

FALCK RENEWABLES OUTPERFORM

Price (Eu): 1.17
Target Price (Eu): 1.90

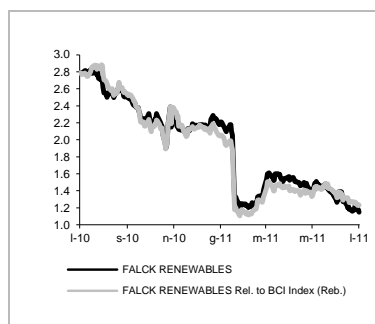
SECTOR: Utilities

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Blowing Up A Storm!

- A well-positioned business case.** Falck Renewables is a primary "green" utility in the Italian and European market. Its installed capacity of over 526MW places it well within the top 10 European pure renewable energy players (it is currently the 6th largest player). The company has a well-balanced asset portfolio, which is diversified both in terms of the technology employed and the country of operation. It has a historical presence in the Italian WTE market with 31MW of consolidated capacity plus 14MW in Biomass, and after the recent merger with Falck Renewables plc., the company has entered the wind power generation segment with 462MW of installed capacity in the UK, Italy, France and Spain.
- M&A completed, focus shifts to organic growth.** After the consolidation of Falck's group wind assets (which we evaluated negatively because in our opinion the conditions were disadvantageous for minority shareholders) and after the subsequent Eu130mn rights issue, the new entity is now ready to continue its ambitious organic growth path, that will take installed capacity to 1.1GW and EBITDA to Eu220mn (according to our estimates), implying a 2010-2014 CAGR of 23%. The additional pipeline of 600MW of projects needed to reach 1.1GW is made up of 286MW of projects already in execution (authorised or under construction), and a remaining 314MW coming from a gross pipeline of over 1000MW that management is "highly confident" will be delivered (the current success rate of the Falck Renewable development process in wind is 70%, significantly better than market average).
- New global energy scenario.** After the referendum on 13th June, Italy has effectively become the third European nation, following Germany and Switzerland, to abandon nuclear power. Indeed, we expect a stronger commitment for those states to renewable power, increasing the likelihood that new renewable projects will be granted authorisation, raising visibility on companies' pipelines and rising pool prices. Moreover, crucial events such as the unrest in North Africa is seriously changing the global power supply scenario, especially in Europe, which clearly has a lack of traditional power sources.
- Investment case: OUTPERFORM, target Eu1.90.** We believe that Falck Renewables represents a good investment opportunity among Italian and European renewable energy stocks, thanks to its diversified business, proven experience and achievable development plan. We see a few downside risks related to possible changes in renewable energy regulations, but these are mitigated by Falck's geographical and technological diversification. We do not expect any other M&A operation soon, as we believe the capex plan is consistent with the current financial structure and cash flow profile. We also think the company could improve its management of financial risks, which are mainly connected to FOREX.

FALCK RENEWABLES - 12m Performance



RATING: New Coverage

TARGET PRICE (Eu): New Coverage

Change in EPS est: 2011E 2012E

STOCK DATA

Reuters code: AA4.MI
 Bloomberg code: FKR IM

Performance	1m	3m	12m
Absolute	-15.5%	-24.3%	-58.1%
Relative	-11.3%	-12.2%	-56.3%
12 months H/L:	2.87/1.16		

SHAREHOLDER DATA

No. of Ord. shares (mn):	291
Total No. of shares (mn):	291
Mkt Cap Ord (Eu mn):	341
Total Mkt Cap (Eu mn):	341
Mkt Float - ord (Eu mn):	82
Mkt Float (in %):	24.0%
Main shareholder:	
Falck Spa	60.0%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	482
BVPS (Eu):	1.63
P/BV:	0.7
Net Financial Position (Eu mn):	-793
Enterprise value (Eu mn):	1,134

Key Figures	2009A	2010E	2011E	2012E	2013E
Sales (Eu mn)	185	184	248	286	321
Ebitda (Eu mn)	96	94	128	157	173
Net profit (Eu mn)	17	0	16	24	22
EPS - New (Eu)	0.25	0.00	0.06	0.10	0.09
EPS - Old (Eu)	0.22	0.17	0.55	0.39	0.36
DPS (Eu)	0.09	0.00	0.00	0.00	0.00

Ratios & Multiples	2009A	2010E	2011E	2012E	2013E
P/E	4.7	nm	20.9	11.8	12.6
Div. Yield	7.7%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	9.4	11.4	8.9	7.7	8.1
ROCE	9.7%	4.9%	6.4%	7.0%	6.6%

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FALCK RENEWABLES - KEY FIGURES

		2009A	2010E	2011E	2012E	2013E
Fiscal year end		31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
PROFIT & LOSS (Eu mn)	Sales	185	184	248	286	321
	EBITDA	96	94	128	157	173
	EBIT	56	48	75	93	98
	Financial income (charges)	(25)	(36)	(46)	(50)	(58)
	Associates & Others					
	Pre-tax profit (Loss)	29	13	29	43	40
	Taxes	(8)	(11)	(11)	(16)	(15)
	Tax rate (%)	26.0%	84.1%	37.0%	37.0%	37.0%
	Minorities & discontinue activities	(5)	(2)	(2)	(3)	(3)
	Net profit	17	0	16	24	22
	Total extraordinary items	(2)	1	0	0	0
	Ebitda excl. extraordinary items	96	94	128	157	173
	Ebit excl. extraordinary items	56	48	75	93	98
Net profit restated	17	(0)	16	29	27	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	68	162	291	291	291
	EPS stated fd	0.15	0.00	0.06	0.08	0.08
	EPS restated fd	0.25	0.00	0.06	0.10	0.09
	BVPS fd	4.89	2.02	1.63	1.71	1.78
	Dividend per share (ord)	0.09	0.00	0.00	0.00	0.00
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
	Dividend pay out ratio (%)	69.0%	0.0%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	61	46	72	91	100
	Change in NWC	(7)	18	1	(4)	3
	Capital expenditure	(168)	(177)	(297)	(162)	(294)
	Other cash items	0	1	0	0	0
	Free cash flow (FCF)	(114)	(112)	(225)	(76)	(191)
	Acquisitions, divestments & others	(3)	(24)	32	0	0
	Dividend	(7)	(12)	0	0	0
	Equity financing/Buy-back	0	94	130	0	0
Change in Net Financial Position	(154)	(168)	(62)	(76)	(191)	
BALANCE SHEET (Eu mn)	Total fixed assets	946	1,124	1,336	1,435	1,654
	Net working capital	(51)	(30)	(31)	(27)	(29)
	Long term liabilities	10	(29)	(29)	(29)	(29)
	Net capital employed	906	1,065	1,276	1,379	1,595
	Net financial position	(563)	(731)	(793)	(869)	(1,060)
	Group equity	331	327	474	498	520
	Minorities	11	7	9	12	15
	Net equity	342	334	482	510	535
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	341	341	341	341	341
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(563)	(731)	(793)	(869)	(1,060)
	Enterprise value	904	1,072	1,134	1,210	1,401
RATIOS(%)	EBITDA margin*	51.8%	51.0%	51.7%	54.9%	53.9%
	EBIT margin*	30.4%	26.0%	30.4%	32.6%	30.6%
	Gearing - Debt/equity	170.4%	nm	167.5%	174.6%	nm
	Interest cover on EBIT	2.2	1.3	1.6	1.9	1.7
	Debt/Ebitda	5.88	7.79	6.19	5.54	6.13
	ROCE*	9.7%	4.9%	6.4%	7.0%	6.6%
	ROE*	4.8%	0.0%	4.0%	4.8%	4.3%
	EV/CE	1.6	1.1	1.0	0.9	0.9
	EV/Sales	4.9	5.8	4.6	4.2	4.4
	EV/Ebit	16.1	22.4	15.1	13.0	14.3
Free Cash Flow Yield	-33.4%	-32.9%	-65.8%	-22.2%	-56.1%	
GROWTH RATES (%)	Sales	89.7%	-0.6%	34.6%	15.4%	12.3%
	EBITDA*	102.4%	-2.1%	36.5%	22.4%	10.3%
	EBIT*	70.0%	-14.8%	56.9%	23.9%	5.3%
	Net profit	-8.0%	nm	nm	47.0%	-7.0%
	EPS restated	-8.0%	nm	nm	76.4%	-5.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Investment Summary

Company Description. Falck Renewables is a primary "green" utility in the Italian and European market. Its installed capacity of over 526MW places it well within the top 10 European pure renewable energy players (it is currently the 6th largest player). The company has a well-balanced asset portfolio, which is diversified both in terms of the technology employed and the country of operation. It has a historical presence in the Italian WTE market with 31MW of consolidated capacity plus 14MW in Biomass, and after the recent merger with Falck Renewables plc., the company has entered the wind power generation segment with 465.2MW of installed capacity in the UK, Italy, France and Spain. FKR has an ambitious growth plan that will bring its installed capacity from the current 526MW to 1125MW in 2014. The company estimates that this will require the investment of Eu1.2bn, which will drive a 20% CAGR in EBITDA, forecast to rise from the Eu95.5mn posted in 2010 to Eu223mn in 2014.

Positives. The company boasts an excellent, international class track record in project completion, with a 70% success rate, significantly better than market average. The ability to select projects with high returns thanks to better than average levels of production, and the proven qualities in managing the authorisation process certainly make FKR a stand-out company in the sector from an operational point of view, whether it be in biomass, WTE or wind power. The diversification into four different markets is the best strategy to reduce the regulatory risk that is inherent to the renewable energy business.

Negatives. The main negative factor affecting the company is its high level of debt, especially in the wind power business. This debt, however, is non-recourse, and is therefore confined to the individual projects. The debt/ EBITDA ratio will remain at around 6.5x in 2011, falling to 5.7x in 2014, while on average companies in the sector have a figure of around 4.5x. These conditions could limit FKR's development, as they prevent the company taking advantage of potential future investment opportunities without bank loans that could take a long time to set up. Other major operators, such as EGP, finance projects through their own corporate debt.

Potential Risks. We think that regulatory risk in Italy poses a threat to the profitability expected from the investments outlined in FKR's business plan to be implemented after 2013, when the new regulation for renewable energy incentives involving the transfer from a GC system to a Feed-in Tariff (FIT) system will come into effect. From 2015, this adjustment will also be applied retroactively to plants that already started operations in the period in which the GC system was in place. Operations in the UK introduce a potential FOREX risk related to the exchange rate between sterling and the euro, affecting the top line. As a matter of fact, about 29% of FKR's revenues come in the UK, and this figure is expected to reach 33% in 2014.

Estimates. Projected top line growth between 2011 and 2014 reflects the increase in production capacity foreseen in the group's plans, while we expect that as of 2012 profitability will increase to 56%, mainly thanks to the growing contribution from the wind power business, which guarantees profit margins of up to 70%. Indeed, the breakdown of EBITDA demonstrates how the contribution from the WTE and biomass business will come down in 2012 and 2013 due to the expiry of CIP6 incentives for the energy generated by the Trezzo and Granarolo plants, while EBITDA in the wind power business is set to increase from Eu89mn in 2011 to Eu174mn in 2014 (25% CAGR).

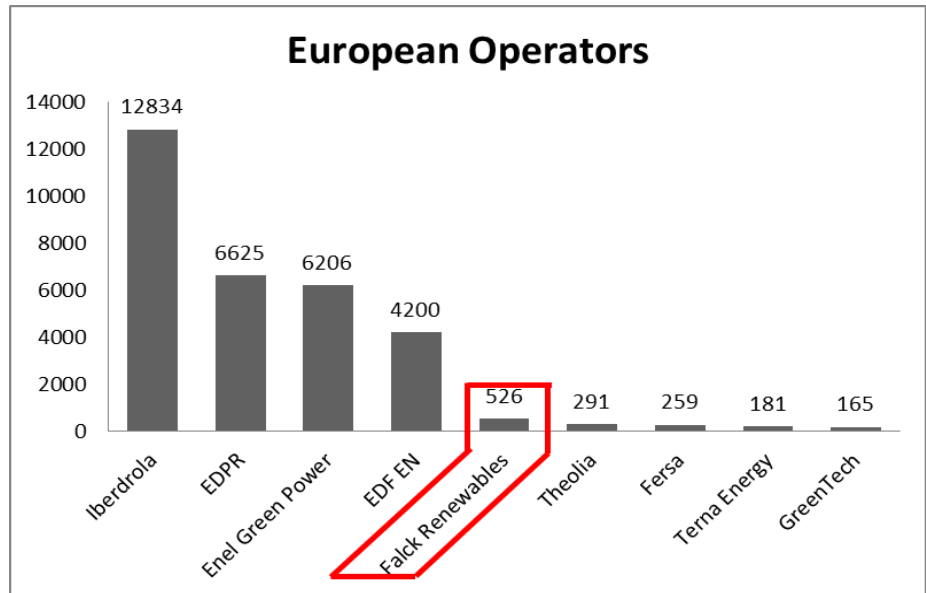
Valuation. For our valuation we have used a DCF-based sum of the parts model in order to assess the contribution of each business, subdivided by technology and country. For WTE and biomass plants we have decided to use a pure DCF valuation in order to incorporate the specific nature of each plant. Wind power plants have been valued based on a 20-year DCF model without terminal value, which yields different values of EV/MW according to country and differences in load factor, incentives and cost of capital.

