

**FALCK**  
Half-year Financial Report  
at 30 June 2011

Board of Directors' Meeting  

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Milan, 26 September 2011

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 2011

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## 1. Company officers

### **Board of directors**

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Federico Falck	Chairman
Guido Corbetta	Deputy chairman
Piero Manzoni	Chief Executive Officer and General Manager
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
Ruggero Conti	Statutory auditor
Roberto Moro Visconti	Substitute statutory auditor
Luigi Emilio Garavaglia	Substitute statutory auditor

### **Independent auditors**

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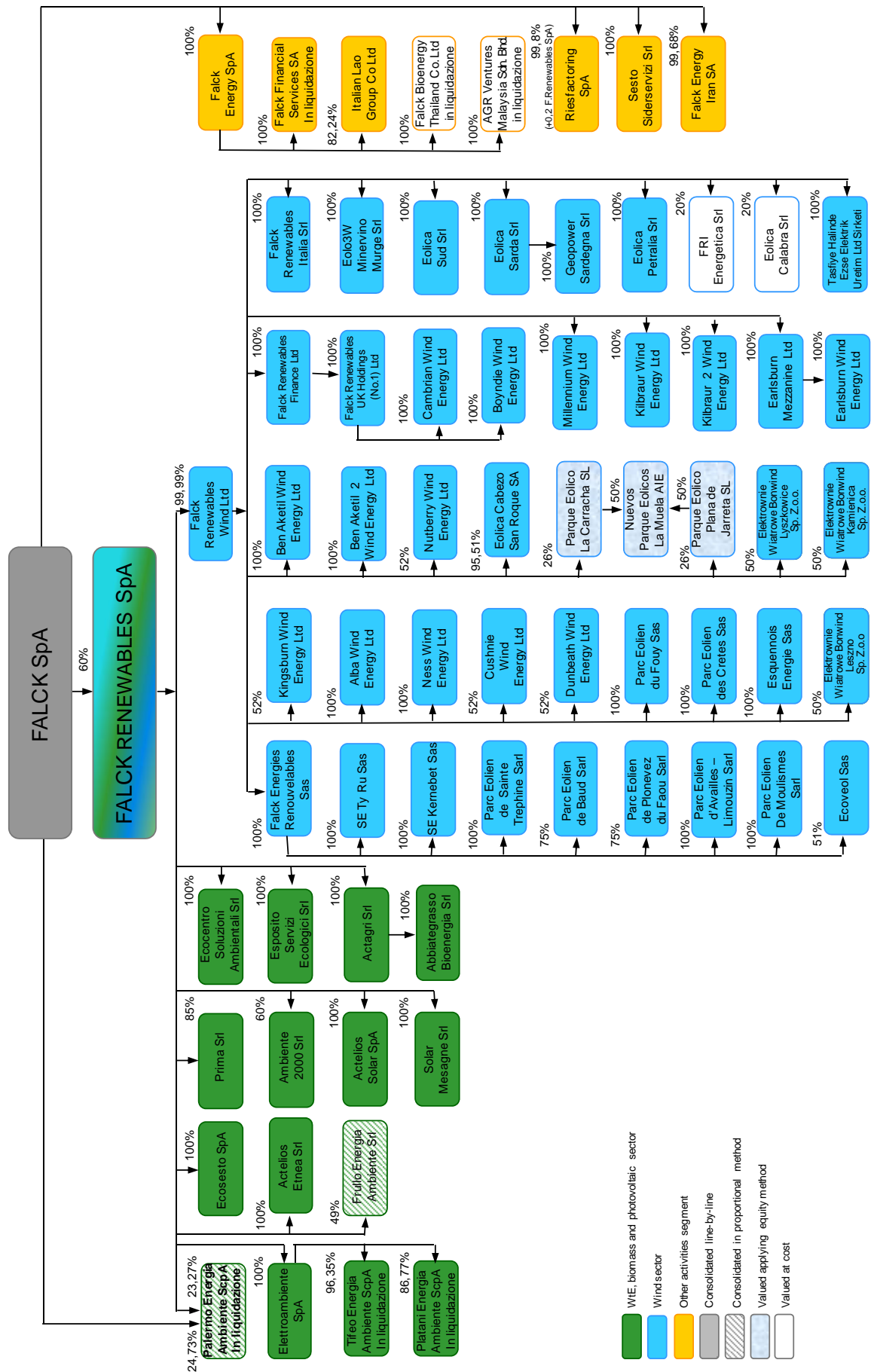
PricewaterhouseCoopers SpA

Company powers vested in the directors are illustrated on page 45.

## 2. Falck Group structure at 30 June 2011

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2. Group structure



### 3. Financial highlights

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3. Financial highlights

	(Euro millions)			
	30.6.2011	30.6.2010	2010	2009
Revenue	114	86	186	189
Gross profit	56	37	81	66
Operating profit	40	21	40	18
Ebitda (1)	62	40	82	75
Profit for the period	12	14	( 1)	( 22)
Profit for the period attributable to Falck SpA equity holders	6	11	( 6)	( 28)
Earnings per share attributable to Falck SpA equity holders (Euro)	0.08	0.15	( 0.08)	( 0.38)
- Net financial liabilities	135	221	199	207
- Project financing	639	523	601	419
Total net financial position	774	744	800	626
Total equity	408	313	319	329
Total equity attributable to Falck SpA	221	204	236	219
Equity holders equity per share (Euro)	3.036	2.802	3.242	3.009
Capital expenditure	86	60	178	171
Gross profit/revenue	49.0%	42.6%	43.8%	35.0%
Operating profit/revenue	34.9%	24.1%	21.4%	9.4%
Profit for the period/total equity	3.0%	4.5%	-0.4%	-6.7%
Net financial position/total equity	1.89	2.37	2.50	1.91
Total number of group employees	(no.)	252	284	257
		498		

- (1) Ebitda = Ebitda is measured by the Falck Group as profit for the period before income and costs from investments, net finance income/costs, amortisation and depreciation, impairment, charges to risk provisions and income tax expense. This indicator was calculated applying best market practice taking into consideration the new group financing contracts. This method was applied to calculate Ebitda for the previous years disclosed.



## 4. Interim directors' report

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## 4. Interim directors' report

These interim consolidated financial statements at 30 June 2011 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 2011.

### 4.1 Falck group operating and financial review

#### 4.1.1 *Falck group profile*

The Falck group (the Falck Group or the Group) was incorporated on 26 January 1906 with the name Acciaierie e Ferriere Lombarde Falck: for more than 100 years the Company has been a major player in the industrial development of Italy, through initiatives that demonstrate its commitment to the local territory and interest in safeguarding the environment.

The Group has taken on board 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 now 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 to satisfy energy requirements 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.

The Consolidation Project involving the transfer of the wind sector activities to Actelios SpA (now Falck Renewables SpA), came into effect on 15 November 2010.

#### 4.1.2 *Regulatory framework*

The growing focus on issues related to climate change has led a large group of countries to sign the Kyoto protocol (the "Kyoto Protocol"). The European Union endorsed the Kyoto Protocol and has developed a specific energy strategy aimed at facilitating renewable energy use. Directive 2009/28/EC set targets for the development of renewable sources for each member state and requires that each state develops its own National Renewable Energy Action Plan.

Italy announced its National Renewable Energy Action Plan to the European Commission on 2 July 2010, pledging that by 2020 17% of gross domestic consumption, including 6.38% of energy consumption in the transport sector, 28.97% of electricity and 15.83% of heating and cooling, will be met through renewable energy.

Legislative Decree 28 of 3 March 2011, implementing Directive 2009/28/EC, came into force following publication of the Italian Official Gazette (ordinary supplement 81) on 28 March 2011; the Decree had been approved by the Italian Council of Ministers on 30 November 2010.

As illustrated below endorsement of Directive 2009/28/EC contains, inter alia, significant changes in respect of incentives for the production of electricity from renewable sources.

## 4. Interim directors' report

### ❖ *Italy: Regulation of the wind, WtE, biomass and photovoltaic sectors*

In order to access the system of incentives, all plants that produce energy from renewable sources, with the exception of photovoltaic plants, that commenced operations after 1 April 1999 (Legislative Decree 79/99; “Bersani Decree”) must be qualified as plants fuelled by renewable sources (“Impianti Alimentati dalle Fonti Rinnovabili” or IAFR). The IAFR qualification is issued by the Italian grid operator (Gestore dei Servizi Energetici S.p.A. or GSE).

The regulations on incentives for the production of electricity from renewable sources focus on several mechanisms with different applications based on (i) the date the plant commenced operations, (ii) the type of renewable resource used, and (iii) the plant's capacity.

The principal incentives are as follows:

- (a) CIP 6/92;
- (b) Green Certificates introduced by the Bersani Decree;
- (c) all-in rate introduced by Law 244 of 24 December 2007 (“All-in Rate”);
- (d) energy account governing photovoltaic plants (Ministerial Decree (MD) 19/2/2007- “second energy account”, MD 6/08/2010 – “third energy account”, and MD 05/05/11 – “fourth energy account”).

#### **a) CIP 6/92**

This incentive system offers a direct incentive to producers of renewable and similar types of energy, and is still effective for a number of operating plants, whereby under a specific agreement the producers sold energy produced to ENEL (now the GSE) at a fixed price without participating in the feed in tariff market mechanism. In particular, CIP 6/92 fixed the selling prices under which Enel purchased electricity, in accordance with the “avoided costs” criteria (of investment and combustibles) and offering incentives in relation to the higher costs incurred by generating electricity from renewable sources.

Benefits terms have been fixed for 12/15 years, with the incentive element guaranteed for up to 8 years.

#### **b) Green certificates (GC)**

From 2001, the Bersani Decree required entities importing or producing more than 100 GWh per year from conventional sources to feed into the grid (in the following year) not less than 2% of energy produced by renewable sources (for 2011 the minimum quota is 6.8%, to be satisfied in 2012).

The abovementioned emission quotas may be met through the production of renewable energy or alternatively the purchase of GC's from other renewable energy producers.

For each MWh of renewable energy the GSE awards the producer 1 GC.

In this way the GC market becomes one of demand (minimum quotas) and supply (GC's). The GC's are annual certificates of renewable production that producers receive (for 12/15 year periods depending on the date the plant commenced operations) from the GSE based on production levels and the renewable source used.

The current GC ratios (Law 99/2009; Decree MIPAAF 02/03/2010; Legislative Decree endorsing Directive 2009/28/EC) applied to renewable energy production are:

- . onshore wind farms: 1;
- . offshore wind farms: 1.50;
- . biodegradable waste and agricultural/forest biomass plants other than those governed by supply contracts or agreements or sourced from short chain (70km): 1.3;
- . agricultural/forest biomass plants other than supplies governed by supply contracts or agreements or sourced from short chain (70km): 1.8.

#### 4. Interim directors' report

The Legislative Decree implementing Directive 2009/28/EC states that the GC incentive mechanism will cease with those plants that commence operations by 31/12/2012. A transition period up to 2015 (commencing with 2011) has been put in place for plants operating prior to this date, whereby the GC system will continue (demand/supply) and the GSE will be required to buy-in all excess GC's that will increase in line with the reduction in the minimum quotas that will then cease in 2015; renewable energy production will receive an annual incentive from the GSE for each GC that constitutes a FEED IN PREMIUM representing a premium in addition to the revenue arising from sales of electricity on the free energy market. This amount (in Euro/MWh) is equal to 78% of the difference between 180 and the average annual electricity sales price paid by the GSE (established by the Regulatory Authority for Electricity and Gas and published by 31 January of each year based on the actual amounts for the previous year).

From 2016 the GC system will cease to exist and for the remaining incentive years a new FEED IN system will be applied, which will be established within 6 months of the Legislative Decree's publication in the Official Gazette (March 2011).

##### **c) All-in rate**

The all-in rate is a form of incentive for energy produced from renewable sources that can be provided for 15 years to certain types of plants with an average annual nominal capacity of up to 1 MW, as an alternative to the Green Certificate mechanism.

Producers who opt for this tariff option may not participate in the electricity market (FEED IN TARIFF mechanism).

##### **d) Energy account**

The energy account is the incentive for photovoltaic plants (Feed in Premium mechanism), the framework of which was developed in 4 phases covering successive periods of time:

- Ministerial Decree (MD) 28/07/05 and MD 06/02/06 – known as the first energy account that covered plants that commenced operations from 2005 up to early 2007;
- MD 19 February 2007 – the second energy account, applied to plants that commenced operations between February 2007 and 31 December 2010 (and extended to plants finalised by 31/12 and that commenced operations by 30 June 2011: specifically, pursuant to Law 129 of 13 August 2010, the incentives tariffs established in MD 19 February 2007 will continue to apply to photovoltaic plants that commenced operations after 1 December 2010 on the grounds that the photovoltaic plant was installed and notification provided to the relevant authorities of completion of work and that the plant commenced operations by 30 June 2011);
- MD 6 August 2010 – known as the third energy account that is applied to plants that commenced operations between 1 January 2011 and 31 May 2011;
- MD 5 May 2011 – the fourth energy account that currently covers plants that commenced operations in the period from 1 June 2011 up to 2016.

The incentive tariffs established in the MDs from the second energy account onwards are based on the energy produced and vary depending on the type of plant (integrated, partially integrated and not integrated into the structure in relation to the second energy account, or installed on buildings or other plants from the third energy account onwards) and the installed capacity (between 1 and 3 kW; from 3 to 20 kW; from 20 kW to 200 kW; from 200 kW and 1000 kW; from 1000 kW to 5000 kW, over 5000 kW).

The incentives are awarded by the GSE for periods of up to 20 years.

#### 4. Interim directors' report

MD 5 May 2011 is currently in force; this decree governs the period 1 June 2011 – 31 December 2016.

In all cases the incentive tariff applied refers to the rate in force on the date the plant commenced operations.

A peak power limit of 1000 kW has been set whereby if the plant is constructed on a building it is defined a small plant; small plants also comprise those not constructed on buildings but that have a peak power of 200 kW.

Premiums are also awarded in addition to the incentive tariffs in the case of the following scenarios: i) ground mounted plants constructed on industrial land, mines, quarries or landfills (+5%); ii) small plants constructed by municipalities of less than 5,000 inhabitants (+5%); iii) plants installed on roofs to replace fibre cement or asbestos roofs (Euro 5 cents/kWh); iv) plants where not less than 60% of the cost of materials relates to products manufactured in the EU (+10%).

A transition period covering 2011-2012 has been established, during which no limits have been imposed on the number or the capacity of small plants and large plants that commenced operations after 31 August 2011; other plants may only be awarded incentives where they are listed on the electronic register maintained by the GSE and the position allocated on this list meets the expenditure and capacity limits entitled to incentives as envisaged by article 4 of the decree.

The tariff is awarded for a twenty year period starting from the date the plant commenced operations and is not adjusted for inflation.

The incentive tariffs decrease monthly in 2011 and six-monthly in 2012.

For plants that commence operations in the first half of 2013 the tariffs represent an all-in-rate for energy fed in to the grid (the mechanism is adjusted to a “feed in tariff”), while a premium is applied for the quota of on-site consumption.

An annual reduction of between 15% and 30% on the previous period's amount will be applied to all plants that come into operation in the second half of 2013, with potential additional decreases in the event that the thresholds established by the decree are met.

The MD of 5 May 2011 governs both conventional photovoltaic plants and the incentive regime for concentrated solar plants and integrated plants with innovative features.

#### ❖ *United Kingdom: regulatory framework in the wind sector*

In line with Directive 2009/28/EC, the UK Government's target is to achieve 30% of its energy consumption from renewable sources by 2020.

The incentives schemes for the production of electricity from renewable sources fall under 2 incentives regimes:

- a) NFFO Order (England, Wales and Scotland)
- b) Renewables Obligation Order.

#### **a) NFFO (England, Wales and Scotland)**

In England and Wales the legacy regime for the sale of electricity generated from renewable sources is regulated under the Electricity (Non-Fossil Fuel Sources) (England and Wales) Orders of 1994, 1997 and 1998 (“NFFOEW Orders”). In Scotland it is regulated under the Electricity (Non-Fossil Fuel Sources) (Scotland) Orders of 1994, 1997 and 1999 (“NFFOS Orders”). There are also separate regulations for Northern Ireland.

Although the underlying legislation has been repealed, there is a saving in respect of existing projects that continue to operate under the regulation until the expiry of existing NFFO contracts (fixed price long-term sales contracts) with NFPA. For these plants the incentive mechanism is the feed in tariff. The Cefn Croes plant continues to operate under the NFFOEW Orders.

## 4. Interim directors' report

### **b) Renewables Obligation**

The current regime to promote and support the generation of electricity from renewable sources in England and Wales and in Scotland is through separate Renewables Obligation Orders (“ROs”). The Renewables Obligation Order 2006 (England and Wales) and the Renewables Obligation (Scotland) Order 2007, respectively impose obligations on electricity suppliers to demonstrate that not less than a stipulated percentage of electricity produced was generated from renewable sources.

The Office of Gas and Electricity Markets, OFGEM, issues Renewable Obligations Certificates (“ROCs”) and Scottish Renewable Obligations Certificates (“SROCs”) on behalf of the Gas and Electricity Markets Authority (“GEMA”).

The ROs require electricity suppliers to source an increasing portion of their electricity supply from renewable sources (including onshore and offshore wind farms). The current target is set at 10.4% of all electricity fed into the network in the period from 1 April 2010 to 31 March 2011.

Compliance under the RO scheme is regulated through a certification system using ROCs and SROCs. Renewable energy generators receive ROCs or SROCs for each MWh of electricity generated. ROCs and SROCs are tradable, are priced in the market and traded at a premium compared to the market price of a similar quantity of energy (FEED IN PREMIUM mechanism).

Smaller wind farms (all of the Group's wind farms except for Kilbraur and Millennium) are also entitled to other benefits. Renewables generating plants are typically connected to the low voltage regional electricity distribution network rather than to the high voltage transmission network operated by the National Grid. Using the distribution network rather than the high voltage transmission network avoids the charges imposed by the National Grid. This is known as Triad Avoidance Benefit.

The Finance Act 2000 introduced the Climate Change Levy (“CCL”) which is a flat rate currently at £4.41 per MWh, charged on the supply of electricity to non-domestic customers.

Eligible renewable generators are entitled to climate change levy exemption certificates (“LECs”). In order to meet the obligations of the Finance Act 2000, suppliers may either purchase LECs from a generator of qualifying renewable energy which can then be submitted to OFGEM or pay the tax directly to OFGEM.

Unlike ROCs (and SROCs), LECs are not fully tradable and the supplier must show they relate to a quantity of renewable electricity actually supplied to a specific industrial consumer.

### **❖ *Spain: regulatory framework in the wind sector***

Under Directive 2001/77/EC, Spain has targeted that 29% of gross electricity consumption be produced from renewable energy sources by 2010.

The main regulations in Spain comprise the 2004 and 2007 Royal Decrees. New regulations were approved in July 2010 which do not affect the wind farms falling under the 2004 Royal Decree.

The 2004 Royal Decree established that electricity generated could be sold at a price comprising a fixed element (or premium) and a variable element depending on the energy prices in the Spanish electricity market.

