

2021

INTERIM FINANCIAL REPORT
AT 31 MARCH

Falck
Renew
ables

PURE POWER TO GROW

Interim Financial Report at 31 March 2021

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1. Company officers

1. Company officers

Board of Directors

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

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

The Board of Directors was appointed by the Shareholders' Assembly on 7 May 2020.

Board of Statutory Auditors

Righetti Dario	Chairman
Conca Giovanna	Statutory Auditor
Paleologo Oriundi Patrizia	Statutory Auditor
Busetto Domenico	Alternative Auditor
Delfrate Daniela	Alternative Auditor

The Board of Statutory Auditors was appointed by the Shareholders' Assembly on 7 May 2020.

Independent Auditors

PricewaterhouseCoopers SpA

2. Financial statements

2. Financial statements

2.1 Income statement

				(€ thousands)
		31.3.2021	31.3.2020	31.12.2020
Revenues		128,719	121,034	384,359
Direct costs		(69,803)	(54,590)	(211,476)
Personnel costs		(12,887)	(11,554)	(46,123)
Other income		2,492	5,118	17,473
Administrative expenses		(7,402)	(11,023)	(32,984)
Net margin from trading activities		(180)	83	31
Operating profit/(loss)		40,939	49,068	111,280
Financial income/(expenses)		(9,418)	(10,785)	(33,197)
Investment income/(expenses)			(31)	10
Share of profit of investments accounted for using the equity method		(109)	710	(2,506)
Profit/(loss) before tax		31,412	38,962	75,587
Income tax expense				(15,762)
Profit/(loss) for the year				59,825
Profit attributable to non-controlling interests				14,219
Profit/(Loss) attributable to owners of the parent				45,606
EBITDA (1)		62,840	72,516	197,240

(1) EBITDA = measured by the Group as profit for the period before investment income and costs, financial income and expenses, amortisation and depreciation, impairment losses, charges to risk provisions and income tax.

2. Financial statements

2.2 Net financial position

	(€ thousands)		
	31.3.2021	31.12.2020	31.3.2020
Financial payables to third parties	(114,761)	(109,943)	(109,457)
Financial payables for operating leases	(5,883)	(5,085)	(4,976)
Financial receivables from third parties	4,875	4,573	13,195
Financial receivables from associates and joint ventures	2,055	1,439	
Cash and cash equivalents	274,307	239,230	225,610
Current net financial position	160,593	130,214	124,372
Financial payables to third parties	(603,544)	(581,640)	(707,371)
Financial payables for operating leases	(88,241)	(85,571)	(75,550)
Convertible bonds (Green Bond)	(177,585)	(176,429)	
Non-current net financial position	(869,370)	(843,640)	(782,921)
Net financial position pursuant to			
CONSOB circular DEM/6064293/2006	(708,777)	(713,426)	(658,549)
Non-current financial receivables from third parties	9,104	7,897	8,936
Total net financial position	(699,673)	(705,529)	(649,613)
- of which “non-recourse” project financing	(622,640)	(606,532)	(656,382)
- of which fair value of derivatives	(44,976)	(46,150)	(42,042)
- of which financial liabilities for operating leases	(94,124)	(90,656)	(80,526)
Net financial position net of fair value of derivatives	(654,697)	(659,379)	(607,571)
Net financial position excluding operating leases	(605,549)	(614,873)	(569,087)
Net financial debt excluding operating leases and derivatives	(560,573)	(568,723)	(527,045)

3. Notes

3. Notes

3.1 Accounting policies

At 31 March 2021, the Falck Renewables Group consisted of 164 companies, of which 147 are consolidated on a line-by-line basis, and 17 are consolidated applying the equity method.

During the first quarter of 2021 the following companies, 100% owned by Falck Renewables SpA, were incorporated:

- Falck Renewables Sviluppo Offshore Srl with effect from 16 March 2021;
- Falck Renewables Minervia Srl with effect from 25 March 2021;
- Falck Renewables Tibula Srl with effect from 25 March 2021;
- Falck Renewables Nora Srl with effect from 25 March 2021;
- Falck Renewables Odra Srl with effect from 25 March 2021.

The companies have been fully consolidated.

Furthermore, the following companies were removed from the commercial register during the first quarter:

- Sol Occidental SLU with effect from 11 January 2021;
- Falck Renewables CH-1 LLC with effect from 20 January 2021;
- Route 23A Solar Farm LLC with effect from 20 January 2021;
- Lake Osiris Road Solar Farm LLC with effect from 20 January 2021.

The following companies changed their names during the quarter:

- Vector Cuatro Japan into Vector Renewables Japan KK with effect from 17 February 2021;
- Vector Cuatro EOOD into Vector Cuatro EOOD - in liquidation with effect from 23 February 2021;
- Vector Cuatro SLU into Vector Renewables España SLU with effect from 3 March 2021;
- Vector Cuatro France Sarl into Vector Renewables France Sarl with effect from 4 March 2021.

This interim financial report as at 31 March 2021 has been prepared in accordance with IAS/IFRS. It presents an income statement by allocation, showing the quantification of items as required by International Accounting Standards.

This quarterly report is also prepared in accordance with the provisions of art. 154-ter paragraph 5 of Legislative Decree no. 58/1998.

Following the simplifications introduced by Legislative Decree no. 25 of 15 February 2016 (which transposed the so-called Transparency II Directive 2013/50/EU) on periodic financial information to the public, and in accordance with art. 2.2.3, paragraph 3, of the Rules of the Markets organised and managed by Borsa Italiana SpA, Falck Renewables SpA, as a company belonging to the STAR segment, will continue to prepare and publish its interim management reports in the forms adopted to date.

3. Notes

3.2 Main changes

The Group uses the following alternative performance indicators:

- EBITDA is defined by the Group as profit for the period before investment income and expenses, financial income and expenses, depreciation, amortisation, impairment losses, provisions for risks and income taxes;
- Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets;
- Net financial debt excluding 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;
- Adjusted results to make it easier to understand the operating performance of the business, the economic, financial and equity results are also shown with the exclusion of some adjustments related to (i) events or transactions whose occurrence is non-recurring, i.e. those transactions or facts that do not recur frequently in the usual course of business (so-called Non-Recurring Events pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006); or (ii) events or transactions of a non-ordinary nature, i.e. not representative of the normal course of business (so-called *Special items*): these results are referred to as "Adjusted results".

Revenue of the Falck Renewables Group in the first quarter 2021 amounted to € 128,719 thousand with an increase of € 7,685 thousand (+ 6.3%) over the first quarter 2020.

The increase in revenues reflects multiple opposing dynamics, which can be summarised as follows: (i) approximately € 2.1 million due to the change in the scope of consolidation following the acquisition of Building Energy Holding US, which took place at the end of November 2020, with an installed capacity of 61.6 MW; (ii) approximately € 11.7 million due to the higher volume of energy sold by Falck Next Energy Srl, and approximately € 2.1 million due to the higher revenues of the consortia that manage the interruptibility service in the Italian energy market; (iii) approximately € 2.9 million due to the increase in electricity selling prices principally in Italy, Spain and the Nordic countries (Sweden and Norway); (iv) approximately € 14.1 million for the lower wind power production in the UK, Italy, France and the Nordic countries (Sweden and Norway), partially offset by the higher production in Spain; and (v) approximately € 2.9 million for the higher energy production of the biomass plant which, in the first quarter of 2020, was shut down due to scheduled maintenance, and the increase in quantities relating to the waste disposal and treatment service for the WtE plant in Trezzo sull'Adda; (vi) approximately € 0.7 million for the negative effects of the exchange rate delta mainly related to the British pound and the US dollar; and (vii) € 0.4 million for higher revenues in the Services segment.

