

## PRESS RELEASE

### Falck Renewables SpA

#### The Board of Directors approves the interim report as at March 31, 2015

#### Economic indicators show strong growth and net financial debt reduces

- Revenue of Euro 86.6 million (+13.7%) from Euro 76.1 million at March 31, 2014;
- Ebitda<sup>1</sup>, at Euro 54.6 million, exceeds expectations and first quarter 2014 results (+18.2%);
- Pre-tax and minority result of Euro 25.2 million (+37.2%);
- Net financial debt, excluding the *fair value* of derivatives, has continued to improve, down to Euro 527.6 million from the Euro 560.0 million at December 31, 2014.

**Milan, 15 May 2015 — the Board of Directors of Falck Renewables S.p.A.** met yesterday examining and approving the interim financial report at March 31, 2015.

The economic results for the first quarter of 2015 show, as compared with the same period of the previous year, clear growth in all indicators, mainly thanks to the better performance of the wind power sector, supported by greater wind levels recorded in all sites where the Group's plants are located, and by the greater production capacity installed in relation to the wind farm of West Browncastle (30 MW), not included in the scope of the first quarter 2014.

Piero Manzoni, CEO, commented: *"The results of this first quarter of 2015 are, for Falck Renewables, an important positive finding in relation to the strategic lines guiding our work. The wind power segment, as a result of the good wind levels recorded during the period, and of the increased installed capacity, made a more solid contribution of +18.8% to the Group's revenues in the reference period. I am particularly pleased to be able to present a quarter that has enabled us to increase, as compared with the same period of last year, Group revenues by 13.7% and the pre-tax result of 37.2%, which as at March 31, 2015, were respectively Euro 86.6 million and Euro 25.2 million. Moreover, net financial debt, without the fair value of derivatives, has reduced by Euro 560.0 million as at December 31, 2014, to Euro 527.6 million as at March 31, 2015. The Group's development will continue through the construction and start-up of authorized plants in the United Kingdom up to 100MW.*

*On this basis of solid profits and equity, I can confirm that Falck Renewables is focusing firmly on the extensive context of our industry, ready to make the most of any consolidation and development opportunities that may arise both in Italy and abroad."*

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<sup>1</sup> The Falck Renewables Group measures EBITDA as earnings before income and expense from investments, net financial income/expense, amortization, depreciation, impairment, provisions for risks and income taxes.

**Consolidated results at March 31, 2015 and March 31, 2014.**

**Income statement**

	(thousands of euros)		
	03.31.2015	03.31.2014	12.31.2014
Revenue	86,566	76,129	248,325
Direct personnel expense	(2,816)	(1,719)	(7,169)
Direct costs and expenses	(37,706)	(33,841)	(142,875)
Total cost of goods sold	(40,522)	(35,560)	(150,044)
<b>Gross profit</b>	<b>46,044</b>	<b>40,569</b>	<b>98,281</b>
Other income	1,109	324	9,365
Indirect personnel expense	(3,659)	(4,251)	(15,240)
General and administrative expenses	(6,862)	(4,089)	(21,628)
<b>Operating profit (loss)</b>	<b>36,632</b>	<b>32,553</b>	<b>70,778</b>
Net financial expense	(12,459)	(15,545)	(49,820)
Net investment income	124		213
Net investment income	913	1,365	409
<b>Profit (loss) before taxation</b>	<b>25,210</b>	<b>18,373</b>	<b>21,580</b>
Income taxes			(12,616)
<b>Profit (loss) for the year</b>			<b>8,964</b>
Profit (loss) attributable to non-controlling interests			5,612
<b>Profit (loss) attributable to the owners of the parent</b>			<b>3,352</b>
<b>Ebitda (1)</b>	<b>54,611</b>	<b>46,184</b>	<b>135,292</b>

***Economic results as at March 31, 2015***

**Consolidated Revenue** amounts to Euro 86.6 million, up 13.7% compared to Euro 76.1 million at March 31, 2014. The improvement recorded thanks to the good wind levels and to the greater installed capacity has had to cope with the reduction, as envisaged by the Group, of both average prices of electricity sale for the Trezzo sull'Adda plant (exhaustion of the benefits connected with the fuel cost avoided in relation to the tariff CIP 6/92 for 15 MW) and the downtime of the same plant due to scheduled maintenance in March 2015.

