

FALCK RENEWABLES
Group

Interim financial report
31 March 2016

Board of directors' meeting

Milan, 12 May 2016

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 2016

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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
Caldera Elisabetta (**)	Director
Cremona Emilio (**)	Director
Falck Elisabetta	Director
Falck Federico (*)	Director
Marchi Filippo	Director
Milone Libero (**)	Director
Poggiali Barbara (**)	Director
Rucellai Bernardo (**)	Director

(*) Members of the Executive Committee

(**) Independent members

(^) On 4 February 2016 Mr. Toni Volpe was co-opted (until the first Shareholders' Meeting) to replace Mr. Piero Manzoni, who resigned with effect from 31 December 2015, and was appointed Chief Executive Officer and General Manager starting 22 February 2016. The Shareholders' Meeting of 28 April 2016 appointed Mr. Toni Volpe as the new Director until the end of the term of office of the current directors, i.e. until the date of the shareholders' meeting to approve the financial statements for the year closing on 31 December 2016. The Company Board of Directors later met and appointed Mr. Toni Volpe Chief Executive Officer of Falck Renewables SpA.

Board of statutory auditors

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

Independent auditors

Reconta Ernst & Young SpA

2. Financial information

2. Financial information

2.1 *Income statement*

	(Euro thousands)		
	31.3.2016	31.3.2015 (*)	31.12.2015
Revenue	73,159	86,566	270,740
Direct labour costs	(2,706)	(2,816)	(11,118)
Direct costs	(36,193)	(37,782)	(155,443)
Cost of sales	(38,899)	(40,598)	(166,561)
Gross profit	34,260	45,968	104,179
Other income	255	1,109	6,209
Other employee costs	(3,964)	(3,659)	(14,152)
Administrative expenses	(4,882)	(6,862)	(29,923)
Operating profit	25,669	36,556	66,313
Finance costs - net	(11,089)	(12,459)	(45,101)
Investment income		124	151
Share of profit of investments accounted for using the equity method	1,053	913	2,433
Profit before income tax	15,633	25,134	23,796
Income tax expense			(5,100)
Profit for the year			18,696
Profit attributable to non-controlling interests			13,421
Profit attributable to owners of the parent			5,275
EBITDA (1)	42,568	54,611	152,375

(*) The figures at 31 March 2015 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the Vector Cuatro Group.

| -Ebitda = 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. Financial information

2.2 *Net financial position*

			(Euro thousands)
	31.3.2016	31.12.2015	31.3.2015
Short-term third party financial liabilities	(76,683)	(74,153)	(103,591)
Short-term Group financial liabilities			
Short-term third party financial receivables	1,726	132	818
Short-term Group financial receivables	1	5	
Other securities			
Cash and cash equivalents	180,103	128,874	264,653
Short-term net financial position	105,147	54,858	161,880
Medium/long-term third party financial liabilities	(694,922)	(685,485)	(775,411)
Medium/long-term Group financial liabilities			
Other securities			
Medium/long-term financial position	(694,922)	(685,485)	(775,411)
Net financial position pursuant to Consob circular DEM/6064293/2006	(589,775)	(630,627)	(613,531)
Medium/long-term third party financial receivables	739	777	
Medium/long-term Group financial receivables			20
Total net financial position	(589,036)	(629,850)	(613,511)
- of which non recourse <i>Project financing</i>	(662,661)	(634,699)	(689,409)
- of which fair value of derivatives	(70,213)	(63,248)	(85,945)
Net financial position net of fair value of derivatives	(518,823)	(566,602)	(527,566)

3. Notes to the interim financial report

3. Notes to the interim financial report

3.1 *Accounting policies*

At 31 March 2016 the Falck Renewables Group consisted of 68 companies, of which 62 are consolidated on a line-by-line basis, 5 are consolidated applying the equity method and 1 is valued at cost.

Following the acquisition of the 48% investment in AMIA, on 17 December 2015, Falck Renewables SpA controls Palermo Energia Ambiente ScpA in liquidation, whose financial position was consolidated at 31 December 2015 while the operating results were consolidated starting from 1 January 2016.

The interim financial report at 31 March 2016 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.

