

Company Registration no. 02192110696

REA no. 159285



RENEXIA S.p.A.

Registered office in VIALE ABRUZZO 410

66100 CHIETI (CH)

Share capital € 5,000,000.00 fully paid up

Managed and coordinated by TOTO Holding S.p.A.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

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Corporate bodies

Board of Directors

In office until the approval of the 2018 financial statements - Appointed on 10 May 2016

Carlo TOTO (Chairman)

Lino BERGONZI (Director and Managing director) ¹

Valentina TOTO (Director)²

Board of Statutory Auditors

(In charge of the statutory audit)

In office until the approval of the 2019 financial statements - Appointed on 8 August 2017

Francesco CANCELLI, Chairman

Paolo PALUMBO, Standing Auditor

Giovanni D'AQUINO, Standing Auditor

Giovanni DI TOMMASO, Alternate Auditor

Francesco PIETROCOLA, Alternate Auditor

¹ Appointed by the shareholders on 19 October 2017 to replace Vincenzo Soprano.

² Appointed by the shareholders on 19 October 2017.

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Financial statements

Balance sheet - assets	31/12/2018	31/12/2017
A) Share capital proceeds to be received (of which already called up)		
B) Fixed assets		
<i>I. Intangible fixed assets</i>	2,360,720	2,358,720
- (Amortisation)	(72,582)	(60,595)
- (Write-downs)	<u>(2,262,599)</u>	<u>25,539</u>
		2,298,125
<i>II. Tangible fixed assets</i>	159,626	147,151
- (Depreciation)	<u>(115,276)</u>	<u>(104,122)</u>
		43,029
<i>III. Financial fixed assets</i>	<u>106,420,247</u>	<u>26,007,620</u>
	106,420,247	26,007,620
Total fixed assets	106,490,136	28,348,774
C) Current assets		
<i>II. Receivables</i>		
- due within one year	<u>4,798,985</u>	<u>7,091,534</u>
	4,798,985	7,091,534
<i>III. Current financial assets</i>		3,061,500
<i>IV. Liquid funds</i>	14,441,940	117,902
Total current assets	19,240,925	10,270,936
D) Prepayments and accrued income	21,286	47,123
Total assets	125,752,347	38,666,833

Balance sheet liabilities	31/12/2018	31/12/2017
A) Net equity		
<i>I. Share capital</i>	5,000,000	5,000,000
<i>II. Share premium reserve</i>	528,216	528,216
<i>IV. Legal reserve</i>	449,512	449,512
<i>VII. Other reserves</i>		
Capital injections for future share capital increases	10,800,000	10,800,000
	10,800,000	10,800,000
<i>VIII. Losses carried forward</i>	(10,183,337)	(8,806,741)
<i>IX. Net profit for the year</i>	96,922,762	
<i>IX. Net loss for the year</i>		(1,376,596)
Total net equity	103,517,153	6,594,391
B) Provisions for risks and charges	3,412,632	3,377,176
C) Employees' leaving entitlement	90,163	102,194
D) Payables		
- due within one year	18,564,670	28,592,797
- due after one year	167,729	
	18,732,399	28,592,797
E) Accrued expenses and deferred income	0	275
Total liabilities	125,752,347	38,666,833

Profit and loss account		2018	2017
A) Production revenues			
1) Turnover from sales and services		659,641	770,652
5) Other revenues and income		66,479	47,215
Total production revenues		726,120	817,867
B) Production cost			
6) Raw materials, consumables, supplies and goods		38,082	24,780
7) Services		1,548,826	1,580,839
8) Use of third party assets		207,985	272,690
9) Personnel expenses			
a) Wages and salaries	1,077,990		905,345
b) Social security contributions	213,894		180,691
c) Employees' leaving entitlement	67,086		56,947
e) Other costs	<u>4,071</u>		<u>14,025</u>
		1,363,041	1,157,008
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets	11,986		15,475
b) Depreciation of tangible fixed assets	11,155		12,144
c) Other write-downs of fixed assets	<u>2,262,599</u>		
		2,285,740	27,619
13) Other provisions			36,658
14) Other operating costs		5,636,646	86,413
Total production cost		11,080,320	3,186,007
Operating loss (A-B)		(10,354,200)	(2,368,140)
C) Financial income and charges			
15) Income from equity investments:			
- subsidiaries	<u>108,182,823</u>		<u>1,400,000</u>
		108,182,823	1,400,000
16) Other financial income:			
a) from financial receivables classified as fixed assets			
- subsidiaries	44,385		29,218
d) other income:			
- other	<u>16,770</u>		<u>9</u>
		61,155	29,227
17) Interest and other financial charges:			
- subsidiaries	(385,686)		(98,039)
- associates			
- parents	(344,738)		(803,592)
- other	<u>(66,642)</u>		<u>(42,244)</u>
		(797,066)	(943,875)
17-bis) net exchange rate gains (losses)		233,181	(224)
Net financial income		107,680,093	485,128

Pre-tax profit (loss) (A-B±C±D)	97,325,893	(1,883,012)
22) <i>Income taxes, current and deferred</i>		
a) Current	0	0
b) Change in deferred tax liabilities		
c) Change in deferred tax assets	(547)	1,013
d) Income from participation in the tax consolidation scheme	403,921	(447,034)
e) Taxes relative to prior years	<u>(243)</u>	<u>(60,395)</u>
	403,131	(506,416)
23) Net profit (loss) for the year	96,922,762	(1,376,596)

Chairman of the Board of Directors

Carlo Toto

Cash flow statement

Cash flows from operations (indirect method)

Cash flow statement	2018	2017
A. Cash flows from operating activities (indirect method)		
Net profit (loss) for the year	96,922,762	(1,376,596)
Income taxes	403,131	(506,416)
Net interest expense	735,911	914,872
Dividends	(108,182,823)	
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on sales	(10,121,019)	(968,140)
<i>Adjustments for non-monetary items with no balancing entry in net working capital</i>		
Accruals to provisions	23,425	36,658
Amortisation/depreciation	23,141	27,619
Impairment losses	2,262,599	0
2. Cash flows before changes in net working capital	(7,811,854)	(903,863)
<i>Changes in net working capital</i>		
Decrease/(increase) in trade receivables	455,174	(170,040)
Decrease in trade payables	(167,491)	(476,645)
Decrease in prepayments and accrued income	25,837	9,833
Increase/(decrease) in accrued expenses and deferred income	(275)	273
Other changes in net working capital	3,409,768	3,543,319
3. Cash flows after changes in net working capital	(4,088,841)	2,002,877
<i>Other adjustments</i>		
Net interest paid	(49,872)	0
Income taxes paid	0	664,930
Dividends received	108,182,823	1,400,000
Use of provisions	0	68,115
4. Cash flows after other adjustments	104,044,110	4,135,922
Cash flows from operating activities (A)	104,044,110	4,135,922
B. Cash flows from investing activities		
<i>Tangible fixed assets</i>		
(Investments)	(12,475)	(4,530)
<i>Intangible fixed assets</i>		
(Investments)	(2,000)	(22,796)
<i>Financial fixed assets</i>		
(Investments)	(79,613,726)	(6,039,027)
Cash flows used in investing activities (B)	(79,628,201)	(6,066,353)
C. Cash flows from financing activities		
<i>Third party funds</i>		
Increase (decrease) in short-term bank loans and borrowings	(499,137)	504,641
Increase (decrease) in financial payables to group companies	(9,592,734)	0
<i>Own funds</i>		
Share capital increase against consideration / Shareholder's waiver of receivable	0	1,500,000
Cash flows from (used in) financing activities (B)	(10,091,871)	2,004,641
Increase in liquid funds (A ± B ± C)	14,324,038	74,210
Liquid funds at 1 January 2018	117,902	43,692
Liquid funds at 31 December 2018	14,441,940	117,902

Chairman of the Board of Directors

Carlo Toto

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

Notes to the financial statements

Dear Shareholders,

The financial statements at 31 December 2018 show a net profit of € 96,922,762.

These notes describe, analyse and, in some cases, supplement the financial statements figures and provide the information required by the reporting standards issued by the Italian accounting standard setter (OIC) applicable to the preparation of financial statements.

Activities carried out

The company was set up in 2007 with the purpose of acquiring and managing equity investments. It represents the “Energy” sub-holding of the Toto Group, responsible for all development, construction and management activities for projects in the renewable energy sector.

Group membership

The company belongs to the Toto Group which is responsible for its management and coordination via Toto Holding S.p.A. The following table provides the key figures from the most recently approved financial statements of said company which carries out management and coordination activities and which prepares consolidated financial statements.

BALANCE SHEET	2017	2016
ASSETS		
A) Share capital proceeds to be received		
B) Fixed assets	363,665,260	360,021,202
C) Current assets	31,240,586	29,059,888
D) Prepayments and accrued income	766,057	689,462
Total assets	395,671,903	389,770,552
LIABILITIES:		
A) Net equity:	297,078,559	291,323,373
Share capital	100,000,000	100,000,000
Reserves	262,157,816	262,093,850
Losses carried forward	(70,834,444)	(77,071,243)
Net profit for the year	5,755,187	6,300,766
B) Provisions for risks and charges	678,404	51,363,620
C) Employees' leaving entitlement	363,576	212,408
D) Payables	97,549,347	46,860,529
E) Accrued expenses and deferred income	2,017	10,622
Total liabilities	395,671,903	389,770,552
PROFIT AND LOSS ACCOUNT		
A) Production revenues	4,488,350	4,804,105
B) Production cost	8,902,846	22,571,397
C) Net financial income	11,159,058	10,929,954
D) Adjustments to financial assets	(326,156)	(831,105)
Income taxes	663,219	(13,969,209)
Net profit for the year	5,755,187	6,300,766

Name and registered office of the company that prepares the consolidated financial statements

Pursuant to article 2427.22-quinquies and sexies of the Italian Civil Code, it is noted that Toto Holding S.p.A., with registered office in Viale Abruzzo 410, Chieti, prepares the consolidated financial statements of the Group of which it is part. These consolidated financial statements are available at Toto Holding S.p.A.'s registered office in accordance with the terms and conditions governing the filing of financial statements.

