2019 ANNUAL REPORT

ALERIONCLEANPOWER
THE WIND ENERGY COMPANY

CONTENTS

CORPORATE BODIES

Board of Directors

Josef Gostner	Chairman and Chief Executive Officer[1]
Georg Vaja	Deputy Chairman and Chief Executive Officer[1]
Patrick Pircher	Director and Chief Executive Officer[1]
Paolo Signoretti	Director
Elmar Zwick	Director*
Nadia Dapoz	Director[2,3,4]
Victoria Giustiniani	Director[2,4]
Paola Bruno	Director[2,3,4]

1 Members with operational powers
2 Members of the Control and Risk Committee
3 Members of the Remuneration and Appointments Committee
4 Members of the Related-Party Transactions Committee

Board of Statutory Auditors

Francesco Schiavone Panni	**Chairman***
Michele Aprile	**Standing Auditor***
Loredana Conidi	**Standing Auditor***
Stefano Tellarini	**Alternate Auditor***
Mariassunta Pica	**Alternate Auditor***

Financial Reporting Officer (Law 262/05)

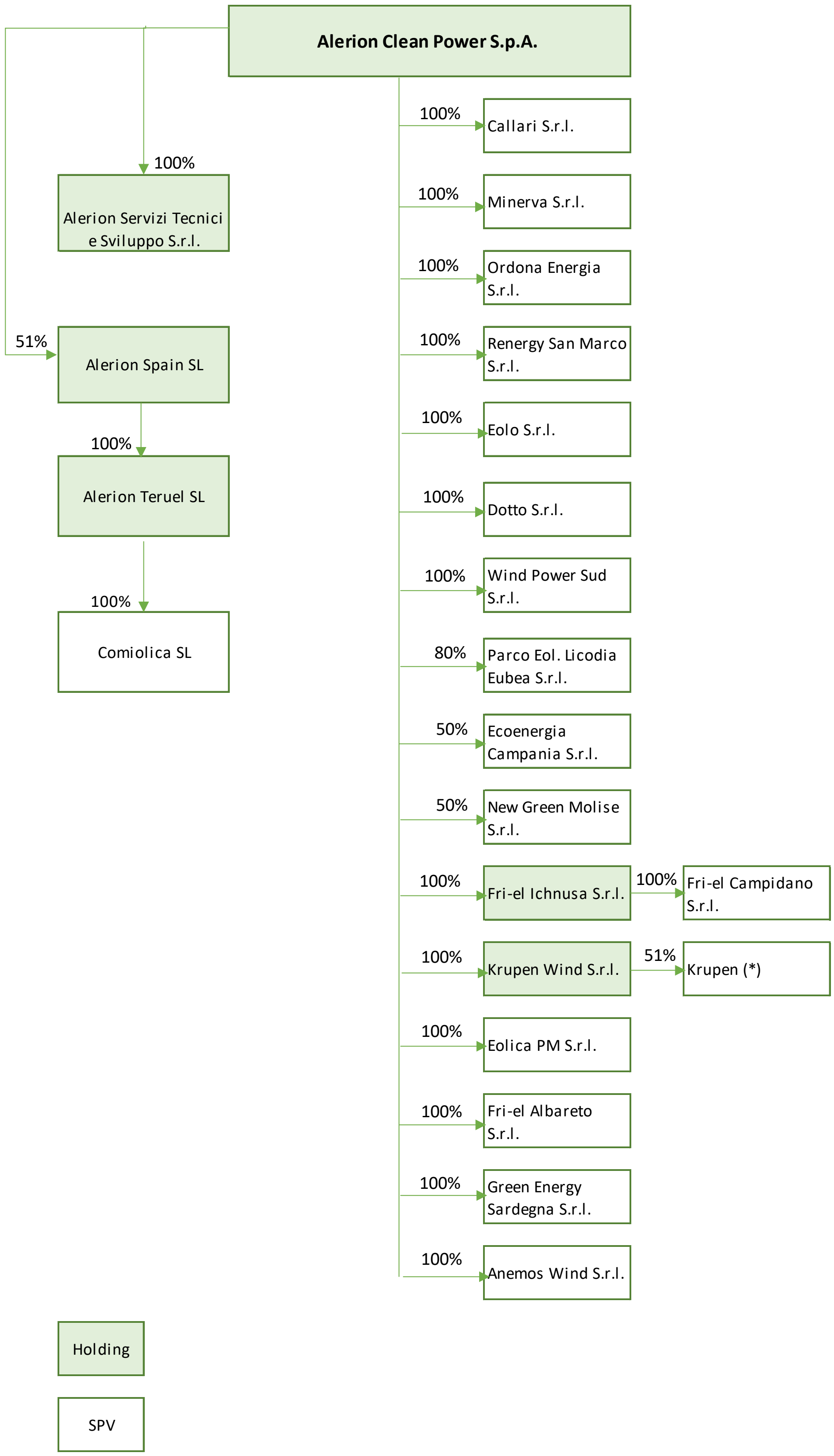
Stefano Francavilla

Independent auditors

Deloitte & Touche S.p.A.

*Appointed by the Shareholders' Meeting of 6 April 2018.

STRUCTURE OF THE ALERION GROUP



(*) The Krupen Plant is made up of four companies: Wind Energy EOOD, Wind Stream EOOD, Wind System EOOD, Wind Power 2 EOOD

REPORT ON OPERATIONS

LOCATION OF PLANTS

ALERIONCLEANPOWER
THE WIND ENERGY COMPANY

INTRODUCTION

Parent Company Alerion Clean Power S.p.A. (hereinafter the "Parent Company" or "Alerion") is a legal entity organised under the laws of the Italian Republic. The ordinary shares of Alerion are listed on the electronic circuit of the Milan Stock Exchange (MTA). The registered office of the Alerion Group (hereinafter the "Group" or the "Alerion Group") is at Viale Luigi Majno 17, Milan.

This Annual Financial Report as at 31 December 2019 was prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS" or "International Accounting Standards") approved by the European Commission, in force at 31 December 2019.

This Annual Financial Report as at 31 December 2019 was approved by resolution of the Directors on 18 March 2020.

SIGNIFICANT EVENTS DURING THE YEAR

The following are the main significant events that took place in 2019:

COMMISSIONING OF THE ALBARETO WIND FARM

On **29 May 2019**, the Fri-el Albareto S.r.l. wind farm, located in the municipalities of Albareto and Tornolo (in the province of Parma), with installed capacity of 19.8 MW, was commissioned ahead of schedule. The wind farm, which comprises six Vestas V117 3.3 MW wind turbines, was financed through a project financing loan of €22.9 million, signed with Unicredit S.p.A. and Natixis – Milan Branch, which acted as structuring MLAs and hedging banks, and UniCredit, also as an agent bank.

ACQUISITION OF COMIOLICA

On **26 June 2019**, Alerion Clean Power S.p.A. acquired, through its subsidiaries Alerion Spain S.L. and Alerion Teruel S.L., 100% of Comiolica S.L., a company that owns an operating wind farm in Spain (in the municipality of Aliaga, province of Teruel) with installed capacity of 36 MW (12 turbines of 3 MW).

The price of the transaction was approximately €41 million, including €25.4 million to purchase the shares and the remainder to repay the shareholders' loan. The transaction was partly financed using own resources and partly through a project financing loan of €23.5 million contracted with a pool of Spanish banks (Banco Sabadell and Abanca).

COMMISSIONING OF EOLICA PM WIND FARM

On **27 June 2019**, the wind farm of Eolica PM S.r.l., located in the municipalities of Morcone and Pontelandolfo (in the province of Benevento), with installed capacity of 51.75 MW, was commissioned ahead of schedule.

AGREEMENT WITH THE SACE SIMEST HUB

On **5 July 2019**, Alerion Clean Power and SIMEST, a company that together with SACE constitutes the export and internationalisation hub of the CDP Group, signed an agreement under which SIMEST will invest in Alerion's development in Spain. Specifically, SIMEST's investment, which takes the form of a capital increase combined with a shareholders' loan for a total of €10 million, is intended to support Alerion in the acquisition (already completed on 26 June 2019), through its local subsidiary Alerion Spain, of Comiolica S.L., which owns an operating wind farm in Spain (in the province of Teruel) with installed capacity of 36 MW. Following the capital increase of the holding company for the Spanish business, SIMEST holds a 49% interest in Alerion Spain. Alerion Clean Power has retained control of the company with 51% of the share capital. Given that the SIMEST transaction is essentially for financing purposes, and as it includes a put option exercisable by the counterparty, the Group considers SIMEST a lender. Therefore, no non-controlling interests have been presented in the consolidated financial statements for the purposes of consolidating Comiolica.

ACQUISITION OF FRI-EL ICHNUSA

On **1 August 2019**, the Group acquired 100% of the share capital of Fri-el Ichnusa S.r.l., which holds 100% of the share capital of Fri-el Campidano S.r.l., owner of a wind farm of 35 wind turbines with total installed capacity of 70 MW. The farm, which has been operating since September 2008, is in Sardinia.
The total acquisition price is €64.1 million, including €59.7 million to purchase 100% of the share capital of Friel Ichnusa S.r.l. and €4.4 million to purchase the receivables associated with the shareholders' loan. This consideration, €15 million of which will be paid when the transaction is closed, with the remainder due by and no later than 1 August 2022, is entirely financed with own resources.

As a related party transaction, the transaction was submitted in advance to the Company's Related Party Transactions Committee, which approved it on the basis of a number of factors including its economic substance and a fairness opinion issued by an independent expert on 1 August 2019 concerning the fairness of the acquisition price.

On **17 December 2019**, the Board of Directors approved the early repayment of the balance due for the purchase of shares in Fri-el Ichnusa S.r.l.

MERGER BY INCORPORATION OF ALERION ENERGIE RINNOVABILI S.P.A.

On 5 September 2019, the Shareholders' Meeting approved the merger by incorporation of Alerion Energie Rinnovabili S.p.A. (hereinafter "AER") under the "simplified" procedure established in Article 2505, paragraph 1 of the Italian Civil Code, i.e. a reduction in the share capital of Alerion Clean Power S.p.A., pursuant to Article 2445 of the Italian Civil Code, by the amount of €46,042,314.05, to be allocated to an available equity reserve created for the purpose named the "merger reserve". This reserve contains the cancellation deficit, i.e. the difference between the value of the equity investment in AER, cancelled as a result of the Merger, recognised in the Company's financial statements in the amount of €151,194,803.05, and the shareholders' equity of the absorbed Company of €106,395,374.
On **17 December 2019**, the merger was completed with the filing of the deed of merger with the Milan Companies Register. As of that date, the share capital amounted to €140,000,000.00. The statutory effects of the merger took effect on the date on which the deed of merger was registered in the Milan Companies Register, while for accounting and tax purposes, the merger took effect on 1 January 2019.

ACQUISITION OF ANEMOS WIND

On **23 September 2019**, Alerion won a competitive procedure for the sale of the entire share capital of Anemos Wind S.r.l., which owns an operating wind power plant in the municipality of Regalbuto (EN) in Sicily, comprising 20 Nordex 2.5 MW wind turbines with total capacity of 50 MW. Alerion won the auction process with a bid of €32.9 million (enterprise value), including net financial indebtedness of approximately €29.4 million. The acquisition was subsequently completed on **14 November 2019.** The acquisition price of approximately €3.5 million was entirely financed with own resources.

2019-2025 GREEN BOND

On **23 September 2019**, the Board of Directors began preparing for the issue of a non-convertible, non-subordinated bond loan totalling €150 million to €200 million, to be classified as a green bond, in order to finance the Group's future growth and optimise its financial structure. At the same time, the Board decided not to exercise the power to increase the share capital by up to €50 million granted by the Shareholders' Meeting of 19 December 2018, which expired on 31 December 2019.

Subsequently, on **3 December 2019**, the Board resolved to issue the bonds for a minimum value of €150 million and a maximum value of €200 million, to both the general public in Italy and eligible investors in Italy and abroad. The company therefore submitted an application to The Irish Stock Exchange plc, trading as Euronext Dublin, for the admission of the bonds to the official list and to trading on its regulated market. An application was also made for the bonds to be admitted to trading on the electronic bond market regulated by Borsa Italiana S.p.A.

The duration of the loan was established as six years from the issue date with a fixed interest rate of at least 3% per annum. The bonds were issued for a nominal value of €1,000.00 at an issue price of 100%.

The offer opened on 6 December 2019 and closed on 12 December 2019, for a total nominal value of €200,000,000 in subscribed bonds. The annual interest rate on the bonds was set at 3.125%. The annual interest payable on the bonds will amount to €6,250,000. The offer generated gross income of €200,000,000. Approximately 66% of the bonds were subscribed by institutional investors, with the remainder of approximately 34% subscribed by retail investors. The Issuer will use the net income from the bond issue to wholly or partly finance and/or refinance existing and/or future green projects that meet the criteria set out in the green bond framework developed and produced by the Issuer in accordance with the 2018 Green Bond Principles published by ICMA. The share of net income from the issue of bonds that can be allocated to refinancing existing green projects is expected to remain below 25%. The bond loan may be redeemed at the discretion of the Company as of the third year, i.e. from 20 December 2022.

ALTERNATIVE PERFORMANCE INDICATORS

The Group uses certain alternative performance indicators to (i) monitor the Group's economic and financial performance, (ii) anticipate any business trends in order to take prompt corrective action and (iii) define investment and management strategies and the most effective allocation of resources. Alternative performance indicators are considered an important additional parameter for assessing the Group's performance, as they enable more analytical monitoring of its economic and financial performance.

For a correct reading of the alternative performance indicators presented in this Annual Financial Report, it should be noted that:

- the determination of the alternative performance indicators used by the Issuer is not governed by IFRS. They must not be regarded as alternative measures to those provided in the Group's financial statements to evaluate the Group's economic performance and financial position;
- the alternative performance indicators must be read in conjunction with the Group's financial statements;
- the alternative performance indicators are determined on the basis of (or derived from) the Group's historical data, as indicated in the financial statements and the general and management accounts, and on the basis of actual calculations by management, in accordance with the recommendations contained in ESMA Document 1415 of 2015, as implemented by Consob Communication 0092543 of 3 December 2015.
- the alternative performance indicators have not been audited and must not be construed as indicators of the Group's future performance;
- the method of determining the alternative performance indicators, as indicated above, is not governed by the accounting standards referred to in the preparation of the financial statements. Therefore, the criterion applied by the Group for the relevant determination may not be the same as that used by other groups, and the alternative performance indicators presented by the Issuer may not be comparable with those presented by other groups.

EBITDA consists of operating income before depreciation and amortisation. EBITDA thus defined is a measure used by management to monitor and assess its operating performance.

Net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets, current and non-current financial liabilities, the fair value of hedging financial instruments and other non-current financial assets, net of the financial indebtedness resulting from assets held for sale. Net financial indebtedness is not identified as an accounting measure under IFRS. The calculation criterion applied by Alerion may not be the same as that used by other groups, and therefore the balance obtained by Alerion may not be comparable with that calculated by these groups.

Net financial indebtedness (excluding derivatives) is calculated as net financial indebtedness excluding the fair value of current and non-current hedging financial instruments.

Accounting Financial indebtedness is calculated as the sum of cash and cash equivalents, current and non-current financial assets, financial receivables and other non-current financial assets, current and non-current financial liabilities, the fair value of hedging financial instruments and other non-current financial assets, net of the financial indebtedness resulting from assets held for sale. Financial indebtedness (book value) is not identified as an accounting measure under IFRS. The calculation criteria applied by Alerion may not be the same as that used by other groups, and therefore the balance obtained by Alerion may not be comparable with that calculated by these groups.

Accounting financial indebtedness (excluding derivatives and lease liabilities) is calculated as accounting financial indebtedness excluding the fair value of current and non-current hedging financial instruments and operating lease liabilities recognised after adoption of IFRS 16. It should also be noted that net financial indebtedness (excluding derivatives and lease liabilities) is also reported as it is relevant for determining the financial parameters established in the 2018-2024 Bond Loan.

Net invested capital is calculated as the algebraic sum of fixed assets and non-financial assets and liabilities.

SUMMARY OF RESULTS

Economic data (millions of euros)	2019	2018
Revenues	71.8	59.0
Gross operating margin (EBITDA)	53.9	45.4
Net result	21.4	3.4
Net result attributable to the Group	21.1	3.5
Statement of financial position data (millions of euros)	**31.12.2019**	**31.12.2018**
Shareholders' equity attributable to the Group	158.1	138.8
Net financial indebtedness*	407.2	226.9
Net financial indebtedness (excluding derivatives)	395.8	217.3
Operating data	**2019**	**2018**
Gross Power (MW)	564.3	408.3
Electricity production (MWh) (1)	695,463	433,789
Electricity production (MWh) - Fully consolidated plants	626,916	369,522

(1) Plants fully consolidated and plants in joint ventures

* Consob Communication no. dem/6064293/2006

ECONOMIC AND FINANCIAL PERFORMANCE OF THE GROUP

The Group's operating performance in 2019 included fully consolidated electricity production of 3,626.9 GWh, up by 69.7% compared with production in the previous year of 369.5 GWh. The increase is mainly due to the change in the scope of operations resulting from the commissioning of new plants and the plants acquired in 2019.

The following **wind farms were commissioned** during the year: the Villacidro wind farm, at the end of 2018; the Fri-el Albareto S.r.l. wind farm, located in the municipalities of Albareto and Tornolo (in the province of Parma), with installed capacity of 19.8 MW, at the end of May 2019; and the Eolica PM S.r.l. wind farm, located in the municipalities of Morcone and Pontelandolfo (in the province of Benevento), with installed capacity of 51.75 MW, at the end of June 2019. Between their commissioning dates and 31 December 2019, these wind farms made an overall contribution to the Group's production of 139,2 GWh.

The following **wind farms were acquired during the year**: the wind farm of Comiolica S.L. in Spain (in the municipality of Aliaga, province of Teruel) with installed capacity of 36 MW (12 turbines of 3 MW) acquired on 26 June 2019, the wind farm of Fri-el Ichnusa S.r.l., located in Sardinia and owned through its subsidiary Fri-el Campidano S.r.l., which has 35 wind turbines with a total installed capacity of 70 MW, operating since September 2008, which was acquired on 1 August 2019, and finally the operating wind farm of Anemos Wind S.r.l. in the municipality of Regalbuto (EN), Sicily comprising 20 Nordex 2.5 MW wind turbines with total capacity of 50 MW, acquired on

14 November 2019. Between their respective acquisitions and 31 December 2019, these wind farms produced a total of 124,8 GWh.

The increase compared with the previous year was mainly due to the plants commissioned and acquired during 2019, which more than offset the lower production recorded by the other operating plants, particularly in Sicily, compared with the previous year (when wind conditions were particularly good).

ALERION CONSOLIDATED - Reclassified income Statement

	2019	2018
Operating revenues	70.0	55.9
Other revenues	1.8	3.1
Revenues	**71.8**	**59.0**
Cost of human resources	(2.2)	(2.4)
Other operating costs	(18.1)	(13.2)
Provisions for risks	0.0	(0.1)
Operating costs	**(20.3)**	**(15.7)**
Results of joint venture companies	**2.4**	**2.1**
Gross operating margin (EBITDA)	**53.9**	**45.4**
Depreciation, amortisation and write-downs	(26.2)	(20.3)
EBIT	**27.7**	**25.1**
Financial income (expenses)	(15.8)	(12.6)
Income (expenses) from equity investments and other financial assets	13.6	0.0
Costs relating to the early repayment of the bond loan	0.0	(5.9)
Profit before tax (EBT)	**25.5**	**6.6**
Taxes	(4.1)	(3.2)
Net result	**21.4**	**3.4**
Profit (loss) attributable to non-controlling interests	0.3	(0.1)
Net result attributable to the Group	**21.1**	**3.5**

Revenues for 2019 totalled €71.8 million (€59 million in 2018).
Specifically, **Operating revenues** were €70 million, up by €14.1 million or 25.2%, compared with the €55.9 million recorded in 2018, reflecting the rise in electricity production during the year due to increased installed capacity as a result of the acquisitions since mid-2019 and the entry into service of plants under construction, despite partially compensated i) by the end of the incentive period for the Monte Petrasi wind farm, which resulted in a reduction in revenues under the incentive tariff of approximately €4.3 million compared with the previous year; and ii) by the decrease in sale prices, particularly incentive prices, compared with 2018 (€92.1/MWh in 2019 compared with €99/MWh in 2018).

Average selling price
Note that in 2019 the average selling price for incentivised wind farms under the incentive tariff (FIP) (formerly "green certificates") was €140.6/MWh, compared with €157.6/MWh in 2018. In particular:

- the average price of electricity in 2019 was €48.5/MWh, compared with €58.7/MWh in 2018;

- the average price of incentives in 2019 was €92.1/MWh (€98.9/MWh in 2018);

- however, the Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit from a minimum guaranteed auction price (pursuant to the Ministerial Decree of 23/06/2016) of €66/MWh.

Other revenues came in at €1.8 million (€3.1 million in 2018) and mainly relate to administrative and technical consultancy provided to third-party companies and joint ventures. For further details, see Note 28 "Other sundry revenues and income" in the notes to the consolidated financial statements;

The electricity production data for the Group's operating wind farms are shown below:

Site	Gross power (MW)	Ownership (%)	Consolidated power (MW)	Year of entry into production	Year of end of incentives	Consolidated production (MWh)	
Subsidiaries' wind farms (fully consolidated)						**31 December 2018**	**31 December 2019**
Operating wind farms - Italy							
Albanella (SA)	8,5	100%	8,5	2004	2016	8.959	9.876
Albareto (PR)	19,8	100%	19,8	1905	2039	-	18.395
Agrigento (AG)	33,2	100%	33,2	2007	2019	55.805	50.806
Callari (CT)	36,0	100%	36,0	2009	2023	60.046	56.953
Castel di Lucio (ME)	23,0	100%	23,0	2010	2025	40.817	39.378
Ciorlano (CE)	20,0	100%	20,0	2008	2023	18.625	18.816
Fri-el Campidano (VS)	70,0	100%	70,0	2008	2023	-	62.553
Licodia (CT)	22,1	80%	22,1	2010	2025	36.750	34.617
Morcone - Pontelandolfo (BN)	51,8	100%	51,8	1905	2039	-	44.925
Ordona (FG)	34,0	100%	34,0	2009	2024	57.075	63.780
San Marco in Lamis (FG)	44,2	100%	44,2	2011	2026	67.207	66.004
Villacidro (VS)	30,8	100%	30,8	2019	2039	990	75856
Regalbuto (EN)	50,0	100%	50,0	2010	2025	-	14379
Total	**443,4**		**443,4**			**346.273**	**556.338**
Operating wind farms - Abroad							
Comiolica (Spain)	36,0	100%	36,0	2012	2032	-	47.152
Krupen (1,2,3,4) (Bulgaria)	12,0	51%	12,0	2010	2025	23.248	23.427
Total	**48,0**		**48,0**			**23.248**	**70.578**
Total wind farms of subsidiaries	**491,4**		**491,4**			**369.521**	**626.916**
Wind farms in joint ventures (1)							
Operating wind farms- Italy							
Lacedonia (AV)	15,0	50%	7,5	2008	2023	11.943	12.343
San Martino in Pensilis (CB)	58,0	50%	29,0	2010	2025	52.324	55.977
Total	**73,0**		**36,5**			**64.267**	**68.320**
Total	**564,4**		**527,9**			**433.788**	**695.236**

(1) Plants held by equity investments in joint ventures consolidated using the equity method as a result of the application of IFRS 11

EBITDA was €53.9 million, up 18.5% compared with the previous year (€45.4 million). This reflects the increase in consolidated revenues compared with 2018 and the containment of operating costs at €20.3 million, despite the upturn in wind power development in Italy and abroad. This result includes the results of the joint ventures, amounting to €2.4 million, increased slightly compared with 2018. EBITDA was also affected by the new method of accounting for leases following the application of IFRS 16, which requires that the costs of using the assets underlying the lease be recorded as depreciation and financial expenses, classified after EBITDA, and not as rental expenses. The rental costs recorded in the 2018 income statement amounted to 0.9 million euros. The increase in the Gross Operating Margin in relation to the Net Financial Debt is related to the significant investments made during the year which only partially contributed to the Group's profitability, based on their gradual contribution to the Group's income statement during the year, as illustrated in the paragraph relating to significant events that occurred during the year.

The **Operating result** was €27.7 million (€25.1 million in 2018), after depreciation and amortisation of €26.2 million (€20.3 million in 2018). The decrease in the depreciation and amortisation item compared with the previous year reflects i) the lower rate applied to plants already present in 2018 due to the change in the criterion for estimating the useful life of wind turbines, as described in detail in Note 2.3 "DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES" in the notes to the consolidated financial statements, which resulted in around €5.3 million less depreciation than the value recorded in the previous year; ii) €3.9 million due to the full operationality of plants commissioned in late 2018 and during 2019; iii) a €4.6 million increase in depreciation due to acquisitions during the year; and iv) a €1.1 million increase in depreciation due to the adoption of IFRS 16 as of 1 January 2019. The operating result also includes the partial write-down of the concessions on the wind farms at Ciorlano and Albanella totalling €2.2 million, following the impairment testing carried out at 31 December 2019.

Profit before tax was €25.5 million, up by comparison with the €6.6 million recorded in 2018. The figure includes net financial expenses and income from equity investments and other financial assets of approximately €1.8 million (€18.5 million in 2018).

- Net financial expenses amounted to €15.8 million, down from €18.5 million in 2018, due in particular to the reduction in the average interest rate on financial expenses following the exercise of the early redemption option on the 2015-2022 Bond Loan in the previous year, which had resulted in higher **financial expenses for the Group in 2018 associated with the redemption of €5.9 million**.

- Net income from equity investments was €13.6 million in 2019 and mainly relates to income deriving from the acquisition of control of Anemos Wind S.r.l. and the consequent recognition of €13.5 million in accordance with IFRS 3 – Business Combinations, deriving from a comparison between the fair value of the net assets acquired and the consideration transferred for the acquisition, defined as a bargain purchase in accordance with this standard. As described in note "7. BUSINESS COMBINATIONS ”of the explanatory notes to the consolidated financial statements to which reference should be made is 13.5 million euro.

The **Net result** was €21.4 million (€3.4 million in 2018), and includes taxes for the year of approximately €4.1 million (€3.2 million in 2018).

The **Net result attributable to the Group** was €21.1 million (€3.5 million in 2018). The **Net result attributable to non-controlling interests** was €0.3 million (a loss of €0.1 million in 2018).

Assets, liabilities and financial performance

ALERION CONSOLIDATED - Reclassified statement of financial position

(in millions of euros)

	31.12.2019	31.12.2018
Intangible assets	*148.5*	*83.2*
Property, plant and equipment	*415.3*	*276.6*
Long-term investments	*18.5*	*17.8*
Non-current financial receivables	*4.1*	*3.8*
Fixed assets	**586.4**	**381.4**
Other non-financial assets and liabilities	(18.4)	(13.2)
NET INVESTED CAPITAL	**568.0**	**368.2**
Shareholders' equity attributable to the Group	158.1	138.8
Shareholders' equity attributable to non-controlling interests	2.7	2.4
Shareholders' equity	**160.8**	**141.2**
Liquid assets	238.4	63.9
Other financial assets and liabilities	(645.5)	(290.8)
Net financial indebtedness	**(407.2)**	**(226.9)**
SHAREHOLDERS' EQUITY + NET FINANCIAL INDEBTEDNESS	**568.0**	**368.2**

Property, plant and equipment and **intangible assets** amounted to €563.8 million at 31 December 2019 (€359.8 million at 31 December 2018). The increase of €204.1 million, net of depreciation, amortisation and write-downs during the year totalling €26.2 million, is mainly due to: i) investments, recognised under property, plant and equipment, transferred to three companies: Eolica PM S.r.l., Fri-El Albareto S.r.l. and Green Energy Sardegna S.r.l. for the construction of their respective wind farms; ii) the change in the consolidation area following the acquisition of a 36 MW wind farm in Spain owned by Comiolica S.L., a 70 MW wind farm in Sardinia owned by Fri-El Campidano S.r.l. and a 50 MW wind farm in Sicily owned by Anemos Wind S.r.l.; iii) the lower depreciation rate applied to the plants already present in 2018, due to the change in the criterion used to estimate the useful life of the wind turbines, which resulted in lower depreciation than in the previous year; and iv) the adoption of the "IFRS 16 - Leases" international accounting standard, which resulted in the recognition of new assets essentially representing the right to use the underlying asset and a financial liability that reflects the obligation to make lease payments. At 31 December 2019, the net value of right-of-use assets, recognised in accordance with IFRS 16, was €55.9 million.

It should be noted that the item "**Other non-financial assets and liabilities**" includes receivables for the sale of electricity and incentives totalling €17.3 million at 31 December 2019 (€15.4 million at 31 December 2018). In particular, receivables for incentive tariffs from the Energy Services Manager (GSE) amounted to €13.2 million (€13.8 million at 31 December 2018).

Group shareholders' equity was €158.1 million at 31 December 2019, up by €19.2 million compared with 31 December 2018. The change is mainly due to: i) the portion attributable to the Group of profit for the period of €21.1 million; ii) the negative change in the fair value of derivatives on bank project financing, net of the tax effect, of €1.1 million; iii) the share buyback for €0.1 million; and iv) the distribution of dividends of €1.7 million, as per the resolution of 24 April 2019.

Net financial indebtedness was €407.2 million at 31 December 2019, up €180.3 million compared with 31 December 2018.

The change in net financial indebtedness mainly reflects: i) the cash flows of around €64,8 million generated by operational management; ii) the cash flows of €143,5 million absorbed by investment activity to complete the construction of wind farms and to acquire new plants; iii) net financial expenses of €16.1 million net of the change in the fair value of derivatives and including higher financial expenses arising from the change in the scope of consolidation as a result of acquisitions in the financial year; iv) the adoption of the new accounting standard "IFRS 16 – Leases" which for the Group entailed the recognition of a financial liability of €51.8 million that reflects the obligation to make lease payments; and v) dividends paid of €1.7 million. The liquidity obtained on 19 December 2019 from the disbursement of the 2019-2025 Green Bond for 197.4 million euros was used in part on 17 December 2019 for the advance payment of the residual balance of the debt arising on the acquisition date of the share capital of Fri-el Ichnusa Srl The residual portion of 173.9 million euros will be used in subsequent years.

The following table shows the various operating components of cash flows and changes in net financial indebtedness:

	2019	2018
Cash flows generated by operating activity	64.8	34.7
Cash flows absorbed by investment activity	(58.5)	(71.5)
Cash flows absorbed by acquisitions	(108.7)	0.0
Cash held by the subsidiaries on the acquisition date	23.7	
Cash flows absorbed for the refinancing of the acquired assets	(33.8)	0.0
Net financial charges for the period and change in the fair value of derivative instruments	(16.1)	(16.3)
Effects deriving from the adoption of IFRS 16 - Leases	(51.8)	0.0
dividends from companies in Joint Ventures	1.8	2.6
dividends paid	(1.7)	(2.3)
Change in net financial position	**(180.3)**	**(52.8)**
Net financial Position at the beginning of the year	**(226.9)**	**(174.1)**
NET FINANCIAL POSITION AT THE END OF THE YEAR	**(407.2)**	**(226.9)**

The following table shows the structure of the Group's financial debt, also highlighting the financial parameters provided for by the regulation respectively of the 2018-2024 bond loan and the 2019-2025 bond loan called (Green Bond).

ALERION CONSOLIDATED - Net financial indebtedness
(in millions of euros)

	31.12.2019	31.12.2018
Cash and cash equivalents		
- Available cash	238.3	63.9
Total cash and cash equivalents	**238.3**	**63.9**
Financial receivables and other current financial assets	**0.5**	**0.5**
Current financial liabilities		
- Current payables for loans	(47.4)	(57.5)
- Current payables to bondholders	(3.1)	(2.8)
- Current payables and Operating lease liabilities	(1.0)	-
- Current payables and Financial lease liabilities	(4.4)	-
- Current payables for derivatives	(3.3)	(3.3)
Total current financial liabilities	**(59.2)**	**(63.6)**
CURRENT FINANCIAL INDEBTEDNESS	**179.6**	**0.8**
Non-current financial liabilities		
- Payables to other lenders	(12.0)	(2.1)
- Payables to banks for loans	(175.2)	(71.9)
- Payables to bondholders	(345.1)	(147.4)
- Payables and Operating lease liabilities	(16.2)	-
- Payables and Financial lease liabilities	(30.2)	-
- Non-current payables for derivatives	(8.1)	(6.3)
NON-CURRENT FINANCIAL INDEBTEDNESS	**(586.8)**	**(227.7)**
NET FINANCIAL INDEBTEDNESS*	**(407.2)**	**(226.9)**
NET FINANCIAL INDEBTEDNESS (excluding derivatives)	**(395.8)**	**(217.3)**
Financial receivables and other non-current financial assets	**4.1**	**3.8**
ACCOUNTING NET FINANCIAL INDEBTEDNESS	**(403.1)**	**(223.1)**

(*) Consob Communication dem/6064293/2006

FINANCIAL PARAMETERS provided for by the regulation of existing bonds		
ACCOUNTING financial indebtedness (excluding derivatives)	**(391.7)**	**(213.5)**
ACCOUNTING financial indebtedness (excluding derivatives and lease liabilities)	**(374.5)**	**(213.5)**

Net financial indebtedness (excluding derivatives) at 31 December 2019 was €395.8 million (€217.3 million at 31 December 2018).

Net financial indebtedness (excluding derivatives and operating lease liabilities) at 31 December 2019 was €374.5 million (€232.7 million at 31 December 2018).

The Group's **Available cash** was €238.3 million at 31 December 2019, up €174.4 million compared with 31 December 2018. The main changes during the year include cash generated by current operations and cash resulting from investor subscriptions for the new 2019–2025 Green Bond issued by the Company on 19 December 2019 for €200 million, net of €2.6 million in ancillary costs.

Financial receivables and other current financial assets amounted to €0.5 million at 31 December 2019 (unchanged compared with 31 December 2018) and mainly refer to the bond obtained as part of the consideration for the sale of photovoltaic companies in 2013 (following the collection of 50% of the receivable in June 2016).

Current financial liabilities were €59.2 million, down compared with 31 December 2018 (€63.6 million), mainly due to: the reclassification to long-term liabilities of the portion of the project financing loan held by subsidiary Callari after a waiver was obtained from the lending banks in 2019, amounting to €21.1 million; ii) a decrease of €1.5 million in the loans used by parent company Alerion Clean Power in the period; iii) the classification as current liabilities of the portions of project financing loans taken out by Group companies maturing within one year, including those held by companies entering the scope of consolidation during the year, totalling approximately €12.5 million; and iv) the short-term portion of lease liabilities as required for the adoption of IFRS 16 – Leases, for €5.4 million.

Non-current financial liabilities were €578.8 million at 31 December 2019 (€221.4 million at 31 December 2018) and include (i) payables to bondholders of €345.1 million, comprising the value of the 2018-2024 Bond Loan subscribed on 29 June 2018, of €150 million, net of ancillary costs of €2.8 million, and the new 2019-2025 Green Bond issued by the Company on 19 December 2019, for €200 million, net of ancillary costs of €2.6 million; (ii) the medium/long-term portions of project financing loans taken out in previous years by Group companies, respectively by subsidiaries Callari (€17.4 million), Green Energy Sardegna S.r.l. (€26.1 million) and Eolica PM S.r.l. (€44.1 million), the medium/long-term portions of the project financing loan obtained by subsidiary Fri-el Albareto S.r.l. in February 2019 for €18 million, net of ancillary costs, and the loan obtained by Alerion Clean Power in May 2019 of €2.7 million, net of ancillary costs; (iii) the medium/long-term portions of the two project financing loans obtained to acquire the wind farm in Spain owned by Comiolica S.L. of €17.3 million, and Alerion Teruel of €2.8 million; (iv) the medium/long-term portions of the project financing loan obtained to acquire the wind farm in Sardinia owned by Fri-el Campidano S.r.l., of €23.6 million; and (v) the medium/long-term portion of lease liabilities required for the adoption of IFRS 16 – Leases amounting to €46.4 million.

Financial receivables and other non-current financial assets came to €4.1 million at 31 December 2019, an increase compared with 31 December 2018, mainly relating to financial receivables from joint ventures.

For the terms and conditions of relations with related parties, see the note “Details of relations with related parties and intra-group relations at 31 December 2019”.

BASIS OF PREPARATION FOR THE RECLASSIFIED STATEMENTS

In accordance with Consob Resolution 15519 of 27 July 2006, the following is a description of the criteria used to prepare the reclassified consolidated statement of financial position and the reclassified consolidated income statement as at 31 December 2019, included and commented on, respectively, in the section above entitled “Economic and financial performance of the Group”, and the statement of reconciliation between the Group's result for the period and shareholders’ equity and the same values for the Parent Company at 31 December 2019.

Reclassified consolidated statement of financial position as at 31 December 2019

The items were reclassified and aggregated as follows:

Fixed assets were divided into the following sub-items:

- ***Intangible assets:*** this item includes: i) “Rights and concessions” of €137.8 million, ii) “Development costs” of €10.4 million, and iii) the items “Patents and intellectual works” and “Other intangible assets”, for a total of €0.3 million (Note 5).

- ***Property, plant and equipment:*** this item includes: i) “Land and buildings” of €19.7 million, ii) “Plant and equipment” of €395.4 million, and iii) “Assets under construction” of €0.2 million, relating to investments in wind farms (Note 6).

- ***Long-term investments:*** this item includes the value of the equity investments recognised as non-current financial assets under the item “Equity investments in joint ventures measured using the equity method” (Note 7).

- ***Non-current financial receivables:*** this item includes the value of financial receivables and other non-current financial assets of €4.1 million (Note 9).

Other non-financial assets and liabilities: this item refers to i) “Trade receivables” from both associates and other companies for a total of €4.8 million (Note 10), ii) “Deferred tax assets” of €19.9 million (Note 31), iii) “Tax receivables” (Note 11) and “Sundry receivables and other current assets” (Note 12) totalling €30.9 million, iv) “Trade payables” totalling €9.8 million (Note 22), v) “Post-employment benefits and other staff-related provisions" of €0.7 million (Note 18), vi) "Provision for deferred taxes" of €29.5 million (Note 31), vii) "Provisions for future risks and charges" of €16.5 million (Note 19), viii) "Sundry payables and other non-current liabilities" of €9 million (Note 20), ix) "Tax payables" of €4 million (Note 23) and x) "Sundry payables and other current liabilities" of €4.5 million (Note 24).

Liquid assets includes the item "Cash and cash equivalents" of €238.4 million (Note 14).

Other financial assets and liabilities include: i) "Financial receivables and other current financial assets" of €0.5 million (Note 13); ii) "Non-current financial liabilities" of €578.8 million (Note 16); iii) "Current financial liabilities" of €55.9 million (Note 21); and iv) "Derivative instruments", classified among current and non-current liabilities, of €11.4 million (Note 17).

Reclassified consolidated income statement as at 31 December 2019: the items were reclassified and aggregated as follows:

Revenues: this item includes i) revenues from "Energy sales" and "Incentives sales" of €70 million and ii) "Other sundry revenues and income" of €1.8 million (notes 26 and 27).

Statement of reconciliation between the Group's result for the period and shareholders' equity and the same values for the Parent Company at 31 December 2019:

Amounts in thousands of euro	Shareholders' equity at 31 December 2019 attributable to shareholders of the Parent Company	Net result for 2019 attributable to shareholders of the Parent Company
Alerion Clean Power S.p.A.	**190.178**	**21.381**
Difference between the carrying amount and the corresponding shares of the shareholders' equity of subsidiaries	(115.812)	(5.138)
Recognition of intangible assets with a finite useful life deriving from wind farm development projects - IAS 38 (implied added value of building permits and rights)	30.638	(929)
Recognition at fair value of intangible assets with a finite useful life, following business combinations - as required by IFRS 3	53.416	1.299
Adjustment of equity investments in joint ventures at the corresponding shareholders' equity value - IFRS 11	1.804	2.422
Adjustment of equity investments in associates at the corresponding shareholders' equity value - IAS 28, IFRS 11	(177)	(44)
Recognition of effects relating to the transfer of intra-group margins	(2.998)	(396)
Other consolidation adjustments	1.015	2.460
Consolidated values	**158.064**	**21.055**

PERFORMANCE OF THE PARENT COMPANY

A comment on the main income statement and statement of financial position items for Alerion Clean Power S.p.A. is given below.

Net income from equity investments in 2019 was €30.1 million, mainly consisting of dividends from subsidiaries of approximately €26.6 million and net interest income accrued during the year from the investee companies of approximately €8.4 million, net of a write-down of financial assets of approximately €4.8 million (€14.8 million in 2018, net of a write-down of financial assets of approximately €2.8 million).

Other revenues in 2019 came to €3.4 million (€3.9 million in 2018) and mainly represent services provided to subsidiaries.

The operating result for 2019 was positive at €28.8 million (€15.1 million in 2018), after operating costs of approximately €4.7 million (€3.6 million in 2018).
The net result for 2019 was approximately €21.4 million, an increase on the net profit of approximately €0.8 million in 2018. The net result includes net financial expenses of €7.1 million and taxes for the year of €0.4 million.
The result was boosted by dividends of €26.6 million received from the subsidiaries during the year.

The Company's shareholders' equity at 31 December 2019 stood at €190.2 million, down from €214.4 million at 31 December 2018, mainly due to the capital reduction of €46 million as described in the section on significant events in 2019, partially offset by the net result for the year of €21.4 million and net of dividends of €1.7 million paid during the year.

Non-current assets amounted to €355.1 million at 31 December 2019, up by €25.5 million compared with the end of 2018. The increase mainly reflects an increase of €29 million in intra-group receivables due to the recognition of financial receivables of approximately €46.9 million previously held by subsidiary Alerion Energie Rinnovabili S.p.A., net of repayments received during the year from the subsidiaries.

Current assets amounted to €210.9 million at 31 December 2019, an increase of €152.2 million compared with the previous year, and mainly include: i) financial receivables from subsidiaries of €15.2 million (€33.4 million at 31 December 2018), ii) trade receivables of €6.5 million (€10.8 million at 31 December 2018), iii) tax receivables of €0.2 million (€0.2 million at 31 December 2018), iv) sundry receivables and other current assets of €11.3 million (€6.6 million at 31 December 2018) and v) cash and cash equivalents of €177.7 million (€7.7 million at 31 December 2018). Available cash includes cash from investor subscriptions for the new 2019-2025 bond loan ("Green Bond") of €200 million issued by the Company on 19 December 2019, net of ancillary costs of €2.6 million.

Non-current liabilities amounted to €349.1 million at 31 December 2019 (€148.3 million at 31 December 2018), and mainly include (i) payables to bondholders and other lenders of €347.8 million, (ii) provisions for future risks and charges of €0.06 million (€0.07 million at 31 December 2018) and (iii) the post-employment benefits provision of €0.6 million (€0.8 million at 31 December 2018).

Current liabilities amounted to €26.6 million at 31 December 2019, up by €1.1 million compared with the previous year. This item includes i) payables to bondholders and other lenders of €19.4 million (€2.9 million at 31 December 2018); ii) financial payables to subsidiaries of €0.9 million (€0.9 million at 31 December 2018); iii) trade payables of €1.2 million (€1.1 million at 31 December 2018); iv) tax payables of €0.8 million

(€0.4 million at 31 December 2018), and v) other current liabilities of €4.1 million (€3.1 million at 31 December 2018).

Net financial indebtedness was negative at €175.3 million at 31 December 2019, up from €127.2 million in the previous year. Financial indebtedness (book value) was €0.9 million at 31 December 2019 (€19.8 million at 31 December 2018), down by €18.9 million due to:

☐ an increase in non-current financial liabilities of €200.4 million, including the Green Bond issued on 19 December 2019 for €200 million, with ancillary costs of €2.6 million, and in current financial liabilities of €0.5 million;

☐ an increase in non-current financial receivables of €29.2 million;

☐ a decrease in current financial receivables of €18.3 million;

☐ an increase in available cash of €170.1 million.

REGULATORY FRAMEWORK

The most important measures characterising the regulatory framework for the sector in 2019 are shown below.

Incentive tariff (FIP) (formerly "green certificates")

By Resolution 16/2019 of 22 January 2019, the Italian authority for Energy, Networks and the Environment ("Arera") announced, for the purposes of determining the value of the 2019 incentive tariff (2019 FIP), that the average annual selling price of electricity was €61.91/MWh in 2018. Accordingly, the 2019 incentive tariff, which is 78% of the difference between €180/MWh and the average annual selling price of electricity for the previous year, is €92.11/MWh. According to the GSE's procedures, these incentives are paid by the GSE on a quarterly basis by the end of the second quarter following the reference quarter, in line with the timescale for withdrawal of the "green certificates".

Europe's new 2030 targets for renewable energy and energy efficiency

The new European renewable energy and energy efficiency targets for 2030 were set in 2018. These principles, which are to be transposed into new Community directives, will set a target of 32% for end consumption of renewable energy by 2030 (compared with the 27% originally proposed by the European Commission) , with an annual obligation of 1.3% for thermal renewables and a 14% obligation in the transport sector. The new 2030 target for energy efficiency was set at 32.5%. There will be a review clause for both directives in 2023.

MAIN RISKS AND UNCERTAINTIES

Risks related to the legislative and regulatory environment

The Group operates in a highly regulated sector and therefore Group companies are required to comply with a large number of laws and regulations.
In particular, the Group and the plants through which it operates are subject to national and local regulations relating to various aspects of the activity carried out, which concern the entire electricity production chain. These regulations relate, *inter alia*, to the construction of the plants (the obtention of building permits and other administrative authorisations), their operation and the protection of the surrounding environment, thus affecting the manner in which the Group's activities are carried out.

The enactment of new legislative provisions applicable to the Group or to the production of electricity, or any changes to the current Italian legal framework, including tax legislation, could have a negative impact on the operations of Alerion and the Group. In addition, the implementation of any such changes may require specific additional costs for the Group. In particular, the costs of complying with changes to existing regulatory provisions, including compliance costs, which encompass the costs of adapting to requirements for operational activities, personnel licences and workplace safety, could be particularly high. Similarly, adaptation to the changes to the regulations described above may require long implementation periods. Such events could have negative effects on the Group's results and financial position.

Furthermore, the high degree of complexity and fragmentation of national and local regulations in the sector of energy production from renewable sources, combined with uneven interpretation by the competent authorities, could result in situations of legal uncertainty and litigation, with consequent negative effects on the Group's results and financial position.
The Group contains this risk by constantly monitoring the regulatory framework in order to implement any changes promptly, in such a way as to minimise any economic impacts that may arise.

Risks related to the cyclical nature of production

The characteristics of the energy sources used involve highly variable production due to the climatic conditions of the sites where the wind farms are located, and production forecasts that are based on historical series and probabilistic estimates.
In particular, as it is linked to "non-programmable" climatic factors, wind power generation over the year is characterised by seasonal factors that make energy production uneven.
Any adverse weather conditions and, in particular, any persistent lack of wind energy for wind farms, also with respect to the measurements made during the development phase (regarding the availability of the source and weather forecasts), could lead to time lags and a reduction or stoppage of plant operations, resulting in peaks and troughs

in the volumes of electricity produced, with consequent short-term effects on the Group's results and/or financial position.

The Alerion Group contains this risk by planning the installation of new sites in diversified geographical areas, monitoring the trends in anemometric data in order to improve weather forecasting and scheduling plant closures in less windy periods.

The Alerion Group contains any risk of damage to the plants due to adverse weather events that cannot be controlled or programmed through the stipulation of insurance policies and maintenance contracts.

Furthermore, if on the one hand, any climatic disasters can cause unfavourable effects on the production of the group, the consequence of the ongoing climate change is also the increasing interest of the institutions towards the companies that produce renewable energy. In particular, the European Union has developed an Action Plan to finance sustainable growth (EU Action Plan) and helps to connect finance to the specific needs of the European and world economy. The Group, which has the production of energy from renewable sources as its core business, is particularly involved in projects of this magnitude.

In addition, companies that have a core business expressly characterized by sustainable initiatives can access specific financing and investment tools, such as green bonds. In this regard, the Board of Directors of Alerion Clean Power resolved on 3 December 2019 the issue of a bond loan, the terms of use of which are required to meet the criteria set out in the Green Bond Framework adopted by the Company.

Risks associated with financing agreements

The Group has a high level of financial and bond debt, with respect to which it incurs financial expenses. In addition, if the Group is required to refinance existing debt before the relevant maturity date, it may not be able to complete the investments in progress or envisaged by the Plan.

In view of these considerations, the debt already contracted or to be contracted for the activities necessary to build and commission wind farms has entailed and/or will entail (as the case may be) an increase in the Group's financial indebtedness and therefore, without prejudice to the increase in revenues generated by the new wind farms after the testing period, the Group may encounter difficulties in sustaining the financial commitments arising from its debt structure and meeting its financial commitments, also considering the progressive expiry of the incentive tariffs that apply to the plants owned by the Group.

The Group’s projects are funded through project financing and corporate loans, such as the 2018-2024 Bond Loan and the 2019-2025 Green Bond.

The 2018-2024 Bond Loan regulations, the 2019-2025 Green Bond regulations and the financing agreements to which the Group's companies are party, in particular project financing agreements, contain a series of standard clauses for these types of documents, such as obligations to do and not to do, so-called 'negative pledge' clauses, restrictions on dividend distribution, reporting of results and financial statements,

obligations to maintain financial ratios which are subject to periodic verification, and default clauses.
Some project financing agreements also contain 'cross default' clauses, according to which defaults by entities other than the beneficiary companies may result in the residual amount of the loan becoming immediately payable.

Financial parameters and covenants:
2018-2024 Bond Loan
With regard to the 2018-2024 Bond, it should be noted that if on each Calculation Date the ratio of financial indebtedness (book value) net of derivatives and net of operating lease liabilites to shareholders' equity net of derivatives and net of operating lease liabilites is more than 2.5, the Company undertakes not to assume further financial indebtedness (book value) net of derivatives and financial liabilities arising due to adoption of IFRS 16 from 1 January 2019, unless this ratio is equal to or less than 2.5 on the next Calculation Date. "Calculation date" refers to the date of 31 December of each year of the term of the loan, as of 31 December 2018. The Company periodically monitors compliance with the agreed ratios and clauses. The parameter was complied with at 31 December 2019.

2019-2025 Green Bond
With reference to the 2019-2025 Bond Loan, it should be noted that if on each Calculation Date, the ratio of financial indebtedness (book value) net of derivatives to shareholders' equity net of derivatives is more than 2.5, the Company undertakes not to take on additional accounting financial indebtedness excluding derivatives, unless on the next Calculation Date the ratio is equal to or less than 2.5. "Calculation date" refers to the date of 31 December of each year of the term of the loan, as of 31 December 2019. The Company periodically monitors compliance with the agreed ratios and clauses. The parameter was complied with at 31 December 2019.

Risks associated with interest rates

Following the issue of the Bond Loan, as described above, the Group is only marginally exposed to the risk associated with interest rate fluctuations.

The financing of the Group's projects has involved the use of bank credit, including through project financing arrangements. In this context, a significant increase in interest rates could have a negative impact on the returns of the Group's future investment projects.

In order to limit this risk, the Group has implemented a policy to hedge risks arising from interest rate fluctuations through the use of interest rate hedging contracts (interest rate swaps or IRS), to manage the balance between fixed rate and floating rate debt.

Further information on the risks arising from financial instruments required by IFRS 7 is provided in section 3 of the notes to the financial statements.

Credit risk

Credit risk represents the Group's exposure to potential losses arising from default by counterparties.
To date, there have been no significant instances of counterparty default. It should be noted that although most of the Group's receivables are due from a limited number of counterparties, there is no risk of default linked to the concentration of credit due to the excellent creditworthiness of the counterparties.
For a more detailed analysis of the risk in question, see section 3 of the notes.

Liquidity risk

Liquidity risk is the risk that, due to an inability to access new financial funds, the Company will not be able to meet its financial and commercial obligations in accordance with the established terms and deadlines. The Group's objective is to establish a financial structure that, in accordance with its operational objectives, always guarantees an adequate level of liquidity.
For a more detailed analysis of the risk in question, see section 3 of the notes to the consolidated and separate financial statements.

