

FALCK RENEWABLES
Group

Interim financial report
31 March 2015

Board of directors' meeting

Milan, 14 May 2015

FALCK RENEWABLES SpA
Share capital Euro 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 31 March 2015

Contents

1	COMPANY OFFICERS	5
<hr/>		
2	FINANCIAL INFORMATION	
2.1	Income statement	7
2.2	Net financial position	8
<hr/>		
3	NOTES TO THE INTERIM FINANCIAL STATEMENT	
3.1	Accounting policies	10
3.2	Performance for the period and principal changes	10
3.3	Performance of the business sectors	13
3.4	Performance of the parent company Falck Renewables SpA	16
3.5	Employees	17
3.6	Installed capacity	18
3.7	Capital expenditure	18
3.8	Non-financial performance indicators	18
<hr/>		
4	DIRECTORS' REPORT	
4.1	Review of significant business developments in 2015	20
4.2	Management outlook	20
<hr/>		
5	CERTIFICATION OF THE CORPORATE ACCOUNTING DOCUMENTS OFFICER PURSUANT TO ARTICLE 154-BIS PARAGRAPH 2 OF LEGISLATIVE DECREE 58/1998	23

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
Federico Falck (*)	Director
Elisabetta 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. Financial information

2. Financial information

2.1 *Income statement*

	(Euro thousands)		
	31.3.2015	31.3.2014	31.12.2014
Revenue	86,566	76,129	248,325
Direct labour costs	(2,816)	(1,719)	(7,169)
Direct costs	(37,706)	(33,841)	(142,875)
Cost of sales	(40,522)	(35,560)	(150,044)
Gross profit	46,044	40,569	98,281
Other income	1,109	324	9,365
Other employee costs	(3,659)	(4,251)	(15,240)
Administrative expenses	(6,862)	(4,089)	(21,628)
Operating profit	36,632	32,553	70,778
Finance costs - net	(12,459)	(15,545)	(49,820)
Investment income	124		213
Share of profit of investments accounted for using the equity method	913	1,365	409
Profit before income tax	25,210	18,373	21,580
Income tax expense			(12,616)
Profit for the year			8,964
Profit attributable to non-controlling interests			5,612
Profit attributable to owners of the parent			3,352
EBITDA (1)	54,611	46,184	135,292

(1) EBITDA is defined by the Falck Renewables Group as profit for the period 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 Group's financing contracts.

2. Financial information

2.2 *Net financial position*

	(Euro thousands)		
	31.3.2015	31.12.2014	31.3.2014
Short-term third party financial liabilities	(103,591)	(87,976)	(63,991)
Short-term Group financial liabilities			
Short-term third party financial receivables	818	856	977
Short-term Group financial receivables			
Other securities			
Cash and cash equivalents	264,653	207,606	286,631
Short-term net financial position	161,880	120,486	223,617
Medium/long-term third party financial liabilities	(775,411)	(758,640)	(796,399)
Medium/long-term Group financial liabilities			
Other securities			
Medium/long-term financial position	(775,411)	(758,640)	(796,399)
Net financial position pursuant to Consob circular DEM/6064293/2006	(613,531)	(638,154)	(572,782)
Medium/long-term third party financial receivables			
Medium/long-term Group financial receivables	20	25	
Total net financial position	(613,511)	(638,129)	(572,782)
- of which non-recourse financing	(689,409)	(673,866)	(690,989)
- of which fair value of derivatives	(85,945)	(78,083)	(64,461)
Net financial position net of fair value of derivatives	(527,566)	(560,046)	(508,321)

3. Notes to the interim financial report

3. Notes to the interim financial report

3.1 *Accounting policies*

At 31 March 2015 the Falck Renewables group (hereinafter “the Falck Renewables Group” or “the Group”) consisted of 70 companies, of which 63 are consolidated on a line-by-line basis, 6 are consolidated applying the equity method and 1 is valued at cost.

During the 2015 first quarter the entire shareholding in Ezse Elektrik Uretim Ltd was sold and Millennium South Wind Energy Ltd, a UK registered company in which a 52% interest is held, was incorporated.

The interim financial report at 31 March 2015 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 - 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 31 March 2015 are consistent with those adopted for the previous period and the year-end financial statements.

3.2 *Performance for the period and principal changes*

Revenue of the Falck Renewables Group in the 2015 first quarter amounted to Euro 86,566 thousand, an increase of Euro 10,437 thousand (+13.7%) on the 2014 first quarter.

