ALERIONCLEANPOWER
THE WIND ENERGY COMPANY

ANNUAL FINANCIAL REPORT

2017

INDEX

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[2]
Giovanni Brianza	Director*
Nadia Dapoz	Director [234]
Victoria Giustiniani	Director[4]
Paola Bruno	Director[234]

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

Alessandro Solidoro	Chairman
Pellegrino Libroia	Standing auditor **
Antonia Coppola	Standing auditor **
Giorgia Carrarese	Standing Auditor
Matteo Gavazzi Borrella	Alternate auditor

General Manager and Financial Reporting Officer (Law 262/05)

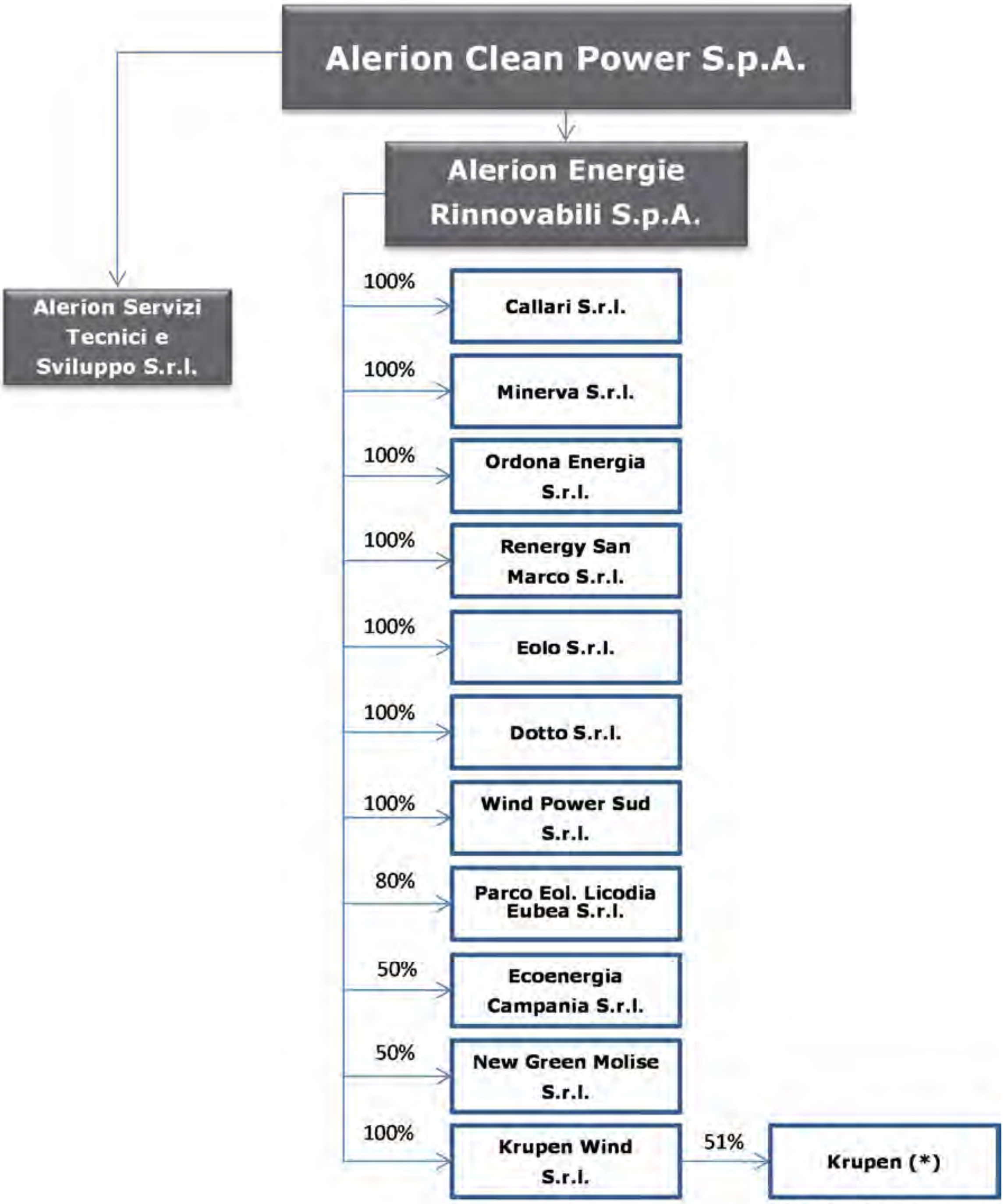
Stefano Francavilla

Independent auditors

Deloitte & Touche S.p.A.

* Board of Directors in office since 30 January 2017. Director Giovanni Brianza resigned on 24 November 2017.
** Auditor Pellegrino Libroia resigned on 1 December 2017. The alternate auditor Antonia Coppola took over as standing auditor on the same date.

STRUCTURE OF THE ALERION GROUP



(*) L'impianto di Krupen è formato da quattro società Wind Energy EOOD, Wind Stream EOOD, Wind System EOOD, Wind Power 2 EOOD.

REPORT ON OPERATIONS

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 Majno 17, Milan.

The consolidated financial statements of the Alerion Group have been prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRS" or "International Accounting Standards") approved by the European Commission, in force as at 31 December 2017.

SIGNIFICANT EVENTS DURING THE YEAR

The following are the main significant events that took place in 2017:

On **30 January 2017**, the Ordinary Shareholders' Meeting was held to appoint the Board of Directors of the Company for the three-year period 2017-2019, composed of 8 members, namely Josef Gostner, Georg Vaja, Patrick Pircher, Paolo Signoretti, Nadia Dapoz, Vittoria Giustiniani, Paola Bruno and Giovanni Brianza. This composition of the Board of Directors was proposed in the list submitted by the shareholder FGPA S.r.l., which obtained the most votes, with the exception of the Director Giovanni Brianza, who appears in the list submitted by the shareholders Eolo Energia S.r.l. - F2i Energie Rinnovabili S.r.l., which obtained the second-highest number of votes. It should be noted that Mr Brianza, appointed from the list submitted by the shareholders Eolo Energia S.r.l. – F2i Energie Rinnovabili, resigned from his position as a director on 24 November 2017.

On **26 September 2017**, FRI-EL Green Power S.p.A. (the "Offeror" or "FGP") has indicated its intention to make a full and unconditional voluntary takeover bid ("the Offer") for all Alerion Clean Power S.p.A. shares, for a cash consideration of €3.00 per share.

On **5 December 2017**, at the end of the Offer, FGP announced that, on the basis of the final results, 23,808,563 Alerion shares, equal to 77.35% of the shares offered and 54.63% of Alerion's share capital, had been subscribed for a total value of €71,425,689.00. It should be recalled that prior to the launch of the Offer, FGP held, through the wholly owned subsidiary FGPA S.r.l., 12,796,729 Alerion shares, amounting to 29.36% of the Issuer's share capital.

Accordingly, on the basis of the final results, at the end of the Offer FGP held a total of 36,605,292 Alerion shares, amounting to 84.00% of the Issuer's share capital.

On 12 December 2017, the Board of Directors of Alerion Clean Power S.p.A. acknowledged the commencement of management and coordination by Fri-el Green Power S.p.A. pursuant to Article 2497 of the Italian Civil Code.

ALTERNATIVE PERFORMANCE INDICATORS

In accordance with Consob Communication DEM/6064293 of 28/7/2006, the alternative performance indicators used to illustrate the Group's economic performance and financial position are defined below:

EBITDA consists of operating income before depreciation and amortisation. EBITDA thus defined is a measure used by the Company's management to monitor and assess its operating performance. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure for assessing the performance of the Group's operating result. Since the composition of EBITDA is not regulated by the reference accounting standards, the measurement criterion applied by the Group may not be the same as that used by others and may therefore not be comparable.

Net financial indebtedness (book value) is calculated as the sum of cash and cash equivalents, current and 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 debt resulting from assets held for sale. Net financial indebtedness (book value) is not identified as an accounting measure under IFRS. The determination criterion applied by the Issuer may not be the same as that used by other groups, and therefore the balance obtained by the Issuer may not be comparable with that determined by these groups.

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)	2017	2016
Revenues	54.9	51.3
Gross operating margin (EBITDA)	42.0	36.1
Net result	4.9	0.8
Net result attributable to the Group	5.0	0.9
Statement of financial position data (millions of euros)	**31.12.2017**	**31.12.2016**
Shareholders’ equity attributable to the Group	111.8	105.6
Net financial indebtedness (book value)	169.8	188.6
Net financial indebtedness (book value) excluding derivatives	159.1	174.7
Operating data	**2017**	**2016**
Electricity production (MWh) (1)	413,609	428,239
Electricity production (MWh) - Fully consolidated plants	342,128	362,887

(1) Plants fully consolidated and plants in joint ventures

ECONOMIC AND FINANCIAL PERFORMANCE OF THE GROUP

Operating performance in 2017 was characterised by a decrease in electricity production compared with the previous year, due to an average wind rate lower than that recorded in 2016, which mainly characterised the first three quarters of 2017.

At the level of revenues, however, the decrease in electricity production was more than offset by the increase in selling prices (for both the incentive tariff and the price of electricity) compared with the previous year, resulting in an increase in operating revenues compared with 2016.

ALERION CONSOLIDATED - Reclassified income statement

	2017	2016
Operating revenues	52.2	49.5
Other revenues	2.7	1.8
Revenues	**54.9**	**51.3**
Cost of human resources	(2.6)	(2.8)
Costi da attività di costruzione in conto terzi	(0.2)	(0.1)
Other operating costs	(12.5)	(13.2)
Operating costs	**(15.3)**	**(16.1)**
Results of joint venture companies	**2.4**	**0.9**
Gross operating margin (EBITDA)	**42.0**	**36.1**
Depreciation, amortisation and write-downs	(20.6)	(20.5)
EBIT	**21.4**	**15.6**
Financial income (expenses)	(13.3)	(13.9)
Income (expenses) from equity investments and other financial assets	0.0	0.0
Profit before tax (EBT)	**8.1**	**1.7**
Taxes	(3.2)	(0.9)
Net result	**4.9**	**0.8**
Profit (loss) attributable to non-controlling interests	(0.1)	(0.1)
Net result attributable to the Group	**5.0**	**0.9**

NB: In accordance with Consob Communication DEM/6064293 of 28/7/2006, the alternative performance indicators used to illustrate the Group's economic performance are defined below:

Gross operating margin/EBITDA: this consists of operating income before depreciation and amortisation. EBITDA thus defined is a measure used by the Company’s management to monitor and assess its operating performance. EBITDA is not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure for assessing the performance of the Group's operating result. Since the composition of EBITDA is not regulated by the reference accounting standards, the measurement criterion applied by the Group may not be the same as that used by others and may therefore not be comparable.

Electrical production of the fully consolidated plants was 342,128 MWh, down 5.7% on 2016 production of 362,887 MWh.

Site	Gross power (MW)	Ownership (%)	Consolidated power (MW)	Year of entry into production	Year of end of incentives	Consolidated production MWh 31 Dec 2016	Consolidated production MWh 31 Dec 2017
Operating wind farms							
Subsidiaries' wind farms (fully consolidated)							
Albanella (SA)	8.5	100%	8.5	2004	2016	8,482	8,749
Ciorlano (CE)	20.0	100%	20.0	2008	2023	19,057	18,677
Callari (CT)	36.0	100%	36.0	2009	2023	58,313	51,412
Ordona (FG)	34.0	100%	34.0	2009	2024	63,790	62,381
Castel di Lucio (ME)	23.0	100%	23.0	2010	2025	35,681	34,415
Licodia (CT)	22.1	80%	22.1	2010	2025	36,121	29,043
San Marco in Lamis (FG)	44.2	100%	44.2	2011	2026	63,313	65,959
Agrigento (AG)	33.2	100%	33.2	2007	2019	52,359	44,824
Krupen (1,2,3,4) (Bulgaria)	12.0	51%	12.0	2010	2025	25,771	26,668
Total	**233.0**		**233.0**			**362,887**	**342,128**
Wind farms in joint ventures(1)							
Lacedonia (AV)	15.0	50%	7.5	2008	2023	13,646	12,217
San Martino in Pensilis (CB)	58.0	50%	29.0	2010	2025	51,706	59,264
Total	**73.0**		**36.5**			**65,352**	**71,481**
Total	**306.0**		**269.5**			**428,239**	**413,609**

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

Operating revenues came to €52.2 million, up from €49.5 million in 2016. In 2017, the average price of electricity and incentives for incentivised Italian wind farms was €160.6 per MWh, compared with €141.7 per MWh a year earlier. In particular:

- The average price of electricity for wind farms located in Italy in 2017 was €53.3 per MWh, compared with €41.7 per MWh in 2016;
- The average price of incentives in Italy in 2017 was €107.34 per MWh (€100.08 per MWh as at 31 December 2016).

Other revenues came in at €2.7 million (€1.8 million in 2016) and relate mainly to insurance indemnities and administrative and technical advice provided to third companies and joint ventures. They also refer to out-of-period income relating to settlement agreements and the release of funds during the year. In particular, this item includes the effects of the settlement agreement signed on 19 February 2018 with the Municipality of San Marco in Lamis in relation to the agreement for the years 2013 to 2017 and other revenues due to the cancellation of certain debts that are now prescribed. For further details, see note 28, "Other sundry revenues and income" in the notes.

EBITDA is €42 million, up compared with the previous year (€36.1 million in 2016) mainly due to the increase in revenues described above and to the reduction of operating costs arising from the management costs efficiency programme. EBITDA includes the results of joint venture companies of €2.4 million, up on 2016 (approximately €1.5 million), mainly due to the good performance of the San Martino in Pensilis plant.

The **Operating result** was €21.4 million (€15.6 million in 2016), after depreciation, amortisation and write-downs of €20.6 million.

Profit before tax was €8.1 million, up by comparison with the €1.7 million recorded in 2016. The figure includes net financial expenses and income from equity investments and other financial assets for approximately €13.3 million (€13.9 million in 2016).

The **Net result** was €4.9 million (€0.8 million in 2016), and includes taxes for the year of approximately €3.2 million (€0.9 million in 2016). The **Net result attributable to the Group** was €5.0 million (€0.9 million in 2016). The **Net result attributable to non-controlling interests** was €0.1 million (€0.1 million in 2016).

Assets and liabilities and financial performance

ALERION CONSOLIDATED - Reclassified statement of financial position
(in millions of euros)

	31.12.2017	31.12.2016
Intangible assets	*62.7*	*66.7*
Property, plant and equipment	*191.4*	*207.3*
Long-term investments	*17.8*	*14.5*
Fixed assets	**271.9**	**288.5**
Other non-financial assets and liabilities	12.3	8.3
NET INVESTED CAPITAL	**284.2**	**296.8**
Shareholders’ equity attributable to the Group	111.8	105.6
Shareholders’ equity attributable to non-controlling interests	2.6	2.6
Shareholders' equity	**114.4**	**108.2**
Liquid assets	43.3	35.0
Other financial assets and liabilities	(213.1)	(223.6)
Net financial indebtedness (book value)	**(169.8)**	**(188.6)**
SHAREHOLDERS’ EQUITY + NET FINANCIAL INDEBTEDNESS (BOOK VALUE)	**284.2**	**296.8**

Property, plant and equipment and intangible assets as at 31 December 2017 amounted to €254.1 million (€274.0 million as at 31 December 2016). The decrease mainly reflected depreciation and amortisation during the year. The value of intangible

assets (€62.7 million) includes rights and concessions (€57.6 million) relating to operational projects.
It should be noted that the item "**Other non-financial assets and liabilities**" includes as at 31 December 2017 receivables for the sale of electricity and incentives, in particular to the Energy Services Manager (GSE) of €18.8 million (€15.9 million as at 31 December 2016).

Group shareholders' equity as at 31 December 2017 stood at €111.8 million, up by €6.2 million compared with 31 December 2016. The change mainly results from i) the net result for the year of €5.0 million, ii) the positive change in the fair value of derivatives on bank project financing, net of the tax effect, of €3.1 million, and iii) the distribution of dividends for €1.9 million.

Net financial indebtedness (book value) stood at €169.8 million as at 31 December 2017, an improvement of €18.8 million compared with 31 December 2016, mainly due to the improvement in operating margin in 2017, which generated a total net cash flow for the year of €8.3 million after the repayment of the project financing instalments falling due during the year of approximately €8.7 million.

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

	31.12.2017	31.12.2016
Cash and cash equivalents		
- Available cash	43.3	35.0
Total cash and cash equivalents	**43.3**	**35.0**
Financial receivables and other current financial assets	**0.0**	**0.5**
Current financial liabilities		
- Current payables for loans	(41.9)	(78.9)
- Current payables to bondholders	(6.9)	(6.9)
- Current payables for derivatives	(3.1)	(3.5)
Total current financial liabilities	**(51.9)**	**(89.3)**
CURRENT FINANCIAL INDEBTEDNESS	**(8.6)**	**(53.8)**
Non-current financial liabilities		
- Payables to other lenders	(2.0)	(2.0)
- Payables to banks for loans	(28.4)	0.0
- Payables to bondholders	(127.5)	(126.9)
- Non-current payables for derivatives	(7.6)	(10.4)
NON-CURRENT FINANCIAL INDEBTEDNESS	**(165.5)**	**(139.3)**
FINANCIAL INDEBTEDNESS AS PER CONSOB COMMUNICATION DEM/6064293/2006	**(174.1)**	**(193.1)**
Financial receivables and other non-current financial assets	**4.3**	**4.5**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE)	**(169.8)**	**(188.6)**

Leverage, expressed as the ratio of net financial indebtedness to net invested capital as at 31 December 2018, was 59.8% (63.5% as at 31 December 2016).

The Group's net financial indebtedness (book value) as at 31 December 2017**, excluding the measurement at fair value of derivatives,** is €159.1 million (€174.7 million as at 31 December 2016).

The Group's **Available cash** was €43.3 million as at 31 December 2017, up €8.3 million compared with 31 December 2016.

Current financial liabilities came to €51.9 million, down from the figure of €89.3 million as at 31 December 2016, due to the payment of bank payables owing to the reclassification of the bank payables of the plants of Callari and of four Bulgarian companies (owners of the wind farm on the Krupen site) to non-current liabilities. These had been classified as short-term in 2016 due to the failure to meet certain financial parameters. As at 31 December 2017, these parameters were met.
Non-current financial liabilities amounted to €165.6 million at 31 December 2017 (€139.3 million at 31 December 2016) and include payables to bondholders of €127.5 million (composed of the value of the bond loan subscribed on 11 February 2015 of

€130 million, net of ancillary costs of €2.5 million). In addition, it should be noted that interest accrued as at 31 December 2017 of €6.9 million is included among short-term financial payables and was paid on 12 February 2018.

The increase in non-current liabilities was due to the reclassification of the current financial liabilities of the bank payables of the wind farms of Callari and four Bulgarian companies (owners of the wind farm on the Krupen site) following compliance with the financial parameters as at 31 December 2017, as described above.

Financial receivables and other non-current financial assets came to €4.3 million at 31 December 2017 (€4.5 million as at 31 December 2016), and mainly refer to financial receivables from joint ventures of €3.8 million.

For terms and conditions relating to related parties, please see the note "Details of relations with related parties and intra-group relations as at 31 December 2017".

BASIS OF PREPARATION FOR RECLASSIFIED STATEMENTS AND STATEMENT OF RECONCILIATION OF SHAREHOLDERS' EQUITY

In accordance with Consob Resolution 15519 of 27 July 2006, the following is a description of the criteria used in preparing the reclassified consolidated statement of financial position and the reclassified consolidated income statement as at 31 December 2017, included and commented on, respectively, in the section entitled "Economic and financial performance of the Group" above, and the statement of reconciliation between the Group's result for the period and shareholders' equity and the same values for the Parent Company as at 31 December 2017.

Reclassified consolidated statement of financial position as at 31 December 2017

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 €57.8 million, ii) "Development costs" of €4.7 million, and iii) the items "Patents and intellectual works" and "Other intangible assets", for a total of €0.2 million (Note 5).
- ***Property, plant and equipment:*** this item includes: i) "Land" of €0.4 million, ii) "Plant and equipment" of €190.9 million, and iii) "Assets under construction" of €0.1 million, relating to investments in wind farms (Note 7).
- ***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 8).

Other non-financial assets and liabilities: this item refers to i) "Trade receivables" from both associates and other companies for a total amount of €3.4 million (Note 11), ii) "Deferred tax assets" of €15.7 million (Note 32), iii) "Tax receivables" (Note 12) and "Sundry receivables and other current assets" (Note 13) totalling €23.6 million, iv) "Trade payables" totalling €5.0 million (Note 23), v) "Post-employment benefits and other staff-related provisions" of €1.2 million (Note 19), vi) "Provision for deferred taxes" of €8.4 million (Note 32), vii) "Provisions for future risks and charges" of €7.9 million (Note 20), viii) "Sundry payables and other non-current liabilities" of €3.7 million (Note 21), ix) "Tax payables" of €0.5 million (Note 24) and x) "Sundry payables and other current liabilities" of €3.6 million (Note 25).

Liquid assets includes the item "Cash and other cash equivalents" of €43.3 million (Note 15).

Other financial assets and liabilities includes: i) "Financial receivables and other non-current financial assets" of €4.3 million (Note 10); ii) "Financial receivables and other current financial assets" of €0.04 million (Note 14), iii) "Non-current financial liabilities" of €157.9 million (Note 17); iv) "Current financial liabilities" of €48.8 million

(Note 22); and v) “Derivative instruments”, classified among current and non-current liabilities, of €10.8 million (Note 18).

Reclassified consolidated income statement as at 31 December 2017 the items were reclassified and aggregated as follows:

Revenues: this item includes i) revenues from “Energy sales” and “Incentives sales” of €52.2 million and ii) “Other sundry revenues and income” of €2.7 million (notes 27 and 28).

Statement of reconciliation between the Group's result for the period and shareholders’ equity and the same values for the Parent Company as at 31 December 2017:

Amounts in thousands of euro	Shareholders' equity at 31 December 2017 attributable to shareholders of the Parent Company	Net result for 2017 attributable to shareholders of the Parent Company
Alerion Clean Power S.p.A.	**191,480**	**462**
Difference between the carrying amount and the corresponding shares of the shareholders’ equity of subsidiaries	(89,041)	3,449
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)	8,349	(385)
Recognition at fair value of intangible assets with a finite useful life, following business combinations - as required by IFRS 3	4,348	(748)
Adjustment of equity investments in joint ventures at the corresponding shareholders’ equity value - IFRS 11	1,118	2,444
Adjustment of equity investments in associates at the corresponding shareholders’ equity value - IAS 28, IFRS 11	(89)	(44)
Recognition of effects relating to the transfer of intra-group margins	(2,176)	215
Other consolidation adjustments	(2,171)	(441)
Consolidated values	**111,818**	**4,952**

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 2017 came to €9.7 million and consisted primarily of net interest income accrued during the year to investee companies (€7.6 million in 2016, net of a write-down of financial assets of approximately €2.8 million).

Other revenues in 2017 came to €3.4 million (€3.1 million in 2016) and mainly consist of services provided to subsidiaries.

The **Operating result** for 2017 was positive for €9.1 million (€5.7 million in 2016), after operating costs of approximately €4 million (€5 million in 2016).

The **Net result** for 2017 was approximately €0.5 million, up on the net loss of approximately €3 million in 2016. The net result includes net financial expenses of €8.5 million and taxes for the year of €0.2 million.

Shareholders' equity attributable to the Company amounted to €191.5 million as at 31 December 2017, down compared with the €193 million recorded as at 31 December 2016. This change was mainly due to the positive result for the year of €0.5 million and the partial distribution of available reserves of approximately €1.9 million.

Non-current assets came to €284.3 million as at 31 December 2017, down by €14.4 million compared with the end of 2016, primarily due to the decrease in intra-group financial receivables of €14.4 million due to repayments received during the year from indirectly controlled companies.

Current assets amounted to €47.2 million as at 31 December 2017, an increase of €11.9 million compared with the previous year, and mainly include: i) financial receivables from subsidiaries of €18.6 million (€14.4 million as at 31 December 2016), ii) trade receivables of €3.8 million (€2.5 million as at 31 December 2016), iii) tax receivables of €0.2 million (€0.6 million as at 31 December 2016), iv) sundry receivables and other current assets of €4.8 million (€2.9 million as at 31 December 2016) and v) cash and cash equivalents of €19.8 million (€15.0 million as at 31 December 2016).

Non-current liabilities amounted to €129.0 million as at 31 December 2017 (€129.5 million as at 31 December 2016), and mainly include (i) payables to bondholders of €127.6 million, (ii) provisions for future risks and charges of €0.5 million (€1.5 million as at 31 December 2016) and (iii) the post-employment benefits provision of €1.0 million (€0.9 million as at 31 December 2016).

Current liabilities amounted to €11.0 million as at 31 December 2017, down by €0.5 million compared with the previous year. This item includes i) payables to bondholders of €6.9 million (unchanged compared with 31 December 2016); ii) financial payables to subsidiaries of €0.9 million (€0.9 million as at 31 December 2016); iii) trade payables of €0.9 million (€0.9 million as at 31 December 2016); iv) tax payables of €0.3 million (€0.1 million as at 31 December 2016), and v) other current liabilities of €2.0 million (€2.7 million as at 31 December 2016).

Net financial indebtedness (book value) was €34.9 million at 31 December 2017 (positive for €40.8 million as at 31 December 2016), down by €5.9 million due to:

- the increase in **non-current financial liabilities** of €0.5 million;
- the decrease in **non-current financial receivables** of €14.4 million;
- the increase in **current financial receivables** of €4.2 million;
- the increase in **available cash** of €4.9 million.

REGULATORY FRAMEWORK

The most important measures characterising the regulatory framework for the wind power sector in 2017 are shown below.

New Intraday Market sessions

The GME has updated the Technical Operating Provisions No. 03 rev. 7 MPE ("Timing of activities relating to MGP, MI and MSD sessions") and no. 16 rev. 1 MPE ("MI sessions in which market coupling is performed") for the start of new MI sessions from the flow date of 1 February 2017.

Challenge to Resolution 522/2014/R/EEL

The Lombardy Regional Administrative Court (Milan Section) published Ruling no. 76/2017 regarding the challenge to only the part of Resolution 522/2014/R/EEL of the Authority for Electricity, Gas and the Water System (Authority) that provides for the application of imbalance fees as defined by Resolution 111/06 for the period 1 January 2013 to 31 December 2014. In particular, in accepting the appeal, the court ordered the annulment of the part of the challenged resolution in which it did not provide for mechanisms to mitigate the damaging effects related to the behaviour of operators on the assumption of the continuing applicability of the regime introduced by Resolution 522/2014.

Review of valuation of effective imbalances

By Resolution 419/2017/R/EEL, the Authority implemented the provisions of the previous consultation document 277/2017/R/EEL, imposing a "transitional" regulation on the valuation of effective imbalances pending the definition of an organic regime solution based on the use of "nodal prices."