These revenue results are attributable to:

**Wind power:** Revenues are up by 18.8% (Euro +11.4 million) as compared with the first quarter 2014, above all due to the excellent wind levels recorded by the first quarter 2015 in all sites where the Group's plants are located, but also due to the greater production capacity installed, deriving from the wind farm of West Browncastle (30 MW) in the United Kingdom, which in the first quarter of 2014, was not present. The maximization of the positive effects deriving from the excellent wind levels recorded for the sector (553 GWh produced, up on the 489 GWh of the first quarter of 2014) was also achieved thanks to the efficient technical management that enabled excellent plant performance to be achieved. It should also be stressed the positive effect on revenues from the United Kingdom obtained from the average revaluation of the sterling against the euro, which easily absorbed the downturn to average prices for the sale of energy in the United Kingdom, considering forecast profitability for 2015.

**Waste to Energy, Biomass and Photovoltaic:** The WTE, biomass and photovoltaic sector records a reduction in turnover on the first quarter 2014, mainly due to the revenues from the waste-to-energy plant of Trezzo sull'Adda, influenced both by the reduction in the average prices of sale of electricity (the "avoided cost" component CIP 6/92 for 15 MW) and the downtime for maintenance of the above said waste-to-energy plant during March 2015. The prices of waste conferral highlight a growth signal on the first quarter of 2014, which must be re-confirmed in the following quarters.

As regards the photovoltaic industry, the impact on revenues as a result of the 8% reduction of the incentive tariffs as from January 1, 2015 pursuant to Law no. 116/2014 and of the lesser radiation with respect to the same quarter of 2014 should be mentioned.

**Services:** The sector has revenues due to the Vector Cuatro group (Euro 1.9 million), acquired on September 15, 2014 and, therefore, not included in the first quarter of 2014. The Spanish group operates in the services and management of renewable energy production plants on a strictly international level: it is stressed that the revenues of Vector Cuatro suffer the great seasonality of winter months, as they are index-linked to the revenues of the plants managed according to the Asset Management contracts, which, as they are presently almost all photovoltaic plants, clearly have very low revenues in this period.

Due to the above performance, **Consolidated Ebitda** for the first quarter of 2015 is up to Euro 54.6 million (Euro 46.2 million in the first quarter of 2014) and accounts for 63.1% of revenues (60.7% in the first quarter of 2014).

The **Consolidated Operating Result** stands at Euro 36.6 million, up Euro 4.1 million (+12.5%), accounting for 42.3% of Revenues (42.8% in the first quarter of 2014). The lesser growth in EBIT with respect to EBITDA is mainly due to the release of the provision for risks accrued by the parent company for Palermo Energia Ambiente SCpA in liquidation during the first quarter of 2014 for approximately Euro 1.7 million, to greater amortization/depreciation as a result of both the exchange rate with the sterling and the greater capacity installed and provisions made in quarter 2015, including the provision made for sundry risks for Euro 0.5 million, following the request made to the companies in the photovoltaic sector by the GSE, on March 17, 2015, to recalculate the incentive tariff (recovering the amounts received in the meantime), following the

exclusion of ISTAT 2005 value adjustments from said incentive tariff, in application of the Council of State sentence no. 9 of May 04, 2012.

This recalculation, although challenged by the Group companies concerned, has been provisioned in this interim financial report.

**Net financial expense** is down on the first quarter of 2014 by Euro 3.1 million. This reduction is due: (i) to the effect of *fair value* on the part of the interest rate swap booked on the income statement, which improves by approximately 1.0 million on March 31, 2014; (ii) to the lesser net write-downs of financial credits, mainly towards the Sicilian companies; (iii) to the presence, in the first quarter of 2014, of the cost of the waiver fee for the Borea operation; and (iv) to the reduction of the net average debt with respect to the first quarter of 2014, as a result of the collection of proceeds deriving from the sale of 49% of six plants in the United Kingdom (Borea operation), completed during the second half of March 2014.

As a result of the factors described above, in the first quarter of 2015 the Falck Renewables Group recorded a **positive result before taxes and before non-controlling interests** amounting to Euro 25.2 million, up Euro 6.8 million on the total for the same period of the previous year (+37.2%). The pre-tax result includes write-downs in connection with the cost of purchase and development incurred for the Verus Oak Energy Ltd project, given the lack of bankability of the project, for a total of Euro 1.0 million and the write-down of financial credits towards the same company for approximately Euro 0.9 million. An attempt will be made to value the project on the market, in order to recover part of the costs incurred by the Group.