In accordance with article 27.3 of Legislative decree no. 127/1991, as in the previous years, despite holding controlling interests, the company did not prepare consolidated financial statements. The section on equity investments shows the carrying amount of the investments held, calculated using the equity method.

Main events during the year

The company focused its projects on the development of wind power technology, without excluding the possibility of evaluating the implementation of additional plants for the production of energy from alternative renewable sources in Italy or abroad.

Italy

In 2018, Renexia S.p.A. continued developing its portfolio of projects to support the various SPVs.

The subsidiary Parco Eolico Casalduni House S.r.l. ("PECH") owns the Single Authorisation to construct a wind power plant in the municipality of Casalduni (BN). In the past, PECH received expressions of interests from third-party investors who intended to buy the company. For this reason, it was considered an asset held for sale. However, in 2018, the Energy BU's management changed its strategy and decided to continue the construction and subsequent operation of the Casalduni wind farm, as approved by Renexia S.p.A.'s Board of directors.

PECH is currently working to obtain a variation to the Single Authorisation, bringing the project from 12 3 MW-windmills (for a total power of 36 MW), to 10 3.465 MW-windmills (for a total power of 34.65 MW), while increasing the production of MWh fed into the grid.

Furthermore, on 8 August 2017, it had agreed a contract with Terna S.p.A. to connect the Casalduni wind plant (150 kV power line) to the National transmission network. PECH also entered into an EPC with Renexia Services S.r.l. for the construction of the first and the second sections of the power line which connects Castelpagano to Morcone (first section) and Pontelandolfo to Morcone (second section). The works for the construction of the first section of the power line were completed during the year, while those related to the second section (Pontelandolfo – Morcone) began. After the completion of works, Terna will acquire the 150 kV power line connecting the Circello and the Casalduni wind farms to Terna's National transmission network.

During the year, the subsidiary Renexia Services S.r.l. completed the construction of the Circello wind farm owned by Cogein S.r.l. and is currently building the 150 kV power line, as described earlier, the Morcone (BN) 150 kV substation and the sections connecting this substation to the power line.

The acquisition of Beleolico S.r.l., which owns the Single Authorisation to construct the first off-shore wind farm in Italy, is a major transaction which was completed in May and June 2018. This transaction was carried out through direct subsidiary Renexia Wind Offshore S.p.A., including by issuing a € 25 million bond loan listed on the Vienna stock exchange and entirely subscribed by sector-specialist international funds. As typical of this type of transactions, TH granted an independent guarantee callable on first demand on behalf of some Renexia Wind Offshore bondholders.

Beleolico S.r.l. owns: the (i) Single Authorisation from the Puglia region, (ii) the concession for the relevant body of water and, meanwhile, (iii) won a feed-in tariff (FIT) in the latest FER2016 auction.

On 28 May 2018, this company signed an EPC with Renexia Services S.r.l. for the construction of a wind farm in the Taranto port, which was amended and supplemented on 9 January 2019.

Arbitration award

The arbitration award related to the dispute brought about by ETS against former Ponte Albanito S.r.l. (now C.v.a. S.p.A., following the merger of Ponte Albanito into CVA) was issued on 17 December 2016. In its award, the board of arbitrators ordered Ponte Albanito to pay ETS (i) the residual consideration assessed during the proceedings and (ii) damages for not having complied with some contractual provisions originally agreed at the time of their collaboration.

The total amount to be paid by former Ponte Albanito is approximately € 3.3 million, inclusive of legal and default interest and legal fees. 100% of Ponte Albanito's quota capital was sold by Renexia S.p.A. to C.v.a. S.p.A. in January 2015. Based on the compensation obligation assumed in Ponte Albanito's sale contract, since this dispute began well before its sale and pertains to facts which occurred when Ponte Albanito was a subsidiary of Renexia, in the event of final conviction, the latter shall compensate C.v.a S.p.A. for any amounts to be paid to ETS. In this respect, although according to Renexia, ETS' requests are groundless, the company prudently recognised an accrual reflecting the amount set out in the arbitration award in the provision for risks and charges.

The arbitration award was appealed on 6 February 2017 and C.v.a. S.p.A. obtained a suspension of enforceability, subject to the provision of a guarantee of € 3.2 million (the "**Guarantee**"). C.v.a. S.p.A., in turn, was guaranteed by the company and, consequently, gave the Guarantee. Accordingly, the enforceability of the award is suspended pending the judgement on appeal.

The first appeal hearing (L'Aquila Court of appeal, RG 290/17), which was held on 13 June 2017, resulted in the adjournment to the hearing for closing arguments of 14 January 2020, subject to suspension.

Tunisia

On 18 December 2018, MedWind Sarl applied for the granting of a construction permit, inclusive of an incentive tariff blocked for 20 years, for the El Haouaria Ovest wind farm, consisting of 10 turbines for a total of 30 MW.

On 25 September 2018, the pre-selection dossier for the construction and operation of a 100 MW wind farm in Tunisia was filed.

United States

In 2017, the Public Service Commission of Maryland awarded US Wind Inc. the OREC feed-in tariff related to the electricity which will be generated by the off-shore wind farm in **Maryland**, once completed. OREC is a feed-in tariff introduced in 2013 by the state of Maryland ("Maryland Offshore Wind Energy Act") to support the production of energy from renewable sources.

Specifically, the Public Service Commission of Maryland awarded the company a feed-in tariff of USD 166.7 for 913,845 MWh for 20 years and a 1% annual increase from the first year of activity of the plant, which is currently set for 2022.

With respect to the construction of the plant, after completing its staffing operations, the company worked together with specialised companies to conduct the geotechnical and geophysical surveys for obtaining the preliminary permits required for the construction of the wind farm.

Construction of the Met Tower was completed while the purchase of the technological material is nearing completion. The next goal is the delivery of the Construction and Operation Plan (COP), to be approved by the BOEM (Bureau of Ocean Energy Management).

Pending the granting of the permits necessary to construct the wind farm, many requests for proposals (RFPs) were issued to potential suppliers, in order to plan timing and costs, once the authorisation process is completed.

On 6 December 2018, a major transaction was completed which envisages the sale of the contract for the lease of the area covering approximately 743 square metres of federal waters off the **New Jersey** (United States) coast, which had been signed by the subsidiary US Wind Inc. and BOEM. The agreed consideration amounts to approximately USD 455 million and includes:

- (i) USD 2 million paid on 31 October 2018 as exclusive right consideration;
- (ii) USD 4 million paid when the contract was signed, i.e., 3 December 2018;
- (iii) USD 209 million paid on 6 December when the closing took place, following BOEM's authorisation to transfer to the lease to the new owners;
- (iv) USD 240 million as deferred consideration, subject and indexed to the MW percentage (up to 2.475) which can effectively be installed on the New Jersey area.

US Wind Inc. used limited resources in the initial investment in New Jersey. Therefore, the significant economic and financial return for the company and group in the short-term (revenues already realised and collected) should be noted. This will ensure significant future income in terms of deferred consideration

whose amount, at present, has not been calculated or realised from an economic point of view (in line with ruling legislation).

Significant events after the reporting date

Italy

On 18 February 2019, Renexia Wind Offshore S.p.A. signed the contract for the sale of Beleolico S.r.l. The transaction, which, however, is subject to the occurrence of certain contractually-agreed events, is expected to be completed by the end of 2019, when the wind farm is also expected to be completed.

In March 2019, the subsidiary Parco Eolico Casalduni House S.r.l. was invited to the service meeting to obtain the above-mentioned variation necessary for the authorisation of the Casalduni (BN) wind farm.

Business outlook

The company intends to continue developing its portfolio of projects, optimising human, economic and financial resources to support the various SPVs.

Italy

Renexia S.p.A. is considering the new opportunities offered by the domestic market in terms of potential acquisitions of wind projects in southern Italy in order to pursue the strategy aimed at building wind farms. Against this background, the Energy BU assessed and approved a change to its strategic approach, which is now focused on purchasing and selling the turn-key projects available on the market. Indeed, PECH intends to create and maintain a MW portfolio to be managed over the years in order to become a player in the energy sale market, benefiting from all the business opportunities available on this market.

In this respect, the “FER 1 renewable energy sources decree” is expected to be approved in the first half of 2019. Indeed, the process to approve this decree is nearing completion and, soon, new incentives to support the plants which produce energy using renewable sources, will be rolled out. With respect to the projects in portfolio, the group's management will consider the opportunity to participate in new auctions for the allocation of incentive tariffs, also based on the price trend on the free market.

With respect to the construction of the Taranto wind farm (the first off-shore wind farm in Italy), in early 2019, Beleolico S.r.l. continued the construction of the wind farm by entering into the main supply and sub-contracting agreements. Works are expected to start in the second half of 2019 and to be completed by year end in order to sell the wind farm in accordance with the sale agreement.

Tunisia

The outcome of the applications filed in 2018 is expected to be revealed in the first half of 2019. The proposals for the acquisition of MedWind are also expected to be received in the next few months.

