and net income of Energia Eolica de Castilla SI from the date of first consolidation:

(€/000)	2018	2019
Revenues		
Profit/(loss) from the period		(120)

The cumulative effect on shareholders' equity from the date of acquisition to the date of this interim report is -€120 thousand; this loss is due to the fact that the company is not yet operational, therefore the assets allocated to the capital gain resulting from the acquisition are not yet subject to amortisation.

The following table shows the Financial Statement as at 31 December 2018 and the Income Statement with the definitive allocations for the year 2018.

	31.12.2018	IFRS 3	31.12.2018
(€ thousands)	Provisional allocation		Final allocation
Assets			
A Non-current assets			
1 Intangible assets	140,580	7,871	148,451
2 Property, plant and equipment	1,043,025		1,043,025
3 Investments and securities	1,214		1,214
4 Investments accounted for using the equity method	22,804		22,804
5 Medium/long-term financial receivables	11,103		11,103
6 Trade receivables			
7 Deferred tax asset	19,892		19,892
8 Other receivables	3,479		3,479
Total	1,242,097	7,871	1,249,968
B Current assets			
1 Inventories	5,828		5,828
2 Trade receivables	98,678		98,678
3 Other receivables	37,730		37,730
4 Short-term financial receivables	2,615		2,615
5 Securities	1,787		1,787
6 Cash and cash equivalents	218,188		218,188
Total	364,826		364,826
C Non-current assets held for sale	3,701		3,701
Total assets	1,610,624	7,871	1,618,495
Liabilities			
D Total equity			
1 Share capital	291,414		291,414
2 Reserves	165,851		165,851
3 Retained earnings			
4 Profit for the period	44,159	(501)	43,658
Equity attributable to owners of the parent	501,424	(501)	500,923
5 Non-controlling interest	54,696		54,696
Total equity	556,120	(501)	555,619
E Non-current liabilities			
1 Medium/long-term financial liabilities	700,847	(154)	700,693
2 Trade payables	3,585		3,585
3 Other payables	57,565		57,565
4 Deferred tax liabilities	26,755	8,618	35,373
5 Provisions for risks and charges	79,867		79,867
6 Staff leaving indemnity (TFR)	4,316		4,316
Total	872,935	8,464	881,399
F Current liabilities			
1 Short-term trade payables	48,287		48,287
2 Other payables	52,425	(92)	52,333
3 Short-term financial liabilities	78,226		78,226
4 Provisions for risks and charges			
Total	178,938	(92)	178,846
G Liabilities attributable to non-current assets held for sale	2,631		2,631
Total liabilities	1,610,624	7,871	1,618,495

	31.12.2018	IFRS 3	31.12.2018
(€ thousands)	<i>Provisional allocation</i>		<i>Final allocation</i>
A Revenues	335,889		335,889
Direct costs	(169,070)	(714)	(169,784)
Personnel costs	(34,504)		(34,504)
Other income	13,236	22	13,258
Administrative expenses	(30,088)		(30,088)
Net margin from trading activities			
B Operating profit/(loss)	115,463	(692)	114,771
Financial income/(expenses)	(40,899)		(40,899)
Investment income/(expenses)	(3)		(3)
Share of profit of investments accounted for using the equity method	2,745		2,745
C Profit/(loss) before tax	77,306	(692)	76,614
Income tax expense	(16,884)	191	(16,693)
D Profit/(loss) for the year	60,422	(501)	59,921
E Profit attributable to non-controlling interests	16,263		16,263
F Profit/(Loss) attributable to owners of the parent	44,159	(501)	43,658
<i>Earnings per share attributable to owners of the parent</i>	<i>0.153</i>		<i>0.151</i>
<i>Diluted earnings per share attributable to owners of the parent</i>	<i>0.152</i>		<i>0.150</i>

Definitive Purchase Price Allocation of the acquisitions of CEP Tramontane 1 SAS and CEF Vento SAS

During the last quarter of 2019, the Group completed the PPA of CEP Tramontane 1 Sas and CEF Vento Sas which had been presented as provisional as of 31 March 2019, 30 June 2019 and 30 September 2019.

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 56 MW of network capacity.

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

The acquisition cost was €36,578 thousand, paid in full in 2019, of which €22,810 thousand to take over the shareholders' loan and €13,768 thousand to purchase shares.

Consolidated shareholders' equity at the date of acquisition amounted to -€553 thousand.

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

The difference between the net equity acquired and the price paid was preliminarily allocated to wind farms for €19,095 thousand and to deferred tax liabilities for €4,774 thousand and is amortised on the basis of the average residual useful life of the plants acquired.

(€/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			
Property, plant and equipment	45,037	(2)	45,035
Trade receivables/(payables)			
Other assets/(liabilities)	(4,381)	2,478	(1,903)
Net financial position	(21,278)	403	(20,875)
Total net assets acquired	19,378	2,879	22,257
Goodwill (allocated at the highest price paid)	25,341	(6,246)	19,095
Deferred liabilities	(7,856)	3,082	(4,774)
Total acquisition cost	36,863	(285)	36,578

Revenue and results for the Falck Renewables Group from the date of first-time consolidation are as follows:

- CEP Tramontane 1 SAS, CEF Vento SAS and their subsidiaries: revenues €9,254 thousand; profit/(loss) €3,037 thousand.

6.6.3 Principles of consolidation

The companies included within the scope of consolidation applying the line-by-line method are those controlled by the parent company, also through indirect holdings.

Associated companies and those entities on which the parent company exercises joint control together with other third parties are consolidated using the equity method.

The financial statements of the companies included within the scope of consolidation have been adjusted, where necessary, to bring them into line with Group accounting policies that conform to IAS/IFRS.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the parent company gains control and up to the date on which this control ceases.

All significant intercompany balances and transactions are eliminated.

Profits arising on transactions between consolidated entities, or with companies accounted for under the equity method, which are included within assets at the year-end as they are not yet realised, are eliminated. The book value of consolidated investments is eliminated against the related share of equity inclusive of any fair value adjustments on acquisition. The differences between acquisition cost and net equity on the acquisition date are, where possible, allocated to specific assets and liabilities of the acquired company.

Any further difference that may arise, if positive, is treated as goodwill, if not previously allocable to assets and as such accounted for in accordance with IFRS 3 and subject to impairment at least once a year.

If a negative difference remains, it is charged to the Income Statement, if it cannot be allocated as a decrease in the value of the assets.

The Group applies the option in IFRS 3 paragraph 45 and following that allows the evaluation period to be extended for a maximum of 12 months following the acquisition date.

The non-controlling interests in net equity and profit for the period of consolidated entities attributable to non-controlling interests are disclosed under separate headings in the consolidated balance sheet and income statement.

The ownership percentage used for companies consolidated line-by-line is the statutory amount considering also indirect holdings, unless specified otherwise and explained in a note.

Dividends received by the parent company or other consolidated companies from investments included within the scope of consolidation are reversed in the consolidated income statement.

The assets and liabilities in the financial statements of subsidiaries denominated in foreign currencies are translated to € applying the year-end exchange rate.

The income statements of the financial statements of subsidiaries denominated in foreign currencies are translated to € using the average exchange rate for the year. Maintaining the same level of revenues and margins, fluctuations in foreign exchange rates may impact the value of revenues, costs and profit restated in €. The differences arising from the translation of opening balances at year-end rates are recorded in the translation reserve together with the difference arising on translation of the income statement and balance sheet values of profit for the year.

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

	Average value 2019	31.12.2019	Average value 2018	31.12.2018
British Pounds (GBP)	0.87777	0.8508	0.8847	0.89453
US Dollars (USD)	1.1195	1.1234	1.181	1.145
Polish Zloty (PLN)	4.2976	4.2568	4.2615	4.3014
Mexican Pesos (MXN)	21.5565	21.2202	22.7054	22.4921
New Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558
Japanese Yen (JPY)	122.0058	121.9400	130.3959	125.8500
Chilean Peso (CLP)	786.8900	844.8600	756.9400	794.3700
United Arab Emirates Dirham (AED)	4.1113	4.1257	4.3371	4.2050
Norwegian Krone (NOK)	9.8511	9.8638	9.5975	9.9483
Swedish Krona (SEK)	10.5891	10.4468	10.2583	10.2548
Australian Dollar (AUD)	1.6109	1.5995	1.5797	1.6220

6.6.4 Accounting policies

The accounting policies used for the preparation of the consolidated reports are in line with those applied for the consolidated financial statements at 31 December 2018, with the exception of the policies applicable from 1 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 1 January 2019, as required by the EU during its approval

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", 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 adopted IFRS 16 using the amended retrospective adoption method through a simplified approach with an initial application date of 1 January 2019. According to this method, the standard is applied retroactively with the cumulative effect of first-time application recognised on the date of initial application. The Group has chosen to use the option provided for in the transition period, according to which it is not required to recalculate whether the contract is, or contains, a lease on the date of initial application of 1 January 2019. Instead, the Group has applied the standard only to contracts, which at the date of initial application, were previously identified as leases by applying IAS 17 and IFRIC 4.

The Group has not changed the carrying amount of assets and liabilities at the date of first-time adoption for leases previously classified as financial (e.g. right to use assets and lease liabilities are measured at the same value as they were when applying IAS 17). IFRS 16 requirements have been applied to these leases since 1 January 2019.

The Group has recorded assets for right of use and liabilities for leases for those contracts that were previously classified as operating, except for short-term leases and those of modest value. Assets for right of use were recorded at the value of 1 January 2019, discounted using the lessee's marginal lending rate at the date of initial application. In some contracts, assets for right of use have been recorded at a value equal to that of the corresponding lease liability, adjusted by the amount of any deferred income or accrued income relating to the lease recognised in the statement of financial position immediately before the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's marginal lending rate at the date of initial application.

For the effects, please refer to the directors' report in chapter "5.2.3 Performance".

In addition to IFRS 16, the following new standards and amendments are effective from 1 January 2019:

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
- IFRS 3 Business Combinations - Previously held Interests in a joint operation
- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization

The Group has not been affected by these new standards or interpretations because they are not applicable or, in some cases, because the Group's practices are already aligned with the new provisions.

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

Business combinations and goodwill

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

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

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

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

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

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of carrying out the impairment test, goodwill acquired from a business combination is allocated, at the date of acquisition, to each of the cash generating units that benefit from the acquisition irrespective of whether the assets or liabilities of the acquired entity are assigned to that unit at the acquisition date. Where goodwill is allocated to a cash generating unit and part of the operations of the CGU is disposed, the goodwill associated with the disposed business is included in the carrying amount in order to determine the gain or loss on sale. The goodwill associated with the disposed business is determined on the basis of the relative values of the disposed business and the remaining portion of the CGU.

Fair value measurement

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

Fair value is the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

Fair value measurement assumes that a transaction takes place:

- (a) in the principal market for the asset or liability; or
- (b) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured adopting the assumptions that market participants would use to determine the price of the asset or liability, presuming that they act in such a way as to satisfy their financial interest.

The fair value measurement of non-financial assets considers the ability of a market participant to generate economic benefits consistent with its highest and best use or from the sale to another market participant that would use it to its highest or best use.

The Group employs measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets and liabilities for which fair value is determined or disclosed in the financial statements are categorised based on the fair value hierarchy as set out below:

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

The fair value measurement is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.

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

Intangible assets

An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured.

Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over their estimated useful economic life.

Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortization is parameterised to the period of their estimated useful life and starts when the asset is available for use.

Intangible assets with an indefinite useful life and those not available for use are tested for impairment. This test consists in a comparison between the future estimated cash flows from the intangible asset and the net book value. The method of discounted operating cash flows is applied based on projections included in future business plans approved by company management.

Costs relating to the acquisition of CIP 6/92 rights are amortised over the related benefit period.

Goodwill principally relates to the differences arising on first-time consolidation between the book value of the investments and the corresponding share of equity of the consolidated companies, adjusted in order to take into consideration both significant intercompany transactions and the fair values of the identifiable net assets and liabilities of the acquired company. Goodwill is subjected to an impairment test, at least on an annual basis, in order to identify permanent reductions in value.

In order to perform the impairment test correctly, goodwill has been allocated to each of the cash generating units (CGUs) that benefit from the acquisition.

The Group defines CGUs as the smallest, reasonably identifiable group of operations that generates cash flows substantially independently from the cash flows generated by other units or groups of units.

Given the nature of the renewable energy business (WtE, biomass, wind and solar energy) whereby individual plants in special purpose project companies are identified and measured separately and are generally financed separately from other projects through non-recourse debt to the shareholders, the CGUs represent either the proprietary project companies or those that operate renewable energy power plants.

Consequently, these are independent from others generating their own cash flows and operating in an active market with their own products.

Research and development costs

Research costs are charged to the income statement in the year in which they are incurred. Development costs incurred in relation to a given project are recognised as intangible assets when the Group is able to show:

- the technical possibility of completing the intangible asset, so that it is available for use or sale;
- the intention to complete the activity and its ability and intention to use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the activity;
- the ability to reliably assess the cost attributable to the asset during development.

After initial recognition, development activities are valued at cost less accumulated depreciation or impairment losses. Depreciation of the asset begins when development is completed and the asset is available for use. Development activities are amortised over the period of expected benefits. During the development period, the asset is tested for impairment annually.

Property, plant and equipment

Property, plant and equipment is recorded at acquisition or production cost including directly attributable costs.

Property, plant and equipment is valued at cost, net of depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less impairment losses.

In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach). The depreciation rates applied represent the estimated useful life of the assets.

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

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

These rates are applied based on months of actual use with regard to assets that come into use during the year. Development costs are capitalised on the assets to which they relate from the time the project to construct and operate a plant has been authorised. Prior to this time, they are charged to the period in which they are incurred.

Ordinary maintenance costs are charged to expenses in the year in which they are incurred.

Maintenance costs that increase the future economic benefits derived from the assets are capitalised on the related asset and depreciated over the residual useful life.

Borrowing costs for the construction of a plant or its acquisition are capitalised up until the moment in which the asset is ready for use in the production process.

Depreciation is applied from the date on which temporary approval (or equivalent status) is awarded to the plant or areas of it that are capable of operating at full regime as defined by management. From this date, finance costs and expenses attributable to the approved plant or areas within it are no longer capitalised and are charged to the income statement.

Impairment of assets

In the presence of signs that could generate a loss in value, tangible and intangible fixed assets are subject to an impairment test, estimating the recoverable value of the assets and comparing it with the related net

book value. The recoverable value of an asset or CGU is the greater of value in use and fair value less cost of disposal.

If the recoverable value is lower than the book value, the latter is consequently reduced. This reduction represents a loss in value, which is charged to the income statement.

When there is an indication that an impairment loss recognised in a previous accounting period is no longer required, the carrying value is restated to the new estimated recoverable value which may not exceed the carrying value that would have been recognised had the original impairment not occurred. The value reversal is also recorded in the income statement.

Securities and investments

Investments in other companies and other investments

In accordance with IFRS 9 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value through profit or loss with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied.

Gains and losses arising on adjustments to value of shares held for sale are recognised as a specific reserve within equity.

Where impairment losses exist or in the event of disposal of the related asset, the gains and losses recorded in equity up until this point are recycled to the income statement.

Shares and investments held for sale are measured at fair value with any adjustment recognised in the income statement.

Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

Joint-ventures

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

Financial assets

Classification

In accordance with IFRS 9 and IAS 32, financial assets are classified into the following four categories:

1. Financial assets 'at fair value through profit or loss';
2. Held-to-maturity investments;
3. Loans and financial receivables similar to loans;
4. Available-for-sale financial assets.

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

Financial assets 'at fair value through profit or loss'

This category has two sub-categories:

1. Financial assets held for trading;
2. Financial assets designated to the fair value category on initial recognition. This category includes all financial investments other than equity instruments that are not quoted in an active market but for which a fair value may be reliably measured.

Financial instruments, with the exception of hedge instruments, are included in this category and their fair value recorded in the income statement.

All assets within this category are classified as current if they are held for trading purposes or where disposal is expected < 12 months from the year end.

Designation of a financial instrument to this category is irrevocable and may take place only on initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group intends to hold to maturity (e.g. underwritten debentures).

Evaluation of the intent and ability to hold the asset to maturity must be made on initial recognition and at each subsequent balance sheet date.

In the event of sale before maturity (of a significant amount and not in exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as financial assets held for trading and measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Group does not intend to trade in.

These are classified in current assets with the exception of the portion expiring more than 12 months after the balance sheet date, which is classified in non-current assets. Loans and receivables are classified within the financial statements under the headings financial receivables and other receivables.

Financial assets available for sale

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

Accounting treatment

Financial assets 'at fair value through profit or loss' held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition. Gains or losses relating to financial assets held for trading are recognised immediately in the income statement.

Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement. For this purpose the Group has defined quantitative parameters that identify a prolonged and significant decline in market prices, with particular reference to a significant decrease in terms of value and a prolonged decrease over time.

Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms. In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.

In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).

Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.

Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the

amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity. Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.

Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the Group transfers the financial asset together with all of the related risks and rewards.

Inventories

Finished goods are stated at the lower of purchase cost and net realisable value.

Purchase cost is determined using the weighted average cost method.

Obsolete and Slow moving inventory is valued based on possible future use or realisation.

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

Receivables

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

Cash and cash equivalents

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

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

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

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

Provisions for risks and charges

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

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

Provisions may be analysed as follows:

Litigation provision

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

Investments provision

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

Environmental provision

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

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

Sundry risks provision

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

Staff leaving indemnity (TFR)

Post-employment defined benefits and other long-term employee benefits are subject to actuarial valuation. The liability recognised in the balance sheet is the present value of the Group's obligations. Actuarial gains and losses are recognised in equity.

Valuation of the liability is performed by independent actuaries.

Pursuant to Finance Act 296 of 27 December 2006, only the liability relating to the staff leaving indemnity (TFR) held within the company has been valued for the purpose of IAS 19 as future provisions are paid to a separate entity. Consequently, in respect of future payments the Company is not subject to the reporting requirements relating to the future benefits payable during employment.

Trade payables

Trade payables are recorded at nominal value.

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

Financial liabilities

Borrowings are recognised at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method.

Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk. The Group has entered into Interest Rate Swaps (IRS) in order to hedge the risk arising on fluctuations in interest rates applicable to project financing. Where possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IFRS 9.

With regard to the derivative contracts on interest rates entered into by Falck Renewables SpA, the fair value was adjusted to take into account counterparty risk (DVA – Debit Valuation Adjustment) by including a correction factor in the yield curve.

This measurement was not applied to derivatives on project financing rates as:

- the interest rate applied by the lending banks already takes into account the intrinsic risk of the financed company;
- at the time of carrying out impairment tests, the calculation assumptions envisaged that future cash flows of the individual companies allow recovery of not only the asset value but also repayment of the residual borrowing including the fair value of the associated derivative.

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

Financial instruments

In accordance with IFRS 9, the classification of financial instruments is as follows:

a) Classification and measurement

The Group values all financial assets currently measured at fair value.

In accordance with IFRS 9, the classification of financial assets is based on two criteria: the Group's business model for managing assets; and whether the cash flow from the contractual instruments represents "solely payment of principal and interest" (the "SPPI" criterion).

Loans and trade receivables are held for collection on the contractual expiry of the cash flows referred to the collection of capital and interest. The Group applies the option to present changes in fair value among other comprehensive income.

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

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

This last category exclusively includes instruments that meet the criteria for classification by hedge accounting rules.

b) Derecognition of financial liabilities

Under IFRS 9, the entity must derecognise financial liabilities (or part of them) from the financial statements if, and only if, the liability is extinguished, i.e. if the obligation set out in the contract is met, cancelled or expired. A substantial variation in the terms of an existing financial liability or part of it must be recognised as an extinction of the original liability and the recognition of a new one.

The terms for applying this new rule are considerably different if the actualized value of the financial flow under the new terms, including any commission paid net of commission received and actualised using the original interest rate, are at least 10% different from the actualized value of the remaining financial flows of the original financial liability (so-called "10% test"). If the exchange of debt instruments or the change in the terms are recognised as extinction, any cost or commission sustained are recorded as income or losses associated with the extinction. If the exchange or modification is not recognised as extinction, any cost or commission sustained will adjust the accounting value of the liability and will be amortized over the remaining term of the liability in question.

Loans that have been renegotiated in periods prior to the introduction of IFRS 9 must have their repayment plans recalculated, starting from the date of the renegotiation and adapting the carrying value to the NPV (net present value) of the conditions.

c) Loss of value

IFRS 9 requires the Group to record expected credit losses on all bonds in its portfolio, loans and trade receivables referring to a period of either 12 months or the entire duration of the instrument's contract (e.g. lifetime expected loss). The Group applies the simplified approach, recognising expected credit loss on all receivables based on their residual contractual duration. The Group has calculated that its credit risk is generally very low, both in terms of trade clients (mainly electricity service providers or high standing utilities) and financial clients (leading banks).

d) Hedge Accounting

All existing hedging relationships, which are currently designated as effective hedges, are qualified for

hedged accounting in accordance with IFRS 9. The Group has chosen not to apply IFRS 9 retrospectively to hedges that excluded forward points when they were classified as hedges under IAS 39.

Government grants

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

Tax payables

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

Accruals and deferrals

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

Net equity

Ordinary shares are classified within share capital at nominal value.

Incremental costs directly attributable to capital transactions by the parent company are recorded as a deduction in equity.

Treasury stock

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

Incentive plan

During 2017 the Falck Renewables SpA Shareholders' Meeting approved a share incentive plan.

In April 2017, the incentive plan for the CEO of Falck Renewables SpA was put into effect with 591,000 shares. During 2017, a total of 478,986 shares were also assigned to some Group managers, reduced to 413,077 following the resignation of a beneficiary in December 2018.

In February 2019 a further 89,962 share rights were assigned to certain Group managers, while the amount of share rights assigned to the Group's Chief Executive Officer remained unchanged.

The cost of equity-settled transactions is determined by the fair value at the date the assignment is made using an appropriate valuation method, as explained in detail in the notes to this financial report in question, and is not subject to any subsequent updates.

The fair value of the services received by the owners of the plan in exchange for the shares received was calculated indirectly with reference to the fair value of the shares. This cost was recorded throughout the vesting period under employee expenses, or service costs if the beneficiary was not an employee, balanced by a specific reserve in equity. The accumulated costs were recorded according to the best estimate of the number of shares that will effectively reach maturity. The cost recorded under the results for the period represents the variation in the accumulated cost recorded at the beginning and end of the period.

No costs were recorded for rights that did not reach maturity due to failure to achieve performance or service targets.

Foreign currency translation

The functional currency of the Group is the EUR, representing the currency in which the consolidated financial statements are prepared and presented.

Foreign currency transactions are recorded at the exchange rate existing at the date of the transaction. Receivables and payables are translated at the closing rate at the balance sheet date. Exchange gains or losses arising on translation are recognised in the income statement in the period in which they arise.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined.

Revenue

In accordance with IFRS 15, the Group develops, designs, builds and operates plants for the production of energy from wind, solar, biomass and waste to energy. Through the Vector Cuatro group, the Falck Renewables Group is also present in the value chain providing solar and wind asset management services in operation. In addition, through Energy Team, acquired at the end of 2018, the Group operates in the field of consumption monitoring and flexibility management services in the electricity markets.

The Group has identified the following main types of revenues:

i) Sale of electricity

The Group sells the energy produced by its plants. The relative earnings are recorded when the energy is input to the network, based on the measurements available, and assigned a value based on the tariffs set out in the current Power & Purchase Agreement.

ii) Revenues from incentives on production from renewable sources

The Group receives incentives for the production of energy from renewable sources, issued by the competent authorities in each state where we operate. The relative revenues are recorded on an accruals basis, according to the production during the period, and assigned a value based on the tariffs (so-called Feed-in Tariffs).

iii) Revenues from waste treatment

The companies operating in the WtE sector earn revenues on handling the waste during the period, based on the contractual conditions agreed with clients. Our current contracts do not contain any clauses for variable fees, trade discounts or discounts on volume.

iv) Revenues from provision of services

The Group provides asset management, engineering and transaction, and energy efficiency services. The contracts generally have monthly or periodic billing for the services, which are then recorded on an accruals basis. In the case of variable fees (e.g. success fees), if the revenues cannot be reliably measured, the Group holds off recognition until the uncertainty is resolved. Under IFRS 15, any variable fee must be estimated on the date of signing the contract and subsequently updated.

v) Interest

Finance income is accounted for applying the accruals concept.

vi) Dividends

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

Other income

Other income comprises amounts that do not relate to the core business of the Group and, in accordance

with IAS 1 currently in effect, is classified in ordinary activities and disclosed separately in the notes to the financial statements where significant in value.

Costs

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

Tax

Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation.

Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.

Deferred income tax assets are recognised only where it is probable that the temporary differences will reverse in the immediate future and to the extent that there will be sufficient taxable income against which these temporary differences may be utilised. The balance of deferred income tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that sufficient future taxable profits will be available to offset all or part of the tax credit. Unrecognised deferred income tax assets are reviewed at each balance sheet date and are recognised where it is probable that they may be recovered against future taxable profits.

Income taxes on items recognised directly in equity are also recognised in equity and not through the income statement.

Deferred income tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities, respectively.

Value added tax (VAT)

Revenue, costs and assets are recorded net of VAT except where:

- VAT on the purchase of goods or services is not deductible in which case it is included in the purchase cost of the asset or as part of the cost charged to the income statement;
- It relates to trade receivables and payables disclosed gross of VAT.

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

Earnings per share

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

6.6.5 Financial risk management: objectives and criteria

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

The Group's debt financing exposes it to a variety of financial risks that include foreign exchange risk interest rate, liquidity and credit risk.

Foreign exchange risk

The foreign exchange risk deriving from fluctuations in exchange rates between the date a foreign currency

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

Interest rate risk

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

Credit risk

The Group only trades with reliable and reputable customers.

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

Liquidity risk

The objective of the Group is to achieve a balance between maintaining available funds and ensuring flexibility through the use of loans and bank overdrafts. The Group entered into a loan agreement for €325,000 thousand on 12 June 2015 that matures on 31 December 2023 with the purpose of funding the parent company's liquidity requirements and to provide capital to, and finance, its subsidiaries.

As at 31 December 2019, the Group had drawn €32 million from this loan.

The loan is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity calculated using the amounts disclosed in the consolidated financial statements: these parameters were met as at 31 December 2019, based on these financial statements.

Cash and cash equivalents not restricted under project financing amounted to €22,461 thousand at 31 December 2019 and are deposited with banks following assessment of the related counterparty risk.

The cash and cash equivalents of Group companies financed under project financing principally comprise the current account balances that are restricted by the obligations established under the project financing contracts. For the wind power sector, this liquidity totalled €100,698 thousand, while that relating to WtE, biomass and photovoltaic projects amounted to €8,073 thousand. The Group considers the level of credit risk associated with these deposits to be acceptable.

6.6.6 Capital risk management

The key objectives of the Group regarding capital management are creating value for its shareholders and ensuring the going concern of the business.

The Group has also set a goal of maintaining the best possible capital structure in order to reduce the cost of debt and fulfil the financial covenants imposed by the loan agreement.

All of the loan covenants were met during the year. No changes were made to the capital risk management objectives, policies and procedures during the year.

6.6.7 Segment information

Set out below are details of the results of operations and financial position by business segment in accordance with IAS/IFRS disclosure requirements.

The segments identified represent the organisation and production structure adopted by the Falck Renewables Group.

The operating segments and performance indicators were based on the reporting model used by the Group's board of directors for the purpose of strategic decision making.

(<i>€ thousands</i>)	WTE, biomass, solar		Wind		Services		Other Businesses		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018*	2019	2018	2019	2018	2019	2018*
Operations												
Revenues	68,026	67,801	247,080	238,948	43,713	20,121	72,378	33,089	(56,703)	(24,070)	374,494	335,889
Direct costs	(48,676)	(47,603)	(105,871)	(100,575)	(22,959)	(8,238)	(70,601)	(32,528)	48,210	19,160	(199,897)	(169,784)
Personnel costs	(5,660)	(6,794)	(3,429)	(3,981)	(20,095)	(12,122)	(12,501)	(11,695)	463	88	(41,222)	(34,504)
Other income	7,152	10,029	2,650	2,174	1,946	829	7,420	5,839	(8,421)	(5,613)	10,747	13,258
Administrative expenses	(7,056)	(11,861)	(12,918)	(8,408)	(4,133)	(1,726)	(23,002)	(14,929)	17,426	6,836	(29,683)	(30,088)
<i>Net margin from trading activities</i>							(44)				(44)	
Operating profit/(loss)	13,786	11,572	127,512	128,158	(1,528)	(1,136)	(26,350)	(20,224)	975	(3,599)	114,395	114,771
Financial income/(expenses)	(4,008)	(5,178)	(35,682)	(37,263)	(257)	(85)	2,378	3,811	(1,570)	(2,184)	(39,139)	(40,899)
Investment income/(expenses)							46,262	47,492	(46,225)	(47,495)	37	(3)
<i>Share of profit from investments accounted for using the equity method</i>	2,669	2,724			1	21					2,670	2,745
Profit/(loss) before tax	12,447	9,118	91,830	90,895	(1,784)	(1,200)	22,290	31,079	(46,820)	(53,278)	77,963	76,614
Tax	(2,375)	(731)	(18,914)	(21,290)	1,332	105	4,895	4,826	280	397	(14,782)	(16,693)
Profit/(loss) for the period	10,072	8,387	72,916	69,605	(452)	(1,095)	27,185	35,905	(46,540)	(52,881)	63,181	59,921
Profit/(loss) attributable to non-controlling interests	659	653	14,129	15,645	1		(7)		(37)	(35)	14,745	16,263
Profit/(loss) attributable to owners of the parent	9,413	7,734	58,787	53,960	(453)	(1,095)	27,192	35,905	(46,503)	(52,846)	48,436	43,658

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

(<i>€ thousands</i>)	WTE, biomass, solar		Wind		Services		Other Businesses		Elimination		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial position												
Intangible assets	301	473	101,211	96,952	43,205	48,960	12,111	2,097	(371)	(31)	156,457	148,451
Property, plant and equipment	244,541	240,138	1,020,884	804,531	3,211	1,229	2,648	303	(4,643)	(3,176)	1,266,641	1,043,025
Net financial position	153,610	141,286	501,441	473,264	(581)	844	149,408	14,790	(83,112)	(83,171)	720,766	547,013
Investments	6,488	11,275	133,847	43,763	1,756	32,743	12,111	1,365	(2,052)	(2,170)	152,150	86,976

6.6.8 Financial Statement contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

(€ thousands)	At 31.12.2018*	Additions	Foreign exchange differences	Reclassi- fications	Disposals	Other transac- tions	(impairment) revaluation	Amorti- sation	Balance at 31.12.2019
1.1 Industrial patent rights and intellectual property rights	1,038			114				(369)	783
1.2 Concessions, licences, trademarks and similar rights	18	88		7,747	(2)			(61)	7,790
1.3 Goodwill	94,404		2,517				(522)		96,399
1.4 Other intangibles	33,700	31	4	133	(429)		(1,831)	(3,115)	28,493
1.5 Rights of use		516						(72)	444
1.6 Assets under construction and advance payments	19,291	12,035	1	(7,994)		(104)	(681)		22,548
Total	148,451	12,670	2,522		(431)	(104)	(3,034)	(3,617)	156,457

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

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 SI (wind farm in Carrecastro)
- Eolica Cabezo San Roque Sau (Cabezo wind farm)
- Eolica Petralia Srl (Petralia Sottana wind farm)
- Eolica Sud Srl (San Sostene wind farm)

- Eolo 3W Minervino Murge Srl (Minervino Murge wind farm)
- 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)

The financial charges charged during the year to intangible assets amounted to €122 thousand.

Goodwill at 31 December 2019 comprised:

Goodwill

<i>(€ thousands)</i>	Book value at 31.12.2019
Energy Team SpA	9,119
Geopower Sardegna Srl	16,246
Cambrian Wind Energy Ltd	13,050
Falck Renewables Wind Ltd	10,222
Ben Aketil Wind Energy Ltd	10,281
Earlsburn Wind Energy Ltd	10,125
Millennium Wind Energy Ltd	9,813
Vector Cuatro SLU	5,624
Boyndie Wind Energy Ltd	4,297
Kilbraur Wind Energy Ltd	3,907
Eolica Sud Srl	1,967
Eolo 3W Minervino Murge Srl	1,748
Total	96,399

With reference to the valuation of the Vector Cuatro contract portfolio, a write-down of €1,831 thousand was recorded among other intangible assets due to the termination of some multi-year contracts and a write-down of €522 thousand was recorded with reference to the goodwill of Vector Cuatro.

With reference to development costs, a write-down of €681 thousand was recorded under intangible assets in progress and advances, referring to green field projects.

Capital expenditure on intangible assets amounted to €12,670 thousand and mainly comprise operating software and licensing costs of €5,731 thousand, development costs of €4,691 thousand, costs on the concessions of Falck Renewables Vind amounting to €1,259 thousand and Parc Eolien d'Illois Sarl amounting to €473 thousand and the capitalisation of user rights amounting to €516 thousand.

Impairment tests

Impairment tests were performed on goodwill, intangible assets and the property, plant and equipment allocated to the CGUs at 31 December 2019 in accordance with the procedures established in IAS 36. Specifically, the amount recoverable from the individual cash generating units was determined on the basis of an operating cash flow plan and discounted to present value at a rate representative of the weighted average cost of the capital invested in the company as a whole, net of taxes and determined according to the expected life of the various plants. Given the nature of the business the recoverable amount of each unit was determined estimating the discounted operating cash flows over the remaining term of each project, and assuming for all of the industrial plants a nil terminal value. The main basic assumptions used for cash flow projections were the following:

- Expected production values of the wind/solar and waste to energy/biomass plants based on historic productivity figures;
- sales prices and incentives calculated on the basis of short-term market projections, support from internationally recognised external providers for the medium/long term and developed by the internal Energy Management department;
- Waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;
- Operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

The discount rate was determined using the Weighted Average Cost of Capital (WACC), using the Capital Asset Pricing Model ("CAPM") technique in which the return on risk free rate securities was calculated on the basis of the yield curve for government securities in the reference country with a duration in line with the residual life of the plant.

The systematic non-diversifiable risk (β) and the debt to equity ratio were calculated by way of an analysis of a group of comparable entities operating in the same sectors as the Group.

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 2.8% to 3.8%
Wind sector UK:	from 3.7% to 4.2%
Wind sector Italy:	from 4.0% to 4.6%
Wind sector Spain:	from 2.8% to 4.2%
Services Spain/Italy:	from 4.9% to 5.7%
Wind sector France:	from 3.1% to 3.7%
Wind sector Scandinavia (Sweden and Norway):	from 3.4% to 3.5%
Solar sector US:	from 4.9% to 5.1%
Solar sector Italy:	from 4.3% to 4.5%

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

General and sector-specific factors

- Italy: firstly, the variations in energy prices were strongly impacted by the calculation of the incentive, which offset 78% of the variations (although one year off); Prices (calculated as the sum of energy and incentives) were slightly lower than previously estimated;
- United Kingdom: growth in the wholesale price curves used for the cash flow projection in the 2019 financial statements was also low in this country compared to the previous year. The estimated incentive component remained the same as before;
- Spain: the market rate grew less than last year's forecast;
- France: electricity rates rose less than those used in last year's reports. This reduction affects plants from the end of the period in which they benefit from a so-called Feed-in Tariff regime (15 years from plant start-up);
- Scandinavia (Sweden and Norway): this is the first year for which the impairment procedure is being carried out with regard to the existing plants (two that completed construction at the end of 2019 and two for which it is still ongoing). As for the other markets, the projections prepared by the Energy Management department were also adopted in the Scandinavian countries and there are no critical issues for the current year;
- USA: following a strategic agreement aimed both at the development of new projects and the sale of 49% of the operating plants, the value defined in the agreement was used as a reference for this market and the related operating plants;
- there were no significant variations in tax legislation in the various countries in comparison to the forecasts used in last year's report;
- the WACC rates used to discount cash flows were updated on the basis of the performance of long-term government bond yields (underlying the risk free component of the WACC itself), the interest rates applied to bank debt and taking into account the residual useful life of each individual facility. The updating of the various parameters resulted in a general and significant reduction in the WACC rate used to discount flows. Almost all of the Group's plants and other service activities benefited from this reduction;
- as in 2018, the company also updated its estimates of future production for individual wind farms in 2019. The internal Performance Monitoring & Technical Improvement division carried out its assessments both taking into account the actual windiness recorded historically at the various sites and based on estimates prepared by a third party, market leader in the assessment of windiness, taking into account the availability for each individual plant.

Findings

- Ty Ru plant (France): the abovementioned reduction in rates in the French market (applicable to plants at the end of the feed-in tariff period) required a write-down of about €0.3 million;
- Rende biomass plant: future cash flows incorporate the positive trend recorded by the plant. The combined effect of the improved performance of the plant and the abovementioned reduction in discount rates resulted in a revaluation of the previously written down asset of about €2.4 million.