In particular, Resolution 419/2017/R/EEL provided that:

- as of 1 July last, "macro-zonal non-arbitrage fees" was introduced for consumption units and for unenabled production units, in order to eliminate the distortions resulting from the determination of imbalance prices at the macro-zonal level in the presence of market prices determined at the zonal level;
- as of 1 September next, the new calculation methodology for the zonal aggregate imbalance sign proposed by TERNA will be applied, based on the recognition of actual exchanges between the various macro-zones. This can be used both for the preliminary estimate of the imbalance sign on the day after the delivery date (D+1), and as a relevant parameter for the final determination of the sign for settlement purposes in month M+1;
- with effect from 1 September next, the "single pricing" mechanism will be restored for all unenabled units.

In addition, the same resolution provided that TERNA, as of 1 January 2018, would publish the zonal aggregate imbalance determined beforehand within 30 minutes of the delivery period, in implementation of the provisions of Article 17 of Regulation (EU) No 543/2013 (the "balancing code").

Finally, the AEEGSI noted that the "regime" regulation of effective imbalances is likely to be defined by 1 January 2019.

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

By Resolution 32/2018/R/EFR of 28 January 2018, the Authority announced, for the purposes of determining the value of the 2018 incentive tariff (2018 FIP), that the average annual selling price of electricity was €53.14/MWh in 2017. Accordingly, the 2018 incentive tariff, which is 78% of the difference between 180 Euro/MWh and the average annual selling price of electricity for the previous year, is €98.95/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 timing of the withdrawal of "green certificates".

MAIN RISKS AND UNCERTAINTIES

Risks related to the legislative and regulatory environment

Alerion operates in a regulated industry. The directives and regulatory measures issued on renewable sources at European Community and national level may have a significant impact on the Group’s business and results.
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 environment (rules on the landscape and noise pollution). This system therefore has an effect on the way in which the Alerion Group operates.
The regulations applicable to electricity production from renewable sources vary from country to country and may be subject to change.
Future changes in the legislative and/or regulatory framework of reference could have a significant impact on both authorisation processes for new plants and trends in revenues from operating plants.
The Group contains this risk by constantly monitoring the regulatory framework in order to implement any changes in a timely manner, operating in such a way as to minimise any economic impacts that may arise.

Risks related to the cyclicality of production

The characteristics of the energy sources used entail both highly variable production due to the climatic conditions of the sites where the wind farms are located, and production forecasts based on historical series and probabilistic estimates.
In particular, wind power generation, as it is linked to “non-programmable” climatic factors, is characterised during the year by seasonal factors that make energy production uneven.
Any adverse weather conditions and, in particular, any persistent lack of wind energy for wind farms, including in relation to measurements made during the development phase (regarding the availability of the source and weather forecasts), could lead to time lags and the reduction or interruption of plant activities, resulting in decreases or increases 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 development of anemometric data in order to improve weather forecasting and scheduling plant closures in less windy periods.

Risks associated with financing agreements

The Group’s projects are funded through project financing and corporate loans, such as the *2015-2022 Bond Loan.*
The project financing agreements contain restrictions on the use of financial resources. In the event of non-compliance with certain covenants, where not remedied within the established deadlines, the lenders have, *inter alia*, the right to declare that the acceleration clause has come into effect and to rescind the agreement with a consequent obligation for full repayment within the established deadline, with possible detrimental effects on the Company's financial results.

With respect to the bond loan, it should be noted that, for the entire term of the loan, the Issuer undertakes to maintain, on an annual basis, as of 31 December 2015, the ratio of net financial indebtedness (book value) excluding derivatives to shareholders’ equity excluding derivatives below a value not exceeding 2. This parameter was met on 31 December 2017.
The Company periodically monitors compliance with the ratios and clauses agreed.

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 entailed 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 are no default risks related to the concentration of credit due to the primary reliability 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 the inability to find 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 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, concluding that, despite a difficult economic and financial environment, there is no doubt that the Company is a going concern.

CORPORATE EVENTS

On 12 April 2017, Alerion Bioenergy S.r.l. was placed in liquidation, appointing Mr Josef Gostner as liquidator of the company. Liquidation took effect from 21 April 2017, the date of registration of the resolution in the Milan Companies Register.

On 08 June 2017, Energes Biccari S.r.l. was placed in liquidation, appointing Mr Josef Gostner as liquidator of the company. Liquidation took effect from 29 June 2017, the date of registration of the resolution in the Milan Companies Register.

With regard to the equity investments in Romania, on 23 October 2017, the companies Sannicolau Mare Wind Farm S.r.l., Frecatei Wind Farm S.r.l., Vrani Wind Farm S.r.l., Smardan Wind Farm S.r.l. and Salonta MIC Wind Farm S.r.l. were removed from the Companies Register.

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 the consolidated financial statements of the Alerion Group and the financial statements of the Parent Company.
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.

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. These relationships, with respect to subsidiaries, are eliminated in the context of the consolidated financial statements. Financial relationships also exist between Group companies. Relationships with subsidiaries and investees are regulated at market 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 aimed at ensuring 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 transactions with other related parties

For information on relations with the Company's directors and their remuneration, see the Remuneration Report prepared and published pursuant to Article 123-*ter* of Legislative Decree 58/98.

SIGNIFICANT EVENTS AFTER YEAR-END AND OUTLOOK

Significant events after year-end

On 25 January 2018, the Board of Directors of Alerion resolved to begin an analysis of a possible operation to increase the share capital of the Company reserved for the controlling shareholder, Fri-el Green Power S.p.A., to be paid up by the contribution in kind of project companies, controlled by Fri-el Green Power S.p.A., that owned three wind farms under construction, located in Sardinia, Emilia Romagna and Campania, for a total of 102.4 MW of new wind power.

In addition, the Board of Directors resolved to commence preparatory activities for the refinancing of the "Alerion Clean Power S.p.A. 2015-2022 Bond Loan" of €130,000 thousand, net of ancillary costs of €2,547 thousand.

Outlook

In 2018 Alerion will continue the actions already undertaken to reduce costs and improve operational and financial efficiency, including through the potential refinancing of the current "2015-2022" bond loan.

In addition, during the year, the Group will embark on a new development path through targeted opportunities for organic and external growth, with the aim of increasing the installed capacity of its plant portfolio.

OTHER INFORMATION

Corporate governance

The Alerion Group adheres to and conforms to the Corporate Governance Code for Listed Companies approved in December 2011, most recently updated in July 2016 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 ownership structure and 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 on the website www.alerion.it.

Corporate bodies

Please see the Report on Corporate Governance and Ownership Structure for information on the composition and functioning of the corporate bodies.

Dividend distribution

It should be noted that the Shareholders' Meeting of Alerion Clean Power S.p.A., held on 19 April 2017, approved the proposal to distribute a dividend to be paid as of 24 May 2017, with the detachment on 22 May 2017 of coupon no. 6, through the partial use of reserves, of €0.045 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.

Management and coordination

On 12 December 2017, the Board of Directors of Alerion Clean Power S.p.A. acknowledged the commencement of management and coordination by Fri-el Green Power S.p.A. pursuant to Article 2497 of the Italian Civil Code.

In this regard, 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.) is certified.

Consolidated non-financial statement

It should be noted that the Company is exempt from the obligations arising from Legislative Decree 254 of 30 December 2016, which has implemented in our legal system Directive 2014/95/EU on non-financial information and information on diversity, since, at the individual and consolidated level, the average number of employees is less than 500, and the Company is therefore not, in terms of size, categorised as a listed public interest company, bank or insurance company obliged to prepare and publish a separate or consolidated statement that contains information on environmental and social themes, pertaining to personnel, respect for human rights and the fight against active and passive corruption.

Treasury shares and shares of parent companies

As of 31 December 2017, the Company holds 780,339 treasury shares (corresponding to 1.79% of the share capital). Please also note that in 2017 the Company did not make any purchases of treasury shares and did not carry out any disposals.

Equity investments held by directors, statutory auditors, 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.

Exercise of the option of derogation from the disclosure obligations during 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 obligations 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.

Publication of an interim management report.

With particular reference to the interim management reports as at 31 March and 30 September, as previously communicated, the Company will publish, on a voluntary basis, a quarterly report on the performance of electricity production, revenues, EBITDA and financial indebtedness, in compliance with the provisions of Consob Resolution 19770 of 26 October 2016.

Environment, health and safety

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

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

With regard to health and safety in the workplace, Alerion operates in accordance with the provisions of Legislative Decree 81/08 and Legislative Decree 106/09. In particular, Alerion operates in accordance with the management system defined by the BS OHSAS 18001:2007 standard, and this compliance is substantiated by the 9192.ALLEN certificate issued on 23 December 2009 and renewed in 2015. This certification was issued with reference to the "Design and management of the construction and operation activities of plants for the production and distribution of electricity from renewable sources".

It should also be noted that in 2017 there were no accidents at work involving either personnel of the Alerion Group or employees of suppliers who carry out maintenance work for the Alerion Group.

Information pertaining to personnel

The Group had 28 employees at 31 December 2017. The breakdown is shown below:

	Number at 31.12.2016	Increases	Decreases	Number at 31.12.2017	Average number in period
Executives	7	0	(3)	4	5.7
Middle managers and office workers	27	0	(3)	24	26.0
Total employees	**34**	**0**	**(6)**	**28**	**31.7**

Information on the average age of personnel and training is provided below:

	Average age		Graduates	
	as at 31.12.2017	31.12.2016	31.12.2017	31.12.2016
Executives	52	48	4	7
Middle managers and office workers	43	41	12	14
Total	**47.5**	**44.5**	**16**	**21**

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 an operational office in the province of Salerno and one in the province of Catania. In January 2018, Alerion Servizi Tecniche e Sviluppo S.r.l. opened another 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 of Alerion Clean Power S.p.A. as at 31 December 2017, which closed with a net result for the year of €462,382;*

- *having examined the consolidated financial statements as at 31 December 2017 of Alerion Clean Power S.p.A., which closed with net profit of €4,952 thousand attributable to the Group;*

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 2017, 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 allocation of the net result for the year of Alerion Clean Power S.p.A. as at 31 December 2017, amounting to €462,382, equal to €439,263 for earnings reserves and €23,119 for the legal reserve.*

The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(in thousands of euro)	Notes	31.12.2017	of which related parties	31.12.2016	of which related parties
NON-CURRENT ASSETS:					
Intangible assets					
Intangible assets with a finite useful life	**5**	62,703	41	66,698	
Total intangible assets		**62,703**		**66,698**	
Property, plant and equipment	**7**	**191,363**		**207,267**	
Equity investments in joint ventures measured using the equity method	**8**	17,770		14,537	
Equity investments in associates measured using the equity method	**9**	**-**		-	
Financial receivables and other non-current	**10**	4,318	3,812	4,465	3,740
Prepaid tax assets	**31**	15,745		17,209	
TOTAL NON-CURRENT ASSETS		**291,899**		**310,176**	
CURRENT ASSETS:					
Trade receivables	**11**	3,415	293	2,567	20
Tax receivables	**12**	702		597	
Sundry receivables and other current assets	**13**	22,854	82	18,295	49
Financial receivables and other current financial a:	**14**	45		538	
Cash and cash equivalents	**15**	43,299		35,007	
TOTAL CURRENT ASSETS		**70,315**		**57,004**	
TOTAL ASSETS		**362,214**		**367,180**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities and shareholders' equity

(in thousands of euro)	Notes	31.12.2017	of which related parties	31.12.2016	of which related parties
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROU	**16**	**111,818**		**105,629**	
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CON	**16**	**2,538**		**2,621**	
NON-CURRENT LIABILITIES:					
Non-current financial liabilities	**17**	157,938		128,927	
Non-current payables for derivatives	**18**	7,645		10,429	
Post-employment benefits and other staff-related pr	**19**	1,181		1,170	
Deferred tax provision	**31**	8,431		8,483	
Provisions for future risks and charges	**20**	7,940		7,575	
Sundry payables and other non-current liabilities	**21**	3,658		4,077	
TOTAL NON-CURRENT LIABILITIES		**186,793**		**160,661**	
CURRENT LIABILITIES:					
Current financial liabilities	**22**	48,768		85,742	
Current payables for derivatives	**18**	3,126		3,520	
Current trade payables	**23**	5,049	20	4,304	12
Tax payables	**24**	486		403	
Sundry payables and other current liabilities	**25**	3,636		4,300	
TOTAL CURRENT LIABILITIES		**61,065**		**98,269**	
TOTAL LIABILITIES		**247,858**		**258,930**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**362,214**		**367,180**	

CONSOLIDATED INCOME STATEMENT

(in thousands of euro)	Notes	2017	of which related parties	2016	of which related parties
Electricity sales		19,241		16,433	
Revenues from incentive tariff		32,944		33,089	
Operating revenues	**27**	**52,185**		**49,522**	
Other sundry revenues and income	**28**	**2,743**	**440**	**1,792**	**417**
Total revenues		**54,928**		**51,314**	
Operating costs					
Staff costs		2,621		2,785	
Other operating costs		12,499	95	13,192	68
Provisions for risks		205		151	
Total operating costs	**29**	**15,325**		**16,128**	
Change in joint ventures measured using the equity method		**2,444**		**910**	
Depreciation and amortisation		20,203		20,171	
Write-downs and value adjustments		391		277	
Total depreciation, amortisation and write-downs	**30**	**20,594**		**20,448**	
OPERATING RESULT		**21,453**		**15,648**	
Financial income		151		243	
Financial expenses		(13,493)		(14,178)	
Financial income (expenses)	**31**	**(13,342)**		**(13,935)**	
Income (expenses) from equity investments and other financial assets		**40**	**142**	**25**	**142**
PROFIT BEFORE TAX		**8,151**		**1,738**	
Current		(2,604)		(1,974)	
Deferred		(679)		1,010	
Taxes for the year	**32**	**(3,283)**		**(964)**	
NET RESULT FOR THE YEAR		**4,868**		**774**	
Attributable to:					
Parent Company shareholders	**33**	**4,952**		**915**	
Non-controlling interests		**(84)**		**(141)**	
EARNINGS PER SHARE					
- Basic, for net result for the period attributable to the ordinary shareholders of the Parent Company		0.116		0.021	
EPS FROM OPERATING ASSETS					
- Basic, for net result for the period from operating assets attributable to the ordinary shareholders of the Parent Company		0.116		0.021	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)	2017	2016
NET RESULT FOR THE YEAR (A)	**4,868**	**774**
Gains/(losses) on the fair value measurement of cash flow hedge instruments	3,062	2,718
Tax effect relating to gains/(losses) from cash flow hedges	*(735)*	*(764)*
Gains/(losses) on the fair value measurement of cash flow hedge instruments relating to joint venture	1,033	512
Tax effect relating to gains/(losses) from cash flow hedges relating to joint ventures	*(248)*	*(162)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect (b1)	**3,112**	**2,304**
Actuarial gains/(losses) on defined benefit plans recognised in accordance with	*(7)*	*(133)*
Tax effect relating to actuarial gains/(losses) (IAS 19)	*2*	*37*
Total other comprehensive gains/(losses) that will not be subsequently reclassified to profit or loss, net of tax effect (b2)	**(5)**	**(96)**
Total other comprehensive gains/(losses) net of tax effect (b1) + (b2) = (B)	**3,107**	**2,208**
TOTAL COMPREHENSIVE PROFIT/(LOSS) (A) + (B)	**7,975**	**2,982**
Attributable to shareholders of the Parent Company	8,059	3,123
Attributable to non-controlling interests	(84)	(141)
TOTAL COMPREHENSIVE PROFIT/(LOSS)	**7,975**	**2,982**

NB: it should be noted that 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 equity had passed through the income statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)	Notes	2017	of which related parties	2016	of which related parties
A. Cash flow from operating activities					
Profit (loss) for the year attributable to:					
Parent Company shareholders		4,952		915	
Non-controlling interests		(84)		(141)	
Adjustments for:					
Depreciation, amortisation and write-downs	**30**	20,594		20,448	
Financial income (expenses) and equity investments	**31**	13,302		13,910	
Current taxes for the year	**32**	2,604		1,974	
Change in joint ventures measured using the equity method		(2,444)		(910)	
Increase (decrease) in post-employment benefit provision		18		(90)	
Increase (decrease) in provision for risks and charges		196		341	
Increase (decrease) in deferred taxes	**32**	675		(1,061)	
Total cash flows from current operations		**39,813**		**35,386**	
(Increase) decrease in trade receivables and other assets	**11 - 12 - 13**	(4,173)	(133)	(43)	15
Increase (decrease) in trade payables and other liabilities	**21 - 23 - 24 -25**	(3,089)	34	(3,272)	2
Income taxes paid		(1,343)		(589)	
Total cash flows from changes in working capital		**(8,605)**		**(3,904)**	
Total cash flows from operating activities		**31,208**		**31,482**	
B. Cash flows from investment activities					
(Investments in) disinvestments of intangible assets	**5**	-		(406)	
(Investments in) disinvestments of property, plant and equipment	**7**	(531)		(468)	
(Investments) divestments in equity investments	**8 - 9**	-		105	
Total cash flows from investment activities		**(531)**		**(769)**	
C. Cash flows from financing activities					
Net change in financial payables/receivables	**10 - 14 17 - 22**	754		793	
Increase (decrease) in payables to banks	**17 - 22**	(8,738)		(8,520)	
Purchase of treasury shares	**16**	-		(1,016)	
Dividends paid	**16**	(1,926)		(1,935)	
Financial expenses paid		(12,475)		(13,204)	
Total cash flows from financing activities		**(22,385)**		**(23,882)**	
D. Cash flows for the year (A+B+C)		**8,292**		**6,831**	
E. Available cash at the beginning of the year	**15**	**35,007**		**28,176**	
F. Available cash at the end of the year (D+E)	**15**	**43,299**		**35,007**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2017

(in thousands of euro)	Share capital	Reserve for treasury shares	Share premium reserve	Earnings reserves	Cash flow hedge reserve	**Shareholders' equity attributable to shareholders**	Non-controlling interests	**Total shareholders' equity**
Balance as at 01 January 2017	158,355	1,409	21,400	(61,983)	(13,552)	**105,629**	2,621	**108,250**
Result for the period	-	-	-	4,952	-	**4,952**	(84)	**4,868**
Other comprehensive gains (losses)	-	-	-	(5)	2,327	**2,322**	-	**2,322**
Other comprehensive gains (losses) from joint ventures measured using the equity method					785	**785**	-	**785**
Total comprehensive profit/(loss)	-	-	-	4,947	3,112	**8,059**	(84)	**7,975**
Dividends determined and/or distributed	-	-	-	(1,926)	-	**(1,926)**	-	**(1,926)**
Other changes	-	-	-	56	-	**56**	1	**57**
Balance as at 31 December 2017	158,355	1,409	21,400	(58,906)	(10,440)	**111,818**	2,538	**114,356**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2016

(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 01 January 2016	160,401	380	21,400	(60,872)	(15,856)	**105,453**	2,758	**108,211**
Profit for the period	-		-	915	-	**915**	(141)	**774**
Other comprehensive gains (losses)	-		-	(96)	1,954	**1,858**	-	**1,858**
Other comprehensive gains (losses) from joint ventures measured using the equity method					350	**350**	-	**350**
Total comprehensive profit/(loss)	-	-	-	819	2,304	**3,123**	(141)	**2,982**
Dividends determined and/or distributed			-	(1,935)	-	**(1,935)**	-	**(1,935)**
Assegnazione di azioni proprie	-	-	-	-	-	**-**	-	**-**
Purchases of treasury shares	(2,046)	1,029	-	-	-	**(1,017)**	-	**(1,017)**
Other changes	-	-	-	5	-	**5**	4	**9**
Balance as at 31 December 2016	**158,355**	**1,409**	**21,400**	**(61,983)**	**(13,552)**	105,629	**2,621**	108,250

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

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 Majno 17, Milan.

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

The publication of the consolidated financial statements of Alerion for the year ended 31 December 2017 was authorised by resolution of the directors of 23 February 2018.

2. BASIS OF PREPARATION

The consolidated financial statements of the Alerion Group as at 31 December 2017 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 prepared in accordance with the IFRS issued by the International Accounting Standards Board and approved by the European Union pursuant to the text published in the Official Journal of the European Communities (OJ) and in force as 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 accounting standards adopted in this consolidated annual situation are consistent with those adopted in preparing the Group's annual financial statements for the year ended 31 December 2016.

The consolidated financial statements have been prepared according to the historical cost principle (with the exception of available-for-sale financial assets, investment property and derivatives carried at fair value) and on a going concern basis. The Group assessed that, despite a difficult economic and financial environment, there were no significant uncertainties (as defined in paragraph 24 of IAS 1) in relation to the going concern principle.

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

The accounting standards used to prepare the consolidated financial statements are consistent with those used to prepare the Group's annual financial statements for the year ended 31 December 2016, with the exception of the accounting standards, amendments and interpretations that have been applied for the first time by the Group since 1 January 2017, described below.

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 with respect to that indicated in IAS 1 for the consolidated statement of financial position, consolidated income statement and consolidated statement of changes in consolidated 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 consolidated income statement, it was decided to show a breakdown of costs using a classification based on the nature of the costs.

- In 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 changes in shareholders' equity during the period are 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 by items of revenues or costs associated with cash flows from investment or financing activities.

Finally, it should be noted that, in accordance with the above 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 relative benefits. The financial statements of subsidiaries are included in the consolidated annual financial statements from the date at which control is assumed 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 there is joint control with other shareholders are valued using the equity method; associates or companies subject to significant influence are valued 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 ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

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

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

Employee benefits – Post-employment benefits
The post-employment benefits provision is determined using actuarial assessments. The actuarial assessment requires the elaboration of 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 significant uncertainty. The net liability to employees for post-employment benefits as at 31 December 2017 was €1,181 thousand. For further details, see the comments in Note 19.

Depreciation
Following the change in the criterion for estimating the useful life of aerogenerators, introduced in the 2011 financial statements with effect from 1 January 2011, the depreciation rate applied to aerogenerators is 5%.

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 derivative financial instruments, 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, 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 as assets or liabilities will be recognised in accordance with IAS 39, in the income statement or in the statement of 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 arises as the excess between the sum of the consideration paid and the amount recognised for non-controlling interests with respect to 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 less 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 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 asset disposed of must be determined on the basis of the relative values of the asset disposed of and the retained part of the cash-generating unit.

Before 1 January 2010
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 separately. 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, and 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

Intangible assets, in accordance with the provisions of IAS 38, include costs, including ancillary costs, incurred for the acquisition of goods and resources, without physical substance, to be used in the production of goods or provision of services, to be leased to third parties or to be 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 carry out 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 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 carry out 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%

Property, plant and equipment

Property, plant and equipment is 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 off if their fair value is less than the cost recorded in the financial statements.
The amortisation 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 temporis*, taking into account the actual use of the asset during the year.

It should be noted that at 31 December 2011, the Alerion Group changed the criterion for estimating depreciation relating to aerogenerators from 12 years to 20 years, with effect from 1 January 2011.

Costs incurred for improvements are recognised as increases in the assets concerned only when they produce real increases in the value of the same.
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 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.
Amortisation 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%-25%

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 these comply with 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 carried out 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 receives 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 the 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 in order to obtain lease payments. Investment property is valued at *fair value* and the effect of the revaluation/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 from the financial statements 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 associates are measured using the equity method.
Pursuant to 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 prepare these consolidated financial statements.

Other equity investments
These are available-for-sale financial assets valued according to the criterion indicated in the corresponding subsequent section 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 indicators suggesting 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 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 amount. 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 after the last recognition of impairment. In this case, the book value of the asset is taken 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

IAS 39 provides for the following types of financial instruments: financial assets held for trading, investments held to maturity, loans and receivables and available-for-sale financial assets.

All financial assets are initially recognised at cost, which corresponds to the fair value increased by 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.

Financial assets held for trading

This category includes financial assets held for trading, i.e. all assets acquired for sale purposes in the short term. Derivatives are classified as financial instruments held for trading unless they are designated as effective hedging instruments.

Financial assets "held for trading" are measured at fair value. Gains or losses related to these are recognised in the income statement.

Held-to-maturity investments

These represent non-derivative assets with fixed or determinable payments and fixed maturities that the Group intends to hold to maturity (e.g. subscribed bonds). The determination and ability to hold the security to maturity must be assessed both at initial recognition and at each reporting date.

In the event of early disposal (significant and not motivated by particular events) of securities belonging to this category of assets, the entire securities portfolio at fair value is reclassified and valued as a financial asset held for trading.

Other long-term financial investments that are held to maturity, such as bonds, are subsequently valued at amortised cost using the effective interest rate method.

Amortised cost is calculated taking into account any discounts or premiums at the time of purchase to distribute them throughout the entire time between now and maturity.

For investments measured at amortised cost, gains or losses are recognised in the income statement either when the investment is removed or when an impairment occurs, as well as through the amortisation process.

Loans and receivables

These represent non-derivative financial assets with fixed or determinable payments that are not listed on an active market and for which the Group does not intend to carry out trading transactions.

They are included in current assets except for the portion due after 12 months after the reporting date which is instead classified as non-current assets.

Available-for-sale financial assets

This is a residual category represented by non-derivative financial assets that are designated as available for sale and that are not classified in one of the categories previously described.
"Available-for-sale financial assets" are recorded at their fair value, plus ancillary purchase costs.
They are classified as non-current assets unless the management intends to dispose of them within 12 months of the reporting date.

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 39, hedging derivatives may be accounted for in accordance with the procedures established for hedge accounting only when:

- at the beginning 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 to be accounted for according to 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 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 items.
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 profits or losses on the financial instrument is recognised in shareholders' equity; the cumulative profit or loss is reversed from shareholders' equity and recognised in the income statement in the same period in which the hedged transaction is recognised; the profit 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 of the same.

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 the same, 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. Bad debts are written down 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 and which 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 extinguished, as well as 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 revenues, 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 values 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 values 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 assistance to similar entities by similar government entities or 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 funds is recorded in the statement of financial position. The amendment also stipulated that changes between one year and the next of the provision for defined benefits must be divided into three components: cost components linked to the work performance for 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 provision for defined benefits at the beginning of the year must be recognised as such; the 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, a resource outflow is probable in order to meet this obligation and its amount can be reliably estimated.
When the Group 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 occurs, the increase in the provision due to the passage of time is recognised as a financial expense.
The provisions also include the future expenses to be incurred for the dismantling 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 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.

Leasing
The definition of a contractual agreement as a lease (or containing a lease) is based on the substance of the agreement and requires an assessment of whether its fulfilment depends on the use of one or more specific assets and whether the agreement transfers the right to use such assets.

The Group as the lessee
Financial lease agreements, which essentially transfer to the Group all the risks and benefits deriving from ownership of the leased asset, are capitalised at the date of the start of the lease at the fair value of the leased asset or, if lower, at the present value of the rents. Rent is allocated pro rata between principal and interest in order to apply a constant interest rate on the residual balance of the debt. Financial expenses are charged directly to the income statement.
Capitalised leased assets are amortised over the shortest time between the estimated useful life of the asset and the duration of the lease agreement, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the agreement.
Operating lease payments are recognised as costs in the income statement on a straight-line basis, broken down over the life of the agreement.

The Group as the lessor
Leases that essentially leave all the risks and benefits of ownership of the asset to the Group are classified as operating leases. The initial negotiating costs are added to the book value of the leased asset and recognised according to the duration of the agreement on the same basis as the lease income.

