

Bit Market Services

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PRESS RELEASE

Falck Renewables SpA

The Board of Directors approves the interim report as at September 30, 2016.

In the first nine months of 2016, Pre-tax results in strong recovery towards revenues, stable net financial debt compared with growing investments.

- **Revenue** Euro 179.9 million (Euro -20.0 million) compared to Euro 199.8 million as at September 2015;
- **EBITDA¹** Euro 95.9 million (Euro -14.2 million) compared to Euro 110.0 million as at September 2015, Ebitda margin about 53.3%;
- **Pre-tax result** Euro 17.0 million (Euro -1.7 million) compared to 18.7 million as at September 2015;
- **Investments** up Euro 63.5 million (Euro +24.1 million) compared to Euro 39.4 million as at September 2015;
- **Net financial debt, excluding the fair value of derivatives**, up Euro 519.1 million on Euro 566.6 million at December 31, 2015;

Milan, November 10, 2016– In a meeting held today, **the Board of Directors of Falck Renewables S.p.A.** reviewed and approved the interim financial report at September 30, 2016.

The progressive economic results as at September highlight, with respect to the same period of 2015, a downturn mainly caused by the significant reduction of average electricity sales prices in Italy, Spain and the United Kingdom and the devaluation of the pound sterling against the euro (-9,5% on the third quarter of 2015) with reference to production in the United Kingdom. Despite this reduction, due mostly to the performance during the first half of 2016, in the third quarter the Group recorded a growing Ebitda margin compared to Q3 2015 (47.9% vs 47.3%) and a Q3 2016 pre-tax result that showed clear improvement on Q3 2015, thanks to the cost limitation policy. Net financial debt confirms the reduction on the total booked as at December 31, 2015.

Chief Executive Officer Toni Volpe commented as follows: *“A very positive quarter, with a much stronger performance than in the same quarter of the previous year, due to the contribution provided by the new assets, cost-containment measures and a more active approach to energy management. Debt fell, compared to year-end 2015, despite a sharp rise in investments.”*

Consolidated results at September 30, 2016 and September 30, 2015

(thousands of Euro)

	3rd quarter 2016	3rd quarter 2015	Year to 9.30.2016	Year to 9.30.2015	Year to 12.31.2015
Revenue	51,229	52,609	179,853	199,843	270,740
Direct personnel expense	(2,819)	(2,675)	(8,512)	(8,493)	(11,118)
Direct costs and expenses	(31,967)	(34,998)	(102,016)	(114,367)	(155,443)
Total cost of goods sold	(34,786)	(37,673)	(110,528)	(122,860)	(166,561)
Gross profit	16,443	14,936	69,325	76,983	104,179
Other income	251	1,372	2,890	4,409	6,209
Indirect personnel expense	(3,613)	(3,433)	(11,438)	(10,450)	(14,152)
General and administrative expenses	(4,421)	(8,112)	(16,414)	(20,159)	(29,923)
Operating profit (loss)	8,660	4,763	44,363	50,783	66,313
Net financial expense	(9,415)	(10,332)	(29,434)	(34,833)	(45,101)
Net investment income	(11)	(4)	(11)	152	151
Net equity investment income	1,140	940	2,047	2,630	2,433
Profit (loss) before taxation	374	(4,633)	16,965	18,732	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 (*)	24,520	24,896	95,866	110,022	152,375

(*) 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 latest project financing contracts entered into by the Group.

Results of the third quarter 2016

The quarter's **revenues** have decreased slightly with respect to the corresponding quarter of 2015, in the amount of Euro 1.4 million, mainly as a result of lesser energy revenues due to:

- (i) a significant reduction in average electricity sales prices in Italy, Spain and the United Kingdom;
- (ii) the devaluation of the pound sterling against the euro (-15.6% on the third quarter of 2015) with reference to production in the United Kingdom.

Revenues for Services and the management of renewable energy plants have instead increased by Euro 0.7 million.

Period **EBITDA**, which comes to Euro 24.5 million, almost entirely makes up for the delay recorded in terms of revenues, above all thanks to a careful cost-cutting policy, which caused margins on revenues to rise from 47.3% to 47.9%. **Consolidated Operating Profit** comes to Euro 8.7 million and exceeds that of the same period of 2015 (Euro 4.8 million), mainly due to provisions made during the third quarter of 2015 by some Group companies for Euro 3.0 million (more specifically Prima Srl, Falck Renewables Energy Srl and Eolo 3W Minervino Murge Srl, for the risk of debiting charges for the transmission and distribution of electricity relative to previous years).