United States

In 2019, US Wind will continue the activities to complete the authorisation process for the off-shore wind project in Maryland with a maximum potential capacity of approximately 1,300 MW.

The Maryland project is part of the large projects of great importance in the development of the renewable energy sector in the USA, which are extremely attractive to qualified international financial and industrial investors.

In striving to achieve the best balance between investments, profitability and management of sources-uses of funds, the group examines all the partnership proposals it receives and/or other opportunities offered by the market. Top management will therefore adopt the most appropriate strategies at each stage of the development, construction and management of projects, which may lead to different solutions (equity partnerships, sale of investments in SPVs upon obtaining building permits, in-house construction of projects, etc.).

Basis of preparation

The financial statements at 31 December 2018 have been prepared in accordance with the provisions of the Italian Civil Code on financial statements as amended by Legislative decree no. 139/15 which implemented EU directive no. 2013/34.

These financial statements have been prepared in a condensed format as the requirements specified by article 2435 bis.1 of the Italian Civil Code have been met. Therefore, no directors' report was prepared.

Pursuant to article 2428.3 and 4 of the Italian Civil Code, it is noted that there are no own shares or shares or quotas of parents held by the company or through trustees or nominees and no own shares or shares or quotas of parents were purchased and/or sold by the company during the year, including through trustees or nominees.

The financial statements consist of:

- a balance sheet;
- a profit and loss account;
- a cash flow statement;
- these notes.

These notes describe, analyse and, in some cases, supplement financial statements figures and provide the information required by article 2427 of the Italian Civil Code, in line with the legislative changes introduced

by Legislative decree no. 139/15 and the accounting standards issued by the Italian Accounting Standard Setter (OIC).

The cash flow statement has been prepared using the indirect method.

The balance sheet, profit and loss account and the cash flow statement have been drawn up in euro units, while the figures in these notes are presented in thousands of euros unless otherwise stated. The euro is the company's functional and presentation currency.

Measurement criteria

(Ref. article 2427.1.1 of the Italian Civil Code)

The measurement criteria applied to the preparation of these financial statements at 31 December 2018 are unchanged from those used in the previous year.

The financial statements items have been measured in accordance with the general principle of prudence on a going concern basis.

Items have been recognised and presented in accordance with the substance over form principle.

The company recognised profits only if realised before the reporting date. Furthermore, it recognised income and expenses on an accruals basis, rather than in the year in which the associated collections and payments occur and considered risks and losses on an accruals basis, even when they become known after the reporting date.

Heterogeneous entries included in the single items have been measured separately.

In accordance with the principle of materiality, the company did not comply with the obligations applicable to recognition, measurement, presentation and disclosure when the effects of compliance therewith were irrelevant for the purposes of giving a true and fair view.

The measurement criteria cannot be changed from one year to the next. Each balance sheet and profit and loss account item is accompanied by the corresponding prior year balance. When no comparison is possible, prior year items are adjusted. Any lack of comparability, any adjustment or non-adjustment are disclosed and described in the relevant notes.

If the information required by specific legal provisions is not enough to give a true and fair view, all the additional information necessary for that purpose has been provided.

Waivers

(Ref. article 2423.4 of the Italian Civil Code and article 2423 bis.6.1 of the Italian Civil Code)

There were no exceptional cases requiring the company to have recourse to any of the exemptions under article 2423.5 of the Italian Civil Code.

The measurement criteria adopted in preparing the financial statements are as follows.

Fixed assets

Intangible fixed assets

These are recognised at their historical purchase cost and are shown net of accumulated amortisation, which is directly charged to the individual items.

Industrial patents and, in particular, the software purchased for the study concerning energy production capacity of the current projects are amortised over 3 years.

Trademarks are amortised over 10 years.

If, regardless of the amortisation already charged, an impairment loss exists, the asset is written down accordingly. If, in following years, the reasons for the write-down no longer apply, the original value is reinstated adjusted by amortisation only.

Tangible fixed assets

These are recognised at purchase cost and adjusted by the corresponding accumulated depreciation.

The carrying amount takes into account ancillary charges and costs incurred for using the asset, less any material trade or cash discounts.

The depreciation charges, taken to the profit and loss account, are calculated according to the use, allocation and expected useful life of the assets. The following depreciation rates are believed to reflect the effective useful life of the assets, and are unchanged from the previous year. They are halved in the year in which the asset comes into use. The rates applied are:

- Plant and machinery (anemometers): 10%;
- Industrial and commercial equipment (sundry and minor): 40%;
- Other assets (office and electronic equipment, etc.): 20%;
- Other assets (motor vehicles): 25%.

If, regardless of the depreciation already charged, an impairment loss exists, the asset is written down accordingly. If, in following years, the reasons for the write-down no longer apply, the original value is reinstated adjusted by depreciation only.

Equity investments

Investments in subsidiaries recognised under financial fixed assets are measured at purchase or subscription cost.

Equity investments classified as fixed assets represent the company's long-term, strategic investments.

They are measured at cost, upon initial recognition. This cost may not be maintained and, consequently, the

item is written down in accordance with article 2426.1.3 of the Italian Civil Code, when, at the reporting date, the carrying amount of the equity investment is permanently below its cost. An impairment loss results from the comparison between the equity investment's initial carrying amount and its recoverable amount, calculated based on the future economic benefits the company expects to receive from the investment.

Equity investments recognised at purchase cost which have undergone an impairment loss have been written down. If the cost of the investment exceeds the amount determined using the equity method (article 2426.1.4), the other equity investments are not written down since the higher carrying amount is justified by the gains and/or goodwill of investees.

Dividends

Dividends received are recognised when the company obtains the right to collect them, following the resolution of an investee's shareholders to distribute profits or possibly, reserves.

Receivables

Receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are measured at their estimated realisable value.

As the company prepared condensed financial statements, the amortised cost method and the discounting of recognised receivables under OIC 15. 46 and 47 were not applied. Consequently, any initial transaction costs were recognised under prepayments, item D of balance sheet assets.

Pursuant to article 2427.6-ter, it is noted that there are no receivables related to repurchase transactions.

A specific bad debt provision is accrued to cover possible insolvency risks. The accrued amount is checked periodically and, in any case, at each reporting date, considering existing or probable bad debts and the general economic, sector and country risk conditions.

Liquid funds

Petty cash is recognised at its nominal amount, whereas bank and postal accounts are recognised at their estimated realisable value which, in this case, coincides with the nominal amount.

Payables

Payables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted.

As the company prepared condensed financial statements, the amortised cost method and the discounting of recognised payables under OIC 19. 54 and 55 were not applied. Consequently, any initial transaction costs (incurred, for example, to raise loans) were recognised under prepayments, item D of balance sheet assets.

Pursuant to article 2427.6-ter, it is noted that there are no payables related to repurchase transactions.

Provisions for risks and charges

These are set aside to cover losses or payables which are certain or probable, but the amount or due date of which is undetermined at the reporting date. The amounts set aside represent the best possible estimate based on the data available at the time the financial statements were prepared.

These provisions are measured in accordance with the general criteria of prudence and on an accruals basis. No generic provision for risks has been set up, as there are no economic reasons for doing so.

Liabilities are recognised and provided for when considered probable and the related amount can be reasonably estimated.

Risks for which a liability is only possible are disclosed in the notes if significant, without any amount being accrued to the provision for risks and charges.

Employees' leaving entitlement (TFR)

This represents the actual amounts due to employees in accordance with law and current national labour agreements, taking into account all forms of remuneration of an ongoing nature.

It is the total amount due to employees at the reporting date, net of any payments on account, in accordance with the supplementary pension reform introduced by Legislative decree no. 252 of 5 December 2005 as subsequently amended.

Since the company has fewer than 50 employees, it is not required to allocate the amounts to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (or to transfer these to the INPS treasury), unless designated by the employee to do so.

Prepayments and accrued income, accrued expenses and deferred income

These are determined on an accruals basis.

For those of a long-term nature, the conditions which led to them being initially recognised have been checked and changes made as necessary.

Revenue and cost recognition

Revenues of a financial nature and those deriving from the provision of services are recognised on an accrual basis.

Costs for the purchase of materials are recognised upon transfer of title, which generally takes place at the time of delivery or shipment.

Costs of a financial nature and those deriving from the purchasing of services are recognised on an accrual basis.

Revenues and income, costs and charges relating to transactions in foreign currency are calculated at the exchange rate ruling on the date the relevant transaction is completed.

Translation of foreign currency amounts

Receivables and payables originally expressed in foreign currencies, recognised at the exchange rates in force on the date they arose, are adjusted to closing rates or, in the event of hedges, at the contractual forward rate. In particular, current assets and liabilities and financial receivables are recognised at the spot exchange rate applicable at the reporting date. Exchange rate gains and losses arising from the translation of receivables and payables are taken to the profit and loss account item 17-bis Exchange rate gains and losses.

Any net gain on the translation of foreign currency amounts using closing rates forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year to the legal reserve are approved, it is recognised in an undistributable reserve.

Fixed assets in foreign currency are instead recognised at the exchange rate in force at the time of their purchase or at the lower reporting rate only if the negative changes result in permanent impairment of the fixed assets.

Income taxes

Taxes are provided for on an accruals basis; this item therefore reflects:

- the accruals for taxes paid or to be paid during the year, calculated in accordance with applicable rates and laws;
- the deferred tax assets and liabilities on the temporary differences which arose or were eliminated during the year;
- the adjustments of the deferred tax balances to reflect the changes in rates.

Deferred tax assets are recognised when it is reasonably certain that the company will report a taxable profit in future years equal to or more than the amount of deductible temporary differences on which they were calculated.