The 2004 Royal Decree was superseded by the 2007 Royal Decree. The 2007 Royal Decree maintains the feed-in tariff regime and introduces a new pool price regime, which is subject to a floor and a cap to ensure wind farm owners are not under or over remunerated. The Group's wind farms have elected to apply the pool price regime established in the 2004 Royal Decree until 31 December 2012, following which the new pool price regime established under the 2007 Royal Decree will apply.

In addition to the pricing regimes, electricity generated from renewable sources is afforded priority access to the transmission and distribution grid system, ensuring all power is purchased.

## 4. Interim directors' report

### **Pool price regime**

The majority of Spain's wind power is sold under the pool price regime. The Group's wind farms apply this regime.

Remuneration under the 2004 Royal Decree is calculated as the sum of the negotiated market price plus premium, plus/minus a reactive power bonus, plus incentives, minus deviations.

The negotiated market price is calculated either (i) by reference to the settlement of demand and supply and other procedures carried out by OMEL (the market operator) or (ii) by reference to the price negotiated between the parties when the sale is made through bilateral agreements or forward market trading ("venta a plazo").

The premium is set at 40% of the average or reference tariff, while the incentive is set at 10% of the average reference tariff.

Pursuant to the 2007 Royal Decree, remuneration is calculated as the sum of the negotiated market price plus a premium of 2.9291 Euro c/Kwh. The market price plus the premium cannot be greater than 8.4944 Euro c/Kwh nor less than 7.1275 Euro c/KWh. Moreover, the remuneration also includes a reactive power bonus (calculated as a percentage of 7.8441 Euro c/KWh) in relation to the ability of the operator to control reactive power. The premium will be reviewed annually, taking into consideration the Consumer Price Index (published monthly and at the end of every year by the Instituto Nacional de Estadística) minus 0.25% until 2012 and minus 0.50% thereafter.

### **❖ *France: regulatory framework in the wind sector***

Law 2000-198 of 10 February 2000 regarding the upgrade and development of public services and electricity (and ensuing amendments under the Laws of 3 January 2003 and 15 July 2003 - the French Electricity Law) and Decree 2001-410 of 10 May 2001, require Electricité de France ("EDF") and local distributors to purchase electricity generated by producers of energy from renewable sources under a 15 year purchase agreement.

Subsequent to the amendment of July 2005, the purchase obligation applies to wind farms located within the perimeter of a wind farm development area (zone de développement de l'éolien or ZDE).

The conditions applicable to the purchase of electricity generated by renewable energy plants are set out in the Arrêté of 17 November 2008.

The Arrêté specifies a fixed tariff regime (8.2 Euro c/KWh subject to indexation) for the first 10 years of generation, while the tariff for the last five years of the purchase contract is linked to the volume of energy produced in the first 10 year period. Low-wind sites (less than 2,400 hours of generation per year) will continue to benefit from the same tariff for the full 15 year period, whereas middle and high-wind speed sites will see a decrease in the purchase tariff in the final five years of the contract.

The tariff applicable to a specific wind farm is determined using a coefficient ("k index") dependent on the year in which the EDF received the full application to enter into the electricity purchase agreement. The k index is reviewed annually in line with a specific formula defined in the Arrêté. The tariff, subject to an annual index, is guaranteed for the 15 years after the start of operations.

## 4. Interim directors' report

### 4.1.3 *Review of business in the first half of 2011*

#### ❖ **Falck**

Details of the impact of the Consolidation Project on Falck SpA and its parent company Falck Energy SpA are set out in the paragraph “Significant events relating to the Consolidation Project”.

On 11 January 2011 the meetings of the convertible debenture holders and the extraordinary shareholders' meeting of Falck SpA, authorised the extension of two loans to 31 December 2015, with the option of partial repayment by the Company up to a maximum of Euro 5.7 million in total.

On 14 January 2011 Falck SpA signed a loan agreement for Euro 135 million with a pool of leading banks. The loan contract envisages a “*Stock Lending*” credit facility up to a maximum of Euro 55 million and a Euro 80 million credit facility comprising:

- A maximum Euro 70 million Term loan;
- A Revolving credit corresponding to the difference between Euro 80 million and the amount drawn down on the term loan.

The loan stipulates the following:

- Use of the stock lending line to enable Falck SpA to subscribe to the share capital increase in Falck Renewables SpA and maintain a minimum 60% stake;
- Use of the Term and Revolving credit lines following conclusion of the Falck Renewables SpA share capital increase.

The loan matures on 30 June 2015.

#### ❖ **Renewable energy sector**

On 14 January 2011 Falck Renewables SpA entered into a loan agreement for Euro 165 million with a pool of leading banks.

The transaction falls within the scope of the Consolidation Project and reorganisation of the Group companies and its purpose is to fund development of the activities and investments envisaged in the business plan approved by the board on 12 November 2010, which estimates approximately Euro 1.2 billion of investment in the period 2010 to 2014.

The loan agreement provides for a term facility with a cap of Euro 70 million and a revolving facility totalling Euro 95 million. The loan, which was released in April 2011 following completion of the share capital increase, will mature on 30 June 2015. The contract requires that covenants are fulfilled (Consolidated Net Financial Debt over Consolidated Ebitda and Consolidated Net Financial Debt over Consolidated Total Equity) every six months commencing 30 June 2011: these covenants were met at this date.

Details of the dispute between the Sicily Project companies Tifeo Energia Ambiente ScpA, Platani Energia Ambiente ScpA and Palermo Energia Ambiente ScpA and the Sicily Region's Department for Energy and Public Utilities are provided in the paragraph “Sicily Projects”.

The photovoltaic plants of Cardonita (Enna) 3.8 MW, Spinasanta (Catania) 6 MW and Sugherotorto (Ragusa) 3.3 MW, a total of 13.1 MW, were put into commercial operation by Actelios Solar SpA on 25 April 2011. A Euro 47 million project financing contract was entered into for the purpose of constructing the plants.

Work on the 15 MW extension to the Millennium wind farm was finalised in March following which commercial operations commenced.



#### 4. Interim directors' report

The 20 MW extension to the Kilbraur wind farm was also completed in the second quarter of 2011 and is currently in the advanced stages of commissioning. Kilbraur Wind Energy Ltd, a subsidiary of Falck Renewables Wind Limited, finalised a non-recourse project financing transaction worth Euro 23.3 million. The transaction, financed by Royal Bank of Scotland Plc, which has an 80% leverage and 16 year term, was secured only a few months after the loan issued again by Royal Bank of Scotland Plc in December 2010 to fund the 15 MW extension of the Millennium wind farm (Scotland).

Work on the largest Italian wind farm of 138 MW in Buddusò Alà dei Sardi continued ahead of schedule. More than 50% of the wind farm has been completed and is already in the commissioning stages.

##### ❖ **Other activities sector**

Sustainable Energy Solutions, a Luxembourg registered company that was put into liquidation last year, was removed from the Luxembourg Companies Register on 30 June 2011.

Falck Financial Services Sa, a Swiss company, was put into liquidation in November 2010 and is expected to deregister in the second half of 2011.

##### ❖ **Significant events relating to the Consolidation Project**

As envisaged by the Consolidation Project, for the purpose of transferring to Falck Renewables SpA all of the activities relating to the management, administrative, legal, financial and control services that Falck SpA provided to the Group companies, on 22 December 2010, Falck SpA sold to Falck Renewables SpA, the business comprising the assets (management software, goodwill, furniture, furnishings and electronic equipment) and employees (together with the TFR and holiday provisions) dedicated to providing these services, with effect from 1 January 2011. As part of this agreement 28 employees were transferred to Falck Renewables SpA (6 managers and 22 middle management and white-collar staff). Within the same reorganisation, on 22 December 2010 Riesfactoring SpA, controlled by Falck SpA, also sold the business that consisted of the assets (goodwill, furniture and furnishings) and employees (together with the TFR and holiday provisions) dedicated to the treasury function to Falck Renewables SpA, with effect from 1 January 2011. This agreement resulted in the transfer of 3 employees (1 manager and 2 white-collar staff).

On 9 February 2011 the board of directors of Falck Renewables SpA established the final terms for the offer of its new ordinary shares to be issued upon the exercise of pre-emptive rights granted to existing holders, thereby completing the terms approved by the board of directors on 2 December 2010, in order to execute the powers vested in the directors by the extraordinary shareholders' meeting of 27 August 2010.

The rights offering concluded with all of the 129,517,284 new ordinary shares being subscribed at Euro 1.003 per share for a total value of Euro 129,905,835.85 before commission and expenses. Consequently, the underwriting services offered by the syndicate were not required.

With regard to Falck SpA's underwriting commitment, at the time of writing the half-year financial report Falck SpA holds approximately 60% of the new share capital of Falck Renewables SpA.

#### 4. Interim directors' report

The table below illustrates the movements in share capital in the period 30 June 2010 – 30 June 2011 and the stake of the majority shareholder.

	Number of shares in issue	Share capital	Falck SpA's stake in Falck Renewables SpA
30 June 2010	67,680,000	67,680,000	68.72%
31 December 2010	161,896,607	161,896,607	74.95%
30 June 2011	291,413,891	291,413,891	60.00%

#### ❖ Sicily projects (Integrated projects for the management and WtE treatment of waste in Sicily)

The Group worked on three projects for the construction and management of integrated WtE plants which were to be located in Casteltermini (province of Agrigento) (the “**Platani Project**”), Augusta (province of Syracuse) (the “**Tifeo Project**”) and Bellolampo (province of Palermo) (the “**Palermo Project**”), to be constructed by project companies belonging to the Group (together the “**Sicily Projects**”).

These projects commenced following the declaration of a state of emergency in the waste management sector in Sicily by the Italian Prime Minister in the Decree dated 22 January 1999, resulting in the appointment of a Commissioner to deal with the emergency on 31 May 1999. 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 (**Elettroambiente**), 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 provided the required financial resources which the other members lacked.

In August 2002, the Company joined a group, with Elettroambiente acting as lead agent, to submit a bid in relation to the above tender 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-purpose 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 (then 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 Energia SpA (**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 the Company.

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This provides a brief outline of how the Company came to operate in Sicily from 2003 through the three project companies, PEA (23.27% stake), Platani (previously an 85.73% stake increased to 86.77% from 11 June 2011, held through Elettroambiente and subject to direction and coordination activities by the Company) and Tifeo (previously a 95.62% stake increased to 96.35% from 11 June 2011, held through Elettroambiente and subject to direction and coordination activities by the Company), which were incorporated to construct and operate the Integrated Systems for waste management in Sicily after recycling.

The salient points of the Conventions included the information contained in a number of annexes summarising the key financial data and the 20 year business plan that supported the financial viability of the Sicily Projects. These annexes expressly envisaged that the Industrial Operators would benefit from the incentives linked to the production of energy from renewable and comparable sources recognised by Law 9 of 9 January 1991.

In the period between late 2004 and early 2006, the Industrial Operators received all of the authorisations 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. A series of unforeseeable events that were beyond the control 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 Sicily Projects and as a consequence on the realisation of the Sicily Projects themselves.

For example, in February 2007 the Industrial Operators were notified of a Joint Ministry Decree suspending the authorisations following which work was suspended (appeals to the Regional Administrative Court (TAR) in Lazio and the ruling 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 that the TAR in Lazio ruled on the appeals made by the Industrial Operators and declared illegitimate the silence of the Ministry for Economic Development in relation to the statements filed by the plaintiffs against the ministry decree on article 1, paragraphs 1117 and 1118 of Law 296/2006 relating to the right to be awarded the incentives under CIP 6/1992).

The above events prevented the execution of the project financing contracts essential to the construction of the plants. In a letter dated 21 March 2008 the Regional Department for Waste and Water (ARRA) 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. 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 a mutual solution to the Conventions.

These negotiations lasted almost a year and were finalised on 28 April 2009 with the execution of an agreement (the **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 the financial viability of the current project was preserved*” (Agreement art. 3); (ii) in any event the Industrial Operators and their shareholders would assign ownership of the Sicily Projects, the 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). Calls for tenders were issued the following day (no bids were submitted) and 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.

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The Industrial Operators notified ARRA that they were available to attend a meeting however, 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 (professor Mario Massari of Bocconi University in Milan).

No bids were submitted in relation to the negotiated procedure and on 11 September 2009 ARRA, without replying to the numerous requests to arrange a meeting, unilaterally terminated both the Conventions of June 2003 and the Agreements of April 2009, claiming that the Industrial Operators had breached their obligations.

In October 2009 ARRA requested the insurers Zurich SpA to enforce the guarantees issued by the latter as security for the performance of the Industrial Operators' obligations established under the Conventions.

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 Falck Renewables SpA (for PEA), Falck SpA (for PEA), and Elettroambiente (for Tifeo and Platani).

Amia SpA, a shareholder of PEA and Platani, subsequently intervened in the proceedings of the latter, 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 constituted the Integrated Systems by a further 5 years.

On 18 January 2010 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 guarantees. With regard to the subject matter 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* contradicted by ARRA in its declaration restated in the Agreements.

ARRA did not appeal against the interim orders issued by the Civil 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 Civil 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, requesting that ARRA's petition to enforce 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.

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A second brief was filed on 8 May 2010, whereby, 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 expert 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 financial viability requirement 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 profit) in the event that ARRA had fulfilled its obligations under the Agreement; 4) the amount of compensation owed to the Industrial Operators under article 14.2 of the Conventions. Having acknowledged in the second brief the approval of the New Regional Law 9 of 8 April 2010 (the **New Regional Law**) and the impossibility of proceeding with construction of the WtE plants, the Industrial Operators filed a third brief on 28 May 2010 in which a detailed analysis of the impact on the Sicily 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 Sicily Projects in accordance with the Conventions, confirmed by the introduction of the New Regional Law and the proceedings initiated on 18 May 2010 pursuant to article 7 of Law 241/1990 (see paragraph below), 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 specific performance of contract presented in the original summons to a claim for termination of the Agreement due to the actions and default of the Department.

The Industrial Operators therefore sought compensation for damages suffered in respect of both pecuniary loss (quantified as follows: Tifeo, Euro 55,745,013.00; Platani, Euro 37,676,745; PEA, Euro 49,555,742.00 – of which the Company share is Euro 23,786,756.16) and loss of profit (quantified as follows: Tifeo, Euro 94,100,000.00; Platani, Euro 47,800,000.00; PEA, Euro 88,800,000.00 – of which the Company share is Euro 42,624,000.00).

Pecuniary losses correspond to the costs incurred on the projects while loss of profit represents the financial return that the Industrial Operators would have earned in the event that ARRA had fulfilled the obligations defined in the Agreement.

In the hearings that took place on 15 July 2010, the modification of the claim from specific performance brought by the companies in the summons previously filed, to a claim for termination of the Agreement due to the actions and default of ARRA was acknowledged by the Civil Court of Milan, 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 an expert witness in order to assess the damages sustained by the Department. The Court adjourned the hearing to 24 February 2011 and, acknowledging the company's request, ordered the shareholders of Tifeo, Platani and PEA, signatories of the Agreement of 28 April 2009, to be joined to the proceedings.

Following approval by the respective boards of directors, on 3 August 2010 the shareholders of Tifeo and Platani and on 23 September the shareholders of PEA, put the companies into liquidation, which the Company believes will not affect the above court proceedings.

As already notified to the public on 12 May 2010, all of the documentation in respect of the invitation to tender in 2002 was provided to the Italian Finance Police in relation to a tax investigation involving undisclosed parties.

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##### - Events relating to 2011

On 24 February 2011 the Court confirmed the validity of the notices served against the named third parties and awarded the parties the time limits to submit statements pursuant to article 183, paragraph six, c.p.c.. The case was adjourned and proceedings will continue in the hearing scheduled to take place on 23 November 2011.

The shareholders' meetings of 6 April 2011 approved the transfer of the registered offices of Palermo Energia Ambiente ScpA, Platani Energia Ambiente ScpA and Tifeo Energia Ambiente ScpA from Palermo to Sesto San Giovanni.

On 14 July 2011, the Sicily Project companies were notified of Decree 548 of 22 September 2010 pursuant to which, *inter alia*, the said 2002 bids were declared non-responsive and all subsequent acts and measures adopted to implement the said procedures were cancelled in self-defence. This is in light of, among other things, the *i*) alleged "*intersezione soggettiva*" between a number of the associated companies, *ii*) the alleged absence of any geographical overlap in the responses to the tender and *iii*) the outcome in 2005 regarding the infiltration of organized crime in the groups that participated in the bid, and *iv*) the rulings issued by the European Court of Justice on 18 July 2007. The Decree was issued by the Sicily Region in response to the notice of proceedings pursuant to articles 7 and ff. of Law 241/1990 of 18 May 2010 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 ARRA, was linked to the companies that formed the other two temporary associations (subsequently to become the project companies) that were awarded the procedures. The Industrial Operators presented statements on 17 June 2010 in which they underlined the unlawfulness of the claims made by ARRA 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*".

Given this prior knowledge it has been assumed that ARRA 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 Industrial Operator to fulfil its obligations under the Conventions and subsequently entered into an Agreement to resolve them 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 observed 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 had 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 were not founded on criminal rulings but merely on the accusations put forward by the investigating magistrates in bringing a case against the entity. With regard to this decree, Tifeo, Platani, PEA and Elettroambiente are preparing the defence of their statements before the court.

The radical change in the operating conditions from "development of WtE industrial projects as part of the new waste management plan" at 31 December 2009 to "no longer feasible" following the Regional Law of 12 April 2010, is such that the recoverability of all amounts relating to the Sicily Project hinges entirely on the outcome of the litigation in course with the Department of the Sicily Region.

An impairment test was performed on the goodwill allocated to the Sicily Projects cash generating unit, the costs capitalised under the headings Property, plant and equipment in the consolidated financial statements and Trade receivables, Financial receivables and Investments in the Falck Renewables SpA financial statements, and any other amount relating to the above-mentioned projects, for the purpose of preparing the financial statements at 31 December 2010. The impairment test was carried out taking into account the opinion of an independent legal expert, issued on 22 July 2010, who confirmed that in relation to the financial claims raised

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by the company in substance the situation had not changed as a result of the modification of the original claim from specific performance made in respect of the Agreement dated 28 April 2009 to a claim for termination due to the actions and default of ARRA; at the date of preparation of these financial statements the independent legal expert upheld this opinion in a statement issued in March 2011.

At the time of preparation of the half-year financial report at 30 June 2011, the legal advisors who attended the meeting confirmed that the status of the dispute, even in light of the cancellation decree issued by the Region on 22 September 2010 (only notified to the company at the end of July 2011 as mentioned above), has not changed to such an extent as to require a reassessment of the assumptions adopted in measuring and assessing the recoverability of the amounts in the financial statements at 31 December 2010.

