FALCK RENEWABLES Group

Interim financial report at 31 March 2018

Board of Directors' meeting

Milan, 10 May 2018

FALCK RENEWABLES SpA
Share capital EUR 291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
20121 Milan – Corso Venezia, 16
REA Milano 1675378
Milan Companies Register
03457730962
VAT and tax code 03457730962

Interim financial report at 31 March 2018

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1. Company officers

1. Company officers

Board of directors

Falck Enrico	Executive Chairman
Corbetta Guido	Deputy Chairman
Volpe Toni	Chief Executive Officer
Falck Elisabetta	Director
Falck Federico	Director
Marchi Filippo	Director
Caldera Elisabetta (*)	Director
Dassù Marta (*)	Director
Milone Libero (*)	Director
Poggiali Barbara (*)	Director
Pietrogrande Paolo (*)	Director
Grenon Georgina (*)	Director

(*) Independent members for Consolidated Finance Act and self-discipline purposes

The Board of Directors was nominated by the Shareholders' Meeting on 27 April 2017.

Board of statutory auditors

Scarpelli Massimo	Chairman
Conca Giovanna	Statutory auditor
Giussani Alberto	Statutory auditor
Caverni Mara Anna Rita	Substitute statutory auditor
Pezzati Gianluca	Substitute statutory auditor

The Board of Statutory Auditors was nominated by the Shareholders' Meeting on 27 April 2017.

Independent auditors

EY SpA

2. Financial information

2. Financial information

2.1 *Income statement*

(EUR thousands)

	31.3.2018	31.3.2017	31.12.2017
Revenue	92,092	77,452	288,619
Direct labour costs	(3,506)	(3,002)	(12,693)
Direct costs	(40,885)	(37,842)	(148,336)
Cost of sales	(44,391)	(40,844)	(161,029)
Gross profit	**47,701**	**36,608**	**127,590**
Other income	669	1,050	4,524
Other employee costs	(4,680)	(4,004)	(16,280)
Administrative expenses	(5,197)	(5,483)	(40,470)
Operating profit/(loss)	**38,493**	**28,171**	**75,364**
Financial income/(expenses)	(9,844)	(9,755)	(35,265)
Investment income/(expenses)			45
Share of profit of investments accounted for using the equity method	1,144	1,101	2,284
Profit/(loss) before income tax	**29,793**	**19,517**	**42,428**
Income tax expense			(10,362)
Profit/(loss) for the year			**32,066**
Profit attributable to non-controlling interests			11,716
Profit attributable to owners of the parent			**20,350**
EBITDA (1)	**54,836**	**45,303**	**149,366**

[1] EBITDA = EBITDA is measured by the Falck Renewables Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, charges to risk provisions and the income tax expense. This indicator was calculated applying best market practice taking into consideration the Group financing contracts.

2.2 *Net financial position*

(EUR thousands)

	31.3.2018	31.12.2017	31.3.2017
Short-term third party financial liabilities	(76,960)	(89,259)	(68,909)
Short-term Group financial liabilities			
Short-term third party financial receivables	1,968	1,720	22
Short-term Group financial receivables			
Other securities			
Cash and cash equivalents	296,364	261,517	252,087
Short-term net financial position	**221,372**	**173,978**	**183,200**
Medium/long-term third party financial liabilities	(769,117)	(769,946)	(750,179)
Medium/long-term Group financial liabilities			
Other securities			
Medium/long-term financial position	**(769,117)**	**(769,946)**	**(750,179)**
Net financial position pursuant to Consob circular DEM/6064293/2006	**(547,745)**	**(595,968)**	**(566,979)**
Medium/long-term third party financial receivables	13,248	12,251	1,946
Medium/long-term Group financial receivables			
Total net financial position	**(534,497)**	**(583,717)**	**(565,033)**
- of which non-recourse Project financing	(777,605)	(792,308)	(731,642)
- of which fair value of derivatives	(44,074)	(46,479)	(59,043)
Net financial position net of fair value of derivatives	**(490,423)**	**(537,238)**	**(505,990)**

3. Notes to the interim financial report

3. Notes to the interim financial report

3.1 *Accounting policies*

At 31 March 2018, the Falck Renewables Group consisted of 73 companies, of which 68 are consolidated on a line-by-line basis and 5 are consolidated applying the equity method.

Falck Middleton LLC was incorporated during the first three months, 100% owned by Falck Renewables North America Inc. and fully consolidated.

Furthermore, HG Solar Development LLC was purchased during the first quarter 2018, now 100% owned by Falck Middleton LLC and fully consolidated.

The interim financial report at 31 March 2018 has been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). The income statement presents costs by function, which with regard to measurement of the headings, corresponds to IFRS requirements.
The interim financial report has also been prepared in conformance with article 154-ter, paragraph 5 of Legislative Decree 58/1998.
It should be noted that, also following the simplifications introduced by Legislative Decree 25 of 15 February 2016 (which has assimilated Directive 2013/50/EU, so-called Transparency II) on periodic financial information to the public and in accordance with Article 2.2.3, paragraph 3, of the Rules of Markets organised and managed by Borsa Italiana SpA, Falck Renewables SpA, as a company belonging to the STAR segment, will continue to draw up and publish the interim financial reports in the forms adopted so far.