The Group assessed the applicability of the going concern principle to the preparation of the financial statements and concluded that, despite a difficult economic and financial environment, there is no doubt that the Company is a going concern.

For the management of financial risks, see the section “Financial risk management policy” in the Explanatory Notes, which describes the Group's financial risk management activities.

Uncertainties due to the economic and social repercussions related to the spread of Coronavirus COVID-19

As reported in the paragraph "SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR", since January 2020 there has been a growing and progressive spread at international and national level of the health emergency connected to the spread of the Coronavirus COVID-19.

It should be noted that the strong uncertainties regarding the economic and social repercussions related to the spread of Coronavirus COVID-19 are heavily affecting the performance of the financial markets as well as the estimates of global economic growth, although it is not yet possible to estimate the duration and intensity the economic slowdown that could characterize 2020, which will also depend on the measures that will be adopted by the Government Authorities in support of the economic sector.

From an operational point of view, the Group constantly monitors the situation in order to deal with any repercussions on the business, preparing all the necessary measures to ensure normal operations. In this regard, it should be noted that the production of electricity is classified as a public utility activity and therefore is not subject to a reduction in operations. The operation of wind farms is guaranteed by asset management and plant maintenance activities which continue thanks also to the maintenance of the operations of the Group's suppliers.

Since, in the light of the current situation of uncertainty, it has not been possible at the moment to reliably define alternative scenarios based on reasonable assumptions, demonstrable and supported by numerical evidence, in the preparation of the consolidated financial statements at 31 December 2019, the evaluation and estimates, mainly relating to the assessment of the recoverable value of non-current assets, were based on the most recent budgets and multi-year plans which consider the internal and market assumptions previously defined as the heightening of this emergency.

As described in the explanatory notes, the worsening of the economic scenario also as a result of the Coronavirus COVID-19 was considered in the elaboration of the sensitivity analyzes on the recoverable value of non-current assets, carried out considering a reduction in energy prices and an increase in the discount rate (WACC). From these analyzes, no significant differences emerge with respect to the values recorded in the financial statements as at 31 December 2019.

In any case, it should be noted that a reduction in electricity prices would be partially mitigated in the following year by the recalculation of the increase in the incentive tariff recognized by the GSE, where applicable, due to the construction of the formula for determining the tariff itself.

With regard to the assessment of financial assets and the determination of expected losses on them, due to the nature of the financial assets held by the Group relating mainly to cash and cash equivalents, receivables from the Energy Services Manager for the recognition of the incentive tariff and receivables from Taxpayer for VAT, there are no particular risks deriving from the uncertainties defined above.

Even considering the uncertainties defined above, the effects that they could have on the operations and the characteristics of the operating sector, the Group assessed the applicability of the going concern assumption in preparing the financial statements, concluding that, despite the presence of a difficult economic and financial context, there is no doubt about the going concern.

CORPORATE EVENTS

On 5 July 2019, Alerion Clean Power and SIMEST, a company that together with SACE constitutes the export and internationalisation hub of the CDP Group, signed an agreement under which SIMEST will make an investment to support Alerion’s development in Spain. Specifically, SIMEST’s investment, which takes the form of a capital increase combined with a shareholders' loan for a total of €10 million, is intended to support Alerion in the acquisition (completed on 26 June 2019) through its local subsidiary Alerion Spain, of Comiolica S.L., which owns an operating wind farm in Spain (in the province of Teruel) with installed capacity of 36 MW. Following the capital increase of the holding company for the Spanish business, SIMEST holds a 49% interest in Alerion Spain, which Alerion Clean Power controls with 51% of the share capital. Given that the SIMEST transaction is essentially for financing purposes, and as it includes a put option exercisable by the counterparty, the Group considers SIMEST a lender. Therefore, for the purposes of the consolidation of Comiolica, no non-controlling interests have been reported in the consolidated financial statements.

On **5 September 2019**, the Shareholders' Meeting approved the merger by incorporation of Alerion Energie Rinnovabili S.p.A. (hereinafter "AER") under the "simplified" procedure established in Article 2505, paragraph 1 of the Italian Civil Code, i.e. a reduction in the share capital of Alerion Clean Power S.p.A., pursuant to Article 2445 of the Italian Civil Code, by the amount of €46,042,314.05, to be allocated to an available equity reserve created for the purpose named the "merger reserve". This reserve contains the cancellation deficit, i.e. the difference between the value of the equity investment in AER, cancelled as a result of the Merger, recognised in the Company's financial statements, amounting to €151,194,803.05, and the merged Company's shareholders' equity of €106,395,374.

When 90 days had passed since its registration, with no objections from creditors, the merger was finalised on **17 December 2019** when the deed of merger was filed with the Milan Companies Register. As of that date, the share capital amounted to €140,000,000.00. The statutory effects of the merger took effect on the date on which the deed of merger was registered with the Milan Companies Register, while for accounting and tax purposes, the merger took effect on 1 January 2019.

RELATED PARTY AND INTRA-GROUP TRANSACTIONS

The information on relations with related parties required by Consob Communication DEM/6064293 of 28 July 2006 is presented in the relevant sections of this report.

In accordance with the Consob communications of 20 February 1997, 27 February 1998, 31 December 1998, 31 December 2002 and 27 July 2006, as well as the subsequent Regulation on Related Party Transactions No. 17221 of 12 March 2010, as amended, it should be noted that no atypical or unusual related party transactions have been recorded that are not part of normal operations or that would be detrimental to the Group's results or financial position.

Terms and conditions of intra-group transactions

Alerion, as part of its holding company activity, coordinates the administrative, management and commercial activities of the Group companies and optimises their financial resources. Services are performed for subsidiaries and associates as part of these activities. With regard to the subsidiaries, these relations are derecognised in the consolidated financial statements. Financial relationships also exist between Group companies. Relationships with subsidiaries and investee companies are regulated under arm's length conditions, taking into account the nature of the services provided.

Significant transactions with subsidiaries or investees that generate effects on the Group's consolidated financial statements include the participation of subsidiaries in the national tax consolidation scheme.

The Parent Company acts as the consolidating company. This option enables participating Group companies to offset their tax results with a clear benefit not only for the companies, but also for the Group as a whole.

Companies participating in the national tax consolidation scheme have signed an agreement governing and specifying the requirements, obligations and responsibilities to which they mutually agree when they join the scheme. In particular, specific provisions are designed to ensure that participation in national consolidation does not result in economic and financial disadvantages for consolidated companies compared with their position if they had not joined the scheme, or if (where applicable) they had opted for group taxation with their own subsidiaries.

SIGNIFICANT EVENTS AFTER YEAR-END AND OUTLOOK

Significant events after year-end

FW ACQUISITION

On 27 February 2020, Alerion Clean Power S.p.A. ("Alerion" or the "Company"), a company controlled by and subject to the management and coordination of Fri-El Green Power S.p.A. ("Fri-El"), within the meaning and pursuant to articles 2497 *et seq*. of the Italian Civil Code, approved and finalised the acquisition of:

(i) the entire share capital of FW Holding S.r.l. ("FW"), the owner of two operating wind farms with total installed capacity of 90 MW, located in the municipalities of Ricigliano (Salerno) and Grottole (Matera) (the "FW Acquisition"). The FW Acquisition was completed through the acquisition of the equity investments held by Winco Energreen S.p.A. ("Winco") and by Fri-El in FW, each equal to 50% of the company's share capital; and (ii) an equity investment of 90% of the share capital of Fri-El Nulvi Holding S.r.l. ("Nulvi"), the owner of an operating wind farm with total installed capacity of 29.75 MW located in the municipalities of Nulvi and Tergu (Sassari). Specifically, Alerion purchased an equity investment of 60% of Nulvi from Fri-El and a further equity investment of 30% of Nulvi from BBL S.r.l. (the "Nulvi Acquisition" and, together with the FW Acquisition, the "Acquisitions").

The enterprise value of the acquiree companies is €85 million for FW and approximately €19.1 million for the stake acquired in Nulvi; given these values and taking into account the net financial positions of FW and Nulvi recorded in their financial statements for the year ended 31 December 2019, the respective considerations were €70 million for the FW Acquisition and €19.8 million for the Nulvi Acquisition.

Business outlook

During 2020, Alerion will continue the measures already undertaken to reduce costs and improve operating and financial efficiency.

Development work will also continue through the pursuit of targeted organic and external growth opportunities, in order to increase the installed capacity of the plant portfolio both in Italy and abroad, particularly in Spain.

CORONAVIRUS COVID-19

Since January 2020, there has been a growing and progressive spread at international and national level of the health emergency related to the spread of the Coronavirus COVID-19. On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the existence of an international emergency phenomenon and then classified the epidemic as a pandemic in March 2020. This health emergency has led to increasing restrictive measures ordered by the Italian Government Authorities, in order to prevent and contain the spread of the epidemic on the national territory.

In order to ensure the safety and health of its employees and collaborators, the Group has promptly operated by arranging and extending, where possible, the use of the "smart-working" method.

From an operational point of view, the Group constantly monitors the situation in order to deal with any repercussions on the business, preparing all the necessary measures to ensure normal operations. In this regard, it should be noted that the production of electricity is classified as a public utility activity and therefore is not subject to a reduction in operations. The operation of wind farms is guaranteed by asset management and plant maintenance activities which continue thanks also to the maintenance of the operations of the Group's suppliers.

The strong uncertainties regarding the economic and social repercussions related to the spread of Coronavirus COVID-19 are heavily affecting the performance of the financial markets as well as the estimates of global economic growth, although it is not yet possible to estimate the duration and intensity of the economic slowdown. which could characterize 2020, which will also depend on the measures that will be adopted by the Government Authorities in support of the economic sector.

Since, in the light of the current situation of uncertainty, it has not been possible at the moment to reliably define alternative scenarios based on reasonable assumptions, demonstrable and supported by numerical evidence, in the preparation of the consolidated financial statements at 31 December 2019, the evaluation and estimates, mainly relating to the assessment of the recoverable value of non-current assets, were based on the most recent budgets and multi-year plans which consider the internal and market assumptions previously defined as the heightening of this emergency.

OTHER INFORMATION

Corporate governance

The Alerion Group adheres and conforms to the Corporate Governance Code for Listed Companies approved in December 2011, most recently updated in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., with additions and adjustments appropriate for the characteristics of the Group.

The “Report on Corporate Governance and Ownership Structure” contains a general description of the corporate governance system adopted by the Group and provides information on its ownership structure and its adherence to the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process. This report is available from the company website at www.alerion.it.

Corporate bodies

Dividend distribution

The Shareholders' Meeting of Alerion Clean Power S.p.A. held on 24 April 2019 approved a proposal to distribute a dividend to be paid as of 15 May 2019, with the detachment on 13 May 2019 of coupon no. 8, through the partial use of reserves, of €0.034 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime. The dividend was paid by the deadlines and methods established by the Shareholders' Meeting.

Management and coordination

The Company is subject to management and coordination by Fri-el Green Power S.p.A. pursuant to Article 2497 of the Italian Civil Code since December 2017.

In this regard, we certify compliance with the requirements established in Article 37 of Consob Regulation 16191/2007, letters a), b) and c), point i) (as required by Article 2.6.2, paragraph 9, of the Regulations for Markets organised and managed by Borsa Italiana S.p.A.).

Information requirements relating to Law 124/2017 of 4 August 2017

Article 1, paragraph 125, of Law 124 of 4 August 2017 introduced an obligation for companies receiving economic contributions from public administrations to publish the amounts of contributions received during the year in the notes to the financial statements and in any consolidated financial statements. Pending a more general interpretation of the provision in question and given the importance of the possible consequences of non-compliance with the aforementioned disclosure obligation, the Group has decided to include in these financial statements the economic contributions received from public administrations which can be accessed by all companies and which are part of the general structure of the reference system defined by the State as "Incentive tariff" and "Feed-in Tariff". The reference amounts indicated in the tables above are also shown in the financial statements of the Group companies concerned.

Summary of incentives collected in 2019 attributable to the Group

(in thousands of euro)	Incentive tariff	Energy account
Gross incentives collected in 2019	53.554	22
provider: Energy Services Manager (GSE)		

Consolidated non-financial statement

The Company is exempt from the obligations arising from Legislative Decree 254 of 30 December 2016, which implemented in Italy Directive 2014/95/EU on disclosure of non-financial and diversity information, since, at the individual and consolidated level, the average number of employees is less than 500 and the Company is therefore not, due to its size, categorised as a listed public interest company, bank or insurance company that is obliged to compile and publish an individual or consolidated statement containing a range of information on environmental, social and personnel issues, respect for human rights and measures to combat active and passive corruption.

Treasury shares and shares of parent companies

The Company holds 844,445 treasury shares as of the date of this report (compared with 813,685 at 31 December 2018), corresponding to 1.65% of the share capital. This is within the scope of the authorisation to purchase shares approved by the Shareholders' Meeting on 24 April 2019.

Equity investments held by directors, statutory auditors, general managers and key management personnel

Following Consob Resolution 18079 of 20 January 2012, which repealed Appendix 3C, information on the equity investments held by the members of the management and control bodies, general managers and key management personnel is provided in the Remuneration Report, pursuant to Article 123-*ter* of the Consolidated Law on Finance (TUF).

Exercise of the option to waive disclosure requirements on the occasion of significant extraordinary operations

It should be noted that on 30 January 2013 the Board of Directors of Alerion Clean Power S.p.A. resolved to avail itself of its right to waive the obligation to publish the information documents prescribed on the occasion of significant mergers, demergers and capital increases through the contribution of assets in kind, acquisitions and disposals.

Environment, health and safety

The Alerion Group is involved in the development, construction and management of plant generating electricity from renewable sources, thereby contributing directly to the reduction of pollutant emissions and the promotion of a system of sustainable development in the territory.

Alerion's commitment to developing environmental resources is part of an integrated system for assessing and managing the impact of its productive activities on the environment.

With regard to workplace health and safety, Alerion operates in accordance with Legislative Decree 81/08, Legislative Decree 106/09 and particularly the BS OHSAS 18001:2007 standard, with certification for the "Production of electrical energy from wind sources. Operation and maintenance through third-party companies of plants for the production of electrical energy from wind sources". Certificate of compliance no. 9192.ALLEN was renewed on 12 March 2019.

It should also be noted that in 2019 there were no workplace accidents involving either personnel of the Alerion Group or employees of third-party suppliers who carry out work at the Group's premises or plants.

Information on personnel

The Group had 29 employees at 31 December 2019. The composition of employment is as follows:

	Number at 31.12.2018	Increases	Decreases	Number at 31.12.19	Average number in period
Executives	3	0	(1)	2	2,8
Middle managers and office workers	24	7	(4)	27	24,0
Total employees	**27**	**7**	**(5)**	**29**	**26,8**

The following table indicates average age of personnel and educational level:

	Average age		Graduates	
	al 31.12.2018	al 31.12.2019	al 31.12.2018	al 31.12.2019
Executives	52	35	3	2
Middle managers and office workers	38	36	12	11
Total	**45,0**	**35,5**	**15**	**13**

Secondary offices

Alerion Clean Power S.p.A. has its registered office at Viale Majno 17 in Milan, and has no secondary offices.

The subsidiary Alerion Servizi Tecnici e Sviluppo S.r.l. has a secondary office in Potenza.

PROPOSED RESOLUTION

Dear Shareholders,

If you agree with what the Directors have presented, we invite you to adopt the following resolution:

The Ordinary Shareholders' Meeting of Alerion Clean Power S.p.A.,

- *having noted the report of the Board of Statutory Auditors and the independent auditors Deloitte & Touche S.p.A.;*

- *having examined the draft financial statements as at 31 December 2019 of Alerion Clean Power S.p.A., which show a net profit for the year of €21,380,870;*

- *having examined the consolidated financial statements as at 31 December 2019 of Alerion Clean Power S.p.A., which show net profit attributable to the Group of €21.055 million;*

resolves:

1. *to approve the report of the Board of Directors on the Group's situation and operating performance;*
2. *to approve the separate financial statements of Alerion Clean Power S.p.A. as at 31 December 2019, consisting of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the relevant explanatory notes, as well as the basis of preparation and the related appendices, as presented by the Board of Directors, as a whole and in the individual entries;*
3. *to approve the distribution of the net result for the year of Alerion Clean Power S.p.A. at 31 December 2019, equal to 21,380,870 Euros as to 10,238,760.90 Euros to be allocated to earnings reserves, as to 10,073,065.60 Euros to the distribution of a dividend equal to 0.2 Euros gross for each ordinary share (net of treasury shares) in circulation on the day of payment of said dividend, without prejudice to any changes in the total amount consequent to any transactions on treasury shares carried out in the meantime and as for € 1,069,043.50 to the Legal Reserve.*

The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS
2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of Euro)	Notes	31.12.2019	of which related parties	31.12.2018	of which related parties
NON-CURRENT ASSETS:					
Intangible assets					
Intangible assets with a finite useful life	**5**	148,504		83,176	
Total intangible assets		**148,504**		**83,176**	
Property, plant and equipment	**7**	415,325		**276,584**	
Equity investments in joint ventures measured using the equity method	**8**	18,447		17,828	
Equity investments in associates measured using the equity method	**9**	-		-	
Financial receivables and other non-current financial assets	**10**	4,079	3,773	3,789	3,789
Sundry receivables and other non-current assets		10		-	
Prepaid tax assets	**33**	19,885		16,143	
TOTAL NON-CURRENT ASSETS		**606,250**		**397,520**	
CURRENT ASSETS:					
Trade receivables	**11**	4,815	861	3,282	265
Tax receivables	**12**	2,352		657	
Sundry receivables and other current assets	**13**	28,577	844	32,148	33
Financial receivables and other current financial assets	**14**	548		546	
Cash and cash equivalents	**15**	238,348		63,933	
TOTAL CURRENT ASSETS		**274,640**		**100,566**	
TOTAL ASSETS		**880,890**		**498,086**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of Euro)	Notes	31.12.2019	of which related parties	31.12.2018	of which related parties
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	**16**	**158,064**		**138,758**	
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**16**	**2,752**		**2,453**	
NON-CURRENT LIABILITIES:					
Non-current financial liabilities	**17**	578,756		221,394	
Non-current payables for derivatives	**18**	8,113		6,336	
Post-employment benefits and other staff-related provisions	**19**	690		982	
Deferred tax provision	**33**	29,506		8,206	
Provisions for future risks and charges	**20**	16,531	18	10,199	2
Sundry payables and other non-current liabilities	**21**	8,549		3,242	
TOTAL NON-CURRENT LIABILITIES		**642,145**		**250,359**	
CURRENT LIABILITIES:					
Current financial liabilities	**22**	55,875		60,380	
Current payables for derivatives	**18**	3,309		3,299	
Current trade payables	**23**	9,819	1,422	38,734	760
Tax payables	**24**	3,971		582	
Sundry payables and other current liabilities	**25**	4,955	-	3,521	2,793
TOTAL CURRENT LIABILITIES		**77,929**		**106,516**	
TOTAL LIABILITIES		**720,074**		**356,875**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**880,890**		**498,086**	

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Notes	2019	of which related parties	2018	of which related parties
Electricity sales		31,531	4,583	22,557	
Revenues from incentive tariff		38,501		33,297	
Operating revenues	**27**	**70,032**	**4,583**	**55,854**	
Other sundry revenues and income	**28**	**1,797**	**639**	**3,155**	**651**
Total revenues		**71,829**		**59,009**	
Operating costs					
Staff costs		2,230		2,431	
Other operating costs		18,132	2,729	13,162	991
Provisions for risks		-	-	142	2
Total operating costs	**29**	**20,362**		**15,735**	
Change in joint ventures measured using the equity method		**2,422**		**2,115**	
Depreciation and amortisation		24,384		20,303	
Write-downs and value adjustments		1,805		-	
Total depreciation, amortisation and write-downs	**30**	**26,189**		**20,303**	
OPERATING RESULT		**27,700**		**25,086**	
Financial income		217		118	
Financial expenses		(15,972)		(18,647)	
Financial income (expenses)	**31**	**(15,755)**	**(465)**	**(18,529)**	
Income (expenses) from equity investments and other financial assets	**32**	**13,555**	**142**	**47**	**122**
PROFIT BEFORE TAX		**25,500**		**6,604**	
Current		(5,670)		(4,121)	
Deferred		1,522		882	
Taxes for the year	**33**	**(4,148)**		**(3,239)**	
NET RESULT FOR THE YEAR		**21,352**		**3,365**	
Attributable to:					
Parent Company shareholders	**34**	**21,055**		**3,451**	
Non-controlling interests		**297**		**(86)**	
EARNINGS PER SHARE					
- Basic, for net result for the period attributable to the ordinary shareholders of the Parent Company		0.42		0.07	
EPS FROM OPERATING ASSETS					
- Basic, for net result for the period from operating assets attributable to the ordinary shareholders of the Parent Company		0.42		0.07	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	2019	2018
NET RESULT FOR THE YEAR (A)	**21,352**	**3,365**
Gains/(losses) on the fair value measurement of cash flow hedge instruments	(1,944)	1,102
Tax effect relating to gains/(losses) from cash flow hedges	*469*	*(264)*
Gains/(losses) on the fair value measurement of cash flow hedge instruments relating to joint venture	558	713
Tax effect relating to gains/(losses) from cash flow hedges relating to joint ventures	*(137)*	*(171)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect (b1)	**(1,054)**	**1,380**
Actuarial gains/(losses) on defined benefit plans recognised in accordance with	*(53)*	*87*
Tax effect relating to actuarial gains/(losses) (IAS 19)	*15*	*(24)*
Total other comprehensive gains/(losses) that will not be subsequently reclassified to profit or loss, net of tax effect (b2)	**(38)**	**63**
Total other comprehensive gains/(losses) net of tax effect (b1) + (b2) = (B)	**(1,092)**	**1,443**
TOTAL COMPREHENSIVE PROFIT/(LOSS) (A) + (B)	**20,260**	**4,808**
Attributable to shareholders of the Parent Company	19,963	4,894
Attributable to non-controlling interests	297	(86)
TOTAL COMPREHENSIVE PROFIT/(LOSS)	**20,260**	**4,808**

NB: the consolidated statement of comprehensive income is a mandatory statement required by IAS 1. This statement represents the effects on the net result for the year if the components of revenue and cost, income or expense booked directly to shareholders' equity had passed through the income statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)	Note	2019	of which related parties	2018	of which related parties
A. Cash flow from operating activities					
Profit (loss) for the year attributable to:					
Parent Company shareholders		21.055		3.451	
Non-controlling interests		297		(86)	
Adjustments for:					
Depreciation, amortisation and write-downs	**30**	26.189		20.302	
Financial income (expenses) and equity investments	**31 -32**	2.200		18.482	
Current taxes for the year	**33**	5.670		4.121	
Change in joint ventures measured using the equity method		(2.422)		(2.115)	
Increase (decrease) in post-employment benefit provision	**19**	(345)		(112)	
Increase (decrease) in provision for risks and charges	**20**	1.309		523	
Increase (decrease) in deferred taxes	**33**	(182)		(885)	
Total cash flows from current operations		**53.771**		**43.681**	
(Increase) decrease in trade receivables and other assets	**10 - 11 - 12**	19.399	(1.408)	(3.776)	276
Increase (decrease) in trade payables and other liabilities	**21 - 23 - 25**	(5.951)	662	(2.794)	4.751
Income taxes paid	**24**	(2.376)		(2.383)	
Total cash flows from changes in working capital		**11.072**		**(8.953)**	
Total cash flows from operating activities		**64.843**		**34.728**	
B. Cash flows from investment activities					
Liquid assets resulting from transferred assets		23.738		701	
Payment due for transferred assets		(108.750)		-	
Acquisition of financial receivables from transferred companies		-	-	(13.192)	(13.192)
(Investments in) disinvestments of intangible assets	**5**	(7.383)		(146)	
(Investments in) disinvestments of property, plant and equipment	**7**	(19.559)		(58.177)	
Change in payables related to investment activity		(31.608)		-	
Dividends received from companies measured using the equity method	**8**	1.824		2.599	
Total cash flows from investment activities		**(141.738)**		**(68.215)**	
C. Cash flows from financing activities					
Net change in financial payables/receivables	**10 - 14**	9.895		170	
Net change in Lease liabilities	**17 - 22**	(2.335)		-	
Increase (decrease) in payables to banks	**17 - 22**	62.598		58.767	
Increase (decrease) in payables to bondholders		197.329		17.182	
Purchase of treasury shares		(85)		(97)	
Dividends paid	**16**	(1.713)		(2.269)	
Financial expenses paid		(14.379)		(19.546)	
Total cash flows from financing activities		**251.310**		**54.207**	
D. Cash flows for the year (A+B+C)		**174.415**		**20.720**	
D1. Effects of adoption of IFRS 9 on available cash at 1 January 2018		**-**		**(86)**	
E. Available cash at the beginning of the year	**15**	**63.933**		**43.299**	
F. Available cash at the end of the year (D+D1+E)	**15**	**238.348**		**63.933**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY - 12-month period ended 31 December 2019

(in thousands of Euro)	Share capital	Reserve for treasury shares	Share premium reserve	Earnings reserves	Cash flow hedge reserve	**Shareholders' equity attributable to shareholders of the Parent Company**	Non-controlling interests	**Total shareholders' equity**
Balance as at 31 December 2018	186,042	(1,575)	21,400	(58,049)	(9,060)	**138,758**	2,453	**141,211**
Net result for the year	-	-	-	21,055	-	**21,055**	297	**21,352**
Other comprehensive gains (losses)	-	-	-	(38)	(1,475)	**(1,513)**	-	**(1,513)**
Other comprehensive gains (losses) from joint ventures measured using the equity method					421	**421**	-	**421**
Total comprehensive profit/(loss)	-	-	-	21,017	(1,054)	**19,963**	297	**20,260**
Dividends determined and/or distributed	-	-	-	(1,713)	-	**(1,713)**	-	**(1,713)**
Purchases of treasury shares	-	(85)	-	-	-	**(85)**	-	**(85)**
Capital decrease	(46,042)	-	-	46,042	-	**-**	-	**-**
Other changes	-	-	-	1,141	-	**1,141**	2	**1,143**
Balance as at 31 December 2019	140,000	(1,660)	21,400	8,438	(10,114)	**158,064**	2,752	**160,816**

For information on individual items, see Note 16 “SHAREHOLDERS' EQUITY”.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY - 12-month period ended 31 December 2018

(in thousands of euro)	Share capital	Reserve for treasury shares	Share premium reserve	Earnings reserves	Cash flow hedge reserve	**Shareholders' equity attributable to shareholders of the Parent Company**	Non-controlling interests	**Total shareholders' equity**
Balance as at 31 December 2017	158.355	1.409	21.400	(58.906)	(10.440)	**111.818**	2.538	**114.356**
Effects of adopting IFRS 9				(81)		**(81)**		**(81)**
Balance as at 1 January 2018*	158.355	1.409	21.400	(58.987)	(10.440)	**111.737**	2.538	**114.275**
Net result for the year	-	-	-	3.451	-	**3.451**	(86)	**3.365**
Other comprehensive gains (losses)	-	-	-	63	838	**901**	-	**901**
Other comprehensive gains (losses) from joint ventures measured using the equity method					542	**542**	-	**542**
Total comprehensive profit/(loss)	-	-	-	3.514	1.380	**4.894**	(86)	**4.808**
Dividends determined and/or distributed			-	(2.269)	-	**(2.269)**	-	**(2.269)**
Capital increase	24.800	-	-	(307)	-	**24.493**	-	**24.493**
Purchase of treasury shares	-	(97)	-	-	-	**(97)**	-	**(97)**
Other changes	2.887	(2.887)	-	-	-	**-**	1	**1**
Balance as at 31 December 2018	**186.042**	**(1.575)**	**21.400**	**(58.049)**	**(9.060)**	**138.758**	**2.453**	**141.211**

(*) The effects resulting from first-time application of IFRS 9 have been recognised in shareholders' equity without restating the comparative data

BASIS OF PREPARATION AND NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Parent Company Alerion Clean Power S.p.A. (hereinafter the "Parent Company" or "Alerion") is a legal entity organised under the laws of the Italian Republic. The ordinary shares of Alerion are listed on the electronic circuit of the Milan Stock Exchange (MTA). The registered office of the Alerion Group (hereinafter the "Group" or the "Alerion Group") is at Viale Luigi Majno 17, Milan.

The Group operates in the field of electricity production from renewable sources, specifically in the wind sector.

The publication of the consolidated financial statements of Alerion for the year ended 31 December 2019 was authorised by resolution of the directors of 18 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements of the Alerion Group as at 31 December 2019 comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the relevant explanatory notes. These consolidated financial statements have been compiled in accordance with the IFRS issued by the International Accounting Standards Board and approved by the European Union in the text published in the Official Journal of the European Communities (OJ) and in force at 31 December 2011 and on the basis of the orders issued in implementation of Article 9 of Legislative Decree 38/2005. These IFRS standards also include all revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

The consolidated financial statements have been compiled on a historical cost basis, except for investment property and derivatives, which are recognised at fair value. In addition, it should be noted that the business combinations made during the period have been accounted for at fair value on the acquisition date. See the contents of note "7. BUSINESS COMBINATIONS ".

The consolidated financial statements are prepared on the going concern basis. The Group, in fact, assessed that, despite the general uncertainty and volatility of the financial markets connected to the Covid-19 viral epidemic which on 11 March 2020 was classified as a pandemic by the World Health Organization, there are no significant uncertainties (as defined in par. 24 of IAS 1) on business continuity, as the Group's operational management has not been affected by this phenomenon and the production of electricity is a public utility activity, for this reason it is not subject to a reduction in the 'operation.

The financial statements were compiled using the following methods:

- The consolidated statement of financial position shows current and non-current assets and current and non-current liabilities separately.

- In the income statement, the breakdown of costs is based on the nature of the costs, as the Group considers this form more representative than the presentation of costs by use.

- The statement of cash flows was compiled using the indirect method.

Note that with regard to the requirements for financial statements established in Consob Resolution 15519 of 27 July 2006, specific additional statements have been included showing significant relations with "related parties".

The amounts shown in the accounting statements and notes, unless otherwise indicated, are expressed in millions of euro.

The accounting standards used to prepare the consolidated financial statements as at 31 December 2019 are consistent with those used to prepare the Group's annual financial statements for the year ended 31 December 2018, with the exception of the accounting standards, amendments and interpretations that have been applied for the first time by the Group since 1 January 2018, described in the note entitled "AMENDMENTS AND NEW PRINCIPLES AND INTERPRETATIONS".

2.1 FINANCIAL STATEMENTS ADOPTED

In accordance with the provisions of Consob Resolution 15519 of 27 July 2006, information is provided below on the financial statement format adopted compared with the format indicated in IAS 1 for the consolidated statement of financial position, consolidated income statement and consolidated statement of changes in shareholders' equity and the method used to represent cash flows in the consolidated statement of cash flows compared with the method indicated in IAS 7.

- For the consolidated income statement, it was decided to show a breakdown of costs using a classification based on the nature of the costs.

- For the consolidated statement of financial position, it was decided to show current and non-current assets and current and non-current liabilities separately, in accordance with IAS 1.

- The consolidated statement of changes in shareholders' equity during the period is represented by a column table reconciling the opening and closing balances of each item of consolidated shareholders' equity.

- The consolidated statement of cash flows represents cash flows classified as from operating, investment and financing activities. In particular, cash flows from operating activities are represented, as required by IAS 7, using the indirect method, by which the profit or loss for the year is adjusted for the effects of non-monetary transactions, any deferment or provision of previous or future operating receipts or payments, and items of revenues or costs associated with cash flows from investment or financing activities.

Finally, it should be noted that, in accordance with the said resolution, the consolidated statement of financial position, the consolidated income statement and the consolidated statement of cash flows show, in specific sub-items, the amounts of positions or transactions with related parties if these are significant.

2.2 CONSOLIDATION PRINCIPLES

The consolidated annual financial statements include the financial statements of Alerion and the companies over which it has the right to exercise control. The definition of control is not based solely on the concept of legal ownership. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company in order to obtain the relevant benefits. The financial statements of subsidiaries are included in the consolidated annual financial statements from the date at which control is gained until the date at which this control ceases. The shareholders' equity and profit attributable to non-controlling interests are shown separately in both the consolidated statement of financial position and the consolidated income statement. Subsidiaries are fully consolidated, whereas companies over which joint control is exercised with other shareholders are assessed using the equity method; associates or companies subject to significant influence are measured using the equity method.

Fully consolidated subsidiaries held for sale are classified according to IFRS 5, and therefore, once fully consolidated, the assets relating to them are classified in a single item, referred to as "Discontinued operations". The related liabilities are recognised in a single line of the statement of financial position, in the liabilities section, and the related profit margin is presented in the consolidated income statement under "Net profit or loss from discontinued operations".

The full consolidation method can be summarised as follows:

- assets, liabilities, costs and revenues are assumed for their total amount, derecognising the carrying amount of equity investments against the current value of the investee's shareholders' equity at the acquisition date. The portion of the difference resulting from this derecognition not attributable to specific items on the statement of financial position is recognised among intangible assets as goodwill if positive, or is charged to the income statement if negative;

- profits and losses arising from transactions between subsidiaries not yet realised with third parties, as well as credit and debit, cost and revenue items between consolidated companies, if significant, are derecognised;

- dividends distributed by consolidated companies are derecognised from the income statement and added to the profits of previous years, if and insofar as they are drawn from them;

- shareholders' equity attributable to non-controlling interests and profit (loss) attributable to non-controlling interests are respectively shown in a specific item of shareholders' equity, separately from shareholders' equity attributable to the Group, and in a specific item of the income statement.

For the purposes of consolidation, all items in the statement of financial position used for consolidation have been adjusted to comply with the criteria for measuring and valuing the IASs/IFRSs used by the subsidiaries.

2.3 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The process of compilation of the Group's financial statements requires the directors to make discretionary valuations, estimates and assumptions that influence the values of revenues, costs, assets and liabilities and give an indication of contingent liabilities at the reporting date. The final results may differ from these estimates. Estimates are used to record:

Recoverable value of non-current assets

Non-current assets include intangible assets with a finite life (mainly rights and concessions relating to authorisations and management rights to operate wind farms) and tangible assets (mainly plant and equipment in operation or under construction relating to wind farms in the portfolio). Management periodically reviews the book value of non-current assets held and used when events and circumstances require such a review. The review is conducted using estimates of the useful life of non-current assets, expected cash flows and appropriate discount rates to calculate the economic value. Therefore, this review of the book value of non-current assets is based on a set of hypothetical assumptions relating to future events and the actions of the administrative bodies that might not necessarily occur within the established terms and timescales.

Deferred tax assets

Deferred tax assets are recognised with respect to all temporary differences and tax losses carried forward, insofar as it is probable that sufficient future taxable profits will exist, with respect to which such losses may be used. A significant discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for. They are required to estimate the likely timing and amount of future taxable profits as well as a future tax planning strategy. For further details, see the comments in Note 32.

Employee benefits – Post-employment benefits

The post-employment benefits provision is determined using actuarial assessments. The actuarial assessment requires assumptions about discount rates, future salary increases, turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. The net liability to employees in respect of post-employment benefits at 31 December 2019 was €982,000. For further details, see the comments in Note 19.

Depreciation

On 31 December 2019, the Alerion Group changed the criterion for estimating the useful life of the wind turbines, changing their depreciation rate from 5% to 4% with effect from 1 January 2019.

The change in the estimation criterion was made in view of management experience gained during the years of operation of the Group's plants, current expectations with regard to the technical and functional obsolescence of the wind farms and their projected capacity for generating profits.

This assessment was supported by the results of a technical evaluative study by a leading advisory firm to the energy, real estate and infrastructure sectors, which based its analysis on an audit of the current state of use of all the Group's plants after the performance of maintenance work.

The economic impact of this change on the consolidated financial statements for 2019 was approximately €5.3 million before tax.

The following table shows the economic effects of applying the new depreciation rates resulting from the change in the estimate criterion during the useful life of the wind turbines:

thousands of euro	Year	Effects on EBT	Fiscal effect	Effects on Earnings	Effects on Equity
Economic effects that will occur, during the useful life of the wind turbines, by applying the new depreciation rates deriving from the change in the estimate criterion	2019	6,033	(1,543)	4,490	4,490
	2020	6,033	(1,543)	4,490	8,980
	2021	6,033	(1,543)	4,490	13,470
	2022	6,033	(1,543)	4,490	17,960
	2023	6,033	(1,543)	4,490	22,450
	2024	5,634	(1,432)	4,203	26,653
	2025	5,634	(1,432)	4,203	30,856
	2026	5,634	(1,432)	4,203	35,059
	2027	4,111	(882)	3,223	38,282
	2028	2,228	(508)	1,720	40,002
	2029	(2,137)	632	(1,505)	38,497
	2030	(4,818)	1,355	(3,463)	35,034
	2031	(9,927)	2,423	(7,504)	27,530
	2032	(10,185)	2,495	(7,690)	19,840
	2033	(10,452)	2,588	(7,863)	11,977
	2034	(7,360)	1,782	(5,577)	6,400
	2035	(5,519)	1,287	(4,232)	2,168
	2036	(1,937)	540	(1,396)	772
	2037	(1,071)	299	(772)	-

A depreciation rate of 5% was maintained for the plant owned by Green Energy Sardegna S.r.l. as the regional authorisation expires after 20 years. In addition, the useful life considered for the plants acquired during the year and for those that came into operation, and therefore in amortization, in the year has already been considered equal to 25 years.

Right-of-use assets and lease liabilities

The determination of right-of-use assets and lease liabilities pursuant to IFRS 16 introduces some elements of judgement that involve the definition of certain accounting policies and the use of assumptions and estimates, principally in relation to the definition of the lease term and the incremental borrowing rate. The main assumptions and estimates in this regard are summarised in the note entitled "AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS".

Other estimation processes

Estimates are also used to recognise provisions for bad debts, provisions for risks and charges, asset write-downs, the fair value of derivatives and the valuation of intangible assets in business combinations accounted for pursuant to IFRS 3.

Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

2.4 SUMMARY OF THE MAIN ACCOUNTING POLICIES

This section summarises the most significant valuation criteria adopted by the Alerion Group.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill

Goodwill and fixed assets with an indefinite useful life are not depreciated or amortised, but are periodically tested for recoverability based on the cash flows expected from the Cash Generating Unit (CGU) to which the asset relates. These tests, which are expressly codified by international accounting standards and named "impairment tests" take into account the level of risk of the investment. If the discounted cash flows do not allow the initial investment to be recovered, the asset recognised is written down accordingly.

Business combinations

As of 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred at fair value on the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer must value any non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest in the acquiree's identifiable net assets. Acquisition costs are expensed and classified as administrative expenses.

When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions existing at the acquisition date. This includes checking whether an embedded derivative should be separated from the primary contract. If the business combination takes place in several phases, the acquirer must recalculate the fair value of the equity investment previously held and measured using the equity method and recognise any resulting profit or loss in the income statement.

Any potential consideration must be recognised by the acquirer at fair value at the acquisition date. The change in the fair value of the potential consideration classified in assets or liabilities will be recognised in accordance with IFRS 9 in the income statement or in other comprehensive income. If the potential consideration is classified in shareholders' equity, its value must not be recalculated until it is discharged against shareholders' equity.

Goodwill is initially measured at cost, which emerges as the excess between the sum of the consideration paid and the amount recognised for non-controlling interests over the identifiable net assets acquired and liabilities assumed by the Group. If the consideration is lower than the fair value of the acquiree's net assets, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost minus any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination must, from the acquisition date, be allocated to each cash-generating unit of the Group that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquiree are allocated to such units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of some of the assets of that unit, the goodwill associated with the assets disposed of must be included in the book value of the assets when determining the profit or loss arising from disposal. Goodwill associated with the disposed of asset must be determined on the basis of the relative values of the disposed of asset and the retained part of the cash-generating unit.

<u>Before 1 January 2010</u>
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the combination were considered as part of the acquisition cost. Non-controlling interests were measured on the basis of the acquiree's identifiable share of net assets.

Business combinations taking place in several phases were accounted for at separate times. Each new acquisition of shares had no effect on the goodwill previously recognised.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not restated at the acquisition date unless the business combination resulted in a change in the terms of the contract that substantially altered the cash flows that would otherwise be provided for in the contract.

The potential consideration was recognised if, and only if, the Group had a present obligation, the outgoing cash flow was probable, and the estimate could be determined reliably. Changes after the potential consideration were recognised as part of goodwill.

Intangible assets with a finite useful life
In accordance with the provisions of IAS 38 intangible assets are, costs, including ancillary charges, incurred for the acquisition of goods and resources without physical substance, to be used in the production of goods or provision of services, leased to third parties, or used for administrative purposes, provided that the cost is reliably quantifiable and the asset is clearly identifiable and controlled by the company that owns it. Goodwill is also recognised when acquired for consideration.
Intangible assets acquired separately are recognised at historical cost and expenses incurred after the initial acquisition are added to the cost of intangible assets to the extent that such expenses can generate future economic benefits. Intangible assets acquired through business combinations are capitalised at fair value at the acquisition date.

Fixed assets with a finite useful life are systematically amortised on a straight-line basis over each individual period to take account of their residual useful life. The carrying amount is reviewed annually, or more frequently if necessary, in order to conduct a congruity analysis to detect any impairment or, more frequently, whenever there is an indication that the asset may be impaired.
Research costs are charged to the consolidated income statement when they are incurred. Development costs incurred in relation to a given project are capitalised provided that the cost can be reliably determined and when their future recovery is considered reasonably certain. After the initial recognition of development costs, they are measured using the cost criterion, which may be reduced for amortisation or write-downs. Capitalised development costs are amortised according to their future usefulness, based on the period in which future revenues are expected from the same project.
The carrying amount of development costs is reviewed annually, in order to conduct a congruity analysis to detect any impairment or, more frequently, whenever there is an indication that the asset may be impaired.
Amortisation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Amortisation rates on intangible assets	*Rates*
Rights and concessions	3% to 4%
Development costs	4% to 5%
Patents and intellectual works	10% to 20%
Other intangible assets	20%

Tangible assets
Property, plant and equipment are stated in the financial statements at historical cost and systematically depreciated according to its residual useful life, with the exception of land and assets held for sale, which are not depreciated but written down if their fair value is less than the cost recorded in the financial statements.
The depreciation process is on a straight-line basis at rates deemed representative of the estimated useful life; for assets acquired during the year the rates are applied *pro rata*, taking into account the actual use of the asset during the year.

It should be noted that on 31 December 2019, the Alerion Group changed the criterion for estimating the depreciation of wind turbines from 20 years to 25 years, with effect from 1 January 2019. See Note 2.3 "DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES".

Costs incurred for improvements are recognised as increases in the assets concerned only when they produce real increases in their value.

Ordinary maintenance expenses are charged to the income statement in the year in which they are incurred, while extraordinary maintenance expenses, if they entail a significant increase in productivity or useful life, are recognised as an increase in the value of the assets to which they relate and are amortised over the remaining useful life of the asset.
Financial interests related to project financing or other loans closely related to assets under construction have also been capitalised.
The accounting treatment of assets acquired under finance leases, with regard to the effects on assets and liabilities, cash flows and the income statement, is in line with IAS 17. This standard provides that such assets are recognised as own assets held at cost and are depreciated according to the same criteria as other property, plant and equipment.
The principal portion of unpaid instalments is recognised as debt, while the financial expenses relating to the accrued instalments are included in financial expenses in the income statement.
The accounting treatment of assets acquired under leases, with regard to the effects on assets and liabilities, cash flows and the income statement, is in line with IFRS 16. See the note entitled “AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS”.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Depreciation rates on property, plant and equipment	*Rates*
Buildings	1%
Plant and equipment	4% to 20%
Other assets	12% to 25%

Right-of-use assets are depreciated over the term of the lease, which is equal to the ”non-cancellable” period, together with the effects of any early extension or termination clauses deemed reasonably certain, or over the useful life of the asset if this is shorter. According to IFRS 16:32, if the transfer of the leased asset is contractually provided for and the exercise of this option is deemed reasonably certain, the right of use is depreciated over the useful life of the leased asset.

Land is not depreciated.

The cost includes the costs of dismantling and removing the asset and the costs of reclamation of the site where the asset is located, if they meet the requirements of IAS 37.

Contract work in progress

Contract work in progress is assessed on the basis of fees defined with customers in relation to the progress of the work.
When the result of a construction contract can be reliably estimated, the revenues and costs associated with the relevant order are recognised respectively as revenues and costs in relation to the state of progress of the activity at the reporting date, based on the ratio between the costs incurred for the activity up to the reporting date and the estimated total costs of the project (the "cost-to-cost" method).
Additional fees, contract changes, price reviews and incentives have elements that must be taken into account and assessed before the agreement with the counterparty is formalised. When assessing these elements, the Company records revenue only on the condition that there is an advanced stage of negotiation that makes recognition by the customer probable and that a reliable quantification of the amount that is assumed to be recognised by the customer is possible.
When the result of a construction contract cannot be reliably estimated, the revenues attributable to the relevant order are recognised only within the limits of contract costs incurred which will probably be recovered. Costs of orders are recognised as expenses in the year in which they are incurred.
When the total order costs are likely to be higher than the contractual revenues, the expected loss is immediately recognised as a cost.

Investment property
The item includes property and buildings held for the purpose of obtaining rents. Investment property is valued at fair value and the effect of the write-up/write-down in the period is recognised in the income statement as permitted by IAS 40. The fair value of investment property is determined on the basis of appraisals conducted by independent specialist consultants. Investment property is derecognised when it is sold or when the investment is permanently unusable and no future economic benefits are expected from its sale. Any gains or losses arising from the withdrawal or disposal of investment property are recognised in the income statement in the year in which the withdrawal or disposal takes place.

Reclassifications from or to investment property take place when, and only when, there is a change of use. For reclassifications from investment property to direct use, the reference value of the property for subsequent recognition is the fair value at the date of change of use. If a property for direct use becomes an investment property, the Group will recognise such assets in accordance with the criteria indicated under "Property, plant and equipment" until the date of change of use.

Equity investments measured using the equity method
Equity investments in associate companies are measured using the equity method.
Under the equity method, an equity investment in an associate is recorded in the consolidated statement of financial position at cost increased by changes following the acquisition in the Group's share of the associate's net assets. Goodwill relating to the associate is included in the book value of the equity investment and is not amortised.

The portion of the result deriving from the application of this consolidation method is recognised in the income statement under "Results of associates measured at equity". If an associate recognises adjustments directly in shareholders' equity, the Group recognises its share and presents it, where applicable, in the statement of changes in shareholders' equity.
The closing date of the accounts of associates is aligned with that of the Group; the accounting standards used by the associates are generally consistent with those used by the Group for transactions and events of the same nature and in similar circumstances. In the event of discrepancies, the shareholders' equity and net result of the associate have been adjusted in accordance with the principles used to compile these consolidated financial statements.

Other equity investments
These are other financial assets and are valued according to the criterion indicated in the corresponding paragraph below on financial instruments.

Impairment testing
IAS 36 stipulates that impairment testing should be carried out on property, plant and equipment and intangible assets if there are indications that such a problem may exist. In the case of goodwill and other intangible assets with an indefinite useful life, or assets not yet available for use, this assessment must be carried out at least once a year.
The recoverability of the amounts recognised is verified by comparing the book value with the higher of the net selling price, if an active market exists, and the value in use of the asset.
Value in use is defined by discounting the cash flows expected from the use of the asset or a combination of assets (the cash generating unit) and the expected value of its disposal at the end of its useful life. The cash generating units have been identified in accordance with the organisational structure and business of the Group, as homogeneous aggregations that generate autonomous cash inflows arising from the continuous use of the assets attributable to them.
Impairment losses on operating assets are recorded in the income statement in cost categories that are consistent with the function of the impaired asset. At each reporting date, the Group also assesses whether there are any indicators of a decrease in previously recognised impairment and, if such indicators exist, makes a new estimate of the recoverable value. The value of an asset previously written down can only be restored if there have been changes in the estimates used to determine the recoverable amount of the asset since the last recognition of impairment. In this case, the book value of the asset is adjusted to the recoverable amount: however, the value thus increased may not exceed the book value that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised in previous years. Each write-back is recognised as income in the income statement; after a write-back has been recognised, the depreciation or amortisation of the assets is adjusted in future periods in order to distribute the modified book value, net of any residual values, on a straight-line basis over the remaining useful life.

Financial instruments

The Group has adopted IFRS 9 – Financial Instruments. IFRS 9 provides for the classification and measurement of financial assets according to the business model with which such assets are managed, taking into account the characteristics of their cash flows. In this regard, the Group classifies financial assets according to the methods it uses to manage them in order to achieve its objectives and the characteristics of the contractual cash flows projected for these financial assets. It should be noted that:

- the financial assets of the Group that have been assigned business models designed to realise cash flows by collecting contractual payments (hold to collect business models) have been measured at amortised cost;

- the financial assets of the Group that have been assigned business models designed to both collect contractual cash flows and sell the financial assets according to the purpose of holding the assets and their expected turnover ('hold to collect and sell' business models) have been classified as financial assets measured at fair value through other comprehensive income;

- financial assets that have been assigned a business model other than the above ("other") have been classified as financial assets measured at fair value through profit or loss.

The categories set out in IAS 39, i.e. assets held to maturity, loans and receivables and assets available for sale, are derecognised.

As a result of the entry into force of the new accounting standard, the Group analysed the financial assets existing at 1 January 2018 in the new categories envisaged, on the basis of the business model and the characteristics of the contractual cash flows provided for these financial assets.

The business model was analysed by mapping financial assets based on the way in which the Group manages them in order to achieve its objectives.

For the purposes of classifying financial assets in the new categories set out in IFRS 9, the analysis of the business model was supported by an analysis of contractual flows (the "SPPI Test"). In this regard, the Group assessed whether the characteristics of the contractual cash flows allow measurement at amortised cost ("hold to collect") or at fair value through other comprehensive income ("hold to collect and sell").

All financial assets are initially recognised at cost, which corresponds to the fair value plus ancillary costs associated with the purchase. The Group determines the classification of its financial assets after initial recognition and, where appropriate and permitted, reviews this classification at the end of each financial year.

Impairment of financial assets

With regard to the "expected loss" impairment model established by IFRS 9 and the items in the financial statements, the Group applies the following methodological approach:

- The Expected Credit Loss ("ECL") was determined by multiplying the value of the exposure by the probability of default of the counterparty (relating to the corresponding time horizon) and by a loss given default fixed at 60%; it should be noted that the value of the exposure was set at the present value of the financial statements and therefore no discount factors were applied (since, as it was calculated at the same rate, the relative mounting factor would have been the same);

- The probability of counterparty default was calculated on the basis of the relevant CDS spread (for transactions with a time horizon of up to six months the CDS spread at six months was in any case used) based on the following formula:

$PD = 1 - e - spread 60\% \cdot \mathrm{term}$

- For items consisting of current accounts with no predefined maturity, the time horizon for application of the ECL was defined as follows:

    o "Free" current accounts: an expected term of one month (on the assumption that any problems relating to the counterparty would be intercepted during this period, with a consequent shift in the related cash to other institutions);

    o Current accounts relating to project financing: identification of a component that is "stable" because it is tied to the project (with the application, in the absence of significant credit deterioration, of the ECL within a time horizon of one year) compared with a residual "circulating" component (with an associated horizon of three months).

Derivatives and hedge accounting

Financial derivatives are used solely for the purpose of hedging financial risks relating to changes in interest rates on financing transactions undertaken by the Group.
In accordance with IFRS 9, hedging derivatives may be accounted for in accordance with the procedures established for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

All financial derivatives are measured at fair value. When derivatives have the characteristics for hedge accounting, the following accounting treatments apply:

Fair value hedge - if a financial derivative is designated as a hedge of the exposure to changes in the current value of an asset or liability on the balance sheet that may have an effect on the income statement, the gain or loss arising from subsequent assessments of the present value of the hedging instrument is recognised in the income statement, as well as the gain or loss on hedged item.

Cash flow hedge - if a financial derivative is designated as a hedge of exposure to changes in the cash flows of an asset or liability in the financial statements or of a highly probable expected transaction that could have an effect on the income statement, the effective portion of the gain or loss on the financial instrument is recognised in shareholders' equity; the cumulative gain or loss is removed from shareholders' equity and recognised in the income statement in the same period in which the hedged transaction is recognised; the gain or loss associated with a hedge, or with the portion of the hedge that has become ineffective, are recognised in the income statement when the ineffectiveness is detected.

