

**FALCK**  
Half-year Financial Report  
at 30 June 2010

Board of Directors' Meeting  

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Milan, 30 September 2010

FALCK SpA  
Share capital Euro 72,793,163 fully paid  
Registered and fiscal address  
20121 Milan – Corso Venezia, 16  
REA Milan no. 683  
Milan Companies Register no. 00917490153  
VAT and tax code no. 00917490153

## Half-year Financial Report at 30 June 2010

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## 1. Company officers

### **Board of directors**

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Federico Falck	Chairman
Guido Corbetta	Deputy chairman
Piero Manzoni	Managing director and CEO
Marco Agostini	Director
Enrico Falck	Director
Bruno Isabella	Director
Filippo Marchi	Director

### **Board of statutory auditors**

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Filippo Tamborini	Chairman
Gerolamo Gavazzi	Statutory auditor
Massimo Scarpelli	Statutory auditor
Roberto Moro Visconti	Substitute statutory auditor
Luigi Emilio Garavaglia	Substitute statutory auditor

### **Independent auditors**

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PricewaterhouseCoopers SpA

Company powers conferred on the directors are set out on page 34.

## 2. Falck group structure at 30 June 2010

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### 3. Financial highlights

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3. Financial highlights

	(Euro millions)			
	30.6.2010	30.6.2009	2009	2008
Revenue	86	98	189	159
Gross profit	37	44	66	59
Operating profit	21	22	18	11
Profit/(loss) for the period	14	(4)	(22)	(16)
Profit/(loss) for the period attributable to equity shareholders	11	(5)	(28)	(8)
Earnings per share (Euro)	0.15	(0.07)	(0.38)	(0.11)
Net financial liabilities	221	190	207	89
- Non-recourse financing	523	402	419	363
Total net financial position (indebtedness)	744	592	626	452
Total equity	313	328	329	330
Equity attributable to Falck SpA equity holders	204	231	219	231
Equity attributable to Falck SpA equity holders per share (Euro)	2.802	3.173	3.009	3.173
Capital expenditure	60	74	171	217
Gross profit/revenue	42.6%	44.9%	34.9%	37.1%
Operating profit/revenue	24.1%	22.4%	9.5%	6.9%
Profit/(loss)/ for the period/total equity	4.5%	-1.2%	-6.7%	-4.8%
Net financial position/total equity	2.37	1.80	1.90	1.37
Total number of group employees (no.)	284	564	498	404



## 4. Interim directors' report

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## 4. Interim directors' report

These interim consolidated financial statements at 30 June 2010 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union under regulation 1606/2002/EC of the European Parliament and Council dated 19 July 2002, in particular IAS 34 – Interim Financial Reporting.

The Falck group, having prepared the half-year financial report in accordance with IAS 34 has opted to present condensed explanatory notes to the half-year financial report at 30 June 2010.

The group results for the six months ended 30 June 2010 were not affected by seasonality.

### 4.1 *Group operating and financial review*

#### 4.1.1 **Falck group profile**

The Falck group was incorporated on 26 January 1906 with the name Società Anonima Acciaierie e Ferriere Lombarde; it was only in 1931 that Anonima was dropped from the name and Falck added to the end. For more than 100 years the company has been a major player in the industrial development of Italy, through initiatives that demonstrate the company's commitment to the local territory and its interest in safeguarding the environment.

The group has embraced the principles of **sustainable development** and has focused its mission principally on the production of energy from renewable resources and today, as a result of the continuous development and investment in innovative technology, it is one of the leading players in this sector.

The energy market represents the natural evolution of the strategies of the Falck group that as early as the beginning of the 20th century implemented a wide electrical energy production programme in order to guarantee the operations of its steel plants.

The Falck group operates in the production of energy from renewable sources such as solar, wind, biomass and waste to energy, and it recently deployed new resources in the bioenergy segment that will provide a significant contribution to satisfying the increased consumption arising from the growth of emerging countries without altering or disturbing the environment. This is a concrete method of contributing to the reduction of CO<sub>2</sub> emissions and meeting the objectives set by the Kyoto Protocol.

The group holds investments in banks and enterprises and it provides financial services to plant suppliers within the group through the subsidiary Riesfactoring SpA.

The group's mission is followed applying the fundamental values defined in the Code of Conduct: integrity, constant innovation, total safety and open dialogue with all collaborators.

#### 4.1.2 **Regulatory framework**

The relevant regulatory framework for the renewable energy from biomass and WTE segment is that of the Italian market for renewable energy and essentially covers the areas detailed below.

**CIP6:** based on a national law issued in 1991 and subsequent directives, this law introduced incentives for the generation of electrical energy from renewable sources with guarantees regarding its collection and pricing.

The CIP6 regime is differentiated according to the different energy sources, applies to an extensive period (8-20 years) and has a clear and calculable inflationary mechanism, is essential for the negotiation of project financing loan contracts and was also used to provide incentives to other projects and technology not directly linked to renewable energy;

## 4. Interim directors' report

**Green certificates:** these are attributed to the production of electricity from renewable sources generated after 1 April 1999. The Italian National Grid Operator ("GSE") collects the green certificates at the average price for the previous year as communicated by the Italian electricity market operator ("GME").

These 15 year certificates are a controlled market mechanism in determining the price of electricity sales and their number is dependent on the production of energy from renewable sources. These certificates may be traded on the Italian energy market.

Mechanisms were introduced in July 2010 under the 2010 Italian Finance Act that may have an impact on the renewable energy sector. The budget foresees a rationalisation of the GSE's spending on excess Green Certificates (GC's) that it is required to collect. In real terms the budget requires a 30% cut on overall spending by the GSE on excess GC's; at least 80% of this decrease must come from a reduction in the current levels of excess GC's.

At the time of writing this half-year financial report, the company is not in a position to estimate any significant impact that this may have on tariffs.

**Energy account:** the electricity generated by photovoltaic plants benefits from tariffs that are incentivised and differentiated according to whether it is generated from non-integrated, partially or fully integrated plants. The tariffs are set for a 20 year period starting from the date operations commence and are not adjusted for inflation over this entire period. With regard to plants that will commence operations in 2009 and 2010 a progressive 2% reduction is applied to the tariff in force in 2008. The decrees defining the new tariffs in respect of periods after 2010 were issued and published in the Official Gazette of 24 August 2010.

With regard to the wind segment the regulatory framework in respect of companies working in Italy is also that of the renewable energy from biomass and WTE segment, while the UK, Spanish and French companies are governed by the frameworks set out below.

The **UK** operates an incentive system called ROCs (Renewable Obligation Certificates), the price of which is determined by the government. This premium is increased for inflation every year. Renewable energy producers also receive an LEC (Levy Exemption Certificate) incentive. Other incentives known as ROC Recycle are in place that are calculated as follows: the government fixes each year the percentage of renewable energy on the total produced and collects funds from consumers for this objective.

At the end of the year the energy actually produced from renewable sources is calculated and if production is lower than the target amount, the excess funds collected are attributed to those companies that produced renewable energy in the year in question.

A premium is awarded in **Spain** for renewable energy that amounts to 40% of a base price.

A comprehensive fixed tariff is in operation in **France** that is adjusted for inflation.

### 4.1.3 Performance

The group's consolidated income statement shows a profit for the period of Euro 14,076 thousand, which is a significant improvement on the loss of Euro 3,501 thousand for the same period last year.

The results of the renewable energy from biomass and WTE and the wind energy segments are down compared to the 2009 half-year, while the other activities segment recorded a significant improvement.

The results of the parent company have also increased compared to the first half of 2009.

## 4. Interim directors' report

The profit for the period may be analysed by segment as follows.

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Falck SpA	10,634	3,160	7,474
Renewable energy from biomass and WTE	6,577	6,561	16
Wind energy	2,747	6,093	(3,346)
Bionergy	0	(10,705)	10,705
Other activities	972	(1,142)	2,114
	<b>20,930</b>	<b>3,967</b>	<b>16,963</b>
Consolidation adjustments	(6,854)	(7,468)	614
<b>Total</b>	<b>14,076</b>	<b>(3,501)</b>	<b>17,577</b>

### 4.1.4 Review of business in the first half of 2009

#### Renewable energy segment – biomass and waste to energy

On 10 February 2010 the National Grid operator (GSE) accepted transfer of ownership of convention T02F06030807, in relation to the beneficiary of the tariff incentives, to Solar Mesagne Srl that may now deal directly with the GSE and benefit from the energy account for the next 20 years.

Following the total renovation of the biomass plant in Rende, on 18 February 2010 Ecosesto SpA was awarded the IAFR (Renewable Plant) status by GSE and as a consequence may participate in the Green Certificates scheme for the next 15 years commencing January 2011 when the plant is expected to resume operations.

The authorisations for the construction of the photovoltaic plants of Cardonita (4.98 MW), Spinasanta (5.99 MW) and Sugherotorto (3.27MW), situated in the provinces of Enna, Catania and Ragusa, were published in the Sicily Region's Official Gazette on 12 February, 19 February and 17 March 2010 respectively. Actelios Solar SpA holds the above-mentioned authorisations and is currently carrying out the planning and finance work for the construction of these plants.

On 19 April 2010 Actagri Srl increased its holding of 58.74% to become sole shareholder of Abbiategrasso Bioenergia Srl. This will allow the company to be fully integrated into the Actelios group and to implement actions in order to maximise the benefit of the Sole Authorisation relating to the construction and management of a 1 MW biogas plant owned by Abbiategrasso Bioenergia Srl.

Actelios SpA signed purchase contracts on 21 June 2010 to acquire the entire share capital of Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl both of which operate in urban and special non-hazardous waste disposal services. This transaction will provide further integration of the waste disposal chain, increasing the range of environmental services offered across the country. Actelios SpA also became the owner of a state-of-the-art plant for the treatment of street-sweeping waste. Acquisition of the two companies, representing an investment of Euro 13,500 thousand, will increase consolidated group revenue by more than Euro 12,000 per annum.

The income statements of Esposito Servizi Ecologici and Ecocentro Soluzioni Ambientali have been consolidated from 1 June 2010 and as a result the half-year financial report only includes one month's results.

#### 4. Interim directors' report

##### **Renewable energy segment - biomass and WTE: litigation relating to the Sicily projects**

The history and current situation regarding the Sicily projects is detailed in full below.

1. The Italian Prime Minister issued a decree on 22 January 1999 declaring the waste management situation in Sicily to be a state of emergency and on 31 May 2009 appointed a Commissioner to tackle the emergency waste situation. Subsequently the Government identified the possibility of treating the municipal waste generated in the territory of the Sicily Region using WTE technology, as this provided the opportunity to derive fuel from waste, improving the energy content of the residual fraction of waste by increasing the dry portion. Following publication of O.P.C.M. (Ordinance of the Prime Minister) 3190 of 22 March 2002, which approved, inter alia, the construction of WTE plants, the Commissioner published an invitation to enter into conventions with a maximum 20 year duration for the utilisation of the residual fraction of municipal waste, net of recycled waste, generated in the territory of the Sicily Region pursuant to article 4 of O.P.C.M. 2983, replaced by article 5 of Ordinance 3190/02, with industrial operators that were able to treat the residual fraction of waste and recover energy through its use in dedicated WTE plants or industrial plants under their ownership.

At this time Elettroambiente SpA, formerly part of the Enel group, together with other local and non-local companies, formed a temporary business association (ATI), in which it acted as lead agent, with the purpose of bidding for public tenders. Enel Produzione SpA (Enel) was also a member of this ATI as it had the appropriate financial resources which the other shareholders did not possess. In August 2002, Actelios joined a group, with Elettroambiente acting as lead agent, to submit a bid in relation to the above public notice for the treatment of waste through WTE for municipalities in the Palermo area. Subsequently Elettroambiente and Enel left the group in respect of the Palermo area and Falck SpA took over as lead agent. Under the new directive, the Commissioner published calls for tenders (9 August) that were awarded on 2 May 2003; in the same month the members of the ATI formed the special-project entities Palermo Energia Ambiente ScpA (Pea), Platani Energia Ambiente ScpA (Platani) and Tifeo Energia Ambiente ScpA (Tifeo) (hereinafter, the "Industrial Operators"). On 17 June 2003 each of these project companies executed a 20 year convention with the President of the Sicily Region (at that time the Commissioner appointed by the Italian government to tackle the emergency waste situation), to utilise the residual fraction of municipal waste, net of recycling, generated in the municipalities of the Sicily Region as per article 4 of O.P.C.M. 2983, replaced by article 5 of Ordinance 3190/02. Also in 2003, Enel entered into an agreement with Italgest for the sale of Elettroambiente (the holding company of Platani and Tifeo), and further to this Falck and Italgest executed an agreement on 5 August 2003 for the sale of Elettroambiente to Actelios.

This provides a brief outline of how Actelios SpA commenced operations in Sicily from 2003 through the three project companies, Pea (23.27% owned by Actelios), Platani (85.73% owned through Elettroambiente and subjected to direction and coordination activities by Actelios) and Tifeo (95.62% owned through Elettroambiente and subjected to direction and coordination activities by Actelios), which were incorporated to construct and operate the Integrated Systems for waste management in Sicily after recycling (the Projects).

2. The main points of the June 2003 Conventions included the information contained in a number of attachments that summarised the key financial data and the 20 year business plan that supported the economic-financial balance of the Projects.

For this purpose it was understood that the Industrial Operators would have benefited from the incentives attributable to the production of energy from renewable and similar sources recognised by Law 9 of 9 January 1991.

#### 4. Interim directors' report

In the period between the end of 2004 and early 2006, the Industrial Operators received all authorizations relating to the construction and operation of the plants comprised in the integrated systems and those relating to emissions to the atmosphere, with work commencing officially in July 2006.

3. A series of unforeseeable events that were beyond the liability of the Industrial Operators had a significant impact on the timing of construction work on the WTE plants and on the financial terms of the Projects and as a consequence on the realisation of the projects themselves.

Just as an example, in February 2007 an Interministerial Decree was issued to the Industrial Operators suspending the authorisations following which work was suspended (appeals to the Regional Administrative Court (TAR) in Lazio and the judgment issued by the Council of State resulted in cancellation of the suspension decree); the 2007 Finance Act introduced significant changes to existing legislation creating uncertainty regarding the continued application of the CIP/6 incentives (it was only at the end of 2008, following the outcome of the legal proceedings undertaken by the Industrial Operators, that the plants reacquired the right to receive the CIP 6 incentives).

The above events prevented the execution of the project financing contracts essential to the construction of the plants.

4. With reference to the above situation, in letters dated 21 March 2008 the Regional Department for Waste and Water (ARRA or the Administration) notified the Industrial Operators that the European Court of Justice had previously passed judgment on 18 July 2007 (case C-382/05) whereby it found that the Italian Republic had failed to fulfil its publicity obligations regarding tenders as the Court regarded the Conventions as public service contracts rather than service concessions. The Industrial Operators may not be held responsible for the breach of procedures that led to the signing of the Conventions. The above-mentioned letters communicated that in order to comply with this judgment a new call for tenders would be made in order to award the service. ARRA invited the Industrial Operators to continue carrying out work despite this situation.

5. The requirement to implement the measures established in the judgment passed by the European Court of Justice gave rise to a long and complex negotiation process between the parties in order to identify the appropriate methods and conditions required to reach an agreed solution to the Conventions. These negotiations lasted almost a year and were finalised on 28 April 2009 with the execution of an Agreement between ARRA and each of the Industrial Operators and the respective shareholders.

More precisely it was established that: (i) in the event that no bids were submitted in relation to the new tender, the Industrial Operators would be required to take part in a “*negotiated procedure*”, on condition that these procedures were “*carried out based on tariffs and operating conditions in line with those stipulated in the New Call for Tenders, provided that they are such as to ensure the economic-financial balance of the current project*” (cf. Agreement art. 3); (ii) in any event the Industrial Operators and their Shareholders would transfer the Projects, authorisations, sites and work carried out by the Industrial Operators and the Shareholders against compensation for costs incurred to be certified by an independent advisor (clause 6 of the Agreements).

6. Calls for tenders were issued the following day (no bids were submitted). Therefore on 23 July 2009 ARRA called for a “*negotiated procedure*” applying the same terms as those of the call for tenders using open procedures, also inviting the Industrial Operators.

The Industrial Operators notified ARRA that they were available for a meeting but at the same time brought to the attention of ARRA the fact that the basis for the negotiated procedure did not allow the financial terms of the Conventions to be met as required under clause 3 of the Agreements dated 28 April 2009: this was supported by an independent expert opinion (prof. Mario Massari of Bocconi University in Milan).

#### 4. Interim directors' report

7. No bids were submitted in relation to the negotiated procedure. ARRA did not reply to the numerous requests to arrange a meeting and on 11 September 2009 it unilaterally terminated both the Conventions of June 2003 and the Agreements reached on April 2009, claiming that the Industrial Operators had breached their obligations.

In October 2009 ARRA requested the insurers Zurich SpA to execute the guarantees issued by them on the request of the Industrial Operators in order to secure performance of their obligations established under the Conventions.

8. On 15 October 2009 the Industrial Operators served summons against ARRA and Zurich SpA before the Civil Court in Milan asking the court to (i) ascertain and declare that the execution of the guarantees was illegal; (ii) ascertain and declare that the Industrial Operators had not defaulted on the obligations under the Conventions dated June 2003 and the Agreements dated April 2009; (iii) ascertain and declare ARRA's breach of its obligations under the Agreements; and (iv) order ARRA to comply with the Agreements, pay all costs incurred as certified by the independent advisor and compensate the Industrial Operators for all damages already suffered and that would be suffered by them in future. This action was brought both by the Industrial Operators and the shareholders Actelios (for Pea), Falck (for Pea), and Elettroambiente (for Tifeo and Platani). Amia SpA, a shareholder of Pea, subsequently intervened in two of the proceedings, requesting admission of the claims filed under the proceedings by the plaintiffs.

Moreover, the Industrial Operators filed an appeal against ARRA before the TAR in Palermo asking the court to cancel the act which resulted in termination of the Agreements and the Conventions, and to order ARRA to compensate the operators for all damages already suffered and that would be suffered in future. At the end of 2009 ARRA extended the authorisations relating to the construction and operation of the individual plants that constitute the Integrated Systems by a further 5 years.