Vector Cuatro group impairment tests

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

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

For the subsequent flows, the terminal value was calculated as a perpetuity on the basis of a normalised cash flow equal to the average EBITDA achieved in the last three years (2017-2019), to which a growth rate (g) equal to zero has been applied.

The impairment test carried out in this way in the context of these financial statements determined the need to write down the goodwill arising from the acquisition by approximately €0.5 million. This write-down is mainly due to the updated forecast flows, revised with less growth, and to the final results that are the basis for determining the terminal value.

With specific reference to the multi-year contract portfolio, the precise analysis of the residual value determined the need to proceed with a total write-down of about €1.8 million (of which about €1 million had already been recognised as at 30 September 2019). The main reason for this write-down was the termination, in 2019, of some multi-year asset management contracts and, for other contracts, the reduction in the scope of work and the review of the remaining useful life, which is now 5.5 years.

The net effect of reversals of impairments and write-downs on the Group's assets, including the specific contract portfolio, is consequently about €0.3 million in net write-downs.

Impairment test: sensitivity analyses

Impairment tests are based on estimates of production, electricity prices and other revenues/cost items (waste transfer) and the interest rates calculated using latest available information at the balance sheet date. As there is a margin of uncertainty for each estimate, a sensitivity analysis was carried out on the recoverable value of the various CGUs.

In relation to the volatility of electricity prices, which is now a characteristic of recent years, the following sensitivity tests were carried out on operating plants compared to the "base case": electricity prices lower than 10% and 0.5% increase in the discount rate and electricity prices higher than 10% with 0.5% lower discount rate.

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

VARIATIONS VS BASE CASE (€/million)	Base case	Electricity prices -10% Discount rate +0.5%	Electricity prices +10% Discount rate -0.5%
Net revaluations/(impairments)	1.5	(3.0)	5.6

With reference to the most detrimental sensitivity, in addition to the CGUs already written down in the Base Case, the plants of Solar Mesagne, Eolica Petralia, Parc eolien de Fouy and Parc eolien des Cretes could also potentially be written down.

After reviewing the various outcomes and taking into consideration the variables used to prepare the base case, the directors consider the valuations made to perform the impairment tests with reference to the base case and the relative impairments and adjustments to be adequate. They also confirm that the trend in these variables will be monitored in order to identify any adjustments in the estimates of the recoverable values of the amounts recorded in the financial statements.

2 Property, plant and equipment

Movements in the period were as follows:

<i>(€ thousands)</i>	Balance at 31.12.2018	Additions	IFRS 16	Vari- ations in consol- idation area	Capital- isation and reclas- sifica- tions	Foreign ex- change differ- ences	Disposals and impair- ments	Other move- ments	(Impair- ment) revalua- tions	Depre- ciation	Balance at 31.12.2019
Gross value											
2.1 Land	8,442					15	(850)				7,607
2.2 Industrial buildings	2,508				(653)	8					1,863
2.3 Plants and machinery	1,468,102	79,884		74,892	48,387	34,074	(1,022)	17,101	(4,065)		1,717,353
2.4 Industrial and office equipment	1,864	16			252		(23)				2,109
2.5 Other assets	4,543	430			689	20	(119)	(6)			5,557
2.6 Assets operated under concession	93,558				796						94,354
2.7 Rights of use		2,608	75,314	2,009	653	2,249		651			83,484
2.8 Assets under construction and advances	46,093	56,542			(50,117)		(1)				52,517
Total gross value	1,625,110	139,480	75,314	76,901	7	36,366	(2,015)	17,746	(4,065)		1,964,844
Accumulated depreciation											
2.1 Land											
2.2 Industrial buildings	(1,345)				254					(62)	(1,153)
2.3 Plants and machinery	(502,104)			(31,867)	(6)	(11,545)	729			(62,635)	(607,428)
2.4 Industrial and office equipment	(1,548)					(2)	23			(116)	(1,643)
2.5 Other assets	(3,696)					(18)	89	6		(348)	(3,967)
2.6 Assets operated under concession	(73,392)									(4,412)	(77,804)
2.7 Rights of use					(255)	(82)		1		(5,872)	(6,208)
Total depreciation	(582,085)			(31,867)	(7)	(11,647)	841	7		(73,445)	(698,203)
Net book amounts											
2.1 Land	8,442					15	(850)				7,607
2.2 Industrial buildings	1,163				(399)	8				(62)	710
2.3 Plants and machinery	965,998	79,884		43,025	48,381	22,529	(293)	17,101	(4,065)	(62,635)	1,109,925
2.4 Industrial and office equipment	316	16			252	(2)				(116)	466
2.5 Other assets	847	430			689	2	(30)			(348)	1,590
2.6 Assets operated under concession	20,166				796					(4,412)	16,550
2.7 Rights of use		2,608	75,314	2,009	398	2,167		652		(5,872)	77,276
2.8 Assets under construction and advances	46,093	56,542			(50,117)		(1)				52,517
Total net book amounts	1,043,025	139,480	75,314	45,034		24,719	(1,174)	17,753	(4,065)	(73,445)	1,266,641

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.

Capital expenditures on property, plant and equipment totalled €139,480 thousand and related mainly to the acquisition of 100% of the companies holding a portfolio of five wind farms in operation in France (€19,095 thousand) and the construction of the Brattmyrliiden wind farms (€17,904 thousand) and Aliden (€37,492 thousand) in Sweden, Falck Renewables Vind in Norway (€42,223 thousand), of Energia Eolica de Castilla in Spain (€8,621 thousand), maintenance work on the Eolo 3W Minervino Murge plant (€387 thousand), the Actelios Solar SpA plant (€1,549 thousand), the Trezzo plant (€1,030 thousand) and the Kilbraur Wind Energy plant (€356 thousand), the construction of the Falck Middleton battery (€3,069 thousand), the purchase of office furniture and investment in offices (€1,631 thousand), the capitalisation on the Geopower Sardegna Srl plant of the costs relating to the extension of the duration of the land lease contracts (€2,384 thousand) and the capitalisation of rights of use (€2,608 thousand).

The data relating to the acquisition of the French companies subject to acquisition were subject to purchase price allocation in accordance with IFRS 3. For more details, please refer to the Notes to the Consolidated Report.

The amount of €4,065 thousand includes the write-down of the Ty Ru wind farm of €0.3 million, the write-down of €6.1 million of Actelios Solar SpA's photovoltaic plants in anticipation of replacing 6 MW of existing solar modules with more efficient models to improve the profitability of the plants and the revaluation of the Rende biomass plant of €2.4 million.

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 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 €45,034 thousand (including the acquired net financial position).

Property, plant and equipment at 31 December 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.

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

3 Investments and securities

This item refers to Energy Team shares for a total of €945 thousand (of which €852 thousand in the short term), the 1.807% stake in Fondo Italiano per l'Efficienza Energetica SGR SpA for a total of €2,125 thousand and 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

<i>(€ thousands)</i>	At 31.12.2018	Revaluation (Impairment)	Adjustment to total equity	Dividends	Other movements	At 31.12.2019
Frullo Energia Ambiente Srl	22,701	2,669	(7)	(2,450)	(1)	22,912
Parque Eolico La Carracha SI						
Parque Eolico Plana de Jarreta SI						
Naturalis Energy Developments Limited						
Nuevos Parque Eolicos La Muela AIE						
Vector Cuatro Servicios SL	103	1		(85)		19
Total	22,804	2,670	(7)	(2,535)	(1)	22,931

These are the equity investments in Frullo Energia Ambiente Srl 49%, Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI both held 26%, each of which holds 50% of the share capital of Nuevos Parque Eolicos La Muela AIE, Vector Cuatro Servicios SI held 50% and since 2019 Naturalis Energy Developments Limited held 70%.

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

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

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

5 Financial receivables

As at 31 December 2019, this item is broken down as follows:

<i>(€ thousands)</i>	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	10,284	8,505	1,779	11,442	9,618	1,824	(1,158)	(1,113)	(45)
Derivative financial instruments	6,019	117	5,902	2,276	1,485	791	3,743	(1,368)	5,111
Total	16,303	8,622	7,681	13,718	11,103	2,615	2,585	(2,481)	5,066

Financial receivables are disclosed net of the provision for doubtful accounts of €1,450 thousand.

Non-current amounts owed by third parties relate to the loan to Verus Energy Oak for €773 thousand that has been written down to nil in previous years, following a decision not to continue the investment.

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

Financial receivables from third parties mainly consist of Reverse Loans to minority shareholders of certain companies in the United Kingdom.

Third party derivative interest rate swaps, whose fair value at 31 December 2019 is positive for €69 thousand, were taken out to hedge project financing interest rate risks for Spaldington Airfield Wind Energy Ltd and Kingsburn Wind Energy Ltd.

Third party derivative contracts were taken out to hedge the foreign exchange risk associated with the foreign currency current accounts of the parent company and other subsidiaries and on certain exchange transactions, with a fair value of €585 thousand at 31 December 2019 (31 December 2018 – €729 thousand). In order to hedge the commodity risk, we took out third-party hedging derivatives, for a fair value of €5,365 thousand at 31 December 2019.

Please note that the fair value of non-current derivatives at 31 December 2019 has been adjusted for counterparty risk (CVA - Credit Valuation Adjustment) in line with IFRS 13. The following table shows the details of the credit valuation adjustments made, by rating and by sector:

<i>(€ thousands)</i>	Fair value risk free	Fair value - Credit Valuation adjusted	Delta
Rating			
S&P A -	104	69	(35)
S&P A +	48	48	
Total	152	117	(35)
Sector			
Banks	152	117	(35)
Total	152	117	(35)

6 Trade receivables

As at 31 December 2019, this item is broken down as follows:

<i>(€ thousands)</i>	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by clients	92,521		92,521	98,403		98,403	(5,882)		(5,882)
Amounts owed by subsidiaries									
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	837		837	159		159	678		678
Amounts owed by other Falck Group companies	91		91	35		35	56		56
Total	93,530		93,530	98,678		98,678	(5,148)		(5,148)

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

<i>(€ thousands)</i>	31.12.2019
Italy	51,594
United Kingdom	29,650
Germany	3,559
United States	1,895
Denmark	109
Switzerland	45
France	2,179
Spain	1,074
Japan	891
Mexico	223
Sweden	964
Other	338
Total	92,521

The receivables in question are shown net of the allowance for doubtful accounts, which at 31 December 2019 amounted to €1,146 thousand, recognised to adjust them to their estimated realizable value.

Total third party trade receivables of €92,521 thousand at 31 December 2019, comprised €49,863 thousand not yet due and €39,086 thousand not more than one month overdue and €3,572 thousand more than one month overdue.

7 Other receivables

As at 31 December 2019, this item is broken down as follows:

<i>(€ thousands)</i>	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	1,693	280	1,413	4,061	246	3,815	(2,368)	34	(2,402)
Amounts owed by associates	2,450		2,450	1,943		1,943	507		507
Amounts owed by parent company	5,300		5,300	8,929		8,929	(3,629)		(3,629)
Advances	87		87	419		419	(332)		(332)
Tax credits	24,202		24,202	15,196		15,196	9,006		9,006
Guarantee deposits	1,149	988	161	881	663	218	268	325	(57)
Accrued income and prepayments	10,790	2,005	8,785	9,780	2,570	7,210	1,010	(565)	1,575
Total	45,671	3,273	42,398	41,209	3,479	37,730	4,462	(206)	4,668

Other receivables are shown net of the allowance for doubtful accounts recognised to adjust them to their estimated realizable value which, at 31 December 2019, amounted to €9,475 thousand, mainly relating to tax receivables.

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 item amounts owed by associated companies refer to previous dividends approved by the Shareholders' Meeting of Frullo Energia Ambiente Srl, but not yet paid out, for €2,450 thousand.

The item amounts owed by Falck Group companies include a receivable from Sesto Siderservizi for €1,636 thousand that was fully written down.

Current tax receivables mainly relate to VAT due from investments made by Group companies and requested as a refund.

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

The increase in current tax receivables mainly refers to VAT receivables claimed for reimbursement by companies under construction.

8 Deferred tax assets and liabilities

Deferred tax assets and liabilities may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018*
Intangible assets	(8,749)	(11,501)
Property, plant and equipment	(27,057)	(19,498)
Risk and expenses provisions	4,721	5,935
Provision for doubtful accounts	93	187
Tax losses carried forward	3,843	2,065
Other allocations	23	174
Derivative financial instruments	7,195	8,981
Amortised cost method	(1,568)	(2,293)
Other	744	469
Total	(20,755)	(15,481)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations in relation to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI33 1 amortisation and depreciation

The amount shown in the table above, which totalled €20,755 thousand, represents the value of deferred tax assets (€22,857 thousand) net of deferred tax liabilities (€43,612 thousand).

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

Deferred taxes on tax losses were posted where deemed recoverable.

The decrease in net deferred taxes is mainly due to the acquisition of 100% of the companies holding a portfolio of 5 wind farms in operation in France, which generated an effect of €4,774 thousand.

Movements in deferred tax assets may be summarised as follows:

	<i>(€ thousands)</i>
31 December 2018	19,892
Movements through the income statement	2,228
Movements recorded within equity	(2,238)
Change in the scope of consolidation	1,706
Reclassifications	1,152
Other movements and foreign exchange effect	117
31 December 2019	22,857

Movements in deferred income tax liabilities were as follows:

	<i>(€ thousands)</i>
31 December 2018*	(35,373)
Movements through the income statement	735
Movements recorded within equity	418
Change in the scope of consolidation	(2,198)
Reclassifications	(1,152)
Other movements and foreign exchange effect	(6,042)
31 December 2019	(43,612)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla.

B Current assets

9 Inventories

Inventories at 31 December 2019 consisted of the following:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Raw materials and consumables	4,298	3,511	787
Semi-finished goods			
Work in progress			
Finished goods	2,785	2,317	468
Advances	23,045		23,045
Total	30,128	5,828	24,300

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. The advance payments relate to the purchase by Falck Renewables North America Development Services & Construction Management, LLC of solar panels whose use will be defined in the strategic agreements with ENI.

10 Cash and cash equivalents

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Short-term bank and post office deposits	131,217	218,172	(86,955)
Cash in hand	15	16	(1)
Total	131,232	218,188	(86,956)

Current account balances of the companies funded using project financing schemes are restricted by the obligations under the project financing contracts. This liquidity amounted to €108,771 thousand, of which €100,698 thousand relating to the Wind sector and €8,073 thousand to the WtE, biomass and solar segments.

The cash balances linked to project financing contracts analysed by company at 31 December 2019 were as follows:

	<i>(€ thousands)</i>
Actelios Solar SpA	6,796
Innovative solar 42 LLC	1,277
Total WtE, biomass and solar sectors	8,073
FRUK Holdings (no.1) Ltd	4,312
Cambrian Wind Energy Ltd	5,728
Boyndie Wind Energy Ltd	218
Earlsburn Mezzanine Ltd	76
Earlsburn Wind Energy Ltd	3,464
Ben Aketil Wind Energy Ltd	1,680
Millennium Wind Energy Ltd	5,037
Kilbraur Wind Energy Ltd	4,103
Nutberry Wind Energy Ltd	3,508
West Browncastle Wind Energy Ltd	2,619
Spaldington Wind Energy Ltd	1,782
Kingsburn Wind Energy Ltd	3,177
Assel Valley Wind Energy Ltd	3,878
Auchrobert Valley Wind Energy Ltd	4,389
Eolica Sud Srl	10,678
Eolo 3W Minervino Murge Srl	5,783
Geopower Sardegna Srl	26,524
Eolica Petralia Srl	3,586
SE Ty Ru Sas	2,378
Parc Eolien du Fouy Sas	1,229
Parc Eolien des Crêtes Sas	1,343
Esquennois Energie Sas	1,184
CEP Tramontane 1 SAS	2,676
Ferme Eolienne de Noyales SAS	1,119
Parc Eolien du Bois Ballay SAS	74
Parc Eolien des Coudrays SAS	113
Parc Eolien de Mazeray et de Bignay SAS	40
Total Wind sector	100,698
Total cash balances linked to project financing	108,771

Lastly, we note that the cash held by the parent Falck Renewables SpA amounted to €3,043 thousand. Please see the consolidated cash flow statement for further information on the change in cash and cash equivalents.

Liabilities

D Equity

11 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of € 1 each. At 31 December 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 2019 and 2018 were as follows:

(€ thousands)	Reserves										
	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Actuarial gains/ losses reserve	Other reserves	Profit for the 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
Allocation of the 2017 result								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 period								43,658	43,658	16,263	59,921
At 31.12.2018*	291,414	470,335	(371,598)	(1,731)	(35,554)	(690)	105,089	43,658	500,923	54,696	555,619

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

Reserves											
(€ thousands)	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Actuarial gains/ losses reserve	Other reserves	Profit for the period	Group equity	Third party equity	Total
At 31.12.2018*	291,414	470,335	(371,598)	(1,731)	(35,554)	(690)	105,089	43,658	500,923	54,696	555,619
Allocation of the 2018 result							43,658	(43,658)			
Dividends paid							(18,220)		(18,220)	(13,312)	(31,532)
Other comprehensive profit items included in equity				13,111	3,690	(136)			16,665	2,532	19,197
Purchase of own shares											
Stock grant plan fair value							611		611		611
Other movements							1,167		1,167	(580)	587
Profit for the period								48,436	48,436	14,745	63,181
At 31.12.2019	291,414	470,335	(371,598)	11,380	(31,864)	(826)	132,305	48,436	549,582	58,081	607,663

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

Earnings per share

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

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

At 31 December 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.

	31.12.2019	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)	48,436	43,658
Basic earnings per share (€ per share)	0.167	0.151

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

	31.12.2019	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)	1,086,398	1,068,541
Weighted average number of ordinary shares in issue (number) following diluted profit	290,290,289	290,590,873
Profit attributable to ordinary equity holders of the parent (€ thousands)	48,436	43,658
Diluted earnings per share (€ per share)	0.167	0.150

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

12 Provisions for risks and charges

(€ thousands)	31.12.2018	Change in scope of consolidation	Charges	Utilizations/ payments	Other movements	Foreign exchange differences	3.12.2019
Non-current provisions for risks and charges							
- litigation provision							
- environmental provision	54,115	1,200		(126)	18,274	1,230	74,693
- other risks provision	25,752		3,372	(7,892)		168	21,400
Total non-current provisions for risks and charges	79,867	1,200	3,372	(8,018)	18,274	1,398	96,093

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 €3,372 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 €18,274 thousand refers mainly to future charges to be incurred for environmental restoration relating to plants that came on stream at 31 December 2019 and to adjustments to those already in place due to changes in interest and inflation rates.

The amount of €7,892 thousand refers mainly to the release of a provision for disputes in Sicily project companies in liquidation and a provision of Prima Srl for a dispute with the GSE.

13 Staff leaving indemnity

(€ thousands)	31.12.2018	Charges	Interest costs	Actuarial gains/losses	Payments	31.12.2019
Managers	599	306	10	1	(273)	643
White and blue-collar staff	3,717	837	60	117	(562)	4,169
Total	4,316	1,143	70	118	(835)	4,812

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

The actuarial financial assumptions utilised to calculate the estimated cost in 2019, compared to 2018, are as follows:

(%)	31.12.2019	31.12.2018	Change
Annual discount rate	0.77%	1.57%	-0.8%
Annual inflation rate	1.48%	1.85%	-0.4%
Annual total pay increase rate*	2.00%	2.00%	0.0%
Annual TFR increase rate	2.61%	2.89%	-0.3%

(*) The annual total pay increase is 1.5% for 2020, 1.75% for 2021 and 2% for subsequent years.

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

A sensitivity analysis was carried out on the actuarial assumptions used in the model in accordance with IAS 19R.

The base case used the rates in the table above and increases and decreases of a half, a quarter and two percentage points respectively were applied to the most significant assumptions namely, the average discount rate, average inflation rate and turnover rate.

The results of the sensitivity analyses are summarised as follows:

Annual discount rate

(€ thousands)	+0.50%	-0.50%
Managers	623	663
White and blue-collar staff	4,004	4,364

Sensitivity analysis - Annual inflation rate

(€ thousands)	+0.25%	-0.25%
Managers	647	638
White and blue-collar staff	4,211	4,128

Sensitivity analysis - Annual turnover rate

(€ thousands)	+2.00%	-2.00%
Managers	636	651
White and blue-collar staff	4,059	4,308

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

Future cash flows

(€ thousands)	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	69	56	192	387	708
White and blue-collar staff	375	298	1,116	2,455	10,181
Total	444	354	1,308	2,842	10,889

14 Financial liabilities

As at 31 December 2019, this item is broken down as follows:

(€ thousands)	31.12.2019			31.12.2018*			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	76,964	66,058	10,906	38,305	30,877	7,428	38,659	35,181	3,478
“Non-recourse” project financing	671,909	595,325	76,584	700,365	632,689	67,676	(28,456)	(37,364)	8,908
Financial leasing debts	80,821	75,809	5,012					75,809	5,012
Derivative financial instruments	38,607	36,416	2,191	40,249	37,127	3,122	(1,642)	(711)	(931)
Total	868,301	773,608	94,693	778,919	700,693	78,226	8,561	72,915	16,467

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

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 parent company Falck Renewables SpA signed an agreement to amend the Corporate Loan relating to:

- 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. Falck Renewables SpA had utilised €32 million of this loan at 31 December 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 31 December 2019 based on these financial reports.

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

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

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

Details of Falck Renewables Group’s outstanding interest rate and forex hedging agreements at 31 December 2019 are disclosed in the note “Additional disclosures on financial instruments in accordance with IFRS 7”.

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

The Group carefully monitors the project financing situation of its plants.

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

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

At 31 December 2019, the financial parameters of all Group companies were over the minimum default level.

Financial payables were affected by the entry into force, from 1 January 2019, of accounting standard IFRS 16, which led to higher financial payables for the Group, as explained above.

Financial payables to third parties increased mainly due to the use of the Corporate Loan of €32,000 thousand and a short-term loan line of €7,500 thousand.

15 Trade payables

Trade payables at 31 December 2019 compared to the previous year-end may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	72,386	2,321	70,065	51,295	3,585	47,710	21,091	(1,264)	22,355
Due to parent company	555		555	577		577	(22)		(22)
Total	72,941	2,321	70,620	51,872	3,585	48,287	21,069	(1,264)	22,333

Amounts due to the parent company principally comprise amounts due to Falck SpA for use of the Falck trademark.

Non-current trade payables relate to accruals for maintenance costs and rent due after more than one year. Trade payables to third parties increased mainly due to the increase in the scope of consolidation and the payables of companies with plants under construction.

16 Other payables

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

<i>(€ thousands)</i>	31.12.2019			31.12.2018*			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	35,911	2,204	33,707	50,398	4,391	46,007	(14,487)	(2,187)	(12,300)
Due to parent company	3,363		3,363	3,107		3,107	256		256
Due to other Falck Group companies				25		25	(25)		(25)
Advances	113		113	145		145	(32)		(32)
Accruals and deferred income	56,111	53,185	2,926	56,223	53,174	3,049	(112)	11	(123)
Total	95,498	55,389	40,109	109,898	57,565	52,333	(14,400)	(2,176)	(12,224)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SL.

Third party creditors may be detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018*
Tax payables	11,414	12,238
Debt for company acquisitions	4,119	17,300
Debts to partners and shareholders in the consolidated tax regime	4,602	8,633
Other amounts due to personnel and holiday pay	8,712	7,413
Dividends payable	1,052	1,182
Social security payables	1,412	1,401
Payables for capital increases to be approved	2,780	
Other minor amounts	1,820	2,231
Total	35,911	50,398

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SL.

The “debt for company acquisitions” refers to debts and interest payable to the previous shareholders of Åliden Vind AB, Brattmyrliden Vind AB, Energy Team SpA, Windfor Srl, Energia Eolica de Castilla SL, Big Fish SPV Srl and Falck Renewables Vind AS. This liability decreased due to payments made during the year to previous shareholders, principally Energy Team SpA 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 31 December 2019, totalling €56,111 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.

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 31 December 2019 amounted to €171,639 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 124,553 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for EUR 2,947 thousand. Also included are €23,915 thousand of bank guarantees and other guarantees of €20,224 thousand. In addition, the Group has subscribed 3,000 units in the Fondo Italiano per l'Efficienza Energetica SGR SpA for a total maximum commitment of €3,000 thousand, of which, as at 31 December 2019, €726 thousand is still to be paid out on the basis of any further 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.

<i>(€ thousands)</i>	Trade receivables			Trade payables		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Parent company						
Falck SpA	837	159	678	555	577	(22)
Total parent company	837	159	678	555	577	(22)
Associates						
Frullo Energia Ambiente Srl	81	81				
Total associates	81	81				
Other Group companies						
Falck Energy SpA	62	19	43			
Sesto Siderservizi Srl	29	16	13			
Total other Group companies	91	35	56			
Other related parties						
CII HoldCo Ltd	13	29	(16)	97	117	(20)
Svelgen Kraft Holding and associates	239		239	56	10	46
Total other related parties	252	29	223	153	127	26
Total	1,261	304	957	708	704	4
% incidence on income statement heading	1.3%	0.3%		1.0%	1.4%	

<i>(€ thousands)</i>	Financial receivables			Financial payables		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018*	Change
Associates						
Vector Cuatro Servicios SI						
Total associates						
Other related parties						
CII HoldCo Ltd	10,205	11,249	(1,044)	1,858	2,305	(447)
Firstar Development, LLC				534	1,218	(684)
Energy Team SpA shareholders				18,723	18,455	268
Energia Eolica de Castilla SL shareholders				98	97	1
Canadian Solar Group				753		753
Total other related parties	10,205	11,249	(1,044)	21,966	22,075	(109)
Total	10,205	11,249	(1,044)	21,966	22,075	(109)
% incidence on income statement heading	62.6%	82.0%		2.5%	2.8%	

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

<i>(€ thousands)</i>	Other receivables			Other payables		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Parent company						
Falck SpA	5,300	8,929	(3,629)	3,363	3,107	256
Total parent company	5,300	8,929	(3,629)	3,363	3,107	256
Falck Group companies						
Falck Energy Srl					25	(25)
Total Falck Group companies					25	(25)
Associates						
Frullo Energia Ambiente Srl	2,450	1,943	507			
Parque Eolico La Carracha SL						
Parque Eolico Plana de Jarreta SL						
Total associates	2,450	1,943	507			
Other related parties						
CII HoldCo Ltd				1,601	4,379	(2,778)
Svelgen Kraft Holding and associates	352			3,086	2,088	998
Energy Team SpA shareholders				499	12,388	(11,889)
Energia Eolica de Castilla SL shareholders				795	795	
Firstar Development, LLC				3,001	4,254	(1,253)
Canadian Solar Group				140		140
Total other related parties	352			9,122	23,904	(14,782)
Total	8,102	10,872	(3,122)	12,485	27,036	(14,551)
% incidence on income statement heading	17.7%	26.4%		13.1%	24.6%	

Net financial position

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018*	Change
Current third party financial liabilities	(89,722)	(78,226)	(11,496)
Current third party financial liabilities for operating leases	(4,971)		(4,971)
Current third party financial receivables	7,681	2,615	5,066
Cash and cash equivalents	131,232	218,188	(86,956)
Current net financial position	44,220	142,577	(98,357)
Non-current third party financial liabilities	(697,847)	(700,693)	2,846
Non-current third party financial liabilities for operating leases	(75,761)		(75,761)
Non-current financial position	(773,608)	(700,693)	(72,915)
Net financial position pursuant to Consob circular DEM/6064293/2006	(729,388)	(558,116)	(171,272)
Non-current third party financial receivables	8,622	11,103	(2,481)
Total net financial position	(720,766)	(547,013)	(173,753)
- of which "non-recourse" project financing	(671,909)	(700,365)	28,456
- of which fair value of derivatives	(32,587)	(37,973)	5,386
- of which financial liabilities for operating leases	(80,732)		(80,732)
Net financial position net of fair value of derivatives	(688,179)	(509,040)	(179,139)
Net financial position net of operating leases	(640,034)	(547,013)	(93,021)
Net financial position net of operating leases and derivatives	(607,447)	(509,040)	(98,407)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

Disclosures relating to electric power plants

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

1. Disclosures relating to power plants in service at 31 December 2019

DISCLOSURES RELATING TO POWER PLANTS IN SERVICE

Plant	Company Owned	Percentage ownership	Date entered on for the year	Capacity installed (MW)	Energy produced from the plant (GWh)	Carrying Value equity accounting (€ thousands)
WTE plant Trezzo (MI) **	Prima Srl	85%	01/09/2003	20.0	107	16,827
Biomass plant Rende (CS) ***	Ecosesto SpA	100%	revamping Jan. 2011	15.0	109	16,602
Photovoltaic Rende (CS)	Ecosesto SpA	100%	Jul-07	1.0	1	2,606
Photovoltaic plants Sicily*	Actelios Solar SpA	100%	Apr-11	13.1	18	25,676
Photovoltaic plant Mesagne (BR) *	Solar Mesagne Srl	100%	July 2009 May 2010	2.0	3	4,490
Solar plant North Carolina (US)	Innovative Solar 42 LLC	100% class B	Sept-17	92.0	132	124,051
Solar plant New York (USA)*	HG Solar Development LLC	100% class B	Jun-18	6.0	7	14,120
Solar plant Delaware (USA)*	Fisher Road Solar I LLC	100.00%	May 2014 (A)	6.0	8	15,806
Solar plant Delaware (USA)*	Syncarpha Palmer LLC	100% class B	Dec 2015 (A)	6.0	8	16,700
Solar plant Delaware (USA)*	Syncarpha Massachusetts LLC	100% class B	May 2015 (A)	2.5	3	6,514
Wind farm Cefn Croes (Wales)*	Cambrian Wind Energy Ltd	51%	Apr-05	58.5	150	20,989
Wind farm Boyndie (Scotland)*	Boyndie Wind Energy Ltd	51%	June 2006 June 2010	16.7	40	9,173
Wind farm Earlsburn (Scotland)*	Earlsburn Wind Energy Ltd	51%	Dec-07	37.5	103	22,682
Wind farm Ben Aketil (Scotland)*	Ben Aketil Wind Energy Ltd	51%	June 2008 Jan. 2011	27.6	74	16,345
Wind farm Millennium (Scotland)*	Millennium Wind Energy Ltd	51%	March 2009 Feb. 2011	65.0	163	61,636
Wind farm Kilbraur (Scotland)*	Kilbraur Wind Energy Ltd	51%	Feb. 2009 Sept. 2011	67.5	159	57,757
Wind farm Nutberry (Scotland)*	Nutberry Wind Energy Ltd	100%	Oct. 2013	15.0	49	25,938
Wind farm West Browncastle (Scotland)*	West Browncastle Wind Energy Ltd	100%	June 2014	30.0	67	49,526
Wind farm Spaldington (England)*	Spaldington Airfield Wind Energy Ltd	100%	May-16	11.8	25	22,375
Wind farm Kingsburn (Scotland)*	Kingsburn Wind Energy Ltd	100%	May-16	22.5	75	37,162
Wind farm Assel Valley (Scotland)*	Assel Valley Wind Energy Ltd	100%	Oct-16	25.0	77	44,129
Wind farm Auchrobert (Scotland)*	Auchrobert Wind Energy Ltd	100%	Apr-17	36.0	92	59,034
Wind farm San Sostene (CZ)*	Eolica Sud Srl	100%	Oct. 2009 Oct. 2010	79.5	149	84,001
Wind farm Minervino Murge (BT) *	Eolo 3W Minervino Murge Srl	100%	Dec-08	52.0	89	58,962
Wind farm Buddusò - Alà dei Sardi (OT) ****	Geopower Sardegna Srl	100%	July 2011 Dec. 2011	138.0	363	139,458
Wind farm Petralia Sottana (PA) *	Eolica Petralia Srl	100%	Apr-12	22.1	39	27,573
Wind farm Finistère (France)*	SE Ty Ru Sas	100%	Jul-12	10.0	21	11,199
Wind farm Maine et Loire (France)*	Parc Eolien du Fouy Sas	100%	Apr-09	10.0	19	7,645
Wind farm Maine et Loire (France)*	Parc Eolien des Crêtes Sas	100%	Apr-09	10.0	16	8,293
Wind farm Oise (France)*	Esquennois Energie Sas	100%	Jul-09	12.0	23	10,592
Wind farm Marne (France)*	Eol Team SAS	100%	Aug 2006 (B)	12.0	21	13,465
Wind farm Aisnes (France)*	Ferme Eolienne de Noyales SAS	100%	Aug 2009 (B)	10.0	19	10,548
Wind farm Cher (France)*	Parc Eolien du Bois Ballay SAS	100%	Sept 2011 (B)	12.0	23	15,234
Wind farm Charente-Maritime (France)*	Parc Eolien de Mazeray et de Bignay SAS	100%	Mar 2013 (B)	12.0	18	15,477
Parc Eolien Cher wind farm (France) *	Parc Eolien des Coudrays SAS	100%	June 2011 (B)	10.0	17	11,416
Aliden wind farm (Sweden)	Åliden Vind AB	100%	Dec. 2019	46.8	43	61,358
Hennoy wind farm (Norway)	Falck Renewables Vind AS	80%	Dec. 2019	50.4	7	62,225
Wind farm Zaragoza (Spain)*	Eolica Cabezo San Roque Sau	100%	Jan-04	23.3	51	5,611
Total				1,086.7	2,391	1,213,195

* 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

INFORMATION ON FINANCIAL DEBT

Plant	Company Owned	Associated financial exposure				
		Carrying Value accounting liabilities financial	Form technical	Maturity	Commitments, guarantees released to the lenders (footnote)	Clausole contrattuali significative (note a piè di pagina)
WTE plant Trezzo (MI)	Prima Srl		N.A.	N.A.	N.A.	N.A.
Biomass plant Rende (CS)	Ecosesto SpA		Medium and Long-term loans	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	(28,244)	Project financing	31/12/2029 31/12/2029	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	(31,579)	Loan note*	28/02/2033	A	C
Solar plant New York (US)	HG Solar Development LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Delaware (US)	Fisher Road Solar I LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Delaware (US)	Syncarpha Palmer LLC		N.A.	N.A.	N.A.	N.A.
Solar plant Delaware (US)	Syncarpha Massachusetts LLC		N.A.	N.A.	N.A.	N.A.
Wind plant Cefn Croes (Wales)	FRUK Holdings (No.1) Ltd	(32,092)	Project financing	31/12/2025	A	C
Wind plant Boyndie (Scotland)						
Wind farm Cefn Croes (Wales)	Cambrian Wind Energy Ltd		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	(21,670)	Project financing	31/03/2026	A	C
Wind farm Earlsburn (Scotland)	Earlsburn Wind Energy Ltd	(7,769)	Project financing	15/04/2022	A	C
Wind farm Ben Aketil (Scotland)	Ben Aketil Wind Energy Ltd	(12,085)	Project financing	31/12/2024	A	C
Wind farm Millennium (Scotland)	Millennium Wind Energy Ltd	(30,628)	Project financing	15/04/2024 15/10/2024 15/04/2027	A	C
Wind farm Kilbraur (Scotland)	Kilbraur Wind Energy Ltd	(36,840)	Project financing	15/04/2024 15/10/2027	A	C
Wind farm Nutberry (Scotland)	Nutberry Wind Energy Ltd	(18,950)	Project financing	31/03/2029	A	C
Wind farm West Browncastle (Scotland)	West Browncastle Wind Energy Ltd	(37,230)	Project financing	31/12/2033	A	C
Wind farm Spaldington (England)	Spaldington Airfield Wind Energy Ltd	(13,499)	Project financing	30/06/2034	A	C
Wind farm Kingsburn (Scotland)	Kingsburn Wind Energy Ltd	(31,113)	Project financing	30/06/2034	A	C
Wind farm Assel Valley (Scotland)	Assel Valley Wind Energy Ltd	(42,717)	Project financing	31/12/2034	A	C
Wind farm Auchrobert (Scotland)	Auchrobert Wind Energy Ltd	(53,857)	Project financing	31/12/2035	A	C
Wind farm San Sostene (CZ)	Eolica Sud Srl	(55,768)	Project financing	30/06/2025	A	C
Wind farm Minervino Murge (BT)	Eolo 3W Minervino Murge Srl	(27,240)	Project financing	31/12/2023	A	C
Wind farm Buddusò - Alà dei Sardi (OT)	Geopower Sardegna Srl	(136,326)	Project financing	30/06/2027 30/06/2024	A	C
Wind farm Petralia Sottana (PA)	Eolica Petralia Srl	(12,886)	Project financing	30/06/2027 30/06/2027	A	C
Wind farm Plouigneau (France)	SE Ty Ru Sas	(5,742)	Project financing	30/09/2022 30/06/2028	A	C
Wind farm Maine et Loire (France)	Parc Eolien du Fouy Sas	(5,005)	Project financing	15/07/2026	A	C
Wind farm Maine et Loire (France)	Parc Eolien des Crêtes Sas	(5,252)	Project financing	15/07/2026	A	C
Wind farm Oise (France)	Esquennois Energie Sas	(6,253)	Project financing	15/07/2026	A	C
Bois Ballais wind farm	Parc Eolien du Boys Ballais SAS		N.A.	N.A.	N.A.	N.A.
Coudrays wind farm	Parc Eolien du Coudrays SAS		N.A.	N.A.	N.A.	N.A.
Mazeray wind farm	Parc Eolien de Mazeray et de Bignay SAS		N.A.	N.A.	N.A.	N.A.
Bois wind farm	CEP Tramontane SAS	(16,390)	Project financing	31/12/2025 31/12/2025 30/06/2027	A	C
Coudrays wind farm						
Mazeray wind farm						
Noyales wind farm	Ferme Eolienne de Noyales SAS	(2,774)	Project financing	31/08/2022	A	C
Eol-Team wind farm	Eol Team 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		(671,909)				
Total others						
Total Financing		(671,909)				

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

A Standard security package for project finance operations

B Letters of patronage

C Financial covenants that block default distributions and events

D Amount not included in consolidation and equal to EUR 3,645 thousand as at 31 December 2019

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

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

2. Disclosures relating to power plants not yet in service at 31 December 2019

INFORMATION ON ENERGY PRODUCTION PLANTS NOT YET IN OPERATION

(€ thousands)

Plant	Owner	Progress as at 31 December 2019	Installed capacity (MW)	Estimated start date	NBV at 31.12.2019
Wind farm Illois (France)	Parc Eolien d'Illois Sarl	Authorised	Up to 12	End of fourth quarter of 2022	681
Carrecastro wind farm (Spain)	Energia Eolica de Castilla SL	Turbines in final testing phase	10	February 2020	13,151
Okla wind farms (Norvegia)	Falck Renewables Vind AS	Under construction	21	December 2020 to June 2021	13,955
Brattmyrliden wind farm (Sweden)	Brattmyrliden Vind AB	Under construction	74.1	End of fourth quarter of 2020	36,804

6.6.9 Income statement content and movements

17 Revenues

Revenues consisted of the following:

(€ thousands)	31.12.2019	31.12.2018	Change
Sale of goods	323,755	295,270	28,485
Sale of services	50,739	40,619	10,120
Total	374,494	335,889	38,605

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

(€ thousands)	31.12.2019	31.12.2018	Change
Sale of electricity and incentives	319,921	293,491	26,430
Sale of other goods	3,834	1,779	2,055
Total	323,755	295,270	28,485

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Waste treatment and disposal	19,149	22,680	(3,531)
Renewable energy plant services and management	11,903	9,469	2,434
Management and maintenance services	18,233	3,434	14,799
Other operating income	1,454	5,036	(3,582)
Total	50,739	40,619	10,120

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

The increase in revenues is due mainly to: (i) for approximately €24 million, to the change in the scope of consolidation due to the acquisitions made during the last part of 2018 of Energy Team SpA, Windfor Srl and the consortia managing the interruptibility service in the Italian energy market, the acquisition, in March 2019, of five French wind farms with a grid capacity of 56 MW and the full operation of photovoltaic plants in the USA, partially offset by the sale of Esposito Servizi Ecologici Srl, (ii) approximately €11 million due to the higher volume of energy sold by Falck Next Energy Srl also to mitigate the cost of the imbalance, (iii) approximately €3 million due to the higher volumes of electricity sold (mainly due to the excellent wind conditions in Italy) net of the curtailment component and (iv) approximately €1 million due to exchange rate fluctuations.