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 less 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) represents an important autonomous business unit or geographical area of activity, ii) forms part of a single coordinated programme of disposal of an important autonomous business unit or geographical area of activity, or iii) is a subsidiary acquired solely as a result of a 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 accounted for separately from gains and losses from operating activities, under 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 tax, 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 to the extent that the economic benefits are likely to be earned by the Group and the relative 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) are recognised on an accruals basis when the economic benefit is realised;
- 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.
- realised profits 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;
- the result of equity investments measured at equity is recorded at annual and periodic closures depending on the share of the results achieved by the investees;
- adjustments to the value of financial assets represent the adjustment to market value of listed equities held for trading. The market value is given by stock market prices at the reporting date or periodically;
- rents and other property revenues represent rental payments and reimbursement of accrued service charges;

- revenues on the sale of properties are recognised when the company has transferred the significant risks and benefits associated with ownership of the asset and the amount can be reliably determined;
- revenues from the provision of services are booked according to their stage of completion, when it is probable that the consequent economic benefits will be enjoyed by the Group and when the value of the revenues can be reliably determined.

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).

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 that of electricity production 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 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 financial expenses.

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 applicable exemptions and tax receivables 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 shown in the financial statements.

1. Deferred tax liabilities are recognised with respect to 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, does not affect either the profit for the year calculated for financial reporting 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, 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 tax profits, also taking into account the Group's national tax consolidation and assuming that it continue in future years, which could make applicable 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 reporting 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 tax profits against which temporary differences can be used.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient tax profits will be available in the future so that all or part of this receivable can be used. Unrecognised deferred tax assets are reviewed annually at the reporting date and are recognised to the extent that it has become probable that the tax 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 reporting 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:

- such 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 tax amount.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is included in the financial statements in 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 reporting 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 reporting 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 2016.

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 2016, 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.

AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2017

The following IFRS accounting standards, amendments and interpretations have been applied for the first time by the Group since 1 January 2017:

• On 29 January 2016, the IASB published the document "Disclosure Initiative (Amendments to IAS 7)", which contains amendments to IAS 7. The document aims to provide some clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of a report that enables users of the financial statements to understand changes in liabilities arising from financing transactions, including changes arising from monetary and non-monetary movements. The amendments do not provide for a specific format to be used for reporting. However, the changes introduced require an entity to provide a reconciliation between the initial balance and the final balance for liabilities arising from financial transactions. Comparative information relating to previous years is not required.

• On 19 January 2016, the IASB published the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)", which contains amendments to IAS 12. The document aims to provide some clarification on the recognition of deferred tax assets on unrealised losses in the valuation of financial assets in the "Available for Sale" category in the event of certain circumstances and on the estimate of taxable income for future years. The adoption of these amendments 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 MANDATORILY APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AT 31 December 2017

• On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers, which, together with additional clarifications published on 12 April 2016, is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for recognising revenues, which will apply to all contracts entered into with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The key steps for booking revenues according to the new model are:

o identification of the contract with the customer;
o identification of the performance obligations contained in the contract;
o determination of the price;

o the allocation of the price to the performance obligations contained in the contract;
o the revenue recognition criteria when the entity satisfies each performance obligation.
The standard has been applied since 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, issued by the IASB in April 2016. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 24 July 2014, the IASB published the final version of IFRS 9 – Financial Instruments. The document includes the results of the IASB project aimed at replacing IAS 39. The new standard must be applied by financial statements starting on or after 1 January 2018.
The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on methods of managing financial instruments and the characteristics of the contractual cash flows of the financial assets themselves to determine the measurement criterion, replacing the various rules established by IAS 39. For financial liabilities, however, the main change relates to the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through profit or loss, if these changes are due to a change in the creditworthiness of the issuer of the liability itself. According to the new standard, these changes must be recognised in the "Other comprehensive income" statement and no longer in the income statement. In addition, for non-substantial changes in liabilities, it is no longer permitted to spread the economic effects of renegotiation over the residual maturity of the debt by altering the effective interest rate on that date. Instead, the relevant effect must be recognised in the income statement.
With reference to impairment , the new standard requires that losses on receivables be estimated on the basis of the expected losses model (rather than the incurred losses model of IAS 39) using supportable information, available without charges or unreasonable efforts that includes historical, current and prospective data; The standard stipulates that this impairment model applies to all financial instruments, i.e. to financial assets measured at amortised cost, to those measured at fair value through other comprehensive income, to receivables arising from lease contracts and to trade receivables.
Finally, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which were sometimes considered too stringent and not capable of reflecting companies' risk management policies. The main changes in the document concern:
o an increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
o a change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
o changes to the efficacy test by replacing the current methods based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional requests for information on the company's risk management activities. With reference to the new method pursuant to IFRS 9, the estimated losses on receivables are based on expected losses (and not based on the incurred losses used by IAS 39), the Group expects an insignificant impact on retained earnings as of 1 January 2018. At the date of this report, the analysis has not been completed.

• 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 lease agreements from contracts for the provision of services, identifying as discriminatory: 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 the right to direct the use of the asset underlying the agreement.
The standard establishes a single model for the recognition and measurement of lease agreements for lessees, which provides for the recognition of the leased asset, including an operating lease, in assets with a contra-entry of a financial debt, also providing an option not to recognise as leases contracts involving low-value assets and leases with a term of 12 months or less. By contrast, the standard does not include significant changes for lessors.

The standard applies from 1 January 2019 but early application is permitted only for entities that have already applied IFRS 15 – Revenue from Contracts with Customers. The directors expect that the application of IFRS 16 may have an impact on the amounts and related disclosures reported in the Group's consolidated financial statements. From the preliminary analyses carried out, it is expected that the amount of future payments over the remaining term of the leases in place as at 31 December 2017, gross of tax effects, is within a range of €8 million to €11 million. At the date of this report, a detailed analysis of the agreements had not been completed.

• On 12 September 2016, the IASB published the document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". For entities whose business consists predominantly of insurance business, the amendments aim to clarify the concerns arising from the application of the new IFRS 9 (from 1 January 2018) to financial assets, before the current IFRS 4 is replaced by IFRS 17 Insurance Contracts, on the basis of which financial liabilities are valued.
The amendments introduce two possible approaches:
o overlay approach
o deferral approach.
These approaches will allow:
o the possibility of recognising in comprehensive income (i.e. in the OCI statement), rather than in the income statement, the effects deriving from the application of IFRS 9 rather than IAS 39 to certain designated financial assets before the application of the new standard on insurance contracts ("overlay approach").

o the possibility of a temporary exemption from IFRS 9 until the earlier of the date of application of the new standard on insurance contracts or the year beginning 1 January 2021. Entities that defer the application of IFRS 9 will continue to apply the current IAS 39 (“deferral approach”).

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

At the date of this financial report, 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 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which is intended 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 take into account 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 ones;
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 assumptions relating to the cash flows of each group of contracts.
The PAA approach provides for the measurement of 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 principle 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.

• On 20 June 2016, the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" which contains amendments to IFRS 2. The amendments provide clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments have been applied since 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle", which incorporates amendments to some standards in the context of the annual improvement process. The main changes concern:

o IFRS 1 – First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. The amendment to this standard must be applied for years commencing on or after 1 January 2018 and concerns the elimination of some short-term exemptions provided for in paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is deemed to have been exceeded.

o IAS 28 – Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or another entity qualifying as such (e.g. a mutual fund or similar entity) for measuring investments in associates and joint ventures at fair value through profit or loss (rather than through application of the equity method) is carried out for each individual investment at the time of initial recognition. The amendment applies from 1 January 2018.

o IFRS 12 – Disclosure of Interests in Other Entities - Clarification of the scope of the Standard. The amendment clarifies the scope of application of IFRS 12 by specifying that the disclosure required by the standard, with the exception of that provided for in paragraphs B10-B16, applies to all shareholdings that are classified as held for sale, held for distribution to shareholders or as discontinued operations pursuant to IFRS 5. This amendment is applicable from 1 January 2017; however, as it has not yet been approved by the European Union, it was not adopted by the Group at 31 December 2017.

The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published the document "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The interpretation aims to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or payments on account are recognised in the financial statements prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and therefore the spot exchange rate to be used when foreign currency transactions occur where payment is made or received in advance.
The interpretation clarifies that the transaction date is the earlier of:
a) the date on which the advance payment or payment on account received is recorded in the entity's financial statements; and
b) the date on which the asset, cost or revenue (or part thereof) is recognised in the financial statements (with a consequent reversal of the advance payment or payment on account received).
If there are numerous payments or collections in advance, a transaction date must be identified for each. IFRIC 22 is applicable as of 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 8 December 2016, the IASB published the document "Transfers of Investment Property (Amendments to IAS 40)" which contains amendments to IAS 40. These changes clarify the transfer of a property to or from investment property. In particular, an entity must reclassify a property between or from investment property only when there is evidence that there has been a change in use of the property. This change must be due to a specific event that has happened and must not therefore be limited to a change in intentions on the part of the management of an entity. These amendments are applicable as of 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 7 June 2017, the IASB published the interpretation document IFRIC 23 – Uncertainty over Income Tax Treatments. The document addresses the issue of uncertainties about the tax treatment to be adopted in relation to income taxes.
The document provides that uncertainties in determining tax liabilities or assets are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure obligation, but emphasises that the entity will have to determine whether it will be necessary to provide information on the considerations made by management relating to uncertainty inherent in the recognition of taxes, in accordance with IAS 1.
The new interpretation applies from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 12 October 2017, the IASB published the document "Prepayment Features with Negative Compensation (Amendments to IFRS 9)". This document specifies that a debt instrument providing for an option for early repayment could comply with the characteristics of contractual cash flows (the "SPPI" test) and, therefore, could be measured using the amortised cost or fair value through other comprehensive income method, even if the "reasonable additional compensation" provided in the event of prepayment is a "negative compensation" for the lender. The amendment applies from

1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant 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 for which the equity method is not applied. The amendment applies from 1 January 2019 but early application is permitted.
The directors do not expect the adoption of these amendments to have a significant 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 even 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 amendments apply from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

• On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to resolve the current conflict between IAS 28 and IFRS 10.
Pursuant to IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a stake in the share capital of the latter is limited to the share held in the joint venture or associate by other investors not involved in the transaction. By contrast, IFRS 10 requires the recognition of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the subsidiary, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced provide that when an asset or subsidiary is sold/transferred to a joint venture or associate, the amount of the gain or loss to be recognised in the vendor's/transferor's financial statements depends on whether the assets or subsidiary sold/transferred constitute a business, as defined in IFRS 3. If the assets or subsidiary sold/transferred represent a business, the entity must recognise the gain or loss on the entire stake previously held; if not, the portion of the gain or loss relating to the stake still held by the entity must be derecognised. The IASB has now

suspended the application of this amendment. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

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 IAS 39 is shown below:

Figures as at 31/12/2017 in thousands of euro	Notes	Effects in the income statement	Loans and receivables	Available for sale financial instruments	Total
(A) - Financial assets					
Current financial assets:					
Cash and cash equivalents	**15**	28	43,299		**43,327**
Financial receivables and other current financial assets	**14**	84	45		**129**
Trade receivables	**11**		3,415		**3,415**
Non-current financial assets:					
Financial receivables and other non-current financial assets	**10**	6	4,318		**4,324**

Figures as at 31/12/2017 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**	(2 988)		(41 866)	**(44 854)**
Payables to bondholders for interest	**22**	-		(6 902)	**(6 902)**
Current payables for derivatives	**18**	34	(3 126)		**(3 092)**
Trade payables	**23**			(5 049)	**(5 049)**
Non-current financial liabilities:					
Payables to bondholders	**17**	(8 431)		(127 453)	**(135 884)**
Loans from minority shareholders	**17**	84		(2 056)	**(1 972)**
Non-current payables for derivatives	**18**	83	(7 645)		**(7 562)**

Dati al 31/12/16 in euro migliaia	Notes	Effects in the income statement	Loans and receivables	Available for sale financial instruments	Total
(A) - Financial assets					
Current financial assets:					
Cash and cash equivalents	**15**	15	35 007		**35 022**
Financial receivables and other current financial assets	**14**	74	538		**612**
Trade receivables	**11**		2 567		**2 567**
Non-current financial assets:					
Financial receivables and other non-current financial assets	**10**	44	4 465		**4 509**

Figures as at 31/12/2016 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**	(5 699)		(78 840)	**(84 539)**
Payables to bondholders for interest	**22**	-		(6 902)	**(6 902)**
Current payables for derivatives	**18**	46	(3 520)		**(3 474)**
Trade payables	**23**			(4 304)	**(4 304)**
Non-current financial liabilities:					
Payables to bondholders	**17**	(8 447)		(126 931)	**(135 378)**
Loans from minority shareholders	**17**	74		(1 996)	**(1 922)**
Non-current payables for derivatives	**18**	138	(10 429)		**(10 291)**

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 31/12/2017 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	-	506	-	505
TOTAL ASSETS	**-**	**506**	**-**	**505**

Figures as at 31/12/2017 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
(B) - Financial liabilities			
Payables to banks for loans	(41,866)	(28,429)	(74,227)
Payables to bondholders	(6,902)	(127,453)	(165,416)
Derivative instruments	(3,126)	(7,645)	(10,771)
TOTAL LIABILITIES	**(51,894)**	**(163,527)**	**(250,414)**

Figures as at 31/12/2016 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	-	504	-	502
TOTAL ASSETS	**-**	**504**	**-**	**502**

Figures as at 31/12/2016 in thousands of euro	Book value		Fair value
	Current portion	Non-current portion	Discounted cash flow
(B) - Financial liabilities			
Payables to banks for loans	(78,840)	-	(82,008)
Payables to bondholders	(6,902)	(126,931)	(166,361)
Derivative instruments	(3,520)	(10,429)	(13,949)
TOTAL LIABILITIES	**(89,262)**	**(137,360)**	**(262,318)**

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 as at 31 December 2016 and 31 December 2017. 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 point of view, the Board of Directors assesses each significant transaction in advance, periodically verifies the Group's risk exposure and defines market risk management policies. Alerion Clean Power S.p.A. acts directly on the market for this purpose, supervising and coordinating the financial risks of Group companies; the selection of financial counterparties is based on high credit standing, and 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 possibly the sale of equity investments.

With regard to transactions involving financial disposals, the Company generally deals only with well-known and reliable counterparties. The balance of receivables is monitored during the year so 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 carrying 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 conditions.

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:

Alerion Clean Power S.p.A. - Analysis of credit risk consolidated financial statements as at 31/12/2017

Figures as at 31/12/2017 in thousands of euro

(thousands of euro)	Receivables	Gross past-due receivables				Total	Write-down
	Net trade receivables	Within 4 months	5 to 8 months	9 to 12 months	over 12 months	Past due	Individual
Trade receivables	**3,175**	-	-	-	514	514	(514)
Trade receivables from subsidiaries	**240**	-	-	-	-	-	-
Trade receivables	**3,415**	**-**	**-**	**-**	**514**	**514**	**(514)**

Alerion Clean Power S.p.A. - Analysis of credit risk consolidated financial statements as at 31/12/2016

Figures as at 31/12/2016 in thousands of euro

(thousands of euro)	Receivables	Gross past-due receivables				Total	Write-down
	Net trade receivables	Within 4 months	5 to 8 months	9 to 12 months	over 12 months	Past due	Individual
Trade receivables	**2,561**	-	-	-	(801)	(801)	(801)
Trade receivables from subsidiaries	**6**	-	-	-	-	-	-
Trade receivables	**2,567**	**-**	**-**	**-**	**(801)**	**(801)**	**(801)**

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 revocation 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 11 February 2015, a guaranteed, non-convertible and unsubordinated bond loan was issued for a total amount of €130 million, with a term of 7 years, at a nominal annual fixed rate of 6%. The issue of this bond loan was intended to close the *project financing* of four Group companies (Renergy San Marco S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud S.r.l. and Minerva S.r.l.), through the extinguishment of bank loan agreements, and the related hedging

contracts, to enable more efficient management of the liquidity already generated by wind farms and their future cash flows.

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 loan, 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 hypothesising the periodic differentials between the fixed leg and the variable leg; the latter is estimated on the basis of forward rates at the reporting date.

Alerion Clean Power S.p.A. - Liquidity analysis consolidated financial statements as at 31/12/2017

Figures as at 31/12/2017 in thousands of euro

			Liquidity analysis 2017 - 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	(70,295)	-	(8,641)	(1,176)	(8,182)	(9,437)	(9,628)	(9,923)	(23,348)	**(70,335)**
17-22	Payables to bondholders	(134,355)	-	(7,800)	-	(7,800)	(7,800)	(7,800)	(137,800)	-	**(169,000)**
17-22	Loans from minority shareholders	(2,056)	-	-	-	-	-	-	-	(2,056)	**(2,056)**
18	Derivative instruments	(10,771)	-	(1,609)	(1,517)	(2,592)	(1,990)	(1,445)	(966)	(652)	**(10,771)**
23	Trade payables	(5,049)	-	(5,049)	-	-	-	-	-	-	**(5,049)**
	Total	**(222,526)**	**-**	**(23,099)**	**(2,693)**	**(18,574)**	**(19,227)**	**(18,873)**	**(148,689)**	**(26,056)**	**(257,211)**

Alerion Clean Power S.p.A. - Liquidity analysis consolidated financial statements as at 31/12/2016

Figures as at 31/12/2016 in thousands of euro

			Liquidity analysis 2016 - 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	(78,840)	-	(8,641)	(1,276)	(10,182)	(10,437)	(10,628)	(10,923)	(33,348)	**(85,435)**
17-22	Payables to bondholders	(133,833)	-	(7,800)	-	(7,800)	(7,800)	(7,800)	(7,800)	(137,800)	**(176,800)**
17-22	Loans from minority shareholders	(1,996)	-	-	-	-	-	-	-	(1,996)	**(1,996)**
18	Derivative instruments	(13,949)	-	(1,825)	(1,714)	(3,102)	(2,604)	(2,081)	(1,533)	(1,810)	**(14,669)**
23	Trade payables	(4,304)	-	(4,304)	-	-	-	-	-	-	**(4,304)**
	Total	**(232,922)**	**-**	**(22,570)**	**(2,990)**	**(21,084)**	**(20,841)**	**(20,509)**	**(20,256)**	**(174,954)**	**(283,204)**

At 31 December 2017, only 10.0% of financial outflows associated with the Group's financial liabilities will have an effect by the end of the year, in line with 2016, when the ratio of financial outflows by the end of the year represented approximately 9% 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 the financial risk arising from interest rate fluctuations. This risk mainly arises 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 is adopted pursuant to IAS 39, which requires that, as amply 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 entry into the Group, these derivatives are recognised at their fair value at the acquisition date, pursuant to IFRS 3, and the relative effective portion to be recognised in the equity reserve is determined by excluding 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 eliminating the subsequent change in the fair value of the residual share of the fair value existing at the date the tool 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 time, the portion pertaining to the year of accumulated gains or losses of the hedging instrument recognised in shareholders' equity are 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 derivative instruments that do not qualify as hedging are recognised in the income statement for the year in which they occur; all derivatives outstanding as at 31 December 2017 are classified as hedging, although 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.

The interest rate risk, mainly due to payables to banks and related to the volatility of the Euribor curve, was limited as at 31 December 2016 due to the limited use of corporate lines of credit following the issue of the bond loan, at a fixed rate of 6%.

Sensitivity analysis
Financial instruments exposed to interest rate risk were subject to a sensitivity analysis at the date of preparation of the financial statements. At 31 December 2017, short- and medium-term interest rates, at 3 months and 6 months respectively, were minimal at less than 0 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 preparation of the financial statements. The ineffective portion of the cash flow hedge was calculated on the basis of ineffectiveness at the reporting date. Account was also taken of the settlement of the differentials of the derivative at each date of recognition of the underlying interest rate.

Alerion Clean Power S.p.A. - Sensitivity analysis consolidated financial statements as at 31/12/2017

Figures as at 31/12/2017 in thousands of euro

figures as at 31 December 2017 in thousands of euro	Economic result		Equity reserve	
Instruments	**+ 100bp Euribor**	**-25bp Euribor**	**+ 100bp Euribor**	**-25bp Euribor**
Payables to banks for loans	(703)	176		
Payables to bondholders	(1,300)	325		
Loans from minority shareholders	(21)	5		
Derivative instruments	88	(22)	2,747	(633)
Bank current account assets	433	(108)		
Bank current account liabilities	-	-		
Total	**(1,503)**	**376**	**2,747**	**(633)**

Alerion Clean Power S.p.A. - Sensitivity analysis consolidated financial statements as at 31/12/2016

Figures as at 31/12/2016 in thousands of euro

figures as at 31 December 2016 in thousands of euro	Economic result		Equity reserve	
Instruments	**+ 100bp Euribor**	**-25bp Euribor**	**+ 100bp Euribor**	**-25bp Euribor**
Payables to banks for loans	(788)	197		
Payables to bondholders	(1,300)	325		
Loans from minority shareholders	(20)	5		
Derivative instruments	139	(35)	3,060	(765)
Bank current account assets	350	(88)		
Bank current account liabilities	-	-		
Total	**(1,619)**	**404**	**3,060**	**(765)**

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.

As at 31 December 2017, the Group's derivatives portfolio qualifying for hedge accounting breaks down as follows:

Counterparty (*) figures as at 31 December 2017 (in €/000)	**Notional**	**Fair value as at 31 December 2017**	**Inception Date**	**Effective Date**	**Termination Date**	**Fixed rate**	**Variable rate**
GE Capital (Ordona)	37,752	(6,388)	24-apr-08	30-apr-08	30-giu-25	4.84%	Euribor 6M
Monte dei Paschi di Siena (Callari)	26,942	(4,383)	24-giu-08	1-lug-08	31-dic-23	4.85%	Euribor 6M
Derivative instruments	**64,694**	**(10,771)**					
BBVA (Ecoenergia Campania)	1,978	(182)	26-giu-08	1-lug-08	31-dic-20	5.05%	Euribor 6M
B.I.I.S. (New Green Molise)	23,555	(3,124)	12-mag-10	31-dic-10	30-giu-25	3.50%	Euribor 6M
Derivative instruments attributable to equity investments in joint ventures	**25,533**	**(3,306)**					

(*) It should be noted that in the case of loans granted by a pool of banks the term "counterparty" means the pool agent bank

The fair value of interest rate swaps in place as at 31 December 2017 attributable to the fully consolidated companies was estimated at €10,771 thousand (compared with €13,949 thousand as at 31 December 2016).
Net of the related tax effect, the Group cash flow hedge reserve, recognised at 31 December 2016 at €13,552 thousand, was €10,440 thousand at 31 December 2017.

	Company	CFH reserve as at 31 Dec 2017	CFH reserve as at 31 Dec 2016	Changes in CFH reserve	
				Settlement of IRS differentials	Fair value adjustment
	GE Capital (Ordona)	(6,072)	(7,662)	1,957	(367)
	Monte dei Paschi di Siena (Callari)	(4,359)	(5,833)	1,591	(117)
(*)	BBVA (Ecoenergia Campania)	(182)	(313)	138	(7)
(*)	B.I.I.S. (New Green Molise)	(3,124)	(4,025)	808	93
	Cash flow hedge reserve - before tax	***(13,737)***	***(17,833)***	***4,494***	***(398)***
	Deferred taxes	3,297	4,281	(1,079)	95
	Net cash flow hedge reserve	**(10,440)**	**(13,552)**	**3,415**	**(303)**

(*) equity investments in joint ventures measured in accordance with IFRS 11

NB: CFH reserve (cash flow hedge reserve)

The cash flow hedge reserve decreased in 2017 compared with 31 December 2016, improving the negative impact on consolidated shareholders' equity by €3,112 thousand due to the settlement of the IRS coupons falling due during the year and the substantial confirmation of the rate curve at minimum values in line with those used in the FV valuation of derivatives at 31 December 2016.

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, represented, with reference to the entire 2017 financial year, in particular by payables to the financial institution DEG from the four Bulgarian companies (Krupen entities) of €5,769 thousand;
- sight and short-term bank deposits (maximum maturity three months), used for temporary liquidity commitments.

4. BASIS OF CONSOLIDATION

The following table shows the basis of consolidation as at 31 December 2017.

THE ALERION GROUP COMPANIES as at 31 December 2017

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 Clean Power S.p.A.	Milan - Viale Majno 17	158,355	-	-	
- Alerion Real Estate S.r.l. in liquidation	Milan - Viale Majno 17	90	100.00	-	
- Alerion Energie Rinnovabili S.p.A.	Milan - Viale Majno 17	10,000	100.00	-	
- Alerion Servizi Tecniche e Sviluppo S.r.l.	Milan - Viale Majno 17	100	100.00	-	
- Alerion Bioenergy S.r.l. in liquidation	Milan - Viale Majno 17	19	100.00	-	
- Ordona Energia S.r.l.	Milan - Viale Majno 17	435	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Callari S.r.l.	Milan - Viale Majno 17	1,000	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Minerva S.r.l.	Milan - Viale Majno 17	14	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Eolo S.r.l.	Milan - Viale Majno 17	750	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Parco Eolico Licodia Eubea S.r.l.	Milan - Viale Majno 17	100	-	80.00	Alerion Energie Rinnovabili S.p.A.
- Dotto S.r.l.	Milan - Viale Majno 17	10	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Wind Power Sud S.r.l	Milan - Viale Majno 17	10	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Energes Biccari S.r.l. in liquidation	Milan - Viale Majno 17	100	-	75.00	Alerion Servizi Tecnici e Sviluppo S.r.l
- Renergy San Marco S.r.l.	Milan - Viale Majno 17	108	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Krupen Wind S.r.l.	Milan - Viale Majno 17	10	-	100.00	Alerion Energie Rinnovabili S.p.A.
- Enermac S.r.l.	Milan - Viale Majno 17	40	-	100.00	Alerion Servizi Tecnici e Sviluppo S.r.l
- Auseu-Borod Wind Farm S.r.l. in liquidation	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	0.2 RON	-	100.00	Alerion Romania S.A.
- Alerion Romania S.A. in liquidation	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	100 RON	-	95.00	Alerion Energie Rinnovabili S.p.A.
				5.00	Alerion Bioenergy S.r.l. in liquidation
- Alerion Bulgaria OOD	Sofia - 6th Septemvri Str., 6A, Sredetz Region	50 LEV	-	92.50	Alerion Energie Rinnovabili S.p.A.
- Wind Energy EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.4 LEV	-	51.00	Krupen Wind S.r.l.
- Wind Stream EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.3 LEV	-	51.00	Krupen Wind S.r.l.
- Wind Systems EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (Krupen)	2.3 LEV	-	51.00	Krupen Wind S.r.l.
- Wind Power 2 EOOD	9000 Varna, Buzludja Str. 7/9, Odessos district (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	Alerion Energie Rinnovabili S.p.A.
- New Green Molise S.r.l.	Naples - Via Diocleziano 107	10	-	50.00	Alerion Energie Rinnovabili S.p.A.
Equity investments in associates measured using the equity method					
- Giava Uno S.r.l. in liquidation	Milan - Via Donizetti, 1	1,600	-	31.00	Alerion Energie Rinnovabili S.p.A.
- S.C. Compania Eoliana S.A.	Oradea - Cetatii Square no. 1, 4th floor, Bihor County	501 RON	-	49.75	Alerion Energie Rinnovabili S.p.A.
- 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.