On 18 January 2010 the judge of the Civil Court in Milan admitted the urgent appeal filed by the Industrial Operators pursuant to art. 700 of the code of civil procedure (c.p.c.), prohibiting ARRA from enforcing the guarantee policies. With regard to the merit of the ruling, the judge, albeit as a summary judgment, established that the breach by the Industrial Operators assumed by ARRA as the basis for its decision to terminate the Conventions and the Agreements was *prima facie* denied by ARRA in its declaration reiterated in the Agreements of 28 April 2009. ARRA did not appeal against the interim orders issued by the Court in Milan under art. 700 c.p.c.. On 16 February 2010 the Sicily Region's Department for Energy and Public Utilities (replacing ARRA *ex lege* from 31 December 2009 – "the Department") joined the proceedings brought by the Industrial Operators with the Court in Milan, seeking the rejection of the measures sought by the Industrial Operators (and their shareholders), and asking the court to order the Industrial Operators to compensate the Regional Administration for the damages that it had allegedly suffered as a result of the alleged breach of the Conventions (quantified as follows: Tifeo, Euro 36,656,997.65; Platani, Euro 12,898,471.19; Pea, Euro 60,685,999.31).

Zurich also joined the proceedings, asking that ARRA's petition to execute the guarantee policies be rejected. The Industrial Operators filed a first defence brief under article 183, paragraph 6 of the c.p.c., on 8 April 2010.

A second brief was filed on 8 May 2010, where after informing the court of the approval by the Council of the Sicily Region of Law 9/2010 relating to the reorganisation of the waste management system in Sicily, the Industrial Operators redefined their claims, at the same time requesting the intervention of a technical adviser in relation to, among other things: 1) the differences in technical and/or financial requirements between the original invitations to tender and those of 29 April 2009 with quantification of the financial consequences of the differences; 2) compliance with the economic-financial balance of the original projects under the Conventions drawn up on 17 June 2003; 3) the amount of the Industrial Operators' return (representing their loss of earnings) in the event that ARRA had fulfilled its obligations under the Agreement; 4) the amount of compensation owed to the Operators under article 14.2 of the Conventions entered into on 17 June 2003.

#### 4. Interim directors' report

Having reflected the approval of the New Regional Law in the second brief, the Industrial Operators filed a third brief on 28 May 2010 in which a detailed analysis of the impact on the Projects of the New Regional Law was provided based on an independent expert opinion. This opinion clearly demonstrates the radical changes implemented by the Regional Administration in relation to the entire strategy surrounding waste management and treatment in the municipalities of the Sicily Region. Given the Department's final and irrevocable decision no longer to proceed with the Projects in accordance with the Conventions, the Industrial Operators were forced to modify, before the Court in Milan, pursuant to article 1453, second paragraph of the Italian Civil Code, their petition for an order to comply presented in the original summons into a petition for termination of the Agreements of 28 April 2009 due to the actions and default of the Department. The Industrial Operators therefore seek compensation for damages suffered in respect of both actual damages (quantified as follows: Tifeo, Euro 55,745,013.00; Platani, Euro 37,676,745; Pea, Euro 49,555,742.00 – Actelios' share Euro 11,531,621.16) and loss of earnings (quantified as follows: Tifeo, Euro 94,100,000.00; Platani, Euro 47,800,000.00; Pea, Euro 88,800,000.00 – Actelios' share Euro 20,663,760.00). Actual damages correspond to the costs incurred on the projects while loss of earnings represents the economic return that the Industrial Operators would have earned in the event that ARRA had fulfilled the obligations defined in the Agreement.

9. In evaluating the basis on which to prepare the Half-Year Financial Report at 30 June 2010, Actelios' directors deemed it appropriate to use the assistance of an expert in this field, as they had already done for the preparation of the separate and consolidated financial statements for the year ended 31 December 2009. An opinion was issued on 22 July 2010 regarding the consequences of the modification of the petition for an order to comply into a petition for termination, which stated that *“with regard to the financial claims raised by the companies in the summons, in substance the situation has not changed as a result of the modification of the original petition for an order to comply relating to the Agreement of 28 April 2009 into a petition for termination due to the actions and default of ARRA”*.
10. As already communicated to the public on 12 May 2010, all of the documentation relating to the bid made in respect of the invitation to tender in 2002 was provided to the Italian Tax Police in respect of a tax investigation involving undisclosed parties.
11. Finally, on 18 May 2010 the Department issued notices to the Industrial Operators regarding proceedings under articles 7 and ss. of L. 241/1990 aimed at implementing measures to declare the bids submitted by the Industrial Operators as inadmissible *ab origine* based on the allegation that Altecoen Srl (a member, subsequently replaced, of an ATI that was awarded two of the four Integrated Systems) was under investigation for involvement with the mafia and, according to the statement of the Administration, was linked to the companies that formed the other two temporary associations (subsequently to become the consortium enterprises) that were awarded the procedures. After having filed a motion to access the deeds/documents that form the basis of the Region's preliminary investigation (following their prior seizure by the legal authorities), a formal extension request was sent to the Administration on 16 June 2010 in relation to presentation of the observations on the content of the notices given the considerable amount of documentation being gathered.  
The Industrial Operators presented statements on 17 June 2010 in which they underlined the unlawfulness of the claims made by the Administration as it had been aware from the end of 2006 of Altecoen's alleged illegal actions and could have taken action on the Court of Auditors' Report (endorsed by resolution 6/2007/G of 5 April 2007) that was illustrated on 12 December 2006 in the presence of a delegate of the Administration of the Sicily Region; it was noted that this information had already been taken into consideration as it was cited in the *“work of the parliamentary investigation committee on the waste cycle and the connected illegal activities, XIV Legislature – Report on the Sicily Region dated 15-12-2005”*.



#### 4. Interim directors' report

Given this prior knowledge it has been assumed that the Administration had considered the information presented in the Court of Auditors' report and in the previous parliamentary report to be irrelevant. This is in light of the fact that, subsequent to the above information, the Sicily Region initially urged each Operator to carry out its obligations under the Conventions and subsequently entered into an Agreement to terminate the Conventions and finally invited the Operators to the negotiated procedures that took place in August 2009 to award the new public tenders. The Industrial Operators also noted from a different standpoint that, with regard to Altecoen's alleged mafia connections and the applicability of Presidential Decree 252/1998 (prohibiting public tender contracts from being entered into with suspect companies under anti-mafia regulations), this law is not applicable as Altecoen has always received a clean anti-mafia certification (most recently issued by the Enna Chamber of Commerce – CCIAA - on 24 May 2010), bearing in mind also that the Department's statements are not founded on criminal rulings but merely on the accusations put forward by the investigating magistrates in bringing a case against the entity.

The accounting impact of the situation surrounding the Sicily Projects is illustrated in paragraph 4.1.12 and the notes to the half-year financial report.

##### **Renewable energy segment – wind energy**

Eolica Sud Srl, owner of the San Sostene wind farm, secured a Euro 150,000 project financing loan agreement on 2 March 2010 with Banca Infrastrutture Innovazione e Sviluppo SpA (Agent bank), Efibanca SpA, Monte dei Paschi di Siena Banca per le Imprese SpA, Centrobanca SpA, Agrileasing SpA and Barclays Bank Plc.

The first amount of Euro 111,820 thousand was drawn down on 26 March 2010 and was used to repay the intercompany loan of Euro 72,397 thousand with the parent company Falck Renewables Plc.

In the course of the half-year work continued to complete the north crest of the San Sostene wind farm (37.5 MW) and the expansion of the Ben Aketil (4.6 MW) and Millennium (15 MW) wind farms, which are expected to commence operations before the end of the year.

The civil and electrical works on the Buddusò e Alà dei Sardi (Geopower Sardegna Srl) 138 MW wind farm in Sardegna continued. The wind farm is expected to be completed by the first half of 2012.

##### **Consolidation Projects (Renewable energy segment – biomass and WTE and wind energy segment)**

The boards of directors of Falck SpA, Falck Energy SpA and Actelios SpA approved the guidelines for the Project for the Consolidation of Falck Group's renewable energy business into Actelios on 28 May 2010. This operation will give rise to the leading listed Italian group operating exclusively in the renewable energy sector and one of the main players at European level. The new business, currently present in four countries with an installed capacity of 454 MW, is expected to achieve an installed capacity of over 1,100 MW by 2014 with estimated revenue in excess of Euro 400 million and EBITDA of more than Euro 200 million.

The Consolidation Project will involve:

- (i) A pro-rata partial demerger of Falck Energy SpA;
- (ii) A share capital increase to be carried out through contributions in kind;
- (iii) A share capital increase through a rights issue up to a maximum of Euro 130 million.

#### 4. Interim directors' report

The principal reasons that led the board of directors of Actelios to approve this operation may be summarised as follows:

- The integration of two leading players in the generation of electricity from renewable sources and the consequent strengthening of Actelios' market position at a national and European level;
- The technological and geographical diversification of the project portfolio that will be managed by Actelios following integration, which will place it in a better position to seize business opportunities;
- Centralisation of the management of renewable energy activities into Actelios, allowing rationalisation of these activities in order to produce greater synergies that will have a positive impact on efficiency within the business.

The proposed de-merger will result in the integration of the Falck Renewables group's wind energy business into Actelios that will provide immediate growth in production arising from the combination of operating plants. Following completion of the de-merger Actelios will become one of the leading European players in the renewable energy sector with an installed capacity of approximately 454 MW (of which 51% is in the UK, 31% in Italy, 11% in Spain and 7% in France).

Actelios will also acquire a portfolio of projects which are currently under development or that have already obtained authorisation to proceed with construction work in Italy, France and the UK, with a total installed capacity of more than 350 MW, more than 340 MW of which relates to the wind energy segment.

The integration is expected to produce significant growth through pipeline projects that have not yet received authorisation, which are expected to be completed over the course of the 2010-2014 business plan. In particular, the pipeline projects that Actelios will add to its portfolio following integration comprise more than 300 MW of installable capacity, more than 280 MW of which relates to the wind energy business. With regard to the projects that form the basis of the business plan, following the merger of the Falck Renewables group's projects with those of Actelios, further benefits will derive from diversification of the risks involved with the plant planning and construction stages. The increased number of projects in the pipeline, the geographical diversification and the varying stages of progress in the authorisation process will mitigate the negative impact of any delays that may arise on authorisation procedures and will offer Actelios increased flexibility in optimising investment choices.

Actelios's growth following the de-merger will improve its operating efficiency and raise the possibility of securing favourable terms on the capital markets, particularly with credit institutions, thus presenting more new investment opportunities.

Concentrating the activities of the renewable energy business under one company will also benefit from unified and more efficient management of the business and provide growth in profitability by taking advantage of operating synergies. The Consolidation Project also foresees that the Falck management team currently involved in this business will be transferred to Actelios. Further details of the Consolidation Project are provided in the paragraph "Significant events after the balance sheet date".

#### **Bioenergy segment**

Following the sale of the investments in Bioland Sa (agricultural activities in the Ukraine) and Dhampur Sugar Distillery Ltd (distillation activities in India) that took place in the course of the half-year, the Falck group has ceased to operate in the bioenergy business and consequently this segment no longer exists.

As the companies located in South East Asia, namely Falck Bioenergy Singapore Pte Ltd, Falck Bioenergy (Thailand) Co Ltd and Agr Venture Malaysia, were no longer considered to be financially viable, it was decided in the first half of 2009 that they should be put into liquidation.

## 4. Interim directors' report

The liquidation activities are proceeding without any particular problems. The only company that has not yet been put into liquidation is Italian Lao Group Ltd, in respect of which the company has decided to no longer pursue the development of jatrophha crops in Laos and to sell-off the main asset, being a newly built property that is partially rented in the capital of Vientiane. This company has been included in the other activities segment.

### Other activities segment

No significant events have taken place with the exception of the project described above relating to the partial de-merger of Falck Energy SpA, which became an Italian registered company on 21 May 2010, into Actelios SpA.

### Falck SpA

On 8 April 2010 Edison and Falck signed a settlement that ended the arbitration brought forward by Edison following the failure to sell its 100% holding in Tecnimont SpA to Falck. This settlement also results in the closure of a further three disputed between the parties and/or their subsidiaries relating involving Termica Lucchese and Termica Narni (merged into Edison following the acquisition by the Falck group) and a pending judgement with the Court of Appeal in Trieste brought by against Edison by Neviera Srl that cites Ecosesto Srl (member of the Falck group) as a guarantor. The settlement agreement resulted in Falck paying Edison Euro 22.5 million as full and final settlement, Euro 15 million of which had already been paid by Falck as a deposit against the purchase of the shares in Tecnimont, of the claims put forward by Edison in the arbitration proceedings, and Euro 2 million in respect of Edison's claims against Falck in the disputes involving Termica Lucchese. At the same time, Edison paid Euro 2.4 million to Sesto Siderservizi as full and final settlement of the claims brought against Edison by the latter in the disputes involving Termica Narni. Finally, with regard to the pending litigation with the Court of Appeal in Trieste, Ecosesto Spa has agreed, in the event the judge rules against Edison, to indemnify Edison up to the amount of Euro 500 thousand, following receipt of this amount, of its obligations to hold harmless Sesto Siderservizi from any third party claims.

### 4.1.5 Consolidated financial highlights

#### . Performance

	30.6.2010	30.6.2009	Change	(Euro thousands) 31.12.2009
Revenue	86,332	97,857	(11,525)	188,775
Cost of sales	(49,545)	(53,649)	4,104	(122,706)
<b>Gross profit</b>	<b>36,787</b>	<b>44,208</b>	<b>(7,421)</b>	<b>66,069</b>
<b>Operating profit</b>	<b>20,844</b>	<b>22,014</b>	<b>(1,170)</b>	<b>17,695</b>
<b>Adjusted EBIT</b>	<b>39,153</b>	<b>38,145</b>	<b>1,008</b>	<b>60,634</b>
<b>(Loss)/profit for the period</b>	<b>14,076</b>	<b>(3,501)</b>	<b>17,577</b>	<b>(22,049)</b>
<b>(Loss)/profit for the period attributable to equity I</b>	<b>11,030</b>	<b>(4,980)</b>	<b>16,010</b>	<b>(28,271)</b>
Invested capital net of provisions	1,057,311	919,475	137,836	955,195
Total equity	313,403	327,531	(14,128)	328,710
<b>Net financial position (asset)/indebtedness</b>	<b>743,908</b>	<b>591,944</b>	<b>151,964</b>	<b>626,485</b>
of which non-recourse financing	523,408	401,739	121,669	418,559
<b>Capital expenditure</b>	<b>60,153</b>	<b>74,379</b>	<b>(14,226)</b>	<b>171,230</b>
Employees at end of period	(no.) 284	564	(280)	498
Ordinary shares	(no.) 72,793,163	72,793,163	0	72,793,163

## 4. Interim directors' report

### . Revenue

Revenue fell by Euro 11,525 thousand. This decrease is due to the following:

- Renewable energy segment – biomass and WTE: the biomass plant in Rende operated at reduced capacity in the first 4 months of the year and in April was closed to undergo full renovation that will allow it to benefit from the green certificates programme for a further 15 years. The strong performance of the Trezzo sull'Adda and Granarolo dell'Emilia waste to energy plants partially offset the fall in revenue of the Rende plant.
- Renewable energy segment – wind energy: wind levels were extremely low in the UK in the first half of 2010, which is exceptional for this period. This is supported in the report issued by GL Garrad/Hassan, the leading international expert on wind energy, which analysed the wind trend in the UK from 1996 to date based on the readings of 40 weather stations. The first half of 2010 recorded the lowest wind levels in the UK in the last 15 years. Consequently, these exceptional wind conditions in the UK led to a fall in revenue compared to the same period last year. The wind farms in France, Spain and Italy performed well in the same period, partially offsetting the results of the UK wind farms and confirming that the geographical diversification defined in the approved business plan plays a strategic role in limiting climatic risks linked to operating in only one territory.
- Bioenergy segment: revenue amounted to Euro 3,904 thousand in the first half of 2009; no revenue was recorded in the current period as this business has now been discontinued.

Revenue by segment may be analysed as follows:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Falck SpA	654	964	(310)
Renewable energy - biomass and WTE	43,266	48,297	(5,031)
Renewable energy - wind energy	42,930	45,381	(2,451)
Bionergy		3,904	(3,904)
Other activities	781	836	(55)
	87,631	99,382	(11,751)
Elimination of intercompany revenue	(1,299)	(1,525)	226
<b>Total</b>	<b>86,332</b>	<b>97,857</b>	<b>(11,525)</b>

#### 4. Interim directors' report

##### 4.1.6 Change in the consolidated net financial position

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Short-term third party financial liabilities	(123,467)	(135,184)	11,717
Short-term group financial liabilities			
Short-term third party financial receivables	48,519	26,799	21,720
Short-term group financial receivables		1,721	(1,721)
Other securities	35	35	
Cash and cash equivalents	72,862	64,711	8,151
<b>Short-term net financial position</b>	<b>(2,051)</b>	<b>(41,918)</b>	<b>39,867</b>
Medium/long-term third party financial liabilities	(742,655)	(585,806)	(156,849)
Medium/long-term group financial liabilities			
Medium/long-term third party financial receivables	64	415	(351)
Medium/long-term group financial receivables	734	824	(90)
Other securities			
<b>Medium/long-term net financial position</b>	<b>(741,857)</b>	<b>(584,567)</b>	<b>(157,290)</b>
<b>Total net financial position</b>	<b>(743,908)</b>	<b>(626,485)</b>	<b>(117,423)</b>
<b>- of which non-recourse financing</b>	<b>(523,408)</b>	<b>(418,559)</b>	<b>(104,849)</b>

The net financial position, a net indebtedness, has increased by Euro 117,423 thousand compared to the balance at 31 December 2009. This is due in particular to capital expenditure on the new plants in the wind energy segment (Euro 42,870 thousand) and in the biomass and waste to energy segment (Euro 17,251 thousand), which required significant cash resources. This was further added to by the acquisition of the two companies in the Esposito group (Euro 13,500 thousand), the increase in financial liabilities due to financial instruments measured at fair value (Euro 20,822 thousand), the settlement of the arbitration with Edison (Euro 7,100 thousand) and third party dividends paid by Actelios and Prima to third parties (Euro 2,300 thousand). The net financial position comprises non-recourse financing that increased by Euro 104,849 thousand compared to the balance at 31 December 2009.

##### 4.1.7 Employees

The total number of group employees at 30 June 2010 was 284, representing a decrease of 214 on the total at 31 December 2009 that is largely due to the termination of the bioenergy business.

An analysis by category is as follows:

	(Number)		
	30.6.2010	31.12.2009	Change
Managers	35	37	(2)
White-collar staff	157	196	(39)
Blue-collar staff	92	265	(173)
<b>Total employees</b>	<b>284</b>	<b>498</b>	<b>(214)</b>

#### 4. Interim directors' report

The table below illustrates the change in the breakdown of employees across the business segments.