The increase in **revenue** is principally due to the excellent wind levels recorded in the 2015 first quarter across all of the sites in which the Group’s wind farms are located and the higher installed capacity of the West Browncastle wind farm (30 MW) in the UK that had not entered into service in the 2014 first quarter. The efficient technical management of the plants has improved performance and has maximised the positive impact of the excellent wind conditions given the favourable, exceptional weather conditions. The MWh generated in the wind sector in the first quarter of 2015 amounted to 553,000 compared to 489,000 recorded in the 2014 first quarter.

The overall MWh generated globally by all of the Group’s technologies totalled 602,000 compared to 551,000 in the first quarter of 2014.

Revenue also benefited from the revaluation of Sterling against the Euro (+11.4% compared to the 2014 first quarter) in respect of the UK power plants’ production.

The increased revenue was partially offset by the forecast contraction, compared to the 2014 first quarter, 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), the fall in electricity prices in the UK in Sterling and the fall in production at the Trezzo sull’Adda plant following the scheduled stoppage to carry out maintenance at the plant in March this year.

Gross profit amounted to Euro 46,044 thousand, an increase of Euro 5,475 thousand (+13.5%) and 53.2% when expressed as a percentage of **revenue** that compares to 53.3% in the 2014 first quarter.

Operating profit improved due to increased income (+ Euro 785 thousand) largely attributable to insurance claims and to a lesser extent lower employee costs (- Euro 592 thousand) that in the first quarter of 2014 included the costs of the long term incentive plan arising on the Borea transaction.

The increase in administrative costs (+ Euro 2,773 thousand) is principally attributable to the WtE, biomass and photovoltaic sector, an increase of Euro 292 thousand in losses on trade receivables and a charge of Euro 545 thousand to the sundry risks provision by the companies in the photovoltaic sector in light of the process initiated by the GSE on 17 March 2015 to re-determine the incentive tariffs and recover the amounts already awarded following the exclusion from the 2005 ISTAT revaluation of the above-mentioned incentive tariff pursuant to implementation of the Council of State ruling 9 of 4 May 2012 that upheld the amendments introduced by Ministerial Decree of 6 February 2006 to the Ministerial

3. Notes to the interim financial report

Decree of 28 July 2005, thus cancelling the first instance ruling that had recognised the revaluation. This process was challenged by the Group companies involved as it is considered invalid in both fact and law. Although the Group companies have raised this challenge and consider their motives to be valid, they have recorded a provision for the amounts claimed by the GSE in the interim financial report.

Services costs in the wind sector increased by Euro 498 thousand, while in the first quarter of 2014 the parent company had benefited from the release of Euro 1,688 thousand from the sundry risks provision that had been charged in previous financial periods to write down the receivables due from Palermo Energia Ambiente ScpA (in liquidation).

As a result of the above **EBITDA**¹ for the 2015 first quarter amounted to Euro 54,611 thousand (2014 first quarter – Euro 46,184 thousand), corresponding to 63.1% of revenue (2014 first quarter – 60.7%). EBITDA has recorded a marked increase on the 2014 first quarter (+ Euro 8,427 thousand) principally due to increased revenue for the period.

Operating profit amounted to Euro 36,632 thousand, an increase of Euro 4,079 thousand (+12.5%) and 42.3% when expressed as a percentage of revenue (2014 first quarter – 42.8%).

Net finance costs fell by Euro 3,086 thousand compared to the 2014 first quarter. This fall is due to (i) the fair value measurement of the portion of interest rate swaps recorded through profit or loss that improved by approximately Euro 1 million compared to 31 March 2014, (ii) lower net write-downs to financial receivables particularly in respect of the Sicily companies, (iii) the fact that the 2014 first quarter reflected the cost of the waiver fee in respect of the Borea transaction and (iv) the fall in average net indebtedness compared to the 2014 first quarter due to the cash inflow at the end of the first quarter of 2014 arising on the sale of 49% of six UK wind farms (Borea transaction)².

The above factors led to the Falck Renewables Group recording a **profit before income tax and non-controlling interests** of Euro 25,210 thousand in the 2015 first quarter, an increase of Euro 6,837 thousand compared to the same period last year (+37.2%). The profit before income tax comprises the write-down of Euro 1,018 thousand of the acquisition and development costs incurred on the Verus Oak Energy Ltd project and the write-down of the trade receivables due from the latter amounting to Euro 862 thousand. The project will be valued on the market in order to try and recover the costs incurred by the Group.