Deferred tax assets and liabilities are calculated at the tax rate that will be applicable in the year in which the temporary differences reverse, in accordance with the tax regulations ruling at the reporting date.

From 2011, the company, as consolidated company, has opted to participate in the national tax consolidation scheme – which allows for IRES (corporate income tax) to be calculated using a taxable base corresponding to the total of positive and negative taxable amounts of the individual participating companies – together with TOTO HOLDING S.p.A., the latter acting as the tax parent. Financial transactions, liabilities and mutual obligations between the tax parent and the consolidated companies are set out in the Consolidation regulation for group companies signed on 14 June 2014 and subsequently updated on 31 October 2018.

Guarantees, commitments, third party assets and risks

Guarantees, commitments and third party assets are shown at their contractual value.

The risks related to guarantees given, personal guarantees and collateral for third-party payables are shown, to the extent of the amount of the guarantee given, in “Other information - Off-balance sheet commitments, guarantees and contingent liabilities”. Commitments are stated at their nominal amount, based on the relevant documentation.

Risks for which a liability is probable are described in the notes and are adequately provided for in the

provision for risks. Risks for which a liability is only possible are disclosed in the notes, but no amount is allocated to the provision for risks in accordance with the applicable reporting standards. Remote risks have not been taken into account.

Workforce

Changes in the workforce during the year are shown in the table below, broken down by category.

Headcount at 31 December 2018

	31/12/2018	31/12/2017	Change in the year
Managers	1	1	0
Junior managers	2	3	(1)
White collars	13	10	3
Total	16	14	2

Average workforce for 2018

	2018	2017	Change in the year
Managers	1.0	1.0	0.0
Junior managers	2.0	3.0	(1.0)
White collars	13.0	9.5	3.5
Total	16.0	16.0	2.5

Assets**B) Fixed assets**

31/12/2018	31/12/2017	Change in the year
106,490,136	28,348,774	78,141,362

I. Intangible fixed assets

31/12/2018	31/12/2017	Change in the year
25,539	2,298,125	(2,272,586)

Description	31/12/2018	31/12/2017	Change in the year
Industrial patents	11,755	16,610	(4,855)
Concessions, licences, trademarks and similar rights	13,784	18,916	(5,132)
Assets under development and payments on account	0	2,262,599	(2,262,599)
Total	25,539	2,298,125	(2,272,586)

Change in intangible fixed assets*Industrial patents and intellectual property rights*

Description	31/12/2017	Increases	Transferred balance	Amortisation	31/12/2018
Software licences	16,610	2,000	0	(6,855)	11,755
Total	16,610	2,000	0	(6,855)	11,755

The increases of the year relate to investments in application software. Amortisation is calculated over three or ten years, based on the type of software licence.

Concessions, licenses, trademarks and similar rights

Description	31/12/2017	Increases	Transferred balance	Amortisation	31/12/2018
Concessions, licences, trademarks and similar rights	18,916	0	0	(5,132)	13,784
Total	18,916	0	0	(5,132)	13,784

The item includes the capitalisations over the previous years for the studies aimed at enhancing the company's brand in order to make it recognisable and appealing to the market.

Amortisation is calculated over ten years.

Assets under development

Description	31/12/2017	Increases	Write-downs	Decrease	Amortisation	31/12/2018
Pre-operating costs	2,262,599	0	(2,262,599)	0	0	0
Total	2,262,599	0	(2,262,599)	0	0	0

At 31 December 2017, the balance of this item, equal to € 2,263 thousand, represented the preliminary development costs required in order to obtain the authorisations for constructing the wind farms in the municipalities of:

- i. Lucera (FG), a project for which costs of € 710 thousand have been incurred;
- ii. Troia (FG), a project for which costs of € 1,333 thousand have been incurred;
- iii. Santa Croce del Sannio (BN) and Alberona (FG), a project for which costs of € 219 thousand have been incurred.

For the Lucera (FG) and Troia (FG) projects, the development activity slowed down in 2014 after the Single Authorisation was not granted for the construction of the two wind power plants (Apulia Region notes no. 4025 and 4026 dated 8 July 2014). The company lodged an appeal against these decisions to the competent TAR (Regional Administrative Court). (RG 170/2014). As a result, the Apulia Region ordered the cancellation of the final rejection measures on 9 December 2014 as a result of internal review (notes no. 4025 and 4026 dated 8 July 2014) pursuant to article 21 octies and following of Law no. 241 of 7 August 1990. To date, the company has not yet requested a hearing and, consequently, on 11 March 2019, the Puglia region TAR served a “Notice of expiration” indicating the expiry of the possibility of starting a dispute within the terms established by the law. The company decided to cease the development of the above projects due to the difficulties encountered as part of the authorisation process. Therefore, it will not file any request for a hearing. Based on the above, the development costs capitalised in prior years were written off (€ 2,043 thousand).

With respect to the Santa Croce del Sannio (BN) and Alberona (FG) projects, the company decided to definitively terminate the process to obtain the authorisations for constructing wind farms. Consequently, it wrote off the € 219 thousand development costs incurred and capitalised in prior years.

II. Tangible fixed assets

31/12/2018	31/12/2017	Change in the year
44,350	43,029	1,321

Description	31/12/2018	31/12/2017	Change in the year
Plant and machinery	28,018	35,857	(7,839)
Other assets	16,332	7,172	9,160
Total	44,350	43,029	1,321

As required by OIC 16. 84, it is noted that there are no mortgages, pledges, liens or any other encumbrances of any kind on tangible fixed assets. In addition, no financial charges incurred for purchasing fixed assets were capitalised.

Change in tangible fixed assets*Plant and machinery*

Description	Amount
31/12/2017	35,857
Increases of the year	0
Depreciation for the year	(7,839)
31/12/2018	28,018

The item includes the anemometers the company purchased over the previous years.

These assets, necessary for the preparatory studies for the development of projects, are depreciated over ten years. No new investments were made during the year.

Other assets

Description	Amount
31/12/2017	7,172
Increases of the year	12,475
Depreciation for the year	(3,315)
31/12/2018	16,332

The item comprises “Office equipment” and “Cars” with a residual value of € 16 thousand, depreciated at 20% (rate halved during the first year in which the asset comes into use).

III. Financial fixed assets

31/12/2018	31/12/2017	Change in the year
106,420,247	26,007,620	80,412,627

Description	31/12/2018	31/12/2017	Change in the year
Equity investments	33,104,539	25,648,168	7,456,371
Financial receivables	73,315,708	359,452	72,956,256
Total	106,420,247	26,007,620	80,412,627

Equity investments

Description	31/12/2017	Increases	Reclassifications	Write-downs	31/12/2018
Subsidiaries	25,648,168	4,542,048	2,901,500	0	33,091,716
Other companies	0	12,823	0	0	12,823
Total	25,648,168	4,554,871	2,901,500	0	33,104,539

Investments in subsidiaries are recognised at purchase cost including any ancillary charges. The increases of the year relate to the following companies:

- Renexia Wind Offshore S.p.A. (€ 2,790 thousand). On 8 May 2018, the quotaholders of Circello 2 S.r.l., called in an extraordinary meeting, decided to transform the company in a company limited by shares and to change its name to Renexia Wind Offshore S.p.A. At the same time, they approved a € 40 thousand capital increase in order to bring the company into line with the minimum share capital

amount required by article 2327 of the Italian Civil Code.

Furthermore, during the year, Renexia S.p.A. waived financial receivables worth € 2,750 thousand to cover the losses incurred by the subsidiary Renexia Wind Offshore S.p.A.

- US Wind Inc. (€ 1,132 thousand). The increase relates to capital injections to increase share capital.
- Medwind Sarl (€ 567 thousand). On 20 December 2018, Renexia S.p.A. waived the financial receivable due from the subsidiary in order to cover the losses of the year.
- Intersun S.r.l. (€ 40 thousand). On 20 December 2018, Renexia S.p.A. waived the trade receivable due from the subsidiary in order to cover the losses of the year.
- Indaco S.r.l. (€ 5 thousand); On 20 December 2018, Renexia S.p.A. waived the financial receivable due from the subsidiary, transforming it into a capital injection.
- Volere Volare S.r.l. (€ 5 thousand); On 20 December 2018, Renexia S.p.A. waived the financial receivable due from the subsidiary, transforming it into a capital injection.

Furthermore, the item rose following the € 2,901 thousand reclassification of the investment in Parco Eolico Casalduni House S.r.l. from current to fixed assets. Indeed, as set out in the section “Significant events of the year”, the subsidiary Parco Eolico Casalduni House S.r.l. owns the Single Authorisation to construct a wind farm in the Casalduni municipality (BN). In the past, the company received expressions of interests from third-party investors who intended to buy it. For this reason, it was considered an asset held for sale. However, in 2018, the company changed its strategy and decided to continue the construction and subsequent operation of the Casalduni wind farm, as approved by Renexia S.p.A.’s Board of directors.

Information is provided below on the investees and the activities they carried out in 2018. As set out in article 2426.3 of the Italian Civil Code, the difference in the carrying amount of the equity investments and the corresponding carrying amount determined using the equity method is justified below. The amounts in the following table refer to the financial statements of the subsidiaries at 31 December 2018.

