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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

*To the quotaholders of
Fri-El Campidano S.r.l.*

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Fri-El Campidano S.r.l. (the “company”), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of Fri-El Campidano S.r.l. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

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 “*Auditors' responsibilities for the audit of the financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Fri-El Campidano S.r.l. does not extend to such data.



Responsibilities of the directors and board of statutory auditors (Collegio Sindacale) of Fri-El Campidano S.r.l. for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian 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 for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, in accordance with the Italian law, the company's financial reporting process.

Auditors' 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 auditors' 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 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 the 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 ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit



evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate 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 communicate with those charged with governance, identified at the appropriate level 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.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The company's directors are responsible for the preparation of a report on operations at 31 December 2018 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations with the company's financial statements at 31 December 2018 and its compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the report on operations is consistent with the company's financial statements at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Bolzano, 18 February 2019

KPMG S.p.A.

(signed on the original)

Silvia Di Francesco
Director of Audit

FRI-ELCAMPIDANO

A single-member company under the management and coordination of Fri-EI ICHNUSA S.r.l.

Headquarters: Piazza del Grano No. 3 - 39100 Bolzano (BZ)
Quota capital €100,000.00 fully subscribed and paid-up
Bolzano Company Register no. and Tax code 02520920212

Financial statements as at and for the year ended 31 December 2018

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- Minutes of the quotaholders' meeting

Corporate bodies in office

Board of Directors

- | | |
|---------------------------------|---|
| - Ernst Gostner | Chairman of the Board of Directors |
| - Armando Manca di Villahermosa | Deputy Chairman of the Board of Directors |
| - Thomas Gostner | |
| - Gianpaolo Cesaraccio | |

Board of Statutory Auditors

- | | |
|-----------------------------|---|
| - Francesco Schiavone Panni | Chairman of the Board of Statutory Auditors |
| - Lorenzo Theodoli | Standing auditor |
| - Giorgia Daprà | Standing auditor |

Report on operations

Dear quotaholders,

We submit for your attention and approval the financial statements as at and for the year ended 31 December 2018, consisting of the Balance Sheet, Income Statement, the Cash Flow Statement and the Notes thereto, accompanied by this Report on Operations and the attached Cash Flow Statement.

The year ended 31 December 2018 shows a net profit of €4,757,094, after amortisation and depreciation of €5,498,255 and current taxes of €1,596,431.

Operating conditions of the company

Your company was established for the construction and management of three wind farms in the municipalities of Guspini, San Gavino and Gonnosfanadiga in the Province of Medio Campidano. The object of the company is to perform and develop activities for the production of electrical power from wind sources. The three wind farms, with an installed capacity of 24, 24 and 22 MW respectively, produced at full capacity during the year.

The company is wholly owned by the parent Fri-El Ichnusa S.r.l., which exercises management and coordination functions pursuant to Article 2497-bis of the Italian Civil Code, as its sole quotaholder.

The parent Fri-El Ichnusa S.r.l. has opted, as provided in Article 117 et seq. of Presidential Decree 917/86, for a tax consolidation regime.

Operating performance

During 2018 technical-operational management progressed regularly, without significant problems with the installations, which, in addition to the performance indicated in the preceding paragraph, have shown themselves to be quite reliable.

2018 was characterised by fairly windy conditions. Annual production amounted to 110,461 MWh, compared with 117,918 MWh in the previous year.

The average sale price of electricity increased significantly compared with the previous year. The price of incentives was set by the energy sector administrator GSE at €98.95 throughout 2018.

With Legislative Decree 28/2011, the legislator reformed the incentive systems in order to control the annual cost and account for the costs actually borne by users.

The legislator deemed it necessary, as of January 2016, to switch from green certificates into a different form of incentive that is compatible with the system of annual cost limits, while respecting the principle of stability and guaranteeing the profitability of investments made.

For this reason, since 2016, as provided for by the Ministerial Decree of 6 July 2012, the mechanism of Green Certificates has been replaced by a new form of incentive, which provides for the recognition of a so-called 'Incentive Rates' for installations that commenced operating before 31 December 2012. The new mechanism guarantees the net production of energy fed into the grid, and for the remainder of the concessional period, the payment by the energy sector administrator GSE of a Euro tariff in addition to revenues from the sale of the energy. Subsequently, the Decree of the Ministry of Economic Development of 23 June 2016 updated the mechanisms to incentivise electricity generation from renewable energy sources other than photovoltaic generation, establishing methods of accessing incentives that promote the effectiveness, efficiency and sustainability of the incentive burden to an extent that is commensurate with the pursuit of the objectives set at national level, as well as gradual adaptation to the Guidelines on state aid for environmental protection and energy set out in the European Commission Communication (2014/C 200/01).

The incentives introduced by the 2016 Ministerial Decree are intended for new, wholly-refurbished, enhanced or rebuilt installations that entered into operation after 1 January 2013.

Key income statement data

The company's income statement, reclassified for management purposes, compared with the previous year's statement is as follows:

	2018	2017	Change
Net revenues	17,539,288	19,513,354	-1,974,066
External costs	-4,066,668	-4,670,416	603,748
Value added	13,472,620	14,842,938	-1,370,318
Change in inventories		-231,294	231,294
Gross operating profit	13,472,620	14,611,844	-1,139,024
Depreciation, amortisation and write-downs	-5,498,255	-5,502,044	3,789
Operating loss	7,974,365	9,109,600	-1,135,235
Financial income and charges	-1,706,857	-2,025,033	318,176
Pre-tax profit	6,267,508	7,084,567	-817,059
Income taxes	-1,510,414	-1,747,057	236,643
Net profit	4,757,094	5,337,510	-580,416

The net profit for the year fell compared to the previous year, despite the increase in the average sale price of electricity, as the price increase failed to make up for the lower level of incentives compared to the previous year.

The following table shows a breakdown of revenues for 2018:

	2018	2017	Changes
Revenues from sales and services	17,424,674	18,624,088	-1,199,414
<i>of which, revenues from incentives</i>	10,930,092	12,857,349	-1,727,257
<i>of which revenues from electricity production</i>	6,294,822	5,913,060	381,762
<i>Certified GO Revenues</i>	148,596	32,789	115,807
<i>Adjustment</i>	51,164	20,891	30,273
other revenues and income	114,614	889,266	-774,662
Total	17,539,286	19,513,354	-1,974,056

Key balance sheet data

The Company's reclassified balance sheet, compared with that of the previous year, is as follows (in Euro):

	31.12.2018	31.12.2017	Change
Net intangible assets	64,289	67,677	-3,388
Net tangible assets	55,137,338	60,632,206	-5,494,868
Receivables due after one year (within 5 years)	2,032,962	2,308,586	-275,624
Fixed assets	57,234,589	63,008,469	-5,773,880
Inventories			
Trade receivables	1,033,584	279,641	753,943
Receivables from associates / from subsidiaries of parents			
	52,264	1,230,138	-1,177,874
Tax receivables	443,155	513,751	-70,596
Deferred tax assets	143,523	143,547	-24
Receivables from others	4,405,563	6,533,884	-2,128,321
Prepayments and accrued income	518,510	637,441	-118,931
Current assets	6,596,590	9,338,402	-2,741,803
Trade payables	404,796	560,021	-155,225
Payables to associates	356,853	455,611	-98,758
Payables to parents	1,968,196	2,288,632	-320,436
Tax payables and social security charges payable	1,470	27,997	-26,527
Other payables	6,704	154,614	-145,910
Current liabilities	2,740,019	3,486,875	-746,856
Net working capital	3,856,580	5,851,527	-1,994,047
Bank loans and borrowings	20,839,300	27,798,750	-6,959,450
Provision for deferred tax liabilities and other provisions for risks			
	2,148,383	2,887,397	-739,014
Advances from public bodies	13,241,385	13,241,385	
Non-current liabilities	36,229,068	43,927,532	-7,698,464
Net invested capital	24,862,101	24,932,484	-70,363
Net equity	-30,437,013	-27,380,506	-3,056,507
Net short-term financial position	5,574,912	2,448,042	3,126,870
Own funds and net financial debt	-24,862,101	-24,932,484	70,363

The amount recognised under bank loans and borrowings mainly refers to payables to the pool of financing banks. See the notes to the financial statements for further details.