If the conditions for application of hedge accounting do not exist, the effects of the measurement at fair value of the financial derivative are directly charged to the income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Group retains the right to receive cash flows from the asset, but has assumed the contractual obligation to pay them in full and without delay to a third party;
- the Group has transferred the right to receive cash flows from the asset and (a) it has transferred substantially all the risks and benefits of ownership of the financial asset or (b) it has not transferred or retained substantially all the risks and benefits of the asset, but has transferred control over it.

In cases where the Group has transferred the rights to receive cash flows from an asset and has not transferred or retained substantially all the risks and benefits, or has not lost control over it, the asset is recognised in the Group's financial statements to the extent of its residual involvement in the asset. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial book value of the asset and the maximum value of the consideration that the Group may be required to pay.

Where residual involvement takes the form of an option issued and/or acquired on the transferred asset (including cash settled or similar options), the extent of the Group's involvement corresponds to the amount of the transferred asset that the Group may repurchase; however, in the case of a put option issued on an asset measured at fair value (including cash settled or similar options), the amount of the Group's residual involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation of the liability is extinguished, cancelled or discharged.

Where an existing financial liability is replaced by another of the same lender under substantially different conditions, or the conditions of an existing liability are substantially amended, such exchange or amendment is treated as an accounting derecognition of the original liability and the recognition of a new liability, with any differences between the book values recognised in the income statement.

Trade and other receivables

Trade receivables, which generally have short-term maturities, are recognised at the nominal amount shown in the invoice, net of the provision for doubtful accounts determined according to the expected loss impairment model under IFRS 9. This impairment model is supplemented by additional write-downs recognised as a result of specific conditions of doubtful collectability on individual loan positions at the time of their identification.

When, given the payment terms granted, a financial transaction takes place, receivables are measured using the amortised cost method by discounting the nominal value to be received, and recognising the discount as financial income during its accrual.

Receivables denominated in foreign currencies are aligned to the year-end exchange rate and the gains or losses arising from the adjustment are allocated to the income statement under the item where the transaction was originally recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank and post office sight deposits and investments in securities made as part of treasury management activities, which have short-term maturity, are highly liquid, and subject to insignificant risk of changes in value. They are recognised at nominal value.

Loans received

All loans are initially recognised at the fair value of the consideration received, net of ancillary costs for obtaining the loan.

After initial recognition, loans are measured using the amortised cost criterion.

Any profit or loss is recognised in the income statement when the liability is settled, and through the amortisation process.

Public contributions

Public contributions are recognised in the financial statements when there is reasonable certainty that the Company will comply with all the conditions for receiving the contributions and that the contributions will be received. When contributions are related to cost components, they are recognised as revenue, but are systematically spread over

the years so that they are commensurate with the costs they are intended to offset. If a contribution is related to an asset, the asset and contribution are recognised at their nominal value and are released to the income statement on a straight-line basis over the expected useful life of the asset in question.
Where the Group receives a non-monetary contribution, the asset and contribution are recognised at their nominal value and are released to the income statement on a straight-line basis over the expected useful life of the asset in question. In the case of financing or similar forms of assistance provided by government agencies or similar institutions with an interest rate below the current market rate, the effect of the favourable interest rate is considered to be an additional public contribution.

Liabilities for employee benefits

In accordance with IAS 19, employee benefits paid after termination of employment (post-employment benefits) are subject to actuarial assessment that must take into account a series of variables (such as mortality, projected future salary changes, expected inflation rate, etc.). The amendment to IAS 19 – "Employee Benefits" requires that all actuarial gains or losses be recorded immediately in the "Statement of other comprehensive income" so that the entire net amount of defined benefit provisions is recorded in the statement of financial position. The amendment also provides that changes from one year to the next in the defined-benefit provision must be divided into three components: cost components linked to service during the year must be recognised in the income statement as service costs; net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined-benefit provision at the beginning of the year must be recognised as such; and actuarial gains and losses arising from the restatement of liabilities must be recognised in "Other comprehensive gains/(losses)".

Provisions for risks and charges

Provisions for risks and charges are made when the Group is faced with a current obligation (legal or implicit) resulting from a past event, it is probable that resources will be expended to meet the obligation, and its amount can be reliably estimated.
When the Group believes that a provision for risks and charges will be partially or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately in assets if, and only if, it is practically certain. In this case, the cost of any provision is presented in the income statement net of the amount recognised for the indemnity.
If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting occurs, the increase in the provision due to the passage of time is recognised as a financial expense.
The provisions for risks also include provisions for future expenses to be incurred for the decommissioning of power plants at the end of their useful life and the restoration of the land, with a contra-entry increase in the value of the assets to which they relate. Only the amount recognised under property, plant and equipment that exceeds the expected income from the sale of recovery materials is depreciated.

Trade and other payables

Payables are valued at their nominal value.
When, given the payment terms agreed, a financial transaction takes place, payables measured using the amortised cost method are discounted to the nominal value payable, with the discount recognised as a financial expense.
Payables denominated in foreign currencies are aligned to the year-end exchange rate and the gains or losses arising from the adjustment are allocated to the income statement under the item where the transaction was originally recognised.

Assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale must be valued at the lower of their book value and their fair value, minus selling costs. Non-current assets and disposal groups are classified as held for sale if their book value is recovered mainly through a sale transaction rather than through their ongoing use. This condition is considered fulfilled only when the sale is highly probable and the discontinued business or group is available for immediate sale in its current condition. Management must have committed to the sale, which should be completed within one year of the date of classification.
A discontinued operation is a component of an entity that has been disposed of or classified as held for sale, and i) is a major autonomous business unit or geographical area of activity, ii) forms part of a single coordinated programme of disposal of a major autonomous business unit or geographical area of activity, or iii) is a subsidiary acquired solely for resale.
In the case of discontinued operations, in the consolidated statement of comprehensive income for the reporting period and in the comparative period of the previous year, gains and losses from discontinued operations are shown separately from gains and losses from operating activities, below the profit after tax line, including when the Group maintains a non-controlling interest in the subsidiary after sale. The resulting profit or loss, net of taxes, is presented separately in the statement of comprehensive income.
Property, plant and equipment and intangible assets, once classified as held for sale must no longer be depreciated/amortised.

INCOME STATEMENT

Revenues and income

Revenues are recognised according to the accounting model set out in IFRS 15, which provides for the following key steps:

- identification of the contract with the customer;
- identification of the performance obligations contained in the contract;
- determination of the price;
- the allocation of the price to the performance obligations contained in the contract;
- the revenue recognition criteria when the entity satisfies each performance obligation which may occur at a specific point in time or over time.

Revenues are recognised to the extent that the economic benefits are likely to be earned by the Group and the relevant amount can be reliably measured. Revenues are shown net of discounts, vouchers and returns.
The following specific revenue recognition criteria must always be met before they are recognised in the income statement. In particular:

- operating revenues (revenues from the sale of energy), revenues from the sale of property and revenues from the provision of services are recognised on the basis of the fulfilment of each performance obligation in accordance with IFRS 15, i.e. the completion of the transfer to the customer of the asset or service promised when the customer obtains control of the good or service, which can take place at a specific point in time or over time;
- dividends are recognised when shareholders have the right to receive payment, i.e. when the dividends are resolved upon. Dividends from other companies are classified in the income statement among other net operating costs/revenues, as they relate to equity investments in the sector in which the group operates that constitute long-term investments. Dividends from other companies held for purely financial investment purposes are classified as financial income.
- profits from the sale of equity investments are recognised when the sale takes place and the significant risks and benefits associated with their ownership have been transferred;
- the result of equity investments measured at equity is recorded at annual and periodic closures based on the share of the results achieved by the investee companies;
- adjustments to the value of financial assets represent the adjustment to the market value of listed equities held for trading. The market value is given by stock market prices at the reporting date or periodically;

All revenues are measured at the fair value of their consideration; when the financial effect of temporary deferral of collection is significant and the collection dates can be reliably estimated, the relevant financial component is recognised under financial income (expenses).

Revenues from the incentive tariff (formerly green certificates)
Revenues from the incentive tariff (formerly green certificates) accrued by the Group's plants for sales to producers or importers of energy from non-renewable sources, to traders, to the Electrical Market Manager (GME), which acts as a clearing house, or to the Electrical Services Manager (GSE), are recognised in the year in which the certificate matures, represented by the year the electricity was produced from renewable sources.

Financial income and expenses
Financial income and expenses are recognised according to the accrual principle, depending on the passage of time, using the effective rate.

Costs

Costs and other operating expenses are recognised in the financial statements when they are incurred on an accrual basis and in relation to revenues, when they do not generate future economic benefits or when they do not meet the requirements for recognition as an asset in the consolidated statement of financial position.
When the payment deferral agreement includes a financial component, the consideration is discounted, with the difference between the nominal value and the fair value recognised in the income statement as a financial expense.

Income taxes
Current income taxes are recognised, for each company, on the basis of estimated taxable income in accordance with applicable rates and provisions, taking into account exemptions and tax credits due.

Deferred taxes are calculated using the so-called liability method on the temporary differences at the reporting date between the tax values taken as the reference for assets and liabilities and the values reported in the financial statements.

1. Deferred tax liabilities are recognised against all taxable temporary differences, except:

- when deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effect either on the profit for the year calculated for the purposes of the financial statements or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, if the reversal of temporary differences can be controlled and is unlikely to occur in the foreseeable future.

2. Deferred tax assets (or prepaid taxes) are recognised for all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that there will be adequate future taxable profits, also taking into account the Group's national tax consolidation and assuming that it continue in future years, which could make the use of deductible temporary differences and tax assets and liabilities carried forward applicable, except where:

- deferred tax assets associated with deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, does not affect either the profit for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- with reference to taxable temporary differences associated with equity investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will be reversed in the immediate future and that there are adequate taxable profits against which temporary differences can be used.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to allow all or part of this receivable to be used. Unrecognised

deferred tax assets are reviewed annually at the balance sheet date and are recognised to the extent that it has become probable that the taxable profit will be sufficient to allow these deferred tax assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates in force and tax rates that have already been enacted or substantively enacted at the balance sheet date.
Income taxes relating to items recognised directly in shareholders' equity are charged directly to shareholders' equity and not to the income statement.
Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same tax entity and tax authority.

Value added tax

Revenues, costs and assets are recognised net of value added tax except where:

- this tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- they relate to trade receivables and payables shown including the value of the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is included in the financial statements under trade receivables or payables, depending on whether the balance is positive or negative.

Determination of the fair value of financial instruments

The fair value of financial instruments listed on an active market is based on market prices at the balance sheet date. The fair value of financial instruments that are not listed in an active market are determined using valuation techniques, based on a series of methods and assumptions related to market conditions at the balance sheet date.

Profit per share

Basic profit per share is calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, net of the treasury shares purchased by Alerion Clean Power S.p.A. during the year.
For the purposes of calculating diluted earnings per share, the weighted average number of shares outstanding, net of the treasury shares purchased by Alerion Clean Power S.p.A. during the year, is adjusted assuming the conversion of all potential shares with dilutive effect (allocation of new issues to beneficiaries of stock option plans).
The net result is also adjusted to take account of the effects of the conversion after tax.

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2019

On 13 January 2016, the IASB published IFRS 16 - Leases, which is intended to replace IAS 17 - Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of a lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from contracts for the provision of services, identifying the following as distinguishing elements: the identification of the asset, the right to replace it, the right to substantially obtain all the economic benefits deriving from the use of the asset and, lastly, the right to manage the use of the asset underlying the lease.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee that provides for the recognition of the leased asset, including under an operating lease, in assets with a balancing entry in financial liabilities. On the other hand, the standard does not include significant changes for lessors.

The standard has been applied as of 1 January 2019.

Transition with modified retrospective method

The Company chose to apply the standard retrospectively, but recognised the cumulative effect deriving from the application of the standard in shareholders' equity at 1 January 2019, in accordance with IFRS 16:C7-C13. In particular, the Company recognised, in relation to leases previously classified as operating leases:

a) a financial liability, equal to the present value of future residual payments on the transition date, discounted using for each lease the incremental borrowing rate applicable on the transition date;

b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recognised in the statement of financial position at the balance sheet date.

The following table shows the estimated effects of adoption of IFRS 16 at the transition date.

(in millions of euro) ASSETS	Impacts at transition date (01.01.2019)
Non-current assets	
Right of use Land	12.97
Right of use Buildings	1.07
Right to use Electronic Machinery	0.03
Right of use Vehicles	0.14
Total Right of use	**14.21**
Sundry receivables and other current assets	(0.99)
Total Assets	**13.22**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Non-current liabilities	
Financial liabilities for non-current leases	12.09
Current liabilities	
Financial liabilities for current leases	1.13
Total	**13.22**
Shareholders' equity	**0.00**
Retained earnings	0.00

In adopting IFRS 16, the Group availed itself of the exemption granted under IFRS 16:5(a) by not applying the standard to short-term assets. Likewise, the Group availed itself of the exemption granted under IFRS 16:5(b) in respect of leases for which the underlying asset is of low value (i.e. the assets underlying the lease do not exceed €5,000 when new). Leases of low value for which the exemption has been applied mainly fall into the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices.

For these leases, the introduction of IFRS 16 did not entail the recognition of the lease liability and the related right-of-use asset, but lease payments were recognised in the income statement on a straight-line basis for the duration of the respective agreements.

In addition, with regard to the transition rules, the Company availed itself of the following practical expedients available when choosing the modified retrospective transition method:

- Classification of agreements that expire within 12 months of the transition date as short-term leases. For these agreements, lease payments are recognised in the income statement on a straight-line basis;

• Use of the information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgement that involve the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main policies are summarised below:

• The Group decided not to apply IFRS 16 for contracts containing a lease for which the underlying asset is intangible;

• Lease term: the Group analysed all lease agreements, defining for each the lease term, i.e. the "non-cancellable" period, together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. In particular, for rights of use relating to the land on which the various projects are developed, this evaluation took into account the specific facts and circumstances of each project and the duration of the concessions relating to them, on average 29 years from the start of production. Therefore, the "non-cancellable" period and a renewal period up to the duration of the concession were considered, as it is reasonably certain that the contracts will not be terminated until the expiry of the concession. With regard to the plant in Regalbuto, which is subject to a finance lease expiring in December 2024 with an option to purchase the asset at the end of the agreement, in determining the right of use and the lease liability, the Group considered the period to be "non-cancellable" until the end of the agreement, including the purchase option in the flows on the basis that it was reasonably certain to be exercised, and estimated the life of the right of use according to the useful life of the plant, defining an amortisation rate of 4%. For the lease agreement for the property on Viale Majno, where the Company has its registered office, a term of eight years until the expiry of the "non-cancellable" period and the contractual renewal period was considered, as it was regarded as reasonably certain. With regard to other categories of assets, mainly company cars and electronic equipment, the Group generally considered it unlikely that any extension or early termination clauses would be exercised in view of usual practice;

• Definition of the incremental borrowing rate: Since most of the rental agreements entered into by the Group do not contain an implicit interest rate, the discount rate to be applied to future rental payments was determined as the risk-free rate of each country in which the contracts were entered into, with maturities commensurate with the term of the specific rental agreement, increasing the Group's specific credit spread to 3.71%. The contractual interest rate of 1% was used when discounting future payments on the finance lease on the Regalbuto plant.

Reconciliation with lease commitments

In order to provide an understanding of the effects of first-time application of the standard, the following table provides a reconciliation between future commitments relating to lease agreements and the expected effects of adoption of IFRS 16 from 1 January 2019.

Reconciliation of commitments for leases (in millions of euro)	**01-gen-19**
Commitments for operating leases as at 31 December 2018	**18.32**
Minimum payments on financial lease liabilities as at 31 December 2018	0.00
Undiscounted financial liabilities for leases as at 1 January 2019	**18.32**
Effect of IFRS 16 discounting	**(5.10)**
Financial liabilities for leases as at 1 January 2019	**13.22**
Present value of liability for finance leases as at 31 December 2018	13.22
Financial liabilities for additional leases due to the transition to IFRS 16 as at 1 January 2019	**0.00**

• On 12 October 2017, the IASB published an amendment to IFRS 9 – Prepayment Features with Negative Compensation. This document specifies that instruments providing for early redemption may comply with the Solely Payments of Principal and Interest (SPPI) test, including in cases where "reasonable additional compensation" to be paid in the event of early redemption is a "negative compensation" for the lender. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

• On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation addresses the issue of uncertainties as to the tax treatment to be adopted in relation to income taxes. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics), always assuming that the tax authority examines the tax position in question with full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment, the entity must reflect the effect of the uncertainty in measuring its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligation, but emphasises that the entity must determine whether it will be necessary to provide information on the management's considerations regarding the uncertainty inherent in the recognition of taxes, in accordance with IAS 1. The new interpretation has been applied since 1 January 2019. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

• On 12 December 2017, the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", which incorporates the amendments to certain standards as part of the annual improvement process. The main changes concern:

o IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest previously held in that business. This process is not, however, envisaged if joint control is obtained.

o IAS 12 – Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in shareholders' equity) should be accounted for in a manner consistent with the transaction that generated such profits (income statement, OCI or shareholders' equity).

o IAS 23 – Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding including after the qualifying asset in question is ready for use or sale, they become part of the total loans used to calculate the borrowing costs.

The adoption of this amendment has had no effect on the Group's consolidated financial statements.

- On 7 February 2018, the IASB published the document “Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)”. The document clarifies that an entity must recognise an amendment (i.e. a curtailment or settlement) to a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the liability or net asset arising from the plan. The amendments clarify that after the occurrence of such an event, the entity uses up-to-date assumptions to measure the current service cost and interest for the remainder of the reference period following the event. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

- On 12 October 2017, the IASB published the document “Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”. This document clarifies the need to apply IFRS 9, including requirements relating to impairment and other long-term interests in associates and joint ventures to which the equity method is not applied. The adoption of this amendment has had no effect on the Group's consolidated financial statements.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION THAT ARE NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2019

- On 31 October 2018, the IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced an amendment to the definition of “material” contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to make the definition of “material” more specific and to introduce the concept of “obscured information” alongside the concepts of omitted or misstated information already present in the two standards subject to amendment. The amendment makes it clear that information is “obscured” if it has been described in such a way that it has an effect on primary users of financial statements similar to that which would have occurred if that information had been omitted or misstated.

The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

- On 29 March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.

The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing IFRSs. The document helps to ensure that the standards are conceptually consistent and that similar transactions are treated equally so as to provide useful information to investors, lenders and other creditors.

The Conceptual Framework helps companies to develop accounting standards when no IFRS is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the standards.

- On 26 September 2019, the IASB published the amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The amendment applies to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures. Specifically, the amendment changes some of the requirements for the application of hedge accounting, establishing temporary derogations from them in order to mitigate the impact of uncertainty over the IBOR reform (which is still ongoing) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above derogations apply.

The Group holds variable-rate debt instruments linked to the Euribor, the cash flow of which is hedged through interest rate swaps. The directors analysed the effects that the adoption of this amendment might have on the Group's consolidated financial statements. No material effects are expected, since – as in 2019 the Euribor was deemed compliant with the EU Benchmarks Regulation by the FSMA (the regulator of reference of its provider €MMI) – this parameter is not subject to any uncertainty in terms of possible future divestment.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the date of this consolidated financial report as at 31 December 2018, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

As of the date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications on the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, in order to meet the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the capacity to create output. To this end, the IASB has replaced the term "capacity to create output" with "capacity to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create output.

The amendment also introduced an optional concentration test, which allows the presence of a business to be excluded if the price paid is essentially attributable to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.

Considering that this amendment will be applied to new acquisitions concluded on or after 1 January 2020, any effects will be recognised in the consolidated financial statements closed after that date.

• On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts to replace IFRS 4 – Insurance Contracts.

The aim of the new standard is to ensure that entities provide relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to cover all types of insurance contracts, including reinsurance contracts that an insurer holds.

The new standard also includes presentation and reporting requirements to improve comparability between entities in this sector.

The new standard measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA").

The main features of the General Model are as follows:

o estimates and assumptions of future cash flows are always current;

o the measurement reflects the time value of money;

o the estimates provide for extensive use of observable market information;

o there is a current and explicit risk measurement;

o the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and

o the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in cash flow assumptions for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity provides that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the assessment of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to take place within one year of the date of the claim.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2021 but early application is permitted only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

3. FINANCIAL RISK MANAGEMENT POLICY

Management of financial risks is an integral part of the management of the Group's activities. It is carried out centrally by the Parent Company, which defines the risk categories and indicates the operating procedures and limits for each type of transaction and/or instrument.

All instruments at fair value are classified at Level 2 as they are subject to mark-to-model valuation based on observable market parameters.

The breakdown of the financial assets and liabilities required by IFRS 7 within the categories set out in IFRS 9 is shown below:

Figures as at 31/12/2019 in thousands of euro	Notes	Effects in the income statement	Held to collect	Other	Total
(A) - Financial assets					
Current financial assets:					
Cash and cash equivalents	**15**	4	-	238,348	**238,352**
Financial receivables and other current financial assets	**14**	(64)	548		**484**
Trade receivables	**11**		4,815		**4,815**
Non-current financial assets:					
Financial receivables and other non-current financial assets	**10**	56	4,079		**4,135**

Figures as at 31/12/2019 in thousands of euro	Notes	Effects in the income statement	financial instruments held for trading	Liabilities at amortised cost	Total
(B) - Financial liabilities					
Current financial liabilities:					
Payables to banks for loans	**22**	(2,100)		(47,439)	**(49,539)**
Payables to bondholders for interest	**22**	-		(3,074)	**(3,074)**
Financial liabilities for Operating Leases	**22**			(984)	**(984)**
Financial liabilities for Financial Leases	**22**			(4,378)	**(4,378)**
Current payables for derivatives	**18**	45	(3,309)		**(3,264)**
Trade payables	**23**			(9,819)	**(9,819)**
Non-current financial liabilities:					
Non.current Payables to banks for loans	**17**	(7,506)		(175,174)	**(182,680)**
Payables to bondholders	**17**	(6,265)		(345,107)	**(351,372)**
Financial liabilities for Operating Leases	**17**			(16,248)	**(16,248)**
Financial liabilities for Financial Leases	**17**			(30,192)	**(30,192)**
Loans from minority shareholders	**17**	(169)		(12,035)	**(12,204)**
Non-current payables for derivatives	**18**	112	(8,113)		**(8,001)**

Figures as at 31/12/18 in thousands of euro	Notes	Effects in the income statement	Held to collect	Other	Total
(A) - Financial assets					
Current financial assets:					
Cash and cash equivalents	**15**	4	-	63,933	**63,937**
Financial receivables and other current financial assets	**14**	84	546		**630**
Trade receivables	**11**		3,282		**3,282**
Non-current financial assets:					
Financial receivables and other non-current financial assets	**10**	11	3,789		**3,800**

Figures as at 31/12/18 in thousands of euro	Notes	Effects in the income statement	Liabilities for financial instruments held for trading	Liabilities at amortised cost	Total
(B) - Financial liabilities					
Current financial liabilities:					
Payables to banks for loans	**22**	(2,171)		(57,529)	**(59,700)**
Payables to bondholders for interest	**22**	-		(2,851)	**(2,851)**
Current payables for derivatives	**18**	12	(3,299)		**(3,287)**
Trade payables	**23**			(38,734)	**(38,734)**
Non-current financial liabilities:					
Payables to banks for loans	**17**	(2,694)		(71,903)	**(74,597)**
Payables to bondholders	**17**	(13,713)		(147,373)	**(161,086)**
Loans from minority shareholders	**17**	84		(2,118)	**(2,034)**
Non-current payables for derivatives	**18**	22	(6,336)		**(6,314)**

Fair value and calculation models used

The amounts corresponding to the fair value of the classes of financial instruments broken down on the basis of the methodologies and calculation models used to determine them are shown below.

Figures as at 31/12/2019 in thousands of euro	Book value		Fair value	
	Current portion	Non-current portion	Cost	Discounted cash flow
(A) - Financial assets				
Financial receivables and other financial assets	508	-	-	508
TOTAL ASSETS	**508**	**-**	**-**	**508**

Figures as at 31/12/2019 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
(B) - Financial liabilities			
Payables to banks for loans	(47,439)	(175,174)	(218,172)
Payables to bondholders	(3,074)	(345,107)	(405,237)
Derivative instruments	(3,309)	(8,113)	(11,422)
TOTAL LIABILITIES	**(53,822)**	**(528,394)**	**(634,831)**

Figures as at 31/12/18 in thousands of euro	Book value		Fair value	
	Current portion	Non-current portion	Cost	Discounted cash flow
(A) - Financial assets				
Financial receivables and other financial assets	508	-	-	509
TOTAL ASSETS	**508**	**-**	**-**	**509**

Figures as at 31/12/18 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
(B) - Financial liabilities			
Payables to banks for loans	(57,529)	(71,903)	(149,245)
Payables to bondholders	(2,851)	(147,373)	(174,510)
Derivative instruments	(3,299)	(6,336)	(9,635)
TOTAL LIABILITIES	**(63,679)**	**(225,612)**	**(333,390)**

The fair value of equity investments recognised at cost have not been calculated since they are investments in equity instruments that do not have a market price listed on an active market, as required by IFRS 7.

The fair value of financial liabilities and interest rate swaps was determined using the forward curve for future cash flows and a riskless discount curve + spread derived from the Euribor - Swaps spot curve at 31 December 2018 and 31 December 2019. With respect to financial liabilities, the discounted cash flow method was applied to the portion of the outstanding debt at the reporting date.

Types of risks hedged

With regard to transactions in financial instruments, the Group is exposed to the following risks. From a procedural standpoint, the Board of Directors assesses each significant transaction in advance, periodically verifies the Group's risk exposure and defines market risk management policies. To this end, Alerion Clean Power S.p.A. acts directly on the market, supervising and coordinating the financial risks of Group companies; the selection of financial counterparties is oriented towards those with a high credit standing, while ensuring that concentration of exposure to these counterparties is limited.

Credit risk

The Group's receivables are mainly trade receivables arising from the supply of electricity and where appropriate, the sale of equity investments.

With regard to financial sales transactions, the Company generally deals only with well-known and reliable counterparties. The balance of receivables is monitored during the year to ensure that the amount of loss exposures is not significant. These receivables are also generally backed by collateral, and in the event of the insolvency of the counterparty, the maximum risk is equal to the book value of the corresponding asset.

Exposure to credit risk is increasingly associated with the commercial activity of electricity sales. Due to the nature of the market, exposure is strongly concentrated in a few commercial counterparties with high credit standing, whose positions are periodically monitored for compliance with payment terms.

The table below summarises the balances of trade receivables from third parties only, as none of the other financial assets described above were past due or written down at the reporting date:

Figures as at 31/12/2019 in thousands of euro

(thousands of euro)	Receivables	Gross past-due receivables				Total	Write-downs
	Net trade receivables	Within 4 months	5 to 8 months	9 to 12 months	over 12 months	Past due	Individual
Trade receivables	**4,733**	-	-	-	528	528	(528)
Trade receivables from subsidiaries	**82**	-	-	-	-	-	-
Trade receivables	**4,815**	**-**	**-**	**-**	**528**	**528**	**(528)**

Figures as at 31/12/18 in thousands of euro								
(thousands of euro)	Receivables		Gross past-due receivables				Total	Write-downs
	Net trade receivables	Within 4 months	5 to 8 months	9 to 12 months	over 12 months		Past due	Individual
Trade receivables	**3,192**	-	-	-	528		528	(528)
Trade receivables from subsidiaries	**90**	-	-	-	-		-	-
Trade receivables	**3,282**	-	-	-	**528**		**528**	**(528)**

Liquidity risk

Liquidity risk may manifest as difficulty in finding, under market economic conditions, the financial resources necessary to meet contractual obligations.
This may arise as a result of a lack of available resources to meet financial obligations according to the established terms and deadlines in the event of the sudden withdrawal of lines of finance or the possibility that the Company might have to discharge its financial liabilities before their natural maturity.

It should be recalled that on 10 May 2018, the 2018-2024 Bond Loan was issued for a total amount of €150 million, with a term of six years, at a nominal annual fixed rate of 3.75%. Part of this amount will be used to finance future investments. In addition, on 19 December 2019, the 2019-2025 Green Bond was issued for a total amount of €200 million, with a term of six years at a nominal annual fixed rate of 3.125%.

In any case, the Parent Company has sufficient available liquidity and margins on bank loans to meet temporary cash requirements.

For operating companies not refinanced following the issue of the bond, the Group's financial management activity is centralised with Alerion Clean Power S.p.A., which negotiated financing lines on behalf of its subsidiaries in the form of project financing to meet the financial needs associated with implementing investment projects in the area of renewable energy production, particularly in the wind sector, as well as short-term lines of credit from leading credit institutions. The Parent Company may also grant loans to investee companies to support their development plans and in accordance with its portfolio investment return objectives. These loans are subordinated to the repayment of medium/long-term project financing bank loans, where these exist.

Liquidity risk arising from individual investment projects is governed by maintaining an adequate level of cash and/or short-term securities that can be easily mobilised as well as short-term lines of credit. The Group also has sufficient available margins on bank loans to meet temporary cash requirements and approved investments and the theoretical risk of the return of sight lines of credit through the Group's centralised financial management.

The analysis of the maturities shown here was carried out by estimating future cash flows, the amounts of which were entered taking into account the first date on which payment may be requested. The underlying assumptions for maturity analysis are:

- cash flows are not discounted;
- cash flows are allocated in time bands on the basis of the first due date (worst case scenario) under the contractual terms;
- all instruments held at the reporting date for which payments have already been contractually designated are included; future commitments planned but not yet recognised in the financial statements are not included;
- when the amount payable is not fixed (e.g. future interest repayments), cash flows are valued at market conditions at the reporting date (current forward rates at the reporting date);
- cash flows include both the interest portion and the principal portion until the due date of the financial payables recognised at the reporting date;
- with regard to interest rate derivatives, the flows shown in the table were determined by assuming the periodic differentials between the fixed leg and the variable leg; the latter is estimated on the basis of forward rates at the balance sheet date.

			Liquidity analysis 2019 - amounts in thousands of euro								
Notes	**Instruments**	**Book values**	**sight**	**within 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**over 5 years**	**Total cash flow**
17-22	Payables to banks for loans	(207.113)	-	(18.303)	(10.469)	(29.857)	(29.658)	(28.559)	(19.835)	(93.175)	**(229.856)**
17-22	Financial liabilities for Operating Leases	(17.232)			(984)	(984)	(984)	(984)	(984)	(12.792)	**(17.712)**
17-22	Financial liabilities for Financial Leases	(34.570)		(2.598)	(2.598)	(5.250)	(5.302)	(5.355)	(12.112)	-	**(33.215)**
17-22	Payables to bondholders	(348.181)	-	(5.625)	(6.250)	(11.875)	(11.875)	(11.875)	(161.875)	(206.250)	**(415.625)**
17-22	Loans from minority shareholders	(12.035)	-	-	-	-	-	-	-	(12.035)	**(12.035)**
18	Derivative instruments	(11.422)	-	(1.316)	(1.742)	(2.944)	(2.181)	(1.486)	(818)	(1.449)	**(11.936)**
22	Payables to Banks for current accounts	(15.500)	(15.500)	-	-	-	-	-	-	-	**(15.500)**
23	Trade payables	(9.819)	-	(9.819)	-	-	-	-	-	-	**(9.819)**
	Total	**(655.872)**	**(15.500)**	**(37.661)**	**(22.043)**	**(50.910)**	**(50.000)**	**(48.259)**	**(195.624)**	**(325.701)**	**(745.698)**

Liquidity analysis 2018 - amounts in thousands of euro											
Notes	**Instruments**	**Book values**	**on demand**	**within 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**over 5 years**	**Total cash flow**
17-22	Payables to banks for loans	(112,432)	-	(11,097)	(2,733)	(16,271)	(17,242)	(17,632)	(16,836)	(84,658)	**(166,469)**
17-22	Payables to bondholders	(150,224)	-	(5,625)	-	(5,625)	(5,625)	(5,625)	(5,625)	(155,625)	**(183,750)**
17-22	Loans from minority shareholders	(2,118)	-	-	-	-	-	-	-	(2,118)	**(2,118)**
18	Derivative instruments	(9,635)	-	(1,636)	(1,682)	(2,894)	(2,168)	(1,414)	(776)	935	**(9,635)**
22	Payables to banks for current accounts	(17,000)	(17,000)	-	-	-	-	-	-	-	**(17,000)**
23	Trade payables	(38,734)	-	(38,734)	-	-	-	-	-	-	**(38,734)**
	Total	**(330,143)**	**(17,000)**	**(57,092)**	**(4,415)**	**(24,790)**	**(25,035)**	**(24,671)**	**(23,237)**	**(241,466)**	**(417,706)**

At 31 December 2019, approximately 18.8% of financial outflows associated with the Group's financial liabilities will occur by the end of the year, in line with 2018, when the ratio of financial outflows by the end of the year represented approximately 10% of total cash flows; it is therefore believed that this risk cannot have a significant impact on the Group's overall economic and financial position.

Interest rate risk

The Group is primarily exposed to financial risk arising from interest rate fluctuations. This risk mainly stems from variable-rate financial payables deriving from project financing agreements which expose the Group to a cash flow risk linked to the volatility of the Euribor curve.

The objective of management is to limit the fluctuation of financial expenses that have an impact on the income statement, containing the risk of a potential increase in interest rates. In this respect, the Group pursues its aims through the use of derivative contracts entered into with third parties (interest rate swaps) intended to predetermine or limit the change in cash flows due to market variations in the aforementioned interest rates in relation to medium/long-term debt. The use of these instruments is governed by established practices based on criteria consistent with the Group's risk management strategies.

The recognition of any hedging transactions (hedge accounting) takes place from the date of stipulation of the derivative contract until the date of its extinguishment or expiry, documenting with a specific report (hedging documentation) the risk hedged and its purpose, as well as periodically verifying its effectiveness.

In particular, the cash flow hedging methodology pursuant to IFRS 9 is adopted. According to this method, as illustrated in the section on “Valuation criteria”, the effective portion of the change in the value of the derivative changes an equity reserve, which is used to adjust the value of the income statement interest hedged when it occurs.

In the case of companies that have entered into hedging derivatives prior to joining the Group, these derivatives are recognised at their fair value at the acquisition date, as required by IFRS 3, and the relevant effective portion to be recognised in the equity reserve is determined by deducting the subsequent change in the fair value of the residual portion of the fair value existing at the date of acquisition (designation).

In the event that a hedging derivative is remodelled (as a result of changes in the future plans provided for the underlying liability or in the Group's hedging objectives), the previous reserve in place on the date of the change is released over time in line with the hedged flows and, at the same time, the new (remodelled) transaction generates the recognition of a new reserve, which is determined by deducting the subsequent change in the fair value of the residual share of the fair value existing at the date the instrument was modified.

The fair value of interest rate swaps is obtained by discounting cash flows, determined as the differential between the contractually established estimated fixed rates and variable rates. The aim of the effectiveness assessment is to demonstrate a high correlation between the technical and financial characteristics of the liabilities hedged (maturity, amount, etc.) and those of the hedging instrument by carrying out appropriate retrospective and prospective tests, respectively using the dollar offset and curve shift methods.

Specifically, these tests are carried out by identifying a hedging derivative which replicates the projected use and amortisation of the hedged liability, in relation to both actual and future uses, provided that it is highly probable (updating these values at each reference date on the basis of new information available), and presents, with reference to the same maturities, a single fixed rate consistent with the market levels applicable to the Group at the designation date.

The hedge accounting method is abandoned when the hedging instrument expires, is terminated early or no longer qualifies for hedging. At that point, the portion pertaining to the year of accumulated gains or losses of the hedging instrument recognised in shareholders' equity is transferred to the income statement for the period (while the remaining portion will be released as the hedged flows manifest in the future) or immediately released to the income statement if the future flows hedged cease to be highly probable.

Changes in the fair value of derivatives that do not qualify as hedging are recognised in the income statement for the year in which they occur; all derivatives outstanding at 31 December 2018 are classified as hedges, even though they sometimes generate ineffective components related to the cases described above (IFRS 3, remodelling, lower uses, etc.). The Group does not enter into derivative contracts for trading purposes.

Interest rate risk, mainly arising from payables to banks and linked to the volatility of the Euribor curve, was limited at 31 December 2019 due to the issue of the Bond Loan in 2018 at a fixed rate of 3.75% and the Bond Loan in 2019 at a fixed rate of 3.125% which are not affected by interest rate volatility.

Sensitivity analysis

Financial instruments exposed to interest rate risk underwent a sensitivity analysis at the date of compilation of the financial statements. At 31 December 2018, short and medium-term interest rates, at three months and six months respectively, were minimal at less than zero bps. Therefore, it was considered appropriate to use an asymmetric sensitivity analysis using a change in interest rates of +100/-25 bps to reflect the current market condition of interest rates.
The assumptions underlying the model are as follows, as specified in the liquidity analysis, for the purposes of the analysis described below:

- for bank current account exposures and loans from minority shareholders, the amount of financial income/expenses is redetermined by applying the change of +100/-25 bps, multiplied by the amounts recognised in the financial statements and by a time interval equal to the year;

- for loans with a repayment schedule, the change in financial expenses is determined by applying the change of +100/-25 bps to the borrowing rate on the loan at each re-fixing date, multiplied by the residual principal during the year;

- the change in the fair value of the interest rate swaps at the reporting date was calculated by applying the change of +100/-25 bps to the Euribor-Swap curve at the date of compilation of the financial statements. The ineffective portion of the cash flow hedge was calculated on the basis of ineffectiveness recorded at the end of the financial year. Account was also taken of the settlement of the differentials of the derivative at each date of recognition of the underlying interest rate.

figures as at 31 December 2019 in thousands of euro	**Economic result**		**Equity reserve**	
Instruments	**+ 100bp Euribor**	**-25bp Euribor**	**+ 100bp Euribor**	**-25bp Euribor**
Payables to banks for loans	(2.071)	518		
Payables to bondholders	(3.482)	870		
Loans from minority shareholders	(120)	30		
Derivative instruments	88	(22)	5.754	(1.439)
Bank current account assets	-	-		
Bank current account liabilities	(155)	39		
	(5.740)	**1.435**	**5.754**	**(1.439)**

figures as at 31 December 2018 in thousands of euro	Economic result		Equity reserve	
Instruments	+ 100bp Euribor	-25bp Euribor	+ 100bp Euribor	-25bp Euribor
Payables to banks for loans	(649)	162		
Payables to bondholders	(1.500)	375		
Loans from minority shareholders	(21)	5		
Derivative instruments	88	(22)	5.754	(1.439)
Bank current account assets	-	-		
Bank current account liabilities	-	-		
	(2.082)	**520**	**5.754**	**(1.439)**

Financial derivatives: Cash flow hedging

As indicated in the section on the management of interest rate risk, the Group enters into interest rate swaps to manage the risk arising from changes in interest rates on loans granted by financial institutions, converting most of these loans from variable rate to fixed rate.

On 31 December 2019, the Group's derivatives portfolio qualifying for hedge accounting breaks down as follows:

Counterparty (*) figures at Dec 31, 2019	Notional amount (Euro/000)	Fair value at Dec 31, 2019	Inception Date	Effective Date	Termination Date	Fixed rate	Floating rate
GE Capital (Ordona)	28.308	(3.776)	24-apr-08	30-apr-08	30-giu-25	4,84%	Euribor 6M
Monte dei Paschi di Siena (Callari)	18.242	(2.281)	24-giu-08	1-lug-08	31-dic-23	4,85%	Euribor 6M
Banco BPM (Campidano)	12.585	(19)	15-nov-19	19-nov-19	31-dic-23	0,17%	Euribor 6M
Unicredit (Green Energy Sardegna)	21.117	(1.736)	30-ott-18	31-dic-18	29-giu-35	1.23%	Euribor 6M
Unicredit (Eolica PM)	35.475	(2.576)	21-dic-18	21-dic-18	29-giu-35	1,11%	Euribor 6M
Sabadell (Teruel)	3.197	(7)	26-giu-19	26-giu-19	30-giu-21	0,21%	Euribor 6M
Sabadell (Comiolica)	13.419	(163)	26-giu-19	26-giu-19	30-giu-26	0,44%	Euribor 6M
Unicredit (Fri-el Albareto)	14.560	(864)	15-feb-19	28-giu-19	29-giu-35	0,95%	Euribor 6M
Derivative Instruments	**146.903**	**(11.422)**					
BBVA (Ecoenergia Campania)			26-giu-08	1-lug-08	reimbursed	5,05%	Euribor 6M
B.I.I.S. (New Green Molise)	18.142	(2.035)	12-mag-10	31-dic-10	30-giu-25	3,50%	Euribor 6M
Derivative Instruments relating to investments in Joint ventures	**18.142**	**(2.035)**					

(*) In case of loans from a pool of banks, the term "Counterparty" identifies the lead bank in the pool

The fair value of interest rate swaps in place at 31 December 2019 attributable to the fully consolidated companies was estimated at 11.422 thousand of euro (compared with 9.635 thousand of euro at 31 December 2018).

Net of the related tax effect, the Group cash flow hedge reserve, recognised at 31 December 2018 as 9.060 thousand of euro, was 10.114 thousand of euro at 31 December 2019.

	Company (Euro/000)	CFH Reseve at Dec 31 2019	CFH Reserve at Dec 31 2018	Changes in CFH reserve: Other changes	Changes in CFH reserve: IRS financial expenses paid during the nine months period	Changes in CFH reserve: Changes in Fair Value
	GE Capital (Ordona)	(3.632)	(4.701)	-	1.508	(439)
	Monte dei Paschi di Siena (Callari)	(2.276)	(3.206)	-	1.152	(222)
	Banco BPM (Fri-el Campidano)	(19)	-	-	-	(19)
(*)	BBVA (Ecoenergia Campania)	-	(85)	-	87	(2)
	Unicredit (Green Energy Sardegna)	(1.736)	(723)	-	313	(1.326)
(*)	B.I.I.S. (New Green Molise)	(2.035)	(2.508)	-	776	(303)
	Unicredit (Eolica PM)	(2.576)	(699)	-	-	(1.877)
	Sabadel (Alerion Teruel)	(7)	-	(7)	2	(2)
	Sabadel (Comiolica)	(163)	-	(163)	18	(18)
	Unicredit (Fri-el Albareto)	(864)	-	(864)	94	(94)
	Cash Flow Hedge Reserve - before tax	***(13.308)***	***(11.922)***	***(1.034)***	***3.950***	***(4.302)***
	Deferred tax	3.194	2.862	247	(948)	1.033
	Net Cash Flow Hedge Reserve	**(10.114)**	**(9.060)**	**(787)**	**3.002**	**(3.269)**

(*) investments in Joint ventures measured in accordance with IFRS 11

(**) CFH (Cash Flow Hedge Reserve)

The cash flow hedge reserve increased compared with 31 December 2018, with a negative effect on consolidated shareholders' equity of €1.054 million due to the settlement of the IRS coupons falling due during the year, the change in the composition of consolidation and the substantial confirmation of the rate curve at minimum values in line with those used in the FV measurement of derivatives at 31 December 2018.

Unhedged financial assets and liabilities

Currently, the Group has not hedged the following types of financial instruments:

- financial payables used to finance the Group's operating activities, consisting in particular of the payable to the financial institution DEG by the four Bulgarian companies (Krupen entities) of €2.885 million;
- sight and short-term bank deposits (maximum maturity three months), used for temporary liquidity commitments.

4. SCOPE OF CONSOLIDATION

The following table shows the scope of consolidation at 31 December 2019.

Name	Registered Office	Share capital (/000)	% ownership direct	% ownership indirect	Company directly holding indirect equity investment
Subsidiaries consolidated on a line-by-line basis					
- Alerion Cleanpower S.p.A.	Milano - Viale Majno 17	140,000	-		
- Alerion Real Estate S.r.l. in liquidazione	Milano - Viale Majno 17	90	100.00		
- Alerion Energie Rinnovabili S.p.A.	Milano - Viale Majno 17	10,000	100.00		
- Alerion Servizi Tecnici e Sviluppo S.r.l.	Milano - Viale Majno 17	100	100.00		
- Alerion Bioenergy S.r.l. in liquidazione	Milano - Viale Majno 17	19	100.00		
- Frie-el Albareto S.r.l.	Bolzano - Piazza del Grano 3	10	100.00		
- Eolica PM S.r.l.	Bolzano - Piazza del Grano 3	20	100.00		
- Green Energy Sardegna S.r.l.	Bolzano - Piazza del Grano 3	10	100.00		
- Alerion Spain S.L.	Barcellona - Carrer Car Ràbia, 3-5, 4° planta	50	100.00		
- Alerion Teruel	Barcellona - Carrer Car Ràbia, 3-5, 4° planta	10		100.00	Alerion Spain S.L.
- Comiolica	Saragozza - Paseo de la Independencia, 27, 5, 50001	2,500		100.00	Alerion Teruel S.L.
- Fri-el Campidano S.r.l.	Bolzano - Piazza del Grano 3	100	100.00		
- Fri-el Ichnusa S.r.l.	Bolzano - Piazza del Grano 3	100	100.00		
- Anemos wind S.r.l.	Milano - Viale Majno 17	100	100.00		
- Ordona Energia S.r.l.	Milano - Viale Majno 17	435	100.00		
- Callari S.r.l.	Milano - Viale Majno 17	1,000	100.00		
- Minerva S.r.l.	Milano - Viale Majno 17	14	100.00		
- Eolo S.r.l.	Milano - Viale Majno 17	750	100.00		
- Parco Eolico Licodia Eubea S.r.l.	Milano - Viale Majno 17	100	80.00		
- Dotto S.r.l.	Milano - Viale Majno 17	10	100.00		
- Wind Power Sud S.r.l	Milano - Viale Majno 17	10	100.00		
- Energes Biccari S.r.l. in liquidazione	Milano - Viale Majno 17	100		75.00	Alerion Servizi Tecnici e
- Renergy San Marco S.r.l.	Milano - Viale Majno 17	108	100.00		
- Krupen Wind S.r.l.	Milano - Viale Majno 17	10	100.00		
- Enermac S.r.l.	Milano - Viale Majno 17	40		100.00	Alerion Servizi Tecnici e
- Auseu-Borod Wind Farm S.r.l. in liquidazione	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	0,2 RON		100.00	Alerion Romania S.A.
- Alerion Romania S.A. in liquidazione	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	100 RON	95.00		
				5.00	Alerion Bioenergy S.r.l. in
- Draghiescu Partners S.r.l.	Oras Bragadiru, strada PRIMAVERII, nr.13D, Camera 5, Judet Ilfov	300 RON	100.00		
- Alerion Bulgaria OOD	Sofia - 6th Septemvri Str., 6A, Sredetz Region	50 LEV	92.50		
- Wind Energy EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2,4 LEV		51.00	Krupen Wind S.r.l.
- Wind Stream EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2,3 LEV		51.00	Krupen Wind S.r.l.
- Wind Systems EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2.3 LEV		51.00	Krupen Wind S.r.l.
- Wind Power 2 EOOD	9000 Varna, Buzludja Str. 7/9, district Odessos (loc. Krupen)	2,3 LEV		51.00	Krupen Wind S.r.l.
Joint ventures measured using the equity method					
- Ecoenergia Campania S.r.l.	Cervinara (AV) - Via Cardito, 14	100	50.00		
- New Green Molise S.r.l.	Napoli - Via Diocleziano, 107	10	50.00		
Equity investments in associates measured using the equity method					
- Giava Uno S.r.l. in liquidazione	Milano - Via Donizetti, 1	1,600	31.00		
- S.C. Compania Eoliana S.A.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	501 RON	49.75		
- Jimbolia Wind Farm S.r.l.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	1 RON		49.25	S.C. Compania Eoliana S.A.

Compared with 31 December 2018, the following should be noted:

- The change in the scope of consolidation in 2019 is attributable to:
    - the establishment of two Spanish companies wholly owned by Alerion Clean power S.p.A., i.e. Alerion Spain S.L. and Alerion Teruel S.L., through which the shares of Comiolica S.L., which owns a wind farm in Spain of 36 MW, were acquired;
    - the acquisition of Fri-el Ichnusa S.r.l., Fri-el Campidano S.r.l. and Anemos Wind S.r.l., owners of wind farms located in Sardinia and Sicily with total installed capacity of 120 MW.
    - the merger by incorporation of Alerion Energie Rinnovabili S.p.A. into Alerion Clean Power S.p.A.
    - the establishment of Romanian company Draghiescu and Partners S.A.

NON-CURRENT ASSETS

5. INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

(in thousands of Euro)	Rights and concessions	Development costs	Patents and intellectual works	Other intangible assets	Total
Net Value as at 01.01.2018	**57.772**	**4.731**	**36**	**164**	**62.703**
Gross value					
Increases	23.989	7	7	-	24.003
Change in basis of consolidation	206	-	-	-	206
Decreases	-	-	(227)	(102)	(329)
Total change in gross value	**24.195**	**7**	**(220)**	**(102)**	**23.880**
Accumulated amortisation					
Amortisation	(3.308)	(329)	(14)	(85)	(3.736)
Elimination of amortisation provision for asset disposals	-	-	227	102	329
Total change in accumulated amortisation	**(3.308)**	**(329)**	**213**	**17**	**(3.407)**
Gross Value as at 31.12.2018	**111.440**	**7.298**	**234**	**406**	**119.378**
Amortisation provision	(32.781)	(2.889)	(205)	(327)	(36.202)
Net value as at 01.01.2019	**78.659**	**4.409**	**29**	**79**	**83.176**
Gross value					
From business combinations	67.839	-	217	1.966	70.022
Increases	920	6.409	54	-	7.383
Decreases	(1.805)	-	(12)	(479)	(2.296)
Total change in gross value	**66.954**	**6.409**	**259**	**1.487**	**75.109**
Accumulated amortisation					
From business combinations	-	-	-	-	-
Amortisation	(2.407)	(13)	(3)	(1.950)	(4.373)
Elimination of amortisation provision for asset disposals	(5.458)	(359)	(21)	(44)	(5.882)
Total change in accumulated amortisation	**(7.865)**	**(372)**	**(12)**	**(1.532)**	**(9.781)**
Gross value as at 31.12.2019	**178.394**	**13.707**	**493**	**1.893**	**194.487**
Amortisation provision	(40.646)	(3.261)	(217)	(1.859)	(45.983)
Net value as at 31.12.2019	**137.748**	**10.446**	**276**	**34**	**148.504**

Rights and concessions came to €137,771 thousand (€78,659 thousand at 31 December 2018) and refer to the permits and management rights for wind farms recognised through the acquisition of equity investments in project companies.

The increase of €64,469 thousand before the effect of amortisation during the year was due to the change in the scope of consolidation and the simultaneous allocation to "rights and concessions" of the difference between the consideration for the transaction or its fair value and the value of the net assets acquired as a result of the entry into the composition of consolidation of the wind farms acquired during the year, and in particular:

- The 36 MW La Loma wind farm (Comiolica S.L.) which entailed the recognition of rights and concessions of €25,601 thousand;
- The 70 MW Campidano wind farm (Fri-el Campidano S.r.l.) which entailed the recognition of rights and concessions of €38,299 thousand, the same as the amount recognised in the parent company's financial statements using the method currently applicable for accounting for business combinations under common control; and
- The 50 MW Regalbuto wind farm (Anemos Wind S.r.l.) which entailed the recognition of rights and concessions of €25,601 thousand.

Development costs came to €10,446 thousand (€4,409 thousand at 31 December 2018) and mainly relate to costs incurred in connection with feasibility studies, design studies, anemometric analyses and other costs relating to wind power projects under development and implementation. These costs were capitalised in accordance with IAS 38 and amortised as of the entry into operation of the plants to which they relate, based on the useful life of the relevant project. The increases in the year mainly relate to the wind farms contributed in the previous year, which, in 2019, ended the construction period and began depreciating.

6. IMPAIRMENT TESTING OF TANGIBLE AND INTANGIBLE ASSETS

In accordance with the requirements of IAS 36, an impairment test was conducted, approved by the Board of Directors on 18 March 2020, to determine whether tangible and intangible assets with a finite useful life, with a particular focus on intangible assets, are recognised in the financial statements as at 31 December 2019 at a value not exceeding their recoverable value through use. To this end, net intangible assets valued at €109.4 million and and net property, plant and equipment of €321.2 million relating to existing CGUs were tested.