A sensitivity analysis was carried out for the purpose of preparing the half-year financial report following the increase in the stakes held in Tifeo (from 95.62% to 96.35%) and Platani (from 85.73% to 86.77%) and a fluctuation in interest rates: the Falck SpA board of directors meeting held on 26 September 2011 noted that, as did the board of directors of Falck Renewables SpA on approval of the half-year financial report at 30 June 2011, the sensitivity analysis did not identify an impairment of the amounts in the consolidated financial statements that are associated with the Sicily Projects. Consequently, no impairment loss was recognised against Property, plant and equipment and Goodwill attributable to the Sicily Projects in the consolidated financial statements.

Moreover, with regard to PEA one of the Sicily Project companies in liquidation, which is consolidated applying the proportional method, at the time of preparing the half-year financial report the first interim liquidation accounts had not been approved by the shareholders. Consequently, for consolidation purposes the draft financial statements at 31 December 2010, sent by the liquidators to the shareholders on 21 March 2011, were used and adjusted to reflect costs incurred in the first six months of 2011.

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### 4.1.4 Performance

The Group's consolidated income statement recorded a profit of Euro 12,365 thousand compared to the previous year profit of Euro 14,076 thousand. The 2010 result had been strongly influenced by fiscal benefits deriving from the Tremonti-Ter law applicable only to 2009 and 2010 and amounted to Euro 6,033 thousand in respect of the latter, and income from the group consolidated tax regime relating to tax losses incurred in 2010.

With regard to the result of operations, significant increases were recorded in Revenue (+ Euro 27,820 thousand), Gross profit (+ Euro 19,136 thousand) and Operating profit that increased by Euro 18,965 thousand. Increased revenue is largely attributable to:

- Increased revenue of Euro 15,558 thousand arising from the wind sector activities following new plants coming on stream and an increase in installed capacity, which were partially offset by low wind levels recorded by the Italian wind farms in 2011;
- The positive contribution resulting from the consolidation for the full half-year in 2011 of the two companies acquired in June 2010 for Euro 5,400 thousand, Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl;
- Increased revenue of Euro 1,722 thousand as Actelios Solar SpA's photovoltaic plants in Sicily came on stream;
- The biomass plant in Rende recommencing production activities in January 2011, which in the first half of 2010 had operated at reduced capacity until April that year following which it was closed in order to carry out the total revamp of the plant, and the strong performance of the Trezzo and Granarolo dell'Emilia plants, which together account for Euro 5,139 thousand of increased revenue. The incentive tariffs pursuant to section 3 of the CIP6/92 decree attributable to the Trezzo plant expired in April 2011, although the avoided cost tariff is still in place.

The consolidated results may be summarised as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Revenue	114,152	86,332	185,518
Cost of sales	(58,229)	(49,545)	(104,281)
<b>Gross profit</b>	<b>55,923</b>	<b>36,787</b>	<b>81,237</b>
<b>Operating profit</b>	<b>39,809</b>	<b>20,844</b>	<b>39,679</b>
<b>EBITDA</b>	<b>62,496</b>	<b>40,079</b>	<b>82,409</b>
<b>Profit/(loss) for the period</b>	<b>12,365</b>	<b>14,076</b>	<b>(1,414)</b>
<b>Profit/(loss) for the period attributable to equity holders</b>	<b>5,940</b>	<b>11,030</b>	<b>(5,727)</b>
Invested capital net of provisions	1,182,501	1,057,311	1,119,431
Total equity	408,487	313,403	319,479
<b>Net financial position - indebtedness</b>	<b>774,014</b>	<b>743,908</b>	<b>799,952</b>
of which non-recourse financing	639,021	523,408	601,213
<b>Capital expenditure</b>	<b>85,527</b>	<b>60,153</b>	<b>177,601</b>
Employees at end of period	(no.) 252	284	257
Ordinary shares	(no.) 72,793,163	72,793,163	72,793,163



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Revenue by sector may be analysed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA	872	654	1,089
Renewable energy	114,027	86,196	184,641
Other activities	94	781	1,830
	<b>114,993</b>	<b>87,631</b>	<b>187,560</b>
Elimination of intergroup revenue	(841)	(1,299)	(2,042)
<b>Total</b>	<b>114,152</b>	<b>86,332</b>	<b>185,518</b>

**Ebitda** has been adopted as a summary performance indicator for the core business and is determined by the Falck Group as profit for the period before investment income/(costs), finance costs – net, amortisation and depreciation, impairment losses, charges to risk provisions and income tax expense.

This amount has been calculated in line with best market practice taking into consideration the latest project financing contracts entered into by the Group. This definition was applied retroactively to calculate the previous year Ebitda.

**Ebitda** at 30 June 2011 amounted to Euro 62,496 thousand (2010 – Euro 40,079 thousand) and equalled 54.7% (2010 – 46.47%) when expressed as a percentage of revenue.

This may be analysed by sector as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA	(291)	(2,528)	(7,188)
Renewable energy	64,836	46,097	95,224
Other activities	(396)	(3,490)	(4,685)
	<b>64,149</b>	<b>40,079</b>	<b>83,351</b>
Consolidation adjustments	(1,653)		(942)
<b>Total</b>	<b>62,496</b>	<b>40,079</b>	<b>82,409</b>

**Operating profit** of Euro 39,809 thousand increased by Euro 18,965 thousand compared to the previous year. Operating profit by business sector is as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA	(326)	(2,772)	(7,667)
Renewable energy	41,966	27,371	48,265
Other activities	(513)	(3,498)	(5,292)
	<b>41,127</b>	<b>21,101</b>	<b>35,306</b>
Consolidation adjustments	(1,318)	(257)	4,373
<b>Total</b>	<b>39,809</b>	<b>20,844</b>	<b>39,679</b>

The total **profit for the period** amounted to Euro 12,365 thousand and may be analysed by business sector as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA	1,400	10,634	(2,301)
Renewable energy	14,077	9,324	2,873
Other activities	(80)	894	(406)
	<b>15,397</b>	<b>20,852</b>	<b>166</b>
Consolidation adjustments	(3,032)	(6,776)	(1,580)
<b>Total</b>	<b>12,365</b>	<b>14,076</b>	<b>(1,414)</b>

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It should be noted that the recent austerity budget issued by the Italian government (Manovra di Ferragosto), which envisages a 10.5% increase in IRES on the taxable income of electricity companies with revenue of more than Euro 10 million and taxable income of Euro 1 million, would result in an increase of approximately Euro 1.5 million in the tax charge of the Falck Group disclosed in the half-year financial report, which is offset by a Euro 0.7 million adjustment to deferred income tax assets, with a consequent decrease of approximately Euro 0.8 million in profit for the period.

The **net financial position**, a net indebtedness of Euro 774,014 thousand (comprising non-recourse financing of Euro 639,021 thousand), decreased by Euro 25,938 thousand compared to the balance at 31 December 2010, while the non-recourse financing increased by Euro 37,808 thousand).

The improved net financial position is attributable to Falck Renewables SpA's share capital increase and cash generated from the operating plants, which have been partially offset by significant investment in wind farms and photovoltaic plants in the renewable energy sector.

**Capital expenditure** amounted to Euro 85,527 thousand and primarily related to construction work on new plants as mentioned above.

Capital expenditure by sector was as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA	8	22	171
Renewable energy	85,519	60,121	177,419
Other activities		10	11
<b>Total</b>	<b>85,527</b>	<b>60,153</b>	<b>177,601</b>

Investment in intangible assets by sector may be analysed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Falck SpA			
Renewable energy	363	810	3,300
Other activities			
<b>Total</b>	<b>363</b>	<b>810</b>	<b>3,300</b>

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### 4.1.5 Performance of business sectors

This note summarises the principal results of operations, net assets and financial data of the two sectors (“Renewable energy” and “Other activities”) and those of Falck SpA, which together represent the Group.

#### ❖ Renewable energy sector

The key financial highlights of this sector may be summarised as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Revenue	114,027	86,196	184,641
Cost of sales	(58,414)	(47,764)	(107,399)
<b>Gross profit</b>	<b>55,613</b>	<b>38,432</b>	<b>77,242</b>
<b>Operating profit</b>	<b>41,966</b>	<b>27,371</b>	<b>48,265</b>
<b>Ebitda</b>	<b>64,836</b>	<b>46,097</b>	<b>94,292</b>
<b>Profit for the period</b>	<b>14,077</b>	<b>8,809</b>	<b>1,927</b>
<b>Profit for the period attributable to equity holders</b>	<b>13,080</b>	<b>7,269</b>	<b>(145)</b>
Invested capital net of provisions	1,132,049	1,009,053	1,069,452
Total equity	470,567	333,233	335,242
<b>Net financial position - indebtedness</b>	<b>661,482</b>	<b>675,820</b>	<b>734,210</b>
of which non-recourse financing	639,021	523,408	601,213
<b>Capital expenditure</b>	<b>85,519</b>	<b>60,121</b>	<b>48,999</b>
Employees at the end of the period	(no.) 239	229	210

This sector focuses on the production of electricity from renewable sources.

In particular, the strategy is developed through the management of operating power plants, putting into operation plants in the start-up phase and the development of new projects, either directly or through joint ventures, with leading industrial enterprises.

This sector (together with Falck SpA's 24.728% direct stake in Palermo Energia Ambiente ScpA), which represents the new Group formed subsequent to the extraordinary transaction (the Consolidation Project to transfer the wind sector activities to Falck Renewables SpA) that resulted in the consolidation in Falck Renewables SpA of all Falck SpA's activities relating to the production of electrical energy from renewable sources, comprises:

- The wind sector activities of Falck Renewables Wind Ltd (previously controlled by Falck SpA through Falck Energy SpA) and its subsidiaries;
- The activities of the WtE and waste management, biomass and photovoltaic sector of Falck Renewables SpA (already prior to finalisation of the Consolidation Project) and its subsidiaries.

The installed capacity by technology is illustrated below:

	(MW)		
Technology	30 June 2011	31 December 2010	30 June 2010
Wind	465.2	450.2	408.1
WtE	31.0	31.0	31.0
Biomass	14.0	14.0	
Photovoltaic	16.1	3.0	2.0
<b>Total</b>	<b>526.3</b>	<b>498.2</b>	<b>441.1</b>

At 30 June 2010, the 14 MW biomass plant in Rende was closed for revamping that was finalised in December 2010.

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**Revenue** of this sector recorded a significant Euro 27,831 thousand increase (+32.3%) compared to 30 June 2010 that was positively influenced by, inter alia, :

- A Euro 15,558 thousand increase in wind sector revenue due to new plants coming on stream and increased installed capacity that was partially offset by low wind levels recorded by the Italian wind farms in 2011;
- The positive contribution arising from the consolidation for the full 2011 half-year of Esposito Servizi Ecologici Srl and EcoCentro Soluzioni that were acquired for Euro 5,400 thousand in June 2010;
- A Euro 1,722 thousand increase in revenue from the photovoltaic plants of Actelios Solar SpA in Sicily that came on stream during the period;
- The biomass plant in Rende returning to full operating regime in January 2011 as in the first half of 2010 it had operated at reduced capacity until April following which it was closed to carry out the total revamp of the plant, and the strong performance of the Trezzo and Granarolo dell'Emilia plants, which together contributed an additional Euro 5,139 thousand of revenue. With regard to the Trezzo plant, the incentive component of the tariff pursuant to paragraph 3 of the CIP6/92 decree expired in April 2011 while the avoided cost tariff remains in force.

**Ebitda** of the renewable energy sector improved significantly in the first half of 2011 (+Euro 18,739 thousand, +40.6%) compared to the Ebitda for the first half of 2010.

Ebitda expressed as a percentage of revenue amounted to 56.9% against 53.5% for the first half of 2010.

Combined **operating profit** of the sector for the first half of 2011 increased significantly compared to 2010 (+Euro 14,595 thousand, +53.3%).

**Income tax** expense for the 2011 half-year is notably higher than in 2010 due in part to higher profit but mainly as a result of the loss of the tax benefits under the Tremonti-Ter law that were applicable to 2009 and 2010, and amounted to Euro 6,033 thousand for the latter. It should be noted that the recent austerity budget issued by the Italian government (Manovra di Ferragosto), which envisages a 10.5% increase in IRES on the taxable income of electricity companies with revenue of more than Euro 10 million and taxable income of Euro 1 million, and subject to any subsequent measures undertaken by the Government, would result in an increase of approximately Euro 1.5 million in the sector's tax charge disclosed in the half-year financial report, which is offset by a Euro 0.7 million adjustment to deferred income tax assets, with a consequent decrease of approximately Euro 0.8 million in profit for the period.

**Profit for the period** amounts to Euro 14,077 thousand (Euro 8,809 thousand at 30 June 2010), corresponding to an increase of 59%. The previous year profit comprised the above-mentioned benefit of the Tremonti-Ter of Euro 6,033 thousand. Excluding this effect, profit for the first half of 2010 would have amounted to Euro 2,766 thousand with the profit for the first half of 2011 resulting more than four times that of the previous period. As mentioned above the austerity budget would decrease profit for the period by approximately Euro 0.8 million.

#### Net financial position

	(Euro thousands)	
	30.6.2011	31.12.2010
<b>Total net financial position</b>	<b>661,482</b>	<b>734,210</b>

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The **net financial position**, a net indebtedness of Euro 661,482 thousand, decreased by approximately Euro 73 million compared to the balance at 31 December 2010, principally due to the Euro 130 million cash influx from the share capital increase carried out by the parent company Falck Renewables SpA and cash generated by the operating plants, which were partially offset by total capital expenditure of approximately Euro 85 million in the half year mainly on the construction of the Buddusò/Alà dei Sardi and Petralia Sottana wind farms in Italy and the extension to the Kilbraur and Millennium wind farms in the UK and the Spinasanta, Cardonita and Sugherotorto photovoltaic plants in Sicily.

The Consolidation Project that took place last year resulted in a significant increase in invested capital following the consolidation of the wind sector activities that had an installed capacity of 526 MW at the end of June 2011; consequently; this resulted in the consolidation of the wind sector's net financial position that reflects the heavy investment in recent years to fund construction of the wind farms.

The net financial position comprises net borrowings of Euro 197,474 thousand relating to projects under construction/development that at 30 June 2011 had not yet earned revenue. The net financial position excluding these loans would have been Euro 464,008 thousand.

The net financial position comprises non-recourse borrowings of Euro 639,201 thousand (Gross Project Debt) at 30 June 2011.

The net financial position of the project companies (NFP Project) comprising the Gross Project Debt, the fair value of derivatives to hedge interest rate exposure and the liquidity from project financing, totalled Euro 558,803 thousand, representing approximately 72% of the Group's net financial position at 30 June 2011.

Interest rate swaps to a total of Euro 457,557 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, which corresponds to 72% of this debt.

#### Capital expenditure

**Capital expenditure** in the period, which amounted to Euro 85,519 thousand, represents the Group's financial commitment in relation to wind farms and photovoltaic plants and improvements carried out on operating plants. Investments during the period largely related to the construction of the Buddusò/Alà dei Sardi wind farm for a total Euro 43,012 thousand, the construction of the Petralia Sottana wind farm in Sicily for Euro 8,325 thousand, the extensions to the Kilbraur and Millennium wind farms in the UK for a total Euro 21,028 thousand and the Spinasanta, Cardonita and Sugherotorto photovoltaic plants in Sicily for a total Euro 10,883 thousand.

#### ❖ Other activities sector

Key financial information for the other activities sector may be summarised as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
Revenue	94	781	1,830
Cost of sales	(185)	(2,272)	(2,786)
<b>Gross loss</b>	<b>(91)</b>	<b>(1,491)</b>	<b>(956)</b>
<b>Operating loss</b>	<b>(513)</b>	<b>(3,498)</b>	<b>(5,742)</b>
<b>(Loss)/profit for the period</b>	<b>(80)</b>	<b>894</b>	<b>(406)</b>
<b>(Loss)/profit for the period attributable to equity holders</b>	<b>(80)</b>	<b>894</b>	<b>(406)</b>
Invested capital net of provisions	38,125	98,015	38,823
Total equity	13,092	31,304	14,702
<b>Net financial position - indebtedness</b>	<b>25,033</b>	<b>66,711</b>	<b>24,121</b>
of which project financing			
<b>Capital expenditure</b>		<b>10</b>	<b>11</b>
Employees at the end of the period	(no.) 9	19	14

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This sector largely comprises the following activities:

- Management of international investments, support for the study of new projects overseas and raising finance on the international markets through Falck Energy SpA, Falck Financial Services Sa (in liquidation) and Falck;
- Investment in Italian Lao Group Ltd;
- Activities linked to the provision of a variety of services through Sesto Siderservizi Srl.

This sector recorded a loss of Euro 80 thousand compared to a profit of Euro 894 thousand in the first half of 2010.

The operating loss for the first half of 2011 amounted to Euro 513 thousand, the loss is further increased by net finance costs of Euro 257 thousand and partially offset by dividends from Unicredit SpA of Euro 523 thousand.

The net financial position, a net indebtedness of Euro 25,033 thousand, increased by Euro 912 thousand compared to the balance at 31 December 2010.

##### 4.1.6 *Employees*

The number of employees working in consolidated companies was 252 at 30 June 2011, a fall of 5 compared to 31 December 2010.

	30.6.2011	30.6.2010	(Number) 31.12.2010
Managers	27	35	30
White-collar staff	148	157	148
Blue-collar staff	77	92	79
<b>Total employees</b>	<b>252</b>	<b>284</b>	<b>257</b>

The table below illustrates the changes in employee numbers across the business sectors.

	30.6.2011	30.6.2010	(Number) 31.12.2010
Falck SpA	4	36	33
Renewable energy	239	229	210
Other activities	9	19	14
<b>Total employees in consolidated entities</b>	<b>252</b>	<b>284</b>	<b>257</b>

##### 4.1.7 *Research and development activities*

The Falck Group did not carry out any research and development activities in the period.

## 4. Interim directors' report

### 4.1.8 Risks 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 activities. The credit risk exposure of the Falck Group is very limited in respect of both commercial customers and financial counterparties. Commercial customers present a low risk due to their nature: one third of amounts due from third parties (not related parties) is owed by the Italian national electrical energy supplier (GSE). The degree of concentration of customers is medium-high, however they have a high credit rating. The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with leading financial institutions. A summary quantitative indication of the maximum exposure to credit risk is the carrying amount of the financial assets, expressed gross of derivatives with a positive fair value and net of any guarantees.

The Group does not enter into instruments or guarantees to mitigate credit risk.

##### 2. *Liquidity risk*

The Falck Group has a centralised group treasury department that does not use a cash pooling system but nets opposing balances through the use of specific intercompany correspondence accounts.

The treasury management agreement between Falck SpA and Falck Renewables SpA terminated on 7 April 2011, the date on which Falck Renewables SpA cancelled all of its loan and liquidity management transactions with Falck SpA. Finally, the Falck Renewables 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 a summary evaluation and commentary.

Falck Renewables SpA entered into a Euro 165 million loan contract on 14 January 2011, which matures on 30 June 2015 and will guarantee the level of funds and cash required to meet the investments envisaged by the 2010-2014 business plan. Approximately Euro 71 million of this loan had been drawn down at 30 June 2011.

Falck SpA also signed a loan contract on 14 January 2011 for Euro 135 million with a pool of leading financial institutions, the purpose of which is to fund development of the business plan. Approximately Euro 91 million of this loan had been drawn down at 30 June 2011.