The accounting policies and measurement criteria used in the preparation of the Interim financial report at 31 March 2016 are consistent with those adopted for the previous year-end financial statements, with the exception of the adoption of new policies, amendments and interpretations effective as of 1 January 2016, which do not have a significant impact on the consolidated financial statements.

Following the acquisition of the Vector Cuatro Group on 15 September 2014, Falck Renewables SpA controls the former and the financial position of the former was consolidated from 30 September 2014 while the operating results were consolidated starting from 1 October 2014. Based on the requirements of IFRS 3 governing business combinations on 30 June 2015 the current values of the identifiable assets and liabilities of the Vector Cuatro Group were determined, in particular the value of existing asset management contracts portfolio and the Vector Cuatro Group's client list in relation to the services contracts drawn up in different countries and with varying expiry 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 tax liabilities) of Euro 1,854 thousand and a decrease in total equity and the result for the period of Euro 52 thousand. The financial information at 31 March 2015 was also restated to take into account the effects of the above assets.

3.2 *Performance of the period and principle changes*

Revenue of the Falck Renewables Group in the 2016 first quarter amounted to Euro 73,159 thousand, a decrease of Euro 13,407 thousand (-15.5%) on the 2015 first quarter.

The GWh generated in the wind sector in the first quarter of 2016 amounted to 512 compared to 553 recorded in the 2015 first quarter (-7.4% compared to the same 2015 period). The overall GWh generated globally by all of the Group's technologies totalled 570 compared to 602 in the first quarter of 2015 (-5.3% compared to the same 2015 period).

The decrease in **revenue** is mainly due to (i) the significant reduction in the average selling price of electricity in Italy, Spain and the United Kingdom, (ii) devaluation of the Pound against the Euro totalling 3.5%, in terms of production in the UK, (iii) wind production which, even if 1.7% higher than company forecasts, was 7.4% less than the same 2015 period. It should be noted that the first quarter of 2015 was characterised by an exceptionally windy period in the UK.

The first quarter of 2016 was characterised by electricity selling prices, including the incentive component, down compared to the first quarter of 2015, in Italy 8.9% for wind farms, 23.5% for WTE plants, 21.7% for biomass plants and 4.2% for solar plants; in Spain and the United Kingdom the drop in electricity selling prices from wind was 41.2% and 10.8% respectively, even though in the latter country

3. Notes to the interim financial report

this was partly mitigated by previously stipulated electricity sales agreements, while in France the feed in tariff mechanism acted as a safeguard against these changes.

The above is the consequence of low oil and gas prices in a market with a stagnant demand for electricity plus certain specific events in the renewable sector (some of which already forecast by the Group) which negatively affected prices. They are listed below:

- LECs (*Levy Exemption Certificates*) were abolished in the UK starting in August 2015, which represented an additional source of revenue for renewable plants;
- in Italy, with reference to the Ecostesto SpA biomass plant, starting 1 January 2016, in lieu of the annual average electricity selling price set by the Authority for Electricity, Gas and Water, a fixed value was used, as forecast, resulting in a value for green certificate of Euro 80.34 against Euro 101.46 of the first quarter of 2015;
- in Italy, with its Resolution 29/2016/R/EFR, the Authority for Electricity, Gas and Water unexpectedly announced that the annual average electricity selling price reported in 2015 is valid for the purposes of defining the green certificates market price for the year 2016 and for the purposes of defining the value of the incentives which replace the green certificates (“GC”). Therefore, it appears likely that the Incentive Tariff for 2016 may be the same as the value of GCs for 2015. Additional analyses are under way given that this formulation is not in line with previous years and thus it is an unexpected change of direction. While waiting for further information from GSE, the Group has measured green certificates for the year 2016 based on the aforesaid resolution.

Gross profit amounted to Euro 34,260 thousand, a decrease of Euro 11,708 thousand (-25.5%) and 46.8% when expressed as a percentage of **revenue** that compares to 53.1% in the 2015 first quarter.

Operating profit amounted to Euro 25,669 thousand, a decrease of Euro 10,887 thousand (-29.8%) and 35.1% when expressed as a percentage of revenue (2015 first quarter – 42.2%).