With reference to the accounting policies in force as of January 1, 2018 compared to those applicable to the 2017 financial year, the only significant effect concerns the adoption of IFRS 9 “Financial instruments”.

Indeed, concerning outstanding loans that were renegotiated before 1 January 2018, the new IFRS 9 standard requires the effect of this operations to be calculated at the renegotiation date and thus the amortisation plan recalculated, starting from the renegotiation date, adjust the carrying value at that date to the net present value of the new conditions, balanced by a net equity reserve. For renegotiations after 1 January 2018, the effect of the renegotiation must be posted in the income statement.
The Group thus recalculated the effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately EUR 13 million, increasing net equity reserves as of 1 January 2018 but without being able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first quarter 2018 for EUR 1 million.

3.2 *Main changes*

The Group uses the following alternative performance indicators:

- EBITDA is measured by the Group as profit for the period before investment income and expenses, net financial income/expenses, amortisation and depreciation, impairment losses, charges to risk provisions and the income tax expense;
- Net financial position is defined by the Group as total cash and cash equivalents, current financial assets including shares available for sale, financial liabilities, fair value of financial hedging instruments and other non-current financial assets.

Revenue of the Falck Renewables Group in the first quarter 2018 amounted to EUR 92,092 thousand with an increase of EUR 14,640 thousand (+18,9%) over the first quarter 2017.

The increase in **revenue** is due to: (i) the increase in electricity production deriving from the increased windiness in all the countries where the Group is present, (ii) the increase in production deriving from the greater installed capacity (913 MW in the first quarter of 2018 compared to the 785 MW of the first quarter of 2017) as a result of the full regime, compared to the first quarter of 2017, of the Auchrobert wind plant (United Kingdom) and the acquisition of the Innovative Solar 42 photovoltaic plant (92 MW) in North Carolina in December 2017, (iii) the sale of energy purchased from the market by Falck Renewables Energy Srl, in order to mitigate the cost of imbalance and optimisation of the sale, for EUR 2.6 million.

The GWh generated in the wind sector in the first quarter of 2018 amounted to 607 compared to 497 recorded in the 2017 first quarter (+22% compared to the same 2017 period). GWh globally produced by all the Group's technologies were 691 compared to 557 in the first quarter of 2017 (+24% compared to the same 2017 period).

Faced with an increase in production, electricity prices in Italy fell during the first quarter of 2018, including the incentive component, compared to the first quarter of 2017, for wind farms by 7%, for WtE plants by 20%, for biomass plants by 3% and growth by 2% for solar systems in Italy; in Spain there was a 17% drop in prices for wind plants.
In the United Kingdom, the rise in prices for the sale of electricity from wind power was 4%, while in France, the "feed in tariff" mechanism neutralised these increments (+1%). It should be noted that in the USA, the Innovative Solar 42 photovoltaic plant has entered into a contract for the sale of electricity at a fixed reference price.

Furthermore, with reference to production in the United Kingdom, the average depreciation of the pound sterling against the Euro is equal to 2.6% in the first quarter of 2018 compared to the same period of the previous year.

The following EUR-GBP exchange rates were used in conversions:

	EUR/GBP
End of period exchange rate 31 March 2018	0.8749
End of period exchange rate 31 March 2017	0.8555
End of period exchange rate 31 December 2017	0.8872
Average exchange rate 31 March 2018	0.8834
Average exchange rate 31 March 2017	0.8601
Average exchange rate 31 December 2017	0.8767

Direct costs and expenses increased by EUR 3,043 thousand mainly due to the purchase of energy from the market by Falck Renewables Energy Srl in order to mitigate the cost of imbalance and the optimisation of sales.

Gross profit amounted to EUR 47,701 thousand, an increase of EUR 11,093 thousand (+30.3%) and 51.8% when expressed as a percentage of **revenue** that compares to 47.3% in the 2017 first quarter.

As of the 2017 mid-term report but retroactive to 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind and photovoltaic plants. This update led to the average useful life for wind and photovoltaic plants being increased from 20 to 22.5 years, leading to EUR 2.1 million in lower depreciation/amortization rates in the first quarter 2018 over the same period of 2017.

This effect was partly offset by the increase in amortisation due to the greater installed capacity of the Group's plants that entered into service after April 2017 (Auchrobert and Innovative Solar 42).

Operating profit amounted to EUR 38,493 thousand, an increase of EUR 10,322 thousand (+36.6%) and 41.8% when expressed as a percentage of revenue (2017 first quarter: 36.4%).

As a result of the above, **EBITDA** for the 2018 first quarter amounted to EUR 54,836 thousand (2017 first quarter – EUR 45,303 thousand), corresponding to 59.5% of revenue (2017 first quarter: 58.5%). EBITDA increased compared to the first quarter of 2017 (+21% and + EUR 9,533 thousand) due to higher production during the period under review, despite a devaluation of the pound sterling and lower prices for the sale of energy in some countries.