(in thousands of euro)	**31.12.19**	**Impairment Test**	**Difference**
Intangible assets with a finite useful life	148,504	109,391	39,113
Property, plant and equipment	415,325	321,167	94,158
Total	**563,829**	**430,558**	**133,271**

The following table shows the carrying amounts of the CGUs subject to impairment testing.

CGU - Plants	Company	Carrying amount tested
Albanella	Eolo S.r.l.	4,662
Ciorlano	Dotto S.r.l.	15,469
Monte Petrasi	Wps S.r.l.	40,149
Callari	Callari S.r.l.	31,506
Ordona	Ordona S.r.l.	35,226
Calstel di Lucio	Minerva S.r.l.	25,452
Licodia Eubea	P. E. Licodia S.r.l.	26,923
Renergy San Marco	Renergy San Mar	42,507
Eolica PM	Eolica PM S.r.l.	75,477
Green Energy Sardegna	Green Energy Sar	42,612
Albareto	Fri-el Albareto S.	29,160
Comiolica	Comiolica S.L.	51,099
Krupen	Krupen	10,315
Total		**430,558**
CGU - Plants not fully consolidated		
Lacedonia	Ecoenergia S.r.l.	4,774
San Martino in Pensilis	New Green Molis	32,743
Total		**37,517**

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication of impairment, the entity must estimate the recoverable amount of the asset.

Accordingly, when assessing the existence of an indication that an asset may be impaired, information from sources both internal and external to the Group has been taken into account. With reference to the individual CGUs identified, potential impairment indicators have been identified in medium/long-term price scenarios. The fact that Alerion Clean Power’s net book value is greater than its market capitalisation at the balance sheet date was also considered as an impairment indicator.

The recoverable amount of these assets was estimated by determining their economic value, based on the cash flows that the assets are able to generate. These cash flows must be valued at the individual asset level or, if this is not possible, at the level of the cash generating unit (CGU) to which the asset belongs.

On the basis of the strategic and organisational choices made by the Group, reference was made in testing these assets to the individual projects/plants, each of which is identifiable with a company. These companies represent the smallest identifiable cash-

generating units, as the assets tested for impairment are not able to generate cash inflows independent of those arising from other assets or groups of assets owned by individual companies.
The values tested for impairment do not include assets relating to the operating companies Fri-el Campidano S.r.l. and Anemos Wind S.r.l., which were acquired by the Group during the year. The value of these companies was verified during the year as they were accounted for at fair value at the acquisition date when they were first consolidated and therefore no indicators of a possible loss of value emerged.

The economic value of the assets of the various operating companies was estimated using a cash flow plan determined according to the expected economic life of the various assets.
Given the particular type of business, which involves investments with returns over the medium term and cash flows over a long-term time horizon, the plan period is more than five years. In particular, in order to determine the recoverable value of the wind farms, the present value of operating cash flows - which take account of investment levels suitable for maintaining the operational efficiency of the plants - was estimated on the basis of the duration of the individual concessions of the various projects, on average 29 years after the start of production.

The cash flow projections are based on the following assumptions:

- expected production of wind farms based on the historical productivity averages of individual farms;
- expected selling prices extrapolated from market projections for the electricity price curve. With regard to incentives, however, account was taken of the regulatory requirements for the sector;
- production costs deriving from historical analyses or standard costs of comparable initiatives;
- investments to ensure the normal operation of plants (refitting) assumed on the basis of internal estimates;
- terminal value: the sale value estimated by discounting net cash flows after the explicit period of 20 years, reduced by 20%.

The individual plans of the operating companies have been approved by the Sole Director of the related operating companies or by the Board of Directors, where present.

The resulting flows, calculated net of tax, were then discounted at a rate representative of the weighted average cost of capital (WACC) invested in the business combination being valued. This rate was 4.84% for CGUs in Italy (5.09% at 31 December 2018) and 4.53% for CGUs in Spain, also calculated net of tax.

It should be noted that the analyses conducted resulted in the writing down of intangible assets relating to the Albenella and Ciorlano wind farms for the purposes of compiling the financial statements for the year ended 31 December 2019, for €90,000 and €1.715 thousand, respectively, before tax.

Sensitivity analysis

The result of impairment testing is derived from information currently available and reasonable estimates of, *inter alia*, trends in wind, electricity prices, production costs and interest rates. In this context, a sensitivity analysis was conducted on the recoverable value of the various CGUs, assuming a reduction in electricity selling prices and an increase in the discount rate. In particular, with regard to the volatility of electricity prices which has characterised the electricity market in recent years, the following sensitivity analyses were carried out with regard to the "base case", with electricity prices 5% lower and a discount rate 0.5 percentage points higher.

In particular, it should be noted that:

- in the event of a 5% reduction in electricity prices throughout the duration of the plan, the carrying value of these assets would decrease by approximately €3.3 million (instead of the recorded decrease of 1.8 million which he considers the "base case");

- following a 0.5 percentage point increase in the discount rate, the book value of the assets would decrease by around €2.7 million (instead of the recorded decrease of 1.8 million which he considers the "base case").

The analyses listed above which, in response to even minimal variations in energy prices and the discount rate, might have an impact on the book value of the assets - albeit limited to specific wind farms, namely Albanella, Ciorlano and Monte Petrasi - confirm the high sensitivity of assessments of the recoverability of non-current assets subject to impairment testing to the change in the variables cited. In this context, the Directors systematically monitor the performance of these exogenous and uncontrollable variables in order to promptly identify any adjustments to the estimates of recoverability of the carrying amounts of these assets in the consolidated financial statements.

Furthermore, since in light of the current situation of uncertainty regarding the future trend of the economic scenario following the spread of the Coronavirus COVID-19, it was not currently possible to reliably define alternative scenarios based on reasonable assumptions, demonstrable and supported by evidence numerically, the evaluation and estimation processes relating to the assessment of the recoverable value of non-current assets were based on the most recent budgets and multi-year plans which consider the internal and market assumptions previously defined as the heightening of this emergency. The worsening of the economic scenario due to the effect of the Coronavirus COVID-19 was considered in the development of sensitivity analyses, conducted considering, in particular, a reduction in energy prices in the short term or an increase in the discount rate (WACC). This scenario, however characterized by a high degree of uncertainty in the estimates, would not lead to worse results than what would emerge considering the sensitivity assumptions defined above. In any case, it should be noted that a reduction in electricity prices would be partially mitigated in the following year by the recalculation of the increase in the incentive tariff recognized by the GSE, where applicable, due to the construction of the formula for determining the tariff itself.

7. BUSINESS COMBINATIONS

Acquisition of Comiolica S.L.

On 26 June 2019, Alerion Clean Power S.p.A. acquired, through its subsidiaries Alerion Spain SL and Alerion Teruel SL, 100% of Comiolica S.L., which owns an operating wind farm in Spain (in the municipality of Aliaga, province of Teruel) with installed capacity of 36 MW (12 turbines of 3 MW).

In accordance with IFRS 3, the disclosure required for business combinations is provided below.

The price of the transaction was approximately €41,131 thousand, including €25,400 thousand to purchase the shares and the remainder to repay the shareholders' loan. The transaction was partly financed using own resources and partly through a project financing loan agreement of €23,500 thousand entered into with a pool of Spanish banks (Banco Sabadell and Abanca). As part of this deal, Alerion also acquired an option to purchase another 50 MW wind power project in Spain which is in the process of being authorised.

The consideration paid for the shares of the company and the financial receivables of the vendors from the acquiree were not subject to price adjustment on the basis of the net financial position or the occurrence of significant events that could influence the value of the acquiree at the date of execution of the transaction. The consideration was paid in full to the vendors on the date of execution of the respective contracts.

The recognition of the business combination has been determined provisionally as the process of estimating and measuring the assets and liabilities of the acquiree has not yet been completed at the date of this financial report.

As required by IFRS 3, after identifying and assessing the assets acquired, the value of the business combination will be determined within 12 months and therefore no later than the publication of the condensed consolidated half-year financial statements as at 30 June 2020.

Entities participating in the business combination

The entities forming part of the business combination are: Alerion Teruel, as the acquiring entity, and Comiolica, which owns an operating wind farm in Spain (in the municipality of Aliaga in the province of Teruel) with installed capacity of 36 MW (12 turbines of 3 MW). The Alerion Group gained control of Comiolica as a result of the transaction, acquiring 100% of the share capital of €2.5 million.

Name	Share capital (€/000)	% ownership	Company directly holding indirect equity investment
Comiolica S.L.	2,500	100%	Alerion Teruel S.L.

Consideration transferred to the business combination

The consideration transferred to the business combination attributable to the Alerion Group was €41,131 thousand. The details are as follows:

Consideration transferred for business combination	
Shares acquired by the counterparty	*25,400*
Receivables from the counterparty in respect of Comiolica	*15,731*
Total consideration transferred for business combination	**41,131**
Consideration transferred for business combination	**41,131**
Consideration paid at 26 June 2019	*41,131*

Designation of assets acquired and liabilities assumed as identified in the business combination.

When these fair values were determined, the following were recorded on the acquisition date:

Net assets at the date of acquisition of control, 26 June 2019	Net assets at acquisition date	Fair value allocated recognised at acquisition date	Fair value of net assets acquired
Intangible assets - Concessions	191	25,601	25,792
Property, plant and equipment	25,012	0	25,012
Trade and other receivables	452	0	452
Current financial receivables	316	0	316
Prepaid tax assets	0	0	0
Cash and other current securities	4,821	0	4,821
Deferred taxes	(1,574)	(6,400)	(7,974)
Provision for risks	(1,218)	0	(1,218)
Payables to shareholders	(15,731)	0	(15,731)
Payables to financial institutions	(5,423)	0	(5,423)
Trade payables	(200)	0	(200)
Current and non-current payables	(447)	0	(447)
Non-controlling interests	-	-	-
Fair value of net assets acquired	**6,199**	**19,201**	**25,400**

For each asset or liability identified at fair value, the respective tax effects between deferred tax assets and the provision for deferred tax liabilities were also recognised.

The income approach – one of three different valuation methods allowed by IFRS 3 – was used to determine the fair value of the intangible assets. This approach identifies the fair market value as the present value of the income flows attributable to the asset. The value attributed to the intangible assets at the acquisition date was €19,654 thousand.

Since the acquisition of control of Comiolica was completed near the end of the first half of 2019, it made economic contribution to the Group's consolidated income statement throughout the second half of the year.

As mentioned above, the consideration transferred to the business combination and the net fair value of the assets acquired were determined on a provisional basis. The respective values, which will be determined during final accounting, could therefore differ significantly from the values attributed during provisional accounting.

As required by IFRS 3, the economic data of the acquired subsidiary are reported below as if the acquisition had occurred on 1 January 2019:

(in thousands of euro)	Included in the 2019 Consolidated Financial Statements	12 months 2019	12 months 2018
Revenues	**3,992**	**8,719**	**8,842**
Cost of human resources	(97)	(515)	(458)
Other operating costs	(999)	(1,830)	(2,128)
Operating costs	**(1,096)**	**(2,345)**	**(2,586)**
Gross operating margin (EBITDA)	**2,896**	**6,374**	**6,256**
Depreciation, amortisation and write-downs	(1,303)	(1,988)	(2,881)
Operating profit (EBIT)	**1,593**	**4,386**	**3,375**
Financial income (expenses)	(359)	(389)	(785)
Profit before tax (EBT)	**1,234**	**3,997**	**2,591**
Taxes	(315)	(350)	(652)
Net result	**919**	**3,647**	**1,939**
Profit (loss) attributable to non-controlling interests	0	0	0
Net result attributable to the Group	**919**	**3,647**	**1,939**

Acquisition of Fri-el Ichnusa S.r.l.

On **1 August 2019**, the Group acquired from the shareholder Fri-El Green Power S.p.A. 100% of the share capital of Fri-el Ichnusa S.r.l., which holds 100% of the share capital of Fri-el Campidano S.r.l., which owns a wind farm consisting of 35 wind turbines with total installed capacity of 70 MW. The farm, which has been operating since September 2008, is in Sardinia.

The total consideration for the acquisition is €64.1 million, including €59.7 million to purchase 100% of the share capital of Friel Ichnusa and €4.4 million to purchase the receivables associated with the shareholders' loan. The purchase price, €15 million of which will be paid when the transaction is closed, with the remainder due by and no later than 1 August 2022, is entirely financed with own resources.

As a related party transaction, the transaction was submitted in advance to the Company's Related Party Transactions Committee, which approved it on the basis of a number of factors including its economic substance and a fairness opinion issued by an independent expert on 1 August 2019 concerning the fairness of the acquisition price.

On **17 December 2019**, the Board of Directors approved the early repayment of the balance due for the purchase of shares in Fri-el Ichnusa S.r.l.

The consideration paid for the company's shares and the financial receivables due from the sellers to the company acquired and was not subject to a price adjustment procedure based on the net financial position or the occurrence of significant events capable of influencing the value of the company subject to the acquisition on the date of execution of the transaction. The consideration was paid in part to the sellers on the date of execution of the respective contracts and subsequently completed in several tranches the last paid on December 17, 2019.

Entities participating in the acquisition - under common control

The entities forming part of the acquisition are: Alerion Cleanpower S.p.A., as the acquiring entity, and the company Fri-el Ichnusa S.r.l. which holds 100% of the share capital of Fri-el Campidano S.r.l., owner of a wind farm consisting of 35 wind turbines for a total installed capacity of 70 MW. The park, already operational since September 2008, is located in Sardinia. Following the transaction in question, the Alerion Group obtained control of the company Fri-el Ichnusa S.r.l. acquiring 100% of the share capital of € 10 thousand.

Name	Share capital (€/000)	% ownership	Company directly holding indirect equity investment
Fri-el Ichnusa S.r.l.	10	100%	Alerion Cleanpower S.p.A:
Fri-el Campidano S.r.l.	100	100%	Fri-el Ichnusa S.r.l.

Fee transferred for the acquisition under common control

The consideration transferred for the purchase of the shares pertaining to the Alerion Group is equal to 64,120 thousand euros. Details are provided below:

Consideration transferred for business combination	
Shares acquired by the counterparty	59,719
Receivables from the counterparty in respect of Comiolica	4,401
Total consideration transferred for business combination	**64,120**

Consideration transferred for business combination	**64,120**
Consideration paid at 1 August 2019	15,000
Consideration paid after the acquisition date	24,479
Consideration paid at 17 december 2019	24,641

Designation of acquired assets and net acquired liabilities

When determining the fair values, the following was noted with reference to the acquisition date:

Fair value allocated recognised at acquisition date	
Consideration transferred for business combination at acquisition date	59,719
Adjustment price	-
Non controlling interests	-
Total consideration transferred for business combination	**59,719**
Fair value of net assets acquired	**59,719**
Fair value allocated recognised at acquisition date	**38,200**

The transaction is considered a "business combination under common control" and has been accounted for in continuity of values with respect to what is entered in the consolidated financial statements of the parent company Fri-el Green Power SpA at the time of acquisition of control in the company. The transferred values include intangible assets allocated to the item Authorizations upon first consolidation in the consolidated financial statements of the parent company equal to 38,200 thousand Euro.

Since the acquisition of control of Fri-el Ichnusa was completed near the conclusion of the first half of 2019, the Group's consolidated income statement benefited from the economic contribution for the entire second half of the year.

As required by IFRS 3, the economic data of the subsidiary being acquired included in the 2019 consolidated financial statements and the economic data as if the acquisition had taken place on January 1, 2019 are shown below:

(in thousands of euro)	Included in the 2019 Consolidated Financial Statements	12 months 2019	12 months 2018
Revenues	**8,936**	**19,150**	**18,217**
Cost of human resources	0	0	0
Other operating costs	(1,671)	(3,108)	(4,129)
Operating costs	**(1,671)**	**(3,108)**	**(4,129)**
Gross operating margin (EBITDA)	**7,265**	**16,042**	**14,088**
Depreciation, amortisation and write-downs	(2,879)	(5,758)	(5,498)
Operating profit (EBIT)	**4,386**	**10,284**	**8,590**
Financial income (expenses)	(2,339)	(3,483)	(1,864)
Profit before tax (EBT)	**2,047**	**6,801**	**6,726**
Taxes	(917)	(2,143)	(1,816)
Net result	**1,130**	**4,658**	**4,910**
Profit (loss) attributable to non-controlling interests	0	0	0
Net result attributable to the Group	**1,130**	**4,658**	**4,910**

Acquisition of Anemos Wind S.r.l.

On **23 September 2019**, Alerion won a competitive procedure for the sale of the entire share capital of Anemos Wind S.r.l., which owns an operating wind power plant in the municipality of Regalbuto (EN) in Sicily, comprising 20 Nordex 2.5 MW wind turbines with total capacity of 50 MW. Alerion won the auction process with a bid of €32.9 million (enterprise value), including net financial indebtedness of approximately €29.4 million.

The acquisition was subsequently completed on **14 November 2019.** The acquisition price of approximately €3.5 million was entirely financed with own resources.

The consideration paid for the company's shares and the financial receivables due from the sellers to the company acquired and was not subject to a price adjustment procedure based on the net financial position or the occurrence of significant events capable of influencing the value of the company subject to the acquisition on the date of execution of the transaction. The consideration was paid in full to the sellers on the date of execution of the respective contracts.

The accounting for the business combination was determined definitively on the date of this financial report, therefore the process of estimating and evaluating the assets and liabilities of the acquired company was completed on time.

Entities participating in the business combination

The entities forming part of the Aggregation are: Alerion Clean Power S.p.A., as the acquiring entity, and the company Anemos Wind S.r.l. which owns a wind farm operating in Sicily, in the Municipality of Regalbuto (EN) consisting of 20 2.5 MW Nordex wind turbines. Following the transaction in question, the Alerion Group obtained control of the company Anemos Wind S.r.l. acquiring 100% of the share capital of € 50 thousand.

Name	Share capital (€/000)	% ownership	Company directly holding indirect equity investment
Anemos Wind S.r.l.	50	100%	Alerion Cleanpower S.p.A:

Transfer fee of the business combination

The consideration transferred from the business combination of the Alerion Group is equal to 3,500 thousand euros. Details are provided below:

Consideration transferred for business combination	
Shares acquired through competitive procedure	(3,500)
Total consideration transferred for business combination	**(3,500)**
Cash and cash equivalents at the acquisition date	**9,958**
Consideration transferred for business combination	**6,458**
Consideration paid at 14 November 2019	3,500

Designation of the acquired assets and assumed liabilities identified in the business combination.
When determining the fair values, the following was noted with reference to the acquisition date:

Net assets at the date of acquisition of control, 14 November 2019	Net assets at acquisition date	Fair value allocated recognised at acquisition date	Fair value of net assets acquired
Intangible assets - Concessions		1.569	1.569
Property, plant and equipment	38.559	0	38.559
Trade and other receivables	5.500	0	5.500
Current financial receivables	0	0	0
Prepaid tax assets	867	0	867
Cash and other current securities	9.958	0	9.958
Deferred taxes	(1.041)	(439)	(1.480)
Provision for risks	(444)	0	(444)
Payables to shareholders	0	0	0
Payables to financial institutions	(33.723)	0	(33.723)
Trade payables	(2.381)	0	(2.381)
Current and non-current payables	(1.425)	0	(1.425)
Non-controlling interests	-	-	-
Fair value of net assets acquired	**15.870**	**1.130**	**17.000**

The respective tax effects between deferred tax assets and the deferred tax liabilities fund were also recognized for each asset or liability identified at fair value.

When determining the fair value of intangible assets, one of the three different valuation methods allowed by IFRS 3 was used, specifically it was decided to adopt the Income Approach, which identifies the fair market value as the present value of the income flows attributable to the asset. At the acquisition date, the value attributed to intangible assets is equal to 1,569 thousand euros.

Bargain Purchase detected following the business combination

The comparison between the fair value of the net assets recognized at the acquisition date and the transferred consideration of the business combination showed that the auction award price, equal to 3,500 thousand euro, was lower than the fair value of the net assets acquired , equal to € 17,000 thousand, as assessed by the directors thanks to the support of an independent expert.
Therefore, the transaction led to the recognition of "good business" income which was recognized in the item "Income (charges) from equity investments and other financial assets" for the year. This income from the business combination, defined in accordance with the reference principle as a "bargain purchase", amounts to € 13,500 thousand.
As required by IFRS 3, the economic data of the subsidiary being acquired are reported below as if the acquisition had taken place on 1 January 2019:

(in thousands of euro)	Included in the 2019 Consolidated Financial Statements	12 months 2019	12 months 2018
Revenues	**1,953**	**8,801**	**11,714**
Cost of human resources	0	0	0
Other operating costs	(171)	(2,146)	(3,999)
Operating costs	**(171)**	**(2,146)**	**(3,999)**
Gross operating margin (EBITDA)	**1,782**	**6,655**	**7,715**
Depreciation, amortisation and write-downs	(475)	(2,840)	(2,840)
Operating profit (EBIT)	**1,307**	**3,815**	**4,875**
Financial income (expenses)	(143)	(937)	(726)
Profit before tax (EBT)	**1,164**	**2,878**	**4,149**
Taxes	(147)	1,207	(174)
Net result	**1,017**	**4,085**	**3,975**
Profit (loss) attributable to non-controlling interests	0	0	0
Net result attributable to the Group	**1,017**	**4,085**	**3,975**

8. TANGIBLE ASSETS

(in thousands of Euro)	Land	Building	Plant and equipment	Other assets	Assets under construction	Total
Net value as at 01.01.2018	**352**	**-**	**206.681**	**108**	**126**	**207.267**
Gross value						
Change in basis of consolidation	8	-	51	-	15.647	15.706
Other reclassifications	-	-	75	-	(75)	-
Increases	326	-	2.899	37	82.923	86.185
Decreases	-	-	(51)	(448)	-	(499)
Total change in gross value	**334**	**-**	**2.899**	**(411)**	**98.570**	**101.392**
Accumulated depreciation						
Change in basis of consolidation	-	-	-	(55)	-	(55)
Depreciation	-	-	(16.535)	(32)	-	(16.567)
Elimination of depreciation provision for asset disposals	-	-	-	451	-	451
Total change in accumulated depreciation	**-**	**-**	**(16.535)**	**364**	**-**	**(16.171)**
Gross value as at 31.12.2018	**686**	**5**	**344.341**	**863**	**98.611**	**444.506**
Depreciation provision	-	(5)	(167.084)	(833)	-	(167.922)
Net value as at 31.12.2018	**686**	**-**	**177.257**	**30**	**98.611**	**276.584**
effetcts due to the first adoptionof the IFRS 16 at 01.01.19	12.965	1.070	-	177	-	14.212
Net value as at 01.01.2019	**13.651**	**1.070**	**177.257**	**207**	**98.611**	**290.796**
Gross value						
Change in basis of consolidation	1.323	-	148.062	-	-	149.385
Other reclassifications	-	-	98.570	-	(98.570)	-
Increases due to IFRS 16 adoption	4.727		40.860	81		45.668
Increases	117	-	19.137	124	-	19.378
Decreases	-	-	(94)	(35)	-	(129)
Total change in gross value	**6.167**	**-**	**306.535**	**170**	**(98.570)**	**214.302**
Accumulated depreciation						
due to business combinations	-	-	(71.322)	(62)	-	(71.384)
Depreciation	(1.001)	(122)	(17.218)	(147)	-	(18.488)
Elimination of depreciation provision for asset disposals	-	-	99	-	-	99
Total change in accumulated depreciation	**(1.001)**	**(122)**	**(88.441)**	**(209)**	**-**	**(89.773)**
Gross value as at 31.12.2019	**19.818**	**1.075**	**650.876**	**1.210**	**41**	**673.020**
Depreciation provision	(1.001)	(127)	(255.525)	(1.042)	-	(257.695)
Net value as at 31.12.2019	**18.817**	**948**	**395.351**	**168**	**41**	**415.325**

As highlighted in the section entitled "IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019", with the adoption of IFRS 16 – Leases, new assets that essentially represent the right to use the underlying asset and liabilities that reflect the obligation to make lease payments are recognised in intangible assets. The following table shows the estimated effects at 31 December 2019 of the adoption of IFRS 16 at the transition date:

(Euro thousand)	Land (Lease Operativo)	Building (Lease Operativo)	Plant and equipment	Other assets (Lease Operativo)	Assets under construction	Total
Net book value at 01.01.19	**12,965**	**1,070**	**-**	**177**	**-**	**14,212**
Variation in the scope of consolidation	2,930		40,860			43,790
variation of the year	1,797	(94)		(54)		
Depreciation	(1,001)	(122)	0	(28)	0	(1,151)
Accumulated depreciation due to the Variation in the scope of consolidation			(2,527)			(2,527)
Net book value at 31.12.19	**16,691**	**854**	**38,333**	**95**	**-**	**55,973**

The following table shows the estimated effects at 31 December 2019 of the adoption of IFRS 16 at the transition date:

IFRS 16 operating leases effects on Consolidated Equity	**at 31.12.19**
Property, plant and equipment	17,603
Sundry receivables and other current assets	(615)
Current financial liabilities related to IFRS 16 Operating leases	(984)
Non-Current financial liabilities related to IFRS 16 Operating leases	(16,249)
Deferred tax liabilities	69
Equity investments in joint ventures measured using the equity method	(43)
Effects on Consolidated Equity	**(219)**

IFRS 16 financial leases effects on Consolidated Equity	**at 31.12.19**
Property, plant and equipment	38,333
Sundry receivables and other current assets	(1,472)
Current financial liabilities related to IFRS 16 Operating leases	(4,378)
Non-Current financial liabilities related to IFRS 16 Operating leases	(28,567)
Deferred tax liabilities	(1,081)
Effects on Consolidated Equity	**2,835**

The **Land** and **Buildings** items totalled €18,817 thousand, up by 5,166 thousand compared with 31 December 2018. The increase is entirely due to the adoption of IFRS 16.

Plant and equipment amounted to €395,351 thousand (€177,257 thousand at 31 December 2018) and included costs relating to the estimated expense of restoring the sites where the plants are located. The changes during the period mainly relate to: depreciation of €17,218 thousand; a change in the composition of consolidation in accordance with the reference accounting standard, IFRS 3 – Business Combinations, which entailed the recognition of the net amount of the wind power plants of Comiolica S.L., Fri-El Campidano S.r.l. and Anemos Wind S.r.l. of €117,600 thousand, including €40,860 thousand relating to the right to use the plant under a finance lease operated by Anemos Wind S.r.l.; and the start of the depreciation of the wind farms operated by Green Energy Sardegna S.r.l., Eolica PM S.r.l. and Fri-El Albareto S.r.l. at the end of the scheduled trial period, as a result of which a gross amount of €98.570 thousand was reclassified from "Assets under construction" to "Plant and machinery".

Other assets amounted to €168,000 (€30,000 at 31 December 2018) and mainly consisted of office furnishings and furniture and electronic office machinery.

Assets under construction amounted to €41,000 (€98.611 thousand at 31 December 2018), as a result of the reclassification of the wind farms operated by Green Energy Sardegna S.r.l., Eolica PM S.r.l. and Fri-El Albareto S.r.l. to "Plant and machinery" at the end of the scheduled testing period.

9. EQUITY INVESTMENTS IN JOINT VENTURES MEASURED USING THE EQUITY METHOD

The information required by IFRS 11 – Joint Arrangements is set out below.

At 31 December 2019, Alerion, through the subsidiary Alerion Energie Rinnovabili, held the following equity investments in joint ventures: Ecoenergia Campania S.r.l. and New Green Molise S.r.l.

Based on the governance structure and the contractual agreements, Alerion cannot control the significant activities of these 50% owned companies on its own. Decisions on activities identified as significant are taken only with the joint agreement of shareholders.

For this reason, such companies are considered and classified as joint ventures.

(€/000)	31.12.2019	31.12.2018	Change
Ecoenergia Campania S.r.l.	4,064	4,045	19
New Green Molise S.r.l.	14,383	13,783	600
Equity investments in joint ventures measured using the equity method	**18,447**	**17,828**	**619**

Ecoenergia Campania S.r.l.

With reference to the joint venture Ecoenergia Campania S.r.l, a company that owns a wind farm in Lacedonia in the province of Avellino, the following is an indication of the current and non-current assets and liabilities and costs and revenues of the investee, recognised in the consolidated financial statements of the Alerion Group as at 31 December 2019, according to the valuation of the equity investment using the equity method:

Ecoenergia Campania S.r.l. (€/000)		
	31.12.2019	**31.12.2018**
Non-current assets	9.604	10.326
Current assets	1.112	4.772
of which cash and cash equivalents	*462*	*3.260*
Total assets	**10.716**	**15.098**
Shareholders' equity	8.128	8.089
Non-current liabilities	500	3.271
of which non-current financial liabilities	*-*	*2.810*
Current liabilities	2.088	3.738
of which current financial liabilities	*(73)*	*2.136*
Total liabilities and shareholders' equity	**10.716**	**15.098**
	2.019	**2018**
Revenues	3.593	4.035
Costs	(2.438)	(2.848)
of which write-downs and depreciation	*(832)*	*(1.042)*
of which interest expense	*(212)*	*(332)*
of which income taxes	*(551)*	*(577)*
Net result	**1.155**	**1.187**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	170	102
Tax effect relating to gains/(losses) from cash flow hedges	*(41)*	*(24)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**129**	**78**
Dividends distributed	**(1.218)**	**-**
	31.12.2019	**31.12.2018**
Net assets	8.128	8.089
Percentage equity investment	50%	50%
Carrying amount of the equity investment	**4.064**	**4.045**

On 6 November 2019, the company repaid the project financing debt early, and at the same time paid the amount due to close out the derivative instrument.

In 2019, the Company initiated the procedures necessary for the early repayment of the project financing loan taken out on 5 October 2007 and subsequently modified on 3 April 2008 for a total amount of €21,978,000. On 6 November 2019, the necessary payments were made to completely extinguish the debt, which amounted to €3.730 thousand. With the early repayment of the project financing loan and the simultaneous closing out of the derivative contract to hedge expected cash flows, the cash flow hedge reserve recognised in previous years in shareholders' equity was released.

New Green Molise S.r.l.

New Green Molise S.r.l. is a company that owns a wind farm in San Martino in Pensilis in the province of Campobasso, with installed capacity of 58 MW. The following is an indication of the current and non-current assets and liabilities and costs and revenues of the investee, recognised in the consolidated financial statements of the Alerion Group as at 31 December 2019, according to the measurement of the equity investment using the equity method:

New Green Molise S.r.l. (€/000)		
	31.12.2019	**31.12.2018**
Non-current assets	67.635	67.350
Current assets	19.425	19.256
of which cash and cash equivalents	*14.794*	*13.246*
Total assets	**87.060**	**86.606**
Shareholders' equity	28.765	27.566
Non-current liabilities	45.547	44.614
of which non-current financial liabilities	*44.255*	*43.510*
Current liabilities	12.748	14.426
of which current financial liabilities	*8.771*	*12.031*
Total liabilities and shareholders' equity	**87.060**	**86.606**
	2.019	**2018**
Revenues	15.482	16.286
Costs	(11.791)	(13.245)
of which write-downs and depreciation	*(4.059)*	*(4.912)*
of which interest income	*2*	*-*
of which interest expense	*(3.275)*	*(3.614)*
of which income taxes	*(2.181)*	*(1.893)*
Net result	**3.691**	**3.041**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	938	638
Tax effect relating to gains/(losses) from cash flow hedges	*(225)*	*(153)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**713**	**485**
Dividends distributed	**(3.210)**	**(5.200)**
	31.12.2019	**31.12.2018**
Net assets	28.765	27.566
Percentage equity investment	50%	50%
Carrying amount of the equity investment	**14.383**	**13.783**

It should be noted that, as of the date of this report, New Green Molise S.r.l. has complied with the financial covenants in the respective project financing agreements.

10. EQUITY INVESTMENTS IN ASSOCIATES MEASURED USING THE EQUITY METHOD

At 31 December 2019, following the merger with subsidiary Alerion Energie Rinnovabili S.r.l., Alerion held the following equity investments directly: Giava Uno S.r.l. in liquidation and S.C. Compania Eoliana S.A. The latter, in turn, holds 99% of the share capital of Jimbolia Wind Farm S.r.l.

Giava Uno S.r.l.

Giava Uno S.r.l. in liquidation, in which Alerion holds a 31% stake, was the owner of a project to construct and manage a biomass plant with a short supply chain of 5.5 MW in Fontanella, in the province of Bergamo. The equity investment in the company was already written down in full in 2014 as construction of the plant became unfeasible and the project company was consequently placed in liquidation. The liquidation process has not yet been completed.

Compania Eoliana S.A.

Compania Eoliana S.A., in which Alerion holds a 49.75% equity investment, owns development projects in Romania deemed no longer feasible. In view of this, the value of the equity investment and the associated shareholders' loan was written off in 2016.

11. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

Financial receivables and other non-current financial assets came to €4,079 thousand (€3,789 thousand at 31 December 2018) and mainly include financial receivables from joint ventures. The change compared with 31 December 2018 was due to the reclassification to current financial assets of the bond loan obtained as part of the consideration for the sale of photovoltaic companies in 2013 (following the collection of 50% of the receivable in June 2016).

CURRENT ASSETS

11. TRADE RECEIVABLES

Trade receivables amounted to €4,815 thousand (€3,282 thousand at 31 December 2018) and mainly consist of receivables accrued on the sale of the energy produced in December 2019.

Trade receivables generally fall due in 30-45 days.

12. TAX RECEIVABLES

Tax receivables amounted to €2,352 thousand (€657 thousand at 31 December 2018) and mainly refer to IRES tax receivables (€1,346 thousand refund requested and €564 thousand for payments on account) and tax receivables (€173 thousand refund requested and payments on account of €268 thousand).

13. SUNDRY RECEIVABLES AND OTHER CURRENT ASSETS

The following table shows the breakdown of **Sundry receivables and other current assets**:

(Euro/000)	31.12.2019	31.12.2018	Change
Tax receivables	11,901	14,964	(3,063)
Other receivables	16,676	17,184	(508)
Total sundry current receivables	**28,577**	**32,148**	**(3,571)**

Receivables from tax authorities mainly consist of the portion of receivables for withholding taxes and indirect taxes (VAT) that are believed to be recoverable within one year. This portion includes a requested refund of €2,797 thousand.

Other receivables amounted to €16,676 thousand (€17,184 thousand at 31 December 2018), net of an impairment provision of €292,000, and mainly refer to receivables for incentives for €13,185 thousand (€13,751 thousand at 31 December 2018) and prepaid expenses of €1,218 thousand.

14. FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

The item includes a receivable of €548,000 relating to a bond issued by Belenergia for the payment of the balance of the acquisition of investments in photovoltaic companies in 2011. It should also be noted that there is a provision for risks of equal amount relating to a probable price adjustment on the sale of the three aforementioned photovoltaic companies for the execution of certain guarantees provided for in the sale agreement.

15. CASH AND CASH EQUIVALENTS

(Euro/000)	31.12.2019	31.12.2018	change
Bank sight deposits	238,329	63,910	174,419
Cash on hand	19	23	(4)
Total cash and cash equivalents	**238,348**	**63,933**	**174,415**

Bank deposits amounted to €238,348 thousand (€63,933 thousand at 31 December 2018).

At 31 December 2019, the bank deposits of Group companies without project financing in place amounted to €180,928 thousand. Cash and cash equivalents related to Group companies financed under the project financing scheme amounted to €46,171 thousand. They mainly consist of deposits in bank current accounts and must operate in accordance with commitments under project financing agreements.

On 12 December 2019, the 2019-2025 Green Bond had been subscribed for €197.359 thousand, equal to the value of the bonds issued of €200 thousand, less €2,641 thousand in issue costs at 31 December 2019. The cash resulting from the issue was partly used on 17 December 2019 for early repayment of the residual balance of the debt incurred on the date of acquisition of the shares of Fri-el Ichnusa S.r.l.

For further details on changes in cash and cash equivalents, see the statement of cash flows.

16. SHAREHOLDERS’ EQUITY

Shareholders' equity attributable to the Group amounted to €158,064 thousand at 31 December 2019, up €19,306 thousand compared with the €138,758 thousand recorded at 31 December 2018. The changes were as follows:

- an increase of €21,055 thousand in profit for the year attributable to the Group;
- a decrease of €38 thousand due to actuarial gains/losses from defined benefit plans (IAS 19) recognised in the consolidated statement of comprehensive income net of the tax effect;
- the purchase of treasury shares for €85 thousand;
- a decrease of €1.054 thousand due to the negative change in the fair value of derivatives on bank loans (project financing), net of the tax effect resulting from

interest rate hedging contracts activated during the year on project financing agreements signed in 2019;

- an increase of €1,141 thousand due to the positive change in the cash flow hedge reserve, net of the tax effect, contributed by Fri-El Campidano in the acquisition that took place during the year. This derivative was repaid early during the year and entailed the release of the reserve;

- a decrease of €1,713 thousand on the partial distribution of available reserves;

It should be noted that the Shareholders' Meeting of Alerion Clean Power S.p.A., held on 24 April 2019, approved the proposed distribution of a dividend to be paid out from 15 May 2019, with the detachment on 13 May 2019 of coupon no. 8, through the partial use of reserves, of €0.034 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime. The dividend was paid by the deadlines and methods established by the Shareholders' Meeting.

The statement of changes in shareholders' equity items at 31 December 2019 compared with 31 December 2018 is shown in the consolidated financial statements.

The breakdown of individual items is as follows:

- the share capital of Alerion amounted to €140,000 thousand (€186,042 thousand at 31 December 2018) and consisted of 51,209,773 ordinary shares. The change was due to the capital reduction approved by the Shareholders' Meeting of 5 September 2019, which also approved the merger by incorporation of Alerion Energie Rinnovabili S.p.A. (hereinafter "AER") under the "simplified" procedure established in Article 2505, paragraph 1 of the Italian Civil Code, i.e. the reduction in the share capital of Alerion Clean Power S.p.A., pursuant to Article 2445 of the Italian Civil Code, by the amount of €46,042,314.05, to be allocated to an available equity reserve created for the purpose named the "merger reserve". Accordingly, since the merger date (17 December 2019), the share capital is €140,000 thousand;

- the reserve for treasury shares at 31 December 2019 was negative by €1,660 thousand (negative for €1,575 thousand at 31 December 2018) and relates to the purchase value of the 844,445 treasury shares held by the Company. The reserve changed compared with the value at 31 December 2018 due to purchases of treasury shares during the year for €85,000;

- the share premium reserve amounted to €21,400 thousand, unchanged compared with 31 December 2018, and refers to: i) the share premium of €0.02 per share on the capital increase in 2003; ii) the share premium of €0.55 per share on the capital increase in 2008, net of adjustments for costs incurred related to the capital increases; and iii) the difference between the value of the purchase of the treasury shares cancelled in 2012 and their nominal value, plus purchase fees;

- The earnings reserves amounted to €8,438 thousand (negative for €58,049 thousand at 31 December 2018) and include accumulated profits/losses, net of dividends distributed. The significant increase compared with December 2018 is due to the reduction of the share capital as a result of the direct merger with the subsidiary Alerion Energie Rinnovabile S.r.l.

- the cash flow hedge reserve was negative by €10,114 thousand (negative by €9,060 thousand at 31 December 2018) and includes changes in the fair value of derivatives, net of the related tax effect for their effective portion. The positive change during the year totalled €1,054 thousand, of which €421 thousand was attributable to equity investments in joint ventures measured using the equity method. Please refer to section 3, "FINANCIAL RISK MANAGEMENT POLICY", which shows changes in the cash flow hedge reserve.

Capital, reserves and earnings of non-controlling interests totalled €2,752 thousand (€2,453 thousand at 31 December 2018).

The information required by IFRS 12 – Disclosure of Interests in Other Entities is set out below.

Company	Operational headquarters	Percentage owned		Profits (losses) on non-controlling interests		Shareholders' equity attributable to non-controlling interests	
(in thousands of euro)		31.12.2019	31.12.2018	2019	2018	31.12.2019	31.12.2018
Alerion Bulgaria AD	Bulgaria	92,50%	92,50%	(1)	(1)	(7)	(7)
Parco Eolico Licodia Eubea	Italy	80,00%	80,00%	173	(57)	918	743
Energes Biccari	Italy	75,00%	75,00%	(2)	(2)	(31)	(30)
Wind Energy EOOD	Bulgaria	51,00%	51,00%	11	(3)	543	532
Wind Stream EOOD	Bulgaria	51,00%	51,00%	44	(26)	379	335
Wind Systems EOOD	Bulgaria	51,00%	51,00%	49	(26)	448	399
Wind Power 2 EOOD	Bulgaria	51,00%	51,00%	23	29	502	481
Total				**297**	**(86)**	**2.752**	**2.453**

NON-CURRENT LIABILITIES

17. NON-CURRENT FINANCIAL LIABILITIES

(Euro/000)	31.12.2019	31.12.2018	Change
Payables to bondholders	345,107	147,373	197,734
Payables to banks for loans	175,174	71,903	103,271
Payables and liabilities for lease	46,440	-	46,440
Payables to third parties for loans	12,035	2,118	9,917
Payables to other lenders	-	-	-
Total non-current financial liabilities	**578,756**	**221,394**	**357,362**

Payables to bondholders at 31 December 2019 comprised €150,000 thousand for the 2018-2024 Bond Loan subscribed on 29 June 2018, net of €2,251 thousand for the costs incurred for the issue (the portion of the annual interest was paid on 30 June 2019) and €200,000 thousand for the 2019-2025 Bond Loan subscribed on 12 December 2019, net of €2.641 thousand for issue costs.

Payables to banks for loans amounted to €175,174 thousand at 31 December 2019 (compared with €71,903 thousand at 31 December 2018), consisting of: i) the long-term portion of the project financing loan obtained for the construction of the Villacidro, Albareto and Ponte Gandolfo wind farms by subsidiaries Green Energy Sardegna S.r.l. (€26,010 thousand), Fri-el Albareto S.r.l. (€17,976 thousand) and Eolica PM S.r.l. (€44,117 thousand), net of ancillary costs; ii) the long-term portion of the project financing loans resulting from the acquisitions completed in 2019, and specifically: Comiolica S.L. for €17,294 thousand, Alerion Teruel for €2,837 thousand and Fri-el Campidano S.r.l. for €23,633 thousand, net of ancillary costs iii) the long-term portion of the bank loan obtained by Alerion Clean Power S.p.A. in May 2019 equal to 2,687 thousand euro and iv) the long-term portion of project financing payables relating to the Ordona, Callari and Krupen plants in Bulgaria. In this regard, it should be noted compared to the previous year that the medium/long-term portion of the financial payable relating to Callari's project financing loan, amounting to approximately €17,452 thousand, was reclassified to non-current financial liabilities after a waiver was obtained from the lending banks in the second half of 2019. The portion falling due after one year relating to the Krupen plants remains reclassified to current liabilities due to non-compliance with the financial parameters at 31 December 2019.

Detailed information on current and non-current financial liabilities is provided below, indicating the interest rates applied and the relevant maturities:

(Euro/000)	at 31.12.18	Increase	(decrease)	at 31.12.19	Interest rate	IRS	maturity
Project financing - Callari	24.715	-	- 3.616	21.099	Euribor 6 months + 1,20%	4,85%	2024
Project financing - Ordona	30.317	-	- 3.256	27.061	Euribor 6 months + 1,20%	4,84%	2025
Payables to Bondholders 2018-2024	150.224	376	-	150.600	Bond coupon 3.75%	n.a.	2024
Project financing - Albareto	-	19.935	-	19.935	Euribor 6 months + 2,05 %	1,11%	2035
Project financing - Alerion Teruel	-	4.116	-	4.116	Euribor 6 months + 2,75 %	0,21%	2021
Loan Bankinter	-	3.462	-	3.462	Euribor 6 months +2,32%	n.a.	2024
Payables to Bondholders 2019-2025 Green Bond		197.582	-	197.582	Bond coupon 3.125%	n.a.	2025
Project financing - Campidano	-	30.833	-	30.833	Euribor 6 months + 1,75 %	-0,17%	2023
Project financing - Comiolica	-	17.293	-	17.293	Euribor 6 months + 2,75 %	0,43%	2028
Project financing - Eolica PM	29.387	22.749	-	52.136	Euribor 6 months + 2,05 %	1,11%	2035
Project financing - Green Energy Sardegna	24.073	4.035	-	28.108	Euribor 6 months + 2,05%	1,23%	2035
Project financing - Renergy San Marco	-	-	-	-	Euribor 6 months + 4,00 %	2,84%	2027
Project financing - W.Energy Eood	962	-	- 241	721	DEG Base + 4,75 %	n.a.	2022
Project financing - W.Power Eood	962	-	- 241	721	DEG Base + 4,75 %	n.a.	2022
Project financing - W.Stream Eood	962	-	- 241	721	DEG Base + 4,75 %	n.a.	2022
Project financing - W.System Eood	962	-	- 241	721	DEG Base + 4,75 %	n.a.	2022
Leases Financial Liabilities	-	51.802	-	51.802	Incremental debt rate 3,71%	n.a.	
Payables to Banks	17.092	-	- 1.554	15.538	Euribor 1 month + 1,0%	n.a.	on revocation
Loans from minority shareholders	2.118	10.064	-	12.182			
Other financial liabilities	-	-	-	-			
Total financial liabilities	**281.774**	**362.247**	**(9.390)**	**634.631**			
of which							
Current	**60.380**			**55.875**			
Non-current	**221.394**			**578.756**			

With regard to these loans, information is provided below on a project-by-project basis on the amount of current and non-current residual debt, technical forms used, maturity, commitments, guarantees issued to lenders and significant contractual clauses.

(€/000)				Related financial debt				
Plant	Company	Consolidated installed capacity (MW)	Net book value of assets	Book value of financial liabilities	Technical form	Maturity	Commitments and guarantees issued to lenders	Material contractual clauses
Callari (CT)	Callari S.r.l.	36.00	31,506	21,099	Proj.financing	2024	(*)	(**)
Ordona (FG)	Ordona S.r.l.	34.00	17,613	27,061	Proj.financing	2025	(*)	(**)
Castel di Lucio (ME)	Minerva S.r.l.	23.00	25,452	-	Fin. Shareholders	2022	(Itg)	(Itg)
Licodia Eubea (CT)	Parco Eolico Licodia Eubea S.r.l.	22.10	27,275	-	Fin. Shareholders	2022	(Itg)	(Itg)
San Marco in Lamis (FG)	Renergy San Marco S.r.l.	44.20	42,466	-	Fin. Shareholders	2022	(Itg)	(Itg)
Agrigento (AG)	Wind Power Sud S.r.l.	33.20	40,149	-	Fin. Shareholders	2022	(Itg)	(Itg)
Albanella (SA)	Eolo S.r.l.	8.50	4,572	-	Fin. Shareholders	2022	(Itg)	(Itg)
Ciorlano (CE)	Dotto S.r.l.	20.00	13,755	-	Fin. Shareholders	2022	(Itg)	(Itg)
Morcone e Pontelandolfo	Eolica PM S.r.l.	51.80	75,477	52,136	Proj.financing	2035	(*)	(**)
Villa Cidro (SU)	Green Energy Sardegna S.r.l.	30.80	42,612	28,108	Proj.financing	2035	(*)	(**)
Comiolica (Spagna)	Comiolica S.L.	36.00	51,099	17,293	Proj.financing	2035	(*)	(**)
Comiolica (Spagna)	Alerion Teruel S.L.	-	-	4,116	Proj.financing	2035	(*)	(**)
Albareto	Fri-El Albareto S.r.l.	19.80	29,160	19,935	Proj.financing	2035	(*)	(**)
Campidiano	Fri-El Campidano S.r.l.	70.00	53,146	30,833	Proj.financing	2023	(*)	(**)
Regalbuto	Anemos Wind S.r.l.	50.00	41,281	34,936	Leasing	2023	(*)	(**)
Krupen (1) (Bulgaria)	W.Energy Eood	3.00	2,594	721	Proj.financing	n.a.	(*)	(**)
Krupen (2) (Bulgaria)	W.Power Eood	3.00	2,570	721	Proj.financing	n.a.	(*)	(**)
Krupen (3) (Bulgaria)	W.Stream Eood	3.00	2,594	721	Proj.financing	n.a.	(*)	(**)
Krupen (4) (Bulgaria)	W.System Eood	3.00	2,594	721	Proj.financing	n.a.	(*)	(**)
		491.40	**505,915**	**238,401**				

(*) Main commitments and guarantees issued: Pledge on corporate quotas. Pledge on bank accounts, mortgage and lien

(**) Debt service cover ratio (DSCR) contractual clauses; financial leverage (debt to equity)

(ITG) At the date of disbursement of the bond, the project financing of the project companies was acquired by the Parent Company, Alerion Clean Power S.p.A.

These project financing agreements contain covenants typical of the financial market, which place limits on the company financed in line with prevailing market practice for similar agreements. In particular, it should be noted that real guarantees refer mainly to: i) the lien on movable property; ii) the first-degree mortgage on immovable property; iii) the pledge on receivables and current accounts; and iv) the pledge on 100% of the share capital.

The balances at 31 December 2019 relating to current assets attributable to Group companies financed according to the project financing scheme are shown below:

(Euro/000)	31.12.2019	Values attributable to project financed companies
Trade receivables	4.815	2.458
Tax receivables	2.352	17
Sundry receivables and other current assets	28.577	14.456
of which loans for incentive	*16.250*	*8.337*
Financial receivables and other current financial assets	548	-
Cash and cash equivalents	238.348	46.195
CURRENT ASSETS	**274.640**	**63.126**

The financed company takes on a number of **obligations to do** and **obligations not to do**, compliance with which is essential for the purposes of the loan agreement. The details are as follows:

- The **obligations to do** concern, *inter alia*, the opening of the project account and the VAT account, the endowment of own funds, the stipulation of the agreement with the network managers and insurance policies, the appointment of the director of works, the safeguarding of the plant, the notification of any event of commencement or event of termination or event of withdrawal, full compliance with the Feed-in Tariff Decree, compliance with the minimum storage level, and the recognition of the right of refusal to the lending bank in the event of refinancing.

- The **obligations not to do** concern, *inter alia*, the prohibition on the repayment of the shareholder loan (subject to the prior written consent of the lending bank, in the event that this does not permit the maintenance of a debt to equity ratio at least equal to that contractually defined), the cessation or modification of the nature of the activities carried out, the establishment of restrictions and/or encumbrances on the assets relating to the project (negative pledges) and the constitution of allocated assets.

The following table shows the **financial parameters** relating to the project financing loans for which compliance at the reporting date is already due, and which specifically mainly refer to the minimum levels required to comply with the debt service reserve account, which must not be less than the sum of the principal repayment instalments, fees and interest expenses incurred between the various half-yearly calculation dates.

Project financing loans:	DSCR (Debt Service Cover Ratio)
- Project financing - Callari	1.05
- Project financing - Ordona	1.05
- Project financing - New Green Molise (*)	1.10
- Project financing - Green Energy Sardegna	1.05
- Project financing - Eolica PM (**)	1.05
- Project financing - Fri-el Albareto (***)	1.05
- Project financing - Alerion Teruel	1.05
- Project financing - Comiolica	1.05
- Project financing - Campidano	1.05
- Project financing - Krupen	1.10

The above covenants had been complied with at 31 December 2019, the most recent calculation date, with the exception of the covenant relating to the financing of "Krupen". In this regard, it should be noted that the historical parameter of the DSCR (Debt Service Coverage Ratio) relating to the Krupen Loan as at 31 December 2019 was not respected on the basis of the financial statement results and this debt was reclassified entirely in the short term, the waiver is was obtained on March 16, 2019. With regard to the Ecoenergia Campania loan, it should be noted that the company made the repayment early, before the maturity date of 15 October 2020.

With reference to the **2018-2024 Bond Loan**, if on each calculation date the ratio of financial indebtedness (book value) excluding derivatives to shareholders' equity excluding derivatives is more than 2.5, the Company undertakes not to take on additional financial indebtedness (book value) net of derivatives, unless on the next Calculation Date the ratio is equal to or less than 2.5. The "Calculation Date" is 31 December of each year for the term of the loan, starting on 31 December 2018. Note that the definition and calculation of financial indebtedness (book value) excluding derivatives and shareholders' equity excluding derivatives will be made on the basis of the international accounting standards in force at the date of disbursement of the bond loan and already used by the Company to prepare the 2018 annual financial report, not including the new IFRS 16 standard.