The following companies have closed down in Romania since 31 December 2016: Frecatei Wind Farm, Smarden Wind Farm, Vrani Wind Farm, Salonta Wind Farm, Sannicolau Mare Wind Farm and Atios, due to completion of the liquidation process.

NON-CURRENT ASSETS

5. INTANGIBLE ASSETS

	Rights and concessions	Development costs	Patents and intellectual works	Other intangible assets	Total
Net value as at 01.01.2017	**61,329**	**5,062**	**51**	**256**	**66,698**
Gross value					
Increases	-	-	1	-	1
Decreases	(256)	-	-	(2)	(258)
Total change in gross value	**(256)**	**-**	**1**	**(2)**	**(257)**
Accumulated amortisation					
Amortisation	(3,301)	(331)	(16)	(92)	(3,740)
Elimination of amortisation provision for disposal of assets	-	-	-	2	2
Total change in accumulated amortisation	**(3,301)**	**(331)**	**(16)**	**(90)**	**(3,738)**
Gross value as at 31.12.2017	**87,245**	**7,291**	**454**	**508**	**95,498**
Amortisation provision	(29,473)	(2,560)	(418)	(344)	(32,795)
Net value as at 31.12.2017	**57,772**	**4,731**	**36**	**164**	**62,703**

Rights and concessions came to €57,772 thousand (€61,329 thousand as at 31 December 2016) and refer to the permits and management rights for wind farms recognised through the acquisition of equity investments in project companies.

The decrease in the year relates to the partial write-down of the intangible assets of the Albanella (Eolo S.r.l.) and Ciorlano (Dotto S.r.l.) plants (€100 thousand and €156 thousand, respectively, before tax) deriving from the impairment test, as described in the following section.

Development costs came to €4,731 thousand (€5,062 thousand at 31 December 2016) 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.

6. IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In accordance with IAS 36, an impairment test, which was approved by the Board of Directors on 23 February 2018, was carried out to determine whether property, plant and equipment and intangible assets with a finite useful life, with particular regard to intangible assets, are recognised in consolidated the financial statements as at 31 December 2017 at a value not higher than the one recoverable through use. To this end, net intangible assets valued at €62,703 thousand and and net property, plant and equipment of €191,363 thousand relating to existing CGUs were tested.

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

With respect to the above, 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 reporting date was also considered as an impairment indicator.

The recoverable amount of these assets has been estimated by determining their value in use, which is based on future cash flows. Such 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.

In accordance with the strategic and the organisational structure of the Group, reference was made in testing these assets to the individual projects/plant, each of which is identifiable with a separate legal entity. These companies represent the smallest units that generate identifiable cash flows, 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 assets of the various operating companies was estimated using a cash flow plan determined according to the expected economic life of the various assets. The industrial plans underlying these flows were drawn up by management according to the best estimates that can be made and approved by the Board of Directors of the relevant operating companies.
Given the particular type of business, which involves investments with medium-term returns and cash flows over a long-term period, 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 has been estimated over the duration of each individual concession, which averages 29 years after the start of production.

The cash flow projections are based on the following assumptions:

- expected production of wind farms on the basis of production assessments made;
- expected selling prices derived 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 aimed 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 for 20 years, reduced by 20%.

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 corporate aggregate being valued, equal to 4.87%, also calculated net of tax.

The impairment test performed led to the partial write-down of the intangible assets of the Albanella plants (Eolo S.r.l.) and Ciorlano (Dotto S.r.l.), for a total amount before tax of €100 thousand and €156 thousand (€72 thousand and €113 thousand, net of the related tax effect) respectively.

Sensitivity analysis

The result of impairment testing is derived from information currently available and reasonable estimates of trends in wind, electricity prices, production costs and interest rates, amongst other things. 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% 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 recoverable amount of these assets would decrease by approximately €2.0 million;

- following a 0.5% increase in the discount rate, the carrying amount of the assets would decrease by around €1.7 million.

The analyses listed above confirm the sensitivity of the valuations for recoverability of non-current assets subject to impairment testing to the change in the variables mentioned. In this context, the Directors will systematically monitor the performance of the exogenous and uncontrollable variables for any adjustments to the recoverability estimates of the carrying amounts of these assets in the consolidated financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

(€/000)	Land	Plant and equipment	Other assets	Assets under construction	Total
Net value as at 01.01.2017	**352**	**206,681**	**108**	**126**	**207,267**
Gross value					
Other reclassifications	-	75	-	(75)	-
Increases		660	1	-	661
Decreases		(116)	(8)	(10)	(134)
Total change in gross value	**-**	**619**	**(7)**	**(85)**	**527**
Accumulated depreciation					
Depreciation	-	(16,433)	(30)	-	(16,463)
Elimination of depreciation provision for disposal of a	-	26	6	-	32
Total change in accumulated depreciation	**-**	**(16,407)**	**(24)**	**-**	**(16,431)**
Gross value as at 31.12.2017	**352**	**341,442**	**1,274**	**41**	**343,114**
Depreciation provision	-	(150,549)	(1,197)	-	(151,751)
Net value as at 31.12.2017	**352**	**190,893**	**77**	**41**	**191,363**

Land and **buildings** totalled €352 thousand, unchanged from 31 December 2016.

Plant and equipment amounted to €190,893 thousand (€206,681 thousand as at 31 December 2016) and include costs relating to the estimated expense of restoring the sites where the plants are located. Changes in the period mainly refer to depreciation for the year of €16,433 thousand and investments in operating plants of €660 thousand.

Other assets amounted to €77 thousand (€108 thousand as at 31 December 2016) and mainly concerned office furnishings and furniture and electronic office machinery.

Assets under construction amounted to €41 thousand (€126 thousand as at 31 December 2016).

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

The information required by IFRS 11 – Joint Arrangements is set out below.
As at 31 December 2017, 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, these companies are considered and classified as joint ventures.

(Euro/000)	31.12.2017	31.12.2016	Variazione
Ecoenergia Campania S.r.l.	3.377	2.834	543
New Green Molise S.r.l.	14.393	11.703	2.690
Partecipazioni in joint-venture valutate con il metodo del Patrimonio Netto	**17.770**	**14.537**	**3.233**

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 2017, according to the valuation of the equity investment using the equity method:

Ecoenergia Campania S.r.l. (€/000)	31.12.2017	31.12.2016
Non-current assets	11,670	12,885
Current assets	4,366	3,585
of which cash and cash equivalents	*2,412*	*2,142*
Total assets	**16,036**	**16,470**
Shareholders' equity	6,753	5,667
Non-current liabilities	5,393	7,587
of which non-current financial liabilities	*-*	*6,893*
Current liabilities	3,890	3,216
of which current financial liabilities	*-*	*1,950*
Total liabilities and shareholders' equity	**16,036**	**16,470**

	2017	2016
Revenues	3,906	3,873
Costs	(3,028)	(2,996)
of which write-downs and depreciation	*(1,043)*	*(1,035)*
of which interest expense	*(425)*	*(520)*
of which income taxes	*(509)*	*(547)*
Net result	**878**	**877**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	263	295
Tax effect relating to gains/(losses) from cash flow hedges	*(63)*	*(81)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**200**	**214**

	31.12.2017	31.12.2016
Net assets	6,753	5,667
Percentage equity investment	50%	50%
Carrying amount of the equity investment	**3,377**	**2,834**

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 power 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 2017, according to the valuation of the equity investment using the equity method:

New Green Molise S.r.l. (€/000)	31.12.2017	31.12.2016
Non-current assets	72,535	78,741
Current assets	21,274	16,512
of which cash and cash equivalents	*13,655*	*9,357*
Total assets	**93,809**	**95,253**
Shareholders' equity	28,788	23,407
Non-current liabilities	51,148	58,069
of which non-current financial liabilities	*46,943*	*50,915*
Current liabilities	13,873	13,777
of which current financial liabilities	*11,531*	*11,031*
Total liabilities and shareholders' equity	**93,809**	**95,253**

	2017	2016
Revenues	18,489	14,416
Costs	(14,479)	(13,472)
of which write-downs and depreciation	*(4,961)*	*(4,892)*
of which interest income	*1*	*2*
of which interest expense	*(3,823)*	*(4,187)*
of which income taxes	*(2,244)*	*(1,394)*
Net result	**4,010**	**944**
Statement of comprehensive income		
Effective portion of gains/(losses) on cash flow hedge instruments relating to joint ventures	1,803	728
Tax effect relating to gains/(losses) from cash flow hedges	*(432)*	*(242)*
Total other comprehensive gains/(losses) that could be reclassified to profit or loss, net of tax effect	**1,371**	**486**
Dividends distributed	**-**	**(211)**

	31.12.2017	31.12.2016
Net assets	28,788	23,407
Percentage equity investment	50%	50.00%
Carrying amount of the equity investment	**14,393**	**11,703**

It should be noted that, as of the date of this report, Ecoenergia Campania S.r.l. and New Green Molise S.r.l. were in compliance with the financial covenants in the respective project financing agreements.

9. EQUITY INVESTMENTS IN ASSOCIATES MEASURED USING THE EQUITY METHOD

At 31 December 2017, Alerion, through the subsidiary Alerion Energie Rinnovabili, held the following equity investments in associates: Giava Uno S.r.l. in liquidation and S.C. Compania Eoliana S.A.. The latter, in turn, owns 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., of which Alerion holds a 49.75% stake, is the owner of development projects in Romania deemed no longer feasible. In view of this, the value of the equity investment and the associated shareholder loan was written down in full in 2016.

10. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

I**Financial receivables and other non-current financial assets** came to €4,318 thousand (€4,465 thousand as at 31 December 2016) and mainly include:

- financial receivables from joint ventures of €3,812 thousand;
- the residual receivable of €506 thousand relating to 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, it should be noted that the receivable will be extinguished on 26 June 2019).

CURRENT ASSETS

11. TRADE RECEIVABLES

Trade receivables amounted to €3,415 thousand (€2,567 thousand as at 31 December 2016) and mainly consist of receivables accrued on the sale of the energy produced in the second quarter of 2017.

Trade receivables generally fall due in 30-45 days.

12. TAX RECEIVABLES

The item **Tax receivables** amounts to €702 thousand (€597 thousand as at 31 December 2016) and mainly relates to tax receivables for an IRES refund.

13. SUNDRY RECEIVABLES AND OTHER CURRENT ASSETS

(€/000)	31.12.2017	31.12.2016	Change
Receivables from tax authorities	3,929	2,596	1,333
Other receivables	18,925	15,699	3,226
Total sundry current receivables	**22,854**	**18,295**	**4,559**

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 €1,901 thousand.

Other receivables amounted to €18,925 thousand, net of an impairment provision of €71 thousand (€155 thousand as at 31 December 2016), and mainly refer to receivables for incentives for €16,007 thousand (€13,787 thousand as at 31 December 2016) and prepaid expenses of €1,516 thousand.

14. FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Financial receivables and other current financial assets amount to €45 thousand, following collection of almost all current financial receivables as at 31 December 2016 (€538 thousand as at 31 December 2016).

15. CASH AND CASH EQUIVALENTS

(€/000)	31.12.2017	31.12.2016	change
Bank sight deposits	43,285	34,994	8,291
Cash on hand	14	13	1
Total cash and cash equivalents	**43,299**	**35,007**	**8,292**

Bank Deposits amount to €43,285 thousand (€34,994 thousand as at 31 December 2016) and mainly include i) positive balances of the time current accounts of the companies financed with project financing of €18,191 thousand; (€17,482 thousand as at 31 December 2016) and ii) cash and cash equivalents on current accounts of €25,094 thousand (€17,512 thousand as at 31 December 2016).

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 €111,818 thousand as at 31 December 2017, up €6,189 thousand on the €105,629 thousand recorded at 31 December 2016. The change is attributable to:

- €4,952 thousand for profit for the year;
- €3,112 thousand for the increase in the fair value of derivatives on bank loans (project financing), net of the tax effect;
- €1,926 thousand for the partial distribution of available reserves, as approved by the Shareholders' Meeting on 22 April 2017;
- other negative changes of €51 thousand, mainly including actuarial gains/(losses) from defined benefit plans recognised in accordance with IAS 19.

The Shareholders' Meeting of Alerion Clean Power S.p.A., held on 19 April 2017, approved the proposal to distribute a dividend to be paid as of 24 May 2017, with the detachment on 22 May 2017 of coupon no. 6, through the partial use of reserves, of €0.045 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime, for a total amount of €1,926 thousand. The dividend was paid according to the deadlines and methods established by the Shareholders' Meeting.

The statement of reconciliation between shareholders' equity items as at 31 December 2017 and those recognised as at 31 December 2016 is included in the consolidated financial statements.

The breakdown of individual items is provided below:

- Alerion's share capital amounted to €158,355 thousand (unchanged compared with 31 December 2016) and consisted of 43,579,004 ordinary shares with a par value of €3.7 each.
- the treasury shares reserve was positive for €1,409 thousand and reflects the difference between the price paid during the year for the purchase of 780,339 treasury shares and the nominal value of €3.7 per share, deducted from the share capital for €2,887 thousand.
- the share premium reserve amounted to €21,400 thousand, unchanged compared with 31 December 2016, 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.

- earnings reserves were negative for €58,906 thousand (negative for €61,983 thousand as at 31 December 2016) and include accumulated gains/losses, net of dividends distributed.

- the cash flow hedge reserve was negative for €10,440 thousand (negative for €13,552 thousand as at 31 December 2016) and includes changes in the fair value of derivative instruments, net of the related tax effect for their effective portion. The positive change during the year totalled €3,112 thousand, of which €785 thousand was attributable to equity investments in joint ventures measured using the equity method.

Capital, reserves and earnings of non-controlling interests totalled €2,538 thousand (€2,621 thousand as at 31 December 2016).

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)		31.12.2017	31.12.2016	2017	2016	31.12.2017	31.12.2016
Alerion Bulgaria AD	Bulgaria	92.50%	92.50%	(2)	(2)	(7)	(6)
Parco Eolico Licodia Eubea	Italy	80.00%	80.00%	(102)	(24)	800	902
Energes Biccari	Italy	75.00%	75.00%	8	(60)	(28)	(36)
Wind Energy EOOD	Bulgaria	51.00%	51.00%	0	0	535	535
Wind Stream EOOD	Bulgaria	51.00%	51.00%	(11)	6	361	372
Wind Systems EOOD	Bulgaria	51.00%	51.00%	24	(30)	425	401
Wind Power 2 EOOD	Bulgaria	51.00%	51.00%	(1)	(31)	452	453
Total				**(84)**	**(141)**	**2,538**	**2,621**

NON-CURRENT LIABILITIES

17. NON-CURRENT FINANCIAL LIABILITIES

(€/000)	31.12.2017	31.12.2016	Change
Payables to bondholders	127,453	126,931	522
Payables to banks for loans	28,429	-	28,429
Payables to third parties for loans	2,056	1,996	60
Total non-current financial liabilities	**157,938**	**128,927**	**29,011**

Payables to bondholders as at 31 December 2017 consists of the value of the bond loan subscribed on 11 February 2015, equal to €130,000 thousand, net of ancillary costs of €2,547 thousand. It should be noted that the interest accrued during the year is included among short-term financial payables, net of the portion paid at 12 February 2018 of €6,902 thousand.

The increase in **Payables to banks for loans** of €28,429 thousand is due to the reclassification of the long-term portion of the bank debt of the Callari and Krupen plants to non-current financial liabilities, following compliance with the financial covenants at 31 December 2017 and the acceptance of the waiver request presented by Callari for failure to comply with the DSCR financial parameter at 31 December 2016.

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

Breakdown of financial debt

(€/000)	as at 31/12/2016	Increases	(decreases)	as at 31/12/2017	Interest rate	IRS	maturity
Project financing - Callari	31,478	-	- 3,309	28,169	6-month Euribor + 1.20%	4.85%	2024
Project financing - Ordona	41,582	-	- 4,275	37,307	6-month Euribor + 1.20%	4.84%	2025
Payables to bondholders 2015-2022	133,833	522	-	134,355	Bond coupon 6%	n.a.	2022
Project financing - W.Energy Eood	1,442	-	- 240	1,202	DEG base rate + 4.75%	n.a.	2022
Project financing - W.Power Eood	1,442	-	- 240	1,202	DEG base rate + 4.75%	n.a.	2022
Project financing - W.Stream Eood	1,442	-	- 240	1,202	DEG base rate + 4.75%	n.a.	2022
Project financing - W.System Eood	1,442	-	- 240	1,202	DEG base rate + 4.75%	n.a.	2022
Payables to banks	12	-	- 1	11	1-month Euribor + 3.60%	n.a.	on revocation
Minority shareholder loan	1,996	60	-	2,056			
Total financial liabilities	**214,669**	**582**	**(8,545)**	**206,706**			
of which							
Current	**85,742**			**48,768**			
Non-current	**128,927**			**157,938**			

With regard to the above loans, information is provided below on a project-by-project basis on the amount of 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
CALL	Callari (CT)	Callari S.r.l.	36.00	35,009	28,169	Proj.financing	2024	(*)	(**)
ORDONA	Ordona (FG)	Ordona S.r.l.	34.00	36,947	37,307	Proj. financing	2025	(*)	(**)
MINE	Castel di Lucio (ME)	Minerva S.r.l.	23.00	28,528	-	Fin. Shareholde	2022	(ITG)	(ITG)
PELE	Licodia Eubea (CT)	Parco Eolico Licodia Eubea S.r.l.	22.10	29,248	-	Fin. Shareholde	2022	(ITG)	(ITG)
RESM	San Marco in Lamis (FG)	Renergy San Marco S.r.l.	44.20	44,630	-	Fin. Shareholde	2022	(ITG)	(ITG)
WPS	Agrigento (AG)	Wind Power Sud S.r.l.	34.00	44,874	-	Fin. Shareholde	2022	(ITG)	(ITG)
EOLO	Albanella (SA)	Eolo S.r.l.	8.50	5,108	-	Fin. Shareholde	2022	(ITG)	(ITG)
DOTTO	Ciorlano (CE)	Dotto S.r.l.	20.00	16,712	-	Fin. Shareholde	2022	(ITG)	(ITG)
KSTREAM	Krupen (1) (Bulgaria)	W.Energy Eood	3.00	2,979	1,202	Proj. financing	2022	(*)	(**)
KENERGY	Krupen (2) (Bulgaria)	W.Power Eood	3.00	2,955	1,202	Proj. financing	2022	(*)	(**)
KPOWER	Krupen (3) (Bulgaria)	W.Stream Eood	3.00	2,979	1,202	Proj. financing	2022	(*)	(**)
KSYSTEM	Krupen (4) (Bulgaria)	W.System Eood	3.00	2,979	1,202	Proj. financing	2022	(*)	(**)
			233.80	**252,947**	**70,284**				

(*) 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 loans contain covenants typical of the financial market, which place limits on the financed company.
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, amongst other things, 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 energy account 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** relate, amongst other things, to 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 agreements for which compliance at the reporting date is already due, and which specifically refer to: i) 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, and ii) the debt to equity ratio.

Covenants on project financing agreements as at 31 December 2017

Project financing agreements:	**DSCR (Debt Service Cover Ratio)**	**Debt to equity ratio**
- Project finance - Ecoenergia Campania	1.05	1.18
- Project finance - Callari	1.05	1.18
- Project finance - Ordona	1.05	1.18
- Project finance - New Green Molise	1.10	1.15
- Project finance - Krupen	1.10	n/a

As at 31 December 2017, the covenants on the above guarantees were met for loans to New Green Molise, Ecoenergia Campania, Callari and Krupen, but not for the loan to Ordona, for which, in January 2018, the waiver was received from the lending banks for non-compliance with the parameter and which was consequently fully classified to current financial liabilities.
With respect to the bond loan, it should be noted that, for the entire term of the loan, the Issuer undertakes to maintain, on an annual basis, as of 31 December 2015, the ratio of net financial indebtedness (book value) excluding derivatives to shareholders' equity excluding derivatives below a value not exceeding 2. As at 31 December 2017, this parameter was met.

Payables to third parties for loans refer to loans granted by minority shareholders in relation to the development of wind farms.

18. DERIVATIVE INSTRUMENTS

At 31 December 2017, derivatives in the financial statements totalled €10,771 thousand (€13,949 thousand as at 31 December 2016), of which the current portion of €3,126 thousand represents cash flows falling due within one year, while the non-current portion of €8,887 thousand includes future cash flows until the end of the derivative contract corresponding to the repayment of the project financing.

As at 31 December 2017, the following financing operations were in place, for which cash flow hedges were activated:

Counterparty (Company) (in €/000)	Project financing hedged with with IRS	Derivative notional	Fair value of derivative instruments as at 31 December 2017	Sharehold er's equity amount	Income stateme nt amount	Fair value of derivative instruments as at 31 December 2016
GE Capital (Ordona)	37,307	37,738	(6,388)	1,589	117	(8,094)
Monte dei Paschi di Siena (Callari)	28,169	26,942	(4,383)	1,473	(1)	(5,855)
Derivative instruments attributable to fully consolidated equity investments	**65,476**	**64,680**	**(10,771)**	**3,062**	**116**	**(13,949)**
related tax effect			***2,586***	***(735)***	***(28)***	***3,349***
Derivative instruments attributable to fully consolidated equity investments, net of the related tax effect			**(8,185)**	**2,327**	**88**	**(10,600)**
BBVA (Ecoenergia Campania)*	3,485	1,978	(182)	131	-	(313)
B.I.I.S. (New Green Molise)*	23,870	23,555	(3,124)	902	-	(4,026)
Derivative instruments attributable to equity investments in joint ventures	**27,355**	**25,533**	**(3,306)**	**1,033**	**-**	**(4,339)**
related tax effect			***794***	***(248)***		***1,042***
Derivative instruments attributable to equity investments in joint ventures net of the tax effect			**(2,512)**	**785**	**-**	**(3,297)**

(*) equity investments in joint ventures measured in accordance with IFRS 11

The Group enters into interest rate swaps to manage the risk arising from changes in interest rates on project financing entered into with several banking syndicates and, at the request of the same (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 €64,680 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 2016 is positive, although the financial markets continue to have a negative impact on the valuation of hedging derivatives, which, as at 31 December 2017, 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 €785 thousand compared with December 2016, recognised directly in the statement of comprehensive income, net of the tax effect. Overall, the liabilities for derivative instruments attributable to the two equity investments in question amounted to €3,306 thousand as at 31 December 2017, compared with €4,339 thousand as at 31 December 2016.

The fair value of interest rate swaps as at 31 December 2017 is estimated at €10,771 thousand (€13,949 thousand as at 31 December 2016) for the fully consolidated companies. The methodology applied to calculate fair value is the discounted cash flow model. These derivative instruments 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 €1,181 thousand (€1,170 thousand as at 31 December 2016) and include the actuarial value of the Group's effective debt to all employees determined by applying the criteria set out in IAS 19.

The actuarial assumptions used to define the provision are summarised below:

Calculation date	**31/12/2017**
Mortality rate	IPS55 tables
Invalidity rates	INPS-2000 tables
Staff rotation rate	2.00%
*Discount rate**	1.30%
Salary accrual rate	1.00%
Advances rate	1.00%
Inflation rate	1.00%

The Group had 28 employees at 31 December 2017. The breakdown is shown below:

	Number at 31.12.2016	Increases	Decreases	Number at 31.12.2017	Average number in period
Executives	7	0	(3)	4	5.7
Middle managers and office workers	27	0	(3)	24	26.0
Total employees	**34**	**0**	**(6)**	**28**	**31.7**

Information on the average age of personnel and training is provided below:

	Average age		Graduates	
	as at 31.12.2017	31.12.2016	31.12.2017	31.12.2016
Executives	52	48	4	7
Middle managers and office workers	43	41	12	14
Total	**47.5**	**44.5**	**16**	**21**

20. PROVISIONS FOR FUTURE RISKS AND CHARGES

(€/000)	31.12.2017	31.12.2016	change
Provision for taxes and tax disputes	2,536	1,957	579
Provision for legal disputes	140	119	21
Provisions for other risks	5,264	5,499	(235)
Total provisions for future risks and charges	**7,940**	**7,575**	**365**

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

(€/000)	Taxes and tax disputes	Legal dispute risks	Provisions for other risks	Total
Number as at 31 December 2016	**1,957**	**119**	**5,499**	**7,575**
Accrued	579	70	372	1,021
(Used/Released)	-	(49)	(607)	(656)
Number as at 31 December 2017	**2,536**	**140**	**5,264**	**7,940**

The item **Taxes and tax disputes** includes accruals relating to the higher ICI/IMU 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 as at 31 December 2017.

The **Provisions for other risks** item mainly includes:

- the costs of dismantling the plants of €3,978 thousand (€3,769 thousand as at 31 December 2016). 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 to reflect higher property, plant and equipment;

- a probable price adjustment on the sale of three photovoltaic companies for the execution of certain guarantees provided for in the sale agreement for €506 thousand.

- the estimated litigation for the Census consortium, an investee company of Alerion, of €421 thousand.

21. SUNDRY PAYABLES AND OTHER NON-CURRENT LIABILITIES

These came to €3,658 thousand (€4,077 thousand as at 31 December 2016) 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 and Agrigento wind farms.

CURRENT LIABILITIES

22. CURRENT FINANCIAL LIABILITIES

(€/000)	31.12.2017	31.12.2016	change
Current payables for bank loans and lines	41,866	78,840	(36,974)
Payables to bondholders	6,902	6,902	-
Total current financial liabilities	**48,768**	**85,742**	**(36,974)**

Current payables for bank loans and lines came to €41,866 thousand and include (i) €37,307 thousand for the entire project financing loan of the Ordona plant, classified as short-term due to a failure to meet financial parameters as at 31 December 2017; and (ii) the short-term portion of the project financing loan to the Callari and Krupen plants. This item at 31 December 2016 also included the long-term portion of the bank loans of Callari and Krupen, following the failure to comply with financial parameters at that date. As described in the note on non-current financial liabilities, as at 31 December 2017 the long-term portion of these loans was reclassified under non-current financial liabilities.

Payables to bondholders as at 31 December 2017 consists of the value of the interest accrued during the period of €6,902 thousand, net of the portion paid at the end of 12 February 2017.

23. CURRENT TRADE PAYABLES

Trade payables came to €5,048 thousand (€4,304 thousand as at 31 December 2016) and relate to payables to suppliers. They do not generate interest and are normally settled at 60 days.

24. TAX PAYABLES

Tax payables came to €486 thousand (€403 thousand as at 31 December 2016) and mainly relate to current tax payables for IRAP, net of payments on account paid.

25. SUNDRY PAYABLES AND OTHER CURRENT LIABILITIES

€ thousands	31.12.2017	31.12.2016	change
Payables to employees and directors	686	566	120
Payables to tax authorities	190	222	(32)
Social security payables	269	319	(50)
Other payables	2,496	3,193	(697)
Total sundry payables and other current liabilities	**3,641**	**4,300**	**(659)**

The **Other payables** item mainly includes:

- payables for municipal agreements of €1,574 thousand;
- lease payables of €123 thousand;
- deferred income recognised by subsidiary Eolo S.r.l. and its subsidiary WPS in relation to the portion recognised as a capital contribution pursuant to Law 488/92 "Facilitation of production activities", for subsequent years, amounting to €362 thousand.