	(Number)	
	30.6.2010	30.6.2009
Falck SpA	36	33
Renwable energy - biomass and WTE	172	145
Wind energy	57	54
Bioenergy		258
Other activities	19	8
<b>Total consolidated companies</b>	<b>284</b>	<b>498</b>

The increase in the renewable energy segment – biomass and WTE is due to the consolidation of the recently acquired companies, Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, which employ 21 and 8 workers respectively.

#### 4.1.8 Performance of business segments

##### ❖ Renewable energy segment – biomass and waste to energy

The principal financial information for this segment may be summarised as follows:

	(Euro thousands)			
	30.6.2010	30.6.2009	Change	31.12.2009
Revenue	43,266	48,295	(5,029)	94,924
Cost of sales	(24,395)	(29,262)	4,867	(62,097)
<b>Gross profit</b>	<b>18,871</b>	<b>19,033</b>	<b>(162)</b>	<b>32,827</b>
<b>Operating profit</b>	<b>12,199</b>	<b>13,341</b>	<b>(1,142)</b>	<b>18,446</b>
<b>Adjusted EBIT</b>	<b>17,142</b>	<b>18,420</b>	<b>(1,278)</b>	<b>34,546</b>
<b>Profit for the period</b>	<b>6,577</b>	<b>6,561</b>	<b>16</b>	<b>5,334</b>
<b>Profit for the period attributable to equity holders</b>	<b>5,501</b>	<b>5,781</b>	<b>(280)</b>	<b>3,775</b>
Invested capital net of provisions	280,326	267,926	12,400	260,251
Total equity	349,620	350,631	(1,011)	349,639
<b>Net financial position (asset)/indebtedness</b>	<b>(69,294)</b>	<b>(82,705)</b>	<b>13,411</b>	<b>(89,388)</b>
of which non-recourse financing	56,811	72,620	(15,809)	65,371
<b>Capital expenditure</b>	<b>17,251</b>	<b>4,372</b>	<b>12,879</b>	<b>12,325</b>
Employees at end of period	(no.) 172	143	29	145

Falck operates in the renewable energy from biomass and WTE segment through the segment holding company Actelios SpA and its subsidiaries and a direct holding of 24.728% in Palermo Energia Ambiente ScpA.

Revenue decreased by Euro 5,029 thousand compared to the first half of 2009. The results for the first six months of 2010 reflect the decreased revenue of the Rende biomass plant, which operated at reduced capacity in the first 4 months of the year and was closed in April to undergo full renovation that will allow it to benefit from the green certificates programme for a further 15 years. The strong performance of the WTE plants in Trezzo sull'Adda and Granarolo dell'Emilia partially offset the fall in revenue of the Rende plant.

#### 4. Interim directors' report

Revenue for the half-year compared to the same period in 2009 may be analysed by category as follows:

	(Euro thousands)			
	30.6.2010	%	30.6.2009	%
Sale of electrical energy	26,240	61	30,817	64
Sale of agricultural produce	452	1	21	0
Waste treatment and disposal	13,602	31	13,033	27
Operation of waste to energy plants	2,044	5	1,797	4
Other services	928	2	2,627	5
<b>Total</b>	<b>43,266</b>	<b>100</b>	<b>48,295</b>	<b>100</b>

The fall in revenue, which was partially offset by a reduction in costs, affected gross profit that recorded a slight decrease (Euro 162,000) compared to the first half of 2009 and represents 43.6% of revenue (2009 - 39.4%).

Operating profit fell by Euro 1,142 thousand compared to 2009 and amounts to 28.2% of revenue (2009 – 27.6%).

Profit for the period amounted to Euro 6,577 thousand corresponding to an increase of Euro 16 thousand compared to the first half of 2009 that is principally due to a lower income tax charge and a fall in net finance costs.

The net financial position, a net asset of Euro 69,294 thousand, shows a decrease of Euro 20,094 thousand compared to the balance at 31 December 2009, which is essentially due to the acquisition of Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl for Euro 13,500 thousand, capital expenditure during the period and dividends distributed by Actelios SpA (Euro 5,753 thousand). The net financial position comprises non-recourse loans that amounted to Euro 56,811 thousand at 30 June 2010.

Capital expenditure during the period amounted to Euro 17,251 thousand and relates to the group's investment in the projects relating to the full renovation of the biomass plant in Rende (Euro 7,052 thousand), construction of the Spinasantà (Euro 3,087 thousand), Cardonita (Euro 1,791 thousand) and Sugherotorto (Euro 1,449 thousand) photovoltaic plants and the acquisition of the Notarpanaro photovoltaic plant (Euro 3,549 thousand).

#### Outlook for 2010

A fall in business is expected this year resulting in a decrease in profitability, which is largely attributable to the closure from May to December 2010 of the biomass plant in Rende in order to install the new turbine and boiler that will allow the company to benefit from the incentives under the Green Certificates scheme for the next 15 years. The second half-year results are expected to benefit from the consolidation of the two companies acquired in June, Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl.

The 2010 result will also be affected by new project development and start-up costs for the photovoltaic plants.

The situation regarding the Sicily projects is detailed in a separate paragraph above.

#### 4. Interim directors' report

##### ❖ Renewable energy segment – wind energy

The principal financial information for this segment may be summarised as follows:

	(Euro thousands)			
	30.6.2010	30.6.2009	Change	31.12.2009
Revenue	42,930	45,381	(2,451)	90,322
Cost of sales	(23,369)	(16,856)	(6,513)	(38,828)
<b>Gross profit</b>	<b>19,561</b>	<b>28,525</b>	<b>(8,964)</b>	<b>51,494</b>
<b>Operating profit</b>	<b>15,173</b>	<b>20,138</b>	<b>(4,965)</b>	<b>37,495</b>
<b>Adjusted EBIT</b>	<b>28,650</b>	<b>30,285</b>	<b>(1,635)</b>	<b>60,111</b>
<b>Profit for the period</b>	<b>2,747</b>	<b>6,093</b>	<b>(3,346)</b>	<b>16,825</b>
<b>Profit for the period attributable to equity holders</b>	<b>2,811</b>	<b>6,065</b>	<b>(3,254)</b>	<b>16,824</b>
Invested capital net of provisions	718,486	607,573	110,913	641,437
Total equity	17,507	16,896	611	26,558
<b>Net financial position (asset)/indebtedness</b>	<b>700,979</b>	<b>590,677</b>	<b>110,302</b>	<b>614,879</b>
of which non-recourse financing	466,597	329,119	137,478	353,188
<b>Capital expenditure</b>	<b>42,870</b>	<b>68,545</b>	<b>(25,675)</b>	<b>156,474</b>
Employees at end of period	(no.)	57	52	5
			5	54

Falck operates in the renewable energy - wind energy segment through Falck Renewables Plc and its subsidiaries. The segment focuses on the construction and operation of plants that generate electricity using wind energy.

As noted above, wind levels were extremely low in the UK in the first six months of 2010 which is considered to be exceptional as analysed in the above-mentioned report published by GL Garrad/Hassan.

Given the above, revenue amounted to Euro 42,930 thousand, representing a fall on the same period last year (Euro 45,381 thousand). The wind farms in France, Spain and Italy performed well during the period, which partially offset the results of the UK wind farms.

Despite a 16% increase in installed capacity over the period, direct and indirect segment costs (excluding depreciation/amortisation) remained in line with those of the same period in 2009 thanks to cost containment initiatives.

Operating profit amounted to Euro 15,173 thousand (Euro 20,138 thousand for the six months to 30 June 2009) and was affected on one hand by the fall in revenue and on the other by an increase depreciation due to the Les Cretes, Fouy, Esquennois and San Sostene wind farms commencing operations.

The profit for the period to 30 June 2010 totalled Euro 2,747 thousand (Euro 6,093 thousand in the first half of 2009).

The net financial position, which was affected by the significant capital expenditure incurred, increased by Euro 86,100 thousand compared to the net indebtedness at 31 December 2009. Project financing, which totalled Euro 466,597 thousand, increased by Euro 113,409 thousand compared 31 December 2009, largely due to the new project financing on Eolica Sud.

##### Outlook for 2010

Considering the climatic situation of the first half-year, Garrad/Hassan, in the above-mentioned report commissioned by us, consider it highly unlikely that the low wind levels recorded in the first six months will persist in the second half of 2010.

In terms on installed capacity, the north crest of the San Sostene (37.5 MW) and the expansion of the Ben Aketil (4.6 MW) and Millennium (15 MW) wind farms will be completed in the final part of the year. This will result in a total installed capacity of 465 MW by 31 December 2010.



## 4. Interim directors' report

### ❖ Other activities segment

The key financial information of the other activities segment may be summarised as follows:

	(Euro thousands)			
	30.6.2010	30.6.2009	Change	31.12.2009
Revenue	781	836	(55)	1,693
Cost of sales	(2,272)	(843)	(1,429)	(3,403)
<b>Gross profit</b>	<b>(1,491)</b>	<b>(7)</b>	<b>(1,484)</b>	<b>(1,710)</b>
<b>Operating loss</b>	<b>(3,498)</b>	<b>(768)</b>	<b>(2,730)</b>	<b>(55,583)</b>
<b>Profit for the period</b>	<b>894</b>	<b>(1,142)</b>	<b>2,036</b>	<b>(59,549)</b>
<b>Profit for the period attributable to equity holders</b>	<b>894</b>	<b>(1,142)</b>	<b>2,036</b>	<b>(59,549)</b>
Invested capital net of provisions	98,015	106,126	(8,111)	67,548
Total equity	31,304	103,990	(72,686)	60,564
<b>Net financial position (asset)</b>	<b>66,711</b>	<b>2,136</b>	<b>64,575</b>	<b>6,984</b>
of which project financing	0	0	0	0
<b>Capital expenditure</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>4</b>
Employees	(no.)	19	11	8

This segment principally comprises the following activities:

- Management of international investments, support for the study of new projects overseas and raising finance on the international markets through the companies Falck Energy Sa, Falck Financial Services Sa, Sustainable Energy Solutions Ltd and Falck Energy Iran Sa;
- Factoring activities both for group companies and a limited number of third parties through Riesfactoring SpA;
- Activities linked to the provision of a number of services through Sesto Siderservizi Srl
- The investment in Italian Lao Group Ltd.

The net profit for the period amounted to Euro 894 thousand representing an increase compared to the first half of 2009. This is largely due to the result of Riesfactoring SpA (Euro 600 thousand) and Falck Energy SpA (Euro 828 thousand), dividends from Unicredito SpA (Euro 523 thousand) that were paid at the beginning of July and the gain on sale of Dhampur Sugar Distillery Ltd (Euro 474 thousand).

### Outlook for 2010

The results for the second half of the year are expected to be down on those of the first half as the dividends and gain on sale will not be repeated.

#### 4.1.9 Group research and development activities

Work continued to identify new technology in the production of electrical energy from renewable sources. Actelios SpA represented one of "Italy of Innovators" at the Shanghai World Expo 2010 with its "E.A.R.T.H. - Ecological Activity for Refuse Treatment at High-altitude" project that was highly commended by the Technical Committee, appointed by the Minister Renato Brunetta and the government's Commissioner General for the Shanghai Expo, Beniamino Quintieri, out of the 454 innovations exhibited.

EARTH is prototype equipment for the thermal treatment of waste produced by mountain and trekking expeditions, local communities and high-altitude mountain parks, which is able to operate in extreme environmental conditions, with rarefied oxygen and no electricity. The project was developed by Actelios and the Ev-K2-CNR (National Research Council) Committee, the reference organisation for scientific and technological research activities in mountainous regions.

## 4. Interim directors' report

### 4.1.10 Risk factors and uncertainties

#### a) Financial

##### 1. Credit risk

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk connected to the negotiation of other financial operations. The credit risk exposure of the Falck group is very limited. Commercial customers are not significant in value at present. Customer concentration is fairly high but the exposure is mitigated by the nature of these customers that largely consist of the Italian Electricity System operator (GSE), or similar entities, public authorities or customers who are also group suppliers. Financial receivables are significant in value but largely consist of cash and cash equivalents that are held with primary banks and financial institutions. The same applies to credit risk attributable to the counterparties with which the derivative financial instruments are negotiated.

##### 2. Liquidity risk

A significant portion of financial liabilities is due within twelve months (Euro 246,553 thousand) and mainly consists of bank borrowings (including the short-term portion of project financing loans) and trade payables. It should be noted that the Falck group in addition to undrawn credit lines, has significant liquidity reserves that amount to Euro 72,862 thousand. The remaining balance of financial liabilities has longer maturity dates and principally relates to project financing. The Falck group has a centralised group treasury department that does not use a cash pooling system but carries out netting of opposing balances through the use of specific intercompany accounts. Finally, the Falck group prepares an update of the cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by an evaluation and brief commentary.

##### 3. Market risk

The Falck group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, it does follow well-established procedures aimed at monitoring risk and that avoid undertaking transactions of a speculative nature. The type and suitability of hedging instruments is evaluated for each specific case in consideration of the amount of exposure and current financial market conditions.

The Falck group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging variable rate loans. Although these operations are entered into to hedge interest rates, hedge accounting is not yet applied to these derivative financial instruments. Consequently, changes in fair value of the derivatives follow the general rule applied to trading derivatives and are charged directly to the income statement with a direct effect on the profit for the year.

#### b) Legal

The principal legal risks arising from current litigation are as follows.

##### . Falck SpA

During the half-year, an agreement was reached in relation to the arbitration proceedings between Falck SpA and Edison SpA and the related disputes (Sesto Siderservizi /Edison and Falck /Edison /Termica Lucchese), as already detailed in the note on Review of business for the first half of 2010.

#### 4. Interim directors' report

With regard to the arbitration proceedings between Falck SpA and Sviluppo Nord Milano Srl (Pasini group), on 19 November 2007 the Arbitration Board issued the arbitration award granting Falck the sum of Euro 1,290,577.00 plus VAT and legal interest from the date of the arbitration agreement up to the settlement date.

The award has not yet been executed. Final negotiations are taking place in order to collect the amount due.

Falck SpA's legal action continued against the Belleli group, which is aimed at establishing the responsibilities of the directors and previous directors of the companies in Calabria and to contest the accuracy of the financial statements of Crossenergy Srl for 2003 to 2006. Moreover, actions were recently taken in relation to the sale of the majority shareholding in Crossenergy Srl, with regard to which the precautionary motions were rejected and consequently the actions on merit will commence.

Finally, criminal proceedings continued in respect of which Falck SpA has presented precautionary motions and sought various seizure orders including those of an accounting nature.

In 2009 Geo Gesellschaft fur Energie und Oekologie filed a request to commence arbitration proceedings against Falck SpA following a dispute regarding the final amount owed by Falck Renewables Plc under the terms of the sales contract dated 20 May 2005 in respect of the sale of the shares in Geopower Sardegna Srl. This subject of this claim is the foreclosure of a corporate guarantee of Euro 3,621 thousand issued by Falck SpA on 8 April 2009. The petitions were filed and the parties are waiting for a date to be set for the hearing.

In the course of 2009 Falck SpA received notification of a writ of summons issued by Aeroporti di Roma SpA (AdR) requesting Falck SpA be ordered to settle an amount owed to the Customs Office in relation to VAT and other taxes not paid by AdR for the years prior to Falck SpA becoming a shareholder of AdR. In the pre-trial stages Falck has always rejected AdR's attempt to obtain compensation based on the ineffectiveness of the obligation issued by Falck following the new guarantee issued on 12 December 2002, as in the meantime it had sold its interest in AdR and on the assumption that AdR had not communicated to the guarantors the determinant event that gave rise to a tax liability covered by guarantee. A hearing took place on 18 May 2010 in which the judge postponed the hearing until 24 January 2011, allowing the parties the time limits prescribed by law to submit statements and objections.

- **Ecosesto SpA**

With regard to the litigation in progress with Syntea SpA, the current status of the legal proceedings does not give cause to believe that the outcome will be dissimilar to that foreseen at the previous year end. Consequently, the existing provision (Euro 300 thousand) represents a prudent estimate of the possible outcome of this litigation.

With regard to the litigation with Edison SpA, as the arbitration proceedings were settled with the parent company Falck SpA, Ecosesto SpA is no longer liable for any further costs.

- **Elettroambiente SpA**

Enel Produzione commenced arbitration proceedings in 2008 against Elettroambiente SpA in order to ascertain the legitimate exercise by Enel Produzione of the right to sell its holdings in Tifeo and Platani, at the same time claiming that Elettroambiente had breached its obligation to acquire these shares. Subsequent to acceptance of these claims, Enel Produzione requested that Elettroambiente pay damages of Euro 3,551 thousand.

Elettroambiente in turn responded to the claim by Enel Produzione, notifying the appointment of an arbitrator through whom it requested that the opponent's claims be rejected. At the same time it submitted a counterclaim requesting that Enel Produzione be obliged to transfer the industrial area in Augusta that was identified as the location for construction of one of the WTE plants of the project, following drainage work on the area that should be carried out at the expense of Enel Produzione.

#### 4. Interim directors' report

Elettroambiente did not exercise the right to acquire the business of Enel Produzione relating to the thermoelectric plant that also comprises the land to be transferred to Tifeo Energia Ambiente for the construction of the WTE plant. Arbitration proceedings are underway to define the financial terms of the land transfer to Tifeo Energia Ambiente.

On 31 May 2010 Elettroambiente modified the claims brought forward in the arbitration proceedings following the latest actions taken by the Regional Administration relating to the Sicily projects and the fact that the construction of the WTE plants under the Conventions entered into by Tifeo and Platani in 2003 would no longer proceed. Given the above fact, it is no longer in the interests of Elettroambiente to obtain a ruling ordering Enel Produzione to carry out the drainage work on the August site at its own expense, transfer and make available the above-mentioned site in Augusta to Elettroambiente and compensate it for the damages suffered and that will be suffered by Elettroambiente due to breach of the above obligations; the above legal actions were waived by Elettroambiente in its fifth defence brief.

In light of the arbitration hearing that is due to take place on 30 September 2010 – in respect of which the Board of Arbitration has invited the parties to “evaluate the possibility of reaching a mutual agreement to the arbitration proceedings in a last attempt at settlement” – it is noted that all possible settlement opportunities will be considered given the fact that the Sicily projects will no longer go ahead and the repercussions that this will have on the value of Enel Produzione's investments in Tifeo and Platani.

#### **c) Internal and external risks**

The Falck group is largely exposed to risks relating to the authorisation protocol involved with the development of its projects and the authorisations held that are necessary to continue production activities.

In order to minimise these risks the group is diversifying both the types of investment and the location of the operating plants in order to distribute the risks across different businesses.

With regard to the operating plants, the risks principally relate to the activities performed by the workforce and the operation and maintenance work carried out on the owned plants or those managed by group companies, in order to ensure that they respect the requirements of the Integrated Environmental Authorisation (AIA) and authorisations issued under the law.