The GWh generated in the wind sector in the first quarter of 2021 amounted to 724 compared to 832 recorded in the 2020 first quarter (-13% compared to the same 2020 period). The overall GWh generated globally by all of the Group's technologies totalled 821 compared to 912 in the first quarter of 2020 (-10% compared to the same 2020 period).

As anticipated, there was an increase in electricity sale prices, including the incentive component, during the first quarter of 2021 compared to the first quarter of 2020: (i) for wind power plants, including price risk hedging, in Italy by 11%, in Spain by 18%, in the Nordic countries (Sweden and Norway) by 21% while in France the Feed-in tariff mechanism and the Group's price hedging activities in the UK resulted in substantially stable prices compared to the previous period; (ii) for solar plants in Italy by 6%; and (iii) for biomass plants by 4% due to the incentive component.

In Italy, on the other hand, there was a 3% decrease in electricity sale prices for WtE plants as a result of price risk hedging.

3. Notes

The negative effects of the exchange rate delta, amounting to € 0.7 million, are mainly related to the British pound and the dollar due to the Group's prevalent presence in these countries.

In fact, in 2021 the average depreciation of the British pound against the euro and of the dollar against the euro, compared to the previous period, were 1.3% and 8.5% respectively.

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

	EUR/GBP	EUR/USD
End of period exchange rate 31 March 2021	0.8521	1.1725
End of period exchange rate 31 March 2020	0.8864	1.0956
End of period exchange rate 31 December 2020	0.8990	1.2271
Average exchange rate 31 March 2021	0.8739	1.2048
Average exchange rate 31 March 2020	0.8623	1.1027
Average exchange rate 31 December 2020	0.8897	1.1422

A breakdown of revenues by category of activity is shown below:

	(€ thousands)	
	First quarter 2021	First quarter 2020
Sale of energy from electricity and heat and other goods	112,980	107,824
Waste disposal and treatment	5,675	5,025
Plant maintenance	9,740	7,516
Other operating income	324	669
Total	128,719	121,034

While revenues increased by approximately € 7.7 million, costs, including depreciation and amortisation, increased by approximately € 12.9 million, while other income and net interest and other trading income decreased by a total of € 2.9 million, resulting in a decrease in operating income of € 8.1 million, due to the following dynamics:

Other income decreased by € 2,626 thousand. In the first quarter of 2020, this item included a gain of € 4,007 thousand realised on the sale by the Group of its 50% interest in Novis Renewables LLC. This effect was partially offset in the first quarter of 2021 by higher revenues from services of € 820 thousand and higher operating and capital grants of € 574 thousand compared to the previous period.

Direct costs and expenses increased by € 15,213 thousand, mainly due to: (i) the purchase of energy from the market by Falck Next Energy Srl for € 11.7 million and the higher costs of consortia managing the interruptibility service in the Italian energy market of € 2.1 million; (ii) higher costs and depreciation due to increased installed capacity; (iii) higher development costs; and (iv) the reclassification of certain costs from General and administrative expenses of € 0.7 million.

3. Notes

Energy purchases from the market and the interruptibility service in the Italian energy market have a low marginality, and an increase in revenues therefore naturally entails a similar increase in costs.

The revenues and costs of the above activities compared to the first quarter of 2020 are shown in the table below:

	(€ thousands)		
	31.3.2021	31.3.2020	Changes
Revenues	26,432	12,647	13,785
Direct costs and expenses	(26,084)	(12,272)	(13,812)
EBITDA	348	375	(27)

Personnel costs increased by € 1,333 thousand, mainly due to the average increase in the workforce (+39 employees, for a total of 551 employees as at 31 March 2021) and salary increases compared to the first quarter of 2020. The increase in the number of employees compared to 31 March 2020 is mainly due to the Services segment, the acquisition in November 2020 of Building Energy Holding US LLC (5 employees) and internal growth as the main functions, in continuity with what occurred in 2020, are being structured to cope with the development of the new initiatives envisaged in the Business Plan.

General and administrative expenses decreased by € 3,621 thousand compared to the same period of 2020 mainly due to lower charges to risk and doubtful accounts provisions of € 2.7 million and lower service costs reclassified for € 0.7 million, for better presentation, in Direct costs and expenses.

Due to the above trends, in the first three months of 2021, **EBITDA** reached € 62,840 thousand (€ 72,516 thousand in the first quarter of 2020), which as a percentage of revenues was 48.8% (59.9% in the first quarter of 2020), and **Operating profit** amounted to € 40,939 thousand (€ 49,068 thousand in 2020) or 31.8% of revenues (40.5% in the first quarter of 2020).

First quarter 2021 **EBITDA** decreased compared to first quarter 2020 mainly due to significantly lower wind power production in the United Kingdom (-22.7%), Italy (-5.7%), France (-29.4%) and Sweden and Norway (-13.4%) partially offset by: (i) the Group's higher power production due to new installed capacity; (ii) the increase in electricity sale prices mainly in Italy, Spain, and the Nordic countries (Sweden and Norway); (iii) the higher energy production of the biomass plant shutdown for scheduled maintenance in the first quarter of 2020; and (iv) the increase in quantities relating to the waste disposal and treatment service for the WtE plant in Trezzo sull'Adda. As described above, the first quarter of 2020 also benefited from the gain realised following the Group's sale of its 50% interest in Novis Renewables LLC to Eni New Energy US Inc for € 4 million.

Net financial expenses fell by € 1,367 thousand compared to the first quarter of 2020. This reduction was due to lower exchange rate losses and to the management's actions aimed at improving the efficiency of financial costs through debt renegotiations, partially offset by the effect of imputed charges on the convertible bond, valued at amortised cost, amounting to € 1,156 thousand (Special item).

In the first quarter of 2021, the Falck Renewables Group recorded a **profit before tax and minority interests** of € 31,412 thousand (€ 38,962 thousand in 2020).

3. Notes

The **net financial position including the fair value of derivatives** totalled € 699,673 thousand compared to € 705,529 thousand at 31 December 2020 and comprised:

- non-recourse financing of € 622,640 thousand, down € 16,108 thousand on the balance at 31 December 2020;
- the liability for operating leases, which in accordance with IFRS 16 is classified under financial liabilities, amounting to € 94,124 million. Net of this amount, the net financial position would be € 605,549 thousand;
- net financial debt of € 128,992 thousand relating to projects under construction and development which, at 31 March 2021, had not yet generated full year revenue; net of this amount, the fair value of derivatives (€ 44,976 thousand at 31 March 2021 compared with € 46,150 thousand at 31 December 2020) and financial debt under operating leases, the net financial position would have been € 431,581 thousand.

The components affecting the change in the net financial position are as follows: cash generation from operating activities amounts to approximately € 41.9 million, offset by net investments made during the quarter of approximately € 13.7 million. The revaluation of sterling and the dollar against the euro had a negative effect on net financial debt of € 19.1 million and the change in the fair value of derivatives had a positive effect on the net financial position of € 6.7 million. Capital increases in companies accounted for using the equity method amounted to approximately € 9 million. Lastly, additional minority transactions amounted to approximately € 1 million.

Moreover, 83% of Gross debt, amounting to € 846,023 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 € 706,035 thousand.

The net financial position (excluding the fair value of derivatives and the debt under operating leases, amounting to € 560,573 thousand) is also hedged against interest rate fluctuations by fixed-rate loans and interest rate swaps for an amount equal to 126% of financial debt.

For a better understanding of the income statement figures for the first quarter of 2021 and their comparison with the first quarter of 2020 and net financial position for the first quarter of 2021 and its comparison with 31 December 2020, the effects of “**Non-recurring events**” and “Special items” on adjusted results are presented below.

The special items are as follows:

31/03/2021

- the effect of the notional charges of the amortised cost of the convertible bond for € 1,156 thousand, which reduced reported financial expenses and improved the adjusted net financial position at 31 March 2021 by the same amount.

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3. Notes

31/03/2020

- Long Term Incentive Plan costs of € 974 thousand related to the 2017-2019 Share Plan.