Description	City or foreign country	Share/quota capital	% of invest.	Net equity	Profit/(loss)	Equity method	Carrying amount
InterSun S.r.l.	Chieti	€ 30,000	100.00%	27,056	(84,258)	27,056	801,851
Renexia Services S.r.l.	Chieti	€ 100,000	70.00%	977,584	39,049	5,234,309	170,000
US Wind	USA	\$ 100,000	100.00%	53,891,390	133,074,087	158,924,213	24,431,487
Medwind	Tunisia	5,000 dinars	80.00%	87,578	(236,807)	70,062	920,220
Renexia Wind Offshore S.p.A.	Chieti	€ 50,000	100.00%	1,582,429	(1,218,518)	1,582,429	2,805,000
Parco Eolico Casalduni House S.r.l.	Chieti	€ 40,000	100.00%	180,949	(64,822)	180,949	2,901,500
Good Wind S.r.l.	Chieti	€ 10,000	100.00%	12,712	(1,075)	12,712	117,888
Spartivento S.r.l.	Chieti	€ 10,000	100.00%	10,896	(1,074)	10,896	117,888
Calabria Energia S.r.l.	Chieti	€ 10,000	100.00%	17,667	(1,075)	17,667	117,888
Indaco S.r.l.	Chieti	€ 10,000	100.00%	12,375	(1,603)	12,375	354,026
Volere Volare S.r.l.	Chieti	€ 10,000	100.00%	21,025	(1,670)	21,025	353,968
Total							33,091,716

The quotas of Intersun S.r.l. have been pledged as a guarantee for the obligations of the subsidiary vis-à-vis third parties regarding the loans received for the construction of the photovoltaic park owned by the company.

1) Intersun S.r.l.

The business purpose of the company is the design, construction, management and maintenance of plants for the production of energy, regardless of the generating source, in accordance with current rules and regulations, on land, plants and structures which are part of the Interporto D'Abruzzo (freight terminal) in Manoppello (PE).

The company constructed and connected a photovoltaic plant with a 3.5 MW capacity to the national power grid.

The investment is measured at purchase cost and is recognised at a value that is higher than the amount resulting from application of the equity method. This is justified by the expected future profitability and the expressions of interest received from third parties who intend to buy the company.

2) Medwind S.a.r.l.

The Tunisian company is developing projects for the construction of two on-shore wind power plants.

The investment is measured at purchase cost and is recognised at a value that is higher than the amount resulting from application of the equity method. This is justified by the fact that the company is in a start-up phase and by the expected future profitability once the company has obtained the construction permits, in addition to the expressions of interest received from third parties who intend to buy the company.

3) Renexia Wind Offshore S.p.A.

On 18 May 2018, the company acquired Beleolico S.r.l., which owns the authorisation to build an off-shore wind farm in the Taranto port, consisting of ten wind generators, for a total power of 30 MW. Specifically, Beleolico S.r.l. owns: the (i) Single Authorisation from the Puglia region, (ii) the concession for the relevant body of water and, meanwhile, (iii) won a feed-in tariff (FIT) in the latest FER2016 auction.

The investment is measured at purchase cost and is recognised at a value that is higher than the amount resulting from application of the equity method. This is justified by Beleolico S.r.l.'s sale price agreed as part of a sale transaction subject to the occurrence of specific events contractually-agreed by the parties. The transaction is expected to be completed at the end of 2019.

4) Parco Eolico Casalduni House S.r.l.

This subsidiary owns the Single Authorisation to construct a wind power plant in the municipality of Casalduni (BN). Furthermore, it signed with Terna S.p.A. a contract for the construction of the Pontelandolfo (BN) – Castelpagano (BN) power line which will connect the Casalduni wind farm to the National Transmission Network.

The investment is measured at purchase cost and is recognised at a value that is higher than the amount resulting from application of the equity method. This is justified by the expected future profitability to be generated by the sale of the power line to Terna and by the operation of the Casalduni wind farm.

5) Good Wind S.r.l. – Calabria Energia S.r.l. – Spartivento S.r.l. – Indaco S.r.l. – Volere Volare S.r.l.

The five companies acquired in 2016 and 2017 are developing five projects for the installation of mini wind turbines in the south of Italy.

They are measured at purchase cost and recognised at a value that is higher than the amount resulting from application of the adjusted equity method. This is justified by the fact that the companies are in the start-up stage and the expected future profitability that will be generated once the construction permits are obtained.

Financial receivables

Description	31/12/2018	31/12/2017	Change in the year
From subsidiaries	20,261,540	348,193	19,913,347
From parents	52,730,639	1,059	52,729,580
From others	323,529	10,200	313,329
Total	73,315,708	359,452	72,956,256

Description	31/12/2017	Increases	Reclassifications	Decreases	31/12/2018
From subsidiaries	348,193	22,227,538	1,015,132	(3,329,323)	20,261,540
From parents	1,059	52,729,580			52,730,639
From others	10,200	323,529		(10,200)	323,529
Total	359,452	75,280,647	1,015,132	(3,339,523)	73,315,708

Financial receivables “from subsidiaries”, of € 20,262 thousand, increased by a total of € 23,243 thousand. The increases may be analysed as follows:

- Reclassification of the financial receivable from the subsidiary Parco Eolico Casalduni House S.r.l. (€ 1,015 thousand). In the 2017 financial statements, the directors recognised the investment under current assets as it was considered an asset held for sale. Furthermore, the receivable rose following new loans and the interest of the year (€ 138 thousand). During the year, the receivable was reclassified to financial fixed assets.
- New loans and interest from Renexia Wind Offshore S.p.A. (€ 21,844 thousand), Medwind (€ 222 thousand), Indaco S.r.l. (€ 12 thousand) and Volere Volare S.r.l. (€ 12 thousand).

Finally, the decreases in receivables “from subsidiaries” (€ 3,329 thousand) mainly relate to the waivers of receivables from Renexia Wind Offshore S.p.A. (€ 2,750 thousand), Medwind Sarl (€ 567 thousand), Indaco S.r.l. (€ 5 thousand) and Volere Volare S.r.l. (€ 7 thousand).

For the sake of greater clarity, changes in receivables from subsidiaries may be analysed as follows:

Description	31/12/2017	Increases	Reclassifications	Decreases	31/12/2018
Intersun S.r.l.	93	0	0	(93)	0
Renexia Wind Offshore S.p.A.	0	21,843,701	0	(2,750,000)	19,093,701
Parco Eolico Casalduni S.r.l.	0	137,776	1,015,132		1,152,908
Medwind S.a.	345,300	222,000	0	(567,300)	0
Indaco S.r.l.	455	12,080	0	(5,085)	7,450
Volere Volare S.r.l.	2,345	11,981	0	(6,845)	7,481
Total	348,193	22,227,538	1,015,132	(3,329,323)	20,261,540

Receivables “from parents” amount to € 52,731 thousand and increased by € 52,730 thousand. They relate to the parent Toto Holding S.p.A.

Receivables “from others” (€ 324 thousand) relate to the cash collateral paid by the company, to enable Medwind Sarl to apply for the allocation of a construction permit, inclusive of a 20-year incentive tariff, for the El Haouaria Ovest wind farm in Tunisia, which will comprise 10 turbines for a total of 30 MW.

Receivables at 31 December 2018 are broken down by geographical area as follows (article 2427.1.6, Italian Civil Code).

Description	From subsidiaries	From parents	From others	Total
Italy	20,261,540	52,730,639		72,992,179
Non-EEC			323,529	323,529
Total	20,261,540	52,730,639	323,529	73,315,708

C) Current assets

II. Receivables

31/12/2018	31/12/2017	Change in the year
4,798,985	7,091,534	(2,292,549)

Description	31/12/2018	31/12/2017	Total
Trade receivables	2,150,132	2,605,306	(455,174)
From subsidiaries	1,614,143	3,364,597	(1,750,454)
From parents	377	447,064	(446,687)
From subsidiaries of parents	2,622	7,653	(5,031)
Tax receivables	451,653	100,654	350,999
Deferred tax assets	38,289	37,742	547
From others	541,769	528,518	13,251
Total	4,798,985	7,091,534	(2,292,549)

Description	Due within one year	Due after one year	Due after 5 years	Total
Trade receivables	2,150,132			2,150,132
From subsidiaries	1,614,143			1,614,143
From parents	377			377
From subsidiaries of parents	2,622			2,622
Tax receivables	451,653			451,653
Deferred tax assets	38,289			38,289
From others	541,769			541,769
Total	4,798,985	0	0	4,798,985

“Trade receivables” (€ 2,105 thousand) mainly comprise:

- the receivable from CVA for € 2,120 thousand related to the amounts withheld from the sale price of the investment in Ponte Albanito S.r.l.;
- the receivable from Compagnia Generale Investimenti S.r.l. (Cogein) of € 30 thousand related to the asset management contract in place between the parties, covering the operation of the Circello wind farm and other support services.

Receivables “from subsidiaries” (€ 1,614 thousand) includes trade receivables and may be analysed as follows:

- € 525 thousand from Medwind consisting of trade receivables for the technical services provided to the Tunisian subsidiary;
- € 185 thousand from US Wind consisting of trade receivables for the technical and administrative services provided to the US subsidiary;
- € 422 thousand from Parco Eolico Casalduni House S.r.l. consisting of trade receivables for the technical and administrative services provided to the subsidiary;
- € 458 thousand from Renexia Services S.r.l. consisting of trade receivables for the technical and administrative services provided to the subsidiary;
- € 24 thousand from Calabria Energia S.r.l., Good Wind S.r.l. and Spartivento S.r.l. for the technical and administrative services provided to the subsidiaries.

Receivables “from parents” decreased by € 446 thousand and are due to the effect of the change in the company’s position in the tax consolidation scheme (a credit and a debit balance at 31 December 2017 and 2018, respectively). Receivables of € 377 relate to the re-invoicing of the costs incurred on behalf of the parent Toto Holding S.p.A.