Revenues by country of origin per customer are broken down as follows as at 31 December 2019 and 31 December 2018:

<i>(€ thousands)</i>	31.12.2019							
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	79,305	75,489	3,546	158,340	21,376	19,149	99	198,964
United Kingdom	54,268	50,694	2	104,964	255		756	105,975
Germany	14,397	12,696	30	27,123	11		509	27,643
France	16,743		75	16,818	336			17,154
United States	8,866	2,864	13	11,743	0			11,743
Spain	2,317		1	2,318	3,125		90	5,533
Japan			1	1	3,350			3,351
Sweden	1,548			1,548				1,548
Mexico			16	16	1,328			1,344
Other	403	331	150	884	355			1,239
Total revenues	177,847	142,074	3,834	323,755	30,136	19,149	1,454	374,494

(€ thousands)

31.12.2018

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

The following table shows a breakdown of revenues by sector at 31 December 2019 and 31 December 2018:

(€ thousands)

31.12.2019

Revenues by type	WtE, biomass, solar	Wind	Services	Other activities	Elimination	Consolidated
Sales revenues from electricity	29,514	122,851		72,063	(46,581)	177,847
Revenues from incentives/green certificates	19,237	122,837				142,074
Sales revenues from sale of products			3,917		(83)	3,834
Total electric energy and other assets	48,751	245,688	3,917	72,063	(46,664)	323,755
Revenues from services and plant management	118	37	39,486	226	(9,731)	30,136
Revenues from waste treatment and disposal	19,149					19,149
Other revenues	8	1,355	310	89	(308)	1,454
Total Financing	68,026	247,080	43,713	72,378	(56,703)	374,494

(€ thousands)

31.12.2018

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

The following table shows revenues divided by their recognition date:

(€ thousands)	31.12.2019	31.12.2018	Change
Goods/services transferred on a specific date	344,809	323,526	21,283
Services provided over time	29,685	12,363	17,322
Total	374,494	335,889	38,605

18 Personnel costs

Personnel costs may be analysed as follows:

(€ thousands)	31.12.2019	31.12.2018	Change
Salaries and wages	30,343	25,833	4,510
Social security costs	7,894	6,680	1,214
Staff leaving indemnity (TFR)	1,143	876	267
Other costs	1,842	1,115	727
Total	41,222	34,504	6,718

The average number of personnel was as follows:

(number)	31.12.2019	31.12.2018
Managers	54	51
White-collar staff	380	291
Blue-collar staff	34	48
Total average number of personnel	468	390

The cost of personnel increased by €6,718 thousand, mainly due to the increase in average headcount (+78). The increase is mainly due to the acquisition of Energy Team SpA in the last quarter of 2018, partially offset by the decrease in employees due to the sale of Esposito Servizi Ecologici Srl. In addition, there was internal staff growth as the main functions, during 2019, were structured to cope with the development of the new initiatives envisaged in the business plan.

Other personnel costs, compared to 2018, were also affected by the Long Term Incentive Plan and higher redundancy costs.

19 Direct costs

Direct costs may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018*	Change
Materials used and purchased	40,435	28,043	12,392
Services	52,816	45,487	7,329
Other costs	26,825	28,029	(1,204)
Change in inventories	(1,255)	527	(1,782)
Net typical allocation to/(use) of operating provisions	(126)	280	(406)
Amortisation of intangible assets	3,183	1,122	2,061
Impairment of intangible assets	2,353	769	1,584
Depreciation of property, plant and equipment	67,377	63,850	3,527
Depreciation of rights to use property, plant and equipment	4,224		4,224
Impairment/(recovery) of property, plant and equipment	4,065	1,677	2,388
Total	199,897	169,784	30,113

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

Direct costs and expenses increased by €30,113 thousand mainly for (i) the purchase of energy from the market by Falck Next Energy Srl in order to mitigate imbalance costs, (ii) the aforementioned expansion in the Group's scope of consolidation, (iii) higher amortisation due to higher installed capacity, (iv) higher amortisation of rights of use pursuant to IFRS 16, partially offset by lower rental and leasing costs, (v) higher amortisation of the customer list, interruptibility contracts and know-how of Energy Team SpA as a result of Price Purchase Allocation activities. In 2019, this item includes a write-down of €1.8 million attributable to the Vector Cuatro Group's contract portfolio, a write-down of the Vector Cuatro Goodwill of €0.5 million and a write-down of the Ty Ru wind farm of €0.3 million, the write-down of 6.1 million of Actelios Solar SpA's photovoltaic plants in anticipation of replacing 6 MW of existing solar modules with better performing models to improve the profitability of the plants and the revaluation of Rende's biomass plant for €2.4 million.

20 Other income

Other income may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018*	Change
Current operating income	2,847	2,155	692
Non-current operating income	7,900	11,103	(3,203)
Total	10,747	13,258	(2,511)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

Other income decreased by €2,511 thousand compared to the previous year. In fact, 2018 was affected by the non-recurring positive effect, amounting to €7.6 million, resulting from the release of certain provisions and reserves for the closure of a dispute relating to some land of the Sicilian projects in liquidation ('Non-recurring event 2018'). The effect was partly offset by other positive components, such as higher insurance indemnities, higher operating grants and, finally, higher capital gains in 2019 compared to the same period in 2018.

Income from operating activities may be further detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018*	Change
Income from services	569	291	278
Rental income	74	75	(1)
Capital grants	2,134	1,740	394
Other income	70	49	21
Total	2,847	2,155	692

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Non-recurring income	2,424	3,336	(912)
Gains on disposal of property, plant and equipment	2,528	9	2,519
Insurance compensation	1,900	1,381	519
Contractual penalties	345	589	(244)
Other	703	5,788	(5,085)
Total	7,900	11,103	(3,203)

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.

Contractual penalties largely relate to the cancellation of services contracts.

21 Administrative expenses

Administrative expenses may be further detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Consumables	1,450	1,069	381
Services	15,877	14,904	973
Other costs	6,819	7,077	(258)
Non-current operating expenses	6,112	3,064	3,048
Amortisation of intangible assets	362	354	8
Impairment of intangible assets	681		681
Amortisation of rights to use intangible assets	72		72
Depreciation of property, plant and equipment	196	188	8
Depreciation of rights to use property, plant and equipment	1,648		1,648
Net allocations to risk provisions	(3,534)	3,432	(6,966)
Total	29,683	30,088	(405)

General and administrative expenses decreased by €405 thousand compared to 2018, mainly due to the effect of: (i) a decrease of about €3 million in provisions and (ii) an increase of about €3.9 million in utilizations of provisions for risks partially offset by: (iii) higher service costs of about €1 million, (iv) higher write-downs of €0.7 million, (v) higher amortisation of usage rights pursuant to IFRS 16 of €1.6 million and (vi) higher non-current operating expenses of €3 million.

In 2019 the higher charges for non-current operations were due to the settlement of a dispute with the GSE. This amount had already been set aside as a provision for risks in previous years and the settlement of the dispute resulted in the use of provisions for risks of the same amount.

In this regard we note that in 2018, provisions net of utilizations of provisions for risks included provisions for a total of €5,384 thousand from the Sicilian project companies.

Moreover, additions to provisions, net of utilizations of provisions for risks, included part of the impact of the settlement of a dispute concerning certain plots of land on Sicilian projects in liquidation amounting to €1,801 thousand in connection with the release of the provision for litigation.

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 €408 thousand, of which €191 thousand with reference to the stock grant plan.

22 Financial income and expenses

Financial income and expenses comprised:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Financial expenses	(41,337)	(42,997)	1,660
Financial expenses for leasing debts under IFRS 16	(3,108)		(3,108)
Foreign exchange losses	(26,181)	(7,404)	(18,777)
Financial income	2,391	1,541	850
Foreign exchange gains	28,974	7,909	21,065
Borrowing costs capitalised on assets under construction	122	52	70
Total	(39,139)	(40,899)	1,760

Net financial expenses decreased by €1,760 thousand compared to 2018. Financial expenses were also affected by the introduction of IFRS 16 as from 1 January 2019, which resulted in a €3.1 million increase in interest expenses for the Group.

This effect was fully offset by higher exchange rate gains, lower financial charges related to a lower average debt of non-recourse loans than in the previous period and management actions aimed at making financial costs more efficient.

There were no finance costs due to Falck SpA.

Finance expenses for 2019 and 2018 may be further analysed as follows:

31.12.2019				
<i>(€ thousands)</i>	From securities	From banks	From others	Total
Payable to others		60,525	10,101	70,626
Total		60,525	10,101	70,626

31.12.2018				
<i>(€ thousands)</i>	From securities	From banks	From others	Total
Payable to others		46,329	4,072	50,401
Total		46,329	4,072	50,401

Finance income for 2019 and 2018 may be further analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Interest and commission - banks	1,262	1,005	257
Foreign exchange gains	28,974	7,909	21,065
Interest income and commission from others	1,129	536	593
Total	31,365	9,450	21,915

The variation from 2018 was mainly due to an increase in exchange rate gains (€21,065 thousand).

23 Investment income

Investment income may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Dividends	37	8	29
Gain on derecognition of investments			
Impairment		(11)	11
Loss on derecognition of investments			
Total	37	(3)	40

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:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Frullo Energia Ambiente Srl	2,669	2,724	(55)
Palermo Energia Ambiente SpA in liquidation			
Vector Cuatro Servicios SI	1	21	(20)
Parque Eolico La Carracha SI			
Parque Eolico Plana de Jarreta SI			
Total	2,670	2,745	(75)

25 Income tax expense

<i>(€ thousands)</i>	31.12.2019	31.12.2018*	Change
Current tax	17,745	14,522	3,223
Deferred income tax	(2,963)	2,171	(5,134)
Total	14,782	16,693	(1,911)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

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

Income tax as of 31 December 2019 amounted to €14,782 thousand (€16,693 thousand in the previous year).

This figure was positively impacted mainly by (i) the recognition of deferred tax assets, totalling €3.8 mil-

lion, following the review of the useful life of Geopower's wind farm, and (ii) the use by Energy Team SpA of the "Patent box" scheme for the facilitated taxation of income from the use of intangible assets (i.e. trademark and know-how), with a total tax impact of €1.3 million.

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018*
Profit before taxation	77,963	76,614
Taxes calculated applying tax rate to Group profit	(20,358)	(16,918)
Income not subject to tax	6,628	3,831
Expenses not deductible for tax purposes	(7,561)	(5,749)
Deferred income tax assets on change in tax rate	178	295
Use of retained losses from previous years	(198)	
Consolidation revenues	1,375	1,324
Prepaid taxes following review of useful life	3,792	
Tax benefit from Patent Box	1,274	
Other differences	88	524
Total income tax	(14,782)	(16,693)

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energja Eolica de Castilla Sl.

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 Group has chosen to use the option provided for in the transition, according to which it is not required to recalculate whether the contract is, or contains, a lease on the date of initial application of 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified at the date of initial application as leases by applying IAS 17 and IFRIC 4.

The following table shows the net book value of the rights of use at 31 December 2019, broken down by type of asset leased and changes during the year:

<i>(€ thousands)</i>	Balance at 31.12.2018	Prima ap- plication of IFRS 16	Increase	Change area consolid	Re- clas- sifica- tion	Effect variation	Other move- ments	(Impair- ment) Revaluat	Amorti- sation/ deprecia- tions	Balance at 31.12.2019
Gross values										
Rights of use - Land		71,341	211	2,009		2,229	671			76,461
Rights of use - Buildings		2,946	1,505		653	19	7			5,130
Rights of use - Other assets		1,027	892			1	(27)			1,893
<i>Total gross values of property, plant and equipment</i>		75,314	2,608	2,009	653	2,249	651			83,484
Right of use - Software			516							516
<i>Total gross values of intangible fixed assets</i>			516							516
Total gross value		75,314	3,124	2,009	653	2,249	651			84,000
Accumulated depreciation										
Rights of use - Land						(78)	1	(4,024)		(4,101)
Rights of use - Buildings					(255)	(4)		(1,372)		(1,631)
Rights of use - Other assets								(476)		(476)
<i>Total provision for depreciation of property, plant and equipment</i>					(255)	(82)	1	(5,872)		(6,208)
Right of use - Software								(72)		(72)
<i>Total provision for amortization of intangible fixed assets</i>								(72)		(72)
Total depreciation					(255)	(82)	1	(5,944)		(6,280)
Net book amounts										
Rights of use - Land		71,341	211	2,009		2,151	672	(4,024)		72,360
Rights of use - Buildings*		2,946	1,505		398	15	7	(1,372)		3,499
Rights of use - Other assets		1,027	892			1	(27)	(476)		1,417
<i>Total net values of property, plant and equipment</i>		75,314	2,608	2,009	398	2,167	652	(5,872)		77,276
Right of use - Software			516					(72)		444
<i>Total net values of intangible fixed assets</i>			516					(72)		444
Total net rights of use		75,314	3,124	2,009	398	2,167	652	(5,944)		77,720

(*) The balance at 31 December 2019 includes €379 thousand relating to a lease contract for a building classified as a finance lease under IAS 17.

Below are details of the financial liability for leasing at 31 December 2019:

	<i>(€ thousands)</i>
At 31 December 2018*	130
At 1 January 2019	76,377
Increases	3,124
Area variation	2,024
Increase for interest	3,108
Inflation effect	652
Payments	(6,817)
Foreign exchange differences	2,223
At 31 December 2019**	80,821
Current	5,012
Non-current	75,809

(*) The balance at 31 December 2018 relates to a lease contract for a building already classified as a finance lease in accordance with IAS 17.

(**) The balance at 31 December 2019 includes €89 thousand relating to a lease contract for a building classified as a finance lease under IAS 17.

The financial liability for operating leases at 1 January 2019 can be reconciled with the commitments for operating leases as follows:

	<i>(€ thousands)</i>
Commitments for operating leases at 31.12.2018	122,870
Discount effect	41,960
Commitments for discounted operating leases at 31.12.2018	80,910
Commitments relating to short-term or low-value leases	(652)
<i>Financial leasing</i>	(130)
Contracts relating to companies outside the scope of consolidation in accordance with IFRS 5	(2,170)
Rights of easement	(1,581)
Financial liabilities for operating leases at 1 January 2019	76,377

Details of the costs charged to the income statement at 31 December 2019 are shown below:

	(€ thousands)
Amortisation of rights of use for land	4,024
Amortisation of rights of use for buildings*	1,372
Amortisation of rights of use for other assets	476
Amortisation of rights of use for software	72
Total amortisation	5,944
Total financial expenses for financial liabilities	3,108
Short term, low value leasing costs	1,377
Variable leasing costs	4,222
Total costs recorded on the Income statement	14,651

(*) The balance at 31 December 2019 includes €20 thousand relating to a lease contract for a building already classified as a financial lease under IAS 17.

The Group has leasing contracts in place that provide for variable payments. Information on variable payments compared with fixed lease payments is provided below.

(€ thousands)	Fixed payments	Variable payments	Total
Fixed lease payment	4,572		4,572
Variable lease payment with minimum payment	2,245	1,499	3,744
Variable lease payment		1,575	1,575
Total	6,817	3,074	9,891

Contracts with variable lease payments relate to the lease of land on which the plant is located. The variability of payments depends on the production of the plant: an increase in production leads to a substantial increase in the variable share to be paid to the lessor.

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.

CEO

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 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%

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

The fair value of the stock grants at 31 December 2019, worth € 191 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

Group managers

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 €1,5727.

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 31 December 2019, worth €420 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.

At 31 December 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 31/12/2019	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 2019.

29 Related party transactions

In compliance with the CONSOB communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Group's results of operations, state of affairs and financial position.

Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to CONSOB communication 6064293 of 28 July 2006, all related party transactions and the corresponding incidence of related party transactions on the Falck Renewables Group's income statement headings are provided below.

<i>(€ thousands)</i>	Revenues from sale of goods	Revenues from services	Other income	Direct costs	Admin expenses	Finance expenses	Finance income	Income from investments
Parent company								
Falck SpA			827		(1,299)			
Total parent company			827		(1,299)			
Associates								
Frullo Energia Ambiente Srl			117					2,669
Parque Eolico La Carracha SI								
Parque Eolico Plana de Jarreta SI								
Vector Cuatro Servicios SI								1
Total associates			117					2,670
Group companies								
Sesto Siderservizi Srl			9			(50)		
Falck Energy SpA			38					
Total Group companies			47			(50)		
Other related companies								
Firstar Development Llc						(332)	349	
Svelgen Kraft Holding and associates	239				(38)	(1)		
CII HoldCo Ltd						(193)	417	
Energy Team SpA shareholders			198			(268)		
Total other related parties	239		198		(38)	(794)	766	
Total	239		1,189		(1,337)	(844)	766	2,670
% incidence on income statement heading	0.1%		11.1%		4.5%	1.2%	2.4%	100%

30 Auditors' remuneration

<i>(€ thousands)</i>	Audit of annual and interim reports	Other activities
Other Businesses	259	17
WtE, biomass and solar	249	12
Wind sector	488	12
Services sector	79	
Total	1,075	41

The Parent Company's fees amount to €270 thousand, of which €17 thousand for other activities.

Please note that most of the companies consolidated on a line-by-line basis were audited by EY SpA.

Other activities principally relate to the certification of covenants and accounting unbundling activities.

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

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

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

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

In light of these considerations, the Group's only public disbursements in Italy are as follows:

- "Patent box" for the facilitated taxation of income deriving from the use of intangible assets (i.e. trademarks and know-how), with a total tax impact of €1.3 million;
- use of R&D tax credit accrued in 2018 for €90 thousand.

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

A	B	C	D	1	2	3		4	5	6	7	8
						Non-equity variable payments						
Name and Surname	Office	Period in office	Expiry of the term of office	Fixed payments	Committee participation payments	Bonuses and other incentives	Profit sharing	Fringe benefits	Other payments	Total	Equity payment fair value	Director and employee severance indemnity
Enrico Falck	Chairman	01.01.2019 - 31.12.2019	2019 financial statement	240,000				15,808		255,808		
Guido Corbetta	Deputy Chairman	01.01.2019 - 31.12.2019	2019 financial statement	35,000						35,000		
Toni Volpe	Chief Executive Officer and General Manager	01.01.2019 - 31.12.2019	2019 financial statement	350,000 (1)		884,400 (2)		20,269		1,254,669	191,062 (3)	
Federico Falck	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000				17,539	105,000 (4)	147,539		
Elisabetta Falck	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000						25,000		
Liberio Milone	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	60,000 (5)					85,000		
Barbara Poggiali	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	50,000 (6)					75,000		
Elisabetta Caldera	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	60,000 (7)					85,000		
Filippo Marchi	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000						25,000		
Georgina Grenon	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	30,000 (8)					55,000		
Paolo Pietrogrande	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	30,000 (8)					55,000		
Marta Dassù	Director	01.01.2019 - 31.12.2019	2019 financial statement	25,000	30,000 (8)					55,000		
Bernardo Rucellai	CRUN Secretary	01.01.2019 - 31.12.2019	2019 financial statement			10,000 (9)				10,000		
Giovanni Maria Garegnani	Supervision body Chairman	01.01.2019 - 31.12.2019	2019 financial statement	35,000						35,000		
Luca Troyer	Supervision body	01.01.2019 - 31.12.2019	2019 financial statement	25,000						25,000		
Massimo Scarpelli	Chairman Of The Board Of Statutory Auditors	01.01.2019 - 07.12.2019	2019 financial statement	70,068.49 (11)						70,068.49		
Gianluca Pezzati	Chairman Of The Board Of Statutory Auditors	07.12.2019 - 31.12.2019	2019 financial statement	4,931.51 (12)						4,931.51		
Alberto Giussani	Statutory Auditor	01.01.2019 - 31.12.2019	2019 financial statement	50,000						50,000		
Giovanna Conca	Statutory Auditor	01.01.2019 - 31.12.2019	2019 financial statement	50,000						50,000		
Managers with Strategic Positions (10)		01.01.2019 - 31.12.2019		777,165.85		725,816 (13)		121,179	189,941 (14)	1,814,102	297,460 (15)	
Total				1,862,166	260,000	1,620,216		174,795	294,941	4,212,119	488,522	

(1) Fee as Director, fee as Chief Executive Officer and as General Manager.

(2) Final statement of the amounts relating to the 2019 MBO Plan with disbursement in 2020 and cash component of the LTI programme (2017-2019).

(3) Calculated as per IFRS 2 with reference to the 2019 period. Fair Value at 11 March 2020 equal to €895,168 calculated on a share price of €4.544.

(4) Fee referred to "special assignments" as per Falck Renewables SpA. Board of Directors' resolution dated 27 April 2017

(5) Fee as Chairman of the Control and Risk Committee and member of the Human Resources Committee.

(6) Fee as member of the Human Resources Committee and Control and Risk Committee.

(7) Fee as Chairman of the Human Resources Committee and member of the Control and Risk Committee.

(8) Fee as member of the Advisory Board.

(9) Fee as Secretary of the CRUN.

(10) Managers with strategic positions for the period in question are:

- Paolo Rundeddu
- Marco Cittadini
- Scott Gilbert, Falck Renewables Wind Ltd. employee. The amounts referred to him have been converted at the average Euro-Pound exchange rate in 2019 (€/£ 0.87777)
- Carmelo Scalone, Vector Cuatro SLU. employee

(11) Massimo Scarpelli left on 07.12.2019, due to death.

(12) Gianluca Pezzati replaced Massimo Scarpelli from 07.12.2019.

(13) Final statement of the amounts relating to the 2019 MBO Plan with disbursement in 2020 and cash component of the LTI programme (2017-2019).

(14) One-off bonuses.

(15) Calculated in accordance with IFRS 2 with reference to 2019 and awarded to DRS Paolo Rundeddu, Carmelo Scalone, Marco Cittadini, Scott Gilbert. Fair Value at 11 March 2020 equal to €823,714 calculated on a share price of €4.544.

6.7 Additional disclosures on financial instruments in accordance with IFRS 7

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

The note is presented in two sections. The first sets out detailed information regarding financial assets and liabilities, in particular regarding their classification in compliance with IFRS 9, the impact on the income statement for the year and their fair value. The second section presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2019 and where significant at 31 December 2018.

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 as although undertaken to hedge exposure do not meet the requirements to be measured in accordance with hedge accounting.

The main impact of derivative 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.

Credit risk is not considered to be significant: the high concentration of trade receivables due from a few counterparties is strongly mitigated by their corresponding credit rating and the risk profile.

Liquidity risk is moderate as trade payables due within one year are offset by significant cash reserves, while the most significant borrowings relate to long-term project financing contracts.

The Group also has lines of credit under the loan agreement for an amount of €325 million, subject to compliance with covenants, renegotiated on 30 July 2018, of which €32 million had been drawn down at 31 December 2019.

The only market risk considered to be significant is interest rate risk as almost all Group borrowings are at variable rates, although the risk is mitigated by IRS contracts.

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

Section I: Additional disclosures on assets/liabilities

1. Balance sheet

1.1 Categories of financial assets and liabilities

The tables below illustrate the carrying values at 31 December 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 31 December 2019 the total financial assets of the Falck Renewables Group amounted to €247,921 thousand, while financial liabilities amounted to €950,135 thousand, compared with a balance sheet total of €1,788,920 thousand. The financial assets and liabilities are almost entirely measured at cost and amortised cost. The principal financial assets comprise trade receivables and cash and cash equivalents, while the main financial liabilities relate to borrowings and trade payables. The financial impact of financial assets and liabilities measured at fair value through profit or loss or through equity is significant: the latter mainly consists of derivative financial instruments.

31.12.2019

(€ thousands)	Amortised cost	Fair value and change through profit and loss	Fair value and change 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					1,423,098	1,423,098
Investments and securities		3,170		3,170	22,931	26,101
Financial receivables	10,284	1,494	4,525	16,303		16,303
Inventories					30,128	30,128
Trade receivables	93,530			93,530		93,530
Deferred tax assets					22,857	22,857
Other receivables	3,686			3,686	41,985	45,671
Cash and cash equivalents	131,232			131,232		131,232
Assets held for sale						
Total	238,732	4,664	4,525	247,921	1,540,999	1,788,920
Liabilities						
Net equity					607,663	607,663
Financial liabilities	795,758	36,111	36,432	868,301		868,301
Trade payables	72,941			72,941		72,941
Other payables	8,893			8,893	86,605	95,498
Deferred tax liabilities					43,612	43,612
Provisions for other liabilities and charges					96,093	96,093
Staff leaving indemnity (TFR)					4,812	4,812
Liabilities held for disposal						
Total	877,592	36,111	36,432	950,135	838,785	1,788,920

31.12.2018*

<i>(€ thousands)</i>	Amortised cost	Fair value and change through profit and loss	Fair value and change 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					1,191,476	1,191,476
Investments and securities		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 tax assets					19,892	19,892
Other receivables	3,826			3,826	37,383	41,209
Cash and cash equivalents	218,188			218,188		218,188
Assets held for sale					3,701	3,701
Total	332,134	3,707	1,570	337,411	1,281,084	1,618,495
Liabilities						
Net equity					555,619	555,619
Financial liabilities	708,539	31,061	39,319	778,919		778,919
Trade payables	51,872			51,872		51,872
Other payables	24,642			24,642	85,256	109,898
Deferred tax liabilities					35,373	35,373
Provisions for other liabilities and charges					79,867	79,867
Staff leaving indemnity (TFR)					4,316	4,316
Liabilities held for sale					2,631	2,631
Total	785,053	31,061	39,319	855,433	763,062	1,618,495

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla Sl.

1.2 Collateral – Financial assets pledged as security

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

	Currency	Value of pledge
Actelios Solar SpA	EUR	120,000
Ben Aketil Wind Energy Ltd	GBP	51
Boyndie Wind Energy Ltd	GBP	100
Cambrian Wind Energy Ltd	GBP	100
Earlsburn Mezzanine Ltd	GBP	510
Earlsburn Wind Energy Ltd	GBP	51
Nutberry Wind Energy Ltd	GBP	100
West Browncastle Wind Energy Ltd	GBP	100
Kingsburn Wind Energy Ltd	GBP	100
Spaldington Airfield Wind Energy Ltd	GBP	100
Assel Valley Wind Energy Ltd	GBP	100
Auchrobert Wind Energy Ltd	GBP	100
Eolica Petralia Srl	EUR	2,000,000
Eolica Sud Srl	EUR	5,000,000
Eolo 3w Minervino Murge Srl	EUR	10,000
Esquennois Energie Sas	EUR	37,000
FRUK Holdings (no. 1) Ltd Loan	GBP	0.51
Falck Renewables Wind Ltd	GBP	37,754,814
Geopower Sardegna Srl	EUR	2,000,000
Kilbraur Wind Energy Ltd	GBP	51
Millennium Wind Energy Ltd	GBP	51
Parc Eolien des Crêtes Sas	EUR	37,000
Parc Eolien du Fouy Sas	EUR	37,000
Parque Eolico Plana de Jarreta SI	EUR	26,000
Parque Eolico La Carracha SI	EUR	26,000
Ferme éolienne de Noyales Sas	EUR	37,000
Parc éolien du Bois Ballay Sas	EUR	1,235,000
Parc éolien des Coudrays Sas	EUR	868,000
Parc éolien de Mazeray et de Bignay Sas	EUR	1,321,750
SE Ty Ru Sas	EUR	1,009,003

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

- pledge of the shares of Energia Eolica de Castilla SL for an amount of €2 thousand
- cash deposit by Svelgen Kraft Holding AS (minority shareholder of Falck Renewables Vind AS) for an amount of €830 thousand
- a deposit of €5,492 thousand was made to an escrow account in favour of Falck Renewables SpA by the shareholders of Energy Team SpA.

2. Income statement and total equity

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

The table below shows the net profits/losses generated in 2019 and 2018 by the financial assets/liabilities reclassified, for both periods under analysis, according to IFRS 9 categories.

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

31.12.2019				
<i>(€ thousands)</i>	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	811		2,856	3,667
Financial assets at amortised cost				
Financial liabilities at fair value	(2,857)		2,839	(18)
Financial liabilities at amortised cost				
Total	(2,046)		5,695	3,649

31.12.2018				
<i>(€ thousands)</i>	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

The income (losses) shown directly under net equity refer to the change in fair value of derivative financial instruments measured applying hedge accounting. The net positive change of €5,695 thousand includes a positive change of €5,865 thousand in commodity hedging contracts, a positive change of €771 thousand in foreign exchange derivatives and a negative change of €941 thousand in interest rate derivatives.

Losses reported in the income statement mainly include negative changes in the fair value of royalty instruments (€1,272 thousand), negative changes in foreign exchange derivatives (€1,895 thousand) and neg-

ative changes in interest rate derivatives (€199 thousand), offset in part by positive changes in commodity derivatives (€1,285 thousand). The item also includes positive changes for a total of €35 thousand relating to embedded derivatives and the change in the fair value of options for the purchase of minority interests.

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2019 and 2018.

31.12.2019			
<i>(€ thousands)</i>	Interest income / (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	2,041	37	2,078
FL not at fair value through profit or loss	(38,737)	(2,414)	(41,151)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	1,980		1,980
Total	(34,716)	(2,377)	(37,093)

31.12.2018			
<i>(€ thousands)</i>	Interest income / (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	1,387	24	1,411
FL not at fair value through profit or loss	(38,070)	(1,969)	(40,039)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	(1,519)		(1,519)
Total	(38,202)	(1,945)	(40,147)

The reconciliations of the above amounts with net finance costs recorded in the 2019 and 2018 income statements are as follows.

31.12.2019	
	<i>(€ thousands)</i>
Gains/(losses) through profit or loss	(2,046)
Total interest income/(expense)	(34,716)
Fee income/(expense)	(2,377)
Total	(39,139)
Net financial costs per income statement	(39,139)

31.12.2018

	<i>(€ thousands)</i>
Gains/(losses) through profit or loss	(752)
Total interest income/(expense)	(38,202)
Fee income/(expense)	(1,945)
Total	(40,899)
Net financial costs per income statement	(40,899)

2.2 Provision for doubtful accounts

Total charges of €600 thousand were made in 2019 and comprised:

- €444 thousand in respect of trade receivables of Energy Team SpA;
- €197 thousand in respect of trade receivables of the Vector Cuatro Group;
- use of €41 thousand by the Vector Cuatro Group.

In addition, a charge of €234 thousand was made to the bad debt provision during the period in relation to IFRS 7 accounting headings, of which €171 thousand relates to Falck Renewables Wind Ltd and €63 thousand to Spaldington Airfield Wind Energy Ltd.

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

3. Further additional disclosures

3.1 Accounting policies

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

3.2 Fair value

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2019 and 31 December 2018. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities or medium/long-term financial liabilities that, based on sample calculations, did not give rise to material differences.

The fair value of derivative financial instruments at the balance sheet date is equal to the discounted future cash flows given the EUR curve at 31 December and its related forward rates.

The fair value of forward exchange contracts is measured using the year-end spot rates (31 December 2019), and forward rates and yield curves on foreign currencies.

31.12.2019

<i>(€ thousands)</i>	Carrying amount	Fair value
Financial assets		
Investments and securities	3,170	3,170
Financial receivables	16,303	16,303
Trade receivables	93,530	93,530
Other receivables	3,686	3,686
Cash and cash equivalents	131,232	131,232
Total	247,921	247,921
Financial liabilities		
Financial liabilities	868,301	868,301
Trade payables	72,941	72,941
Other payables	8,893	8,893
Total	950,135	950,135

31.12.2018*

<i>(€ thousands)</i>	Carrying amount	Fair value
Financial assets		
Investments and securities	3,001	3,001
Financial receivables	13,718	13,718
Trade receivables	98,678	98,678
Other receivables	3,826	3,826
Cash and cash equivalents	218,188	218,188
Total	337,411	337,411
Financial liabilities		
Financial liabilities	778,919	778,919
Trade payables	51,872	51,872
Other payables	24,642	24,642
Total	855,433	855,433

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energja Eolica de Castilla Sl.

Analysis of financial liabilities at 31 December 2019 and 31 December 2018 by instrument and conditions.