##### 3. *Interest rate 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. Moreover, the derivatives held at the year-end were acquired in order to allow the debt structure to meet the covenants requested by the financial institutions in relation to project financing. In particular, borrowings at variable rates for these contracts are matched with opposing IRS that partially convert the borrowings from variable to fixed rates. Although these operations are entered into to hedge interest rate risk, hedge accounting is not applied to all of these derivative financial instruments. Consequently, changes in fair value of these derivatives follow the general rule applied to trading derivatives and are charged directly to the income statement with a direct effect on profit for the period.

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### b) Legal

The principal legal risks associated with current litigation are as follows.

#### **Renewable energy sector**

##### **• EcostestoSpA**

With regard to 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 envisaged at the previous year end. Consequently, the existing provision (Euro 300 thousand) represents a prudent estimate of the possible outcome of this litigation.

##### **• Elettroambiente SpA**

On 2 April 2008, Enel Produzione commenced arbitration proceedings against Elettroambiente, requesting the transfer to Elettroambiente of its shareholdings in Tifeo and Platani (both in liquidation) claiming that Elettroambiente should pay the sum of Euro 3,550,743.00; all on the basis of an option agreement executed between them on 13 May 2003.

A settlement was signed by both parties on 11 June 2011 whereby Elettroambiente agreed to pay Euro 800 million in settlement of, inter alia, the acquisition of Enel Produzione's stakes in Tifeo Energia Ambiente and Platani Energia Ambiente, which represent 0.73% and 1.04% respectively of share capital.

##### **• Sicily projects (Projects for the management and WtE treatment of waste in Sicily)**

###### **- Altecoen Srl in liquidation/Tifeo**

On 28 December 2009, Altecoen Srl (in liquidation, hereinafter "Altecoen") served three writs on Tifeo regarding agreements for the sale of land in the municipalities of Caltagirone, Enna and Modica, entered into on 1 December 2005. Altecoen's requests were: (i) primarily, immediate payment of the balance for the sale (95% of the consideration), respectively Euro 23,401.80, Euro 229,301.05 and Euro 169,588.30 and (ii) alternatively, termination of the agreements, with the award of damages that Altecoen calculated as no less than Euro 5,616.43, Euro 83,424.63 and Euro 40,701.19. Tifeo in turn requested that the claim be rejected, while retaining the right to exercise the put option on Altecoen's land, as envisaged in the agreements, after verifying the implications of Regional Law 9 of 8 April 2010 on the possibility of constructing the plants. On 9 June 2010, Tifeo exercised the put option pursuant to article 3.2 of the agreement between the parties in order to transfer the land in dispute to Altecoen. On 1 July 2010, Altecoen stated that it was prepared to repurchase the land in question. In the statements filed in the three actions pursuant to article 183, paragraph 6, no. 1 of the c.p.c, Tifeo noted the effects of Regional Law 9 of 8 April 2010 and of the procedure pursuant to article 7 ff of Law 241/1990 on the realisability of the project and of the exercise of the option right stipulated in the agreements. In reference to the last point, Tifeo requested that in the event that Altecoen defaulted on its obligation to repurchase the land, a ruling be made pursuant to article 2932 of the Italian Civil Code, to execute the sale and purchase agreements and that Altecoen be ordered to return the sums already paid by Tifeo. Altecoen submitted a counterclaim against the last request in its statement to the Civil Court of Enna pursuant to article 183, paragraph 6 no. 2, requesting that the Court order Tifeo to pay an indemnity for use of the land under dispute. In the hearing that took place on 19 May 2011 the parties once again expressed their willingness to settle and the case was adjourned to 16 February 2012 with the same agenda. With regard to the proceedings before the Civil Court of Caltagirone, on 14 December 2010 the Court held that the case was not within its territorial jurisdiction and, accordingly, removed the case from the case register and set Altecoen a deadline of three months to transfer the matter to a competent Court. In relation to the proceedings before the Civil Court of Modica, in the hearing of 30 June 2011 the parties indicated to the Court their willingness to settle and the case was adjourned to 20 January 2012. The parties are exploring the possibility of reaching an amicable settlement of the disputes. As these disputes are still in the opening stages, it is not possible at present to predict the outcome of the proceedings, or exclude the possibility of an unsuccessful result.



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##### **- Gulino Group SpA/Tifeo**

On 28 December 2009 Gulino Group S.p.A. ("Gulino") served two writs on Tifeo regarding the sale agreements for some sites of land in the municipalities of Modica and Enna/Assoro, entered into on 1 December 2005. Gulino claimed: (i) primarily, immediate payment of the balance of the sales (95% of the total consideration), respectively Euro 2,774,950 and Euro 2,931,700; and (ii) alternatively, the termination of the agreements and payment of damages calculated at not less than Euro 2,143,968 and Euro 2,258,700. Tifeo joined the proceedings asking for the claim to be rejected, while stating that it would consider its position with regard to the request for termination after verifying the implications of Regional Law 9 of 8 April 2010 on the possibility of constructing the plants. In the statement filed pursuant to article 183, paragraph 6, no.1 of the c.p.c., Tifeo acknowledged the effects of Regional Law 9 of 8 April 2010 and of the procedure as per Article 7 ff of Law 241/1990 on the realisability of the project, and on the request to terminate the Agreement with ARRA submitted in the action pending before the Court of Milan. Tifeo also requested that the sale and purchase agreements be terminated; demanding the reimbursement of all sums already paid (5% of the sale price plus VAT on the whole amount, namely Euro 730,250 and Euro 771,500 respectively). In the proceedings before the Civil Court of Enna, in the statement filed pursuant to article 183, paragraph 6, no.2, Gulino submitted a counterclaim requesting the Court to order Tifeo to pay an indemnity for the use of the land under dispute. In the hearing of 19 May 2011 the parties expressed their willingness to reach an amicable settlement and the case was adjourned to the hearing set for 16 February 2012. In the proceedings before the Civil Court of Modica, on 4 October 2010 Tifeo filed a statement pursuant to article 183, paragraph 6, no. 3 c.p.c., in which, given the exception regarding the lack of territorial jurisdiction raised by Tifeo itself and Gulino's support of this claim, it requested the Court to take the appropriate measures to rule on the lack of territorial jurisdiction. The hearing to discuss the preliminary statements filed by the parties has been set for 7 October 2011. In the meantime the parties are exploring the possibility of reaching an amicable settlement of the disputes. As these disputes are still in the opening stages, it is not possible at present to predict the outcome of the proceedings, or exclude the possibility of an unsuccessful result.

##### **- Panelli Impianti Ecologici SpA/Tifeo**

###### *(A) Proceedings*

Tifeo brought an action before the Civil Court of Milan against the temporary injunction order awarded to Panelli Impianti Ecologici S.p.A. (in liquidation) ("Panelli") by the Civil Court of Milan on 17 June 2010 and notified to Tifeo on 23 July 2010. Under this injunction the Court in Milan ordered Tifeo to pay Euro 5,079,349 representing the balance of the amount payable to Panelli by Tifeo for the purchase of land owned by Panelli pursuant to sale agreements entered into on 1 December 2005. On 23 September 2010 Tifeo exercised the put option envisaged by article 3.2 of the agreement to transfer the land under dispute to Panelli. Tifeo issued a writ on 30 September 2010, within the time limits required by law, opposing the injunction and notified Panelli, requesting (i) revocation of the provisional enforceability of the injunction order, (ii) revocation of the injunction order on the grounds that Tifeo was not in breach of the agreements, (iii) that in the event that Panelli contested the exercise of the option by Tifeo and defaulted on its obligation to repurchase the land, that a constitutive ruling be made pursuant to article 2932 of the Italian Civil Code to enforce the sale agreements and order return of all sums already paid by Tifeo.

Panelli joined the proceedings on 24 January 2011 submitting a deed of reply in which it denies in full the claims made by Tifeo and requested the separation of the proceedings relating to the put option, contesting the claims put forward.

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Following the hearing that took place on 26 January 2011 to discuss the suspension of the provisional enforceability of the opposed injunction, the Court of Milan admitted Tifeo's claim under article 649 c.p.c. thus suspending the provisional enforceability and confirming, albeit in a summary ruling, the substance of the claims brought forward by Tifeo regarding (i) the irrecoverable nature of the receivable claimed by Panelli in the payment injunction due to non-fulfilment of the event to which payment of the balance for the land purchase was dependent (i.e. the loan was not issued) and (ii) Tifeo's valid and effective exercise of the option right on 23 September 2010 regarding sale of the land pursuant to articles 3.2 and 3.3 of the contracts. A hearing took place on 17 February 2011 on conclusion of which the Court assigned the limits under law for filing statements pursuant to article 183, paragraph six, c.p.c., adjourning the proceedings to 29 June 2011 to discuss the admissibility of any preliminary evidence requested from the parties. The parties met the first deadline set by the Court and filed statements pursuant to article 183, paragraph six, c.p.c.; in this statement Panelli pursuant to article 1482 of the Italian Civil Code, requested a "time limit be established to release the disputed assets from any liens charged on them. Consequently, in its statement pursuant to 183, paragraph six, no. 2 c.p.c., Tifeo objected Panelli's claim as inadmissible (due to late submission) and lacking grounds under a number of aspects. Both parties filed statements pursuant to article 183, paragraph six, no. 3 c.p.c. in compliance with the final deadline set by the Court. In the hearing of 29 May 2011, on request of both the parties the Court adjourned the case to allow the admission of facts to 15 March 2012.

##### *(B) Proceedings opposing enforceability*

On 4 October 2010, Panelli served a writ of execution on Tifeo pursuant to article 480 of c.p.c. for payment of Euro 6,954,528.82 (representing Euro 5,079,349.00 cited in the injunction order plus interest and costs) within the time limit of ten days from the date of notification of the execution order. Subsequently, Panelli issued an order to seize Tifeo's bank accounts with Unicredit SpA and Banca Popolare Commercio Industria SpA and Tifeo's receivable with Platani Energia Ambiente S.c.p.A. (Platani) up to the amount specified in the writ of execution plus half, corresponding to Euro 10,431,793.23. The hearing to submit third party statements and assign the amounts to Panelli under the enforcement proceedings was initially set for 27 January 2011 but was postponed to 13 June 2011.

On 13 December 2010, Tifeo filed its objection to the enforcement actions pursuant to article 617 c.p.c., claiming (i) lack of territorial jurisdiction of the Civil Court of Milan in relation to the third parties Platani and Unicredit SpA and consequently (ii) the invalidity of the seizure order, for lack of territorial jurisdiction of the Court official that issued the order. The hearing to discuss this objection, pursuant to article 618 c.p.c., was held on 14 March 2011. During this hearing, the Court reviewing the enforcement proceedings noted the ruling issued on 27 January 2011 suspending the provisional enforceability of the injunction order. The Court of the enforcement proceedings assigned the limits for filing introductory statements regarding the bases for opposing the enforcement orders; consequently under the writ served on Panelli on 28 May 2011, Tifeo claimed (i) lack of territorial jurisdiction of the Civil Court of Milan in relation to the third parties Platani and Unicredit SpA, (ii) cancellation of the seizure order, for lack of territorial jurisdiction of the Court official that issued the order and consequently (iii) cancellation of the enforcement proceedings. The case is pending before the Court of Milan and the Court has set the first hearing for 4 October 2011 granting Panelli time until 24 September 2011 to join the proceedings. In light of the motives presented by the Court on 26 January 2011, justifying the actions, at present it is considered improbable that Tifeo will lose the case.

##### **- Safab/ Palermo Energia Ambiente ScpA ("PEA")**

SAFAB (Società Appalti e Forniture per Acquedotti e Bonifiche S.p.A. that subsequently assigned the claims in the action to Safab S.p.A. ("Safab")), initiated arbitration proceedings against PEA on 2 February 2010. Safab requested the board of arbitration (i) to find PEA in breach of the tender contract entered into by the parties on 8 March 2005, regarding Safab's construction of works for the Platani Project; (ii) to terminate the tender contract owing to acts committed by and through the fault of PEA; and (iii) to order PEA to pay Euro 20,047,293.63 as consideration for work carried out and damages (this request was later reduced to Euro 16.5 million).

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PEA responded in the arbitration proceedings objecting that it was not in default of its payment obligations under the contract since the alleged breaches of contract were the subject of a compromise settlement agreed by the parties on 2 April 2009. PEA also argued that it was not in breach of the compromise settlement since, following execution of the Agreement of 28 April 2009 with ARRA (to which Safab was a party), Safab agreed that the amounts it was due to receive in accordance with the settlement would be paid in the manner specified in and in accordance with, the provisions of the Agreement with ARRA. After it became clear that the project would not be completed, PEA submitted a counterclaim to the board of arbitration, asking the board to rule on the termination of the tender contract and the compromise settlement under the principle of frustration of purpose or, alternatively, *factum principis* (representing a decision or order issued by a relevant authority which overrides any contractual obligation to fulfil or otherwise comply with the terms of the contract). On 13 September 2010, the board of arbitration, deferring any decision on the inadmissibility of the claim, explored the possibility of reaching a settlement, on conclusion of which the parties declared they would consider the possibility of reaching an amicable settlement of the dispute. The parties filed their third statements on 12 November 2010. At the hearing on 29 November 2010, the board of arbitration urged the parties to consider further the possibility of a compromise to resolve the dispute and allowed the parties until 20 December 2010 to notify the board that they had commenced constructive negotiations with a view to settlement. In the order dated 9 February 2011, the board of arbitrators, lifting the conditions put in place in the hearing of 29 November 2010, requested the intervention of an independent technical expert to provide an opinion on the statements formulated by the parties. On request of both parties presented on 28 February 2011, the arbitration proceedings were suspended until 3 June 2011. The parties requested the board of arbitration on 3 June 2011 to set the date for a new settlement hearing; the board set this hearing for 28 September 2011. It is not possible at present to predict the final outcome of the dispute. The appointment of an independent technical expert in the proceedings does not give any indication of the leanings of the board of arbitration as the investigation to be carried out by the technical expert is instrumental to the ruling on the claims filed by both parties. This does not however exclude the possibility of PEA losing the case, which is limited to the amounts determined in the settlement agreement (approximately Euro 4.5 million).

##### **- Consorzio Ravennate delle Cooperative di Produzione e Lavoro ScpA/Elettroambiente**

An injunction was filed on 9 October 2010 by the Consorzio Ravennate delle Cooperative di Produzione e Lavoro S.c.p.A. (the "Consorzio") for service on 27 October 2010, and provisionally enforceable only against Pianimpianti, whereby the Court of Ravenna ordered Elettroambiente, Enel, Pianimpianti, E.M.I.T. Ercole Marelli Impianti Tecnologici S.p.A. ("EMIT"), Catanzaro Costruzioni S.r.l. and AMIA S.p.A., to pay Euro 1,530,711 (plus interest and costs) to the Consorzio as the unpaid balance of invoices issued by the Consorzio for works carried out on a site in Casteltermini (province of Agrigento) pursuant to a tender contract entered into on 4 August 2006 between the Consorzio and Pianimpianti. The action was also brought against the other shareholders of Platani on the grounds that they were jointly and severally liable pursuant to article 13 of Law 109/ 1994 (now article 37 of Legislative Decree 163/2006). In a writ served on the Consorzio on 6 December 2010, Elettroambiente initially contested the claims brought against it as the conditions for invoking its joint and several liability were not satisfied as it had not signed the said tender contract. Moreover, regarding the subject matter of the dispute Elettroambiente has requested (i) withdrawal and/or cancellation of the said injunction due to (a) the invalidity of the basis, namely the tender contract, on which the injunction was issued and (b) the acknowledgement of the events that occurred in the meantime (i.e. the issue of Regional Law 9/2010 and the proceedings initiated by the Department pursuant to article 7 and ff of Law 241/1990 to render invalid the 2002 tender process and all related measures) that made it impossible to proceed with the Project, with all related consequences regarding the impossibility of the Consorzio to finish the work specified in the tender contract; and (ii) to verify the absence of any sum owed by Elettroambiente to the Consorzio. Subordinately, in the event of conviction, Elettroambiente filed recovery actions against Pianimpianti and EPC Sicilia Srl (which sold the business of Pianimpianti involved, inter alia, in the dispute), in order to recover any sum that Elettroambiente may be ordered to

#### 4. Interim directors' report

pay to the Consorzio, requesting the Court pursuant to article 269 c.p.c. to summon Pianimpianti and EPC Sicilia to the action.

In a writ served on the Consorzio on 9 December 2010 Enel Produzione contested the injunction requesting it be fully reformed and that the claims made against it by the Consorzio be rejected. Alternatively, Enel Produzione enforced the guarantee of Elettroambiente invoking the indemnity clause pursuant to articles 10.2 and 10.3 of the shareholders' agreement entered into by the parties on 27 October 2002. The first hearing is set for 12 April 2011. The date by which Elettroambiente must file its statement of defence in the proceedings is 22 March 2011. Finally, AMIA, EMIT and Catanzaro Costruzioni have also independently contested the above injunction without however making any claim against Elettroambiente. The actions have been assigned to different courts.

On 8 April 2011, the Court of Ravenna requested the parties involved in the above opposition proceedings to attend the hearing on 10 May 2011 to rule on their possible merger under a single proceeding; this hearing also called the proceedings involving Elettroambiente. The merger of the proceedings opposing the injunction decree took place on 12 July 2011 with the exception of the case filed by Amia as it is currently in extraordinary administration: this proceeding will therefore take place independently from the merged actions. The Court assigned the parties the prescribed time limits under law to file their statements under article 183, paragraph six, c.p.c., adjourning the case to review the defendant's request of suspension of the temporary enforcement of the opposed injunction to the hearing set for 2 February 2012. As the proceedings are in the initial stages it is not possible to predict the outcome at this time.

##### - **Palermo Energia Ambiente ScpA/Tax authorities**

Following the application submitted by PEA to the tax authorities regarding VAT to be reclaimed in relation to 2005 to 2009, PEA received Euro 386 thousand (2005 VAT) on 24 April 2007 and Euro 1,021 thousand (2006 VAT) on 19 August 2008. On 27 July 2011, PEA received a copy of a letter issued by the tax authorities to Unicredit SpA regarding enforcement of the guarantee issued by PEA for an amount of Euro 1,111 thousand, pursuant to article 38bis Presidential Decree 633/72, regarding the 2006 claim. PEA received a tax demand from the Provincial Offices in Palermo on 29 July 2011, rejecting the VAT claim made in respect of 2006 and issuing a penalty of 100% of the claim submitted. This tax assessment has been appealed. The tax authorities have also rejected the 2007 and 2008 VAT claims on the basis that PEA is not an operating company and has no right to repayment. PEA has challenged this refusal in an appeal submitted to the Provincial Commission of Palermo. The Commission has not issued a ruling and the Palermo Tax Office has not issued a defence against PEA's objection.