Net financial charges increased by EUR 89 thousand compared to the 2017 first quarter. Financial charges were affected by the entry into force, starting on 1 January 2018, of accounting standard IFRS 9 which entailed higher interest expense for the Group.
Indeed, concerning outstanding loans that were renegotiated before 1 January 2018, the new IFRS 9 standard requires the effect of this operations to be calculated at the renegotiation date and thus the amortisation plan recalculated, starting from the renegotiation date, adjust the carrying value at that date to the net present value of the new conditions, balanced by a net equity reserve. For renegotiations after 1 January 2018, the effect of the renegotiation must be posted in the income statement.
The Group thus recalculated the effects of all loans subject to renegotiation. Since the Group benefited from renegotiations, the effect posted on 1 January 2018 concerned financial liabilities taking into account the original IRR (Internal rate of return), with a positive impact, net of taxes, for approximately EUR 13 million, increasing net equity reserves as of 1 January 2018 but without being able to benefit from the lesser interest payable in the future due to renegotiations.
The application of this standard led, *ceteris paribus*, to an increase in financial charges in the first quarter 2018 for EUR 1 million.
This effect was almost entirely offset (i) by management's actions to make debt management more efficient, (ii) by lower interest on royalty instrument debt at fair value and, to a lesser extent, (iii) by the devaluation of the pound sterling.

In the first quarter of 2018 the Falck Renewables Group posted **a profit before income tax and non-controlling interests** of EUR 29,793 thousand, with an increase of 52.7% over the first quarter 2017 (EUR +10,276 thousand).

The **net financial position**, net of the fair value of derivatives posted net debt of EUR 490,423 thousand, down from EUR 537,238 thousand at 31 December 2017.

The net financial position including the fair value of derivatives totalled EUR 534,497 thousand compared to EUR 583,717 thousand at 31 December 2017 and comprised:

- non-recourse financing of EUR 777,605 thousand, down EUR 14,703 thousand on the balance at 31 December 2017;
- net financial liabilities of EUR 17,457 thousand relating to projects under construction and development that were not yet fully revenue generating at 31 March 2018; the net financial position net of this amount and the fair value of derivatives (equal to EUR 44,074 thousand at 31 March 2018 against EUR 46,479 thousand at 31 December 2017) would have amounted to EUR 472,966 thousand.

The decrease in the net financial position, equal to approximately EUR 49 million, is mainly attributable (i) to the cash generated by the plants in operation which amounted to approximately EUR 38 million, (ii) to the change in fair value of derivatives which had a positive effect on the net financial position for approximately EUR 5 million, (iii) to the application of the new IFRS 9 standard, which led to a reduction in the net financial position of about EUR 17 million, effects that they were offset (iv) by net investments for the period of approximately EUR 7 million, (v) by the devaluation of the Euro against the pound sterling which led to an increase in the net financial position of approximately EUR 4 million.

Total gross debt net of the fair value of derivatives was hedged by interest rate swaps, covering approximately 82% of the risk presented by interest rate fluctuations. The percentage of the total net financial position, excluding the fair value of derivatives, covered by hedges is 133%.
This high percentage is due to the fact that, with gross financial debt hedged against interest rate, the Group has a total liquidity, including that of the companies in project financing for EUR 134,893 thousand, equal to EUR 296,364 thousand which is obviously not hedged against interest rate.

Revenue by business category may be analysed as follows:

(EUR thousands)

	1 Quarter 2018	1 Quarter 2017
Sale of electricity	82,867	69,699
Waste treatment and disposal	6,212	4,882
Operation and management of renewable power plants	2,367	2,546
Other operating income	646	325
Total	**92,092**	**77,452**

3.3 *Performance of the business sectors*

This paragraph provides the key financial highlights and a brief commentary on the four sectors ("WtE, biomass and photovoltaic", "Wind", "Services" and "Other businesses") which make up the Group.

