

FALCK RENEWABLES
Group

Interim financial report
30 September 2015

Board of directors' meeting
Milan, 12 November 2015

FALCK RENEWABLES SpA
Share capital Euro 291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
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Milan Companies Register 03457730962
VAT and tax code 03457730962

Interim financial report 30 September 2015

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1. Company officers

1. Company officers

Board of directors

Enrico Falck (*)	Chairman
Guido Corbetta (*)	Deputy chairman
Piero Manzoni (*)	Chief Executive Officer
Elisabetta Caldera (**)	Director
Emilio Cremona (**)	Director
Elisabetta Falck	Director
Federico Falck (*)	Director
Filippo Marchi	Director
Libero Milone (**)	Director
Barbara Poggiali (**)	Director
Bernardo Rucellai (**)	Director

(*) Members of the Executive Committee

(**) Independent members

Board of statutory auditors

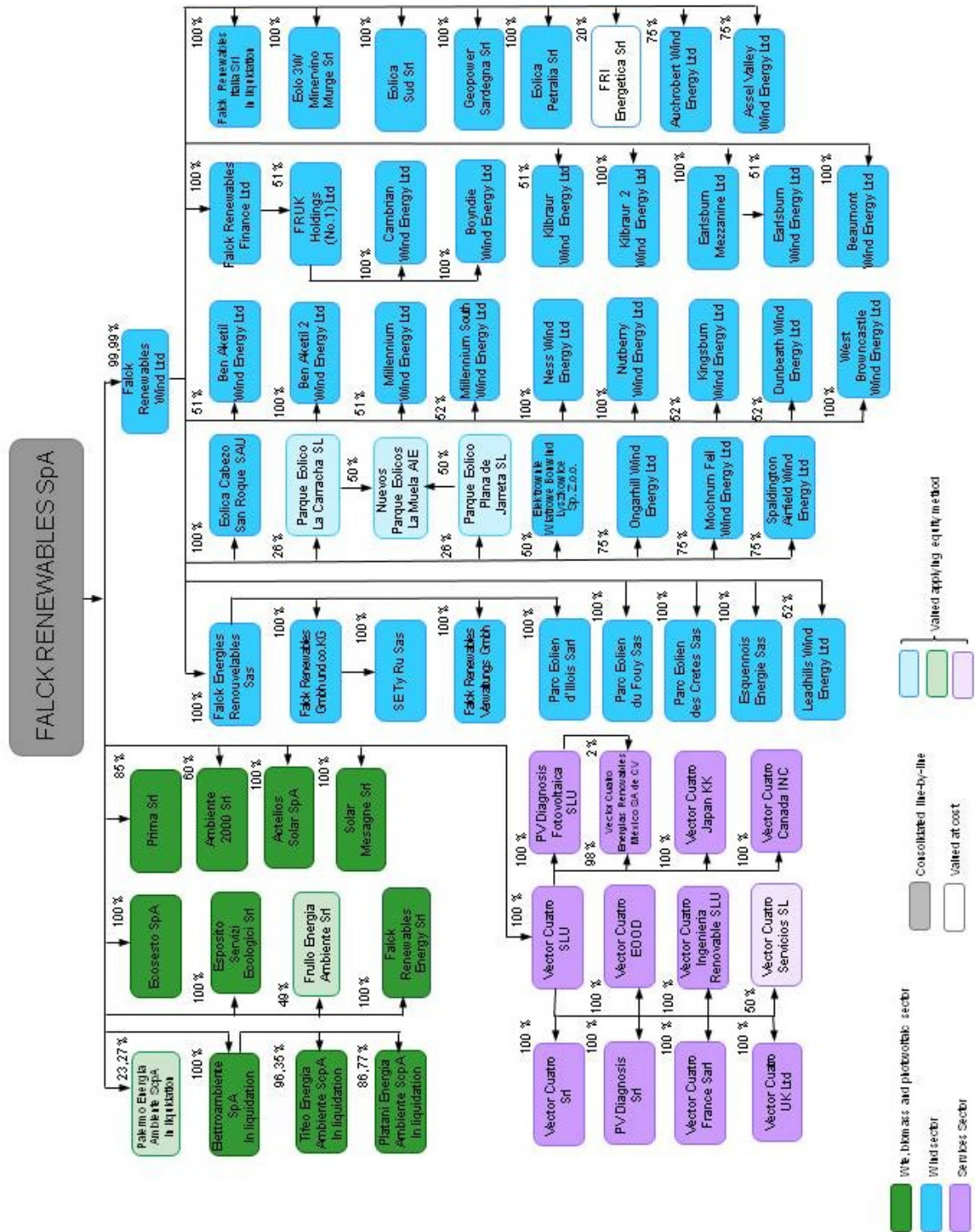
Massimo Scarpelli	Chairman
Giovanna Conca	Statutory auditor
Alberto Giussani	Statutory auditor
Mara Caverni	Substitute statutory auditor
Gianluca Pezzati	Substitute statutory auditor