With reference to the **2019-2025 Bond Loan**, if on each calculation date, the ratio of financial indebtedness (book value) net of derivatives to shareholders' equity net of derivatives is more than 2.5, the Company undertakes not to take on additional financial indebtedness (book value) net of derivatives, unless on the next calculation date the ratio is equal to or less than 2.5. The "Calculation Date" is 31 December of each year for the term of the loan, starting on 31 December 2019. Note that the definition and calculation of financial indebtedness (book value) excluding derivatives and shareholders’ equity excluding derivatives will be made on the basis of the international accounting standards in force at the date of disbursement of the bond loan and already used by the Company to prepare the 2019 annual financial report.

As of today, on the basis of the simulations carried out, the financial parameters relating to the Company's bonds are respected.

Lease payables and liabilities relate to the present value of the portion due after 12 months of future lease payments recognised according to the IFRS 16 lease accounting model. Financial lease payables refer entirely to the lease contract concerning the Regalbuto plant.

Payables to third party shareholders for loans refer to loans granted by minority shareholders in relation to the development of wind farms. The 9,917 thousand euro increase in the item is entirely related to the disbursement by SIMEST of a shareholder loan of 9,851 thousand, net of ancillary costs of 100 thousand euro in support of the development of Alerion in Spain. In particular, the investment of SIMEST, made in a mixed form between share capital increase and shareholder loan for a total of 10 million euros, is aimed at supporting Alerion, through its local subsidiary Alerion Spain, in the acquisition, already completed on June 26, 2019, by Comiolica SL Following the capital increase in the holding of the activities in Spain, SIMEST holds a 49% stake in Alerion Spain, a company of which Alerion Clean Power maintains control with 51% of the share capital. Considering that in essence the SIMEST transaction is configured as a financing transaction and considering the presence of a "put" option exercisable by the counterparty, the Group considered SIMEST as a lender and, for the purposes of consolidating Comiolica, it did not revealed minority interests in the consolidated financial statements.

18. DERIVATIVES

At 31 December 2019, derivatives in the financial statements totalled €11,422 thousand (€9,635 thousand at 31 December 2018), of which the current portion of €3.309 thousand represents cash flows falling due within one year, while the non-current portion of €8.113 thousand includes future cash flows until the end of the derivative contract corresponding to the repayment of the project financing loan.

At 31 December 2019, the following financing operations were in place, for which cash flow hedges were activated:

Company (Euro/000)	Project financing hedged by IRS	Notional amount of derivative	Fair value of derivative instruments at Dec 31, 2019	Portion in Equity	Portion in P&L	Fair value of derivative instruments at Dec 31, 2018
GE Capital (Ordona)	27.061	28.308	(3.776)	1.069	77	(4.922)
Monte dei Paschi di Siena (Callari)	21.099	18.242	(2.281)	930	10	(3.221)
Banco BPM (Campidano)	30.833	12.585	(19)	(19)	-	-
Unicredit (Green Energy Sardegna)	28.108	21.117	(1.736)	(1.013)	10	(733)
Unicredit (Eolica)	52.136	35.475	(2.576)	(1.877)	60	(759)
Sabadel (Alerion Teruel)	4.116	3.197	(7)	(7)	-	-
Sabadel (Comiolica)	17.293	13.419	(163)	(163)	-	-
Unicredit (Fri-el Albareto)	19.935	14.560	(864)	(864)	-	-
Effect of Derivative Instruments	**200.581**	**146.903**	**(11.422)**	**(1.944)**	**157**	**(9.635)**
Tax effect			***2.745***	***469***	***(38)***	***2.314***
Effect of Derivative Instruments net of tax effects			**(8.677)**	**(1.475)**	**119**	**(7.321)**
BBVA (Ecoenergia Campania)*	-	-	-	85	-	(85)
B.I.I.S. (New Green Molise)*	21.457	18.142	(2.035)	473	-	(2.508)
Effect of Derivative Instruments relating to investments in Joint ventures	**21.457**	**18.142**	**(2.035)**	**558**	**-**	**(2.593)**
Tax effect			***486***	***(137)***		***623***
Effect of Derivative Instruments relating to investments in Joint ventures net of the tax effects			**(1.549)**	**421**	**-**	**(1.970)**

The Group enters into interest rate swaps to manage the risk arising from changes in interest rates on project financing loans contracted with several banking syndicates and, at the latter's request (a condition for entering into project financing transactions) converting investment finance lines from variable rates to fixed rates. At the reporting date, contracts were outstanding for a notional amount of approximately €146,903 thousand, setting interest at an average IRS rate of approximately 4% over an average period of 15 years. The change in fair value compared with December 2018 is negative, firstly due to the effect of new hedges associated with project financing underwritten in the last 12 months for the construction and acquisition of new wind farms, and secondly due to the ongoing situation on the financial markets, still adversely affecting the measurement of derivatives, which reflect the negative difference between the IRS rate curve and the forward rate curve.

Note that the change in the fair value of derivatives relating to joint ventures was a positive €421 thousand compared with December 2018, recognised directly in the statement of comprehensive income, net of the tax effect. Overall, the liabilities for derivatives attributable to the two equity investments in question amounted to €2,035 thousand at 31 December 2019, compared with €2,593 thousand at 31 December 2018.

The fair value of interest rate swaps at 31 December 2019 is estimated at €11,422 thousand (€9,635 thousand at 31 December 2018) for the fully consolidated companies. The methodology applied to calculate fair value is the discounted cash flow model. These derivatives are designated as hedging instruments for future cash flows and have been effective; consequently, changes in fair value have been recognised in an equity reserve . The ineffective portion has been recognised in the income statement.

19. POST-EMPLOYMENT BENEFITS AND OTHER STAFF-RELATED PROVISIONS

These came to €690 thousand (€982 thousand at 31 December 2018) and include the actuarial value of the Group's effective debt to all employees determined by applying the IAS 19 criteria. The actuarial assumptions used to establish the provision are summarised below:

Calculation date	**31/12/2019**
Mortality rate	Tavole IPS55
Invalidity rates	Tavole INPS-2000
Staff rotation rate	2,00%
*Discount rate**	0,79%
Salary accrual rate	1,00%
Advances rate	1,00%
Inflation rate	0,80%

The Group had 29 employees at 31 December 2019. The breakdown is shown below:

	Number at 31.12.2018	Increases	Decreases	Number at 31.12.19	Average number in period
Executives	3	0	(1)	2	2,8
Middle managers and office workers	24	7	(4)	27	24,0
Total employees	**27**	**7**	**(5)**	**29**	**26,8**

Note that three people have been hired for the newly-formed department for wind energy development at its Potenza headquarters in Italy.

The following table indicates average age of personnel and educational level:

	Average age		Graduates	
	al 31.12.2018	al 31.12.2019	al 31.12.2018	al 31.12.2019
Executives	52	35	3	2
Middle managers and office workers	38	36	12	11
Total	**45.0**	**35.5**	**15**	**13**

20. PROVISIONS FOR FUTURE RISKS AND CHARGES

(Euro/000)	31.12.2019	31.12.2018	change
Provision for taxes and tax disputes	3,972	3,467	505
Provision for legal disputes	160	167	(7)
Provisions for other risks	12,399	6,565	5,834
Total provisions for future risks and charges	**16,531**	**10,199**	**6,332**

The changes in **provisions for future risks and charges** are as follows:

(Euro/000)	Taxes and tax disputes	Legal dispute risks	Provisions for other risks	Total
Number as at 31 December 2018	**3,467**	**167**	**6,565**	**10,199**
Change in basis of consolidation	-	-	516	516
Accrued	710	17	5,318	6,045
(Used/Released)	(205)	(24)	-	(229)
Number as at 31 December 2019	**3,972**	**160**	**12,399**	**16,531**

Taxes and tax disputes include accruals relating to the higher ICI/IMU municipal tax recalculated mainly on the basis of the receipts redetermined by the Regional Agency.

The provision for legal disputes is recognised for legal expenses relating to outstanding disputes and reflects the updated estimate of risks on lawsuits at 31 December 2019.

The provisions for other risks item mainly includes:

- plant dismantling costs of €10,189 thousand (€5,758 thousand at 31 December 2018). Of the increase, €3,2467 thousand is due to the change in the scope of consolidation following the acquisition of 100% of shares of Comiolica S.L., Fri-El Campidano S.r.l. e Anemos Wind S.r.l.. In accordance with IAS 16 and IAS 37, the provision for charges recognised for the restoration of the site where the wind farms operate has been adjusted for an amounting of 1,183 thousand, reflected also in the property, plant and equipment;

- a probable adjustment of electricity sales prices envisaged by the incentive legislation of the Spanish wind sector, where the subsidiary Comiolica SL operates, for 1,088 thousand euro;

- a probable price adjustment on the sale of three photovoltaic companies for the execution of certain guarantees provided for in the sale agreement for €509 thousand;

- other provisions covering probable future risks of €613 thousand.

21. SUNDRY PAYABLES AND OTHER NON-CURRENT LIABILITIES

These came to €8,549 thousand (€3,242 thousand at 31 December 2018) and refer to the contribution required pursuant to Law 488/92 and to the P.O.R. contribution made respectively for the construction of the Albanella, Agrigento and Campidano wind farms. The increase in the item during the year is a consequence of the acquisition of Fri-El Campidano S.r.l. and the debt for the contribution pursuant to law 488/92 made by the same.

CURRENT LIABILITIES

22. CURRENT FINANCIAL LIABILITIES

(Euro/000)	31.12.2019	31.12.2018	Change
Current payables for bank loans and lines	47,439	57,529	(10,090)
Payables to bondholders	3,074	2,851	223
Payables and liabilities for lease	5,362	-	5,362
Total current financial liabilities	**55,875**	**60,380**	**(4,505)**

Current payables for loans and lines of credit were €47.439 thousand and mainly include the short-term portion of project financing loans for the following plants: i) Ordona (€3.953 thousand); ii) Callari (€3.647 thousand), with the medium/long-term portion reclassified to non-current financial liabilities following the waiver by the banks; iii) Albareto (€1.959 thousand); iv) Pontelandolfo (€8.019 thousand); v) Villacidro (€2.037 thousand); vi) Krupen (€969,000) relating to the entire project financing loan, vii) the corporate loan with Bankinter (€775,000) and viii) €15.536 thousand for lines of credit.

The **payables to bondholders** at 31 December 2019 of €3.074 thousand relate to the value of the interest on the 2018-2024 Bond Loan and the 2019-2025 Bond Loan accrued during the year and not yet due.

Lease payables and liabilities relate to the present value of the portion due within 12 months of future lease payments recognised according to the IFRS 16 lease accounting model.

23. CURRENT TRADE PAYABLES

Trade payables came to €9,819 thousand (€38,734 thousand at 31 December 2018) and relate to payables to suppliers. They do not generate interest and are normally settled at 60 days. The decrease in the item is due to the completion of the construction of the wind farms which had been in progress during the 2018 financial year. The works were being concluded at 31 December 2019.

24. TAX PAYABLES

Tax payables came to €3,971 thousand (€582 thousand at 31 December 2018) and mainly relate to current tax payables for IRES.

(Euro/000)	31.12.2019	31.12.2018	change
Tax payables for IRAP (regional production tax)	219	163	56
Tax payables for IRES (corporate income tax)	3,752	419	3,333
Total tax payables	**3,971**	**582**	**3,333**

25. SUNDRY PAYABLES AND OTHER CURRENT LIABILITIES

(Euro/000)	31.12.2019	31.12.2018	change
Payables to employees and directors	333	613	(280)
Payables to tax authorities	388	217	171
Social security payables	191	275	(84)
Other payables	4,043	2,416	1,627
Total sundry payables and other current liabilities	**4,955**	**3,521**	**1,434**

The **Other payables** item mainly includes:

- payables for municipal agreements of €1,268 thousand;
- deferred income recognised by subsidiary Eolo S.r.l., WPS S.r.l. and its subsidiaryFri-El Campidano S.r.l. in relation to the portion recognised as a capital contribution pursuant to Law 488/92 "Facilitation of production activities", for subsequent years, amounting to €690 thousand.

"Other payables" do not bear interest and are settled on average every 12 months.

For terms and conditions relating to related parties, please see the note "Details of relations with related parties and intra-group relations at 31 December 2019".

26. FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS

(in thousands of Euro)	31.12.2019	31.12.2018
Cash and cash equivalents		
Available cash	238,348	63,933
Total cash and cash equivalents	**238,348**	**63,933**
Financial receivables and other current financial assets	**548**	**546**
Current payables for loans	(47,439)	(57,529)
Current payables to bondholders	(3,074)	(2,851)
Current payables and liabilities for per lease	(5,362)	
Current payables for derivatives	(3,309)	(3,299)
Total current financial liabilities	**(59,184)**	**(63,679)**
CURRENT FINANCIAL INDEBTEDNESS	**179,712**	**800**
Payables to other lenders	(12,035)	(2,118)
Payables to banks for loans	(175,174)	(71,903)
Payables to bondholders	(345,107)	(147,373)
Payables and liabilities for lease	(46,440)	-
Non-current payables for derivatives	(8,113)	(6,336)
NON-CURRENT FINANCIAL INDEBTEDNESS	**(586,869)**	**(227,730)**
NET FINANCIAL INDEBTEDNESS*	**(407,157)**	**(226,930)**
Financial receivables and other non-current financial assets	**4,079**	**3,789**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE)	**(403,078)**	**(223,141)**

* CONSOB Communication N. DEM/6064293/2006

FINANCIAL PARAMETERS required by the regulation		
NET FINANCIAL INDEBTEDNESS net of derivatives	**(391.656)**	**(213.506)**
NET FINANCIAL INDEBTEDNESS net of derivatives and paybles for operating lease	**(374.424)**	**(213.506)**

For comments on individual items, see the relevant notes above.

INCOME STATEMENT

27. OPERATING REVENUES

Operating revenues totalled €70,032 thousand in 2019 (€55,854 thousand in 2018) and comprised:

- revenues from the sale of electricity of €31,531 thousand (€22,557 thousand at 31 December 2018);
- revenues from the incentive tariff of €38,501 thousand (€33,297 thousand at 31 December 2018).

Average selling price

Note that in 2019 the average selling price for incentivised wind farms under the incentive tariff (FIP) (formerly "green certificates") was €140.6/MWh, compared with €157.6/MWh in 2018. In particular:

- the average price of electricity for wind farms in 2019 was €48.5/MWh, compared with €58.7/MWh in 2018;
- the average price of incentives in 2019 was €92.1/MWh (€98.9 per MWh in 2018);
- The Villacidro, Morcone-Pontelandolfo and Albareto wind farms benefit instead from a minimum guaranteed auction price (pursuant to the Ministerial Decree of 23/06/2016) of €66/MWh.

- The average selling price in 2018 for the Krupen plant in Bulgaria was approximately €95.5 per MWh. In particular, in Bulgaria, the type of incentive system is a "feed-in-tariff" system (comprehensive price for the electricity component and for the incentive component) and provides for a fixed tariff of around €96 per MWh for production up to 2,000 annual hours equivalent.

28. OTHER SUNDRY REVENUES AND INCOME

Other sundry revenues and income came to €1,797 thousand in 2019 (€3,155 thousand in 2018) and mainly relate to:

- the transfer of certificates of origin to third-party companies for €221,000;
- administrative and technical consultancy given to joint ventures and associates for €423 thousand;

- insurance indemnities for non-production of €97 thousand;
- contributions pursuant to Law 488/92 and P.O.R. contribution made respectively for the construction of the Albanella, Agrigento and Campidano wind farms totalling €690 thousand;

29. OPERATING COSTS

(Euro/000)	2019	2018	Change
Operating costs			
Staff	**2,230**	**2,431**	**(201)**
BoD and corporate costs	1,629	1,169	460
Consultancy and cooperation	3,074	1,643	1,431
Insurance	1,346	894	452
Maintenance	7,455	4,457	2,998
Royalties and leases	1,065	1,697	(632)
IMU property tax	791	849	(58)
Altri Costi di produzione e sbilanciamenti	586	480	106
Other management costs	2,186	1,973	213
Other operating costs	**18,132**	**13,162**	**4,970**
Provisions for risks	**-**	**142**	**(142)**
Total operating costs	**20,362**	**15,735**	**4,627**

The following table shows the breakdown of staff costs.

(Euro/000)	2019	2018	Change
Wages, salaries and social security contributions	1,531	1,620	(89)
Social security contribution	523	526	(3)
Post-employment benefits	90	109	(19)
Other staff costs	86	176	(90)
Total staff costs	**2,230**	**2,431**	**(201)**

Operating costs increased compared with the previous year due to the new acquisitions in 2019, the corporate transactions completed during the year and the commissioning of plants under construction from the end of 2018, which also entailed the activation of maintenance and asset management services for these plants.

The **BoD and corporate costs** item was €1,629 thousand in 2019, representing an increase compared with 2018, when it was €1,169 thousand.

The **Consultancy and cooperation** item amounted to €3,074 thousand, up by €1,431 thousand on the previous year.

Maintenance costs include the ordinary and extraordinary maintenance costs of the operating plants. Costs were up by €2,999 thousand year on year.

30. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

(Euro/000)	2019	2018	Change
Amortisation of intangible assets	5,882	3,736	2,146
Depreciation of property, plant and equipment	18,502	16,567	1,935
Write-downs and value adjustments	1,805	-	1,805
Total depreciation, amortisation and write-downs	**26,189**	**20,303**	**5,886**

On 31 December 2019, the Alerion Group changed the criterion for estimating the useful life of the wind turbines, changing their depreciation rate from 5% to 4% with effect from 1 January 2019. For information on this change in the estimate, see Note 23 "DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES".

Write-downs and value adjustments refer to the write-downs of intangible assets in relation to the Albanella and Ciorlano wind farms of €90,000 and €1.715 thousand respectively following the impairment test conducted in order to prepare the financial statements for the year ended 31 December 2019.

31. FINANCIAL INCOME (EXPENSES)

The following table provides details of financial performance:

(Euro/000)	2019	2018	Change
Financial income:			
- bank interest	4	4	-
- derivatives income	161	103	58
- financial income from third parties	52	11	41
Total financial income	**217**	**118**	**99**
Financial expenses:			
- interest on bond loan	(6,265)	(13,713)	7,448
- short-term bank interest and charges	(9,711)	(4,918)	(4,793)
- derivatives expenses	-	-	-
- other financial expenses	4	(16)	20
Total financial expenses:	**(15,972)**	**(18,647)**	**2,675**
Total financial income and expenses	**(15,755)**	**(18,529)**	**2,774**

Financial income

"**Derivatives income**" includes changes in the fair value of derivatives that did not qualify as hedging instruments at the valuation date of 31 December 2019. The Group's objective is to limit the fluctuation of financial expenses that have an impact on the income statement, containing the risk deriving from a potential increase in interest rates. The Group uses derivatives contracts with third parties (interest rate swaps) in order to predetermine or limit the change in cash flows due to the market variation in the aforementioned interest rates, with reference to medium/long-term debt. At each valuation date, checks are carried out to ensure that the conditions of effectiveness of the hedges implemented are met.

Financial expenses

Financial expenses came to €15,972 thousand (€18,647 thousand at 31 December 2018) and include **Short-term bank interest and charges** of €9.711 thousand, which mainly relate to interest accrued on the use of project financing loans and **interest accrued on the bond loan** of €6,265 thousand. The decrease in interest on the bond loan is partly due to the fact that the comparative data include €3,900 thousand relating to the penalty for early redemption of the 2015-2022 Bond Loan and €2,425 thousand relating to the recognition in the income statement of the ancillary costs of the previous bond, of which €1,925 thousand was released early due to early redemption. The **Other financial expenses** item includes financial expenses of €569 thoisand relating to lease payables recognised under IFRS 16.

The item other financial charges includes financial charges relating to payables for leasing recorded for IFRS 16 equal to 569 thousand euro.

32. INCOME (EXPENSES) FROM EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

Net income from equity investments came to €13,555 thousand in 2019 and mainly relates to income deriving from the acquisition of control of Anemos Wind S.r.l. for a price lower than the fair value of the net assets purchased and the consequent recognition of a bargain purchase, whose effects are reversed to the income statement pursuant to IFRS 3 – Business Combinations. As described in detail in Note 7 "BUSINESS COMBINATIONS" in the notes to the consolidated financial statements, this income amounts to €13,500 thousand.

33. TAXES

The details of the **Taxes** item are shown in the following table:

€ thousands	2019	2018	Change
Current taxes	(5,670)	(4,121)	(1,549)
Deferred tax assets - related to the onset and reversal of temporary differences	222	51	171
Deferred tax liabilities - related to the onset and reversal of temporary differences	1,300	831	469
Tax on income in the consolidated income statement	**(4,148)**	**(3,239)**	**(909)**

Deferred and prepaid taxes

The breakdown of deferred and prepaid taxes at 31 December 2019 is as follows:

Amounts in thousands of euro	Consolidated statement of financial position 31-Dec-19	31-Dec-18	Change	Consolidated income statement 2019	Change in scope 2019	Other comprehensive gains/(losses) and other changes 2019	Consolidated income statement 2018
Provision for deferred tax liabilities							
Discounting of post-employment benefits	15	23	(8)	0	0	(8)	0
Deferred tax assets on temporary differences relating to non-taxable dividends and depreciation	(2.003)	0	(2.003)	(113)	(1.890)	0	43
Deferred tax on temporary differences due to the IFRS 16 adoption	(1.081)	0	(1.081)	(156)	(925)	0	0
Deferred tax on temporary differences recognised on intra-group eliminations	(126)	(104)	(22)	(22)	0	0	(7)
Business combination (IFRS 3)	(24.750)	(9.261)	(15.489)	1.543	(17.032)	0	738
Derivative instruments	1.495	1.955	(460)	19	0	(479)	(25)
Adaptation to Group accounting standards	(3.056)	(819)	(2.237)	29	(2.266)	0	82
Total (A)	**(29.506)**	**(8.206)**	**(21.300)**	**1.300**	**(22.113)**	**(487)**	**831**
Prepaid tax assets							
Prepaid tax on temporary differences due to the recording of risk provisions	2.944	586	2.358	0	2.358	0	(156)
Derivative instruments	1.322	358	964	16	0	948	17
Consolidation adjustments for the purposes of adjusting the financial statements to the IFRS used by the Group	1.396	1.152	244	30	199	15	(63)
Prepaid tax on temporary differences relating to interest expense surpluses	12.774	12.698	76	76	0	0	(52)
Deferred tax assets on temporary differences recognized under IFRS 16 operating leases	69	0	69	69	0		
Prepaid tax on temporary differences recognised on intra-group eliminations	1.312	1.281	31	31	0	4	305
Available losses for offsetting against taxable future profits	57	57	0	0	0	0	0
Other deductible temporary differences on reversal of capitalisation of plant and expansion costs	11	11	0	0	0	0	0
Total (B)	**19.885**	**16.143**	**3.742**	**222**	**2.557**	**963**	**51**
Net deferred tax assets	**(9.621)**	**7.937**	**(17.558)**	**1.522**	**(19.556)**	**476**	**882**
Current taxes				**(5.670)**			**(4.121)**
Total taxes for the year				**(4.148)**			**(3.239)**

Prepaid tax assets and provision for deferred tax liabilities

Of the net difference of €17,558 thousand compared with 2018, €476 thousand was recognised directly as a negative change in shareholders' equity, for 19,556 thousand euros due to the change in the scope of consolidation during the year and €81,552 thouand in the consolidated income statement.

Deferred tax liabilities are mainly recognised on the entry of intangible assets as a result of business combinations and derivatives.

Prepaid tax assets are mainly recognised:

- on temporary differences for recognitions of risk provisions, related to the recognition of risk provisions in Alerion Clean Power S.p.A. and Alerion Real Estate S.r.l. in liquidation.

- on the excess of interest expense on earnings before interest and taxes, for which it is believed that there is reasonable certainty of reabsorption in subsequent tax periods pursuant to Article 96 of the Consolidated Law on Income Tax (TUIR).
- on temporary differences, recognised on intra-group eliminations and related primarily to financial expenses on intra-group loans, capitalised in the statutory financial statements of the subsidiaries and derivatives.

Current taxes

The following table shows the reconciliation of theoretical and effective tax charges:

(€/000)	IRES		IRAP		TOTAL	
Current taxes as at 31/12/2019	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	***25,500***		***27,700***			
Theoretical tax charge	**(6,120)**	**24.0%**	**(1,080)**	**3.9%**	**(7,200)**	**27.9%**
Non-deductible permanent differences	1,347	(5.3%)	(95)	0.3%	1,252	(4.9%)
Other temporary changes	178	(0.7%)	(12)	0.0%	166	(0.7%)
Using tax losses carried forward	63	(0.2%)			63	(0.2%)
ACE deduction	70	(0.3%)	-	0.0%	70	(0.3%)
Change in rate		0.0%	(21)	0.1%	(21)	0.1%
Actual current taxes	**(4,462)**	**17.5%**	**(1,208)**	**4.4%**	**(5,670)**	**21.9%**

	IRES		IRAP		TOTAL	
Current taxes as at 31/12/2018	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	***6,604***		***25,086***			
Theoretical tax charge	**(1,585)**	**24.0%**	**(978)**	**3.9%**	**(2,563)**	**27.9%**
Non-deductible permanent differences	(1,145)	17.3%	(60)	0.2%	(1,205)	17.6%
Other temporary changes	(663)	10.0%	(46)	0.2%	(709)	10.2%
ACE deduction	380	(5.8%)	-	0.0%	380	(5.8%)
Change in rate		0 -	24.00	0.1%	(24)	0.1%
Actual current taxes	**(3,013)**	**45.6%**	**(1,108)**	**4.4%**	**(4,121)**	**50.0%**

34. EARNINGS PER SHARE

Basic profit per share is calculated by dividing the net profit for the period attributable to owners of the parent by the weighted average number of shares outstanding during the year, net of the treasury shares purchased by Alerion Clean Power S.p.A. during 2019.

The income and information on shares for the purposes of calculating basic and diluted profit per share are shown below:

Summary results		
€ thousands	**2019**	**2018**
Net result attributable to ordinary shareholders from management of operating assets	21,352	3,365
Net result attributable to third-party shareholders	297	(86)
Profit (loss) for the year attributable to shareholders of the Parent Company	21,055	3,451

Number of shares outstanding		
	2019	**2018**
Number of share capital shares outstanding	51,209,773	43,579,004
Treasury shares on	844,445	813,685
Treasury shares issued at the time of reserved capital increase	0	7,630,769
Weighted average of outstanding shares	**50,365,328**	**47,576,923**

Profit per share		
(Euro)	**2019**	**2018**
Earnings per share	0.42	0.07

35. REPORT ON OPERATING SEGMENT PERFORMANCE

IFRS 8 requires the identification of operating segments, subject to segment reporting, on the basis of information regularly used by managers for management and performance analysis. The Group's activities are focused on wind power.

In view of the management information, the following tables provide information on **Operating activities** and **Holding company** activities.

As in previous years, no emphasis is placed on the geographical division as the Group's operations are located mainly in Italy with the exception of the Krupen plant (located in Bulgaria) and Comiolica (located in Spain), residual if compared to the total of Group.

Statement of financial position

	Operating activities		Holding company activities		Consolidated	
(Euro/000)	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
NON-CURRENT ASSETS:						
Intangible assets	148,504	83,176	0	0	148,504	83,176
Property, plant and equipment	413,937	276,413	1,388	171	415,325	276,584
Financial receivables, equity investments and other non-current financial assets	18,750	21,617	3,776	0	22,526	21,617
Other non-current assets	19,047	15,415	848	728	19,895	16,143
TOTAL NON-CURRENT ASSETS	**600,238**	**396,621**	**6,012**	**899**	**606,250**	**397,520**
CURRENT ASSETS:						
Financial receivables, equity investments and other current financial assets	16	2	532	544	548	546
Sundry receivables and other current assets	33,833	35,064	1,911	1,023	35,744	36,087
Cash and cash equivalents	60,051	56,103	178,297	7,830	238,348	63,933
TOTAL CURRENT ASSETS	**93,900**	**91,169**	**180,740**	**9,397**	**274,640**	**100,566**
TOTALE ATTIVITA'	**694,138**	**487,790**	**186,752**	**10,296**	**880,890**	**498,086**
SHAREHOLDERS' EQUITY	**114,924**	**93,715**	**45,892**	**47,495**	**160,816**	**141,211**
NON-CURRENT LIABILITIES:						
Non-current financial liabilities	225,530	80,357	361,339	147,373	586,869	227,730
Sundry payables and other non-current liabilities	53,559	20,668	1,717	1,961	55,276	22,629
TOTAL NON-CURRENT LIABILITIES	**279,089**	**101,025**	**363,056**	**149,334**	**642,145**	**250,359**
CURRENT LIABILITIES:						
Current financial liabilities	38,168	43,734	21,017	19,946	59,184	63,679
Sundry payables and other current liabilities	14,946	39,635	3,799	3,202	18,745	42,837
TOTAL CURRENT LIABILITIES	**53,114**	**83,369**	**24,816**	**23,148**	**77,929**	**106,516**
Intersegment funding	247,011	209,681	(247,011)	(209,681)	0	0
TOTAL LIABILITIES	**579,214**	**394,075**	**140,861**	**(37,199)**	**720,074**	**356,875**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**694,138**	**487,790**	**186,752**	**10,296**	**880,890**	**498,086**

Income statement

(Euro/000)	Operating activities 2019	Operating activities 2018	Holding company activities 2019	Holding company activities 2018	Consolidated 2019	Consolidated 2018
Operating revenues	70,032	55,854	0	0	70,032	55,854
Other sundry revenues and income	1,072	1,929	725	1,226	1,797	3,155
REVENUES	**71,104**	**57,783**	**725**	**1,226**	**71,829**	**59,009**
Operating costs	**18,049**	**13,246**	**4,433**	**2,489**	**20,362**	**15,735**
Change in joint ventures measured using the equity method	**2,422**	**2,115**			**2,422**	**2,115**
Depreciation, amortisation and write-downs	25,963	20,226	226	77	26,189	20,303
EBIT	**29,514**	**26,426**	**(3,934)**	**(1,340)**	**27,700**	**25,086**
Financial income (expenses) from net equity investmei	(2,899)	(19,277)	699	795	(2,200)	(18,482)
PROFIT BEFORE TAX	**26,615**	**7,149**	**(3,235)**	**(545)**	**25,500**	**6,604**
Taxes for the period					(4,148)	(3,239)
NET RESULT FROM OPERATING ASSETS					**21,352**	**3,365**
NET RESULT FOR THE PERIOD					**21,352**	**3,365**
Non-controlling interests					297	(86)
NET RESULT ATTRIBUTABLE TO THE GROUP					**21,055**	**3,451**

Operating activities:

Revenues from electricity production amounted to €70,032 thousand (€55,854 thousand in 2018, and relate to: i) revenues from the sale of electricity of €31,531 thousand (€22,557 thousand in 2018); and ii) revenues from the incentive tariff of €38.501 thousand (33,297 thousand in 2017). These results were achieved for electrical production by the fully consolidated plants of 372 GWh, up 69.7% compared with production registered in 2018 which was 372 GWh, The increase is mainly due to the change in the perimeter of the operating plants due to the new plants that went into production and those acquired during 2019..

Operating profit (EBIT) at 31 December 2019 was €29,514 thousand (€26,426 thousand at 31 December 2018 after depreciation, amortisation and write-downs of €20.226 thousand (€20.514 thousand at 31 December 2018

Property, plant and equipment and intangible assets amounted to €562,441 thousand at 31 December 2019. The change compared with 31 December 2018 was €202,852 thousand, net of depreciation and amortisation for the period, mainly due to; i) investments in progress recognised in the property, plant and equipment of the three transferred companies, Eolica PM S.r.l., Fri-El Albareto S.r.l. and Green Energy Sardegna S.r.l., for the construction of the respective wind farms, ii) the change in the scope of consolidation following the acquisitions of a 36 MW wind farm in Spain owned by Comiolica SL, a 70 MW wind farm in Sardinia owned by Fri- El Campidano Srl, a 50 MW wind farm in Sicily owned by the company Anemos Wind Srl, iii) at the lower depreciation rate applied to the plants already present in 2018, deriving from the change in the criterion for estimating the useful life of the wind turbines, which resulted in lower amortization with respect to the book value in the previous year and iv) the adoption of the international accounting standard "IFRS 16 - Leases" which led to the recognition of new assets, equal to Euro which essentially represent the right to use the underlying asset together with a financial liability that reflects the obligation to pay the rent..

Holding company activities:

At 31 December 2019, the “Holding company” business mainly includes the results of holding company activities and those relating to advisory activities, which are considered marginal compared with the main electricity production business.

36. DETAILS OF RELATED-PARTY AND INTRA-GROUP TRANSACTIONS AT 31 DECEMBER 2019

In accordance with the Consob communications of 20 February 1997, 27 February 1998, 31 December 1998, 31 December 2002 and 27 July 2006, as well as the subsequent Regulation on Related-Party Transactions 17221 of 12 March 2010, as amended, it should be noted that no atypical and unusual related-party transactions have been recorded that are not part of normal business management or that would be detrimental to the Group's results or financial position.

Transactions with related parties are part of normal business management in the context of the ordinary activity of each interested party, and are settled at market conditions.

In the consolidated financial statements at 31 December 2019, all significant balances and transactions between Group companies were derecognised, as were profits and losses arising from intra-group commercial and financial transactions not yet realised with third parties.

With respect to the requirements of IAS 24 regarding the disclosure of related-party transactions and the additional information required by Consob Communication 6064293 of 28 July 2006, the tables below show related-party and intra-group relations and the extent to which transactions and positions with related parties affect the statement of financial position, profit or loss and cash flows of the Alerion Group:

(in €/000)	**Revenues**	**Costs**	**Assets**	**Liabilities**
Entities with significant influence over the Group:				
Equity investments in joint ventures:				
Ecoenergia Campania S.r.l.	137	-	462	-
New Green Molise S.r.l.	392	-	3,803	-
Total equity investments in joint ventures	**529**	**-**	**4,265**	**-**
Related parties:				
FRI-EL Green Power Group	4,835	3,162	1,213	1,438
Heliopolis Energia S.p.A.	-	32	-	2
Total related parties	**4,835**	**3,194**	**1,213**	**1,440**
Total	**5,364**	**3,194**	**5,478**	**1,440**

(in €/000)	Joint Venture		Related parties		Total
	New Green Molise S.r.l.	Ecoenergia Campania S.r.l.	Gruppo FRI-EL Green Power	Heliopolis S.p.A.	
trade receivables	-	37	824	-	**861**
total trade receivables	*4,815*	*4,815*	*4,815*	*4,815*	*4,815*
proportion	0.0%	0.8%	17.1%	0.0%	**17.9%**
sundry receivables and other current assets	30	425	389	-	**844**
total sundry receivables and other current assets	*28,577*	*28,577*	*28,577*	*28,577*	*28,577*
proportion	0.1%	1.5%	1.4%	0.0%	**3.0%**
securities and financial receivables	3,773	-	-	-	**3,773**
total securities and financial receivables	*4,079*	*4,079*	*4,079*	*4,079*	*4,079*
proportion	92.5%	0.0%	0.0%	0.0%	**92.5%**
trade payables	-	-	1,420	2	**1,422**
total trade payables	*9,819*	*9,819*	*9,819*	*9,819*	*9,819*
proportion	0.0%	0.0%	14.5%	0.0%	**14.5%**
provisions for risks	-	-	18	-	**18**
provisions for risks	*16,531*	*16,531*	*16,531*	*16,531*	*16,531*
proportion	0.0%	0.0%	0.1%	0.0%	**0.1%**
Revenues from electricity sales	-	-	4,583	-	**4,583**
Total Revenues from electricity sales	*31,531*	*31,531*	*31,531*	*31,531*	*31,531*
proportion	0.0%	0.0%	14.5%	0.0%	**14.5%**
other sundry revenues and income	250	137	252	-	**639**
total other sundry revenues and income	*1,797*	*1,797*	*1,797*	*1,797*	*1,797*
proportion	13.9%	7.6%	14.0%	0.0%	**35.6%**
other operating costs	-	-	2,697	32	**2,729**
total other operating costs	*18,132*	*18,132*	*18,132*	*18,132*	*18,132*
proportion	0.0%	0.0%	14.9%	0.2%	**15.1%**
Financial Income and (expenses)	-	-	465	-	**465**
Total Financial Income and (expenses)	*-15,755*	*-15,755*	*-15,755*	*-15,755*	*-15,755*
proportion	0.0%	0.0%	-3.0%	0.0%	**-3.0%**
income/expenses from equity investments	142	-	-	-	**142**
income/expenses from equity investments	*13,555*	*13,555*	*13,555*	*13,555*	*13,555*
proportion	1.0%	0.0%	0.0%	0.0%	**1.0%**

37. REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Following Consob Resolution No. 18079 of 20 January 2012, which repealed Appendix 3C, information on the remuneration paid to the members of the management and control bodies, general managers and key management personnel is contained in the Remuneration Report, pursuant to Article 123-*ter* of the Consolidated Law on Finance (TUF).

38. LEGAL DISPUTES

The legal disputes outstanding at 31 December 2019 are described below.

Disputes involving the Parent Company

SIC - Società Italiana Cauzioni S.p.A,

Civil proceedings were brought before the Court of Rome involving Alerion and its subsidiary, Alerion Real Estate S.r.l. in liquidation ("Alerion Real Estate"), as third parties named by SIC - Società Italiana Cauzioni S.p.A. (at the date of the Registration Document named ATRADIUS Credit Insurance, assignee of the SIC business unit) - in their capacity as policy co-obligors in proceedings brought by AGIED S.r.l. against INPDAP and SIC.

The policies were issued to guarantee the obligations incumbent on AGIED S.r.l. for the compensation of monetary losses that INPDAP could have suffered as a result of the malicious actions of AGIED S.r.l. in its duties as provided for in the agreement signed between AGIED and INPDAP, for the management of part of INPDAP's property.

The purpose of this case is to assess the said surety policies and have them declared lapsed due to expiry of the time limit. In particular, AGIED S.r.l. asked the Court to declare that INPDAP has no right to enforce the policies and that therefore SIC is not obliged to pay anything to INPDAP.

Alerion and Alerion Real Estate were co-obligors with SIC for the fulfilment of the obligations under the policies as shareholders in AGIED. These shares were sold by means of a deed dated 24 May 1999, following which SIC, in a letter dated 9 June 1999, declared Alerion and Alerion Real Estate released from their joint obligation due to events that occurred after the date of the sale of the shares.

SIC, which concurred with AGIED's conclusions, nevertheless summonsed Alerion and Alerion Real Estate as a precautionary measure, as, due to the generic nature of the claims, liability for the alleged damages claimed by INPDAP could not be placed in terms of time.

It should be noted that, with regard to the policies cited by ATRADIUS, the then SIC had, in a specific letter, released the co-obligors Alerion and Alerion Real Estate from liability for events occurring after the date of sale of the company shares on 24 May 1999. This circumstance enables it to be asserted that the Company has absolutely no connection to the proceedings, as it was released from any co-obligation by SIC (ASTRADIUS at the date of the Registration Document) and therefore that there is no risk for either company.

On 1 December 2014, the Court of First Instance convicted only SIC (ASTRADIUS at the date of the Registration Document) and concluded that the defaults took place after 31 December 2000, i.e. following the release from the co-obligations, thereby enabling it to be affirmed that the Court implicitly ruled out Alerion and Alerion Real Estate being summonsed as defendants. Alerion's position is therefore considered satisfactory.

AGIED and ATRADIUS (formerly SIC) independently appealed the first instance ruling to the Court of Appeal. As proceedings were pending for appeals of the same judgment, Alerion Real Estate S.r.l. in liquidation and Alerion S.p.A. obtained the joining of the proceedings,

and at the hearing of 3 February 2017, the Court reserved its judgement on some aspects concerning the notices and the adversarial process.

At a hearing on 5 April 2019, the Court rejected a petition to suspend the first instance judgement which also appealed by Atradius.

The hearing was adjourned until 25 September 2020 to clarify the conclusions.

Bocchi

Civil proceedings were brought before the Court of Rome by Mr. Renato Bocchi against the Bank of Rome and Alerion Clean Power S.p.A.. Mr. Bocchi petitioned the Bank of Rome and Alerion Clean Power S.p.A. (formerly Fincasa 44 S.p.A.) to return a guarantee issued in a personal capacity in the interest of Fincasa 44 S.p.A. to secure all obligations assumed by Fincasa, which are now extinguished. By a ruling filed on 25 October 2012, the Court of Rome rejected Mr Bocchi’s petition in full. Mr. Bocchi appealed the ruling to the Rome Court of Appeal and Alerion entered an appearance requesting confirmation of the first instance ruling. At a hearing on 20 January 2020, the case was reserved for judgement and a deadline was set for final statements and replies. The judgement is pending.

Census Consortium

As part of an action for contractual fulfilment brought by the Census Consortium (in which Fincasa 44, and subsequently, on the date of the Registration Document, Alerion, holds a share of approximately 10%) against the municipality of Rome, the Court of Rome, on the one hand, granted some applications by the consortium (payment to the consortium of the sum of approximately €0.24 million), and on the other upheld one of the counterclaims of the municipality of Rome (payment of the sum of approximately €4.4 million plus interest) in relation to the execution of some works by Fintecna S.p.A. and Engie Servizi S.p.A., which respectively hold 12% and 30% stakes in the consortium.

The Court of Appeal rejected an appeal by the consortium in July 2015, and confirmed the first instance ruling.

The municipality of Rome did not notify the appeal ruling against Census of last July.

The consortium appealed to the Court of Cassation for the rejection of the Court of Appeal ruling, with a petition to suspend the effects of the ruling.

The economic consequences of the ruling would fall – due to the internal relationships between consortium members – exclusively on the parties responsible for the work carried out, except in the event of their insolvency, in which case the other consortium members would be held liable on the basis of their respective shareholdings.

With regard to the payment of the sum indicated in the counterclaims made by the municipality, on 13 February 2018 the Executive Board of the Census consortium concluded that liability for any payment rests with the consortium members that performed the works to which the aforementioned payment demand relate. Accordingly, the outcome of the proceedings is mainly a matter for the parties concerned. This assessment was reflected in the financial statements as at 31 December 2017 of the Census consortium, which, with the approval of the financial statements on 27 February 2018, distributed any costs to be borne among the individual consortium members that carried out the works. The resolution was not challenged by the deadline established by law, making the distribution final in relation to the payments demanded by the municipality of Rome. Accordingly, the provision recognised in the financial statements was released to the income statement during the year 2018.

Eolica PM S.r.l.

With respect to the wind farm in Morcone and Pontelandolfo (Benevento), which was the subject of a capital increase by means of a contribution in kind made on 6 April 2018, a petition brought by Eolica PM S.r.l. was pending before the Campania Regional Administrative Court,

in relation to the annulment, following suspension of its effects and the protection order by the single judge pursuant to Article 56 of the Code of Administrative Procedure, of the order of suspension of the works in the municipality of Morcone of 23 December 2017 and any other prerequisite, subsequent, connected and/or consequent act. A hearing to discuss the merits of the petition took place on 22 May 2018 and, as a result, by a ruling dated 5 June 2018, the Campania Regional Administrative Court granted the petition lodged by Eolica PM S.r.l. and accordingly annulled the contested orders and ordered the municipality of Morcone to pay compensation for damages to Eolica PM S.r.l. and reimbursement of court costs

The municipality of Morcone appealed the judgment to the Council of State within the legal deadline. A date for a hearing before Council of State remains to be set.

Wind Power Sud S.r.l.

The Agrigento Provincial Administration of the Italian Revenue Agency issued to Wind Power Sud S.r.l. ("WPS") four separate assessment notices totalling €1.3 million, plus interest and penalties, for the years 2008, 2009, 2010 and 2011 relating to a tax advantage consisting of the deductibility of interest expenses accrued on a loan contracted following a merger leveraged buy out operation.

The Agrigento Provincial Tax Commission rejected WPS's petitions against these notices in August 2015.

WPS then filed an appeal on the basis that the rulings of the Agrigento Provincial Tax Commission were unlawful due to lack of grounds and the absence of any tax claim. The Palermo Regional Tax Commission rejected the appeals in April 2016.

In December 2016, the Agrigento Provincial Administration only partially accepted a settlement proposal in which the amounts ascertained by way of taxes and penalties against the subsidiary had been recalculated. The ascertained amount is now, following the settlement proposal, €0.7 million, in addition to legal penalties and interest, less than the original amount of €1.3 million, plus penalties and interest.

The motive that led the Agrigento Provincial Administration to rule in this way can be traced to the fact that it considered the economic reasoning underlying the LBO operation , which saw the shareholder Alerion obtain a stake in WPS through a reverse merger with a new company used for this purpose only partially applicable.

According to the legal counsel assisting the Company, the result obtained with the settlement proposal, albeit partial, reinforces WPS' position in the appeal before the Court of Cassation. WPS therefore decided to appeal. The appeal was lodged with the Supreme Court of Cassation on 5 December 2016.
It should also be noted that i) in May 2017, Equitalia accepted the request for the division into 48 instalments of two demands issued for a total of €0.4 million for 2010 and 2011, and ii) in December 2017, Equitalia accepted the request for the division into 72 instalments of 2 demands issued for a total of €0.9 million for 2008 and 2009.
In February last, the Company then took action with the Italian Revenue Agency to obtain the reabsorption into the instalment plans of the amount of €0.12 million sought and paid to Equitalia in January 2017.

It should be noted that, in the event of an unsuccessful outcome, Alerion's exposure would in any case be limited to 50%, due to the commitment made by the previous shareholders, Moncada and Campione, at the time of the sale of the corporate shares, to bear 50% of the risk.
The legal counsel in the litigation in any case regarded the risk of an unsuccessful outcome as only possible, not probable. Accordingly, no provision was made in the financial statements for risks arising from this dispute. Payments made up to 31 December 2019 were therefore included among sundry receivables and were assessed as recoverable.

Tax dispute relating to the depreciation rates of the operating companies

It should be noted that in the first few months of 2017, the Italian Revenue Agency "Agenzia delle Entrate" – Provincial Administration I of Milan – Controls Office issued a tax audit report to Renergy San Marco S.r.l., Minerva S.r.l., Callari S.r.l., Ordona Energie S.r.l. and Parco Eolico Licodia Eubea S.r.l., in which it charged, in relation to the 2013 tax period, that the tax depreciation rate for the wind power plants was higher than that considered correct by the Agency (4%). During the course of the year, the Italian Revenue Agency issued assessment notices to the five companies that did not accept the depreciation rate (in excess of the 4% rate) deducted for the purposes of corporate income tax (IRES) and regional production tax (IRAP) in 2013, 2014, 2015 and, exclusively for Callari, 2016.

Accordingly, for the said tax periods, the Italian Revenue Agency calculated higher corporation tax of €1.8 million and higher IRAP of €0.2 million, plus penalties and interest.

All the assessments were duly appealed; following the hearing of 29 January 2018, the Milan Provincial Tax Commission, Section XIII, annulled the IRES and IRAP assessments for 2013 for all five companies, the 2014 IRES assessments for Ordona Energia S.r.l., Parco Eolico Licodia S.r.l., Renergy San Marco S.r.l. and Callari S.r.l. and the 2014 IRAP assessment for Renergy San Marco.
Subsequently, the Revenue Agency appealed on first instance judgment, the Tax Commission of Lombardy - Section 24 rejected the appeal with a sentence filed in June 2019. Finally, in January 2020, the State Attorney filed an appeal with the Court of Cassation, the companies filed the counter-appeal in accordance with the law.

With reference to the notice of assessment notified to the Company Minerva S.r.l. relating to IRES for the financial year 2014, on 13 May 2019, the Revenue Agency appealed the sentence issued at first instance. The hearing took place on 16 December 2019, and the sentence is pending.

On 30 December 2019 the Regional Tax Commission for Lombardy "Commissione Tributaria Regionale per la Lombardia" - Section 13 rejected the appeal filed by the Revenue Agency against the sentence issued at first instance which had canceled the assessment notified to the company Ordona Energia S.r.l. referred to IRES 2015.

Finally, with reference to the Company Callari S.r.l., on December 31, 2019, the Revenue Agency presented an appeal for the reform of the sentences issued by the Provincial Tax Commission of Milan - Section 11, filed on June 26, 2019, which canceled the IRES and IRAP assessment notices relating to IRES and IRAP for the 2015 and 2016 financial years. The hearing is currently being fixed.

With regard to the assessment notified to Renergy San Marco S.r.l. for IRES for the 2015 financial year, it should be noted that on October 22, 2019 the Revenue Agency appealed the sentence issued by the Provincial Tax Commission of Milan - Section 5, filed on April 1, 2019. An appeal hearing is pending.

On the basis of the assessment of the tax experts assisting it and supported by the first ruling handed down to the parties, the Company decided not to change the tax treatment of the item for the years subject to depreciation and subsequent years, and to contest the assessments received, initiating litigation. Since the directors considered it only possible, but not probable, that the final judgement will result in an adverse outcome, no provisions have been made in the financial statements.

Tax dispute relating to the Combined Municipal Tax of operating companies

In 2016, the Group's operating companies submitted documents updating land registry records for wind turbines pursuant to paragraphs 21 and 22 of Article 1 of Law 208/2015 (2016 Stability Law). Accordingly, as of the 2016 financial year, the Combined Municipal Tax (IMU) has been calculated on the basis of the restated cadastral rent.

However, in the first few months of 2017, several Group companies were served cadastral assessment notices with which the cadastral rent of the wind turbines was increased, as a result of the inclusion of the tower and other components in the basis of calculation. The companies appealed and are awaiting the outcome. Only Callari S.r.l. received a reply from the Catania Provincial Tax Commission, which did not uphold the petition. The Company appealed the ruling within the deadline established by law.

At 31 December 2019, the appeal lodged by Eolo S.r.l. is pending at first instance with a favorable judgment. The appeals lodged by the companies Callari S.r.l., Minerva S.r.l., Parco Eolico Licodia Eubea S.r.l. and Wind Power Sud S.r.l.
It should be noted that only for Dotto S.r.l. and Ordona Energia S.r.l. the notices of assessment were received for IMU calculated on the annuities redetermined by the Ag. Revenue With reference to the company Dotto S.r.l. the Provincial Tax Commission of Caserta rejected the assessments issued by the Municipality of Ciorlano (CE) pending the settlement of the cadastral income pending on appeal. As regards the assessment issued by the Municipality of Ordona (FG), the company has filed an appeal within the terms of the law.

Despite the fact that the cadastral disputes in question do not correspond to the text of the legislation, in view of the defined ministerial position, the outcome of the disputes was judged uncertain by the tax experts assisting the companies. Accordingly, the IMU risk provision, which had already been made in 2017, was increased during the year to cover the probable risk of an unfavourable outcome.
In addition, in 2018, the risk provisions relating to cadastral rent disputes for the years prior to 2016 were increased where necessary.

COSAP litigation

In November 2018 the Province of Foggia approved a new regulation for the application of the fee for the occupation of public spaces and areas (COSAP) and the simultaneous repeal of the Regulation for the occupation of public spaces and areas and for the application of the related tax (TOSAP).
With the application of the new Regulation, the Province of Foggia has communicated to the companies Renergy San Marco S.r.l. and Ordona Energia S.r.l. COSAP payment notices for the year 2019 calculated on the subsoil occupation of the provincial roads with their own cable ducts. Compared to the previous TOSAP regulation which provided for the payment of a tax per linear kilometer with the new COSAP regulation, a fee is applied on the occupied surface. It follows that the new rents were excessively higher than the Tosap.

Ordona Energia S.r.l. and Renergy San Marco S.r.l. they challenged the notices and the prodromal provincial regulation before the Puglia TAR and also introduced a civil judgment before the Court of Foggia to ascertain the legitimacy of the unilateral increase in the fee for employment and the correct determination of the amount due.