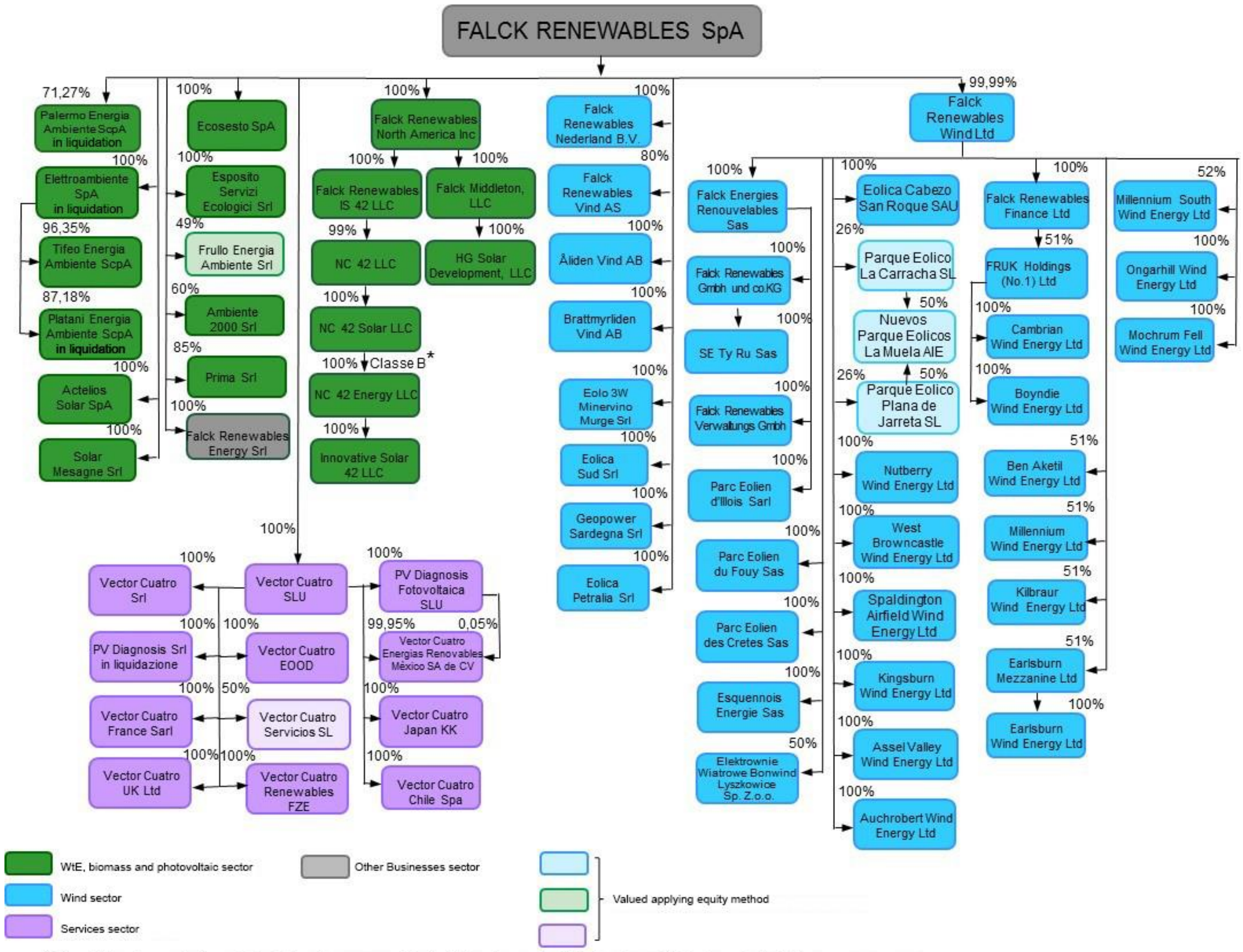
In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl ("FRE"), until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector. This change was made since, as of 1 January 2018, FRE operates within the scope of Energy Management (based on the policies defined at Group level), which includes, among other things, dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.
Although the change, with reference to the first quarter of 2017, was not significant, sector data as at 31 March 2017 have still been restated to make it possible to compare the results for the first quarter of 2018 in the light of the new sectors.

Revenue by business sector, compared to the 2017 first quarter, is illustrated in the table below:

(EUR thousands)

	31.3.2018	31.3.2017	Change
WtE, biomass and photovoltaic sector	14,965	14,614	351
Wind sector	72,135	60,304	11,831
Services sector	2,898	2,681	217
Other Businesses	7,821	64	7,757
Consolidation adjustments	(5,727)	(211)	(5,516)
Total	**92,092**	**77,452**	**14,640**

❖ Group structure by sector



* Class B interests guarantee the controlling rights on the company, while class A interests owned by Firstar Development LLC assign protective rights.

❖ WtE, biomass and photovoltaic sector

The key financial highlights of this sector may be summarised as follows:

(EUR thousands)

		31.3.2018	31.3.2017
Revenue		14,965	14,614
Cost of sales		(13,424)	(11,200)
Gross profit/(loss)		**1,541**	**3,414**
EBITDA		**3,102**	**5,174**
Operating profit/(loss)		**22**	**2,830**
Intangible assets		**7**	**1,270**
Property, plant and equipment		**202,836**	**87,781**
Net financial position - indebtedness/(asset)		**152,638**	**133,360**
of which non-recourse project financing		56,306	27,261
Capital expenditure		**3,324**	**94**
Employees at the period-end	(no.)	82	86

* Data as of 31 March 2017 have been restated to reflect the composition of the new sectors.

This sector focuses on electricity production from renewable sources in particular through the conversion of urban waste to energy (WtE) and from biomass and solar power.
The strategy is developed through the management of operating power plants and the development of new projects, either directly or through joint ventures with leading industrial enterprises.

In 2018 the "Other businesses" sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl, until 31 December 2017, was part of the "WtE, biomass and photovoltaic" sector.
Data as of 31 March 2017 have been restated to reflect the composition of the new sectors.

On 1 December 2017 Falck Renewables IS42 LLC (wholly owned subsidiary) purchased from Recurrent Energy LLC (wholly owned by Canadian Solar Inc.) 99% of the shares in the Innovative Solar 42 LLC photovoltaic plant in North Carolina for a total capacity of 92 MW.