Compared to the same 2015 period, operating profit was affected by lower income (Euro -854 thousand) mainly due to insurance reimbursement and the decrease in administrative costs (Euro -1,980 thousand), primarily attributable to fewer losses on trade receivables for Euro 294 thousand and containment of costs for services for Euro 1,682 thousand. Moreover, the Group’s French companies allocated a total of around Euro 815 thousand due to the decision of the French Council of State published on 15 April 2016 regarding the incentive tariff for wind farms, which confirms the lawfulness of the last decree issued on 28 May 2014 replacing the one challenged of 17 November 2008 (because the French government had not asked the European Union for approval for this State aid) but it required the State to ask for payment of interest from those who received the aid for the 2009 to 2014 period.

Charges to risk provisions for the first quarter of 2015 amounted to Euro 545 thousand performed by the companies operating in the photovoltaic sector in light of the process initiated by the GSE on 17 March 2015 to re-determine the incentive tariff and recover the amounts already awarded following the exclusion from the 2005 ISTAT revaluation of the aforesaid incentive tariff pursuant to implementation of the Council of State ruling 9 of 4 May 2012.

Again in the first quarter of 2015, due to selling back of the investment in Verus Energy Oak Ltd to the developer, the goodwill reported for Euro 887 thousand and assets for Euro 131 thousand were written down.

As a result of the above **EBITDA**¹ for the 2016 first quarter amounted to Euro 42,568 thousand (2015 first quarter – Euro 54,611 thousand), corresponding to 58.2% of revenue (2015 first quarter – 63.1%). EBITDA has recorded a decrease on the 2015 first quarter (Euro -12,043 thousand) principally due to decreased revenue for the period.

¹ EBITDA = 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.

3. Notes to the interim financial report

Net finance costs fell by Euro 1,370 thousand compared to the 2015 first quarter. This improvement is mainly due to (i) lower interest expenses on the loans of CII Holdco Ltd attributable to renegotiation of the economic conditions performed in the second part of 2015, (ii) lower finance costs on the Corporate Loan repaid in May 2015, and (iii) lower net write-downs to financial receivables mainly due from Verus Energy Oak Ltd.

The above factors led to the Falck Renewables Group recording a **profit before income tax and non-controlling interests** of Euro 15,633 thousand in the 2016 first quarter, a decrease of Euro 9,501 thousand compared to the same period last year.

The **net financial position**, net of the fair value of derivatives, is a net indebtedness of Euro 518,823 thousand, a fall of approximately Euro 47.8 million on the balance of Euro 566,602 thousand at 31 December 2015, showing a significant improvement. This reduction is mainly attributable to cash generated by operating plants which totals approximately Euro 43.6 million (Euro 51.2 million in 2015 first quarter), offset by investments of the period of approximately Euro 14.3 million, while the revaluation of the Euro compared to the Pound resulted in gains totalling around Euro 17.3 million.

The net financial position including the fair value of derivatives totalled Euro 589,036 thousand compared to Euro 629,850 thousand at 31 December 2015 and comprised:

- non-recourse financing of Euro 662,661 thousand, an increase of Euro 27,962 thousand on the balance at 31 December 2015. The increase is primarily due to the loan of FRUK Holdings (No. 1) Ltd as described in paragraph 4.1 “Review of significant business developments in 2016”;
- net financial liabilities of Euro 81,371 thousand relating to projects under construction that were not yet revenue generating at 31 March 2016; the net financial position net of this amount and the fair value of derivatives (equal to Euro 70,213 thousand at 31 March 2016 against Euro 63,248 thousand at 31 December 2015) would have amounted to Euro 437,452 thousand.

Total gross debt net of the fair value of derivatives was hedged by interest rate swaps, covering approximately 75% 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 101%.

3. Notes to the interim financial report

Revenue by business category may be analysed as follows.