Independent auditors

Reconta Ernst & Young SpA

2. Group structure

2. Group structure



3. Financial information

3. Financial information

3.1 *Income statement*

	(Euro thousands)				
	3 Quarter 2015	3 Quarter 2014	30.9.2015	30.9.2014	31.12.2014 (*)
Revenue	52.609	46.957	199.843	174.140	248.325
Direct labour costs	(2.675)	(1.312)	(8.493)	(4.707)	(7.169)
Direct costs	(34.998)	(35.500)	(114.367)	(104.558)	(142.951)
Cost of sales	(37.673)	(36.812)	(122.860)	(109.265)	(150.120)
Gross profit	14.936	10.145	76.983	64.875	98.205
Other income	1.372	523	4.409	4.847	9.365
Other employee costs	(3.433)	(3.583)	(10.450)	(11.849)	(15.240)
Administrative expenses	(8.112)	(5.986)	(20.159)	(17.112)	(21.628)
Operating profit	4.763	1.099	50.783	40.761	70.702
Finance costs - net	(10.332)	(12.788)	(34.833)	(38.083)	(49.820)
Investment (costs)/income	(4)		152	(1)	213
Share of profit of investments accounted for using the equity method	940	804	2.630	1.565	409
Profit before income tax	(4.633)	(10.885)	18.732	4.242	21.504
Income tax expense					(12.592)
Profit for the period					8.912
Profit attributable to non-controlling interests					5.612
Profit attributable to owners of the parent					3.300
Ebitda (**)	24.896	17.583	110.022	89.646	135.292

(*) These amounts were restated to reflect the adjustments made following adoption of IFRS 3 – Business combinations – following acquisition of the Vector Cuatro group.

(**) Ebitda = Ebitda is measured by the Falck Renewables group as profit for the year before net investment income/costs, net finance income/costs, amortisation and depreciation, impairment, charges to risk provisions and income tax expense. This indicator was calculated applying best market practice taking into consideration the new group financing contracts.

3. Financial information

3.2 *Net financial position*

	(Euro thousands)				
	30.9.2015	30.6.2015	31.12.2014	Change	
	(1)	(2)	(3)	(4)=(1)-(2)	(5)=(1)-(3)
Short-term third party financial liabilities	(87.864)	(79.519)	(87.976)	(8.345)	112
Short-term Group financial liabilities					
Short-term third party financial receivables	2.360	76	856	2.284	1.504
Short-term Group financial receivables	10	15		(5)	10
Other securities					
Cash and cash equivalents	175.684	179.875	207.606	(4.191)	(31.922)
Short-term net financial position	90.190	100.447	120.486	(10.257)	(30.296)
Medium/long-term third party financial liabilities	(709.131)	(724.604)	(758.640)	15.473	49.509
Medium/long-term Group financial liabilities					
Other securities					
Medium/long-term financial position	(709.131)	(724.604)	(758.640)	15.473	49.509
Net financial position pursuant to Consob circular					
DEM/6064293/2006	(618.941)	(624.157)	(638.154)	5.216	19.213
Medium/long-term third party financial receivables	754	763		(9)	754
Medium/long-term Group financial receivables			25		(25)
Total net financial position	(618.187)	(623.394)	(638.129)	5.207	19.942
- of which non-recourse financing	(655.484)	(665.172)	(673.866)	9.688	18.382

4. Notes to the interim financial report

4. Notes to the interim financial report

4.1 *Accounting policies*

The interim financial report at 30 September 2015 includes the financial statements of the parent company Falck Renewables SpA and all of the subsidiaries in which it holds, either directly or indirectly, majority voting rights. In accordance with IFRS 11, the companies in which the parent company exercises joint control with other shareholders (joint-ventures) are accounted for using the equity method.

At 30 September 2015 the Falck Renewables group (hereinafter “the Falck Renewables Group” or “the Group”) consisted of 69 companies, of which 62 are consolidated on a line-by-line basis, 6 are consolidated applying the equity method and 1 is valued at cost.

In the course of the first nine months the interests in Ezse Elektrik Uretim Ltd and Verus Energy Oak Ltd were sold, the UK companies Millennium South Wind Energy Ltd (in which Falck Renewables Wind Ltd holds a 52% interest) and Vector Cuatro UK Ltd (100% owned by Vector Cuatro SLU) were incorporated and Falck Renewables Polska Sp. Z.o.o. was liquidated in September 2015.