Net financial expense came to Euro 9.4 million, up Euro 0.9 million on the Euro 10.3 million of 2015.

As a result of the partial results commented on above, the **Pre-Tax Result for the third quarter** records a positive Euro 0.4 million, showing strong improvement against that booked during the same period of the previous year, which was instead negative for Euro 4.6 million.

Economic results as at September 30, 2016

Consolidated revenue amounts to Euro 179.9 million, down 10.0% compared to Euro 199.8 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; and (ii) to the devaluation of the sterling against the euro, in the amount of 9.5%, with reference to UK production. The reduction in revenues was partially offset by the increase in production.

The first nine months of 2016 were characterized by a downturn to sales prices of electricity, including the incentive component, with respect to the same period of 2015, in Italy for wind power plants down by 8%, for WtE plants of 24%, for biomass plants of 16% and for solar plants of 3%; in Spain and in the United Kingdom, the downturn to prices relative to the sale of electricity from wind power came respectively to 34% and 11%, although in this latter country it was partially mitigated by the electricity sales agreements stipulated previously, whilst in France the Feed-in Tariff mechanism provided a shield against these changes.

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 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 Authority, as envisaged, a fixed value was instead used, that resulted in a value of Euro 80.3 per green certificate, as compared with the Euro 100.7 of the first half of 2015. The Decree of the Ministry of Economic Development of June 23, 2016 contains, however, a provision that allows operators to opt for the general regimen that allowed for the reinstatement, as from July 1, 2016, of the value of the Incentive Tariff, in accordance with the formula used in 2007; this significantly benefits the Group in the second half of 2016, as the incentive increased, for the second half of 2016, from Euro 80.34 to Euro 100.1 per MWh;
- 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 also looks very probable that the Incentive Tariff for 2016 may be equal to the value of the green certificates for 2015, even if not in line with that seen in recent years and which constitutes an unexpected interruption. Whilst awaiting further clarification by GSE, the Group has valued the Green Certificates for 2016 on the basis of the specified resolution and, therefore, at Euro 100.1 per MWh.

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

Wind power: Revenues generated by the sector were down 10.4% to Euro 133.3 million as compared with the same period of last year, due to the above-described effects of the devaluation of the sterling, as well as to the significant downturn to the average electricity sales prices in Italy, Spain and the United Kingdom (respectively -8%, -34% and -11%), despite the fact that in this latter country, the situation was partially mitigated by the agreements for the sale of electricity stipulated previously. It should also be stressed that, as regards the plants in Italy, resolution 29/2016/R/EFR passed by the Electricity, Gas and Water Authority has effectively attenuated the “protection” afforded by the incentive calculation mechanism, creating a form of discontinuity with the method used during previous periods.

Waste to Energy, Biomass and Photovoltaic: sector revenues stand at Euro 39.2 million, down on Q3 2015 by approximately Euro 5.6 million; this is the result of the reduction in electricity sales prices on all sector plants (for WTE plants, this came to 24%, for biomass plants, it was 16% and for solar plants, it was 3%), the downtime for scheduled maintenance work needed on the Rende hybrid plant, as well as to the lesser quantities managed by Esposito Srl. These effects are partly offset by the conferral prices that are up by 8% on the same period of last year.

Services: Sector revenues, consisting of the Spanish Vector Cuatro group, came to Euro 7.4 million, up 15.9% and connected above all with the engineering business in Mexico, Japan, Chile and France.

As a result of the situations described above, **consolidated EBITDA** came to Euro 95.9 million, recording a decline of 12.9% on the Euro 110.0 million booked as at September 2015, coming in as 53.3% of revenues from sales as compared with the 55.1% recorded the previous year.

The **Consolidated Operating Result** amounted to Euro 44.4 million versus Euro 50.8 million progressively recorded at September 2015, equal to 24.7% of sales revenues (25.4% in the same period of 2015).

Provisions made for the impairment of sundry receivables for around Euro 2.2 million by Tifeo Energia Ambiente ScpA in liquidation and net provisions for risks affect the Operating Result for Euro 0.4 million, relative to certain projects being developed in the UK.

It should be recalled that provisions made for risks, net of uses, during the first nine months of 2015 came to Euro 3.8 million and mainly included Euro 0.5 million made by the companies operating in photovoltaic following the proceedings, launched by GSE to calculate the incentive tariff and recover the amounts received in the meantime, following exclusion of the ISTAT 2005 revaluation from said incentive tariff, in application of the Council of State sentence no. 9 of 4 May 2012 and Euro 3.0 million for the risk of the charge-back of electricity transmission and distribution costs.