(€ thousands)	Interest rate %	Fair Value	Carrying amount	Current amount	Non-current amount
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosto					
Shareholders' loan - Prima					
Sicily Projects' loans		114	114		114
Bank payables for interest matured and not paid		887	887	887	
Shareholders' loan - Wind sector		2,109	2,109	2,109	
Royalty instruments payables		13,828	13,828		13,828
Other bank loans		18	18	10	8
Participatory loan		400	400	400	
IFRS 16 Leases (operating)		80,732	80,732	4,971	75,761
Ex IAS 17 (financial) leases		89	89	41	48
Corporate Loan		32,000	32,000		32,000
FKR hot money		7,500	7,500	7,500	
Minority purchase options		20,108	20,108		20,108
Total borrowings		157,785	157,785	15,918	141,867
Project financing Actelios Solar SpA	6-month Euribor + spread	28,244	28,244	2,760	25,484
Loan notes Innovative Solar 42 (*)	Fixed	31,579	31,579	2,243	29,336
Cambrian Project financing	6-month Libor + spread				
FRUK Project financing	6-month Libor + spread	32,092	32,092	6,311	25,781
Earlsburn Mezzanine project financing	6-month Libor + spread	21,670	21,670	1,011	20,659
Earlsburn Project financing	6-month Libor + spread	7,769	7,769	2,763	5,006
Ben Aketil Project financing	6-month Libor + spread	12,085	12,085	2,313	9,772
Millennium Project financing	6-month Libor + spread	30,628	30,628	5,588	25,040
Kilbraur Project financing	6-month Libor + spread	36,840	36,840	4,499	32,341
Nutberry Project financing	6-month Libor + spread	18,950	18,950	1,059	17,891
West Browncastle Project financing	6-month Libor + spread	37,230	37,230	1,404	35,826
Kingsburn Project financing	6-month Libor + spread	31,113	31,113	1,370	29,743
Spaldington Project financing	6-month Libor + spread	13,499	13,499	652	12,847
Assel Valley Project financing	6-month Libor + spread	42,717	42,717	1,969	40,748
Auchrobert project financing	6-month Libor + spread	53,857	53,857	1,888	51,969
Eolica Sud Project financing	6-month Euribor + spread	55,768	55,768	9,025	46,743
Eolo 3W Project financing	6-month Euribor + spread	27,240	27,240	6,082	21,158
Geopower Project financing	6-month Euribor + spread	136,326	136,326	16,122	120,204
Eolica Petralia Project financing	6-month Euribor + spread	12,886	12,886	1,303	11,583
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	5,742	5,742	707	5,035
Fouy Project financing	6-month Euribor + spread	5,005	5,005	1,254	3,751
Crêtes Project financing	6-month Euribor + spread	5,252	5,252	1,479	3,773
Esquennois Project financing	6-month Euribor + spread	6,253	6,253	1,220	5,033
CEP Tramontane project financing	6-month Euribor + spread	16,390	16,390	2,430	13,960
Noyales project financing	3-month Euribor + spread	2,774	2,774	1,132	1,642
Total borrowings under project financing		671,909	671,909	76,584	595,325
IRS - Actelios Solar SpA		11	11		11
Embedded derivative - Ecosto					
IRS - Cambrian					
IRS - Boyndie					
IRS - FRUK		485	485		485
IRS - Earlsburn Mezzanine		336	336		336
IRS - Earlsburn		28	28		28
IRS - Ben Aketil		1,296	1,296		1,296
IRS - Millennium		241	241		241
IRS - Kilbraur		46	46	46	
IRS - Nutberry		2,096	2,096		2,096
IRS - West Browncastle		1,013	1,013		1,013
IRS - Spaldington					
IRS - Kingsburn					
IRS - Assel Valley		2,031	2,031		2,031
IRS - Auchrobert		1,893	1,893		1,893
IRS - Eolica Sud		5,577	5,577		5,577
IRS - Eolo 3W		2,428	2,428		2,428
IRS - Geopower		13,931	13,931		13,931
IRS - Eolica Petralia		968	968		968
IRS - Ty Ru		470	470		470
IRS - Fouy		555	555		555
IRS - Crêtes		576	576		576
IRS - Esquennois		707	707		707
IRS - Eolica Cabezo					
IRS - CEP Tramontane		1,573	1,573		1,573
IRS - Noyales		121	121		121
Total interest rate derivative financial instruments		36,382	36,382	46	36,336
Exchange rates - Falck Renewables		1,910	1,910	1,910	
Exchange rates - Aliden		18	18		18
Exchange rates - Brattmyrliden		223	223	200	23
Exchange rates - Falck Renewables Vind					
Exchange rates - Falck Renewables Wind		35	35	35	
Total foreign exchange derivatives		2,186	2,186	2,145	41
Commodities - Falck Renewables Energy					
Commodities - Aliden					
Commodities - Falck Renewables Vind					
Commodities - Falck Renewables Vind		39	39		39
Total commodities derivative financial instruments		39	39		39
Total financial liabilities		868,301	868,301	94,693	773,608

31 December 2018*

(€ thousands)	Interest rate %	Fair Value	Carrying amount	Current amount	Non-current amount
Loan to finance revamping of Rende plant - Banca Popolare di Sondrio - Ecosesto	3-month Euribor + spread	1,575	1,575	1,575	
Shareholders' loan - Prima		1,441	1,441	1,441	
Sicily Projects' loans		842	842		842
Bank payables for interest matured and not paid		916	916	916	
Shareholders' loan - Wind sector		2,554	2,554	2,038	516
Royalty instruments payables		10,362	10,362		10,362
Other bank loans		315	315	295	20
Participatory loan		400	400	400	
Financial leasing		130	130	41	89
Minority purchase options		19,770	19,770	722	19,048
Total borrowings		38,305	38,305	7,428	30,877
Project financing Actelios Solar SpA	6-month Euribor + spread	22,075	22,075	2,421	19,654
Loan notes Innovative Solar 42 (*)	Fixed	33,221	33,221	2,125	31,096
Cambrian Project financing	6-month Libor + spread	3,046	3,046	3,046	
FRUK Project financing	6-month Libor + spread	33,334	33,334	2,811	30,523
Earlsburn Mezzanine project financing	6-month Libor + spread	21,704	21,704	993	20,711
Earlsburn Project financing	6-month Libor + spread	9,851	9,851	2,462	7,389
Ben Aketil Project financing	6-month Libor + spread	13,576	13,576	2,082	11,494
Millennium Project financing	6-month Libor + spread	34,088	34,088	4,957	29,131
Kilbraur Project financing	6-month Libor + spread	39,210	39,210	4,171	35,039
Nutberry Project financing	6-month Libor + spread	19,095	19,095	937	18,158
West Browncastle Project financing	6-month Libor + spread	36,755	36,755	1,448	35,307
Kingsburn Project financing	6-month Libor + spread	30,711	30,711	1,204	29,507
Spaldington Project financing	6-month Libor + spread	13,412	13,412	611	12,801
Assel Valley Project financing	6-month Libor + spread	42,463	42,463	1,948	40,515
Auchrobert project financing	6-month Libor + spread	52,441	52,441	1,342	51,099
Eolica Sud Project financing	6-month Euribor + spread	68,084	68,084	8,167	59,917
Eolo 3W Project financing	6-month Euribor + spread	35,317	35,317	6,438	28,879
Geopower Project financing	6-month Euribor + spread	152,130	152,130	15,891	136,239
Eolica Petralia Project financing	6-month Euribor + spread	14,101	14,101	1,192	12,909
Ty Ru Project financing	Fixed/Euribor 3/6 m + spread	6,432	6,432	760	5,672
Fouy Project financing	6-month Euribor + spread	5,843	5,843	802	5,041
Crêtes Project financing	6-month Euribor + spread	6,119	6,119	833	5,286
Esquennois Project financing	6-month Euribor + spread	7,357	7,357	1,035	6,322
Total borrowings under project financing		700,365	700,365	67,676	632,689
IRS - Actelios Solar SpA		2,585	2,585		2,585
Embedded derivative - Ecosesto		3	3		3
IRS - Cambrian		1	1	1	
IRS - Boyndie					
IRS - FRUK		206	206		206
IRS - Earlsburn Mezzanine					
IRS - Earlsburn					
IRS - Ben Aketil		1,566	1,566		1,566
IRS - Millennium		83	83	83	
IRS - Kilbraur		251	251	251	
IRS - Nutberry		1,933	1,933		1,933
IRS - West Browncastle					
IRS - Assel Valley		807	807		807
IRS - Auchrobert		335	335		335
IRS - Eolica Sud		7,089	7,089		7,089
IRS - Eolo 3W		3,450	3,450		3,450
IRS - Geopower		15,230	15,230		15,230
IRS - Eolica Petralia		961	961		961
IRS - Ty Ru		364	364		364
IRS - Fouy		692	692		692
IRS - Crêtes		719	719		719
IRS - Esquennois		882	882		882
IRS - Eolica Cabezo					
Total interest rate derivative financial instruments		37,157	37,157	335	36,822
Exchange rates - Falck Renewables		304	304	304	
Exchange rates - Aliden		133	133	133	
Exchange rates - Brattmyrlden		702	702	566	136
Exchange rates - Falck Renewables Vind		67	67	67	
Total foreign exchange derivatives		1,206	1,206	1,070	136
Commodities - Falck Renewables Energy		1,717	1,717	1,717	
Commodities - Aliden		77	77		77
Commodities - Falck Renewables Vind		92	92		92
Total commodities derivative financial instruments		1,886	1,886	1,717	169
Total financial liabilities		778,919	778,919	78,226	700,693

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

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

Value at 31 December 2018	778,919
New borrowings	52,577
Repayments	(101,586)
Foreign exchange difference	21,980
Fair value variation	(21)
Change in the scope of consolidation	26,606
First-time application of IFRS 16	76,377
Other	13,449
Value at 31 December 2019	868,301

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

- Instruments with a positive fair value at 31 December 2019:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Kingsburn Wind Energy Ltd	Interest rate swap	30.06.2034	GBP	24,230	46
Spaldington Airfield Wind Energy Ltd	Interest rate swap	30.06.2034	GBP	11,261	23
Total derivative financial instruments					69

- Instruments with a negative fair value at 31 December 2019:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Cambrian Wind Energy Ltd	Interest rate swap	31.12.2019	GBP		
FRUK Holdings No. 1 Ltd	Interest rate swap	31.12.2025	GBP	27,825	(485)
Earlsburn Mezzanine Ltd	Interest rate swap	31.03.2026	GBP	19,118	(336)
Earlsburn Wind Energy Ltd	Interest rate swap	15.04.2022	GBP	6,748	(28)
Ben Aketil Wind Energy Ltd	Interest rate swap	31.12.2024	GBP	11,037	(1,296)
Millennium Wind Energy Ltd	Interest rate swap	15.04.2027	GBP	6,218	(102)
Millennium Wind Energy Ltd	Interest rate swap	15.10.2024	GBP	19,466	(139)
Kilbraur Wind Energy Ltd	Interest rate swap	15.04.2024	GBP	16,576	(46)
Nutberry Wind Energy Ltd	Interest rate swap	29.03.2029	GBP	17,963	(2,096)
West Browncastle Wind Energy Ltd	Interest rate swap	31.12.2033	GBP	31,106	(1,013)
Assel Valley Wind Energy Ltd	Interest rate swap	31.12.2034	GBP	33,948	(2,031)
Auchrobert Wind Energy Ltd	Interest rate swap	31.12.2035	GBP	41,490	(1,893)
Eolica Sud Srl	Interest rate swap	31.12.2024	EUR	53,320	(5,577)
Eolo 3W Minervino Murge Srl	Interest rate swap	31.12.2023	EUR	25,737	(2,428)
Geopower Sardegna Srl	Interest rate swap	30.06.2027	EUR	97,451	(13,740)
Geopower Sardegna Srl	Interest rate swap	30.06.2024	EUR	12,318	(191)
Eolica Petralia Srl	Interest rate swap	30.06.2027	EUR	10,870	(968)
Se Ty Ru Sas	Interest rate swap	30.09.2022	EUR	367	(6)
Se Ty Ru Sas	Interest rate swap	30.06.2028	EUR	3,582	(464)
Parc Eolien du Fouy Sas	Interest rate swap	15.07.2024	EUR	4,242	(555)
Parque Eolien des Cretes Sas	Interest rate swap	15.07.2024	EUR	4,406	(576)
Esquennois Energie Sas	Interest rate swap	15.07.2024	EUR	5,471	(707)
Ferme Eolienne de Noyales Sas	Interest rate swap	28.02.2022	EUR	2,019	(121)
CEP Tramontane 1 Sas	Interest rate swap	30.06.2025	EUR	9,871	(838)
CEP Tramontane 1 Sas	Interest rate swap	31.12.2026	EUR	6,242	(735)
Actelios Solar SpA	Interest rate swap	30.06.2026	EUR	22,768	(11)
Total derivative financial instruments					(36,382)

- Embedded derivatives with a negative fair value at 31 December 2019:

(€ thousands)

Company	Type of derivative	Maturity	Original currency	Notional value	Fair value
Ecosesto SpA	Embedded derivative	31.12.2019	EUR		
Total derivative financial instruments					

Analysis of interest rate and foreign exchange hedges of the Falck Renewables Group at 31 December 2019:

Derivative assets:

(€ thousands)	31.12.2018	Change in scope of consolidation	Change through equity	Change through profit or loss	Other movements	Foreign exchange difference	31.12.2019
Kingsburn Wind Energy Ltd	851		(849)			44	46
Spaldington Airfield Wind Energy Ltd	394		(392)	1		20	23
Kilbraur Wind Energy Ltd	148		(155)	(1)		8	
Earlsburn Mezzanine Ltd	7		(7)				
Earlsburn Wind Energy Ltd	7		(7)				
Millennium Wind Energy Ltd	47		(49)			2	
West Browncastle Wind Energy Ltd	31		(33)			2	
Total IRS	1,485		(1,492)			76	69
Derivatives on Falck Renewables SpA exchange rates	630			(171)			459
Derivatives on Åliden Vind AB exchange rates	5		40	(14)			31
Derivatives on Brattmyrliden Vind AB exchange rates	24		26	(12)			38
Derivatives on Falck Renewables Vind AS exchange rates				57			57
Derivatives on Falck Renewables Wind exchange rates	70			(70)			
Total derivatives on exchange rates	729		66	(210)			585
Derivatives on Falck Next Energy commodities	62		2,833	1,021			3,916
Derivatives on Åliden Vind AB commodities			664				664
Derivatives on commodities Eolica Energia de Castilla			149				149
Derivatives on Falck Renewables Vind commodities			636				636
Total derivatives on commodities	62		4,282	1,021			5,365
Total	2,276		2,856	811		76	6,019

Derivative liabilities:

<i>(€ thousands)</i>	31.12.2018	Change in the scope of consolidation	Change through equity	Change through profit or loss	Other movements	Foreign exchange difference	31.12.2019
Cambrian Wind Energy Ltd	(1)		1				
FRUK Holdings No. 1 Ltd	(206)		(269)	1		(11)	(485)
Earlsburn Mezzanine Ltd			(336)				(336)
Earlsburn Wind Energy Ltd			(28)				(28)
Ben Aketil Wind Energy Ltd	(1,566)		351			(81)	(1,296)
Millennium Wind Energy Ltd	(83)		(185)	30		(3)	(241)
Kilbraur Wind Energy Ltd	(251)		159	57		(11)	(46)
Nutberry Wind Energy Ltd	(1,933)		(69)	5		(99)	(2,096)
West Browncastle Wind Energy Ltd			(1,013)				(1,013)
Kingsburn Wind Energy Ltd							
Spaldington Airfield Wind Energy Ltd							
Assel Valley Wind Energy Ltd	(807)		(1,183)			(41)	(2,031)
Auchrobert Wind Energy Ltd	(335)		(1,541)			(17)	(1,893)
Eolica Sud Srl	(7,089)		1,512				(5,577)
Eolo 3W Minervino Murge Srl	(3,450)		1,022				(2,428)
Geopower Sardegna Srl	(15,230)		1,236	63			(13,931)
Eolica Petralia Srl	(961)		(7)				(968)
Se Ty Ru Sas	(364)		(107)	1			(470)
Parc Eolien du Fouy Sas	(692)		127	10			(555)
Parque Eolien des Cretes Sas	(719)		132	11			(576)
Esquennois Energie Sas	(882)		162	13			(707)
Ferme Eolienne de Noyales SAS		(209)	84	4			(121)
CEP Tramontane 1 SAS		(1,876)	303				(1,573)
Actelios Solar SpA	(2,585)		200	(394)	2,768		(11)
Total IRS	(37,154)	(2,085)	551	(199)	2,768	(263)	(36,382)
Derivatives on Falck Renewables SpA exchange rates	(304)			(1,606)			(1,910)
Derivatives on Åliden Vind AB exchange rates	(133)		162	(47)			(18)
Derivatives on Brattmyrliden Vind AB exchange rates	(702)		543	(64)			(223)
Derivatives on Falck Renewables Vind AS exchange rates	(67)			67			
Derivatives on Falck Renewables Wind exchange rates				(35)			(35)
Total derivatives on exchange rates	(1,206)		705	(1,685)			(2,186)
Derivatives on Falck Next Energy commodities	(1,717)		1,453	264			
Derivatives on Åliden Vind commodities	(77)		77				
Derivatives on commodities Eolica Energia de Castilla			(39)				(39)
Derivatives on Falck Renewables Vind commodities	(92)		92				
Total derivatives on commodities	(1,886)		1,583	264			(39)
Total	(40,246)	(2,085)	2,839	(1,620)	2,768	(263)	(38,607)

Embedded derivatives:

<i>(€ thousands)</i>	31.12.2018	Change in the scope of consolidation	Change through equity	Change through profit or loss	Other movements	Foreign exchange difference	31.12.2019
Ecosesto SpA	(3)			3			
Total embedded derivatives	(3)			3			

A detailed analysis of the composition of financial receivables at 31 December 2019 and 31 December 2018 is shown below:

31.12.2019

<i>(€ thousands)</i>	Fair value	Carrying amount	Current amount	Non-current amount
Receivables from banks for interest accrued and not yet collected	38	38	38	
Receivables from third party shareholders	10,246	10,246	1,741	8,505
Derivative on plant interest rates UK	69	69		69
Foreign exchange derivatives Scandinavian plants	126	126	78	48
Falck Renewables SpA foreign exchange derivative for currency balance	459	459	459	
Derivatives on commodities	5,365	5,365	5,365	
Total	16,303	16,303	7,681	8,622

The item "Receivables from third party shareholders" includes a loan to the minority shareholder of United Kingdom companies.

31.12.2018

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

3.3 Fair value – hierarchy

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

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

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

31.12.2019

<i>(€ thousands)</i>	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		585		585
Derivative contracts on interest rates		69		69
Derivative contracts on commodities		5,216	149	5,365
Financial assets at fair value on the income statement		3,070	100	3,170
Total assets		8,940	249	9,189
Financial liabilities measured at FV				
Forward transactions on foreign currency		2,186		2,186
Derivative contracts on interest rates		36,382		36,382
Derivative contracts on commodities			39	39
Financial liabilities at fair value on the income statement			33,936	33,936
Total liabilities		38,568	33,975	72,543

31.12.2018*

<i>(€ thousands)</i>	Level 1	Level 2	Level 3	Total
Financial assets measured at FV				
Forward transactions on foreign currency		729		729
Derivative contracts on interest rates		1,485		1,485
Derivative contracts on commodities		62		62
Financial assets at fair value on the income statement		2,901	100	3,001
Total assets		5,177	100	5,277
Financial liabilities measured at FV				
Forward transactions on foreign currency		1,206		1,206
Derivative contracts on interest rates		37,157		37,157
Derivative contracts on commodities		1,886		1,886
Financial liabilities at fair value on the income statement			30,131	30,131
Total liabilities		40,249	30,131	70,380

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

Section II: Risks arising from financial instruments

1. Credit risk

1.1 Qualitative disclosures

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk linked with the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparties. In relation to commercial customers, their nature that determines a low level of risk should be highlighted: 91.90% of the exposure to third parties (not related parties) is, in fact, with high-standing national energy suppliers or utilities/off-takers. The degree of concentration of customers is high, however they have a strong credit rating.

The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with leading financial institutions. A summary quantitative indication of the maximum exposure to credit risk is the carrying amount of the financial assets, expressed gross of derivatives with a positive fair value and net of any guarantees.

The Group does not enter into instruments or guarantees to mitigate credit risk; consequently, the disclosures below are not affected by such instruments.

1.2 Quantitative disclosures

The maximum credit risk exposure at 31 December 2019 amounted to €245,471 thousand. It can be broken down as follows:

31.12.2019			
(€ thousands)	Gross	Impairment	Net
Securities and investments	3,170		3,170
Financial receivables	17,753	(1,450)	16,303
Trade receivables	94,676	(1,146)	93,530
Other receivables	5,226	(1,540)	3,686
Cash and cash equivalents	131,232		131,232
Total	252,057	(4,136)	247,921

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

31.12.2018			
(€ thousands)	Gross	Impairment	Net
Securities and investments	3,001		3,001
Financial receivables	15,130	(1,412)	13,718
Trade receivables	99,643	(965)	98,678
Other receivables	5,065	(1,239)	3,826
Cash and cash equivalents	218,188		218,188
Total	341,027	(3,616)	337,411

An analysis of trade receivables at 31 December 2019 and 31 December 2018 by class of customer with the corresponding percentage of total receivables is set out below. This provides a summary indication of the concentration of commercial credit risk.

(€ thousands)

31.12.2019

Customer classes	Total exposure	% exposure by customer class
Energy service providers/utilities/off-takers	87,725	94.82%
Public authorities	77	0.08%
Related parties (excluding Group companies)		0.00%
Other entities	4,719	5.10%
Total trade receivables	92,521	100.00%

(€ thousands)

31.12.2018

Customer classes	Total exposure	% exposure by customer class
Energy service providers/utilities/off-takers	92,043	93.54%
Public authorities	77	0.08%
Related parties (excluding Group companies)		0.00%
Other entities	6,283	6.38%
Total trade receivables	98,403	100.00%

The ageing analysis of trade receivables by class of customer, analysed by the overdue periods used internally to monitor receivables, as at 31 December 2019 and 31 December 2018, is set out below. Balances not yet due at 31 December 2019 and 31 December 2018 are also presented.

(€ thousands)

31.12.2019

Customer classes	Total exposure	Overdue					Total overdue	Not yet due
		0-30	31-60	61-90	91-120	> 120		
Energy service providers/utilities/off-takers	87,725	37,568	299	897	867	758	40,389	47,336
Public authorities	77					77	77	
Related parties (excluding Group companies)								
Other entities	4,719	1,518	129	52	169	324	2,192	2,527
Total trade receivables	92,521	39,086	428	949	1,036	1,159	42,658	49,863

(€ thousands)

31.12.2018

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

2. Liquidity risk

2.1 Qualitative disclosures

Liquidity risk is summarised in the tables below that illustrate the financial liabilities grouped by maturity date. The Falck Renewables Group has a group treasury department that employs a “domestic” cash pooling system between Falck Renewables SpA and all of the Group’s Italian subsidiaries that do not have project financing (entities with project financing may not participate in the pooling system due to the liquidity management and debt restrictions imposed by the contracts).

The Group also carries out netting of opposing balances through the use of specific intercompany corresponding accounts. The Falck Renewables Group prepares an update of the cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by a summary evaluation and commentary.

2.2 Quantitative disclosures

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

31.12.2019

Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
(€ thousands)	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Bank payables	8,387		32,000		40,387
Project financing	76,584	78,260	250,371	266,694	671,909
Trade payables	70,620	2,321			72,941
IFRS 16 leasings	5,012	3,876	10,338	61,595	80,821
Other		534	19,574		20,108
Total	160,603	84,991	312,283	328,289	886,166

31.12.2019

Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
<i>(€ thousands)</i>	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholder loans	2,519	122			2,641
Royalty instruments		13,828			13,828
Other payables	6,828	1,027	1,038		8,893
Total	9,347	14,977	1,038		25,362

31.12.2018*

Analysis of financial liabilities (principal amounts: amounts due by contractual maturity)					
<i>(€ thousands)</i>	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Bank payables	2,786	20			2,806
Project financing	67,676	68,321	235,505	328,863	700,365
Trade payables	48,287	3,585			51,872
Other	1,163	41	19,097		20,301
Total	119,912	71,967	254,602	328,863	775,344

(*) The figures at 31 December 2018 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of Energy Team SpA and Energia Eolica de Castilla SI.

31.12.2018

Analysis of financial liabilities (principal amounts: amounts due by estimated contractual maturity)					
<i>(€ thousands)</i>	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholder loans	3,479	1,357			4,836
Royalty instruments				10,362	10,362
Other payables	20,370	2,517	1,755		24,642
Total	23,849	3,874	1,755	10,362	39,840

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

Since contract interest rates on listed loans are all floating, quarterly or 6-month, and closely linked to Euribor rates (for Euro area companies) and Libor (for UK companies), the amounts were calculated considering implicit rates in the swap rate curve compared to Euribor and Libor rates as at 31 December 2019. Therefore, the simplified hypothesis that quarterly and 6-month interest payments would have the same start and end dates for various loans was introduced.

The estimated value of the differentials relating to derivative financial instruments held at 31 December 2019 was calculated. The estimated differentials were calculated applying the implicit forward rates in the zero coupon curve at 31 December 2019 without discounting cash flows. In this case a detailed analysis of each derivative instrument held was performed.

31.12.2019

Analysis of financial liabilities (estimated flows on contractual basis: interest costs plus IRS differentials)					
(€ thousands)	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Differential IRS	10,048	8,433	14,231	4,504	37,216
Bank payables	508	1,292	4,002		5,802
Project financing	12,808	11,505	28,207	31,503	84,023
Total	23,364	21,230	46,440	36,007	127,041

31.12.2019

Analysis of financial liabilities (estimated flows on "estimated" contractual basis: interest costs)					
(€ thousands)	< 12 months	1 - 2 years	2 - 5 years	> 5 years	Total
Shareholder loans	10				10
Total	10				10

31.12.2018

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

31.12.2018

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

3. Market risk

3.1 Interest rate risk

3.1.1 Qualitative disclosures

The Falck Renewables Group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, it follows well-established procedures aimed at monitoring risk and that avoid undertaking transactions of a speculative nature. The type and suitability of hedging instruments is evaluated for each specific case in consideration of the amount of exposure and current financial market conditions.

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

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

Firstly, the effect on profit for the year was determined applying a different yield curve to that used at the reporting date. For the Falck Renewables Group this means recalculating the fair value of the derivative instruments and charging directly to the income statement the difference between the simulated fair value and the value at the year-end. This provides both the portfolio risk on derivatives held at the balance sheet date and the related effect on profit/(loss) for the year.

The analyses were performed taking into consideration investments valued using the equity method as the impact of interest rate fluctuations on financial performance and the financial position of these entities impact consolidated profit for the year and total equity. These analyses did not include Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI (in which 26% interests are held) as the net equity of these companies included in the consolidated financial statements at 31.12.2019 was negative, and any changes applied would not be sufficient to give rise to them being included in the Group’s consolidated financial statements.

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

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

As already noted the change in fair value of each derivative instrument held at 31 December 2019, together with the related impact on profit for the year, was calculated for each scenario. The impact on profit arising from changes in finance income and costs was also calculated for each scenario. The tables below illustrate the outcome of these analyses.

Given the current market situation and the potential rise in interest rates, an increase of 50 basis points and a decrease of 15 basis points were applied.

An increase of 50 basis points would have resulted in a positive impact on profit of approximately 0.15%, while a decrease of 15 basis points would have determined a negative impact on profit for the year of approximately 0.04%.

3.1.2 Quantitative disclosures

- Scenario Euribor/Libor +50 bp

Derivatives impact

Scenario I: Euribor/Libor + 50 bp

	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
FRUK Holdings (no. 1) Ltd Loan	Hedge Accounting	(485)	(158)	327	327		0.00%		(56)	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	(336)	35	371	371		0.00%		(63)	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	(28)	7	35	35		0.00%		(6)	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(1,296)	(1,175)	121	121		0.00%		(21)	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(241)	72	313	313		0.00%		(53)	0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(46)	125	171	171		0.00%		(29)	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(2,096)	(1,656)	440	440		0.00%		(75)	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	(1,013)	128	1,141	1,141		0.00%		(194)	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	46	956	910	910		0.00%		(155)	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	23	441	418	418		0.00%		(71)	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(2,031)	(648)	1,383	1,383		0.00%		(235)	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(1,893)	(158)	1,735	1,735		0.00%		(295)	0.00%
Eolica Sud Srl	Hedge Accounting	(5,577)	(4,957)	620	620		0.00%		(149)	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(2,428)	(2,197)	231	231		0.00%		(55)	0.00%
Geopower Sardegna Srl	Hedge Accounting	(13,931)	(11,981)	1,950	1,950		0.00%		(468)	0.00%
Eolica Petralia Srl	Hedge Accounting	(968)	(762)	206	206		0.00%		(49)	0.00%
SE Ty-Ru Sas	Hedge Accounting	(470)	(413)	57	57		0.00%		(14)	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(555)	(496)	59	59		0.00%		(15)	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(576)	(515)	61	61		0.00%		(15)	0.00%
Esquennois Energie Sas	Hedge Accounting	(707)	(631)	76	76		0.00%		(19)	0.00%
Ferme Eolienne de Noyales SAS	Hedge Accounting	(121)	(121)				0.00%		(0)	0.00%
CEP Tramontane 1 S.A.S.	Hedge Accounting	(1,573)	(1,338)	235	235		0.00%		(73)	0.00%
Actelios Solar SpA	Hedge Accounting	(11)	548	559	559		0.00%		(134)	0.00%
Total companies consolidated line-by-line		(36,313)	(24,895)	11,418	11,418		0.00%		(2,244)	0.00%
Frullo Energia Ambiente Srl	Hedge Accounting						0.00%			0.00%
Total companies consolidated with the equity method							0.00%			0.00%
Total		(36,313)	(24,895)	11,418	11,418		0.00%		(2,244)	0.00%

Total impact

Scenario I: Euribor/Libor + 50 bp

(€ thousands)	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS
Impact of change in fair value of derivatives	11,418	(2,244)	9,174		0.00%	
Impact on finance costs and IRS differentials (*)				(809)	-1.04%	194
Impact on financial income and IRS differentials (*)				928	1.19%	(223)
Total	11,418	(2,244)	9,174	119	0.15%	(29)

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies, 25%, 28% and 31% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

• Scenario Euribor/Libor -15 bp

Derivatives impact

Scenario II: Euribor/Libor - 15 bp

	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
FRUK Holdings (no. 1) Ltd Loan	Hedge Accounting	(485)	(583)	(98)	(98)		0.00%		17	0.00%
Earlsburn Mezzanine Ltd	Hedge Accounting	(336)	(447)	(111)	(111)		0.00%		19	0.00%
Earlsburn Wind Energy Ltd	Hedge Accounting	(28)	(38)	(10)	(10)		0.00%		2	0.00%
Ben Aketil Wind Energy Ltd	Hedge Accounting	(1,296)	(1,332)	(36)	(36)		0.00%		6	0.00%
Millennium Wind Energy Ltd	Hedge Accounting	(241)	(335)	(94)	(94)		0.00%		16	0.00%
Kilbraur Wind Energy Ltd	Hedge Accounting	(46)	(97)	(51)	(51)		0.00%		9	0.00%
Nutberry Wind Energy Ltd	Hedge Accounting	(2,096)	(2,228)	(132)	(132)		0.00%		22	0.00%
West Browncastle Wind Energy Ltd	Hedge Accounting	(1,013)	(1,355)	(342)	(342)		0.00%		58	0.00%
Kingsburn Wind Energy Ltd	Hedge Accounting	46	(227)	(273)	(273)		0.00%		46	0.00%
Spaldington Airfield Wind Energy Ltd	Hedge Accounting	23	(103)	(126)	(126)		0.00%		21	0.00%
Assel Valley Wind Energy Ltd	Hedge Accounting	(2,031)	(2,446)	(415)	(415)		0.00%		71	0.00%
Auchrobert Wind Energy Ltd	Hedge Accounting	(1,893)	(2,414)	(521)	(521)		0.00%		89	0.00%
Eolica Sud Srl	Hedge Accounting	(5,577)	(5,763)	(186)	(186)		0.00%		45	0.00%
Eolo 3W Minervino Murge Srl	Hedge Accounting	(2,428)	(2,497)	(69)	(69)		0.00%		17	0.00%
Geopower Sardegna Srl	Hedge Accounting	(13,931)	(14,288)	(357)	(357)		0.00%		86	0.00%
Eolica Petralia Srl	Hedge Accounting	(968)	(1,030)	(62)	(62)		0.00%		15	0.00%
SE Ty-Ru Sas	Hedge Accounting	(470)	(453)	17	17		0.00%		(4)	0.00%
Parc Eolien du Fouy Sas	Hedge Accounting	(555)	(573)	(18)	(18)		0.00%		4	0.00%
Parc Eolien des Crêtes Sas	Hedge Accounting	(576)	(594)	(18)	(18)		0.00%		5	0.00%
Esquennois Energie Sas	Hedge Accounting	(707)	(730)	(23)	(23)		0.00%		6	0.00%
Ferme Eolienne de Noyales SAS	Hedge Accounting	(121)	(121)				0.00%			0.00%
CEP Tramontane 1 S.A.S.	Hedge Accounting	(1,573)	(1,643)	(70)	(70)		0.00%		22	0.00%
Actelios Solar SpA	Hedge Accounting	(11)	(179)	(168)	(168)		0.00%		40	0.00%
Total companies consolidated line-by-line		(36,313)	(39,476)	(3,163)	(3,163)		0.00%		610	0.00%
Frullo Energia Ambiente Srl	Hedge Accounting						0.00%			0.00%
Total companies consolidated with the equity method							0.00%			0.00%
Total		(36,313)	(39,476)	(3,163)	(3,163)		0.00%		610	0.00%

Total impact

Scenario II: Euribor/Libor - 15 bp

(€ thousands)	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS
Impact of change in fair value of derivatives	(3,163)	610	(2,553)		0.00%	
Impact on finance costs and IRS differentials (*)				243	0.31%	(58)
Impact on financial income and IRS differentials (*)				(278)	-0.35%	67
Total	(3,163)	610	(2,553)	(35)	-0.04%	9

(*) The tax effect on derivatives was calculated applying the following rates: 24% for Italian companies, 17% for UK companies, 25%, 28% and 31% for French companies and 25% for Spanish companies. A tax rate of 24% was applied to calculate the tax effect on finance income and costs.

3.2 Foreign exchange risk

3.2.1 Qualitative disclosures

Foreign exchange risk arises on the Group's operations outside the "Eurozone" (UK, US, Norway, Sweden, and to a lesser extent Japan, Bulgaria and Mexico).

The Group's foreign exchange risk management policy, in line with the financial instruments accounting management policy, involves monitoring the foreign exchange balance to identify exposure and stipulate currency forward contracts where necessary. Currency forward transactions are entered into as new inter-company balances arise in order to maintain each company's and the Group's foreign exchange balance.

The Group mitigates foreign exchange risk on intercompany financial receivables and payables in currencies other than the functional currency through *plain vanilla* transactions, such as forward currency purchase/sale contracts. In this specific case, Falck Renewables SpA hedges the exchange rate risk on financial payables in GBP to the subsidiary Falck Renewables Wind Ltd, which in turn hedges its financial receivable in EUR from Falck Renewables SpA. In addition, Falck Renewables SpA hedges the exchange rate risk on financial payables due to its subsidiaries in Sweden, Norway and Japan denominated in Swedish kronor, Norwegian kronor and yen respectively, and the exchange rate risk on financial receivables in US dollars due from the subsidiary Falck Renewables North America Inc.

These same hedging transactions may be used for significant asset and services purchase contracts in foreign currencies other than the functional currency. Specifically, at 31 December 2019, there were foreign exchange transactions in place to hedge the risk of fluctuations in the exchange rates on purchases of facilities under construction and operating facilities by companies in Sweden and Norway, in Swedish kronor and Norwegian kronor respectively, which use the euro as their functional currency.

With regard to the major currencies other than the €, the Falck Renewables Group exposure to foreign exchange fluctuations was measured by performing a sensitivity analysis to determine the impact of fluctuations in exchange rates on the balances denominated in foreign currencies of all Group companies at 31 December 2019. A brief description of the method used to perform the sensitivity analyses and the results are provided below.

The analyses were performed assuming two scenarios, a 10% appreciation/depreciation in the spot rate between the exchange rate in which the amount is denominated and the reporting currency.

In the case of the Falck Renewables Group, this involved:

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

The Parent Company's financial payables to its subsidiaries in sterling, Swedish kronor and Norwegian kronor and in yen, and financial receivables due from Falck Renewables North America Inc in US dollars, as described in greater detail above, were not included in the analysis as the change in exchange rates on these items at year-end is offset by the change in the fair value of the derivative financial instruments specifically entered into to hedge the currency balance of the companies involved and this change is also recognised in the income statement under net financial expense.

Moreover, the analysis does not include the trade payables of companies under construction in Sweden and Norway, since they are covered by specific contracts using financial derivative instruments on exchange rates.

The simulations carried out show that a 10% increase in the value of foreign currency items compared to the reporting currency would have had an impact on the balance of foreign currency items and, consequently, on the consolidated pre-tax result as a negative exchange difference of €217 thousand. A 10% depreciation of the item in foreign currency against the reporting currency would have had an impact on the balance and, consequently, on the pre-tax result as a positive exchange difference of €217 thousand.

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

3.2.2 Quantitative disclosures

- **Scenario exchange rates + 10%**

Scenario I: + 10% exchange range change

<i>(€ thousands)</i>	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				(217)	-0.34%	(41)	(176)
Total				(217)	-0.34%	(41)	(176)

(*) The calculation of the tax effect on derivatives is based on the Group's weighted average tax rate of 18.96%.

- Scenario exchange rates - 10%

Scenario II: - 10% exchange range change

<i>(€ thousands)</i>	Change BS	Tax effect on BS	Net impact BS	Change IS	% on profit before tax	Tax effect on change in IS	Net impact IS
Impact of change in fair value of derivatives							
Impact on exchange differences (*)				217	0.34%	41	176
Total				217	0.34%	41	176

(*) The calculation of the tax effect on derivatives is based on the Group's weighted average tax rate of 18.96%.

3.3 Price risk on energy commodities

3.3.1 Qualitative disclosures

The price risk on energy commodities is understood as the possibility that fluctuations in the market prices of energy materials could produce significant variations in revenues compared with a certain amount established during the economic planning phase.