Receivables “from subsidiaries of parents” (€ 3 thousand) comprise the amounts due from other group companies related to the recharging of the costs incurred on their behalf and not yet collected.

“Tax receivables”, of € 452 thousand, comprise the VAT receivable at the reporting date (€ 437 thousand), inclusive of the final effect of the proportional VAT of the year and the IRAP (regional production tax) paid on account during the year (€ 15 thousand).

“Deferred tax assets” (€ 38 thousand) comprise the deferred tax assets calculated on non-deductible amortisation charges for trademarks and default interest determined on the basis of the tax rates presumably in force during the tax periods in which they will reverse.

“From others” (€ 542 thousand) comprise the receivables from employees of € 312 thousand, advances to suppliers for services of € 209 thousand and other receivables of € 21 thousand.

The following table provides a breakdown of receivables by geographical area (article 2427.1.6, Italian Civil Code).

Description	Trade receivables	From subsidiaries	From parents	From subsidiaries of parents	Tax receivables	Deferred tax assets	From others	Total
Italy	2,150,132	903,578	377	2,622	451,653	38,289	541,769	4,088,420
EEC								0
Non-EEC		710,565						710,565
Total	2,150,132	1,614,143	377	2,622	451,653	38,289	541,769	4,798,985

III. Current financial assets

Equity investments

Description	31/12/2018	31/12/2017	Change in the year
Equity investments	0	3,061,500	(3,061,500)
Total	0	3,061,500	(3,061,500)

Description	31/12/2017	Purchases	Reclassifications	31/12/2018
Parco Eolico Casalduni S.r.l.	3,061,500	0	(3,061,500)	0
Total	3,061,500	0	(3,061,500)	0

As described earlier, the carrying amount of the investment in Parco Eolico Casalduni House S.r.l. was reclassified to financial fixed assets due to the change in its use, i.e., from asset held for sale to fixed asset. In the past, this company received expressions of interests from third-party investors who intended to buy it. For this reason, it was considered an asset held for sale. However, in 2018, the company changed its strategy and decided to continue the construction and subsequent operation of the Casalduni wind farm, as approved by Renexia S.p.A.'s Board of directors.

IV. Liquid funds

31/12/2018	31/12/2017	Change in the year
14,441,940	117,902	14,324,038

Description	31/12/2018	31/12/2017	Change in the year
Bank and postal accounts	14,434,799	113,616	14,321,183
Cash-in-hand and cash equivalents	7,141	4,286	2,855
Total	14,441,940	117,902	14,324,038

The balance represents liquid funds and cash equivalents at the reporting date.

E) Prepayments and accrued income

31/12/2018	31/12/2017	Change in the year
21,286	47,123	(25,837)

Description	31/12/2018	2016	Change in the year
Prepayments	21,286	47,123	(25,837)
Total	21,286	47,123	(25,837)

This item reflects income and expenses pertaining to previous or future years with respect to the related payment or collection. These are recognised regardless of the date of payment or receipt of the respective income and expenses, which relate to two or more years and can be allocated over time. The balance at 31 December 2018 mainly relates to premiums for insurance sureties paid in 2018 which also pertain to future years.

Liabilities
A) Net equity

(Ref article 2427.1.4, 7 and 7-bis, Italian Civil Code)

31/12/2018	31/12/2017	Change in the year
103,517,153	6,594,391	96,922,762

Description	31/12/2017	Increases	Decreases	31/12/2018
Share capital	5,000,000			5,000,000
Share premium reserve	528,216			528,216
Legal reserve	449,512			449,512
Reserve for future capital increases	10,800,000			10,800,000
Losses carried forward	(8,806,741)	(1,376,596)		(10,183,337)
Net profit (loss) for the year	(1,376,596)	98,299,358		96,922,762
Total	6,594,391	96,922,762	0	103,517,153

Changes in net equity may be analysed as follows.

Description	Share capital	Share premium reserve	Legal reserve	Reserve for future capital increases	Losses carried forward	Net profit (loss) for the year	Total
Balance at 31 December 2016	5,000,000	528,216	449,512	9,300,000	(2,069,277)	(6,737,465)	6,470,986
Allocation of the net loss for 2016					(6,737,465)	6,737,465	0
Shareholder's waiver of receivable				1,500,000			1,500,000
Net loss for the year						(1,376,596)	(1,376,596)
Rounding					1		1
2017	5,000,000	528,216	449,512	10,800,000	(8,806,741)	(1,376,596)	6,594,391
Allocation of the net loss for 2017					(1,376,596)	1,376,596	0
Net loss for the year						96,922,762	96,922,762
Balance at 31 December 2018	5,000,000	528,216	449,512	10,800,000	(10,183,337)	96,922,762	103,517,153

During the year, net equity reserves did not change, except for the carryforward of the net loss at 31 December 2017 (€ 1,377 thousand).

Shares	No.	Nominal amount in €
Ordinary shares	50,000	100
Total	50,000	100

Net equity items are broken down as follows by origin, possible utilisation, distribution and utilisation in the previous three years:

Description	Amount	Possible use (*)	Available portion	Utilisation in the past three years to cover losses	Utilisation in the past three years for other reasons
Share capital	5,000,000				
Share premium reserve	528,216				
Legal reserve	449,512	B	449,512		
Reserve for future capital increases	10,800,000	A,B,C	10,800,000		
Total	16,777,728		11,249,512		
Non-distributable amount			11,249,512		
Residual distributable amount					

(*) A: to increase capital; B: to cover losses; C: dividends

B) Provisions for risks and charges

31/12/2018	31/12/2017	Change in the year
3,412,632	3,377,176	35,456

	31/12/2018	31/12/2017	Change in the year
Tax provision, including deferred tax liabilities	2,520	2,520	0
Other provisions	3,410,112	3,374,656	35,456
Total	3,412,632	3,377,176	35,456

“Other provisions” (€ 3,410 thousand) refer to the prudential accrual recognised in relation to the compensation, if any, that the company may pay C.v.a. S.p.A. following the sale of the investment in Ponte Albanito S.r.l. (January 2015) in connection with the dispute commenced by Energy & Tecnical Services S.r.l. (“ETS”). For additional information, reference should be made to the section on “Main events of the year – Arbitration award”.

C) Employees' leaving entitlement

31/12/2018	31/12/2017	Change in the year
90,163	102,194	(12,031)

Description	31/12/2017	Increase	Advances/payments	31/12/2018
Employees' leaving entitlement	102,194	22,485	(34,516)	90,163
Total	102,194	22,485	(34,516)	90,163

The provision represents the actual amount due to employees in accordance with the law and current employment contracts, taking into account all forms of remuneration of an ongoing nature at 31 December 2018.

It comprises the individual amounts accrued in favour of employees at the reporting date net of the advances paid. Therefore, the payable is equal to the amount that would be due to the employees should their employment relationship be terminated on said date.

Since the company has fewer than 50 employees, it is not required to allocate the amounts to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (or to transfer these to the INPS

treasury), unless designated by the employee to do so.

D) Payables

(Ref. article 2427.1.4 of the Italian Civil Code)

31/12/2018	31/12/2017	Change in the year
18,732,399	28,592,797	(9,860,398)

Description	31/12/2018	31/12/2017	Changes
Bank loans and borrowings	15,383	514,520	(499,137)
Trade payables	1,771,296	1,938,787	(167,491)
Payables to subsidiaries	15,386,044	8,341,728	7,044,316
Payables to parents	492,660	17,211,823	(16,719,163)
Payables to subsidiaries of parents	172,889	42,315	130,574
Tax payables	504,184	239,955	264,229
Social security charges payable	171,160	68,170	102,990
Other payables	218,783	235,499	(16,716)
Total	18,732,399	28,592,797	(9,860,398)

Payables are measured at their nominal amount and may be analysed by due date as follows (article 2427.1.6, Italian Civil Code).

Description	Due within one year	Due after one year	Due after 5 years	Total
Bank loans and borrowings	15,383			15,383
Trade payables	1,771,296			1,771,296
Payables to subsidiaries	15,386,044			15,386,044
Payables to parents	492,660			492,660
Payables to subsidiaries of parents	172,889			172,889
Tax payables	389,048	115,136		504,184
Social security charges payable	118,567	52,593		171,160
Other payables	218,783			218,783
Total	18,564,670	167,729	0	18,732,399

“Bank loans and borrowings” (€ 15 thousand) essentially comprise the liability related to prepaid cards.

“Trade payables” amount to € 1,771 thousand. This item includes trade payables for goods and services purchased during the year for the performance of ordinary business activities. The residual balance (€ 1,450 thousand) refers to the investment in Parco Eolico Casalduni House S.r.l.

“Payables to subsidiaries” (€ 15,386 thousand) refer to the year-end balance of the loans received from Renexia Services S.r.l. (€ 15,039 thousand) and from Intersun S.r.l. (€ 347 thousand). Interest accrues on the loans received in accordance with the contract signed between the parties, which regulates intragroup money remittances.

“Payables to parents” of € 493 thousand (31 December 2017: € 16,879 thousand) are of a trade (€ 356 thousand) and financial nature (€ 137 thousand). The latter relate to the tax consolidation scheme. Those of a trade nature are mainly represented by costs for services received from the parent.

“Payables to subsidiaries of parents” (€ 173 thousand) comprise:

- trade payables to the related company TOTO S.p.A. Costruzioni Generali amounting to € 19 thousand;
- trade payables to the related company Ambra S.r.l. amounting to € 8 thousand;
- trade payables to the related company Toto Tech S.r.l. amounting to € 18 thousand;
- trade payables to Toto Real Estate S.p.A. amounting to € 128 thousand.