	(€ thousands)		
	31.03.2021 Reported	Special items	31.03.2021 Adjusted
Revenues	128,719		128,719
Expenses net of other income	(65,879)		(65,879)
EBITDA	62,840		62,840
Amortisation and depreciation, charges to provisions, impairment (revaluations)	(21,901)		(21,901)
Operating profit/(loss)	40,939		40,939
Financial income/(expenses)	(9,418)	1,156	(8,262)
Investment income/(expenses)	(109)		(109)
Profit/(loss) before tax	31,412	1,156	32,568

	(€ thousands)		
	31.03.2020 Reported	Special items	31.03.2020 Adjusted
Revenues	121,034		121,034
Expenses net of other income	(48,518)	974	(47,544)
EBITDA	72,516	974	73,490
Amortisation and depreciation, charges to provisions, impairment (revaluations)	(23,448)		(23,448)
Operating profit/(loss)	49,068	974	50,042
Financial income/(expenses)	(10,785)		(10,785)
Investment income/(expenses)	679		679
Profit/(loss) before tax	38,962	974	39,936

	(€ thousands)		
	31.03.2021 Adjusted	31.03.2020 Adjusted	Change
Revenues	128,719	121,034	7,685
Expenses net of other income	(65,879)	(47,544)	(18,335)
EBITDA	62,840	73,490	(10,650)
Amortisation and depreciation, charges to provisions, impairment (revaluations)	(21,901)	(23,448)	1,547
Operating profit/(loss)	40,939	50,042	(9,103)
Financial income/(expenses)	(8,262)	(10,785)	2,523
Investment income/(expenses)	(109)	679	(788)
Profit/(loss) before tax	32,568	39,936	(7,368)

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3. Notes

	31.03.2021 Reported	Prior year adjustments	Non- recurring events 2021	Special items 2021	(€ thousands) 31.03.2021 Adjusted
Net financial position - liabilities/(assets)	699,673	23,190		(1,156)	721,707

	31.12.2020 Reported	Non- recurring Events	31.12.2020 net of non- recurring events	Special items	(€ thousands) 31.12.2020 Adjusted
Net financial position - liabilities/(assets)	705,529	22,622	728,151	568	728,719

For more information on the adjusted net financial position as at 31 December 2020, please refer to the 2020 Annual Report.

3.3 Performance of the business sectors

This section presents, with a brief commentary, the main economic and financial data of the four sectors (“WtE, biomass and solar power”, “Wind power”, “Services” and “Other businesses”), which make up the Group.

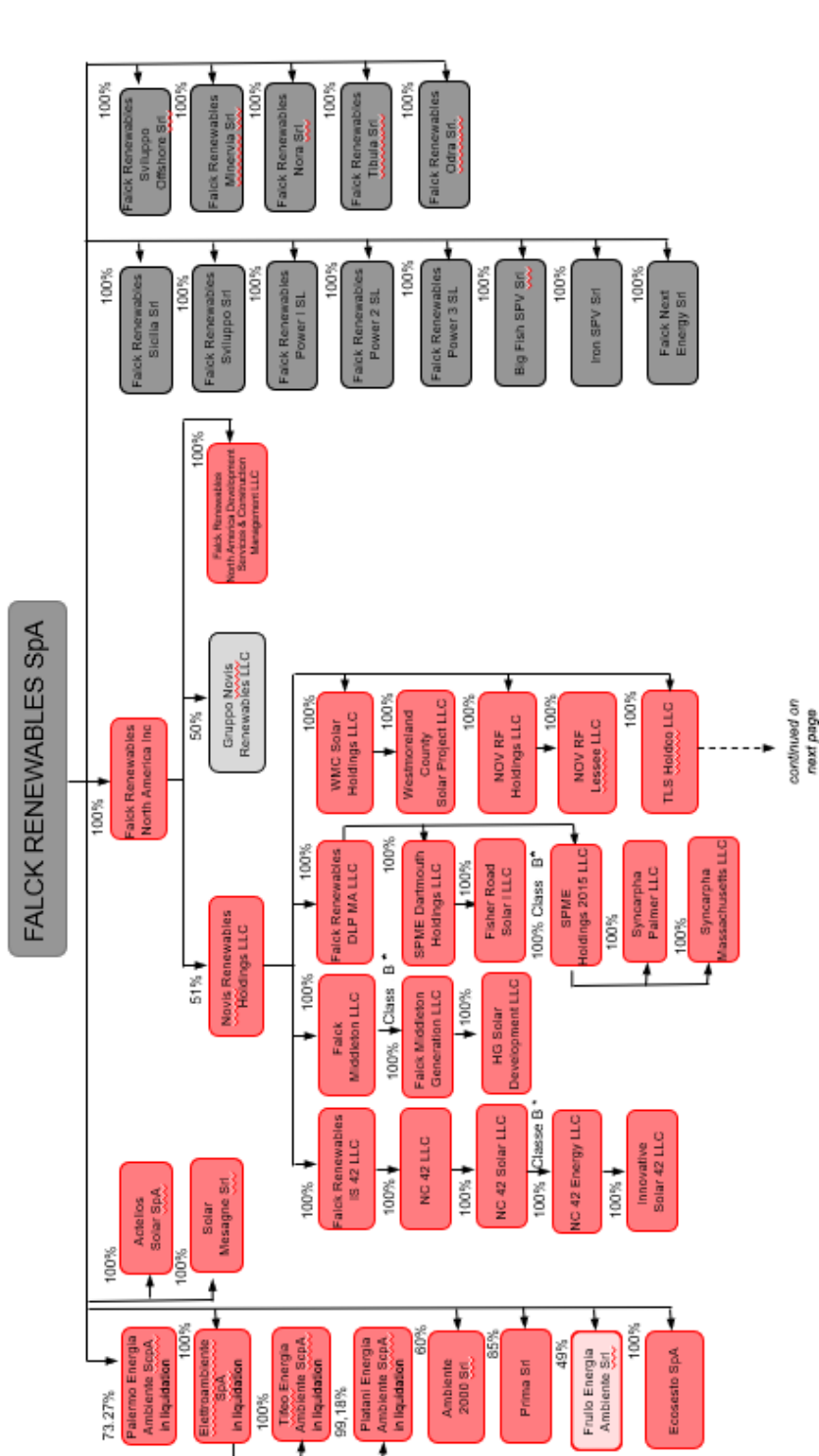
The following table shows revenues by segment compared to the first quarter of 2020:

	31.3.2021	31.3.2020	(€ thousands) Change
WtE, biomass and solar	17,748	13,790	3,958
Wind	82,071	88,896	(6,825)
Services	13,226	10,130	3,096
Other Businesses	43,801	20,976	22,825
Consolidation adjustments	(28,127)	(12,758)	(15,369)
Total	128,719	121,034	7,685