Investment Thesis: OUTPERFORM, target Eu2.00. We believe that Falck Renewables represents a good investment opportunity among Italian and European renewable energy stocks, thanks to its diversified business, proven experience and achievable development plan. We see a few downside risks related to possible changes in renewable energy regulations, but these are mitigated by Falck's geographical and technological diversification. We also think the company could improve its management of financial risks, which are mainly connected to FOREX.

Company Description

The company was floated on the STAR segment of Borsa Italiana in 2002, and is one of the leading pure renewable energy players on the Italian market. After initially focusing on the WTE and Biomass businesses, the company can now count on 526MW of installed capacity thanks to the contribution of 465MW in wind power assets recently consolidated along with the associate company Falck Renewables plc.

Falck Renewables (from now on FKR) is one of the leading European players in the renewable energy sector, as the 5th largest "green" energy producer, and the second largest in Italy behind the maxi-utility ENEL Green Power. By year end, the total installed capacity of FKR is expected to reach 684MW, and the company aims to reach 1.1GW within 2014.

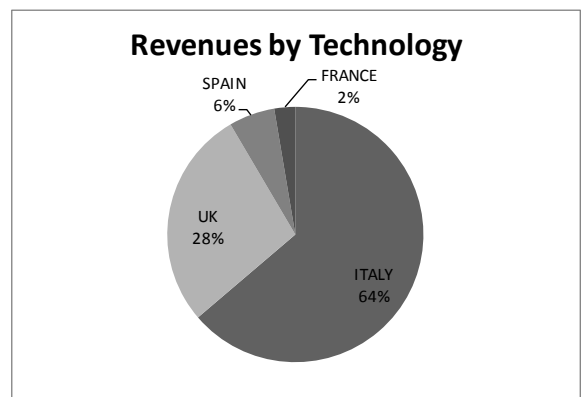
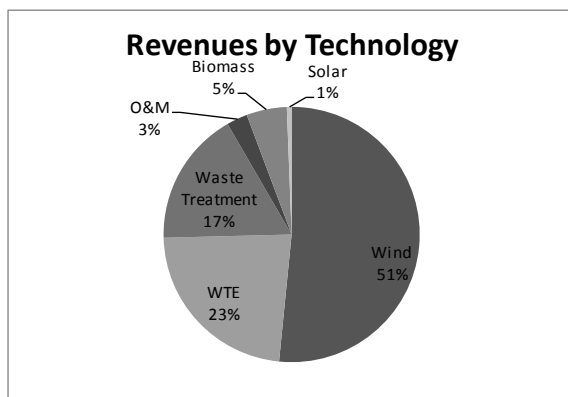


Source: Company's websites; referred to 1Q11 Financial Report.

The company operates in three different businesses, which are closely inter-linked:

- Energy generation and sale
- Waste management and treatment
- Maintenance of third party WTE plants

The energy generation business is technologically and geographically diversified, being made up of wind power generation plants in Italy, the UK, France and Spain, and plants for other technologies such as WTE, biomass and solar power, which are all located in Italy. Waste management and treatment and maintenance of third party WTE plants are located only in Italy, taking advantage of the synergies with WTE power generation activity.

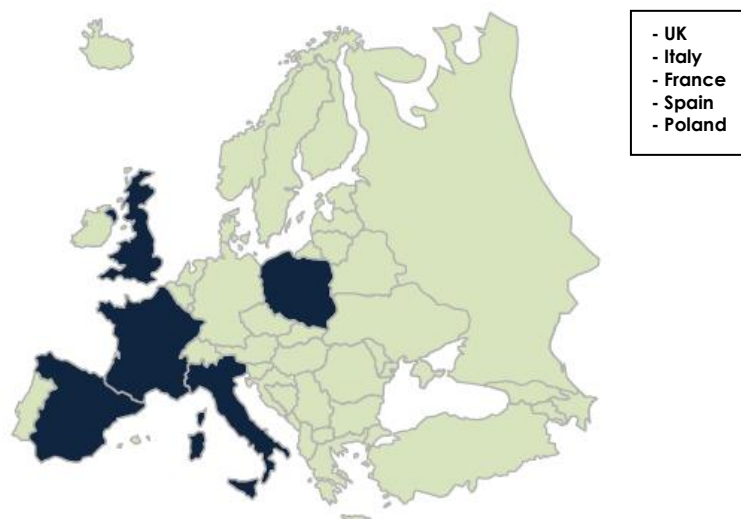


Source: Company Data and Intermonte SIM estimates

As shown in the chart, around 80% of 2010 turnover was attributable to power generation, while geographical distribution is more diversified, with 64% of turnover coming from Italy, 28% from the UK, 6% from Spain and the remaining 2% from France.

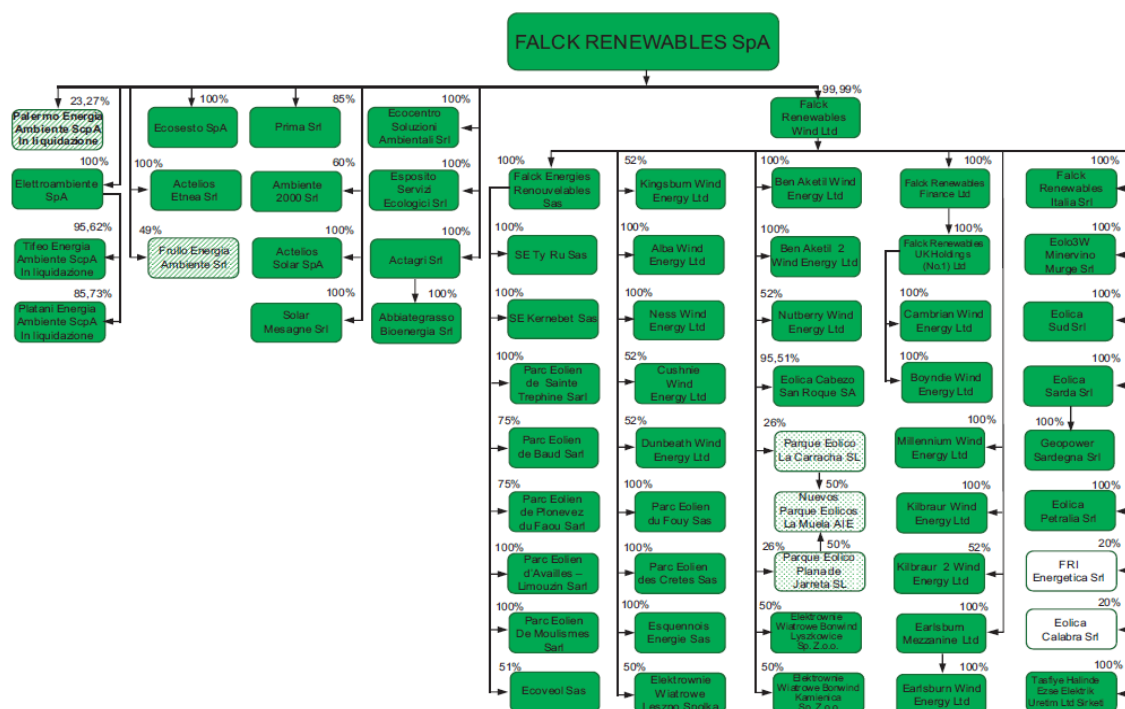
Geographical Presence

This geographical and technological diversification is the group's main competitive advantage, as it helps reduce regulatory risk, which is one of the key threats to renewable energy players. Geographical diversification minimises the risk from regulation and authorisation processes in individual countries, while the technological diversification grants the company greater flexibility with regard to optimum allocation of investment, grasping the opportunities offered by the markets in which it operates.



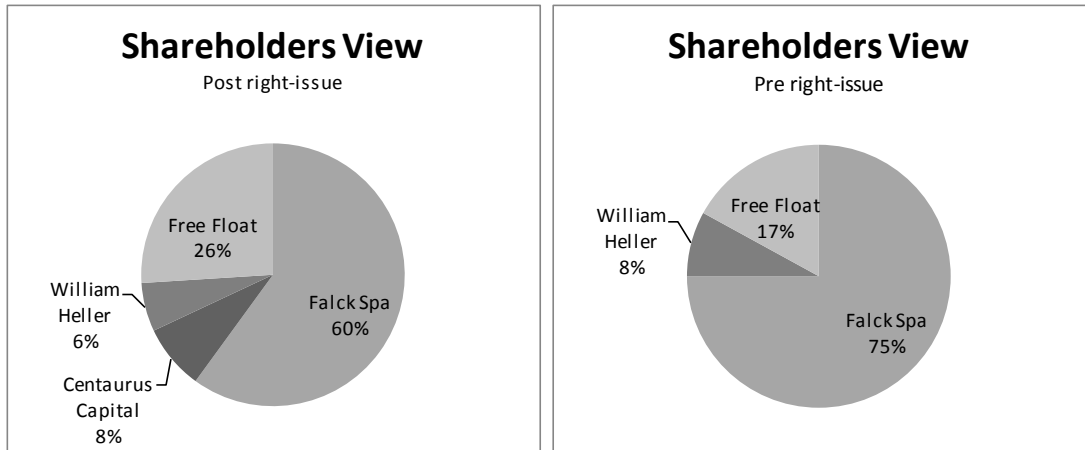
Company's Structure

The company has a highly granular structure, as for each wind plant a new company is created ad-hoc as requested by the project financing model. There is still a clear subdivision between the two consolidated companies, however: Falck Renewables Wind Ltd. brings together the group's participations in wind power projects, while the remaining subsidiaries that are brought together under the direct control of the parent company Falck Renewables SpA hold all the assets of the former Actelios, including WTE plants (Prima Srl and Frullo Energia Ambiente Srl), Biomass (Ecosesto SpA) and the solar power plants owned by Actelios Solar and Solar Mesagne. Finally, the subsidiaries Ecocentro and Ecosesto, which operate in the waste management business, came into the consolidation base of Actelios in 2010.



Ownership Overview

Ownership of the group following the M&A deal and subsequent rights issue is still firmly in the hands of Falck SpA, the holding company of the Falck family, which has a 60% stake. The next largest shareholder is Centaurus Capital at 8.1%, followed by William Heller, former CEO of Falck Renewable plc., who has 5.99%.



Source: FactSet

Recent changes in the ownership structure reflect the majority shareholder Falck SpA's reduction of its stake from 75% to 60%, which demonstrated its desire to increase the stock's float and therefore liquidity. As a result, the float went from 14% to 24%. The entry of the Centaurus Capital hedge fund certainly bears witness to the high degree of credibility gained by management and the validity of the growth project. On the other hand, the two other historical reference shareholders, Haller and Colombo, followed partially the share capital increase, slightly reducing their stakes.

Management Team

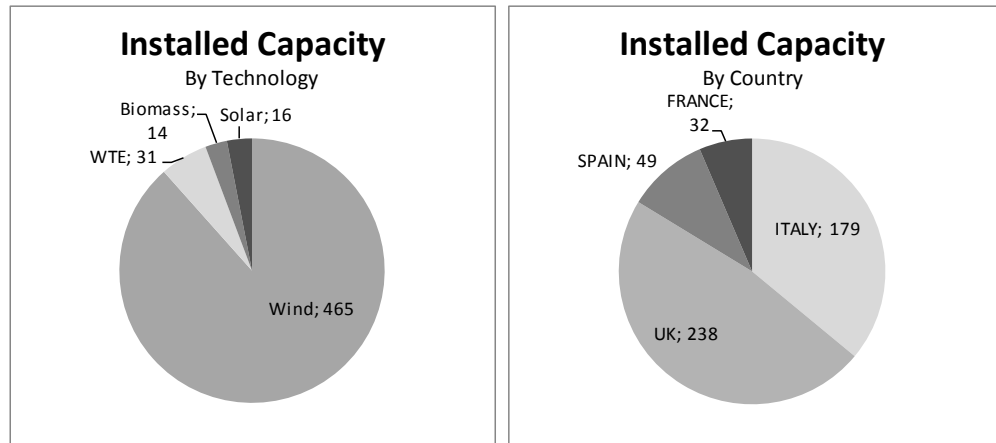
Following the merger the company can count on a highly qualified management team with vast experience in the sector, gained while working in leading companies. In our view the management is absolutely capable of driving the Falck Renewable group's growth and development in such a way that will see it become a major player on the international stage.