### **Net financial position**

**Net financial debt, excluding the fair value of derivatives on rates**, amounted to Euro 527.6 million, down about Euro 32.5 million from debt of Euro 560.0 million at December 31, 2014.

As of March 31, 2015, **net financial debt, inclusive of the fair value of derivatives<sup>2</sup>**, was Euro 613.5 million, (Euro 638.1 million at December 31, 2014).

“Non recourse” loans amount to Euro 689.4 million (Euro 673.9 million at December 31, 2014).

Net financial debt includes net financial liabilities of Euro 26.2 million relating to projects under construction that, at March 31, 2015, had not yet begun generating revenue; not including this amount and the fair value of derivatives, net financial debt would have been Euro 501.3 million.

The reduction in the total **net financial position** equals approximately Euro 24.6 million and is mainly due to the cash generated by the plants in operation, which amounts to approximately Euro 51.2 million, offset by period investments for approximately Euro 4.3 million, the exchange differences on financial debt in sterling for approximately Euro 19.3 million and the increase in the *fair value* of derivatives for approximately Euro 3 million.

### **Installed production capacity**

The table given below explains installed capacity, divided up according to technologies and considering some limitations of productions/grid, that does not present changes with respect to December 31, 2014<sup>3</sup>.

<sup>2</sup> The total net financial position is calculated as the sum of cash and cash equivalents, current financial assets including securities available for sale, financial liabilities, the fair value of hedging instruments and other non-current financial assets.

<sup>3</sup> It should be noted that IFRS 11 introduced on January 1, 2014, is also applicable to installed capacity; therefore, once the new accounting standard was retroactively applied to data as at December 31, 2013, as if it had always been applied, the installed capacity of the WTE, Biomass and Photovoltaic sector decreased by 11 MW, and those of the Wind sector decreased by 26 MW for both periods.

Technology	(MW)		
	Year to 3.31.2015	Year to 12.31.2014	Year to 3.31.2014
Wind power	674,6	674,6	644,6
WTE	20,0	20,0	20,0
Biomass	15,0	15,0	15,0
Solar power	16,1	16,1	16,1
<b>Total</b>	<b>725,7</b>	<b>725,7</b>	<b>695,7</b>

During the quarter, the Group **produced energy in the amount of 602 GWh**, higher (+9.3%) than that produced in the quarter of 2014 (551 GWh) by virtue of the greater production of the Wind Sector and **processed 62,934 tons of waste**, down on the 67,342 tons processed during the same period of 2014, following the downtime for scheduled maintenance.

### **Investments**

During the first quarter of 2015, investments in property, plant and equipment amounted to Euro 4.3 million, due mainly to the construction of the wind farms of Kingsburn (Euro 2.9 million), Spaldington (Euro 0.9 million), Assel Valley (Euro 0.2 million) and Auchrobert (Euro 0.1 million).

Investments in intangible fixed assets refer to expenses for operating software.

### **Events relating to the Sicilian projects**

As regards the dispute with the Region of Sicily: in relation to the Second Regulation promoted by the Sicilian company before the Court of Cassation, after some postponements the appeal was discussed in the Council Chamber on April 28, 2015, where, after a brief discussion, the jurisdiction regulations were assumed in a decision by the United Chambers.

With regard to the Civil Proceeding, it is pointed out, as already described in the 2014 financial statements, that by decision dated January 07, 2014 (amended on January 08, 2014), the Court of Milan, acknowledging the resumption of the proceedings, declared the dispute "mature for a decision on the basis of records and documents" already filed by the parties, and confirmed the hearing of April 22, 2014 "to commence the adversarial proceeding". Thereafter, various postponements were arranged and the causes were called to the hearing of March 27, 2015, after which they were deferred to the hearing of June 08, 2015, asking for legal conciliation in accordance with article 185 of the Italian Code of Civil Procedure.

### **Evolution of business in the current year**

The Group's results for FY 2015 will benefit from the entire year of production by the West Browncastle wind power plant for 30 MW, which in 2014 only contributed for 7 months, and the consolidation of the Vector Cuatro Group, again for the whole year (whilst in 2014, it only contributed towards Group results for three months).

