

PRESS RELEASE

Falck Renewables SpA

The Board of Directors approves the interim report as at March 31, 2016.

Quarterly results show good production in Italy and France and good Group profitability.

The expected energy prices reduction is confirmed.

Net financial debt improved.

- **Revenue** Euro 73.2 million (Euro -13.4 million) compared to Euro 86.6 million for the first quarter 2015;
- **EBITDA¹** Euro 42.6 million (Euro -12 million) compared to Euro 54.6 million for the first quarter 2015, with 58.2% margin on revenues;
- **Pre-tax Result** Euro 15.6 million (Euro -9.5million) compared to 25.1 million for the first quarter 2015;
- **Net financial debt, not considering the fair value of derivatives**, reduced to Euro 518.8 million from Euro 566.6 million at December 31, 2015.

Milan, May 12, 2016 – **the Board of Directors of Falck Renewables S.p.A.** met today, examining and approving the interim financial report at March 31, 2016.

The economic results for the first quarter 2016 show, as compared with the same period of 2015, a reduction mainly caused by the generalized downturn to prices and incentives. Despite this decrease, the Group shows margins on revenues in excess of 58%, also thanks to the good production recorded in Italy and France. Net financial debt has reduced considerably on the total booked as at December 31, 2015.

Chief Executive Officer Toni Volpe made the following statement: "I am very satisfied with the period results, achieved in an extremely challenging market context that saw a record low quarterly average energy prices and new regulatory interventions in Italy, the United Kingdom and France, which penalized the sector. The Group responded positively and, thanks to a constant control of costs and good production recorded in Italy and France, it managed to keep its high margins. And whilst making the investments necessary to the construction of plants in the United Kingdom, commissioning of which is now being brought forward of the

¹ EBITDA - 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. This amount has been determined in line with best market practice taking into consideration the project financing contracts entered into by the Group.

initial estimates, the Group has also successfully reduced net financial debt net of derivatives by almost Euro 50 million, compared to December 31, 2015, with financial expenses down.”

Consolidated results at March 31, 2016 and March 31, 2015

	(thousands of Euro)		
	03.31.2016	03.31.2015 ²	12.31.2015
Revenue	73,159	86,566	270,740
Direct personnel expense	(2,706)	(2,816)	(11,118)
Direct costs and expenses	(36,193)	(37,782)	(155,443)
Total cost of goods sold	(38,899)	(40,598)	(166,561)
Gross profit	34,260	45,968	104,179
Other income	255	1,109	6,209
Indirect personnel expense	(3,964)	(3,659)	(14,152)
General and administrative expenses	(4,882)	(6,862)	(29,923)
Operating profit (loss)	25,669	36,556	66,313
Net financial expense	(11,089)	(12,459)	(45,101)
Net investment income		124	151
Net equity investment income	1,053	913	2,433
Profit (loss) before taxation	15,633	25,134	23,796
Income taxes			(5,100)
Profit (loss) for the year			18,696
Profit (loss) attributable to non-controlling interests			13,421
Profit (loss) attributable to the owners of the Parent			5,275
EBITDA	42,568	54,611	152,375

Economic results as at March 31, 2016

Consolidated Revenue amounts to Euro 73.2 million, down 15.5% compared to Euro 86.6 million for the first quarter 2015. This trend is mainly due: (i) to the significant reduction in average electricity sales prices in Italy, Spain and the United Kingdom; (ii) to the devaluation of the sterling against the euro, in the amount of 3.5%, with reference to UK production; and (iii) to the wind power production that, although 1.7% above corporate forecasts, is 7.4% below that recorded in the same period of 2015, which had instead enjoyed exceptional wind levels, particularly in the United Kingdom.

The reduction in average energy prices is mainly due to the low prices of oil products, in a market with a stagnant electricity demand, and to some events specific to the renewable sector (some of which already envisaged by the Group), as listed below:

- in the United Kingdom, the abolition, as from August 2015, of the LECs (*Levy Exemption Certificates*), which formed additional remuneration for renewable plants;
- in Italy, with reference to the Ecosesto SpA biomass plant, as from January 1, 2016, in lieu of the annual average value of the electricity sales price, as defined by the Electricity, Gas and Water

² Data as at March 31, 2015 has been restated to reflect the adjustments made following the application of IFRS 3 - Business combinations - in relation to the purchase of the Vector Cuatro group.

Authority, as envisaged, a fixed value was instead used, that resulted in a value of Euro 80.34 per green certificate, as compared with the Euro 101.46 of the first quarter of 2015;

- in Italy, by Resolution 29/2016/R/EFR, the Electricity, Gas and Water Authority unexpectedly declared that the annual average value of the electricity sales price recorded in 2015 was valid in terms of defining the market list price of the green certificates for 2016, and in terms of defining the value of the incentives that were set to replace the green certificates. It would therefore appear likely that for 2016, the Incentive Tariff may be the same as the value of the green certificates for 2015.