In accordance with the provisions of the Group's Energy Risk Policy, the Group's price risk management activity consists of stabilizing revenues by executing forward sales contracts (so-called "commodity swaps") with qualified banks.

These transactions are treated in accordance with hedge accounting rules when there is a correlation between the hedging instruments used and the energy portfolio managed by the Group.

A brief description of the method used to perform the sensitivity analyses and the results are provided below. For this purpose, two scenarios were considered that respectively reflect a 10% appreciation and a 10% depreciation of the forward energy price at each date the hedge was put in place.

In the case of the Falck Renewables Group, this is equivalent to recalculating the fair value of cash flow hedge derivatives and transferring the difference between the simulated and actual fair value at the end of the period directly to equity. This shows both the risk of the portfolio of derivative products outstanding at the end of the period and their impact on shareholders' equity.

3.3.2 Quantitative disclosures

- Scenario commodity prices + 10%

Scenario I: + 10% change in commodity prices

Market	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Italy	Hedge Accounting	3,866	2,518	(1,348)	(1,348)		0.00%		324	0.00%
Sweden	Hedge Accounting	664	301	(363)	(363)		0.00%		75	0.00%
Norway	Hedge Accounting	636	271	(365)	(365)		0.00%		80	0.00%
Spain	Hedge Accounting	111	(853)	(964)	(964)		0.00%		241	0.00%
Total		5,277	2,237	(3,040)	(3,040)		0.00%		720	0.00%

(*) For the calculation of the tax effect on derivatives, the tax rate of 24% for Italy, 20.60% for Sweden, 22% for Norway and 25% for Spain was used.

- Scenario commodity prices - 10%

Scenario I: - 10% change in commodity prices

Market	Accounting treatment	Base value	Scenario value	Change FV	Change BS	Change IS	% on profit before tax	Tax effect on change in FV to IS	Tax effect on change in FV to BS	% of profit for the year
Italy	Hedge Accounting	3,866	5,214	1,348	1,348		0.00%		(324)	0.00%
Sweden	Hedge Accounting	664	1,027	363	363		0.00%		(75)	0.00%
Norway	Hedge Accounting	636	1,001	365	365		0.00%		(80)	0.00%
Spain	Hedge Accounting	111	1,075	964	964		0.00%		(241)	0.00%
Total		5,277	8,317	3,040	3,040		0.00%		(720)	0.00%

(*) For the calculation of the tax effect on derivatives, the tax rate of 24% for Italy, 20.60% for Sweden, 22% for Norway and 25% for Spain was used.

7

**Supplementary information to the consolidated
financial statements**

7.1 List of investments in subsidiaries and associates

Companies consolidated applying the line-by-line method

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent company
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
Big Fish Spv Srl	Milan (Mi)	EUR	1,760,000	70.000		
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
Brattmyrleden Vind AB	Malmö (Sweden)	GBP	3,000	100.000		
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	FRUK Holdings (No.1) Ltd
CEP Tramontane 1 Sas	Paris (France)	EUR	3,559,700		100.000	Falck Energies Renouvelables Sas
CEF Vento SAS	Paris (France)	EUR	12,614,619		100.000	Falck Energies Renouvelables Sas
Energy Aggregator Consortium	Milan (Mi)	EUR	7,800		51.280	Falck Next Srl
Energy Cloud Consortium	Milan (Mi)	EUR	7,200		82.190	Falck Next Srl
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000		51.000	Falck Renewables Wind Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Earlsburn Mezzanine Ltd
Ecosesto SpA	Rende (CS)	EUR	5,120,000	100.000		
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (MI)	EUR	245,350	100.000		
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	132,000		50.000	Falck Renewables Wind Ltd
Energia Eolica de Castilla SL	Madrid (Spain)	EUR	3,200	49.000		
Energy 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 Next Energy UK Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Falck Next Energy Srl	Sesto S. Giovanni (MI)	EUR	1,010,000	100.000		
Falck Nuo Spain SI	Madrid (Spain)	EUR	3,600		100.000	NUO Srl
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

(*) The class B shares guarantee the control of the company, while class A shares belonging to Firstar Development Llc attribute protective rights.

Companies consolidated applying the line-by-line method

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent company
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	21,499,500	80.000		
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
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
Iron SPV Srl	Milan (Mi)	EUR	10,000	70.000		
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
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			100.000	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
NUO Srl	Sesto S. Giovanni (Mi)	EUR	10,000	100.000		
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'Illois 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 SAS

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

Companies consolidated applying the line-by-line method continued

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent company
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 SAS
Parc Eolien du Bois Ballay SAS	Paris (France)	EUR	1,235,000		100.000	CEP Tramontane 1 SAS
Parc Eolien du Fouy Sas	Rennes (France)	EUR	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	3,364,264		87.180	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	EUR	5,430,000	85.000		
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100		100.000	Vector Cuatro SLU
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
Sol Occidental Slu	Madrid (Spain)	EUR	3,000	100.000		
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	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 ScpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	4,679,829		99.940	Elettroambiente SpA
VC Renewables AB	Malmö (Sweden)	SEK	50,000		100.000	Vector Cuatro SLU
Vector Cuatro Australia Pty Ltd	Sydney (Australia)	AUD	1		100.000	Vector Cuatro SLU
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	100.000		
Vector Cuatro Srl	Sesto S. Giovanni (Mi)	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 México SA de CV	Miguel Hidalgo DF (Mexico)	MXN	2,066,000		99.95	Vector Cuatro SLU
					0.05	PVDiagnosis Fotovoltaica SLU
Vector Cuatro UK Ltd	London (UK)	GBP	190,000		100.000	Vector Cuatro SLU
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Windfor Srl	Milan (Mi)	EUR	10,400		100.000	Vector Cuatro Srl

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

Companies consolidated using the equity method

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Parent company
Fruilo Energia Ambiente Srl	Bologna	EUR	17,139,100	49.000		
Naturalis Energy Developments Ltd	London (UK)	GBP	100		70.000	Falck Renewables Wind Limited
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	EUR	10,000		50.000	Parque Eolico La Carracha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha Sl	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta Sl	Zaragoza (Spain)	EUR	100,000		26.000	Falck Renewables Wind Ltd
Vector Cuatro Servicios SL	Madrid (Spain)	EUR	30,000		50.000	Vector Cuatro SLU

8

Falck Renewables SpA

separate financial statements at 31 December 2019

8.1 Financial Statement

		31.12.2019	31.12.2018			
(€ thousands)	Notes		of which related parties	of which related parties		
Assets						
A Non-current assets						
1	Intangible assets	(1)	7,777	2,097		
2	Property, plant and equipment	(2)	2,648	303		
3	Investments and securities	(3)	621,356	536,675		
4	Trade receivables	(5)				
5	Medium/long-term financial receivables	(4)	34,471	34,423	51,836	51,836
6	Deferred tax assets	(7)	623	819		
7	Other receivables	(6)	1,658	2,352		
Total			668,533	594,082		
B Current assets						
1	Inventories	(8)				
2	Trade receivables	(5)	7,697	7,603	7,962	7,907
3	Other receivables	(6)	71,442	65,667	14,674	12,940
4	Financial receivables	(4)	54,925	54,350	28,878	27,956
5	Securities					
6	Cash and cash equivalents	(9)	3,043		92,693	
Total			137,107	144,207		
C Non-current assets held for sale						
Total assets			805,640	738,289		
Liabilities						
D Equity						
1	Share capital		291,414	291,414		
2	Reserves		150,415	150,029		
3	Retained earnings		47,240	28,491		
4	Profit for the period		27,314	36,969		
Total equity		(10)	516,383	506,903		
E Non-current liabilities						
1	Medium/long-term financial liabilities	(13)	52,593	48	18,842	
2	Other payables	(15)	219		1,834	
3	Deferred tax liabilities					
4	Provisions for risks and charges	(11)	6,540		5,804	
5	Staff leaving indemnity	(12)	1,505		1,347	
Total			60,857	27,827		
F Current liabilities						
1	Trade payables	(14)	12,415	4,202	9,714	4,766
2	Other payables	(15)	11,576	2,529	19,928	58
3	Short-term financial liabilities	(13)	204,409	193,758	173,917	172,846
4	Provisions for risks and charges					
Total			228,400	203,559		
G Liabilities attributable to Non-current assets held for sale						
Total liabilities			805,640	738,289		

No significant non-recurring transactions occurred during 2019.
Related party transactions are disclosed on page 233.

8.2 Income statement

(€ thousands)	Notes	2019		2018	
			<i>of which related parties</i>		<i>of which related parties</i>
A Revenues	(16)	88		126	22
Direct costs	(18)				
Staff expenses	(17)	(12,200)		(11,695)	
Other income	(19)	8,589	7,783	6,209	5,787
Administrative expenses	(20)	(22,886)	(6,575)	(14,887)	(4,108)
B Operating profit/(loss)		(26,409)		(20,247)	
Financial income/(expenses)	(21)	2,681	3,425	4,280	4,549
Investment income and expenses	(22)	46,185	46,148	48,087	48,090
C Profit/(loss) before tax		22,457		32,120	
Income tax expense	(23)	4,857		4,849	
D Profit/(loss) for the period		27,314		36,969	

No significant non-recurring transactions occurred during 2019.
Related party transactions are disclosed on page 242.

8.3 Consolidated statement of income

		2019			2018		
<i>(€ thousands)</i>		Gross	Tax	Net	Gross	Tax	Net
A	Profit for the period	22,457	4,857	27,314	32,120	4,849	36,969
	Other items of comprehensive income						
	<i>Other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the period net of tax</i>						
	Foreign exchange differences on translation of overseas financial statements						
	Fair value adjustment of available-for-sale financial assets				139	(34)	105
	Fair value adjustments of derivatives designated as cash flow hedges						
B	Total other items of comprehensive income that will be subsequently reclassified to profit/(loss) for the period net of tax				139	(34)	105
	<i>Other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of tax</i>						
	Balance of actuarial gains/(losses) on employee defined benefit plans	(70)		(70)	92		92
C	Total other items of comprehensive income that will not be subsequently reclassified to profit/(loss) for the period net of tax	(70)		(70)	92		92
B+C	Other comprehensive income/(loss)	(70)		(70)	231	(34)	197
A+B+C	Total comprehensive income/(loss)	22,387	4,857	27,244	32,351	4,815	37,166

8.4 Statement of cash flows

Notes	2019		2018	
			of which related parties	of which related parties
(€ thousands)				
Profit for the period		27,314		36,969
Adjusted for:				
Amortisation of intangible assets	(20)	418		352
Depreciation of property, plant and equipment	(20)	968		120
Staff leaving indemnity provision	(12)	474		486
Fair value of investments and other securities	(22)	(4,079)	(4,079)	1,148
Financial income	(21)	(32,846)	(4,739)	(14,730)
Financial charges	(21)	30,165	1,314	10,450
Dividends	(22)	(42,106)	(42,609)	(49,235)
Share of profit of investments valued using equity method				
(Gains)/losses on disposal of intangible assets				
(Gains)/losses on disposal of property, plant and equipment				
Other changes	(20-10)	523		206
Income tax (income statement)	(23)	(4,857)		(4,849)
Operating profit (loss) before changes in net working capital and provisions		(24,026)		(19,083)
Change in inventories				
Change in trade receivables	(5)	473		(436)
Change in trade payables	(14)	2,701		2,774
Change in other receivables/payables		(47,972)		(1,531)
Net change in provisions	(11)	736		(2,554)
Change in personnel payables - staff leaving indemnity paid during year	(12)	(259)		(495)
Cash flow provided by operating activities		(68,347)		(21,325)
Interest paid		(28,953)	(1,314)	(9,853)
Tax paid/collected		4,789		5,849
Cash flow provided by operating activities		(92,511)		(25,329)
Cash flow from investing activities				
Dividends		41,796	41,796	47,184
Proceeds from sale of property, plant and equipment		120		47,177
Proceeds from sale of intangible assets				
Proceeds from sale of investment activities				
Purchases of intangible assets	(1)	(5,582)		(1,193)
Purchases of property, plant and equipment	(2)	(1,015)		(172)
Purchase and capital contributions to equity investments and business units	(3)	(97,921)	(97,921)	(74,427)
Sale of investments net of costs incurred		1,040		508
Own shares purchased	(10)			(1,486)
Interest received		32,650	4,739	14,494
Acquisition of subsidiaries and business units, net of cash				5,344
Change in the scope of consolidation				
Net cash flow from investing activities		(28,912)		(15,092)
Cash flow from financing activities				
Dividends paid	(10)	(18,220)	(11,340)	(15,365)
Proceeds from share capital increase and capital contribution net of expenses				
Change in the scope of consolidation				
Expenses on capital transactions				
Proceeds from borrowings				
Net change in financial receivables	(4-13)	50,982	8,619	17,955
Repayment of borrowings		(989)		
Net cash flow from financing activities		31,773		2,590
Net increase in cash and cash equivalents		(89,650)		(37,831)
Cash and cash equivalents at 31 December 2018		92,693		130,524
Translation (loss)/gain on cash and cash equivalents				
Cash and cash equivalents at 31 December 2019		3,043		92,693

8.5 Statement of changes in equity

<i>(€ thousands)</i>	Share capital	Reserves	Profit for the period	Total equity
31.12.2017	291,414	167,080	27,850	486,344
Appropriation of 2017 profit		27,850	(27,850)	
Dividends paid		(15,365)		(15,365)
Purchase of own shares		(1,486)		(1,486)
Other movements		124		124
Share schemes		317		317
Profit for the period at 31 December 2018			36,969	36,969
31.12.2018	291,414	178,520	36,969	506,903
Appropriation of 2018 profit		36,969	(36,969)	
Dividends paid		(18,220)		(18,220)
Other movements		(70)		(70)
Share schemes		456		456
Profit for the period at 31 December 2019			27,314	27,314
31.12.2019	291,414	197,655	27,314	516,383

8.6 Notes to the financial statements

Direction and coordination activities

In accordance with article 2497 bis, paragraph 4 of the Italian Civil Code, the key information from the latest approved financial statements of Falck SpA (31 December 2018) is disclosed, due to the fact that the latter performs direction and coordination activities.

For a full and better understanding of the financial position of Falck SpA at 31 December 2018, and the profit for the year then ended, reference should be made to its financial statements complete with the independent auditors' report, which are available at the parent company's registered offices and on its website www.falck.it.

BALANCE SHEET

(€ thousands)

	31.12.2018	31.12.2017
A) SHARE CAPITAL SUBSCRIBED AND NOT YET PAID		
B) FIXED ASSETS		
I. Intangible assets	684	399
II. Property, plant and equipment	4	4
III. Financial assets		
1 Shareholdings	335,441	336,672
2 Receivables		149
3 Other securities		
4 Active financial instruments		
Total financial fixed assets	335,441	336,821
TOTAL FIXED ASSETS	336,130	337,224
C) CURRENT ASSETS		
I. Inventories		
II. Receivables		
1 Trade receivables		
2 Due from subsidiaries	7,402	9,256
3 Due from associates		
4 Due from parent company		
5 Due from subsidiaries of subsidiaries		
5-bis Tax credits	9,414	6,867
5-ter Deferred tax assets	55	76
5-quater Due from others	12	148
Total receivables	16,883	16,347
III. Financial assets not considered as fixed assets		
1 Investments in subsidiaries		
2 Investments in associates		
3 Investments in other companies		
4 Own shares		
5 Other securities		
6 Bills receivable		
Total Short-term investments		
IV. Cash and cash equivalents	472	644
TOTAL CURRENT ASSETS	17,355	16,991
D) ACCRUED INCOME AND PREPAYMENTS		7
TOTAL ASSETS	353,485	354,222
A) SHAREHOLDERS' EQUITY		
I. Share capital	72,793	72,793
II. Share premium reserve	35,609	35,609
III. Revaluation reserves		
IV. Legal reserve	14,559	14,559
V. Statutory reserves		
VI. Other reserves	19,409	19,409
VII. Reserve for hedging forecast financial flows	(87)	(5)
VIII. Retained earnings (Losses carried forward)	102,021	98,274
IX. Profit/(loss) for the year	5,173	5,724
X. Negative own shares reserve	(12,196)	(12,196)
TOTAL SHAREHOLDERS' EQUITY	237,281	234,167
B) TOTAL PROVISIONS FOR RISKS AND CHARGES	21,117	20,633
C) EMPLOYEES' SEVERANCE INDEMNITY	101	92
D) PAYABLES		
1 Bonds and debenture loans		
2 Convertible bonds debenture loans	31,183	31,183
3 Amounts due to shareholders for loans		
4 Amounts due to banks	51,615	56,507
5 Amount owed to other financial creditors		
6 Advance payments received		
7 Trade payables	1,365	1,173
8 Bills payable		
9 Amounts due to subsidiary companies	9,624	9,179
10 Amounts due to associated companies		
11 Amounts due to parent company		
12-14 Amounts due to the tax authorities	1,005	1,075
15 Amounts due to Group companies		
TOTAL PAYABLES	94,791	99,117
E) ACCRUED LIABILITIES AND DEFERRED INCOME	194	213
TOTAL LIABILITIES	353,485	354,222

INCOME STATEMENT

(€ thousands)

	31.12.2018	31.12.2017
Value of production		
Revenues from sales and services	1,109	780
Changes in inventories of work in progress, semi-finished and finished products		
Change in contract work in progress		
Capitalised internal work		
Other revenues and income	46	210
Total value of production	1,155	990
Cost of production		
Raw materials, subsidiary materials, consumables and goods	(2)	
Services	(1,765)	(1,334)
Rentals and leasing charges	(21)	(8)
Employee costs	(170)	(163)
Amortisation, depreciation and impairments	(231)	(197)
Changes in inventories of raw materials, consumables and goods		
Provisions for risks	(766)	(350)
Other provisions		
Other operating charges	(541)	(83)
Total cost of production	(3,496)	(2,135)
Difference between value and cost of production	(2,341)	(1,145)
Financial income/(expenses)		
Income from investments	9,758	8,576
Other financial income	70	94
Other financial expenses	(1,957)	(1,980)
Exchange gains and losses		
Total financial income/(expenses)	7,871	6,690
Value adjustments of financial assets	(1,231)	(238)
Extraordinary income and expenses		
Profit for the year before taxation	4,299	5,307
Tax on profit for the year	874	417
Profit for the period	5,173	5,724

8.6.1 Accounting policies

The valuation and measurement of financial information for the year ended 31 December 2019 have been based on the IAS/IFRS currently in force and their related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The Company's separate financial statements are prepared in € and all values are rounded to thousands of € except where otherwise indicated.

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

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

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

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

The financial statements have been prepared in accordance with "International Financial Reporting Standards - IFRS" issued by the International Financial Reporting Standards Board, based on the documents published in the European Community's Official Gazette (ECOG).

The accounting standards adopted for the preparation of the financial statements comply with those used for the preparation of the financial statements at 31 December 2018, except for the adoption of the new standards, amendments and interpretations in force since 1 January 2019 which do not have a significant impact on the Company's financial statements.

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".

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

- an increase of €1,833 thousand in Assets for rights of use at 1 January 2019 and €1,823 thousand in Financial liabilities for operating leases. At 31 December 2019, assets for rights of use amounted to €1,975 thousand and financial liabilities for operating leases to €1,916 thousand;
- lower operating lease payments for 2019 of €1,074 thousand with a corresponding improvement in EBITDA;
- higher amortisation and depreciation for the year 2019 for the above mentioned rights of use for €959 thousand with an improvement in the operating result of about €115 thousand;
- higher financial charges in 2019 for €14 thousand;
- the effect on the net result is positive for €71 thousand.

Please refer to the consolidated financial statements for details of the impact of the recently issued accounting standards.

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

Fair value measurement

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

Fair value is the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

Fair value measurement assumes that a transaction takes place:

- (a) in the principal market for the asset or liability; or
- (b) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the company.

The fair value of an asset or liability is measured adopting the assumptions that market participants would use to determine the price of the asset or liability, presuming that they act in such a way as to satisfy their financial interest.

The fair value measurement of non-financial assets considers the ability of a market participant to generate economic benefits consistent with its highest and best use or from the sale to another market participant that would use it to its highest or best use.

The Company employs measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets and liabilities for which fair value is determined or disclosed in the financial statements are categorised based on the fair value hierarchy as set out below:

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

The fair value measurement is classified in its entirety in the level of the lowest level input that is significant to the entire measurement.

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

Intangible assets

An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured.

Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over their estimated useful economic life.

Intangible assets with a finite useful life are classified at cost net of accumulated amortisation and any impairment losses. The amortisation is parameterised to the period of their estimated useful life and starts when the asset is available for use.

Intangible assets are tested annually for impairment. In accordance with IAS 36 the carrying amount of assets is reviewed for impairment whenever there is an indication that it may not be recoverable. Assets are disclosed net of any recognised impairment losses.

Intangible assets also include “industrial patent rights” that comprise costs incurred for the automation and mechanisation of the information systems that are subject to an amortisation rate of 20%.

Property, plant and equipment

Falck Renewables SpA opted for the cost method in preparing the first IAS/IFRS financial statements, as prescribed by IFRS 1. As a result, with regard to property, plant and equipment, the Company has preferred not to adopt the fair value approach.

Property, plant and equipment is recorded at acquisition or production cost including directly attributable costs.

Property, plant and equipment is valued at cost, net of depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less impairment losses.

In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach).

The depreciation rates applied represent the estimated useful life of the assets.

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

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

These rates are applied based on months of actual use with regard to assets that come into use during the year. Ordinary maintenance costs are charged to expenses in the year in which they are incurred.

Maintenance costs that increase the future economic benefits derived from the assets are capitalised on the related asset and depreciated over the residual useful life.

Borrowing costs for the construction of a plant or its acquisition are capitalised up until the moment in which the asset is ready for use in the production process.

Impairment of assets

In the presence of circumstances that potentially indicate a loss in value, impairment tests are conducted on tangible and intangible assets that have an indefinite useful life, by estimating the recoverable amount of the asset and comparing it with the related net book value. The recoverable value of an asset or CGU is the greater of value in use and fair value less cost of disposal. If the recoverable value is lower than the book value, the latter is consequently reduced. This reduction represents a loss in value, which is charged to the income statement.

When there is an indication that an impairment loss recognised in a previous accounting period is no longer required, the carrying value is restated to the new estimated recoverable value which may not exceed the carrying value that would have been recognised had the original impairment not occurred. The value reversal is also recorded in the income statement.

Securities and investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are valued at cost. Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover

these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

Investments in other companies and other investments

In accordance with IFRS 9 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value with the exception of those circumstances in which market price or fair value cannot be determined, in which case the cost method is applied.

Gains and losses arising on adjustments to value are recognised as a specific reserve within equity. Where impairment losses exist or in the event of disposal of the related asset, the gains and losses recorded in equity up until this point are recycled to the income statement. Investments held for sale are measured at fair value with any adjustment recognised in the income statement.

Cost is reduced for any indication of impairment where investments have recorded losses and no profits are foreseeable in the near future to cover these losses; the original value may be restated in subsequent accounting periods in the event that the circumstances that gave rise to the impairment no longer exist.

Financial assets

Classification

In accordance with IFRS 9 and IAS 32, financial assets are classified into the following four categories:

1. Financial assets 'at fair value through profit or loss';
2. Held-to-maturity investments;
3. Loans and financial receivables similar to loans;
4. Available-for-sale financial assets.

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

Financial assets 'at fair value through profit or loss'

This category has two sub-categories:

1. Financial assets held for trading;
2. Financial assets designated to the fair value category on initial recognition. This category includes all financial investments other than equity instruments that are not quoted in an active market but for which a fair value may be reliably measured.

Financial instruments, with the exception of hedge instruments, are included in this category and their fair value recorded in the income statement.

All assets within this category are classified as current if they are held for trading purposes or where disposal is expected < 12 months from the year end.

Designation of a financial instrument to this category is irrevocable and may take place only on initial recognition.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, which the Company intends to hold to maturity (e.g. underwritten debentures).

Evaluation of the intent and ability to hold the asset to maturity must be made on initial recognition and at

each subsequent balance sheet date.

In the event of sale before maturity (of a significant amount and not in exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as financial assets held for trading and measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Company does not intend to trade in.

These are classified in current assets with the exception of the portion expiring more than 12 months after the balance sheet date, which is classified in non-current assets. Loans and receivables are classified within the financial statements under the headings financial receivables and other receivables.

Financial assets available for sale

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

Accounting treatment

Financial assets 'at fair value through profit or loss' held for trading (category 1) and available-for-sale financial assets (category 4) are recorded at fair value including costs directly attributable to acquisition. Gains or losses relating to financial assets held for trading are recognised immediately in the income statement.

Gains or losses relating to available-for-sale financial assets are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events takes place, all gains or losses recognised to date and recorded in equity are reclassified to the income statement.

Fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.

In the case of securities traded on an active market, fair value is determined with reference to the bid price at the end of trading at the balance sheet date.

In the event that a market valuation is not available for the investment, fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).

Where fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.

Held-to-maturity investments (category 2) and loans and receivables (category 3) are recorded at cost representing the fair value of the initial consideration exchanged and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity.

Gains and losses are recognised in the income statement either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the same way they are identified during the normal amortisation period foreseen by the amortised cost method.

Investments in financial assets may be derecognised only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the company transfers the financial asset together with all of the related risks and rewards.

Financial instruments

In accordance with IFRS 9, the classification of financial instruments is as follows:

a) Classification and measurement

The company values all financial assets currently measured at fair value.

In accordance with IFRS 9, the classification of financial assets is based on two criteria: the company's business model for managing assets; and whether the cash flow from the contractual instruments represents "solely payment of principal and interest" (the "SPPI" criterion).

Loans and trade receivables are held for collection on the contractual expiry of the cash flows referred to the collection of capital and interest. The company applies the option to present changes in fair value among other comprehensive income.

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

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

This last category exclusively includes instruments that meet the criteria for classification by hedge accounting rules.

b) Derecognition of financial liabilities

Under IFRS 9, the entity must derecognise financial liabilities (or part of them) from the financial statements if, and only if, the liability is extinguished, i.e. if the obligation set out in the contract is met, cancelled or expired. A substantial variation in the terms of an existing financial liability or part of it must be recognised as an extinction of the original liability and the recognition of a new one.

The terms for applying this new rule are considerably different if the actualized value of the financial flow under the new terms, including any commission paid net of commission received and actualised using the original interest rate, are at least 10% different from the actualized value of the remaining financial flows of the original financial liability (so-called "10% test"). If the exchange of debt instruments or the change in the terms are recognised as extinction, any cost or commission sustained are recorded as income or losses associated with the extinction. If the exchange or modification is not recognised as extinction, any cost or commission sustained will adjust the accounting value of the liability and will be amortized over the remaining term of the liability in question.

Loans that have been renegotiated in periods prior to the introduction of IFRS 9 must have their repayment plans recalculated, starting from the date of the renegotiation and adapting the carrying value to the NPV (net present value) of the conditions.

c) Loss of value

IFRS 9 requires the company to record expected credit losses on all bonds in its portfolio, loans and trade receivables referring to a period of either 12 months or the entire duration of the instrument's contract (e.g. lifetime expected loss). The company applies the simplified approach, recognising expected credit loss on all receivables based on their residual contractual duration. The company has calculated that its credit risk is generally very low, both in terms of trade clients (mainly electricity service providers or high standing utilities) and financial clients (leading banks).

d) Hedge Accounting

All existing hedging relationships, which are currently designated as effective hedges, are qualified for hedge accounting in accordance with IFRS 9. The company has chosen not to apply IFRS 9 retrospectively to hedges that excluded forward points when they were classified as hedges under IAS 39.

Inventories

Finished goods are stated at the lower of purchase cost and net realisable value.

Purchase cost is determined using the weighted average cost method.

Obsolete and Slow moving inventory is valued based on possible future use or realisation.

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

Receivables

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

Cash and cash equivalents

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

Assets and liabilities discontinued or held for sale (Discontinued operations)

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

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

Provisions

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

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

Provisions may be analysed as follows:

Litigation provision

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

Investments provision

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

Environmental provision

This provision is set up to meet future requirements in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of permission from the relevant authorities. The provision is based on estimates prepared by specialist enterprises.

Sundry risks provision

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

Staff leaving indemnity (TFR)

Post-employment defined benefits and other long-term employee benefits are subject to actuarial valuation. The liability recognised in the balance sheet is the present value of the company's obligations. Actuarial gains and losses are recognised in equity.

Valuation of the liability is performed by independent actuaries.

Pursuant to Finance Act 296 of 27 December 2006, only the liability relating to the staff leaving indemnity (TFR) held within the company has been valued for the purpose of IAS 19 as future provisions are paid to a separate entity. Consequently, in respect of future payments the Company is not subject to the reporting requirements relating to the future benefits payable during employment.

Trade payables

Trade payables are recorded at nominal value.

Where the payment terms are such that a financial transaction exists, the nominal value of the liabilities measured applying the amortised cost method is discounted and the difference included in finance costs.

Trade payables denominated in foreign currency are translated at year-end exchange rates and the gains and losses arising on exchange are recognised in the income statement in the period in which they arise.

Financial liabilities

Borrowings are recognised at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Finance costs are determined using the effective interest method.

Other financial liabilities comprise derivative instruments entered into in order to hedge interest rate risk. The derivative instruments are not accounted for using hedge accounting and in accordance with IFRS 9 are recognised at fair value through profit or loss. The company has applied IAS 39 with effect from 1 January 2005.

Where possible the Group adopts hedge accounting in relation to these financial instruments, ensuring compliance with IFRS 9.

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

Government grants

Government grants are recognised when there is reasonable assurance that an entity will comply with any conditions attached and that the grant will be received. Where grants are awarded to cover expenditure, they are classified as income and recognised in the period in which the related costs are incurred. Where grants are received towards the cost of an asset, both the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset.

Where the Company receives a non-monetary grant, the asset and the grant are recorded at nominal value and systematically charged to the income statement over the useful life of the corresponding asset. Where loans or subsidies awarded by government authorities or similar institutions bear interest rates below current market rates, the benefit arising from this difference is recognised as an additional government grant.

Tax payables

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

Accruals and deferrals

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

Net equity

Ordinary shares are classified within share capital at nominal value.

Incremental costs directly attributable to capital transactions by the parent company are recorded as a deduction in equity.

Foreign currency translation

The functional currency of the Company is the €, representing the currency in which the financial statements are prepared and presented.

Foreign currency transactions are recorded at the exchange rate existing at the date of the transaction. Receivables and payables are translated at the closing rate at the balance sheet date. Exchange gains or losses arising on translation are recognised in the income statement in the period in which they arise.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Non-monetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined.

Revenues

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

Sale of goods

Revenues from the sale of products are recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.

Revenues from provision of services

Revenues from services are recognised once the service has been rendered.

Interest

Finance income is accounted for applying the accruals concept.

Dividends

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

Other income

Other income comprises amounts that do not relate to the core business of the Company and, in accordance with IAS 1 which has been applied from 1 January 2005, is classified in ordinary activities and disclosed separately in the notes to the financial statements where material in value.

Costs

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

Tax

Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation.

Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.

Deferred income tax assets are recognised only where it is probable that the temporary differences will reverse in the immediate future and to the extent that there will be sufficient taxable income against which these temporary differences may be utilised. The balance of deferred income tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that suf-

efficient future taxable profits will be available to offset all or part of the tax credit.

Unrecognised deferred income tax assets are reviewed at each balance sheet date and are recognised where it is probable that they may be recovered against future taxable profits.

Income taxes on items recognised directly in equity are also recognised in equity and not through the income statement.

Deferred income tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities, respectively.

Value added tax (VAT)

Revenue and costs are recorded net of VAT. Trade receivables and payables are recorded gross of VAT.

The net amount of VAT recoverable or due to the tax authorities is disclosed either in trade receivables or payables respectively.

8.6.2 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements in the period were as follows:

<i>(€ thousands)</i>	At 31.12.2018	Additions	Capitalisation and reclassification	Change in scope of consolidation	Disposals	Other movements	Impairment losses	Amorti- sation	At 31.12.2019
1.1 Industrial patent rights and intellectual property rights	868		91					(329)	630
1.2 Concessions, licences, trademarks and similar rights									
1.3 Goodwill									
1.4 Other intangibles			133					(17)	116
1.5 Assets under construction and advance payments	1,229	5,582	(224)						6,587
1.6 Rights of use		516						(72)	444
Total	2,097	6,098						(418)	7,777

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 – The Purchases item refers to the purchase of software licenses for management system developments (€5,582 thousand) and the capitalisation of rights of use (for €516 thousand).

No borrowing costs were capitalised during the year.

2 Property, plant and equipment

Movements in the period were as follows:

<i>(€ thousands)</i>	At 31.12.2018	IFRS 16	Additions	Capitalisation and reclassifi- cation	Disposals	Impair- ment losses	Amorti- sation	Other	At 31.12.2019
Gross values									
2.1 Land									
2.2 Industrial buildings									
2.3 Plants and machinery									
2.4 Industrial and office equipment	2			4					6
2.5 Other assets	951			486					1,437
2.6 Assets operated under concession									
2.7 Assets under construction and advances	170		1,015	(490)	(120)				575
2.8 Rights of use		1,833	576					9	2,418
Total gross value	1,123	1,833	1,591		(120)			9	4,436
Accumulated depreciation									
2.1 Land									
2.2 Industrial buildings									
2.3 Plants and machinery									
2.4 Industrial and office equipment							(1)		(1)
2.5 Other assets	(820)						(80)		(900)
2.6 Assets operated under concession									
2.8 Rights of use							(887)		(887)
Total depreciation	(820)						(968)		(1,788)
Net book amounts									
2.1 Land									
2.2 Industrial buildings									
2.3 Plants and machinery									
2.4 Industrial and office equipment	2			4			(1)		5
2.5 Other assets	131			486			(80)		537
2.6 Assets operated under concession									
2.7 Assets under construction and advances	170		1,015	(490)	(120)				575
2.8 Rights of use		1,833	576				(887)	9	1,531
Total net property, plant and equipment	303	1,833	1,591		(120)		(968)	9	2,648

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 for a total of €1,591 thousand of which €1,015 thousand relate mainly to the acquisition of office hardware and equipment and €576 thousand relate to rights of use in accordance with the new IFRS 16 accounting principle.

Sales refer to the sale of laptops to other Group companies.

3 Investments and securities

As at 31 December 2019, this item is broken down as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Investments in subsidiaries	610,659	527,081	83,578
Associates	8,472	8,472	
Investments in other entities	2,125	1,022	1,103
Securities	100	100	
Total	621,356	536,675	84,681

The change in the value of equity investments in subsidiaries refers mainly to:

- the acquisition of equity investments and subsequent capital increases in Sol Occidental SL (€63 thousand), Big Fish Srl (€1,427 thousand);
- capital increases and reserves of Falck Renewable Energy Srl (€3,000 thousand), Falck Renewables North America Inc (€14,356 thousand), Aliden Vind AB (€33,548 thousand) and Brattmyrliden Vind AB (€27,677 thousand);
- revaluations of the investments in Eolica Petralia Srl (€2,135 thousand), and Prima Srl (€3,069 thousand);
- write-downs of the investments in Vector Cuatro SLU for €2,844 thousand.

The following companies were established in 2019, which involved the following disbursements, including capital increases:

- NUO Srl (€10 thousand)
- Falck Renewables Power 1 SL (€300 thousand);
- Falck Renewables Power 2 SL (€300 thousand);
- Falck Renewables Power 3 SL (€300 thousand).

Impairment tests were carried out on the carrying value of all investments.

Some equity investments have been written down and their value reinstated. For further details, please refer to the impairment test section.