Management Team

Name	Position	Sector Experience	Previous experience
Piero Manzoni	CEO	22	ATEL/ALPIQ, ABB, Siemens
William Heller	Wind & Solar Director	29	McKinsey, Edison Mission Energy
Paolo Rundeddu	CFO	11	A2A, H3G, Indesit Company, ABB
Marco Codognola	Business Development	15	Edison, Enel, AEM Torino
Massimo Meda	Portfolio Management	19	AEM, Gruppo Camuzzi, ATEL
Carmelo Tantillo	WTE & Biomass Director	22	ENI, Montedison

Power Generation Activity

Most of the company's power generation and energy sales come in the wind power segment, where it has 465MW of installed capacity. This is followed by 31MW of WTE plants, and finally the company has 14MW and 16MW of installed capacity in biomass and solar power respectively. The geographical distribution of plants shows that around half are located in the UK, with 238MW of wind power. In Italy the company has 179MW installed between wind power, WTE and biomass, while in Spain and France it has 49MW and 32MW respectively, entirely in wind power.



Source: Company Data

WTE & Biomass.

The group's original business is producing electricity using the heat generated by the combustion of solid biomass in plants at Rende (CS) and solid urban waste in Trezzo sull'Adda, near Bergamo. These plants have 15MW and 20MW of installed capacity respectively. A third plant at Granarolo dell'Emilia, near Bologna, is owned in JV with HERA. This plant uses the combustion of solid urban waste in the Bologna area to generate electricity and thermal power, amounting to 22MWe and 80MWt respectively.

WTE&Biomass

	Technolo	Net MW	Stake %	Load hours	C.O.D.	Regulation	Expiry
Operating							
Trezzo	WTE	20.0	85%	6800	Operat.	CIP6/92	2014/2017
Granarolo	WTE	11.0	49%	6700	Operat.	CIP6/93	2018
Rende	Biomass	14.0	100%	7000	Operat.	Green Certificates	2025
Total		45.0					
Pipeline							
Trezzo expansion	WTE	21.0	85%	6800	2014	Green Certificates	
Granarolo expansion	WTE	5.0	49%	6700	2014	Green Certificates	
New plant	Biomass	7.5	53%	7000	2012	Green Certificates	
Total		33.5					

Source: Company Data

The two WTE plants benefit from the old CIP6/92 incentive system for renewable energy generation. This guarantees the use of the energy generated and sets a price for a period of between 8 and 20 years. During February 2009, the terms of the incentives for 9MW of the generation at the Rende plant expired. For this reason the plant was closed in April 2010 in order to carry out the necessary revamping (the work was completed at the beginning of 2011) in order to obtain the 15-year incentives provided for in the new Green Certificate (GC) scheme. The company benefits from a coefficient of 1.8x thanks to the plant being certified as a "short chain" generation plant. The Trezzo plant will benefit from CIP6 incentives for 15MW until 2014 and for a further 3MW until 2017, while the incentivised tariffs for the Granarolo plant will expire in 2018. The company has already planned the necessary work to increase both plant capacity by 2H14 (without stopping the production of actual plants), with the aim of receiving incentives under the new GC scheme for these additional capacity. These projects are currently being evaluated by the authorities responsible for granting authorisation for new tariffs to be awarded.

Wind

With the consolidation of its UK associate Falck Renewable plc., the group added a significant amount of wind power assets to its portfolio. The assets are located in 4 different European countries.

Wind - Operating Projects Details

	Nationality	Net Cap. MW	Stake %	Load Fact hours	Regulation	Revenues/Mwh* Eu
Cefn Croes	UK	58.5	100%	3123	ROCs	111.5
Boyndie	UK	16.7	100%	2920	ROCs	111.5
Erlsburn	UK	37.5	100%	3197	ROCs	111.5
Ben Akefil	UK	27.6	100%	3426	ROCs	111.5
Millenium	UK	65.0	100%	3284	ROCs	111.5
Kilbraur	UK	47.5	100%	3046	ROCs	111.5
Minervino Murge	Italy	52.0	100%	1898	Green Certificates	161.5
San Sostene Sud	Italy	42.0	100%	2724	Green Certificates	161.5
San Sostene Nord	Italy	37.5	100%	2861	Green Certificates	161.5
Esquennois	France	12.0	100%	2117	Feed-in Tariff	86.0
Le Fouy	France	10.0	100%	2000	Feed-in Tariff	86.0
Les Crêtes	France	10.0	100%	2180	Feed-in Tariff	86.0
La Muela	Spain	25.7	26%	2073	Feed-in Premium	96.0
Cabezo San Roque	Spain	22.2	96%	2206	Feed-in Premium	96.0
Total		464.2				

* expected for 2011

The company can currently count on 464.2MW of production capacity that is already operational, of which 252MW in the UK, 47.9MW consolidated in Spain, 131.5MW in Italy and 32MW in France. It also has 286.1MW of projects that have been authorised and are under construction, including 20MW Kilbraur Extension in UK and 138MW Geopower in Italy that are both in advanced stage of completion (expected C.O.D. by 2H2011).

Wind - Pipeline Details

	Nationality	Net Cap. MW	Stake %	Load hours	Regulation	Expected C.O.D.
Under Construction						
Kilbraur Ext	UK	20.0	100%	2943	ROCs	2011
Geopower 1	Italy	82.0	100%	2397	Green Certificates	2011
Geopower 2	Italy	56.0	100%	2397	Green Certificates	2011
Authorized Projects						
Kingsburn	UK	20.0	100%	3000	ROCs	2013
Nutberry	UK	15.0	100%	3000	ROCs	2012
Dunbeath	UK	51.0	100%	3000	ROCs	2014
Petralia Sottana	Italy	22.1	100%	1940	Green Certificates	2012
Ty-Ru	France	10.0	100%	2320	Feed-in Tariff	2012
Kernebet	France	10.0	100%	2550	Feed-in Tariff	2012
Total "in execution"		286.1				
Net Pipeline						
Pipeline UK	UK	80.0	100%	3000	-	n.d.
Pipeline Italy	Italy	50.0	100%	2000	-	n.d.
Pipeline France	France	80.0	100%	2400	-	n.d.
Pipeline Poland	Poland	70.0	100%	2000	-	n.d.
Total "net pipeline"		280.0				

Source: Company Data

Finally, the group has a pipeline of projects amounting to over 1000MW awaiting authorisation or in the preliminary development stage. According to the company 280MW of these are highly likely to be constructed, in France (80MW), the UK (80MW), Italy (50MW) and Poland (70MW). FKR's management can point to a success rate of 70% in the development of wind power projects, much higher than the sector average. In the business plan that was presented on 14th December 2010, management decided only to provide indications on the part of the pipeline on which it was highly confident, amounting to 28% of the total capacity of projects currently in a preliminary phase of development.

The business development team carefully selects development projects based on a minimum requirement of a double-digit yield, and in particular focuses on projects that can guarantee higher than average load factors in each country. This has allowed the

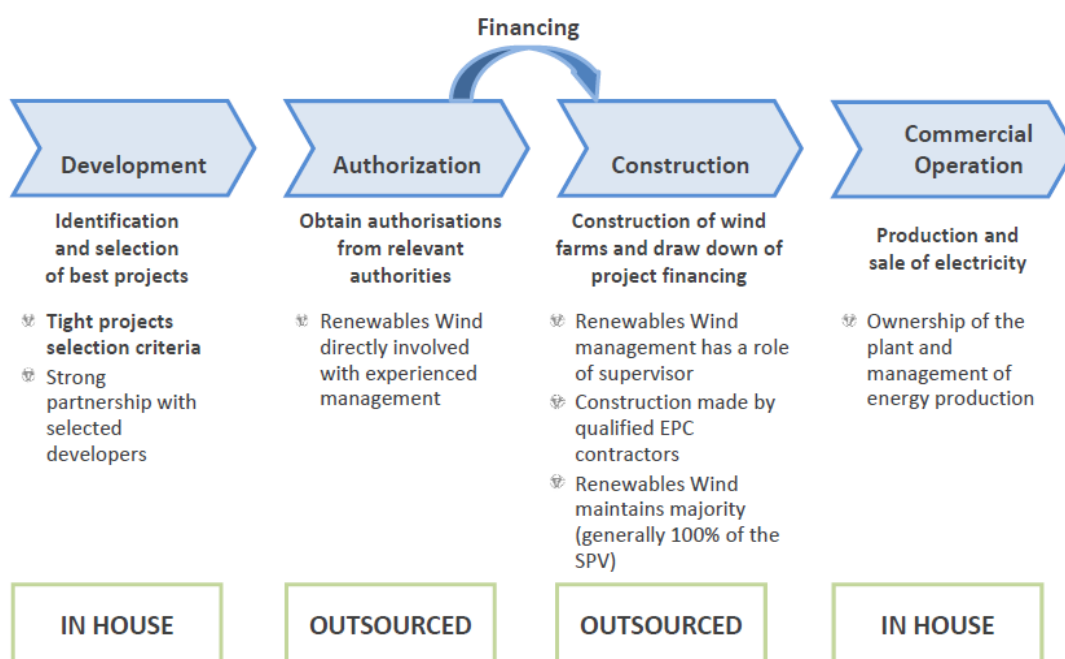
company to build up a portfolio of high quality wind power assets of recent construction, with above average efficiency levels.

In executing these projects, Falck Renewable mainly operates through partnerships with local developers until authorisation and financing are in place, and then acquires full ownership of the project in order to oversee the final stages of construction and operation of the plant. In this way the company obtains the best balance in the trade-off between development risk and value generation, giving up part of the benefits that would come from full development of the project in exchange for a significant reduction in the risk.

The company carries out the development and construction of plants through the formation of individual project companies, for which the risk capital is financed through the company's own means, and for which the ongoing financing is obtained through project finance. This model allows the project company to gain access to long term financing that is guaranteed by the project's own assets, and not by the partners carrying out the initiative. This therefore reduces the risk of financial exposure, which is entirely borne by each project company. In the majority of cases these project finance contracts provide some form of hedging of interest rates through swap derivatives, in order to ensure pre-determined and predictable cashflow, thus improving the viability of the project.

The business model used by Falck Renewables is broken down into 4 fundamental areas of activity:

- **Development:** in this stage the company identifies potential projects based on strict quality criteria, carrying out technical feasibility studies on site and ascertaining the presence of sufficient levels of wind. Usually this stage is entrusted to specialist third parties within the sector with which it has signed industrial partnership agreements.
- **Authorisation:** involves authorisation being obtained from the relevant administrative authorities. Generally, the authorisation process is based on evaluation of the potential environmental and aesthetic impact and the effects on the local community. The process takes between 1 and 5 years.
- **Plant construction:** once authorisation has been obtained contracts are signed for land rental and project financing, and tenders are awarded for the construction of the plant through selected local partners.
- **Operation and management:** mainly consists of the management of bilateral contracts for the sale of energy, operations management and maintenance.



Solar

The company also operates in photovoltaic solar power, in which it has 16.1MW of installed capacity. In this segment its installed capacity is qualified to benefit from the generous incentives contained in the Conto Energia 1 and Conto Energia 2 incentive package (including the 13MW that came into commercial operation in 2011, thanks to the "Salva Alcoa" decree").