The interim financial report at 30 September 2015 has been prepared in accordance with International Financial Reporting Standards (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 - third paragraph, section 5 of Legislative Decree 58/1998.

The accounting policies and measurement criteria applied in the preparation of the interim financial report at 30 September 2015 are consistent with those adopted for the previous half-year/year-end financial statements, with the exception of new accounting policies, amendments and interpretations that came into force from 1 January 2015, which have not had a significant impact on the consolidated financial statements.

Following acquisition of the Vector Cuatro group on 15 September 2014, Falck Renewables SpA controls the former and the financial position was consolidated at 30 September 2014 while the operating results were consolidated from 1 October 2014. IFRS 3 governing business combinations requires: (i) determination of the total acquisition cost; (ii) allocation at the acquisition date of the cost of the business combination to the assets acquired and liabilities assumed, including those not identified prior to acquisition; (iii) recognition and measurement of goodwill arising on the business combination. The transactions must take place within 12 months of the acquisition date.

On completion of the recognition and measurement process at 30 June 2015, the current values of the identifiable assets and liabilities of the Vector Cuatro group were determined in particular the asset management contracts portfolio and the Vector Cuatro group’s client list in relation to the services contracts in various countries with varying maturity dates.

Consequently, the financial information at 31 December 2014 has been restated to reflect the above transaction resulting in an increase of Euro 1,802 thousand in assets (intangible assets), an increase in liabilities (deferred income tax liabilities) of Euro 1,854 thousand and a decrease in total equity and the result for the period of Euro 52 thousand.

4.2 *Performance of the period and principal changes*

Performance of the 2015 third quarter

In the course of the 2015 third quarter the Falck Renewables Group recorded a loss before income tax and non-controlling interests of Euro 4,633 thousand, a significant improvement on the loss for the same period last year that amounted to Euro 10,885 thousand.

The third quarter normally records a loss due the seasonal impact of the wind sector.

Revenue increased by Euro 5,652 thousand compared to the same quarter in 2014 and is principally due to increased production at the Trezzo sull’Adda plant and consolidation of the Vector Cuatro group that was acquired in September 2014 and therefore did not generate revenue in the 2014 third quarter. The

4. Notes to the interim financial report

Trezzo WtE plant did not generate electricity from late April 2014 up to 15 October 2014 due to the breakdown of the alternator.

Revenue in the third quarter also benefited from the revaluation of Sterling against the Euro (approximately +11% compared to the 2014 third quarter) in respect of the UK power plants' production.

Gross profit amounted to Euro 14,936 thousand, representing an increase of Euro 4,791 thousand, while *Operating profit* totalled Euro 4,763 thousand (2014 third quarter – Euro 1,099 thousand). The *gross profit/revenue* ratio amounted to 28.4%, compared to 21.6% in the 2014 third quarter. *Operating profit* expressed as a percentage of *revenue* equalled 9.1% (2014 third quarter – 2.3%).

Enel Distribuzione SpA and Ener Trading SpA notified a number of Group companies in August, more specifically Prima Srl, Falck Renewables Energy Srl and Eolo 3W Minervino Murge Srl, of the recharge of prior years' electricity transport and distribution costs. These charges total approximately Euro 3 million and the Group decided to charge this amount to the sundry risks provision in the interim financial report despite its intention to dispute these charges as they are considered unjustified.

Cumulative results for the nine months ended 30 September 2015

The cumulative income statement at 30 September 2015 shows a profit before income tax and non-controlling interests of Euro 18,732 thousand, a significant increase on the profit of Euro 4,242 thousand recorded in the same period last year. The results for the first nine months of 2015 comprise impairment losses of Euro 4,044 thousand recognised in relation to the Rende hybrid plant following impairment tests carried out for the purpose of preparing the half-year financial report at 30 June 2015, and the write-off of Euro 907 thousand against goodwill and Euro 134 thousand against property, plant and equipment following the resale of the interest in Verus Energy Oak Ltd to the project developer as disclosed in the half-year financial report at 30 June 2015. The total impact of these losses and write-offs is Euro 5,085 thousand (30 September 2014 – Euro 2,832 thousand).