"Other payables" do not carry 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 as at 31 December 2017".

26. NET FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS

(in thousands of euro)	31.12.2017	31.12.2016
Cash and cash equivalents		
- Available cash	43,299	35,007
Total cash and cash equivalents	**43,299**	**35,007**
Financial receivables and other current financial assets	**45**	**538**
- Current payables for loans	(41,866)	(78,840)
- Current payables to bondholders	(6,902)	(6,902)
- Current payables for derivatives	(3,126)	(3,520)
Total current financial liabilities	**(51,894)**	**(89,262)**
CURRENT FINANCIAL INDEBTEDNESS	**(8,550)**	**(53,717)**
- Payables to other lenders	(2,056)	(1,996)
- Payables to banks for loans	(28,429)	-
- Payables to bondholders	(127,453)	(126,931)
- Non-current payables for derivatives	(7,645)	(10,429)
NON-CURRENT FINANCIAL INDEBTEDNESS	**(165,583)**	**(139,356)**
FINANCIAL INDEBTEDNESS AS PER CONSOB COMMUNICATION DEM/6064293/2006	**(174,133)**	**(193,073)**
Financial receivables and other non-current financial assets	**4,318**	**4,465**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS	**(169,815)**	**(188,608)**

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

INCOME STATEMENT

27. OPERATING REVENUES

Operating revenues in 2017 amounted to €52,185 thousand (€49,522 thousand in 2016) and mainly refer to:

- revenues from the sale of electricity of €19,241 thousand (€16,433 thousand in 2016);
- revenues from the incentive tariff of €32,944 thousand (€33,089 thousand in 2016).

In 2017, the average price of electricity and incentives for incentivised Italian wind farms was €160.6 per MWh, compared with €141.7 per MWh a year earlier. In particular:

- The average price of electricity for wind farms located in Italy in 2017 was €53.3 per MWh, compared with €41.7 per MWh in 2016;
- The average price of incentives in Italy in 2017 was €107.34 per MWh (€100.08 per MWh as at 31 December 2016).
- The average selling price in 2017 for the Krupen plant in Bulgaria was around €89.7 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 in 2017 came to €2,743 thousand (€1,792 thousand in 2016) and mainly refers to:

- administrative and technical advice given to joint ventures and associates for €576 thousand;
- insurance indemnities for non-production of €629 thousand;
- contributions pursuant to Law 488/92 and P.O.R. contribution made respectively for the construction of the Albanella and Agrigento wind farms totalling €452 thousand;
- income from settlement agreements and provisions released during the year. In particular, this item includes the effects of the settlement agreement signed on 19 February 2018 with the Municipality of San Marco in Lamis in relation to the agreement for the years 2013 to 2017 and other revenues due to the cancellation of certain debts that are now prescribed of €937 thousand.

29. OPERATING COSTS

(€/000)	2017	2016	Change
Operating costs			
Staff	**2,621**	**2,785**	**(164)**
BoD and corporate costs	1,080	1,565	(485)
Consultancy and cooperation	1,345	2,025	(680)
Insurance	944	1,025	(81)
Maintenance	5,130	4,447	683
Royalties and leases	1,437	1,575	(138)
IMU property tax	116	107	9
Other management costs	1,868	2,078	(210)
Altri Costi operativi (al netto dell'accantonamento IMU)	**11,920**	**12,822**	**(902)**
Accantonamento IMU	579	370	209
Other operating costs	**12,499**	**13,192**	**(693)**
Provisions for risks	**205**	**151**	**54**
Total operating costs	**15,325**	**16,128**	**(803)**

The following table shows the breakdown of staff costs.

€ thousands	2017	2016	Change
Wages, salaries and social security contributions	2,432	2,556	(124)
Post-employment benefits	140	124	16
Other staff costs	49	105	(56)
Total staff costs	**2,621**	**2,785**	**(164)**

The item **BoD and corporate costs** in 2017 amounted to €1,080 thousand, down on the value in 2016 (€1,565 thousand), which included a provision for a settlement agreement reached in February 2017 with the former general manager, following the consensual termination of the employment relationship.

The **Consulting and cooperation** item amounted to €1,345 thousand. These costs decreased by approximately €680 thousand compared with 2016, mainly due to the operating costs efficiency programme. **Maintenance costs** primarily include the costs of ordinary and extraordinary maintenance of the operating plants, which amounted to €5,130 thousand in 2017, up compared with 2016 (€4,447 thousand), mainly due to the effect of extraordinary events on the Agrigento e Ciorlano operating plants.

The item **Provisions for risks** amounted to €205 thousand (€151 thousand in 2016).

30. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

€ thousands	2017	2016	Change
Amortisation of intangible assets	3,740	3,737	3
Depreciation of property, plant and equipment	16,463	16,434	30
Write-downs and value adjustments	391	277	114
Total depreciation, amortisation and write-downs	**20,594**	**20,448**	**147**

The item "Write-downs and value adjustments" of €391 thousand (€277 thousand as at 31 December 2016) mainly refers to the write-downs made during the year following the impairment testing of the intangible assets of the Albanella and Ciorlano plants (totalling €256 thousand, gross of the tax effect, and €185 thousand, net of the related tax effect).

31. FINANCIAL INCOME (EXPENSES)

€ thousands	**2017**	**2016**	**Change**
Financial income:			
- bank interest	28	15	13
- derivatives income	117	184	(67)
- financial income from third parties	6	44	(38)
Total financial income	**151**	**243**	**(92)**
Financial expenses:			
- interest on bond loan	(8,431)	(8,447)	16
- short-term bank interest and charges	(5,005)	(5,701)	696
- derivatives expenses	(1)	-	(1)
- other financial expenses	(56)	(30)	(26)
Total financial expenses:	**(13,493)**	**(14,178)**	**685**
Total financial income and expenses	**(13,342)**	**(13,935)**	**593**

Financial income

"**Derivatives income**" includes changes in the fair value of derivative instruments that did not qualify as hedging instruments at the valuation date of 31 December 2017. 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 €13,493 thousand (€14,178 thousand in 2015) and include: **interest accrued on the bond loan** of €8,431 thousand.

Short-term bank interest and charges mainly refer to interest accrued on the use of project financing loans of €5,006 thousand.

32. TAXES

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

€ thousands	2017	2016	Change
Current taxes	(2,604)	(1,974)	(630)
Deferred tax liabilities - related to the onset and reversal of temporary differences	(679)	1,010	(1,689)
Tax on income in the consolidated income statement	(3,283)	(964)	(2,319)

Deferred and prepaid taxes

The breakdown of deferred and prepaid taxes as at 31 December 2017 is as follows:

Amounts in thousands of euro	Consolidated statement of financial position 31-dic-17	31-dic-16	Change	Consolidated income statement 2017	Other comprehensive gains/(losses) and other changes 2017	Consolidated income statement 2016
Provision for deferred tax liabilities						
Discounting of post-employment benefits	23	23	0	0	0	0
Deferred tax on temporary differences relating to non-taxable dividends	(43)	0	(43)	(43)	0	0
Deferred tax on temporary differences recognised on intra-group eliminations	(97)	(108)	11	9	2	3
Business combination (IFRS 3)	(9,999)	(10,754)	755	755	0	858
Derivative instruments	2,586	3,349	(763)	(28)	(735)	(66)
Adaptation to Group accounting standards	(901)	(993)	92	92	0	169
Total (A)	**(8,431)**	**(8,483)**	**52**	**785**	**(733)**	**964**
Prepaid tax assets						
Prepaid tax on temporary differences due to the recording of risk provisions	766	1,377	(611)	(611)	0	173
Consolidation adjustments for the purposes of adjusting the financial statements to the IFRS used by the Group	1,189	1,218	(29)	(29)	0	(155)
Prepaid tax on temporary differences relating to interest expense surpluses	12,750	13,532	(782)	(782)	0	546
Prepaid tax on temporary differences recognised on intra-group eliminations	972	1,051	(79)	(79)	0	(73)
Available losses for offsetting against taxable future profits	57	20	37	37	0	(445)
Other deductible temporary differences on reversal of capitalisation of plant and expansion costs	11	11	0	0	0	0
Total (B)	**15,745**	**17,209**	**(1,464)**	**(1,464)**	**0**	**46**
Net deferred tax assets	**7,314**	**8,726**	**(1,412)**	**(679)**	**(733)**	**1,010**
Current taxes				**(2,604)**		**(1,974)**
Total taxes for the year				**(3,283)**		**(964)**

Prepaid tax assets and provision for deferred tax liabilities

Of the net difference of €1,412 thousand compared with 2016, €733 thousand was recognised directly in shareholders' equity and €679 thousand 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 taxes 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 ROL, for which it is believed that there is reasonable certainty of reabsorption in subsequent tax periods pursuant to Article 96 of the 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.

Current taxes

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

(€/000)	IRES		IRAP		TOTAL	
Current taxes as at 31/12/2017	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	***8,151***		***21,453***			
Theoretical tax charge	**(1,956)**	**24.0%**	**(837)**	**3.9%**	**(2,793)**	**27.9%**
Non-deductible permanent differences	(653)	8.0%	96	(0.4%)	(557)	7.6%
Other temporary changes	418	(5.1%)	(72)	0.3%	346	(4.8%)
ACE deduction	400	(4.9%)	-	0.0%	400	(4.9%)
Change in rate		0.0%	0	0.0%	0	0.0%
Actual current taxes	**(1,791)**	**22.0%**	**(813)**	**3.8%**	**(2,604)**	**25.8%**

	IRES		IRAP		TOTAL	
Current taxes as at 31/12/2016	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	***1,738***		***15,648***			
Theoretical tax charge	**(478)**	**27.5%**	**(610)**	**3.9%**	**(1,088)**	**31.4%**
Non-deductible permanent differences	(502)	28.9%	(30)	0.2%	(532)	29.1%
Other temporary changes	(1,206)	69.4%	(285)	1.8%	(1,491)	71.2%
Use of previous tax losses	463	(26.6%)	-	0.0%	463	(26.6%)
ACE deduction	726	(41.8%)	-	0.0%	726	(41.8%)
Change in rate			(52)	0.3%	(52)	0.3%
Actual current taxes	**(997)**	**57.4%**	**(977)**	**6.2%**	**(1,974)**	**63.6%**

33. 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 2017.

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

Summary results

€ thousands	2017	2016
Net result attributable to ordinary shareholders from management of operating assets	4,868	774
Net result attributable to third-party shareholders	(84)	(141)
Profit (loss) for the year attributable to shareholders of the Parent Company	4,952	915

Number of shares outstanding

	2017	2016
Outstanding share capital no. of shares	43,579,004	43,579,004
Treasury shares on	780,339	569,989
Treasury shares issued at the time of reserved capital increase		
Weighted average of outstanding shares	**42,798,665**	**43,009,015**

Profit per share

(Euro)	2017	2016
Earnings per share	0.116	0.021

34. 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 breakdown, since all the operating plants located in Italy, with the exception of the Krupen plant (located in Bulgaria).

Statement of financial position

	Operating activities		Holding company activities		Consolidated	
(€/000)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
NON-CURRENT ASSETS:						
Intangible assets	62,703	66,698	0	0	62,703	66,698
Property, plant and equipment	191,286	207,167	77	100	191,363	207,267
Financial receivables, equity investments and other non-current financial assets	21,583	18,498	505	504	22,088	19,002
Other non-current assets	14,993	15,829	752	1,380	15,745	17,209
TOTAL NON-CURRENT ASSETS	**290,565**	**308,192**	**1,334**	**1,984**	**291,899**	**310,176**
CURRENT ASSETS:						
Financial receivables, equity investments and other current financial assets	6	0	39	538	45	538
Sundry receivables and other current assets	25,764	20,614	1,207	845	26,971	21,459
Cash and cash equivalents	23,366	19,755	19,933	15,252	43,299	35,007
TOTAL CURRENT ASSETS	**49,136**	**40,369**	**21,179**	**16,635**	**70,315**	**57,004**
TOTAL ASSETS	**339,701**	**348,561**	**22,513**	**18,619**	**362,214**	**367,180**
SHAREHOLDERS' EQUITY	**67,518**	**54,356**	**46,837**	**53,894**	**114,356**	**108,250**
NON-CURRENT LIABILITIES:						
Non-current financial liabilities	38,008	12,279	127,575	127,077	165,583	139,356
Sundry payables and other non-current liabilities	18,769	18,415	2,441	2,890	21,210	21,305
TOTAL NON-CURRENT LIABILITIES	**56,777**	**30,694**	**130,016**	**129,967**	**186,793**	**160,661**
CURRENT LIABILITIES:						
Current financial liabilities	44,983	82,350	6,912	6,912	51,894	89,262
Sundry payables and other current liabilities	6,816	4,558	2,355	4,449	9,171	9,007
TOTAL CURRENT LIABILITIES	**51,799**	**86,908**	**9,267**	**11,361**	**61,065**	**98,269**
Intersegment funding	163,607	176,603	(163,607)	(176,603)	0	0
TOTAL LIABILITIES	**272,183**	**294,205**	**(24,324)**	**(35,275)**	**247,858**	**258,930**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**339,701**	**348,561**	**22,513**	**18,619**	**362,214**	**367,180**

Income statement

(€/000)	Operating activities		Holding company activities		Consolidated	
	2017	2016	2017	2016	2017	2016
Operating revenues	52,185	49,522	0	0	52,185	49,522
Other sundry revenues and income	1,571	1,193	1,172	599	2,743	1,792
REVENUES	**53,756**	**50,715**	**1,172**	**599**	**54,928**	**51,314**
Operating costs	**13,204**	**12,245**	**2,121**	**3,883**	**15,325**	**16,128**
Change in joint ventures measured using the equity method	**2,444**	**910**			**2,444**	**910**
Depreciation, amortisation and write-downs	20,514	20,349	80	99	20,594	20,448
EBIT	**22,482**	**19,031**	**(1,029)**	**(3,383)**	**21,453**	**15,648**
Financial income (expenses) from net equity inves	(14,213)	(15,257)	911	1,347	(13,302)	(13,910)
PROFIT BEFORE TAX	**8,269**	**3,774**	**(118)**	**(2,036)**	**8,151**	**1,738**
Taxes for the period					(3,283)	(964)
NET RESULT FROM OPERATING ASSETS					**4,868**	**774**
NET RESULT FOR THE PERIOD					**4,868**	**774**
Net result attributable to third-party shareholders					(84)	(141)
NET RESULT ATTRIBUTABLE TO THE GROUP					**4,952**	**915**

Operating activities:

Revenues from electricity production amounted to €52,185 thousand (€49,522 thousand in 2017), and relate to: i) revenues from the sale of electricity of €19,241 thousand, ii) revenues from the incentive tariff of €32,944 thousand, for electricity production of 342,128 MWh, an improvement of 53,217 MWh as at 31 December 2016 (362,887 MWh).

Operating profit (EBIT) as at 31 December 2017 was €22,482 thousand (€19,031 thousand as at 31 December 2016) after depreciation, amortisation and write-downs of €20,514 thousand (€20,349 thousand as at 31 December 2016)

Property, plant and equipment and intangible assets at 31 December 2017 amounted to €253,989 thousand, representing a change compared with 31 December 2016 of €19,876 thousand, mainly attributable to depreciation and amortisation for the period.

Holding company activities:

As at 31 December 2017, 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.

35. DETAILS OF RELATED-PARTY AND INTRA-GROUP TRANSACTIONS AS AT 31 December 2017

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 as at 31 December 2017, 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:

Consolidated financial statements as at 31/12/2017

Amounts in thousands of euro	Revenues	Costs	Assets	Liabilities
Entities with significant influence over the Group:				
Equity investments in joint ventures:				
Ecoenergia Campania S.r.l.	144	-	144	-
New Green Molise S.r.l.	391	-	4,043	-
Total equity investments in joint ventu	**535**	**-**	**4,187**	**-**
Related parties:				
FRI-EL Green Power Group	47	82	41	20
Heliopolis Energia S.p.A.	-	13	-	-
Software Design S.r.l.	-	-	-	-
Total related parties	**47**	**95**	**41**	**20**
Total	**582**	**95**	**4,228**	**20**

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Amounts in thousands of euro	joint ventures		related parties		total
	Ecoenergia Campania S.r.l.	New Green Molise S.r.l.	FRI-EL Green Power Group	Heliopolis Energia S.p.A.	
Property, plant and equipment	-	-	41	-	**41**
total property, plant and equipment	-	-	*191,363*	-	*191,363*
proportion	-	-	0.0%	-	**0.0%**
securities and financial receivables	-	3,812	-	-	**3,812**
total securities and financial receivables	-	*4,318*	-	-	*4,318*
proportion	-	88.3%	-	-	**88.3%**
trade receivables	144	149	-	-	**293**
total trade receivables	*3,415*	*3,415*	-	-	*3,415*
proportion	4.2%	4.4%	-	-	**8.6%**
sundry receivables and other current assets	-	82	-	-	**82**
total sundry receivables and other current assets	-	*22,854*	-	-	*22,854*
proportion	-	0.4%	-	-	**0.4%**
trade payables	-	-	20	-	**20**
total trade payables	-	-	*5,049*	-	*5,049*
proportion	-	-	0.4%	-	0.4%
other sundry revenues and income	144	249	47	-	**440**
total other sundry revenues and income	*2,743*	*2,743*	*2,743*	-	*2,743*
proportion	5.2%	9.1%	1.7%	-	**16.0%**
other operating costs	-	-	82	13	**95**
total other operating costs	-	-	*12,499*	*12,499*	*12,499*
proportion	-	-	0.7%	0.1%	**0.8%**
Income (expenses) from equity investments	-	142	-	-	**142**
Income (expenses) from equity investments	-	40	-	-	40
proportion	-	355.0%	-	-	**355.0%**

36. REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT AND CONTROL BODIES, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

Following Consob Resolution 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 managers with strategic responsibilities is contained in the Remuneration Report, pursuant to Article 123-*ter* of the TUF.

37. LEGAL DISPUTES

The legal disputes outstanding as at 31 December 2017 are described below.

<u>Legal disputes of the Parent Company</u>

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 (hereinafter "Alerion Real Estate"), as third parties named by SIC - Società Italiana Cauzioni S.p.A. (now, 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 purpose of this case is to assess and have declared extinguished, due to expiry of the time limit, certain surety policies provided to guarantee precise fulfilment of the agreement between AGIED and INPDAP for the management of part of INPDAP's property, and to have it declared that INPDAP is not entitled to execute the aforementioned policies, thereby ascertaining that SIC does not have to pay anything to INPDAP under the aforementioned policies. SIC, which agreed with AGIED's reasoning, did, however, cite Alerion and Alerion Real Estate on a precautionary basis as co-obligors under the policy, 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.
On 1 December 2014, the judged issued the ruling, and, with regard to the position of Alerion as well as the other co-obligors under the policy, found that SIC (now ATRADIUS), had declared that it had released the co-obligors with regard to events occurring after the date of the sale of the company shares with a letter dated 9 June 1999. The court therefore implicitly ruled out the co-obligors (including Alerion) from standing as defendants, ordering Atradius to pay INPDAP and Agied. Alerion's position is therefore considered satisfactory.
AGIED and ATRADIUS (formerly SIC) independently appealed against the first-instance ruling before the Court of Appeal, which set AGIED's appeal hearing for 25 January 2017 and ATRADIUS's appeal hearing for 16 September 2016.
As proceedings were pending for appeals against the same ruling, 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.

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. This assumption enables it to be said that the Company has absolutely no connection to these proceedings, as it was released from any co-obligation by SIC (now ASTRADIUS) and that no risk exists for either company.

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.

Census Consortium

In the context of contractual fulfilment proceedings brought by the Census consortium (in which Fincasa 44, and now, 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 granted one of the counterclaims of the municipality of Rome (payment of the sum of approximately €4.4 million plus interest).
The Court of Appeal rejected an appeal filed by the consortium in July 2015, confirming the first-instance ruling.
The municipality of Rome has not, at the current time, notified 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.

It should be noted, purely for the purposes of completeness, that the economic consequences of the ruling would fall – in the context of the internal relationships between consortium members – exclusively on the parties responsible for the work carried out, without prejudice to the possibility of their insolvency, in which case the other consortium members would be called to account on the basis of their respective shareholdings.
In view of the above, the maximum potential liability for Alerion is believed to be limited to approximately €0.421 million (without prejudice to the effects of the joint and several liability of members of the consortium), provisioned in the financial statements in the previous year, as the adverse event is considered probable.

Consob

Consob, the Italian stock market regulator, served Alerion with a writ of summons before the Court of Milan to declare null or, alternatively, to annul, a resolution approving the appointment of the Board of Directors, adopted by the ordinary shareholders of Fri-El Green Power S.p.A. and Stafil S.p.A., due to the alleged breach by Fri-El Green Power S.p.A. and Stafil S.p.A. of Article 122, paragraphs 1, 4 and 5 of the TUF and the combined provisions of Articles 106, paragraph 1 and 109, paragraph 1 of the TUF. Following the full public offer by Fri-El Green Power S.p.A., Consob no longer had an interest in pursuing the case and it will therefore be discontinued.

<u>Legal disputes of subsidiaries and investees</u>

Wind Power Sud S.r.l.

The Revenue Agency – Agrigento Provincial Administration 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 appeals 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 the self-imposed order, with which the amounts ascertained by way of taxes and penalties against the subsidiary had been recalculated. The ascertained amount is now, following the self-imposed order, €0.7 million, in addition to legal penalties and interest, less than the original amount of €1.3 million, plus penalties and interest.

The reasons that led the Agrigento Provincial Administration to rule in this way are the fact that it considered only partially applicable the economic reasons underlying the LBO operation, which saw the shareholder Alerion enter the capital of WPS through a reverse merger with a new company used for this purpose.

According to the legal counsel assisting the Company, the result obtained with the self-imposed order, albeit partial, reinforces WPS’ position in the appeal before the Court of Cassation. WPS has therefore decided to appeal. This was notified to 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 requested 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 and not probable. Accordingly, no provision was made in the financial statements for risks arising from the aforementioned dispute. Payments made up to 31 December 2017 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 – Provincial Administration I of Milan – Controls Office issued an 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., with which it disputed, in relation to the 2013 tax period, a tax depreciation rate for the wind power plants higher than that considered correct by the Agency (4%). In the course of the year, the Italian Revenue Agency issued assessment notices to the five companies that did not recognise 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 and then in 2014 and, exclusively for Ordona and Licodia Eubea, in 2015.

In view of this, for the tax periods indicated above, the Italian Revenue Agency calculated higher corporation tax of €1.4 million and higher IRAP of €0.2 million, plus penalties and interest.

All the assessments were duly challenged. Following the hearing of 29 January 2018, the Milan Provincial Tax Commission, Section XIII, annulled the IRES and IRAP assessments for 2013 and some assessments for 2014. All other appeals will be discussed in the current year.

On the basis of the assessment of the tax experts assisting it and supported by the first ruling made between 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 challenge the assessments received, initiating litigation. As the Directors deemed an adverse outcome in the event of a final ruling to be only possible, but not probable, no provisions were accrued in the financial statements.

Tax dispute relating to the IMU of operating companies

In 2016, the Group's operating companies submitted documents updating land registry records for aerogenerators pursuant to paragraphs 21 and 22 of Article 1 of Law 208/2015 (2016 Stability Law). As from the 2016 financial year, the IMU was therefore calculated on the basis of the new redetermined income.

However, in the first few months of 2017, several Group companies were served cadastral assessment notices with which the cadastral income of the aerogenerators was increased, as a result of the inclusion of the tower and other components in the calculation basis. 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 grant the appeal. The Company will appeal the negative ruling in accordance with the law.

Despite the non-correspondence of the cadastral disputes under review to the legislative text, in light of the defined ministerial position, the outcome of the related disputes was judged uncertain by the tax experts assisting the companies. Accordingly, the risk provision, which already existed in 2016, was increased during the year, for a greater IMU amount to cover the probable risk of an unfavourable outcome.

In addition, in 2017, the risk provisions relating to cadastral income disputes relating to the years prior to 2016 were increased, where necessary.

Other minor disputes

Other minor disputes for 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 taking into account the opinions of its own legal advisers, the level of the provision for risks in the financial statements is deemed appropriate.

38. COMMITMENTS AND GUARANTEES

The contractual commitments assumed by the Alerion Group and the guarantees given to third parties as at 31 December 2017 are summarised below:

- Guarantees issued in favour of third parties totalling €4,556 thousand, of which:
  - €3,505 thousand for environmental restoration obligations;
  - €1,051 thousand for other obligations;

- 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., to guarantee project financing agreements;

- Minerva S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud, Renergy San Marco S.r.l. and Alerion Energie Rinnovabili S.p.A., with reference to the issue of the bond loan, issued autonomous personal guarantees on first demand in the interest of Alerion Clean Power and in favour of the holders of the bonds;

- Commitments assumed for the sale of equity investments, to guarantee any contingent liabilities or non-existent assets with respect to the financial position data for the sale.

The commitments and guarantees received from third parties include:

- guarantees received from TrailStone GmbH and Ego Trade S.p.A. to guarantee the collection of fees relating to the sale of electricity for a total of €8,070 thousand.

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

The following table shows fees accrued in 2017 for auditing services and for services other than auditing provided by the same auditing firm and entities belonging to its network.

(€/000)	Party providing the service	Accrued amounts 2017
Audit of Parent Company	Deloitte & Touche S.p.A.	94
Audit of subsidiaries	Deloitte & Touche S.p.A.	202
Audit of joint ventures	Deloitte & Touche S.p.A.	8
Other services to Parent Company (1)	Deloitte & Touche S.p.A.	29
Other services to subsidiaries (2) (3)	Deloitte & Touche S.p.A.	24
Other services to joint ventures (2)	Deloitte & Touche S.p.A.	1
TOTAL		**358**

(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) Agreed-upon procedures relating to the application for the division into instalments of the payment demand that Wind Power Sud S.r.l. submitted to the Revenue-Collection Agency.

Certification of the consolidated financial statements pursuant to Article 154-*bis*, paragraph 5, of Legislative Decree 58 of 24 February 1998

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, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the Company;
   - the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements in 2017.

2. We also certify that:

2.1 The consolidated financial statements as at 31 December 2017:

- 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 and all the companies included in the consolidation.

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

Milan, 23 February 2018

The Chief Executive Officer **The Financial Reporting Officer**

Josef Gostner Stefano Francavilla

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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, 2017, 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, 2017, 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.

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 62,703 thousand and Euro 191,363 thousand, respectively (corresponding to 70% of consolidated total assets as of December 31, 2017).

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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As required by IAS 36, the Company's Directors, due to the presence of impairment indicators, tested such assets for impairment, in order to ensure that such assets are carried at no more than their recoverable amount in the financial statements as at December 31, 2017. As a result of the impairment test, which was approved by the Board of Directors on February 23, 2018, the Group recorded a partial write-down of the intangible assets of the Albanella plants (Eolo S.r.l.) and Ciorlano (Dotto S.r.l.), for a total amount before tax of Euro 100 thousand and Euro 156 thousand respectively.

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, the Directors tested every single project/plant for impairment, each of them representing a separate legal entity.

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.

The business plans underlying these cash flows were prepared by the Group's Management and were approved by the Boards of Directors of the single operating companies.

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;
• discount rates estimated by the Management.