A comparison between the Company's shareholders' equity and the carrying amount of equity investments after impairment testing is provided below:

(€ thousands)

Company	Business sector	Total Equity at 31/12/2019	% holding	Share of total assets	Carrying value	Difference
Falck Renewables Sviluppo Srl	Other Businesses	530	100%	530	1,000	(470)
Falck Renewables Sicilia Srl	Other Businesses	771	100%	771	1,000	(229)
Falck Next Energy Srl	Other Businesses	6,853	100%	6,853	4,353	2,500
Falck Renewables Power 1 SI	Other Businesses	275	100%	275	275	
Falck Renewables Power 2 SI	Other Businesses	262	100%	262	262	
Falck Renewables Power 3 SI	Other Businesses	279	100%	279	279	
Big Fish Spv Srl	Other Businesses	1,738	70%	1,217	1,427	(210)
Sol Occidental Slu	Other Businesses	61	100%	61	61	
Iron Spv Srl	Other Businesses	10	70%	7	780	(773)
Ecosesto SpA	WtE, biomass, solar	17,757	100%	17,757	12,788	4,969
Falck Renewables North A. Inc (consolidated)	WtE, biomass, solar	94,518	100%	94,518	84,991	9,527
Actelios Solar SpA	WtE, biomass, solar	2,027	100%	2,027	1,125	902
Frullo Energia Ambiente Srl	WtE, biomass, solar	46,923	49%	22,992	8,472	14,520
Ambiente 2000 Srl	WtE, biomass, solar	2,800	60%	1,680	961	719
Prima Srl	WtE, biomass, solar	31,457	85%	26,738	26,172	566
Solar Mesagne Srl	WtE, biomass, solar	1,427	100%	1,427	1,407	20
Falck Renewables Wind Ltd (consolidated)	Wind	279,136	99.99%	279,108	166,483	112,625
Falck Renewables Vind AS	Wind	21,369	80%	17,095	21,469	(4,374)
Aliden Vind AB	Wind	51,424	100%	51,424	51,610	(186)
Brattmyrliden Vind AB	Wind	34,710	100%	34,710	37,940	(3,230)
Eolica Sud Srl	Wind	17,799	100%	17,799	10,261	7,538
Geopower Sardegna Srl	Wind	24,698	100%	24,698	110,464	(85,766)
Eolo 3W Minervino Murge Srl	Wind	16,387	100%	16,387	16,966	(579)
Eolica Petralia Srl	Wind	9,641	100%	9,641	9,672	(31)
Falck Renewables Nederland BV	Wind	(96)	100%	(96)	698	(794)
Energia Eolica de Castilla SL*	Wind	4	100%	4	1,357	(1,353)
Falck Next Srl	Services	1,809	100%	1,809	2,530	(721)
Energy Team SpA*	Services	9,055	100%	9,055	35,940	(26,885)
NUO Srl	Services	7	100%	7	10	(3)
Vector Cuatro SLU (consolidated)	Services	3,887	100%	3,887	8,378	(4,491)

(*) The carrying value of the investment was measured at 100% in accordance with IFRS 3 in consideration of the option rights

The higher carrying value of the investment compared to the share of shareholders' equity is sustainable in relation to the expected income flows in subsequent years related to the projects held by the companies or their subsidiaries and the projects under development for the following companies: Falck Renewables Sviluppo Srl, Falck Renewables Sicilia Srl, Big Fish Spv Srl, Iron Spv Srl, Falck Renewables Vind AS, Aliden Vind AB, Brattmyrliden Vind AB, Geopower Sardegna Srl, Eolo 3W Minervino Murge Srl, Eolica Petralia Srl, Falck Renewables Nederland BV, Energia Eolica de Castilla SL, Falck Next Srl, Energy Team SpA, NUO Srl and Vector Cuatro SLU.

Impairment tests

Impairment tests were performed where there was indication of a fall in the value of investments at 31 December 2019 in accordance with the procedures established in IAS 36. In particular, the carrying value of each investment was compared with the equity value. Equity value represents the difference between the enterprise value calculated based on the net present value of future cash flows of each entity (discounted using the WACC rate) and net indebtedness. The value of Falck Renewables Wind Ltd and Falck Renewables North America, as sub-holding companies, was measured using the "sum of the parties" method, taking into account the value generated by the respective operating plants held. The main basic assumptions used for cash flow projections were the following:

- forecast production of wind farms/solar plants and waste to energy/biomass on the basis of feasibility assessments carried out;
- sales prices and incentives calculated on the basis of short-term market projections, support from internationally recognised external providers for the medium/long term and developed by the internal Energy Management department;
- waste transfer prices and biomass purchase costs based on management estimates taking into consideration recent market trends;
- operating costs, determined, where applicable on contract terms and otherwise using management estimates taking into consideration developments in the specific reference market.

The discount rate was calculated using the Weighted Average Cost of Capital (WACC), applying the Capital Asset Pricing Model ("CAPM") technique in which the return on risk free rate securities was calculated on the basis of the yield curve for government securities in the country of reference with a duration in line with the residual life of the plant.

The non-differentiable systematic risk coefficient (β) and the debt/equity ratio were calculated on the basis of market conditions and the analysis of a group of comparable companies operating in the same sectors as the investee companies.

The WACCs applied to the various CGUs were as follows:

WtE and biomass Italy:	from 2.8% to 3.8%
Wind sector UK:	from 3.7% to 4.2%
Wind sector Italy:	from 4.0% to 4.6%
Wind sector Spain:	from 2.8% to 4.2%
Services Spain/Italy:	from 4.9% to 5.7%
Wind sector France:	from 3.1% to 3.7%
Nordic Wind Power (Sweden and Norway):	from 3.4% to 3.5%
Solar sector US:	from 4.9% to 5.1%
Photovoltaic Italy:	from 4.3% to 4.5%

Based on the assumptions described above, the following impairments were made:

- Vector Cuatro Slu: write-down of about €2.8 million due to both lower future cash flows than those used last year and a reduction in terminal value;
- Prima Srl: revaluation of approximately €3.1 million due to the decrease in the discount rate and the increase in contribution rates;
- Ecosesto SpA: revaluation of approximately €0.1 million;
- Geopower Srl: revaluation of approximately €1.6 million; in this case the previous write-down was fully reinstated. This was primarily due to the longer useful life of the wind farm resulting from the agreement signed with the municipalities of Buddusò and Alà dei Sardi in December 2019, which ex-

tends the agreement until the year 2041, confirming the company's commitment to pay an annual fee to both municipalities for the entire duration of the agreement;

- Eolica Petralia Srl: revaluation of approximately €2.1 million resulting from the reduction in the discount rate;
- Solar Mesagne: write-back of approximately €0.4 million due to the positive impact of the results on the net financial position.

With specific reference to the sub-holdings (i) Falck Renewables Wind Ltd, the equity value is higher than the carrying amount, which means that the carrying amount of the investment is recoverable (ii) Falck Renewables North America Inc. used as a reference the values arising from the strategic development and sale agreement signed with ENI New Energy US Inc. in December 2019 that confirmed the carrying amount at 31 December 2019.

Sensitivity analyses

Impairment tests are based on estimates of production, electricity prices and other revenues/cost items (waste transfer) and the interest rates calculated using latest available information at the balance sheet date. As there is a margin of uncertainty for each estimate, a sensitivity analysis was carried out on the recoverable value of the various investments.

In relation to the volatility of electricity prices, which has become a feature in recent years, the following sensitivity analyses were carried out with respect to the "basic case": electricity prices sold by operating plants were 10% lower and the discount rate increased by 0.5% and electricity prices sold by operating plants were 10% higher, with the discount rate 0.5% lower.

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

VARIATIONS VS BASE CASE (€/million)	Base case	Electricity prices -10%; Discount rate +0.5%	Electricity prices +10%; Discount rate -0.5%
Net revaluations/(impairments)	4,4	(0,1)	7,2

We point out that the most penalizing sensitivity scenario would lead to a write-down, albeit of a modest amount, of the equity investment in Eolica Petralia, which was not written down in the Base Case.

The directors, after having examined the scenarios, taking into account the variables with which the basic case was constructed, believe that the valuations made in terms of the impairment tests with reference to the basic case and the resulting impairment losses and reversals are adequate. They also confirm that the trend in these variables will be monitored in order to identify any adjustments in the estimates of the recoverable values of the amounts recorded in the financial statements.

Elettroambiente SpA in liquidation

The entire stake in Elettroambiente and the financial and trade receivables due to Falck Renewables SpA by the former were written-off in full for the purpose of preparing the separate financial statements at 31 December 2012.

The 2019 result of Falck Renewables SpA includes the write-off of Euro 482 thousand against trade and financial receivables due to the former by Elettroambiente to reflect Falck Renewables SpA's financial commitment undertaken in 2014 following the liquidation of Elettroambiente.

Palermo Energia Ambiente SpA in liquidation

The entire stake in Palermo Energia Ambiente SpA (Pea) and the trade and financial receivables due to

Falck Renewables SpA by the former were written off in full at the time of preparation of the separate financial statements at 31 December 2011 and 2012.

The 2019 result of Falck Renewables SpA reflects the write-off against trade and financial receivables due to the former by Pea for €59 thousand.

With reference to liquidation, please see paragraphs 5.2.11 *Risks and uncertainties b) Legal - Sicily Projects in the Directors' Report*.

4 Financial receivables

As at 31 December 2019, this item is broken down as follows:

(€ thousands)	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	38		38	193		193	(155)		(155)
Amounts owed by subsidiaries	88,497	34,383	54,114	78,890	51,700	27,190	9,607	(17,317)	26,924
Derivative financial instruments	861	88	773	1,631	136	1,495	(770)	(48)	(722)
Total	89,396	34,471	54,925	80,714	51,836	28,878	8,682	(17,365)	26,047

This item is stated net of the provision for bad debts of €91,599 thousand, which fully writes off financial receivables due from the subsidiaries Palermo Energia Ambiente ScpA (€11,551 thousand), Platani Energia Ambiente ScpA (€64 thousand) and Elettroambiente SpA (€79,984 thousand).

Non-current receivables from subsidiaries include loans granted to Actelios Solar SpA for €4,394 thousand, Eolica Petralia Srl for €3,345 thousand, Eolica Sud Srl for €17,241 thousand and Eolo 3W Minervino Murge Srl for €9,403 thousand.

Current receivables due from subsidiaries relate to current accounts held principally with Solar Mesagne Srl (€3,645 thousand), Falck Renewables North America Inc (Euro 13,815 thousand) and Ecosesto SpA (€17,864 thousand), Vector Cuatro SLU for €2,939 thousand, Vector Cuatro Srl for €1,108 thousand, Consorzio Energy Aggregator for €3,242 thousand, Consorzio Energy Cloud for €1,045 thousand and Energia Eolica de Castilla SL for €9,636 thousand.

Derivative hedging instruments have been activated to hedge against exchange rate risk on current accounts and certain currency transactions.

All transactions with related parties are disclosed in the Related party transactions note.

5 Trade receivables

As at 31 December 2019, this item is broken down as follows:

(<i>€ thousands</i>)	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by clients	94		94	55		55	39		39
Amounts owed by subsidiaries	7,311		7,311	7,632		7,632	(321)		(321)
Amounts owed by associates	81		81	81		81			
Amounts owed by parent company	120		120	159		159	(39)		(39)
Amounts owed by other Falck Group companies	91		91	35		35	56		56
Total	7,697		7,697	7,962		7,962	(265)		(265)

The Company has a provision for doubtful accounts of €5,518 thousand.

The Company does not have significant receivables due from non-domestic customers that require disclosure. Trade receivables due from Palermo Energia Ambiente ScpA (€2,375 thousand), Platani Energia Ambiente ScpA (€1,554 thousand), Tifeo Energia Ambiente ScpA (€1,831 thousand) and Elettroambiente SpA (€381 thousand) have been written down by a total of €5,417 thousand through the provision for doubtful accounts.

The table relating to Related Party Transactions shows all transactions with both Italian and foreign companies.

6 Other receivables

As at 31 December 2019, this item is broken down as follows:

(<i>€ thousands</i>)	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	36	35	1	686	28	658	(650)	7	(657)
Advances									
Amounts owed by subsidiaries	62,967		62,967	6,269		6,269	56,698		56,698
Amounts owed by associates	2,450		2,450	1,943		1,943	507		507
Amounts owed by parent company	250		250	4,728		4,728	(4,478)		(4,478)
Tax credits	4,922		4,922				4,922		4,922
Accrued income and prepayments	2,475	1,623	852	3,400	2,324	1,076	(925)	(701)	(224)
Total	73,100	1,658	71,442	17,026	2,352	14,674	56,074	(694)	56,768

Non-current amounts owed by third parties comprise guarantee deposits.

Amounts due from subsidiaries mainly refer to dividends declared by the shareholders of Prima Srl but not yet paid (€5,950 thousand) and a receivable due from Falck Renewables Vind for future share capital increases (€55,288 thousand).

Receivables from associated companies refer to dividends approved by the shareholders' meeting of Frullo Energia Ambiente Srl but not yet paid.

Tax receivables relate to national tax consolidation relationships. With effect from tax year 2019 Falck Renewables SpA decided to withdraw its participation in the tax consolidation arrangement with the consolidating company Falck SpA and at the same time opted for its own regime with the majority of its Italian subsidiaries.

All transactions with related parties are disclosed in the Related party transactions note.

7 Deferred tax assets

Deferred tax assets may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Employee bonuses and directors' emoluments	201	202	(1)
Intangible assets	198	220	(22)
Financial instruments	36	36	
Charges to provisions	162	458	(296)
Dividends declared but not paid	(101)	(97)	(4)
Other	127		127
Total	623	819	(196)

B Current assets

8 Inventories

The Company had no inventories at 31 December 2019.

9 Cash and cash equivalents

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Short-term bank and post office deposits	3,035	92,686	(89,651)
Cash in hand	8	7	1
Total	3,043	92,693	(89,650)

Cash and cash equivalents decreased by €89,650 thousand compared to the previous year, mainly due to investments in equity investments, capital increases in companies in Italy, Sweden, Norway and the USA made during 2019 and the distribution of dividends to shareholders net of dividends received.

The fair value of deposits is in line with the nominal value at 31 December 2019.

Liabilities

D Equity

10 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a face value of € 1 each. At 31 December 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.

Total equity may be analysed as follows:

(€ thousands)	Total	Possible utilisation	Current available	Summary of utilisation in the previous three years	
				To cover losses	Other reasons
Share Capital	291,414				
Capital reserves					
Share premium	470,335	A-B-C*	470,335		
Reserve for expenses on share capital increase	(8,731)		(8,731)		
Revaluation reserves ex Law 72/83	1,003	A-B	1,003		
Reserve ex art.54 Pres. Decree 597/73	3,424	A-B	3,424		
Reserve ex art.55 Pres. Decree 597/73	653	A-B	653		
Reserve for purchase of own shares	(2,924)		(2,924)		
Share schemes	962		962		
Fair value reserve					
Reserve for actuarial gains/(losses) on TFR	(131)		(131)		
Reserve for transactions under common control	(860)		(860)		
Spin-off reserves	(371,598)		(371,598)		
Earnings reserves					
Legal reserve	58,282	B	58,282		
Retained earnings (Losses carried forward)	47,240	A-B-C	47,240		
Profit/(loss) for the year	27,314				
Total	516,383		197,655		
Distributable portion			137,246		
Restricted portion			60,409		

(*) Pursuant to Article 2431 of the Italian Civil Code, the total reserve may be distributed only if the legal reserve meets the limit imposed by Article 2430 of the Italian Civil Code. Currently, legal reserves have reached the aforesaid limit.

Key:

- A: for capital increase
- B: to cover losses
- C: for distribution to shareholders

Movements in equity during 2018 and 2019 were as follows:

<i>(€ thousands)</i>	At 31.12.2017	Appropriation of result	Profit for the period	Share capital increase	Other movements	At 31.12.2018
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(1,438)				(1,486)	(2,924)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve	(105)				105	
- share schemes reserve	189				317	506
- reserve for actuarial gains/(losses) on TFR	(142)				81	(61)
- reserve for transactions under common control	(860)					(860)
Retained earnings	16,068	27,850		(15,365)	(62)	28,491
Profit/(loss) for the year	27,850	(27,850)	36,969			36,969
Total	486,344		36,969	(15,365)	(1,045)	506,903

<i>(€ thousands)</i>	At 31.12.2018	Appropriation of result	Profit for the period	Distribution profits	Other movements	At 31.12.2019
Share capital	291,414					291,414
Share premium	470,335					470,335
Revaluation reserve	1,003					1,003
Legal reserve	58,282					58,282
Reserve for expenses on share capital increase	(8,731)					(8,731)
Statutory reserves						
Own shares held	(2,924)					(2,924)
Other reserves						
- ex art. 54 Pres. Decree 597/73	3,424					3,424
- ex art. 55 Pres. Decree 597/73	653					653
- demerger surplus	(371,598)					(371,598)
- fair value reserve						
- share schemes reserve	506				456	962
- reserve for actuarial gains/(losses) on TFR	(61)				(70)	(131)
- reserve for transactions under common control	(860)					(860)
Retained earnings	28,491	36,969		(18,220)		47,240
Profit/(loss) for the year	36,969	(36,969)	27,314			27,314
Total	506,903		27,314	(18,220)	386	516,383

The legal reserve has reached one fifth of share capital and the reserve for expenses on share capital increase and the fair value reserve are disclosed net of the related tax effect.

11 Provisions for risks and charges

(€ thousands)	At 31.12.2018	Change in scope of consolidation	Allocations	Used	Other movements	Foreign exchange differences	At 31.12.2019
<i>Provisions for pensions and similar obligations</i>							
<i>Other provisions</i>							
- litigation							
- investments							
- other risks provision	5,804		2,100	(1,364)			6,540
<i>Total other provisions</i>	5,804		2,100	(1,364)			6,540
Total	5,804		2,100	(1,364)			6,540

The other risks provision mainly refers to the guarantee issued by the Company to Palermo Energia Ambiente ScpA to cover its debts and the costs and expenses relating to liquidation and provisions for risks relating to employment relationships.

The other risks provision was set aside to cover litigation for the Sicilian projects.

The uses refer mainly to the release relating to the Panelli dispute, for which the parties reached an agreement on 31 July 2019, following which the judge declared the proceedings closed.

12 Staff leaving indemnity (TFR)

(€ thousands)	At 31.12.2018	Allocations	Interest costs	Other movements	Actuarial gain/(loss)	Utilised/paid	At 31.12.2019
Managers	438	238	7	(54)	18	(190)	457
White and blue-collar staff	909	236	14	(94)	52	(69)	1,048
Total	1,347	474	21	(148)	70	(259)	1,505

The "Trattamento di Fine Rapporto" (TFR -staff leaving indemnity provision), was subjected to an actuarial calculation by an independent expert.

The actuarial financial assumptions utilised to calculate the estimated cost in 2019, compared to 2018, are as follows:

	31.12.2019	31.12.2018	Change
Annual discount rate	0.77%	1.57%	-0.80%
Annual inflation rate	1.48%	1.85%	-0.37%
Annual total pay increase rate*	2.00%	2.00%	0.00%
Annual TFR increase rate	2.61%	2.89%	-0.28%

(*) The annual total pay increase is 1.5% for 2020, 1.75% for 2021 and 2% for subsequent years.

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

A sensitivity analysis was carried out on the actuarial assumptions used in the model in accordance with IAS 19R.

The base case used the rates in the table above and increases and decreases of a half, a quarter and two percentage points respectively were applied to the most significant assumptions namely, the average discount rate, average inflation rate and turnover rate.

The results of the sensitivity analyses are summarised as follows:

Sensitivity analysis - Annual discount rate

(€ thousands)	+0.50%	-0.50%
Managers	443	471
White and blue-collar staff	1,009	1,091

Sensitivity analysis - Annual inflation rate

(€ thousands)	+0.25%	-0.25%
Managers	459	453
White and blue-collar staff	1,057	1,041

Sensitivity analysis - Annual turnover rate

(€ thousands)	+2.00%	-2.00%
Managers	453	463
White and blue-collar staff	1,029	1,074

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

Future cash flows

(€ thousands)	< 12 months	1 - 2 years	2 - 5 years	5 - 10 years	> 10 years
Managers	55	47	158	278	425
White and blue-collar staff	127	108	362	639	1,246
Total	182	155	520	917	1,671

13 Financial liabilities

As at 31 December 2019, this item is broken down as follows:

(€ thousands)	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	59,094	51,573	7,521	18,706	18,706		40,388	32,867	7,521
Amounts due to subsidiaries	193,680		193,680	172,748		172,748	20,932		20,932
Derivative financial instruments	2,312	88	2,224	1,305	136	1,169	1,007	(48)	1,055
Financial leasing debts	1,916	932	984				1,916	932	984
Total	257,002	52,593	204,409	192,759	18,842	173,917	64,243	33,751	30,492

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, referring to:

- 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 change in non-current payables to third parties at 31 December 2019 compared to the previous year is due to the fact that the Company used a tranche of €32 million of the aforementioned loan.

Current payables to subsidiaries relate primarily to the current account balance with Falck Renewables Wind Ltd for €125,247 thousand, Prima Srl for €19,443 thousand, Falck Renewables Vind AS for €16,832 thousand, Falck Next Energy Srl for €9,071 thousand, Aliden Vind AB for €5,148 thousand and Energy Team SpA for €3,985 thousand.

The financial liability for leases, amounting to €1,916 thousand, refers to so-called operating leases.

Derivative hedging instruments have been activated to hedge against exchange rate risk on current accounts and certain currency transactions.

All transactions with related parties are disclosed in the Related party transactions note.

14 Trade payables

Trade payables at 31 December 2019 compared to the previous year are as follows:

(<i>€ thousands</i>)	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	8,213		8,213	4,948		4,948	3,265		3,265
Amounts due to subsidiaries	3,647		3,647	4,189		4,189	(542)		(542)
Amounts due to parent company	555		555	577		577	(22)		(22)
Total	12,415		12,415	9,714		9,714	2,701		2,701

The Company has no significant amounts due to third parties abroad requiring disclosure.

Amounts due to subsidiaries mainly comprise €1,875 thousand due to Vector Cuatro Srl, €717 thousand due to Tifeo Energia Ambiente Scpa in liquidation, €427 thousand due to Vector Cuatro SLU and €349 thousand due to Falck Renewables Wind Ltd.

Amounts due to the parent company comprise payables to Falck SpA for use of the Falck trademark.

All transactions with related parties are disclosed in the Related party transactions note.

15 Other payables

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

<i>(€ thousands)</i>	31.12.2019			31.12.2018			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third parties	9,239	217	9,022	21,682	1,834	19,848	(12,443)	(1,617)	(10,826)
Amounts due to subsidiaries	2,027		2,027	58		58	1,969		1,969
Amounts due to associates									
Amounts due to parent company	502		502				502		502
Amounts due to other Falck Group companies									
Accruals and deferred income	27	2	25	22		22	5	2	3
Total	11,795	219	11,576	21,762	1,834	19,928	(9,967)	(1,615)	(8,352)

Amounts due to third parties may be detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Company acquisition debt	3,937	17,449
Other amounts due to employees	3,683	2,145
Holiday pay	818	1,069
Social security payables	429	401
Other	372	618
Total	9,239	21,682

The company purchase payable relates to the amount due to the previous shareholders of Energy Team SpA, Falck Renewables Vind AS, Energia Eolica de Castilla SL and Big Fish Srl. This liability decreased due to payments made during the year to previous shareholders, principally Energy Team SpA and Falck Renewables Vind AS.

Commitments and contingencies

Guarantees issued at 31 December 2019 amounted to €162,128 thousand. Guarantees relating to the company and 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 €115,747 thousand and guarantees issued to the tax authorities in relation to requests for refund of VAT receivables for €1,829 thousand. Also included are €26,020 thousand of bank guarantees and other guarantees of €18,532 thousand.

In addition, the Group has subscribed to 3,000 shares in the Fondo Italiano per l'Efficienza Energetica SGR SpA for a total commitment of €3,000 thousand, at 31 December 2019, of which €726 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 Company's results of operations, state of affairs and financial position.

Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.

In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to CONSOB communication 6064293 of 28 July 2006, all related party transactions and the corresponding incidence on Falck Renewables SpA's balance sheet headings are provided below.

(€ thousands)	Trade receivables			Trade payables		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Subsidiaries						
Actelios Solar SpA	180	132	48			
Aliden Vind AB	393	687	(294)	50		50
Ambiente 2000 Srl	160	303	(143)			
Assel Valley Wind Energy Ltd	11	19	(8)			
Auchrobert Valley Wind Energy Ltd	6	6				
Ben Aketil Wind Energy Ltd	2	3	(1)			
BIG FISH SPV Srl	7		7			
Boyndie Wind Energy Ltd	2	3	(1)			
Brattmyrliden Vind AB	1,106	1,152	(46)			
Cambrian Wind Energy Ltd	2	3	(1)			
CEF Vento SAS	19		19			
CEP Tramontane 1 SAS	14		14			
Energy Aggregator Consortium	2		2			
Energy Cloud Consortium	2		2			
Earlsburn Mezzanine Ltd	2	2				
Earlsburn Wind Energy Ltd	4	4				
Ecosesto SpA	201	481	(280)			
Elettroambiente SpA (in liquid.)		365	(365)			
Energia Eolica de Castilla SL	162	13	149			
Energy Team SpA	197		197	5		5
Eolica Cabezo San Roque SAU	13	51	(38)			
Eolica Petralia Srl	97	210	(113)			
Eolica Sud Srl	115	244	(129)			
Eolo 3W Minervino Murge Srl	93	223	(130)			
Esposito Servizi Ecologici Srl		229	(229)			
Esquennois Energie Sas	13	21	(8)			
Falck Energies Renouvelables Sas	79	312	(233)		10	(10)
Falck Next Energy Srl	579	230	349			
Falck Next Srl	135	8	127			
Falck Renewables Finance Ltd	2	2				
Falck Renewables Nederland BV	21	38	(17)			
Falck Renewables North America Inc	257	181	76			
Falck Renewables Power 2 SL	12		12			
Falck Renewables Power I, SL	31		31			
Falck Renewables Sicilia Srl	51	46	5	47		47
Falck Renewables Sviluppo Srl	107	96	11	147		147
Falck Renewables Vind AS	451	104	347			
Falck Renewables Wind Ltd	737	836	(99)	349	193	156
Ferme Eolienne de Noyales SAS	4		4			
FRUK Holdings No1 Ltd	22	18	4			
Geopower Sardegna Srl	142	188	(46)	6	5	1
HG Solar Development LLC		5	(5)			
Kilbraur Wind Energy Ltd	29	27	2			
Kingsburn Wind Energy Ltd	4	4				
Millennium Wind Energy Ltd	4	5	(1)			
NUO Srl						
Nutberry Energy Wind Ltd	7	8	(1)			
Parc Eolien d'Illouis Sarl	430	272	158			
Parc Eolien du Fouy Sas	13	19	(6)			
Parque Eolien des Cretes Sas	14	18	(4)			
Platani Energia Ambiente ScpA (in liquid.)	8	59	(51)			
Prima Srl	191	320	(129)	24		24
PV Diagnosis Fotovoltaica SLU	1	2	(1)			
PV Diagnosis Srl in liquid.						
Se Ty Ru Sas	1	57	(56)			
Sol Occidental SLU	30		30			
Solar Mesagne Srl	38	70	(32)			
Spaldington Airfield Wind Energy Ltd	2	3	(1)			
Tifeo Energia Ambiente ScpA (in liquid.)	717		717	717		717
Vector Cuatro Australia Pty Ltd	2		2			
Vector Cuatro Chile SpA	2	2				
Vector Cuatro Energias Renovables México SA de CV	2	2				
Vector Cuatro EOOD	1	2	(1)			
Vector Cuatro France Sarl	34	17	17			
Vector Cuatro Japan KK	2	2				
Vector Cuatro Renewables FZE (Dubai)		2	(2)			
Vector Cuatro SLU	186	267	(81)	427	1,753	(1,326)
Vector Cuatro Srl	96	204	(108)	1,875	2,135	(260)
Vector Cuatro UK Ltd	37	50	(13)		93	(93)
West Browncastle Wind Energy Ltd	5	5				
Windfor Srl	22		22			
Total subsidiaries	7,311	7,632	(321)	3,647	4,189	(542)
Associates						
Fruillo Energia Ambiente Srl	81	81				
Total associates	81	81				
Parent company						
Falck SpA	120	159	(39)	555	577	(22)
Total parent company	120	159	(39)	555	577	(22)
Group companies						
Falck Energy SpA	62	19	43			
Sesto Siderservizi Srl	29	16	13			
Total Group companies	91	35	56			
Total	7,603	7,907	(304)	4,202	4,766	(564)
% incidence on income statement heading	98.8%	99.3%		34%	49%	

<i>(€ thousands)</i>	Financial receivables			Financial liabilities		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Investments in subsidiaries						
Actelios Solar SpA	4,394	9,083	(4,689)			
Aliden Vind AB				5,148		5,148
Ambiente 2000 Srl				1,836	3,671	(1,835)
Brattmyrleden Vind AB				1,435		1,435
Energy Aggregator Consortium	3,242	830	2,412			
Energy Cloud Consortium	1,045	43	1,002			
Ecosesto SpA	17,864	13,288	4,576			
Elettroambiente SpA (in liquid.)		253	(253)			
Energia Eolica de Castilla SL	9,636	2,027	7,609			
Energy Capital Srl		20	(20)			
Energy Team SpA				3,985		3,985
Eolica Cabezo San Roque SAU				2,000		2,000
Eolica Petralia Srl	3,345	5,184	(1,839)			
Eolica Sud Srl	17,241	21,232	(3,991)			
Eolo 3W Minervino Murge Srl	9,403	9,574	(171)			
Esposito Servizi Ecologici Srl		874	(874)			
Falck Next Energy Srl				9,071	4,221	4,850
Falck Next Srl				1,488	936	552
Falck Nuo Spain SL						
Falck Renewables North America Inc	13,815		13,815			
Falck Renewables Power 3 SL				298		298
Falck Renewables Sicilia Srl				148	987	(839)
Falck Renewables Sviluppo Srl	813		813		984	(984)
Falck Renewables Vind AS				16,832		16,832
Falck Renewables Wind Ltd				125,247	138,990	(13,743)
NUO Srl	7		7			
Platani Energia Ambiente ScpA (in liquid.)				3,400		3,400
Prima Srl		8,099	(8,099)	19,443	22,884	(3,441)
PV Diagnosis Srl in liquid.						
Solar Mesagne Srl	3,645	3,784	(139)			
Tifeo Energia Ambiente ScpA (in liquid.)				2,700		2,700
Vector Cuatro Japan KK				216	75	141
Vector Cuatro SLU	2,939	1,896	1,043			
Vector Cuatro Srl	1,108	2,055	(947)			
Vector Cuatro UK Ltd		648	(648)	398		398
Windfor Srl				35		35
Total subsidiaries	88,497	78,890	9,607	193,680	172,748	20,932
Total	88,497	78,890	9,607	193,680	172,748	20,932
% incidence on income statement heading	99%	97.7%		75.4%	89.6%	

<i>(€ thousands)</i>	Financial instruments - assets			Financial instruments - liabilities		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Investments in subsidiaries						
Falck Renewables Wind Ltd	35		35	57	70	(13)
Brattmyrleden Vind AB	223	702	(479)	37	24	13
Aliden Vind AB	18	133	(115)	31	4	27
Falck Renewables Vind AS		67	(67)			
Total subsidiaries	276	902	(626)	126	98	28
% incidence on income statement heading	32.0%	55.3%		5.5%	7.5%	

<i>(€ thousands)</i>	Other receivables			Other payables		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
Investments in subsidiaries						
Prima Srl	5,950	5,950		321		321
Ambiente 2000 Srl		196	(196)	164		164
Vector Cuatro Srl				1	51	(50)
Aliden Vind AB		65	(65)	7	7	
Falck Renewables Vind AS	55,288	58	55,230			
Brattmyrliden Vind AB						
Actelios Solar SpA						
Falck Next Energy Srl	143		143			
Tifeo Energia Ambiente ScpA (in liquid.)	202		202			
Windfor Srl	10		10			
Eolica Sud Srl	606		606			
Eolo 3W Minervino Murge Srl	768		768			
Falck Renewables Sicilia Srl				62		62
Falck Renewables Sviluppo Srl				139		139
Elettroambiente SpA (in liquid.)				19		19
Palermo Energia Ambiente ScpA				35		35
Platani Energia Ambiente ScpA (in liquid.)				17		17
Energy Team SpA				1,262		1,262
Total subsidiaries	62,967	6,269	56,698	2,027	58	1,969
Associates						
Frullo Energia Ambiente Srl	2,450	1,943	507			
Total associates	2,450	1,943	507			
Parent company						
Falck SpA	250	4,728	(4,478)	502		502
Total parent company	250	4,728	(4,478)	502		502
Total	65,667	12,940	52,727	2,529	58	2,471
% incidence on income statement heading	89.8%	76.0%		21.4%	0.3%	

8.6.3 Income statement content and movements

16 Revenues

Revenues consisted of the following:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Revenues from sale of goods			
Revenues from provision of services	88	126	(38)
Total	88	126	(38)

17 Personnel costs

Total personnel costs analysed by nature of expense are as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Wages and salaries	7,938	8,005	(67)
Social security costs	2,379	2,437	(58)
Staff leaving indemnity (TFR)	474	486	(12)
Other costs	1,409	767	642
Total	12,200	11,695	505

The average number of personnel was as follows:

<i>(number)</i>	31.12.2019	31.12.2018
Managers	26	27
White-collar staff	65	60
Blue-collar staff		
Total average number of personnel	91	87

Compared with 2018, higher personnel costs were also affected by the Long Term Incentive Plan of €374 thousand and higher redundancy and one-off costs of €330 thousand.

18 Direct costs

The company did not incur direct costs and expenses in 2019 and 2018.

19 Other income

Other income may be analysed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Income from operating activities	7,749	5,689	2,060
Income from non-operating activities	840	520	320
Total	8,589	6,209	2,380

Income from operating activities may be further detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Income from services provided to other			
Group companies	7,497	5,491	2,006
Other income from Group companies	248	194	54
Other third party income	4	4	
Total	7,749	5,689	2,060

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

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Income relating to previous accounting periods	770	388	382
Income arising in other periods due to other Group companies	38	102	(64)
Other	32	30	2
Total	840	520	320

20 Administrative expenses

Administrative expenses may be detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Consumables	162	130	32
Services	15,718	12,485	3,233
Other costs	4,222	4,455	(233)
Non-current operating expenses	869	52	817
Amortisation and impairment of intangible assets	346	352	(6)
Depreciation and impairment of property, plant and equipment	81	120	(39)
Amortisation of rights to use	959		959
Allocations to/(use of) risk provisions	529	(2,707)	3,236
Total	22,886	14,887	7,999

General and administrative expenses increased compared to the previous year, mainly due to provisions and use of provisions for risks and is linked to the lower release of provisions for guarantees granted to Sicilian companies. The increase in services, on the other hand, relates to the effect of higher intercompany service costs.

The heading in question also includes the accrued cost of the CEO Long Term Incentive Plan for a total of € 408 thousand, of which €191 thousand with reference to the stock grant plan.

21 Financial income and expenses

Financial income and expenses comprised:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Financial expenses	(30,165)	(10,450)	(19,715)
Financial income	32,846	14,730	18,116
Total	2,681	4,280	(1,599)

The decrease in financial income and expenses is due to higher interest expense and lower interest income on current accounts partially offset by higher exchange gains.

Finance costs consisted of the following:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Interest liabilities and impairments to subsidiaries	1,176	795	381
Allocation to bad debt provisions	138		138
Changes in fair value of financial instruments	146		146
Bank interest	918	541	377
Bank charges	984	782	202
Commissions on guarantees	323	235	88
Interest on liabilities applying IFRS 16	14		14
Interest cost on TFR	21	25	(4)
Other finance costs	151	55	96
Foreign exchange losses	26,294	8,017	18,277
Total	30,165	10,450	19,715

Finance costs for 2019 and 2018 may be further analysed as follows:

31.12.2019				
<i>(€ thousands)</i>	From securities	From banks	From others	Total
Payable to subsidiaries			1,314	1,314
Payable to associates				
Payable to parent company				
Payable to others		28,666	185	28,851
Total		28,666	1,499	30,165

31.12.2018				
<i>(€ thousands)</i>	From securities	From banks	From others	Total
Amounts owed by subsidiaries			795	795
Payable to associates				
Payable to parent company				
Payable to others		9,575	80	9,655
Total		9,575	875	10,450

Finance income for the year ended 31 December 2019 may be detailed as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Interest income and commission, release of bad debt provision from subsidiaries	4,739	5,344	(605)
Interest income and commission from banks	48	364	(316)
Foreign exchange gains	28,059	9,022	19,037
Total	32,846	14,730	18,116

22 Investment income / (expenses)

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Dividends Frullo Energia Ambiente Srl	2,450	1,943	507
Dividends Falck Renewables Wind Ltd	29,391	27,649	1,742
Impairment loss on Esposito Servizi Ecologici Srl	(196)		(196)
Dividends Vector Cuatro Srl		891	(891)
Dividends Ambiente 2000 Srl	228	196	32
Dividends Geopower Sardegna Srl	10,000	18,548	(8,548)
Revaluation (impairment loss) Vector Cuatro SLU	(2,844)		(2,844)
Revaluation (impairment loss) Geopower Sardegna Srl	1,561	(1,561)	3,122
Revaluation (impairment loss) Prima Srl	3,069		3,069
Revaluation (impairment loss) Eolica Petralia Srl	2,135	(2,570)	4,705
Revaluation (impairment loss) Ecosesto SpA	77	2,765	(2,688)
Revaluation (impairment loss) Solar Mesagne Srl	363	229	134
Revaluation (impairment loss) Falck Renewables Power 1, SL	(25)		(25)
Revaluation (impairment loss) Falck Renewables Power 2, SL	(38)		(38)
Revaluation (impairment loss) Falck Renewables Power 3, SL	(21)		(21)
Revaluation (impairment loss) Sol Occidental SLU	(2)		(2)
Other	37	(3)	40
Total	46,185	48,087	(1,902)

Dividends from Vector Cuatro Srl for the 2018 period relate to the sale of the staff business units accounted for on the basis of the "Preliminary guidelines Assirervi in relation to IFRS OPI No. 1 (Revised)".