The preliminary hearing was held at the TAR on 24 July 2019 to discuss the requests for precautionary suspension of payment notices. As a precautionary measure, the TAR rejected the appeal because there is no 'serious and irreparable damage' but also ordered the Province not to take any action until the dispute on the legitimacy or otherwise of the regulation is settled. With a sentence issued on 4 February 2020, the TAR rejected the appeals filed by the companies that will challenge the sentence within the terms of the law.
The first hearing took place in civil proceedings before the Court of Foggia and the cases were postponed to October 21, 2020 for the possible admission of the investigative means.

Since the TAR ruling filed confirms the legitimacy of the claims by the Province, it is considered highly probable that the Entity will proceed with the collection of the fees. The companies have set aside a provision for risks equal to the amount of the contribution claimed for the year 2019 for 0.2 million euros.

Other minor disputes

Other minor disputes in relation to which the Company has decided to set aside the necessary funds are also pending at Group level.

In view of the status of the cases and following consultation with its legal advisers, the Company decided that the level of the provision for risks in the financial statements is appropriate.

39. COMMITMENTS AND GUARANTEES

The contractual commitments assumed by the Alerion Group and the guarantees given to third parties at 31 December 2019 are summarised below:

- Guarantees issued in favour of third parties totalled €13,572 thousand, comprising:

  - €4,214 thousand for environmental restoration obligations;
  - €6,547 thousand for other obligations;
  - €2,811 thousand for the Energy Services Manager - GSE S.p.A. for participation in the respective auctions

- Pledge on shares of the following companies: Callari S.r.l., Ecoenergia Campania S.r.l., Ordona Energia S.r.l. and New Green Molise S.r.l., Green Energy Sardegna S.r.l., Fri-El Albareto S.r.l. and Eolica PM S.r.l. to guarantee project financing loans;

- Undertakings given in relation to the sale of equity investments, to guarantee any contingent liabilities or non-existence of assets with respect to the financial position data for the sale.

- At year-end, future undertakings relating to operating lease agreements amounted to €14.6 thousand, as reported in the section entitled: "IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION THAT ARE NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2018".

The commitments and guarantees received from third parties include:

- guarantees received from TrailStone GmbH and Ego Trade S.p.A. to secure the collection of fees relating to the sale of electricity for a total of €7,910 thousand.

- Guarantees issued by FGP and Fri-El in the interest of the SPVs in favour of the Energy Services Manager - GSE S.p.A. for participation in the respective auctions for a total of €6,339 thousand.

- Guarantees issued by FGP and Fri-El in the interest of the SPVs for environmental restoration obligations for a total amount of 1,652 thousand euros and 316 thousand euros for other obligations.

39. INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB REGULATION FOR ISSUERS

The following table shows fees accrued in 2019 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

(€/000)	Party providing the service	Accrued amount 2019
Audit of Parent Company	Deloitte & Touche S.p.A.	102
Audit of subsidiaries	Deloitte & Touche S.p.A.	186
Audit of joint ventures	Deloitte & Touche S.p.A.	26
Audit of subsidiaries	Network Deloitte & Touche S.p.A.	28
Other services to Parent Company (1)	Deloitte & Touche S.p.A.	19
Other services to Parent Company (3)	Deloitte & Touche S.p.A.	89
Other services to Parent Company (4)	Deloitte & Touche S.p.A.	119
Other services to subsidiaries (2)	Deloitte & Touche S.p.A.	9
Other services to joint ventures (2)	Deloitte & Touche S.p.A.	2
Other services to subsidiaries (2)	Deloitte & Touche S.p.A.	4
TOTAL		**584**

(1) Verification procedure on the financial parameters calculation table pursuant to Article 8.1 of the regulations of the “Alerion Clean Power S.p.A. Bond Loan 2015-2022” and signing of annual VAT returns and VAT TR forms

(2) Review of compliance with Resolution 231/14 of the Italian Authority for Electricity, Gas and the Water System (AEEGSI)

(3) Fairness opinion on the issue price of new shares

(4) Equita comfort letter for bond prospectus, review of pro-forma data for inclusion in bond prospectus

Certification of the consolidated financial statements as at 31 December 2019

pursuant to Article 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and Article 81-ter of Consob Regulation 11971 of 14 May 1999

1. The undersigned, Josef Gostner and Stefano Francavilla, in their respective capacities as Chief Executive Officer and Financial Reporting Officer of Alerion Clean Power S.p.A., hereby declare, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - that the consolidated financial statements are adequate in view of the characteristics of the Company, and
   - that the administrative and accounting procedures for the preparation of the 2019 consolidated financial statements were applied in 2019.

2. We also certify that:

2.1 The consolidated financial statements as at 31 December 2019:

   - were compiled in accordance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the accounting books and records;
   - provide a true and fair view of the financial position and profit and loss of the issuer and all the companies included in the scope of consolidation.

2.2 The report on operations includes a reliable analysis of the performance and operating results and the situation of the issuer and all the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, 18 March 2020

The Chief Executive Officer	**The Financial Reporting Officer**
Josef Gostner	Stefano Francavilla

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
ALERION CLEAN POWER S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Alerion Clean Power S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Alerion Clean Power S.p.A. (the Company) in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Impairment test for intangible and tangible assets	
Description of the key audit matter	The Group recognizes intangible assets with a finite useful life and tangible assets for Euro 148,504 thousand and Euro 415,325 thousand, respectively (corresponding to 54% of consolidated total assets as of December 31, 2019). The Group Management tested intangible assets with a finite useful life amounting to Euro 109,391 thousand and tangible assets amounting to Euro 321,167 thousand for impairment (total amount tested amounting to Euro 430,558 thousand), in order to ensure that such assets are carried at no more than their recoverable amount. The amounts tested do not include assets relating to Fri-el Ichnusa S.r.l., Fri-El Campidano S.r.l. e Anemos Wind S.r.l. acquired by the Group during the period, whose value were tested when recognized. For impairment test purposes, the recoverable amount of assets has been estimated by determining their value in use, which is based on future cash flows. In accordance with the strategic view and the organizational structure of the Group, the Management tested every single project/plant for impairment, each of them representing a separate legal entity. As a result of the impairment test, which was approved by the Board of Directors on March 18, 2020, the Group recorded a partial write-down of the intangible assets, for a total amount before tax of Euro 1.805 thousand. The valuation process made by the Management is complex and based on assumptions concerning, among others, future cash flows of the cash-generating units (CGU) and the determination of an appropriate discount rate (WACC). Given the particular type of business, which involves investments with medium-term returns and cash flows over a long-term period, in order to determine the recoverable value of the wind farms, the present value of operating cash flows has been estimated over the duration of each individual concession, which averages 29 years after the start of production, and with a terminal value at the end of the concession, estimated as net realizable value of the plants. The key variables in estimating future cash flow forecasts are: • expected production of wind farms over the explicit period, expected selling prices derived from the market projections on electricity price curve, and sector regulatory requirements with regards to incentives; • production costs as well as investments aimed to ensure the normal operation of plants (refitting) assumed on the basis of internal estimates; • estimated useful life of the plants and future investments updated during the period on the basis of a report issued by an expert appointed by the Management and approved by the Board of Directors, that performed the analysis verifying the current status of all the Group's plants, as described in the note 2.3 "Discretionary valuations and significant accounting estimates";

- discount rates estimated by the Management.

These assumptions are influenced by future expectations about market scenarios.

Furthermore, Management prepared sensitivity analysis on the value of intangible assets showing the effects that could arise from changes in certain key assumptions, also in order to consider uncertainty factors related to the diffusion of Coronavirus COVID-19.

Considering the importance of the amount of intangible and tangible assets carried in the consolidated financial statements, the subjectivity of future cash flows of the CGUs and the key variables estimates for impairment test model, we deemed the impairment test a key audit matter.

The Note 6. "*Impairment testing of property, plant and equipment and intangible assets*" of the consolidated financial statements includes the disclosures on the impairment test and the sensitivity analysis carried out by Management.

Audit procedures performed

As part of our audit, we have, among other procedures, carried out the following, also with the support of experts:

- reviewed the methods adopted by Management for the determination of the value in use of CGUs and analyzed the methodology and assumptions used for the impairment test;

- developed an understanding of the methodology used by Management for the impairment test and examined its compliance with applicable accounting principles;

- developed an understanding of the Group's relevant controls on the impairment test process of intangible assets with a finite useful life and tangible assets;

- performed a reasonableness analysis of the key assumptions used for the future cash flow estimate, also through industry data (such as, for example, electricity sales prices) and through information obtained from Management;

- analyzed deviations from expected production of each single CGU, due to the windiness trend observed during the year and analysis of actual data with respect to the original plans in order to assess the nature of the deviations and the reliability of the planning process;

- developed an understanding of the process of defining the electricity scenario applicable to CGUs;

- analyzed the reasonableness of the assumptions related to the estimate of the useful life of the plants and developed an understanding of the methodology applied by the expert appointed by the Management for the preparation of the report, approved by the Board of Directors, supporting the estimated useful life;

- analyzed the reasonableness of the discount rate (WACC) and assumptions used for the terminal value calculation;

- reviewed the mathematical accuracy of the model used for the estimate of the CGUs' value in use;

- reviewed Management's sensitivity analysis;

- analyzed the compliance of the disclosures on the impairment test according to IAS 36 requirements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

Deloitte.

- 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Alerion Clean Power S.p.A. has appointed us on April 8, 2011 as auditors of the Company for the years from December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Alerion Clean Power S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Alerion Clean Power Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Alerion Clean Power Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Alerion Clean Power Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
April 2, 2020

This report has been translated into the English language solely for the convenience of international readers.

Financial statements of Alerion Clean Power S.p.A. 2019

STATEMENT OF FINANCIAL POSITION

Assets

(in euro)	Notes	31.12.2019	of which related parties	31.12.2018	of which related parties
NON-CURRENT ASSETS:					
Intangible assets:					
Intangible assets with a finite useful life		5,043		11,691	
Total intangible assets	**4**	**5,043**		**11,691**	
Property, plant and equipment	**5**	**46,375**		**7,433**	
Equity investments in subsidiaries	**7**	161,591,265		182,180,383	
Equity investments in Joint ventures	**8**	16,646,134		-	
Financial receivables and other non-current financial assets	**9**	176,202,959	176,202,959	146,994,451	146,994,451
Deferred tax assets	**29**	561,825		334,766	
TOTAL NON-CURRENT ASSETS		**355,053,601**		**329,528,724**	
CURRENT ASSETS:					
Trade receivables	**10**	6,451,623	6,449,907	10,834,382	10,834,382
Tax receivables	**11**	171,708		166,358	
Sundry receivables and other current assets	**12**	11,337,974	10,040,509	6,581,350	6,067,796
Financial receivables and other current financial assets	**13**	15,159,512	14,627,001	33,416,772	33,380,947
Cash and cash equivalents	**14**	177,732,356		7,668,843	
TOTAL CURRENT ASSETS		**210,853,173**		**58,667,705**	
TOTAL ASSETS		**565,906,774**		**388,196,429**	

STATEMENT OF FINANCIAL POSITION

Liabilities and shareholders' equity

(in euro)	Notes	31.12.2019	of which related parties	31.12.2018	of which related parties
SHAREHOLDERS' EQUITY	**15**	**190,177,630**		**214,419,916**	
NON-CURRENT LIABILITIES:					
Non-current financial liabilities	**16**	347,810,651		147,373,139	
Post-employment benefits and other staff-related provisions	**17**	628,022		822,635	
Deferred liabilities	**29**	54,457	-	-	-
Provisions for future risks and charges	**18**	615,792		74,946	
TOTAL NON-CURRENT LIABILITIES		**349,108,922**		**148,270,720**	
CURRENT LIABILITIES:					
Current financial liabilities	**19**	20,354,399	948,461	20,870,139	1,373,118
Current trade payables	**20**	1,286,865	263,200	1,082,214	40,766
Tax payables	**21**	834,339		409,532	
Sundry payables and other current liabilities	**22**	4,144,619	2,832,122	3,143,908	1,684,586
TOTAL CURRENT LIABILITIES		**26,620,222**		**25,505,793**	
TOTAL LIABILITIES		**375,729,144**		**173,776,513**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**565,906,774**		**388,196,429**	

INCOME STATEMENT

(in euro)	Notes	2019	of which related parties	2018	of which related parties
Income (expenses) from equity investments	**24**	30,120,655	34,937,650	14,820,414	14,820,414
Other revenues	**25**	3,374,895	3,355,580	3,921,159	3,495,511
TOTAL OPERATING INCOME AND REVENUES		**33,495,550**		**18,741,573**	
Operating costs					
Staff costs	**26**	1,712,787		1,632,719	
Other operating costs	**27**	2,944,908	309,592	1,920,388	59,039
Provisions for risks		-		35,272	
Total operating costs		**4,657,695**		**3,588,379**	
Depreciation, amortisation and write-downs					
Depreciation and amortisation		12,351		16,534	
Total depreciation, amortisation and write-downs		**12,351**		**16,534**	
OPERATING RESULT		**28,825,504**		**15,136,660**	
Financial income		13,814		10,133	
Financial expenses		(7,103,829)	(464,911)	(13,915,262)	
Total financial income (expenses)	**28**	**(7,090,015)**		**(13,905,129)**	
PROFIT BEFORE TAX		**21,735,489**		**1,231,531**	
Taxes for the year					
Current		(385,970)		(305,155)	
Deferred		31,351		(85,924)	
Total taxes for the year	**29**	**(354,619)**		**(391,079)**	
NET RESULT FOR THE YEAR		**21,380,870**		**840,452**	

STATEMENT OF COMPREHENSIVE INCOME

(in euro)	2019	2018
NET RESULT FOR THE YEAR (A)	**21,380,870**	**840,452**
Actuarial gains/(losses) on defined benefit plans recognised in accordance with IAS 19	*(46,752)*	*65,331*
Tax effect relating to actuarial gains/(losses) (IAS 19)	*13,044*	*(18,227)*
Total other comprehensive gains/(losses) that will not be subsequently reclassified to profit or loss, net of tax effect	**(33,708)**	**47,104**
Total other comprehensive gains/(losses) net of tax effect (B)	**(33,708)**	**47,104**
TOTAL COMPREHENSIVE PROFIT/(LOSS) (A) + (B)	**21,347,162**	**887,556**

STATEMENT OF CASH FLOWS

(in euro)	Notes	2019	of which related parties	2018	of which related parties
A. Cash flow from operating activities					
Profit (loss) for the year		21,380,870		840,452	
Depreciation, amortisation and write-downs		12,351		16,534	
Financial income and expenses	**28**	7,090,015		13,905,129	
Income and expenses from equity investments	**24**	(22,290,023)		-	
Increase (decrease) in post-employment benefits provision and provision for risks of employee lawsuits	**17**	(251,783)		(109,855)	
Increase (decrease) in provision for risks and charges	**18**	-		(400,934)	
Increase (decrease) in deferred taxes		(31,351)		80,472	
(Increase) decrease in trade receivables and other assets:	**10 - 11**	(603,263)	411,762	(8,777,587)	(8,889,580)
Increase (decrease) in trade payables and other liabilities	**20 - 21 - 22**	3,818,856	1,560,436	2,455,456	871,452
Income taxes paid	**26**	(1,076,961)		(1,376,446)	
Total cash flows from operating activities		**8,048,711**		**6,633,221**	
B. Cash flows from investment activities					
(Investments in) disinvestments of intangible assets	**6**	-		(2,087)	
(Investments in) disinvestments of property, plant and equipment	**7 - 8**	(63,295,243)	-	-	
Total cash flows from investment activities		**(63,295,243)**		**(2,087)**	
C. Cash flows from financing activities					
Increase (decrease) in payables to bondholders	**16**	197,328,887		17,181,616	
Increase (decrease) in financial receivables	**9 - 13**	11,052,515	(10,029,904)	(35,349,195)	(30,399,956)
Dividends received		23,041,547		-	
Increase (decrease) in payables to banks	**19**	1,864,886		16,915,962	
Increase (decrease) in other financial payables	**13 - 16**	12,750		-	
Dividends paid	**15**	(1,713,241)		(2,269,325)	
Purchases of treasury shares	**15**	(85,128)		(96,839)	
Financial expenses paid		(6,396,554)		(15,093,909)	
Total cash flows from financing activities		**225,105,662**		**(18,711,690)**	
D. Cash flow for the year (A+B+C)		**169,859,130**		**(12,080,556)**	
D1. Effects of adoption of IFRS 9 on available cash at 1 January 2018		**-**		**(74,986)**	
E. Cash flows due to the incoporation of Alerion Energie Rinnovabili S.p.A.		**204,383**		**-**	
E. Available cash at the beginning of the year		**7,668,843**		**19,824,385**	
F. Available cash at the end of the year (D+E)		**177,732,356**		**7,668,843**	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2019

(in euro)	Share capital	Reserve for treasury shares	Share premium reserve	Legal reserve	Reserve post Alerion energie rinnovabili Incorporation	Other reserves(**)	Earnings reserves	Net result	**Shareholders' equity**
Balance as at 31 December 2018	186,042,314	(1,574,467)	21,400,391	2,687,874	-	2,360,991	2,662,361	840,452	**214,419,916**
Allocation of earnings for the previous year	-	-	-	42,023	-	-	798,429	(840,452)	**-**
Profit for the year	-	-	-		-	-	-	21,380,870	**21,380,870**
Other comprehensive gains (losses)	-	-	-	-	-	(33,708)	-	-	**(33,708)**
Total comprehensive profit/(loss)	**-**	**-**	**-**	**-**	**-**	**(33,708)**	**-**	**21,380,870**	**21,347,162**
Dividends determined and/or distributed	-	-	-	-	-	(530,677)	(1,182,561)	-	**(1,713,238)**
Dividends revceived	-	-	-	-	-	1,008,350	-	-	**1,008,350**
Purchases of treasury shares	-	(85,131)	-	-	-	-	-	-	**(85,131)**
Alerion energie rinnovabili Incorporation		-	-	-	(44,799,429)	-	-	-	**(44,799,429)**
Capital decrease	(46,042,314)	-	-	-	46,042,314	-	-	-	**-**
Capital increase	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	**-**
Balance as at 31 December 2019	**140,000,000**	**(1,659,598)**	**21,400,391**	**2,729,897**	**1,242,885**	**2,804,956**	**2,278,229**	**21,380,870**	**190,177,630**

(**) Other reserves include reserves for adopting international standards (IAS/IFRS)

For comments on individual items, see Note 15, "Shareholders' equity", below.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2018

(in euro)	Share capital	Reserve for treasury shares	Share premium reserve	Legal reserve	Merger reserve - Alerion Energie Rinnovabili S.p.A.	Other reserves(**)	Earnings reserves	Net result	**Shareholders' equity**
Balance at 31.12.2017	158,355,059	1,409,628	21,400,391	2,664,755		4,965,017	2,223,098	462,382	**191,480,330**
Effects of adopting IFRS 9						(74,986)			**(74,986)**
Balance as at 1 January 2018*	158,355,059	1,409,628	21,400,391	2,664,755		4,890,031	2,223,098	462,382	**191,405,344**
Allocation of earnings for the previous year	-	-	-	23,119		-	439,263	(462,382)	**-**
Profit for the year	-	-	-			-	-	840,452	**840,452**
Other comprehensive gains (losses)	-	-	-	-		47,104	-	-	**47,104**
Total comprehensive profit/(loss)	**-**	**-**	**-**			**47,104**		**378,070**	**887,556**
Dividends determined and/or distributed	-	-	-	-		(2,269,325)	-	-	**(2,269,325)**
Purchases of treasury shares	-	(96,839)	-	-		-	-	-	**(96,839)**
Capital increase	24,799,999	-	-	-		(306,819)	-	-	**24,493,180**
Other changes	2,887,256	(2,887,256)	-				-		**-**
Balance as at 31 December 2018	**186,042,314**	**(1,574,467)**	**21,400,391**	**2,687,874**		**2,360,991**	**2,662,361**	**840,452**	**214,419,916**

(*) The effects resulting from first-time application of IFRS 9 have been recognised in shareholders' equity without restating the comparative data

(**) Other reserves include reserves for adopting international standards (IAS/IFRS)

BASIS OF PREPARATION AND NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The Parent Company, Alerion Clean Power S.p.A. (hereinafter the "Parent Company" or "Alerion" or "ACP"), is a legal entity organised under the laws of the Italian Republic. The ordinary shares of Alerion are listed on the electronic circuit of the Milan Stock Exchange - MTA. The registered office of the Alerion Group (hereinafter the "Group" or the "Alerion Group") is at Viale Luigi Majno 17, Milan.

The publication of the financial statements of Alerion for the year ended 31 December 2019 was authorised by resolution of the directors on 18 March 2020.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board and approved by the European Union and in force as at 31 December 2019 and on the basis of the orders issued in implementation of Article 9 of Legislative Decree 38/2005. These IFRS also include all revised International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

These financial statements are in any case consistent with the provisions of Article 2423 *et seq*. of the Italian Civil Code, as indicated in these notes, prepared pursuant to Article 2427 of the Italian Civil Code, which, pursuant to Article 2423 above, constitute an integral part of the financial statements. The amounts shown in the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in shareholders' equity are denominated in euro, while those included in the notes are denominated in thousands of euro, unless otherwise indicated. With regard to the methods used to convert the accounting data in euro cents into euro units, all the amounts in the statement of financial position and income statement were rounded down to the nearest euro unit if the euro cents were less than 50 and rounded up to the nearest euro unit if the euro cents were 50 or more.

By sending the SC 2019 Income Form for 2018, the Parent Company Alerion Clean Power S.p.A. confirmed and renewed the adherence to the national tax consolidation scheme of Alerion Bioenergy S.r.l. in liquidation, Dotto S.r.l., Ordona Energia S.r.l., Alerion Servizi Tecnici e Sviluppo S.r.l., Enermac S.r.l. and Krupen Wind S.r.l., Eolo S.r.l., Callari S.r.l., Minerva S.r.l., Parco Eolico Licodia Eubea S.r.l., Renergy San Marco S.r.l., Wind Power Sud S.r.l., Energes Biccari S.r.l. in liquidation and Alerion Real Estate S.r.l. in liquidation.

This option will enable the participating Group companies to offset their respective tax results, with a clear benefit not only for the companies, but also for the Parent Company as a whole.

The companies participating in the national tax consolidation scheme have signed an agreement governing and specifying the requirements, obligations and responsibilities to which they mutually agree when they join the scheme. In particular, specific provisions are designed to ensure that participation in national consolidation does not result in economic and financial disadvantages for consolidated companies compared with their position if they had not joined the scheme, or if (where applicable) they had opted for group taxation with their own subsidiaries.

2.1 ANY LEGAL OBLIGATIONS ARISING FROM MEMBERSHIP OF A GROUP

The Company has prepared the consolidated financial statements because, together with the subsidiaries indicated in the specifications, it exceeds the limits laid down in Article 27 of Legislative Decree 127 of 9/4/1991 (as amended by Law 52 of 6/2/1996).

2.2 FORMAT OF FINANCIAL STATEMENTS

In accordance with the provisions of Consob Resolution 15519 of 27 July 2006, information is provided below on the financial statement format adopted with respect to that indicated in IAS 1 for the statement of financial position, income statement, statement of comprehensive income and statement of changes in shareholders’ equity and the method used to represent cash flows in the consolidated statement of cash flows with respect to those indicated in IAS 7.

In the income statement, it was decided to present an analysis of costs using a classification based on their nature, while in the statement of financial position, it was decided to represent current and non-current assets and current and non-current liabilities as separate classifications, in accordance with IAS 1. The changes in shareholders’ equity during the period are shown in a column table reconciling the opening and closing balances of each item of shareholders’ equity. The statement of cash flows represents cash flows classified as from operating, investment and financing activities. In particular, cash flows from operating activities are represented, as required by IAS 7, using the indirect method, by which the profit or loss for the year is adjusted for the effects of non-monetary transactions, any deferment or provision of previous or future operating receipts or payments, and for items of revenues or costs associated with cash flows from investment or financing activities.

Finally, it should be noted that, in accordance with the aforementioned resolution, in the statement of financial position, the income statement and the statement of cash flows, the amounts of positions or transactions with related parties and income components (positive and/or negative) arising from events or transactions that are non-recurring, or events or transactions not frequently repeated in the ordinary course of business, have been presented in specific sub-items when the amount involved is significant.

2.3 DISCRETIONARY VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the financial statements and the related notes in application of IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The final results may differ from these estimates. Estimates have been used to determine any impairment of assets and in particular equity investments (impairment testing), provisions for risks and charges, provisions for doubtful accounts and other provisions for impairment, depreciation and amortisation, employee benefits (including the valuation of the fair value of warrants pursuant to IFRS 2) and taxes. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

2.4 SUMMARY OF THE MAIN ACCOUNTING POLICIES

This section summarises the most significant valuation criteria adopted by Alerion.

STATEMENT OF FINANCIAL POSITION

Intangible assets with a finite useful life

In accordance with the provisions of IAS 38, intangible assets include costs, including ancillary charges, incurred for the acquisition of goods and resources without physical substance, to be used in the production of goods or the provision of services, leased to third parties or used for administrative purposes, provided that the cost is reliably quantifiable and the asset is clearly identifiable and controlled by the company that owns it. Goodwill is also recognised when acquired for consideration.

Intangible assets acquired separately are recognised at the cost incurred and expenses incurred after the initial acquisition are added to the cost of intangible assets to the extent that such expenses can generate future economic benefits. Intangible assets acquired through business combinations are capitalised at fair value at the acquisition date.

Fixed assets with a finite useful life are systematically amortised on a straight-line basis over each individual period to take account of their residual useful life. The book value is reviewed annually, in order to carry out a consistency analysis to detect any impairment whenever there is an indication that the asset may be impaired, pursuant to IAS 36 – Impairment of Assets. Any impairment losses are deducted from the value of the asset.

Research costs are charged to the income statement when they are incurred. The development costs incurred in relation to a given project are capitalised when their future recovery is deemed reasonably certain and subject to verification of all the conditions established by IAS 38. After initial recognition, development costs are measured using the cost criterion, reduced for amortisation or any write-downs. Capitalised development costs are amortised according to their future usefulness, based on the period in which future revenues are expected from the project concerned.

The book value of development costs is reviewed annually for the purpose of carrying out a consistency analysis to detect any impairment or, more frequently, whenever there is an indication of impairment.

Amortisation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Amortisation rates on intangible assets	*Rates*
Patents and other intellectual works	20%
Other intangible assets	7.5% to 15%

Tangible assets

Tangible assets are stated in the financial statements at historical cost and systematically depreciated according to their residual useful life, with the exception of land and assets held for sale, which are not depreciated but written down if their fair value is less than the cost recorded in the financial statements.

The depreciation process is on a straight-line basis at rates deemed representative of the estimated useful life, reviewed annually; for assets acquired during the year the rates are applied *pro rata temporis*, taking into account the actual use of the asset during the year. Costs incurred for improvements are recognised as increases in the assets concerned only when they produce real increases in their value.

Ordinary maintenance expenses are charged to the income statement in the year in which they are incurred, while extraordinary maintenance expenses, if they entail a significant increase in productivity or useful life, are recognised as an increase in the value of the assets to which they relate and are depreciated over the remaining useful life of the assets. Amortisation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Depreciation rates on tangible assets	*Rates*
Other assets	12% to 20%

Impairment testing

IAS 36 stipulates that impairment testing should be carried out on tangible and intangible assets if there are indications that such a problem may exist. In the case of other intangible assets with an indefinite useful life or assets not yet available for use (in progress), this assessment is carried out at least once a year.

The recoverability of the amounts recognised is verified by comparing the book value with the higher of the net selling price, if an active market exists, and the value in use of the asset.

Value in use is defined by discounting the cash flows expected from the use of the asset or a combination of assets (the cash generating unit) and the value expected from its disposal at the end of its useful life. The cash generating units have been identified, in accordance with the organisational structure and business of Alerion, as homogeneous aggregations that generate autonomous cash inflows, arising from the continuous use of the assets attributable to them.

Financial instruments

Financial instruments include other equity investments (excluding equity investments in subsidiaries, joint ventures and associates), non-current receivables and loans, trade receivables and other receivables originating from the Company and other current financial assets such as cash and cash equivalents. Cash and cash equivalents include bank and postal deposits, readily negotiable securities representing temporary liquidity investments and financial receivables payable within three months. They also include financial payables, trade and other payables and other financial liabilities, as well as derivatives.

The Company has adopted IFRS 9 – Financial Instruments. IFRS 9 provides for the classification and measurement of financial assets according to the business model within which such assets are managed, taking into account the characteristics of their cash flows. In this regard, the Company classifies financial assets according to the methods it uses to manage them in order to achieve its objectives and the characteristics of the contractual cash flows projected for these financial assets. It should be noted that:

As of 1 January 2018, IFRS 9 – Financial Instruments replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new provisions for the classification and measurement of financial assets according to the business model within which such assets are managed, taking into account the characteristics of their cash flows. In this regard, it should be noted that:

- the Company's financial assets to which business models have been assigned, the purpose of which is to hold assets in order to collect contractual cash flows ("hold to collect"), have been measured at amortised cost;

- the Company's financial assets to which business models have been assigned, the purpose of which is pursued through both the collection of contractual cash flows and the sale of financial assets according to the purpose of holding them and the expected turnover of the financial assets ("hold to collect and sell"), have been classified as financial assets measured at fair value through other comprehensive income;

- financial assets that have been assigned a business model other than the above ("other") have been classified as financial assets measured at fair value through profit or loss.

The categories set out in IAS 39, i.e. assets held to maturity, loans and receivables and assets available for sale, are derecognised.

As a result of the entry into force of the new accounting standard, the Company analysed the financial assets existing at 1 January 2019 in the new categories envisaged, on the basis of the business model and the characteristics of the contractual cash flows provided for these financial assets.

The business model was analysed by mapping financial assets based on the way in which the Group manages them in order to achieve its objectives.

For the purposes of classifying financial assets in the new categories set out in IFRS 9, the analysis of the business model was supported by an analysis of contractual flows (the "SPPI Test"). In this regard, the Company assessed whether the characteristics of the contractual cash flows allow measurement at amortised cost ("hold to collect") or at fair value through other comprehensive income ("hold to collect and sell").

All financial assets are initially recognised at cost, which corresponds to the fair value plus ancillary costs associated with the purchase. The Company determines the classification of its financial assets after initial recognition and, where appropriate and permitted, reviews this classification at the end of each financial year.

Impairment of financial assets

With regard to the "expected loss" impairment model established by IFRS 9 and the items in the financial statements, the Group applies the following methodological approach:

- The Expected Credit Loss ("ECL") is determined by multiplying the value of the exposure by the probability of default of the counterparty (relating to the corresponding time horizon) and by a loss given default fixed at 60%; it should be noted that the value of the exposure was set at the present value of the financial statements and therefore no discount factors were applied (since, as it was calculated at the same rate, the relative accumulation factor would have been the same);

- The probability of counterparty default is calculated on the basis of the relevant CDS spread (for transactions with a time horizon of up to six months the CDS spread at six months was in any case used) based on the following formula:

$PD=1-e-spread60\%\cdot\text{term}$

- For items consisting of current accounts with no predefined maturity, the time horizon for application of the ECL is defined as follows:

    o "Free" current accounts: an expected term of one month (on the assumption that any problems relating to the counterparty would be identified during this period, with a consequent shift in the related cash to other institutions);

    o Current accounts relating to project financing: identification of a component that is "stable" because it is tied to the project (with the application, in the absence of significant credit deterioration, of the ECL within a time horizon of one year) compared with a residual "working" component (with an associated horizon of three months).

Equity investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries, associates and joint ventures are recognised according to the cost method, in accordance with IAS 27. The initial cost is equal to the costs incurred for acquisition or formation or is defined by experts in the case of acquisitions by transferral.

When there is an indication that the equity investment may be impaired, its recoverable amount is estimated, according to the method indicated in IAS 36 – Impairment of Assets, in order to determine any loss to be recognised in the income statement.

Other equity investments

Equity investments other than those held in subsidiaries, associates and joint ventures are recognised at the date of first acquisition at acquisition cost, in addition to any directly attributable transaction costs. The Company assesses such instruments at market value (fair value) and the related changes are recorded in a specific equity reserve. This change (FVOCI) is also shown under items that cannot be reclassified to profit or loss in other comprehensive income. Therefore, only any dividends received will be recognised in the Group's income statement. IFRS 9 also provides for an alternative treatment that allows changes in fair value to be recognised in the income statement (FVTPL). The choice of accounting treatment (FVTPL or FVOCI), to be assessed on an "investment by investment" basis, is to be considered irrevocable once adopted. Any exceptions during the initial recognition phase will be highlighted in the notes to the item.

For equity investments in listed companies, the market value is derived from the stock market spot price at the end of the reporting period. For investments for which there is no active market, the fair value is determined on the basis of the price of recent transactions between independent parties on substantially similar instruments or using other valuation techniques such as income valuations or based on an analysis of discounted cash flows (DCF).

Financial receivables

Loans are initially recognised at cost, corresponding to the fair value of the consideration received net of the ancillary costs of obtaining the loan. After "initial recognition", loans are measured with the amortised cost criterion using the effective interest rate method. Amortised cost is calculated taking into account the issue costs and any discount or premium envisaged at the time of settlement. Any profit or loss is recognised in the income statement when the liability is extinguished, or, in the event of impairment, throughout the amortisation period.

Trade and other receivables

Trade receivables, which generally have short-term maturities, are recognised at the nominal amount shown in the invoice, net of the provision for doubtful accounts, which is calculated using the expected loss impairment model provided by IFRS 9. This impairment model is supplemented by any additional write-downs recognised subject to specific conditions of doubtful collectability on individual loan positions, when they are identified.

When, given the payment terms granted, a financial transaction takes place, receivables are measured using the amortised cost method by discounting the nominal value to be received, and recognising the discount as financial income during its accrual.

Receivables denominated in foreign currencies are aligned to the year-end exchange rate and the gains or losses arising from the adjustment are allocated to the income statement under the item where the transaction was originally recognised.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank and post office sight deposits and investments in securities made as part of treasury management activities, which have short-term maturity, are highly liquid, and are subject to insignificant risk of changes in value.

They are recognised at nominal value.

Loans received

All loans are initially recognised at the fair value of the consideration received, net of the ancillary costs of obtaining the loan.

After initial recognition, loans are measured with the amortised cost criterion using the effective interest rate method.

Any profit or loss is recognised in the income statement when the liability is extinguished, as well as through the amortisation process.

Provisions for risks and charges

Provisions for risks and charges are made when the Company is faced with a current obligation (legal or constructive) resulting from a past event, a resource outflow is probable in order to meet this obligation and its amount can be reliably estimated.

When the Company believes that a provision for risks and charges will be partially or fully repaid, for example in the case of risks covered by insurance policies, the indemnity is recognised separately in assets if, and only if, it is practically certain. In this case, the cost of any provision is presented in the income statement net of the amount recognised for the indemnity.

If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks of the liabilities. When discounting is applied, the increase in the provision due to the passage of time is recognised as a financial expense.

Liabilities for employee benefits

In accordance with IAS 19, employee benefits paid after termination of employment (post-employment benefits) are subject to actuarial assessment that must take into account a series of variables (such as mortality, projected future salary changes, expected inflation rate, etc.). The amendment to IAS 19 – Employee Benefits requires that all actuarial gains or losses be recorded immediately in the "Statement of other comprehensive income" so that the entire net amount of defined benefit provisions is recorded in the statement of financial position. The amendment also provides that changes from one year to the next in the defined-benefit provision must be divided into three components: cost components linked to service during the year must be recognised in the income statement as service costs; net financial expenses calculated by applying the appropriate discount rate to the net balance of the defined-benefit provision at the beginning of the year must be recognised as such; and actuarial gains and losses arising from the restatement of liabilities must be recognised in "Other comprehensive gains/(losses)".

Trade and other payables

Payables are valued at their nominal value.

When, given the payment terms agreed, a financial transaction takes place, payables measured using the amortised cost method are discounted to the nominal value to be received, with the discount recognised as a financial expense.

Payables denominated in foreign currencies are aligned to the year-end exchange rate and the gains or losses arising from the adjustment are allocated to the income statement under the item where the transaction was originally recognised.

INCOME STATEMENT

Revenues and income

Revenues are recognised according to the accounting model set out in IFRS 15, which provides for the following key steps:

- identification of the contract with the customer;
- identification of the performance obligations contained in the contract;
- determination of the price;
- the allocation of the price to the performance obligations contained in the contract;
- the revenue recognition criteria when the entity satisfies each performance obligation which may occur at a specific point in time or over time.

Revenues are recognised to the extent that the economic benefits are likely to be earned by Alerion and the relative amount can be reliably measured. Revenues are shown net of discounts, allowances and returns.

The following specific revenue recognition criteria must always be met before they are recognised in the income statement.

In particular:

- dividends are recognised when the right of shareholders to receive payment arises (date of the shareholders' meeting resolution authorising distribution);

- realised gains on equity investments are recognised when the sale of equity investments takes place and the significant risks and benefits associated with their ownership have been transferred;
- adjustments to the value of financial assets represent the adjustment to the market value of listed equities held for trading. The market value is given by stock market prices at the reporting date or periodically;
- revenues from the provision of services are recognised on the basis of the fulfilment of each performance obligation in accordance with IFRS 15, i.e. the completion of the transfer to the customer of the asset or service promised when the customer obtains control of the asset or service, which can take place at a specific point in time or over time.

All revenues are valued at the fair value of their consideration; when the financial effect linked to the temporary deferral of collection is significant and the collection dates can be reliably estimated, the relevant financial component is recognised under financial income (expenses).

Financial income and expenses

Financial income and expenses are recognised according to the accrual principle, depending on the passage of time, using the effective rate.

Costs

Costs and other operating expenses are recognised in the financial statements when they are incurred on an accrual basis and when they do not generate future economic benefits or when they do not meet the requirements for recognition as an asset in the statement of financial position.

When the payment deferral agreement includes a financial component, the consideration is discounted, with the difference between the nominal value and the fair value recognised in the income statement as a financial expense.

Income taxes

Current income taxes are recognised on the basis of estimated taxable income in accordance with applicable rates and provisions, taking into account applicable exemptions and tax receivables due.

Deferred tax assets are recognised when it is probable that sufficient taxable income will be available in subsequent years to use the deferred tax asset.

Deferred tax liabilities are recognised for all taxable temporary differences, unless such liabilities arise from the initial recognition of goodwill.

Deferred tax assets and liabilities are calculated on the temporary differences between the value attributed to assets and liabilities in the financial statements and the corresponding values recognised for tax purposes at the rates in force at the time the temporary differences are reversed. When the results are recognised directly in shareholders’ equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised in shareholders’ equity.

Value added tax

Revenues, costs and assets are recognised net of value added tax except where:

- this tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;

- they relate to trade receivables and payables shown including the value of the tax.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is included in the financial statements under trade receivables or payables, depending on whether the balance is positive or negative.

Profit per share

Basic profit per share is calculated by dividing the Company's profit by the weighted average number of shares outstanding during the year, net of the treasury shares purchased by Alerion Clean Power S.p.A. during 2019. For the purposes of calculating diluted profit per share, the weighted average number of shares outstanding, net of the treasury shares purchased by Alerion Clean Power S.p.A. during 2019, is adjusted assuming the conversion of all potential shares with dilutive effect (allotment of new issues to beneficiaries of stock option plans).

The net result is also adjusted to take account of the effects of the conversion after tax.

Changes in international accounting standards

Alerion's financial statements are prepared in accordance and comply with the international accounting standards and related interpretations approved by the IASB and approved in accordance with the procedure set out in Article 6 of Regulation (EC) No 1606 of 19 July 2002.

The financial statements as at 31 December 2019 have been prepared in accordance with the historical cost criterion, with the exception of other equity investments, recognised at fair value.

AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2019

On 13 January 2016, the IASB published IFRS 16 – Leases to replace IAS 17 – Leases, as well as the interpretations IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC-15 – Operating Leases – Incentives and SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of a lease and introduces a criterion based on the control (right of use) of an asset to distinguish leases from contracts for the provision of services, identifying the following as distinguishing elements: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and, lastly, the right to direct the use of the asset underlying the lease.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee that provides for the recognition of the leased asset, including under an operating lease, in assets with a balancing entry in financial liabilities. On the other hand, the standard does not include significant changes for lessors.

The standard has been applied as of 1 January 2019.

<u>Transition with modified retrospective method</u>

The Company chose to apply the standard retrospectively, but recognised the cumulative effect deriving from the application of the standard in shareholders' equity at 1 January 2019, in accordance with IFRS 16:C7-C13. In particular, the Company recognised, in relation to leases previously classified as operating leases:

a) a financial liability, equal to the present value of future residual payments on the transition date, discounted using for each lease the incremental borrowing rate applicable on the transition date;

b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses relating to the lease and recognised in the statement of financial position at the balance sheet date.

The following table shows the estimated effects of adoption of IFRS 16 at the transition date.

(in millions of euro) **ASSETS**	**Impacts at transition date (01.01.2019)**
Non-current assets	
Right of use Vehicles	0.06
Total Right of use	**0.06**
Sundry receivables and other current assets	0.00
Total Assets	**0.06**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Non-current liabilities	
Financial liabilities for non-current leases	0.01
Current liabilities	
Financial liabilities for current leases	0.05
Total	**0.06**
Shareholders' equity	**0.00**
Retained earnings	0.00

Reconciliation of commitments for leases

(in millions of euro)	**01-gen-19**
Commitments for operating leases as at 31 December 2018	**0.07**
Minimum payments on financial lease liabilities as at 31 December 2018	0.00
Undiscounted financial liabilities for leases as at 1 January 2019	**0.07**
Effect of IFRS 16 discounting	**0.00**
Financial liabilities for leases as at 1 January 2019	**0.07**
Present value of liability for finance leases as at 31 December 2018	0.07
Financial liabilities for additional leases due to the transition to IFRS 16 as at 1 January 2019	**0.00**

In adopting IFRS 16, the Group availed itself of the exemption granted under IFRS 16:5(a) by not applying the standard to short-term assets. Likewise, the Group availed itself of the exemption granted under IFRS 16:5(b) in respect of leases for which the underlying asset is of low value (i.e. the assets underlying the lease do not exceed €5,000 when new). Leases of low value for which the exemption has been applied mainly fall into the following categories:

- Computers, phones and tablets;
- Printers;
- Other electronic devices.

For these leases, the introduction of IFRS 16 did not entail the recognition of the lease liability and the related right-of-use asset, but lease payments were recognised in the income statement on a straight-line basis for the duration of the respective agreements.

In addition, with regard to the transition rules, the Company availed itself of the following practical expedients available when choosing the modified retrospective transition method:

- Classification of agreements that expire within 12 months of the transition date as short-term leases. For these agreements, lease payments are recognised in the income statement on a straight-line basis;

- Use of the information present at the transition date to determine the lease term, with particular reference to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgement that involve the definition of certain accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main policies are summarised below:

- The Company decided not to apply IFRS 16 for contracts containing a lease that have an intangible asset as an underlying asset;

- Lease term: the Company analysed all lease agreements, defining the lease term for each, given by the "not cancellable" period, together with the effects of any extension or early termination clauses, the exercise of which was deemed reasonably certain. Specifically, for property, this assessment considered the specific facts and circumstances of each asset. With regard to other categories of assets, mainly company cars and electronic equipment, the Company generally considered it unlikely that any extension or early termination clauses would be exercised in view of usual practice;

- Definition of the incremental borrowing rate: Since most of the rental agreements entered into by the Group do not contain an implicit interest rate, the discount rate to be applied to future payments of rental instalments was determined as the risk-free rate of each country in which the contracts were entered into, with maturities commensurate with the term of the specific rental agreement, plus the Group's specific credit spread.

- On 12 October 2017, the IASB published an amendment to IFRS 9 – Prepayment Features with Negative Compensation. This document specifies that instruments providing for early redemption may pass the Solely Payments of Principal and Interest (SPPI) test, including in cases where "reasonable additional compensation" to be paid in the event of early redemption is a "negative compensation" for the lender. The adoption of this amendment has had no effect on the Company's financial statements.

- On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation addresses the issue of uncertainties as to the tax treatment to be adopted in relation to income taxes. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics), always assuming that the tax authority examines the tax position in question with full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment, the entity must reflect the effect of the uncertainty in measuring its current and deferred income taxes. Furthermore, the document does not contain any new disclosure obligation, but emphasises that the entity must determine whether it will be necessary to provide information on the management's considerations regarding the uncertainty inherent in the recognition of taxes, in accordance with IAS 1. The new interpretation has been applied since 1 January 2019. The adoption of this amendment has had no effect on the Company’s financial statements.

• On 12 December 2017, the IASB published the document “Annual Improvements to IFRSs 2015-2017 Cycle”, which incorporates the amendments to certain standards as part of the annual improvement process. The main changes concern:

- IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that represents a joint operation, it must remeasure the interest previously held in that business. This process is not, however, envisaged if joint control is obtained.

- IAS 12 – Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified in shareholders’ equity) should be accounted for in a manner consistent with the transaction that generated such profits (income statement, OCI or shareholders’ equity).

- IAS 23 – Borrowing costs: the amendment clarifies that in the case of loans that remain outstanding, including after the qualifying asset in question is ready for use or sale, they become part of the total loans used to calculate the borrowing costs.

The adoption of this amendment has had no effect on the Company’s financial statements.

• On 7 February 2018, the IASB published the document “Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)”. The document clarifies that an entity must recognise an amendment (i.e. a curtailment or settlement) to a defined benefit plan. The amendments require the entity to update its assumptions and remeasure the liability or net asset arising from the plan. The amendments clarify that after the occurrence of this event, the entity uses up-to-date assumptions to measure the current service cost and interest for the remainder of the reference period following the event. The adoption of this amendment has had no effect on the Company’s consolidated financial statements.

• On 12 October 2017, the IASB published the document “Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”. This document clarifies the need to apply IFRS 9, including requirements relating to impairment and other long-term interests in associates and joint ventures to which the equity method is not applied. The adoption of this amendment has had no effect on the Company’s consolidated financial statements.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION THAT ARE NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2019

- On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "material" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to make the definition of "material" more specific and to introduce the concept of "obscured information" alongside the concepts of omitted or misstated information already present in the two standards subject to amendment. The amendment makes it clear that information is "obscured" if it has been described in such a way that it has an effect on primary users of financial statements similar to that which would have occurred if that information had been omitted or misstated.

The amendments introduced were approved on 29 November 2019 and apply to all transactions after 1 January 2020. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated financial statements.

- On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment is effective for periods beginning on or after 1 January 2020, but early application is permitted.

The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in developing IFRSs. The document helps to ensure that the standards are conceptually consistent and that similar transactions are treated equally so as to provide useful information to investors, lenders and other creditors.

The Conceptual Framework helps companies to develop accounting standards when no IFRS is applicable to a particular transaction and, more generally, helps stakeholders understand and interpret the standards.

- On 26 September 2019, the IASB published the amendment entitled "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The amendment applies to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures. Specifically, the amendment changes some of the requirements for the application of hedge accounting, establishing temporary derogations from them in order to mitigate the impact of uncertainty over the IBOR reform (which is still ongoing) on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional information in their financial statements on hedging relationships that are directly affected by the uncertainties generated by the reform and to which the above derogations apply. The amendments came into force on 1 January 2020, with early adoption permitted.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

At the date of this consolidated financial report as at 31 December 2019, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

As of the date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and standards described below.

- On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides clarifications on the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces output, the presence of output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, in order to meet the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantive process that together contribute significantly to the capacity to create output. To this end, the IASB has replaced the term "capacity to create output" with "capacity to contribute to the creation of output" to clarify that a business can exist even without the presence of all the inputs and processes necessary to create output.

The amendment also introduced an optional concentration test, which allows the presence of a business to be excluded if the price paid is essentially attributable to a single asset or group of assets. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.

Considering that this amendment will be applied to new acquisitions concluded on or after 1 January 2020, any effects will be recognised in the consolidated financial statements closed after that date.

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts to replace IFRS 4 – Insurance Contracts.

The aim of the new standard is to ensure that entities provide relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to cover all types of insurance contracts, including reinsurance contracts, that an insurer holds.

The new standard also includes presentation and reporting requirements to improve comparability between entities in this sector.

The new standard measures an insurance contract based on a General Model or a simplified version of it, called the Premium Allocation Approach ("PAA").

The main features of the General Model are as follows:

- estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates provide for extensive use of observable market information;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
- the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in cash flow assumptions for each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity provides that such liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications arising from the application of the PAA method do not apply to the assessment of liabilities for outstanding claims, which are measured using the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to take place within one year of the date of the claim.

The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, to reinsurance contracts held, and also to investment contracts with a discretionary participation feature (DPF).

The standard applies from 1 January 2021 but early application is permitted only for entities applying IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

3. FINANCIAL RISK MANAGEMENT POLICY

Financial risk management is an integral part of the management of the activities of the Parent Company, which defines the risk categories for all Group companies and indicates the operating methods and limits for each type of transaction and/or instrument.

All instruments at fair value are classified at Level 2 as they are subject to mark-to-model valuation based on observable market parameters.

In fact, in view of the nature of equity investments as holdings, the Parent Company usually operates with financial instruments. In particular, the Parent Company's core business involves investing in the equity securities of companies, whether listed on regulated markets or unlisted. Investments are made according to a medium/long-term approach, as well as for the purposes of trading in accordance with the Articles of Association and the applicable legislation and regulations. The Parent Company may also grant loans to investee companies or negotiate them on their behalf in order to support their development plans in accordance with its portfolio investment return objectives.

The breakdown of the financial assets and liabilities required by IFRS 7 within the categories set out in IFRS 9 is shown below:

Figures as at 31/12/2019 in thousands of euro	Note to financial statements	Effects in the income statement	Held to collect	Other
A- Financial assets				
Current financial assets:				
Cash and cash equivalents	11	14		177,732
Sundry financial receivables	10	667	15,160	
Trade receivables	8		6,452	
Non-current financial assets:				
Financial receivables and other non-current financial assets	7	7,752	176,203	

Figures as at 31/12/2019 in thousands of euro	Note to financial statements	Effects in the income statement	Liabilities for financial instruments held for trading	Liabilities at amortised cost
B- Financial liabilities				
Current financial liabilities:				
Payables to bondholders for interest	16	-		(3,074)
Payables to banks for loans	16	(465)		(20)
Payables to subsidiaries for loans	16	(322)		(16,312)
Payables to subsidiaries and associates	16	(53)		(948)
Trade payables	17			(1,287)
Non-current financial liabilities:				
Payables to bondholders	13	(6,265)		(345,107)
Payables to banks for loans	13			(2,687)
Financial liabilities for leases				(16)

Figures as at 31/12/18 in thousands of euro	Note to financial statements	Effects in the income statement	Hold to collect	Other
A- Financial assets				
Current financial assets:				
Cash and cash equivalents	11	3		7,669
Sundry financial receivables	10	2,756	33,417	
Trade receivables	8		10,834	
Non-current financial assets:				
Financial receivables and other non-current financial assets	7	12,124	146,995	

Figures as at 31/12/18 in thousands of euro	Note to financial statements	Effects in the income statement	Liabilities for financial instruments held for trading	Liabilities at amortised cost
B- Financial liabilities				
Current financial liabilities:				
Payables to bondholders for interest	16	-		(2,851)
Payables to banks for loans	16	(169)		(17,094)
Payables to subsidiaries and associates	16	(53)		(925)
Trade payables	17			(1,082)
Non-current financial liabilities:				
Payables to bondholders	13	(13,713)		(147,373)

Fair value and calculation models used

The amounts corresponding to the fair value of the classes of financial instruments broken down on the basis of the methodologies and calculation models used to determine them are shown below.

The fair value of equity investments recognised at cost has not been calculated since they are investments in equity instruments that do not have a market price listed on an active market.

Figures as at 31/12/2019 in thousands of euro	Book value		Fair value	
	Current portion	Non-current portion	Cost	Discounted cash flow
A- Financial assets				
Financial receivables and other financial assets	508	-	-	508
TOTAL ASSETS	**508**	**-**	**-**	**508**

Figures as at 31/12/2019 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
B- Financial liabilities			
Payables to bondholders	**(3,074)**	(345,107)	(405,237)
TOTAL LIABILITIES	**(3,074)**	**(345,107)**	**(405,237)**

Figures as at 31/12/18 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
B- Financial liabilities			
Payables to bondholders	**(2,851)**	(147,373)	(174,510)
TOTAL LIABILITIES	**(2,851)**	**(147,373)**	**(174,510)**

Types of risks hedged

With regard to transactions in financial instruments, the Parent Company is exposed to the following risks. From a procedural point of view, the Board of Directors assesses each significant transaction in advance, periodically verifies the Parent Company's risk exposure and defines market risk management policies.