Moreover, the renewable energy market in which the group operates is heavily regulated. As a consequence particular care must be paid in order to keep abreast of regulatory developments so that, where possible, the best implementation solutions may be adopted.

#### **4.1.11 Significant events after the balance sheet date**

##### **❖ Renewable energy segment – biomass and WTE**

As part of the current reorganisation of the photovoltaic segment, Actelios SpA acquired 100% of the share capital of Solar Rende Srl and Solar Mesagne Srl from Ecosesto SpA and Actelios Solar SpA respectively on 7 July 2010.

#### 4. Interim directors' report

Again in July, Actelios Solar SpA sold the Kalahori project, involving the development of a photovoltaic plant in Greece, to Actelios SpA at book value. It also sold at book value the projects relating to the wind farms in Sicily, more precisely in the areas of Naso, Sant'Agata and San Salvatore, in respect of which authorisation had not yet been received, to Solar Rende Srl, subsequently renamed Actelios Etnea Srl.

These transactions will not change the scope of consolidation as they relate to a reorganisation within the Actelios group.

In the hearings that took place on 15 July 2010 in relation to the Sicily projects, the modification of the petition for an order to comply brought by the companies in the summons previously filed into a petition for termination of the Agreement entered into on 28 April 2009 due to the actions and default of ARRA was acknowledged, specifying also that subsequent to this modification that the joinder of all parties to the Agreement would be necessary. On this basis, the plaintiffs asked the judge to postpone the hearing and set a limit for the joinder of all parties, requesting, in any event, admission of the claims and preliminary motions brought forward.

The public prosecutor objected to this request and asked for the intervention of a technical consultant in order to assess the damages sustained by the Department. The judge reserved pronouncement of his decision on the petitions filed by the parties and postponed discussion to the next hearing, which has been set for 24 February 2011.

On 29 July 2010, Actelios Solar SpA signed a project financing contract with a pool of financial institutions comprising Meliorbanca SpA – Gruppo Banca Popolare dell'Emilia Romagna–, acting as agent bank, Banca Popolare dell'Etruria e del Lazio S.C., Banca Agrileasing SpA and Cassa di Risparmio di Bolzano SpA. The loan of Euro 47 million has been secured in relation to the construction of the photovoltaic plants in Cardonita (Enna), Spinasantà (Catania), and Sugherotorto (Ragusa), representing a total installed capacity of 13.1 MW.

Following acceptance of the purchase offer made on 23 June 2010, the entire shareholding in Powercrop SpA was sold to Seci Energia SpA on 30 July 2010 for Euro 1,965 thousand, equal to Actelios's share of Powercrop's equity at 31 March 2010.

On 3 August 2010, the shareholders of Tifeo Energia Ambiente and Platani Energia Ambiente approved the decision to put the companies into voluntary liquidation.

#### ❖ **Renewable energy segment – wind energy**

Further to the Consolidation Project to integrate the wind energy business of the Falck group into Actelios as described above, on 30 August 2010 a project financing contract for Euro 230 million was signed with a pool of seven banks led by Unicredit in order to finance the Buddusò Alà dei Sardi wind farm owned by Geopower Sardegna Srl. The contracts relating to the Security Package required under the terms of the financing contract were signed on 28 September 2010.

#### 4. Interim directors' report

##### ❖ Consolidation Project – Renewable energy segment – biomass and WTE and wind energy

Further to the meeting of 28 May 2010, and as described in the paragraph “Review of business in the first half of 2010”, on 26 July 2010 the boards of directors of Falck Energy SpA (the “Spin-off” or “Falck Energy”) and Actelios SpA (“Actelios” or the “Beneficiary”) approved the corporate documentation underlying the Consolidation Project to integrate the wind energy business of the Falck group into Actelios and called the respective shareholders' meeting to be held on 27 August 2010 in first call and 28 August 2010 in second call.

The boards of directors of Actelios and Falck Energy resolved to submit to the shareholders:

- (i) The project for the pro-rata partial demerger of Falck Energy into Actelios based on the respective equity values at 31 March 2010;
- (ii) A proposal to increase the share capital of Actelios to be paid through the contribution in kind of the minority shareholding in Falck Renewables;
- (iii) A proposal to vest the board of directors of Actelios, pursuant to article 2443 of the Italian Civil Code, with the authority to increase the share capital up to a maximum of Euro 130 million, including any share premium, by way of a rights issue offered to Actelios's shareholders, to be carried out after finalization of the de-merger and contribution in kind; and
- (iv) A proposal to amend Actelios's articles of association to include the change in company name to “Falck Renewables SpA” and amendment of the rules regarding the holding of board meetings by telephone and/or video-conference.

The boards of directors of Actelios and Falck Energy confirmed the matters determined on 28 May 2010, and as such the equity value of Actelios and Falck Renewables, measured applying methods that reflect best international practice, amount to Euro 340 million and Euro 518 million respectively. The unlevered discounted cash flow method was used to estimate these values and was consistently applied to both companies for comparison purposes.

(i) The de-merger project approved by the boards of directors of Actelios and Falck Energy provides for the contribution of the following assets and liabilities to Actelios (the “Demerger elements”):

- Equity interests: an approximately 81.17% interest in the share capital of Falck Renewables.
- Liabilities: Falck Energy's Euro 44,135,102.64 million debt to Falck in connection with its equity investment in Falck Renewables.

The de-merger project foresees the issue of 74,835,407 new Actelios shares to Falck.

For the purpose of determining the shares to be issued for the de-merger, the boards of directors of Falck, sole shareholder of Falck Energy, and Actelios, were advised by Mediobanca and UniCredit Group respectively, which issued their fairness opinions to the boards on 27 and 28 May 2010.

On 21 June 2010, the Court of Milan appointed the auditors Mazars SpA to act as experts, pursuant to article 2501 *sexies* of the Italian Civil Code. The fairness opinion issued on 27 July 2010 confirmed the share exchange ratio established for the purposes of the de-merger.

Following the request and nomination put forward by Actelios's independent directors, the company appointed Alessandro Solidoro, recently appointed President of the Association of Chartered Accountants of Milan, to provide a further expert opinion on the share exchange ratio of the de-merger and the value of the equity investments involved in the contribution in kind. Mr. Solidoro issued his fairness opinion on both the share exchange value and the value attributed to Falck Renewables on 23 July 2010.

#### 4. Interim directors' report

(ii) The board of directors of Actelios resolved to invite the shareholders to approve the share capital increase reserved to the minority shareholders of Falck Renewables to be settled through **contribution in kind** of shares in Falck Renewables corresponding to up to a maximum of 18.83% of share capital against issue of up to a maximum of 19,392,800 new Actelios shares corresponding to a maximum total value, including share premium, of Euro 97,545,784.

The expert report of Mazars was published on 27 July 2010.

(iii) The board of directors of Actelios resolved to invite the shareholders to vest the board of directors, pursuant to article 2443 of the Italian Civil Code, with the authority to increase the share capital up to a maximum of Euro 130 million, inclusive of any share premium, through a rights issue offered to Actelios's shareholders. The rights issue is to be carried out following completion of the de-merger and the capital increase through contribution in kind.

The rights issue is aimed at strengthening Actelios's capital structure guaranteeing, also through long-term borrowings that are currently under negotiation, the financial flexibility required to support the level of development envisaged by the new group's consolidated business plan in relation to renewable energy with particular focus on the wind energy, waste to energy, photovoltaic and biomass sectors.

The issue price of the shares pursuant to the rights issue will be determined by Actelios's board of directors prior to the launch of the transaction, based on Actelios's share price performance, general market conditions, the economic and financial situation of Actelios and the group, as well as the market practice for transactions of a similar nature.

Falck SpA expressed its intention to subscribe to the rights issue that will enable it to maintain a stake of at least 60% in Actelios following the de-merger and capital increase through contribution in kind, assuming that the rights issue is fully taken up.

The rights issue for the remainder will be underwritten by Mediobanca and UniCredit Group, which will act as Joint Global Coordinators and Joint Bookrunners for the rights issue, and have already committed to underwrite – applying standard terms and conditions for this type of transaction – any unsubscribed shares following auction of the rights on the Italian Stock Exchange.

In light of the transactions envisaged by the Consolidation Project, as detailed in this report, no circumstances will arise whereby Actelios's shareholders may exercise the right of withdrawal.

The boards of directors of Actelios and Falck Energy resolved to call the respective shareholders' meetings to approve the Consolidation Project on 27 August 2010, in first call, and 28 August in second call.

The company published and issued a prospectus prepared in accordance with articles 70 paragraph 7 and 71-bis of the Listing Rules on 13 August 2010.

On Consob's request, the company published and issued a supplement to the prospectus on 23 August 2010.

The Consolidation Project to integrate the renewable energy business of the Falck group into Actelios SpA was approved by the shareholders of Actelios SpA and Falck Energy SpA in the respective meetings held on 27 August 2010.

In order to proceed with the Consolidation Project the shareholders of Actelios SpA and Falck Energy SpA approved the relevant parts of the following:

- The pro-rata partial demerger of Falck Energy SpA into Actelios SpA to take place, inter alia, by assigning 74,835,407 newly issued Actelios shares to Falck SpA, sole shareholder of the spin-off company;
- The proposal to increase share capital, excluding the rights issue, to be paid through the contribution in kind of shares in Falck Renewables Plc;

## 4. Interim directors' report

- The proposal to vest the board of directors of Actelios SpA with the authority to increase the share capital up to a maximum of Euro 130 million by way of a rights issue offered to Actelios SpA's shareholders.

Following completion of the transaction Actelios SpA will change its name to Falck Renewables SpA.

The corporate transactions relating to the de-merger and the contribution in kind are expected to be completed by the end of the year. Subsequent to this the rights issue will be offered to Actelios's shareholders, subject to receiving authorisation from the competent authorities (Consob and Borsa Italiana) and depending on market conditions.

### ❖ **Other activities segment**

The extraordinary shareholders' meeting of Falck Energy SpA that took place on 27 August 2010 approved the partial de-merger into of Actelios SpA, details of which are provided above.

#### **4.1.12 Future developments and going concern**

It is reasonable to assume that the performance achieved to date by the businesses in which the Group operates will continue and that an improvement will be recorded in the wind energy segment due to new wind farms becoming operational and the non-recurrence of the low wind speeds experienced in the UK in the first half of the year.

As dividends from third parties have already been recorded in the first half of the year, the parent company Falck SpA will not achieve the same result in the second half.



4. Interim directors' report

4.2 Operating and financial review of Falck SpA

4.2.1 Financial highlights

	(Euro thousands)		
	30.6.2010	30.6.2009	31.12.2009
<b>Total value of production</b>	<b>3,139</b>	<b>3,902</b>	<b>7,516</b>
Cost of production:			
- employee costs	(2,814)	(2,038)	(5,119)
- other costs	(4,392)	(7,760)	(9,091)
<b>Total cost of production</b>	<b>(7,206)</b>	<b>(9,798)</b>	<b>(14,210)</b>
<b>Difference between value and cost of production</b>	<b>(4,067)</b>	<b>(5,896)</b>	<b>(6,694)</b>
Financial income and charges:			
- income from equity investments	5,453	7,150	7,184
- other financial income	5,652	6,898	12,678
- interest and other financial charges	(4,357)	(3,852)	(8,192)
- exchange gains and losses	(890)	(1,946)	34
<b>Total financial income and charges</b>	<b>5,858</b>	<b>8,250</b>	<b>11,704</b>
<b>Profit from ordinary activities</b>	<b>1,791</b>	<b>2,354</b>	<b>5,010</b>
- Write-downs of financial assets - net of extraordinary items	1,297	2	(4,152)
- Income tax	7,619	874	306
<b>Profit for the period</b>	<b>10,707</b>	<b>3,230</b>	<b>1,164</b>
<i>Capital expenditure</i>	22	16	195
<i>Cash flow after financial charges and taxation</i>	(11,193)	4,554	(760)
<i>Net invested capital</i>	334,669	308,420	312,794
<i>Net financial position - asset/(indebtedness)</i>	(43,363)	(25,670)	(32,195)
<i>Employees (no.)</i>	36	33	33

4.2.2 Performance and review of business

The first six months of the year closed with a net profit of Euro 10,707 thousand (compared to a profit of Euro 3,230 thousand recorded in the first half of 2009).

The result for the period comprises income from equity investments amounting to Euro 5,453 thousand (2009 – Euro 7,150 thousand). These principally relate to Actelios SpA (Euro 3,953 thousand), Riesfactoring SpA (Euro 519 thousand), Banca Intesa San Paolo (Euro 512 thousand), Redaelli Sidas SpA (Euro 103 thousand), Redaelli Giuseppe & fratello SpA (Euro 169 thousand) and Compagnia Fiduciaria Nazionale SpA (Euro 80 thousand). Compared to the same period last year, the income statement shows a lower cost of production than 2009 (-Euro 2,592 thousand). Similarly the value of production decreased (-Euro 764 thousand) principally as a result of no revenue being recorded (2009 - Euro 570 thousand) and recharged expenses (-Euro 401 thousand).

The net financial position, a total indebtedness of Euro 43,363 thousand, worsened by Euro 11,168 thousand compared to the balance at 31 December 2009, which is largely due to the settlement of the arbitration proceedings with Edison that resulted in Falck SpA paying Euro 9,500 thousand.

## 4. Interim directors' report

### 4.2.3 Employees

At the end of the half-year the number of employees of Falck SpA was 36, representing an increase of 3 compared to the total at 31 December 2009. The total comprises:

	30.6.2010	31.12.2009	(Number) Change
Managers	11	11	0
White-collar staff	25	22	3
Blue-collar staff			0
<b>Total employees</b>	<b>36</b>	<b>33</b>	<b>3</b>

Employee costs in the first half of 2010 amounted to Euro 2,814 thousand, an increase of Euro 776 thousand compared to the total for the six months ended 30 June 2009 that also reflects the exit costs of a number of managers.

### 4.2.4 Capital expenditure

Capital expenditure on tangible fixed assets in the first half-year amounted to Euro 22 thousand.

### 4.2.5 Corporate governance

Legal representation of the company is vested in the chairman, deputy chairman and managing director in accordance with article 18 of the company's articles of association.

The chairman and managing director are vested with powers relating to ordinary and extraordinary management.

A number of company directors have been assigned, either by the chairman or managing director, joint signatory powers relating to the ordinary management activities relevant to the roles performed by them.

The board of directors is updated on a regular basis, immediately where necessary, regarding significant matters relating to the performance and the economic and financial position of the company and its subsidiaries.

The chairman, or the managing director of the parent company, holds the office of chairman or deputy chairman in the principal subsidiaries.

### 4.2.6 Related party transactions

Falck SpA carries out arm's length transactions of both a trade and financial nature with its subsidiaries and associates. These allow for group synergies to be achieved through use of common services and know-how and the application of common financial policies. In particular, these transactions relate to specific activities, details of which are included in the notes to the financial statements, and include:

- . treasury management
- . administrative services
- . management of common services
- . raising finance and issuing guarantees.

The company has also opted to use the consolidated tax regime and the group VAT return together with the Italian subsidiaries that hold the necessary requirements.

## 4. Interim directors' report

### 4.2.7 Holding of own shares

In accordance with article 2428, paragraph 2, point 3 of the Italian Civil Code, the company declares that at 30 June 2010, it held 6,907,653 own shares, of which 3,561 are saving shares, for a total nominal value of Euro 6,907,653, representing 9.49% of the entire share capital of the company. The book value of Euro 12,192,593.22 corresponds to an average share price of Euro 1.77. At 30 June 2010 none of its subsidiaries, either directly or through trust companies or intermediaries, held shares in Falck SpA.

### 4.2.8 Purchase or sale of own shares

In accordance with article 2428, paragraph 2, point 4 of the Italian Civil Code, the company declares that no shares were purchased or disposed of in the first half-year.

### 4.2.9 Significant events after the balance sheet date

On 6 August 2010 notice was given of a writ of summons in which a number of minority shareholders requested the declaratory judgement of nullity and/or cancellation of the shareholders' resolution of 12 May 2010 in which the financial statements of Falck SpA for the year ended 31 December 2009 were approved by majority. The company, which confirmed the full compliance of its financial statements with the law in all respects, as supported by the independent auditors' report, has taken all actions necessary to protect its interests.