The sector posts a slight increase in revenues compared to the first quarter of 2017, due to higher production, as a result of the increased solar production capacity and the greater quantities of waste managed by Esposito largely offset by the scheduled (biennial) shutdown of the Rende hybrid plant and by the lower electricity sales prices, compared to the first quarter of 2017.

The first quarter of 2018 was characterised by electricity sales prices, inclusive of the incentive component, down from the first quarter of 2017, in Italy, for WtE plants by 20%, for biomass plants by 3% and up for solar plants by 2%.

The above factors contributed to a decrease in EBITDA to EUR 3,102 thousand (EUR -2,072 thousand) corresponding to 20.7% of revenue (35.4% in 2017).

Operating profit dropped by EUR 2,808 thousand and now totals EUR 22 thousand.

Please note that as of the 2017 mid-term report but retroactive to 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of photovoltaic plants. This update led to an increase in average useful life for wind and photovoltaic plants from 20 to 22.5 years, leading to EUR 0.1 million in lower depreciation/amortisation rates in the first quarter 2018 over the same period of 2017.

The reduction in EBITDA and operating income is mainly due to the planned shutdown of the Rende hybrid plant, which affected both revenues and higher maintenance costs.

During the first quarter of 2018, investments in tangible and intangible assets amounted to EUR 3,324 thousand and mainly concerned the construction of the HG Solar Development LLC photovoltaic plant in Massachusetts (USA) (EUR 3,262 thousand of which 1,109 relating to the preliminary allocation of the consolidation difference) and other minor investments (EUR 62 thousand). Data relating to the acquisition of HG Solar Development LLC will be subject to purchase price allocation, pursuant to IFRS 3, to be completed within 12 months from the acquisition date.

The net financial position, with net debt of EUR 152,638 thousand, improved compared to the balance at 31 March 2017 (EUR 19,278 thousand), principally due to Innovative Solar 42 LLC debt partially compensated by cash generated by operating plants.

The net financial position includes non-recourse project financing of EUR 56,306 thousand (31 March 2017 – EUR 27,261 thousand) and the negative fair value of derivatives to hedge interest rate exposure of EUR 3,017 thousand (EUR 3,825 thousand as at 31 March 2017).

❖ **Wind sector**

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.3.2018	31.3.2017
Revenue		72,135	60,304
Cost of sales		(26,023)	(27,206)
Gross profit/(loss)		**46,112**	**33,098**
EBITDA		**56,645**	**45,314**
Operating profit/(loss)		**43,767**	**31,100**
Intangible assets		**96,923**	**82,210**
Property, plant and equipment		**816,253**	**859,302**
Net financial position - indebtedness/(asset)		**517,135**	**755,146**
of which non-recourse project financing		721,299	704,381
Capital expenditure		**3,745**	**5,243**
Employees at the period-end	(no.)	42	40

This sector focuses on electricity production through the construction and management of plants that generate electricity using wind energy and the development of new plants.

The increase of **revenues** (EUR 11,831 thousand) is mainly due to the increase in production as a result of the increased windiness in all countries. Compared to the first quarter of 2017, the full operations of the 36-MW Auchrobert (UK) wind power plant contributed to higher production: in the first quarter of 2018, the GWh produced by the wind sector amounted to 607 compared to the 497 of the first 2017 quarter (+22% compared to the same period of 2017).
Revenues benefited from the increase in energy prices in the United Kingdom (+4%), which however were partially offset by the devaluation of the pound against the Euro, which was 2.6% with reference to production in the United Kingdom, by the 7% decrease in energy sales prices in Italy, inclusive of the incentive component and the 17% decrease in prices in Spain; in France, the feed in tariff mechanism has neutralised the price fluctuation (+1%).

Gross profit increased by EUR 13,014 thousand, corresponding to 63.9% of revenue (2017 – 54.9%).
Please note that as of the 2017 mid-term report but retroactive to 1 January 2017, following an analysis by independent technical consultants, taking account of current contractual limitations (mainly

leasings/rights to use land and authorisations/grants) and in line with market practice, the Group companies updated the estimated useful life of wind plants. This update led to an increase in average useful life for wind and photovoltaic plants from 20 to 22.5 years, leading to EUR 2.1 million in lower depreciation/amortisation rates in the first quarter 2018 over the same period of 2017.

EBITDA amounted to EUR 56,645 thousand, an increase of EUR 11,331 thousand over the same period last year and equal to 78.5% of revenue (2017: 75.1%).

Operating profit also recorded growth, increasing by EUR 12,667 thousand compared to the first quarter of 2017 and amounted to 60.7% of revenue (2017: 51.6%).

In the course of the 2018 first quarter, capital expenditure on property, plant and equipment amounted to EUR 3,745 thousand and principally related to the Auchrobert (EUR 272 thousand), Brattmyrliden (EUR 709 thousand) and Aliden (EUR 1,564 thousand) wind farms, Falck Renewables Vind in Norway (EUR 1,072 thousand) and other minor investments (EUR 128 thousand).