Key financial data

The net financial debt at 31 December 2018 compared with the previous year end was as follows:

	31.12.2018	31.12.2017	Change
Bank deposits	12,534,599	9,467,229	3,067,370
Liquid funds	12,534,599	9,467,229	3,067,370
Bank loans and borrowings due within one year	-6,959,687	-7,019,187	59,500
Short-term financial payables	-6,980,687	-7,019,187	59,500
Net short-term financial position	5,574,912	2,448,042	3,126,870
Bank loans and borrowings due after one year	-20,839,300	-27,798,750	6,959,450
Long-term financial payables	-20,839,300	-27,798,750	8,959,450
Net long-term financial debt	-20,830,300	-27,798,750	6,959,450
Net financial debt	-15,264,388	-25,350,708	10,086,320

Key financial indicators

The following table shows the main indicators of interest to the company:

	31.12.2018	31.12.2017
Net profit	4,757,094	5,337,510
Net equity	30,437,013	27,380,506
Gross ROE	15.63	19.49
Operating profit	7,995,702	8,326,634
Total assets	76,365,787	81,814,100
ROI	10.47	10.18
Operating profit	7,995,702	8,326,634
Revenues from sales	17,424,674	18,624,088
ROS	45.89	44.72
Own funds	30,437,013	27,380,506
Fixed assets	55,201,627	60,699,883
Own funds less fixed assets	-24,764,614	-33,310,377
Own funds	30,437,013	27,380,506
Capital invested	76,365,787	81,614,100
Own funds/invested capital	39.86	33.47
Total liabilities - Net equity	45,928,774	54,433,594
Total assets	76,365,787	81,814,100
Debt ratio	60.14	66.53

Investments

No significant investments were made during the year.

Other information

Other information pursuant to Article 2428, paragraph 3 is provided below:

Research and development activities

The company did not conduct any research and development activities during the year.

Information on relations with the environment

Mandatory environmental information

- No environmental damage was caused for which the company was found guilty by a final judgment.
- No final sanctions or penalties were imposed on the company for environmental offences or damage.
- No greenhouse gas emissions were detected pursuant to Law 316/2004.

Related parties

It should be noted that the transactions between group companies and with related parties that took place during the year gave rise to commercial and financial transactions and were carried out on an arm's length basis. No atypical or unusual transactions were executed with respect to normal business operations and the interest rates applied in financial transactions were in line with market conditions.

Transactions with related parties and balances with related parties are duly described in the relevant section of the notes to the financial statements.

The main related parties are:

- EDF EN Italia S.p.A., concerning technical consultancy for the sum of €344,498 and financial services for the sum of €15,000.
- Fri-El Green Power S.p.A., concerning technical consultancy for the sum of €346,808 and administrative services for the sum of €32,200 and €390, for securities fees.
- Neos S.r.l., concerning technical consultancy for the sum of €166,000.
- Edison Energia S.p.A., in respect of electricity purchased for the sum of €64,768

The financial charges relate to interest paid on the loan granted by the parent Fri-El Ichnusa S.r.l. for €37,474.

Payables to the parent Fri-El Ichnusa S.r.l. relate to tax consolidation payables of €710,706, financial payables of €1,163,408 and €94,082 relating to interest.

Payables to indirect quotaholders amounted to €178,621 to Fri-EL Green Power S.p.A. and €178,231 to EDF EN Italia S.p.A..

Outlook for operations

With regard to technical and operational management, we expect the general operating conditions of the plants observed in 2018 to be substantially confirmed in 2019.

Energy prices are expected to decline slightly in the first two quarters of 2019, with a recovery in the following quarters. The price of the incentive was set at €92.11 for 2019. It is therefore assumed, on a like-for-like basis, that the result will decrease in the next financial year.

List of secondary offices of the company

The company, with registered office at Piazza del Grano No. 3 in Bolzano (BZ), has three operating sites in the municipalities of Guspini (CA), San Gavino Monreale (CA) and Gonnosfanadiga (CA).

Information pursuant to Article 2428, paragraph 3, number 6-bis of the Italian Civil Code:

During 2009, the company signed a derivative contract with Société Générale, Milan Branch, Dexia Creditop S.p.A. and UBI Banca S.c.p.a. entitled the "ISDA Master Agreement", in order to regulate hedging transactions to partially cover the risk of fluctuations in interest rates on a portion of the debt assumed under the loan agreement concluded with the aforementioned pool of banks. The company has hedged the risk of fluctuations in the cash flows of the debt (variable rate) and accordingly there is a high financial correlation between the hedged instrument and the hedging instrument.

The company's objective is to limit the cash flow risks generated by floating rate loans.

The interest rate risk to which the Company is exposed arises mainly from loans at variable rates which expose it to a cash flow risk.

The company manages in its own name and on its own account the cash flow risk on interest rates through the use of derivative contracts, typically Interest rate swaps, which transform the variable interest rate into a fixed rate. The company also documents an assessment of the effectiveness (effectiveness test) of the hedging instrument in offsetting changes in cash flows attributable to the hedged risk. This test is carried out at the beginning of the hedge and on a continuous basis throughout its term. The notional value of the derivative contracts and their fair value are indicated in a specific schedule in the notes to the financial statements. It should also be noted that as they are classified as hedges, for these derivatives only the interest differentials and their fair value at 31 December are recorded in the report.

Information on tax consolidation

As of 2007, the company has exercised, as a consolidated company, the option for a national tax consolidation regime - which allows it to determine corporate income tax (IRES) on a taxable basis corresponding to the algebraic sum of the positive and negative taxable amounts of the individual companies, together with the parent Fri-El Ichnusa - S.r.l., with the latter as consolidating company.

The option was renewed and valid for the 2016-2018 tax periods.

The corporate income tax payable is therefore recognised under payables to the parent. Receivables for withholding tax transferred to the consolidating company are recorded under receivables from parents. The financial relations, together with the reciprocal responsibilities and obligations, between the consolidating companies are defined in the consolidation agreement signed on 15 March 2012. The item "Receivables from parents" also includes a corporate income tax credit requested as reimbursement for not having deducted, in the years prior to 2012, regional production tax (IRAP) relating to the taxable amount of expenses for employees and persons treated as such, as provided for in Article 2 of Decree-Law 201/2011.

Regional production tax of 2.68% is not included in the tax consolidation scheme.

Bolzano, 07.02.2019

The Chairman of the Board of Directors

Ernst Gostner

(signed on the original)

FRI-EL CAMPIDANO S.r.l.

Financial statements as at and for the year ended 31 December 2018

Company details	
Registered office	Piazza del Grano No. 3, 39100 BOLZANO (BZ)
Tax code	02520920212
REA (Economic and Administrative Index) no.	BZ 184278
VAT no.	02520920212
Quota capital	€10,000 fully paid up
Legal form	Single-member company limited by quotas
Main Business (ATECO Economic Activity Classification)	35.11.00
Company in liquidation	no
Company subject to management and coordination by others	yes
Name of the company or entity that exercises management and coordination	FRI-EL Ichnusa S.r.l.
Group membership	yes
Name of the parent	FRI-EL Ichnusa S.r.l.
Country of parent	ITALY

Balance sheet

	31-12-2018	31-12-2017
Balance sheet		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
4) concessions, licences, trademarks and similar rights	64,289	67,677
Total intangible fixed assets	64,289	67,677
II - Tangible fixed assets		
1) land and buildings	1,495,691	1,515,856
2) plant and machinery	53,610,382	59,078,510
3) industrial and commercial equipment	31,265	37,534
4) other assets	-	306
Total tangible fixed assets	55,137,338	60,632,206
Total fixed assets (B)	55,201,627	60,699,883
C) Current assets		
II - Receivables		
1) trade receivables		
due within one year	1,033,584	279,641
Total trade receivables	1,033,584	279,641
5) from subsidiaries of parents		
due within one year	52,264	1,230,138
Total receivables from subsidiaries of parents	52,264	1,230,138
5-bis) tax receivables		
due within one year	443,155	513,751
Total tax receivables	443,155	513,751
5-ter) deferred tax assets		
5-quater) from others	2,176,485	2,452,133
due within one year	4,405,563	6,533,884
Total receivables from others	4,405,563	6,533,884
Total receivables	8,111,051	11,009,547
IV - Liquid funds		
1) bank and postal deposits	12,534,599	9,467,229
Total liquid funds	12,534,599	9,467,229
Total current assets (C)	20,645,650	20,476,776
D) Prepayments and accrued income	518,510	637,441
Total assets	76,365,787	81,814,100
Liabilities		
A) Net equity		
I - Quota capital		
	100,000	100,000
II - Quota premium reserve		
	1,311,813	1,311,813
IV - Legal reserve		
	20,000	20,000
VI - Other reserves, indicated separately		
Capital injections	687,689	687,689
Total other reserves	687,689	687,689
VII - Hedging reserve for	(1,383,106)	(2,027,905)
VIII - Retained earnings	24,943,523	21,951,399
IX - Net profit for the year	4,757,094	5,337,510
Total Net equity	30,437,013	27,380,506