On behalf of the board of directors  
The Chairman  
Federico Falck

Milan, 30 September 2010

5. Condensed consolidated interim financial statements  
at 30 June 2010

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5.1 Consolidated balance sheet

	Note	30.6.2010	31.12.2009
(Euro thousands)			
<b>Assets</b>			
<b>A Non-current assets</b>			
1	(1)	154,886	143,057
2	(2)	863,344	801,520
3	(3)	54,941	70,927
4	(4)	798	1,239
5	(7)	37,163	20,385
6	(6)	1,949	1,567
<b>Total</b>		<b>1,113,081</b>	<b>1,038,695</b>
<b>B Current assets</b>			
1	(8)	3,972	4,752
2	(5)	80,781	78,881
3	(6)	77,317	92,148
4	(4)	48,519	28,520
5	(9)	2,760	3,586
6	(10)	72,862	64,711
<b>Total</b>		<b>286,211</b>	<b>272,598</b>
<b>C Non-current assets held for sale</b>			
		<b>9,322</b>	<b>2,430</b>
<b>Total assets</b>		<b>1,408,614</b>	<b>1,313,723</b>
<b>Liabilities</b>			
<b>D Equity</b>			
1		72,793	72,793
2		369	12,733
3		119,828	161,817
4		11,030	(28,271)
<b>Capital and reserves attributable to equity holders</b>	(11)	<b>204,020</b>	<b>219,072</b>
5		109,383	109,638
<b>Total equity</b>	(11)	<b>313,403</b>	<b>328,710</b>
<b>E Non-current liabilities</b>			
1	(14)	742,655	585,806
2	(16)	13,067	11,567
3	(7)	11,422	8,692
4	(12)	36,234	72,357
5	(13)	3,597	3,144
<b>Total</b>		<b>806,975</b>	<b>681,566</b>
<b>F Current liabilities</b>			
1	(15)	123,086	133,979
2	(16)	34,479	34,284
3	(14)	123,467	135,184
4			
<b>Total</b>		<b>281,032</b>	<b>303,447</b>
<b>G Liabilities attributable to non-current assets held for sale</b>			
		<b>7,204</b>	
<b>Total liabilities</b>		<b>1,408,614</b>	<b>1,313,723</b>

5.2 Consolidated income statement

(Euro thousands)			
	Note	30.6.2010	30.6.2009
A Revenue	(17)	86,332	97,857
Direct labour costs	(18)	(4,357)	(4,782)
Direct costs	(19)	(45,188)	(48,867)
<b>B Cost of sales</b>		<b>(49,545)</b>	<b>(53,649)</b>
<b>C Gross profit</b>		<b>36,787</b>	<b>44,208</b>
Other income	(20)	3,296	1,757
Other employee costs	(18)	(8,661)	(7,706)
Administrative expenses	(21)	(10,578)	(16,245)
<b>D Operating profit</b>		<b>20,844</b>	<b>22,014</b>
Finance costs - net	(22)	(15,404)	(11,403)
Investment income	(23)	2,871	(5,145)
<b>E Profit before income tax</b>		<b>8,311</b>	<b>5,466</b>
Income tax expense	(24)	5,765	(8,967)
Net profit/(loss) on non-current assets held for sale			
<b>F Profit for the period</b>		<b>14,076</b>	<b>(3,501)</b>
G Profit attributable to minority interest		3,046	1,479
<b>H Profit attributable to group equity holders</b>		<b>11,030</b>	<b>(4,980)</b>

5.3 Statement of comprehensive income

		(Euro thousands)					
		30.6.2010			30.6.2009		
		Gross	Tax	Net	Gross	Tax	Net
<b>A</b>	<b>Profit for the period</b>	<b>8,311</b>	<b>5,765</b>	<b>14,076</b>	<b>5,466</b>	<b>8,967</b>	<b>(3,501)</b>
<b>Other elements recognised in equity:</b>							
(Gains)/losses reversed to income statement in respect of available-for-sale financial assets, previously recorded in net equity							
<b>B</b>	<b>(Gains)/losses reversed to income statement previously recognised in equity</b>						
	Foreign exchange differences on translation of overseas financial statements	404		404	(1,292)		(1,292)
	Fair value adjustment of available-for-sale financial assets	(12,364)		(12,364)	3,961		3,961
	Balance of actuarial gains/(losses) on employee benefits						
	Fair value adjustments of derivatives designated as cash flow hedges	(19,490)	5,501	(13,989)	3,296	(920)	2,376
	Portion of other elements recorded in net equity relating to associates and joint ventures	(253)		(253)			
<b>C</b>	<b>Gains/(losses) recognised directly in equity in the period</b>	<b>(31,703)</b>	<b>5,501</b>	<b>(26,202)</b>	<b>5,965</b>	<b>(920)</b>	<b>5,045</b>
<b>B+C</b>	<b>Total other elements recognised in equity</b>	<b>(31,703)</b>	<b>5,501</b>	<b>(26,202)</b>	<b>5,965</b>	<b>(920)</b>	<b>5,045</b>
<b>A+B+C</b>	<b>Total recognised gains/(losses)</b>			<b>(12,126)</b>			<b>1,544</b>
	Attributable to:						
	- Equity holders of the parent company			(14,490)			(183)
	- Minority interest			2,364			1,727

5.4 Consolidated cash flow statement

	Note	30.6.2010	(migliaia di euro) 30.6.2009
<b>Cash flows from operating activities</b>			
Loss/(profit) for the period		14,076	(3,501)
<i>Adjusted for:</i>			
Amortisation and impairment of intangible assets		305	1,013
Depreciation and impairment of property, plant and equipment		18,004	15,118
Impairment of intangible assets			
Impairment of property, plant and equipment			
Impairment/(revaluation) of equity investments		2,742	
Staff leaving indemnity provision		331	349
Fair value adjustment of investments and other securities			416
Finance income		(31,594)	(55,729)
Finance costs		46,998	67,132
Dividends received		(1,505)	(174)
Share of profit of investments carried at equity		(316)	(435)
Gain on sale of intangible assets			
Profit on disposal of property, plant and equipment			
Profit on sale of investments		(271)	
Other movements		(36)	
Income tax expense (income statement)		(5,765)	8,967
<b>Operating profit before changes in net working capital and provisions</b>		<b>42,969</b>	<b>33,156</b>
Change in inventories		336	(449)
Change in trade receivables		(1,401)	8,330
Change in trade payables		(6,152)	(46,504)
Change in other receivables/payables		11,805	(19,457)
Net change in provisions		(32,242)	5,202
Change in employee payables - staff leaving indemnity paid during year		(307)	(600)
<b>Cash generated from operating activities</b>		<b>15,008</b>	<b>(20,322)</b>
Interest paid		(46,041)	(79,747)
Tax paid		(1,283)	(76)
<b>Net cash used in operating activities (1)</b>		<b>(32,316)</b>	<b>(100,145)</b>
<b>Cash flows from investing activities</b>			
Dividends received		982	174
Proceeds from sale of property, plant and equipment		8	859
Proceeds from sale of intangible assets			1,642
Disposal of investment property			
Acquisition of intangible assets		(810)	(4,833)
Purchase of property, plant and equipment		(60,153)	(74,380)
Acquisition of investments		(14,095)	(17)
Sale of investments		1,775	
Sale of assets/liabilities held for sale			
Change in scope of consolidation		(127)	(877)
Interest received		31,594	69,237
<b>Net cash used in investing activities (2)</b>		<b>(40,826)</b>	<b>(8,195)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,549)	(4,126)
Proceeds from issue of ordinary share capital increase and capital contribution			
Proceeds from borrowings			12,269
Loans granted		(19,901)	(30)
New borrowings		168,392	132,743
Borrowing repayments		(70,193)	(84,947)
<b>Net cash from financing activities (3)</b>		<b>75,749</b>	<b>55,909</b>
Net cash generated from/(used in) non-current assets held for sale (4)		5,544	
<b>Net increase/(decrease) in cash and cash equivalents and bank overdrafts (1+2+3)</b>		<b>8,151</b>	<b>(52,431)</b>
Cash and cash equivalents and bank overdrafts at 1 January		64,711	109,495
Exchange differences on cash and cash equivalents			(960)
<b>Cash and cash equivalents and bank overdrafts at 30 June</b>	(10)	<b>72,862</b>	<b>56,104</b>



5.5 Consolidated statement of changes in equity

	(Euro thousands)						
	Share capital	Reserves	Fair value reserve	Profit for the period	Capital and reserves attributable to group equity holders	Minority interest in equity	Total equity
<b>At 31.12.2008</b>	<b>72,793</b>	<b>170,987</b>	<b>(4,765)</b>	<b>(7,570)</b>	<b>231,445</b>	<b>98,443</b>	<b>329,888</b>
Appropriation of 2008 result		(7,570)		7,570			
Dividends paid						(4,126)	<b>(4,126)</b>
Other movements		5,538	(656)		<b>4,882</b>	388	<b>5,270</b>
Profit for the half-year to 30 June 2009				(4,980)	<b>(4,980)</b>	1,479	<b>(3,501)</b>
<b>At 30.6.2009</b>	<b>72,793</b>	<b>168,955</b>	<b>(5,421)</b>	<b>(4,980)</b>	<b>231,347</b>	<b>96,184</b>	<b>327,531</b>
Other movements		(7,138)	18,154		<b>11,016</b>	7,232	<b>18,248</b>
Profit for the period to 31 December 2009				(23,291)	<b>(23,291)</b>	6,222	<b>(17,069)</b>
<b>At 31.12.2009</b>	<b>72,793</b>	<b>161,817</b>	<b>12,733</b>	<b>(28,271)</b>	<b>219,072</b>	<b>109,638</b>	<b>328,710</b>
Appropriation of 2009 result		(28,271)		28,271			
Dividends paid						(2,549)	<b>(2,549)</b>
Other movements		(13,718)	(12,364)		<b>(26,082)</b>	(752)	<b>(26,834)</b>
Profit for the half-year to 30 June 2010				11,030	<b>11,030</b>	3,046	<b>14,076</b>
<b>At 30.6.2010</b>	<b>72,793</b>	<b>119,828</b>	<b>369</b>	<b>11,030</b>	<b>204,020</b>	<b>109,383</b>	<b>313,403</b>

Total Other movements (Euro 26,834 thousand) comprises Euro 632 thousand relating to the purchase of further shares in the existing subsidiaries (Palermo Energia Ambiente, Abbiategrosso Bioenergia and Falck Renewables), and in respect of which the difference between the amount paid and the carrying value has been recorded as a negative reserve in total equity.

## 5.6 Notes to the condensed consolidated interim financial statements

### 5.6.1 Basis of preparation of the consolidated financial statements

The condensed consolidated interim financial statements for the period 1 January 2010 - 30 June 2010 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC).

The financial statements used for consolidation purposes are those presented by the boards of directors of the individual entities, reclassified and adjusted to bring them in line with International Financial Reporting Standards and group accounting policies.

In accordance with IAS 34 “Interim financial reporting” and in order to allow full comprehension of the interim financial statements at 30 June 2010 this report includes consolidated statements consistent with those presented at 31 December 2009 as follows:

- ***Consolidated balance sheet***

The consolidated balance sheet is presented in sections with separate disclosure of assets and liabilities and equity. Assets and liabilities are classified in the consolidated financial statements as either current or non-current.

- ***Consolidated income statement***

The consolidated income statement presents costs by function, using also the variable element of cost as a distinguishing factor.

For a better understanding of the normal results of ordinary operating, financial and tax management activities, the income statement presents the following intermediate consolidated results:

- gross profit;
- operating profit;
- profit before income tax;
- profit for the period;
- profit attributable to minority interest;
- profit attributable to equity holders of the company.

- ***Statement of comprehensive income***

The group has opted to present two separate statements, consequently this statement discloses profit for the period including income and expenses recognised directly in equity.

- ***Consolidated cash flow statement***

The consolidated cash flow statement presents an analysis by areas that generate cash flows as required by International Financial Reporting Standards.

- ***Consolidated statement of changes in equity***

The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenue, income, cost and expense not recorded in the income statement but charged directly to consolidated equity based on specific IAS/IFRS requirements.

The half-year financial report for the six months to 30 June 2010 should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009.

## 5.6 Notes to the condensed consolidated interim financial statements

### 5.6.2 Consolidated entities

At 30 June 2010 the Falck group consisted of 73 companies, of which 61 are consolidated on a line-by-line basis, 3 are consolidated applying the proportional method, 3 are valued using equity accounting and 6 are valued at cost.

Details of the companies included in the scope of consolidation are provided in the supplementary information (paragraph 6.1).

The consolidated financial statements include the financial statements of Falck SpA, the holding company, and all of the Italian and overseas companies in which it holds either directly or indirectly, majority voting rights, entities in which it has joint control with other shareholders and those entities over which it exercises a significant influence.

### 5.6.3 Changes in the scope of consolidation

The change in the scope of consolidation compared to 31 December 2009 relate to the following companies, which were acquired or newly incorporated and are consolidated applying the line-by-line method:

- Ecocentro Soluzioni Ambientali Srl                    100% owned by Actelios SpA
- Esposito Servizi Ecologici Srl                        100% owned by Actelios SpA
- Elektrownie Wiatrowe Leszno Spolka                50% owned by Falck Renewables Plc
- Elektrownie Wiatrowe Bonwind                      50% owned by Falck Renewables Plc

The note on the Purchase Price allocation in accordance with IFRS3 provides further details of the accounting impact on the consolidation following the acquisition by Actelios SpA of a 100% interest in the first two companies on 21 June 2010.

The following companies are no longer included in the companies consolidated at 31 December 2009 following their sale during the period:

- Bioland Sa    76% owned by Falck Energy SpA <sup>1</sup>
- Bioland Cherson Ltd                                        99.9% owned by Bioland Sa
- Bioland Frankivsk Ltd                                      99.9% owned by Bioland Sa
- Bioland Odessa Ltd                                         99.9% owned by Bioland Sa
- Bioland Vinnytza Ltd                                       99.9% owned by Bioland Sa
- Cecel Bioland Ltd    99.9% owned by Bioland Sa
- Chernighiv Agroenergy Ltd                              99.9% owned by Bioland Sa
- Vinnytza Agroenergy Ltd                                 99.9% owned by Bioland Sa
- Mellock Hill Wind Energy Ltd                           52% owned by Falck Renewables Plc
- Portclair Wind Energy Ltd                                52% owned by Falck Renewables Plc
- Falck Renewables India Pte Ltd                         99.99% owned by Falck Renewables Plc.

With regard to the associate Powercrop, which was consolidated under the proportional method until 31 March 2010, following Seci Energia SpA's acceptance of the offer to acquire the remaining 50% interest in Powercrop SpA on 23 June 2010 and the subsequent sale that took place on 30 July 2010, for the purpose of preparation of Falck's half-year financial report, this transaction falls within the scope of IFRS 5 as it is considered a disposal group in accordance with paragraph 6 and ensuing paragraphs of the IFRS.

Consequently, Powercrop's assets and liabilities, although only consolidated applying the proportional method at 30 June 2010, must be disclosed separately from other balance sheet assets and liabilities. Paragraph 40 of IFRS 5 does not require reclassification of previous balance sheets in line with the current balance sheet classification.

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<sup>1</sup> Falck Energy acquired a 16% interest in Bioland Sa in April 2010, increasing its shareholding from 60% to 76%.

## 5.6 Notes to the condensed consolidated interim financial statements

This separate disclosure was only made in respect of the balance sheet values as the Powercrop disposal does not fall within the scope of discontinued operations as defined in paragraph 32 of IFRS 5.

### 5.6.4 Principles of consolidation

The principles of consolidation and the accounting policies used in the preparation of the half-year financial report for the six months to 30 June 2010 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2009, which should be referred to for further detail, with the exception of the accounting policies that came into force from 1 January 2010 and are applicable to the group.

On 23 March 2010 the competent bodies of the European Union completed the harmonisation process required to endorse the amendments to the following accounting standards:

IFRS 2 “Share Based Payments”: this amendment, which was available for early adoption commencing 1 July 2009, foresees that the standard should not be applied to transactions whereby an entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 Business Combinations or, in a combination of entities or businesses under common control, or the contribution of a business on the formation of a joint venture as defined by IAS 31 Interests in Joint Ventures.

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: the amendment that should be applied prospectively from 1 January 2010, clarified that IFRS 5 and the other IFRS that specifically relate to non-current assets (or disposals groups) classified as held for sale or discontinued operations must provide all of the disclosures required for this type of asset or operation.

IFRS 8 “Operating Segments”: the amendment is applicable from 1 January 2010 and requires entities to report the total assets and liabilities for each reportable segment where such amounts are regularly provided to the chief operating decision maker. This information was required in the past even where this condition was not met.

IAS 1 “Presentation of Financial Statements”: from 1 January 2010 an entity is required to classify a liability as current when:

- (i) it expects to settle the liability in its normal operating cycle;
- (ii) it holds the liability primarily for the purpose of trading;
- (iii) the liability is due to be settled within twelve months after the reporting period;
- (iv) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities shall be classified as non-current.

IAS 7 “Statement of Cash Flows”: the amendment is applicable from 1 January 2010 and requires that only cash flows arising from expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities, otherwise cash flows relating to promotional expenditure or advertising costs or employee training must be classified as operating activities.

IAS 17 “Leasing”: the amendment requires that when valuing a lease contract involving land and buildings, the land element is considered a finance lease where the land has an indefinite economic life as in this case the significant risks and rewards associated with its use are transferred to the lessor for the contract duration. This amendment is applicable commencing 1 January 2010 and at the adoption date all land held under unexpired leases must be valued separately with retrospective recognition of any accounting impact.

IAS 36 “Impairment of Assets”: the amendment, which is applicable prospectively from 1 January 2010, requires that for the purpose of impairment testing each cash generating unit or group of cash generating units to which goodwill is allocated is not larger than an operating segment determined in accordance with paragraph 5 of IFRS 8 before aggregation allowed under paragraph 12 of this IFRS on the basis of similar economic characteristics or other like elements.

5.6 Notes to the condensed consolidated interim financial statements

IAS 38 “Intangible Assets”: the revision of IFRS 3 in 2008 established that sufficient information exists to identify the fair value of an intangible asset acquired under a business combination where the asset is separable or originated from contractual or legal rights. IAS 38 was amended to reflect the revision to IFRS 3. This amendment is applicable prospectively commencing 1 January 2010.

IAS 39 “Financial Instruments: Recognition and Measurement”: the amendment restricts the scope exemption set out in paragraph 2(g) of IAS 39 for any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date, where completion of the business combination does not depend on further actions by either party but only the lapse of a reasonable period of time. The amendment clarifies that those options (whether currently exercisable or not) that allow one of the two parties to obtain control over future events that results in the acquisition of control of an entity, fall within the scope of IAS 39.

This amendment is applicable prospectively from 1 January 2010.

The other accounting policies adopted in the preparation of the 2010 half-year financial report are consistent with those adopted at the previous year-end.

5.6.5 Purchase Price Allocation in accordance with IFRS 3

As described in the “Review of business for the first half of 2010”, Actelios SpA acquired the entire shareholdings in Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, companies operating in the treatment of urban and special non-hazardous waste, on 21 June 2010. The balance sheet values of the acquired companies and their combined equity, adjusted to reflect the provisions of IFRS 3, which were used in the preparation of the Falck group’s condensed consolidated interim financial statements, are presented in the table below.

	Carrying value at 31.5.2010			Recognised value al 31.5.2010
	Esposito Servizi Ecologici	Ecocentro Soluzioni Ambientali	Total 31.5.2010	
<b>Assets</b>				
Intangible assets	1,500	6,500	8,000	9,118
Property, plant and equipment	2,728	2,675	5,403	5,403
Total non-current assets	4,228	9,175	13,403	14,521
Current receivables	3	1	4	4
Cash and cash equivalents	4	5	9	9
Total current assets	7	6	13	13
<b>Total assets</b>	<b>4,235</b>	<b>9,181</b>	<b>13,416</b>	<b>14,534</b>
<b>Liabilities</b>				
Staff leaving indemnity	373		373	373
Deferred income tax liability				306
Total non-current liabilities	373		373	679
Trade payables	19	68	87	87
Other payables	150	118	268	268
Total current liabilities	169	186	355	355
<b>Total liabilities</b>	<b>542</b>	<b>186</b>	<b>728</b>	<b>1,034</b>

5.6 Notes to the condensed consolidated interim financial statements

5.6.6 Segment reporting

Set out below are details of the results of operations and financial position by business segment, representing the primary reporting segment, in accordance with IAS/IFRS. The segments identified represent the organisation and production structure that the Falck group has decided to adopt.

Comments on these segments have been provided in the directors' report, consequently only the financial information that better presents the performance of the group as a whole analysed by business segment is given below.