“Tax payables” of € 504 thousand mainly refer to the amount due to the tax authorities for withholdings on employees’ remuneration (€ 345 thousand), freelancers’ fees (€ 8 thousand) and the VAT payable in instalments (€ 151 thousand).

“Social security charges payable” of € 171 thousand refer to the amounts payable to INPS, INAIL and PREVINDAI social security institutes and supplementary pension funds accrued during the year. This item comprises the amount due to INPS for contributions payable in instalments (€ 102 thousand).

“Other payables” of € 219 thousand mainly include:

- the board of statutory auditors’ fees of € 32 thousand;
- payables to employees for December 2018 remuneration, paid in January 2019, the 14th-month pay, holiday and leave pay accrued at the reporting date and still to be paid (€ 184 thousand);

Payables at 31 December 2018 are broken down by geographical area as follows (article 2427.1.6, Italian Civil Code).

Description	Bank loans and borrowings	Trade payables	Payables to subsidiaries	Payables to parents	Payables to subsidiaries of parents	Tax payables	Social security charges payable	Other payables	Total
Italy	15,383	1,751,796	15,386,044	492,660	172,889	504,184	171,160	218,783	18,712,899
EEC		13,500							13,500
Non-EEC		6,000							6,000
Total	15,383	1,771,296	15,386,044	492,660	172,889	504,184	171,160	218,783	18,732,399

E) Accrued expenses and deferred income

31/12/2018	31/12/2017	Change in the year
0	275	(275)

Description	31/12/2018	31/12/2017	Change in the year
Accrued expenses	0	275	(275)
Total	0	275	(275)

These are adjusting entries for the year calculated on an accruals basis. At 31 December 2018, they have a nil

balance.

Profit and loss account

A) Production revenues

2018	2017	Change in the year
726,120	817,867	(91,747)

Description	31/12/2018	31/12/2017	Change in the year
Turnover from sales and services	659,641	770,652	(111,011)
Internal work capitalised	0	0	0
Other revenues and income	66,479	47,215	19,264
Total	726,120	817,867	(91,747)

Turnover from sales and services of € 660 thousand comprises:

- services provided to the US subsidiary US Wind amounting to € 185 thousand;
- services provided to the subsidiary Renexia Services S.r.l. amounting to € 191 thousand;
- services provided to the Tunisian subsidiary MedWind amounting to € 94 thousand;
- services provided to the subsidiary Parco Eolico Casalduni House S.r.l. amounting to € 92 thousand;
- services provided to the subsidiary Intersun S.r.l. amounting to € 33 thousand;
- services provided to other group companies amounting to € 2 thousand;
- revenues from other services to third parties amounting to € 63 thousand.

Revenues by business segment

Description	31/12/2018	31/12/2017	Change in the year
Technical and administrative services	659,641	0	659,641
Total	659,641	0	659,641

Revenues by geographical segment

Description	Other	Total
Italy	380,729	380,729
EEC		0
Non-EEC	278,912	278,912
Total	659,641	659,641

B) Production cost

31/12/2018	31/12/2017	Change in the year
11,080,320	3,186,006	7,894,314

Production cost may be analysed as follows:

Description	31/12/2018	31/12/2017	Change in the year
Raw materials, supplies and goods	38,082	24,780	13,302
Services	1,548,826	1,646,668	(97,842)
Use of third party assets	207,985	206,860	1,125
Wages and salaries	1,077,990	905,345	172,645
Social security contributions	213,894	180,691	33,203
Employees' leaving entitlement	67,086	56,947	10,139
Other costs	4,071	14,025	(9,954)
Amortisation of intang. fixed assets	11,986	15,475	(3,489)
Depreciation of tang. fixed assets	11,155	12,144	(989)
Other write-downs of fixed assets	2,262,599	0	2,262,599
Provision for risks and charges	0	36,658	(36,658)
Other operating costs	5,636,646	86,413	5,550,233
Total	11,080,320	3,186,006	7,894,314

The main changes compared to the previous year refer to services (down by € 98 thousand), provisions for risks and charges (up by € 2,263 thousand) and other operating costs (up by € 5,550 thousand).

The main cost items are described below.

Raw materials, supplies and goods (€ 38 thousand)

Costs for raw materials, supplies and goods mainly consist of fuel (€ 30 thousand) and other electrical, electronic material and office supplies (€ 8 thousand).

Services (€ 1,549 thousand)

Costs for services consist primarily of:

- Administrative services for € 401 thousand;
- Business and technical advisory services for € 389 thousand;
- Commissions on sureties for € 274 thousand;
- Directors' fees for € 129 thousand;
- Travel, food and lodging expenses for € 75 thousand;
- Fees for the Supervisory Body for € 32 thousand;
- Fees paid to the Board of Statutory Auditors for € 25 thousand;
- Legal advisory services for € 14 thousand;
- Others for € 210 thousand.

Use of third party assets (€ 208 thousand)

This item is essentially related to the lease of the offices used by the company and the related utility charges paid to Toto Real Estate S.r.l.

Personnel expenses (€ 1,363 thousand)

This item comprises all personnel expenses, including promotions, seniority raises, paid holidays accrued but

not taken and accruals required by law and collective employment contracts.

Amortisation/depreciation of intangible (€ 12 thousand) and tangible (€ 11 thousand) fixed assets

For information about the “amortisation of intangible fixed assets” and the “depreciation of tangible fixed assets”, reference should be made to the relevant sections which provide details on the movements and rates used.

Other write-downs of fixed assets (€ 2,263 thousand)

This item relates to the write-down of prior year development costs incurred in connection with wind plant development projects whose authorisation procedure was not completed. For additional information, reference should be made to the note to “Intangible fixed assets”.

Other operating costs (€ 5,637 thousand)

The balance of this item comprises:

- withholding taxes related to the distribution of dividends by the US subsidiary US Wind Inc. (€ 4,989 thousand).
- the VAT proportional amount of the year and other VAT adjustments of € 208 thousand;
- losses on receivables of € 110 thousand;
- registration tax of € 27 thousand;
- fines and penalties of € 19 thousand;
- penalties for the late payment of taxes of € 37 thousand;
- other costs of € 247 thousand.

C) Financial income and charges

31/12/2018	31/12/2017	Change in the year
107,680,093	485,128	107,194,965

Description	31/12/2018	31/12/2017	Change in the year
Income from equity investments (dividends)	108,182,823	1,400,000	106,782,823
Income from financial receivables classified as fixed assets	44,385	29,218	15,167
Other income	16,770	9	16,761
(Interest and financial charges to parents)	(344,738)	(803,592)	458,854
(Interest and financial charges to subsidiaries)	(385,686)	(98,039)	(287,647)
(Interest and other financial charges)	(66,642)	(42,244)	(24,398)
Net exchange rate gains/(losses)	233,181	(224)	233,405
Total	107,680,093	485,128	107,194,965

“Income from equity investments” amounts to € 108,183 thousand and comprises the dividend paid by the subsidiaries US Wind Inc. (€ 105,033 thousand) and Renexia Services S.r.l. (€ 3,150 thousand).

Income from financial receivables classified as fixed assets includes the interest accrued on loans granted on behalf of the subsidiaries (€ 44 thousand).

Conversely, financial charges mainly comprise interest accrued on the loans granted by the parent and the commissions calculated on the guarantees given by the parent (€ 345 thousand), and interest accrued on the loans granted to the subsidiaries (€ 386 thousand).

“Interest and other financial charges” of € 67 thousand comprise legal and default interest (€ 35 thousand) to be paid as compensation to C.v.a. S.p.A. as part of the sale of Ponte Albanito. For additional information, reference should be made to the note to the “Provisions for risks and charges”.

E) Income taxes

31/12/2018	2017	Change in the year
403,131	(506,416)	909,547

Taxes	31/12/2018	31/12/2017	Change in the year
Current taxes:	0	0	0
IRES (corporate income tax)	0	0	0
IRAP (regional tax on production)	0	0	0
Changes in deferred tax liabilities (assets)	(547)	1,013	(1,560)
IRES (corporate income tax)	(547)	1,013	(1,560)
IRAP (regional tax on production)	0	0	0
(Income) expense from participation in the national tax consolidation scheme	403,921	(447,034)	850,955
Prior year taxes	(243)	(60,395)	60,152
Total	403,131	(506,416)	849,395

2018 ended with a positive tax base for both IRES and IRAP purposes.

Deferred tax assets are calculated on the non-deductible portions of the amortisation of trademarks and default interest on the basis of tax the rates presumably in force during the tax periods in which they will reverse.

“Expense from participation in the tax consolidation scheme” represents the tax benefit for the tax loss transferred to the consolidating parent as a result of participation in the National Tax Consolidation Scheme.