Again in the first nine months of 2015, against the downgrading of the investment in Verus Energy Oak Ltd to the developer, the goodwill booked for Euro 0.9 million and assets for Euro 0.1 million, were impaired.

Moreover, following the impairment testing carried out in the first nine months of 2015 interim report, the Rende hybrid plant was written-down by Euro 4.0 million.

The Operating Result benefited, as compared with the same period of 2015, from the reduction of municipal property tax (IMU) for the Italian plants, in the amount of Euro 1.8 million.

Net financial expenses come to Euro 29.4 million as compared with the 34.8 million booked for the same period of 2015. This significant improvement is due to the lesser debt, positively affected by both the depreciation of the sterling and the lesser interest payable on loans by third parties due to the action taken by the management through the renegotiation of certain project financing operations, which more than offset the lesser interest income on liquid funds held by the Group and the amount, of Euro 0.5 million, of

interest expense required by the French state of owners of onshore wind power plants that benefited from the FiT believed to be unlawful from its implementation until April 2014.

As a result of the factors described above, in the first nine months of 2016 the Falck Renewables Group recorded a **positive result before taxes and before non-controlling interests** amounting to Euro 17.0 million, and therefore a reduction on the Euro 1.8 million recorded in the same period of 2015.

Net financial position

Net financial debt, without considering the fair value of derivatives, amounts to Euro 519.1 million, showing a considerable improvement on the Euro 566.6 million at 31 December 2015.

This reduction is mainly due to the cash generated by the plants in operation, which amounts to approximately Euro 89.6 million, partially offset by period net investments for approximately Euro 63.1 million and dividends distributed in the amount of Euro 14.0 million, whilst the revaluation of the euro against the sterling brought benefits of approximately Euro 35.6 million. Finally, the change in the fair value of derivatives led to a negative effect on the net financial position of Euro 9.8 million.

As of September 30, 2016, **net financial debt, inclusive of the fair value of derivatives**, was Euro 591.5 million, (Euro 629.9 million at December 31, 2015).

Installed production capacity

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

Technology	Year to 9.30.2016	Year to 12.31.2015	Year to 9.30.2015
Wind power	708.9	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	760.0	725.7	725.7

During the first nine months, the Group produced 1,356 GWh of energy, compared to the 1,337 GWh of Q1 2015, and treated approximately 193.4 tonnes of waste, a reduction of 7% on the 207.4 thousand tonnes treated in Q1 2015.

Investments

As at September 30, investments in property, plant and equipment amounted to Euro 62,8 million, due mainly to the construction of the wind farms of Kingsburn (Euro 13.1 million), Spaldington (Euro 8.0 million), Assel Valley (Euro 15.7 million), Auchrobert (Euro 21.5 million) and West Browncastle (Euro 1.5 million). We would also point out investments by Eolo 3W Minervino Murge for Euro 1.4 million and of the Trezzo WtE plant for Euro 1.1 million and lesser investments for around Euro 0.6 million. Lastly, increases are also recorded in intangible fixed assets, carried out by the parent company for the purchase of software licenses for Euro 0.6 million, by the Vector Cuatro group for Euro 0.1 million.

Most important management events during the first nine months of 2016

Risks relating to the result of the British referendum on whether or not to remain in the European Union (“Brexit”)

The Falck Renewables Group currently operates in the United Kingdom with ten operating plants (of which one in England of 11.75 MW, eight in Scotland for a total of 281.75 MW and one in Wales for 58.5 MW), for a total installed capacity, calculated at 100%, of around 352 MW (46% of a total of around 760 MW - excluding minority shares) and two plants under construction in Scotland. The remaining installed capacity is in Italy (343 MW), France (42 MW) and Spain (23 MW).

Given the UK presence of the Falck Renewables Group, we note the potential risks deriving from the result of the referendum held on June 23, 2016, which resulted in the majority of voters expressing a desire for the United Kingdom to leave the European Union (“Brexit”).

It should be pointed out that all operators agree in declaring that for now, it is impossible to figure out the potential geo-political, economic, financial, tax and industrial scenarios, including with reference to the British electricity market and the renewable energy development and incentive policies in the United Kingdom following the Brexit.