3. Notes

❖ Group company organisation chart by sector

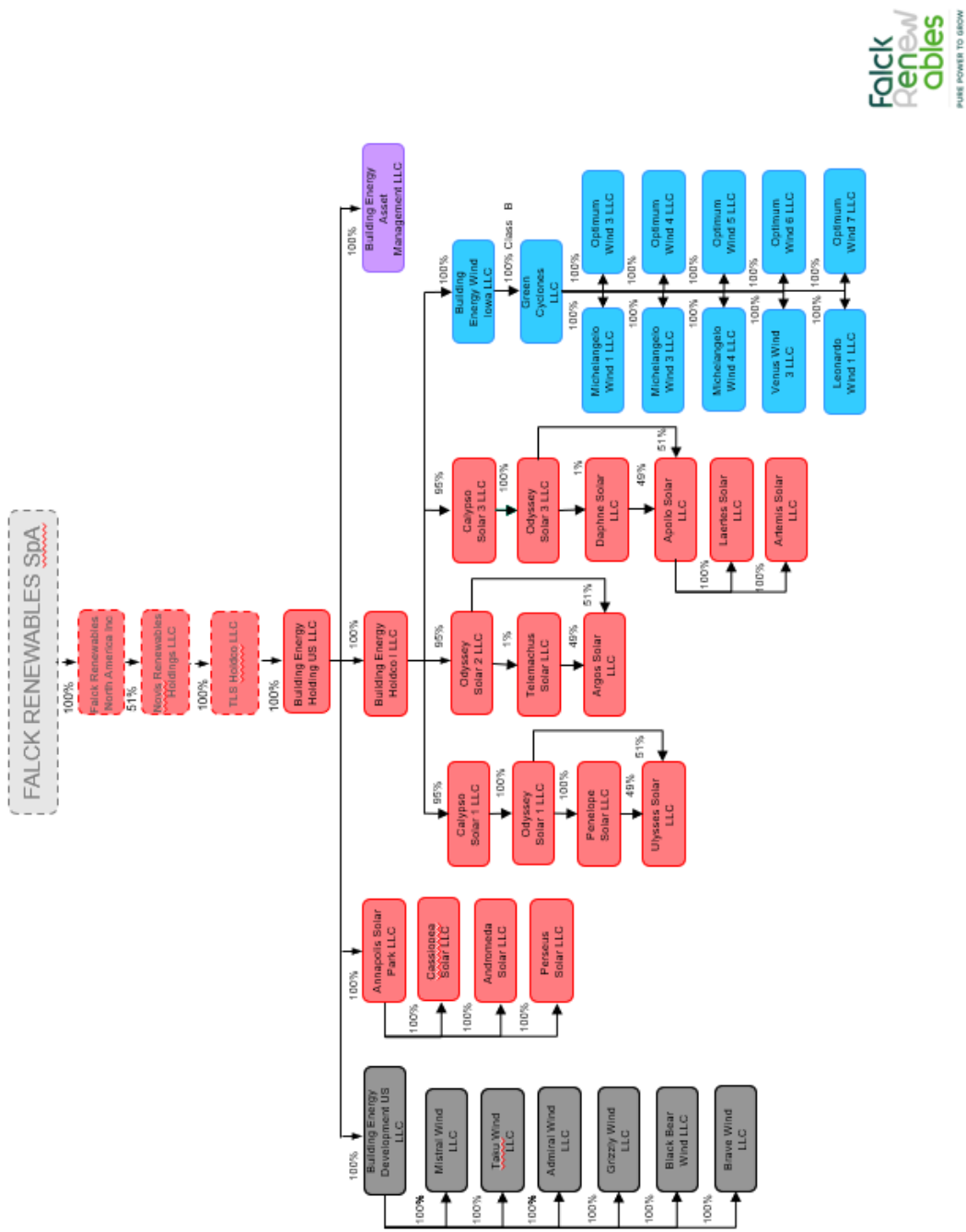
STRUCTURE OF THE FALCK RENEWABLES GROUP AT 31 MARCH



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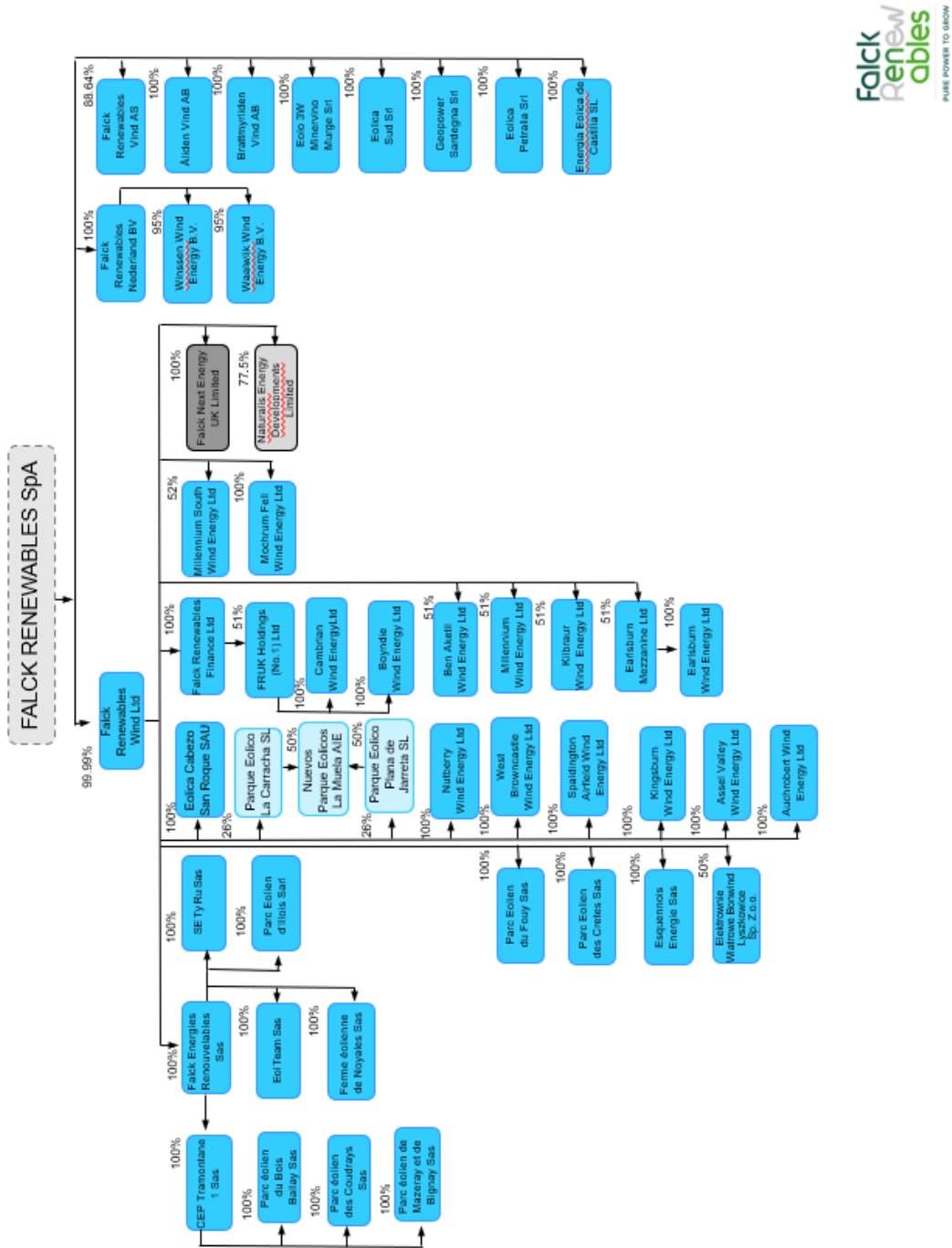
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3. Notes

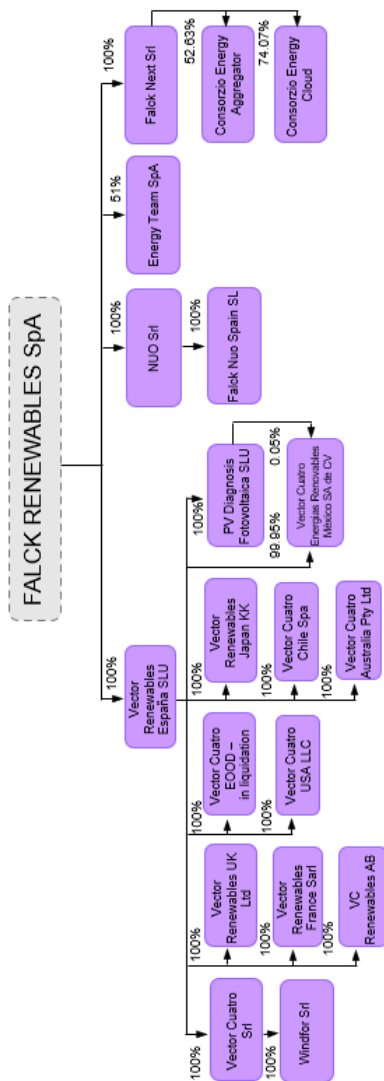


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3. Notes



3. Notes



* The class B quotas guarantee the control of the company, while class A quotas attribute protective rights.