Solar Photovoltaic

	Net Cap. MW	Stake %	Typology	Load hours	Regulation	Revenues/Mwh Eu
Operating						
Trezzo Photovoltaic	0.1	100%	Rooftop	1200	Conto Energia 1	470
Rende Photovoltaic	1.0	100%	Ground	1200	Conto Energia 1	470
La Calce	1.0	100%	Ground	1200	Conto Energia 2	350
Notarpanaro	1.0	100%	Ground	1200	Conto Energia 2	350
Cardonita	3.8	100%	Ground	1200	Conto Energia 2	350
Spinasanta	6.0	100%	Ground	1200	Conto Energia 2	350
Sugherotorto	3.3	100%	Ground	1200	Conto Energia 2	350
Totale	16.1					
Pipeline Projects	11	100%	Rooftop	1200	Conto Energia 4	-

Source: Company Data

Recent changes in solar public subsidies in Italy have led to a further downward revision in tariffs, which mainly penalises large ground-mounted plants, as well as creating significant red tape for large scale plants seeking to obtain incentives in the period between the end of 2011 and 2013. For this reason, the 11MW pipeline presented in the 2011-14 is currently on hold, and the company will weigh up any future opportunities connected to integrated roof-mounted installations. The group's aim is to maintain know-how in the photovoltaic sector in order to exploit its potential once technology reaches an adequate level of maturity.

Waste Management Activity

Alongside the power generation business, the group also operates in the collection and treatment of solid urban waste, which is used as raw material for combustion in incinerators, a service for which the company receives compensation. What's more, following the recent acquisition of two companies based in Gorle (Ecocentro Soluzioni Ambientali and Esposito Servizi Ecologici), the group has extended its operations into the collection and treatment of special waste coming from street cleaning.

Waste Management

	Gross Cap. ton/year	Stake %	Activity	Load Factor %	C.O.D.	Tariff Eu/ton
Operating						
Trezzo	174,000	85%	Disposal	91%	Operat.	81.0
Granarolo	210,000	49%	Disposal	85%	Operat.	81.0
Ecocentro Soluzioni Ambient	55,000	100%	Disposal	90%	Operat.	81.0
Esposito Servizi Ecologici	64,000	100%	Collection	90%	Operat.	106.0
Pipeline						
Trezzo expansion	192,000	85%	Disposal	90%	2014	-
Granarolo expansion	105,000	49%	Disposal	85%	2014	-

Source: Company Data

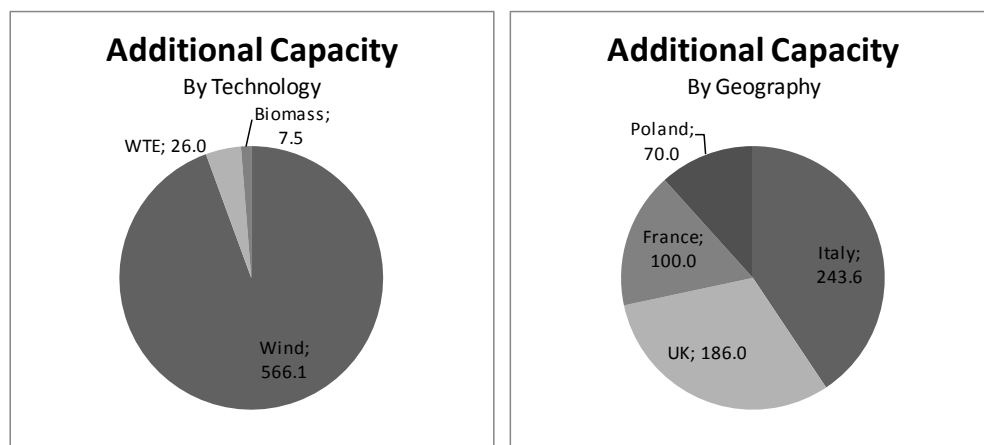
The Falck Renewable group's annual waste treatment capacity is currently around 500,000 tons, while its annual collection capacity comes to 50,000 tons. In the years to come, with the extension of the Trezzo and Granarolo incinerators, this capacity is forecast to rise to 800,000 tons/ year.

O&M Activity

Thanks to the group's ten years of experience in the management of its own WTE plants, FKR also manages and maintains third party plants, using the know-how of its team of highly specialised technical experts who can guarantee excellent performance of the plants managed in terms of efficiency levels (over 80%). This business is currently carried out on behalf of third parties at the 2.2MW incinerator in Fusina, as well as for the Trezzo and Granarolo plants that fall within the group's consolidation base (only 49% for Granarolo).

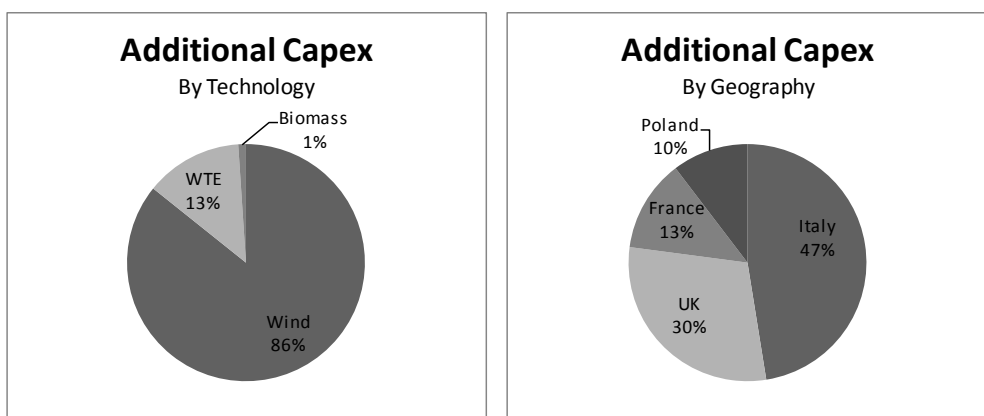
Development Plan

FKR therefore offers an ambitious growth plan that will bring its installed capacity from the current 526MW to 1125MW in 2014. The company estimates that this will require the investment of Eu1.2bn, which will drive a 20% CAGR in EBITDA, forecast to rise from the Eu95.5mn posted in 2010 to Eu230mn in 2014.



Source: Company Data

The lion's share of the increase in production capacity will come from the wind power segment, with an increase of 566MW, mainly in Italy and the UK, whereas the contribution from other technologies will amount to 33.5MW overall (we are excluding the 11MW of solar plants presented in the industrial plan). In terms of CAPEX the distribution will be less skewed towards wind power, although it will remain the largest expense item in absolute terms at a forecast Eu928mn. This will be followed in order of magnitude by WTE, biomass and solar. Looking at the breakdown by country, we can see that 47% of CAPEX will be invested in Italy, and 30% in the UK.



Source: Company Data

The details provided by the company for the projects contained in the 2011-14 business plan include the forecast date for the completion of each plant. We can see that the plan contains a total of 600MW of installed capacity, with around 286MW already authorised, for which works are in various states of progress (in the table below, Constr. refers to plants that have obtained financing and at which construction work is underway).

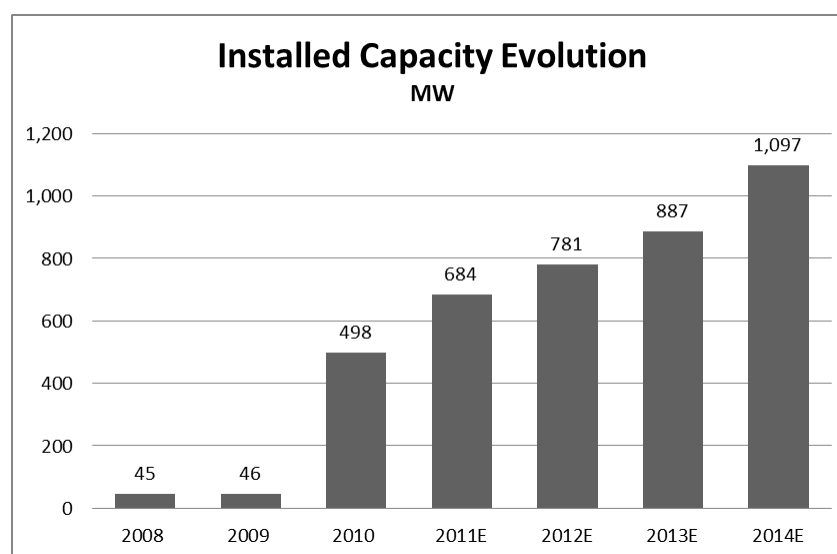
The remaining 313MW are yet to receive authorisation. Of these plants, the 280MW of wind power projects relate to 28% of the total pipeline currently being developed, a level considered by management to be a prudent estimated success rate. In 2011 the company expects to gain authorisation for the expansion of the Trezzo WTE plant and the new biomass plant.

Project Summary

	Technology	Nationality	Net Cap. MW	Stake %	Capex/MW	Capex	C.O.D.
Kilbraur Ext	Wind	UK	20.0	100%	1.6	32	2011
Kingsburn	Wind	UK	20.0	100%	1.6	32	2013
Nutbery	Wind	UK	15.0	100%	1.8	27	2012
Dunbeath	Wind	UK	51.0	100%	1.8	93	2014
Geopower 1	Wind	Italy	82.0	100%	1.8	151	2011
Geopower 2	Wind	Italy	56.0	100%	1.7	95	2011
Petralia Sottana	Wind	Italy	22.1	100%	1.9	42	2012
Ty-Ru	Wind	France	10.0	100%	1.9	19	2012
Kernebet	Wind	France	10.0	100%	1.4	14	2012
Total in Execution			286.1			505	
Pipeline Wind UK	Wind	UK	80.0	100%	1.7	136	2013-14
Pipeline Wind Italy	Wind	Italy	50.0	100%	1.5	75	2013-14
Pipeline Wind France	Wind	France	80.0	100%	1.4	112	2013-14
Pipeline Wind Poland	Wind	Poland	70.0	100%	1.6	112	2013-14
New plant	Biomass	Italy	7.5	100%	1.6	12	2012
Trezzo expansion	WTE	Italy	21.0	85%	5.5	116	2014
Granarolo expansion	WTE	Italy	5.0	49%	5.5	28	2014
Total Pipeline			313.5			590	
Total Projects			599.6			1095	

Source: Company Data

The Eu1.095mn of investment needed in order to achieve the business plan targets will mainly be funded through project financing, which must be approved prior to works starting on any given plant. The equity needed for the completion of these projects, which according to our estimates amounts to around 30% of the overall investment (Eu360mn) will be gathered from: the resources brought in by the already completed rights issue (Eu130mn); Eu165mn of financing already agreed with a pool of banks, made up of a term credit for a maximum of Eu70mn and a revolving credit line of Eu95mn, both due to expire on 30th June 2015; and cashflow generated by the group. The company does not intend to distribute any dividends during the period in question, in order to avoid excessive financial strain for the company during this period of intensive growth.



Source: Company Data

Positives & Negatives

Positives:

The company boasts an excellent, international class track record in project completion, with a 70% success rate, significantly better than market average. The ability to select projects with high returns thanks to better than average levels of production, and the proven qualities in managing the authorisation process certainly make FKR a stand-out company in the sector from an operational point of view, whether it be in biomass, WTE or wind power. The diversification into four different markets is the best strategy to reduce the regulatory risk that is inherent to the renewable energy business.

After the tender offers on Iberdrola Renovables and EDF EN by the respective parent companies, the only pure renewable energy operators of a significant size remaining on the European market will be Enel Green Power and EDP Renovaveis. FKR could therefore represent a valid alternative to these two companies, bearing in mind that in 2014 it is expected to reach around 1.1GW of installed capacity, much more than other small renewable players.

Positives&Negatives

Positives	Negatives
- Excellent track record	- High Debt
- High IRR project selection	- Regulatory Risk
- Geographical & Technological Diversification	- Exposure to Currency Exchange Rates Risk
- Good visibility thanks to considerable size	- Risk of future increase in Cost of Capital

Negatives:

The main negative factor affecting the company is its high level of debt, especially in the wind power business. This debt, however, is non-recourse, and is therefore confined to the individual projects. The debt/ EBITDA ratio will remain at around 6.5x in 2011, falling to 5.7x in 2014, while on average companies in the sector have a figure of around 4.5x. These conditions could limit FKR's development, as they prevent the company taking advantage of potential future investment opportunities without bank loans that could take a long time to set up. Other major operators, such as EGP, finance projects through their own corporate debt.

We believe that regulatory risk in Italy poses a threat to the profitability expected from the investments outlined in FKR's business plan to be implemented after 2013, when the new regulation for renewable energy incentives involving the transfer from a GC system to a Feed-in Tariff (FIT) system will come into effect. From 2015, this adjustment will also be applied retroactively to plants that already started operations in the period in which the GC system was in place.

Operations in the UK introduce a potential FOREX risk related to the exchange rate between sterling and the euro, affecting the top line. As a matter of fact, about 29% of FKR's revenues come in the UK, and this figure is expected to reach 33% in 2014.