The Group's operating results at 30 September 2015, as detailed below, show a marked increase compared to 30 September 2014 due to a significant rise of Euro 25,703 thousand in revenue (approximately +15%), which is attributable to (i) excellent wind levels throughout 2015 (ii) the increase in installed capacity in respect of the West Browncastle (30 MW) UK wind farm that only entered into service in June 2014 (iii) the efficient technical management of the plants that has led to improved performance and maximised the positive impact of the excellent wind conditions (iv) the revaluation of Sterling against the Euro (approximately +12% compared to the first nine months of 2014), in respect of revenue generated by the UK power plants and finally (v) the consolidation of the Vector Cuatro group that was acquired in September 2014 and contributed revenue of Euro 6,342 thousand in the first nine months of 2015 that were not included in 2014.

Total GWh generated by all of the Group's technologies amounted to 1,337 GWh compared to 1,212 GWh in the same period of 2014.

The increase in revenue was partially offset by: (i) the forecast contraction in the average selling prices of electricity by the Trezzo sull'Adda plant in particular due to the avoided cost component (CIP 6/92) that expired in August 2014 on 15 MW (it still applies to 3 MW) (ii) the fall in electricity prices in the UK (iii) the drop in production at the Trezzo sull'Adda plant following the scheduled stoppage to carry out plant maintenance work in March this year. The Trezzo WtE plant did not generate electricity from late April to mid October 2014 due to the breakdown of the alternator and this contributed partially to a fall in consolidated revenue in the first nine months of 2014.

Ebitda, defined by the Falck Renewables Group as profit for the period before investment income and costs, finance income and costs, depreciation, amortisation, impairment losses, charges to risk provisions and income tax, amounted to Euro 110,022 thousand at 30 September 2015 (30 September 2014 – Euro 89,646 thousand) an increase of almost 23%. *Ebitda* amounted to 55.1% when expressed as a percentage of revenue (2014 – 51.5%).

4. Notes to the interim financial report

Gross profit amounted to Euro 76,983 thousand, an increase of Euro 12,108 thousand. *Operating profit* totalled Euro 50,783 thousand compared to Euro 40,761 thousand at 30 September 2014. The *gross profit/revenue* ratio amounted to 38.5% (30 September 2014 – 37.3%), while *Operating profit* expressed as a percentage of *revenue* equalled 25.4% (30 September 2014 – 23.4%).

Net finance costs decreased by Euro 3,250 thousand compared to 30 September 2014, which is largely due to lower interest charges on the CII Holdco loans and a fall in charges/interest in respect of the corporate loan.

The net financial position, net of the fair value of derivatives¹ (of Euro 69,087 thousand), amounted to Euro 549,100 thousand, representing a fall on the net indebtedness of Euro 560,046 thousand at 31 December 2014.

Cash generated by operating activities amounted to approximately Euro 79.8 million.

Capital expenditure at 30 September 2015 amounted to Euro 39.4 million and dividends of Euro 19.6 million were paid.

The net financial position comprises non-recourse loans (Gross Project Debt) that amounted to Euro 655,484 thousand at 30 September 2015 (31 December 2014 – Euro 673,866 thousand).

The net financial position comprises net financial liabilities of Euro 52,146 thousand relating to projects under construction that were not yet revenue generating at 30 September 2015. The net financial position net of this amount and the fair value of derivatives would have amounted to Euro 496,954 thousand.

The net financial position of the project companies (NFP Project) comprising Gross Project Debt, the fair value of derivatives to hedge interest rate exposure on this debt and the liquidity of the financed projects amounted to Euro 606,715 thousand.

Moreover, interest rate swaps to a total of Euro 516,788 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, equal to 79% of the total debt.

Consequently, approximately 94% of the total net indebtedness of Euro 549,100 thousand, net of the fair value of derivatives, is hedged from interest rate fluctuations through the same interest rate swaps.

The ratios illustrated in the table below summarise the breakdown and hedging of the Falck Renewables Group's interest rate risk:

¹ The net financial position including the fair value of derivatives amounted to Euro 618,187 thousand at 30 September 2015 (31 December 2014 - Euro 638,129 thousand). The overall net indebtedness represents the sum of cash and cash equivalents, current financial assets including available for sale securities, financial liabilities, the fair value of financial hedging instruments and other non-current financial assets.