Below is the reconciliation between the tax charge in the financial statements and the theoretical tax charge (IRES) and the calculation of the IRAP tax base:

Reconciliation between the tax charge shown in the financial statements and the theoretical tax charge (IRES)

Description	31/12/2018	Taxes
Pre-tax profit	97,325,893	
Theoretical tax charge (%)	24.00%	23,358,214
Temporary differences that will reverse in subsequent years:		
Non-deductible amortisation/depreciation	2,427	
Unrealised exchange rate losses	61,246	
	63,673	
Differences that will not reverse in subsequent years		
Non-deductible write-downs and provisions	110,000	
Unrecognised revenues (parameters and studies)	1,353,317	
Other increases	5,845,551	
	7,372,541	
Gain on the sale of investments	0	
Gain on contribution	0	
ACE (aid to economic growth) base	0	
Other decreases	103,015,428	
	103,015,428	
Tax base	1,683,006	
Expense arising from consolidation	24.00%	403,921

Calculation of IRAP taxable basis

Description	31/12/2018	Taxes
Operating loss	(10,354,202)	
Costs not relevant for IRAP purposes	1,363,042	
Other costs relevant for IRAP purposes	1,528,485	
Revenues not relevant for IRAP purposes		
Other revenues relevant for IRAP purposes		
Other increases		
Other decreases	(17,198)	
Deduction	(1,309,571)	
	(8,789,444)	
Theoretical tax charge (%)		(409,588)
IRAP tax base	(8,789,444)	
Current IRAP for the year		(409,588)

Other information

Commitments, guarantees given and contingent liabilities

2018	31/12/2017	Change in the year
10,907,294	11,155,037	(247,743)

Description	31/12/2018	31/12/2017	Change in the year
Risks	10,907,294	11,155,037	(247,743)
Commitments	0	0	0
Total	10,907,294	11,155,037	(247,743)

Pursuant to article 2427.9 of the Italian Civil Code, it is noted that the following guarantees were issued during the year:

- € 4,943 thousand related to the residual value at 31 December 2018 of the surety issued by the company in favour of the subsidiary Intersun S.r.l. as a guarantee for the loan granted to said subsidiary by Banca Popolare di Bari for the construction of the photovoltaic field;
- € 5 million for the guarantee requested of the company by the purchaser for the sale of Ponte Albanito S.r.l. as the “*maximum liability*” for violation of contractual representations and warranties.
- € 1,089 thousand related to the counter-surety given in favour of E.T.S. as part of the arbitration procedure commenced by E.T.S. against Renexia S.p.A. and Toto Holding S.p.A. As described earlier, the arbitration award of 17 December 2016 related to Compagnia Valdostana delle Acque S.p.A. was not in favour of the company. Renexia S.p.A. appealed against the arbitration award before the L'Aquila Court of Appeal which suspended its effect, provided that a guarantee of approximately € 3,189 thousand was issued. Given that, as part of the sale of the entire investment in Ponte Albanito S.r.l. to C.V.A., the latter withheld € 2,100 from the agreed consideration, the guarantee was issued in respect of the difference between the consideration (€ 3,189 thousand) and the residual receivable uncollected (€ 2,100 thousand).

Finally, at 31 December 2018, there are no unrecognised commitments or contingent liabilities.

Revenue or cost components of a significant amount or unusual impact

Pursuant to article 2427.13 of the Italian Civil Code, it is noted that no such components were recognised during the year.

Directors' and statutory auditors' fees

The table below shows the fees paid to directors and statutory auditors pursuant to article 2427.16 of the Italian Civil Code.

Position	2018	2017
Directors	€ 120,000	€ 73,906
Board of Statutory Auditors	€ 24,960 (*)	€ 24,960 (*)

(*) of which € 12,480 related to audit fees

No advances or loans were granted to directors or statutory auditors.

Related party transactions

Pursuant to article 2427, no. 22-bis of the Italian Civil Code, related party transactions took place under normal market conditions.

Transactions with group companies

Description	Trade receivables	Trade payables	Financial revenues/income	Financial costs/expense
<u>Parent</u>				
TOTO HOLDING S.p.A.	377	355,675	340	921,312
<u>Subsidiaries</u>				
Intersun S.r.l.			33,179	5,799
U.S. Wind Inc.	185,391		236,197	
Medwind Sarl	525,175		93,522	
Renexia Services S.r.l.	457,989	150	206,159	380,089
Renexia Wind Offshore S.p.A.			13,701	
Parco Eolico Casalduni House S.r.l.	421,641		122,198	
Calabria Energia S.r.l.	7,558			
Good Wind S.r.l.	8,447			
Spartivento S.r.l.	7,944		1,160	
<u>Related companies</u>				
TOTO S.p.A. Costruzioni Generali	2,013	19,255	550	9,073
TOTO TECH S.r.l.		17,756		
Azienda Aviagricola Abruzzese S.r.l.	456			
Ambra S.r.l.	99	8,236		
Infraengineering S.r.l.	52		43	
TOTO Real Estate S.r.l.		127,641		208,108
Total	1,617,142	528,714	707,049	1,524,381

Description	Financial receivables	Financial payables	Financial payables – tax consolidation	Dividends
<u>Parent</u>				
TOTO HOLDING S.p.A.	52,730,639		136,985	
<u>Subsidiaries</u>				
Intersun S.p.A.		346,834		
U.S. Wind Inc.				105,032,823
Renexia Services S.r.l.		15,039,060		3,150,000
Parco Eolico Casalduni House S.r.l.	1,152,908			
Renexia Wind Offshore S.p.A.	19,093,701			
Indaco S.r.l.	7,450			
Volere Volare S.r.l.	7,481			
Total	72,992,180	15,385,894	136,985	108,182,823

Transactions with TOTO Holding group companies of a trade or financial nature took place on an arm's length basis and do not include atypical and/or unusual transactions.

Fair value of derivatives

Pursuant to article 2427-bis.1.1 of the Italian Civil Code, it is noted that the company did not enter into any derivatives.

Financial instruments issued by the company

Pursuant to article 2427.1.18 and 19 of the Italian Civil Code, it is noted that the company did not issue any derivatives.

Off-balance sheet transactions

Pursuant to article 2427.1.22-ter of the Italian Civil Code, it is noted that there are no off-balance transactions.

Allocation of the net profit for the year

Dear Shareholders,

We invite you to approve the financial statements at 31 December 2018, which show a net profit for the year of € 96,922,762.

Furthermore, pursuant to article 2427.22-septies of the Italian Civil Code, we propose allocating the net profit for the year of € 96,922,762 as follows:

- € 471,784 to the legal reserve;
- € 21,450,978 to retained earnings;
- € 75,000,000 of the net profit for 2018 to the distribution of dividends of € 1,500.00 (Euro one thousand five hundred/00) for each of the 50,000 ordinary shares, of a nominal amount of € 100 each;
- to establish that the above dividends be paid as of 1 June 2019, in accordance with the terms and conditions to be agreed with the beneficiaries;

As required by law, this document will be filed under the double filing mechanism. These notes to the financial statements will thus be prepared using the so-called "XBRL taxonomy" to enable digital processing (as required by the Register of Companies managed by the Chambers of Commerce in compliance with art. 5 (4) of Prime Ministerial Decree No. 304 of 10 December 2008). The double filing mechanism is necessary since the notes to the financial statements prepared under the "XBRL taxonomy" are not sufficient to present the company's position in accordance with the principles of clarity, fairness and truthfulness as set forth under article 2423 of the Italian Civil Code.

These financial statements, consisting of a balance sheet, a profit and loss account, a cash flow statement and these notes, give a true and fair view of the company's financial position, performance and cash flows for the year and are consistent with the accounting records.

We thank you for the trust placed in us and invite you to approve the financial statements as they stand.

Chairman of the Board of Directors

Carlo Toto

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS

To the Shareholders of Renexia S.p.A.

Foreword

During the year ended 31 December 2018, we acted in accordance with article 2403 and following articles and article 2409-bis of the Italian Civil Code.

Section A) of this report comprises the “*Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010*”, while section B) refers to the “*Report pursuant to article 2429.2 of the Italian Civil Code*”.

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Renexia S.p.A., which comprise the balance sheet as at 31 December 2018, the profit and loss account, the cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors' responsibilities for the audit of the financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors (“Collegio Sindacale”) for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The Board of statutory auditors (*Collegio Sindacale*) is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

B) Report on the supervisory activities carried out pursuant to article 2429.2 of the Italian Civil Code

During the year ended 31 December 2018, we operated in accordance with the law and the rules of conduct issued by the Italian Accounting Profession.

B1) Supervisory activities pursuant to article 2403 and following articles of the Italian Civil Code

We monitored compliance with the law and the by-laws and the principles of sound administration.

We participated in shareholders' meetings. In this respect, based on the information available, we did not identify any violation of the law or the by-laws or transactions that are patently imprudent, risky, in potential conflict of interest or such to jeopardise the integrity of company assets.

During the meetings held, the directors provided us with information about the general performance of operations and the outlook and the most significant transactions, in terms of size or characteristics, carried out by the company. Based on the information available, we have nothing to report in this respect.

We examined and monitored, within the scope of our duties, the adequacy and operation of the company's organisational structure, including by collecting information from the department heads. We have nothing to report in this respect.

We examined and monitored, within the scope of our duties, the adequacy and operation of the company's administrative/accounting system and the latter's reliability in fairly presenting the events, by collecting information from the department heads and examining the company's documentation. We have nothing to report in this respect.

No claims pursuant to article 2408 of the Italian Civil Code were received from the shareholders.

During the year, we did not issue any of the opinions required by the law.

During the performance of the supervisory activities, as described above, no other significant facts were noted which require disclosure in this report;

B2) Remarks about the financial statements

As far as we are aware, the Board of directors did not avail of any of the waivers permitted by article 2423.5 of the Italian Civil Code in the preparation of the financial statements;

The findings of the statutory audit performed by us are disclosed in section A) of this report.

B3) Remarks and proposals about financial statements approval

Based on the findings of our work, we recommend approving the financial statements at 31 December 2018 as they stand.

We are in favour of the proposed allocation of the net profit for the year put forward by the board of directors in the notes to the financial statements.

Chieti, 27 March 2019

The Board of Statutory Auditors
Francesco Cancelli (Chairman)

Giovanni d'Aquino (Standing Auditor)

Paolo Palumbo (Standing Auditor)