Another important risk is connected to developments in the cost of capital, which could penalise the IRR for future projects. For example, in the last few weeks Italy has seen a sharp escalation in country risk, as highlighted by the BPT-Bund spread (now at 301bps); in addition the country has witnessed an increase in real interest rates (10Y moving from 2.3% to about 3.5%). This combined scenario has a double impact on Italian utilities: 1) the increase in the country's benchmark interests rates has a direct negative impact on valuations through a rising cost of funding (both cost of equity and debt); 2) most regulated businesses, such as renewable energy players, have their revenues linked to inflation, as do some renewables energy incentive schemes, meaning that a drop in this variable has a direct negative impact on the P&L and valuations.

Main Operational Assumptions

WTE & Biomass

In the WTE & Biomass business, the company operates in energy generation and sale, waste treatment and O&M activity for third parties. The company currently operates in this business through two different WTE plants, (20MW at Trezzo and 22MW at Granarolo, in which FK R's pro -quota share is 11MW), one biomass plant (14MW at Rende), and two waste treatment plants in Gorle (Ecocentro Soluzioni Ambientali and Esposito Servizi Ambientali).

The plants at Trezzo and Granarolo currently sell electricity generated under incentivised tariffs set by the CIP6 regulations. During 2011 both plants will see the incentive component of these tariffs expire, with only the avoided costs component remaining. For Trezzo this component will expire in 2014, while for Granarolo it will expire in 2018. In our model we assume that both plants will be expanded by 2014 (by 21MW at Trezzo and 11MW at Granarolo, 5MW pro-quota), and this extension will receive incentives according to the GC scheme for 15 years, while the old lines will continue to sell energy to the network without incentives.

As for the power generation business, 2011 will have an advantage over 2010 due to the positive contribution from the return to operations of the biomass plant at Rende, while it will be burdened by the expiry of CIP6 incentives for the WTE plants at Trezzo and Granarolo. What's more, 2011 will also benefit from the full contribution of the Esposito group, which according to our estimates will generate Eu 14mn in turnover.

On average, tariffs for waste treatment amount to Eu97/ ton, while revenues from collection carried out by the Esposito group come to Eu110/ton. In 2011 around 480,000 tons of waste will be treated, while in 2014, with the extensions for the two WTE plants taking effect, the capacity will rise to over 700,000 tons per year.

WTE&Biomass - Operational Assumption

	2008	2009	2010	2011E	2012E	2013E	2014E
Electricity prices (Eu/Mwh)							
Pool	87.0	65.0	64.8	71.2	72.5	78.1	76.8
CIP6 IGCC	210.0	195.5	207.5	141.5	81.6	83.2	84.9
Green Certificates	98.0	90.0	83.0	161.7	152.1	149.8	141.9
Waste Fees (Eu/ton)							
Waste Collection	106.6	108.7	110.9	113.1	115.4	117.7	120.1
Waste Disposal	93.0	96.0	97.9	99.9	101.9	103.9	106.0
Installed Capacity (MW)							
WTE - Trezzo	20.0	20.0	20.0	20.0	20.0	20.0	41.0
WTE - Granarolo*	22.0	22.0	22.0	22.0	22.0	22.0	33.0
Biomass - Rende	14.0	14.0	14.0	14.0	14.0	21.5	21.5
Load Factors (hours)							
WTE - Trezzo	6,485	6,638	6,841	6,978	7,117	7,000	6,000
WTE - Granarolo*	5,970	6,528	6,659	6,792	6,928	7,000	6,000
Biomass - Rende	7,080	6,821	3,100	7,000	7,070	6,000	6,300
Production (GWh)							
WTE - Trezzo	129.7	132.8	136.8	139.6	142.3	140.0	183.0
WTE - Granarolo*	131.3	143.6	146.5	149.4	152.4	154.0	165.0
Biomass - Rende	99.1	95.5	43.4	98.0	99.0	129.0	135.5
Waste Treated (ton)							
WTE - Trezzo	173,099	174,069	174,069	174,069	174,069	174,069	327,669
WTE - Granarolo*	204,154	198,384	202,352	206,399	210,527	214,737	312,000
Waste - Gorle			45,000	107,100	107,100	107,100	107,100
Revenues	97.6	94.2	88.8	96.4	86.5	95.1	124.5
Revenues Power Gen.	67.3	61.1	52.1	52.4	41.5	48.9	56.1
Revenues Waste	25.4	26.0	31.7	38.9	39.9	40.9	63.1
Revenues O&M	4.9	7.0	4.9	5.0	5.1	5.2	5.3

Source: Company Data and Intermonte SIM estimates

Wind Power Operational Assumptions

The Falck group's wind power assets are based in 5 different EU countries, and have varying characteristics in terms of load factor and price of energy sales due to the different wind strength and incentive policy adopted in each country.

The company has 272MW of installed capacity in the UK, which benefits from an average return of Eu107/MWh (based on a EUR/GBP exchange rate of 0.9) and an average load factor of 2,900 hours per year. In Italy the Falck group has three plants with total capacity of 131MW: in this case the return is Eu161/MWh but the load factor is much lower, coming to 1700 hours in 2011, which should rise to the optimum level of 2100 hours fully loaded. In France, where the company has 32MW of production capacity, a FIT incentive system is in place that currently guarantees a return of Eu96/MWh and a load factor of 2100 hours, while in Spain energy generated through the company's wind power plants, which were constructed in 2003 with total pro-quota capacity of 49MW, has the right to a grandfathered mechanism, which in 2011 will guarantee a return of Eu86/MWh and a load factor of 2200 hours. Finally, although the group does not currently own any operating plants in Poland, management included various projects that are under development in its business plan as they are highly confident that they will be completed, with total production capacity reaching 50MW by 2014. In this case the incentive system guarantees a return of Eu116/MWh generated, while the strength of the wind should give a load factor of 1800 hours/year.

The only costs that have an impact on EBITDA for these kinds of assets are O&M costs, which vary between Eu50,000 and Eu70,000 per MW depending on the country and the specific nature of each plant. The sub-holding Falck Renewables Ltd incurs around Eu18mn of structural costs linked to project development, which are booked on group EBITDA.

Wind - Operational Assumption

	2009	2010	2011E	2012E	2013E	2014E
Total Return/MWh (Eu)						
UK	100.0	108.1	107.5	109.1	110.7	112.3
Italy	158.9	175.0	160.9	156.8	160.1	154.5
France	82.6	84.3	86.0	87.7	89.4	91.2
Spain	89.6	91.4	93.3	94.1	87.7	88.5
Poland	-	116.0	117.2	118.3	119.5	120.7
Capacity (MW)	370.6	450.1	623.1	716.2	811.2	991.2
UK	237.7	237.7	272.7	327.7	387.7	487.7
Italy	52.0	131.5	269.5	291.6	291.6	331.6
France	32.0	32.0	32.0	48.0	48.0	73.0
Spain	49.0	49.0	49.0	49.0	49.0	49.0
Poland	-	-	-	-	35.0	50.0
Load Factors (heures/year)						
UK	2,690	2,100	2,900	2,900	2,900	2,900
Italy	1,673	1,770	2,100	2,100	2,100	2,100
France	1,219	1,615	2,100	2,100	2,100	2,100
Spain	2,123	1,947	2,200	2,200	2,200	2,200
Poland	1,800	1,800	1,800	1,800	1,800	1,800
Production (GWh)	869	809	1,212	1,533	1,753	2,116
UK	639	499	663	780	930	1,182
Italy	87	162	373	561	583	623
France	39	52	67	84	101	127
Spain	104	95	108	108	108	108
Poland	-	-	-	-	32	77
Revenues	89.9	94.1	147.2	190.6	218.5	259.4
UK	63.9	53.9	71.3	85.1	102.9	132.7
Italy	13.8	28.4	60.1	88.0	93.4	96.3
France	3.2	4.4	5.8	7.4	9.0	11.6
Spain	9.0	7.4	10.1	10.1	9.4	9.5
Poland	-	-	-	-	3.8	9.2

Source: Company Data and Intermonte SIM estimates

Solar Operational Assumptions

The solar energy plants in Falck Renewable's portfolio have total production capacity of 16MW and all benefit from the Conto Energia 1 & Conto Energia 2 incentive system, including those plants that started operating in 2011 (Cardonita, Spinasanta and Sugherotorto) which exploited the window offered by the Salva Alcoa decree. Total return per MWh for these plants is equal to the pool price plus a premium set at Eu350/MWh for 20 years (Eu470/MWh for Conto Energia 1 plants), while the load factor goes from 1,200 per year for plants in the north to 1,400 per year for plants in Sicily, which benefit from the highest degree of solar radiation in Italy.

Operating costs for this business are very limited, and only include supervisory O&M costs, which do not exceed 10% of turnover. According to our estimates Falck Renewable's plants will generate around Eu9mn of annual turnover and a consistent cashflow of Eu2.8mn per year for 20 years. Even though the business plan presented in December forecast a further 11MW of solar power installations, following changes to solar power incentives these projects have been put on the back burner while market developments in light of the new regulations are assessed.

Solar - Operational Assumption

	2008	2009	2010	2011E	2012E	2013E	2014E
Total Return/MWh (Eu)							
Pool	87.0	65.0	64.8	71.2	72.5	78.1	76.8
Fixed Price Premium	350.0	350.0	350.0	350.0	350.0	350.0	350.0
Capacity (MW)	0.1	1.1	3.1	16.1	16.1	16.1	16.1
Rende Photovoltaic	-	1.0	1.0	1.0	1.0	1.0	1.0
La Calce	-	-	1.0	1.0	1.0	1.0	1.0
Notarpanaro	-	-	1.0	1.0	1.0	1.0	1.0
Trezzo Photovoltaic	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cardonita	-	-	-	3.8	3.8	3.8	3.8
Spinasanta	-	-	-	6.0	6.0	6.0	6.0
Sugherotorto	-	-	-	3.3	3.3	3.3	3.3
Load Factors (heures/year)							
Rende Photovoltaic	-	1,300	1,300	1,300	1,300	1,300	1,300
La Calce	-	-	1,300	1,300	1,300	1,300	1,300
Notarpanaro	-	-	1,300	1,300	1,300	1,300	1,300
Trezzo Photovoltaic	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Cardonita	-	-	-	1,400	1,400	1,400	1,400
Spinasanta	-	-	-	1,400	1,400	1,400	1,400
Sugherotorto	-	-	-	1,400	1,400	1,400	1,400
Production (GWh)	0.1	0.7	2.7	12.5	21.0	21.0	21.0
Rende Photovoltaic	-	0.7	1.3	1.3	1.3	1.3	1.3
La Calce	-	-	0.7	1.3	1.3	1.3	1.3
Notarpanaro	-	-	0.7	1.3	1.3	1.3	1.3
Trezzo Photovoltaic	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cardonita	-	-	-	2.5	4.9	4.9	4.9
Spinasanta	-	-	-	3.9	7.8	7.8	7.8
Sugherotorto	-	-	-	2.1	4.3	4.3	4.3
Revenues	0.0	0.3	1.1	5.3	8.9	9.0	9.0
Rende Photovoltaic	-	0.3	0.5	0.5	0.5	0.6	0.6
La Calce	-	0.0	0.3	0.5	0.5	0.6	0.6
Notarpanaro	-	0.0	0.3	0.5	0.5	0.6	0.6
Trezzo Photovoltaic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cardonita	-	-	-	1.0	2.1	2.1	2.1
Spinasanta	-	-	-	1.6	3.3	3.3	3.3
Sugherotorto	-	-	-	0.9	1.8	1.8	1.8

Source: Company Data and Intermonte SIM estimates

Key Financials

Falck Renewables – Income Statement

(Eu mn)	2009	2010	2011E	2012E	2013E	2014E
Total Revenues	185	184	248	286	321	399
Adj. EBITDA	96	94	128	157	173	219
% EBITDA Margin	52%	51%	52%	55%	54%	55%
WTE&Biomass	35	46	38	28	26	39
Wind	60	47	85	121	140	173
Solar	0	1	4	8	7	7
Depr. Prov.'s. and Write-dc	-40	-46	-53	-64	-75	-85
EBIT	56	48	75	93	98	134
% EBIT Margin	30%	26%	30%	33%	31%	34%
Net Financial Charges	-25	-36	-46	-50	-58	-67
Other Charges and Incom	-2	1	0	0	0	0
Net Operating Margin	29	13	29	43	40	67
Taxes	-8	-11	-11	-16	-15	-25
Tax Rate %	26%	84%	37%	37%	37%	37%
Net Income	22	2	19	27	25	42
Results from discontinued c	0	0	0	0	0	0
Minorities	5	2	2	3	3	5
Group Net Income	17	0	16	24	22	37
Adj. Net Income	17	0	16	29	27	42

Source: Company data and Intermonte SIM estimates.