##### . **Falck Renewables Wind Ltd**

##### - **Arbitration Falck SpA- Geopower Sardegna Srl - GEO MbH**

A request for arbitration was filed on 25 June 2009 by GEO Gesellschaft für Energie und Oekologie mbH against Falck SpA after a dispute arose regarding the consideration payable by Falck Renewables Wind Ltd under an agreement for the sale of quotas in GeoPower Sardegna dated 20 May 2005. The request regards the enforcement of the corporate guarantee for Euro 3,621,000 issued by Falck SpA on 8 April 2009. The board of arbitration assessed the credit secured by the corporate guarantee as Euro 1.9 million and handed down its award on 8 October 2010, ordering Falck SpA to pay Euro 1.9 million. On 18 November 2010 Falck SpA filed a plea to correct the award, having found mistakes in its calculation. In an order of 20 December 2010, the board of arbitration dismissed the application for the correction of the award. Falck SpA is currently considering whether to appeal this judgement. Falck has a right of recourse against Renewables Wind Ltd in relation to any liability that may arise.

#### 4. Interim directors' report

##### **Riesfactoring SpA**

- ***Riesfactoring/Coopcostruttori/Frullo Energia e Ambiente***

A writ of summons was served by Coopcostruttori on Riesfactoring and Frullo Energia Ambiente (FEA) on 01/07/2008 to ascertain and declare not relevant in the Extraordinary Administration Procedure of Coopcostruttori, the sale of the receivable to Riesfactoring (14/12/2002), and charge and sentence as an alternative, and/or jointly and severally, all of the defendants to pay to Coopcostruttori the sum of Euro 9,181,949.06. The hearing to present initial statements was set for 23 February 2009 and postponed to 16 June 2009. In the latter hearing the (new) judge reserved decision to examine the evidence.

Given the technical nature of the documentation presented during the proceedings the judge appointed a technical expert on 22.06.09. In the ruling of 28 June - 21 July 2010 the Court of Ferrara upheld the claim against Riesfactoring and FEA, sentencing them jointly and severally to pay Euro 9,181,949.06. FEA served a writ of summons on Riesfactoring and Coopcostruttori on 20/12/2010, appealing against the above sentence; Riesfactoring joined the pending appeal proceedings filing a deed of entry and statement of defence with a cross claim. The first hearing of the parties is set for 26.04.2011.

Given the various considerations and discrepancies relating to the motives expressed by the first instance judge supporting the ruling, a new sentence overturning the initial ruling is considered probable.

- ***Riesfactoring/Pianimpianti/Eurosviluppo***

Writ of summons served by Riesfactoring (transferee) on Eurosviluppo (debtor/purchaser) and Pianimpianti (supplier/seller) on 11/11/2008 requesting judgement jointly and severally on the payment of Euro 5,031,513.83 (paid by Riesfactoring to the seller under the factoring contract dated 16.09.05), and sentencing Eurosviluppo Industriale to pay Riesfactoring Euro 1,601,020.54 (amount not covered by the guarantees issued by Pianimpianti in relation to the factoring contract). The investigating judge postponed the first hearing to 1 April 2009. In this hearing the judge, taking into account the indemnity claim made by Eurosviluppo against Pianimpianti and the counter claim made by Pianimpianti against Eurosviluppo and Riesfactoring, adjourned the proceeding to 5 June 2009. In the court ruling of 14.04.2010, Pianimpianti was sentenced to refund to Riesfactoring the advances received (approximately Euro 5,000,000.00), and acquitted Eurosviluppo. As the sentence was provisionally enforceable, a request for the payment was notified to Pianimpianti, along with the sentence and the related order for payment. Pianimpianti served a notice of appeal on 4/06/2010 requesting a complete review of the ruling and filing an appeal on 23/6/2010 to suspend the enforceability of the first instance ruling. The Milan Court of Appeal dismissed Pianimpianti's appeal for suspension of the enforceability of the first instance ruling on 06/07/2010, to which Riesfactoring replied in its statement of 1/07/2010. Riesfactoring joined the appeal proceedings on 26/11/2010 presenting a statement of defence, at the same time submitting a cross appeal to obtain, as requested in the first instance, a ruling against Eurosviluppo and Pianimpianti to pay jointly and severally Euro 5,031,513.83 and Eurosviluppo Industriale to pay Euro 1,601,020.54. In light of the confirmed enforceability of the first instance ruling, Riesfactoring also joined the foreclosure proceedings already brought by several creditors against Pianimpianti (later joined in a further foreclosure proceeding) in order to stake a claim from the amount realised from the sale of two seized properties owned by Pianimpianti. The hearing for the appearance of the parties before the court in the foreclosure proceedings was held on 25 January this year. Pianimpianti joined the proceedings. At the end of the hearing the enforcement judge opted for the sale of Pianimpianti's properties. On 14/02/2011 the court appointed technical consultant submitted his report in which the seized properties of Pianimpianti were valued at Euro 3,300,000.00 in total. In the hearing held on 10 May 2011 the Court ordered the sale of Pianimpianti's properties, the outcome of which is unknown at present. Secured creditors to whom significant amounts are owed by Pianimpianti may join the proceedings at any time up to the date of the hearing to discuss the allocation (this could have a significant impact on the probability of recovering any amounts that at the moment appear to be modest).

#### 4. Interim directors' report

##### **Falck SpA**

With regard to the arbitration proceedings between Falck SpA and Sviluppo Nord Milano Srl (Pasini group), on 19 November 2007 the board of arbitration 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. A default action was served on the other party in April 2011 in order to interrupt the limitation of actions period.

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 operating in Calabria and to contest the accuracy of the financial statements of Crossenergy Srl for 2003 to 2006. Moreover, injunctions were recently filed in relation to the sale of the majority shareholding in Crossenergy Srl, with regard to which the request for interim relief was rejected and therefore the Company is currently evaluating a possible lawsuit.

Finally, criminal investigations continued in respect of which Falck SpA has requested interim relief and sought various seizure orders including those of an accounting nature. The public prosecutor ordered a further opinion in the submission stages following which dismissal of the case was filed. This ruling was subsequently appealed: the date for the next hearing is still to be scheduled.

Geo Gesellschaft fur Energie und Oekologie filed a request on 25 June 2009 to commence arbitration proceedings against Falck SpA following a dispute regarding the final amount owed by Falck Renewables Wind Ltd under the terms of the sales contract dated 20 May 2005 in respect of the sale of the shares in Geopower Sardegna Srl. The subject of this claim is the enforcement of a corporate guarantee of Euro 3,621 thousand issued by Falck SpA on 8 April 2009. The court of arbitration determined that Euro 1,900,000 was covered by the corporate guarantee and sentenced Falck SpA to pay Euro 1,900,000 in the arbitration award passed on 8 October 2010. On 18 November 2010, Falck SpA filed a request for correction of the award based on calculation errors. The board of arbitration issued an order on 20 December 2010 dismissing the request for correction of the award. The Company is currently evaluating the possibility of an appeal. Falck SpA has a right of recourse against Falck Renewables Wind Ltd.

In 2009 Falck SpA received a writ of summons from Aeroporti di Roma SpA (AdR) requesting that 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 always dismissed 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 prudent charge was made to the sundry risks provision to cover a part of the claim. Falck cannot be sentenced to pay an amount over approximately Euro 4,100,000. The next hearing has been adjourned to 30 January 2012.

##### - ***Province of Como/Falck (Landfill of Dongo-Cagiva)***

Appeal against order 521113/101/A/Eco dated 27.10.2009 of the Province of Como's Ecology and Environmental Department, enforcing Falck SpA's guarantee of Euro 800,000 to cover the costs necessary to plan and execute safety works on the former Falck-Cagiva landfill located in the Municipalities of Sorico and Gera Lario. This relates to an area sold by Falck to the Cagiva group in 1990. The hearing on the merits took place on 23.11.2010 following which the Ecology and Environmental Department's management board issued sentence 7547 of 13.12.2010 declaring the appeal inadmissible due to lack of jurisdiction since the matter should be decided by a Court and not by the Province administration. Consequently, the proceedings should be filed with the competent court. Meanwhile, Dongo, the effective guarantor being the transferee of the land, declared bankruptcy. As a precautionary measure application for admission of the receivable to the liabilities in bankruptcy was made on 6.10.2010 for a total amount of Euro 856,668.00 of which approximately Euro 11,000 related to invoices with the remainder depending on the outcome of the legitimacy of the enforcement orders regarding the guarantee. On 8.11.2010 the judge admitted the claim to the bankruptcy liabilities.

#### 4. Interim directors' report

On 16 May 2011 Intesa San Paolo bank notified Falck of the opposition to the injunction filed by the Province of Como relating to the amount of the bank guarantee. The writ was served on Falck to seek indemnity in the event that Intesa San Paolo is sentenced to pay the guarantee to the Province of Como. The hearing was set by the bank for 14 December 2011 (this hearing will be postponed following Falck's request for the Cagiva group to join the proceedings in order to indemnify Falck).

The risk of the guarantee being enforced is mitigated by the inclusion of the equivalent sum in the Dongo bankruptcy liabilities although the likelihood of recovery is uncertain given that they relate to insolvency proceedings. Even though the arguments put forward by Falck SpA are valid, given the complexity of the action and the number of parties involved, a charge was made to the sundry risks provision.

- ***Fiscal dispute Falck SpA/Inland Revenue and criminal proceedings against legal representative***

The Judge of the Second Section of the Criminal Court of Milan sentenced Federico Falck, legal representative of Falck SpA and the signatory of the tax returns, on 17 February 2011, as follows (i) to two years and 6 months imprisonment; and (ii) the accessory penalties pursuant to Article 12 of Legislative Decree 74/00, namely disqualification, for one year, from management positions in legal entities and companies and from acting as representative or assisting in fiscal/tax matters, and the incapability, for one year, to deal with Government local authorities and a permanent bar against holding the office of member of a tax judicial commission.

The Judge also ruled the penalty to be suspended (pursuant to Article 166 of the Criminal Code this right is also extended to the accessory penalties) and not to be registered in Mr Falck's criminal record.

This ruling stemmed from the tax investigation carried out by the Italian Finance Police (Guardia di Finanza - GdF), on Falck's tax periods 2003 through to 2008 that gave rise to two formal notices of assessment on 24 October 2008 and 28 January 2009, relating to the offence pursuant to Article 4 of Legislative Decree, whereby the annual tax returns submitted by Falck for 2003 and 2005 declared lower taxable income than the actual amounts.

The notice of assessment for the 2003 tax return related to the taxation at 5% of a dividend of Euro 15,000,000 received from the Luxembourg subsidiary Finsthal SA: according to the GdF, contrary to Falck's position, Finsthal S.A. should have been considered a Swiss resident making the dividend taxable at 40%.

The notice of assessment for the 2005 tax return principally related to the failure to tax the "dissolution de société" regarding Finsthal (legal position not applicable under Italian law), which Falck treated as a merger but that the GdF considers a company liquidation. Other notices were received relating to 2006 that did not give rise to criminal proceedings.

Neither Falck's board of statutory auditors nor the independent auditors had raised issues in respect of the above. With regard to certain specific amounts (or elements) of income included in the financial statements and taxable income, Falck applied the tax regime that it considered appropriate to the specific circumstances, seeking the advice of tax advisors where necessary. The dispute with the tax authorities relates exclusively to the different tax regime adopted by them.

The outcome of the tax investigations resulted in a court summons being issued to Federico Falck in his capacity as Falck's legal representative and signatory of the tax returns (no preliminary hearing is envisaged for this type of offence), in respect of the offence committed pursuant to article 4 of Legislative Decree 74/2000, of omitting Euro 5,250,000 of income in the 2003 tax return, corresponding to Euro 1,785,000 of unpaid tax, and Euro 3,233,829.33 in the 2005 tax return, corresponding to Euro 1,067,163.67 of tax evaded. The proceedings ended with the handing down of the sentence specified above.

Federico Falck, supported by the opinion of the Company and its legal and tax advisors who consider the claims brought forward and the sentence to be unfounded, has already instructed his lawyers to challenge this ruling (that is not enforceable until the date of irrevocability).

With regard to the tax investigations on the Company relating to direct and indirect taxes for 2003, 2004, 2005, 2006 and 2007, details of the acts issued to date by the Italian Inland Revenue and the actions taken are provided below.

Notice of assessment R1P034T02162 was issued on the 2003 tax year on 30 December 2008.

#### 4. Interim directors' report

This did not give rise to a tax liability as it related to an adjustment of tax losses (from Euro 6,211 thousand declared to Euro 961 thousand). This also affects 2004.

Following an attempt to resolve the matter with the tax authorities, the Company filed an appeal with the Province Tax Commission on 26 June 2009.

The first instance commission dismissed the appeal in ruling 393/03/10 filed on 6 September 2010. The appeal against the first instance ruling is currently being prepared.

Notice of assessment R1P038G01171 on 2004 was issued on 9 December 2009 that adjusted previous tax losses declared by the Company following the notice issued on the 2003 tax return. This assessment declared IRES (corporation tax) of Euro 1,155 thousand, IRES penalties of Euro 1,155 thousand and VAT penalties of Euro 240 thousand.

The Company filed an appeal against this ruling with the Province Tax Judicial Commission on 3 June 2010. The local court suspended the enforceability of the challenged act and discussed the appeal on 29 November 2010. The ruling was upheld and the Company paid the first tax demand corresponding to 50% of the tax plus interest for a total Euro 745 thousand.

With regard to 2005, from this year the Group participated in the tax consolidation regime, whereby the Group declares a single taxable income represented by the sum of the taxable income of its subsidiaries.

This regime also affected the assessments with the tax authorities preparing first and second level assessments.

Consequently, the Revenue issued notice of assessment R1P0088B00460 relating to the restatement of the IRES taxable income of the consolidated entity from a declared loss of Euro 3,900 thousand to a profit of Euro 1,287 thousand (first level assessment) and notice of assessment R1P098B00539 relating to the restatement of the total Group IRES from a declared taxable loss of Euro 3,906 thousand to a taxable income of Euro 7 thousand. This gave rise to tax of Euro 2 thousand (second level assessment).

Penalty notice T9BCOBO00131/2010 for Euro 2 thousand and the notice of assessment R1P038B00459 relating to IRAP (regional production tax) were also received, although no tax is due as the taxable amount is still in a loss position.

Regarding the IRES and IRAP assessments, the Company, following a failed attempt at a tax settlement, filed appeals with the Milan Province Tax Commission on 14 October 2010.

An appeal against the penalty notices was filed on 24 December 2010.

With regard to the report on findings prepared by the GdF following the investigation on the 2006 tax year, the Company received a questionnaire pursuant to article 37 bis of DPR 600/73. In the event that this results in a payment order, these findings would increase the Group taxable income by Euro 3,994 thousand with a corresponding higher tax charge of Euro 1,318 thousand plus penalties and interest.

The above findings would reduce the tax losses carried forward and used by the Group in 2007, resulting in a higher taxable income in 2007 of Euro 4,792 thousand and an increased tax expense of Euro 1,581 thousand plus penalties and interest.

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

The Falck Group is largely exposed to risks relating to the authorisation process 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 type of investment and the location of the operating plants in order to spread 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 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. Interim directors' report

The following factors present a significant risk to the Group:

- **Risks related to the legal/fiscal and regulatory framework**

The Group operates in a highly regulated sector. The directives and regulations on renewables issued both at European and national level can have a significant impact on the Group's activities and results. These regulations govern, inter alia, the construction phase (regarding both construction and administration authorisations), the operations phase, the environmental aspects (regulations relating to the landscape and noise pollution), and the taxation of revenue generated. Consequently, these regimes affect the way in which the Group carries out its business. The rules applicable to the generation of electricity from renewable sources vary from country to country and may be subject to changes in future. Future changes in the regulatory framework could have a significant impact on the authorisation procedures for new plants and therefore on revenue. The Group mitigates this risk as far as possible by constantly monitoring regulations in order to take on board potential changes immediately and minimise any economic impacts.

- **Risks related to production**

The sources of energy used in this sector lead to highly variable production, due to variable climatic conditions of the locations of the wind farms and the photovoltaic plants (sun and wind), and production forecasts based on historic data and probability estimates.

In particular, electricity generation from wind and solar sources are associated with unforeseeable climatic factors that are affected by seasonality during the year and do not generate constant production levels. Adverse climatic conditions, specifically long periods of low wind levels for the wind farms and low levels of sun rays for the photovoltaic plants compared to levels recorded during the development stages (regarding the availability of the source and forecast climate conditions), could result in a drop or interruption of the plant's activities with a fall in the volume of electricity generated and a negative impact on operations and the Group's results, assets and financial situation.

The Group mitigates this risk by installing new sites in diversified geographic areas and monitoring performance using historic data in order to identify sites of potential interest.

- **Risks related to plant technology**

The technology used to produce energy from renewable sources is subject to continuous development and improvement. The Group cannot guarantee that the technology and materials currently used to construct the plants will allow them to function effectively throughout their entire lifecycle. In the event that the technology and/or materials used are no longer efficient, some or all of the Group's owned plants may suffer a fall in the level of electricity produced and have a negative impact on the Group's results, assets and financial position.

- **Risks related to supplier dependence**

Capital expenditure in this sector consists of technologically advanced components (such as wind aerogenerators, turboalternators and motors, emissions analysis systems and photovoltaic panels), manufactured by a limited number of suppliers, particularly in the wind sector. The expansion of the renewable energy market and the resulting constant growth in demand, may result in increased purchase prices and longer delivery times.

The continued economic and financial crises at international level has led to machine prices remaining in line with the previous year (except for photovoltaic panels that have fallen rapidly) and improved delivery times.

## 4. Interim directors' report

### - **Risks related to plant financing**

The Group finances its projects, in particular in the wind sector, principally through project financing and in many cases taking out bridging loans during the construction phase while waiting to receive these loans.

Given the current financial situation and the difficulties involved in raising debt, the economic conditions of project financing have worsened and the length of time taken to secure borrowings has increased.

The Group continues to have access to this form of financing at economic conditions and within a timeframe that meets the construction and performance specifications of the financed projects.

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

No significant events took place after the balance sheet date that require disclosure with the exception of those set out in the note regarding the Sicily Projects.

### 4.1.10 *Management outlook and going concern*

With regard to the renewable energy sector the results for the year will benefit from:

- The full year results of the Rende biomass plant (14 MW) following the revamp that was completed in late 2010;
- The results of the three photovoltaic plants of Cardonita (Enna), 3.8 MW, Spinasantà (Catania), 6 MW, and Sugherotorto (Ragusa), 3.3 MW that came on stream on 25 April 2011;
- The extensions to the Kilbraur (20MW) and Millennium (15MW) wind farms that came on stream during the year;
- The Buddusò/Alà dei Sardi plant (138 MW), now 50% complete and in the commissioning phase, becoming operational;
- The full year results of EcoCentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, which were only consolidated from June 2010;
- The above factors will compensate the loss of the CIP6/92 tariff incentives for the Trezzo plant that expired in April 2011.

The renewable energy sector has already raised the necessary financial resources through both non recourse financing and a Euro 165 million corporate loan in order to meet the construction commitments envisaged in the 2010-2014 Business Plan.

The sector is therefore in a strong position to grasp the best market and investment opportunities while continuously seeking to improve the net financial position: this expansion will be mitigated by cash generated by the operating plants that overall are producing extremely positive results.