The **net financial position**, net of the fair value of derivatives, is a net indebtedness of Euro 527,566 thousand, a fall of approximately Euro 32.5 million on the balance of Euro 560,046 thousand at 31 December 2014.

The net financial position including the fair value of derivatives totalled Euro 613,511 thousand compared to Euro 638,129 thousand at 31 December 2014 and comprised:

- non-recourse financing of Euro 689,409 thousand, an increase of Euro 15,543 thousand on the balance at 31 December 2014;
- net financial liabilities of Euro 26,227 thousand relating to projects under construction that were not yet revenue generating at 31 March 2015; the net financial position net of this amount and the fair value of derivatives (equal to Euro 85,945 thousand at 31 March 2015 against Euro 78,083 thousand at 31 December 2014) would have amounted to Euro 501,339 thousand.

The fall in the total **net financial position** of approximately Euro 24.6 million is principally due to the cash generated by operating plants that amounted to approximately Euro 51.2 million, offset by capital expenditure in the period of approximately Euro 4.3 million, foreign exchange differences on net

¹ EBITDA is measured by the Falck Renewables Group as profit for the period before investment income and costs, net finance income/costs, 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 Full details of the Borea transaction are disclosed in the 2014 Annual Report.

3. Notes to the interim financial report

borrowings in Sterling of approximately Euro 19.3 million and the increase in the fair value of derivatives of approximately Euro 3 million.

Total gross debt net of the fair value of derivatives was hedged by interest rate swaps, covering approximately 77% of the risk presented by interest rate fluctuations. The percentage of the total net financial position covered by hedges is 116% due to the liquidity arising on the Borea transaction that is currently placed on short-term deposit and is available to finance plants under construction.

Revenue by business category may be analysed as follows.

	(Euro thousands)	
	1 Quarter 2015	1 Quarter 2014
Sale of electricity	79,772	69,943
Waste treatment and disposal	4,494	4,924
Operation and management of renewable power plants	1,926	0
Operation and maintenance of WtE plants	0	678
Other operating income	374	584
Total	86,566	76,129

Revenue by business sector, compared to the 2014 first quarter, is illustrated in the table below:

	(Euro thousands)		
	31.3.2015	31.3.2014	Change
WtE, biomass and photovoltaic	12,801	15,649	(2,848)
Wind	71,832	60,464	11,368
Services	1,923		1,923
Falck Renewables SpA	20	16	4
Consolidation adjustments	(10)		(10)
Total	86,566	76,129	10,437

3.3 *Performance of the business sectors*

This note provides the key financial highlights and a brief commentary on the three sectors (“WtE, biomass and photovoltaic”, “Wind” and “Services”) and the information relating to Falck Renewables SpA, which together represent the Group.

3. Notes to the interim financial report

	(Euro thousands)	
	31.3.2015	31.3.2014
Revenue	12,801	15,649
Cost of sales	(13,023)	(12,999)
Gross (loss)/profit	(222)	2,650
EBITDA	1,932	3,682
Operating (loss)/profit	(2,147)	1,169
Intangible assets	2,892	3,361
Property, plant and equipment	110,097	115,261
Net financial position - indebtedness/(asset)	172,508	175,546
of which non-recourse financing	34,797	37,344
Capital expenditure	189	926
Employees at period-end	(no.) 82	102

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

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.

Revenue in the WtE and biomass sector decreased compared to the 2014 first quarter, due to lower revenue generated by the Trezzo sull'Adda WtE plant, which was impacted by the fall in the average selling price of electricity, 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) and the scheduled stoppage to carry out maintenance at the plant in March this year. Waste transfer prices showed the first signs of growth compared to the 2014 first quarter however this still needs to be confirmed over the coming quarters.

The companies operating in the photovoltaic sector suffered a fall in revenue principally due to the 8% fall in the incentives tariff that came into force on 1 January 2015 pursuant to Law 116/2014, and the drop in solar radiation compared to the same period in 2014.

The impact of the fall in incentives together with the above factors contributed to a decrease in EBITDA (- Euro 1,750 thousand) to Euro 1,932 thousand: 15.1% when expressed as a percentage of revenue (2014 – 23.5%).