4. Notes to the interim financial report

	(Euro thousands)
	30.9.2015
Total NFP net of Fair Value of Derivatives	549.100
Total hedged against interest rate fluctuations	516.788
% Hedged/NFP net of derivatives	94%
Total Gross Debt including Fair Value of Derivatives (GD+FVD)	796.996
of which Project Gross Debt + Fair Value of Project Derivatives	725.577
% Project GD including FV Derivatives/(GD+FVD)	91%
Total Gross Debt (GD)	725.550
of which Project Gross Debt (Project GD)	655.484
% Project GD/GD	90%
Project Gross Debt	655.484
Total hedged against interest rate fluctuations	516.788
% Project NFP/NFP	79%
Total Gross Debt (GD)	725.550
Total hedged against interest rate fluctuations	516.788
% Hedged/GD	71%
Total net financial position including Fair Value of Derivatives (NFP)	618.187
of which Project Financing Net Debt (Project NFP) (*)	606.715
% Project NFP/NFP	98%

(*) Project NFP = Project Gross Debt + Fair Value of Project Derivatives - Project Liquidity

Installed capacity by technology is illustrated in the table below:

	(MW)		
Technology	30.9.2015	31.12.2014	30.9.2014
Wind	674,6	674,6	674,6
WtE	20,0	20,0	20,0
Biomass	15,0	15,0	15,0
Photovoltaic	16,1	16,1	16,1
Total	725,7	725,7	725,7

Non-financial performance indicators

	Unit of measurement	30.9.2015	30.9.2014
Gross electricity generated	MWh	1.337.000	1.212.000
Total waste treated	tonn.	207.423	201.026

The Group generated 1,337,000 MWh of electricity in the first nine months of 2015, a 10% increase on the same period in 2014 (1,212,000 MWh) and treated 207,423 tons of waste compared to 201,026 tons in the same period of 2014 representing a 3% increase on the first nine months of last year.

2015 recorded an increase in electricity production principally due to the excellent wind levels in the first and second quarters and the increased installed capacity attributable to the West Browncastle (30MW) UK wind farm that entered into service in June 2014.

Moreover, 2014 production was impacted by the above-mentioned stoppage of the Trezzo sull'Adda WtE plant between April and October.

4. Notes to the interim financial report

In the first nine months of 2015, a portion of the fall in production in the wind sector was due to network disconnections for which the Group received Euro 5,954 thousand in compensation.

With regard to waste treated, there was an increase in the volume treated by Esposito Servizi Ecologici Srl despite difficult market conditions in respect of waste treatment/recovery.

Revenue by activity may be analysed as follows:

	(Euro thousands)			
	3 Quarter 2015	3 Quarter 2014	30.9.2015	30.9.2014
Sale of electricity	44.968	41.786	176.451	157.591
Waste treatment and disposal	5.250	4.690	15.152	14.372
Services and renewable energy plant management	2.023		6.342	
WtE management and other services	368	481	1.898	2.177
Total	52.609	46.957	199.843	174.140

Revenue arising from services and renewable energy plant management relate to the Vector Cuatro group.

The results before income tax and non-controlling interests of the sectors, compared to those at 30 September 2014, are summarised below:

	(Euro thousands)			
	3 Quarter 2015	3 Quarter 2014	30.9.2015	30.9.2014
WtE, biomass and photovoltaic	374	(1.650)	(4.486)	(2.699)
Wind	(4.923)	(6.060)	26.657	15.784
Services	664		540	
Falck Renewables SpA	(748)	(4.399)	(3.946)	(9.139)
Consolidation adjustments		1.224	(33)	296
Total	(4.633)	(10.885)	18.732	4.242

4.3 *Performance of the business sectors*

This paragraph provides a brief summary of the key financial highlights of the sectors that together constitute the Group.

❖ **WtE, biomass and photovoltaic**

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

	(Euro thousands)		
	30.9.2015	30.9.2014	31.12.2014
Revenue	44.723	44.019	59.211
Cost of sales	(41.113)	(40.376)	(52.420)
Gross profit	3.610	3.643	6.791
Operating (loss)/profit	(3.048)	(578)	5.167
Ebitda	12.780	9.698	16.040
(Loss)/profit before income tax	(4.486)	(2.699)	932
Intangible assets	2.658	3.975	3.856
Property, plant and equipment	101.026	109.279	112.176
Net financial position - indebtedness	167.458	177.576	180.323
of which non-recourse financing	33.282	36.052	34.777
Capital expenditure	875	2.632	6.386
Employees at period-end	(no.)	82	83
		83	84

4. Notes to the interim financial report

This sector focuses on the production of electricity from renewable sources (biomass and photovoltaic plants) and the conversion of urban waste to energy (WtE).

The strategy is developed through the management of operating power plants, putting plants that are in the start-up phase into operation and the development of new projects, either directly or through joint ventures with leading industrial enterprises.

Revenue in the WtE, biomass and photovoltaic sector increased by Euro 704 thousand compared to the nine months to 30 September 2014 which is principally due to an increase in electricity generated by the Trezzo sull'Adda plant and higher energy sales by the Rende plant. The Trezzo WtE plant did not generate electricity from late April to mid-October last year due to the breakdown of the alternator and this partially reduced revenue in the first nine months. Revenue of the Trezzo sull'Adda WtE plant was impacted by the fall in average electricity sales prices particularly in relation to the avoided cost component (CIP 6/92), which expired in August 2014 on 15 MW (it still applies to 3 MW) and the scheduled stoppage to carry out maintenance work on the WtE plant in March 2015.