3. Notes

❖ WtE, biomass and solar sector

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

		(€ thousands)	
		31.3.2021	31.3.2020
Sales revenues		17,748	13,790
EBITDA		8,589	8,541
Operating profit/(loss)		4,518	4,764
Intangible assets		264	473
Property, plant and equipment		284,858	245,652
Net financial position - liabilities/(assets)		140,498	87,376
of which non-recourse project financing		79,860	60,388
Investments		6,272	564
Personnel at the period-end	(no.)	70	69

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 November 2020, the sector increased its installed capacity by 31.6 MW following the acquisition of Building Energy Holding US LLC.

The sector showed an increase in revenues of € 3,958 thousand compared to the first quarter of 2020 with an increase of 29% mainly due to: (i) for approximately € 0.8 million to the change in the scope of consolidation as a result of the acquisition of the plants of Building Energy Holding US, carried out at the end of November 2020, with an installed capacity of 31.6 MW; (ii) for approximately € 2.9 million, to the higher energy production of the biomass plant shutdown for scheduled maintenance in the first quarter of 2020 and to the increase in quantities relating to the waste disposal and treatment service for the WtE plant in Trezzo sull'Adda.

EBITDA amounted to € 8,589 thousand and was substantially in line with the figure for the first quarter of 2020 (+€ 48 thousand) due to the trends described above: as a percentage of revenue it was 48.4% (61.9% in 2020). First quarter 2020 EBITDA included the effect of the gain of € 4,007 thousand realised on the sale by the Group of 50% of the equity interest in EF Columbus Renewables LLC to Eni New Energy US Inc with the consequent deconsolidation of the same and the initial recognition at fair value of the remaining 50% interest.

As a result of the above trends and higher depreciation due to the increased installed capacity, operating profit decreased by € 246 thousand to € 4,518 thousand.

During the first quarter of 2021, investments on property, plant and equipment and on intangible assets amounted to € 6,272 thousand and mainly related to the construction of the Westmoreland County Solar Project (€ 5,838 thousand) in the US and maintenance work on Ecosto SpA's plants (€ 349 thousand) and technological renewal costs (€ 35 thousand).

The net financial position, showing a debit balance of € 140,498 thousand, increased compared to 31 March 2020 by € 53,122 thousand mainly due to the acquisition of Building Energy Holding US LLC in November 2020 and investments made in the period since 31 March 2020.

3. Notes

The net financial position included non-recourse project financing of € 79,860 thousand (€ 60,388 thousand at 31 March 2020), which increased due to the consolidation of the solar plants of Building Energy US LLC and the negative fair value of interest rate risk hedging derivatives of € 271 thousand (€ 241 thousand at 31 March 2020).

❖ Wind sector

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

		(€ thousands)	
		31.3.2021	31.3.2020
Sales revenues		82,071	88,896
EBITDA		64,434	71,275
Operating profit/(loss)		48,528	53,318
Intangible assets		102,230	99,139
Property, plant and equipment		1,066,047	1,026,950
Net financial position - liabilities/(assets)		392,507	449,355
of which non-recourse project financing		542,780	595,994
Investments		3,631	34,739
Personnel at the period-end	(no.)	20	28

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

In November 2020, the sector increased its installed capacity by 30 MW following the acquisition of Building Energy Holding US LLC.

Revenues decreased by € 6,825 thousand mainly due to lower wind power production in the UK, Italy, France and the Nordic countries (Sweden and Norway), partially offset by higher production in Spain, which reduced revenues by approximately € 14.1 million. This negative effect was partially mitigated by higher revenues: (i) for € 1.4 million due to the change in the scope of consolidation as a result of the acquisition of the plants of Building Energy Holding US, carried out at the end of November 2020, with an installed capacity of 30 MW; (ii) for approximately € 6.1 million due to the increase in electricity selling prices mainly in Italy, Spain, the Nordic countries (Sweden and Norway), and the United Kingdom.

The GWh generated in the wind sector in the first quarter of 2021 amounted to 724 compared to 832 recorded in the 2020 first quarter (-13% compared to the same 2020 period).

Moreover, in 2021 the sterling's average depreciation against the euro compared to the previous period was 1.3%.

EBITDA amounted to € 64,434 thousand, a fall of € 6,841 thousand over the same period last year and equal to 78.5% of revenues (2020: 80.2%).

The decrease in EBITDA is mainly due to the above-mentioned dynamics related to revenues.

As a result of the above trends, operating profit decreased by € 4,790 thousand compared to the first quarter of 2020 and is equal to 59.1% of revenues (60.0% in 2020).

The first quarter of 2020 included the effect of provisions for risks and doubtful accounts totalling approximately € 2.7 million.

Investments on property, plant and equipment and on tangible and intangible assets in the first quarter of 2021 amounted to € 3,631 thousand and principally related to the construction of the Brattmyrliden wind

3. Notes

farms (€ 1,016 thousand) in Sweden, Falck Renewables Vind in Norway (€ 1,831 thousand), Energia Eolica de Castilla in Spain (€ 82 thousand), Parc Eolien d’Illois (€ 344 thousand), development costs (€ 53 thousand) and software licenses (€ 86 thousand).

The net financial position amounted to € 392,507 thousand, including non-recourse project financing of € 542,780 thousand and the negative fair value of derivatives hedging interest rate, exchange rate and commodity risk for € 29,822 thousand, a decrease of € 56,848 thousand compared with 31 March 2020 due to the cash generated by operating plants net of investments made after 31 March 2020.

❖ Services sector

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

	(€ thousands)	
	31.3.2021	31.3.2020
Sales revenues	13,226	10,130
EBITDA	1,145	209
Operating profit/(loss)	(65)	(984)
Intangible assets	44,467	45,693
Property, plant and equipment	6,364	3,014
Net financial position - liabilities/(assets)	1,050	(1,018)
of which non-recourse project financing		
Investments	445	3,670
Personnel at the period-end	(no.) 337	313

The sector consists mainly of the Spanish group Vector Cuatro, Energy Team SpA, Falck Next Srl and Nuo Srl.

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

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

In July 2020, Falck Next Srl completed the purchase by Falck Next Srl of a ground-based solar plant with a nominal capacity of 0.9 MW owned by Bryo SpA for an amount of €2,330 thousand.

The sector shows an increase in revenues of € 3,096 thousand mainly due to higher revenues from consortia managing the interruptibility service in the Italian energy market for about € 2.1 million and higher performance of the Vector Renewables España group for about € 0.7 million.

EBITDA improved by approximately € 936 thousand to 8.7% of revenue (2.1% in 2020) due to the higher performance of the Vector Renewables España group.

Net financial position was negative and equal to € 1,050 thousand, up € 2,068 thousand compared to 31 March 2020, mainly due to investments made in the period since 31 March 2020.

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❖ Other businesses

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

		(€ thousands)	
		31.3.2021	31.3.2020
Sales revenues		43,801	20,976
EBITDA		(11,224)	(7,393)
Operating profit/(loss)		(12,060)	(8,002)
Intangible assets		24,538	10,497
Property, plant and equipment		5,585	2,564
Net financial position - liabilities/(assets)		246,445	197,098
of which non-recourse project financing			
Investments		3,513	1,728
Personnel at the period-end	(no.)	124	108

On 16 September 2020 Falck Renewables SpA placed a convertible debenture loan for a nominal amount of € 200 million maturing on 23 September 2025. On 17 November 2020 the extraordinary Shareholders' Assembly of Falck Renewables S.p.A. authorised the convertibility of the debenture loan into shares.