The companies operating in the photovoltaic sector charged Euro 545 thousand to the sundry risks provision as detailed above in note 3.2 Performance for the period and principal changes.

Operating profit fell by Euro 3,316 thousand to an operating loss of Euro 2,147 thousand.

The net financial position, a net indebtedness of Euro 172,508 thousand, decreased compared to the balance at 31 March 2014 (- Euro 3,038 thousand), principally due to cash generated by operating plants.

The net financial position comprises non-recourse financing of Euro 34,797 thousand (31 March 2014 – Euro 37,344 thousand).

The fall in employee numbers is due to the termination of the O&M contract for the Fusina (VE) plant carried out by Ecosesto SpA whereby, in accordance with contractual obligations with the owners, the employees were transferred under the direct employment of the plant owner following the 2014 first quarter.

❖ **Wind sector**

The key financial highlights of this sector, comprising the companies highlighted in blue in the organisation chart above, may be summarised as follows:

3. Notes to the interim financial report

	(Euro thousands)	
	31.3.2015	31.3.2014
Revenue	71,832	60,464
Cost of sales	(25,537)	(22,587)
Gross profit	46,295	37,877
EBITDA	56,428	47,033
Operating profit	42,789	34,605
Intangible assets	94,921	84,633
Property, plant and equipment	870,355	840,403
Net financial position - indebtedness/(asset)	771,316	713,890
of which non-recourse financing	654,612	653,645
Capital expenditure	3,925	6,928
Employees at the period-end	(no.) 35	43

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.

Revenue increased by 18.8% (+ Euro 11,368 thousand), which is largely attributable to the excellent wind levels registered in the 2015 first quarter across all of the sites in which the Group's plants are located and the increased installed capacity due to the UK wind farm West Browncastle that had not entered into service in the first quarter of 2014. Revenue also benefited from the revaluation of Sterling against the Euro (+11.4% compared to the 2014 first quarter) in respect of the UK power plants' production.

Cost of sales increased by Euro 2,950 thousand compared to the 2014 first quarter largely as a result of the increased installed capacity.

Gross profit increased by Euro 8,418 thousand, corresponding to 64.4% of revenue (2014 – 62.6%).

EBITDA amounted to Euro 56,428 thousand, an increase of Euro 9,395 thousand and equal to 78.6% of revenue (2014 – 77.8%).

Operating profit also recorded growth, increasing by Euro 8,184 thousand compared to the first quarter of 2014 and amounted to 59.6% of revenue (2014 – 57.2%).

The net financial position was a net indebtedness of Euro 771,316 thousand, representing an increase of Euro 57,426 thousand compared to the total at 31 March 2014. This increase is largely attributable to the capital expenditure on the new UK wind farms Kingsburn, Spaldington, West Browncastle, Assel Valley and Auchrobert.

The net financial position comprises net financial liabilities of Euro 26,227 thousand relating to projects under construction that were not yet revenue generating at 31 March 2015; the net financial position net of this amount and the fair value of derivatives would have amounted to Euro 664,763 thousand.

The net financial position includes non-recourse financing of Euro 654,612 thousand (31 March 2014 – Euro 653,645 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 80,326 thousand (31 March 2014 – Euro 59,865 thousand). The increase in the fair value of derivatives compared to the 2014 first quarter is due to the significant fall in interest rates over the hedge period.

❖ **Services sector**

The key financial highlights of this sector, comprising the companies highlighted in lilac in the organisation chart above, may be summarised as follows:

3. Notes to the interim financial report

	(Euro thousands)	
	31.3.2015	31.3.2014
Revenue	1,923	
Cost of sales	(1,988)	
Gross loss	(65)	
EBITDA	36	
Operating loss	(48)	
Intangible assets	10,249	
Property, plant and equipment	773	
Net financial position - indebtedness/(asset)	268	
of which non-recourse financing	0	
Capital expenditure	42	
Employees at the period-end	(no.)	95

This sector comprises the Spanish group Vector Cuatro. 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.

Falck Renewables SpA acquired a 100% interest in Vector Cuatro SLU, a Spanish incorporated holding company with subsidiaries in Spain, Italy, France, Japan, Canada, Mexico and Bulgaria, on 15 September 2014.

Following acquisition, Falck Renewables SpA exercises control over the Vector Cuatro group. Consequently, the interim financial report at 31 March 2014 did not reflect the financial position or operating results of Vector Cuatro. The key financial highlights of this sector are not therefore comparable with those at 31 March 2014.