The net financial position is equal to EUR 517,135 thousand, inclusive of non-recourse project financing for an amount of EUR 721,299 thousand and the negative fair value of derivatives hedging interest rate and exchange rate risks for EUR 40,479 thousand, and posted an improvement, compared to 31 March 2017, of EUR 238,011 thousand due to the sale of the Italian wind companies to Falck Renewables SpA, which contributed to EUR 147,797 thousand and due to the cash generated by the plants in operation.

- **Services sector**

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.3.2018	31.3.2017
Revenue		2,898	2,681
Cost of sales		(2,626)	(2,670)
Gross profit/(loss)		**272**	**11**
EBITDA		**273**	**171**
Operating profit/(loss)		**114**	**(5)**
Intangible assets		**9,320**	**11,418**
Property, plant and equipment		**626**	**744**
Net financial position - indebtedness/(asset)		**(1,673)**	**(1,043)**
of which non-recourse project financing			
Capital expenditure		**45**	**60**
Employees at the period-end	(no.)	137	125

This sector comprises the Spanish group Vector Cuatro. This sector is active in the services and management of renewable energy production facilities, with a strong and extensive international presence with offices in Spain, Italy, France, Chile, Japan, Mexico, the United Kingdom, United Arab Emirates and Bulgaria.
Vector Cuatro also offers engineering and consulting services in the development of projects to generate electricity principally using solar and wind energy.

Revenues increased by EUR 217 thousand, mainly due to higher revenues from transactions and engineering services in Japan, Italy, Bulgaria and Mexico.

EBITDA amounted to EUR 273 thousand, an increase of EUR 102 thousand over the same period last year and equal to 9.4% of revenue (2017: 6.4%).

The net financial position was a net asset of EUR 1,673 thousand, representing an improvement of EUR 630 thousand compared to the total at 31 March 2017.

❖ Other Businesses

The key financial highlights of this sector may be summarised as follows:

			(EUR thousands)
		31.3.2018	31.3.2017
Revenue		7,821	64
Cost of sales		(7,783)	(2)
Gross profit/(loss)		**38**	**62**
EBITDA		**(5,138)**	**(5,322)**
Operating profit/(loss)		**(5,531)**	**(5,842)**
Intangible assets		**1,467**	**1,557**
Property, plant and equipment		**252**	**331**
Net financial position - indebtedness/(asset)		**(50,121)**	**(240,111)**
of which non-recourse project financing			
Capital expenditure		**121**	**71**
Employees at the period-end	(no.)	98	93

In 2018 the “Other businesses” sector was introduced, made up of Falck Renewables SpA and Falck Renewables Energy Srl. Falck Renewables Energy Srl (FRE), until 2017, was part of the “WtE, biomass and photovoltaic” sector.
FRE operates within the scope of Energy Management (based on the policies defined at Group level), which includes, among other things, dispatching, management of imbalances, sale and commodity risk hedging, potentially for all Group sectors.
Data as of 31 March 2017 have been restated to reflect the composition of the new sectors.

Revenues post an increase of EUR 7,757 thousand, due to the sale of energy by Falck Renewables Energy Srl.

Gross profit decreased by EUR 24 thousand, corresponding to 0.5% of revenue.

The financial position (mainly from Falck Renewables SpA) posted a credit balance of EUR 50,121 thousand, compared to a credit balance of EUR 240,111 thousand at 31 March 2017. The reduction in the aforementioned credit balance is essentially due to the acquisition by Falck Renewables SpA of the investments in companies Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl from Falck Renewables Wind Ltd in November 2017 following a corporate reorganisation within the Falck Renewables Group which involved a financial outlay of EUR 147.8 million and investments/capital increases in companies in Sweden, the Netherlands, Norway, Italy and the USA subject to acquisition.

The net financial position also includes the negative fair value of the derivatives to hedge foreign exchange and commodity risks for EUR 578 thousand (EUR 515 thousand at 31 March 2017).

3.4 *Performance of the parent company Falck Renewables SpA*

The performance of the Parent Company which is part of the “Other Businesses” sector commented on in the previous paragraph is presented below.

The income statement of Falck Renewables SpA for the three months ended 31 March 2018 recorded a loss before income tax of EUR 4,875 thousand (loss of EUR 4,730 thousand in the first quarter of 2017). Lower income (EUR -178 thousand) but also lower costs (EUR -521 thousand) were posted mainly due to lower performances and greater utilisations of risk provisions, net of charges.

Net financial income reduced by EUR 461 thousand mainly due to lower exchange rate differences due to the reduction in net financial credits.

The Parent Company's income statement does not yet include the dividends from investments, which will contribute to the result only during the second part of the year.

The total number of employees was 98 at 31 March 2018, comprising 27 managers and 71 white-collar workers with an increase of 4 employees compared to 31 December 2017 and 5 more than the total at the end of the 2017 first quarter.

Capital expenditure for the period totalled EUR 121 thousand, of which EUR 116 thousand related to software.