The above factors together with a fall in plant management costs contributed to an increase in Ebitda (+ Euro 3,082 thousand) to Euro 12,780 thousand: 28.6% when expressed as a percentage of revenue (30 September 2014 – 22.0%).

The operating result was a loss of Euro 3,048 thousand, a fall of Euro 2,470 thousand on the operating loss recorded at 30 September 2014. The operating result for the first nine months of 2015 comprises the impairment loss recognised following the impairment test carried out on the Rende hybrid plant for Euro 4,044 thousand and the write-off of the acquisition and development costs incurred on the Verus Energy Oak Ltd project amounting to Euro 1,041 thousand and the charge of Euro 2,764 thousand to the sundry risks provision in respect of the charges for electricity transport and distribution costs as detailed above. Total impairment losses in the first nine months of 2014 amounted to Euro 2,832 thousand.

The net indebtedness of Euro 167,458 thousand decreased compared to the balance at 31 December 2014 (Euro 180,323 thousand). The net financial position, net of the fair value of derivatives of Euro 4,308 thousand, would have amounted to Euro 163,150 thousand (31 December 2014 – Euro 175,646 thousand).

The net financial position comprises non-recourse borrowings that amounted to Euro 33,282 thousand (31 December 2014 – Euro 34,777 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 4,308 thousand (31 December 2014 – Euro 4,677 thousand).

Capital expenditure in the period amounted to Euro 875 thousand and principally related to improvements to the Trezzo sull'Adda WtE plant.

❖ **Wind sector**

The key financial information for this sector may be summarised as follows:

	(Euro thousands)		
	30.9.2015	30.9.2014	31.12.2014
Revenue	148.733	130.058	186.976
Cost of sales	(75.748)	(68.968)	(95.938)
Gross profit	72.985	61.090	91.038
Operating profit	62.392	53.483	80.875
Ebitda	104.452	91.615	133.760
Profit before income tax	26.657	15.784	31.769
Intangible assets	93.634	89.481	89.312
Property, plant and equipment	870.715	852.365	853.562
Net financial position - indebtedness	755.987	740.245	785.803
of which non-recourse financing	622.202	662.447	639.088
Capital expenditure	37.785	23.921	40.633
Employees at period-end	(no.) 34	37	36

4. Notes to the interim financial report

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

Revenue increased by Euro 18,675 thousand which is largely due to the excellent wind levels recorded in the first and second quarters of 2015 and the increased installed capacity due to the West Browncastle UK wind farm, which in the same period last year only entered into service from June. Revenue also benefited from the revaluation of Sterling against the Euro (+12% compared to 2014) in respect of UK power plant revenue.

The increase in cost of sales compared to 2014 is principally linked to the higher production and the increase in installed capacity attributable to the West Browncastle plant.

Ebitda totalled Euro 104,452 thousand, an increase of Euro 12,837 thousand and amounted to 70.2% when expressed as a percentage of revenue (30 September 2014 – 70.4%).

Operating profit also increased by Euro 8,909 thousand compared to 30 September 2014 and corresponded to 41.9% of revenue (30 September 2014 – 41.1%).

The net indebtedness amounted to Euro 755,987 thousand, representing a decrease of Euro 29,816 thousand compared to the balance at December 2014. Cash generated by operating plants helped finance capital expenditure in the period that amounted to Euro 37,785 thousand and principally related to the Assel Valley, Spaldington, West Browncastle, Auchrobert and Kingsburn UK wind farms.

The net financial position comprises net financial liabilities of Euro 52,146 thousand relating to projects under construction that were not yet revenue generating at 30 September 2015; the net financial position net of this amount and the fair value of derivatives (Euro 65,033 thousand) would have amounted to Euro 638,808 thousand.

The net financial position includes non-recourse financing of Euro 622,202 thousand (31 December 2014 – Euro 639,088 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 65,033 thousand (31 December 2014 – Euro 72,575 thousand).

❖ **Services sector**

This sector comprises the Spanish group Vector Cuatro that was acquired on 15 September 2014 and has been consolidated from October 2014. This sector provides services and manages renewable energy power plants on an international scale. It also offers engineering and consulting services in the development of projects to generate electricity principally using solar and wind energy.

The key financial information for this sector is not comparable with those of the first nine months of 2014, however the financial position has been included for comparative purposes.