(Euro thousands)

	Biomass and WTE		Wind energy		Bioenergy		Other activities		Falck SpA		Elimination		Group	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009
<b>Operations</b>														
Revenue	43,266	48,295	42,930	45,381		3,904	781	836	654	964	(1,299)	(1,523)	86,332	97,857
Cost of sales	(24,395)	(29,262)	(23,369)	(16,856)		(7,484)	(2,272)	(843)	104		387	796	(49,545)	(53,649)
<b>Gross profit</b>	<b>18,871</b>	<b>19,033</b>	<b>19,561</b>	<b>28,525</b>		<b>(3,580)</b>	<b>(1,491)</b>	<b>(7)</b>	<b>758</b>	<b>964</b>	<b>(912)</b>	<b>(727)</b>	<b>36,787</b>	<b>44,208</b>
Other income	882	988	2,022	168			55	6	2,550	2,940	(2,213)	(2,357)	3,296	1,745
Administrative expenses	(7,554)	(6,680)	(6,410)	(8,567)		(1,173)	(2,062)	(767)	(6,080)	(9,797)	2,867	3,033	(19,239)	(23,951)
<b>Operating profit</b>	<b>12,199</b>	<b>13,341</b>	<b>15,173</b>	<b>20,138</b>		<b>(4,753)</b>	<b>(3,498)</b>	<b>(768)</b>	<b>(2,772)</b>	<b>(5,893)</b>	<b>(258)</b>	<b>(51)</b>	<b>20,844</b>	<b>22,014</b>
Finance income/(costs) net	(1,479)	(1,533)	(14,908)	(9,969)		(1,473)	154	171	306	1,002	523	387	(15,404)	(11,415)
Investment income/(costs) net	1		316	447		(4,510)	4,142	(416)	5,453	7,150	(7,041)	(7,804)	2,871	(5,133)
<b>Profit before income tax</b>	<b>10,721</b>	<b>11,808</b>	<b>581</b>	<b>10,616</b>		<b>(10,736)</b>	<b>798</b>	<b>(1,013)</b>	<b>2,987</b>	<b>2,259</b>	<b>(6,776)</b>	<b>(7,468)</b>	<b>8,311</b>	<b>5,466</b>
Income tax expense	(4,144)	(5,247)	2,166	(4,523)		31	96	(129)	7,647	901			5,765	(8,967)
<b>Profit for the period</b>	<b>6,577</b>	<b>6,561</b>	<b>2,747</b>	<b>6,093</b>		<b>(10,705)</b>	<b>894</b>	<b>(1,142)</b>	<b>10,634</b>	<b>3,160</b>	<b>(6,776)</b>	<b>(7,468)</b>	<b>14,076</b>	<b>(3,501)</b>
Profit attributable to minority interest	1,076	780	(64)	28							2,034	671	3,046	1,479
<b>Profit attributable to group equity holders</b>	<b>5,501</b>	<b>5,781</b>	<b>2,811</b>	<b>6,065</b>		<b>(10,705)</b>	<b>894</b>	<b>(1,142)</b>	<b>10,634</b>	<b>3,160</b>	<b>(8,810)</b>	<b>(8,139)</b>	<b>11,030</b>	<b>(4,980)</b>

(Euro thousands)

	Biomass and WTE		Wind energy		Bioenergy		Other activities		Falck SpA		Elimination		Group	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009
<b>Financial</b>														
Non-current assets	312,294	313,654	717,238	594,851		20,191	104,067	118,822	329,068	310,505	(349,586)	(367,600)	1,113,081	990,423
Current assets	189,378	223,264	129,518	106,911		11,516	299,531	389,742	356,466	364,057	(688,682)	(838,292)	286,211	257,198
Assets held for sale	9,322													9,322
<b>Total assets</b>	<b>510,994</b>	<b>536,918</b>	<b>846,756</b>	<b>701,762</b>		<b>31,707</b>	<b>403,598</b>	<b>508,564</b>	<b>685,534</b>	<b>674,562</b>	<b>(1,038,268)</b>	<b>(1,205,892)</b>	<b>1,408,614</b>	<b>1,247,621</b>
Equity attributable to group equity holders	343,451	345,775	17,375	16,651		(33,484)	31,304	103,990	264,558	257,929	(452,668)	(459,514)	204,020	231,347
Minority interest in equity	6,169	4,856	132	245							103,082	91,083	109,383	96,184
<b>Total equity</b>	<b>349,620</b>	<b>350,631</b>	<b>17,507</b>	<b>16,896</b>		<b>(33,484)</b>	<b>31,304</b>	<b>103,990</b>	<b>264,558</b>	<b>257,929</b>	<b>(349,586)</b>	<b>(368,431)</b>	<b>313,403</b>	<b>327,531</b>
Non-current liabilities	53,133	68,722	497,865	343,984		7,698	13,661	21,671	242,316	197,733		(774)	806,975	639,034
Current liabilities	100,907	117,565	331,384	340,882		57,493	358,633	382,903	178,660	218,900	(688,552)	(836,687)	281,032	281,056
Liabilities attributable to assets held for sale	7,334										(130)		7,204	
<b>Total liabilities</b>	<b>510,994</b>	<b>536,918</b>	<b>846,756</b>	<b>701,762</b>		<b>31,707</b>	<b>403,598</b>	<b>508,564</b>	<b>685,534</b>	<b>674,562</b>	<b>(1,038,268)</b>	<b>(1,205,892)</b>	<b>1,408,614</b>	<b>1,247,621</b>

5.6 Notes to the condensed consolidated interim financial statements

(Euro thousands)

	Biomass and WTE		Wind energy		Bioenergy		Other activities		Falck SpA		Elimination		Group	
	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009	30.6.2010	30.6.2009
Capital expenditure	18,033	5,540	42,898	72,200		1,441	10	5	22	26			60,963	79,212
Depreciation/amortisation	4,943	(5,081)	13,477	(9,734)		(1,070)	64	(13)	160	(156)	(335)	336	18,309	(16,054)
Impairment				(413)										(413)

5.6.7 Balance sheet contents and movements

Assets

A Non-current assets

1 Intangible assets

Movements during the period were as follows:

(Euro thousands)

	At 31.12.2009	Acqui- sitions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Other move- ments	Exchange differences	Amorti- sation	At 30.6.2010
1.1 Industrial patent rights	443		(72)			1		(73)	299
1.2 Concessions, licences, trademarks and similar	2,835	290	72	9,118	(2,226)	1		(229)	9,861
1.3 Goodwill	123,328						5,997		129,325
1.4 Other intangibles	12,505	27		(1)	(672)	2	1,078	(3)	12,936
1.5 Assets under construction and advances	3,946	493				(1,974)			2,465
<b>Total</b>	<b>143,057</b>	<b>810</b>		<b>9,117</b>	<b>(2,898)</b>	<b>(1,970)</b>	<b>7,075</b>	<b>(305)</b>	<b>154,886</b>

Acquisitions comprise the expenditure incurred on the construction of the photovoltaic plants of Sugherotorto, (Euro 66 thousand), Cardonita (Euro 190 thousand) and Spinasanta (Euro 236 thousand). The goodwill of Euro 290 thousand relating to the acquisition of the business of the Notarpanaro plant has been classified in Concessions.

The increase of Euro 9,118 thousand included in the Change in scope of consolidation, relates to the consolidation of Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, which were acquired in June 2010 as detailed in the note on the Purchase Price Allocation in accordance with IFRS 3.

Exchange differences consist of the differences arising on translation of the financial statements of Falck Renewables Plc, which are denominated in Pounds Sterling.

Since 1 January 2005, goodwill has no longer been amortised but is subjected to an annual impairment test.

## 5.6 Notes to the condensed consolidated interim financial statements

Disposals comprise the sale of Bioland Sa, whose subsidiaries in the Ukraine held land rights totalling Euro 2,226 thousand that were classified in Concessions. Other intangibles decreased by Euro 672 thousand to reflect the fall in the purchase price of the wind farm in Kernebet.

The goodwill resulting from business combinations has been allocated to separate cash generating units (CGU) in order to identify any impairment losses.

The cash generating units identified are:

- Actelios SpA
- Ben Aketil Wind Energy Ltd (wind farm in the UK)
- Boyndie Wind Energy Ltd (wind farm in the UK)
- Cambrian Wind Energy Ltd (wind farm in the UK)
- Earlsburn Wind Energy Ltd (wind farm in the UK)
- Eolica Cabezo San Roque Sa (wind farm in Spain)
- Eolica Petralia Srl (wind farm in Petralia)
- Eolica Sud Srl (wind farm in San Sostene)
- Eolo 3W Minervino Murge Srl (wind farm in Minervino Murge)
- Falck Renewables Plc
- Frullo Energia Ambiente Srl (WTE plant in Granarolo dell'Emilia)
- Geopower Sardegna Srl (wind farm in Buddusò e Alà dei Sardi)
- Kilbraur Wind Energy Ltd (wind farm in the UK)
- Millennium Wind Energy Ltd (wind farm in the UK)
- Prima Srl (WTE plant in Trezzo sull'Adda)
- Sicily projects (WTE plants in Bellolampo, Casteltermini and Augusta)
- SE Kernebet Sas (wind farm in France)
- SE Ty Ru Sas (wind farm in France).

An impairment test is performed on goodwill at least once a year for the preparation of the financial statements at 31 December.

With regard to the Sicily projects, an impairment test was carried out following ARRA's request to terminate the Agreement. The measurement of Goodwill attributable to the Sicily projects was carried out taking into account the opinion issued on 22 July 2010 of an independent legal expert who confirmed that in relation to the financial claims raised by the company in substance the situation had not changed as a result of the modification of the original petition for an order to comply made in respect of the Agreement dated 28 April 2009 into a petition for termination due to the actions and fault of ARRA and that this had no repercussions on the recoverable value of the amounts recognised in the financial statements. This was also confirmed by the impairment test performed in relation to the preparation of the half-year financial report. This impairment test was performed taking into consideration, principally the costs incurred and damages defined in the Agreement dated 28 April 2009 and estimating a settlement date in 2015. A discount rate linked to the identified return of the *interest rate swap* rate at the expected settlement date was applied to the above results. In addition to damages, the compensation described in the Agreement of 28 April 2009 was considered rather than the total loss of earnings as these have already been recognised by ARRA as part of the Agreement.

On the other hand the recognition of Actelios's claim regarding the total loss of earnings (already confirmed by expert valuations), is still to be assessed by a technical consultant as part of the proceedings with ARRA.

Based on the above and the matters described in the directors' report, the directors confirmed the valuations made at the time of preparation of the separate and consolidated financial statements at 31 December 2009 and no impairment loss was recognised.



5.6 Notes to the condensed consolidated interim financial statements

Goodwill at 30 June 2010 comprised:

	(Euro thousands)
	Carrying value at 30.6.2010
Actelios SpA	10,783
Ben Aketil Wind Energy Ltd	10,700
Boyndie Wind Energy Ltd	4,472
Cambrian Wind Energy Ltd	13,580
Earlsburn Wind Energy Ltd	10,537
Eolica Cabezo San Roque Sa	777
Eolica Petralia Srl	1,144
Eolica Sud Srl	2,119
Eolo 3W Minervino Murge Srl	1,931
Falck Renewables Plc	10,222
Fruzzo Energia Ambiente Srl	1,517
Geopower Sardegna Srl	15,426
Kerebet Sas	221
Kilbraur Wind Energy Ltd	4,066
Millennium Wind Energy Ltd	10,213
Parc Eolien de Fouy	21
Sicily projects	31,093
Ty Ru Sas	283
Othe minor amounts	220
<b>Total</b>	<b>129,325</b>

The heading Sicily projects comprises Platani Energia Ambiente ScpA (Euro 9,565 thousand), Tifeo Energia Ambiente ScpA (Euro 19,732 thousand) and Palermo Energia Ambiente ScpA (Euro 1,796 thousand).

No finance costs were allocated to intangible assets during the half-year.

5.6 Notes to the condensed consolidated interim financial statements

**2 Property, plant and equipment**

Movements during the period were as follows:

	(Euro thousands)								
	31.12.2009	At Additions	Capital.n and reclass.n	Other move- ments	Disposals	Change in scope of consolid.n	Exchange differences	Deprec- iation impairment	At 30.6.2010
	(A)								
<b>Gross value</b>									
2.1 Land	19,115	2,075		(3,331)			30		17,889
2.2 Buildings	9,075	29			(213)		457		9,348
2.3 Plant and machinery	637,042	3,987	139	(1)	(7,744)	3,094	23,948		660,465
2.4 Industrial and office equipment	1,444	64	(24)	(72)	(77)	1,173	26		2,534
2.5 Other assets	5,607	125	24		(1,402)	1,133	99		5,586
2.6 Assets operated under concession	81,003		1,598	2					82,603
2.7 Assets under construction and adv.	177,037	53,873	(1,737)				1	(43)	229,131
<b>Total gross value</b>	<b>930,323</b>	<b>60,153</b>		<b>(3,402)</b>	<b>(9,436)</b>	<b>5,400</b>	<b>24,561</b>	<b>(43)</b>	<b>1,007,556</b>
<b>Accumulated depreciation</b>									
2.1 Land									
2.2 Buildings	(3,983)				213		(16)	(101)	(3,887)
2.3 Plant and machinery	(86,747)				4,710		(3,326)	(15,451)	(100,814)
2.4 Industrial and office equipment	(714)				46		(19)	(98)	(785)
2.5 Other assets	(3,720)				964		(20)	(232)	(3,008)
2.7 Assets under construction and adv.	(33,639)							(2,079)	(35,718)
<b>Total depreciation</b>	<b>(128,803)</b>				<b>5,933</b>		<b>(3,381)</b>	<b>(17,961)</b>	<b>(144,212)</b>
<b>Net book amounts</b>									
2.1 Land	19,115	2,075		(3,331)			30		17,889
2.2 Buildings	5,092	29					441	(101)	5,461
2.3 Plant and machinery	550,295	3,987	139	(1)	(3,034)	3,094	20,622	(15,451)	559,651
2.4 Industrial and office equipment	730	64	(24)	(72)	(31)	1,173	7	(98)	1,749
2.5 Other assets	1,887	125	24		(438)	1,133	79	(232)	2,578
2.6 Assets operated under concession	47,364		1,598	2				(2,079)	46,885
2.7 Assets under construction and adv.	177,037	53,873	(1,737)				1	(43)	229,131
<b>Total net book amounts</b>	<b>801,520</b>	<b>60,153</b>		<b>(3,402)</b>	<b>(3,503)</b>	<b>5,400</b>	<b>21,180</b>	<b>(18,004)</b>	<b>863,344</b>

A) Additions – comprise:

	(Euro thousands)
Wind farm of Geopower Sardegna Srl (Buddusò - Alà dei Sardi)	29,171
Wind farm of Eolica Sud Srl (San Sostene)	8,549
Total renovation of Rende biomass plant	7,052
Costs capitalised by Falck Renewables for wind farm expansion	4,163
Photovoltaic plant of Notarpanaro	3,549
Photovoltaic plant of Spinasanta	3,087
Photovoltaic plant of Cardonita	1,791
Photovoltaic plant of Sugherotorto	1,449
Wind farm of Eolica Petralia Srl	300
Wind farm of Cambrian Wind Energy Ltd	292
Improvements to Granarolo dell'Emilia WTE plant	180
Improvements to Trezzo sull'Adda WTE plant	134
Building of Italian Lao Group (Laos)	10
Other minor amounts	426
<b>Total</b>	<b>60,153</b>

5.6 Notes to the condensed consolidated interim financial statements

Other movements relate to Powercrop SpA. As described above Powercrop is considered a disposal group and its assets have been classified in “Non-current assets held for sale”.

Disposal principally relate to the sale of the Bioenergy segment.

The Change in scope of consolidation relates to Esposito Servizi Ecologici Srl and EcoCentro Soluzioni Ambientali Srl that were acquired in June 2010.

Finance costs allocated during the period to property, plant and equipment amounted to Euro 4,565 thousand and largely relate to the wind farms under construction.

Property, plant and equipment at 30 June 2010 does not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

**3 Financial assets**

Financial assets at 30 June 2010 compared to 31 December 2009 may be analysed as follows:

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Subsidiaries			
Associates	915	853	62
Other entities	54,026	70,074	(16,048)
<b>Total</b>	<b>54,941</b>	<b>70,927</b>	<b>(15,986)</b>

**Equity investments**

. *Associated companies valued applying the equity method*

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Parque Eolico La Carracha SI	473	403	70
Parque Eolico Plana de Jarreta SI	436	444	(8)
<b>Total</b>	<b>909</b>	<b>847</b>	<b>62</b>

The valuation at net equity of associated companies, which recorded profits in the first half-year, generated the changes detailed in the table above.

. *Associated companies valued at cost*

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Eolica Calabria Srl	1	1	
Falck Renewables Italia Energetica Srl	5	5	
<b>Total</b>	<b>6</b>	<b>6</b>	

5.6 Notes to the condensed consolidated interim financial statements

. Other entities valued at cost

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Agenzia Nord Milano SpA	52	52	
Atmos Bio Energy SpA	27	27	
Compagnia Fiduciaria Nazionale SpA	33	33	
Crossenergy Srl	3,934	3,934	
Eolica Lucana Srl	55	55	
Hera SpA	864	1,037	(173)
Hopa SpA	884	3,626	(2,742)
Intesa San Paolo SpA	13,952	20,159	(6,207)
Nettuno Power SpA	256	249	7
PFC Project Financing Consulting SpA	364	364	
Solar Energy Italia SpA	54	54	
Terra Venture Partners Sca	1,471	1,471	
Unicredito Italiano SpA	32,074	39,007	(6,933)
Other minor investments	6	6	
<b>Total</b>	<b>54,026</b>	<b>70,074</b>	<b>(16,048)</b>

The changes resulting from the fair value measurement of the listed investments that are recorded against net equity relate to the following companies: Unicredito Italiano SpA, Intesa San Paolo SpA and Hera SpA. The decrease in the Hopa SpA investment represents the impairment loss recorded during the half-year that was recognised using the provision charged in previous accounting periods.

**4 Financial receivables**

Financial receivables at 30 June 2010 compared to the balance at 31 December 2009 may be analysed as follows:

	(Euro thousands)								
	30.6.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	48,583	64	48,519	26,871	72	26,799	21,712	(8)	21,720
Amounts owed by subsidiaries				1,721		1,721	(1,721)		(1,721)
Amounts owed by associates	734	734		824	824		(90)	(90)	
Amounts owed by parent company									
Amounts owed by other group companies									
Derivative financial instruments				343	343		(343)	(343)	
Guarantee deposits									
<b>Total</b>	<b>49,317</b>	<b>798</b>	<b>48,519</b>	<b>29,759</b>	<b>1,239</b>	<b>28,520</b>	<b>19,558</b>	<b>(441)</b>	<b>19,999</b>

Current amounts owed by third parties principally comprise the financial receivables of Riesfactoring SpA (Euro 40,368 thousand) in respect of factoring transactions at 30 June 2010.