	(Euro thousands)	
	1 Quarter 2016	1 Quarter 2015
Sale of electricity	64,783	79,772
Waste treatment and disposal	5,296	4,494
Operation and management of renewable power plants	2,050	1,926
Operation and maintenance of WtE plants	0	0
Other operating income	1,030	374
Total	73,159	86,566

Revenue by business sector, compared to the 2015 first quarter, is illustrated in the table below:

	(Euro thousands)		
	31.3.2016	31.3.2015	Change
WtE, biomass and photovoltaic	11,885	12,801	(916)
Wind	59,232	71,832	(12,600)
Services	2,070	1,923	147
Falck Renewables SpA	78	20	58
Consolidation adjustments	(106)	(10)	(96)
Total	73,159	86,566	(13,407)

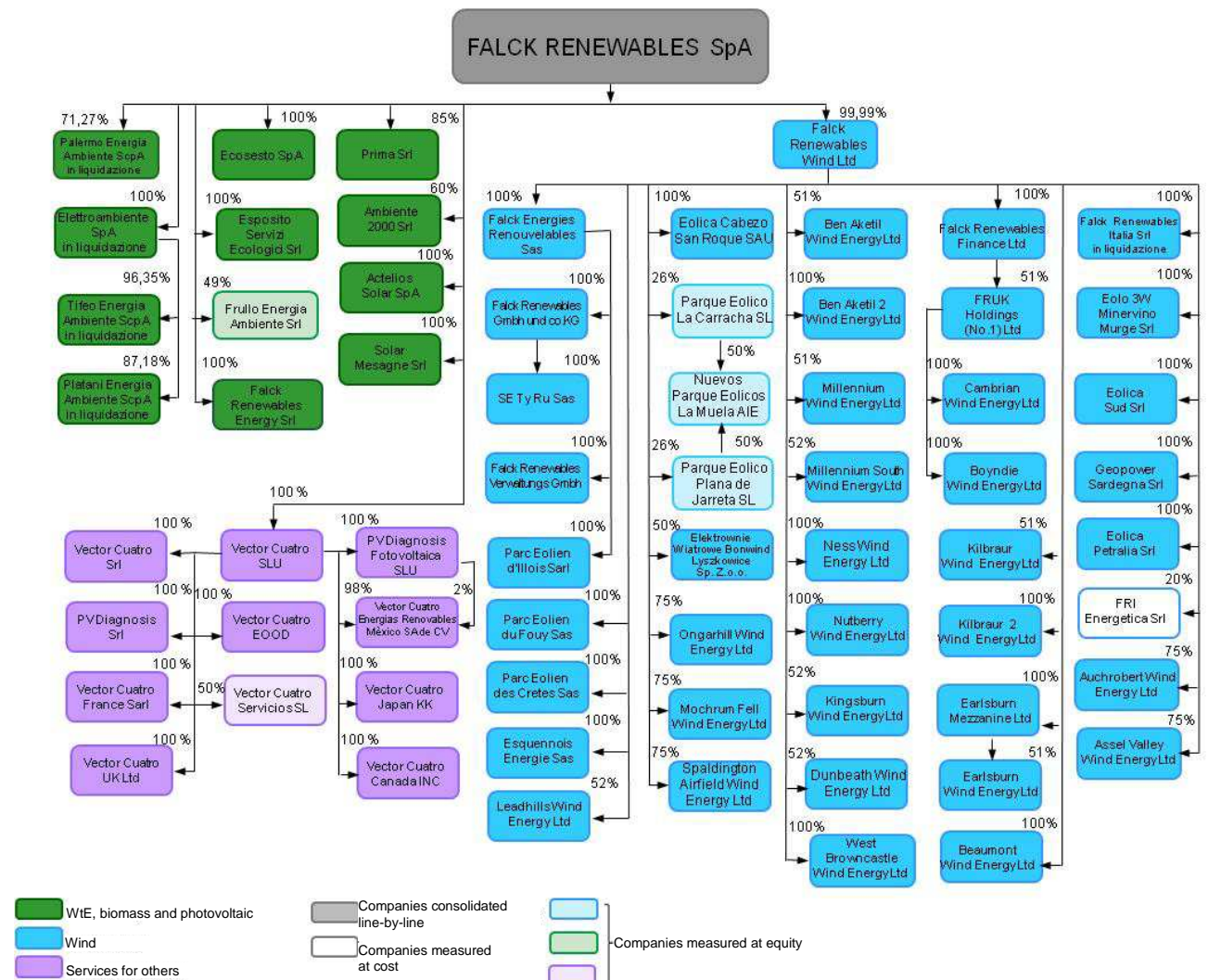
3. Notes to the interim financial report

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.