Regulations in the renewable sector will continue to be monitored, with specific emphasis on incentives schemes, particularly in Italy where the renewable energy incentives regime is currently under review. Any changes in the Italian tax system arising from the current measures to reduce significantly government debt over a shorter timeframe may impact the value of the Italian projects and Group profit.

#### 4. Interim directors' report

The sector will take into account any regulatory or fiscal developments in order to allocate future investments to those businesses or countries that are more interesting and advantageous, with a view to diversifying both renewable technologies employed and geographical location.

With regard to the “Other activities” sector, efforts to reduce operating costs will continue through the liquidation of those companies that are no longer profitable. The process of realising certain assets no longer considered strategic to the Group will also continue.

The information below only relates to the parent company.

4. Interim directors' report

4.2. Operating and financial review of Falck SpA

4.2.1 *Financial highlights*

	(Euro thousands)		
	30.6.2011	30.6.2010	31.12.2010
<b>Total value of production</b>	<b>2,412</b>	<b>3,139</b>	<b>6,421</b>
Cost of production			
- employee costs	(294)	(2,814)	(4,876)
- other costs	(2,871)	(4,392)	(10,686)
<b>Total cost of production</b>	<b>(3,165)</b>	<b>(7,206)</b>	<b>(15,562)</b>
<b>Difference between value and cost of production</b>	<b>(753)</b>	<b>(4,067)</b>	<b>(9,141)</b>
Financial income and charges			
- income from equity investments	4,471	5,453	5,503
- other financial income	1,832	5,652	11,532
- interest expense and other financial charges	(4,715)	(4,357)	(9,087)
- exchange gains and losses	1,085	(890)	(2,926)
<b>Total financial income and charges</b>	<b>2,673</b>	<b>5,858</b>	<b>5,022</b>
<b>Profit/(loss) from ordinary activities</b>	<b>1,920</b>	<b>1,791</b>	<b>(4,119)</b>
- Adjustments to financial assets, net of extraordinary income and expenses	(2,230)	1,297	905
- Income tax	76	7,619	9,318
<b>(Loss)/profit for the period</b>	<b>(234)</b>	<b>10,707</b>	<b>6,104</b>
<i>Capital expenditure</i>	8	22	171
<i>Total equity</i>	286,468	291,305	286,702
<i>Invested capital</i>	377,351	334,668	326,640
<i>Net financial position (liability)</i>	(90,883)	(43,363)	(39,938)
<i>Employees</i>	(no.) 4	36	33

4.2.2 *Performance and review of business*

The financial statements of Falck SpA have been prepared in accordance with Italian GAAP, while the consolidated financial statements of the Falck Group are prepared in accordance with IFRS.

At 30 June 2011 Falck SpA recorded a loss of Euro 234 thousand (compared to a profit of Euro 10,707 thousand in the first half of 2010). The 2010 result had been strongly influenced by income of Euro 7,619 thousand arising from the group consolidated tax regime in respect of the loss recorded in 2010. Income from equity investments amounted to Euro 4,471 thousand (2010 – Euro 5,503 thousand), representing a decrease of Euro 1,032 thousand that is largely due to the lower dividend distributed by Falck Renewables SpA. The impairment recorded against the investments in Intesa San Paolo (Euro 1,412 thousand) and Assicurazioni Generali (Euro 125 thousand) due to the share performance and PFC Project Financing Consulting SpA (Euro 364 thousand), Nettuno Power SpA (Euro 327 thousand) and Eolica Lucana Srl (Euro 55 thousand) to reflect the losses incurred, all had a negative impact on the result.

There has been a marked decrease in costs in the income statement compared to the previous period largely due to the sale of part of the business to Falck Renewables SpA, which saw the transfer of 29 employees and the activities surrounding the management, administrative, legal, financial and control services that Falck SpA provided to the Falck Renewables Group.

#### 4. Interim directors' report

The net financial position, a net indebtedness of Euro 90,883 thousand, increased by Euro 50,945 thousand compared to the balance at 31 December 2010, which was largely due to the amount paid (Euro 53,666 thousand) to participate in the share capital increase of the subsidiary Falck Renewables SpA.

##### 4.2.3 *Employees*

The Company had 4 employees at the end of the period, a decrease of 29 compared to 31 December 2010, which is due to the sale of a business to Falck Renewables SpA that resulted in the transfer of 29 staff and the activities relating to the management, administrative, legal, financial and control services that Falck SpA provided to the Falck Renewables Group.

	30.6.2011	31.12.2010	(Number) Change
Managers	3	9	(6)
White-collar staff	1	24	(23)
Blue-collar staff			
<b>Total employees</b>	<b>4</b>	<b>33</b>	<b>(29)</b>

Employee costs for the period to 30 June 2011 totalled Euro 294 thousand against Euro 2,814 thousand for the first half of 2010.

##### 4.2.4 *Capital expenditure*

Expenditure on property, plant and equipment in 2011 amounted to Euro 8 thousand relating to the purchase of personal computers and office furniture.

##### 4.2.5 *Corporate governance*

Legal representation of the company and signatory powers are vested in the Chairman, Deputy chairman and Chief Executive Officer individually and in line with the limits assigned to them, in accordance with article 15 of the company's articles of association.

The Chairman and Chief Executive Officer are vested with powers relating to ordinary and extraordinary management.

A number of company directors have been assigned, either by the Chairman or Chief Executive Officer, 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 and the Chief Executive Officer of the parent company hold the office of Chairman and Chief Executive Officer respectively 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, issuing loans and guarantees.

#### 4. Interim directors' report

The company has also opted to use the consolidated tax regime and present Group VAT returns.  
No transactions of an economic-financial nature take place between Falck SpA and Finmeria Srl, which holds a 65.96% stake in Falck SpA.

##### **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 2011, it held 6,907,653 own shares, of which 3,561 are savings shares, for a total nominal value of Euro 6,907,653 representing 9.49% of the entire share capital of the Company.

The total book value of Euro 12,192,593.22 corresponds to an average share price of Euro 1.77.

No subsidiaries, either directly or through trust companies or intermediaries, held shares in Falck SpA at 30 June 2011.

##### **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 it did not purchase or sell its own shares in the first half of 2011.

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

No significant events took place after the balance sheet date.

On behalf of the board of directors  
The Chairman  
Federico Falck

Milan, 26 September 2011

5. Condensed consolidated interim financial statements  
at 30 June 2011

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5.1 Consolidated balance sheet

		(Euro thousands)	
	Note	30.6.2011	31.12.2010
<b>Assets</b>			
<b>A Non-current assets</b>			
1			
1	(1)	140,417	144,542
2	(2)	1,004,897	953,220
3	(3)	45,256	49,126
4	(4)	12,640	12,581
5	(5)	1,499	
6	(7)	32,273	36,635
7	(6)	2,479	1,483
<b>Total</b>		<b>1,239,461</b>	<b>1,197,587</b>
<b>B Current assets</b>			
1	(8)	3,964	3,728
2	(5)	108,302	109,021
3	(6)	62,834	54,318
4	(4)	22,290	33,351
5	(9)	2,711	2,689
6	(10)	107,306	96,364
<b>Total</b>		<b>307,407</b>	<b>299,471</b>
<b>C Non-current assets held for sale</b>			
<b>Total assets</b>		<b>1,546,868</b>	<b>1,497,058</b>
<b>Liabilities</b>			
<b>D Equity</b>			
1			
1		72,793	72,793
2		26,647	50,857
3		115,393	117,694
4		5,940	(5,727)
<b>Capital and reserves attributable to equity holders</b>	(11)	<b>220,773</b>	<b>235,617</b>
5		187,714	83,862
<b>Total equity</b>	(11)	<b>408,487</b>	<b>319,479</b>
<b>E Non-current liabilities</b>			
1	(14)	846,410	656,272
2	(16)	2,142	1,978
3	(7)	19,013	17,472
4	(12)	39,909	38,435
5	(13)	3,736	3,658
<b>Total</b>		<b>911,210</b>	<b>717,815</b>
<b>F Current liabilities</b>			
1	(15)	117,458	136,181
2	(16)	39,873	37,607
3	(14)	69,840	285,976
4			
<b>Total</b>		<b>227,171</b>	<b>459,764</b>
<b>G Liabilities attributable to non-current assets held for sale</b>			
<b>Total liabilities</b>		<b>1,546,868</b>	<b>1,497,058</b>



5.2 Consolidated income statement

		(Euro thousands)	
	Note	30.6.2011	30.6.2010
<b>A</b>	Revenue	114,152	86,332
	Direct labour costs	(4,814)	(4,357)
	Direct costs	(53,415)	(45,188)
<b>B</b>	Cost of sales	(58,229)	(49,545)
<b>C</b>	<b>Gross profit</b>	<b>55,923</b>	<b>36,787</b>
	Other income	1,785	3,296
	Other employee costs	(6,537)	(8,661)
	Administrative expenses	(11,362)	(10,578)
<b>D</b>	<b>Operating profit</b>	<b>39,809</b>	<b>20,844</b>
	Finance costs - net	(18,959)	(15,404)
	Investment income	1,862	2,871
<b>E</b>	<b>Profit before income tax</b>	<b>22,712</b>	<b>8,311</b>
	Income tax expense	(10,347)	5,765
	Net profit/(loss) on non-current assets held for sale		
<b>F</b>	<b>Profit for the period</b>	<b>12,365</b>	<b>14,076</b>
<b>G</b>	Profit attributable to minority interest	6,425	3,046
<b>H</b>	<b>Profit attributable to group equity holders</b>	<b>5,940</b>	<b>11,030</b>

5.3 Statement of comprehensive income

		(Euro thousands)					
		30.6.2011			30.6.2010		
		Gross	Tax	Net	Gross	Tax	Net
<b>A</b>	<b>Profit for the period</b>	<b>22,712</b>	<b>(10,347)</b>	<b>12,365</b>	<b>8,311</b>	<b>5,765</b>	<b>14,076</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	531	(146)	385			
<b>B</b>	<b>(Gains)/losses reversed to income statement previously recognised in equity</b>	<b>531</b>	<b>(146)</b>	<b>385</b>			
	Foreign exchange differences on translation of overseas financial statements	(46)		(46)	404		404
	Fair value adjustment of available-for-sale financial assets	(2,915)		(2,915)	(12,364)		(12,364)
	Balance of actuarial gains/(losses) on employee benefits						
	Fair value adjustments of derivatives designated as cash flow hedges	3,511	(1,211)	2,300	(19,490)	5,501	(13,989)
	Portion of other elements recorded in net equity relating to associates and joint ventures	115		115	(253)		(253)
<b>C</b>	<b>Gains/(losses) recognised directly in equity in the period</b>	<b>665</b>	<b>(1,211)</b>	<b>(546)</b>	<b>(31,703)</b>	<b>5,501</b>	<b>(26,202)</b>
<b>B+C</b>	<b>Total other elements recognised in equity</b>	<b>1,196</b>	<b>(1,357)</b>	<b>(161)</b>	<b>(31,703)</b>	<b>5,501</b>	<b>(26,202)</b>
<b>A+B+C</b>	<b>Total recognised gains/(losses)</b>				<b>12,204</b>		
	Attributable to:						
	- Equity holders of the parent company				5,191	(14,490)	
	- Minority interest				7,013	2,364	

5.4 Consolidated cash flow statement

	Note	(Euro thousands)	
		30.6.2011	30.6.2010
<b>Cash flows from operating activities</b>			
Profit for the period		12,365	14,076
<i>Adjusted for:</i>			
Amortisation and impairment of intangible assets		592	305
Depreciation and impairment of property, plant and equipment		21,306	18,004
Impairment of intangible assets			
Impairment of property, plant and equipment			
Impairment/(revaluation) of equity investments		746	2,742
Staff leaving indemnity provision		390	331
Fair value adjustment of investments and other securities			
Finance income and foreign exchange gains		(23,578)	(31,594)
Finance costs and foreign exchange losses		42,537	46,998
Dividends received		(1,313)	(1,505)
Share of profit of investments carried at equity		(560)	(316)
Gain on sale of intangible assets			
Profit on disposal of property, plant and equipment			
Profit on sale of investments		(735)	(271)
Other movements		(5)	(36)
Income tax expense (income statement)		10,347	(5,765)
<b>Operating profit before changes in net working capital and provisions</b>		<b>62,092</b>	<b>42,969</b>
Change in inventories		(236)	336
Change in trade receivables		(780)	(1,401)
Change in trade payables		(18,723)	(6,152)
Change in other receivables/payables		(11,381)	11,805
Net change in provisions		1,474	(32,242)
Change in employee payables - staff leaving indemnity paid during year		(309)	(307)
<b>Cash generated from operating activities</b>		<b>32,137</b>	<b>15,008</b>
Interest paid		(42,006)	(46,041)
Tax paid		(1,443)	(1,283)
<b>Net cash used in operating activities (1)</b>		<b>(11,312)</b>	<b>(32,316)</b>
<b>Cash flows from investing activities</b>			
Dividends received		2,181	982
Proceeds from sale of property, plant and equipment		552	8
Proceeds from sale of intangible assets		251	
Disposal of investment property		8,087	
Acquisition of intangible assets		(363)	(810)
Purchase of property, plant and equipment		(85,527)	(60,153)
Acquisition of investments		(807)	(14,095)
Sale of investments			1,775
Change in scope of consolidation			(127)
Interest received		19,623	31,594
<b>Net cash used in investing activities (2)</b>		<b>(56,003)</b>	<b>(40,826)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(2,759)	(2,549)
Proceeds from issue of ordinary share capital increase and capital contribution		76,306	
Expenses relating to capital transactions		(3,353)	
Proceeds from borrowings		11,062	
Loans granted			(19,901)
New borrowings		256,702	168,392
Borrowing repayments		(264,258)	(70,193)
<b>Net cash from financing activities (3)</b>		<b>73,700</b>	<b>75,749</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>6,385</b>	<b>8,151</b>
Cash and cash equivalents and bank overdrafts at 1 January		96,364	64,711
Exchange differences on cash and cash equivalents		4,557	
<b>Cash and cash equivalents and bank overdrafts at 30 June</b>	(10)	<b>107,306</b>	<b>72,862</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 31.12.2009</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)	(2,549)
Other movements		(13,718)	(12,364)		(26,082)	(752)	(26,834)
Profit for the half-year to 30 June 2010				11,030	11,030	3,046	14,076
<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>
Other movements		35,990	12,364		48,354	(26,788)	21,566
Profit for the half-year to 31 December 2010				(16,757)	(16,757)	1,267	(15,490)
<b>At 31.12.2010</b>	<b>72,793</b>	<b>155,818</b>	<b>12,733</b>	<b>(5,727)</b>	<b>235,617</b>	<b>83,862</b>	<b>319,479</b>
Appropriation of 2010 result		(5,727)		5,727			
Dividends paid						(2,759)	(2,759)
Other movements		(6,599)	(14,185)		(20,784)	100,186	79,402
Profit for the half-year to 30 June 2011				5,940	5,940	6,425	12,365
<b>At 30.6.2011</b>	<b>72,793</b>	<b>143,492</b>	<b>(1,452)</b>	<b>5,940</b>	<b>220,773</b>	<b>187,714</b>	<b>408,487</b>

## 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 2011 - 30 June 2011 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 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 2011 this report includes consolidated statements consistent with those presented at 31 December 2010 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 2011 should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.

## 5.6 Notes to the condensed consolidated interim financial statements

### 5.6.2 Consolidated entities

At 30 June 2011, the Falck Group consisted of 71 companies, of which 62 are consolidated on a line-by-line basis, 2 are consolidated applying the proportional method, 3 are valued using equity accounting and 4 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.

With regard to Palermo Energia Ambiente ScpA, in which the Falck Group holds a 48% stake, the company is in liquidation and the first interim liquidation statements have not yet been approved by the shareholders. Consequently, for the purpose of preparing the condensed consolidated interim financial statements at 30 June 2011, the 2010 draft financial statements sent by the liquidators to the shareholders on 21 March 2011 were used (and adjusted to reflect costs incurred in the first half of 2011). This draft at 31 December 2010 showed that the amounts therein would only have been confirmed following the agreement of the shareholders to support PEA financially in respect of third party receivables. As formal confirmation was received from the shareholders in relation to the full amount requested on 16 June 2011, the values in the draft statements updated at 30 June 2011 were used for the proportional consolidation in the half-year financial report pending shareholder approval of the 2010 financial statements that has not yet taken place.

### 5.6.3 Changes in the scope of consolidation

The only change in the scope of consolidation compared to 31 December 2010 relates to Sustainable Energy Solutions Sa, previously consolidated on a line-by-line basis, as the liquidation proceedings were finalised following cancellation from the companies register.

### 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 2011 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2010, which should be referred to for further detail, with the exception of the accounting policies that came into force from 1 January 2011 and are applicable to the Group.

A number of amendments were made to IFRS and the interpretations with effect from 1 January 2011, none of which had a significant impact on the Group.

The main changes are summarised below:

- IAS 24 Related party disclosures (amended)

The IASB issued an amendment to IAS 24 clarifying the definition of related parties. The new definition emphasises the symmetry in identifying related parties and defines more clearly in which circumstances employees and key management personnel are considered to be related parties. The amendment also introduces an exemption from the general disclosure requirements for government-related entities in respect of transactions between entities controlled, jointly controlled or significantly influenced by the same state. The adoption of these amendments has not had any impact on the Group's net financial position or results.

## 5.6 Notes to the condensed consolidated interim financial statements

- IAS 32 Financial instruments: disclosures (amendment)

The standard includes an amendment to the definition of financial liabilities for the purpose of classifying rights issues denominated in foreign currency (and certain options and warrants) as equity instruments if the rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or the rights are to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has not had any impact on the Group's net financial position or results.

- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)

The amendments correct an unintended consequence for entities required to make prepayments for minimum funding contributions. The amendment allows entities to recognise as an asset some voluntary prepayments for minimum funding contributions. The Group is not required to make minimum prepayments in Europe. Consequently this amendment has no impact on the Group's net financial position or results.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

This interpretation clarifies the accounting practice that a debtor must adopt where an entity issues an equity instrument to a creditor to extinguish a financial liability. In particular, it considers the equity instruments issued to be part of the consideration paid to extinguish the financial liability and requires they be measured at their fair value at the date on which the debt is extinguished. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued should be included in the entity's profit or loss for the period.

### **Improvements to IFRS (issued as at May 2010)**

The IASB issued a third series of improvements to the standards in 2010, principally to eliminate existing inconsistencies and clarify terminology. Each standard has specific transition rules. The adoption of the following improvements has resulted in a number of changes to accounting standards without impacting the Group's assets, financial position or results:

- IFRS 3 Business Combinations: amends the options available for the measurement of non-controlling interests (NCI). These may be measured at fair value or alternatively at the proportionate share of the acquiree's net identifiable assets only where the non-controlling interests are present ownership interests and entitle the holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components should be measured at their acquisition date fair value;
- IFRS 7 Financial Instruments - Disclosures: the amendment is aimed to simplify and improve disclosures by reducing the level of disclosures regarding credit risk and collateral held and encouraging qualitative disclosures in the context of the quantitative disclosures;
- IAS 1 Presentation of Financial Statements: the amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements;
- IAS 34 Interim Financial Reporting: the amendment requires additional disclosures regarding fair value and changes in the classification of financial assets and changes in contingent assets and liabilities in the interim reports.