On a sector level, the performance of revenues described above is due to:

Wind power: Revenues generated by the sector were down -17.5% to Euro 59.2 million as compared with the same period of last year, due to the above-described effects of the devaluation of the sterling and lesser wind levels, as well as to the significant downturn to the average electricity sales prices in Italy, Spain and the United Kingdom (respectively -8.9%, -41.2% and -10.8%), despite the fact that in this latter country, the situation was mitigated by the agreements for the sale of electricity stipulated previously. It should also be stressed that, as regards the plants in Italy, the "protection" provided by the incentive calculation mechanism has been partially attenuated by resolution 29/2016/R/EFR passed by the Electricity, Gas and Water Authority, which has effectively created a form of discontinuity with the method used during previous periods.

Waste to Energy, Biomass and Photovoltaic: Sector revenues stand at Euro 11.9 million, down on Q1 2015 by approximately Euro 0.9 million; this is the result of the downtime in electricity sales prices on all sector plants (for WTE plants, this came to 23.5%, for biomass plants, it was 21.7% and for solar plants, it was 4.2%), for scheduled maintenance work needed on the Rende hybrid plant as well as to the lesser quantities managed by Esposito Srl. These results were partially offset by the greater revenues recorded by the Trezzo sull'Adda waste-to-energy plant, which had been down for maintenance in March 2015.

Services: Sector revenues, consisting of the Spanish Vector Cuatro Group, came to Euro 2.1 million, up 7.6% and connected above all to engineering services in Mexico, Japan, Italy and France.

As a result of the situations described above, **Consolidated EBITDA** came to Euro 42.6 million, recording a decline of 22.1% on the Euro 54.6 million of Q1 2015, coming in as 58.2% of revenues from sales as compared with the 63.1% booked the previous year.

The **Consolidated Operating Result** amounted to Euro 25.7 million versus Euro 36.6 million in the first quarter of 2015, equal to 35.1% of sales revenues (42.2% in the same period of 2015). This trend is mainly connected with the lesser income achieved during the quarter and benefits from the Euro 1.7 million decrease of costs for services and the Euro 0.3 million lesser losses on trade receivables. Net provisions for risks have a negative effect on the result for Euro 0.8 million, made by the French subsidiaries in view of the decision made by the French Council of State, published on April 15, 2016, with regards to the incentive tariffs offered for wind farms, confirming the legality of the last decree issued on May 28, 2014 in lieu of that challenged dated November 17, 2008 (insofar as the State had not sought the approval of the European Union for these State aids), but which required the State to demand the payment of interest by the beneficiaries of the aid for the period running from 2009 to 2014.

Net financial expenses come to Euro 11.1 million as compared with the 12.5 million booked for the same period of 2015. This reduction is mainly due to the lesser interest expense on loans of CII Holdco Ltd, as a result of the renegotiation of the economic conditions in the second half of 2015, for lesser financial expense on the *Corporate Loan* repaid in May 2015 and for lesser net impairment of financial receivables, mainly due from Verus Energy Oak Ltd.

As a result of the factors described above, in the first quarter of 2016 the Falck Renewables Group recorded a **positive result before taxes and before non-controlling interests** amounting to Euro 15.6 million, and therefore a reduction on the Euro 9.5 million recorded in the first quarter of 2015.

Net financial position

Net financial debt, without considering the fair value of derivatives, amounts to Euro 518.8 million, showing a considerable improvement on the Euro 566.6 million at December 31, 2015.

This reduction is mainly due to the cash generated by the plants in operation, which amounts to approximately Euro 43.6 million, offset by period investments for approximately Euro 14.3 million, whilst the revaluation of the euro against the sterling brought benefits of approximately Euro 17.3 million.

As of March 31, 2016, **Net financial debt, inclusive of the fair value of derivatives**, was Euro 589.0 million, (Euro 629.9 million at December 31, 2015).

Installed production capacity

The following table illustrates the installed capacity (MW), analyzed by technology:

Technology	Year to 31.3.2016	Year to 31.12.2015	Year to 31.3.2015
Wind power	674,6	674,6	674,6
WTE	20,0	20,0	20,0
Biomass	15,0	15,0	15,0
Solar power	16,1	16,1	16,1
Total	725,7	725,7	725,7

During the quarter, the Group produced 570 GWh of energy, compared to the 602 GWh of Q1 2015, and treated approximately 66.3 tonnes of waste, with an increase of 5.4% on the 62.9 thousand tonnes treated in Q1 2015.