B) Provisions for risks and charges		
2) Tax provision, including deferred tax liabilities	328,506	219,100
3) derivatives	1,819,877	2,668,297
Total provisions for risks and charges	2,148,383	2,887,397
D) Payables		
4) Bank loans and borrowings		
due within one year	6,959,687	7,019,187
due after one year	20,839,300	27,798,750
Total bank loans and borrowings	27,798,987	34,817,937
6) Payments on account		
Due after one year	13,241,385	13,241,385
Total payments on account	13,241,385	13,241,385
7) Trade payables		
due within one year	404,796	560,021
Total trade payables	404,796	560,021
10) Payables to associates		
Due within one year	356,853	455,611
Total payables to associates	356,853	455,611
11) Payables to the parent		
Due within one year	804,788	1,125,224
Due after one year	1,163,408	1,163,408
Total payables to parents	1,968,196	2,288,632
12) Tax payables		
Due within one year	1,470	27,997
Total tax payables	1,470	27,997
14) Other payables		
Due within one year	8,704	154,614
Total other payables	8,704	154,614
Total payables	43,780,391	51,546,197
Total liabilities	76,365,787	81,814,100

Income statement

	2018	2017
Income statement		
A) Production revenues		
1) Revenue from sales and services	17,424,675	18,624,088
5) Other revenues and income		
other	114,613	889,266
Total other revenues and income	114,613	889,266
Total production revenues	17,539,288	19,513,354
B) Production cost		
6) Raw materials, consumables, supplies and goods	3,641	1,499
7) Services	3,489,347	4,120,367
8) Use of third party assets	328,322	330,843
10) Depreciation, amortisation and write-downs		
a) amortisation of intangible fixed assets	3,388	3,388
b) depreciation of tangible fixed assets	5,494,867	5,498,656
Total depreciation, amortisation and write-downs	5,498,255	5,502,044
11) Change in raw materials, consumables, supplies and goods	-	231,294
13) Other provisions	109,407	109,407
14) Other operating costs	135,951	108,300
Total production cost	9,564,923	10,403,754
Operating profit (A - B)	7,974,365	9,109,600
C) Financial income and charges		
16) Other financial income		
d) Other income		
from others	8,489	7,647
Total other income	8,489	7,647
Total other financial income	8,489	7,647
17) interest and other financial charges		
to parents	37,474	18,928
other	1,677,872	2,013,752
Total interest and other financial charges	1,715,346	2,032,680
Net financial charges (15 + 16 - 17 + - 17-bis)	(1,706,857)	(2,025,033)
Pre-tax profit (A - B + - C + - D)	6,267,508	7,084,567
20) Current and deferred taxes for the year		
current taxes	1,596,431	1,829,061
taxes relative to previous years	-	3,781
deferred taxes	72,028	70,845
income (expense) from participation in tax consolidation/tax transparency scheme	158,045	156,630
Total current and deferred taxes for the year	1,510,414	1,747,057
21) Net profit for the year	4,757,094	5,337,510

Cash flow statement, indirect method

	2018	2017
Cash flow statement, indirect method		
A) Cash flows from operating activities (indirect method)		
Net profit for the year	4,757,094	5,337,510
Income taxes	1,510,414	1,747,057
Interest payable	1,706,857	2,025,033
1) Profit for the year before income tax, interest, dividends and gains/losses on disposal	7,974,365	9,109,600
Adjustments for non-monetary items that did not have a balancing entry in net working capital		
Accruals to provisions	109,406	109,407
Depreciation and amortisation of fixed assets	5,498,255	5,502,044
Adjustments to financial assets and liabilities related to derivative financial instruments that do not involve monetary movements	(848,420)	(1,199,465)
Other adjustments for non-monetary items	644,799	911,594
Total adjustments for non-monetary items that did not have a balancing entry in net working capital	5,404,040	5,323,580
2) Cash flows before changes in net working capital	13,378,405	14,433,180
Changes in net working capital		
Decrease/(Increase) in inventories	-	231,294
Decrease/(increase) in trade receivables	(753,943)	200,158
Decrease in trade payables	(155,225)	(271,776)
Decrease in prepayments and accrued income	118,931	118,690
Other decreases/(other increases) in net working capital	1,710,135	(4,428,284)
Total changes in net working capital	919,898	(4,149,918)
3) Cash flows after changes in net working capital	14,298,303	10,283,262
Other adjustments		
Interest paid	(1,706,857)	(2,025,033)
Income taxes paid	(159,741)	(436,367)
Total other adjustments	(1,866,598)	(2,461,400)
Cash flows from operating activities (A)	12,431,705	7,821,862
B) Cash flows from investing activities		
Tangible fixed assets		
Investments	1	-
Cash flows from investing activities (B)	1	-
C) Cash flows from financing activities		
Third party funding		
Increase/(decrease) in short-term loans and borrowings	(59,500)	619,137
Loan repayment	(6,959,450)	(7,009,420)
Own funds		
Dividends and interim dividends paid	(2,345,386)	-
Cash flows used in financing activities (C)	(9,364,336)	(6,390,283)
Increase in liquid funds (A ± B ± C)	3,067,370	1,431,579
Opening liquid funds		
Bank and postal deposits	9,467,229	8,035,651
Total opening liquid funds	9,467,229	8,035,651
Closing liquid funds		
Bank and postal deposits	12,534,599	9,467,229
Total closing liquid funds	12,534,599	9,467,229

Notes to the financial statements as at and for the year ended 31 December 2018

Notes, initial part

Corporate bodies in office Board of Directors

- Ernst Gostner, Chairman of the Board of Directors
- Armando Manca di Villahermosa, Deputy Chairman of the Board of Directors
- Thomas Gostner
- Gian Paolo Cesaraccio

Board of Statutory Auditors

- Francesco Schiavone Panni, Chairman of the Board of Statutory Auditors
- Lorenzo Theodoli, Standing Auditor
- Giorgia Dapra, Statutory Auditor

The financial statements as at and for the year ended 31 December 2018 consist of the Balance Sheet, Income Statement and these Notes and are supplemented with the Cash Flow Statement. The year closed with a net profit of €4,757,094.

Description of the company

The company is wholly owned by the parent Fri-El Ichnusa S.r.l., which exercises management and coordination functions pursuant to Article 2497-bis of the Italian Civil Code. The parent has its registered office at Piazza del Grano No. 3, Bolzano, Tax Code 02521760211, is registered on the Companies Register of Bolzano under number 02521760211, and has quota capital of €100,000, fully subscribed and paid-up. The company was formed to construct three wind farms located in the Province of Medio Campidano. The object of the company is to perform and develop activities for the production of electrical power from wind sources. The three wind farms commenced production in October 2008.

The financial statements have been audited by Kpmg S.p.A. in accordance with the three-year engagement for the period 2017-2019.

Basis of preparation

Basis of presentation

The financial statements have been prepared in accordance with the criteria set out in 2423 et seq. of the Italian Civil Code, as indicated in these Notes, which are compiled pursuant to Article 2427 et seq. of the Italian Civil Code and which, as provided in Article 2423, constitute an integral part of the financial statements for the year.

The Balance Sheet and Income Statement have been prepared in accordance with the provisions of Articles 2424 and 2425 of the Italian Civil Code.

The accounting policies are consistent with applicable legislation, interpreted by the accounting principles issued by the Italian Accounting Standard Setter (OIC) and by the Italian accounting profession.

The items in the financial statements were measured in accordance with the principle of prudence in the light of the going concern principle.

Items are recognised and presented taking into account the substance of the transaction or contract. Only profits realised at the end of the financial year are shown.

In accordance with the accruals principle, income and expenses pertaining to the year must be taken into account, regardless of the date of collection or payment. Moreover, risks and losses pertaining to the year must be taken into account, even if they become known after the balance sheet date.