❖ Group structure by sector

STRUCTURE OF THE FALCK RENEWABLES GROUP AT 31 MARCH 2016



3. Notes to the interim financial report

❖ **WtE, biomass and photovoltaic**

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

		31.3.2016	31.3.2015
			(Euro thousands)
Revenue		11,885	12,801
Cost of sales		(11,312)	(13,023)
Gross (loss)/profit		573	(222)
EBITDA		1,292	1,932
Operating (loss)/profit		(968)	(2,147)
Intangible assets		2,423	2,892
Property, plant and equipment		90,686	110,097
Net financial position - indebtedness/(asset)		161,103	172,508
of which non-recourse financing		32,125	34,797
Capital expenditure		11	189
Employees at the period-end	(no.)	84	82

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 2015 first quarter, primarily due to (i) shut-down for scheduled maintenance of the Rende hybrid plant, (ii) drop in electricity selling prices for all sector plants (23.5% for Wte plants, 21.7% for biomass plants and 4.2% for solar plants), and (iii) the lower quantities managed by the Esposito Srl company. The reduction in revenue was partly offset by higher revenue generated by the Trezzo sull'Adda WtE plant, shut-down for maintenance in March 2015.

With reference to the Ecosto SpA biomass plant, starting 1 January 2016, in lieu of the annual average electricity selling price set by the Authority for Electricity, Gas and Water, a fixed value was used, as forecast, resulting in a value for green certificate of Euro 80.34 against Euro 101.46 of the first quarter of 2015 and led to a negative effect of Euro 0.7 million in the quarter.

The containment of operating costs made it possible to reduce the negative impact of changes in prices and incentives.

The above factors contributed to a decrease in EBITDA (Euro -640 thousand) to Euro 1,292 thousand corresponding to 10.9% of revenue (15.1% in 2015).

Operating profit improved by Euro 1,179 thousand to an operating loss of Euro 968 thousand.

It should be noted that in the first quarter of 2015, the companies operating in the photovoltaic sector charged Euro 545 thousand to the sundry risks provision and write-downs were made related to the acquisition and development costs incurred for the Verus Energy Oak Ltd projects for Euro 1,018 thousand as described in paragraph 3.2 "Performance for the period and Principle Changes".

The net financial position, a net indebtedness of Euro 161,013 thousand, improved compared to the balance at 31 March 2015 (Euro -11,495 thousand), principally due to cash generated by operating plants.

The net financial position includes non-recourse project financing of Euro 32,125 thousand (31 March 2015 – Euro 34,797 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 4,709 thousand.

3. Notes to the interim financial report

❖ Wind

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

		(Euro thousands)	
		31.3.2016	31.3.2015
Revenue		59,232	71,832
Cost of sales		(25,663)	(25,537)
Gross profit		33,569	46,295
EBITDA		44,354	56,428
Operating profit		30,088	42,789
Intangible assets		88,042	94,921
Property, plant and equipment		849,864	870,355
Net financial position - indebtedness/(asset)		740,516	771,316
of which non-recourse financing		630,536	654,612
Capital expenditure		14,254	3,925
Employees at the period-end	(no.)	35	35

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 decreased by 17.5% (Euro -12,600 thousand) mainly due to (i) the significant reduction in the average selling price of electricity in Italy, Spain and the United Kingdom, (ii) devaluation of the Pound against the Euro totalling 3.5%, in terms of production in the UK, and (iii) production which, even if 1.7% higher than company forecasts, was 7.4% less than the same 2015 period. It should be noted that the first quarter of 2015 was characterised by an exceptionally windy period in the UK.

The first quarter of 2016 was characterised by electricity selling prices, including the incentive component, down compared to the first quarter of 2015, in Italy 8.9%, in Spain 41.2% and in the United Kingdom 10.8%, even though in the latter country this was partly mitigated by previously stipulated electricity sales agreements, while in France the feed in tariff mechanism acted as a safeguard against these changes.