The net financial position was a net asset of EUR 48,120 thousand, compared to an asset balance of EUR 240,023 thousand at 31 March 2017. The reduction in the aforementioned credit balance is essentially due to the acquisition by Falck Renewables SpA of the investments in companies Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Geopower Sardegna Srl and Eolica Petralia Srl from Falck Renewables Wind Ltd in November 2017 following a corporate reorganisation within the Falck Renewables Group which involved a financial outlay of EUR 147.8 million and investments/capital increases in companies in Sweden, the Netherlands, Norway, Italy and the USA subject to acquisition.
We remind you that on 12 June 2015 Falck Renewables SpA entered into a new loan contract ("Corporate Loan") for EUR 150 million maturing on 30 June 2020; as of 31 March 2018, the new loan was not used.

The net financial position also includes the positive fair value of the derivatives to hedge foreign exchange risks for EUR 288 thousand (negative for EUR 515 thousand at 31 March 2017).

3.5 ***Employees***

The total number of employees at 31 March 2018 comprised:

(Number)

	31.3.2018	31.12.2017	31.3.2017
Managers	39	38	36
White-collar staff	272	264	257
Blue-collar staff	48	49	51
Total	**359**	**351**	**344**

The increase, as compared to 31 March 2017, is due to recruitment in the Services (+12), Wind (+2) and Other businesses (+5) sectors. While WTE, biomass and photovoltaic sector resources, compared to the same period, are decreasing (-4).

The number of employees by sector is composed as follows:

(Number)

	31.3.2018	31.12.2017	31.3.2017
WtE, biomass and photovoltaic sectors	82	85	86
Wind sector	42	41	40
Services sector	137	131	125
Other Businesses	98	94	93
Total	**359**	**351**	**344**

3.6 *Installed capacity*

(MW)

Technology	31.3.2018	31.12.2017	31.3.2017
Wind	769.9	769.9	733.9
WtE	20.0	20.0	20.0
Biomass	15.0	15.0	15.0
Photovoltaic	108.1	108.1	16.1
Total	**913.0**	**913.0**	**785.0**

The installed capacity increased by 128 MW compared to 31 March 2017.
During the month of December 2017, Innovative Solar 42 LLC, which owns the 92 MW photovoltaic project in North Carolina in the United States, became part of the Group.
It is also noted that in April 2017 the Auchrobert wind farm was energized in the United Kingdom, consisting of 12 turbines for an installed capacity of 36 MW.

3.7 *Capital expenditure*

In the first quarter of 2018, total capital expenditure amounted to EUR 7,091 thousand.
Expenditure on tangible assets totalled EUR 6,881 thousand and mainly concerned the construction of the Auchrobert wind farms in the United Kingdom (EUR 272 thousand), the Brattmyrliden (EUR 618 thousand) and Aliden (EUR 1,511 thousand) wind parks in Sweden, Falck Renewables Vind (EUR 1,072 thousand) in Norway and the HG Solar photovoltaic plant (EUR 3,262 thousand in the USA, of which 1,109 for the preliminary allocation of the consolidation difference) and other minor expenditures (EUR 146 thousand). Data relating to the acquisition of the HG Solar Development LLC photovoltaic plant will be subject to purchase price allocation, pursuant to IFRS 3, to be completed within 12 months from the acquisition date.
Expenditure on intangible assets totalled EUR 210 thousand and related primarily to operating software.

3.8 *Non-financial performance indicators*

The key non-financial indicators are as follows:

	Unit of measurement	31.3.2018	31.3.2017
Gross electricity generated	GWh	691	557
Total waste treated	Ton	69,613	65,823

The “Total waste treated” figure also includes intermediate waste.

4. Directors’ report

4.1 ***Review of significant business developments in 2018***

Falck Renewables, through its Swedish subsidiaries, signed two contracts with the Nordex group for a total value of approximately EUR 121.7 million for the supply of 31 N131/3900 wind turbines and related infrastructural, civil and electrical works, based on EPC, for the construction of the two recently acquired projects of Åliden and Brattmyrliden in Sweden. Preliminary work has begun and activities will intensify during 2018 and 2019.
Åliden is due to be commissioned in the fourth quarter of 2019 while that of Brattmyrliden is expected in the fourth quarter of 2020.

On 14 February 2018, Falck Middleton LLC, a 100% subsidiary of Falck Renewables North America Inc set up in 2018, purchased a solar project of approximately 5.99 DC MW in Middleton (Massachusetts, USA) from the developer HG Solar, and signed an EPC agreement (Engineering, Procurement and Construction) with Conti Solar. The project, under construction, will require an investment of about 10.7 million dollars to finance all acquisition, development and construction expenses. The plant is expected to start operating by the second quarter of 2018. The plant will supply electricity to the Middleton Electric Light Department based on a PPA agreement (Power Purchase Agreement) in the long run and can also sell Renewable Energy Credits in Massachusetts and receive the Federal Investment Tax Credit Incentive (ITC).

No other significant changes took place regarding the status of litigation disclosed in the financial reports at 31 December 2017, which may be referred to for full details.