The heterogeneous elements included in the individual items are measured separately. Pursuant to Article 2423-bis, paragraph 2 of the Italian Civil Code, the measurement criteria cannot be changed from one year to the next; waivers may be permitted in exceptional cases. The notes to the financial statements must explain the reasons for any departure and indicate how it affects the representation of the financial position, results of operations and cash flows. There have been no exceptional cases requiring waivers.

Accounting policies

The measurement criteria to be considered as applicable are set out below.

Intangible fixed assets

Intangible fixed assets are recognised at their purchase or production cost. If payment is deferred beyond normal market conditions for similar or comparable transactions, intangible fixed assets are recorded in the financial statements at the amount corresponding to the debt determined in accordance with OIC 19 on Payables.

The cost of intangible fixed assets, the use of which is limited over time, must be systematically amortised each year in relation to their residual useful life. The amortisation attributed to each financial year refers to the distribution of the cost incurred over the entire duration of use. Amortisation begins when the asset is available and ready for use.

Goodwill is amortised over its useful life.

It is necessary to evaluate the presence of indicators of impairment losses at each balance sheet date. If such indicators exist, the recoverable value is estimated and a write-down is permitted if the fixed asset is permanently of a lower value than the net book value. The maximum limit of the revaluation is the recoverable value of the asset itself, which cannot in any case be exceeded.

No financial charges were recorded during the year for amounts recognised under intangible assets.

Tangible fixed assets

Tangible fixed assets are initially recognised on the date on which the risks and benefits of ownership of the asset are transferred. The transfer of risks and benefits usually occurs when ownership is transferred.

Tangible fixed assets are recognised at purchase or production cost.

The purchase cost also includes ancillary costs. The production cost includes direct costs and general production costs, to the extent reasonably attributable to the asset for the period starting from its manufacture and until the asset is ready for use.

Ordinary maintenance costs are recognised in the income statement in the year in which they are incurred.

The cost of tangible fixed assets, the use of which is limited in time, is systematically amortised in each financial year in relation to the residual possibility of use. The depreciation attributed to each financial year refers to the distribution of the cost incurred over the entire duration of use. Depreciation begins when the asset is available and ready for use. The rule of using half the normal depreciation rate for assets purchased during the year is acceptable if the depreciation rate obtained does not deviate significantly from the rate calculated from the time the asset is available and ready for use.

Tangible fixed assets may only be revalued where the law so provides or permits. Discretionary or voluntary revaluations of tangible fixed assets or revaluations other than those arising from application of the law are not permitted.

At each balance sheet date, the company assesses the presence of indicators of impairment of tangible fixed assets. If such indicators exist, the company estimates the recoverable value of the asset and writes down the value if the asset is permanently lower than its net book value. The maximum limit for the write-down of a tangible asset is the recoverable value of the asset itself, which can under no circumstances be recovered.

No financial charges were recorded during the year for amounts recognised under tangible fixed assets.

The useful lives of tangible fixed assets are indicated below, keeping in mind that the depreciation charged to the financial statements reflects exclusively economic and technical criteria:

- Substation depreciation 20 years
- Wind farm depreciation 20 years
- Telecommunications equipment depreciation 5 years
- Specific equipment depreciation 10 years
- Office machinery depreciation 5 years
- Furniture depreciation 8.3 years

Write-down for impairment losses

At each balance sheet date, an assessment is made of whether there is any indication that an asset may be impaired.

If such an indicator exists, the recoverable value of the asset is estimated and a write-down is made only if the value is lower than the corresponding net book value. In the absence of indicators of potential impairment, the recoverable value is not determined.

In assessing whether there is any indication that an asset may be impaired, as a minimum the following indicators are considered:

- the market value of an asset decreased significantly during the period, more than was expected to be the case with the passage of time or with the normal use of the asset in question;
- during the year, significant changes have occurred, or will occur in the near future, with a negative effect on the company in the technological, market, economic or regulatory environment in which the company operates or in the market to which an asset is directed;
- market interest rates or other rates of return on investments increased during the year, and it is probable that these increases will affect the discount rate used in calculating the value in use of an asset and reduce its fair value;
- the book value of the company's net assets is higher than the company's estimated fair value (such an estimate will be made, for example, in relation to the potential sale of all or part of the company);
- the obsolescence or physical deterioration of an asset is evident;
- significant changes have taken place during the year with a negative effect on the company, or are expected to take place in the near future, to the extent or in the manner in which an asset is used or is expected to be used.

Financial fixed assets

Equity investments

Financial fixed assets consisting of investments in subsidiaries or associates are valued at an amount equal to the corresponding fraction of the shareholders' equity as indicated in the latest financial statements of such companies, less dividends and making the necessary adjustments. The net profit or loss of the investee, duly adjusted, is charged to the income statement of the investor, for the portion pertaining to it, on an accruals basis, therefore in the same period to which the net profit or loss refers. The investment is written down in any case in the presence of permanent impairment, determined in accordance with OIC 21, even in cases where this entails the need to record the investment at an amount lower than that determined by applying the equity method.

Dividends and profits received are deducted from the corresponding "Equity investments" item.

If the shareholders' equity of the investee increases or decreases for reasons other than the net profit or loss for the year, as a result of monetary remeasurement occurring as a result of special laws or movements in the hedging reserve expected under OIC 32, the book value of the investment will be increased or reduced respectively in the balance sheet of the investor.

Financial receivables

Financial receivables are recorded in accordance with the amortised cost criterion, taking the time factor into account. The criterion may not be applied if the effects are insignificant or if transaction costs and fees are insignificant. Receivables are recorded in the balance sheet net of the bad debt provision. A receivable must be written down in the period in which it is probable that the receivable has lost value.

Derivative financial instruments

Derivative financial instruments, even if incorporated into other financial instruments, are recorded at their fair value. The company uses financial instruments to hedge the risk of changes in cash flows attributable to a liability recorded in the financial statements. Changes in fair value are recognised in a positive or negative equity reserve ("hedging reserve"). The equity reserve is charged to the income statement to the extent and within the timescale corresponding to the occurrence or change in the cash flows of the hedged instrument or to the occurrence of the hedged transaction.

A hedge is deemed to exist if, from the outset, there is a close and documented correlation between the characteristics of the instrument and those of the hedging instrument in order for the hedge to be considered as existing. If the amount of changes in the fair value of the hedging instrument is greater than the absolute amount of changes in the value of the hedged item since the start of the hedging relationship, this excess, which represents the ineffectiveness of the hedge, is recognised in the income statement. The fair value of the derivative instruments used to hedge financial risks is determined using the prices communicated by the counterparties (intermediaries of primary repute on the market), after internal verification of their reasonableness.

Inventories

Assets included in inventories are initially recognised on the date on which the risks and benefits of

ownership of the asset are transferred. The transfer of risks and benefits usually takes place when the title is transferred according to the contractually established procedures.

The purchase cost also includes ancillary costs. Returns, commercial discounts, allowances and premiums are deducted from costs. If payment is deferred beyond normal market conditions the goods are recorded in the balance sheet at the amount corresponding to the debt determined in accordance with Italian Accounting Standard 19 on Payables.

The production cost includes both direct and indirect costs. The company applies the weighted average cost method.

Inventories are measured in the financial statements at the lower of purchase or production cost and market value. Inventories are written down when their realisable value, which can be inferred from market trends, is lower than their book value. If the reasons for the write-down no longer apply, in whole or in part, the write-down is reversed within the limits of the cost originally incurred.

Receivables

Receivables are recognised in accordance with the amortised cost criterion, taking the time factor into account. Transition costs and any commission income and expense are included in the calculation of the amortised cost using the effective interest method.

The amortised cost criterion may not be applied to receivables if the effects are immaterial, or if the receivables have a maturity of less than 12 months. In this case, receivables are recorded in the financial statements at their nominal value net of premiums, discounts and allowances provided for in the contract or in any case granted.

Pursuant to Article 12, paragraph 2 of Legislative Decree 139/2015, which provides that the amendments provided for in Article 2426, paragraph 1, number 8, of the Italian Civil Code (amortised cost method) "may not be applied to the components of items relating to transactions that have not yet exhausted their effects on the financial statements", the company has opted for the application of the amortised cost method exclusively to receivables arising after the financial year commencing on 1 January 2016 and not to all receivables retrospectively.

Receivables are recognised in the balance sheet net of any write-downs necessary to bring them back to their estimated realisable value.