The above is the consequence of low oil and gas prices in a market with a stagnant demand for electricity plus certain specific events in the renewable sector (some of which already forecast by the Group) which negatively affected prices. They are listed below:

- LECs (*Levy Exemption Certificates*) were abolished in the UK starting from August 2015, which represented an additional remuneration for renewable plants;
- in Italy, with its Resolution 29/2016/R/EFR, the Authority for Electricity, Gas and Water unexpectedly announced that the annual average electricity selling price reported in 2015 is valid for the purposes of defining the green certificates market price for the year 2016 and for the purposes of defining the value of the incentives which replace the green certificates (“GC”). Therefore, it appears likely that the Incentive Tariff for 2016 may be the same as the value of GCs for 2015. Additional analyses are under way given that this formulation is not in line with previous years and thus it is an unexpected change of direction. While waiting for further information from GSE, the Group has measured green certificates for the year 2016 based on the aforesaid resolution.

Gross profit decreased by Euro 12,726 thousand, corresponding to 56.7% of revenue (2015 – 64.4%).

EBITDA amounted to Euro 44,354 thousand, a decrease of Euro 12,074 thousand and equal to 74.9% of revenue (2015 – 78.6%).

3. Notes to the interim financial report

Operating profit dropped Euro 12,701 thousand compared to the first quarter of 2015 corresponding to 50.8% of revenue (59.6% in 2015) and includes the charge of around Euro 815 thousand related to the French wind farms as described in paragraph 3.2 “Performance for the period and Principle Changes”.

The net financial position totals Euro 740,516 thousand, including non-recourse project financing for an amount of Euro 630,536 thousand and the fair value of derivatives to hedge interest rate exposure for Euro 66,135 thousand, showing an improvement of Euro 30,800 thousand compared to 31 March 2015. The cash generated by operating plants contributed to finance investments for the period. This refers mainly to the wind farms of Assel Valley, Spaldington, Auchrobert and Kingsburn in the United Kingdom.

The net financial position comprises net financial liabilities of Euro 81,371 thousand relating to projects under construction that were not yet revenue generating at 31 March 2016; the net financial position net of this amount and the fair value of derivatives would have amounted to Euro 593,010 thousand.

❖ Services

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

		(Euro thousands)	
		31.3.2016	31.3.2015 (1)
Revenue		2,070	1,923
Cost of sales		(2,069)	(2,064)
Gross loss		1	(141)
EBITDA		167	36
Operating loss		(20)	(124)
Intangible assets		11,759	11,975
Property, plant and equipment		826	773
Net financial position - indebtedness/(asset)		(253)	268
of which non-recourse financing			
Capital expenditure		53	42
Employees at the period-end	(no.)	103	95

(1) The figures at 31 March 2015 have been restated to reflect the adjustments made following the application of IFRS 3 - Business Combinations - related to the acquisition of the Vector Cuatro Group.

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 the acquisition, Falck Renewables SpA exercises control over 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 photovoltaic 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.

Revenue increased by 7.6% (+ Euro 147 thousand), mainly due to higher revenue from engineering services in Mexico, Japan, Italy and France.

EBITDA amounted to Euro 167 thousand, an increase of Euro 131 thousand and equal to 8.1% of revenue (2015 – 1.9%).

3. Notes to the interim financial report

The net financial position was a net asset of Euro 253 thousand, representing an improvement of Euro 521 thousand compared to the total at 31 March 2015.

Investments in the sector for Euro 53 thousand primarily refer to the new management system.

3.4 *Performance of the parent company Falck Renewables SpA*

The income statement of Falck Renewables SpA for the three months ended 31 March 2016 recorded a loss before income tax of Euro 1,965 thousand (loss of Euro 2,834 thousand in the first quarter of 2015). Employee costs rose by Euro 358 thousand, while administrative costs dropped (+ Euro 1,879 thousand), due to fewer services (+ Euro 747 thousand) and Euro 1,170 thousand relating to the reversal of the sundry risks provision that had been charged in previous years to cover liabilities and costs related to the liquidations of Elettroambiente SpA (in liquidation) and Palermo Energia Ambiente ScpA (in liquidation).