These assumptions are influenced by future expectations about market scenarios.
Considering the importance of the amount of intangible and tangible assets carried in the consolidated financial statements, the subjectivity of future the 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, including a sensitivity analysis carried out by Management showing the possible effects from changes in certain key assumptions used for the impairment test.

Audit procedures performed

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

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

- detected and developed an understanding of the Group'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 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 discount rate (WACC) and the terminal value (TV);

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

- reviewed the Management's sensitivity analysis.

Further, we also 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.

- 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.

Deloitte.

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, 2017, 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, 2017 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, 2017 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
Giovanni Gasperini
Partner

Milan, Italy
March 9, 2018

This report has been translated into the English language solely for the convenience of international readers.

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FINANCIAL STATEMENTS **2017**

STATEMENT OF FINANCIAL POSITION
Assets

(in euro)	Notes	31.12.2017	of which related parties	31.12.2016	of which related parties
NON-CURRENT ASSETS:					
Intangible assets					
Intangible assets with a finite useful life		19,176	-	28,378	-
Total intangible assets	**4**	**19,176**	**-**	**28,378**	
Attività materiali (immobili, impianti e macchinari)	**5**	**14,454**	**-**	**26,426**	**-**
Equity investments in subsidiaries	**6**	151,980,383	-	151,663,487	-
Financial receivables and other non-current financial assets	**7**	131,907,593	131,907,593	146,326,143	146,326,143
Prepaid tax assets	**26**	415,238	**-**	670,023	**-**
TOTAL NON-CURRENT ASSETS		**284,336,844**		**298,714,457**	
CURRENT ASSETS:					
Trade receivables	**8**	3,794,768	3,715,266	2,493,474	2,465,412
Tax receivables		241,035	-	558,570	-
Sundry receivables and other current assets	**9**	4,768,700	4,297,332	2,936,816	2,580,999
Financial receivables and other current financial assets	**10**	18,563,401	18,524,000	14,384,175	13,847,000
Cash and cash equivalents	**11**	19,824,385	-	14,962,521	-
TOTAL CURRENT ASSETS		**47,192,289**		**35,335,556**	
TOTAL ASSETS		**331,529,133**		**334,050,013**	

STATEMENT OF FINANCIAL POSITION

Liabilities and shareholders' equity

(in euro)	Notes	31.12.2017	related parties	31.12.2016	related parties
SHAREHOLDERS' EQUITY	**12**	**191,480,330**	**-**	**192,958,017**	**-**
NON-CURRENT LIABILITIES:					
Non-current financial liabilities	**13**	127,575,094	-	127,076,663	-
Post-employment benefits and other staff-related provisions	**14**	968,286	**-**	930,700	**-**
Deferred tax provision	**26**	-	**-**	2,698	**-**
Provisions for future risks and charges	**15**	475,880	15,212	1,522,254	490,572
TOTAL NON-CURRENT LIABILITIES		**129,019,260**		**129,532,315**	
CURRENT LIABILITIES:					
Current financial liabilities	**16**	7,827,786	916,968	7,785,089	873,497
Current trade payables	**17**	871,256	120,747	941,255	52,126
Tax payables	**18**	285,650	**-**	106,954	**-**
Sundry payables and other current liabilities	**19**	2,044,851	733,153	2,726,383	1,810,662
TOTAL CURRENT LIABILITIES		**11,029,543**		**11,559,681**	
TOTAL LIABILITIES		**140,048,803**		**141,091,996**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**331,529,133**		**334,050,013**	

INCOME STATEMENT

(in euro)	Notes	2017	of which related parties	2016	of which related parties
Income (expenses) from equity investm	**21**	**9,706,422**	**9,706,372**	**7,567,047**	**7,567,047**
Other revenues	**22**	**3,387,380**	**3,319,156**	**3,113,927**	**3,100,767**
TOTAL OPERATING INCOME AND REVENUES		**13,093,802**		**10,680,974**	
Operating costs					
Staff costs	**23**	1,932,427	-	1,980,459	-
Other operating costs	**24**	2,034,377	69,653	2,964,543	56,365
Provisions for risks		-	-	5,000	5,000
Total operating costs		**3,966,804**		**4,950,002**	
Depreciation, amortisation and write-downs					
Depreciation and amortisation		19,058		27,702	
Total depreciation, amortisation and write-downs		**19,058**		**27,702**	
OPERATING RESULT		**9,107,940**		**5,703,270**	
Financial income		28,263	-	12,571	-
Financial expenses		(8,476,977)	-	(8,511,376)	-
Total financial income (expenses)	**25**	**(8,448,714)**		**(8,498,805)**	
PROFIT BEFORE TAX		**659,226**		**(2,795,535)**	
Taxes for the year					
Current		60,710		(299,883)	
Deferred		(257,554)		129,837	
Total taxes for the year	**26**	**(196,844)**		**(170,046)**	
NET RESULT FOR THE YEAR		**462,382**		**(2,965,581)**	

STATEMENT OF COMPREHENSIVE INCOME

(in euro)	2017	2016
NET RESULT FOR THE YEAR (A)	**462,382**	**(2,965,581)**
Actuarial gains/(losses) on defined benefit plans recognised in accordance with IAS 19	*(19,596)*	*(78,207)*
Tax effect relating to actuarial gains/(losses) (IAS 19)	*5,467*	*21,820*
Total other comprehensive gains/(losses) that will not be subsequently reclassified to profit or loss, net of tax effect	**(14,129)**	**(56,387)**
Total other comprehensive gains/(losses) net of tax effect (B)	**(14,129)**	**(56,387)**
TOTAL COMPREHENSIVE PROFIT/(LOSS) (A) + (B)	**448,253**	**(3,021,968)**

STATEMENT OF CASH FLOWS

(in euro)	Notes	2017	of which related parties	2016	of which related parties
A. Cash flow from operating activities					
Net profit (loss) for the period		462,382	-	(2,965,581)	-
Depreciation, amortisation and write-downs		19,058	-	27,702	-
Financial income and expenses	**25**	8,448,715	-	8,498,805	-
Income and expenses from equity investments	**21**	(204,120)	-	2,777,099	-
Increase (decrease) in post-employment benefits provision and provision for risks of employee lawsuits	**14**	23,457	-	(12,175)	-
Increase (decrease) in provision for risks and charges	**15**	(1,046,374)	-	464,570	-
Increase (decrease) in deferred taxes		252,087	-	(152,227)	-
(Increase) decrease in trade receivables and other assets:	**8 - 9**	(2,948,523)	(2,966,187)	(1,122,339)	(300,432)
Increase (decrease) in trade payables and other liabilities	**17 - 18 - 19**	(206,697)	(1,008,888)	(856,994)	(1,031,371)
Income taxes paid		(366,137)	-	(447,327)	-
Total cash flows from operating activities		**4,433,848**		**6,211,533**	
B. Cash flows from investment activities					
(Investments in) disinvestments of intangible assets	**4**	2,116	-	(5,119)	-
(Investments in) disinvestments of property, plant and equipment	**5**	-	-	(823)	-
Total cash flows from investment activities		**2,116**		**(5,942)**	
C. Cash flows from financing activities					
Increase (decrease) in financial receivables	**7 - 10**	10,126,548	9,698,079	12,043,015	12,043,015
Increase (decrease) in payables to banks	**16**	(775)	-	(3,538)	-
Increase (decrease) in other financial payables	**13 - 16**	43,471	-	(34,786)	-
Dividends paid	**12**	(1,925,940)	-	(1,935,077)	-
Purchases of treasury shares	**12**	-	-	(1,016,670)	-
Financial expenses paid		(7,817,404)		(7,851,838)	
Total cash flows from financing activities		**425,900**		**1,201,106**	
D. Cash flows for the year (A+B+C)		**4,861,864**	**-**	**7,406,697**	**-**
E. Available cash at the beginning of the year		**14,962,521**	-	**7,555,824**	-
F. Available cash at the end of the year (D+E)		**19,824,385**	**-**	**14,962,521**	**-**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2017

(Euro)	Share capital	Reserve for treasury shares	Share premium reserve	Legal reserve	Other reserves	Earnings reserves	Net result	**Shareholders' equity**
Balance as at 01 January 2017	158,355,059	1,409,628	21,400,391	2,664,755	4,979,146	7,114,619	(2,965,581)	**192,958,017**
Allocation of earnings for the previous year				-	-	(2,965,581)	2,965,581	-
Profit for the year	-	-	-	-	-	-	462,382	**462,382**
Other comprehensive gains (losses)	-	-	-		(14,129)	-		**(14,129)**
Total comprehensive profit/(loss)	**-**	**-**	**-**	**-**	**(14,129)**	**(2,965,581)**	**3,427,963**	**448,253**
Dividends determined and/or distributed	-	-	-	-	-	(1,925,940)	-	**(1,925,940)**
Purchases of treasury shares	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	158,355,059	1,409,628	21,400,391	2,664,755	4,965,017	2,223,098	462,382	**191,480,330**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - 12-month period ended 31 December 2016

(Euro)	Share capital	Reserve for treasury shares	Share premium reserve	Legal reserve	Other reserves	Earnings reserves	Net result	**Shareholders' equity**
Balance as at 01 January 2016	160,401,315	380,040	21,400,391	2,550,462	5,035,533	6,878,133	2,285,856	**198,931,730**
Allocation of earnings for the previous year				114,293	-	2,171,563	(2,285,856)	-
Profit for the year	-		-			-	(2,965,581)	**(2,965,581)**
Other comprehensive gains (losses)	-		-		(56,387)	-		**(56,387)**
Total comprehensive profit/(loss)	**-**	**-**	**-**	**114,293**	**(56,387)**	**2,171,563**	**(5,251,437)**	**(3,021,968)**
Dividends determined and/or distributed	-	-	-			(1,935,077)		**(1,935,077)**
Purchases of treasury shares	(2,046,256)	1,029,588	-			-		**(1,016,668)**
Balance as at 31 December 2016	158,355,059	1,409,628	21,400,391	2,664,755	4,979,146	7,114,619	(2,965,581)	**192,958,017**

* Other reserves include reserves for adopting international standards (IAS/IFRS)

For comments on individual items, see Note 12, “SHAREHOLDERS’ EQUITY”

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 Majno 17, Milan.

The publication of the financial statements of Alerion for the year ended 31 December 2017 was authorised by resolution of the directors of 23 February 2018.

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 2017 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).

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, constitutes an integral part of the financial statements. The amounts shown in the statement of financial position, income statement, statement of cash flows and statement of changes in shareholders' equity are expressed in euro, while those included in the notes are expressed in thousands of euro, unless otherwise indicated. With regard to the methods used to convert the accounting data expressed 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.

With the submission of the 2017 Unified Tax Return, the consolidating company Alerion Clean Power S.p.A. (hereinafter "ACP") confirms and renews the participation in 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..

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.

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 aimed at ensuring 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 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 with respect to that indicated in IAS 1 for the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity and the method used to represent cash flows in the 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 represented by 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 by 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 transaction that are 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 ASSESSMENTS 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 (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
Intangible assets, in accordance with the provisions of IAS 38, include costs, including ancillary costs, incurred for the acquisition of goods and resources, without physical substance, to be used in the production of goods or provision of services, to be leased to third parties or to be 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 carrying amount 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 the initial recognition of development costs, they 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 same project.
The carrying amount 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*
Software programme licences	20%
Trademarks	10%
Other intangible assets	7.5% to 15%

Property, plant and equipment

Property, plant and equipment is 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 off if their fair value is less than the cost recorded in the financial statements.
The amortisation 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 the value of the same.
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. Amortisation 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*
Equipment	15%
Electronic equipment	20%
Telephone systems	20%
Furniture and furnishings	12%
Mobile communications equipment	20%
Cars	25%

Impairment testing

IAS 36 stipulates that impairment testing should be carried out on property, plant and equipment and intangible assets if there are indicators suggesting 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 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 Alerion, as homogeneous aggregations that generate autonomous cash inflows, arising from the continuous use of the assets attributable to them.

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 the acquisition or constitution 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.

Equity investments in other companies available for sale

Equity investments other than those held in subsidiaries, associates and companies under joint control are classified as available-for-sale and are recognised at market value, which at the date of first acquisition coincides with purchase cost. Thereafter, they are valued at market value (*f*air value) with allocation of changes to an equity reserve that is used in the event of the sale of the asset itself and that contributes to determining the capital gain/loss. This reserve is also used in the event that the alignment with fair value results in a subsequent write-down of the asset and up to the value of the reserve, after which the portion in excess of the write-down reserve, if it represents impairment, is transferred through the income statement, while if the excess results from a movement in the market, the change gives rise to a change in the statement of financial position.

For equity investments in listed companies, the market value is derived from the spot quotation at the end of the period, while for other equity investments, the fair value is determined using the discounted cash flow (DCF) method.
In the absence of information enabling the determination of fair value, these equity investments are maintained at cost, adjusted where necessary for impairment.

Financial assets held for trading

Financial assets "held for trading" are measured at fair value. Gains or losses on financial assets held for trading are recognised in the income statement.

Loans granted

Loans are initially recognised at cost, corresponding to the fair value of the consideration received net of ancillary costs for 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. Bad debts are written down 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 and which 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 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 implicit) 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 occurs, 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 funds is recorded in the statement of financial position. The amendment also stipulated that changes between one year and the next of the provision for defined benefits must be divided into three components: cost components linked to the work performance for 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 provision for defined benefits at the beginning of the year must be recognised as such; the 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 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, vouchers 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 to grant);

- realised profits 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 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 booked according to their stage of completion, when it is probable that the consequent economic benefits will be enjoyed by the Company and when the value of the revenues can be reliably determined.

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 financial expenses.

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.
Prepaid taxes are recognised when it is probable that sufficient taxable income will be available in subsequent years to use the deferred tax asset.
Deferred taxes are recognised for all taxable temporary differences, unless such liabilities arise from the initial recognition of goodwill.
Deferred and prepaid taxes 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:

- such 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 tax amount.

The net amount of indirect sales taxes that can be recovered from or paid to the tax authorities is included in the financial statements in 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 2016.
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 2016, 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 2016 have been prepared in accordance with the historical cost criterion, with the exception of available-for-sale financial assets and investment property, recognised at fair value.

AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2017

The following IFRS accounting standards, amendments and interpretations have been applied for the first time by the Group since 1 January 2017:

• On 29 January 2016, the IASB published the document "Disclosure Initiative (Amendments to IAS 7)", which contains amendments to IAS 7. The document aims to provide some clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of a report that enables users of the financial statements to understand changes in liabilities arising from financing transactions, including changes arising from monetary and non-monetary movements. The amendments do not provide for a specific format to be used for reporting. However, the changes introduced require an entity to provide a reconciliation between the initial balance and the final balance for liabilities arising from financial transactions. Comparative information relating to previous years is not required.

• On 19 January 2016, the IASB published the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)", which contains amendments to IAS 12. The document aims to provide some clarification on the recognition of deferred tax assets on unrealised losses in the valuation of financial assets in the "Available for Sale" category in the event of certain circumstances and on the estimate of taxable income for future years. The adoption of these amendments 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 MANDATORILY APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AT 31 December 2017

• On 28 May 2014, the IASB published the standard IFRS 15 – Revenue from Contracts with Customers, which, together with additional clarifications published on 12 April 2016, is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for recognising revenues, which will apply to all contracts entered into with customers, with the exception of those that fall within the scope of application of other IAS/IFRS standards such as leasing, insurance contracts and financial instruments. The key steps for booking revenues according to the new model are:

- identification of the contract with the customer;
- identification of the performance obligations contained in the contract;
- determination of the price;

o the allocation of the price to the performance obligations contained in the contract;
o the revenue recognition criteria when the entity satisfies each performance obligation.
The standard has been applied since 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, issued by the IASB in April 2016. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 24 July 2014, the IASB published the final version of IFRS 9 – Financial Instruments. The document includes the results of the IASB project aimed at replacing IAS 39. The new standard must be applied by financial statements starting on or after 1 January 2018.
The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based on methods of managing financial instruments and the characteristics of the contractual cash flows of the financial assets themselves to determine the measurement criterion, replacing the various rules established by IAS 39. For financial liabilities, however, the main change relates to the accounting treatment of changes in the fair value of a financial liability designated as a financial liability measured at fair value through profit or loss, if these changes are due to a change in the creditworthiness of the issuer of the liability itself. According to the new standard, these changes must be recognised in the "Other comprehensive income" statement and no longer in the income statement. In addition, for non-substantial changes in liabilities, it is no longer permitted to spread the economic effects of renegotiation over the residual maturity of the debt by altering the effective interest rate on that date. Instead, the relevant effect must be recognised in the income statement.
With reference to impairment , the new standard requires that losses on receivables be estimated on the basis of the expected losses model (rather than the incurred losses model of IAS 39) using supportable information, available without charges or unreasonable efforts that includes historical, current and prospective data; The standard stipulates that this impairment model applies to all financial instruments, i.e. to financial assets measured at amortised cost, to those measured at fair value through other comprehensive income, to receivables arising from lease contracts and to trade receivables.
Finally, the standard introduces a new hedge accounting model in order to adapt the requirements of the current IAS 39, which were sometimes considered too stringent and not capable of reflecting companies' risk management policies. The main changes in the document concern:
o an increase in the types of transactions eligible for hedge accounting, also including the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
o a change in the method of accounting for forward contracts and options when included in a hedge accounting relationship in order to reduce the volatility of the income statement;
o changes to the efficacy test by replacing the current methods based on the 80-125% parameter with the principle of the "economic relationship" between the hedged item and the hedging instrument; moreover, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by additional requests for information on company risk management activities. With reference to the new method pursuant to IFRS 9, the estimated losses on receivables are based on expected losses (and not based on the incurred losses used by IAS 39). The company expects an impact on retained earnings as at 1 January 2018, with particular reference to the valuation of receivables from Group companies. At the date of this report, the analysis has not been completed.

• 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 lease agreements from contracts for the provision of services, identifying as discriminatory: 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 the right to direct the use of the asset underlying the agreement.
The standard establishes a single model for the recognition and measurement of lease agreements for lessees, which provides for the recognition of the leased asset, including an operating lease, in assets with a contra-entry of a financial debt, also providing an option not to recognise as leases contracts involving low-value assets and leases with a term of 12 months or less. By contrast, the standard does not include significant changes for lessors.

The standard applies from 1 January 2019 but early application is permitted only for entities that have already applied IFRS 15 – Revenue from Contracts with Customers. From the preliminary analyses carried out, the directors expect that the application of IFRS 16 will not have a significant impact on the amounts and related disclosure in the financial statements. It should be noted that at the date of this report, a detailed analysis of the agreements has not been completed.

• On 12 September 2016, the IASB published the document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". For entities whose business consists predominantly of insurance business, the amendments aim to clarify the concerns arising from the application of the new IFRS 9 (from 1 January 2018) to financial assets, before the current IFRS 4 is replaced by IFRS 17 Insurance Contracts, on the basis of which financial liabilities are valued.
The amendments introduce two possible approaches:
o overlay approach
o deferral approach.
These approaches will allow:
o the possibility of recognising in comprehensive income (i.e. in the OCI statement), rather than in the income statement, the effects deriving from the application of IFRS 9 rather than IAS 39 to certain designated financial assets before the application of the new standard on insurance contracts ("overlay approach").
o the possibility of a temporary exemption from IFRS 9 until the earlier of the date of application of the new standard on insurance contracts or the year beginning 1 January 2021. Entities that defer the application of IFRS 9 will continue to apply the current IAS 39 ("deferral approach").

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

At the date of this financial report, 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 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which is intended 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 take into account 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 ones;
- 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 assumptions relating to the cash flows of each group of contracts.

The PAA approach provides for the measurement of 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 principle 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.

• On 20 June 2016, the IASB published the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" which contains amendments to IFRS 2. The amendments provide clarifications regarding the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments have been applied since 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 8 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle", which incorporates amendments to some standards in the context of the annual improvement process. The main changes concern:
o IFRS 1 – First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. The amendment to this standard must be applied for years commencing on or after 1 January 2018 and concerns the elimination of some short-term exemptions provided for in paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is deemed to have been exceeded.
o IAS 28 – Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organisation or another entity qualifying as such (e.g. a mutual fund or similar entity) for measuring investments in associates and joint ventures at fair value through profit or loss (rather than through application of the equity method) is carried out for each individual investment at the time of initial recognition. The amendment applies from 1 January 2018.
o IFRS 12 – Disclosure of Interests in Other Entities - Clarification of the scope of the Standard. The amendment clarifies the scope of application of IFRS 12 by specifying that the disclosure required by the standard, with the exception of that provided for in paragraphs B10-B16, applies to all shareholdings that are classified as held for sale, held for distribution to shareholders or as discontinued operations pursuant to IFRS 5. This amendment is applicable from 1 January 2017; however, as it has not yet been approved by the European Union, it was not adopted by the Group at 31 December 2017.
The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 8 December 2016, the IASB published the document “Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)”. The interpretation aims to provide guidelines for transactions carried out in foreign currencies where non-monetary advances or payments on account are recognised in the financial statements prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and therefore the spot exchange rate to be used when foreign currency transactions occur where payment is made or received in advance.
The interpretation clarifies that the transaction date is the earlier of:
a) the date on which the advance payment or payment on account received is recorded in the entity's financial statements; and
b) the date on which the asset, cost or revenue (or part thereof) is recognised in the financial statements (with a consequent reversal of the advance payment or payment on account received).
If there are numerous payments or collections in advance, a transaction date must be identified for each. IFRIC 22 is applicable as of 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 8 December 2016, the IASB published the document “Transfers of Investment Property (Amendments to IAS 40)” which contains amendments to IAS 40. These changes clarify the transfer of a property to or from investment property. In particular, an entity must reclassify a property between or from investment property only when there is evidence that there has been a change in use of the property. This change must be due to a specific event that has happened and must not therefore be limited to a change in intentions on the part of the management of an entity. These amendments are applicable as of 1 January 2018. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 7 June 2017, the IASB published the interpretation document IFRIC 23 – Uncertainty over Income Tax Treatments. The document addresses the issue of uncertainties about the tax treatment to be adopted in relation to income taxes.
The document provides that uncertainties in determining tax liabilities or assets are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure obligation, but emphasises that the entity will have to determine whether it will be necessary to provide information on the considerations made by management relating to uncertainty inherent in the recognition of taxes, in accordance with IAS 1.
The new interpretation applies from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

• On 12 October 2017, the IASB published the document “Prepayment Features with Negative Compensation (Amendments to IFRS 9)”. This document specifies that a debt instrument providing for an option for early repayment could comply with the characteristics of contractual cash flows (the “SPPI” test) and, therefore, could be measured using the amortised cost or fair value through other comprehensive income method, even if the “reasonable additional compensation” provided in the event of prepayment is a “negative compensation” for the lender. The amendment applies from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Company's 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 for which the equity method is not applied. The amendment applies from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant 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 even 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 amendments apply from 1 January 2019 but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

- On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published to resolve the current conflict between IAS 28 and IFRS 10.

Pursuant to IAS 28, the gain or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a stake in the share capital of the latter is limited to the share held in the joint venture or associate by other investors not involved in the transaction. By contrast, IFRS 10 requires the recognition of the entire gain or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the subsidiary, including in this case also the sale or transfer of a subsidiary to a joint venture or associate. The amendments introduced provide that when an asset or subsidiary is sold/transferred to a joint venture or associate, the amount of the gain or loss to be recognised in the vendor's/transferor's financial statements depends on whether the assets or subsidiary sold/transferred constitute a business, as defined in IFRS 3. If the assets or subsidiary sold/transferred represent a business, the entity must recognise the gain or loss on the entire stake previously held; if not, the portion of the gain or loss relating to the stake still held by the entity must be derecognised. The IASB has now suspended the application of this amendment. The directors do not expect the adoption of these amendments to have a significant effect on the Company's financial statements.

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 IAS 39 is shown below:

Dati al 31/12/17 in euro migliaia	Note to financial statements	Effects in the income statement	Loans and receivables	Available for sale financial instruments
A- Financial assets				
Current financial assets:				
Cash and cash equivalents	11	28	19,824	
Sundry financial receivables	10	1,180	18,563	
Trade receivables	8		3,795	
Non-current financial assets:				
Financial receivables and other non-current financial assets	7	8,388	131,908	

Figures as at 31/12/2017 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	(6,902)		(6,902)
Payables to banks for loans	16	(34)		(8)
Payables to subsidiaries and associates	16	(55)		(918)
Trade payables	17			(871)
Non-current financial liabilities:				
Payables to bondholders	13	(1,529)		(127,575)

Dati al 31/12/16 in euro migliaia	Note to financial statements	Effects in the income statement	Loans and receivables	Available for sale financial instruments
A- Financial assets				
Current financial assets:				
Cash and cash equivalents	11	12	14 963	
Sundry financial receivables	10	931	14 384	
Trade receivables	8		2 493	
Non-current financial assets:				
Financial receivables and other non-current financial assets	7	9 468	146 326	

Figures as at 31/12/2016 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	(6 902)		(6 902)
Payables to banks for loans	16	(47)		(9)
Payables to subsidiaries and associates	16	(55)		(874)
Trade payables	17			(941)
Non-current financial liabilities:				
Payables to bondholders	13	(1 545)		(127 077)

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.

	Valore Contabile		Fair value
Figures as at 31/12/2017 in thousands of euro	Current portion	Non-current portion	Discounted cash flow
B- Financial liabilities			
Payables to bondholders	**(6,902)**	(127,575)	(155,361)
TOTAL LIABILITIES	**(6,902)**	**(127,575)**	**(155,361)**

	Valore Contabile		Fair value
Figures as at 31/12/2016 in thousands of euro	**Current portion**	**Non-current portion**	**Discounted cash flow**
B- Financial liabilities			
Payables to bondholders	**(6,902)**	(127,077)	(166,361)
TOTAL LIABILITIES	**(6,902)**	**(127,077)**	**(166,361)**

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 Alerion Energie Rinnovabili S.p.A., 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 31/12/2017

RECEIVABLES POSITION AS AT 31/12/2017							
(thousands of euro)	**Receivables**	**Receivables past due before provision for doubtful**				**Total**	**Write-down**
	Net trade receivables	**Within 4 months**	**5 to 8 months**	**9 to 12 months**	**over 12 months**	**Past due**	**Individual**
Trade receivables	**80**	-	-	-	-	-	-
Trade receivables from subsidiaries	**3,715**	-	-		197	**197**	(197)
TOTAL	**3,795**	**-**	**-**	**-**	**197**	**197**	**(197)**

RECEIVABLES POSITION AS AT 31/12/2016							
(thousands of euro)	**Receivables**	**Receivables past due before provision for**				**Total**	**Write-down**
	Net trade receivables	**Within 4 months**	**5 to 8 months**	**9 to 12 months**	**over 12 months**	**Past due**	**Individual**
Trade receivables	**28**	-	-	-	259	259	(259)
Trade receivables from subsidiaries	**2,465**	5	-		197	**202**	(202)
TOTAL	**2,493**	**5**	**-**	**-**	**456**	**461**	**(461)**

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 revocation 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 11 February 2015, a guaranteed, non-convertible and unsubordinated bond loan was issued for a total amount of €130 million, with a term of 7 years, at a nominal annual fixed rate of 6%. The issue of this bond loan was intended to close the *project financing* of four Group companies (Renergy San Marco S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud S.r.l. and Minerva S.r.l.), through the extinguishment of bank loan agreements, and the related hedging contracts, to enable more efficient management of the liquidity already generated by wind farms and their future cash flows.
As a result of the bond issue, the Parent Company's financial structure is almost exclusively concentrated on long-term maturities. The short-term lines of credit held by Alerion Clean Power were not used in 2017. On 12 February 2018, interest on the bond loan of €7,800 thousand was paid, as required by the regulations.