23 Income tax expense

<i>(€ thousands)</i>	31.12.2019	31.12.2018	Change
Current tax	5,053	5,437	(384)
Deferred tax	(196)	(588)	392
Total	4,857	4,849	8

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Profit before taxation	22,457	32,120
Taxes calculated applying tax rate to profit	(6,641)	(9,498)
Profits not subject to tax	13,530	15,322
Expenses not deductible for tax purposes	(2,524)	(1,977)
Income arising on Group consolidated tax regime	492	1,002
Other		
Total income tax	4,857	4,849

With regard to the total tax liability, it should be noted that the total is determined by profits not subject to tax, mostly dividends, as well as costs not relevant for tax purposes.

Related party transactions

In compliance with the CONSOB communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are beyond the normal business operations or are detrimental to the Company's results of operations, state of affairs and financial position.

Related party transactions represent the 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 of related party transactions on Falck Renewables SpA's income statement are provided below.

<i>(€ thousands)</i>	Revenue from sales and services	Other operating revenues	Operating income	Non-operating income	Direct costs	Administrative expenses	Investments and other financial income	Interest and other financial expenses	Interest and other charges financial
Subsidiaries									
Actelios Solar SpA			286					330	
Aliden Vind AB			193			(50)		291	
Ambiente 2000 Srl			323				228		(1)
Assel Valley Wind Energy Ltd			2					25	
Auchrobert Valley Wind Energy Ltd			2					6	
Ben Aketil Wind Energy Ltd			2						
BIG FISH SPV Srl			7						
Boyndie Wind Energy Ltd			2						
Brattmyrliden Vind AB			112					1,064	
Cambrian Wind Energy Ltd			2						
CEF Vento SAS			19						
CEP Tramontane 1 S.A.S.			13						
Energy Aggregator Consortium			2					41	
Energy Cloud Consortium			2					9	
Earlsburn Mezzanine Ltd			2						
Earlsburn Wind Energy Ltd			2					2	
Ecosesto SpA			488				77	331	
Elettroambiente SpA (in liquid.)			12			(382)			(100)
Energia Eolica de Castilla SL			101					63	
Energy Team SpA			165			(4)			(1)
Eolica Cabezo San Roque SAU			14					2	
Eolica Petralia Srl			173				2,135	161	
Eolica Sud Srl			234					645	
Eolo 3W Minervino Murge Srl			180					322	
Esquennois Energie Sas			24						
Esposito Servizi srl in liquidation							(196)	196	
Falck Energies Renouvelables Sas			207						
Falck Next Energy Srl			621					302	(5)
Falck Next Srl			226					7	
Falck Renewables Finance Ltd			2						
Falck Renewables Nederland BV			34						
Falck Renewables North America Development Services & Construction Management LLC									
Falck Renewables North America Inc			247					20	
Falck Renewables Power 2 SL			15				(38)	26	
Falck Renewables Power 3 SL							(21)		
Falck Renewables Power I, SL							(25)	64	
Falck Renewables Sicilia Srl			293			(38)			
Falck Renewables Sviluppo Srl			295			(147)		1	
Falck Renewables Vind AS			635					233	(34)
Falck Renewables Wind Ltd			1,050			(349)	29,391	33	(1,124)
Ferme éolienne de Noyales S.A.S			4						
FRUK Holdings No1 Ltd			2					30	
Geopower Sardegna Srl			214				11,561	6	
Kilbraur Wind Energy Ltd			2					58	
Kingsburn Wind Energy Ltd			2					5	
Millennium Wind Energy Ltd			2					3	
Partial Total (Continued)			6,213			(970)	43,112	4,276	(1,265)

<i>(€ thousands)</i>	Revenue from sales and services	Other operating revenues	Operating income current	Revenues Non-operating current	Non-operating income	Administrative expenses managed	Investment income/(expenses)	Interest and other financial income	Interest and other financial charges
Subsidiaries									
Nutberry Energy Wind Ltd			2					10	
Palermo Energia Ambiente ScpA			15			(20)			(39)
Parc Eolien d'Illois Sarl			2					172	
Parc Eolien du Fouy Sas			24						
Parque Eolien des Cretes Sas			26						
Platani Energia Ambiente ScpA (in liquid.)			14			(70)		1	
Prima Srl			378			(24)	3,069	44	(10)
PV Diagnosis Fotovoltaica SLU			1						
Se Ty Ru Sas			5						
Sol Occidental SLU			1				(2)	29	
Solar Mesagne Srl			72				363	74	
Spaldington Airfield Wind Energy Ltd			2					1	
Tifeo Energia Ambiente ScpA (in liquid.)			27			91		1	
Vector Cuatro Australia Pty Ltd			2						
Vector Cuatro Chile Spa			2						
Vector Cuatro Energias Renovables Mèxico SA de CV			2						
Vector Cuatro EOOD			1						
Vector Cuatro France Sarl			19						
Vector Cuatro Japan KK			2					3	
Vector Cuatro Slu			281			(504)	(2,844)	70	
Vector Cuatro Srl			194			(3,779)		23	
Vector Cuatro UK Ltd			69					24	
West Brownncastle Wind Energy Ltd			2					6	
Windfor Srl			24					5	
Total subsidiaries (cont.)			7,380			(5,276)	43,698	4,739	(1,314)
Parent company									
Falck SpA			201	38		(1,299)			
Total parent company			201	38		(1,299)			
Associates									
Frullo Energia Ambiente Srl			117				2,450		
Total associates			117				2,450		
Group companies									
Falck Energy SpA			38						
Sesto Siderservizi Srl			9						
Total Group companies			47						
Total			7,745	38		(6,575)	46,148	4,739	(1,314)
% incidence on income statement heading			99.95%	4.52%		28.7%	93.58%	14.4%	8.0%

24 Additional disclosures in accordance with IFRS 16

The Company has property leases for its headquarters and subsidiaries, car leases, a software lease and other minor contracts.

The company has chosen to use the option provided for in the transition period, according to which it is not required to recalculate whether the contract is, or contains, a lease on the date of initial application of 1 January 2019. Instead, the company has applied the standard only to contracts, which at the date of initial application, were previously identified as leases by applying IAS 17 and IFRIC 4.

The following table shows the net book value of the rights of use at 31 December 2019, broken down by type of asset leased and changes during the year:

(€ thousands)	At 31.12.2018	First-time application of IFRS 16	Increase	Change in consolida- tion scope	Reclassi- fication	Foreign exchange differ- ences	Other move- ments	(Impair- ment) Revalua- tions	Amorti- sation	At 31.12.2019
Gross values										
Rights of use - Land										
Rights of use - Buildings		1,356					9			1,365
Rights of use - Other assets		477	576							1,053
<i>Total gross values of property, plant and equipment</i>		1,833	576				9			2,418
Right of use - Software			516							516
<i>Total gross values of intangible fixed assets</i>			516							516
Total gross value		1,833	1,092				9			2,934
Accumulated depreciation										
Rights of use - Land										
Rights of use - Buildings								(651)		(651)
Rights of use - Other assets								(236)		(236)
<i>Total provision for depreciation of property, plant and equipment</i>								(887)		(887)
Right of use - Software								(72)		(72)
<i>Total provision for amortization of intangible fixed assets</i>								(72)		(72)
Total depreciation								(959)		(959)
Net book amounts										
Rights of use - Land										
Rights of use - Buildings		1,356					9	(651)		714
Rights of use - Other assets		477	576					(236)		817
<i>Total net values of property, plant and equipment</i>		1,833	576				9	(887)		1,531
Right of use - Software			516					(72)		444
<i>Total net values of intangible fixed assets</i>			516					(72)		444
Total net rights of use		1,833	1,092				9	(959)		1,975

Below are details of the financial liability for leasing at 31 December 2019:

	<i>(€ thousands)</i>
1 January 2019	1,823
Increases	1,092
Increase for interest	14
Inflation effect	9
Payments	(1,022)
31 December 2019	1,916
Current	984
Non-current	932

The financial liability for operating leases at 1 January 2019 can be reconciled with the commitments for operating leases as follows:

	<i>(€ thousands)</i>
Commitments for operating leases at 31.12.2018	1,949
Discount effect	(24)
Commitments for discounted operating leases at 31.12.2018	1,925
Commitments relating to short-term or low-value leases	(102)
Financial liabilities for operating leases at 1 January 2019	1,823

Details of the costs charged to the income statement at 31 December 2019 are shown below:

	<i>(€ thousands)</i>
Amortisation of rights of use for buildings	651
Amortisation of rights of use for other assets	236
Amortisation of rights of use for software	72
Total amortisations	959
Total financial expenses for financial liabilities	14
Short term, low value leasing costs	575
Variable leasing costs	19
Total costs recorded on the Income statement	1,567

The Company has leasing contracts in place that provide for variable payments. Information on variable payments compared with fixed lease payments is provided below:

<i>(€ thousands)</i>	Fixed payments	Variable payments	Total
Fixed lease payment	1,022		1,022
Variable lease payment with minimum payment		16	16
Variable lease payment			
Total	1,022	16	1,038

Variable payments mainly relate to ancillary costs of property rental contracts.

25 Significant non-recurring events and transactions

Pursuant to CONSOB communication DEM/6064293 of 28 July 2006, no significant non-recurring transactions occurred in 2019.

26 Uncharacteristic and uncommon transactions

Pursuant to CONSOB communication DEM/6064293 of 28 July 2006, in the course of 2019 Falck Renewables SpA did not carry out any uncharacteristic and/or uncommon transactions, as defined in the communication.

27 Emoluments of directors and statutory auditors

In accordance with article 2427 of the Italian Civil Code, the total emoluments for each category are as follows:

<i>(€ thousands)</i>	31.12.2019	31.12.2018
Directors' emoluments	1,791	1,609
Statutory Auditors' emoluments	175	175
Total	1,966	1,784

The remuneration of the Chief Executive Officer Mr. Toni Volpe does not include remuneration in kind and the remuneration of the General Manager for a total of €120 thousand.

28 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.

CEO

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 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%

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

The fair value of the stock grants at 31 December 2019, worth € 191 thousand, was posted under general and administrative expenses, balancing the Other reserves heading under net equity.

Manager

In the following months of 2017, some Company managers were also granted a total of 327,273 shares. 65,909 equity rights assigned to managers were cancelled in 2018. In February 2019, a further 55,205 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 €1,5822.

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)	300,000	27,273	55,205
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 31 December 2019, worth €265 thousand, was posted under employee expenses, balancing the Other reserves heading under net equity.

At 31 December 2019, the following rights were held:

	Number of shares	Average exercise price
Rights at 01/01/2019	852,364	NA
New rights assigned during the period	55,205	NA
(Rights cancelled during the period)		
(Rights exercised during the period)		
(Rights expired during the period)		
Rights at 31/12/2019	907,569	NA
available for exercise at the end of the year		

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

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

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

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

In the light of these considerations, the company did not benefit from any public funding.

8.7 Additional disclosures on financial instruments in accordance with IFRS 7

This note sets out the additional disclosures relating to financial assets and liabilities in accordance with IFRS 7. These disclosures are presented in the same order as they are set out in IFRS 7 and have been omitted where not considered material. The note is presented in two sections. The first sets out detailed information regarding financial assets and liabilities while the second presents information regarding the risks attributable to the financial assets and liabilities, in particular credit risk, liquidity risk and market risk. This includes both qualitative and quantitative information that is analysed into points (e.g. 1.) and sub-points (e.g. 1.2). The detailed quantitative information is provided for 31 December 2019 and where significant at 31 December 2018.

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.

Before listing the detailed information, it should be noted that financial assets and liabilities are almost exclusively recorded in the financial statements at cost and amortised cost, with the exception of financial-derivative instruments which are measured at fair value. The portion of these derivatives designated as hedging instruments are measured applying hedge accounting with changes in fair value posted in equity. In contrast, changes in fair value relating to the portion not designated as hedging instruments are posted in profit or loss.

Credit, liquidity and market risk are very limited. Credit risk exposure is not significant as the majority of trade and financial receivables are with other Group companies and not third parties. The liquidity risk is low in view of the availability of lines of credit derived from the committed financing facility established on 12 June 2015 (renegotiated on 30 July 2018) and utilized for an amount of €32 million on the balance sheet date. Furthermore, the contract is subject to, inter alia, financial covenants based on the ratio of net financial position/EBITDA and net financial position/total equity disclosed in the consolidated financial statements: these covenants were met in 2019 based on these financial statements. Interest rate risk arises on financial receivables due from subsidiaries and interest rate fluctuations would give rise to higher or lower finance income and therefore higher or lower dividends, consequently a sensitivity analysis was not performed. Falck Renewables SpA adopts specific procedures to manage the credit, liquidity and market risk on financial assets and liabilities. These processes have been documented in the Group's policies.

Section I: Financial instruments

1. Financial Statement

1.1 Categories of financial assets and liabilities

The tables below illustrate the carrying values at 31 December 2019 and 31 December 2018 of the financial assets and liabilities classified in accordance with IFRS 9. In order to reconcile with the balance sheet totals the penultimate column sets out the values of the assets and liabilities that are not included in the scope of IFRS 7.

31.12.2019						
<i>(€ thousands)</i>	Amortised cost	Fair value and change through profit and loss	Fair value and change 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					10,425	10,425
Investments and securities		2,225		2,225	619,131	621,356
Financial receivables	88,535	861		89,396		89,396
Inventories						
Trade receivables	7,697			7,697		7,697
Deferred income tax assets					623	623
Other receivables	8,436			8,436	64,664	73,100
Cash and cash equivalents	3,043			3,043		3,043
Non-current assets held for sale						
Total	107,711	3,086		110,797	694,843	805,640
Liabilities						
Net equity					516,383	516,383
Financial liabilities	253,706	3,296		257,002		257,002
Trade payables	12,415			12,415		12,415
Other payables	3,938			3,938	7,857	11,795
Provisions for other liabilities and charges					6,540	6,540
Staff leaving indemnity (TFR)					1,505	1,505
Non-current assets held for sale						
Total	270,059	3,296		273,355	532,285	805,640

31.12.2018

<i>(€ thousands)</i>	Amortised cost	Fair value and change through profit and loss	Fair value and change in OCI	Total FA/FL within scope of IFRS7	A/L not within scope of IFRS7	Balance sheet total
Assets						
Property, plant and equipment and intangibles					2,400	2,400
Investments and securities		1,122		1,122	535,553	536,675
Financial receivables	79,083	1,631		80,714		80,714
Inventories						
Trade receivables	7,962			7,962		7,962
Deferred income tax assets					819	819
Other receivables	8,699			8,699	8,327	17,026
Cash and cash equivalents	92,693			92,693		92,693
Non-current assets held for sale						
Total	188,437	2,753		191,190	547,099	738,289
Liabilities						
Net equity					506,903	506,903
Financial liabilities	191,454	1,305		192,759		192,759
Trade payables	9,714			9,714		9,714
Other payables	17,448			17,448	4,314	21,762
Provisions for other liabilities and charges					5,804	5,804
Staff leaving indemnity (TFR)					1,347	1,347
Non-current assets held for sale						
Total	218,616	1,305		219,921	518,368	738,289

1.2 Collateral – Financial assets pledged as security

With regard to the financial assets pledged as collateral, the shares held by Falck Renewables SpA in Actelios Solar SpA (€120 thousand) and Eolica Petralia Srl (€2,000 thousand) are pledged. The following are also included: Eolica Sud (€5,000 thousand), Eolo 3w Minervino Murge (€10 thousand), Geopower Sardegna Srl (€2,000 thousand) and Falck Renewables Wind Ltd (£37,755 thousand). The pledge values correspond to the face value of the shares in question.

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

- pledge of the shares of Energia Eolica de Castilla SL for an amount of €2 thousand
- cash deposit by Svelgen Kraft Holding AS (minority shareholder of Falck Renewables Vind AS) for an amount of €830 thousand
- a deposit of €5,492 thousand was made to an escrow account in favour of Falck Renewables SpA by the shareholders of Energy Team SpA.

2. Income statement and total equity

2.1 Income, expenses, gains or losses

The table below illustrates net gains/(losses) on financial assets and liabilities in 2018 and 2019 reclassified in accordance with IFRS 9. The only amount relates to gains on the increase in value of derivative financial instruments.

31.12.2019				
<i>(€ thousands)</i>	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	(171)			(171)
Financial assets at amortised cost				
Financial liabilities at fair value	(1,875)			(1,875)
Financial liabilities at amortised cost				
Total	(2,046)			(2,046)

The overall change in fair value of all foreign exchange hedging contracts both with banks and Group companies totalled €2,046 thousand and can be broken down as follows:

31.12.2018				
<i>(€ thousands)</i>	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	537			537
Financial assets at amortised cost				
Financial liabilities at fair value	(304)			(304)
Financial liabilities at amortised cost				
Total	233			233

The table below illustrates total interest income/expense (calculated using the effective interest rate method) and the fee income/expense generated by financial assets/liabilities not measured at fair value through profit or loss and the fee income/expense arising from trust and other fiduciary activities in 2019 and 2018.

31.12.2019			
<i>(€ thousands)</i>	Interest income/ (expense)	Fee income/ (expense)	Total
FA not at fair value through profit or loss	2,240	2,350	4,590
FL not at fair value through profit or loss	(2,137)	(1,306)	(3,443)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	3,580		3,580
Total	3,683	1,044	4,727

<i>(€ thousands)</i>	31.12.2018		Total
	Interest income/ (expense)	Fee income/ (expense)	
FA not at fair value through profit or loss	2,932	2,502	5,434
FL not at fair value through profit or loss	(1,359)	(1,018)	(2,377)
Trust and other fiduciary activities			
Other (not within scope of IFRS 7)	990		990
Total	2,563	1,484	4,047

The reconciliations of the above amounts with net finance costs recorded in the 2019 and 2018 income statements are as follows.

<i>(€ thousands)</i>	31.12.2019
Gains/(losses) through profit or loss	(2,046)
Total interest income/(expense)	3,683
Fee income/(expense)	1,044
Total	2,681
Financial income (expenses) per income statement	2,681

<i>(€ thousands)</i>	31.12.2018
Gains/(losses) through profit or loss	233
Total interest income/(expense)	2,563
Fee income/(expense)	1,484
Total	4,280
Financial income (expenses) per income statement	4,280

3. Additional disclosures

3.1 Accounting policies

The accounting policies adopted for the recognition and measurement of financial assets and liabilities are presented in the notes to the separate financial statements of Falck Renewables SpA in paragraph 8.6.1 Accounting policies.

3.2 Fair value

The tables below disclose the fair value of the financial assets/liabilities and the related carrying amount at 31 December 2019 and 31 December 2018. The carrying amount of the financial assets/liabilities valued at cost and amortised cost (see point 1.1) is a reasonable estimate of fair value as these relate to either short-term or variable rate financial assets and liabilities.

31.12.2019

<i>(€ thousands)</i>	Carrying amount	Fair value
Financial assets		
Investments and securities	2,225	2,225
Financial receivables	89,396	89,396
Trade receivables	7,697	7,697
Other receivables	8,436	8,436
Cash and cash equivalents	3,043	3,043
Total	110,797	110,797
Financial liabilities		
Financial liabilities	257,002	257,002
Trade payables	12,415	12,415
Other payables	3,938	3,938
Total	273,355	273,355

31.12.2018

<i>(€ thousands)</i>	Carrying amount	Fair value
Financial assets		
Investments and securities	1,122	1,122
Financial receivables	80,714	80,714
Trade receivables	7,962	7,962
Other receivables	8,699	8,699
Cash and cash equivalents	92,693	92,693
Total	191,190	191,190
Financial liabilities		
Financial liabilities	192,759	192,759
Trade payables	9,714	9,714
Other payables	17,448	17,448
Total	219,921	219,921

Analysis of financial receivables and payables at 31 December 2019 and 31 December 2018 by instrument and conditions.

Financial receivables

31.12.2019

(€ thousands)	Effective interest rate	Fair Value	Carrying amount	Current amount	Non-current amount
Loans due from subsidiaries	various*	34,383	34,383		34,383
Loans due from associates					
Accrued interest		38	38	38	
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	54,114	54,114	54,114	
Derivative financial instruments		861	861	773	88
Total financial receivables		89,396	89,396	54,925	34,471

(*) The interest rate applied for loans to subsidiaries is: Euribor + cost of funding of Falck Renewables SpA + spread; the interest rate for project financing companies is Euribor + all-in senior margin + spread; the loan of Elettroambiente SpA in liquidation is non-interest bearing while the loan of Energia Eolica de Castilla SL bears interest on profits.

Financial liabilities

31.12.2019

(€ thousands)	Effective interest rate	Fair Value	Carrying amount	Current amount	Non-current amount
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	193,680	193,680	193,680	
IFRS 16 financial payables	Marginal cost of debt	1,916	1,916	984	932
Bank payables	Euribor + spread	39,521	39,521	7,521	32,000
Foreign exchange derivatives		2,312	2,312	2,224	88
Debt for minority purchase options		19,573	19,573		19,573
Total financial liabilities		257,002	257,002	204,409	52,593

Financial receivables

31.12.2018

(€ thousands)	Effective interest rate	Fair Value	Carrying amount	Current amount	Non-current amount
Loans due from subsidiaries	various*	54,557	54,557	2,857	51,700
Loans due from associates					
Accrued interest		1,918	1,918	1,918	
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	22,608	22,608	22,608	
Derivative financial instruments		1,631	1,631	1,495	136
Total financial receivables		80,714	80,714	28,878	51,836

(*) The interest rate applied to loans to subsidiaries is as follows: Euribor + cost of funding of Falck Renewables SpA + spread for the shareholder loan of Prima Srl, fixed rate for the loan of Consorzio Energy Aggregator, is equal to Euribor + all-in senior margin + spread for project financing companies, the loan of Elettroambiente SpA in liquidation is non-interest bearing while the loan of Energia Eolica de Castilla SL has a return on profits.

Financial liabilities

31.12.2018

(€ thousands)	Effective interest rate	Fair Value	Carrying amount	Current amount	Non-current amount
Corresponding current accounts	Euribor + Falck Renewables SpA cost of funding + spread	172,748	172,748	172,748	
Foreign exchange derivatives		1,305	1,305	1,169	136
Debt for minority purchase options		18,706	18,706		18,706
Total financial liabilities		192,759	192,759	173,917	18,842

4. Risks arising from financial instruments

4.1 Credit risk

The credit risk on third party financial and trade receivables is not considered significant as the related exposure is very limited.

With regard to the credit risk exposure on receivables due from subsidiaries, in 2018 a significant charge was made to the provision for doubtful trade and financial receivables to take into account the uncertainties surrounding litigation with the Sicily Region.

The maximum credit risk exposure at 31 December 2019 amounted to Euro 108,572 thousand and consisted of the following:

31.12.2019			
(€ thousands)	Gross	Impairment	Net
Financial receivables	180,995	(91,599)	89,396
Trade receivables	13,215	(5,518)	7,697
Other receivables	8,436		8,436
Cash and cash equivalents	3,043		3,043
Total	205,689	(97,117)	108,572

The maximum credit risk exposure at 31 December 2018 amounted to € 190,068 thousand and consisted of the following:

31.12.2018			
(€ thousands)	Gross	Impairment	Net
Financial receivables	172,371	(91,657)	80,714
Trade receivables	13,687	(5,725)	7,962
Other receivables	8,699		8,699
Cash and cash equivalents	92,693		92,693
Total	287,450	(97,382)	190,068

4.2 Liquidity risk

Falck Renewables SpA's liquidity risk is considered to be modest, as financial liabilities amounted to €257,002 thousand at 31 December 2019 (€192,759 thousand at 31 December 2018). This value is compared with total liabilities of €805,640 thousand at 31 December 2019 and €738,289 thousand at 31 December 2018. Financial payables principally comprise short-term payables relating to the current account payable to certain subsidiaries (Aliden Vind Ab, Ambiente 2000 Srl, Falck Next Srl, Falck Next Energy Srl, Falck Renewables Wind Ltd, Prima Srl, and Vector Cuatro Japan KK).

Furthermore, Falck Renewables SpA utilised the committed loan taken out on 12 June 2015 (renegotiated on 30 July 2018) for an amount of €32 million at the balance sheet date.

4.3 Market risk

4.3.1 Interest rate risk

Interest rate risk arises on financial receivables and payables due to/from subsidiaries and interest rate fluctuations would correspond to an increase or decrease in interest income that would result in lower or higher dividends therefore a sensitivity analysis has not been carried out.

Total financial assets and liabilities exposed to changes in interest rates are detailed below:

31.12.2019

(€ thousands)

Financial assets	
Financial receivables	88,535
Derivative financial instruments	861
Cash and cash equivalents	3,043
Total	92,439
Financial liabilities	
Financial liabilities	(253,706)
Derivative financial instruments	(3,296)
Total	(257,002)
Net exposure	(164,563)

31.12.2018

(€ thousands)

Financial assets	
Financial receivables	79,083
Derivative financial instruments	1,631
Cash and cash equivalents	92,693
Total	173,407
Financial liabilities	
Financial liabilities	(191,454)
Derivative financial instruments	(1,305)
Total	(192,759)
Net exposure	(19,352)

9

Supplementary information to the separate financial statements of Falck Renewables SpA

9.1 List of direct and indirect investments in subsidiaries and associates

Directly controlled subsidiaries

(€ thousands)	Registered offices	Currency	Share capital	Equity with result (€ thousands)	Profit (loss) (€ thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (€)
Actelios Solar SpA	Santa Caterina di Villamosa (Cs)	EUR	120,000	2,027	(3,198)	100.000		1,124,979
Åliden Vind AB	Malmö (Sweden)	SEK	100,000	51,424	(57)	100.000		51,609,746
Ambiente 2000 Srl	Milan (Mi)	EUR	103,000	2,800	(477)	60.000		960,707
Big Fish Spv Srl	Milan (Mi)	EUR	1,760,000	1,738	(22)	70.000		1,427,428
Brattmyröden Vind AB	Malmö (Sweden)	SEK	3,000	34,710	(252)	100.000		37,939,621
Ecosesto SpA	Rende (CS)	EUR	5,120,000	17,757	5,109	100.000		12,788,000
Energia Eolica de Castilla SL	Madrid (Spain)	EUR	3,200	4	(120)	49.000		1,357,414
Energy Team SpA	Milan (Mi)	EUR	120,000	9,055	3,469	51.000		35,939,608
Elettroambiente SpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	245,350	(81,190)	(1,220)	100.000		
Eolica Petralia Srl	Sesto S. Giovanni (Mi)	EUR	2,000,000	9,641	1,594	100.000		9,672,000
Eolica Sud Srl	Sesto S. Giovanni (Mi)	EUR	5,000,000	17,799	3,917	100.000		10,261,000
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (Mi)	EUR	10,000	16,387	3,610	100.000		16,966,000
Falck Next Srl	Sesto San Giovanni (Mi)	EUR	1,000,000	1,809	(571)	100.000		2,530,328
Falck Next Energy Srl	Sesto S. Giovanni (Mi)	EUR	1,010,000	6,853	426	100.000		4,353,232
Falck Renewables Nederland BV	Amsterdam (Netherlands)	EUR	10,000	(96)	(472)	100.000		697,976
Falck Renewables North America Inc	Delaware (USA)	USD	5	87,430	1,041	100.000		84,991,196
Falck Renewables Power 1 SI	Madrid (Spain)	EUR	300,000	275	(25)	100.000		274,521
Falck Renewables Power 2 SI	Madrid (Spain)	EUR	300,000	262	(37)	100.000		262,159
Falck Renewables Power 3 SI	Madrid (Spain)	EUR	300,000	279	(21)	100.000		278,683
Falck Renewables Sicilia Srl	Milan (Mi)	EUR	10,000	771	(174)	100.000		1,000,000
Falck Renewables Sviluppo Srl	Milan (Mi)	EUR	10,000	530	(359)	100.000		1,000,000
Falck Renewables Vind AS	Sandane (Norway)	NOK	21,499,500	21,369	(182)	80.000		21,469,084
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	201,243	15,841	99.989		166,483,362
Geopower Sardegna Srl	Sesto S. Giovanni (Mi)	EUR	2,000,000	24,698	22,270	100.000		110,464,000
Iron Spv Srl	Milan (Mi)	EUR	10,000	10		70.000		779,933
NUO Srl	Sesto S. Giovanni (Mi)	EUR	10,000	7	(3)	100.000		10,000
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	120,000	(54,697)	(120)	71.273		
Prima Srl	Sesto S. Giovanni (Mi)	EUR	5,430,000	31,457	3,356	85.000		26,172,159
Sol Occidental Slu	Madrid (Spain)	EUR	3,000	61	(2)	100.000		61,338
Solar Mesagne Srl	Brindisi	EUR	50,000	1,427	315	100.000		1,407,000
Vector Cuatro SLU	Madrid (Spain)	EUR	55,001	3,357	(1,355)	100.000		8,377,971
								610,659,445

Indirectly controlled subsidiaries

(€ thousands)	Registered offices	Currency	Share capital	Equity with result (€ thousands)	Profit (loss) (€ thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (€)
Assel Valley Wind Energy Ltd	Inverness (UK)	GBP	100	4,831	3,044		100.000	
Auchrobert Wind Energy Ltd	Inverness (UK)	GBP	100	7,224	3,415		100.000	
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100	2,342	3,594		51.000	
Birch Road Solar Farm LLC	Delaware (USA)	USD					100.000	
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100	3,680	1,837		100.000	
Cambrian Wind Energy Ltd	London (UK)	GBP	100	10,182	5,136		100.000	
CEP Tramontane 1 S.A.S.	Paris (France)	GBP	3,559,700	716	(207)		100.000	
CEF Vento SAS	Paris (France)	GBP	12,614,619	6,275	860		100.000	
Energy Aggregator Consortium	Milan (Mi)	EUR	7,800	8			51.280	
Energy Cloud Consortium	Milan (Mi)	EUR	7,200	7			82.190	
Earlsburn Mezzanine Ltd	London (UK)	GBP	1,000	31,166	5,527		51.000	
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100	7,795	5,814		100.000	
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.z.o.o.	Łódź (Poland)	PLN	132,000	(1,797)	(264)		50.000	
Eol Team SAS	Paris (France)	PLN	42,220	6,765	822		100.000	
Eolica Cabezo San Roque Sau	Madrid (Spain)	EUR	1,500,000	5,639	678		100.000	
Esquennois Energie Sas	Rennes (France)	EUR	37,000	553	408		100.000	
Falck Energies Renouvelables Sas	Rennes (France)	EUR	19,212,000	13,461	(1,777)		100.000	
Falck Middleton LLC	Delaware (USA)	USD		10,949	1,148		100.000	
Falck Middleton Generation LLC	Delaware (USA)	USD		15,026	(5)		100.000 class B*	
Falck Next Energy UK Ltd	London (UK)	USD	100				100.000	
Falck Nuo Spain SL	Madrid (Spain)	USD	3,600	3			100.000	
Falck Renewables CH-1 LLC	Delaware (USA)	USD		78	(150)		100.000	
Falck Renewables DLP MA LLC	Delaware (USA)	USD		25,183	2,598		100.000	
Falck Renewables Finance Ltd	London (UK)	GBP	100	21,274	226		100.000	
Falck Renewables IS 42 LLC	Delaware (USA)	USD		38,796	348		100.000	
Falck Renewables Latitude, LLC	Delaware (USA)	USD					100.000	
Falck Renewables North America Development Services & Construction Management LLC	Delaware (USA)	EUR			622		100.000	
Falck Renewables Verwaltungs GmbH (in liquidation)	Nuremberg (Germany)	EUR	25,000	5	(5)		100.000	
Ferme Eolienne de Noyales SAS	Paris (France)	USD	37,000	894	660		100.000	
Fisher Road Solar I LLC	Delaware (USA)	USD		16,131	1,212		100.000	
FRUK Holdings (No.1) Ltd	London (UK)	GBP	1	1,987	7,092		51.000	
HG Solar Development LLC	New York (United States)	USD		8,134	1,019		100.000	
Innovative Solar 42 LLC	North Carolina (US)	USD		87,953	1,104		100.000	
Lake Osiris Road Solar Farm LLC	Delaware (USA)	USD					100.000	
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100	16,554	6,085		51.000	
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100	5,270	2,900		100.000	
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100	17,459	8,083		51.000	
Millennium South Wind Energy Ltd	Inverness (UK)	GBP	100				52.000	
Mochrum Fell Wind Energy Ltd	Inverness (UK)	GBP	100				100.000	

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

Indirectly controlled subsidiaries (continued)

<i>(€ thousands)</i>	Registered offices	Currency	Share capital	Equity with result (€ thousands)	Profit (loss) (€ thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (€)
NC 42 LLC	Delaware (USA)	USD		47,682			100.00	
NC 42 Solar LLC	Delaware (USA)	USD		47,682			100.00	
NC 42 Energy LLC	Delaware (USA)	USD		91,532			100.00 class B*	
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100	1,439	674		100.00	
Parc Eolien d'Illinois Sarl	Rennes (France)	EUR	1,000	(559)	(202)		100.00	
Parc Eolien des Coudrays SAS	Paris (France)	EUR	868,000	1,018	437		100.00	
Parc Eolien des Crêtes Sas	Rennes (France)	EUR	37,000	387	72		100.00	
Parc Eolien de Mazeray et de Bignay SAS	Paris (France)	EUR	1,321,750	512	367		100.00	
Parc Eolien du Bois Ballay SAS	Paris (France)	EUR	1,235,000	1,499	589		100.00	
Parc Eolien du Fouy Sas	Rennes (France)	EUR	37,000	557	336		100.00	
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	3,364,264	(32,020)	(126)		87.180	
PV Diagnosis Fotovoltaica SLU	Madrid (Spain)	EUR	3,100	62	(1)		100.00	
Route 212 Solar Farm LLC	Delaware (USA)	USD					100.00	
Route 23A Solar Farm LLC	Delaware (USA)	USD					100.00	
SE Ty Ru Sas	Rennes (France)	EUR	1,009,003	2,105	(109)		100.00	
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	100	4,580	9		100.00	
SPME Dartmouth Holdings LLC	Delaware (USA)	USD		16,096	1,212		100.00	
SPME Holdings 2015 LLC	New Jersey (United States)	USD		18,156	751		100.00 class B*	
Syncarpha Palmer LLC	Delaware (USA)	USD		12,655	493		100.00	
Syncarpha Massachusetts LLC	Delaware (USA)	USD		5,500	258		100.00	
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	EUR	4,679,829	(37,869)	1,398		99.940	
VC Renewables AB	Malmö (Sweden)	EUR	50,000				100.00	
Vector Cuatro Srl	Sesto S. Giovanni (Mi)	EUR	25,000	638	391		100.00	
Vector Cuatro Australia Pty Ltd	Sydney (Australia)	AUD		(265)	(242)		100.00	
Vector Cuatro Chile Spa	Santiago (Chile)	CLP	20,000,000	(191)	(61)		100.00	
Vector Cuatro France Sarl	Lyon (France)	EUR	50,000	285	56		100.00	
Vector Cuatro EOOD	Sofia (Bulgaria)	BGN	2,000	99	22		100.00	
Vector Cuatro Japan KK	Tokyo (Japan)	JPY	1,000,000	1,055	483		100.00	
Vector Cuatro Energias Renovables México SA de CV	Miguel Hidalgo DF (Mexico)	MXN	2,066,000	(535)	(72)		100.00	
Vector Cuatro UK Ltd	London (UK)	GBP	190,000	370	272		100.00	
Vector Cuatro US LLC	Delaware (USA)	USD	1,000	(53)	(45)		100.00	
Windfor Srl	Milan (Mi)	EUR	10,400	321	17		100.00	
West Browncastle Wind Energy Ltd	Inverness (UK)	GBP	100	(990)	969		100.00	

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

Associates

<i>(€ thousands)</i>	Registered offices	Currency	Share capital	Equity with result (€ thousands)	Profit (loss) (€ thousands)	Directly held shares (%)	Indirectly held shares (%)	Book value (€)
Frullo Energia Ambiente Srl	Bologna	EUR	17,139,100	46,923	5,417	49.000		8,471,678
Naturalis Energy Developments Ltd	London (UK)	EUR	100	100			70.000	
Nuevos Parque Eolicos La Muela AIE	Zaragoza (Spain)	EUR	10,000	38			50.000	
Parque Eolico La Carracha SI	Zaragoza (Spain)	EUR	100,000	4,694	1,416		26.000	
Parque Eolico Plana de Jarreta SI	Zaragoza (Spain)	EUR	100,000	3,414	1,271		26.000	
Vector Cuatro Servicios SL	Madrid (Spain)	EUR	30,000	41	5		50.000	