The determination and precise identification of the factors regarding definition of the current values of the identifiable assets and liabilities of the Vector Cuatro group, with particular reference to contractual values in place with customers as the Vector Group is a client services company with contracts drawn up in different countries with varying expiry dates, and in light of the application of IFRS 3, are still underway. On finalisation of these activities, within 12 months of the execution date as stipulated in IFRS 3, amendments to the determination of the portion of the purchase cost currently allocated on a provisional basis to goodwill and the related amortisation may impact the operating results of the Vector Cuatro group.

The services sector is strongly affected by the seasonal impact of the winter months as a significant portion of the Vector Cuatro group's revenue is indexed on the revenue of the managed plants based on Asset Management contracts that are more contained over the winter period; moreover, this sector is still in the start-up phase as it was launched recently.

The net financial position is a net indebtedness of Euro 268 thousand.

3.4 *Performance of the parent company Falck Renewables SpA*

The income statement of Falck Renewables SpA for the three months ended 31 March 2015 recorded a loss before income tax of Euro 2,834 thousand (loss of Euro 4,617 thousand in the first quarter of 2014). Employee costs fell by Euro 451 thousand (the 2014 first quarter had included payments made following a number of objectives of the Key Manager LTIP being met following finalisation of the Borea transactions), while administrative costs increased (+ Euro 1,493 thousand) as the 2014 first quarter comprised Euro 1,688 thousand relating to the reversal of the sundry risks provision that had been charged in previous financial years to cover the write-down of receivables due from Palermo Energia Ambiente SpA (in liquidation) and Elettroambiente SpA (in liquidation).

3. Notes to the interim financial report

Net finance costs fell by Euro 2,650 thousand due to (i) the fair value of the portion of interest rate swaps recorded through profit or loss that resulted in income of approximately Euro 1 million compared to 31 March 2014, (ii) lower net write-downs to financial receivables particularly in respect of the Sicily companies compared to the same period in 2014 and (iii) the fact that the 2014 first quarter reflected the cost of the waiver fee in respect of the Borea transaction.

The parent company's income statement does not yet include dividends distributed by its investments, which will be included commencing the next quarter following shareholder approval in April this year.

The total number of employees was 85 at 31 March 2015, comprising 23 managers and 62 white-collar workers and is line with the total at 31 December 2014 and 2 more than the total at the end of the 2014 first quarter.

Capital expenditure for the period totalled Euro 198 thousand, of which Euro 16 thousand related to software.

The net financial position was a net asset of Euro 250,764 thousand, compared to an asset of Euro 248,393 thousand at 31 December 2014. The outstanding balance of the Euro 165 million loan secured in 2011 (Corporate Loan) amounted to approximately Euro 23.4 million at 31 March 2015.

The Corporate Loan is due to be repaid at maturity on 30 June 2015. The Group is currently reviewing the terms of a new Corporate Loan in order to provide the company with sufficient credit facilities to finance new projects.

The net financial position includes the negative fair value of derivatives to hedge interest rate exposure amounting to Euro 299 thousand (31 March 2014 – Euro 1,245 thousand) and the foreign exchange hedge of Euro 153 thousand (2014 first quarter – Euro 101 thousand).

3.5 *Employees*

The total number of employees at 31 March 2015 comprised:

	(Number)		
	31.3.2015	31.12.2014	31.3.2014
Managers	36	35	28
White-collar staff and special categories	215	216	141
Blue-collar workers	46	46	59
Total	297	297	228

The increase compared to 31 March 2014 is principally due to the acquisition of the Spanish group Vector Cuatro SLU in September 2014 that accounted for 92 new employees. This increase was partially offset by the decrease (19) in employees that managed the Fusina (VE) plant who, in accordance with contractual obligations with the owner, were transferred under the direct employment of the plant owner following termination of the O&M contract after the 2014 first quarter closing.

Employee numbers are in line with the total at 31 December 2014 and may be analysed by sector as follows:

	(Number)		
	31.3.2015	31.12.2014	31.3.2014
WtE, biomass and photovoltaic	82	84	102
Wind	35	36	43
Services	95	92	0
Falck Renewables SpA	85	85	83
Total	297	297	228

3. Notes to the interim financial report

3.6 *Installed capacity*

Technology	(MW)		
	31.3.2015	31.12.2014	31.3.2014
Wind	674.6	674.6	644.6
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	695.7

The installed capacity is in line with the total at 31 December 2014. This has been recorded in accordance with the requirements of IFRS 11 and does not take into consideration the plants in which the Group has joint control (Frullo Energia Ambiente for 11 MW and the Spanish La Muela wind farms for 26 MW).