Net finance costs increased by Euro 753 thousand mainly due to the devaluation of the Pound against the Euro.

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 93 at 31 March 2016, comprising 28 managers and 65 white-collar workers with an increase of 5 employees compared to 31 December 2015 and 8 more than the total at the end of the 2015 first quarter.

Capital expenditure for the period totalled Euro 123 thousand, of which Euro 108 thousand related to software.

The net financial position was a net asset of Euro 231,463 thousand, compared to an asset of Euro 250,764 thousand at 31 March 2015.

It should be noted that on 28 May 2015 Falck Renewables SpA repaid a loan early for an original amount of Euro 165 million (Corporate Loan) and on 12 June 2015 signed a new loan agreement for Euro 150 million expiring on 30 June 2020. The new Corporate Loan had not been used as of 31 March 2016.

The net financial position also includes the positive fair value of the derivatives to hedge interest rate and foreign exchange risks for Euro 631 thousand (negative for Euro 451 thousand at 31 March 2015).

3. Notes to the interim financial report

3.5 *Employees*

The total number of employees at 31 March 2016 comprised:

	31.3.2016	31.12.2015	(Number) 31.3.2015
Managers	37	34	36
White-collar staff and special categories	228	222	215
Blue-collar workers	50	49	46
Total	315	305	297

The increase compared to 31 March 2015 is mainly due to new employees in the Services sector and in the Parent Company Falck Renewables SpA.

The number of employees by sector is composed as follows:

	31.3.2016	31.12.2015	(Number) 31.3.2015
WtE, biomass and photovoltaic	84	84	82
Wind	35	33	35
Services	103	100	95
Falck Renewables SpA	93	88	85
Total	315	305	297

3.6 *Installed capacity*

Technology	31.3.2016	31.12.2015	(MW) 31.3.2015
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

The installed capacity did not undergo changes compared to 31 December 2015 and 31 March 2015. 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).

The Spaldington Airfield wind park in the United Kingdom began operation in May 2016. It is composed of 5 turbines for a total installed power of 11.75 MW. The wind plant currently being built in Kingsburn in the UK for 22.5 MW, will start operation in the near future.

3.7 *Investments*

In the course of the 2016 first quarter capital expenditure on property, plant and equipment amounted to Euro 14,200 thousand and principally related to the Kingsburn (Euro 1,830 thousand), Spaldington (Euro 6,030 thousand), Assel Valley (Euro 3,252 thousand) and Auchrobert (Euro 3,021 thousand) wind farms construction.

Expenditure on intangible assets totalled Euro 146 thousand and related primarily to operating software.

3. Notes to the interim financial report

3.8 *Non-financial performance indicators*

The key non-financial indicators are as follows:

	Unit of measurement	31.3.2016	31.3.2015
Gross electricity generated	GWh	570	602
Total waste handled	Ton	66,335	62,934

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

4. Directors' report

4. Directors' report

4.1 *Review of significant business developments in 2016*

FRUK Holdings (No. 1) Ltd Loan

On 26 January 2016 an agreement was signed between the company FRUK Holdings (No. 1) Ltd, parent company of Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd, on one side in the capacity of borrower, and The Bank of Tokyo Mitsubishi, on the other in the capacity of lender, to change the existing loan agreement, drawn up in 2004, with which the Bank of Tokyo Mitsubishi took over as the sole lending bank in place of the other syndicate of banks, granting an additional credit facility to FRUK Holdings (No. 1) Ltd, totalling Pounds 36,685 thousand. The two credit facilities for Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd remained unchanged.

The new credit facility granted to FRUK Holdings (No. 1) Ltd, with final expiry date on 31 December 2025, made it possible to partly pay off the larger subordinated loan of CII Holdco Ltd and allowed FRUK Holdings (No. 1) Ltd to optimise its financing activities and those of the Group.

Appointment of the Chief Executive Officer and General Manager

The Board of Directors of Falck Renewables SpA, in its meeting held on 4 February chaired by Mr. Enrico Falck, co-opted Mr. Toni Volpe as Company director (until the first Shareholders' Meeting) and also passed a resolution to grant him the office of Chief Executive Officer and General Manager of the company starting on 22 February 2016. The candidacy was studied by the Human Resources Committee, which expressed a unanimous favourable opinion.