Liquid funds

Bank deposits, postal deposits and cheques are measured in accordance with the general principle of their estimated realisable value, which normally coincides with their nominal value. Cash and cash equivalents are measured at their nominal value, while cash in hand in foreign currencies is measured at the exchange rate applying on the balance sheet date.

Prepayments and accrued income

Prepayments and accrued income include income attributable to the year that will be collected in future years and costs incurred by the end of the year but attributable to future years.

The amount is determined by allocating the revenue and cost, in order to allocate to the current financial year only the portion pertaining to the period.

Net equity – Hedging reserve

This equity reserve includes changes in fair value as it is a cash flow hedging derivative against the risk of changes in expected cash flows.

Provisions for risks and charges

Provisions for risks and charges are liabilities of a specific nature, certain or probable, with an unspecified date of occurrence or amount. Provisions are recorded on an accruals basis against amounts that are expected to be paid or goods and services that will have to be provided at the time when the obligation is to be fulfilled.

Contingent liabilities are recognised in the financial statements and in the provisions as they represent liabilities connected with situations present at the balance sheet date but with pending outcomes as they will be resolved in the future.

No general provisions for risk have been set up without any justification.

This item also includes derivative financial instruments that are liabilities or have a negative fair value at the measurement date. For the definition and methods of recognition and measurement in the financial statements, see OIC 32 "Derivative financial instruments".

Payables

Payables are recognised in accordance with the amortised cost criterion, taking the time factor into account. Under OIC 19, this criterion is not applied to payables due in less than 12 months and if the effects of applying this criterion are insignificant. In such cases, they are recorded in the financial statements at their

nominal value net of premiums, discounts and allowances provided for in the contract or in any case granted.

Pursuant to Article 12, paragraph 2 of Legislative Decree 139/2015, which provides that the amendments provided for in Article 2426, paragraph 1, number 8, of the Italian Civil Code (amortised cost method) “may not be applied to the components of items relating to transactions that have not yet exhausted their effects on the financial statements”, the company has opted for the application of the amortised cost method exclusively to payables arising after the financial year commencing on 1 January 2016 and not to all payables retrospectively.

Debt instruments

Debt instruments are recognised in the financial statements when the security is delivered and are recognised at purchase cost. The purchase cost consists of the price paid including ancillary costs. Ancillary costs consist of banking and financial brokerage costs, directly attributable consultancy fees, commissions, expenses and stamp duties.

Fixed assets represented by securities are recorded in the balance sheet at amortised cost, where applicable. Securities that are not fixed assets are recorded at purchase cost, or at their inferable market value if this is lower.

Accrued expenses and deferred income

Accrued expenses and deferred income consist of costs pertaining to the year and collectable in future years and income received by the end of the year but pertaining to subsequent years.

The amount is determined by allocating the revenue and cost, in order to allocate to the current financial year only the portion pertaining to the period.

Revenues

These are recorded in the financial statements on a prudent and accruals basis, with accruals and deferrals recognised. Revenues from the sale of products and goods or the provision of services relating to ordinary operations are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of products and the provision of services.

Revenues from the sale of energy are recognised on an accruals basis on the basis of the final figures for the energy produced.

Revenues relating to incentives are also recognised on an accruals basis on the basis of production as indicated above. Revenues from services and revenues of a financial nature are recognised on an accruals basis.

Revenues and income from foreign currency transactions are determined at the exchange rate prevailing on the date on which the transaction is completed.

Revenues are recognised under OIC12 - “Composition and layout of annual financial statements”.

Costs

Costs are recorded in the financial statements on a prudent and accruals basis, in accordance with the principle of matching revenues, and with recognition of accruals and deferrals. Amounts are recognised net of returns, discounts, rebates and premiums.

They are recorded in their respective items in accordance with OIC 12 - “Composition and layout of annual financial statements”.

Taxes

Current income taxes are determined on the basis of the taxable income for the year by applying current tax legislation. The amount of current taxes does not generally coincide with the amount of taxes pertaining to the year, since, as a result of the difference between statutory and tax regulations, the values attributed to an asset or liability in accordance with statutory criteria may differ from the values attributed to these elements for tax purposes.

Deferred tax assets represent the income tax charges recoverable in future years relating to deductible temporary differences or to the carry-forward of tax losses.

Deferred tax liabilities represent the amounts of income taxes due in future years relating to taxable temporary differences.

As of the 2007 financial year, the company, as a consolidated company, and its parent, as the consolidating company, adhered to the so-called national tax consolidation regime, an option that was renewed for the three-year period 2016-2018. Essentially, this system allows corporation tax (IRES) to be determined on a tax base corresponding to the algebraic sum of the positive and negative taxable amounts of the individual companies participating in it.

The financial relations, as well as the reciprocal responsibilities and obligations, between the consolidating company and the subsidiary are defined in the consolidation agreement drawn up between the parties.

Under this agreement, the consolidating company is required to pay an indemnity to the company in the event that the company transfers to the consolidated financial statements any tax losses and elements (interest expense and ROL) that, on the basis of the provisions of Article 96 of the Consolidated Law on Income Tax (TUIR), can be transferred to the consolidated financial statements.

Pursuant to the provisions of the said consolidation agreement, item C.II.4 - "Receivables from parents" includes the receivable from the parent arising from the transfer of receivables from the tax authorities for withholding taxes incurred and the excess of EBIT for the year, while item D.11 - "Payables to parents" includes the payable to the parent for the corporate income tax calculated on the taxable income transferred to the consolidation.

Current, deferred and prepaid regional production tax (IRAP), if due, is determined exclusively with reference to the company.

The individual items of the financial statements are indicated below, with the specification that:

- the balance sheet and income statement items provided for in Articles 2424 and 2425 are indicated in the order provided for by applicable legislation and are commented on in that order;
- for each item in the balance sheet and income statement, the amount of the item corresponding to the previous year is indicated;
- there is no offsetting between items;
- amounts are expressed in Euro.

Notes, assets

Fixed assets

Intangible fixed assets

Movements in intangible fixed assets

Intangible fixed assets include easement rights on the land on which the wind farm is located. The net book value of intangible fixed assets amounts to €64,289, amortisation for the year amounts to €3,388 and follows the duration envisaged by the contract.

	Concessions, licences, trademarks and similar rights	Total intangible fixed assets
Opening balance		
Cost	98,950	98,950
Amortisation (accumulated amortisation)	(31,273)	(31,273)
Book value	67,677	67,677
Changes during the year		
Amortisation for the year	3,388	3,388
Total changes	(3,388)	(3,388)
Closing balance		
Cost	98,950	98,950
Amortisation (accumulated amortisation)	(34,661)	(34,661)
Book value	64,289	64,289

Tangible fixed assets

Movements in tangible fixed assets

This item amounts to €55,137,338 on the balance sheet.

- The book value of land and buildings also includes notarial costs incurred for their purchase.
- Plant and machinery consist of the 3 wind farms located in the Province of Medio Campidano. The book value of wind farms includes both design and construction costs and directly attributable ancillary costs, including interest expense and other financial charges arising from loans specifically obtained for the construction of the wind farm. The wind farms commenced production in October 2008.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total tangible fixed assets
Opening balance					
Cost	1,691,610	106,482,612	62,696	25,627	108,262,5
Depreciation (accumulated depreciation)	(175,754)	(47,404,102)	(25,161)	(25,321)	(47,630,3
Book value	1,515,856	59,078,510	37,534	306	60,632,20
Changes during the year					
Depreciation for the year	20,165	5,468,128	6,270	306	5,494,869
Total changes	(20,165)	(5,468,128)	(6,270)	(306)	(5,494,86
Closing balance					
Cost	1,691,610	106,482,612	62,696	25,627	108,262,5

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total tangible fixed assets
Depreciation (accumulated depreciation)	(195,919)	(52,872,230)	(31,431)	(25,627)	(53,125,207)
Book value	1,495,691	53,610,382	31,265	-	55,137,338

A special preferential right was granted pursuant to Article 46 of Legislative Decree No. 385 of 1 September 1993 and a mortgage was granted on the installations, works and capital goods constituting the wind farm in guarantee of the project loan as described in section D) Payables.

Finance leases

The company has no finance leases in place.