3.7 *Capital expenditure*

In the course of the 2015 first quarter capital expenditure on property, plant and equipment amounted to Euro 4,316 thousand and principally related to the Kingsburn (Euro 2,941 thousand), Spaldington (Euro 932 thousand), West Browncastle (Euro 37 thousand), Assel Valley (Euro 215 thousand) and Auchrobert (Euro 103 thousand) wind farms.

Expenditure on intangible assets totalled Euro 38 thousand and related to operating software.

3.8 *Non-financial performance indicators*

The key non-financial indicators are as follows:

	Unit of measurement	31.3.2015	31.3.2014
Gross electricity generated	MWh	602,000	551,000
Total waste treated	Ton	62,934	67,342

4. Directors' report

4. Directors' report

4.1 *Review of significant business developments in 2015*

The Italian Constitutional Court declared in its ruling of 11 February 2015 that the Robin 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.

The interest in the Turkish registered company Ezse Elektrik Uretim Ltd Şti was sold on 25 February 2015 for Euro 200 thousand and has not altered the Group's financial position as this investment was dormant.

Due to the current situation regarding the financial viability of the Verus Energy Oak Ltd project, the 51% stake in the company was sold back to the developer, who holds the remaining 49%, after the closure of the first quarter, the aim being to sell the project on the market in order to recover a portion of the costs incurred by the Group.

With regard to litigation with the Sicily Region in particular the Second Recourse brought before the Supreme Court by the Sicily companies, following a number of adjournments the appeal was discussed in Council Chambers on 28 April 2015 and following brief discussion was transferred to the Joint Divisions of the Supreme Court to rule on the jurisdiction.

With regard to the Civil Proceedings, as detailed in the 2014 Annual Report, in the ruling of 7 January 2014 (amended on 8 January 2014), the Court of Milan, having acknowledged reinstatement of the proceedings, declared that it was ready to rule on the dispute based on the documents already filed by the parties and scheduled the hearing for 22 April 2014 to commence the exchange of statements. The hearings were postponed on several occasions and scheduled to take place on 27 March 2015 at the end of which the proceedings were adjourned to the hearing set for 8 June 2015 and the parties were requested to reach a settlement in court pursuant to article 185 of the Italian Civil Code of Procedures.

There have been no other changes regarding the status of litigation disclosed in the 2014 Annual Report approved by the AGM on 29 April 2015, which may be referred to for full details.

4.2 *Management outlook*

2015 revenue will benefit from the full year production of the West Browncastle 30 MW wind farm that was only included for 7 months in 2014 and the consolidation of the Vector Cuatro group for the full financial year as the 2014 Group results reflected only three months results of the latter.

The outstanding performance of the 2015 first quarter that greatly exceeded forecast, forms an excellent basis on which to continue this performance for the full year. However, this will depend on certain production constraints that cannot be forecast and the economic situation that is still having a negative impact on electricity demand and prices also caused by the recent slump in gas and oil prices. The Group continues to forecast electricity prices below the 2014 average prices in Italy, Spain, France and the UK despite the fact that in Italy the Group's wind farms and biomass plant will benefit from incentive regimes that partially counteract these negative factors (e.g. Italian green certificates), while the feed-in tariff in France provides a barrier against these fluctuations.

A number of external factors will continue to impact revenue compared to 2014 such as regulations on imbalance costs and the 8% fall in the incentive tariff on the Group's 16.1 MW solar plants.

The Group confirms the guidance on EBITDA as communicated to the market on 12 March 2015 that is in the range of Euro 132 to 137 million.

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.

4. Directors' report

Group development will continue through the construction and operation of the UK authorised wind farms comprising Spaldington Airfield (up to 12.5 MW), Kingsburn (up to 22.5 MW), Auchrobert (up to 36 MW) and Assel Valley (up to 30 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 at the beginning of the 2017 first quarter and Auchrobert from the end of the same quarter.

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

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 Uniform Finance Law (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 2015 is consistent with the data in the documents, accounting records and other records.

Milan, 14 May 2015

Paolo Rundeddu
(Corporate Accounting Documents Officer)