More specifically, for the Falck Renewables Group, we would recall that:

- with reference to the operating plants, the flows generated in British sterling are used for the portion of debt held in that same currency; it should also be recalled that of the ten plants operating in the United Kingdom, six plants, for a total of 273 MW, were sold off 49% in March 2014, to CII Holdco (relevant portion 134 MW);
- with reference to the two plants under construction (Assel Valley and Auchrobert), for the portion of the investment held in euros (mainly turbines), some months ago the risk of the euro/sterling exchange rate had been sterilized at particularly favorable conditions; the investments made to date, for the construction and financed by the parent company, have already been protected against the exchange rate risk; for investments still to be made to complete the construction, the hedge will be assured at the time when the funds are required by the projects;
- with reference to the plants yet to be financed in accordance with the project financing scheme (those that are under construction of Assel Valley and Auchrobert), for which, at present, there is no evidence of complexity in terms of obtaining finance, the reduction of the medium/long-term interest rates of the sterling, if permanent, will result in a benefit on the Group’s future income statements, whilst keeping the Libor spread unchanged, by virtue of the reduction of the financial expense connected with these plants;
- with reference to the financial capacity, the Group has liquid funds that can be used immediately and committed bank credit facilities (Corporate Loan) that suffice, if necessary, to complete construction of the plants and guarantee their operation.
- with reference to the consolidated net financial position (NFP) relative to the Group’s plants in the United Kingdom, as at September 30, 2016, this was around 215 million pounds sterling, which as at the exchange rate on that date, was Euro 250 million (euro/GBP exchange rate = 0.86103). With respect to the exchange rate of December 31, 2015 (Euro/GBP=0.73395), the NFP has improved by Euro 35.6 million, also considering the change in the amount that took place during the period. Please note that the NFP relative to the Group’s presence in the United Kingdom is 42% of the consolidated Group NFP as at September 30, 2016;
- with reference to the income statement, the devaluation of the sterling has led to a reduction of EBITDA with respect to the first nine months of 2015, in the amount of Euro 3.6 million; this effect was limited insofar as the average exchange rate of the first nine months of 2016 was 0.8030 as compared with 0.7271 for the first nine months of 2015. However, the continued devaluation of

the sterling will, in the last quarter, result in this effect being accentuated, as the average Euro/GBP exchange rate for 2015 was 0.72585.

The company will continue to monitor the medium- and long-term indicators and decisions following the referendum of 23 June, which may impact the electricity market of the United Kingdom, as well as a potential structural devaluation of the sterling, which would, as already highlighted in the first nine months of 2016, have a potential positive impact on the sterling debt of the Group, but at the same time would bring about a negative change in the economic indicators, shareholders' equity and future net cash flows of assets in the UK, converted, also for translation purposes, into euros.

Incentive tariffs for French wind farms

On 15 April 2016, the French Council of State demanded that the French State ask the owners of onshore wind power plants who had benefited from the FiT on the basis of the 2008 *Arrêté* in the period in which said *Arrêté* was considered unlawful due to failure to notify the European Commission in accordance with legislation governing state aids (and therefore the period running between the implementation/obtaining of the FiT and April 2014) and amount equal to the interest connected with the aid received.

Considering that the Group's 4 French wind power plants have become part of the FiT contracts on the basis of the 2008 *Arrêté*, they will need to pay interest on the state aid received between the implementation of the FiT and April 2014, for a total of around Euro 540 thousand.

Increase in installed capacity

In May 2016, the wind power plants of Spaldington Airfield and Kingsburn, in the United Kingdom, started operating, consisting, respectively, of 5 turbines (for a total installed power of 11.75 MW) and 9 turbines (for a total installed power of 22.5 MW).

New loans

FRUK Holdings loan (no. 1) Ltd

On 26 January 2016, the company FRUK Holdings (No. 1) Ltd, parent company of Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd, on the one hand as borrowers, and The Bank Of Tokyo Mitsubishi, on the other, as lender, stipulated a deed amending the loan contract in place, stipulated in October 2004, whereby the Bank of Tokyo Mitsubishi 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 36,685 thousand pounds sterling. The two existing facilities on Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd were unchanged.

The new loan facility granted to FRUK Holdings (No. 1) Ltd, with final expiry on December 31, 2025, enabled the partial reimbursement of the more expensive subordinated loan of CII Holdco Ltd and allowed FRUK Holdings (No. 1) Ltd to optimize its own and the Group financial management.

West Browncastle Wind Energy Ltd loan

On June 15, 2016, West Browncastle Wind Energy Ltd, on the one hand, as borrower, and The Bank of Tokyo Mitsubishi, on the other, as lender, stipulated a project financing contract without recourse on the shareholder, whereby the lending bank granted a long-term loan of 40,322 thousand pounds sterling.

The new facility granted to West Browncastle Wind Energy Ltd, with ultimate expiry on December 31, 2033, has successfully optimized the Group's financial management.