Amounts owed by subsidiaries at 31 December 2009 included Euro 541 thousand relating to Falck Bioenergy Singapore Private Ltd and Falck Bioenergy Thailand Co. Ltd that have been written down using the amount already charged to provisions. Amounts owed by associates relate to the Spanish investments Parque Eolico La Carracha (Euro 255 thousand) and Parque Eolico Plana de Jarreta (Euro 479 thousand).

5.6 Notes to the condensed consolidated interim financial statements

**5 Trade receivables**

Trade receivables at 30 June 2010 compared to 31 December 2009 consisted of the following:

	30.6.2010			31.12.2009			(Euro thousands) Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	80,781		80,781	78,881		78,881	1,900		1,900
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company									
Amounts owed by other group companies									
<b>Total</b>	<b>80,781</b>		<b>80,781</b>	<b>78,881</b>		<b>78,881</b>	<b>1,900</b>		<b>1,900</b>

Trade receivables are disclosed net of a provision for doubtful accounts in order to adjust them to fair value. The provision for doubtful accounts decreased by Euro 1,212 thousand compared to the balance at 31 December 2009 bringing it to Euro 5,566 thousand.

**6 Other receivables**

Other receivables at 30 June 2010 compared to 31 December 2009 consisted of the following:

	30.6.2010			31.12.2009			(Euro thousands) Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	11,035		11,035	23,428		23,428	(12,393)		(12,393)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent companies									
Advances	652		652	870		870	(218)		(218)
Tax credits	36,175	513	35,662	38,385	129	38,256	(2,210)	384	(2,594)
Guarantee deposits	1,090	1,057	33	1,076	1,037	39	14	20	(6)
Accrued income and prepayments	30,314	379	29,935	29,956	401	29,555	358	(22)	380
<b>Total</b>	<b>79,266</b>	<b>1,949</b>	<b>77,317</b>	<b>93,715</b>	<b>1,567</b>	<b>92,148</b>	<b>(14,449)</b>	<b>382</b>	<b>(14,831)</b>

Amounts owed by third parties principally relate to advances made by Falck Energy Sa (Euro 5,439 thousand) to managers and employees of the Falck Renewables group in respect of the share capital increase reserved to them in 2007. This heading also includes Euro 1,722 thousand due from employees, dividends receivable of Euro 523 thousand and the advance of Euro 1,182 thousand paid in relation to the taxes of Frullo Energia Ambiente Srl as part of the Hera SpA consolidated tax regime.

5.6 Notes to the condensed consolidated interim financial statements

**7 Deferred income taxes**

Deferred income tax assets amounted to Euro 37,163 thousand, representing an increase of Euro 16,778 thousand compared to the total at 31 December 2009, and principally relate to the wind energy segment and the parent company Falck SpA.

Deferred income taxes are calculated based on the temporary differences between income for tax purposes and profit before tax as reported in the statutory financial statements. These differences relate to amounts not deductible for tax purposes and essentially comprise: depreciation/amortisation, risk provisions, differences arising from application of the fair value method to interest rate swaps (IRS), the effect of applying the amortised cost approach to expenses on loan finance, and tax losses.

Deferred income tax assets are only recognised when it is considered that sufficient profits will be available in future to utilise them.

Movements in deferred income tax assets were as follows:

	(Euro thousands)
<b>At 31 December 2009</b>	<b>20,385</b>
Movements through the income statement	8,863
Other movements arising on the consolidated tax regime with Falck SpA	4,246
Exchange differences recorded in total equity	226
Change recorded in total equity	3,443
<b>At 30 June 2010</b>	<b>37,163</b>

Deferred income tax liabilities, which amounted to Euro 11,422 thousand, have increased by Euro 2,730 thousand compared to the total at 31 December 2009.

Movements in deferred tax liabilities are illustrated in the table below:

	(Euro thousands)
<b>At 31 December 2009</b>	<b>8,692</b>
Movements through the income statement	3,624
Other movements due to the change in scope of consolidation (Esposito + Ecocentro)	303
Exchange differences recorded in total equity	867
Change recorded in total equity	(2,064)
<b>At 30 June 2010</b>	<b>11,422</b>

**B Current assets**

**8 Inventories**

Inventories at 30 June 2010 compared to 31 December 2009 may be analysed as follows:

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Raw materials and consumables	2,319	2,892	(573)
Semi-finished goods	110		110
Work in progress	707	740	(33)
Finished goods	836	1,120	(284)
Agricultural assets			
Advances			
<b>Total</b>	<b>3,972</b>	<b>4,752</b>	<b>(780)</b>

5.6 Notes to the condensed consolidated interim financial statements

**9 Investments**

*. Investments in subsidiaries valued at cost*

This comprises the following investments:

- Falck Bioenergy Singapore Private Ltd
- Agr Ventures Malaysia Sdn Bhd
- Falck Bioenergy Thailand Co. Ltd.

The above companies were put into liquidation in 2009, consequently they have no longer been consolidated on a line by line basis but valued at cost that has been fully written off as the liquidation accounts have already been prepared and reflect the liquidation costs.

*. Investments in other companies*

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Assicurazioni Generali SpA	2,709	3,533	(824)
Camfin SpA	16	18	(2)
<b>Total</b>	<b>2,725</b>	<b>3,551</b>	<b>(826)</b>

Movements relate to the measurement at fair value, which corresponds to the year-end market value, and have been recorded in equity as they relate to available-for-sale financial assets.

The total also includes securities amounting to Euro 35 thousand that relate to a debenture loan granted to the investee Solar Energy Italia SpA.

**10 Cash and cash equivalents**

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Short-term bank and post office deposits	72,721	64,573	8,148
Cash in hand	141	138	3
<b>Total</b>	<b>72,862</b>	<b>64,711</b>	<b>8,151</b>

Cash and cash equivalents may be detailed as follows:

	(Euro thousands)		
	30.6.2010	31.12.2009	Change
Cash at bank and in hand	72,862	64,711	8,151
Bank overdrafts			
Invoice advances			
Group current accounts			
<b>Total cash and cash equivalents</b>	<b>72,862</b>	<b>64,711</b>	<b>8,151</b>

Cash at bank and in hand largely consists of the current accounts of Prima Srl (Euro 10,695 thousand) and Frullo Energia Ambiente Srl (Euro 5,298 thousand). The latter two balances represent the amounts that must be maintained in order to meet the obligations of the project financing contracts entered into with the financing banks. The wind energy segment also holds cash totalling Euro 51,943 thousand that is held to meet the project financing covenants.

5.6 Notes to the condensed consolidated interim financial statements

**C Non-current assets held for sale**

“Non-current assets held for sale”, which relate to the business of Powercrop SpA, may be analysed as follows:

	(Euro thousands)
	30.6.2010
Intangible assets	2,442
Property, plant and equipment	3,447
Other non-current receivables	2
Deferred income tax asset	468
Inventories	1
Trade receivables	645
Other receivables	1,558
Cash and cash equivalents	759
<b>Total non-current assets held for sale</b>	<b>9,322</b>

**Liabilities**

**D Equity**

**11 Share capital**

The share capital of Falck SpA amounts to Euro 72,793,163 and consists of 72,782,021 ordinary shares and 11,142 savings shares, issued and fully paid with a nominal value of Euro 1.00 each.

At 30 June 2010 Falck SpA held 6,907,653 of its own shares, of which 3,561 are savings shares, corresponding to a total nominal value of Euro 6,907,653. No own shares were sold during the period.

Movements in equity of the Falck group are set out in paragraph 5.5 above.

**12 Provisions for other liabilities and charges**

	(Euro thousands)						
	At	Change	Charge	Utilised	Reclass.n	Exchange	At
	31.12.2009	in scope				differences	30.6.2010
		of consol.n					
<i>Provisions for pensions and similar obligations</i>							
<i>Provisions for taxation</i>							
- Current							
- Deferred taxes							
<i>Total tax provisions</i>							
<i>Other provisions</i>							
- litigation	4,533		38		(1,666)		2,905
- investments	7,455			(3,521)			3,934
- environmental	2,503		18	(74)		1	2,448
- provision for sundry risks	57,866		525	(25,943)	(5,523)	22	26,947
<i>Total other provisions</i>	72,357		581	(29,538)	(7,189)	23	36,234



5.6 Notes to the condensed consolidated interim financial statements

The utilisation of the investments provision relate to the amounts used by Falck Energy SpA, while the provision for sundry risks has been utilised by Falck SpA in relation to the settlement of the arbitration proceedings with Edison.

**13 Staff leaving indemnity**

	(Euro thousands)				
	At 31.12.2009	Charges	Transfers/ new consol.n	Utilised/ paid	At 30.6.2010
Managers	737	143	(62)	(182)	636
White-collar staff and special categori	1,878	119	(208)	(91)	1,698
Blue-collar staff	529	69	714	(49)	1,263
<b>Total</b>	<b>3,144</b>	<b>331</b>	<b>444</b>	<b>(322)</b>	<b>3,597</b>

The Trattamento di Fine Rapporto, “TFR” (staff leaving indemnity provision), was subjected to an actuarial valuation by an independent expert as at 31 December 2009. The resulting calculation did not differ significantly from the amount provided under Italian GAAP, consequently the company did not record any adjustments.

No indicators emerged during the interim period that would modify the assumptions used in performing the calculations at 31 December 2009; as a consequence the group has maintained the values determined for TFR applying Italian GAAP.

**14 Financial liabilities**

Financial liabilities at 30 June 2010 compared to 31 December 2009 consisted of the following:

	(Euro thousands)								
	30.6.2010			31.12.2009			Change		
	Total	Non- current	Current	Total	Non- current	Current	Total	Non- current	Current
Amounts owed by third parties	267,528	188,428	79,100	248,067	152,696	95,371	19,461	35,732	(16,271)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company									
Amounts owed by other group companies									
Project financing	523,408	479,041	44,367	418,559	378,746	39,813	104,849	100,295	4,554
IRS	41,913	41,913		21,091	21,091		20,822	20,822	
Convertible debenture loans	33,273	33,273		33,273	33,273				
Non-convertible debenture loans									
<b>Total</b>	<b>866,122</b>	<b>742,655</b>	<b>123,467</b>	<b>720,990</b>	<b>585,806</b>	<b>135,184</b>	<b>145,132</b>	<b>156,849</b>	<b>(11,717)</b>

Non-currents amounts owed by third parties comprise the Euro 110,000 loan received in June 2008 from a pool of banks through the agent bank Monte dei Paschi di Siena. This loan matures in June 2013 and bears interest at Euribor plus a spread and is repayable as follows:

- 10% of the loan capital in the 48th month
- 10% of the loan capital in the 54th month
- 80% of the loan capital in the 60th month.

This total also includes medium/long-term loans of Euro 65,000 granted to Falck SpA.

5.6 Notes to the condensed consolidated interim financial statements

Convertible debenture loans amounted to Euro 33,273 thousand and relate to two debenture loans. The first is a subordinated, variable rate 2006-2011 convertible debenture loan issued in October 2006 for Euro 26,944,420, with a nominal value of Euro 1.00 each that it matures on 31 December 2011.

The debentures (nominal value of Euro 1.00 each) may be converted into Falck SpA ordinary shares in the ratio of one share for every eight debentures.

The second is also a subordinated 4.16% fixed rate convertible debenture loan that consists of 6,329,905 shares with a nominal unit value of Euro 1.00 each, which matures on 30 June 2011. The conversion of 1 share for every 6 debentures may be carried out in January 2009, 2010 and 2011.

With regard to convertible debenture loans, the analysis carried out in order to separate the debt and equity components revealed that the equity component is not significant and as a result no adjustment was made to the carrying value of the loans.

Project financing loans comprise:

	(Euro thousands)		
	At 30.06.2010	Current portion	Non-current portion
Project financing Prima Srl	22,820	11,626	11,194
Project financing Frullo Energia Ambiente Srl	33,991	5,341	28,650
Project financing Millenium Wind Energy Ltd	54,427	4,314	50,113
Project financing Kilbraur Wind Energy Ltd	45,898		45,898
Project financing Ben Aketil Wind Energy Ltd	31,223	1,803	29,420
Project financing Earlsburn Wind Energy Ltd	34,457	1,759	32,698
Project financing Boyndie Wind Energy Ltd	5,283	779	4,504
Project financing Cambrian Wind Energy Ltd	38,651	3,724	34,927
Project financing Falck Renewables Finance Ltd	4,722	2,314	2,408
Project financing Eolica Cabezo San Roque Sa	11,495	1,069	10,426
Project financing Eolo 3W Minervino Murge Srl	94,357	8,232	86,125
Project financing Parc Eolien Les Cretes	11,211	647	10,564
Project financing Parc Eolien du Fouy	10,788	623	10,165
Project financing Esquennois	13,917	800	13,117
Project financing Eolica Sud	110,168	1,336	108,832
<b>Total</b>	<b>523,408</b>	<b>44,367</b>	<b>479,041</b>

At 30 June 2010 the Falck group held the following IRS contracts:

	(Euro thousands)				
	At 31.12.2009	Change I/S	Change TE	Exchange differences	At 30.6.2010
IRS Prima Srl	725	(135)			590
IRS Frullo Energia Ambiente Srl	1,053	570			1,623
IRS Millenium Wind Energy Ltd	4,620		1,635	399	6,654
IRS Kilbraur Wind Energy Ltd	3,112		1,414	269	4,795
IRS Ben Aketil Wind Energy Ltd	2,318		1,398	201	3,917
IRS Earlsburn Wind Energy Ltd	1,921		986	167	3,074
IRS Boyndie Wind Energy Ltd	249		93	24	366
IRS Cambrian Wind Energy Ltd	2,234		1,037	192	3,463
IRS Falck SpA	1,010		1,464		2,474
IRS Eolica Cabezo San Roque Sa	911		403		1,314
IRS Eolo 3W Minervino Murge Srl	2,000		3,333		5,333
IRS Esquennois	332		614		946
IRS Parc Eolien les Cretes	309		489		798
IRS Parc Eolien du Fouy	297		470		767
IRS Eolica Sud			5,799		5,799
<b>Total</b>	<b>20,153</b>	<b>435</b>	<b>11,763</b>	<b>1,252</b>	<b>41,913</b>

5.6 Notes to the condensed consolidated interim financial statements

**15 Trade payables**

Trade payables at 30 June 2010 compared to the previous reporting year end may be analysed as follows:

	(Euro thousands)								
	30.6.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade payables	123,086		123,086	133,979		133,979	(10,893)		(10,893)
Amounts owed to subsidiaries									
Amounts owed to associates									
Amounts owed to parent company									
Amounts owed to other group companies									
<b>Total</b>	<b>123,086</b>		<b>123,086</b>	<b>133,979</b>		<b>133,979</b>	<b>(10,893)</b>		<b>(10,893)</b>

**16 Other payables**

Other payables at 30 June 2010 and 31 December 2009 consisted of the following:

	(Euro thousands)								
	30.6.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Other creditors	37,882	11,760	26,122	36,635	10,319	26,316	1,247	1,441	(194)
Amounts owed to subsidiaries									
Amounts owed to associates									
Amounts owed to parent company									
Amounts owed to other group companies									
Advances	710		710	719		719	(9)		(9)
Tax payable	3,291		3,291	1,296		1,296	1,995		1,995
Accruals and deferred income	5,663	1,307	4,356	7,201	1,248	5,953	(1,538)	59	(1,597)
<b>Total</b>	<b>47,546</b>	<b>13,067</b>	<b>34,479</b>	<b>45,851</b>	<b>11,567</b>	<b>34,284</b>	<b>1,695</b>	<b>1,500</b>	<b>195</b>

The principal amounts included in other creditors may be detailed as follows:

	(Euro thousands)	
	30.6.2010	31.12.2009
Dividends payable	1,200	1,350
Amounts due to Immobiliare Bolzano	349	349
Amounts due to shareholders of parent company for distributable reserves	195	195
Amount due to Ministry of Industry by Eolo 3W Minervino Murge	7,706	7,706
Amounts due by Falck Renewables Plc for investment acquisitions	3,026	2,931
Environmental contribution	1,226	1,051
Amounts due to Hera by Frullo Energia Ambiente under consolidated tax regime	114	194
Holiday pay	564	750
Other amounts due to employees	2,366	1,935
Amounts due by Falck Energy to Falck Renewables employees for share repurchase	11,640	10,208
Amounts due to Re.Co. for Notarpanaro plant	1,535	1,362
Employee costs	200	200
VAT	2,533	4,146
Social security payables	336	828
<b>Total</b>	<b>32,990</b>	<b>33,205</b>

5.6 Notes to the condensed consolidated interim financial statements

**G Liabilities attributable to non-current assets held for sale**

Liabilities attributable to non-current liabilities held for sale, which relate to the business of Powercrop SpA, may be analysed as follows:

	(Euro thousands)
	30.6.2010
Provisions for liabilities and charges	325
Trade payables	5,495
Other current payables	14
Current financial payables	1,500
<b>Total liabilities attributable to non-current assets held for sale</b>	<b>7,334</b>

The difference between Powercrop SpA's assets and liabilities held for sale amounts to Euro 2,118 thousand, while the sale price is Euro 1,965 thousand in respect of 50% of total equity at 31 March 2010.

The difference of Euro 153 thousand is due to the negative result recorded in the second quarter (Euro 350 thousand), which has been offset by the elimination of intercompany amounts due to Actelios of Euro 373 thousand and Falck of Euro 130 thousand.

**Commitments and contingencies**

Personal guarantees issued at 30 June 2010 amounted to Euro 317,652 thousand and consisted of the following:

	(Euro thousands)
Bank guarantees	100,112
Guarantees given to public entities and ministries	60,064
Guarantees given to VAT authorities	4,854
Other personal guarantees	152,622
<b>Total</b>	<b>317,652</b>

**Other risks**

With regard to the price adjustment of Euro 20 million relating to the investment in Elettroambiente SpA and the corresponding decrease in Goodwill and Other payables due to Italgest Energia SpA which were recorded in the 2009 financial statements, the Falck group is exposed to a remote risk in respect of this amount with regard to the potential reinstatement of the contractual conditions on which the total acquisition price of Elettroambiente SpA was based, although this is considered improbable.