Current assets

Receivables recorded under current assets

Changes in and expiry of receivables included in current assets

These amount to €8,111,051 and are made up as follows:

	Opening balance	Changes during the year	Closing balance	Amount due within one year
Trade receivables from clients included in current assets	279,641	753,943	1,033,584	1,033,584
Receivables from subsidiaries of parents included in current assets	1,230,138	(1,177,874)	52,264	52,264
Tax receivables recorded under current assets	513,751	(70,596)	443,155	443,155
Deferred tax assets recognised as current assets	2,452,133	(275,648)	2,176,485	
Receivables from others recorded under current assets	6,533,884	(2,128,321)	4,405,563	4,405,563
Total receivables recorded under current assets	11,009,547	(2,898,496)	8,111,051	5,934,566

The balance of trade receivables amounts to €1,033,584, of which €74,316 relates to trade receivables and €959,268 to invoices to be issued. Invoices to be issued include electricity for the month of December, accrued GO certificates not sold and sums relating to loss of production (MPE).

Tax receivables of €443,155 include a regional production tax (IRAP) credit of €50,766, VAT credits of €390,796 and tax credits of €1,593.

I Deferred tax assets amount to €2,176,485, of which €2,032,938 is to be repaid within one year; deferred tax assets to be repaid after the next financial year also include €436,770 relating to the fair value of derivatives. For details, see the section "Current and deferred taxes for the year" in these notes.

Receivables from others of €4,405,563 include €4,378,081 in incentives accrued during the year and to be collected in the first half of 2019.

Note that the company has pledged all the receivables arising from the project revenues in favour of the financing banks. These include trade receivables and receivables from others relating to incentives.

Breakdown of current receivables by geographical segment.

Geographical segment	Italy	Total
Trade receivables included in current assets	1,033,584	1,033,584
Receivables from subsidiaries of parents included in current assets	52,264	52,264

Geographical segment	Italy	Total
Tax receivables recorded under current assets	443,155	443,155
Deferred tax assets recognised as current assets	2,176,485	2,176,485
Receivables from others recorded under current assets	4,405,563	4,405,563
Total receivables recorded under current assets	8,111,051	8,111,051

Receivables recorded under current assets relating to reverse repurchase agreements

Pursuant to the provisions of point 6-ter of Article 2427 of the Italian Civil Code, note that the company does not have any reverse repurchase agreements in place.

Liquid funds

Liquid funds of €12,534,599 relates exclusively to the balance of duly reconciled bank accounts.

	Opening balance	Changes during the year	Closing balance
Bank and postal deposits	9,467,229	3,067,370	12,534,599
Total liquid funds	9,467,229	3,067,370	12,534,599

The change in liquid funds arises from the cash flow generated by current operations, including the repayment of the project loan as per the repayment plan.

The balance includes €5,799,287 in current account liquid funds subject to restrictions, in accordance with the provisions of the "Project Financing" loan agreement.

The company has pledged its liquid funds in favour of the banking group consisting of Société Générale, Milan Branch, Dexia Crediop S.p.A. and UBI Banca S.c.p.a. in relation to the project loan as described in section D) Payables.

Prepayments and accrued income

These include prepayments that underwent the following changes during the year:

	Opening balance	Changes during the year	Closing balance
Prepayments	637,441	(118,931)	518,510
Total prepayments accrued income	637,441	(118,931)	518,510

Prepayments due within one year amount to €141,008, while those due after one year amount to €377,503, of which €19,794 is due after five years.

Prepayments expenses mainly refer to ancillary financing costs of €419,738, legal fees relating to the loan of €49,907 and registration fees on easement contracts of €26,549.

Notes, liabilities and net equity

Net equity

The quota capital is divided into quotas and is fully subscribed and paid-up.

At their meeting on 27 February 2018, the quotaholders resolved to use the previous year's net profit of €5,337,510, to distribute dividends of €136,683 and to carry forward €5,200,827.

A further distribution of dividends of €2,208,703 was approved on 19 July 2018.

Changes in components of net equity

The table below shows the changes in net equity and other reserves.

	Opening balance	Allocation of previous year's net profit		Other changes		Operating profit	Opening balance
		Allocation of dividends	Other allocations	Increases	Decreases		
Quota capital	100,000	-	-	-	-		100,000
Quota premium reserve	1,311,813	-	-	-	-		1,311,813
Legal reserve	20,000	-	-	-	-		20,000
Other reserves							
Capital injections	687,689	-	-	-	-		687,689
Total other reserves	687,689	-	-	-	-		687,689
Hedging reserve	(2,027,905)	-	-	644,799	-		(1,383,106)
Retained earnings	21,951,399	-	5,200,827	-	(2,208,703)		24,943,523
Net profit for the year	5,337,510	(136,683)	(5,200,827)	-	-	4,757,094	4,757,094
Total net equity	27,380,506	(136,683)	-	644,799	(2,208,703)	4,757,094	30,437,013

Availability and use of net equity

Net equity items are broken down as follows according to origin, possibility of utilisation, distributability and utilisation in previous years.

	Amount	Origin / Nature	Possibility of use	Available portion	Summary of use in previous years
					for other reasons
Quota capital	100,000	equity		-	-
Quota premium reserve	1,311,813	equity	A,B,C	1,311,813	-
Legal reserve	20,000	income	B	20,000	-
Other reserves					
Capital injections	687,689	equity	A,B,C	687,689	-
Total other reserves	687,689			687,689	-
Hedging reserve	(1,383,106)			-	-
Retained earnings	24,943,523	income	A,B,C	21,951,399	497,654
Total	25,679,919			23,970,901	-

	Amount	Origin / Nature	Possibility of use	Available portion	Summary of use in previous years
					for other reasons
Non-distributable portion				20,000	
Residual distributable portion				23,950,901	

Key: A: for capital increase B: to cover losses C: for distribution to quotaholders D: for other by-laws constraints E: other

Changes in the hedging reserve

	Hedging reserve
Opening balance	(2,027,905)
Changes during the year	
Increase due to change in fair value	848,420
Deferred tax effect	(203,621)
Closing balance	(1,383,106)

The equity reserve includes changes in fair value as it is a cash flow hedging derivative against the risk of changes in expected cash flows.

Provisions for risks and charges

	Tax provision, including deferred tax liabilities	Derivatives	Total provisions for risks and charges
Opening balance	219,100	2,668,297	2,887,397
Changes during the year			
Provision during the year	109,407	-	109,407
Use during the year	-	848,420	848,420
Total changes	109,407	(848,420)	(739,013)
Closing balance	328,506	1,819,877	2,148,383

The tax provision, which amounts to €328,506, relates to the higher IMU (Combined Municipal Tax) and TASI (Indivisible Services Tax) due following the notices of assessment served by the tax authorities in 2016 with which the cadastral rent of the wind turbines that the company had updated pursuant to Article 1, paragraphs 21 and 22 of Law 208/2015 (the 2016 'Stability Law' - regulations on so-called "bolted" items) were adjusted.

The derivatives item includes the fair value of the "Interest Rate Swap" derivatives subscribed in order to regulate hedging transactions to cover the risk of interest rate fluctuations. This transaction was carried out in relation to part of the debt assumed under the project financing agreement as described in section D) Bank loans and borrowings.

This transaction has the following characteristics:

- a) Contract CBN-2756280/1, notional amount of €11,915,625, entered into with Societe Generale, Milan Branch on 24 April 2009 and maturing on 31 December 2022, with a negative fair value of €970,707 as at 31 December 2018.
- b) Contract 1266499, notional amount of €6,364,288, entered into with Dexia Crediop S.p.A. on 24 April 2009 and maturing on 31 December 2022, presenting a negative fairvalue of €517,709 at 31 December 2018.
- c) Contract 1156804, notional amount of €4,068,750, entered into with UBI Banca S.c.p.a. on 24 April 2009 and maturing on 31 December 2022, presenting a negative fairvalue of €331,461 at 31 December 2018.

The derivative financial instrument is designated as a “cash flow hedge” because the hedging relationship meets the eligibility criteria for hedge accounting, since there is a close and documented correlation between the characteristics of the hedged instrument and those of the hedging instrument itself. The use of the provision for risks on derivative financial instruments, amounting to €848,420, refers to the change in the fair value of derivatives between the two years.