Revenue increased by € 22,825 thousand, principally due to the higher volume of energy sold by Falck Next Energy Srl for approximately € 21.6 million.

Operating income decreased by € 4,058 thousand. This decrease is mainly due to the commodity risk hedging activities carried out by Falck Next Energy Srl for the Group's plants in the WtE, biomass and solar sector and the wind sector.

Investments for the period amounted to € 3,513 thousand, of which € 3,210 thousand related to intangible assets (software, licences and development costs).

This table sets out the data for the sector:

	(€ thousands)			
	FKR	Other companies	Eliminations	Sector
Sales revenues	1,539	42,648	(386)	43,801
EBITDA	(6,871)	(4,354)	1	(11,224)
Operating profit/(loss)	(7,352)	(4,709)	1	(12,060)
Intangible assets	12,681	11,857		24,538
Property, plant and equipment	5,555	30		5,585
Net financial position - liabilities/(assets)	241,648	4,794	3	246,445
of which non-recourse project financing				
Investments	1,225	2,288		3,513
Personnel at the period-end	(no.)	117	7	124

Note: FKR is Falck Renewables SpA; Other companies includes Falck Next Energy Srl, Falck Next Energy UK Ltd. and the development companies.

The financial position (primarily Falck Renewables SpA) showed a net debt of € 246,445 thousand, compared with a net debt of € 197,098 thousand at 31 March 2020.

The increase in the financial position compared to 31 March 2020 is due to capital increases in companies in Italy, Norway, Sweden and Spain to support the development and construction of new plants and the

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distribution of dividends to shareholders net of dividends received and the net effect of the convertible bond.

The net financial position includes the negative fair value of foreign exchange and commodity hedging derivatives for € 14,883 thousand (positive for € 2,501 thousand at 31 March 2020).

3.4 Performance of the parent company Falck Renewables SpA

The performance of the Parent Company, which is part of the "Other businesses" segment commented on in the previous paragraph, is presented below.

On 16 September 2020 Falck Renewables SpA placed a convertible debenture loan for a nominal amount of € 200 million maturing on 23 September 2025.

Falck Renewables SpA's income statement for the three months ended 31 March 2021 recorded a loss before tax of € 8,065 thousand (a loss of € 5,393 thousand in the first quarter of 2020) mainly due to the following factors (i) higher net financial expenses compared to income of € 1,299 thousand, mainly due to the effect of the measurement at amortised cost of the convertible bond for € 1,156 thousand, as required by IFRS 9; (ii) lower income: the previous quarter was affected by the capital gain realised on the sale of the digital asset management software to Nuo Srl for € 1,946 thousand; and (iii) higher personnel expenses for € 725 thousand. These negative effects were partially offset by: (i) higher capitalised costs of € 391 thousand; and (ii) lower direct services of € 743 thousand.

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

As at 31 March 2021, the Company employed 117 people, including 29 managers and 88 clerical staff, an increase of 14 compared to the first quarter of 2020.

Investments for the period amounted to € 1,225 thousand, of which € 922 thousand related to software and licences.

The financial position showed a debit balance of € 241,648 thousand, compared with a debit balance of € 214,049 thousand at 31 March 2020.

The increase in the financial position compared to 31 March 2020 is due to capital increases in companies in Italy, Norway, Sweden and Spain to support the development and construction of new plants and the distribution of dividends to shareholders net of dividends received and the net effect of the convertible bond.

3.5 Personnel

As at 31 March 2021, the Group's personnel is composed as follows:

	31.3.2021	31.12.2020	(Number) 31.3.2020
Managers	58	58	56
White-collar staff	463	464	429
Blue-collar staff	30	31	33
Total	551	553	518

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For a breakdown of the personnel by sector, please refer to the following:

	31.3.2021	31.12.2020	31.3.2020
WtE, biomass and solar sectors	70	72	69
Wind sector	20	26	28
Services sector	337	334	313
Other Businesses sector	124	121	108
Total	551	553	518

The increase compared to 31 March 2020 is mainly due to the Services segment, the acquisition in November 2020 of Building Energy Holding US LLC (5 employees) and internal growth as the main functions, in continuity with what occurred in 2020, are being structured to cope with the development of the new initiatives envisaged in the Business Plan.

Following an internal reorganisation within the Group, some employees of the Wind sector were transferred to the Services sector in 2021.

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3.6 Installed production capacity

			(MW)
Technology	31.3.2021	31.12.2020	31.3.2020
Wind	962.7	962.7	932.7
WtE	20.0	20.0	20.0
Biomass	15.0	15.0	15.0
Solar	161.1	161.1	128.6
Total	1,158.8	1,158.8	1,096.3

In July 2020, Falck Next Srl purchased from Bryo SpA the ground-based solar power plant (Donema) with a nominal capacity of 0.9 MW, located in the province of Bologna in Italy. In addition, in November 2020, the Group increased its installed capacity by 61.6 MW following the acquisition of Building Energy Holding US LLC. Specifically, 30 MW relate to the Building Energy Wind Iowa LLC wind farm operating in the United States of America, while the remaining 31.6 MW relate to the following solar plants also located in the United States:

- Annapolis Solar Park LLC, with an installed capacity of 18.1 MW;
- Calypso Solar 1 (Snyder Road) LLC, with an installed capacity of 2.1 MW;
- Odyssey Solar 2 LLC (Geneva), with an installed capacity of 2.8 MW;
- Calypso Solar 3 LLC (Harford & Musgrave), with an installed capacity of 8.6 MW.

After the end of the quarter, in April 2021 Falck Renewables SpA acquired the operating solar plant of Desafio Solar SLU, in Spain, with an installed capacity of 49.88 MW which will bring installed capacity to 1,208.68 MW.

3.7 Investments

During the first quarter of 2021 total investments amounted to € 13,733 thousand.

Investments in property, plant and equipment amounted to € 10,096 thousand, mainly relating to the construction of the Brattmyrliden wind farms (€ 974 thousand) in Sweden and Falck Renewables Vind (€ 1,831 thousand) in Norway, Energia Eolica de Castilla (€ 82 thousand) in Spain, Parc Eolien d'Illois (€ 344 thousand) in France, the construction of the Westmoreland County Solar Project (€ 5,838 thousand) in the US, the maintenance of Ecosesto SpA's plants (€ 349 thousand), the capitalisation of usage rights (€ 75 thousand) and the purchase of office furniture and equipment (€ 319 thousand).

Investments in intangible fixed assets amounted to € 3,637 thousand and mainly refer to operating software and licensing expenses of € 1,297 thousand and € 2,340 thousand in development costs.

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3.8 Non-financial performance indicators

The key non-financial indicators are as follows:

	Unit of measurement	31.03.2021	31.03.2020	Var	Var %
Gross electricity generated	GWh	821	912	(91)	-10%
Total waste handled	Ton	40,145	35,842	4,303	12%

The decrease in electricity production is mainly due to the significant decrease in windiness in the UK, Italy, France and the Nordic countries (Sweden and Norway) as explained above.

The increase in total waste managed is due to higher operating hours of the WtE plant in Trezzo compared to the previous year.

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4.1 Review of business in 2021

Events in the first quarter of 2021

On 27 January 2021, Falck Renewables Power 2 SLU and Falck Renewables Power 3 SLU were awarded two lots for a total of 40 MW relating to their own solar projects as part of the tender process carried out by the Spanish government. This award ensures a fixed price for the sale of energy for a period of 12 years.

On 27 January 2021, Falck Renewables SpA was included in Bloomberg's Gender-Equality Index (GEI) for the first time. The index, which includes 380 companies in 44 countries, tracks the performance of companies worldwide that are committed to disclosing their efforts and achievements in the area of gender equality through transparency, increased representation in management positions and the creation of specific policies.