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.

Alerion Clean Power S.p.A. - Liquidity analysis financial statements as at 31/12/2016

€ thousands			Liquidity analysis - FY 2016								
Note to financial stateme	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	(133,979)	-	(7,800)	-	(7,800)	(7,800)	(7,800)	(7,800)	(137,800)	**(176,800)**
16	Payables to subsidiaries and associates	(874)	-	(874)	-						**(874)**
16	Payables to banks for current accounts	(9)	(9)	-	-	-	-	-	-	-	**(9)**
17	Trade payables	(941)		(941)	-	-	-	-	-	-	**(941)**
	Total	**(135,803)**	**(9)**	**(9,615)**	**-**	**(7,800)**	**(7,800)**	**(7,800)**	**(7,800)**	**(137,800)**	**(178,624)**

Alerion Clean Power S.p.A. - Liquidity analysis financial statements as at 31/12/2017

€ thousands			Liquidity analysis - FY 2017								
Note to financial stateme	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	(134,477)	-	(7,800)	-	(7,800)	(7,800)	(7,800)	(137,800)	-	**(169,000)**
16	Payables to subsidiaries and associates	(918)	-	(918)	-						**(918)**
16	Payables to banks for current accounts	(8)	(8)	-	-	-	-	-	-	-	**(8)**
17	Trade payables	(871)		(871)	-	-	-	-	-	-	**(871)**
	Total	**(136,274)**	**(8)**	**(9,589)**	**-**	**(7,800)**	**(7,800)**	**(7,800)**	**(137,800)**	**-**	**(170,797)**

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 2017 due to the limited use of corporate lines of credit following the issue of the bond loan, at a rate of 6% fixed on 11 February 2015.

Sensitivity analysis

Financial instruments exposed to interest rate risk were subject to a sensitivity analysis 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.

Alerion Clean Power S.p.A. - Sensitivity analysis financial statements as at 31/12/2017

(thousands of euro) figures as at 31 December 2017	**Economic result 2017**		**Economic result 2016**	
Instruments	**+ 100bp Euribor**	**-25bp Euribor**	**+ 100bp Euribor**	**-25bp Euribor**
Payables to bondholders	(1,300)	325	(1,300)	325
Payables to subsidiaries and associates	9	(2)	9	(2)
Financial receivables from subsidiaries	1,505	(376)	1,607	(402)
Bank current accounts in credit	198	(50)	150	(37)
Total	**412**	**(103)**	**466**	**(116)**

NON-CURRENT ASSETS

4. INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

These came to €19 thousand (€28 thousand as at 31 December 2016) and mainly relate to expenses incurred to purchase software. The change compared with the previous year mainly concerned amortisation for the year of € thousand.

5. PROPERTY, PLANT AND EQUIPMENT

This item came to €14 thousand (€26 thousand as at 31 December 2016) and refers to telephone equipment, furnishings and electronic office machinery. The change compared with the previous year mainly concerned depreciation for the year of €10 thousand.

6. EQUITY INVESTMENTS IN SUBSIDIARIES

These amounted to €151,980 thousand (€151,663 thousand as at 31 December 2016). The details are as follows:

Equity investments in subsidiaries

(in €/000)	31.12.2017			31.12.2016		
Name	**No. of shares/units**	**Nominal value**	**Book value**	**No. of shares/units**	**Nominal value**	**Book value**
Alerion Energie Rinnovabili S.p.A.	1	10,000	151,194	1	10,000	151,194
Alerion Servizi Tecnici e Sviluppo S.r.l.	1	100	113	1	100	0
Alerion Bioenergy S.r.l. in liquidation	1	10	-	1	10	0
Alerion Real Estate S.r.l. in liquidation	1	90	673	1	90	468
Total equity investments in subsidiaries			**151,980**			**151,663**

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 Energie Rinnovabili S.p.A. (hereinafter "AER")

Alerion Energie Rinnovabili S.p.A.	*(in €/000)*
Registered office: Milan, Viale Majno 17	
Share capital	10,000
Ownership percentage	100%
Result for FY 2017	(3,687)
Shareholders' equity as at 31.12.2017 (including result for the year)	103,686
Net value attributed in the financial statements	**151,194**

AER is a sub-holding company that holds all the Group's subsidiaries operating in the energy sector from wind sources.

In accordance with IAS 36, an impairment test, which was approved by the Board of Directors on 23 February 2018, was carried out to determine whether the equity investment is recognised in the financial statements as at 31 December 2017 at a value lower than that recoverable through use.

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

With respect to the above, when assessing the existence of an indication that the equity investment in question may be impaired, information from sources both internal and external to the Group has been taken into account. In particular, potential indicators of impairment were identified in the medium/long-term price scenarios and in the difference between the carrying amount of the equity investment in AER and the corresponding share of shareholders' equity. This is believed to be essentially due to the higher value of the wind power projects held through subsidiaries.
In accordance with IAS 36 – Impairment of Assets, the recoverable value of the investment was verified. This value was determined according to the Net Asset Value method, by adding to the Company's shareholders' equity the surplus assets, net of the tax effect, of the farms/projects estimated on the basis of the future cash flows.

More specifically, it should be noted that the Company's management estimated latent taxation on the implicit surplus assets of the equity investments in the event of the integration of the participation exemption requirements of the tax institution.

The economic value of the assets of the various operating subsidiaries of AER was estimated using a cash flow plan determined according to the expected economic life of the various assets. The business plans underlying these cash flows were prepared by the Group's Management according to the best estimates and were approved by the Boards of Directors of the single operating companies.

Given the particular type of business, which involves investments with medium-term returns and cash flows over a long-term period, 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 has been estimated over the duration of each individual concession, which averages 29 years after the start of production.

The cash flow projections are based on the following assumptions:
- expected production of wind farms on the basis of production assessments made;

- expected selling prices derived 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 aimed 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 for 20 years, reduced by 20%.

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 corporate aggregate being valued, equal to 4.87%, also calculated net of tax.

The impairment test indicated that the carrying amount of the equity investment in AER was lower than the recoverable amount and therefore no impairment losses were recognised.

Sensitivity analysis

The result of impairment testing is derived from information currently available and reasonable estimates of trends in wind, electricity prices, production costs and interest rates, amongst other things. 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 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% 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 recoverable amount of the equity investments would decrease by approximately €1.2 million;

- following a 0.5 percentage point increase in the discount rate, the carrying amount of the equity investment would decrease by around €4.0 million.

The analyses listed above confirm the sensitivity of the valuations for recoverability of the equity investment to the change in the variables mentioned. In this context, the Directors will systematically monitor the performance of the exogenous and uncontrollable variables for any adjustments to the recoverability estimates of the carrying amounts of the equity investment in the separate financial statements.

Alerion Servizi Tecnici e Sviluppo S.r.l. (hereinafter "ASTS")

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 2017	(19)
Shareholders' equity as at 31.12.2017 (including result for the year)	93
Net value attributed in the financial statements	**113**

ASTS is the operating company of the Alerion Group in the wind energy segment, created after the partial demerger of AER on 1 August 2012.

It should be noted that the company closed its 2017 financial statements in substantial break-even and that its current income structure has confirmed, in the foreseeable future, that break-even will at least be maintained. Therefore, in the light of the available information, there is no need for further write-downs and no basis for write-backs.

The company owns development activities, has employees and holds some non-strategic investments. Alerion, through the subsidiary ASTS, has added to its industrial activities by expanding into 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.

It should be noted that, in 2017, 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 AER's operating subsidiaries.

In the context of the management of plants on behalf of third parties, ASTS, which in the past had already overseen the coordination for consideration of the construction works for the wind farms of Eolsiponto S.r.l., continued to manage the company's technical/operational activities during 2017.

It should be noted that during the year, ACP partially waived the shareholders' loan for €600 thousand, increasing the historical cost of the equity investment in ASTS by the same amount and, at the same time, reclassifying the provision for impairment of €487 thousand, recognised among risk provisions as at 31 December 2016, as a decrease in the carrying amount of the investment.

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 2018	(12)
Shareholders' equity as at 31.12.2017 (including result for the year)	(15)
Net value attributed in the financial statements	**-**

The company was placed in liquidation on 12 April 2017 by the Shareholders' Meeting of Alerion Clean Power S.p.A.. It should be noted that the item "Provisions for future risks and charges" includes a provision of €15 thousand to cover the losses of the investee.

Alerion Real Estate S.r.l. in liquidation (hereinafter "ARE")

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 2017	227
Shareholders' equity as at 31.12.2017 (including result for the year)	673
Net value attributed in the financial statements	**673**

During the 2017 financial year, the company continued with the liquidation activities approved on 27 December 2006 by the Shareholders' Meeting of Alerion Clean Power S.p.A.

As a result of a positive result for the year of €227 thousand, the value of the equity investment was written back up to the amount of shareholders' equity at the reporting date, i.e. €673 thousand, with a change of €204 thousand on the previous year.

7. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS

This item came to €131,908 thousand (€146,326 thousand as at 31 December 2016) and refers to financial receivables from Alerion Energie Rinnovabili S.p.A.. of €35,642 thousand, from Alerion Servizi Tecnici e Sviluppo S.r.l. of €1,579 thousand and from four operating companies (Renergy San Marco S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud S.r.l. and Minerva S.r.l.) totalling €94,687 thousand, which, at the time of the issue of the bond loan in 2015, Alerion Clean Power S.p.A. financed to enable the extinguishment of the related bank project finance agreements and the related hedging contracts.

For terms and conditions relating to related parties, please see the note "Details of relations with related parties and intra-group relations as at 31 December 2017".

CURRENT ASSETS

8. TRADE RECEIVABLES

Trade receivables came to €3,795 thousand (€2,493 thousand as at 31 December 2016) and comprise:

(thousands of euro)	31.12.2017	31.12.2016	Change
Trade receivables from subsidiaries	3,715	2,460	1,255
Trade receivables from other companies	80	33	47
Total sundry current receivables	**3,795**	**2,493**	**1,302**

For terms and conditions relating to related parties, please see the note "Details of relations with related parties and intra-group relations as at 31 December 2017".

Trade receivables from other companies are shown net of an impairment provision of €197 thousand (€461 thousand as at 31 December 2016).

Trade receivables are non-interest bearing and generally have a maturity of 30-45 days.

9. SUNDRY RECEIVABLES AND OTHER CURRENT ASSETS

These came to €4,769 thousand (€2,937 thousand as at 31 December 2016) and comprise:

(thousands of euro)	31.12.2017	31.12.2016	Change
Receivables from tax authorities	110	83	27
Other receivables from subsidiaries and associates	4,297	2,581	1,716
Other receivables	362	273	89
Total sundry current receivables	**4,769**	**2,937**	**1,832**

Receivables from tax authorities are mainly composed of receivables for withholding taxes and indirect taxes (VAT).

Receivables from subsidiaries and associates mainly consist of receivables arising from the Group's tax consolidation scheme.

10. FINANCIAL RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

Current financial receivables came to €18,563 thousand (€14,384 thousand as at 31 December 2015) and refer to financial receivables from Alerion Energie Rinnovabili S.p.A. of €9,542 thousand and from the operating companies Renergy San Marco S.r.l. and Minerva S.r.l. totalling €8,982 thousand.

11. CASH AND CASH EQUIVALENTS

(thousands of euro)	31.12.2017	31.12.2016	change
Bank sight deposits	19,822	14,960	4,862
Cash on hand	2	3	(1)
Total cash and cash equivalents	**19,824**	**14,963**	**4,861**

The balance represents cash and cash equivalents and the existence of values at the reporting date.

12. SHAREHOLDERS' EQUITY

Shareholders' equity attributable to the Company amounted to €191,480 thousand as at 31 December 2017, compared with €192,958 thousand recorded as at 31 December 2016.

This change was mainly due to the positive result for the year of €462 thousand and the partial distribution of available reserves of approximately €1,926 thousand.

The Shareholders' Meeting of Alerion Clean Power S.p.A., held on 19 April 2017, approved the proposal to distribute a dividend to be paid as of 24 May 2017, with the detachment on 22 May 2017 of coupon no. 6, through the partial use of reserves, of €0.045 for each ordinary outstanding share (excluding treasury shares), gross or net of withholding taxes according to the applicable tax regime, for a total amount of €1,926 thousand. 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 €158,355 thousand (unchanged compared with 31 December 2016) and consisted of 43,579,004 ordinary shares with a par value of €3.7 each.

  As of the date hereof, the Company holds 780,339 treasury shares (corresponding to 1.79% 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 with a par value of €3.7 each.

- the treasury shares reserve was positive for €1,410 thousand and reflects the difference between the price paid during the year for the purchase of 780,339 treasury shares and the nominal value of €3.7 per share, deducted from the share capital for €2,887 thousand.

- the share premium reserve amounted to €21,400 thousand, unchanged compared with 31 December 2016, 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 amounts to €2,665 thousand, unchanged from 31 December 2016;

- other reserves amount to €4,965 thousand and include the effects deriving from the adoption of IFRS. The change since 31 December 2016 is due to the recognition of actuarial losses of defined benefit plans accrued in 2017 for €14 thousand;

- earnings reserves amounted to €2,223 thousand (€7,115 thousand as at 31 December 2016) and include the operating results accumulated in previous years;

The statement of reconciliation between shareholders' equity items as at 31 December 2017 and those recognised as at 31 December 2016 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	158,355		-	-	-
Capital reserves:					
Share premium reserve	21,400	A, B, C (*)	21,400	-	-
Earnings reserves:					
Legal reserve	2,665	B		-	-
Other distributable reserves	2,800	A, B, C	2,800		
Other non-distributable reserves	2,165	B			
Reserve for treasury shares	1,410				
Unrealised profit reserve	-				
Accumulated profits	2,223	A, B, C	2,223	-	-
Total	**191,018**		**26,423**	**-**	**-**

(*) 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

The "other reserves" item includes a share of €2,800 thousand made available following the conclusion, on 31 December 2011, of the Stock Option Incentive Plan (2004-2011).

NON-CURRENT LIABILITIES

13. NON-CURRENT FINANCIAL LIABILITIES

On 11 February 2015, Alerion issued a guaranteed, non-convertible and unsubordinated bond loan for a total amount of €130 million, with a term of 7 years, at a nominal annual fixed rate of 6%.

It should be noted that, for the entire term of the loan, the Issuer undertakes to maintain, on an annual basis, as of 31 December 2015, the ratio of net financial indebtedness (book value) excluding derivatives to shareholders' equity excluding derivatives below a value not exceeding 2.

This parameter was met on 31 December 2017.

Non-current financial liabilities amounted to €127,575 thousand (€127,077 thousand as at 31 December 2016) and relate entirely to **Payables to bondholders**, which consists of the value of the bond loan of €130,000 thousand, net of ancillary costs of €2,425 thousand.

Interest payable as at 31 December 2017 was €6,902 thousand. This interest is recognised among short-term financial payables and was paid at 12 February 2018.

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

(thousands of euro)	31.12.2017	31.12.2016	change
Post-employment benefits	968	931	37
Total post-employment benefits and other staff-related provisions	**968**	**931**	**37**

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	31/12/2017
Mortality rate	IPS55 tables
Invalidity rates	INPS-2000 tables
Staff rotation rate	2.00%
*Discount rate**	1.30%
Salary accrual rate	1.00%
Advances rate	1.00%
Inflation rate	1.00%

**listing of the iBoxx Corporate EUR benchmark index at 31/12/2017 with 10+ duration and AA rating*

As at 31 December 2017, Alerion had 17 employees. The workforce breakdown is shown below.

	Number at 31.12.2016	Increases	Decreases	Number at 31.12.2017	Average number in period
Executives	7	0	(3)	4	5.7
Middle managers and office workers	14	0	(1)	13	14.0
Blue-collar workers	0	0	0	0	0.0
Total employees	21	0	(4)	17	19.7

15. PROVISION FOR FUTURE RISKS AND CHARGES

(thousands of euro)	31.12.2016	Accrued	Released/used	31.12.2017
Provision for legal disputes	64	-	(24)	40
Provision to cover investee losses	490	12	(487)	15
Other provisions	968	-	(547)	421
Total provisions for future risks and charges	**1,522**	**12**	**(1,058)**	**476**

The Provision to cover investee losses **Provision to cover investee losses** relates to coverage of losses incurred in excess of the value of the shareholders' equity of the investee Alerion Bioenergy S.r.l. in liquidation of €15 thousand. The change of €487 thousand of euros relates to the recapitalisation of the equity investment in ASTS (see the section entitled "Equity investments in subsidiaries").

The item **Other provisions** amounts to €421 thousand (€968 thousand as at 31 December 2016) and mainly refers to the estimated litigation for the Census consortium, an investee company of Alerion, of €421 thousand; while the provisions used mainly relate to an accrual in for 2016 relating to a settlement agreement defined in February 2017 with the former general manager, following consensual termination of the employment relationship (termination benefits).

CURRENT LIABILITIES

16. CURRENT FINANCIAL LIABILITIES

(thousands of euro)	31.12.2017	31.12.2016	change
Payables to banks for loans	8	9	(1)
Payables to subsidiaries and associates	918	874	44
Payables to bondholders	6,902	6,902	-
Payables to associates	-	-	-
Total current financial liabilities	**7,828**	**7,785**	**43**

Payables to bondholders at 31 December 2017 comprise the value of the nominal interest accrued but not paid during the year at a rate of 6% per annum, equal to €6,902 thousand, on the bond loan (see the note "Non-current financial liabilities").

17. CURRENT TRADE PAYABLES

(thousands of euro)	31.12.2017	31.12.2016	Change
Trade payables	750	889	(139)
Payables to subsidiaries	121	52	69
Total current trade payables	**871**	**941**	**(70)**

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 relations with related parties and intra-group relations as at 31 December 2017".

18. TAX PAYABLES

Tax payables came to €286 thousand as at 31 December 2017 (€107 thousand as at 31 December 2016) and relate to IRES payables.

19. SUNDRY PAYABLES AND OTHER CURRENT LIABILITIES

(thousands of euro)	**31.12.2017**	**31.12.2016**	**change**
Deferred remuneration and compensation to be paid	553	484	69
Payables to tax authorities	121	142	(21)
Social security payables	211	256	(45)
Other payables to subsidiaries and associates	1,125	1,808	(683)
Other payables	35	36	(1)
Total sundry payables and other current liabilities	**2,045**	**2,726**	**(681)**

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 relations with related parties and intra-group relations as at 31 December 2017".

20. NET FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS

The Parent Company's net financial indebtedness (book value) as at 31 December 2017 was positive for €34,892 thousand (€40,811 thousand as at 31 December 2016) and breaks down as follows:

NET FINANCIAL INDEBTEDNESS (BOOK VALUE)

(thousands of euro)	Notes	31.12.2017	31.12.2016
Cash and cash equivalents			
- Available cash	11	19,824	14,963
Total cash and cash equivalents		**19,824**	**14,963**
Current financial receivables	10	**18,563**	**14,384**
- Financial receivables from subsidiaries		*18,524*	*13,847*
- Other financial receivables		*39*	*537*
Current financial liabilities			
- Payables to banks for loans		(8)	(9)
- Payables to subsidiaries and associates		(918)	(874)
- Current payables to bondholders		(6,902)	(6,902)
Total current financial liabilities	16	**(7,828)**	**(7,785)**
CURRENT FINANCIAL INDEBTEDNESS		**30,559**	**21,562**
Non-current financial liabilities			
- Payables to bondholders		(127,575)	(127,077)
Total non-current financial liabilities	13	**(127,575)**	**(127,077)**
NON-CURRENT FINANCIAL INDEBTEDNESS		**(127,575)**	**(127,077)**
FINANCIAL INDEBTEDNESS AS PER CONSOB COMMUNICATION DEM/6064293/2006		**(97,016)**	**(105,515)**
Financial receivables and other non-current financial assets	7	**131,908**	**146,326**
NET FINANCIAL INDEBTEDNESS (BOOK VALUE) OF OPERATING ASSETS		**34,892**	**40,811**

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

INCOME STATEMENT

21. NET INCOME FROM EQUITY INVESTMENTS

	2017	2016	Change
Dividends and net financial income from associates and investees	9,706	7,567	2,139
Net income on equity investments	**9,706**	**7,567**	**2,139**

Net income from equity investments was positive for €9,706 thousand (€7,567 thousand in 2016) and mainly comprised net interest income accrued during the year from associates and investees of €9,514 thousand and the revaluation of the equity investment in Alerion Real Estate of €204 thousand. The change in the period is mainly due to the write-down of financial assets in the previous year.

Financing relationships are governed by interest-bearing contracts.

22. OTHER REVENUES

These amounted to €3,387 thousand in 2017 (€3,114 thousand in 2016) and mainly refer to the consideration accrued from subsidiaries for administrative, corporate and financial services rendered for €2,509 thousand and the waiver of remuneration to ACP by ACP employees with corporate offices in Group companies for €813 thousand.

23. STAFF COSTS

(thousands of euro)	2017	2016	Change
- Wages, salaries and social security contribu	1,793	1,834	(41)
- Post-employment benefits	106	110	(4)
- Other staff costs	33	36	(3)
Total staff costs	**1,932**	**1,980**	**(48)**

24. OTHER OPERATING COSTS

These came to €2,034 thousand (€2,965 thousand in 2016), of which €57 thousand to subsidiaries - for further details, see the note entitled "Details of related-party and intra-group transactions as at 31 December 2017".

The reduction in operating costs compared with the previous year is mainly due to the continuation of the plan to rationalise the structure costs launched in previous years.

(thousands of euro)	2017	2016	Change
Service costs:			
- Remuneration of directors	560	1,140	(580)
- Remuneration of control bodies	183	161	22
- Remuneration of consultants and contractors	613	991	(378)
- Corporate management expenses, official corporate documents, fina	263	204	59
- Office maintenance, utilities and other expenses	178	195	(17)
- Other	56	65	(9)
Total service costs	**1,853**	**2,756**	**(903)**
Costs for the use of third-party assets	103	127	(24)
Other operating expenses	78	82	(4)
Total other operating costs	**2,034**	**2,965**	**(931)**

The item **Remuneration of directors** included an accrual last year relating to a settlement agreement defined in February 2017 with the former general manager, following the consensual termination of the employment relationship.

25. FINANCIAL INCOME (EXPENSES)

Net financial expenses amounted to €8,449 thousand (€8,499 thousand in 2016) and break down as follows:

(thousands of euro)	2017	2016	Change
Financial income:			
- financial income from third parties	28	12	16
	28	**12**	**16**
Financial expenses:			
- short-term bank interest and charges	(34)	(47)	13
- interest on bond loan	(8,431)	(8,447)	16
- other financial expenses	(12)	(17)	5
	(8,477)	**(8,511)**	**34**
Total financial income and expenses	**(8,449)**	**(8,499)**	**50**

26. TAXES

Taxes during the year amounted to €197 thousand (€170 thousand in 2016).

The details are as follows:

(thousands of euro)	2017	2016	Change
Consolidated income statement			
Current taxes	61	(300)	361
Deferred taxes – related to the onset and reversal of temporary differences	(258)	130	(387)
Total taxes for the year	**(197)**	**(170)**	**(27)**

Current taxes

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

(€/000)	IRES		IRAP		Total	
as at 31 December 2017	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	**(158)**	**24.0**	**(507)**	**5.6**	**(665)**	**29.6**
increases:						
- temporary differences	(46)	7.0	44	(0.5)	(2)	6.5
- other increases	(37)	5.7	555	(6.1)	518	(0.4)
decreases:						
- reversal of temporary differences	220	(33.3)	0	0.0	220	(33.3)
- other decreases	(10)	1.5	0	0.0	(10)	1.5
Actual current taxes	**(31)**	**4.9**	**92**	**(1.0)**	**61**	**3.9**

(€/000)	IRES		IRAP		Total	
as at 31 December 2016	**Taxes**	**%**	**Taxes**	**%**	**Taxes**	**%**
Taxable amount	**767**	**27.5**	**(318)**	**5.57**	**449**	**33.1**
increases:						
- temporary differences	(169)	(6.1)	(31)	0.5	(200)	(5.6)
- other increases	(792)	(28.4)	157	(2.7)	(635)	(31.1)
decreases:						
- reversal of temporary differences	62	2.2	0	0.0	62	2.2
- other decreases	24	0.8	0	0.0	24	0.8
Actual current taxes	**(108)**	**(4.0)**	**(192)**	**3.4**	**(300)**	**(0.6)**

Deferred and prepaid taxes

The breakdown of deferred and prepaid taxes in 2017 and 2016 is as follows:

	Statement of financial position		Shareholders'	Income statement	
(€/000)	**31.12.2017**	**31.12.2016**		**2017**	**2016**
Deferred taxes					
Discounting of post-employment benefits	0	(3)	3	0	0
	0	**(3)**			
Prepaid taxes					
Directors' emoluments	35	9	3	23	2
Accruals to (uses of) provisions for risks	207	487		(280)	128
Discounting of post-employment benefits	2	0	2		
Other deductible temporary differences	171	174		(1)	0
	415	**670**			
Deferred tax revenue/(cost)			**8**	**(258)**	**130**

27. DETAILS OF RELATED-PARTY AND INTRA-GROUP TRANSACTIONS AS AT 31 December 2017

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'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.