	(Euro thousands)		
	30.9.2015	30.9.2014	31.12.2014
Revenue	6.342		2.041
Cost of sales	(6.295)		(1.767)
Gross profit	47		274
Operating profit	595		279
Ebitda	1.115		407
Profit before income tax	540		312
Intangible assets	11.906	10.126	12.064
Property, plant and equipment	927	800	794
Net financial position - (asset)/indebtedness	(137)	284	147
of which non-recourse financing			
Capital expenditure	446	8.413	10.480
Employees at period-end	(no.) 99	89	92

4. Notes to the interim financial report

The net financial position, a net asset of Euro 137 thousand, has improved compared to the balance at 31 December 2014.

Capital expenditure in this sector amounted to Euro 446 thousand and principally related to the new management system and restructuring work carried out on the offices in Madrid and Tokyo.

4.4 *Performance of the parent company Falck Renewables SpA*

The income statement of Falck Renewables SpA for the 2015 third quarter closed with a loss before income tax of Euro 748 thousand (30 September 2014 – loss of Euro 4,399 thousand).

The result was influenced by lower finance costs deriving from lower interest charges on the corporate loan and a fall in the write-off of receivables in respect of the Sicily projects compared to the same period in 2014.

The cumulative income statement at 30 September 2015 closed with a loss before income tax of Euro 3,946 thousand, an improvement on the loss of Euro 9,139 thousand recorded in the same period in 2014. This result has been impacted by a Euro 1,924 thousand decrease in costs, total dividends of Euro 1,840 thousand from Frullo Energia Ambiente Srl (Euro 980 thousand) and Actelios Solar SpA (Euro 860 thousand) that are Euro 680 thousand higher than dividend income for the period ended 30 September 2014, a fall in write-downs, net of released provisions, in respect of the Sicily projects (Euro 314 thousand) and a decrease in finance costs/charges of Euro 2,008 thousand.

The net financial position was an asset of Euro 224,524 thousand, representing a decrease on the balance of Euro 248,393 thousand at 31 December 2014, which is principally due to the payment of dividends totalling Euro 18,039 thousand. The Euro 165 million corporate loan taken out in 2011 was repaid in advance of the maturity date of 30 June 2015 and a new loan contract was entered into on 12 June 2015 with a pool of leading banks. The loan contract comprises a Euro 150 million revolving credit facility that matures on 30 June 2020 and enjoys considerably more favourable economic terms both in terms of spread and covenants that will contribute to a significant decrease in finance costs compared to the previous corporate loan. The loan is aimed at supporting the Group's financial requirements and business development activities. The loan had not been drawn down at 30 September 2015.

The net financial position, net of the fair value of derivatives to hedge interest rate and exchange rate exposure totalling Euro 254 thousand, would have amounted to Euro 224,270 thousand (31 December 2014 – Euro 249,224 thousand).

The Company incurred expenditure of Euro 121 thousand on intangible assets and Euro 272 thousand on property, plant and equipment in the period.

4.5 *Employees*

At 30 September 2015 the total number of Group employees increased by 4 compared to 31 December 2014 and comprised:

	30.9.2015	31.12.2014	(Number) 30.9.2014
Managers	34	35	34
White-collar workers	220	216	213
Blue-collar workers	47	46	46
Total	301	297	293

The increase compared to the total at 30 September 2014 is essentially due to new employees in the Services sector.

4. Notes to the interim financial report

4.6 *Management outlook for the current year*

The Group's results for 2015 will benefit from the full year production of the West Browncastle 30 MW wind farm that only operated for 7 months in 2014 and the consolidation of the Vector Cuatro group for the full financial year as the Group's results reflected only three months results last year.

The performance of the first nine months of 2015, which greatly exceeded forecasts, forms an excellent basis on which to continue this performance for the full year. However, this continued performance will depend on i) certain production constraints in the final quarter that cannot be forecast and represent the most significant contribution to the year's results due to the significant seasonal impact ii) the economic situation that is still having a negative impact on electricity demand albeit lower than last year and iii) the regulatory framework, particularly in light of the recent announcement by the UK government of its intention to remove the Climate Change Levy exemption that represents, through the use of LEC certificates, an additional source of income for renewable plants. This decision could add to the regulatory changes that took place in Italy that will impact 2015, namely imbalance costs and the 8% fall in the incentive tariff on the Group's 16.1 MW solar plants. The impact of the UK decision has been reflected in the interim financial report income statement commencing 1 August 2015.

Given the results for the first nine months, the Group increased the guidance on Ebitda as communicated to the market on 12 March 2015 from a range of Euro 132 to 137 million to a new range of **Euro 137 to 142 million**.