Spaldington Wind Energy Ltd and Kingsburn Wind Energy Ltd loan

On September 22, 2016, Spaldington Airfield Wind Energy Ltd and Kingsburn Wind Energy Ltd, on the one hand, as borrower, and The Bank of Tokyo Mitsubishi, on the other, as lender, stipulated two project financing contracts without recourse on the shareholder, whereby the lending bank granted a long-term loan respectively for 14,300 thousand pounds sterling and of 31,272 thousand pounds sterling.

The two new loan facilities granted to the companies, with final due date in June 2034, enabled the further optimization of the Group's financial operations and benefited from the reduction in medium/long-term interest rates following the June 23, 2016 referendum.

Outlook

The Group results during the last quarter of 2016 will continue to benefit from the production of the UK wind plants of Spaldington and Kingsburn, for a total of 34.25 MW.

Moreover, as from November, revenues will benefit from the start-up of operation of the Assel Valley wind power plant, which took place in late October 2016, in the United Kingdom, for a total of 25 MW, two months ahead of schedule.

Instead, with reference to the biomass plant of Ecosesto SpA, starting from 1 July 2016, the Group made use of the recent faculty introduced by Ministerial Decree, to opt for the Incentive Tariff, in line with that envisaged for the wind power plants, insofar as, on the basis of the prices forecast for the coming years, as estimated by the energy curves, this is believed to be more favorable than the current mechanism, which for the last quarter too, will result in benefits of around Euro 0.9 million of revenues.

Despite the generally unfavorable macroeconomic context, we note that the last quarter of 2016 reveals some signs of a growth in prices with respect to those recorded in the first nine months of 2016.

During the last quarter, it is possible that the sterling may continue to depreciate against the euro recorded in the first nine months of 2016, with a consequent negative effect on revenue and EBITDA but, at the same time, a positive effect on financial expense, amortization/depreciation and the net financial position held in sterling.

As was also the case in the first nine months of 2016, the Group will continue to take initiatives aimed at optimizing performance and limiting operating costs and gain a better position at the time the economic cycle recovers.

In light of the results for the first nine months, which are influenced by the positive performance seen in the third quarter, as described previously, the Group confirms the guidance on 2016 EBITDA of Euro 130 million (with a tolerance range of -3% and +2%), based on the hypothesis that production for the last quarter of 2016 will be as forecast.

Construction will continue and be completed of the Auchrobert (36 MW) plant in the United Kingdom, which is expected to be fully operational as from the first quarter of 2017, following an acceleration plan implemented during 2016, the effects of which will also be monitored over the coming months.

The regulatory and market context in which the Falck Renewables Group operates is undergoing 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 on November 29, 2016.

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 September 30, 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 10:00 am on November 11, a conference call will be held for analysts, investors and banks to present the financial data as at September 30, 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 S.p.A., a Falck Group company listed on the Italian stock exchange in the STAR segment ("FKR.MI") and included in the Nasdaq Omx Global Wind Energy Clean Edge index, develops, designs, builds and manages power production plants from renewable sources. It is active in Europe, with installed capacity of 822 MW in 2016 (785 MW according to the IFRS 11 reclassification) and produces energy in Italy, Great Britain, Spain and France worth more than two billion kWh per year, using wind power, solar power, biomass and waste-to-energy technologies.

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**Interim Financial Report at September 30, 2016
Income Statement**

(thousands of Euro)

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**Interim Financial Report at September 30, 2016
Net Financial Position**

	(thousands of Euro)				
	9.30.2016	6.30.2016	12.31.2015	Changes	
	(1)	(2)	(3)	(4)=(1)-(2)	(5)=(1)-(3)
Current financial liabilities - third parties	(69,950)	(66,191)	(74,153)	(3,759)	4,203
Current financial liabilities - intragroup					
Current financial receivables - third parties	1,093	1,011	132	82	961
Current financial receivables - intragroup			5		(5)
Other securities					
Liquid funds	222,325	179,924	128,874	42,401	93,451
Current net financial position	153,468	114,744	54,858	38,724	98,610
Non-current financial liabilities - third parties	(745,057)	(704,618)	(685,485)	(40,439)	(59,572)
Non-current financial liabilities - intragroup					
Other securities					
Medium/long-term financial position	(745,057)	(704,618)	(685,485)	(40,439)	(59,572)
Net financial position, as per					
Consob communication no. DEM/6064293/2006	(591,589)	(589,874)	(630,627)	(1,715)	39,038
Non-current financial assets - third parties	132	725	777	(593)	(645)
Non-current financial assets - intragroup					
Total net financial position	(591,457)	(589,149)	(629,850)	(2,308)	38,393
- including non recourse loans	(712,051)	(672,539)	(634,699)	(39,512)	(77,352)

Fine Comunicato n.0554-27

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