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's financial position, profit or loss and cash flows:

Amounts in thousands of euro	**Revenues**	**Costs**	**Receivables**	**Payables**
Equity investments in subsidiaries:				
Alerion Bioenergy S.r.l. in liquidation	3	12	15	18
Alerion Energie Rinnovabili S.p.A.	3,299	-	45,474	489
Alerion Real Estate S.r.l. in liquidation	52	53	178	917
Alerion Servizi Tecnici e Sviluppo S.r.l.	364	57	2,962	121
Callari S.r.l.	330	-	1,611	-
Dotto S.r.l.	274	-	196	379
Energes Biccari S.r.l. in liquidation	9	-	4	54
Enermac S.r.l.	-	-	-	3
Eolo S.r.l.	290	-	591	125
Krupen Wind S.r.l.	16	-	46	6
Minerva S.r.l.	2,069	-	28,712	65
Ordona Energia S.r.l.	357	-	1,366	-
Parco Eolico Licodia Eubea S.r.l.	1,487	-	21,823	2
Renergy San Marco S.r.l.	2,606	-	35,689	-
Wind Power Sud S.r.l.	1,441	-	19,620	-
Total equity investments in subsidiaries	**12,597**	**122**	**158,287**	**2,179**
Equity investments in joint ventures:				
Ecoenergia Campania S.r.l.	144	-	24	-
New Green Molise S.r.l.	145	-	133	-
Total equity investments in joint ventures	**289**	**-**	**157**	-
Related parties:				
Heliopolis Energia S.p.A.	-	13	-	-
Total related parties	**-**	**13**	**-**	**-**
Total	**12,886**	**135**	**158,444**	**2,179**

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's financial position, profit or loss and cash flows

	subsidiaries				Other associates	Joint ventures	related parties	
Amounts in thousands of euro	Alerion Energie Rinnovabili S.p.A.	Alerion Servizi Tecnici e Sviluppo S.r.l.	Alerion Bioenergy S.r.l. in liquidation	Alerion Real Estate S.r.l. in liquidation			Heliopolis Energia S.p.A.	**total**
Trade receivables	182	197	2	13	3,191	130	-	**3,715**
total trade receivables	*3,795*	*3,795*	*3,795*	*3,795*	*3,795*	*3,795*	-	*3,795*
proportion	4.8%	5.2%	0.1%	0.3%	84.1%	3.4%	-	**97.9%**
Other receivables	*108*	*1,186*	*13*	*165*	2,798	27	-	**4,297**
sundry receivables and other current	*4,769*	*4,769*	*4,769*	*4,769*	*4,769*	*4,769*	-	*4,769*
proportion	2.3%	24.9%	0.3%	3.5%	58.7%	0.6%	-	**90.1%**
Non-current financial receivables	35,642	1,579	-	-	94,687	-	-	**131,908**
total non-current financial receivables	*131,908*	*131,908*	-	-	*131,908*	-	-	*131,908*
proportion	27.0%	1.2%	-	-	71.8%	-	-	**100.0%**
Current financial receivables	9,542	-	-	-	8,982	-	-	**18,524**
total current financial receivables	*18,563*	-	-	-	*18,563*	-	-	*18,563*
proportion	51.4%	-	-	-	48.4%	-	-	**99.8%**
Current financial payables	-	-	-	917	-	-	-	**917**
total current financial liabilities	-	-	-	*7,828*	-	-	-	*7,828*
proportion	-	-	-	11.7%	-	-	-	**11.7%**
Current trade payables	-	*121*	-	-	-	-	-	**121**
total current trade payables	-	*871*	-	-	-	-	-	*871*
proportion	-	13.9%	-	-	-	-	-	**13.9%**
Provisions for future risks and charges	-	-	15	-	-	-	-	**15**
Total provisions for future risks and	-	-	*476*	-	-	-	-	*476*
proportion	-	-	3.2%	-	-	-	-	**3.2%**
Other payables	489	-	3	-	634	-	-	**1,126**
sundry payables and other current	*2,045*	-	*2,045*	*2,045*	*2,045*	-	-	*2,045*
proportion	23.9%	-	0.1%	0.0%	31.0%	-	-	**55.0%**
Other revenues	290	266	3	52	2,419	289	-	**3,319**
total other revenues	*3,387*	*3,387*	*3,387*	*3,387*	*3,387*	*3,387*	-	*3,387*
proportion	8.6%	7.9%	0.1%	1.5%	71.4%	8.5%	-	**98.0%**
Operating costs	-	57	-	-	-	-	13	**70**
total operating costs	-	*3,967*	-	-	-	-	*3,967*	*3,967*
proportion	-	1.4%	-	-	-	-	0.3%	**1.8%**
Income (expenses) from equity	3,009	98	(12)	(53)	6,460	-	-	**9,502**
income (expenses) from equity	*9,706*	*9,706*	*9,706*	*9,706*	*9,706*	-	-	*9,706*
proportion	31.0%	1.0%	-0.1%	-0.5%	66.6%	-	-	**97.9%**

28. LEGAL DISPUTES

The legal disputes outstanding as at 31 December 2017 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 (hereinafter "Alerion Real Estate"), as third parties named by SIC - Società Italiana Cauzioni S.p.A. (now, 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 purpose of this case is to assess and have declared extinguished, due to expiry of the time limit, certain surety policies provided to guarantee precise fulfilment of the agreement between AGIED and INPDAP for the management of part of INPDAP's property, and to have it declared that INPDAP is not entitled to execute the aforementioned policies, thereby ascertaining that SIC does not have to pay anything to INPDAP under the aforementioned policies. SIC, which agreed with AGIED's reasoning, did, however, cite Alerion and Alerion Real Estate on a precautionary basis as co-obligors under the policy, 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.
On 1 December 2014, the judged issued the ruling, and, with regard to the position of Alerion as well as the other co-obligors under the policy, found that SIC (now ATRADIUS), had declared that it had released the co-obligors with regard to events occurring after the date of the sale of the company shares with a letter dated 9 June 1999. The court therefore implicitly ruled out the co-obligors (including Alerion) from standing as defendants, ordering Atradius to pay INPDAP and Agied. Alerion's position is therefore considered satisfactory.
AGIED and ATRADIUS (formerly SIC) independently appealed against the first-instance ruling before the Court of Appeal, which set AGIED's appeal hearing for 25 January 2017 and ATRADIUS's appeal hearing for 16 September 2016.
As proceedings were pending for appeals against the same ruling, 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.

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. This assumption enables it to be said that the Company has absolutely no connection to these proceedings, as it was released from any co-obligation by SIC (now ASTRADIUS) and that no risk exists for either company.

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.

Census Consortium

In the context of contractual fulfilment proceedings brought by the Census consortium (in which Fincasa 44, and now, 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 granted one of the counterclaims of the municipality of Rome (payment of the sum of approximately €4.4 million plus interest).
The Court of Appeal rejected an appeal filed by the consortium in July 2015, confirming the first-instance ruling.
The municipality of Rome has not, at the current time, notified 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.

It should be noted, purely for the purposes of completeness, that the economic consequences of the ruling would fall – in the context of the internal relationships between consortium members – exclusively on the parties responsible for the work carried out, without prejudice to the possibility of their insolvency, in which case the other consortium members would be called to account on the basis of their respective shareholdings.
In view of the above, the maximum potential liability for Alerion is believed to be limited to approximately €0.421 million (without prejudice to the effects of the joint and several liability of members of the consortium), provisioned in the financial statements in the previous year, as the adverse event is considered probable.

29. 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
- With the issuance by ACP of the bond loan, the bank project financing agreements, with the relative hedging contracts, were extinguished for the four Group companies (Renergy San Marco S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud S.r.l. and Minerva S.r.l.) and the guarantees in place to cover the aforementioned contracts were consequently cancelled by the banking pool. At the same time, Minerva S.r.l., Parco Eolico Licodia Eubea S.r.l., Wind Power Sud, Renergy San Marco S.r.l. and Alerion Energie Rinnovabili S.p.A. respectively issued autonomous personal guarantees on first demand on 12 February 2016 in

the interest of ACP and in favour of the bond holders, for a maximum guaranteed amount equal to the income from the bond loan received by ACP.

30. 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.

30.2 Information pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation

The following table shows fees accrued in 2017 for auditing services and for services other than auditing provided by the same auditing firm and entities belonging to its network.

(€/000)	Party providing the service	Accrued amount 2017
Auditing	Deloitte & Touche S.p.A.	94
Other services to Parent Company (1)	Deloitte & Touche S.p.A.	29
TOTAL		**123**

(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

30.2 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 2016.

Registered office at Piazza della Rotonda 2, Rome
Tax code and Companies Register no. 01533770218 - VAT no. 01533770218
Economic and Administrative Index (REA) no. RM 1316823
Share capital €8,010,000 = fully paid up

Statement of financial position	**Balance as at 31 December 2016**
Non-current assets	368,440,026
Current assets	39,987,496
Total assets	**408,427,522**
Shareholders' equity	298,923,198
Non-current liabilities	47,962,296
Current liabilities	61,542,028
Total shareholders' equity and liabilities	**408,427,522**

Income statement	**Balance as at 31 December 2016**
Sales revenues and other revenues	5,157,821
Operating costs, depreciation, amortisation and write-downs	(9,569,467)
Operating result	**(4,411,646)**
Net financial income and (expenses)	19,822,809
Taxes for the year	770,847
Profit (loss) for the year	**16,182,010**

Certification of the financial statements pursuant to Article 154-*bis*, paragraph 5, of Legislative Decree 58 of 24 February 1998

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, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the Company;
   - the effective application of administrative and accounting procedures for the preparation of the financial statements in 2017.

2. We also certify that:

2.1 The financial statements as at 31 December 2017:

- 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, 23 February 2018

The Chief Executive Officer | **The Financial Reporting Officer**

Josef Gostner | Stefano Francavilla

Report from the Board of Statutory Auditors
to the Shareholders' Meeting of Alerion Clean Power S.p.A.
pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429, paragraph 2, of the Civil Code

During the financial year that ended 31 December 2017 (hereinafter referred to as the "Financial Year"), we carried out supervisory activities in accordance with applicable legal and regulatory provisions, observing the duties set out in Article 149 of Legislative Decree 58/1998 ("TUF"). These activities also met the Standards of Conduct for the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts. These activities are described in this report that was compiled by also taking account of the indications provided by Consob in Communication No. 1025564 of 6 April 2001 and its subsequent amendments.

*** ***

The Board of Statutory Auditors was appointed by the shareholders' meeting of 29 April 2015 and will remain in office until the approval of the financial statements for the year ended 31 December 2017.

The members of the Board of Statutory Auditors complied with the limits established for the number of positions possible covered in Article 144 *terdecies* of the Issuers' Regulations, making the required notifications to Consob, when applicable.

The statutory audit is entrusted to the independent auditors Deloitte & Touche S.p.A. Please refer to this report for further details.

*** ***

In light of the way that our activity was conducted, we acknowledge that we have:

participated in shareholders' meetings, meetings of the Board of Directors, meetings of the Control and Risks Committee (CRC) and of the Remuneration and Appointments Committee (CRN) held over the year. We have also obtained timely and appropriate information from the Directors on the activity carried out, in line with regulatory and statutory provisions;

obtained the appropriate information to carry out the activity that we are responsible for, namely to investigate the adequacy of the Company's organisational structure and its compliance with the proper administration standards. This information came from direct surveys, the collection of information from the heads of the departments concerned, exchanges of data and information with the auditing company and exchanges with the trade unions of subsidiaries;

monitored the functioning of the internal control and accounting administration systems, in order to assess their adequacy for business requirements and their reliability in representing management events. This was achieved through direct investigations of company documents, by obtaining information from the heads of the respective departments, by analysing the results of the work carried out by the auditing company that evaluated, to the full extent of its abilities, if the schemes adopted were compliant with the law, and if the accounting standards adopted, described in the notes, were adequate in relation to the activity and operations carried out by the Company. The auditing company also investigated the procedure adopted (impairment test) for identifying any loss in value of the assets presented in the financial statements, ensuring it was approved independently by the Board of Directors in advance of the approval deadline for the financial report and that the financial statements corresponded to facts and information of which the Board of Statutory Auditors was aware following participation in meetings of company bodies and the supervisory activities it carried out.

We confirm that the Report on operations for the 2017 financial year is consistent with the laws in force and is consistent with the resolutions adopted by the Board of Directors, as well as with the facts and information of the Board of Statutory Auditors following participation in the meetings of company bodies and the supervisory activities it carried out. The facts and information are represented in the separate financial statements and consolidated financial statements. In particular, the Directors under the "Main Risks and Uncertainties" paragraph and "Significant events occurring after the end of the year and foreseeable changes in management" section of the Operations report describe the main risks and uncertainties to which the Group is exposed, indicating the financial, legal, regulatory, strategic and operational risks, and also referring to civil, tax and administrative disputes to which the Group's companies are party, with detailed evidence of the status of the disputes.

During our supervisory activities, carried out according to the methods described above, no significant facts emerged that would require them being reported to the control bodies. On the basis of the direct interventions and information provided, the decisions made by the directors appeared to us to be compliant with the law and the Articles of Association, and with proper administration standards. They were also consistent and compatible with the size and assets of the company and in its interest.

***

The specific instructions to be outlined in this report are listed below. They are reported in the order provided in the aforementioned Consob Communication of 6 April 2001.

1. We have obtained adequate information and conducted inquiries into the transactions of major economic and financial importance undertaken by the Company and its subsidiaries, of which full information has been provided in the Directors' Report on Operations, to which we refer. In particular, the following should be noted:

the full voluntary takeover bid (Offer), promoted on 26 September 2017 by FRI - EL Green Power S.p.A on all of the shares of Alerion Clean Power S.p.A at a unit price of €3.00;

the closing on 5 December 2017 of the Offer that involved 23,808,563 shares being subscribed, or 54.63% of the capital of Alerion Clean Power S.p.A;

ownership as a result of the Offer by Friel Green Power S.p.A for 36,605,292 Alerion shares equal to 84% of the share capital of the aforementioned company, resulting in management and coordination being conducted by Friel Green Power S.p.A pursuant to Article 2497 of the Civil Code; the approval by the Board of Directors on 23 February 2018 of the proposal:

to eliminate the indication of the nominal value of shares;

to increase the capital indivisibly and on payment for a total amount of €24,800,000, with the exclusion of option rights, through the issue of 7,630,769 ordinary shares, at a price of €3.25, to be paid up by the contribution in kind of FRI - EL Green Power S.p.A. and Pro – lnvest S.r.l. of three special purpose companies, each of which possess the authorisation to build a wind farm, currently under construction in Sardinia, Emilia Romagna and Campania, for a total of 102.4 MW;

the launch of preparatory activities for refinancing the "Alerion Clean Power S.p.A. 2015-2022 bond loan".

2. At its meeting of 25 January 2018, the Board of Directors checked the independence requirements of its members on the basis of the declarations made by the interested parties and acknowledged that the requirements of Standard 3.P.1 and Application Criterion 3.C.1 of the Corporate Governance Code and Article 147-ter, paragraph 4 and Article 148, paragraph 3, of the TUF, were met by Directors Nadia Dapoz, Vittoria Giustiniani and Paola Bruno.
The results of this verification were reported to the market.
The Board of Statutory Auditors verified the correct application of the procedures for verifying the independence requirements adopted by the Board of Directors on 22 February 2018.
Giovanni Brianza, Director since 30 January 2017, resigned on 24 November 2017.

3. During the meeting of 2 February 2017, the Board of Directors was required to create:
the Control and Risk Committee, with Paola Bruno (Chairman), Nadia Dapoz and Paolo Signoretti, who was replaced on 25 January 2018 by Vittoria Giustiniani,
the Remuneration and Nomination Committee, with Nadia Dapoz (Chairman), Paola Bruno and Giovanni Brianza (resigned on 24 November 2017 and not replaced),
the Related Party Transactions Committees, with Vittoria Giustiniani, Nadia Dapoz and Paola Bruno.
The role of Lead independent Director, pursuant to Art. 2. paragraph 3 of the Corporate Governance Code, was entrusted to Nadia Dapoz.
On 25 January 2018, Josef Gostner was appointed as the director in charge of the internal control and risk management system to replace Georg Vaja.
Pellegrino Libraia, Standing Auditor, resigned on 1 December 2017. The alternate auditor Antonia Coppola took over as standing auditor on the same date.

4. On 23 February 2018, the Board of Statutory Auditors gave its opinion, pursuant to Article 2389, paragraph 3 of the Civil Code. They gave a favourable opinion on establishing the remuneration of those Directors with special duties, namely Josef Gostner, George Vaja and Patrick Pircher.

5. We have not identified any atypical and/or unusual transactions undertaken during the year, including intra-group and related-party transactions, nor have we received any instructions from the Board of Directors, the independent auditors or the director in charge of the internal control and risk management system.
The Board of Directors' report on operations has provided an adequate illustration of the effects of the most significant ordinary operations undertaken in terms of earnings, cash flow and the financial position alongside subsidiaries under normal market conditions.

Additionally, the Board of Statutory Auditors, on the basis of the results of the work undertaken by the Internal Audit department, believes that related party transactions (including intra-group transactions) have been adequately supervised. It should be recalled that the Board of Directors approved, in 2011, the Procedure for regulating Related Party Transactions pursuant to Consob Regulation 17221 of 12 March 2010 and the Consob Communication of 30 September 2010 updated by the Board of Directors at its meeting of 25 January 2018. It has also adopted the specific rules contained in the Group Code of Ethics in order to avoid or manage transactions in which there are conflicts involving directors' personal interests. In this context, the Board of Directors has specifically established the Related Party Transactions Committee (RPT).

6. As a whole, the information given by the Directors in their Report on Operations pursuant to Art. 2428 of the Civil Code on all transactions, referred to in point 2 above, may be deemed adequate for the provision of the required information.

7. On 9 March 2018, the independent auditors Deloitte &Touche S.p.A. issued the audit reports pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010 and Art. 10 of EU Regulation No 537/2014, which covered the separate and consolidated financial statements up to 31 December 2017.
In these reports, the auditing company certifies that:
a. the separate and consolidated financial statements for the year ended 31 December 2017 give a true and fair vision of the financial position, earnings and cash flow of the Company and the Group for that Financial Year;
b. the Report on Operations and the information indicated in Article 123-bis, paragraph 4, of Legislative Decree 58/98, reported in the Reports on Corporate Governance and Ownership Structure, is consistent with the separate and consolidated financial statements.
Additionally, on 9 March 2018 the independent auditors Deloitte & Touche S.p.A. issued the additional report required under Article 19, paragraph 1, letter a) of Legislative Decree 39 of 27 January 2010, covering the year ended 31 December 2017, which indicated that no significant shortcomings were detected in the internal control system in terms of the financial reporting process.

8. We have not received any complaints pursuant to Art. 2408 of the Italian Civil Code.

9. The Board of Statutory Auditors received an explanation from the associate, Gian Camilla Naggi on 23 May 2017, in which attention was again drawn to the Shareholders' Meeting of 19 April 2017. This meeting had rejected a liability action against past directors in relation to the participation of a company from the Group in the GSE auction of November 2016.
The Board of Statutory Auditors asked the Company for a written report on the procedure for downgrading plants powered by renewable energy. The Board of Statutory Auditors arrived at the conclusion communicated to the Associate Naggi that the activity carried out by the Board of Directors of Alerion Clean Power S.p.A. appears consistent with the preliminary investigation

undertaken and within the range of historic precedents on the participation of Companies from the Group in auctions.

10. On 8 April 2011, the ordinary shareholders' meeting of the Company resolved to grant the auditing firm Deloitte & Touche S.p.A. the statutory audit for the years 2011-2019. During the year, no critical issues emerged concerning the independence of the audit company, taking into account the regulatory and professional requirements governing its audit work. The audit firm informed us that, based on the best information available, it maintained its independence and objective position vis-à-vis Alerion Clean Power S.p.A. during the reporting period
and there were no changes in the lack of causes for incompatibility as provided in Article 160 of the TUF and chapter I-bis of Title IV of the Issuers' Regulations.
On 9 March 2018, the independent auditors issued a letter confirming their independence for the year in accordance with Article 6, paragraph 2, letter (a) of European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260 and Article 17, paragraph 9, letter a) of Legislative Decree 39/2010.

11. The non-audit tasks performed by Deloitte & Touche S.p.A. and other entities from the same network for companies in the Group have been summarised in a specific communication issued by Deloitte & Touche. The total fees paid by Alerion Clean Power S.p.A. and by the Group were €54,000.

12. The supervisory activity described above was carried out in 2017, with the Board of Statutory Auditors:

- holding 11 Board meetings:
- attending the Shareholders' Meeting of 30 January and 19 April 2017; attending 13 meetings held by the Board of Directors;
- attending 8 meetings of the Risk Control Committee (CRC); attending 1 meeting of the Remuneration and Appointments Committee (CRN).

Alerion Clean Power S.p.A. has for some time adopted the Organisational and Management Model provided for under Legislative Decree 231/2001, that is aimed at preventing the possible occurrence of significant offences pursuant to the decree and which might affect the administrative responsibility of the Company. As the body responsible for implementing the aforementioned Company Model "231/01", which has independent supervision, control and initiative duties, a collegial Supervisory Board (SB) was created.

Following the resignation of Pellegrino Libraia, the SB was integrated on 12 December 2017 through the appointment of Fabrizio De Simone. De Simone also replaced Claudio Vitacea as head of the Internal Audit department on 10 November 2017.

In terms of information exchange with the Supervisory Body pursuant to Legislative Decree 231/2001, the same Committee periodically reports to the Board of Statutory Auditors detailing the monitoring activities carried out on the Organisational Model adopted by the Company pursuant to Legislative Decree 231/2001.

13. We have no particular comment to make on compliance with good administration standards which appear to have been consistently observed. The Board of Statutory Auditors can be reasonable sure that the transactions approved and implemented are compliant with the laws and Articles of Association and are not overtly imprudent or risky, nor are they in potential conflict of interest, contrary to resolutions passed by the Shareholders' Meeting or of such a nature so as to compromise the integrity of the Company's assets. Resolutions of the Board of Directors are implemented by the management and by the structure in line with the criteria established for full compliance;

14. The Board of Statutory Auditors has constantly ensured its knowledge was up-to-date and supervised the adequacy of the Company's organisational structure, by collecting information from competent structures and meetings with the heads of internal control and external audit. The organisational structure, consisting of sections and departments, currently appears consistent with the size and operational requirements of the Group, particularly in view of the fact that Alerion Clean Power Spa has subscribed to being managed and coordinated by Friel Green Power SpA pursuant to Article 2497 of the Italian Civil Code.
The Board of Statutory Auditors verified, among other things, the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members;

15. With regard to the adequacy of the Internal Control System, the Board of Statutory Auditors acknowledges that: it has participated in the activities of the Control and Risk Committee (CRC), in which the Head of Internal Audit participates when appropriate; it has periodically received and reviewed the written reports on the controls carried out by the Head of the Internal Audit function, including information on the results of any corrective actions taken as a result of the audit; it has shared the audit company’s work plan and analysed the activities and results; and it has received information from the manager in charge of writing the accounting documents and from the auditing company about the accounting standards used and the outcome of the audit work.

16. We have no particular observations to make on the adequacy and reliability of the administrative and accounting system to correctly represent operational events. Pursuant to Law 262/2005 (on savings), it should be noted that the Financial Reporting Officer is appointed to produce the accounting documents (the "Financial Reporting Officer"). The Board of Statutory Auditors carried out regular exchanges of information with the Chief Executive Officer and, in particular, with the Executive Responsible for preparing corporate accounting documents, in accordance with the provisions of Article 154 TUF. The Officer also collected information from managers of company departments.

17. It should be noted that pursuant to Article 2497-bis of the Italian Civil Code, Alerion Clean Power S.p.A., in turn, manages and coordinates its subsidiaries. It issues guidelines for strategic purposes, without infringing on the autonomy and independence of the companies and their corporate bodies.
With regard to the exchange of information with subsidiary control bodies, the Board obtained information on the administration and control systems used and the general performance of company activities.

The work undertaken did not reveal any anomalies that could be considered to be indicators of problems or inadequacies in the internal control and risk management system.

18. During the regular meetings held by the Board of Statutory Auditors with the auditors pursuant to Article 150, paragraph 3 of Legislative Decree 58/1998 and Article 19 of Legislative Decree 39/2010 no significant issues emerged that needed to be reported.

19. The Board of Statutory Auditors supervised the procedures to implement the Corporate Governance Code promoted by Borsa Italiana S.p.a. and that had been adopted by the Company. This was done in line with the terms and conditions found in the Report on Corporate Governance and Ownership Structure approved by the Board of Directors at its meeting of 23 February 2018, that should be referred to for further details.
The Board of Statutory Auditors also checked its members compliance with independence and professionalism criteria, pursuant to the relevant legislation. It also ensured that the limit on the number of positions was respected as provided for in Article 144-terdecies of the Issuers' Regulations adopted by Consob resolution no. 11971 of 14 May 1999.

20. In light of the results of the specific tasks performed by the independent auditors in terms of accounting controls, the verification of the reliability of financial statements as well as the other supervisory activities carried out, the Board of Statutory Auditors expresses a favourable opinion and approves the financial statements up to 31 December 2017.

Milan, 14 March 2018

For the Board of Statutory Auditors The Chairman

Dott. Alessandro Solidoro

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

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**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, 2017, 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, 2017, 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 investment in the subsidiary Alerion Energie Rinnovabili S.p.A.

Description of the key audit matter

The Company recognizes investments in subsidiaries for Euro 151,980 thousand as of December 31, 2017. The caption mainly includes the investment in the subsidiary (100%) Alerion Energie Rinnovabili S.p.A. (AER) equal to an amount of Euro 151,195 thousand. AER, whose shareholders' equity amounts to Euro 103,686 thousand as of December 31, 2017, is a sub-holding company that holds all the Group's subsidiaries operating in the energy sector from wind sources.

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As required IAS 36, the Company's Directors, due to the presence of impairment indicators, tested the value of investment in AER for impairment in order to ensure that such investment is carried in the financial statements as of December 31, 2017 at no more than its recoverable amount. As a result of the impairment test, which was approved by the Board of Directors on February 23, 2018, the Directors assessed that the carrying amount of the investment in AER is lower than the recoverable value and, therefore, no impairment losses have been recorded.

The recoverable value of the investment was determined by adding to the company's shareholders' equity the surplus asset, net of the tax effect, of the farms/projects estimated on the basis of the future cash flows, according to the net asset value method.

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.

The business plans underlying these cash flows were prepared by the Group's Management and were approved by the Boards of Directors of the single operating companies.
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;
- discount rates estimated by the Management.

These assumptions are influenced by future expectations about market scenarios.
Considering the importance of the amount of the AER investment carried in the financial statements, of the subjectivity of future cash flows and of the key variables estimates for impairment test model of the investment in AER, we deemed the impairment test a key audit matter.

The Note 6. "*Equity investments in subsidiaries*" of the financial statements includes the disclosures on the impairment test , including a sensitivity analysis carried out by the Management showing the possible effects from changes in certain key assumptions used for the impairment test.

Audit procedures performed

We first 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.

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

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

- detected and developed an understanding of the Company's relevant controls on the impairment test process for investment in subsidiaries;

- 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 farm/project, 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 discount rate (WACC) and the terminal value (TV);

- reviewed the mathematical accuracy of the model used for the estimate of the value in use of the farms/projects;

- reviewed the Management's sensitivity analysis;

Further, we also 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 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.

Other aspects

Pursuant to Article 2497- bis, first paragraph of the Italian Civil Code, Alerion Clean Power S.p.A. 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.

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, 2017, 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, 2017 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, 2017 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
Giovanni Gasperini
Partner

Milan, Italy
March 9, 2018

This report has been translated into the English language solely for the convenience of international readers.

Appendix A

List of equity investments held as at 31 December 2017 by Alerion Clean Power and statement of changes during the year

The following is a list of equity investments held as at 31 December 2017, 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.

CHANGES IN EQUITY INVESTMENTS DURING THE YEAR ENDED 31 DECEMBER 2017

	VALUES 31/12/2016		CHANGES IN INCREASE	CHANGES IN DECREASE	VALUES 31/12/2017	
COMPANY	%	VALUE	COST	COST	%	VALUE
EQUITY INVESTMENTS IN CONSOLIDATED SUBSIDIARIES						
ALERION REAL ESTATE S.r.l. in liquidation	100.00	468,684	204,120	0	100.00	672,804
ALERION ENERGIE RINNOVABILI S.p.A.	100.00	151,194,803	0	0	100.00	151,194,803
ALERION SERVIZI TECNICI E SVILUPPO S.r.l.	100.00	-	112,776	0	100.00	112,776
ALERION BIOENERGY S.r.l.	100.00	-	0	0	100.00	-
TOTAL		**151,663,487**	**316,896**	**0**		**151,980,383**