Credit risk

The Parent Company's receivables derive mainly from financial assets and services provided to subsidiaries.

The credit risk relating to financial assets consists mainly of interest-bearing loans to subsidiaries Renergy San Marco S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud S.r.l. and Minerva S.r.l. With regard to Alerion Energie Rinnovabili S.p.A., this position was due to the activity to grant the liquidity necessary for the development and sustainability of investments in the wind power sector; with regard to the other companies identified above, interest-bearing loans were granted at the same time as the issue of the bond loan to enable the early repayment of project financing (see the section entitled *"Liquidity risk")*.

Centralised management of the finance and treasury function enables the exposure to the credit risk in question to be reduced through constant monitoring of compliance with the financial constraints envisaged in the project financing models adopted by the project company (SPV) to develop individual investment plans.

The table below summarises the balances of trade receivables from third parties and subsidiaries only, as none of the other financial assets described above were past due or written down at the reporting date:

Alerion Clean Power S.p.A. - Analysis of credit risk financial statements as at 31/12/2019

RECEIVABLES POSITION AS AT 31/12/2019

(thousands of euro)	Receivables Net trade receivables	Receivables past due before provision for doubtful accounts: Within 4 months	5 to 8 months	9 to 12 months	over 12 months	Total Past due	Write-down Individual
Trade receivables	-	-	-	-	-	-	-
Trade receivables from subsidiaries	**6,452**	-	-		221	**221**	(221)
TOTAL	**6,452**	**-**	**-**	**-**	**221**	**221**	**(221)**

RECEIVABLES POSITION AS AT 31/12/2018

(thousands of euro)	Receivables Net trade receivables	Receivables past due before provision for doubtful: Within 4 months	5 to 8 months	9 to 12 months	over 12 months	Total past due	Individual write-down
Trade receivables	-	-	-	-	-	-	-
Trade receivables from subsidiaries	**10,834**	-	-		211	**211**	(211)
TOTAL	**10,834**	**-**	**-**	**-**	**211**	**211**	**(211)**

Liquidity risk

Liquidity risk may manifest as difficulty in finding, under market economic conditions, the financial resources necessary to meet contractual obligations.

This may result from a lack of available resources to meet financial obligations according to the established terms and deadlines in the event of the sudden withdrawal of lines of finance or the possibility that the Company might have to discharge its financial liabilities before their natural maturity.

It should be noted that on **10 May 2018**, the Board of Directors of Alerion resolved to issue a bond loan with a minimum nominal value of €130,000,000 and a maximum nominal value of €160,000,000, called the "Alerion Clean Power S.p.A. Bond Loan 2018-2024" (hereinafter the "BL 2018-2024"), to be allocated firstly to the full voluntary early redemption of the "Alerion Clean Power S.p.A. Bond Loan 2015-2022" (hereinafter, "BL 2015-2022") and secondly to the financing of future investments. The subscription period for the "BL 2018-2024" ended on **26 June 2018**. During the offer period, 150,000,000 bonds were subscribed (of which approximately 14.6% were subscribed, directly and indirectly, by Fri-El Green Power S.p.A., the company that controls Alerion), for an equivalent value of €150 million. The gross annual nominal fixed coupon rate of the bonds is 3.75%. The offer price of the bonds is 100.00% of their nominal value. The issue date, coupon date and dated date of the bonds subscribed in the offer was 29 June 2018.

On **23 September 2019**, the Board of Directors began the preparatory activities for the issue of a loan totalling €150 million to €200 million, with the aim of financing the Group's further growth and optimising its financial structure.

On **3 December 2019**, a non-convertible and unsubordinated bond loan of €150 million minimum to €200 million maximum was approved, qualifying as a green bond, intended both for the general public in Italy and for qualified investors in Italy and abroad. The duration of the loan was established as six years from the issue date with a fixed interest rate of at least 3% per annum. The bonds were issued for a nominal value of €1,000.00 at an issue price of 100%.

The offer opened on 6 December 2019 and closed on 12 December 2019, for a total nominal value of €200,000,000 in subscribed bonds. The annual interest rate on the bonds will be 3.125%. The interest payable on the bonds will amount to €6,250,000. The offer generated gross proceeds of €200,000,000.

Approximately 66% of the bonds were subscribed by institutional investors, with the remainder of approximately 34% subscribed by retail investors.

The bond loan may be redeemed at the discretion of the Company as of the third year.

As a result of the bond issue, the Parent Company's financial structure is almost exclusively concentrated on long-term maturities. Alerion Clean Power's outstanding short-term lines of credit as at 31 December 2019 represent approximately 12% of borrowings.

The Parent Company has sufficient available margins on bank loans to meet temporary cash requirements and approved investments and the theoretical risk of the return of sight lines of credit through the Group's financial management.

The analysis of the maturities shown here was carried out by estimating future cash flows, the amounts of which were entered taking into account the first date on which payment may be requested. The underlying assumptions for maturity analysis are:

- cash flows are not discounted;
- cash flows are allocated in time bands on the basis of the first due date (worst case scenario) under the contractual terms;
- all instruments held at the reporting date for which payments have already been contractually designated are included; future commitments planned but not yet recognised in the financial statements are not included;
- when the amount payable is not fixed (e.g. future interest repayments), cash flows are valued at market conditions at the reporting date (current forward rates at the reporting date);

- cash flows include both the interest portion and the principal portion until the due date of the financial payables recognised at the reporting date.

€ thousands				Liquidity analysis - FY 2019							
Note to financial statements	**Instruments**	**Book values**	**sight**	**within 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**over 5 years**	**Total cash flow**
13 - 16	Payables to bondholders	(348,181)	-	(5,625)	(6,250)	(11,875)	(11,875)	(11,875)	(161,875)	(206,250)	**(415,625)**
16	Payables to subsidiaries and associates	(948)	-	(948)	-						**(948)**
16	Payables to banks	(18,999)	(16,312)	(420)	(420)	(840)	(840)	-	-	-	**(18,832)**
17	Trade payables	(1,287)		(1,287)	-	-	-	-	-	-	**(1,287)**
	Total	**(369,415)**	**(16,312)**	**(8,280)**	**(6,670)**	**(12,715)**	**(12,715)**	**(11,875)**	**(161,875)**	**(206,250)**	**(436,692)**

€ thousands				Liquidity analysis - FY 2018							
Note to financial statements	**Instruments**	**Book values**	**sight**	**within 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**over 5 years**	**Total cash flow**
13 - 16	Payables to bondholders	(150,224)	-	(5,625)	-	(5,625)	(5,625)	(5,625)	(5,625)	(155,625)	**(183,750)**
16	Payables to subsidiaries and associates	(925)	-	(925)	-						**(925)**
16	Payables to banks for current accounts	(17,094)	(17,094)	-	-	-	-	-	-	-	**(17,094)**
17	Trade payables	(1,082)		(1,082)	-	-	-	-	-	-	**(1,082)**
	Total	**(169,325)**	**(17,094)**	**(7,632)**	**-**	**(5,625)**	**(5,625)**	**(5,625)**	**(5,625)**	**(155,625)**	**(202,851)**

Interest rate risk

The interest rate risk to which the Parent Company is exposed, mainly due to payables to banks and related to the volatility of the Euribor curve, was limited as at 31 December 2019 due to the limited use of corporate lines of credit following the issue of the bond loan.

Sensitivity analysis

Sensitivity analyses were carried out on financial instruments exposed to interest rate risk at the date of preparation of the financial statements. The assumptions underlying the model are as follows:

- for bank current account exposures and financial receivables from subsidiaries, the amount of financial income/expenses is redetermined by applying the change of +100/-25 bps, multiplied by the amounts recognised in the financial statements and by a time interval equal to the year;
- for loans and leases with a repayment schedule, the change in financial expenses is determined by applying the change of +100/-25 bps to the borrowing rate on the loan at each re-fixing date, multiplied by the residual principal during the year.

(Thousands of euro) figures as at 31 December 2019	Economic result 2019		Economic result 2018	
Instruments	**+ 100bp Euribor**	**-25bp Euribor**	**+ 100bp Euribor**	**-25bp Euribor**
Payables to bondholders	(3,500)	875	(1,500)	375
Payables to subsidiaries and associates	9	(2)	9	(2)
Payables to affiliates				
Payables to banks for current accounts	190	(47)	163	(41)
Financial receivables from subsidiaries	1,914	(478)	1,914	(478)
Bank current accounts in credit	-	-	-	-
Total	**(1,387)**	**348**	**586**	**(146)**

4. EFFECTS OF THE MERGER BY INCORPORATION

On 5 September 2019, the Shareholders' Meeting approved the merger by incorporation of Alerion Energie Rinnovabili S.p.A. (hereinafter "AER") under the "simplified" procedure established in Article 2505, paragraph 1 of the Italian Civil Code, i.e. a reduction in the share capital of Alerion Clean Power S.p.A., pursuant to Article 2445 of the Italian Civil Code, by the amount of €46,042,314.05, to be allocated to an available equity reserve created for the purpose named the "merger reserve". This reserve contains the cancellation deficit, i.e. the difference between the value of the equity investment in AER, cancelled as a result of the Merger, recognised in the Company's financial statements in the amount of €151,194,803.05, and the absorbed company's shareholders' equity of €106,395,374.

When 90 days had passed since its registration, with no objections from creditors, the merger was finalised on **17 December 2019** when the deed of merger was filed with the Milan Companies Register. As of that date, the share capital amounted to €140,000,000.00. The statutory effects of the merger took effect on the date on which the deed of merger was registered with the Milan Companies Register, while for accounting and tax purposes, the merger took effect on 1 January 2019.
The financial statement figures as at 31 December 2018 of Alerion Clean Power S.p.A. and the subsidiary Alerion Energie Rinnovabili S.p.A., which was merged by incorporation during the year with accounting effects from 1 January 2019, are shown below.

Statement of financial position

(thousands of euro)	Alerion Clean Power S.p.A.	Alerion Energie Rinnovabili S.p.A.
	31.12.2018	**31.12.2018**
NON-CURRENT ASSETS:		
Intangible assets:		
Intangible assets with a finite useful life	11,691	2,718
Total intangible assets	**11,691**	**2,718**
Tangible assets (property, plant & equipment)	**7,433**	**-**
Equity investments in subsidiaries	182,180,383	88,018,208
Financial receivables and other non-current financial assets	146,994,451	46,871,590
Deferred tax assets	334,766	128,207
TOTAL NON-CURRENT ASSETS	**329,528,724**	**135,020,723**
CURRENT ASSETS:		
Trade receivables	10,834,382	7
Tax receivables	166,358	-
Sundry receivables and other current assets	6,581,350	1,222,548
Financial receivables and other current financial assets	33,416,772	6,000,998
Cash and cash equivalents	7,668,843	204,383
TOTAL CURRENT ASSETS	**58,667,705**	**7,427,936**
TOTAL ASSETS	**388,196,429**	**142,448,659**

(thousands of euro)	**31.12.2018**	**31.12.2018**
SHAREHOLDERS' EQUITY	**214,419,916**	**106,395,374**
NON-CURRENT LIABILITIES:		
Non-current financial liabilities	147,373,139	29,716,723
Post-employment benefits and other staff-related provisions	822,635	-
Provisions for future risks and charges	74,946	533,178
TOTAL NON-CURRENT LIABILITIES	**148,270,720**	**30,249,901**
CURRENT LIABILITIES:		
Current financial liabilities	20,870,139	5,492,715
Current trade payables	1,082,214	207,974
Tax payables	409,532	-
Sundry payables and other current liabilities	3,143,908	102,695
TOTAL CURRENT LIABILITIES	**25,505,793**	**5,803,384**
TOTAL LIABILITIES	**173,776,513**	**36,053,285**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**388,196,429**	**142,448,659**

2018 INCOME STATEMENT (thousands of euro)	Alerion Clean Power S.p.A.	Alerion Energie Rinnovabili S.p.A.
Income (expenses) from equity investments	14,820,414	2,394,844
Other revenues	3,921,159	31,674
TOTAL OPERATING INCOME AND REVENUES	**18,741,574**	**2,426,518**
Operating costs		
Staff costs	1,632,719	-
Other operating costs	1,920,389	563,917
Provisions for risks	35,272	
Total operating costs	**3,588,379**	**563,917**
Depreciation, amortisation and write-downs		
Depreciation and amortisation	16,534	874
Total depreciation, amortisation and write-downs	**16,534**	**874**
OPERATING RESULT	**15,136,661**	**1,861,728**
Financial income	10,132	0
Financial expenses	(13,915,262)	(2,742)
Total financial income (expenses)	**(13,905,130)**	**(2,742)**
PROFIT BEFORE TAX	**1,231,531**	**1,858,986**
Taxes for the year		
Current	(305,155)	810,604
Deferred	(85,924)	39,408
Total taxes for the year	**(391,079)**	**850,012**
NET RESULT FROM OPERATING ACTIVITIES	**840,452**	**2,708,998**
NET RESULT FOR THE YEAR	**840,452**	**2,708,998**

With reference to the book values of the assets and liabilities of the absorbed company, the absorbing Company derecognised the equity investment in the financial statements with the corresponding shareholders' equity of the absorbed company. The following is a summary of the treatment of the difference from cancellation, booked as a direct reduction in shareholders' equity:

(in €/000)				Summary of use in previous years	
Nature/description	**Amount**	**Possibility of use**	**Available portion**	**to cover losses**	**for other reasons**
Share capital	140,000		-	-	-
Capital reserves:					
Share premium reserve	21,400	A, B, C (*)	21,400	-	-
Reserve post Alerion Energie rinnovabili Incorporation	1,243	A, B, C			
Earnings reserves:					
Legal reserve	2,730	B		-	-
Other distributable reserves	1,008	A, B, C	1,008		
Other non-distributable reserves	1,797	B			
Reserve for treasury shares	(1,660)				
Unrealised profit reserve	-				
Accumulated profits	2,278	A, B, C	2,278	-	-
Total	**168,796**		**24,686**	**-**	**-**

(*) Pursuant to Article 2431 of the Civil Code the full amount of this reserve can only be distributed provided that the legal reserve has reached the limit established in Article 2430.

Key:

A: for capital increase
B: to cover losses
C: for distribution to shareholders

NON-CURRENT ASSETS

5. INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

These came to €5 thousand (€12 thousand as at 31 December 2018) and mainly relate to expenses incurred to purchase software. The change compared with the previous year mainly concerned amortisation.

6. TANGIBLE ASSETS

This item came to €46 thousand (€7 thousand as at 31 December 2018) and refers to telephone equipment, furnishings and electronic office machinery. The change compared with the previous year mainly relates to the adoption of IFRS 16, which entailed the recognition among tangible assets of the "Right of use" for a net book value of €44 thousand.

7. EQUITY INVESTMENTS IN SUBSIDIARIES

These amounted to €161,591 thousand (€182,180 thousand at 31 December 2018). The details are as follows:

(in €/000)	31.12.2019			31.12.2018		
Name	No. of shares/units	Nominal value	Book value	No. of shares/units	Nominal value	Book value
Alerion Energie Rinnovabili S.p.A.	100%	10,000	151,195	100%	10,000	151,195
Alerion Servizi Tecnici e Sviluppo S.r.l.	100%	100	113	100%	100	113
Alerion Bioenergy S.r.l. in liquidation	100%	10	-	100%	10	0
Alerion Real Estate S.r.l. in liquidation	100%	90	673	100%	90	673
Fri-El Albareto S.r.l.	100%	10	4,700	100%	10	4,700
Green Energy Sardegna S.r.l.	100%	10	7,700	100%	10	7,700
Eolica PM S.r.l.	100%	20	17,950	100%	20	17,800
Callari S.r.l.	100%	1,000	6,064	0%	-	0
Dotto S.r.l.	100%	10	7,724	0%	-	0
Alerion Spain S.L.	100%	100	58	0%	-	0
Eolo S.r.l.	100%	750	3,418	0%	-	0
Krupen Wind S.r.l.	100%	10	116	0%	-	0
Minerva S.r.l.	100%	14	10,079	0%	-	0
Ordona Energia S.r.l.	100%	435	6,365	0%	-	0
Parco Eolico Licodia Eubea S.r.l.	100%	100	5,508	0%	-	0
Renergy San Marco S.r.l.	100%	108	18,690	0%	-	0
Wind Power Sud S.r.l.	100%	10	8,614	0%	-	0
FRI-EL Ichnusa S.r.l.	100%	10	59,719	0%	-	0
Anemos Wind S.r.l.	100%	50	3,500	0%	-	0
Alerion Romania S.A. in liquidazione	100%	100 RON	-	0%	-	0
Alerion Bulgaria A.D.	100%	50 LEV	-	0%	-	0
Total equity investments in subsidiaries			**161,591**			**182,181**

The decrease of €20,590 thousand is mainly due to the effects of the merger of Alerion Energie Rinnovabili S.p.A. into Alerion Clean Power S.p.A. on 18 December 2019, as already indicated in the Report on Operations.

The list of equity investments in subsidiaries at year-end, with the information required by Article 2427(5) of the Italian Civil Code, is provided below.

Alerion Servizi Tecnici e Sviluppo S.r.l.

Alerion Servizi Tecnici e Sviluppo S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	100
Ownership percentage	100%
Result for FY 2019	152
Shareholders' equity as at 31.12.2019 (including result for the year)	305
Net value attributed in the financial statements	**713**

Alerion Servizi Tecnici e Sviluppo S.r.l. is the Alerion Group's operating company in the sector of engineering and wind farm construction on behalf of third parties, drawing on the development and construction experience gained by the Group over the years.
In 2019, the Company pursued the development of investee Enermac S.r.l., which holds the authorisation to build a plant in Orta Nova. As already provided for in the 2019-2021 business plan of the Alerion Group, approved by the Board of Directors on 15 November 2018, in the 2020 budget of the Alerion Group, approved by the Board of Directors on 18 February 2020, provision was made for the sale of the equity investment held in Enermac by ASTS to the Parent Company Alerion during the year, in order to pursue the development of this project. On the basis of this added value, which will be confirmed at the time of the sale, it is believed that the value of the equity investment recognised is not lower than its recoverable value, and that the conditions therefore do not exist for the write-down of the book value of the investment.
During 2019, ASTS continued to manage both the development projects that it owns and the projects carried out through its investees, as well as providing support and technical supervision for the Group's operating subsidiaries.
The book value of the equity investment at 31 December 2019 was €713 thousand, net of an impairment provision of €3,857 thousand.

Alerion Bioenergy S.r.l. in liquidation

Alerion Bioenergy S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10
Ownership percentage	100%
Result for FY 2019	(7)
Shareholders' equity as at 31.12.2019 (including result for the year)	(28)
Net value attributed in the financial statements	-

In 2019, the Company continued with the liquidation activities approved on 12 April 2017. It should be noted that "Provisions for future risks and charges" include a provision to cover the investee's accumulated losses of €28 thousand.

Alerion Real Estate S.r.l. in liquidation

Alerion Real Estate S.r.l. in liquidation	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	90
Ownership percentage	100%
Result for FY 2019	(5)
Shareholders' equity as at 31.12.2019 (including result for the year)	666
Net value attributed in the financial statements	**673**

In 2019, the Company continued with the liquidation activities approved on 27 December 2006.
The book value of the equity investment at 31 December 2019 was €673 thousand, recognised net of an impairment provision of €317 thousand.

FRI-EL Albareto S.r.l.

Fri-El Albareto S.r.l.	*(in €/000)*
Registered office: Bolzano, Piazza del Grano 3	
Share capital	10
Ownership percentage	100%
Result for FY 2019	(291)
Shareholders' equity as at 31.12.2019 (including result for the year)	1,179
Net value attributed in the financial statements	**4,700**

FRI-EL Albareto S.r.l. is a company that owns a wind farm with installed capacity of 19.8 MW in Emilia-Romagna, in the municipality of Albareto. The construction phase of the plant ended on 27 June 2019 and it has therefore been put into operation. The company entered into a project financing agreement, totalling €22.9 million, with a pool of banks composed of Unicredit S.p.A. and Natixis – Milan Branch, which acted as structuring MLAs and hedging banks, and UniCredit, also acting as an agent bank.
Electricity production in 2019 was 18,395 MWh.
The book value of the equity investment at 31 December 2019 was €4,700 thousand.

Green Energy Sardegna S.r.l.

Green Energy Sardegna S.r.l.	*(in €/000)*
Registered office: Cagliari, Via Santa Eulalia 1	
Share capital	10
Ownership percentage	100%
Result for FY 2019	551
Shareholders' equity as at 31.12.2019 (including result for the year)	1,477
Net value attributed in the financial statements	**7,700**

Green Energy Sardegna S.r.l. is a company that owns a wind farm in the municipalities of Villacidro and San Gavino Monreale in Sardinia, with installed capacity of 30.8 MW. The construction phase of the plant ended on 31 January 2019 and it has therefore been put into operation.
The company entered into a project financing agreement for €33 million with Unicredit S.p.A. and Natixis – Milan Branch, which acted as structuring MLAs and hedging banks, and UniCredit, also acting as an agent bank.
Electricity production in 2019 was 75,856 MWh.

The book value of the equity investment at 31 December 2019 was €7,700 thousand.

Eolica PM S.r.l.

Eolica PM S.r.l.	*(in €/000)*
Registered office: Bolzano, Piazza del Grano 3	
Share capital	20
Ownership percentage	100%
Result for FY 2019	203
Shareholders' equity as at 31.12.2019 (including result for the year)	357
Net value attributed in the financial statements	**17,950**

Eolica P.M. S.r.l. is a company that owns a wind farm with installed capacity of 51.75 MW in the municipalities of Morcone and Pontelandolfo in Campania. The construction phase of the plant ended on 1 August 2019 and it has therefore been put into operation.
The company entered into a project financing agreement, totalling €53.2 million, with a pool of banks composed of Unicredit S.p.A. and Natixis – Milan Branch, which acted as structuring MLAs and hedging banks, and UniCredit, also acting as an agent bank.
Electricity production in 2019 was 44,925 MWh.
The book value of the equity investment at 31 December 2019 was €17,950 thousand.

Callari S.r.l.

Callari S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	1,000
Ownership percentage	100%
Result for FY 2019	1,666
Shareholders' equity as at 31.12.2019 (including result for the year)	3,269
Net value attributed in the financial statements	**6,064**

Callari is a company that owns a wind farm in the province of Catania, with installed capacity of 36 MW. In 2008 the company entered into a project financing agreement for €63 million with Monte dei Paschi, Interbanca and BBVA.
In 2019, the company continued its wind power production activities, which began in February 2009, generating 56,953 MWh (60,046 MWh in 2018).
The results achieved during the year enabled payment of the project financing bank loan instalments, as provided for in the repayment plan.
The book value of the equity investment at 31 December 2018 was €6,064 thousand.

Dotto S.r.l.

Dotto S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10
Ownership percentage	100%
Result for FY 2019	255
Shareholders' equity as at 31.12.2019 (including result for the year)	7,357
Net value attributed in the financial statements	**7,724**

Dotto is a company that owns a wind farm in the municipality of Ciorlano (Caserta) with installed capacity of 20 MW. The Company continued its wind power generation activities in 2019, generating 18,816 MWh (18,625 MWh in 2018).
The book value of the equity investment at 31 December 2019 was €7,724 thousand, net of an impairment provision of €8,955 thousand.

Eolo S.r.l.

Eolo S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	750
Ownership percentage	100%
Result for FY 2019	(282)
Shareholders' equity as at 31.12.2019 (including result for the year)	694
Net value attributed in the financial statements	**3,418**

Eolo S.r.l. is a company that owns a wind farm in the municipality of Albanella (Salerno), with installed capacity of 8.5 MW. The company continued its wind power production activity in 2019, generating 10,103 MWh (8,959 MWh in 2018).
The Company ended the incentive period in February 2016.
The book value of the equity investment at 31 December 2019 was €3,418 thousand, net of an impairment provision of €1,031 thousand.

Minerva S.r.l.

Minerva S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	14
Ownership percentage	100%
Result for FY 2019	1,038
Shareholders' equity as at 31.12.2019 (including result for the year)	6,165
Net value attributed in the financial statements	**10,079**

Minerva S.r.l. is a company that owns a wind farm in the province of Messina, with installed capacity of 22.9 MW, which began operating in June 2010.
The company continued its wind power production activity in 2019, generating 39,378 MWh (40,817 MWh in 2018).
The book value of the equity investment at 31 December 2019 was €10,079 thousand, net of an impairment provision of €7,634 thousand.

Ordona Energia S.r.l.

Ordona Energia S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	435
Ownership percentage	100%
Result for FY 2019	938
Shareholders' equity as at 31.12.2019 (including result for the year)	263
Net value attributed in the financial statements	**6,365**

Ordona Energia S.r.l. is a company that owns a wind farm in Ordona (Foggia) with installed capacity of 34 MW, which began operating in May 2009.
The company continued its wind power production activity in 2019, generating 63,780 MWh (57,075 MWh in 2018).
In 2008, the company entered into a project financing contract of €69 million with GE Capital Interbanca S.p.A. (formerly Interbanca), Intesa San Paolo Spa (formerly Banca Infrastrutture Innovazione e Sviluppo S.p.A), UBI Banca (formerly Centrobanca), Banco Popolare Soc Coop (formerly Efibanca) and Natixis SA.
Due to the early repayment of €4,000,000 made on 31 January 2018, the company obtained a waiver from the pool of financing banks on 29 January 2018 relating to the failure to comply with the covenants on 31 December 2016, 30 June 2017 and 31 December 2017.
The results achieved enabled the project financing loan instalments to be paid, as provided for in the repayment plan.
The book value of the equity investment at 31 December 2019 was €6,365 thousand.

Parco Eolico Licodia Eubea S.r.l.

Parco Eolico Licodia Eubea S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	100
Ownership percentage	80%
Result for FY 2019	857
Shareholders' equity as at 31.12.2019 (including result for the year)	5,092
Net value attributed in the financial statements	**5,508**

Parco Eolico Licodia Eubea S.r.l. is a company that owns a wind farm in the municipality of Licodia Eubea (Catania), with installed capacity of 28 MW, which began operating in September 2010. The remaining 20% of the share capital is held by the shareholder Nova Energia S.r.l.
The company continued its wind power generation activities in 2019, generating 34,617 MWh (36,750 MWh in 2018).
The book value of the equity investment at 31 December 2019 was €5,508 thousand, net of an impairment provision of €8,161 thousand.

Renergy San Marco S.r.l.

Renergy San Marco S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	108
Ownership percentage	100%
Result for FY 2019	2,734
Shareholders' equity as at 31.12.2019 (including result for the year)	12,157
Net value attributed in the financial statements	**18,690**

Renergy San Marco S.r.l. is a company that owns a wind farm in the municipality of San Marco in Lamis (Foggia) with installed capacity of 44.2 MW, which started operating in July 2009.
The company continued its wind power generation activities in 2019, generating 66,004 MWh (67,210 MWh in 2018).
The book value of the equity investment at 31 December 2019 was €18,690 thousand.

Wind Power Sud S.r.l.

Wind Power Sud S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10
Ownership percentage	100%
Result for FY 2019	(1,234)
Shareholders' equity as at 31.12.2019 (including result for the year)	3,747
Net value attributed in the financial statements	**8,614**

Wind Power Sud S.r.l. is a company that owns a wind farm in the municipality of Agrigento and Naro (Agrigento) with installed capacity of 34 MW.
The company continued its wind power production activity in 2019, generating 50,806 MWh (55,805 MWh in 2018).
The book value of the equity investment at 31 December 2019 was €8,614 thousand, net of an impairment provision of €650 thousand.

FRI-EL Ichnusa S.r.l.

FRI-EL Ichnusa S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10
Ownership percentage	100%
Result for FY 2019	5,891
Shareholders' equity as at 31.12.2019 (including result for the year)	8,330
Net value attributed in the financial statements	**59,719**
Shareholders' equity of the subsidiary Campidano subsidiary as at 31.12.2019 (including result for the year)	12,183

FRI-EL Ichnusa S.r.l. is a holding company that wholly owns FRI-EL Campidano S.r.l., a company that owns a wind farm in the municipality of Campidano (Medio Campidano) with installed capacity of 70 MW.
The company was acquired on 1 August 2019 for €59,719 thousand, which corresponds to the book value of the equity investment at 31 December 2019.

Anemos Wind S.r.l.

Anemos Wind S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	50
Ownership percentage	100%
Result for FY 2019	357
Shareholders' equity as at 31.12.2019 (including result for the year)	13,032
Net value attributed in the financial statements	**3,500**

Anemos Wind S.r.l. is a company that owns a wind farm in Regalbuto (Enna) with installed capacity of 50 MW.
Electricity production in 2019 was 61,096 MWh.
The company was acquired on 14 November 2019, via an award made through a bankruptcy auction, for €3,500 thousand, which corresponds to the book value of the equity investment at 31 December 2019.

Krupen Wind S.r.l.

Krupen Wind S.r.l.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10
Ownership percentage	100%
Result for FY 2019	(8)
Shareholders' equity as at 31.12.2019 (including result for the year)	12
Net value attributed in the financial statements	**116**
Shareholders' equity of the subsidiaries as at 31.12.2019 (including result for the year)	3,795

Krupen Wind S.r.l., incorporated on 11 January 2013, is a company active in the field of renewable energy production and is the controlling owner of 51% of four special-purpose vehicles acquired on 19 December 2013 from a wind farm in operation in Krupen (Bulgaria), with total installed capacity of 12 MW.
The book value of the equity investment at 31 December 2019 was €116 thousand.

Alerion Spain S.L.

Alerion Spain S.L.	*(in €/000)*
Registered office: Barcelona, Calle Angli 31, Spain	
Share capital	100
Ownership percentage	51%
Result for FY 2019	85
Shareholders' equity as at 31.12.2019 (including result for the year)	185
Net value attributed in the financial statements	**58**
Shareholders' equity of the subsidiaries as at 31.12.2019 (including result for the year)	7,345

Alerion Spain S.L. is a company incorporated under Spanish law, established on 16 January 2019 by Alerion Clean Power S.r.l., which is a holding company that indirectly owns 100% of the Spanish company Comiolica S.L., which owns a wind farm in the municipality of Aliaga (Teruel, Spain) with installed capacity of 36 MW.

Alerion Romania S.A. in liquidation

Alerion Romania S.A. in liquidation	*(in €/000)*
Registered office: Oradea, Cetatii Square 1, bihor Country, Romania	
Share capital	100 RON
Ownership percentage	95%
Result for FY 2019	(5)
Shareholders' equity as at 31.12.2019 (including result for the year)	(1,553)
Net value attributed in the financial statements	**-**

Alerion Romania S.A. is a Romanian company that is 95% owned by Alerion Clean Power S.p.A. The company has been in liquidation since 2014 and continued its closing activities. Although the investee had negative shareholders' equity at 31 December 2019, there is no obligation to reconstitute it under the laws in force in Romania.

However, it should be noted that the book value of the equity investment at 31 December 2019 was written off in previous years and that Alerion Clean Power S.p.A. has a financial receivable of €2,993 thousand from the subsidiary, also written off, which, if waived, would restore the value of the shareholders' equity.

Alerion Bulgaria OOD

Alerion Bulgaria OOD	*(in €/000)*
Registered office: Sofia, 6th Septemvri str. 6A, Bulgaria	
Share capital	50 LEV
Ownership percentage	95%
Result for FY 2019	(23)
Shareholders' equity as at 31.12.2019 (including result for the year)	(94)
Net value attributed in the financial statements	**-**

Alerion Bulgaria OOD S.A. is a Bulgarian company that is 95% owned by Alerion Clean Power S.p.A. Although the investee had negative shareholders' equity at 31 December 2019, there is no obligation to reconstitute it under the laws in force in Romania.

However, it should be noted that the book value of the equity investment at 31 December 2019 was written off in previous years and that Alerion Clean Power S.p.A.

Impairment testing

In accordance with IAS 36, an impairment test was carried out, approved by the Board of Directors on 18 March 2020, to ascertain whether the value of the equity investments in subsidiaries and joint ventures recognised in the financial statements as at 31 December 2019 did not exceed their recoverable amount.

The Company assesses at each reporting date whether there is any indication that the equity investment may be impaired. If any such indication exists, the entity must estimate the recoverable amount of the asset.

With respect to the above, when assessing whether there was any indication that the equity investment in question might be impaired, information from sources both internal and external to the Group was taken into account. In particular, potential indicators of impairment were identified in the medium/long-term price scenarios and in the difference between the book value of the equity investments and the corresponding share of shareholders' equity. The values tested for impairment do not include the equity investments in the operating companies Fri-el Campidano S.r.l. and Anemos Wind S.r.l., which were acquired by the Group during the year. The value of these companies was verified during the year as they were accounted for at fair value at the acquisition date when they were first consolidated and no indicators of impairment have emerged.

In accordance with IAS 36 – Impairment of Assets, the recoverable amount of the investments was verified. This amount was estimated by determining their economic value, based on the cash flows that these companies are able to generate. On the basis of the strategic and organisational choices made by the Group, reference was made in testing these assets to the individual projects/plants, each of which is identifiable with a company. The companies represent the smallest identifiable cash-generating units, as the assets tested for impairment are not able to generate cash inflows independent of those arising from other assets or groups of assets owned by individual companies.

The economic value of the various operating companies was estimated using a cash flow plan determined according to the expected economic life of the various assets. Given the particular type of business, which involves investments with returns over the medium term and cash flows over a long-term time horizon, the plan period is more than five years. In particular, in order to determine the recoverable value of the wind farms, the present value of operating cash flows - which take account of investment levels suitable for maintaining the operational efficiency of the plants - was estimated on the basis of the duration of the individual concessions of the various projects, on average 29 years after the start of production.

The cash flow projections are based on the following assumptions:

☐ the expected output of the wind farms based on the average historical productivity of the individual farms;

☐ the expected selling prices extrapolated from market projections for the electricity price curve. With regard to incentives, however, account was taken of the regulatory requirements for the sector;

☐ the production costs deriving from historical analyses or the standard costs of comparable initiatives;

☐ investments to ensure the normal operation of the plants (refitting) assumed on the basis of internal estimates;

☐ the terminal value: the sale value estimated by discounting net cash flows after the explicit period for 20 years, reduced by 20%.

The individual plans of the operating companies were approved by the Sole Directors of the relevant operating companies or by their Boards of Directors, where present.

The resulting flows, calculated net of tax, were then discounted at a rate representative of the weighted average cost of capital (WACC) invested in the business unit being valued, equal to 4.84% (5.09% at 31 December 2018) for Italy and 4.53% for Spain, also calculated net of tax.

It should be noted that the Company's management estimated latent taxation on the implicit capital gains of the equity investments in the event of the satisfaction of the requirements of the participation exemption tax rule.

The impairment test indicated that the book value of certain equity investments was higher than the recoverable amount. It was therefore necessary to make a write-down of €4,794 thousand, broken down as follows:

- Parco Eolico Licodia Eubea S.r.l.: €1,466 thousand;
- Minerva S.r.l.: €1,793 thousand;
- Wind Power Sud S.r.l.: €165 thousand;
- Dotto S.r.l.: €1,086 thousand;
- Eolo S.r.l.: €284 thousand.

No write-downs on other equity investments were deemed necessary.

Sensitivity analysis

The result of impairment testing is derived from information currently available and reasonable estimates of, *inter alia*, trends in wind, electricity prices, production costs and interest rates. In this context, a sensitivity analysis was conducted on the recoverable value of the equity investment in question, assuming a reduction in electricity selling prices and an increase in the discount rate. In particular, with regard to the volatility of electricity prices which has been a feature of the electricity market in recent years, the following sensitivity analyses were carried out by comparison with the "base case", with electricity prices 5% lower and a discount rate 0.5 basis points higher.

In particular, it should be noted that:

- in the event of a 5% reduction in electricity prices throughout the duration of the plan, the book value of these assets would decrease by approximately €9.7 million (rather than the decrease of €4.8 million considered in the base case);

- following a 0.5 percentage point increase in the discount rate, the book value of the assets would decrease by around €10.2 million (rather than the decrease of €4.8 million considered in the base case).

The Directors will, however, systematically monitor the performance of the above external, uncontrollable variables for any adjustments to the recoverability estimates of the book values of the equity investment in the separate financial statements.

Moreover, since in light of the current uncertainty over future trends in the economic scenario due to the outbreak of the Covid-19 coronavirus, it has not yet been possible to reliably define alternative scenarios based on assumptions that are reasonable, demonstrable and supported by numerical evidence, the valuation and estimate processes for the valuation of the recoverable value of non-current assets were based on the most recent budgets and multi-year plans, taking into account the internal and market assumptions defined before the crisis intensified. The deteriorating economic scenario due to Covid-19 was taken into account in the sensitivity analyses, which included, in particular, a fall in energy prices in the short term or an increase in the discount rate (WACC). This scenario, which is characterised by a high degree of uncertainty in the estimates, would not give worse results than those produced using the sensitivity assumptions defined above. In any case, it should be noted that a decrease in electricity prices would be partially mitigated in the following year by the upward recalculation of the incentive tariff recognised by the GSE, where provided for, due to the construction of the formula for calculating this tariff.

8. EQUITY INVESTMENTS IN JOINT VENTURES

As a result of the aforementioned merger of Alerion Energie Rinnovabili S.p.A., Alerion Clean Power S.p.A. took over the 50% equity investments previously held by the absorbed company in New Green Molise S.r.l. and Ecoenergia Campania S.r.l. At 31 December 2019, these amounted to €16,646 thousand:

New Green Molise S.r.l.

New Green Molise S.r.l.	*(in €/000)*
Registered office: Naples, Via Diocleziano 107	
Share capital	10
Ownership percentage	50%
Result for FY 2019	3,796
Shareholders' equity as at 31.12.2019 (including result for the year)	29,341
Portion pertaining to the Group	14,671
Net value attributed in the financial statements	**14,240**

New Green Molise S.r.l. is a company that owns a wind farm in the municipality of San Martino in Pensilis (Campobasso) with installed capacity of 58 MW, which began operating in October 2010.
Since 2010, the company has had a project financing agreement for €93,400,000 in place with Intesa San Paolo S.p.A. (formerly Banca Infrastrutture Innovazione e Sviluppo S.p.A.), UniCredit S.p.A. (formerly Unicredit Medio Credito Centrale S.p.A.), Banca Popolare dell'Emilia Romagna sc (formerly Meliorbanca S.p.A.) and UBI S.c.p.A. (formerly Centrobanca Banca di Credito Finanziario e Mobiliare S.p.A.) and in 2013 it made an early repayment of part of the loan (€9,255,757).
The company continued its wind power production activity in 2019, generating 111,954 MWh (104,649 MWh in 2018).
The results achieved during the year enabled the project financing loan instalments to be paid, as provided for in the repayment plan.
The book value of the equity investment at 31 December 2019 was €14,240,428.

Ecoenergia Campania S.r.l.

Ecoenergia Campania S.r.l.	*(in €/000)*
Registered office: Cervinara, Via Cardito 14	
Share capital	100
Ownership percentage	50%
Result for FY 2019	1,080
Shareholders' equity as at 31.12.2019 (including result for the year)	7,966
Portion pertaining to the Group	3,983
Net value attributed in the financial statements	**2,406**

Ecoenergia Campania S.r.l. is a company that owns a wind farm in Lacedonia, in the province of Avellino, with installed capacity of 15 MW. The company continued its wind power production activity in 2019, generating 24,686 MWh, an increase on 2018 (23,886 MWh). On 6 November 2019, the company repaid early the project financing loan of €24,478,000 taken out in 2008 with Banco Popolare Soc. Cop., BBVA and Cassa Depositi e Prestiti.
The book value of the equity investment at 31 December 2019 was €2,405,706 thousand.

9. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

These amounted to €176,203 thousand (€146,995 at 31 December 2018) and relate to the following financial receivables: i) €3,671 thousand from Alerion Servizi Tecnici e Sviluppo S.r.l.; ii) €13,306 thousand from Callari S.r.l.; iii) €2,719 thousand from Dotto S.r.l.; iv) €14,842 thousand from Eolica PM S.r.l.; v) €8,119 thousand from FRI-EL

Albareto S.r.l.; vi) €10,086 thousand from Green Energy Sardegna S.r.l.; vii) €2,383 thousand from Krupen Wind S.r.l.; viii) €19,375 thousand from Minerva S.r.l.; ix) €16,191 thousand from Ordona Energia S.r.l.; x) €20,948 thousand from Parco Eolico Licodia Eubea S.r.l.; xi) €19,143 thousand from Renergy San Marco S.r.l.; xii) €23,610 thousand from Wind Power Sud S.r.l.; xiii) €11,4135 thousand from Alerion Spain S.L.; xiv) €518 thousand from Wind Energy EOOD; xv) €553 thousand from Wind Power 2 EOOD; xvi) €598 thousand from Wind Stream EOOD; xvii) €594 thousand from Wind System EOOD; xviii) €4,437 thousand from FRI-EL Ichnusa S.r.l.; and xix) €3,776 thousand from New Green Molise S.r.l.

For terms and conditions relating to related parties, please see the note "Details of related-party and intra-group transactions at 31 December 2019".

CURRENT ASSETS

10. TRADE RECEIVABLES

Trade receivables came to €6,452 thousand (€10,834 thousand at 31 December 2018) and comprise:

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Trade receivables from subsidiaries	6,373	10,834	(4,461)
Trade receivables from associates	2	-	2
Trade receivables from joint ventures	37	-	37
Trade receivables from other companies	40	-	40
Total trade receivables	**6,452**	**10,834**	**(4,383)**

For terms and conditions relating to related parties, please see the note "Details of related-party and intra-group transactions at 31 December 2019".

Trade receivables from other companies are shown net of an impairment provision of €220 thousand (€211 thousand at 31 December 2018).

Trade receivables are non-interest bearing and generally have a maturity of 30-45 days.

11. TAX RECEIVABLES

These came to €172 thousand (€167 thousand at 31 December 2018) and comprise:

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
IRES receivables	141	163	(21)
IRAP receivables	30	5	26
Total tax receivables	**172**	**167**	**4**

12. SUNDRY RECEIVABLES AND OTHER CURRENT ASSETS

These came to €11,338 thousand (€6,581 thousand at 31 December 2018) and comprise:

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Receivables from tax authorities	642	45	597
Other receivables from subsidiaries and associates	10,036	6,064	3,971
Other receivables	660	472	188
Total sundry current receivables	**11,338**	**6,581**	**4,757**

Receivables from tax authorities are mainly composed of receivables for withholding taxes and indirect taxes (VAT).

Receivables from subsidiaries and associates mainly consist of i) receivables for dividends approved but not yet paid out by subsidiaries; and ii) receivables arising from the Group's tax consolidation arrangement.

13. FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Current financial receivables amounted to €15,160 thousand (€33,417 thousand at 31 December 2018) and refer to the following portions of intra-group loans due within 12 months: i) €4,702 thousand from Renergy San Marco S.r.l.; ii) €4,639 thousand from Minerva S.r.l.; iii) €3,057 thousand from Parco Eolico Licodia Eubea S.r.l.; iv) €1,475 thousand from Dotto S.r.l.; v) and €754 thousand from Wind Power Sud S.r.l.

14. CASH AND CASH EQUIVALENTS

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Bank sight deposits	177,727	7,663	170,064
Cash on hand	6	5	1
Total cash and cash equivalents	**177,732**	**7,668**	**170,065**

The balance represents cash and cash equivalents and the existence of values at the reporting date.

15. SHAREHOLDERS' EQUITY

The company's shareholders' equity amounted to €190,178 thousand at 31 December 2019, compared with €214,420 thousand at 31 December 2018.

The changes were as follows:

- a decrease of €46,042 thousand in the share capital due to the resolution to reduce the capital alongside the merger by incorporation of Alerion Energie Rinnovabili S.p.A. into Alerion Clean Power S.p.A., as already described in the Report on Operations;

- an increase of €21,381 thousand for profit for 2019;

- a decrease of €34 thousand due to actuarial gains/losses from defined benefit plans (IAS 19) recognised in the consolidated statement of comprehensive income;

- a decrease of €85 thousand due to the purchase of treasury shares;

- an increase due to the distribution of dividends from the subsidiary FRI-EL Ichnusa S.r.l. of €1,008 thousand;

- the creation of a specific reserve of €1,243 thousand, arising from the merger of Alerion Energie Rinnovabili S.p.A. into Alerion Clean Power S.p.A., as already described in the Report on Operations.

- a decrease of €1,713 thousand due to the partial distribution of available reserves.

The Shareholders' Meeting of Alerion Clean Power S.p.A. of 24 April 2019 approved the proposal to distribute a dividend, to be paid as of 15 May 2019, with the detachment on 13 May 2019 of coupon no. 8, through the partial use of reserves, of €0.034 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime. The dividend was paid according to the deadlines and methods established by the Shareholders' Meeting.

The breakdown of individual items is provided below:

Alerion's share capital amounted to €140,000 thousand (€186,042 at 31 December 2018) and consisted of 51,209,773 ordinary shares. The decrease compared with the previous year is due to the Shareholders' Meeting resolution to voluntarily reduce the share capital by €46,042 thousand on 5 September 2019, as described above. As of the date hereof, the Company holds 844,445 treasury shares (corresponding to 1.65% of the share capital). It should be noted that the share capital, in accordance with IAS 32, is already shown net of the amount of the treasury shares purchased;

- following the merger by incorporation of Alerion Energie Rinnovabili S.p.A. into Alerion Clean Power S.p.A., as described above, a negative reserve arose, reflecting the cancellation of the equity investment already held by the absorbing company against the value of the merger capital of the absorbed company, amounting to €44,799 thousand. The negative reserve thus generated was used to carry out a voluntary reduction of the share capital of €46,042 thousand when the merger project was approved. The result was therefore a positive reserve of €1,243 thousand.

- the reserve for treasury shares at 31 December 2019 was negative for €1,660 thousand and relates to the purchase value of the 844,445 treasury shares held by the Company. The negative reserve was €85 thousand higher than the amount of €1,574 thousand at 31 December 2018.

- the share premium reserve amounted to €21,400 thousand, unchanged compared with 31 December 2018, and refers to: i) the share premium of €0.02 per share on the capital increase in 2003; ii) the share premium of €0.55 per share on the capital increase in 2008, net of adjustments for costs incurred related to the capital increases; and iii) the difference between the value of the purchase of the treasury shares cancelled in 2012 and their nominal value, plus purchase fees;

- the legal reserve amounted to €2,730 thousand, up on 31 December 2018 due to the allocation to the legal reserve of a portion of the 2018 result; other reserves amounted to €2,805 thousand and included the effects of the adoption of IFRS. Compared with 31 December 2018, the reserve decreased i) by €531 thousand due to the distribution of dividends approved on 24 April 2019, and ii) by €34 thousand due to actuarial gains/losses from defined benefit plans (IAS 19) recognised in the consolidated statement of comprehensive income; the reserve, meanwhile, increased by €1,008 thousand due to the distribution of dividends by the subsidiary FRI-EL Ichnusa S.r.l.;

- earnings reserves amounted to €2,278 thousand (€2,662 thousand at 31 December 2018) and included the operating results accumulated in previous years;

The statement of reconciliation between shareholders' equity items at 31 December 2019 and those recognised at 31 December 2018 is shown in the financial statements of the Parent Company.

The table below shows the individual shareholders' equity items in relation to their availability, origin and use, as provided in Article 2427 (7-*bis*) of the Italian Civil Code:

(in €/000)				Summary of use in previous years	
Nature/description	**Amount**	**Possibility of use**	**Available portion**	**to cover losses**	**for other reasons**
Share capital	140,000		-	-	-
Capital reserves:					
Share premium reserve	21,400	A, B, C (*)	21,400	-	-
Reserve post Alerion Energie rinnovabili Incorporation	1,243	A, B, C			
Earnings reserves:					
Legal reserve	2,730	B		-	-
Other distributable reserves	1,008	A, B, C	1,008		
Other non-distributable reserves	1,797	B			
Reserve for treasury shares	(1,660)				
Unrealised profit reserve	-				
Accumulated profits	2,278	A, B, C	2,278	-	-
Total	**168,796**		**24,686**	**-**	**-**

(*) Pursuant to Article 2431 of the Civil Code the full amount of this reserve can only be distributed provided that the legal reserve has reached the limit established in Article 2430.

Key:

A: for capital increase
B: to cover losses
C: for distribution to shareholders

NON-CURRENT LIABILITIES

16. NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to €347,811 thousand at 31 December 2019 (€147,373 thousand at 31 December 2018) and mainly refer to **Payables to bondholders**, composed of the value of the 2018-2024 Bond Loan and the 2019-2025 Bond Loan (the "Green Bond"), net of ancillary costs. The interest payable to bondholders at 31 December 2019 was €3,074 thousand, classified among current financial payables.

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Payables to banks for loans	2,687	-	2,687
Financial liabilities for Leases	16	-	16
Payables to bondholders	345,107	147,373	197,734
Totale passività finanziarie non correnti	**347,811**	**147,373**	**200,438**

The 2018-2024 Bond Loan refers to the Company's bond issue in 2018, following a resolution of the Board of Directors of 10 May of the same year, for a total amount of €150 million, with a term of six years, at a minimum gross annual nominal rate of 3.75%.

It should also be noted that if on each Calculation Date, the ratio of financial indebtedness (book value) excluding derivatives to shareholders' equity excluding derivatives is more than 2.5, the Company undertakes not to take on additional financial indebtedness (book value) excluding derivatives, unless on the next Calculation Date the ratio is equal to or less than 2.5. “Calculation date” refers to the date of 31 December of each year of the term of the loan, beginning with 31 December 2018. It should be noted that the financial indebtedness (book value) excluding derivatives and shareholders’ equity excluding derivatives will be defined and calculated on the basis of the international accounting standards in force at the date of disbursement of the bond loan and already used by the Company to prepare the 2019 annual financial report.

The 2019-2025 Bond Loan (“Green Bond”) Loan refers to the Company's bond issue of 19 December 2019, following a resolution of the Board of Directors of 23 September of the same year, for a total amount of €200 million, with a term of six years, at a minimum gross annual nominal rate of 3.125%.

17. POST-EMPLOYMENT BENEFITS AND OTHER STAFF-RELATED PROVISIONS

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Post-employment benefits	628	823	(195)
Total post-employment benefits and other staff-related provisions	**628**	**823**	**(195)**

The “Post-employment benefits” item includes the actuarial value of the Group's effective debt to all employees determined by applying the criteria set out in IAS 19.

The actuarial, economic and financial assumptions used to define the provision are summarised below:

Actuarial and financial income assumptions for the application of IAS 19	
Calculation date	31/12/2019
Mortality rate	IPS55 tables
Invalidity rates	INPS-2000 tables
Staff rotation rate	2.00%
Discount rate	0.79%
Salary accrual rate	1.00%
Advances rate	1.00%
Inflation rate	0.80%

At 31 December 2019, Alerion Clean Power S.p.A. had 19 employees. The workforce breakdown is shown below:

	Number at 31.12.2018	**Increases**	**Decreases**	**Number at 31.12.2019**	**Average number in period**
Executives	3	0	(1)	2	2.8
Middle managers and office workers	14	3	0	17	15.0
Blue-collar workers	0	0	0	0	0.0
Total employees	**17**	**3**	**(1)**	**19**	**17.8**

18. PROVISION FOR FUTURE RISKS AND CHARGES

Provisions for risks and charges amounted to €616 thousand at 31 December 2019 (€75 thousand at 31 December 2018) and consist of the following:

(thousands of euro)	**31.12.2018**	**AER 31.12.2018**	**Accrued**	**31.12.2019**
Provision for fiscal disputes	-	25	-	25
Provision for legal disputes	54	-	-	54
Provision to cover investee losses	21	-	7	28
Other provisions	-	509	-	509
Total provisions for future risks and charges	**75**	**534**	**7**	**616**

Other provisions amounted to €509 thousand and refer to provisions made in previous years by Alerion Energia Rinnovabili S.p.A. for financial receivables not certain to be realised. The **Provision to cover investee losses** amounted to €28 thousand and relates to the coverage of losses generated in excess of the shareholders' equity of the investee Alerion Bioenergy S.r.l. in liquidation (see the section entitled "Equity investments in subsidiaries").