Payables

Payables are broken down as follows:

Changes in and maturity of payables

	Opening balance	Changes during the year	Closing balance	Amount due within one year	Amount due after one year
Bank loans and borrowings	34,817,937	(7,018,950)	27,798,987	6,959,687	20,839,300
Payments on account	13,241,385	-	13,241,385	-	13,241,385
Trade payables	560,021	(155,225)	404,796	404,796	-
Payables to associates	455,611	(98,758)	356,853	356,853	-
Payables to the parent	2,288,632	(320,436)	1,968,196	804,788	1,163,408
Tax payables	27,997	(26,527)	1,470	1,470	-
Other payables	154,614	(145,910)	8,704	8,704	-
Total payables	51,546,197	(7,765,806)	43,780,391	8,536,298	35,244,093

Bank loans and borrowings refers to the project loan issued by a pool of banks consisting of Société Générale, Milan Branch, Dexia Crediop S.p.A. and UBI Banca S.c.p.a. The loan, taken out in 2009, originally amounted to €76,900,000 for the Term Facility and €7,480,273 for the VAT Facility, the latter of which was fully repaid.

Repayments of the principal of the Term Facility follow a pre-established repayment schedule. The due dates for payments are 30 June and 31 December of each year until 31 December 2022. The residual debt amounts to €27,798,750, of which €6,959,687 is due within one year and €20,839,300 is due after one year.

A repayment of €7,009,420 was made during the year, as contractually provided. SWAP (IRS - interest rate SWAP) contracts were signed to cover the loan, as described in detail in section B) Provisions for risks and charges.

Bank loans and borrowings also include compliance with certain financial guarantee covenants, which were fulfilled as at 31 December 2018.

Payments on account due after one year consist of payments on account of €13,241,385 from the Ministry of Productive Activities pursuant to Law No. 488/92 and relate to the disbursement of the first three instalments and the last 10%. The company is waiting for the “deed of liquidation of the balance and equalisation”, on the

issue of which the deferred procedure will be initiated by which, at the end of each financial year, the same percentage used for the depreciation of the assets to which they refer will be credited to the income statement under item A5 "Other revenues".

Trade payables of €404,796 include invoices to be received of €314,831.

Payables to associates, amounting to €356,853, include €178,231 to each indirect quotaholder Fri-EL Green Power S.p.A. and EDF EN Italia S.p.A. for technical support services.

Payables to the parent Fri-El Ichnusa S.r.l. amounted to €1,968,196, of which €710,706 related to IRES (corporate income tax) payable by the company which, as a result of its participation in the national tax consolidation scheme, is to be paid by the parent Fri-El Ichnusa S.r.l.

Payables to the parent also include a loan received from Fri-EL Ichnusa S.r.l. on 30 April 2008, which consisted of €1,163,408 for the principal and €94,082 in interest accrued at 31 December 2018.

The payable to associates relating to the loan is recorded as due within one year, as the quotaholders would be entitled to demand payment within that period.

Payments relating to financial payables including interest will be made on the basis of timescales and procedures to be defined with the quotaholders, taking into account the reciprocal financial needs.

Tax payables of €1,470 relates to regional production tax (IRAP) of €0 and withholdings related to self-employed workers of €1,470.

Breakdown of payables by geographical segment

Geographical segment	Italy	Total
Bank loans and borrowings	27,798,987	27,798,987
Payments on account	13,241,385	13,241,385
Trade payables	404,796	404,796
Payables to associates	356,853	356,853
Payables to the parent	1,968,196	1,968,196
Tax payables	1,470	1,470
Other payables	8,704	8,704
Payables	43,780,391	43,780,391

Payables secured by collateral on company assets

As indicated under tangible fixed assets, bank loans and borrowings deriving from the project financing are secured by a special preferential right and mortgage granted by the company on the wind farm.

	Payables secured by collateral	Payables not secured by collateral	Total
	Total payables secured by collateral		
Bank loans and borrowings	27,798,750	237	27,798,987
Payments on account	-	13,241,385	13,241,385
Trade payables	-	404,796	404,796
Payables to associates	-	356,853	356,853
Payables to the parent	-	1,968,196	1,968,196

Tax payables	-	1,470	1,470
Other payables	-	8,704	8,704
Total payables	27,798,750	15,981,641	43,780,391

Payables relating to repurchase agreements

Pursuant to the provisions of point 6-ter of Article 2427 of the Italian Civil Code, note that the company does not have any repurchase agreements in place.

Notes, income statement

The accounting year closed with a net profit of €4,757,094. This is due to the sale of electricity and the recognition of accrual incentives covering operating costs, in particular services and depreciation. Ordinary operations ended with an operating profit of €7,974,365.

Net financial charges came to €1,706,857.

The calculation of current and deferred taxes contributes to the determining the net profit.

Revenues

In 2018, the company generated production revenues of €17,539,288, of which revenues from core operations amounted to €17,424,674.

Breakdown of revenues from sales and services by business segment

Business segment	Amount for the current year
Revenues from energy sales	6,294,822
Sales revenues Incentive pursuant to Article 19 of Ministerial Decree 6/07/2012	10,930,092
Certified GO Revenues	148,596
Adjustment	51,164
Total	17,424,675

The 2018 financial year was characterised by fairly windy conditions. Annual production amounted to 110,461 MWh, compared with 117,918 MWh in the previous year.

The average sale price of electricity increased significantly compared with the previous year. The price of incentives was set by the energy sector administrator GSE at €98.95 throughout 2018.

As of 2016, as provided by the Ministerial Decree of 6 July 2012, the Green Certificates mechanism has been replaced by a new form of incentive. Those that are already entitled to Green Certificates (owners of IAFR qualified plants) retain the benefit for the remainder of the concessional period, but in a different form. The new mechanism guarantees the payment of a Euro tariff by the energy sector administrator GSE on net energy production, in addition to revenues arising from the exploitation of energy.

Revenues also include GO sales revenues of €148,596.00 and €51,164 related to non-wind power production (MPE).

The Guaranteed Origin (GO) is an electronic certification attesting to the renewable origin of the sources used by IGO qualified plants. A GO guarantee is issued by the GSE for each MWh of electricity fed into the grid in accordance with Directive 2009/28/EC. GO guarantees are issued, transferred and cancelled electronically via the relevant web portal managed by the energy sector administrator GSE.

Other revenues of €114,614 include an insurance refund of €18,300 and extraordinary income of €96,313.

Breakdown of revenues from sales and services by geographical segment

Revenues relate exclusively to counterparties resident in Italy.

Geographical segment	Amount for the current year
Italy	17,424,674
Total	17,424,675

Production cost

This item amounts to €9,564,923 in the financial statements and include the following

cost items: B.6) Raw materials, consumables, supplies and goods

Costs for raw materials include purchases of small equipment, consumables and materials.

B. 7) Services

Services of €3,489,347 mainly consist of:

- up front commissions relating to the project loan stipulated before 01 January 2016, amounting to €104,863 and bank fees of €37,410.
- legal and tax consultancy, including €15,400 for auditing, €17,411 for tax consultancy, €20,112 for legal counsel and €18,200 for the Board of Statutory Auditors.
- technical consultancy amounted to €1,069,799 including the costs of operating the wind farm, mainly provided by Neos S.r.l. for €166,000, indirect quotaholders Fri-EL Green Power S.p.A. for €346,808, EDF EN Italia S.p.A. for €344,498 and ProInvest for €145,716.
- The annual cost of the maintenance of the wind farm, relating to the O&M contract, amounts to €1,762,916; other maintenance amounts to €13,536
- insurance costs stood at €229,758
- other sales charges including management charges invoiced by GSE in relation to incentives and ancillary costs related to the sale of GO certificates totalled €55,783.
- electricity charges were €70,656
- administrative consultancy provided by Fri-El Green Power S.p.A. in the sum of €32,200.
- miscellaneous services of €23,327 include €15,000 for services rendered by the parent EDF EN Italia S.p.A. in relation to the management of the project loan.

B.8) Use of third party assets

The composition of this item, amounting to €328,322, includes €313,200 relating to agreements concluded with the municipalities on which the wind farm is located. These agreements provide for the payment of a fixed fee of €8,700 for each wind turbine installed.

B.10) Depreciation, amortisation and write-downs

This item includes amortisation of intangible fixed assets of €3,388 and €5,494,867 relating to tangible fixed assets. No write-downs of fixed assets or other assets included in current assets were made during the year.

B.13) Other provisions

This item includes the provision for IMU (Combined Municipal Tax) and TASI (Indivisible Services Tax) as described in section B) Provision for risks and charges.

B.14) Other operating costs

Other operating costs of €135,951 include the IMU (Combined Municipal Tax) of €51,847, TASI (Indivisible Services Tax) of €8,274, €6,139 in AEEGSI Association fees and €65,962 relating to contingent liabilities.