## 5.6 Notes to the condensed consolidated interim financial statements

Amendments to the following standards have not had an impact on the Group's accounting standards, financial position or results:

- IFRS 3 Business Combinations – the amendments clarifies that contingent considerations that arose from business combinations whose acquisition dates precede the application of IFRS 3 (amended in 2008) should be measured in accordance with IFRS 3 (2005);
- IFRS 3 Business Combinations – share based payments (voluntary replaced or unreplaced) and their accounting treatment in the context of business combinations;
- IAS 27 Consolidated and Separate Financial Statements – application of the transition rules of IAS 27 (amended in 2008) to standards modified consequentially;
- IFRIC 13 Customer Loyalty Programmes – in determining the fair value of award credits an entity should take into account the amount of discounts and incentives that would otherwise be offered to customers who have not earned award credits.

The Group has not early adopted any other standards, interpretations or improvements published but not yet effective.

### 5.6.5 Balance sheet contents and movements

#### Assets

#### A Non-current assets

#### 1 Intangible assets

Movements during the period were as follows:

		(Euro thousands)									
		At 31.12.2010	Acquisitions	Reclassi- fications	Change in scope of consol.n	Disposals	Impair- ment losses	Other Exchange move- differences ments	Amorti- sation	At 30.6.2011	
1.1	Industrial patent rights	267	321			(178)		(1)	1	(45)	365
1.2	Concession, licenses, trademarks and similar	9,293				(73)				(546)	8,674
1.3	Goodwill	127,441						(3,410)			124,031
1.4	Other intangibles	5,093									5,093
1.5	Assets under construction and advances	2,448	42					(235)	(1)		2,254
<b>Total</b>		<b>144,542</b>	<b>363</b>			<b>(251)</b>		<b>(1)</b>	<b>(3,644)</b>	<b>(592)</b>	<b>140,417</b>

Acquisitions comprise expenditure on the development of new software relating to the consolidated financial statements and management reporting.

Foreign exchange differences arise on the translation of Falck Renewables Wind Ltd that is denominated in Pounds Sterling.

Since 1 January 2005, goodwill has not been amortised but is subjected to an annual impairment test.

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



## 5.6 Notes to the condensed consolidated interim financial statements

The cash generating units identified are:

- Falck Renewables SpA
- Ben Aketil Wind Energy Ltd (UK wind farm)
- Boyndie Wind Energy Ltd (UK wind farm)
- Cambrian Wind Energy Ltd (UK wind farm)
- Earlsburn Wind Energy Ltd (UK wind farm)
- Ecosesto SpA (Rende biomass plant)
- 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 Wind Ltd
- Frullo Energia Ambiente Srl (WtE plant in Granarolo dell'Emilia)
- Geopower Sardegna Srl (wind farm in Buddusò/Alà dei Sardi)
- Kilbraur Wind Energy Ltd (UK wind farm)
- Millennium Wind Energy Ltd (UK wind farm)
- Parc Eolien du Fouy Sas (wind farm)
- 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.

### ***Goodwill of Sicily Projects CGUs***

With regard to the goodwill allocated to the Sicily Projects cash generating unit, an impairment test was carried out for the purpose of preparing the consolidated financial statements at 31 December 2010. The impairment test was carried out taking into account the opinion of an independent legal expert issued on 22 July 2010, which confirmed that in relation to the financial claims raised by the Group, in substance the situation had not changed as a result of the modification of the original claim from specific performance made in respect of the Agreement dated 28 April 2009 into a petition for termination due to the actions and default of ARRA. This assessment was upheld by the same independent expert in March 2011.

Moreover, independent legal advisors have confirmed that the status of the dispute, even in light of the cancellation decree issued by the Region on 22 September 2010 and notified to the company in mid July 2011 regarding the tenders called by the Sicily Region on 5 August 2002, had not changed to such an extent as to require a reassessment of the assumptions adopted in measuring the value and assessing the recoverability of the amounts in the financial statements at 31 December 2010.

A sensitivity analysis was carried out for the purpose of preparing the half-year financial report following the increase in the stakes held in Tifeo (from 95.62% to 96.35%) and Platani (from 85.73% to 86.77%) and a fluctuation in interest rates: the sensitivity analysis did not identify an impairment of the amounts in the consolidated financial statements that are associated with the Sicily Projects. Consequently, no impairment loss was recognised against Property, plant and equipment and Goodwill attributable to the Sicily Projects in the consolidated financial statements.

5.6 Notes to the condensed consolidated interim financial statements

The above sensitivity analysis was performed following the same method adopted in carrying out the impairment test at 31 December 2010, taking into consideration costs incurred at 31 December 2009 (pecuniary damages), the compensation established in the Agreement with ARRA dated 28 April 2009, costs incurred in 2010 and the first half of 2011, interest on costs incurred net of legal expenses, and estimating the date of settlement of the total amount to be 2015.

Total costs incurred up to 31 December 2009 amounted to Euro 117,208 thousand, while compensation was estimated at Euro 37,016 thousand<sup>1</sup>.

These amounts were discounted based on the interest rate swap rate at the presumed settlement date.

In addition to the above pecuniary damages, loss of profits was calculated only taking into account the compensation established in the Agreement of 28 April 2009 as this had been recognised by ARRA in the agreement, instead of the full loss of profits associated with the case. Acknowledgement of the Company's statements (already confirmed by the Company's expert witnesses) regarding the entire loss of profits will be assessed by a court appointed technical consultant as part of the proceedings pending with ARRA.

The compensation corresponds to approximately 20% of the loss of profits of the Falck Group requested by Tifeo, Platani and Pea, in liquidation, as part of the said proceedings<sup>2</sup>.

An impairment test was not performed on the other goodwill balances as there was no evidence of impairment.

Goodwill at 30 June 2011 comprised:

	(Euro thousands)
	Carrying value at 30.6.2011
Falck Renewables SpA	10,783
Ben Aketil Wind Energy Ltd	9,701
Boyndie Wind Energy Ltd	4,051
Cambrian Wind Energy Ltd	12,301
Earlsburn Wind Energy Ltd	9,544
Eolica Cabezo San Roque Sa	704
Eolica Petralia Srl	1,036
Eolica Sud Srl	1,919
Eolo 3W Minervino Murge Srl	1,752
Falck Renewables Wind Ltd	10,222
Frullo Energia Ambiente Srl	1,519
Geopower Sardegna Srl	15,782
Kerebet Sas	201
Kilbraur Wind Energy Ltd	3,683
Millennium Wind Energy Ltd	9,250
Parc Eolien de Fouy	19
Sicily Projects	31,093
Ty Ru Sas	256
Other minor amounts	215
<b>Total</b>	<b>124,031</b>

<sup>1</sup> The total costs incurred takes into consideration the 100% line-by-line consolidation of Tifeo (96.35% owned by Falck Renewables SpA) and Platani (86.77% owned by Falck Renewables SpA) and the proportional consolidation of 48% of PEA, while the abovementioned compensation relates entirely to Elettroambiente SpA, 100% owned by Falck Renewables SpA. With regard to PEA, 48% of the compensation due to it was considered.

<sup>2</sup> The Industrial Operators requested compensation for the prejudice suffered both as pecuniary damages (amounting to: Tifeo, Euro 55,745,013; Platani, Euro 37,676,745; PEA, Euro 49,555,742 – Company share Euro 23,786,756) and loss of profits (amounting to: Tifeo, Euro 94,100,000.00; Platani, Euro 47,800,000; PEA, Euro 88,800,000 – Company share Euro 42,624,000). Total loss of profits, calculated based on the share in PEA amounts to approximately Euro 184.5 million.

5.6 Notes to the condensed consolidated interim financial statements

Sicily Projects comprise the goodwill allocated to 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 borrowing costs were capitalised on intangible assets in the course of the period.

**2 Property, plant and equipment**

Movements during the period were as follows:

		(Euro thousands)									
		At 31.12.2010	Additions	Capital.n and reclass.n	Change in scope of consol.n	Other movements	Disposals	Impairment losses	Foreign exchange	Depreciation	At 30.6.2011
<b>Gross value</b>											
2.1	Land	18,681	36			1					18,718
2.2	Buildings	9,131				(1)			(214)		8,916
2.3	Plant and machinery	725,127	7,179	20,998		1	(377)		(14,053)		738,875
2.4	Industrial and office equipment	2,555	19	704		9			(15)		3,272
2.5	Other assets	5,570	446				(352)				5,664
2.6	Assets operated under concession	80,567		204		(3)			(45)		80,723
2.7	Agricultural assets										
2.8	Assets under construction and adv.cs	257,510	77,847	(21,906)		(5)	(45)		(103)		313,298
<b>Total gross value</b>		<b>1,099,141</b>	<b>85,527</b>			<b>2</b>	<b>(774)</b>		<b>(14,430)</b>		<b>1,169,466</b>
<b>Accumulated depreciation</b>											
2.1	Land										
2.2	Buildings	(3,979)							14	(99)	(4,064)
2.3	Plant and machinery	(101,954)				(1)	115		2,395	(18,576)	(118,021)
2.4	Industrial and office equipment	(921)							11	(207)	(1,117)
2.5	Other assets	(3,344)					107		17	(301)	(3,521)
2.6	Assets under construction and adv.	(35,723)								(2,123)	(37,846)
2.7	Agricultural assets										
<b>Total depreciation</b>		<b>(145,921)</b>				<b>(1)</b>	<b>222</b>		<b>2,437</b>	<b>(21,306)</b>	<b>(164,569)</b>
<b>Net book amounts</b>											
2.1	Land	18,681	36			1					18,718
2.2	Buildings	5,152				(1)			(200)	(99)	4,852
2.3	Plant and machinery	623,173	7,179	20,998			(262)		(11,658)	(18,576)	620,854
2.4	Industrial and office equipment	1,634	19	704		9			(4)	(207)	2,155
2.5	Other assets	2,226	446				(245)		17	(301)	2,143
2.6	Assets operated under concession	44,844		204		(3)			(45)	(2,123)	42,877
2.7	Agricultural assets										
2.8	Assets under construction and adv.	257,510	77,847	(21,906)		(5)	(45)		(103)		313,298
<b>Total net book amounts</b>		<b>953,220</b>	<b>85,527</b>			<b>1</b>	<b>(552)</b>		<b>(11,993)</b>	<b>(21,306)</b>	<b>1,004,897</b>

5.6 Notes to the condensed consolidated interim financial statements

A) *Additions* – comprise:

	(Euro thousands)
Geopower Sardegna Srl (Buddusò - Alà dei Sardi) wind farm	43,012
Kilbraur wind farm(extension)	14,006
Millennium wind farm (extension)	7,022
Ty Ru wind farm	629
Eolica Petralia Srl wind farm	8,325
Les Cretes wind farm	650
Spinasanta photovoltaic plant	4,940
Cardonita photovoltaic plant	3,240
Sugherotorto photovoltaic plant	2,703
Improvements to Granarolo dell'Emilia WtE plant	39
Improvements to Trezzo sull'Adda WtE plant	488
Other minor amounts	473
<b>Total</b>	<b>85,527</b>

Finance costs allocated during the year to property, plant and equipment amount to Euro 1,630 thousand and largely relate to the wind farms under construction.

Property, plant and equipment at 30 June 2011 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 2011 compared to 31 December 2010 may be analysed as follows:

	(Euro thousands)		
	30.6.2011	31.12.2010	Change
Subsidiaries	27	27	
Associates	986	1,181	(195)
Other entities	44,243	47,918	(3,675)
<b>Total</b>	<b>45,256</b>	<b>49,126</b>	<b>(3,870)</b>

#### *Equity investments*

. *Subsidiaries valued at cost*

This relates to the investment in Agr Ventures Malaysia, which is currently in liquidation.

. *Associated companies valued applying the equity method*

	(Euro thousands)		
	30.6.2011	31.12.2010	Change
Parque Eolico La Carracha SI	485	586	(101)
Parque Eolico Plana de Jarreta SI	495	589	(94)
<b>Total</b>	<b>980</b>	<b>1,175</b>	<b>(195)</b>

The valuation at net equity of the above associates reflects the results recorded in the period.

5.6 Notes to the condensed consolidated interim financial statements

. Associated companies valued at cost

	30.6.2011	31.12.2010	(Euro thousands) Change
Eolica Calabria Srl	1	1	
Falck Renewables Italia Energetica Srl	5	5	
<b>Total</b>	<b>6</b>	<b>6</b>	

. Other entities valued at cost

	30.6.2011	31.12.2010	(Euro thousands) Change
Atmos Bio Energy SpA	27	27	
Compagnia Fiduciaria Nazionale SpA	33	33	
Crossenergy Srl	3,934	3,934	
Eolica Lucana Srl		55	(55)
Milano Metropoli SpA	52	52	
Nettuno Power SpA		320	(320)
PFC Project Financing Consulting SpA		364	(364)
Terra Venture Partners Sca	1,471	1,471	
Other minor investments	7	5	2
<b>Total</b>	<b>5,524</b>	<b>6,261</b>	<b>(737)</b>

The negative changes relate to impairment losses recognised in order to reflect the results of the investments.

. Other investments measured at fair value

	31.6.2011	31.12.2010	(Euro thousands) Change
Hera SpA	934	1,087	(153)
Hopa SpA	546	546	
Intesa San Paolo SpA	11,776	12,992	(1,216)
Unicredit SpA	25,463	27,032	(1,569)
<b>Total</b>	<b>38,719</b>	<b>41,657</b>	<b>(2,938)</b>

The negative changes reflect the adjustment to market value of listed investments at 30 June 2011. These changes have been recorded in equity as they are classified as available-for-sale financial assets.

5.6 Notes to the condensed consolidated interim financial statements

**4 Financial receivables**

Financial receivables at 30 June 2011 compared to the balance at 31 December 2010 may be analysed as follows:

	(Euro thousands)								
	30.6.2011			31.12.2010			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	28,490	6,258	22,232	39,580	6,258	33,322	(11,090)		(11,090)
Amounts owed by subsidiaries	16		16	16		16			
Amounts owed by associates	775	733	42	747	734	13	28	(1)	29
Amounts owed by parent company									
Amounts owed by other group companies									
Derivative financial instruments	5,649	5,649		5,589	5,589		60	60	
Guarantee deposits									
<b>Total</b>	<b>34,930</b>	<b>12,640</b>	<b>22,290</b>	<b>45,932</b>	<b>12,581</b>	<b>33,351</b>	<b>(11,002)</b>	<b>59</b>	<b>(11,061)</b>

Current amounts owed by third parties principally comprise the financial receivables of Riesfactoring SpA in respect of outstanding factoring transactions at 30 June 2011 (Euro 21,195 thousand) and the financial receivables of Falck Energy SpA (Euro 1,017 thousand) owed by employees of the Falck Renewables Group in relation to a non-interest bearing loan.

Non-current amounts owed by third parties comprise the portion of the financial receivables of Palermo Energia Ambiente ScpA that exceeds the Falck Group's stake in this investment (Euro 6,258 thousand). The recoverability of these amounts is linked to the outcome of the legal proceedings and as described previously legal opinion currently does not give reason to believe that these balances are non-recoverable.

Amounts owed by associates relate to the investments in the Spanish companies Parque Eolico La Carracha (Euro 250 thousand) and Parque Eolico Plana de Jarreta (Euro 483 thousand).

**5 Trade receivables**

Trade receivables at 30 June 2011 compared to 31 December 2010 consisted of the following:

	(Euro thousands)								
	30.6.2011			31.12.2010			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	109,801	1,499	108,302	109,021		109,021	780	1,499	(719)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company									
Amounts owed by other group companies									
<b>Total</b>	<b>109,801</b>	<b>1,499</b>	<b>108,302</b>	<b>109,021</b>		<b>109,021</b>	<b>780</b>	<b>1,499</b>	<b>(719)</b>

Trade receivables are disclosed net of the provision for doubtful accounts, Euro 5,572 thousand representing a fall of Euro 6 thousand compared to the balance at 31 December 2010, in order to adjust them to fair value.

Non-current trade receivables relate to the portion of the trade receivables of Palermo Energia Ambiente ScpA, which, as it is consolidated applying the proportional method, exceed the Falck Group's holding. The recoverability of these amounts is linked to the outcome of the legal proceedings and as described previously legal opinion currently does not give reason to believe that these balances are non-recoverable.

5.6 Notes to the condensed consolidated interim financial statements

**6 Other receivables**

Other receivables at 30 June 2011 compared to 31 December 2010 consisted of the following:

	30.6.2011			31.12.2010			(Euro thousands) Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	7,716		7,716	6,522		6,522	1,194		1,194
Amounts owed by subsidiaries									
Amounts owed by associates	866		866				866		866
Amounts owed by parent companies									
Amounts owed by other Group companies									
Advances	5,545		5,545	333		333	5,212		5,212
Tax credits	44,986	32	44,954	45,083	61	45,022	(97)	(29)	(68)
Guarantee deposits	1,943	1,894	49	1,064	1,029	35	879	865	14
Accrued income and prepayments	4,257	553	3,704	2,799	393	2,406	1,458	160	1,298
<b>Total</b>	<b>65,313</b>	<b>2,479</b>	<b>62,834</b>	<b>55,801</b>	<b>1,483</b>	<b>54,318</b>	<b>9,512</b>	<b>996</b>	<b>8,516</b>

Amounts owed by third parties principally relate to amounts owed by a director of Falck Renewables Wind Ltd to Falck Energy Sa in relation to the share capital increase that took place in 2007 (Euro 4,882 thousand) and amounts owed by employees totalling Euro 286 thousand.

Tax credits principally relate to the Falck Renewables VAT receivable (Euro 36,269 thousand) and the tax credit of the parent company Falck SpA, which amounted to Euro 8,142 thousand at 30 June 2011.

**7 Deferred income tax assets and liabilities**

Deferred income tax assets amounted to Euro 32,273 thousand, representing a decrease of Euro 4,362 thousand compared to the total at 31 December 2010, and principally relate to the renewable energy sector.

Deferred income tax liabilities totalled Euro 19,013 thousand, an increase of Euro 1,541 thousand on the balance at 31 December 2010.

Deferred income tax assets and liabilities arising on temporary differences, are only offset when there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred income tax assets on tax losses 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:

It should be noted that the recent austerity budget issued by the Italian government (Manovra di Ferragosto), which envisages a 10.5% increase in IRES on the taxable income of electricity companies with revenue of more than Euro 10 million and taxable income of Euro 1 million, would result in an increase of approximately Euro 0.7 million in deferred income tax assets at 30 June 2011.