The **Provision for legal disputes** was maintained at €54 thousand to reflect the continuation of existing lawsuits (see the section entitled "Legal disputes").

CURRENT LIABILITIES

19. CURRENT FINANCIAL LIABILITIES

Current financial liabilities amounted to €20,354 thousand at 31 December 2019 (€20,870 thousand at 31 December 2018) and break down as follows:

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Payables to banks for loans	16,312	17,094	(782)
Payables to subsidiaries and associates for loans	948	925	23
Financial liabilities for IFRS - Leases	20	-	20
Payables to bondholders	**3,074**	**2,851**	**223**
Total current financial liabilities	**20,354**	**20,870**	**(516)**

Payables to banks for loans amounted to €16,312 thousand at 31 December 2019 and correspond to short-term lines of credit granted to companies by leading credit institutions. The effective average rate was 0.94%.

Payables to bondholders amounted to €3,074 thousand at 31 December 2019 and correspond to the nominal interest accrued but not paid during the year on the two bond loans (2018-2024 and 2019-2025) (see the note entitled "Non-current financial liabilities").

20. CURRENT TRADE PAYABLES

Trade payables amounted to €1,287 thousand at 31 December 2019 (€1,082 thousand at 31 December 2018) and break down as follows:

(in €/000)	**31.12.2019**	**31.12.2018**	**Change**
Trade payables	1,021	1,041	(20)
Trade payables to subsidiaries	266	41	225
Total current trade payables	**1,287**	**1,082**	**205**

Trade payables do not generate interest and are normally settled at 60 days.

For terms and conditions relating to related parties, please see the note "Details of related-party and intra-group transactions at 31 December 2019".

21. TAX PAYABLES

Tax payables amounted to €834 thousand at 31 December 2019 (€410 thousand at 31 December 2018) and comprise IRES payables to tax authorities.

22. SUNDRY PAYABLES AND OTHER CURRENT LIABILITIES

Sundry payables and other liabilities amounted to €4,145 thousand (€3,144 thousand at 31 December 2018) and break down as follows:

(in €/000)	**31.12.2019**	**31.12.2018**	**change**
Deferred remuneration and compensation to be paid	914	626	288
Payables to tax authorities	165	156	9
Social security payables	161	205	(44)
Other payables to subsidiaries and associates	2,832	2,132	700
Other payables	72	24	48
Total sundry payables and other current liabilities	**4,145**	**3,144**	**1,001**

Other payables to subsidiaries and associates mainly consist of payables arising from the Group's tax consolidation scheme.

For terms and conditions relating to related parties, please see the note "Details of related-party and intra-group transactions at 31 December 2019".

23. FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS

The Parent Company's net financial indebtedness (book value) at 31 December 2019 was positive for €930 thousand (€19,837 thousand at 31 December 2018) and breaks down as follows:

(in €/000)	***Notes***	**31.12.2019**	**31.12.2018**
Cash and cash equivalents			
Available cash	11	177,732,356	7,668,843
Total cash and cash equivalents		**177,732,356**	**7,668,843**
Current financial receivables			
Financial receivables from subsidiaries, associates and JVs		14,627,000	33,380,947
Other financial receivables		532,512	35,825
Total current financial receivables	**10**	**15,159,512**	**33,416,772**
Current financial liabilities			
Current payables to banks for loans		(16,312,017)	(17,093,897)
Payables to subsidiaries		(948,462)	(925,215)
Current payables to bondholders		(3,073,630)	(2,851,027)
Current financial liabilities for IFRS - Leases		(20,290)	-
Total current financial liabilities	**16**	**(20,354,399)**	**(20,870,139)**
CURRENT FINANCIAL INDEBTEDNESS		**172,537,469**	**20,215,476**
Non-current financial liabilities			
Non-current payables to banks for loans		(2,687,315)	-
Non-current payables to bondholders		(345,107,374)	(147,373,139)
Non-current financial liabilities for IFRS - Leases		(15,962)	-
Total non-current financial liabilities	**13**	**(347,810,651)**	**(147,373,139)**
NON-CURRENT FINANCIAL INDEBTEDNESS		**(347,810,651)**	**(147,373,139)**
NET FINANCIAL INDEBTEDNESS*		**(175,273,182)**	**(127,157,663)**
Financial receivables and other non-current financial assets	**7**	**176,202,959**	**146,994,451**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE)		**929,777**	**19,836,788**

* Consob Communication DEM/6064293/2006

For comments on individual items, see the relevant notes above.

INCOME STATEMENT

24. NET INCOME FROM EQUITY INVESTMENTS

Net income from equity investments amounted to €30,121 thousand (€14,820 thousand at 31 December 2018) and breaks down as follows:

(in €/000)	**2019**	**2018**	**Change**
Dividends from investees	26,571	-	26,571
Net financial income from investees	8,366	14,827	(6,460)
Write-downs of equity investments	(4,818)	(6)	(4,812)
Other financial income	1	-	1
Net income from equity investments	**30,121**	**14,820**	**15,300**

Dividends from investees amounted to €26,571 thousand and are composed of dividends distributed by subsidiaries, specifically i) €20,228 thousand from FRI-EL Ichnusa S.r.l., ii) €1,167 thousand from Wind Power Sud S.r.l., iii) €750 thousand from Renergy San Marco S.r.l., iii) €399 thousand from Ordona Energia S.r.l., iv) €1,605 thousand from New Green Molise S.r.l., v) €609 thousand from Ecoenergia Campania S.r.l., vi) €153 thousand from Dotto S.r.l. and vii) €1,661 thousand from Callari S.r.l.

Net financial income from subsidiaries was €8,366 thousand (€14,827 thousand in 2018) and mainly comprise net interest income accrued during the year from associates and investees. The decrease compared with the previous year is mainly due to the exceptional nature of 2018 income, which included the charge-backs of higher financial expenses incurred by Alerion Clean Power S.p.A. following the early redemption of the 2015-2022 Bond Loan. The financing relationships are governed by interest-bearing contracts.

Write-downs of equity investments relate to provisions for write-downs of equity investments following the results of the impairment testing described above.

25. OTHER REVENUES

These amounted to €3,375 thousand in 2019 (€3,921 thousand in 2018) and mainly refer to the consideration of €2,831 thousand accrued from subsidiaries for administrative, corporate and financial services rendered and €524 thousand for the waiver of remuneration to ACP by ACP employees with corporate offices in Group companies.

26. STAFF COSTS

Staff costs amounted to €1,713 thousand in 2019 (€1,633 thousand at 31 December 2018):

(in €/000)	**2019**	**2018**	**Change**
Wages, salaries and social security contributions	1,569	1,528	41
Post-employment benefits	74	77	(3)
Other staff costs	70	28	42
Total staff costs	**1,713**	**1,633**	**80**

27. OTHER OPERATING COSTS

These amounted to €2,945 thousand (€1,920 thousand in 2018), including €310 thousand to subsidiaries. For further details, see the note "Details of related-party and intra-group transactions at 31 December 2019".

The increase compared with 2018 includes €578 thousand due to higher costs for professional advice for extraordinary transactions undertaken during the year and €389 thousand due to higher directors' fees as a result of the achievement of corporate objectives.

(in €/000)	**2019**	**2018**	**Change**
Service costs:			
Remuneration of directors	947	558	389
Remuneration of control bodies	232	201	31
Remuneration of consultants and contractors	1,150	572	578
Corporate management expenses, official corporate documents, financial statements	274	229	45
Office maintenance, utilities and other expenses	143	137	6
Other	93	79	15
Total service costs	**2,839**	**1,776**	**1,063**
Costs for the use of third-party assets	28	65	(37)
Other operating expenses	78	79	(2)
Total other operating costs	**2,945**	**1,920**	**1,025**

28. FINANCIAL INCOME (EXPENSES)

Net financial expenses amounted to €7,090 thousand (€13,905 thousand in 2018) and break down as follows:

(in €/000)	2019	2018	Change
Financial income:			
- Bank interest	-	3	(3)
- Other financial income	14	7	7
Total financial income	**14**	**10**	**4**
Financial expenses:			
- Financial expenses from subsidiaries	(465)	-	(465)
- Short-term bank interest and charges	(256)	(169)	(87)
- Long-term bank interest and charges	(66)	-	(66)
- Interest on bond loan	(6,265)	(13,713)	7,448
- Other financial expenses	(52)	(33)	(19)
Total financial expenses	**(7,104)**	**(13,915)**	**6,811**
Total financial income and expenses	**(7,090)**	**(13,905)**	**6,815**

The decrease compared with the previous year mainly relates to **Interest on bond loans**. In particular, this is due to the exceptional nature of the higher 2018 financial expenses due to the early redemption of the 2015-2022 Bond Loan, amounting to €10,620 thousand. The bond interest for the year includes €6,029 thousand for the 2018-2024 Bond Loan and €236 thousand for the 2019-2025 Bond Loan.

29. TAXES

Taxes during the year amounted to €355 thousand (€391 thousand in 2018), and break down as follows:

(in €/000)	2019	2018	Change
Current taxes	(386)	(305)	(81)
Deferred taxes – related to the onset and reversal of temporary differences	31	(86)	117
Total taxes for the year	**(355)**	**(391)**	**36**

Current taxes

The following table shows the reconciliation of theoretical and effective tax charges:

(€/000)	IRES		IRAP		Total	
as at 31 December 2019	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	**(5,217)**	**24.0**	**(1,606)**	**5.6**	**(6,823)**	**29.6**
increases:						
- temporary differences	(138)	0.6	0	0.0	(138)	0.6
- other increases	(1,172)	5.4	1,560	(5.4)	388	0.0
decreases:						
- reversal of temporary differences	54	(0.2)	0	0.0	54	(0.2)
- other decreases	6,133	(28.2)	0	0.0	6,133	(28.2)
Actual current taxes	**(340)**	**1.6**	**(46)**	**0.2**	**(386)**	**1.8**

(€/000)	IRES		IRAP		Total	
as at 31 December 2018	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	**(296)**	**24.0**	**(843)**	**5.6**	**(1,139)**	**29.6**
increases:						
- temporary differences	(47)	3.8	(1)	0.0	(48)	3.8
- other increases	(38)	3.1	745	(4.9)	707	(1.8)
decreases:						
- reversal of temporary differences	146	(11.8)	24	(0.2)	170	(12.0)
- other decreases	4	(0.3)	0	0.0	4	(0.3)
Actual current taxes	**(231)**	**18.8**	**(75)**	**0.5**	**(306)**	**19.3**

Deferred and prepaid taxes

The breakdown of deferred and prepaid taxes in 2019 and 2018 is as follows:

(€/000)	Statement of financial position 31.12.2018	31.12.2018	Shareholders' equity	Change due to merger	Income statement 2019	2018
Deferred tax liabilities						
Taxable part of dividends for the next FYs	(54)	0			(54)	0
	(54)	**0**				
Deferred tax Assets						
Directors' emoluments	151	53		7	91	18
Accruals to (uses of) provisions for risks	232	111		121		(96)
Discounting of post-employment benefits	24	18	13	-	(7)	
IFRS 9	28	28				4
Other deductible temporary differences	127	125			2	(12)
	562	**335**				
Deferred tax revenue/(cost)			**13**	**128**	**32**	**(86)**

30. DETAILS OF RELATED-PARTY AND INTRA-GROUP TRANSACTIONS AT 31 DECEMBER 2019

In accordance with the Consob communications of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, as well as the subsequent Regulation on Related-Party Transactions 17221 of 12 March 2010, as amended, it should be noted that no atypical and unusual related-party transactions have been recorded that are not part of normal business management or that would be detrimental to Alerion Clean Power S.p.A.'s results or financial position.

Transactions with related parties are part of normal business management in the context of the ordinary activity of each interested party, and are settled under market conditions.

Related parties were updated on the basis of an annual analysis that took into account changes to international accounting standards and binding rules.

With respect to the requirements of IAS 24 regarding the disclosure of related-party transactions and the additional information required by Consob Communication 6064293 of 28 July 2006, the tables below show related-party and intra-group relations and the extent to which transactions and positions with related parties affect Alerion Clean Power S.p.A.'s financial position, profit or loss and cash flows:

(in €/000)	Revenues	Costs	Receivables	Payables
Equity investments in subsidiaries:				
Alerion Bionergy S.r.l. in liquidazione	-	-	15	1
Alerion Real Estate S.p.A. in liquidazione	-3	-	275	1,233
Alerion Servizi Tecnici e Sviluppo S.r.l.	421	264	6,186	527
Callari S.r.l.	2,575	-	18,164	-
Dotto S.r.l.	829	-	4,686	830
Energes Biccari S.r.l. in liquidazione	-	-	4	60
Enermac S.r.l.	-	-	-	30
Eolo S.r.l.	310	-	812	524
Krupen Wind S.r.l.	10	-	2,450	21
Minerva S.r.l.	1,472	-	24,485	357
Ordona Energia S.r.l.	1,503	-	19,262	-
Parco Eolico Licodia Eubea S.r.l.	1,303	-	24,212	-
Renergy San Marco s.r.l.	2,397	-	24,978	295
Wind Power Sud S.r.l.	2,734	-	26,292	168
Eolica PM S.r.l.	636	-	14,853	-
FRI-EL Albareto S.rl.	418	-	8,130	-
Green Energy Sardegna S.r.l.	445	-	10,109	-
FRI-EL Ichnusa S.r.l.	20,256	-	4,438	-
FRI-EL Campidano S.r.l.	1	-	1	-
Anemos Wind S.r.l.	-	-	1	-3
Alerion Spain S.L.	284	-	11,435	-
Wind Energy Eood	15	-	518	-
Wind Power 2 Eood	16	-	553	-
Wind Stream Eood	17	-	598	-
Wind System Eood	17	-	594	-
Alerion Romania S.A.	-	-	-	-
Alerion Bulgaria A.D.	-	-	-	-
Total equity investments in subsidiaries	**35,656**	**264**	**203,051**	**4,043**
Equity investments in joint ventures:				
Ecoenergia Campania S.r.l.	744	-	461	-
New Green Molise S.r.l.	1,892	-	3,807	-
Total equity investments in joint ventures	**2,636**	**-**	**4,268**	**-**
Related parties:				
FRI-EL Green Power S.p.A.	-	510	1	-
Heliopolis Energia S.p.A.	-	-	-	-
Total related parties	**-**	**510**	**1**	**-**
Total	**38,292**	**774**	**207,320**	**4,043**

The following tables summarise the additional information required by Consob Communication 6064293 of 28 July 2006:

Effects of related-party and intra-group transactions on Alerion Clean Power S.p.A.'s financial position, profit or loss and cash flows:

(in euro)	Subsidiaries	Joint ventures	Related parties	Total
Trade receivables	6,413,307	36,600	-	**6,449,907**
total trade receivables	*6,451,623*	*6,451,623*	*6,451,623*	*6,451,623*
proportion	99.4%	0.6%	0.0%	**100.0%**
Other receivables	9,583,879	455,247	1,383	**10,040,509**
sundry receivables and other current assets	*11,337,974*	*11,337,974*	*11,337,974*	*11,337,974*
proportion	84.5%	4.0%	0.0%	**88.6%**
Non-current financial receivables	172,426,775	3,776,184	-	**176,202,959**
total non-current financial receivables	*176,202,959*	*176,202,959*	*176,202,959*	*176,202,959*
proportion	97.9%	2.1%	0.0%	**100.0%**
Current financial receivables	14,627,001	-	-	**14,627,001**
total current financial receivables	*15,159,512*	*15,159,512*	*15,159,512*	*15,159,512*
proportion	96.5%	0.0%	0.0%	**96.5%**
Current financial payables	948,461	-	-	**948,461**
total current financial liabilities	*20,354,399*	*20,354,399*	*20,354,399*	*20,354,399*
proportion	4.7%	0.0%	0.0%	**4.7%**
Current trade payables	263,200	-	-	**263,200**
total current trade payables	*1,286,865*	*1,286,865*	*1,286,865*	*1,286,865*
proportion	20.5%	0.0%	0.0%	**20.5%**
Other payables	2,832,122	-	-	**2,832,122**
sundry payables and other current liabilities	*4,144,619*	*4,144,619*	*4,144,619*	*4,144,619*
proportion	68.3%	0.0%	0.0%	**68.3%**
Income (expenses) from equity investments	32,581,485	2,356,165	-	**34,937,650**
income (expenses) from equity investments	*30,120,655*	*30,120,655*	*30,120,655*	*30,120,655*
proportion	108.2%	7.8%	0.0%	**116.0%**
Other revenues	3,075,508	279,916	-	**3,355,424**
total other revenues	*3,374,895*	*3,374,895*	*3,374,895*	*3,374,895*
proportion	91.1%	8.3%	0.0%	**99.4%**
Other operating costs	264,175	-	45,417	**309,592**
total other operating costs	*2,944,908*	*2,944,908*	*2,944,908*	*2,944,908*
proportion	9.0%	0.0%	1.5%	**10.5%**
Financial income and (expenses)	-	-	464,911	**464,911**
Total financial income and (expenses)	*7,090,015*	*7,090,015*	*7,090,015*	*7,090,015*
proportion	0.0%	0.0%	6.6%	**6.6%**

31. LEGAL DISPUTES

The legal disputes outstanding at 31 December 2019 are described below.

SIC - Società Italiana Cauzioni S.p.A.

Civil proceedings have been brought before the Court of Rome involving Alerion and its subsidiary, Alerion Real Estate S.r.l. in liquidation ("Alerion Real Estate"), as third parties named by SIC - Società Italiana Cauzioni S.p.A. (as at the date of the Registration Document, ATRADIUS Credit Insurance, conferee of the SIC business unit) - in their capacity as policy co-obligors in the proceedings brought by AGIED S.r.l. against INPDAP and SIC.

The policies were issued to guarantee the obligations incumbent on AGIED S.r.l. for the compensation of monetary losses that INPDAP could have suffered as a result of the malicious actions of AGIED S.r.l. in the duties provided for in the agreement signed between AGIED and INPDAP, for the management of part of INPDAP's property.

The purpose of this case is to assess and have declared extinguished, due to expiry of the time limit, the said surety policies. In particular, AGIED S.r.l. asked the Court to declare that INPDAP has no right to enforce the aforementioned policies and that therefore SIC is not obliged to pay anything to INPDAP.

Alerion and Alerion Real Estate were co-obligors with SIC with respect to the obligations under the policies as holders of equity investments in AGIED. These shares were sold by means of a deed dated 24 May 1999, following which SIC, in a letter dated 9 June 1999, declared Alerion and Alerion Real Estate released from the co-obligation with regard to events that occurred after the date of the sale of the shares.

SIC, which agreed with AGIED's conclusions, did, however, cite Alerion and Alerion Real Estate, as liability for the alleged damages claimed by INPDAP could not be placed in terms of time, due to the generic nature of the claims.

It should be noted that, with regard to the policies cited by ATRADIUS, the then SIC had with a specific letter released the co-obligors Alerion and Alerion Real Estate with respect to events occurring after the date of sale of the company shares on 24 May 1999. This assumption enables it to be said that the Company has absolutely no connection to the proceedings, as it was released from any co-obligation by SIC (ASTRADIUS at the date of the Registration Document) and that no risk exists for either company.

On 1 December 2014, the Court of First Instance convicted only SIC (ASTRADIUS at the date of the Registration Document) and pointed out that the defaults took place after 31 December 2000, i.e. following the release from the co-obligations, thereby enabling it to be affirmed that the Court implicitly ruled out Alerion and Alerion Real Estate from standing as defendants. Alerion's position is therefore considered satisfactory.

AGIED and ATRADIUS (formerly SIC) independently challenged the first-instance ruling before the Court of Appeal. As proceedings were pending for challenges to the same sentence, Alerion Real Estate S.r.l. in liquidation and Alerion S.p.A. obtained the joining of the proceedings and at the hearing of 3 February 2017, the Court reserved its judgement on some aspects concerning the notices and the adversarial process.

The Court of Appeal, deciding on the case after suspending judgment, ordered Alerion to notify the response to certain interested parties whose notification had failed. It set a deadline of 150 days for this purpose, adjourning the case until the hearing of 14 December 2018, subsequently adjourned until 22 March 2019.

Bocchi

Civil proceedings have been brought before the Court of Rome by Mr. Renato Bocchi against the Bank of Rome and Alerion Clean Power S.p.A. Mr. Bocchi asked the Bank of

Rome and Alerion Clean Power S.p.A. (formerly Fincasa 44 S.p.A.) to return a guarantee issued in a personal capacity in the interest of Fincasa 44 S.p.A. to secure all obligations assumed by Fincasa, which are now extinguished. With a ruling filed on 25 October 2012, the Court of Rome rejected Mr Bocchi's requests in full. Mr. Bocchi challenged the ruling before the Rome Court of Appeal and Alerion entered a filing requesting confirmation of the first-instance ruling. The case was adjourned until 21 November 2018 to clarify the conclusions and later adjourned until 22 May 2019.

Census Consortium

In the context of contractual fulfilment proceedings brought by the Census Consortium (in which Fincasa 44, and then, on the date of the Registration Document, Alerion, holds a share of approximately 10%) against the municipality of Rome, the Court of Rome, on the one hand, granted a few applications by the consortium (payment to the consortium of the sum of approximately €0.24 million), and on the other granted one of the counterclaims of the municipality of Rome (payment of the sum of approximately €4.4 million plus interest) regarding the execution of some works by Fintecna S.p.A. and Engie Servizi S.p.A., which respectively hold equity investments of 12% and 30% in the consortium.

The Court of Appeal rejected an appeal by the consortium in July 2015, and confirmed the first instance ruling.

The municipality of Rome did not notify the appeal ruling against Census of last July.

The consortium appealed before the Court of Cassation for the rejection of the Court of Appeal ruling, with a request to suspend the effects of the ruling.

The economic consequences of the ruling would fall – due to the internal relationships between consortium members – exclusively on the parties responsible for the work carried out, except in the event of their insolvency, in which case the other consortium members would be held liable on the basis of their respective shareholdings.

With regard to the payment of the sum indicated in the counterclaims made by the municipality, on 13 February 2018 the Executive Board of the Census consortium concluded that liability for any payment rests with the consortium members that performed the works to which the aforementioned payment demand relate. Accordingly, the outcome of the proceedings is mainly a matter for the parties concerned. This assessment was reflected in the financial statements as at 31 December 2017 of the Census consortium, which, with the approval of the financial statements on 27 February 2018, distributed any costs to be borne among the individual consortium members that carried out the works. The resolution was not challenged by the deadline established by law, making the distribution final in relation to the payments demanded by the municipality of Rome. Accordingly, the provision recognised in the financial statements was released to the income statement.

32. COMMITMENTS AND GUARANTEES GIVEN TO THIRD PARTIES

The contractual commitments assumed by the Alerion Group and the guarantees given to third parties are summarised below:

- Guarantees issued in favour of third parties totalling €155 thousand;

33. OTHER INFORMATION

30.1 Remuneration paid to members of the management and control bodies, general managers and managers with strategic responsibilities

Following Consob Resolution 18079 of 20 January 2012, which repealed Appendix 3C, information on the equity investments held by the members of the management and control bodies, general managers and managers with strategic responsibilities is contained in the Remuneration Report, pursuant to *Article 123*-ter of the TUF.

34. Information pursuant to Article 149-*duodecies* of the Consob Regulation for Issuers

The following table shows fees accrued in 2019 for audit and non-audit services provided by the independent auditors and entities belonging to its network.

(€/000)	Party providing the service	Accrued amount 2019
Auditing	Deloitte & Touche S.p.A.	102
Other services to Parent Company (1) (2) (3)	Deloitte & Touche S.p.A.	227
TOTAL		**329**

(1) Verification procedure on the financial parameters calculation table pursuant to the regulations of the 2018-2024 Bond Loan and the 2019-2025 Green Bond

(3) Comfort letter for the capital increase prospectus, review of pro-forma data for inclusion in the prospectus, review of forward-looking financial data for inclusion in the prospectus, review of earning estimate for inclusion in the prospectus

(3) Comfort letter for the Green Bond prospectus, review of pro-forma data for inclusion in the prospectus

34. Information pursuant to Article 2497 of the Italian Civil Code "Management and coordination"

In view of the fact that the Company is subject to management and coordination – pursuant to Article 2497 of the Italian Civil Code – by Fri-el Green Power S.p.A., the following table – pursuant to Article 2497-*bis* of the Italian Civil Code, paragraph 4 – summarises the essential data from the last financial statements approved by Fri-el Green Power S.p.A., for 2018.

FRI-EL GREEN POWER S.P.A.
Registered office at Piazza della Rotonda 2, Rome
Share capital €8,010,000.00 = fully paid up
Tax code and Rome Companies Register no. 01533770218
VAT no. 01533770218 - Economic and Administrative Index (REA) no. 1316823

STATEMENT OF FINANCIAL POSITION

(€/000)	**31/12/2018**	**31/12/2017**
A. Net fixed assets	484,586	442,093
B. Current assets including accrued income and prepaid expenses	54,554	27,202
C. Total assets (A+B)	**539,140**	**469,295**
D. Shareholders' equity	366,763	307,330
E. Provisions	4,458	4,588
F. Payables	167,918	157,377
Total liabilities (D+E+F)	**539,140**	**469,295**

INCOME STATEMENT

(€/000)	**2018**	**2017**
Revenues	4,025	4,652
Operating costs	(9,025)	(11,100)
Difference between revenues and operating costs	**(5,000)**	**(6,448)**
Financial income and expenses	53,010	(1,110)
Other income and expenses	19,172	32,368
Profit before tax	**67,181**	**24,810**
Taxes for the year	497	1,324
Result for the year	**67,678**	**26,134**

CERTIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

pursuant to Article 154-bis, paragraph 5, of Legislative Decree 58 of 24 February 1998 and Article 81-ter of Consob Regulation 11971 of 14 May 1999

1. The undersigned, Josef Gostner and Stefano Francavilla, in their capacity as Chief Executive Officer and Financial Reporting Officer of Alerion Clean Power S.p.A., hereby declare, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - that the consolidated financial statements are adequate in view of the characteristics of the Company, and
   - the effective application of administrative and accounting procedures for the preparation of the financial statements in 2019.

2. We also certify that:

2.1 The financial statements as at 31 December 2019:

   - were prepared in accordance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the accounting books and records;
   - are suitable to provide a true and fair view of the financial position and profit and loss of the issuer.

2.2 The Report on Operations includes a reliable analysis of the performance and operating results, as well as the situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

Milan, 18 March 2020

The Chief Executive Officer	**The Financial Reporting Officer**
Josef Gostner	Stefano Francavilla

Alerion Clean Power S.p.A.

Registered office: Viale Majno 17 (MI) -

Share capital: Euro 140,000,000 = fully paid in

Business Register of Milan Monza and Bronza and tax code no.

02996890584

****

Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to art. 153 D. Lgs. 58/98 and art. Article 2429(2) of .c.

Gentlemen Shareholders,

1. Premise: regulatory, regulatory and ethical sources

During the financial year ended on December 31, 2019, the Board of Statutory Auditors fulfilled the supervisory tasks provided for by law, as per indications of the principles of conduct of the Board of Statutory Auditors of Listed Companies recommended by the National Council of Chartered Accountants and Accounting Experts, to the specific rules for companies listed on the Stock Exchange, as well as the content of Consob Communication No DAC/RM/97001574 of 20 February 1997 and Communication DEM/1025564 of 6 April 2001, subsequently supplemented by Communication DEM/3021582 of 4 April 2003 and communication DEM/6031329 of 7 April 2006.

During the year, the Board of Statutory Auditors supervised:

- compliance with the law and the instrument of incorporation;
- respect for the principles of proper administration;
- the adequacy of the organisational structure of the company for the aspects of competence, the internal control system and

theadministrative-accounting system and the reliability of the latter in correctly representing the management facts;

- on how to implement in practice the corporate governance rules provided for by codes of conduct drawn up by regulated market management companies or trade associations, to which the company, by means of information to the public, declares to adhere;
- on the adequacy of the provisions given by the Company to subsidiaries pursuant to Article 114(2) of Legislative Decree 58/1998 ***(hereinafter TUF).***

2. Supervision of compliance with the law and the statutes

During the 2019 financial year, the Board of Statutory Auditors held eleven meetings and issued, on 22 March 2019,its opinion on the occasion of the definition of the remuneration attributed to Directors invested with particular positions pursuant toArt. 2389, Co. 3, c.c., as well as the determination of the remuneration of the Manager responsible for the preparation of company accounting documents (in the following, Manager In ***charge).***

The members ofthe Supervisory Board participated in the meetings of the Board of Directors and obtained from the Directors, with the periodicity required by law, information on the activity carried out and on the operations of greater economic, financial and financial importance carried out by the Company and the Subsidiaries.

They found that the actions taken and implemented were in accordance with the Law, the articles of association and the resolutions adopted by the Shareholders' Meeting and were based on principles of correct administration.

The Board of Statutory Auditors, as already mentioned, exercising its control function, intervened at the fifteen meetings of the Board of Directors as well as at the two meetings held in the year and acknowledges that the administration of the Company has been carried out in compliance with the rules of law and bylaws. The members of the Board of Statutory Auditors, and/or other members of the Board of Statutory Auditors, have also participated in all meetings of the Appointments and Remuneration Committee(hereafter, ***CNR)*** andthe ControlCommittee, Risks (hereafter, ***JRC)*** and the Related Parties Committee (hereafter ***cpc).***

In particular, the JRC, pursuant to Art. 7 of the Corporate Regulation Code of listed companies (in the following, ***Corporate Responsibility*** Code) is composed of three independent directors; the CNR, pursuant to Articles 5 and 6 of the Corporate Regulation Code, is composed of two non-executive directors, both independent. The CPC pursuant to Art.4 of the Corporate Control Code is composed of three directors who are all independent.

The Company has also provided, in accordance with the provisions of the Corporate Code, the figure of *the lead independent director in* the person of Dr. Nadia Dapoz.

During the year the CNR met twice, the CPC met 10 and the JRC met 12 timesin a joint form with theBoard of Statutory Auditors. The Chairman of the Board of Statutory Auditors took part in 11 JRC meetings and in the event of absence at least one member of the Board of Statutory Auditors was present.

The Shareholders' Meeting, on 24 April 2019, authorized the purchase of its own shares pursuant to Art. 2357 c.c., determining in 18 (eighteen)months the duration of the relative mandate. The Company has availed it of the right to carry out transactions in its securities during the financial year and, as of today, the Company owns no. 844,445 shares of its own equal to 1.6% of the share capital.

3. Supervision of compliance with the principles of correct administration

The Board of Statutory Auditors has found that the Company has not carried out atypical or unusual transactions with Group companies, related parties or third parties; to this end, the Board of Statutory Auditors specifies that the Company has adopted since 12 November 2010,pursuant to art. 4 of the Regulation adopted by Resolution Consob n. 17221 of 12 March 2010 and subsequent amendments and additions, the Procedure for Transactions with Related Parties (in the following, ***OPC Procedure);***theOPC Procedure was updated and approved by resolution of the Board of Directors of 25 January 2018.

Further investigations are also underway, in order to adapt the Procedure following the transposition of the European Directive so-told *Shareholders' Rights* II.

The OPC Procedure, together with the procedure for the management and communication of documents and information concerning the Company with particular reference to privileged information and internal dealing *procedure,*are available on the Company's *web* page.

The Board of Statutory Auditors has supervised the compliance of the procedures adopted with the principles indicated in the Regulations, as well as their compliance.

4. Supervision of the adequacy of the organisational structure

The current Board of Directors was appointed by the Shareholders' Meeting on 30 January 2017 on the basis of the listpresented by FGPA S.r.l. TheShareholders' Meeting of 6 April 2018 appointed Mr S. Hay, who is a member of the Committee on Social Security and Social Security, to be appointed administrator. Elmar Zwick to replace Ing. Brianza who resigned on 24 November 2017.

The Board of Directors is composedof eight members, whose mandate will expire at the Shareholders' Meeting called to approve the financial statements closed at 31 December 2019.

Withinthe Board of Directors there are three executive directors and five non-executive directors, four of whom have been qualified by the Board of Directors as independent, both in accordance with the provisions of the Corporate Responsibility Code, as well as in accordance with the provisions of the TUF.

The Board of Directors, at its meeting of 18 February 2020,confirmed the verification of the existence of theindependence requirements of its members, as well as the requirements of good repute, independence and professionalism (in the following, ***Requirements)*** in charge of the Board of Statutory Auditors.

The members of the Board of Statutory Auditors (as recognized and mutually attested in the minutes of 19 March 2020) are in possession of the Requirements, the necessary competence in accounting matters, as well as professionalism and experience, also in relation to areas directly related to the activity carried out by the Company.

The members of the Board of Statutory Auditors have respected the limit to the accumulation of tasks established by the Consob Issuers Regulation and the articles of association.

The Supervisory Board has acquired knowledge and supervised, as far as it is competent, the adequacy of the organizational structure of the Company, constantly updated also in relation to the entry into the Group of new companies, and on compliance with the principles of correct administration, this through direct observations, collection of information from the various function managers and the Manager in charge, the examination of company documents and meetings with the AuditIng Company, for the purpose of the mutual exchange of relevant data and information.

The following operations were carried out during the year:

- through the newly formed Alerion Spain Sl and with the participation of Simest spa, the entire share capital of the company Comiolica sl, which owns a wind farm with installed power of 36 MW, was purchased;
- the entire capitalof Fri-El Ichnusa, which is the parent company of Fri-El Campidano, which owns a wind farm with an installed power of 70 MW, was acquired by the parent company Fri-El Ichnusa, since it was an operation with a related part, the College monitored the activities of the endo-council Committee;
- the entiresharecapital of Anemos Wind srl, which owns a wind farm with installed capacity of 50 MW, has been acquiredas a result of a competitive judicial auction process.

In order to reduce the chain of control, the Spa Company incorporated the entire share capital of Alerion Energie Rinnovabili Spa (AER) controlled to

100%, the merger took place with the simplified method referred to in Art 2505 of the Civil Code,originated a Merger Reserve of 46 million euros and a reduction of the share capital to Euro 140 million.

Finally, at the end of the financial year, the Companysuccessfully issued a bond qualified as a"green bond" worth €200 million over a six-year period at a rate of 3.125% on the Irish Stock Exchange.

The Board of Statutory Auditors has no comments to make on the general adequacy of the organizational structure to effectively pursue the company's objectives.

During the year that has just ended, the Supervisory Board has promoted regular meetings with the main representatives of the various company functions to verify that the organizational structure was oriented both to the pursuit of corporate objectives and to the strengthening of the internal control system.

5. Supervision of the adequacy of the internal control system

The Company has adopted the Model of Organization, Management and Control (hereafter, ***Model)*** drawn up pursuant to and for the effects of Legislative Decree 231/2001, as well as the Code of Ethics.

Over the years the Model has undergone updates, so as to adapt it to the application feedback as well as to the regulatory framework of reference.

The Model in force at 31 December 2019 was approved by the Board of Directors by resolution of 13 September 2014 and the updating activity to adapt it to the changes in legislation, jurisprudential and doctrinal changes that affected Legislative Decree 231/2001 was completed with the approval of the new text by the Board of Directors on 18 March 2020.

The Model and the Code of Ethics can be found on the Company's web page. During the number two meetings held with the Supervisory Body and in the report issued on 24 September 2019 and 12 February 2020, the Board of Statutory Auditors acquired information on the supervisory activity, the operation and compliance with the Model and its updating, noting the absence of violations of the Model and important facts.

The Board of Statutory Auditors has evaluated and supervised the adequacy of the internal control system, acquiring the relevant information both from direct feedback and from the information provided, during the meetings of the Board of Directors, by the Head of *the Internal Audit Function* and by the Supervisory Body established pursuant to Legislative Decree 231/2001, as well as by participation in meetings of the JRC established in compliance with the indications of the Corporate Regulation Code.

6. Supervision of the adequacy of the accounting administrative system and the legal audit activity

The Board of Statutory Auditors has evaluated and verified the adequacy of the administrative-accounting system, as well as the reliability of the latter to correctly represent the management facts, through the obtaining of information from the managers of the respective functions and in particular from the Manager in charge, as well as through the examination of company documents and the analysis of the results of the work carried out by the person in charge of the statutory audit of the accounts and the *function of Internal Audit.*

In compliance with the provisions of art. 150 TUF, the Board of Statutory Auditors held three meetings with the entity in charge of the statutory audit of the accounts, Deloitte S.p.A. (in the following, ***Audit*** Company) during which it, among *other*things, monitored the execution of the audit *plan,*discussed the main issues emerging from the audit and took note of the absence of aspects for which it was necessary to carry out specificin-depth studies or report here.

The Board of Statutory Auditors has also found the adequacy of the procedure adopted by the Company in order to comply with the provisions of the Consob Regulation containing rules for the implementation of the TUF on markets referring to issuers who control companies formed and regulated by non-EU legislation.

As Committee for Internal Control and Audit *ex* Art. 19 of Legislative Decree 39/2010 supplemented by Legislative Decree 135/2016 (hereafter, ***Revision Decree),*** the Board of Statutory Auditors has in particular:

- supervised on the adequacy of the administrative-accounting system;
- monitored the process of training and dissemination of financial reporting and the activity of legal auditing;
- verified and supervised the independence of the, appointed AuditIng Company,in accordance with the TUF and the Revision Decree, by the Shareholders' Meeting of 24 April 2013 for the duration of nine financial years (2013-2021);
- discussed with the Auditing Company the measures taken, to mitigate the risks to independence; in particular with regard to the adequacy of the provision of services other than revision to the audited body for which more detailed information will be provided later;
- exchanged information with the AuditIng Company and fulfilled the

additional obligations provided for by thelegislation;

- informed the Board of Directors of the outcome of the legal review and forwarded to the same the additional report referred to in art. 11 of European Regulation No 537 of 16 April 2014;
- monitored the effectiveness of internal quality control systems;
- monitored the legal review of the financial statements and consolidated financial statements;
- acquired and taking into account the Transparency Report of the AuditIngCompany.

As the assignment awarded to the Audit company is nearingexpires, the company has started the competitive process for the appointment ofthe auditing company for the nine-year period 2020-2028. The InternalControl and Audit Committee monitoredthe process that, after the economic and qualitative examination, ended with thereasoned proposal, brought to the shareholders' meeting on 5 September 2019, for the company KPMG Spa.

During 2019, the Auditing Company carried out in the interest of the Company and its subsidiaries mainly legal audit activities; in this regard, please refer to the analytical description and the related fees to the appropriate prospectus *given by art.* 149 *duodecies* of the Consob Issuers Regulation in the explanatory notes to the Company's financial statements and consolidated financial statements, respectively, paragraph "30.2" and "39", for the financial year and consolidated.

The Board of Statutory Auditors has continued, on a voluntary and advance basis on the entry into force of Regulation No. 537/2014, the constant monitoring of the tasks entrusted to the Audit Company by the Company, in order to ensure compliance with the limit of 70% of the average of the fees paid in the last three financial years for the legal review and has granted a positive opinion to the following *non-audit service assignments:*

- on 17 January 2019, the assignment to Deloitte was approved in relation to the "Profit Estimate" relating to the Company and its subsidiaries for the amount of Euro 10,000;
- on 11 September 2019,theassignment to Deloitte was approved for the preparation of a "comfort letter" for the purpose of issuing a bond for the amount of Euro 78,000;
- on 12 November 2019,in relation to the issue of a bond issue listed on the Dublin and Milan stock exchanges, aimed at institutional and retail investors for a consideration of Euro 41,000.

The total fees for these services do not exceed the limit of 70% of the average of the fees paid in the last three financial years for the audit activity.

7. Proposals on the financial statements and its approval and matters within the competence of the Board of Statutory Auditors

Consolidated Financial Statements of ACP S.p.A. and the Annual Report

The Consolidated Financial Statements ofthe Company for the financial year 2019,consisting of financialbalance sheet, account and conomic account, total income statement, prospectus of changes in equity, financial statement and illustrative notes, which is made available to you, presents a profit for the year of 21.3 million Euros. It has been communicated to theS-College under the terms of the law, together with the Management Report, and is drawn up in accordance *with the International Financial Reporting Standards* (IFRS) and the measures issued in implementation of Art. 9 D. Lgs. n. 38/2005.

The S-Boardof Auditors acknowledges that, on the basis of the checks carried out, the AuditIng Company, with a report issued today, has attested that the Consolidated Financial Statements of the Alerion Clean Power S.p.A. Group. as of December 31, 2019it complies with the IFRS adopted by the European Union, as well as with the measures issued in implementation of Art. 9 D. Lgs. n. 38/2005 "*... provides a true and fair representation of the Group's balance sheet and financial position at 31 December 2019,*the economic result, cash flows for the year ended thatdate.

The determination of the area of consolidation of the holdings and the procedures adopted for this purpose comply with the requirements of IFRS.

The structure of the Consolidated Financial Statements is therefore to be considered technically correct and, on the whole, in accordance with the specific legislation.

The Management Report comprehensively illustrates both the situation of the Company and the ACP Group,the performance of the management as a whole and in the various sectors in which it has operated, as well as the changes that have occurred, comparedto the previous year, in the main items of the Financial Balance Sheet and the Income Statement.

The Management Report also highlights the main indicators of economic and financial *performance,* financial risks and other risks arising from the activity.

It also sets out the most relevant facts that occurred during the year and after the closure of the same, provides indications on the foreseeable evolution of the activity for the current financial year and summarizes the information concerning the ownership and control structures*(ex* Art. 123a TUF), referring for details to the appropriate report on corporate governance

The Report therefore appears to be complete with respect to the legal and regulatory requirements.

In accordance with the most recent guidelines of the supervisory bodies, *the impairment procedures, carried*out by the Company in accordance withthe IAS 36 principle, have been the subject of explicit and timely approval by the Board of Directors before that of the draft Financial Statements.

Finally, the AuditIng Company has delivered the additional report pursuant to Art.11 of European Regulation No. 537 of 16 April 2014, including the annual confirmation of independence pursuant to the Revision Decree, without reporting significant deficiencies.

Overall, the S-Committeeconsiders that the documents submitted to you provide you with a clear and complete information, in the light of the principles of truth and correctness established by law.

The Sustainability Report

Pursuant to Legislative Decree 254/2016, the Company has not drawn up the Consolidated Declaration of a non-financial nature as it is not obligatory.

The financial statements of ACP S.p.A.

The financial statements of ACP S.p.A., consisting of financial statement, income statement, total income statement, prospectus of changes in equity, financial statements and illustrative notes, which is made available to you, presents a operating profit of 21.4 million Euros and a net worth of 190.2 million euros.

In relation to the same, the Board of Statutory Auditors acknowledges that the same has been communicated in accordance with the Law;the Body of Controllo has verified compliance with the rules governing its approach and formation, both through the controls carried out by us pursuant to Art. 149 TUF,and by making use of the informationprovidedby theAuditIng Company which, also for the financial statements of ACP SpA,has attested with a reportissued today that "... *the financial statements provide a true and fair representation of the Company's balance sheet and financial position as of December 31, 2019,*the economic result and cash flows for the year ended thatdate.

8. How to implement the rules of corporate governance in practice

The Board of Statutory Auditors has supervised the methods of concrete implementation of the rules of corporate governance provided for by codes of conduct; the Company has adhered to the provisions of the Corporate Discipline Code. In the course of the supervisory activity, as described above, no significant facts have emerged which require it to be reported to the supervisory bodies or mentioned in this report.

9. Supervision of relations with subsidiaries and parent companies

During the meeting of 11 September 2019,the Board of Statutory Auditors met with representatives of the supervisory bodies of the investee companies, to whom it asked about their supervisoryactivities, the administrative structure of the companies themselves and the information flows intervened by and towards the Parent Company, in order to ensure the timely fulfilment of the communication obligations provided for by law.

The meeting was also attended by the Head of *the Internal Audit*function, the Supervisory Body.

The Board of Statutory Auditors has been informed that the Company has given the subsidiaries the instructions provided for by the reference legislation.

The supervisory bodies of the subsidiaries have also confirmed, as far as they are responsible, compliance with the law, the statutes and the principles of correct administration, as well as the adequacy of the organisational structure and internal control.

10. Supervision of transactions with related parties

The Board of Statutory Auditors has taken note that the Company has carried out, in an ordinary and recurring manner, transactions with Group companies and other related parties, relating to commercial, financial, and consulting services, administrative and financial assistance, in relation to which the Directors, as mentioned, have made due information both in the Management Report and, in particular, in the illustrative note point 36 to the Consolidated Financial Statements and in the explanatory note point 27 of the ACP Financial Statements, attesting to their correspondence with normal market conditions.

11. Omissions and objectionable facts detected. Opinions delivered and initiatives taken

During the 2019 financial year, the Board of Statutory Auditors did not receive any complaint under art. 2408 c.c.; they have also not been exposed.

* * *

All of the above, the Board of Statutory Auditors declares that, from the points of view of its competence, there is nothing to support the approval of the Financial Statements for the year ended December 31, 2019 and the proposal for the distribution of profit, which is in accordance with the provisions of the Law, as well as with the provisions of the Statute.

Milan, April 2, 2020

This report has been translated into the English language solely for the convenience of intemational readers.

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
ALERION CLEAN POWER S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Alerion Clean Power S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on investments in subsidiaries and joint ventures	
Description of the key audit matter	The Company recognizes investments in subsidiaries for Euro 161,591 thousand as of December 31, 2019. The caption mainly includes investments in Group's subsidiaries operating in the energy sector from wind sources, equal to an amount of Euro 160,131 thousand. Furthermore the Company recognizes investments in joint ventures for Euro 16,646 thousand as of December 31, 2019. The Company's Management tested the value of investments in subsidiaries and joint ventures for impairment in order to ensure that such investment is carried in the financial statements as of December 31, 2019 at no more than its recoverable amount. The amounts tested do not include the investments in Fri-el Ichnusa S.r.l. and Anemos Wind S.r.l. acquired during the period, whose value were tested when recognized. The recoverable value of the investment has been estimated by determining their value in use, which is based on future cash flows. As a result of the impairment test, approved by the Board of Directors on March 18, 2020, the Company recorded a partial write-down of the investments, for a total amount of Euro 4,794 thousand. The valuation process made by the Management is complex and based on assumptions concerning, among others, future cash flows of AER's subsidiaries and the determination of an appropriate discount rate (WACC). Given the particular type of business, which involves investments with medium-term returns and cash flows over a long-term period, in order to determine the recoverable value of the wind farms, the present value of operating cash flows has been estimated over the duration of each individual concession, which averages 29 years after the start of production and with a terminal value at the end of the concession, estimated as net realizable value of the plants. The key variables in estimating future cash flow are: • expected production of wind farms over the explicit period, the expected selling prices derived from the market projections on electricity price curve and sector regulatory requirements with regards to incentives;

- production costs as well as investments aimed to ensure the normal operation of plants (refitting) assumed on the basis of internal estimates;
- estimated useful life of the plants and future investments updated during the period on the basis of a report issued by an expert appointed by the Management and approved by the Board of Directors, that performed the analysis verifying the current status of all the Group's plants;
- discount rates estimated by the Management.
- These assumptions are influenced by future expectations about market scenarios.

Furthermore, Management prepared sensitivity analysis showing the effects that could arise from changes in certain key assumptions, also in order to consider uncertainty factors related to the diffusion of Coronavirus COVID-19.
Considering the importance of the amount of the investments carried in the financial statements, of the subjectivity of future cash flows and of the key variables estimates for impairment test model, we deemed the impairment test a key audit matter.
The Note 7. "*Equity investments in subsidiaries*" of the financial statements includes the disclosures on the impairment test and sensitivity analysis carried out by the Management.

Audit procedures performed	As part of our audit, we have, among other procedures, carried out the following, also with the support of experts: - reviewed the methods adopted by Management for the determination of the recoverable value of the investment in the subsidiary and analyzed the methodology and assumptions used for the impairment test; - developed an understanding of the methodology used by Management for the impairment test and examined its compliance with applicable accounting principles; - developed an understanding of the Company's relevant controls on the impairment test process; - performed a reasonableness analysis of the key assumptions used for the future cash flow estimate, also through industry data (such as, for example, electricity sales prices) and through information obtained from Management; - analyzed deviations from expected production of each single farms/projects, due to the windiness trend observed during the year and analysis of actual data with respect to the original plans in order to assess the nature of the deviations and the reliability of the planning process; - developed an understanding of the process of defining the electricity scenario applicable to farms/projects;

- analyzed the reasonableness of the assumptions related to the estimate of the useful life of the plants and developed an understanding of the methodology applied by the expert appointed by the Management for the preparation of the report, approved by the Board of Directors, supporting the estimated useful life;
- analyzed the reasonableness of the discount rate (WACC) and assumptions used for the terminal value calculation;
- reviewed the mathematical accuracy of the model used for the estimate of the value in use of the farms/projects;
- reviewed Management's sensitivity analysis;
- analyzed the compliance of the disclosures on the impairment test according to IAS 36 requirements.

Other matters

Pursuant to Article 2497-bis, first paragraph of the Italian Civil Code, the Company has disclosed to be subject to management and coordination by FRI-EL Green Power S.p.A. and, therefore, has included in the explanatory notes the key data of the most recent financial statements of such company. Our opinion on the financial statements of Alerion Clean Power S.p.A. does not extend to such data.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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 an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Alerion Clean Power S.p.A. has appointed us on April 8, 2011 as auditors of the Company for the years from December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Alerion Clean Power S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Alerion Clean Power S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Alerion Clean Power S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Alerion Clean Power S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Lorenzo Rossi
Partner

Milan, Italy
April 2, 2020

This report has been translated into the English language solely for the convenience of international readers.

Appendix A

List of equity investments held at 31 December 2019 by Alerion Clean Power and statement of changes during the year:

Changes in equity investments during the year ended 31.12.2019

	31.12.2018		Increases		Decreases		31.12.2019	
Company	**%**	**Value**	**Cost**	**Amounts due to AER Incorporation**	**Cost**	**Impairment of financial assets**	**%**	**Value**
Equity investments in consolidated subsidiaries								
Alerion Energie Rinnovabili S.p.A.	0	151,194,803	0	(151,194,803)	0	0	100	0
Alerion Servizi Tecnici e Sviluppo S.r.l.	100	112,776	600,000	0	0	0	100	712,776
Fri-El Albareto S.r.l.	100	4,700,000	0	0	0	0	100	4,700,000
Green Energy Sardegna S.r.l.	100	7,700,000	0	0	0	0	100	7,700,000
Eolica PM S.r.l.	100	17,800,000	150,000	0	0	0	100	17,950,000
Alerion Bioenergy S.r.l.	100	0	0	0	0	0	100	0
Alerion Real Estate S.r.l. in liquidation	100	672,804	0	0	0	0	100	672,804
Callari S.r.l.	100	0	0	6,064,331	0	0	100	6,064,331
Eolo S.r.l.	100	0	0	3,702,504	0	(284,221)	100	3,418,283
Dotto S.r.l.	100	0	0	8,809,791	0	(1,085,769)	100	7,724,022
Krupen Wind S.r.l.	100	0	0	115,580	0	0	100	115,580
Minerva S.r.l.	100	0	0	11,871,713	0	(1,792,749)	100	10,078,964
Renergy San Marco S.r.l.	100	0	0	18,690,328	0	0	100	18,690,328
Ordona Energia S.r.l.	100	0	0	6,365,000	0	0	100	6,365,000
Parco Eolico Licodia Eubea S.r.l.	100	0	0	6,973,783	0	(1,465,748)	100	5,508,035
Wind Power Sud S.r.l.	100	0	0	8,779,043	0	(165,144)	100	8,613,899
Alerion Spain S.L.	100	0	58,037	0	0	0	100	58,037
FRI-EL Ichnusa S.rl.	100	0	59,719,206	0	0	0	100	59,719,206
Anemos Wind S.r.l.	100	0	3,500,000	0	0	0	100	3,500,000
Alerion Romania S.A.	100	0	0	0	0	0	100	0
Alerion Bulgaria A.D.	0	0	0	0	0	0		0
Total		**182,180,383**	**64,027,243**	**(79,822,730)**	**0**	**(4,793,631)**		**161,591,265**

The following is a list of equity investments held as at 31 December 2019, which includes, pursuant to Article 126 of Consob Regulation 11971/99, investments of more than 10% of the share capital of companies with unlisted shares or limited-liability companies.z