**Related party transactions**

	(Euro thousands)					
	Financial receivables			Financial payables		
	30.6.2010	31.12.2009	Change	30.6.2010	31.12.2009	Change
<b>Subsidiaries</b>						
Falck Bioenergy Singapore Ltd		1,215	(1,215)			
Falck Bioenergy Thailand Ltd		506	(506)			
<b>Total subsidiaries</b>		<b>1,721</b>	<b>(1,721)</b>			
<b>Associates</b>						
Parque Eolico La Carracha SI	255	281	(26)			
Parque Eolico Plana de Jarreta SI	479	543	(64)			
<b>Total associates</b>	<b>734</b>	<b>824</b>	<b>(90)</b>			

5.6 Notes to the condensed consolidated interim financial statements

**5.6.8 Income statement content and movements**

**17 Revenue**

Revenue consisted of the following:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Revenue from sales of goods	69,621	77,033	(7,412)
Revenue from provision of services	16,711	20,824	(4,113)
<b>Total</b>	<b>86,332</b>	<b>97,857</b>	<b>(11,525)</b>

Revenue generated from the sale of goods, compared to the previous year, may be attributed to the following business segments:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Sale of electrical energy	69,357	76,486	(7,129)
Sale of thermal energy	264	547	(283)
<b>Total</b>	<b>69,621</b>	<b>77,033</b>	<b>(7,412)</b>

Revenue relating to the provision of services, compared to the same period in 2009, is attributable to the following business segments:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Waste treatment and disposal	13,602	13,033	569
Operation and maintenance contracts	2,044	1,797	247
Fair value of agricultural activities		3,031	(3,031)
Rent	100	39	61
Other services	965	2,924	(1,959)
<b>Total</b>	<b>16,711</b>	<b>20,824</b>	<b>(4,113)</b>

Other services in the first half of 2009 included Euro 1,364 thousand of revenue from the invoicing of a long-term contract (Vieste landfill), which resulted in a corresponding reduction in inventories.

**18 Employee costs**

Employee costs may be analysed as follows:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Cost of production employees	4,357	4,782	(425)
Cost of administrative staff	8,661	7,706	955
<b>Total</b>	<b>13,018</b>	<b>12,488</b>	<b>530</b>

5.6 Notes to the condensed consolidated interim financial statements

Total employee costs analysed by nature of expense are as follows:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Wages and salaries	7,745	8,418	(673)
Social security costs	2,323	2,182	141
Staff leaving indemnity (TFR)	331	319	12
Other costs	2,619	1,569	1,050
<b>Total</b>	<b>13,018</b>	<b>12,488</b>	<b>530</b>

Other costs include Euro 489 thousand of employee costs relating to the shares of Falck Renewables Plc that were awarded to the directors and employees of the Falck Renewables group as part of the share capital increase, at a price below equity value. Accounting for this transaction took place in accordance with IFRS 2.

This amount has decreased as the cost was diluted over 2007-2008-2009 and only the residual cost has been accounted for in 2010 as established in the Share plan agreement. Other costs also include the exit costs relating to managers that left during the period and the related pension payments.

The average number of employees was as follows.

	(Number)	
	30.6.2010	30.6.2009
Managers	36	41
White-collar staff	176	193
Blue-collar staff	178	257
<b>Total average number of employees</b>	<b>390</b>	<b>491</b>

**19 Direct costs**

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Materials	3,392	10,280	(6,888)
Services	15,950	14,490	1,460
Other costs	7,965	8,793	(828)
Change in inventories	454	1,354	(900)
Charges to/(utilisation of) operating provisions	(178)	(28)	(150)
Amortisation and impairment of intangibles	203	458	(255)
Depreciation and impairment of property, plant and	17,717	14,893	2,824
Employee costs capitalised on assets under construction	(315)	(1,373)	1,058
<b>Total</b>	<b>45,188</b>	<b>48,867</b>	<b>(3,679)</b>

The decrease in direct costs is due to a fall in the cost of materials following the termination of the Bioenergy business. Depreciation increased as a result of new wind farms commencing operations.

5.6 Notes to the condensed consolidated interim financial statements

**20 Other income**

Other income consisted of the following:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Income from operating activities	498	1,209	(711)
Income from non-operating activities	2,798	548	2,250
<b>Total</b>	<b>3,296</b>	<b>1,757</b>	<b>1,539</b>

Income from operating activities principally comprises revenue for services (Euro 397 thousand) and commission (Euro 48 thousand). Income from non-operating activities includes income relating to other accounting periods (Euro 562 thousand), insurance repayments (Euro 616 thousand) and extraordinary income (Euro 1,555 thousand).

**21 Administrative expenses**

Administrative expenses may be detailed as follows:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Consumables	304	254	50
Services	7,115	10,850	(3,735)
Other costs	2,541	2,829	(288)
Non-operating expenses	26,116	1,520	24,596
Amortisation and impairment of intangibles	102	555	(453)
Depreciation and impairment of property, plant and	287	225	62
Charges to/(utilisation) of provisions	(25,887)	12	(25,899)
<b>Total</b>	<b>10,578</b>	<b>16,245</b>	<b>(5,667)</b>

Administrative expenses have decreased overall by Euro 5,667 thousand principally in relation to services that resulted from the cost containment exercise implemented by the group.

Non-operating expenses include the costs incurred by Falck SpA in relation to settlement of the arbitration proceedings with Edison that was offset by the reversal of the provision for sundry risks set up in prior accounting periods to cover this cost.

**22 Finance costs - net**

Finance income and costs may be analysed as follows:

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Finance costs	(22,332)	(13,543)	(8,789)
Finance income	2,545	1,807	738
Net foreign exchange differences	(182)	(1,908)	1,726
Finance costs capitalised on assets under construction	4,565	2,241	2,324
<b>Total</b>	<b>(15,404)</b>	<b>(11,403)</b>	<b>(4,001)</b>

Net finance costs have increased by Euro 4,001 thousand compared to the first half of 2009 due to the increased level of borrowings.

5.6 Notes to the condensed consolidated interim financial statements

**23 Investment income and costs**

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Dividends	1,505	174	1,331
Revaluation of investments valued under equity accounti	316	435	(119)
Impairment losses	(2,742)	(416)	(2,326)
Charges to investments provision		(5,338)	5,338
Utilisation of investments provision	3,521		3,521
Gains on disposals	474		474
Losses on disposals	(203)		(203)
<b>Total</b>	<b>2,871</b>	<b>(5,145)</b>	<b>8,016</b>

Dividends relate to the following investments:

- Assicurazioni Generali SpA Euro 67 thousand, paid to Falck SpA
- Hera SpA Euro 51 thousand, paid to Falck SpA
- Compagnia Fiduciaria Nazionale SpA Euro 80 thousand, paid to Falck SpA
- Redaelli Sidas SpA Euro 103 thousand, paid to Falck SpA
- Giuseppe Redaelli & Fratello SpA Euro 169 thousand, paid to Falck SpA
- Intesa San Paolo SpA Euro 512 thousand, paid to Falck SpA
- Unicredito SpA Euro 523 thousand, recorded by Falck Energy SpA and received in July 2010

Revaluations arising from investments in associates valued applying the equity method relate to the following companies:

- Parque Eolico La Carracha SI Euro 198 thousand
- Parque Eolico Plana de Jarreta SI Euro 118 thousand

Impairment losses relate to the write-down of Falck Energy Sa's investment in Hopa SpA that was partially offset by utilising the amount provided in the investment provision.

Gains on disposals relates to the sale of Dhampur Sugar Distillery Ltd, while the loss on disposal arose on the sale of Bioland Sa.

**24 Income tax expense**

	(Euro thousands)		
	30.6.2010	30.6.2009	Change
Current tax	526	(6,024)	6,550
Deferred income tax	5,239	(2,943)	8,182
<b>Total</b>	<b>5,765</b>	<b>(8,967)</b>	<b>14,732</b>

Current taxes are based on the estimated taxable income for the period ended 30 June 2010. This relates to the tax charge on Falck SpA's taxable loss that resulted from the settlement with Edison that gave rise to costs deductible for tax purposes for which the related deferred income tax assets had not been recognised in prior accounting periods. The tax charge also takes into account the benefit arising from the Tremonti ter law relating to investments carried out up to 30 June 2010 by Eolica Sud (north crest of San Sostene wind farm) and Ecosesto (total renovation of the Rende biomass plant).



**Related party transactions**

	Revenue	Other Recharged	Other	Income	Services	Other	Investment	Other	Interest
	from sales	operating	expenses	income	relating to	costs	income	finance	and other
	and services	income		other periods				income	finance costs
<b>Associates</b>									
Parque eolico La Carracha								3	
Parque eolico Plana de Jarreta								8	
<b>Total associates</b>								<b>11</b>	

**6. Supplementary information  
to the condensed consolidated interim financial statements**

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6. Supplementary information to the condensed consolidated interim financial statements

6.1 List of investments in subsidiaries and associates

	Registered office	Currency	Share capital	% Direct holding	Indirect holding % Through subsidiary
<b>. Companies consolidated on a line-by-line basis</b>					
Falck SpA	Milan	Euro	72,793,163		
Actelios SpA	Milan	Euro	67,680,000	68.717	
Abbiategrosso Bioenergia Srl	Sesto S. Giovanni (Mi)	Euro	54,000		100.000 Actagri Srl
Actagri Srl	Sesto S. Giovanni (Mi)	Euro	50,000		100.000 Actelios SpA
Actelios Solar SpA	Sesto S. Giovanni (Mi)	Euro	120,000		100.000 Actelios SpA
Alba Wind Energy Ltd	London (UK)	GBP	100		100.000 Falck Renewables Plc
Ambiente 2000 Srl	Milan	Euro	103,000		60.000 Actelios SpA
Ben Aketil 2 Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000 Falck Renewables Plc
Ben Aketil Wind Energy Ltd	Edinburgh (UK)	GBP	100		100.000 Falck Renewables Plc
Boyndie 2 Wind Energy Ltd	Edinburgh (UK)	GBP	100		100.000 Falck Renewables Plc
Boyndie Wind Energy Ltd	Edinburgh (UK)	GBP	100		100.000 Falck Renewables UK Holding(no.1) Ltd
Cambrian Wind Energy Ltd	Londra (Gran Bretagna)	GBP	100		100.000 Falck Renewables UK Holding(no.1) Ltd
Cushnie Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000 Falck Renewables Plc
Dunbeath Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000 Falck Renewables Plc
Earlsburn Mezzanine Ltd	London (UK)	GBP	100		100.000 Falck Renewables Plc
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000 Earlsburn Mezzanine Ltd
Ecocentro Soluzioni Ambientali Srl (*)	Sesto S. Giovanni (Mi)	Euro	10,000		100.000 Actelios SpA
Ecosesto SpA	Rende (Cosenza)	Euro	5,120,000		100.000 Actelios SpA
Elektrownie Wiatrowe Leszno Spolka	Poznan (Poland)	PLN	50,028		50.000 Falck Renewables Plc
Elektrownie Wiatrowe Bonwind Lyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	100,000		50.000 Falck Renewables Plc
Elettroambiente SpA	Sesto S. Giovanni (Mi)	Euro	245,350		100.000 Actelios SpA
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1,500,000		95.511 Falck Renewables Plc
Eolica Petralia Srl	Sesto S. Giovanni (Mi)	Euro	10,000		100.000 Falck Renewables Plc
Eolica Sarda Srl	Sesto S. Giovanni (Mi)	Euro	2,000,000		100.000 Falck Renewables Plc
Eolica Sud Srl	Davoli Marina (Cz)	Euro	5,000,000		100.000 Falck Renewables Plc
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (Mi)	Euro	10,000		100.000 Minervento SpA
Esposito Servizi Ecologici Srl (*)	Sesto S. Giovanni (Mi)	Euro	10,000		100.000 Actelios SpA
Esquennois Energie Sas	Paris	Euro	37,000		100.000 Falck Renewables Plc
Tasfiye Halinde Ezse Elektrik Uretim Ltd Sirketi	Izmir (Turkey)	YTL	11,772,152		100.000 Falck Renewables Plc
Falck Energies Renouvelables Sarl	Rennes (France)	Euro	60,000		100.000 Falck Renewables Plc
Falck Energy Iran Sa	Luxembourg	Euro	31,000	99.677	
Falck Energy SpA	Milan	Euro	43,038,013	100.000	
Falck Financial Services Sa	Lugano (Switzerland)	CHF	250,000		100.000 Falck Energy SpA
Falck Renewables Finance Ltd	London (UK)	GBP	100		100.000 Falck Renewables Plc
Falck Renewables Italia Srl	Sesto S. Giovanni (Mi)	Euro	100,000		100.000 Falck Renewables Plc
Falck Renewables Plc	London (UK)	GBP	18,161,000		81.160 Falck Energy SpA
Falck Renewables UK Holdings (No.1) Ltd	London (UK)	GBP	1		100.000 Falck Renewables Finance Ltd
Geopower Sardegna Srl	Sesto S. Giovanni (Mi)	Euro	10,000		100.000 Eolica Sarda Srl
Italian Lao Group Co Ltd	Lao PDR	USD	3,000,000		82.240 Falck Energy SpA

(\*) Following the acquisition on 21 June 2010 Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, one month's results of these companies have been included in the consolidated income statement for the six months ended 30 June 2010. The total financial position of the above companies has been included in the group's consolidated financial position at 30 June 2010.

6. Supplementary information to the condensed consolidated interim financial statements

	Registered office	Currency	Share capital	% Direct holding	% Indirect holding Through subsidiary
<b>. Companies consolidated on a line-by-line basis (continued)</b>					
Kilbraur 2 Wind Energy Ltd	Edinburgh (UK)	GBP	100	52.000	Falck Renewables Plc
Kilbraur Wind Energy Ltd	Edinburgh (UK)	GBP	100	100.000	Falck Renewables Plc
Kingsburn Wind Energy Ltd	Edinburgh (UK)	GBP	100	52.000	Falck Renewables Plc
Millennium Wind Energy Ltd	Edinburgh (UK)	GBP	100	100.000	Falck Renewables Plc
Minervento SpA	Sesto S. Giovanni (Mi)	Euro	120,000	100.000	Falck Renewables Plc
Ness Wind Energy Ltd	London (UK)	GBP	100	100.000	Falck Renewables Plc
Nutberry Wind Energy Ltd	Edinburgh (UK)	GBP	100	52.000	Falck Renewables Plc
Parc Eolien d'Availles - Limouzin Sarl	Paris	Euro	1,000	100.000	Falck Energies Renouvelables Sarl
Parc Eolien de Baud Sarl	Rennes (France)	Euro	1,000	75.000	Falck Energies Renouvelables Sarl
Parc Eolien de Sainte Trepine Sarl	Rennes (France)	Euro	10,000	100.000	Falck Energies Renouvelables Sarl
Parc Eolien de Moulismes Sarl	Paris	Euro	1,000	100.000	Falck Energies Renouvelables Sarl
Parc Eolien de Plovenez du Faou Sarl	Rennes (France)	Euro	1,000	75.000	Falck Energies Renouvelables Sarl
Parc Eolien des Cretes Sas	Paris	Euro	37,000	100.000	Falck Renewables Plc
Parc Eolien du Fouy Sas	Paris	Euro	37,000	100.000	Falck Renewables Plc
Platani Energia Ambiente ScpA	Palermo	Euro	3,364,264	85.730	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000	85.000	Actelios SpA
Riesfactoring SpA	Milan	Euro	2,000,000	99.800	0.200 Actelios SpA
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	100.000	
Solar Mesagne Srl	Brindisi	Euro	50,000	100.000	Actelios Solar SpA
Solar Rende Srl	Rende (Cs)	Euro	10,000	100.000	Ecosesto SpA
Sustainable Energy Solutions Sa	Luxembourg	GBP	10,000	100.000	Falck Energy SpA
Tifeo Energia Ambiente ScpA	Palermo	Euro	4,679,829	95.620	Elettroambiente SpA
S E Kernebet Sas	Rennes (France)	Euro	37,005	100.000	Falck Energies Renouvelables Sarl
S E Ty Ru Sas	Rennes (France)	Euro	37,005	100.000	Falck Energies Renouvelables Sarl

**. Companies included using proportional method**

Fruzzo Energia Ambiente Srl	Bologna	Euro	17,139,100	49.000	Actelios SpA
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	24.728	23.272 Actelios SpA
Powercrop SpA (*)	Sesto San Giovanni (Mi)	Euro	4,000,000	50.000	Actelios SpA

(\*) Following acceptance on 23 June 2010 of Seci Energia SpA's offer to acquire the remaining 50% of the share capital of Powercrop SpA and the sale that took place on 30 July 2010, this transaction falls within the scope of IFRS 5 for the purpose of preparing the Falck condensed consolidated interim financial statements.

**Companies valued applying equity method**

Nuevos Parque Eolicos La Muela AIE	Saragozza (Spain)	Euro	10,000	50.000	Parque Eolico La Carracha SL 50.000 Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha Sl	Saragozza (Spain)	Euro	100,000	26.000	Falck Renewables Plc
Parque Eolico Plana de Jarreta Sl	Saragozza (Spain)	Euro	100,000	26.000	Falck Renewables Plc

**. Other investments in subsidiaries and associates valued at cost**

Agr Venture Malaysia Sdn Bnd	Kuala Lumpur (Malaysia)	MYR	100,000	100.000	Falck Energy SpA
Eolica Calabria Srl	Belvedere Marittimo (Cosenza)	Euro	10,000	20.000	Falck Renewables Plc
Eolica Lucana Srl in liquidazione	Potenza	Euro	10,000	20.000	
Falck Bioenergy (Thailand) Co. Ltd	Bangkok (Thailand)	BAHT	3,000,000	100.000	Falck Energy SpA
Falck Bioenergy Singapore Private Ltd	Singapore	USD	10,400,000	100.000	Falck Energy SpA
Fri Energetica Srl	Cosenza	Euro	20,000	20.000	Falck Renewables Plc

## 7. Independent auditors' report

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7. Independent auditors' report



PricewaterhouseCoopers SpA

**AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2010**

To the shareholders of  
FALCK SpA

- 1 We have reviewed the condensed consolidated interim financial statements of FALCK SpA and its subsidiaries (FALCK GROUP) as of 30 June 2010 and for the six months then ended, comprising the consolidated balance sheet, the consolidated income statement and statement of comprehensive income, the consolidated statements of changes in shareholders' equity and cash flows and the related explanatory notes. The directors of FALCK SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.
- 2 Our work was conducted in accordance with the criteria for a review recommended by the Italian Stock Exchange Commission (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles used therein as well as the application of analytical review procedures on the amounts contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

For the amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented for comparative purposes, reference is made to our reports dated 15 April 2010 and 30 September 2009, respectively.

7. Independent auditors' report



- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the FALCK GROUP as of 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Milan, 4 October 2010

PricewaterhouseCoopers SpA

A handwritten signature in black ink, appearing to read 'Marco Sala'.

Marco Sala  
(Partner)

*This report has been translated into the English language solely for the convenience of international readers.*