Projected top line growth between 2011 and 2014 reflects the increase in production capacity foreseen in the group's plans, while we expect that as of 2012 profitability will increase to 55%, mainly thanks to the growing contribution from the wind power business, which guarantees profit margins of up to 70%. Indeed, the breakdown of EBITDA demonstrates how the contribution from the WTE and biomass business will come down in 2012 and 2013 due to the expiry of CIP6 incentives for the energy generated by the Trezzo and Granarolo plants, while EBITDA in the wind power business is set to increase from Eu89mn in 2011 to Eu219mn in 2014 (25% CAGR). For valuation purposes, we believed it was worth considering the pro-forma accounts for 2009 and 2010, including the contribution of the wind power business, even though it was not consolidated at that time.

Falck Renewables – Balance Sheet

(Eu mn)	2009	2010	2011E	2012E	2013E	2014E
Fixed assets	946	1,124	1,336	1,435	1,654	1,833
Net working capital	-39	-57	-57	-53	-56	-68
Gross inv. capital	908	1,068	1,279	1,382	1,598	1,765
Severance provision	-2	-3	-3	-3	-3	-3
Net invested capital	906	1,065	1,276	1,379	1,595	1,762
Group sharehold. equity	331	327	474	498	520	557
Minority interests	11	7	9	12	15	20
Net financial position	-563	-731	-793	-869	-1,060	-1,185
Total cover	906	1,065	1,276	1,379	1,595	1,762

Source: Company data and Intermonte SIM estimates.

Falck Renewables – Cash Flow Statement

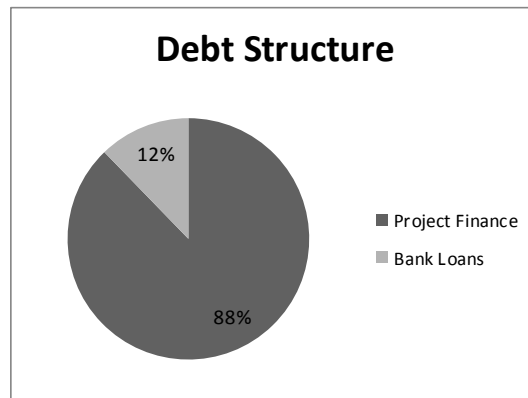
(Eu mn)	2009	2010	2011E	2012E	2013E	2014E
Net fin position beg of yea	-409	-563	-731	-793	-869	-1,060
Net income	22	2	19	27	25	42
Depreciation	38	44	53	64	75	85
Change in working capita	-7	19	1	-4	3	12
Operating cash flow	53	65	72	87	103	139
Investments	-168	-177	-297	-162	-294	-264
Free cash flow	-115	-112	-225	-76	-191	-125
Dividends	-7	-12	0	0	0	0
Other movements	-31	-44	162	0	0	0
Cash flow	-154	-168	-62	-76	-191	-125
Net fin position end of yea	-563	-731	-793	-869	-1,060	-1,185

Source: Company data and Intermonte SIM estimates.

The balance sheet also reflects the forecast increase in production capacity, which can be seen in the growth of fixed assets coming from the investments planned by the group. These investments will be financed through debt and operating cashflow. What's more, no dividends will be distributed in the 2011-14 period so as not to burden the NFP any further.

Focus on Debt Structure

The group's NFP at the end of 1Q11 amounted to Eu623mn, broken down into 3 components. Firstly there is Eu645mn relating to project finance for each project: this debt is non-recourse and therefore remains the responsibility of the vehicle company that is created ad-hoc for each project. Secondly, there are around Eu90mn of financial liabilities for the hedging of previous infra-group positions that were opened, taken from the Eu165mn credit line opened on 14th January 2011 with various credit institutions and expiring on 30th June 2015. Finally, the company has Eu110mn of available liquidity in the short term, deriving from the rights issue that was completed on 13th March 2011. As we can see, at the end of 1Q11 FKR had completely closed its intercompany debt towards the parent company Faick Spa.



Source: Company Data and Intermonte SIM estimates

We can immediately see that the debt/ EBITDA ratio will stand at 6.0x in 2011, falling to 5.1x in 2014, while the EV/ debt ratio remains more or less constant at 0.7x. Such a high debt/ EBITDA ratio can be attributed to the gap between an investment being made and the relevant project becoming operational and generating positive EBITDA. This highly leveraged structure is possible because the company is fully hedged against interest rate risk, as the majority of the debt is in non-recourse project financing, which incorporates hedging against fluctuations in interest rates within the contract. As for the corporate part of the debt, the Eu165mn credit line and the Eu110mn of available liquidity seem sufficient to meet the company's financial needs in the 2011-14 period.

Debt Analysis (2011-2014)

	2010	2011E	2012E	2013E	2014E
Debt/EBITDA	7.7	6.0	5.4	5.7	5.1
EV/Debt	0.7	0.6	0.6	0.7	0.7
EBITDA/financial expenses	3.1	2.9	3.2	3.2	3.4

The EV/debt ratio of 0.7x is largely due to the fact that the company operates in a highly capital intensive business, in which the financial structure used for project financing of wind power projects has a gearing of 0.7x. Finally, the coverage of financial expenses by EBITDA is around 3x, which we consider to be a reasonable level for the type of business carried out by the company.

Valuation

For our valuation we have used a DCF-based sum of the parts model in order to assess the contribution of each business, subdivided by technology and country. For WTE and biomass plants we have decided to use a pure DCF valuation in order to incorporate the specific nature of each plant (the Trezzo WTE DCF model ends in 2023 with no TV, consistently with the expiration of the contracts with the municipality). Wind power plants have been valued based on a 20-year DCF model without terminal value, which yields different values of EV/MW according to country and differences in load factor, incentives and cost of capital. Wind power projects that have already received authorisation are valued separately through transaction multiples of Eu0.3/MW on average, while those that have already started construction are evaluated as 80% of operating ones in order to assess a limited construction risk. Solar energy installations are valued using the same methodology as wind power. Finally, the waste management business of the Esposito group is valued through market EV/EBITDA multiples.

Falck Renewables - SOP

Eu mn	Value	Driver	Multiple	% owned	Valuation method
WTE & Biomass - Operating	EV	NPV	TV	stake	
WTE - Trezzo	62	74	-	85%	DCF 13y - No TV
WTE - Granarolo	84	124	47	49%	DCF 20y + TV
Biomass - Rende	70	70	-	100%	DCF 15y - No TV
Total EV	216				
<i>per share</i>	<i>0.74</i>				
Wind & Solar - Operating	EV	MW	EV/MW	stake	
Wind - Italy	260	132	2.0	100%	DCF 15y - No TV
Wind - UK	621	233	2.7	100%	DCF 15y - No TV
Wind - Spain	54	49	1.1*	40%	DCF 15y - No TV
Wind - France	49	32	1.5	100%	DCF 15y - No TV
Solar - Italy	65	14	4.6	100%	DCF 20y - No TV
Total EV	1049				
<i>per share</i>	<i>3.60</i>				
Wind - Under Construction	EV	MW	EV/MW	% of succes	
Wind - Italy	217	138	2.0	80%	DCF 15y - No TV
Wind - UK	43	20	2.7	80%	DCF 15y - No TV
Total EV	259				
<i>per share</i>	<i>0.89</i>				
Wind - Authorized	EV	MW	EV/MW	stake	
Wind - Italy	7	22	0.3	100%	Transaction Multiples
Wind - UK	26	86	0.3	52%	Transaction Multiples
Wind - France	4	20	0.2	100%	Transaction Multiples
Total EV	36				
<i>per share</i>	<i>0.12</i>				
Waste Management	EV	EBITDA	EV/EBITDA	stake	
2011	42	5.6	7.5	100%	Peers Multiple
2012	40	5.8	6.9	100%	Peers Multiple
2013	33	6.0	5.5	100%	Peers Multiple
Total EV	38				
<i>per share</i>	<i>0.13</i>				
SOP - EV	1599				

* the value reflect the maturity of the assets (built in 2003)

Valuation Summary

	total value	per share
WTE&Biomass EV	216	0.74
Wind&Solar EV	1345	4.61
Waste Management EV	38	0.13
EV	1599	5.49
NFP - end 2011 (exp.)	-760	-2.61
Holding Costs	-132	-0.45
Provisions	-3	-0.01
Minorities	-9	-0.03
Equity Fair Value	696	2.4
Discount	20%	-0.5
Intermonte Equity Value	553	1.90
Total Shares (mn)	291	

As shown, around 80% of the EV comes from the wind power business, which is estimated to be worth Eu1,328mn including projects that have already been authorised and/or are under construction. This is followed in order of size by the WTE&Biomass business, which we value at Eu216mn (17.3% of EV). Finally, we estimate that the group's waste management activity is worth Eu38mn. Through this approach we obtain an overall EV of Eu1,559mn. We applied a NFP of Eu760mn, which the company estimates is consistent with the asset base we have included in our SOP valuation, and we have subtracted Eu132mn for the NPV of holding costs. (20-year discounted back DCF of current cost), as well as provisions and minorities, we end up with a fair value of Eu739mn. The valuation of Eu1mn/MW for Spain wind assets, compared to average Eu1.35/MW, reflects the maturity of those assets dating back to 2003, while average is 2007-2008.

Therefore, our SOP valuation reflects a fair value of Eu2.4ps, to which we have applied a 20% liquidity discount, coming to a target price of Eu1.90. This discount also reflects current market concerns over future public policy with regard to renewable power production incentives, especially in Italy, where over the past few weeks there have been a number of attempts by Lega Nord (one of the parties in the governing majority) to include a reform in the Finance Bill that would include a 30% cut in incentives to renewable energy incorporated in electricity and gas tariffs. Although this proposal was not included in the law decree signed by the Italian President, Lega Nord has announced that it will present a similar proposal to Parliament on behalf of the party rather than the Government.

In the table below we report our assumptions for the calculation of WACC according to the respective country/ technology. The WTE & biomass business clearly features greater risk, and therefore has a higher WACC than the other technologies. Country risk mainly reflects the risk free rate, which is equal to the rate on 10-year bonds in each country and the spread on the debt interest rate.

DCF Assumptions

	WACC	Risk Free	Market	Beta	Cost of	Tax Rate	Leverage
	%	%	Premium	Unlevered	Debt	%	
WTE&Biomass							
WTE - Trezzo	6.7%	5.2%	5.0%	1.2	5.9%	37%	60%
WTE - Granarolo	6.7%	5.2%	5.0%	1.2	5.9%	37%	60%
Biomass - Rende	6.7%	5.2%	5.0%	1.2	5.9%	37%	60%
Wind&Solar							
Wind - Italy	5.4%	5.2%	5.0%	0.8	5.9%	37%	70%
Wind - UK	4.2%	3.3%	4.0%	0.8	4.0%	28%	70%
Wind - France	4.2%	3.3%	4.5%	0.8	4.0%	33%	70%
Wind - Spain	6.6%	5.6%	5.5%	0.8	6.3%	25%	70%
Solar - Italy	4.8%	5.2%	5.0%	0.8	5.9%	37%	80%

Peer Comparison

A peer comparison shows that the stock is currently trading at a hefty discount to peers, using both our estimates and the consensus, while the 2011-13 expected growth rate is in line with the sector compared to our estimates, and higher according to consensus' estimates. Calculating the implicit multiples according to our valuation we can see that the stock is currently trading at a discount, especially with reference to P/E multiples. We have chosen to exclude Iberdrola Renovables and EDF Energie Nouvelle from our peer group because they are currently under tender offers.