The Shareholders' Meeting of 28 April 2016 appointed Mr. Toni Volpe as the new Director until the end of the term of office of the current directors, i.e. until the date of the shareholders' meeting to approve the financial statements for the year closing on 31 December 2016. The Company Board of Directors later met and appointed Mr. Toni Volpe Chief Executive Officer of Falck Renewables SpA.

French wind farm incentive tariff

On 15 April 2016 the French Council of State announced its decision on the incentive tariff for wind farms.

Despite upholding the lawfulness of the last decree issued on 28 May 2014 replacing the challenged one of 17 November 2008 (because the French government had not asked the European Union for approval for this State aid), it required the French government to request payment of interest from those who received the aid for the 2009 to 2014 period.

Cross examination with the Unione dei Comuni Terre di Pianura

Unione dei Comuni Terre di Pianura has notified the related company Frullo Energia Ambiente Srl, a 49% subsidiary of Falck Renewables SpA and which is consolidated in accordance with the equity method, inviting it to attend a cross-examination in accordance with art. 5 of Italian Legislative Decree no. 218/97.

The procedure is aimed at preventively assessing the correctness of the land registry classification as category "E" for ICI/IMU tax purposes, for the years 2010-2015, of the waste-to-energy plant in the municipality of Granarolo (Bologna).

The purpose of this procedure is to evaluate the preventive decision of a possible lawsuit however, no litigation has been undertaken to date.

For this reason the request for cross examination for now does not include any definitive tax claims and does not involve any order to pay and/or notification of fines.

According to the company's legal advisors, in the case in question, the grounds are lacking for reconstruction as per the request for cross examination in the absence of a claim on the land registry plan by the competent Italian Tax Authority, as could a land registry correction be ungrounded or at any rate disputable, based on current laws on the subject and case law expressed in similar situations in favour of the arguments sustained by the subsidiary Frullo Energia Ambiente Srl.

4. Directors' report

There have been no other changes regarding the status of risks related to litigation disclosed in the 2015 Annual Report approved by the AGM on 28 April 2016, which may be referred to for details.

Increase in installed capacity

The Spaldington Airfield wind park in the United Kingdom began operation in May 2016. It is composed of 5 turbines for a total installed power of 11.75 MW.

4.2 Management outlook

2016 revenue will benefit starting in June from the production of the Spaldington and Kingsburn wind plants in the United Kingdom, for a total of 34.25 MW.

However, the Group's revenue will be affected, as in the first quarter, by the prices of electricity which are lower than 2015, due to a weak demand for electricity, significant decreases in gas and oil prices as well as the slowdown of some important non-European economies. The Group will continue, as it did in the first quarter of 2016, to undertake all initiatives aimed at optimising performance and containing administrative costs to reduce these effects and to gain the best position for when the economic cycle recovers.

In light of the above, the Group announces the guidance on 2016 Ebitda totalling Euro 130 million (with a tolerance range of -3% and +2%).

The construction will continue and be completed for the Assel Valley (25 MW) and Auchrobert (36 MW) plants in the United Kingdom. They are expected to be fully operational starting at the end of 2016 for the Assel Valley plant and in the first quarter of 2017 for the Auchrobert plant, following an acceleration plan implemented in the first quarter of 2016, the effects of which will be monitored over the coming months.

A further boost will be given to industrial development activity, thanks to the excellent ranking of the Group, both in terms of expertise and in terms of economic and financial resources, which will allow the Group to face these new challenges.

The regulatory and market context in which Falck Renewables Group works is witnessing great changes due to a general overhaul of the incentive mechanisms as well as the introduction of regulations aimed at fostering increased competitiveness for renewable energy in the greater context of energy systems. These market changes, accompanied and often emphasised by the negative effects of the economic crisis on electricity consumption, will be dealt with in the new business plan to be presented to the market in autumn.

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 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 2016 is consistent with the data in the documents, accounting records and other records.

Milan, 12 May 2016

Paolo Rundeddu
(Corporate accounting
documents officer)