Specifically, companies are included in the index mainly based on an assessment of their performance in five areas: female leadership and talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies and pro-women brand.

On 29 January 2021 Falck Renewables SpA, in accordance with article 2-ter of the regulation adopted by CONSOB resolution 11971 of 14 May 1999 (the "Issuers' Regulation"), lost its status as an "SME" pursuant to article 1, paragraph 1, letter w-quater 1) of Legislative Decree 58 dated 24 February 1998, ("TUF"), as its capitalisation exceeded the reference threshold during the three-year period 2018-2020.

On 11 February 2021, Falck Renewables SpA announced that it is among the 30 European energy players that, after two years of research and preparation, officially launched "HyDeal Ambition", an initiative aiming to supply green hydrogen in Europe at € 1.5/kg (including transmission and storage) by 2030. The production of green hydrogen, through electrolysis from solar sources, will start in 2022 from the Iberian Peninsula.

Our goal is to reach 95 GW of solar and 67 GW of electrolysis capacity by 2030 to produce 3.6 million tonnes of green hydrogen per year for use in the energy, industry and mobility sectors, through the gas infrastructure or storage network, equivalent to one and a half months of oil consumption in France. A phased approach will be anticipated with the first deliveries in Spain and south-west France, to be followed by an extension through eastern France and Germany.

On 12 February 2021, Falck Renewables Sicilia Srl, owner of a solar project under development in Sicily, and Illumia Trend, a trading company of the Tremagi group, an Italian energy and gas supplier operating throughout Italy with approximately 350,000 domestic, business and industrial customers, signed a long-term Power Purchase Agreement (PPA).

The project (10.5 MW) is located in the province of Ragusa. Once in operation, the solar plant will produce up to 20 GWh of electricity per year, equivalent to the amount of energy needed to cover the needs of around 7,400 households. The Falck Renewables Group, through its subsidiary Falck Next Energy Srl, will also take care of the dispatching of the solar plant, enabling a correct match between the supply profile requested by Illumia and the clean energy produced.

The multi-year contract is characterised by an innovative pricing structure that will allow both companies to balance risks and strategic objectives. Moreover, long-term PPAs are a key factor in the energy transition by adding new renewable capacity to the energy market, in line with national and international climate change objectives.

On 25 February 2021, the wind farm in Brattmyrliden, Sweden, was energised and is now connected to the grid. The plant, owned by Brattmyrliden Vind AB, a subsidiary of Falck Renewables, has a total installed capacity of 74.1 MW. The turnkey supplier of the plant is carrying out the final testing phase

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before reaching full operation with additional delays compared to previous plans. Commissioning, complete with all 19 machines in the plant, is currently expected by the end of the second quarter of 2021.

Events after the first quarter of 2021

On 19 April 2021, the company was included in the S&P Global Clean Energy index, which includes 82 international companies that stand out for their strong commitment to ESG issues related to sustainability and sustainable development: an acknowledgement of the commitment dedicated to the development of ESG issues in support of the company's core business.

On 20 April 2021 Falck Renewables SpA finalised the acquisition of 100% of the share capital of Desafio Solar SLU, owner of a solar plant operating in Spain. The signing of the Share Purchase Agreement with Caicos Directorship, SL, a company owned by Fund IV, managed by Everwood Capital SGEIC SA, was announced on 29 March 2021. The transaction involved the payment of a price of approximately € 22 million, plus the assumption of the remaining project debt. The solar plant (49.88 MW), located in the municipality of Escatrón, in the region of Aragon, has been in operation since June 2020. Annual electricity production is estimated at around 88.7 GWh. The plant has a Power Purchase Agreement (PPA) covering about 70% of the energy produced.

On 6 May 2021, the Sicily Region's energy department issued Falck Renewables Sicilia Srl with decree no. 497 relating to the Autorizzazione Unica pursuant to Legislative Decree no. 387/03 for an agro-voltaic plant in Sicily in the municipality of Scicli (RG) with a capacity of 9.67 MW.

4.2 Risks relating to the British referendum on remaining in the European Union ('Brexit')

At 31 March 2021 the Falck Renewables Group was present in the UK with twelve plants in operation (of which one in England of 11.75 MW, ten in Scotland of a total of 342.75 MW and one in Wales of 58.5 MW) with a total installed capacity, calculated at 100%, of 413 MW. Of the twelve plants in operation in the UK, six, with a total of 273 MW, were subject to 49% transfer in March 2014 to CII Holdco (share 134 MW).

Given the Falck Renewables Group's presence in the UK, there are potential risks arising from the outcome of the referendum held on 23 June 2016 in which the majority of voters voted to leave the EU ("Brexit"), which was formalised after more than three years of negotiations with the EU on 24 December 2020 through the signing of the agreement on Brexit (the "Withdrawal Agreement").

The withdrawal agreement, which was needed to define the conditions of future cooperation, came after a transitional period during which the UK remained technically in the EU, but without participating in its decision-making bodies. Gruelling negotiations ensued, whose success by the deadline of 31 December 2020 was never to be taken for granted, due to several complex and sensitive issues that had to be addressed, including, first and foremost, the regulation of trade relations, the new competitive relationship between British and European companies, the system of movement of persons and the treatment of each other's citizens.

With effect from 1 January 2021, the UK has therefore left the EU single market and customs union along with all EU policies and international agreements, placing restrictions on the free movement of people, goods, services and capital between the UK and the EU, although, to date, no significant disruption has been experienced to air, road, rail and maritime connectivity which continues uninterrupted and in a sustainable manner.

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The EU and the UK will therefore constitute two distinct markets and two separate regulatory and legal spaces. The EU-UK Trade and Cooperation Agreement includes a number of measures to simplify relations between the EU and the UK.

A new economic and social partnership will ensure free trade in goods and services and will also cover other sectors such as investment, competition, state aid, fiscal transparency, air and road transport, energy and sustainability, fisheries, data protection and social security coordination, with provisions to ensure that competition between EU and UK operators takes place on a level playing field that does not compromise the rights of passengers and workers.

High levels of protection will also be ensured in areas such as environmental protection, climate change and carbon pricing, labour and social rights, fiscal transparency and state aid, with effective enforcement at national level, a binding dispute settlement mechanism and the possibility, open to both parties, to take corrective measures.

The agreement allows the UK to continue participating in several EU programmes in the period 2021-2027, e.g. Horizon Europe, provided that the UK makes a financial contribution to the EU budget for this initiative.

In terms of governance, binding enforcement and dispute resolution mechanisms will ensure that the rights of businesses, consumers and individuals are respected. This means that businesses in the EU and the UK will compete on a level playing field and neither side will use its regulatory autonomy to grant unfair subsidies or distort competition. Both sides will be able to take sectoral retaliatory measures in the event of violations of the agreement, which will apply to all sectors of the economic partnership.

In terms of foreign policy, external security and defence cooperation are not covered by the agreement, as the UK has not at present wished to negotiate these issues. As a result, there is as yet no common framework governing future joint responses to foreign policy challenges, although new operational capabilities will ensure cooperation in combating and prosecuting cross-border crime and terrorism, as the UK will no longer have the structures in place within the Schengen area.

On the so-called level playing field, the UK and the EU have agreed to set a minimum level of environmental, social and labour rights standards to ensure a range of rights for EU and UK citizens. These provisions also cover EU citizens working in the UK (travelling or moving there), and UK citizens working in the EU (travelling or moving there). From 1 January 2021, for example, travel by EU citizens to the UK for extended periods of work will require a visa application, which will be approved on the basis of strict criteria.