4.2 ***Risk relating to the outcome of the British referendum on remaining in the European Union ("Brexit")***

At 31 March 2018, the Falck Renewables Group had twelve operating plants in the United Kingdom (of which one in England for 11.75 MW, ten in Scotland for a total 342.75 MW, and one in Wales for 58.5 MW) for a total installed capacity, calculated at 100%, of approximately 413 MW (approximately 45% of the Group's total productive installed capacity of 913 MW). The remaining installed capacity is situated in Italy (343 MW), the United States (92 MW), France (42 MW) and Spain (23 MW). Please also remember that of the twelve plants in operation in the UK, six plants, with a total of 273 MW, were subject to 49% transfer in March 2014 to CII Holdco (share 134 MW).

Given the importance of the Falck Renewables Group presence in the UK, we note the potential risks relating to the result of the referendum held on 23 June 2016, in which the majority of voters were in favour of the UK leaving the European Union ("Brexit").

After the initial impact of the referendum result, which resulted in a sharp volatility and a reduction in the prices of European and above all Italian stocks (including Falck Renewables SpA stocks), prices in the European stock markets (including Falck Renewables SpA stock) and the pound sterling recovered in 2017 and continued in the first few months of 2018.

The British government, after having formally invoked art. 50 of the Treaty of Lisbon requesting to leave the European Union, has begun to confront the European counterpart on the issue of quantification of financial commitments related to exiting the EU, reaching a substantial agreement to start the so-called phase "two" of negotiations, namely the one related to trade treaties that will have to regulate relations between the European Union and the United Kingdom, when the latter will be outside the United European Market, set for Friday 29 March 2019. The British Prime Minister, also on the basis of the unsuccessful outcome of the elections held on June 8, at the beginning of January 2018 reorganised the government aimed at reviving the party and strengthening its own leadership to be able to start the new phase of negotiations, attempting to achieve a satisfactory agreement on the future of trade relations between the United Kingdom and the EU.

Doubts over the result of the negotiations with the EU concerning the organisation of the future agreement and impact of the same effectively prevents operators from forecasting future geopolitical, economic, financial, tax and industrial scenarios, including the British electricity market and renewable energy development and incentive strategies in the UK after Brexit.

It is therefore impossible to exclude the risk of volatility on the financial markets in the near future, including interest rates and the exchange rate for the pound sterling, which may lead to policies that are less favourable to the renewable energy sector and a tightening of credit conditions; for the moment, however, there is no sign of any of the above, given the openness towards clean energy by some members of the British government and the liquidity of the credit market.

The financial effects could possibly spread to EU member states, especially those with high levels of government debt, high exposure in the banking sector or weaker economies or parliamentary or presidential elections in 2018 (in a climate not particularly favourable to the European monetary union) and could lead to an economic downturn that, in addition to affecting the UK, could affect other countries with effects on exchange rates, interest rates but also prices and electricity tariffs.

More specifically, it should be noted that, with reference to the Falck Renewables Group's operating plants, the cash flows generated in British pounds are serving the portion of debt denominated in the same currency and that the Group continued to have access both in 2016 and 2017 to project financing at decidedly favourable conditions for the plants that entered into operation after the Brexit referendum.

The Company will continue to monitor medium and long-term indicators and any decisions that could affect the UK electricity market as well as the evolution of the GBP exchange rate which, in the event of devaluation, could have a positive impact on the Group's debt in GBP while also negatively affecting the financial indicators, net equity and future cash flow from UK assets that are converted, even in translation, into EUR.

4.3 ***Management outlook***

The results of the Group in the 2018 financial year will benefit throughout the year from the Innovative Solar photovoltaic plant production (92 MW) in North Carolina and for the second half of the year from HG Solar Development LLC photovoltaic plant production (5.99 MW) in Massachusetts.

The Business Plan, presented to the market on 14 November 2016 and updated on 12 December 2017, to which reference should be made for further information, provides (i) an important growth in assets combined with the policy focused on financial solidity, (ii) a renewed focus on Southern Europe and North America markets, and (iii) an increase in the volumes and objectives of the service business with focus on asset management of renewable energy plants, on energy management and on energy efficiency, enhancing the internal digital platform.

Some dossier investments in the geographical areas of interest included in the Business Plan are currently under evaluation.

Thanks to the Group's excellent position, both in terms of skills and in terms of economic and financial resources, and its ability to react, all internal conditions are in place to meet the challenges ahead.

5. Certification of the corporate accounting documents officer pursuant to article 154-bis, paragraph 2 of Legislative Decree 58/1998

5. Certification of the Corporate Accounting Documents Officer pursuant to Article 154-bis paragraph 2 of Legislative Decree 58/1998

As required by Article 154-bis, paragraph 2 of the Consolidated Finance Act (Legislative Decree No. 58/1998), Paolo Rundeddu, in his capacity as corporate accounting documents officer, declares that the accounting information contained in this interim financial report at 31 March 2018 is consistent with the data in the documents, accounting records and other records.

Milan, 10 May 2018

Paolo Rundeddu

(Corporate accounting documents officer)