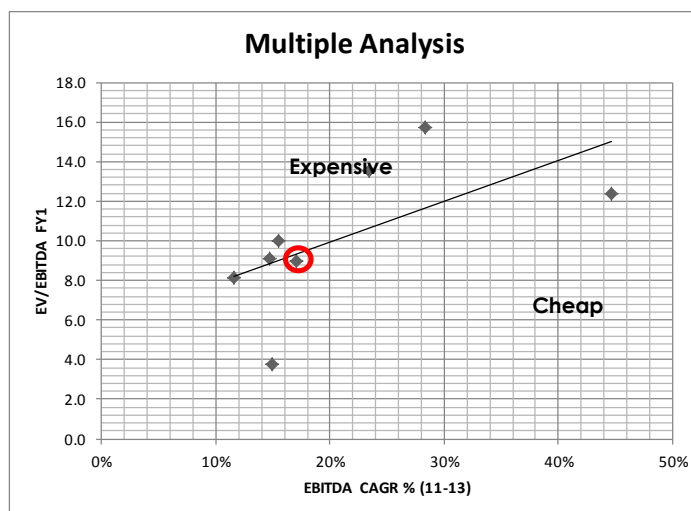
Peers Comparison

Company	Price	Mkt Cap		Ev/Sales			Sales % CAGR	EV/EBITDA			EBITDA % CAGR	P/E			EPS % CAGR
		(Eu mn)		2011	2012	2013		2011	2012	2013		2011	2012	2013	
Alerion Clean Power S.p.A.	4.98	219		8.3	6.6	4.8	35%	12.6	8.9	6.4	45%	-	16.6	10.8	-
Theolia S.A.	1.19	134		5.3	4.8	4.9	11%	15.2	12.5	10.3	28%	-	29.8	22.5	-
Terna Energy S.A.	2.55	279		5.6	4.5	6.5	46%	11.9	8.0	9.2	79%	23.2	10.9	7.3	78%
EDP Renovaveis S/A	4.44	3,872		7.7	6.9	6.2	16%	10.0	8.9	8.2	16%	40.4	27.7	22.2	35%
Enel Green Power S.p.A.	1.74	8,700		5.1	4.8	4.5	10%	8.6	7.8	7.1	14%	19.1	16.9	13.4	20%
Kinexia S.p.A.	1.74	37		0.6	0.4	0.1	-2%	3.6	2.1	0.6	15%	12.3	17.2	12.3	0%
Weighted Average				5.9	5.4	5.0	13%	9.2	8.1	7.4	17%	25.6	19.8	15.7	26%
Falck Renewables (Intermonte est.)	1.17	341		4.5	4.2	4.3	14%	8.8	7.7	8.0	17%	20.0	14.2	14.4	22%
% v.s. peers				-23%	-21%	-14%	1%	-5%	-5%	7%	0%	-22%	-28%	-8%	-4%
Falck Renewables (Consensus)	1.17	341		4.8	4.1	4.2	19%	9.3	7.6	7.5	23%	25.6	13.8	11.3	56%
% v.s. peers				-18%	-24%	-17%	6%	1%	-7%	0%	6%	0%	-30%	-28%	30%

Source: Intermonte SIM estimates for Falck Renewables, JCF Consensus for all the other stocks.

Graphic Analysis

A graphical analysis shows that Falck Renewables is positioned very close to the regression line that separates cheap and expensive companies according to the correlation between FY11 EV/EBITDA multiples and 2011-13 growth rates.



* We have excluded Tema Energy as Outlier.

However, in our view, current market multiples for renewable energy companies do not reflect the real value of their underlying assets: they are trading at an average 30-40% discount to their sum-of-the-parts valuations. This discount is connected to major uncertainties on the future of incentive schemes adopted by key countries. Our valuation therefore tries to incorporate both the fundamental value and market view, discounting the risk of a negative public policy trend, even though we believe that the 30% cut recently proposed in Italy by the Lega Nord party is very unlikely to pass.

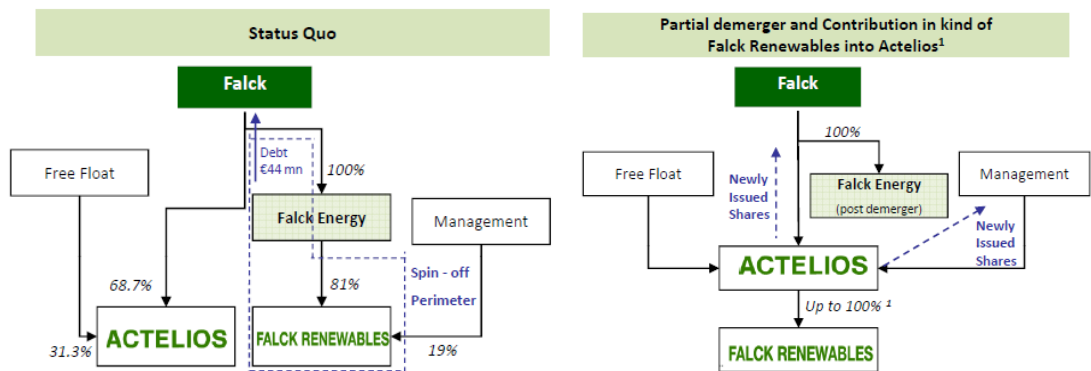
In our opinion, the M&A deal implemented to consolidate Falck Renewable Plc with the former Actelios Spa was detrimental from a minority shareholder's point of view, because we were convinced that the merger ratio set by the BoDs of Actelios and Falck SpA, based on an EV/EBITDA of 18.85x, was excessive when compared to average sector multiples, which at the time were 15.3x 2009 and 11.78x 2010. However, we think that there is a very low risk of further unfair operations from a minority shareholder's point of view, because the company is now well financed and has completely closed up intercompany liabilities. We now believe that the company represents a good investment opportunity at current prices, with a potential upside of 62%.

Appendix I: recent M&A operations

Consolidation of Falck Renewable

On 10th November 2010, the process of consolidating the Falck group's renewable energy assets was completed. The operation, which was approved by the Boards of Directors of the companies involved on 28th May 2010 and subsequently confirmed by the respective EGMs on 27th August, involved a merger ratio that was set at 0.58 Actelios shares for every Falck Renewable plc. share. The definition of the merger ratio derived from the valuation of the economic capital of Actelios and Falck Renewable at Eu340mn and Eu518mn respectively, according to the fairness opinion released by the nominated advisors for the deal, Mediobanca and Unicredit Group.

The operation was carried out in two distinct phases: the first related to the partial proportional spin-off of Falck Energy SpA, a company entirely owned by Falck SpA, which conferred its 81.1% stake in Falck Renewable plc. and Eu44mn of debt contracted by Falck Energy to Actelios in exchange for 74,835,407 newly issued Actelios shares. In the second phase of the deal, Falck Renewable plc. minority shareholders conferred the remainder of the share capital, consisting of 33,415,863 shares, or 18.83%, in exchange for 19,381,200 newly issued Actelios shares.



Overall, the acquisition of 99.99% of the Falck Renewable plc. share capital involved the issue of 94,216,607 shares, of which 19,381,200 were conferred to minority shareholders, at a face value of Eu1 and a share premium reserve of Eu4.03, bringing the total issue price to Eu5.03 per share, while the remaining 74,835,407 shares were conferred to Falck SpA as a result of the spin-off and conferral of Falck Energy's wind power assets, for a nominal value of Eu1.

Applying a valuation of Eu5.03 per share yields an implicit valuation for Falck Renewables plc. of Eu518mn, which added to the net debt of Eu615mn generates an EV of Eu1,133mn, an implicit EV/EBITDA of 18.85x, with a debt/EBITDA ratio of 10.2x.

In our view, this valuation of Falck Renewable plc. (which relates purely to the wind power assets conferred to Actelios) is excessive when compared to sector multiples, which in 2009 came to 15.3x and in 2010 11.78x. What's more, in terms of the debt exposure, the sector average stood at 4.2x debt/EBITDA for 2010, compared to 10.23x at the Falck group's UK company. The implied valuation for the 450MW of wind assets conferred by Falck Renewables Plc is Eu2.5mn per MW, while we think that a fair valuation for those assets would have been at least Eu2mn per MW.

The new ownership structure of the group is as follows:

- Falck Spa: 74.95%
- William Haller: 7.99%
- Other Insider: 3.89%
- Free Float: 13.08%

Upon completion of the consolidation process on 17th November 2010, the company's sponsor asserted that its management control systems complied with the standards required by the STAR segment of Borsa Italiana and approved provisional figures for the 2011 financial year. Finally the company changes its name from Actelios to Falck Renewables Spa.

A Eu130mn right issue.

At the same time as approval of the actions that paved the way for the consolidation, the Board of Directors also approved a rights issue for a maximum of Eu130mn (exercising the mandate it was granted by the AGM), to be offered in options to shareholders, with the aim of strengthening the group's capital structure and guaranteeing the financial flexibility needed to sustain the development projects outlined in the 2010-14 business plan.

The operation involved the offer of a maximum of 129,517,284 ordinary Falck Renewable shares with nominal value of Eu1, offered as an option to shareholders at a ratio of 4 new shares for every 5 already held, at a price of Eu1.003 each.

The majority shareholder Falck SpA expressed its intention to subscribe enough of the rights issue to allow it to keep a stake of at least 60% in the share capital, so as to reconstitute a float of the same size as was in place prior to the consolidation process. The remainder of the rights issue was supported by guarantees put forward by Mediobanca and Unicredit Group, which acted as Joint Global Coordinators and Joint Bookrunners, while MPS and Société Générale participated as Co-Lead Managers. These institutions signed underwriting contracts for the subscription of any unexercised rights following the offer on the market. The period for the exercise of rights ran from 14th February 2011 to 4th March 2011, while they were traded on the market from 14th to 25th February 2011.

The placement of Falck Renewable shares was completed on 14th February, through an accelerated bookbuilding process with qualified Italian and/or foreign institutional investors. The total value was Eu8.8mn. In a press release Mediobanca announced that 65,090,246 option rights were placed. These rights were valid for the subscription of a total of 52,072,196 ordinary Falck Renewable shares, corresponding to around 17.87% of the post-rights issue share capital.

The majority of the rights placed were made up of the unexercised rights held by Falck SpA (around 54.5mn), while a further 29.9mn rights remained, mainly held by management and other minority shareholders. These rights were valid for the subscription of 23,9mn new shares, corresponding to 8.2% of the post-rights issue share capital.

Appendix II: Renewable Energy Policies and Targets

Italy

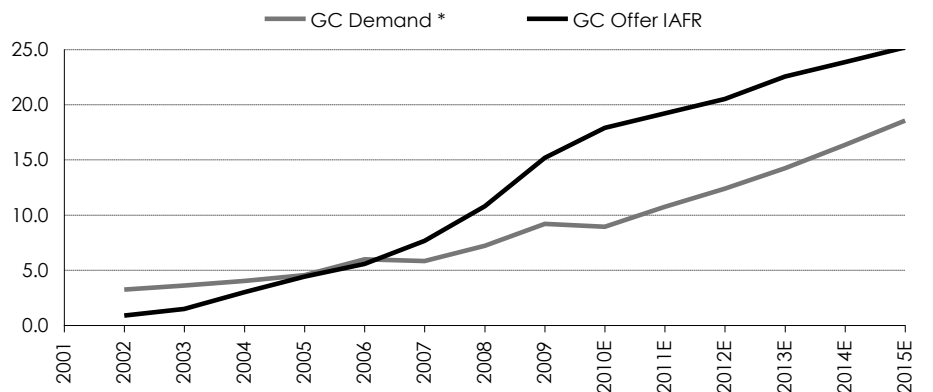
The first mechanism introduced by the Italian Government in order to support renewable energy producers is called CIP6 and dates back to 1992. Still in force for some older plants, CIP6 has two different components: an "incentive" component and an "avoided costs" component. These two components determine the price, generally well above the market price, at which the GSE (the Italian electricity market regulator) buys energy from the producers.

By 2001, all renewable sources (with the exception of solar power) receives incentives via the release of green certificates (GC). GC are released for a certain number of years based on a co-efficient relating to the specific energy source. For example, the wind power incentive amounts to 1 GC for every MWh generated, applicable for the first 15 years of each individual plant. For biomass plants, on the other hand, 1.8x GC are released for every MWh generated (as for Rende). Generators and importers of electricity from non-renewable sources must transmit a quota produced from renewable sources onto the national grid. These parties can fulfil this obligation by buying the equivalent quota or the related generation rights from renewable energy generators. In 2010, the so-called "mandatory quota" comes to 6%, and this will be increased by 0.75 percentage points per year until 2012.

For exchanges between operators there is a GC market, although such transactions normally involve bilateral exchanges. GC can also be "sold" or "bought" in transactions with the GSE (the Italian renewable energy authority), although the price is different depending on the type of transaction. When the GSE has to issue GC in order to satisfy the extra demand, it does so at a price that is equal to the difference between Eu180/MWh and the average PUN price recorded over the previous 12 months. This is not necessary in a market such as the current one, where the offer of GC comfortably outstrips demand: in such a situation the GSE purchases green certificates, on request from the companies holding them, at a price equal to the market average over the three years leading up to the request.