9.2 Summary of significant financial data of subsidiaries and associates

Financial Statement

Directly controlled subsidiaries

<i>(€ thousands)</i>	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Actelios Solar SpA	28,891	9,915	2,027	31,747	5,032
Áliden Vind AB	62,118	7,702	51,424	8,339	10,057
Ambiente 2000 Srl	41	6,255	2,800	905	2,591
Big Fish Spv Srl	1,695	337	1,738		294
Brattmyrliiden Vind AB	36,131	7,754	34,710	5,018	4,157
Ecosesto SpA	20,771	25,616	17,757	7,133	21,497
Energia Eolica de Castilla SL	11,428	525	4	10,108	1,841
Energy Team SpA	1,354	12,808	9,055	1,530	3,577
Elettroambiente SpA (in liquidation)	1	1,093	(81,190)	81,783	501
Eolica Petralia Srl	25,038	5,427	9,641	17,967	2,857
Eolica Sud Srl	84,801	17,325	17,799	72,500	11,827
Eolo 3W Minervino Murge Srl	56,951	10,012	16,387	42,196	8,380
Falck Next Srl	350	1,918	1,809	23	436
Falck Next Energy Srl	291	18,622	6,853	806	11,254
Falck Renewables Nederland BV		63	(96)		159
Falck Renewables North America Inc	74,146	29,531	87,430	123	16,124
Falck Renewables Power 1 SI	68	257	274		51
Falck Renewables Power 2 SI	28	263	262		29
Falck Renewables Power 3 SI		299	279		20
Falck Renewables Sicilia Srl	457	390	771		76
Falck Renewables Sviluppo Srl	1,057	604	530	3	1,128
Falck Renewables Vind AS	70,862	20,544	21,369	3,377	66,660
Falck Renewables Wind Ltd	54,454	201,212	201,243	24,009	30,414
Geopower Sardegna Srl	161,763	40,073	24,698	148,158	28,980
Iron Spv Srl		10	10		
NUO Srl	3	10	7		6
Palermo Energia Ambiente ScpA (in liquidation)	192	154	(54,697)	37,427	17,616
Prima Srl	20,358	30,925	31,457	7,072	12,754
Sol Occidental Slu	79	13	61		31
Solar Mesagne Srl	4,562	748	1,427	118	3,765
Vector Cuatro SLU	3,682	6,134	3,357	1,043	5,416

Indirectly controlled subsidiaries

<i>(€ thousands)</i>	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Assel Valley Wind Energy Ltd	52,111	6,605	4,831	49,615	4,270
Auchrobert Wind Energy Ltd	67,604	7,719	7,224	63,295	4,804
Ben Aketil Wind Energy Ltd	22,318	4,471	2,342	14,385	10,062
Birch Road Solar Farm LLC					
Boyndie Wind Energy Ltd	9,383	1,708	3,680	2,712	4,699
Cambrian Wind Energy Ltd	21,456	13,999	10,182	6,558	18,715
CEP Tramontane 1 SAS	28,025	3,204	716	15,533	14,980
CEF Vento SAS	16,601	75	6,275		10,401
Energy Aggregator Consortium		5,901	8		5,893
Energy Cloud Consortium		2,337	7		2,330
Earlsburn Mezzanine Ltd	50,417	2,902	31,166	20,995	1,158
Earlsburn Wind Energy Ltd	23,436	5,969	7,795	13,235	8,375
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	86	124	(1,797)		2,007
Eol Team SAS	9,525	1,438	6,765	3,737	461
Eolica Cabezo San Roque Sau	5,632	2,798	5,639	1,881	910
Esquennois Energie Sas	10,714	1,754	553	7,162	4,753
Falck Energies Renouvelables Sas	16,084	27,123	13,461		29,746
Falck Middleton LLC	11,002	4	10,949		57
Falck Middleton Generation LLC	15,031	17	15,026		22
Falck Next Energy UK Ltd					
Falck Nuo Spain SL		4	3		1
Falck Renewables CH-1 LLC	119		78		41
Falck Renewables DLP MA LLC	25,521	215	25,183	534	19
Falck Renewables Finance Ltd	167	21,470	21,274		363
Falck Renewables IS 42 LLC	38,794	2	38,796		
Falck Renewables Latitude, LLC					
Falck Renewables North America Development Services & Construction Management LLC					
Falck Renewables Verwaltungs Gmbh (in liquidation)		18	5		13
Ferme Eolienne de Noyales SAS	8,636	1,543	894	3,152	6,133
Fisher Road Solar I LLC	16,083	1,030	16,131	971	11
FRUK Holdings (No.1) Ltd	17,815	20,608	1,987	26,267	10,169
HG Solar Development LLC	14,119	842	8,134	6,527	300
Innovative Solar 42 LLC	118,788	1,634	87,953	29,975	2,494
Lake Osiris Road Solar Farm LLC					
Kilbraur Wind Energy Ltd	58,302	10,326	16,554	44,686	7,388
Kingsburn Wind Energy Ltd	38,890	5,543	5,270	36,076	3,087
Millennium Wind Energy Ltd	59,956	11,490	17,459	45,013	8,974
Millennium South Wind Energy Ltd					
Mochrum Fell Wind Energy Ltd					

Indirectly controlled subsidiaries (continued)

<i>(€ thousands)</i>	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
NC 42 LLC	47,682		47,682		
NC 42 Solar LLC	47,682		47,682		
NC 42 Energy LLC	91,532		91,532		
Nutberry Wind Energy Ltd	28,492	5,290	1,439	25,973	6,370
Parc Eolien d'Illois Sarl	199	15	(559)		773
Parc Eolien des Coudrays SAS	8,133	610	1,018	7,483	241
Parc Eolien des Crêtes Sas	8,680	1,725	387	5,614	4,404
Parc Eolien de Mazeray et de Bignay SAS	11,538	472	512	11,338	160
Parc Eolien du Bois Ballay SAS	11,294	758	1,499	10,189	364
Parc Eolien du Fouy Sas	7,782	1,645	557	5,572	3,298
Platani Energia Ambiente ScpA (in liquidation)	192	3,602	(32,020)	21,470	14,344
PV Diagnosis Fotovoltaica SLU	1	62	62		1
Route 212 Solar Farm LLC					
Route 23A Solar Farm LLC					
SE Ty Ru Sas	11,199	2,726	2,105	6,903	4,917
Spaldington Airfield Wind Energy Ltd	29,452	2,975	4,580	17,899	9,948
SPME Dartmouth Holdings LLC	16,096		16,096		
SPME Holdings 2015 LLC	18,156		18,156		
Syncarpha Palmer LLC	14,557	333	12,655	2,215	20
Syncarpha Massachusetts LLC	5,976	212	5,500	677	11
Tifeo Energia Ambiente ScpA (in liquidation)	319	4,236	(37,869)	27,794	14,630
VC Renewables AB					
Vector Cuatro Srl	1,743	3,449	638	864	3,690
Vector Cuatro Australia Pty Ltd		26	(265)		291
Vector Cuatro Chile SpA		4	(191)		195
Vector Cuatro France Sarl	3	783	285		501
Vector Cuatro EOOD	1	154	99		56
Vector Cuatro Japan KK	494	2,161	1,055	101	1,499
Vector Cuatro Energias Renovables México SA de CV	20	660	(535)		1,215
Vector Cuatro UK Ltd	83	2,105	370	40	1,778
Vector Cuatro US LLC		433	(53)		486
Windfor Srl	39	884	321	66	536
West Browncastle Wind Energy Ltd	53,182	5,147	(990)	49,258	10,061

Associates

<i>(€ thousands)</i>	Non-current assets	Current assets	Equity	Non-current liabilities	Current liabilities
Frullo Energia Ambiente Srl	59,375	14,384	46,923	10,599	16,237
Naturalis Energy Developments Ltd		100	100		
Nuevos Parque Eolicos La Muela AIE	1	33	38		(4)
Parque Eolico La Carracha SI	10,367	2,278	4,694	7,305	646
Parque Eolico Plana de Jarreta SI	10,359	2,237	3,414	8,499	683
Vector Cuatro Servicios SL	16	60	41		35

Income Statement

Directly controlled subsidiaries

<i>(€ thousands)</i>	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the period
Actelios Solar SpA	6,669	(2,435)	(4,006)	(3,198)
Åliden Vind AB	1,548	320	(69)	(57)
Ambiente 2000 Srl	8,480	(638)	(638)	(477)
Big Fish Spv Srl		(22)	(22)	(22)
Brattmyrliden Vind AB		(326)	(316)	(252)
Ecosesto SpA	23,249	7,286	6,982	5,109
Energia Eolica de Castilla SL		(127)	(147)	(120)
Energy Team SpA	14,346	3,599	3,588	3,469
Elettroambiente SpA (in liquidation)		(1,271)	(1,422)	(1,220)
Eolica Petralia Srl	5,785	2,948	2,230	1,594
Eolica Sud Srl	21,369	9,505	5,655	3,917
Eolo 3W Minervino Murge Srl	12,770	7,413	5,269	3,610
Falck Next Srl		(743)	(751)	(571)
Falck Next Energy Srl	72,289	918	607	426
Falck Renewables Nederland BV		(470)	(472)	(472)
Falck Renewables North America Inc		(3,317)	1,041	1,041
Falck Renewables Power 1 SI		(25)	(25)	(25)
Falck Renewables Power 2 SI		(37)	(37)	(37)
Falck Renewables Power 3 SI		(21)	(21)	(21)
Falck Renewables Sicilia Srl		(247)	(247)	(174)
Falck Renewables Sviluppo Srl		(505)	(507)	(359)
Falck Renewables Vind AS	239	(41)	(36)	(182)
Falck Renewables Wind Ltd	5,561	(2,753)	16,425	15,841
Geopower Sardegna Srl	52,900	31,739	25,583	22,270
Iron Spv Srl				
NUO Srl		(3)	(3)	(3)
Palermo Energia Ambiente ScpA (in liquidation)		(85)	(150)	(120)
Prima Srl	25,375	4,551	4,492	3,356
Sol Occidental Stu		(2)	(2)	(2)
Solar Mesagne Srl	1,042	508	429	315
Vector Cuatro SLU	8,600	(992)	(1,658)	(1,355)

Indirectly controlled subsidiaries

<i>(€ thousands)</i>	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the period
Assel Valley Wind Energy Ltd	9,966	5,727	3,714	3,044
Auchrobert Wind Energy Ltd	12,315	6,468	4,269	3,415
Ben Aketil Wind Energy Ltd	8,432	5,218	4,457	3,594
Birch Road Solar Farm LLC				
Boyndie Wind Energy Ltd	4,325	2,349	2,307	1,837
Cambrian Wind Energy Ltd	19,708	6,548	6,345	5,136
CEP Tramontane 1 SAS		(64)	(298)	(207)
CEF Vento SAS		(42)	719	860
Energy Aggregator Consortium	7,707	56	9	
Energy Cloud Consortium	2,837	10	2	
Earlsburn Mezzanine Ltd		(32)	5,490	5,527
Earlsburn Wind Energy Ltd	11,806	7,793	7,230	5,814
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.		(24)	(264)	(264)
Eol Team SAS	2,043	1,022	982	822
Eolica Cabezo San Roque Sau	2,406	963	943	678
Esquennois Energie Sas	2,254	1,028	544	408
Falck Energies Renouvelables Sas	204	(765)	(1,777)	(1,777)
Falck Middleton LLC		(192)	1,148	1,148
Falck Middleton Generation LLC		(5)	(5)	(5)
Falck Next Energy UK Ltd				
Falck Nuo Spain SL				
Falck Renewables CH-1 LLC			(150)	(150)
Falck Renewables DLP MA LLC		(6)	2,598	2,598
Falck Renewables Finance Ltd		146	278	226
Falck Renewables IS 42 LLC			348	348
Falck Renewables Latitude, LLC				
Falck Renewables North America Development Services & Construction Management LLC		623	622	622
Falck Renewables Verwaltungs GmbH		(5)	(5)	(5)
Ferme Eolienne de Noyales Sas	1,877	1,122	916	660
Fisher Road Solar I LLC	2,178	1,212	1,212	1,212
FRUK Holdings (No.1) Ltd		(31)	6,832	7,092
HG Solar Development LLC	1,500	1,137	1,019	1,019
Innovative Solar 42 LLC	8,049	1,104	1,104	1,104
Lake Osiris Road Solar Farm LLC				
Kilbraur Wind Energy Ltd	20,179	9,180	7,594	6,085
Kingsburn Wind Energy Ltd	8,586	4,812	3,599	2,900
Millennium Wind Energy Ltd	21,427	11,615	10,047	8,083
Millennium South Wind Energy Ltd				
Mochrum Fell Wind Energy Ltd				

Indirectly controlled subsidiaries (continued)

<i>(€ thousands)</i>	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the period
NC 42 LLC				
NC 42 Solar LLC				
NC 42 Energy LLC				
Nutberry Wind Energy Ltd	5,661	2,727	863	674
Parc Eolien d'Illinois Sarl		(22)	(202)	(202)
Parc Eolien des Coudrays SAS	1,557	872	613	437
Parc Eolien des Crêtes Sas	1,569	475	96	72
Parc Eolien de Mazeray et de Bignay SAS	1,671	863	510	367
Parc Eolien du Bois Ballay SAS	2,107	1,189	834	589
Parc Eolien du Fouy Sas	1,765	814	449	336
Platani Energia Ambiente ScpA (in liquidation)		(149)	(150)	(126)
PV Diagnosis Fotovoltaica SLU		(1)	(1)	(1)
Route 212 Solar Farm LLC				
Route 23A Solar Farm LLC				
SE Ty Ru Sas	1,901	312	(48)	(109)
Spaldington Airfield Wind Energy Ltd	3,176	1,015	28	9
SPME Dartmouth Holdings LLC	1,212	1,212	1,212	1,212
SPME Holdings 2015 LLC	751	751	751	751
Syncarpha Palmer LLC	1,344	493	493	493
Syncarpha Massachusetts LLC	596	258	258	258
Tifeo Energia Ambiente ScpA (in liquidation)		1,629	1,628	1,398
VC Renewables AB				
Vector Cuatro Srl	6,284	573	546	391
Vector Cuatro Australia Pty Ltd	17	(240)	(242)	(242)
Vector Cuatro Chile SpA	4	(52)	(61)	(61)
Vector Cuatro France Sarl	642	80	78	56
Vector Cuatro EOOD	186	24	24	22
Vector Cuatro Japan KK	3,378	918	901	483
Vector Cuatro Energias Renovables México SA de CV	1,381	(20)	(22)	(72)
Vector Cuatro UK Ltd	3,405	360	335	272
Vector Cuatro US LLC	415	(44)	(45)	(45)
Windfor Srl	1,373	49	42	17
West Browncastle Wind Energy Ltd	7,893	3,293	1,261	969

Associates

<i>(€ thousands)</i>	Revenues	Operating profit/(loss)	Profit/(loss) before income tax	Profit/(loss) for the period
Frullo Energia Ambiente Srl	27,208	7,671	7,554	5,417
Naturalis Energy Developments Ltd				
Nuevos Parque Eolicos La Muela AIE	380			
Parque Eolico La Carracha SI	4,911	1,718	1,416	1,416
Parque Eolico Plana de Jarreta SI	4,697	1,580	1,271	1,271
Vector Cuatro Servicios SL	121	6	6	5

10

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

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

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

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

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

We further certify that:

1. the consolidated financial statements:
 - a. have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
 - b. are consistent with the data in the accounting records and other corporate documents;
 - c. provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer and of all of the companies included in the scope of consolidation;
2. the directors' report includes a reliable analysis of the Group performance and results of operations and financial position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed⁽¹⁾.

The Chief Executive Officer

Toni Volpe

Director responsible for drafting
corporate accounting documents

Paolo Rundeddu

Milan, 11 March 2020

⁽¹⁾ Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (Consolidated Finance Act).

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

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

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

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

We further certify that:

1. the separate financial statements:
 - a. have been prepared in accordance with applicable international accounting principles, recognised by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;
 - b. are consistent with the data in the accounting records and other corporate documents;
 - c. provide a true and fair presentation of the balance sheet, income statement and financial position of the issuer.
2. the directors' report includes a reliable analysis of the performance and results of operations and the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed⁽¹⁾.

The Chief Executive Officer

Toni Volpe

Director responsible for drafting
corporate accounting documents

Paolo Rundeddu

Milan, 11 March 2020

⁽¹⁾ Pursuant to article 154-bis paragraph 5 letter e) of Legislative Decree 58/1998 (TU)

11

**Report by the Board of Auditors
to the Shareholders' Meeting**

**Report of the Board of Statutory Auditors to the Shareholders' Meeting
of Falck Renewables S.p.A. of 07 May 2020 pursuant to Article 153 of Legislative Decree
no. 58/1998 and Article 2429, paragraph 2, of the Italian Civil Code**

Dear Shareholders,

during the financial year ended 31 December 2019, we carried out the checks required by current law and regulations, pursuant to article 149 of Legislative Decree 58/1998 ("TUF" - Consolidated Finance Act) and the rules of conduct for boards of statutory auditors recommended by the Consigli Nazionali dei Dottori Commercialisti and Esperti Contabili (representative bodies of the Italian accounting professions) to which we refer in this report, which was prepared also taking into consideration the guidelines issued by CONSOB (the Italian stock exchange commission) on the subject of corporate controls and the indications contained in the Code of Conduct of the Corporate Governance Committee of listed companies of Borsa Italiana SpA to which the company has adhered.

Whereas

The board of statutory auditors (the Board) was appointed by the AGM on 27 April 2017 and will remain in office until the approval of the annual report for the year ended 31 December 2019. The Board of Statutory Auditors therefore invites the Shareholders to take the necessary decisions for the renewal of the Control Body.

The members of the Board have complied with the limits on the number of offices held as set forth in article 144 *terdecies* of the Listing Rules and have notified CONSOB accordingly.

The independent auditors are Ernst & Young SpA and reference should be made to the independent audit report.

Supervisory activities

In consideration of the manner in which we performed our institutional activities during 2019, we confirm that we:

- held 5 board meetings, including the meeting held on 22 March 2019 to prepare the Annual Report; attended the Shareholders' Meeting held on 15 April 2019; attended the meetings of the Board of Directors (12 meetings), the Risk and Sustainability Control and Sustainability Committee (10 meetings) and the Human Resources and Appointments Committee (7 meetings) and obtained timely and adequate information from the Directors on the activities carried out, in accordance with the regulations and the Articles of Association;
- We obtained suitable information in order to be able to perform our duties regarding verification of the adequacy of the Company's organisation structure and compliance with principles of correct administrative practice, through direct enquiries, the collation of information from officers responsible for the respective functions and exchanges of information and data with the independent auditors and with the boards of statutory auditors of the subsidiary companies;
- We oversaw the internal control and accounting-administrative systems, with the objective of verifying their adequacy to support operational requirements, as well as their reliability in presenting transactions, by examining company documentation, obtaining information from the heads of the relevant departments, and analysing the results of the work carried out by the independent auditors.

In the course of our supervisory activities, carried out during 2019 in the normal course of business in the manner described above, no significant facts emerged that would require reporting to the Control

Bodies. On the basis of our findings from the tests carried out and from information obtained, the decisions taken by the directors appear to comply with the law and the Company's articles of association, principles of correct administrative practice, are appropriate to and compatible with the Company's size and net assets, and meet Company requirements.

In addition to the supervisory activities carried out during 2019, the specific information to be provided in this report is listed below, in the order envisaged by Consob Communication no. DEM 1025564 of 6 April 2001.

1. We have obtained adequate information and investigated the major economic, financial and equity transactions undertaken by the Company and its subsidiaries, as disclosed in detail in the directors' report, to which we refer. In particular we would like to highlight that:
 - A. Pursuant to article 2497 bis of the Italian Civil Code, Falck Renewables S.p.A. is subject to management and coordination activities by the parent company Falck S.p.A., which issues uniform guidelines with strategic purposes, without prejudice to the autonomy and independence of the Company and its corporate bodies. On the whole, the information provided by the directors in their report is considered sufficient to provide all of the required disclosures. The negative impact of related party transactions with the parent company for approximately €1,060 thousand is illustrated in note 5.3.7 of the directors' report. Falck Renewables SpA performs direction and coordination activities in respect of its subsidiaries.
 - B. In 2010 the Board of Directors adopted the procedure regarding related party transactions prepared in accordance with article 2391 *bis* of the Italian Civil Code and based on CONSOB ruling 17221 of 12 March 2010 and ensuing amendments and interpretations. The Board of Directors has identified the Risk and Sustainability Control Committee (CCRS) as the committee competent to express opinions on transactions with related parties.
 - C. The presentation to the financial community of the results for the 2019 financial year and the Industrial Plan for the period 2020-2025 was made on 12 March 2020 after approval on 11 March 2020 by the Board of Directors.
2. We have not been informed of uncharacteristic and/or uncommon transactions carried out during the year, including those with Group companies or related parties. The ordinary financial and trading transactions carried out between Group companies are disclosed in the directors' report and in the notes to the Company's and the consolidated financial statements. In particular, these related to a number of specific transactions including treasury management, the provision of loans and guarantees, the provision of professional and other services, and the management of common services, which are all carried out at arm's length and are regulated by contractual agreements. The information obtained allowed us to confirm that the above transactions took place in accordance with the law and the Company's articles of association and that they were undertaken in the interests of the Company and the Group. Commencing 2010, the Related Party Transactions policy was approved by the Board of Directors' in accordance with Consob recommendations.
3. On the whole, the information provided by the directors in their report in accordance with article 2428 of the Italian Civil Code, in respect of the items illustrated at point 1 above, is considered sufficient to provide all of the required disclosures.
4. As part of the Board of Statutory Auditors' activities, during the 2019 financial year:
 - no complaints were submitted

- no reports were filed pursuant to Article 2408 of the Italian Civil Code
- no legal opinions were issued

5. We have no particular observations to make regarding compliance with the principles of correct administration that appear to have been adhered to at all times.
6. The Board auditors has constantly updated its knowledge and verified the effectiveness of the Company's organisation structure, comparing it with the corporate organisation charts formally approved and communicated to CONSOB, through information gathered from each area and meetings with the heads of the internal control function and the independent auditors. The current organisation structure, analysed by business unit and function appears to be appropriate given the size of the Group and meets its operating requirements.
7. Regarding the adequacy of the Internal Control System, the Board of Statutory Auditors: participated in the activities of the Risk and Sustainability Control Committee (CCRS), in which the Head of Internal Audit and the Risk Manager participate where appropriate; periodically received written reports from the Head of Internal Audit on the controls carried out; shared the work plan of the independent auditors; received information from the Financial Reporting Officer and the independent auditors on the accounting principles used and the outcome of the audit.
8. The Board took note of the report issued by the head of internal audit to the Risk and Sustainability Control Committee regarding the adequacy of the internal control and risk management system in 2019.

Falck Renewables SpA has for some time now adopted the Organisation and Operations Manual prepared in accordance with Legislative Decree 231/2001, aimed at preventing the commission of illegal offences as defined in the decree, thus safeguarding the administrative responsibility of the Company. A Supervisory Board (SB) has been appointed in order to enforce implementation of Model "231/01". The SB carries out supervisory, control and other activities independently and is composed of Giovanni Maria Garegnani Chairman, Luca Troyer and Siro Tasca, the head of internal audit.

Examination of the periodic reports drawn up by the Supervisory Body did not reveal any reports or non-compliance with the application of the Model.

9. We have no particular observations to report with regard to the adequacy of the administrative-accounting system and of its ability to present management activities fairly. Pursuant to Law 262/2005 (law on savings), a Corporate Accounting Documents Officer was appointed based on the proposal of the Internal Control Committee in agreement with the board of statutory auditors. A Group accounting manual and protocols and administrative-accounting procedures have been adopted regarding accounting closures, the preparation of the financial statements and reporting packages by subsidiaries.
10. The Company maintains strict control over information from its subsidiaries in order to fulfil its regular communication requirements.
An adequate flow of information between the parent company and its subsidiaries (also in relation to the communications covered by article 114.2 of Legislative Decree no. 58/98) is ensured through specific instructions sent to the subsidiaries by parent company management. The Group coordination activities are also guaranteed by the presence on the corporate bodies of the main subsidiaries of directors and members of top management of the parent company.
The Corporate Accounting Documents Officer evaluates the administrative-accounting internal con-

trol system using tests performed by an independent third party. In accordance with Law 262/2005 the Company performed tests on the accounting closure and administrative procedures in general in order to confirm that the correct accounting data flows into the financial statements, documents and prospectuses.

We have no specific matters to note regarding the exchange of information with the boards of statutory auditors of the subsidiaries.

11. No significant matters emerged, which require specific mention, during the regular meetings between the statutory auditors and the independent auditors, held in accordance with article 150.2 of Legislative Decree 58/98.

12. The Company has adopted the Corporate Governance Code of the Committee for the Corporate Governance of listed companies of Borsa Italiana S.p.A.

We note that the directors' report makes specific reference to the annual corporate governance report prepared in accordance with article 123 bis of the Consolidated Finance Act, to which reference should be made.

The statutory auditors confirm in their report that the disclosures pursuant to article 123 *bis*, paragraph 1 letters c), d), f), l) m) and paragraph 2, letter b) of Legislative Decree 58/98 comply with legislation.

The Board reported that the Board of Directors, in their meeting dated 11 March 2020, confirmed that they had carried out the independence requirement checks on its own non-executive members in compliance with article 3.C.1 of the Code of Self Discipline and the assessment criteria therein; the Board verified the correct application of the independence assessment criteria and procedures adopted by the Board of Directors and has no exceptions to note.

The Board also verified the independence of its own board members through compliance with paragraph 10.C.2 of the Code of Self Discipline of Borsa Italiana.

Independent auditors

Reconta Ernst & Young SpA was appointed as the Company's independent auditors for 2011-2019 at the AGM held on 6 May 2011.

No issues regarding the independence of the auditors arose during the year, taking into consideration the regulatory and professional requirements that govern audit activities. Moreover the independent auditors confirmed that based on all available evidence it maintained its independence and objectivity in respect of Falck Renewables SpA and that there were no changes regarding the existence of reasons for incompatibility defined under article 160 of the Consolidated Finance Act and chapter I *bis* of section IV of the listing rules.

On 30 March 2020, the independent auditors confirmed that the independence requirement was met pursuant to paragraph 17(a) of the ISA Italia 260 Standard.

Reconta Ernst & Young SpA confirmed in its own audit that non-audit activities assigned to E&Y and other members of the same network by Group companies did not include any activities prohibited by the regulations; the fees paid by Falck Renewables SpA for non-audit services are indicated in the financial statement booklet at per art. 149 *duodecies* of the listing rules.

The independent auditors issued the audit report on 30 March 2020, in accordance with articles 14 and 16 of Legislative Decree 39 dated 27 January 2010, on the separate Company financial statements and the consolidated financial statements for the year ended 31 December 2019. These audit reports confirm that the Company's and the consolidated financial statements for the year ended 31 December 2019 comply with the provisions relating to the preparation of financial statements, that they have been properly presented and that they give a true and fair view of the state of affairs and the result of operations for the year of the parent company Falck Renewables SpA, and that the directors' report complies with the legal

requirements, and that the audit found no significant errors in it.

The auditors issued the "Additional Report for the internal control and audit committee" (in our case, the Board) on the same date. The Board of Auditors submitted this additional report to the Chairman of the Board of Directors on 30 March 2020, asking them to distribute it to members of the board.

In relation to the forthcoming expiry of the independent audit engagement, in order to bring forward the appointment of the new auditor for the nine-year period 2020-28, on 6 March 2019 the Board drew up a reasoned proposal for the appointment of the independent auditor pursuant to art. 13 of Legislative Decree no. 39/2010. During the Shareholders' Meeting held on 15 April 2019, the Shareholders resolved to appoint Pricewaterhouse Coopers S.p.A. as statutory auditor for the period 2020 - 2028.

Financial Statements and Consolidated Financial Statements

With specific reference to the financial statements for the year ended 31 December 2019, the Board of Statutory Auditors confirms that the relevant file was delivered in time for it to be deposited at the Company's registered office together with this Report.

The Board of Auditors then examined the draft financial statements for the year ended 31 December 2019 and reviewed the consolidated financial statements at the same date. In particular the Board:

- noted that the information disclosed in the financial statements for the year ended 31 December 2019 is comparable with that of 31 December 2018 and there have been no changes to the accounting standards adopted;
- verified compliance with current legislation regarding the preparation, presentation and layout of both the separate Company and consolidated financial statements, taking into consideration the fact that the Company has prepared the separate company and the consolidated financial statements in accordance with International Financial Reporting Standards. Following publication of joint document no. 4 by Banca d'Italia/CONSOB/ISVAP dated 3 March 2010, the Board of Directors confirmed that the impairment tests performed on the assets carried in the balance sheet complied with the provisions of IAS 36 and approved them separately prior to that of the financial statements;
- verified that the 2019 directors' report conforms to the law and is in agreement with the resolutions approved by the Board of Directors and with transactions presented in the Company's and the consolidated financial statements; more specifically in the notes on "Risks and uncertainties" and "Management outlook and going concern" in the directors' report, the directors describe the major risks and uncertainties to which the Group is exposed, indicating those of a financial, legal, regulatory, strategic, and operational nature, providing details of all civil, tax and administrative litigation in which the Group is involved and providing detailed evidence of the status of litigation. No observations were required to be made by the Board in relation to the interim half-year report of the Company and the Group. The quarterly and half-yearly reports were prepared and published in accordance with current legislation and regulations.

Conclusions

In summary of the supervisory activities carried out during the year, including the results of the work carried out by the independent auditors, we have no proposals to make, pursuant to art. 153, paragraph 2, of Legislative Decree no. 153. 58/98, with regard to the financial statements themselves, their approval and the matters for which we are responsible, as we have no observations to make on the proposal of the Board of Directors for the allocation of the result for the year and the distribution of a dividend of €0.067 per share.

Pursuant to article 144 – *quinquiesdecies* of the Listing Rules, approved by CONSOB ruling 11971/99 and

ensuing amendments, the list of offices held by the Board in companies listed in Book V, Chapter V, Headings V, VI and VII of the Italian Civil Code, is published by CONSOB on its website (www.consob.it).

Milan, 30 March 2020

The Board of Statutory Auditors

Gianluca Pezzati - Chairman

Giovanna Conca - Statutory auditor

Alberto Giussani – Statutory auditor



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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Falck Renewables S.p.A. (the Company), which comprise the balance sheet as at December 31, 2019, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit response
<p data-bbox="172 443 488 472">Valuation of investments</p> <p data-bbox="172 495 756 584">As of December 31, 2019 the balance of “Investments and securities” amounted to Euro 621 million.</p> <p data-bbox="172 618 756 745">At least annually, Falck Renewables S.p.A. assesses the presence of impairment indicators for each investment and, if they are noted, an impairment test is performed for such assets.</p> <p data-bbox="172 779 767 1066">The processes and methodologies to evaluate and determine the recoverable amount of each investment are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts.</p> <p data-bbox="172 1099 767 1261">Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of investments, we have identified this area as a key audit matter.</p> <p data-bbox="172 1294 767 1581">Falck Renewables S.p.A. provides disclosures about the methodologies adopted for the valuation of investments, as well as the nature and the value of the assumptions adopted for impairment test in note 8.6.1 “Accounting principles” and note 8.6.2 “Balance sheet contents and movements”, section A, paragraph 3 “Investments and financial assets” of the notes to the financial statements.</p>	<p data-bbox="799 495 1358 555">Our audit procedures related to this key audit matter included, among others:</p> <ul data-bbox="831 562 1385 909" style="list-style-type: none"> • the understanding of the process implemented by the Company regarding the identification of impairment losses and investments valuation, as provided in the impairment test procedure approved by the Board of Directors on February 24, 2020; • the assessment of cash flow forecasts, as well as the underlying price and expected production curves used for their evaluation. <p data-bbox="799 943 1246 972">In addition, our procedures included:</p> <ul data-bbox="831 978 1374 1267" style="list-style-type: none"> • the reconciliation of the cash flow forecasts used for each investment with the Company’s Business Plan; • the assessment of the reasonableness of the forecast projections when compared to the historical accuracy of the previous forecasts; • the assessment of the determination of the discount rates. <p data-bbox="799 1301 1369 1518">In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount.</p> <p data-bbox="799 1552 1358 1612">Lastly, we reviewed the disclosure provided in the notes to the financial statements.</p>

Contingent liabilities and provisions related to legal and tax proceedings

Falck Renewables S.p.A. and its subsidiaries are involved in some legal and tax proceedings.

The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex assumptions that by their nature imply the use of management's judgment, specifically with reference to the assessment of the uncertainties related to expected results of the proceedings that are not under the control of the Company, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels.

Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as the amounts involved, we have identified this area as a key audit matter.

The disclosures related to the contingent liabilities and provision for risks are provided in note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 8.6.2 "Balance sheet contents and movements", paragraph 11 "Provision for other liabilities and charges" of the notes to the financial statements.

Our audit procedures related to this key audit matter included, among others:

- the understanding of the process implemented by the Company in order to identify and evaluate contingent liabilities and related accruals in accordance with the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets";
- the assessment of the supporting documentation provided for the assessment of the proceedings and claims, also considering information obtained from internal and external legal counsels;
- the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels.

Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the financial statements of Falck Renewables S.p.A..

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Falck Renewables S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.



In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Falck Renewables S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 30, 2020

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.

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Falck Renewables Group (the Group), which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Falck Renewables S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

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Key Audit Matter	Audit response
<p>Valuation of goodwill and other intangible and tangible assets</p>	
<p>As of December 31, 2019 the balance of Intangibles assets amounted to Euro 156 million, including Euro 96 million of Goodwill, and Tangible assets amounted to Euro 1.267 million.</p> <p>The processes and methodologies to evaluate and determine the recoverable amount of each CGU are based on complex assumptions that, by their nature, imply the use of judgement by management, in particular with reference to cash flow forecasts, evaluated through the use of price and expected production curves provided by third parties, and to the discount rates applied to those forecasts.</p> <p>Considering the level of judgement required and complexity of the assumptions applied in estimating the recoverable amount of goodwill and other intangible and tangible assets, we have identified this area as a key audit matter.</p> <p>Falck Renewables Group provided disclosure about the methodologies adopted for the valuation of investments, as well as the nature and the value of the assumptions adopted for the impairment test of Goodwill and other Intangible and Tangible assets in note 6.6.4 "Accounting principles" and note 6.6.8 "Balance sheet contents and movements", section A, paragraph 1 "Intangible assets" of the notes to the consolidated financial statements.</p>	<p>Our audit procedures related to this key audit matter included, among others:</p> <ul style="list-style-type: none"> • the understanding of the process implemented by the Group regarding criteria and impairment test methodology approved by the Board of Directors on February 24, 2020; • the assessment of the adequacy of the CGUs' perimeter and allocation of the carrying amount of assets and liabilities to each CGU; • the assessment of cash flow forecasts, as well as the underlying price and expected production curves used for their evaluation; • the assessment of the impairment test methodology adopted with respect to the provision of the international accounting standard IAS 36 "Impairment of Assets". <p>In addition, our procedures included:</p> <ul style="list-style-type: none"> • the assessment of the consistency of the cash flow forecasts used for each CGU with the actual Business Plan; • the assessment of the reasonableness of the forecasts projections when compared to the historical accuracy of the previous forecasts; • the assessment of the determination of the discount rates. <p>In performing our procedures we also involved our valuation specialists, who performed independent recalculation and sensitivity analysis on the key assumptions in order to determine any change in the assumptions that could materially impact the calculation of the recoverable amount.</p> <p>Lastly, we reviewed the disclosure provided in the notes to the consolidated financial statements.</p>

Contingent liabilities and provisions related to legal and tax proceedings

The parent company Falck Renewables S.p.A. and the Group companies are involved in some legal and tax proceedings.

The process and the methodologies for assessing the risks associated with such legal and tax proceedings are based on complex assumptions that by their nature imply the use of management's judgment, specifically with reference to the assessment of the uncertainties related to expected result of the proceeding that are not under the control of the Group, their classification within contingent liabilities or liabilities, and the adequacy of the disclosure provided in the notes, considering the assessment made by the internal legal department and by external legal counsels.

Considering the required judgment and the complexity of the assessment of the uncertainties connected to the proceedings, as well as their relevance, we have identified this issue as a key audit matter.

The disclosures related to the contingent liabilities and provision for risks are provided in note 5.2.11 "Risks and uncertainties", section b) Legal, of the Directors' Report, and in note 6.6.8 "Balance sheet contents and movements", paragraph 12 "Provision for other liabilities and charges" of the notes to the consolidated financial statements.

Our audit procedures related to this key audit matter included, among others:

- the understanding of the process implemented by the Group in order to identify and evaluate contingent liabilities and related accruals in accordance with the accounting principle IAS 37 "Provisions, contingent liabilities and contingent assets";
- the analysis of the supporting documentation provided for the assessments of the proceedings and claims, also considering information obtained from internal and external legal counsels;
- the assessment of the main internal documentation relating to these proceedings and the examination of the confirmations received by the external legal counsels.

Lastly, we assessed the disclosure provided on the legal and tax proceedings in place and on the possible impacts of such proceedings on the consolidated financial statements of Falck Renewables Group.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the parent company Falck Renewables S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Falck Renewables S.p.A., in the general meeting held on May 6, 2011, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Falck Renewables S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Falck Renewables Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.



We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Falck Renewables Group as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Falck Renewables Group as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 30, 2020

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.

Falck Renewables S.p.A.

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