Investments

During the first quarter of 2016, investments in property, plant and equipment amounted to Euro 14.2 million, due mainly to the construction of the wind farms of Kingsburn (Euro 1.8 million), Spaldington (Euro 6.0 million), Assel Valley (Euro 3.3 million) and Auchrobert (Euro 3.0 million).

Investments in intangible fixed assets come to Euro 146 thousand and mainly refer to expenses for operating software.

Most important management events during the first quarter of 2016

FRUK Holdings Loan (no. 1) Ltd:

On January 26, 2016, the company FRUK Holdings (No.1) Ltd, parent company of Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd and The Bank of Tokyo Mitsubishi stipulated a deed amending the loan contract in place whereby the bank took over as the sole lender of the positions held by the other banks of the pool, at the same time granting an additional loan facility to FRUK Holdings (No.1) Ltd, equal to 36.7 million pounds sterling. The two existing facilities on Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd were unchanged.

Subsequent events

Increase of the installed capacity

In early May, Spaldington Airfield wind farm entered in to operations in the United Kingdom. The wind plant consists of five turbines and has an installed capacity of 11.75 MW.

Incentive tariffs for French wind farms

On April 15, 2016, the French Council of State declared its decision with regards to the incentive tariff for wind farms.

Despite confirming the legality of the last decree issued on May 28, 2014 in lieu of that challenged dated November 17, 2008 (insofar as the State had not sought the approval of the European Union for these State aids), it required the State to demand the payment of interest by the beneficiaries of the aid for the period running from 2009 to 2014.

Cross-examination with 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, with a view to 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).

Outlook

The Group results in FY 2016 will benefit, starting June, from the production of the UK wind plants of Spaldington and Kingsburn, for a total of 34.25 MW.

However, as in the first quarter, the Group's results will suffer the reducing prices of electricity, due to the weak demand for electricity, the significant drops in the price of gas and oil and the slowing of some

important non-European economies. As was also the case in the first quarter of 2016, the Group will be taking initiatives aimed at optimizing the performance and limiting operating costs, including through the implementation of innovative solutions, so as to reduce these effects and gain a better position at the time the economic cycle recovers.

In light of the foregoing, the Group confirms the guidance on 2016 EBITDA of euro 130 million (with a range of tolerance of -3%, +2%).

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

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

The regulatory and market context in which the Falck Renewables Group operates is undergoing a profound change due to a generalized review of the incentive systems, as well as the introduction of regulations to foster an increased level of competitiveness for renewable sources in the more general energy system context. These market changes, accompanied and often also accentuated by the depressive effects of the economic crisis on electricity consumption, will be covered in the new business plan set to be unveiled to the market in the fall.

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.

The interim financial report at March 31, 2016 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 website.

At 6:00 pm today, a conference call will be held for analysts, investors and banks to present the financial data as at March 31, 2016. Details on how to participate are available at 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.

FALCK RENEWABLES

***Falck Renewables S.p.A.**, a Falck Group Company listed on the Italian Stock Exchange in the STAR segment (“FKR.MI”) develops, designs, builds and manages power production plants from renewable sources. It is active in Europe, with installed capacity of 762 MW in 2015 (726 MW according to the IFRS 11 reclassification) and produces energy in Italy, United Kingdom, Spain and France worth more than two billion kWh per year, using wind power, solar power, biomass and waste-to-energy technologies.*

For information:

Giorgio BOTTA – Investor Relator – tel.02.2433.3338

Alessandra RUZZU – Media Relations – Tel. 02.2433.2360

**Interim Financial Report at March 31, 2016
Income Statement**

	(thousands of Euro)		
	03.31.2016	03.31.2015 (*)	12.31.2015
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**Interim Financial Report at March 31, 2016
Net Financial Position**

	(thousands of Euro)		
	03.31.2016	12.31.2015	03.31.2015
Current financial liabilities - third parties	(76,683)	(74,153)	(103,591)
Current financial liabilities - intragroup			
Current financial receivables - third parties	1,726	132	818
Current financial receivables - intragroup	1	5	
Other securities			
Liquid funds	180,103	128,874	264,653
Current net financial position	105,147	54,858	161,880
Non-current financial liabilities - third parties	(694,922)	(685,485)	(775,411)
Non-current financial liabilities - intragroup			
Other securities			
Non-current financial position	(694,922)	(685,485)	(775,411)
Net financial position pursuant to Consob circular			
Consob communication no. DEM/6064293/2006	(589,775)	(630,627)	(613,531)
Non-current financial assets - third parties	739	777	
Non-current financial assets - intragroup			20
Total net financial position	(589,036)	(629,850)	(613,511)
- of which non recourse project financing	(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)