Group development will continue through the construction and operation of the UK authorised wind farms comprising Spaldington Airfield (11.75 MW), Kingsburn (22.5 MW), Auchrobert (36 MW) and Assel Valley (25 MW) with Spaldington and Kingsburn expected to operate at full capacity from the second half of 2016, while Assel Valley is forecast to enter service from the beginning of the 2017 first quarter and Auchrobert from the end of the same quarter.

The Euro 150 million corporate loan entered into on 12 June 2015 with a *pool* of Italian banks that matures on 30 June 2020, enjoys better economic terms than the previous contract that matured and has been repaid, and will contain increasing finance costs on the higher indebtedness linked to the above expansion programme.

The Italian Constitutional Court ruling that declared the Robin Tax to be illegitimate will have a positive impact on the Group's after tax results.

Despite changes in the market, the Group manages to maintain strong margins thanks to the construction of plants in locations with high numbers of wind hours and the ability to reduce costs while continuously improving performance efficiency and effectiveness.

The Group is well placed to face new challenges, both in terms of know-how and financial resources.

5. Directors' report

5. Directors' report

5.1 *Review of significant business developments*

The Italian Constitutional Court declared in its ruling of 11 February 2015 that the Robin Hood Tax, an additional tax on income applied in certain circumstances to enterprises operating in the energy sector, infringes constitutional law with effect from tax periods after 31 December 2014.

The illegitimacy ruling actually comes into force on the day after publication of the ruling in the Italian Official Gazette, in this case 12 February 2015.

With regard to the invitation to settle in court pursuant to article 185 of the Italian Code of Civil Procedure (c.p.c.) issued by the Milan Court on 27 March 2015, in the hearings that took place on 8 June 2015 Falck Renewables, Falck SpA, Elettroambiente SpA, Tifeo, Platani and Pea settled the disputes with the Department and the Presidency of the Sicily Region in relation to the projects initiated in 2002 to construct WtE plants (the Sicily Projects). This resulted, inter alia, in the mutual waiver of all demands arising from the disputes, the 2002 tenders and subsequent relations between the parties in relation to the proceedings (including the administrative proceedings pending before the CGARS that will be dropped); further details are disclosed in the half-year financial report at 30 June 2015.

Falck Renewables SpA entered into a Euro 150,000,000 financing contract with a pool of primary lenders comprising Banco Popolare Sc, acting as agent bank and the other financing banks Banca Popolare di Milano Scarl, Banca Popolare di Sondrio Scpa, Credito Valtellinese Sc, Intesa Sanpaolo SpA, Mediobanca SpA, Banca Monte dei Paschi di Siena SpA, UBI Banca Scpa and UniCredit SpA, on 12 June 2015.

The transaction is aimed at supporting the financial requirements and development of the Group's business activities.

The Finance Contract comprises a revolving credit line of Euro 150,000,000 maturing on 30 June 2020.

The conditions of the Finance Contract are considerably more favourable, both in terms of spread and covenants, than the Company's previous corporate loan, which will contribute to a significant reduction in finance costs. The previous corporate loan entered into on 14 January 2011 and which matured on 30 June 2015, was repaid in full at the end of May 2015.

There are no further significant developments that require disclosure in respect of the status of litigation detailed in the half-year financial report at 30 June 2015, which should be referred to for further details.

5.2 *Significant capital expenditure and disposals*

Total capital expenditure in the first nine months of the year amounted to Euro 39,384 thousand.

Expenditure on property, plant and equipment, which amounted to Euro 39,085 thousand, represents the Group's financial commitment in relation to wind farms and improvements to operating plants. Capital expenditure in the period principally comprised Euro 12,829 thousand on the construction of the Assel Valley wind farm, Euro 10,992 thousand on the Kingsburn wind farm, Euro 8,861 thousand on the Auchrobert wind farm, Euro 4,114 thousand on the Spaldington wind farm and Euro 618 thousand on the West Browncastle wind farm. Expenditure also included Euro 875 thousand on improvements to the Trezzo sull'Adda WtE plant and other minor expenditure totalling Euro 796 thousand. Capital expenditure on intangible assets comprised software licences acquired by the parent company for Euro 121 thousand and Vector Cuatro SLU for Euro 178 thousand.

No significant disposals, either in terms of size or value, were made during the period.

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

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As required by Article 154-bis, paragraph 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Paolo Rundeddu, in his capacity as Corporate Accounting Document Officer, declares that the accounting information contained in this interim financial report at 30 September 2015 is consistent with the data in the documents, accounting records and other records.

Paolo Rundeddu
(Corporate Accounting Document Officer)

Milan, 12 November 2015