The main topics of the agreement affecting the energy sector are summarised below:

- the free flow of energy is guaranteed between the EU and the UK, based on adequate infrastructure and without technical and regulatory barriers. The UK is currently a net importer of energy. The EU supplies it with about 5-10% of electricity and 12% of gas. The provisions ensure security of supply, which is particularly important for Ireland, which will remain isolated from the EU internal energy market until new interconnections are in place;
- energy exchanges via electricity interconnectors between the EU and the UK will no longer be managed through existing single market instruments, such as market integration (coupling), as these are reserved for EU Member States. From 1 January 2021, the UK has been trading with the EU on third-country terms, although the agreement allows for the possibility of developing separate arrangements for interconnector trade over time, based on a multi-region loose volume coupling model, which is generally less efficient than coupling;

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- the UK has set up a domestic Emissions Trading Scheme (UK ETS). Leaving the EU Emissions Trading Scheme (EU ETS) to reduce greenhouse gas emissions, and will be excluded from its effort-sharing mechanisms that allow Member States to share the burden of meeting decarbonisation targets. A link between the two carbon pricing mechanisms, including the inclusion of new sectors within the respective ETSs, is not excluded in the future;
- the UK will set its own climate change policies and targets. However, the agreement establishes an ambitious framework for cooperation in the fight against climate change, with a focus on the development of offshore energy in the North Sea and with the common goal of achieving climate neutrality in all sectors of the economy by 2050. The agreement includes a strong principle of non-regression such that the level of climate protection in place at the end of the transitional period should be the minimum guaranteed;
- lastly, the agreement does not contain any elements relating to equivalence regimes for financial services, and the two parties will unilaterally establish new rules on access to their respective financial markets. The different monetary policies of the EU and the UK, the new trade relations and balances that will be established and the speed of economic recovery from the Covid-19 crisis may also have an impact on currency instruments in the medium to long term.

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 recent years to project financing at decidedly favourable conditions for the plants that entered into operation after the Brexit referendum.

The Group will continue to monitor medium and long-term indicators and any decisions that could affect the UK electricity market as well as the evolution of the GBP exchange rate which, in the event of devaluation, could have a positive impact on the Group's debt in GBP while also negatively affecting the financial indicators, net equity and future cash flow from UK assets that are converted, even in translation, into EUR.

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

Given that the Group operates in a sector whose market dynamics are often linked to unpredictable external variables, we are concerned about the negative effects that may result from the continuation of the "Covid-19" pandemic and the emergency health situation that has affected most countries at both European and global level since the end of 2019, causing an unprecedented upheaval in the approach to the management of personal social relations, including within the company's life, as well as the global macro-economic effects.

The directives and measures issued by the countries involved in the crisis, in order to contain the spread of contagion, have imposed increasingly restrictive regulations on the mobility of people and goods, on the reduction/suspension of production activities in areas at greater risk of contagion (so-called lockdown), with consequent negative impacts on production activities in all industrial sectors and on trade at national and international level.

Faced with these scenarios, the Group has implemented all the analysis activities and continuity strategies set out in its operational plans since the very beginning of the pandemic, in order to better manage the effects described above, as well as reduce the risk of contagion among staff in the workplace. On this last point, it is important to underline that more than 90% of the staff in all the Italian and foreign offices, right from the first days of the crisis, have been encouraged to use remote work for a widespread and

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prolonged period of time (“*Working from Home*”), which is still allowing the Group to significantly reduce its exposure to many of the related risk factors, including staff mobility, while still ensuring an excellent level of service.

This situation led to some negative impacts on the Group's activities in the first part of 2020, while from the end of the year and in this first part of 2021 there are signs of recovery, also related to the vaccination campaigns that began in December at a global level. In particular, the main effects are limited to the following areas:

- a significant drop in the sale prices of energy produced in the markets in which the Group operates in the first half of 2020 (as regards the component produced exposed to the volatility of spot prices in the electricity markets), which was followed by a recovery in economic activity and consequently greater confidence in the commodities markets, leading to a slow recovery in prices, which in the first quarter of 2021 reached values close to, and sometimes even higher than, pre-Covid levels. The negative effects of increased market volatility were partly neutralised by the Group thanks to the hedging activities of Portfolio 2020;
- a temporary contraction in the services provided by Group companies (e.g. Energy Team) directly at customers' plants (e.g. energy audit and monitoring services, sale and installation of components for energy efficiency, asset management and technical services) due to a forced absence of personnel, reduced mobility on national and international territory and closure of customers' production activities due to lockdown and the subsequent economic crisis;
- a delay in the progress of projects under development, both in Italy and in other countries (e.g. the United States of America) linked to the strong attention that public structures have had to devote to the health crisis, shortages of sick personnel and lockdown situations.

To date, these impacts have not resulted in any uncertainties that would adversely affect the going concern assumption.

Considering the current state of the pandemic, which still presents a capillary spread of the virus worldwide with the need for periodic restrictive lockdown measures (even only partial) in the countries in which the Group operates, despite the fact that significant improvements are expected in 2021, thanks to the massive vaccination campaigns underway globally, there remains a degree of uncertainty and volatility in the markets that could affect future results. These effects remain difficult to quantify as they are closely linked to the continuation and/or expansion of the health emergency as well as linked to a constantly evolving and increasingly unpredictable macroeconomic context that may generate significant volatility in the economic/financial/production contexts.

To date, further areas of the Group that are believed to be potentially impacted by new crises include:

- any delays in the development, construction and commissioning of the plants (with regard to the timing and methods of management of the administrative procedures for the issue of the necessary authorisations of the plants under development by the public bodies concerned, or the methods of procurement and supply of the various components, both wind and solar) and with regard to the availability of contractors and components related to the new plants, and the availability of labour from contractors for the commissioning of plants under construction (currently in Sweden, Norway and the United States);
- 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 operational limitations related to biomass supply, waste disposal and waste disposal activities, or in maintenance activities, planned or not, however managed through the activation of the applicable business continuity plans.

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4.4 Business outlook for the current year

The Group's results in 2021 will benefit for approximately seven months from the production of the Brattmyrliden wind farm (74 MW, in Sweden) and the Desafio Solar SLU solar plant (49.88 MW, in Spain) and for the full year from the production in the USA of the wind farm (30 MW, in Iowa) and the four solar plants (total capacity 31.6 MW, three in New York state and one in Maryland) of Building Energy, 51% owned by Falck Renewables North America.

The development of new renewable capacity will be given further impetus by increasing spending and investment to enhance the project pipeline.

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

The Group is also monitoring the evolution of interest rates, the evolution of costs for the supply of solar plants and the evolution of corporate tax rates in the various countries where it operates.

The possible approval of the proposal by the British government to increase the corporate tax rate in the UK from 19% to 25% from 2023 onwards would result in a one-off impact of approximately € 5.3 million in the Group's net profit for 2021 due to the net increase in deferred tax liabilities and would be considered a Special Item, as was the case in 2020 following the failure to reduce the income tax rate (previously approved and subsequently repealed) in the UK to 17%.

The Company is closely monitoring the effects of the situation arising from the "Coronavirus (or Covid-19) crisis" and will take steps, as far as possible, to mitigate any impact on the Group's economic and financial indicators relating to the 2021 results.

Thanks to the Group's excellent positioning, expertise, and economic and financial resources, resulting from the recent issue of the Green convertible bond for € 200 million and committed credit lines for € 325 million, we are confident that we have all the internal capacity to rise to meet future challenges.

5. Statement by the Director responsible for drafting corporate accounting documents in compliance with art. 154-bis paragraph 2 of Legislative Decree no. 58/1998

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5. Statement by the Director responsible for drafting corporate accounting documents in compliance with art. 154-bis paragraph 2 of Legislative Decree no. 58/1998

The Director responsible for drafting corporate accounting documents, Paolo Rundeddu, states, in compliance with art. 154-bis, paragraph 2 of the Unified Finance Law (Legislative Decree no. 58/1998), that the accounting information contained in this Interim Financial Report at 31 March 2021 corresponds to the accounting documents, books and records.

Milan, 12 May 2021

Paolo Rundeddu
(Director responsible for drafting
corporate accounting documents)