Financial income and charges

This item shows net financial charges of €1,706,857.

Breakdown of interest and other financial charges by type of debt

Interest income on bank current accounts amounted to €8,489, while interest and other financial charges by type of debt were as follows:

	Interest and other financial charges
Bank loans and borrowings	1,677,872
Other	37,474
Total	1,715,346

Financial charges mainly relate to the interest on the project loan of €660,067, financial charges from hedging instruments of €1,017,805 and to interest payments to the parent Fri-El Ichnusa S.r.l. for the loan granted by the latter in the sum of €37,474.

Current and deferred taxes for the year

In 2018 the total amount of taxes pertaining to the year amounted to €1,510,414 and consisted of corporate income tax (IRES) for the year of €1,392,621 which will be paid by the consolidating company, regional production tax (IRAP) for the year of €203,810, income from the tax consolidation relating to the transfer to the consolidating company of the surplus EBIT for the year of €158,045 and the reversal of deferred tax assets of €72,028.

Recognition of deferred taxes and consequent effects

	Corporate income tax (IRES)	Regional production tax (IRAP)
A) Temporary differences		
Total deductible temporary differences	6,957,932	2,604,916
Net temporary differences	(6,957,932)	(2,604,916)
B) Tax effects		
Opening deferred tax liabilities	(1,728,591)	(83,151)
Deferred tax assets	58,687	13,339
Closing deferred tax liabilities	(1,669,904)	(69,812)

Details of deductible temporary differences

Description	Amount at the end of the previous year	Change during the year	Amount at the end of the year	Corporate income tax (IRES) rate	IRES tax effect	Regional production tax (IRAP) rate	IRAP tax effect
costs accrued in subsequent years	28,600	(100)	28,500	24.00%	(24)	-	-
differences in statutory and tax depreciation rates	4,030,596	(236,897)	3,793,699	24.00%	56,855	-	-

Combined Municipal Tax (IMU) risk provision	37,768	18,970	56,738	24.00%	(4,553)	2.68%	-
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Description	Amount at the end of the previous year	Change during the year	Amount at the end of the year	Corporate income tax (IRES) rate	IRES tax effect	Regional production tax (IRAP) rate	IRAP tax effect
Goodwill	3,073,837	(512,308)	2,561,529	24.00%	122,954	2.68%	13,730
Combined Municipal Tax (IMU) risk provision	29,114	14,557	43,671	24.00%	(3,494)	2.68%	(390)

The rates applied for the calculation of deferred tax assets are as follows:

- 24.0% for IRES purposes
- 2.68% for IRAP purposes

Deferred tax assets were recognised because there is a reasonable certainty that the company will generate sufficient taxable income in future years to offset the reversal of the temporary differences that generated these deferred tax assets.

Deferred taxes

During the year, deferred IRES (corporate income tax) assets of €71,742 were set aside, calculated mainly on the temporary difference arising in relation to the depreciation of wind farms due to the application of a tax depreciation rate lower than the statutory depreciation rate, in view of the clarifications provided by the Italian tax authorities in their circular No. 36/E of 19 December 2013 and subsequently in circular No. 4/E of 30 March 2017, on the costs recorded in the year but pertaining to the following year.

Deferred IRES (corporate income tax) assets of €129,818 were released for expenses incurred in 2017 but pertaining to 2018, for the reversal of the off-balance sheet amortisation of goodwill recognised as a result of the judicial settlement between Fri-el Green Power S.p.A. and the tax authorities, for the use of interest expense accrued in previous years. An adjustment of €612 for deferred tax assets was made.

Deferred IRAP (regional production tax) totalling €13,730 were also released for the reversal of the off-balance sheet amortisation of goodwill recognised as a result of the judicial settlement between Fri-el Green Power S.p.A. and the Italian tax authorities.

Deferred IRAP of €390 were set aside in relation to the provision for the risk of TASI (indivisible services tax).

Notes, other information

Employment Data

The company had no employees in the 2018 financial year.

Remuneration, advances and loans granted to directors and statutory auditors and commitments made on their behalf

No remuneration was paid to the Board of Directors

The remuneration for the Board of Statutory Auditors is described in Part B. 7) of the income statement. Costs amounted to €18,200.

	Auditors
Remuneration	18,200
Commitments made on their behalf as a result of guarantees given	18,200

Remuneration of the independent auditors

The fees relating of independent auditors amounted to €15,400 and include the audit of separate annual accounts (unbundling).

	Value
Statutory audit of the annual accounts	15,400
Total fees payable to the independent auditors	15,400

Information ON transactions with related parties

It should be noted that the transactions between group companies and with related parties that took place during the year gave rise to commercial and financial transactions and were carried out on an arm's length basis. No atypical or unusual transactions were executed with respect to normal business operations and the interest rates applied in financial transactions were in line with market conditions.

Transactions with related parties and balances with related parties are duly described in the relevant sections of the notes to the financial statements.

The main related parties are:

- EDF EN Italia S.p.A., concerning technical consultancy for the sum of €344,498 and financial services for the sum of €15,000;
- Fri-El Green Power S.p.A., concerning technical consultancy for the sum of €346,808 and administrative services for the sum of €32,200 and €390, for securities fees;
- Neos S.r.l., concerning technical consultancy for the sum of €166,000;
- Edison Energia S.p.A., in respect of electricity purchased for the sum of €64,768.

Financial charges refer to interest expense of €37,474 relating to the loan received from the parent Fri-El Ichnusa S.r.l..

Payables to the parent Fri-El Ichnusa S.r.l. relate to tax consolidation payables of €710,706, financial payables of €1,163,408 and interest of €94,082.

Payables to indirect quotaholders amount to €178,621 to Fri-EL Green Power S.p.A. and €178,231 to EDF EN Italia S.p.A..

Summary statement of the financial position of the company exercising management and coordination

The company is wholly owned by the company Fri-El Ichnusa S.r.l. with headquarters at Piazza del Grano 3, Bolzano, Tax code 02521760211, listed in the Bolzano Companies' Register at no. 02521760211, with quota capital of €10,000 fully subscribed and paid-up, which exercises management and coordination pursuant to Article 2497 of the Civil Code.

Pursuant to paragraph 4 of Article 2497 bis of the Italian Civil Code, the key figures of the latest approved financial statements of the parent Fri-El Ichnusa S.r.l. are provided below:

Summary balance sheet of the company exercising management and coordination

	Last year end		Previous year end
Date of latest approved financial statements	31/12/2017	31/12/2016	
B) Fixed assets	28,600,522		22,487,105
C) Current assets	3,057,401		3,049,249
Total assets	31,657,923		25,536,354
A) Net equity			
Quota capital	10,000		10,000
Reserves	12,107,542		7,383,134
Net profit for the year	5,119,475		3,965,574
Total net equity	17,237,017		11,358,708
B) Provisions for risks and charges	1,855		-
D) Payables	14,419,051		14,177,646
Total liabilities	31,657,923		25,536,354

Summary income statement of the company exercising management and coordination

	Last year		Previous year
Date of latest approved financial statements	2017	2016	
A) Production revenues	-		252
B) Operating costs	63,936		61,631
C) Net financial charges	(203,811)		(217,612)
D) Adjustments to financial assets	5,337,510		4,153,254
Income taxes for the year	(49,712)		(91,312)
Net profit for the year	5,119,475		3,965,575

Information pursuant to Article 1, paragraph 125, of Law No. 124 of 4 August 2017

On the basis of the provisions of Article 1, paragraph 125, of Law 124/2017, it should be noted that during the calendar year 2018 the company received funds in respect of the incentives provided for by Ministerial Decree 06/07/2012 (GRIN) in the period between 1 July 2017 to 30 June 2018, for a total amount of €12,535,259.86 (net of a 4% withholding as an advance on tax during the liquidation).

The funds were disbursed by the energy sector administrator GSE (net of amounts due in respect of sales charges) and relate to electricity generation generated during the period.

Proposed allocation of profits or coverage of losses

The company plans to carry forward the net profit of €4,757,094.

Declaration of conformity of the financial statements

These financial statements, consisting of the balance sheet, the income statement, the cash flow statement and the notes thereto, give a true and fair view of the company's financial position, results of operations and cash flows, and match the accounting records.

Bolzano, 07.02.2019

The Chairman of the Board of

Directors (signed on the original)
Ernst Gostner