The excellent performance of the first quarter 2015, far above expectations, is an excellent basis for achieving very good results the whole year. However, it has to be noted that a great deal will depend on production factors that cannot be forecast and the economic outlook that is currently still having a negative effect on the demand for electricity and related prices, even after the recently considerable lowering of the prices of gas and oil.

The Group continues to predict electricity prices below the 2014 averages in Italy, Spain, France and the United Kingdom, although in Italy, the Group's wind power and biomass plants will benefit from mechanisms partially set to limit above said effects (such as the Italian green certificates system), whilst in France the *feed in tariff* mechanism will provide a shield against such changes.

Some exogenous factors, such as legislation on imbalance changes, the 8% reduction in the incentive tariff over 16.1 MW of solar plants held by the Group, will continue to influence revenues with respect to 2014.

The sentence of the Constitutional Court of February 11, 2015, which declared that the Robin Tax (the additional income tax that applies, under certain conditions, to energy companies) was anti-constitutional, will instead have a positive effect on the Group's net results.

The Group confirms the *guidance* on Ebitda, as already disclosed to the market on March 12, 2015, in the range of Euro 132 and 137 million.

The Group's development will continue through the construction and start-up of authorized plants in the United Kingdom (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)), full operation of which is envisaged for the second half of 2016 for Spaldington and Kingsburn, whilst for Assel Valley, should apply as from the start of the first quarter 2017 and Auchrobert at the end of the first quarter 2017.

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*The Executive Responsible for drawing up the company's accounting documents, Paolo Rundeddu, certifies – in accordance with paragraph 2, article 154 bis of the Financial Act (TUF) – that the accounting information contained in this document corresponds to documentary evidence, books and accounting records.*

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*The interim financial report at March 31, 2015 is available as required by law at the registered office at Corso Venezia 16, Milan, with Borsa Italiana SpA and online in the Investor Relation section of the [www.falckrenewables.eu](http://www.falckrenewables.eu) website.*

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On today's date at 11:00 am on May 15, 2015, a *conference call* will be held for analysts, investors and banks to present the financial data as at March 31, 2015. Details on how to participate are available at [www.falckrenewables.eu](http://www.falckrenewables.eu), in the *news* section. Support material will be made available on-line in the investor relations section when the *conference call* begins.

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*Active in Europe with installed capacity of roughly 762 MW in 2014 (726 MW according to IFRS 11 reclassification), **Falck Renewables S.p.A.**, a Falck Group Company is listed on the Stock Exchange in the STAR segment ("FKR.MI"), develops, designs, builds and manages renewable source power production plants. Its mission is to contribute to meeting the energy needs of the population, in accordance with a specific integrated business plan based on the differentiation of production technologies and geographical areas. Thanks to this strategy, the Company is flexible in allocating investments, with the aim of mitigating risks and seizing market opportunities.*

*For information:*

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**Interim Financial Report at March 31, 2015**

**Income Statement**

Income statement

(thousands of euros)

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**Interim Financial Report at March 31, 2015**

**Net Financial Position**

	03.31.2015	12.31.2014	(thousands of euros) 03.31.2014
Current financial liabilities - third parties	(103,591)	(87,976)	(63,991)
Current financial liabilities - intragroup			
Current financial receivables - third parties	818	856	977
Current financial receivables - intragroup			
Other securities			
Liquid funds	264,653	207,606	286,631
<b>Current net financial position</b>	<b>161,880</b>	<b>120,486</b>	<b>223,617</b>
Non-current financial liabilities - third parties	(775,411)	(758,640)	(796,399)
Non-current financial liabilities - intragroup			
Other securities			
<b>Non-current financial position</b>	<b>(775,411)</b>	<b>(758,640)</b>	<b>(796,399)</b>
<b>Net financial position pursuant to Consob circular</b>			
<b>Consob communication no. DEM/6064293/2006</b>	<b>(613,531)</b>	<b>(638,154)</b>	<b>(572,782)</b>
Non-current financial assets - third parties			
Non-current financial assets - intragroup	20	25	
<b>Total net financial position</b>	<b>(613,511)</b>	<b>(638,129)</b>	<b>(572,782)</b>
- including non recourse loans	(689,409)	(673,866)	(690,989)
- of which fair value of derivatives	(85,945)	(78,083)	(64,461)
<b>Net financial position net of fair value of derivatives</b>	<b>(527,566)</b>	<b>(560,046)</b>	<b>(508,321)</b>