In order to project the GC supply/demand trend over the next few years, the supply side clearly plays a crucial role (IAFR offer). We are currently assuming total additional renewable IAFR capacity of around 3.5GW over the 2009-2015 period, of which 0.4GW hydro, 2.1GW wind and 0.8 GW WTE. This translates into a long market in the coming years unless an even higher renewable energy quota is introduced. This unbalance of the supply/demand has been one of the two main reason for the changes in the framework that have been recently introduced by the government (the other being the desire to cancel the windfall profits enjoyed by renewable technologies).

GC Supply/Demand Balance (TWh, 2001 – 2015E)



Source: Intermonte SIM elaboration on AEEG and Industry Ministry figures

The new framework

The Italian Cabinet passed a decree-law concerning the regulation of power generation from renewable sources, in pursuit of the objectives set by European Directive 2009/28, which for Italy includes a target of producing 17% of all energy from renewable sources. The new system will affect all such sources, including photovoltaic, taking effect on 1st January 2013. The quota-based green certificate system will be replaced by a feed-in tariff system, an incentive mechanism that is supposed to remain constant for the entire life of the investment. In particular, incentive rights for solar parks of at least 5MW will be assigned through low bid auctions managed by the Italian renewable energy administrator (GSE).

Plants already in operation (or that will begin operating before 2013) will go through a transition period from 2011 to 2015 in which green certificates (GCs) will still be used. From 2016 onward, all plants will move to the new feed-in incentive system. During the transition period, the GSE will still be required to purchase and withdraw unsold GCs. The GC withdrawal price will be a function of the following formula: $(€180 - \text{PUN}) \times 0.78$, where PUN is the national electricity purchasing price. Thermoelectric power generators will be required to purchase green certificates through 2014, but this obligation will decrease linearly, from 7.55% of production in 2012 to 0% in 2015.

Solar power Incentives

After a 2-month period of great uncertainty, which almost paralysed the entire Italian PV market, on 5th May the Italian government finally approved the new incentive scheme for photovoltaic power generation. The new decree, which came into force on 1st June 2011, set the national target at 23GW and dictated a shift to a feed-in tariff system (vs. the current feed-in premium), with half-yearly targets for new incentivised installed capacity, linked to maximum spending limits. In the event that these spending limits are reached before the end of the period in question, incentives will automatically be lowered to those for the next period as stipulated in the decree.

Before the new feed-in tariff incentive scheme takes effect, there will be a transition period lasting from 1st June 2011 to 31st December 2012, in which the current feed-in premium incentive scheme will be maintained, but there will be harsher tariff cuts than were provided for in the previous Conto Energia 3 scheme and capacity caps for large plants (ground-mounted systems above 200kW and roof-mounted systems in excess of 1MW). In addition to the limits described above, large plants that come into operation after 31st August 2011 will have to be listed on the relevant register managed by the GSE, with all requests for registration to be classified according to set criteria.

Eu/MWh Incentives - Transitory Period

	jun-dec 2011		1H2012		2H2012	
	Feed-in Premium*		Feed-in Premium		Feed-in Premium	
	Rooftop	Ground	Rooftop	Ground	Rooftop	Ground
1-3 kW	387-289	344-261	274	240	252	221
3-20 kW	356-268	319-238	247	219	227	202
20-200 kW	338-253	306-224	233	206	214	189
0.2-1 MW	325-246	291-189	224	172	202	155
1-5 MW	314-212	277-181	182	156	164	140
> 5MW	299-199	264-172	171	148	154	133

*monthly cutback

The transitional period will close on 31st December 2012, and on 1st January 2013 the new Conto Energia 4 scheme will come into force. This will last for 4 years, until 31st December 2016 with the new feed-in tariff system (all-in tariff). Tariffs are adjusted on a half-yearly basis, with the reduction going from 9% in the second half of 2013 to 30% during 2016. Once set, the incentive lasts for 20 years.

Eu/MWh Incentives - New Regulation

	1H2013		2H2013		1H2014	2H2014	1H2015	2H2015	1H2016	2H2016
	All-in Feed in Tariffs		Self Cons. Feed in Tariffs		QoQ var.	QoQ var.	QoQ var.	QoQ var.	QoQ var.	QoQ var.
	Rooftop	Ground	Rooftop	Ground	%	%	%	%	%	%
1-3 kW	375	346	274	240	-9%	-13%	-13%	-15%	-15%	-30%
3-20 kW	352	329	247	219	-9%	-13%	-13%	-15%	-15%	-30%
20-200 kW	299	276	233	206	-9%	-13%	-13%	-15%	-15%	-30%
0.2-1 MW	281	239	224	172	-9%	-13%	-13%	-15%	-15%	-30%
1-5 MW	227	205	182	156	-9%	-13%	-13%	-15%	-15%	-30%
> 5MW	218	199	171	148	-9%	-13%	-13%	-15%	-15%	-30%

In a development that takes inspiration from the German system, each tariff bracket is associated with a specific target of additional capacity, which corresponds to a precise annual incentive budget. If the target is reached before the end of the half-year in question, the incentive awarded will be reduced to be on a par with the next bracket without waiting for the end of the period. The targets are therefore not caps, but rather indicators that automatically regulate the incentive cuts based on the number of installations, with the aim of avoiding the speculative scenario that was seen at the end of 2010. The targets refer to all types of plant, no longer drawing a distinction between small and large installations.

Capacity Targets

	1H2013	2H2013	1H2014	2H2014	1H2015	2H2015	1H2016	2H2016	Totale
Fund Limit	240	240	200	200	155	155	86	86	1,362
Power Cap (MW)	1,115	1,225	1,130	1,300	1,140	1,340	1,040	1,480	9,770

UK

For large plants, the main support mechanism in the UK is the quota system, alternatively called the green certificate mechanism (similar to the Italian system), where UK electricity suppliers must produce an increasing portion of energy from renewable sources. Wind energy receives one renewable obligation certificate (ROC) for each MWh produced. OfGem, the UK electricity market regulator, sets the total renewable obligation on an annual basis (it is currently around 30.2mn of obligation).

Electricity suppliers must comply with their renewable obligations. If they do not produce enough ROCs themselves, they can buy ROCs from those with excess certificates, or else they must pay an equivalent amount into a "buy-out fund", where the price is set by OfGem each year, adjusted by the retail price index. Proceeds from this buyout fund are "recycled" to renewable generators. The ROCs market value varies between about £45 and £50 per MWh, while the quote to pay to the buy-out fund for 2010 and 2011 is £37/MWh. In addition to ROCs, each renewable energy MWh produced is entitled to receive one Levy Exemption Certificate (LEC), as introduced by the Government in 2001, to effectively avoid a cost of £4.5/MWh that all non-renewable generators must pay. Operators can also choose to negotiate PPA (Power Purchase Agreement) contracts in order to hedge against power price volatility; usually, those contracts cover 90% of the overall stated compensation.

On 12 July 26, 2011 the Government published a White Paper on reforming the electricity market with the objective to attract investment in new renewable and nuclear power generation in order to meet National Action Plan's (NAP) environmental targets of 15% of the gross energy consumption from renewable sources. Existing generation under the Renewables Obligation (ROCs) will be grandfathered and will be allowed to choose whether to receive the ROC or a feed-in tariff (CFD) until the 31 March 2017. After that date, the ROCs will close to new applications. The ROCs support for all technologies will be grandfathered at the rate applicable at that cut-off date. The Government intends to legislate for the key elements of this reform in the second session of this Parliament, which starts in May 2012, and for legislation to reach the statute book by the end of the next session (by 1H2013) so the first low-carbon projects can be supported under its provisions around 2014.

Even though UK has almost 40% of total European availability of wind energy, this technology is still untapped, with a total installed capacity of 5.203MW, behind Germany, Spain, Italy and France that benefit from well lower wind availability, while UK is the leading country worldwide in terms of offshore capacity with 1341MW. 2020 target fixed by NAP is seen at 15GW onshore plus 13GW offshore.

Spain

Spain is a crucial market for wind power. There are two different regulatory schemes in place to provide incentives for wind power production:

RD 436/2004: This mechanism applies for all wind farms that began operating by 2008 and will last until December 2012. Afterwards, all farms regulated by this mechanism will switch to the regulation described in the next paragraph. This system offers two options: a price premium mechanism (the fixed premium is Eu38.3/MWh for 2010) or a fixed tariff with no actualization until the end of the life of the power plant. Each plant negotiates a tariff with public authorities.

RD 661/2007: This mechanism applies for all wind farms that were connected to the grid after 2008. Operators can again choose between two options: an all-in feed-in-tariff system lasting for 20 years that is indexed to the CPI, or alternatively, a price premium mechanism (premium set at Eu31/MWh for 2010) with cap and floor limitations on the total price (Eu89.6/MWh and Eu75.4/MWh, respectively). This royal decree is currently under review by the Spanish government. Royal Decree 661/2007 compensation is eligible only to those plants that have been enrolled in the "pre-registro" established by Royal Decree Law 6/2009. This will remain open until the achievement of the installed capacity target set for each technology by the 2005-2010 National Plan for Renewable Resources; after the achievement of the target, the remuneration scheme under Royal Decree 661/2007 will be superseded by a new one.

In December 2010 the Spanish Cabinet approved RD 1614/2010 which provided good visibility on the remuneration of wind Spanish assets under RD 661/2007 for their entire lifetime and introduced the following main regulatory aspect: no change in regulation for MWs under RD 436 regulation (installed before 01/01/08). For those MWs under RD 661 regulation (installed after 01/01/08): a) No change in tariff (for fixed scheme) or cap/floor levels (for variable scheme); b) 35% premium cut (variable scheme) during 2011-2012, then from 2013 onwards, premium will revert to previous levels (2010 levels updated by inflation); c) 2,589h (29.6% load factor) cap in working hours (anything above this limit will only receive the pool price) but only if the overall wind sector

exceeds 2,350 working hours on average. With reference to remaining wind assets built before January 2008 accounting under RD 436/2004, they will maintain the current regime with a €38/MWh premium over the pool price until 31/12/2012 and thereafter they will converge to 661/2007 remuneration scheme (€31/MWh premium).

Spain shows a strong commitment for the development of renewable energy and, according to the 2011-2020 Spanish NAP, it has set a goal of 22.7% of gross energy consumption to be generated by RES vs. EU binding target of 20% by 2020. Most of this capacity will be covered by wind power generation, that is expected to reach 36GW of total installed capacity within 2020 from actual 20.6GW.

France

France adopted a pure feed-in-tariff mechanism linked to inflation, with a duration of 15 years. The feed-in tariffs system is regulated by Law 2000-108, which give EDF a mandate to purchase the electricity generated by system operators from all renewable or cogeneration plants of capacity equal to or less than 12MW. This duty guarantees producers a minimum required rate of return from the sale of electricity, a return that is jointly set by the Ministry of Finance and the Ministry of Energy. Tariffs are then annually adjusted to reflect the movements of the producer price index (PPI) as well as the technology advancements.

France's NAP sets a target of 23% of total gross energy consumption to be satisfied with renewable energy, as well as a target of 10% for renewable energy in the transport sector. In order to match these 2020 EU targets, France will have to quadruple its installed wind capacity from actual 5.6GW to 19GW (plus 6GW of off-shore capacity).

Poland

Poland has a green certificate system similar to those in Italy and the UK, and the total remuneration for wind power is equal to the average market price of the previous year plus the established price of green certificates, which for 2010 are Eu49.3/MWh and Eu67/MWh, respectively.

The country has set an ambitious target of 15% of the total energy consumed from renewable source within 2020, implying an additional wind capacity of 7.5GW.

International Incentive Schemes

Country	Mechanism	2010 Wind Capacity	2020 Target Capacity	NAP
Italy	Green Certificates	5.797 MW	12.608 MW	17.0%
UK	ROCs	5.203 MW	15.000 MW	15.0%
Spain	Price Premium/Fixed Tariff	20.676 MW	36.000 MW	22.7%
France	Feed-in Tariff	5.660 MW	19.000 MW	23.0%
Poland	Green Certificates	1.107 MW	8.600 MW	15.0%

Source: World Wind Energy Report (WWEA)

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Stock NAME	FALCK RENEWABLES		
Current Recomm:	OUTPERFORM	Previous Recomm:	-
Current Target (Eu):	1.90	Previous Target (Eu):	-
Current Price (Eu):	1.17	Previous Price (Eu):	-
Date of report:	29/07/2011	Date of last report:	-

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