**B Current assets**

**8 Inventories**

Inventories at 30 June 2011 compared to 31 December 2010 may be detailed as follows:

5.6 Notes to the condensed consolidated interim financial statements

	30.6.2011	31.12.2010	(Euro thousands) Change
Raw materials and consumables	2,582	2,324	258
Semi-finished goods	142	166	(24)
Work in progress	80	69	11
Finished goods	1,160	1,169	(9)
Advances			
<b>Total</b>	<b>3,964</b>	<b>3,728</b>	<b>236</b>

**9 Financial assets**

*. Subsidiaries valued at cost*

This comprises the stake in Falck Bioenergy Thailand Co. Ltd.

As the company was put into liquidation in 2009 it is has not been consolidated but valued at cost that has been fully written off as the liquidation accounts have already been prepared and reflect the related liquidation costs.

*. Investments in other companies*

	30.6.2011	31.12.2010	(Euro thousands) Change
Assicurazioni Generali SpA	2,687	2,667	20
Camfin SpA	24	22	2
<b>Total</b>	<b>2,711</b>	<b>2,689</b>	<b>22</b>

Movements relate to the measurement at fair value, which corresponds to the period-end market value. These changes are recorded in equity as they relate to available-for-sale financial assets.

**10 Cash and cash equivalents**

	30.6.2011	31.12.2010	(Euro thousands) Change
Short-term bank and post office deposits	107,155	96,270	10,885
Cash in hand	151	94	57
<b>Total</b>	<b>107,306</b>	<b>96,364</b>	<b>10,942</b>

Cash and cash equivalents may be detailed as follows:

	30.6.2011	31.12.2010	(Euro thousands) Change
Cash at bank and in hand	107,306	96,364	10,942
Bank overdrafts			
Invoice advances			
Group current accounts			
<b>Total cash and cash equivalents</b>	<b>107,306</b>	<b>96,364</b>	<b>10,942</b>

Cash at bank and in hand largely consists of the current accounts of Prima Srl (Euro 13,119 thousand), Eolica Sud Srl (Euro 32,915 thousand), Eolo 3W Minervino Murge Srl (Euro 11,007 thousand), Geopower Sardegna Srl (Euro 943 thousand), Frullo Energia Ambiente Srl (Euro 8,523 thousand), Actelios Solar SpA (Euro 453



5.6 Notes to the condensed consolidated interim financial statements

thousand), Cambrian Wind Energy Ltd (Euro 5,416 thousand), Boyndie Wind Energy Ltd (Euro 1,290 thousand), Earlsburn Wind Energy Ltd (Euro 5,421 thousand), Ben Aketil Ltd (Euro 2,213 thousand), Millennium Wind Energy Ltd (Euro 7,709 thousand), Kilbraur Wind Energy Ltd (Euro 2,219 thousand), Eolica Cabezo San Roque Sl (Euro 4,525 thousand) and the three companies operating in the wind sector in France (Euro 3,990 thousand). The current accounts of the companies financed under project financing contracts must meet the covenants established under the contracts and are therefore restricted. The total of these restricted funds is Euro 99,743 thousand.

Bank balances also include the current accounts of Falck SpA (Euro 1,620 thousand), Falck Financial Services Sa (Euro 574 thousand) and Riesfactoring SpA (Euro 296 thousand).

**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 2011 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 purchased or sold during the period.

Movements in total equity for 2010 and 2011 were as follows.

	(Euro thousands)								
	Share capital	Translation reserve	Fair value reserve	Cash flow hedge reserve	Other reserves	Loss for the year	Group share of equity	Minority interest	Total
<b>At 31.12.2009</b>	<b>72,793</b>	<b>3,432</b>	<b>12,733</b>	<b>(15,397)</b>	<b>173,782</b>	<b>(28,271)</b>	<b>219,072</b>	<b>109,638</b>	<b>328,710</b>
Appropriation of 2009 loss of holding company to reserves					(28,271)	28,271			
Other movements through equity		919	(11,270)	(2,515)			(12,866)	(546)	(13,412)
Dividends paid								(2,549)	(2,549)
Other movements					661		661	182	843
Cost of Falck Renewables SpA capital transaction					(2,083)		(2,083)	(696)	(2,779)
Reclassifications		(5,672)			5,672				
Debt waiver on repurchase pact					10,208		10,208		10,208
Falck Energy demerger					26,606		26,606	(26,606)	
Employees subscription to shares in Falck Renewables Wind					629		629	210	839
Purchase of minorities					(883)		(883)	(84)	(967)
Loss for the year						(5,727)	(5,727)	4,313	(1,414)
<b>At 31.12.2010</b>	<b>72,793</b>	<b>(1,321)</b>	<b>1,463</b>	<b>(17,912)</b>	<b>186,321</b>	<b>(5,727)</b>	<b>235,617</b>	<b>83,862</b>	<b>319,479</b>

5.6 Notes to the condensed consolidated interim financial statements

(Euro thousands)									
	Share capital	Reserves				Loss /(profit) for the period	Group share of equity	Minority interest	Total
		Translation reserve	Fair value reserve	Cash flow hedge reserve	Other reserves				
<b>At 31.12.2010</b>	<b>72,793</b>	<b>(1,321)</b>	<b>1,463</b>	<b>(17,912)</b>	<b>186,321</b>	<b>(5,727)</b>	<b>235,617</b>	<b>83,862</b>	<b>319,479</b>
Appropriation of 2010 loss for the year					(5,727)	5,727			
Other movements through equity		(1)	(2,915)	2,167			(749)	588	(161)
Dividends paid								(2,759)	(2,759)
Other movements					7,887		7,887	(522)	7,365
Cost of Falck Renewables SpA share capital transaction					(2,012)		(2,012)	(1,341)	(3,353)
Reclassifications		1,057		5,143	(6,200)				
Falck Renewables SpA share capital increase					24,317		24,317	51,989	76,306
Falck Energy demerger									
Change of stake in Falck Renewables SpA					(49,774)		(49,774)	49,774	
Purchase of minorities					(453)		(453)	(302)	(755)
Profit for the period						5,940	5,940	6,425	12,365
<b>At 30.6.2011</b>	<b>72,793</b>	<b>(265)</b>	<b>(1,452)</b>	<b>(10,602)</b>	<b>154,359</b>	<b>5,940</b>	<b>220,773</b>	<b>187,714</b>	<b>408,487</b>

12 Provisions for other liabilities and charges

(Euro thousands)							
	At 31.12.2010	Change in scope of consolidation	Charge	Utilised	Other movements	Foreign exchange differences	At 30.6.2011
<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	2,819		5		1		2,825
- investments	3,935						3,935
- environmental	4,258		2,048				6,306
- sundry risks provision	27,423		391	(890)	(52)	(29)	26,843
<i>Total other provisions</i>	<i>38,435</i>		<i>2,444</i>	<i>(890)</i>	<i>(51)</i>	<i>(29)</i>	<i>39,909</i>

All provisions are classified as non-current.

The *environmental provision* relates to the costs that Ecosesto SpA and the owners of the operating wind farms will be required to incur in order to restore environmental conditions, in Ecosesto's case at the end of utilising the landfills, or at the end of the concession period for the wind sector companies.

An amount of Euro 2,000 thousand relating to the Buddusò/Alà dei Sardi wind farm was recorded as an increase in property, plant and equipment while Euro 48 thousand relating to the monetary revaluation of provisions recorded against the San Sostene, Minervino Murge and Cabezo wind farms and has been included in finance costs.

5.6 Notes to the condensed consolidated interim financial statements

The *litigation provision* has been recognised in order to cover probable liabilities that may arise on pending legal proceedings.

The *sundry risks provision* increased by the charge made by Ecosesto SpA (Euro 339 thousand) in order to cover possible costs arising on pending litigation relating to a landfill that is already in the post mortem stages and by

Falck Energy SpA for potential risks relating to the investments in Sustainable Energy Solutions Sa (Euro 6 thousand) and Falck Bioenergy Thailand (Euro 46 thousand), which are both in liquidation.

The use of the sundry risks provision is largely due to the amount used by Falck SpA (Euro 745 thousand) to cover the cost of a tax assessment issued by the Italian tax authorities against the 2003 tax return.

**13 Staff leaving indemnity**

	(Euro thousands)				
	At 31.12.2010	Charge newly consolidated	Transfers/ consolidated	Utilised or paid	At 30.6.2011
Managers	714	89		(111)	692
White-collar staff and special categories	2,021	189	(3)	(146)	2,061
Blue-collar staff	923	112		(52)	983
<b>Total</b>	<b>3,658</b>	<b>390</b>	<b>(3)</b>	<b>(309)</b>	<b>3,736</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 2010. The resulting calculation did not differ significantly from the amount provided under Italian GAAP, consequently the Group 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 2010; as a consequence the Group has maintained the values determined for TFR applying Italian GAAP.

**14 Financial liabilities**

Financial liabilities at 30 June 2011 compared to 31 December 2010 consisted of the following:

	(Euro thousands)								
	30.6.2011			31.12.2010			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	218,251	189,879	28,372	277,263	29,253	248,010	(59,012)	160,626	(219,638)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company									
Amounts owed by other group companies									
Project financing	639,021	597,553	41,468	601,213	563,247	37,966	37,808	34,306	3,502
Derivative financial instruments	25,705	25,705		30,499	30,499		(4,794)	(4,794)	
Convertible debenture loans	33,273	33,273		33,273	33,273				
Non-convertible debenture loans									
<b>Total</b>	<b>916,250</b>	<b>846,410</b>	<b>69,840</b>	<b>942,248</b>	<b>656,272</b>	<b>285,976</b>	<b>(25,998)</b>	<b>190,138</b>	<b>(216,136)</b>

## 5.6 Notes to the condensed consolidated interim financial statements

On 14 January 2011 Falck SpA signed a loan agreement for Euro 135 million with a pool of leading banks. The loan contract envisages a “*Stock Lending*” credit facility up to a maximum of Euro 55 million and a Euro 80 million credit facility comprising:

- A maximum Euro 70 million Term loan;
- A Revolving credit corresponding to the difference between Euro 80 million and the amount drawn down on the term loan.

The loan stipulates the following:

- Use of the stock lending line to enable Falck SpA to subscribe to the share capital increase in Falck Renewables SpA and maintain a minimum 60% stake;
- Use of the Term and Revolving credit lines following conclusion of the Falck Renewables SpA share capital increase.

The loan, which matures on 30 June 2015, was released on finalisation of the Falck Renewables SpA share capital increase and at 30 June 2011 approximately Euro 91 million had been drawn down.

Again on 14 January 2011 Falck Renewables SpA entered into a loan agreement for Euro 165 million with a pool of leading banks.

The transaction falls within the scope of the Consolidation Project and reorganisation of the Group companies and its purpose is to fund development of the activities and investments envisaged in the business plan approved by the board on 12 November 2010, which estimates approximately Euro 1.2 billion of investment in the period 2010 to 2014.

The loan agreement provides for a term facility with a cap of Euro 70 million and a revolving facility totalling Euro 95 million. The loan, which was released on completion of the share capital increase, will mature on 30 June 2015 and at 30 June 2011 approximately Euro 71 million had been drawn down.

Convertible debenture loans amounted to Euro 33,273 thousand, comprise two debenture loans.

The first is a subordinated convertible variable rate debenture loan 2006 - 2015, which was fully subscribed for Euro 26,944,420 in October 2006.

The offer to subscribe made to rights holders was in the ratio of two debentures for every five shares held. 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 loan amounted to Euro 26,943,124 at 30 June 2011 as 1,296 debentures were converted into 162 Falck SpA shares in the course of 2009.

The extraordinary shareholders' meeting of 11 January 2011 approved the extension of the maturity date of this debenture loan to 31 December 2015, applying the same variable rate and conditions except for the conversion dates. The conversion of 1 share for every 8 debentures may be exercised in June 2011, 2012, 2013, 2014 and 2015. The company has the option to repay the loan in advance, even in part, either by acquiring and cancelling the debentures or through repayment, in both cases up to a maximum of Euro 5,650 thousand.

The second is also a subordinated convertible debenture loan amounting to Euro 6,329,905. The extraordinary shareholders' meeting of 11 January 2011 approved the extension of the maturity date of this debenture loan to 31 December 2015, applying the same fixed rate of 4.16% and conditions with the exception of the date by which the debenture holders may apply to convert. Consequently, the debenture loan consists of 6,329,905 debentures with a nominal value of Euro 1.00 each that mature on 15 December 2015. The conversion to 1 share for every 6 debentures held is exercisable in January 2011, 2012, 2013, 2014 and 2015. The company has the option to repay the loan in advance, even in part, either by acquiring and cancelling the debentures or through repayment, in both cases up to a maximum of Euro 50 thousand.

5.6 Notes to the condensed consolidated interim financial statements

An analysis of all project financing contracts at 30 June 2011 is as follows:

(Euro thousands)				
30.6.2011				
	Interest rate (%)	Carrying amount	Current portion	Non-current portion
Frullo Srl m/1-term loan	Euribor 6 m + spread	28,804	3,038	25,766
Project financing Prima Srl	Euribor 6 m + spread	11,529	5,062	6,467
Project financing Actelios Solar SpA	Euribor 6 m + spread	24,769	2,071	22,698
Project financing Millenium	LIBOR 3M + Spread	58,011	4,206	53,805
Project financing Kilbraur	LIBOR 3M + Spread	38,235	2,868	35,367
Project financing Ben Aketil	LIBOR 3M + Spread	26,678	1,608	25,070
Project financing Earlsburn	LIBOR 3M + Spread	29,465	1,773	27,692
Project financing Boyndie	LIBOR 3M + Spread	4,081	743	3,338
Project financing Cambrian WE	LIBOR 3M + Spread	31,709	3,741	27,968
Project financing FRF	LIBOR 3M + Spread	2,222	2,222	
Project financing Eolica Cabezo	Euribor + spread	10,475	1,081	9,394
Project financing Eolo 3W	Euribor + spread	80,682	4,776	75,906
Project financing Crêtes	Euribor + spread	10,573	413	10,160
Project financing Fouy	Euribor + spread	10,178	398	9,780
Project financing Esquennois	Euribor + spread	13,127	513	12,614
Project financing Eolica Sud	Euribor + spread	141,710	4,816	136,894
Project financing Geopower	Euribor + spread	116,773	2,139	114,634
<b>Total loans under project financing</b>		<b>639,021</b>	<b>41,468</b>	<b>597,553</b>

In order to hedge the interest rate risk on project financing, the entities in question have entered into interest rate swap contracts (IRS) for the portion of the interest linked to project financing, with the purpose of rendering variable rates fixed at conditions that are substantially in line with market rates.

Details of Falck Group's outstanding IRSs at 30 June 2011 are disclosed in the table below:

(Euro thousands)					
	At 31.12.2010	Change through profit or loss	Change through equity	Foreign exchange	At 30.6.2011
IRS Prima Srl	328	(155)			173
IRS Frullo Energia Ambiente Srl	1,126	(336)			790
IRS Millenium Wind Energy Ltd	5,745		57	(266)	5,536
IRS Kilbraur Wind Energy Ltd	3,941		3	(180)	3,764
IRS Ben Aketil Wind Energy Ltd	3,151		148	(146)	3,153
IRS Earlsburn Wind Energy Ltd	2,459		(23)	(114)	2,322
IRS Boyndie Wind Energy Ltd	286		(20)	(13)	253
IRS Cambrian Wind Energy Ltd	2,808		(57)	(129)	2,622
IRS Eolica Cabezo San Roque Sa	1,020		(29)		991
IRS Eolo 3W Minervino Murge Srl	3,489		(829)		2,660
IRS Esquennois Energie Sas	598		(130)		468
IRS Parc Eolien des Cretes Sas	514		(105)		409
IRS Parc Eolien du Fouy Sas	495		(102)		393
IRS Eolica Sud Srl	2,857		(1,217)		1,640
IRS Falck SpA	1,682	(144)	(1,007)		531
<b>Total</b>	<b>30,499</b>	<b>(491)</b>	<b>(3,311)</b>	<b>(848)</b>	<b>25,705</b>

5.6 Notes to the condensed consolidated interim financial statements

**15 Trade payables**

Trade payables at 30 June 2011 compared to the previous year end may be analysed as follows:

	30.6.2011			31.12.2010			(Euro thousands) Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade payables	117,458		117,458	136,181		136,181	(18,723)		(18,723)
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company									
Amounts due to other group companies									
<b>Total</b>	<b>117,458</b>		<b>117,458</b>	<b>136,181</b>		<b>136,181</b>	<b>(18,723)</b>		<b>(18,723)</b>

**16 Other payables**

Other payables at 30 June 2011 compared to 31 December 2010 are as follows:

	30.6.2011			31.12.2010			(Euro thousands) Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Other third party creditors	30,126	207	29,919	31,637	131	31,506	(1,511)	76	(1,587)
Amounts owed to subsidiaries									
Amounts owed to associates									
Amounts owed to parent company									
Amounts owed to other group companies									
Advances	62		62	37		37	25		25
Tax payable	5,356		5,356	1,910		1,910	3,446		3,446
Accruals and deferred income	6,471	1,935	4,536	6,001	1,847	4,154	470	88	382
<b>Total</b>	<b>42,015</b>	<b>2,142</b>	<b>39,873</b>	<b>39,585</b>	<b>1,978</b>	<b>37,607</b>	<b>2,430</b>	<b>164</b>	<b>2,266</b>

5.6 Notes to the condensed consolidated interim financial statements

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

	(Euro thousands)	
	30.6.2011	31.12.2010
Dividends payable	2,500	1,200
Amounts due to Immobiliare Bolzano	349	349
Amounts due to shareholders of parent company for distributable reserves	195	195
Amounts due to Ministry of Industry by Eolo 3W Minervino Murge	12,720	12,719
Amounts due by Falck Renewables Wind for investment acquisitions	3,041	5,026
Environmental contribution	1,295	1,131
Amounts due to Province of Bologna	274	821
Amounts due to Terra Venture	346	597
Amounts due for property tax assessment by Minervino Murge municipality	302	604
Holiday pay	623	933
Other amounts due to employees	1,906	1,581
Amount due for Notarpanaro plant acquisition	411	411
Employee provisions	87	304
Withholding taxes due	391	
Taxes not on income	2,734	
Amounts due to third party shareholders of Palermo Energia Ambiente for VAT receivables purchase	850	850
Social security contributions	825	1,395
<b>Total</b>	<b>28,849</b>	<b>28,116</b>

**Commitments and contingencies**

Personal guarantees issued at 30 June 2011 amounted to Euro 159,726 thousand and consisted of:

	(Euro thousands)
Bank guarantees	39,715
Guarantees given to public entities and ministries	89,253
Guarantees given to VAT authorities	7,674
Other personal guarantees	23,083
<b>Total</b>	<b>159,725</b>

Moreover, the liquidators of the Sicily Project subsidiaries (Tifeo, Platani) requested Falck Renewables SpA to guarantee that it will provide the financial resources necessary to companies currently in liquidation in order to meet third party commitments with the exception of current and previous shareholders. With regard to Palermo Energia Ambiente ScpA, following requests made by the liquidators on 21 March 2011 and 16 June 2011 and based on the draft financial statements at 31 December 2010 (sent by the liquidators on this date), which clearly identify the amounts for which financial support is required, Falck Renewables SpA confirmed its financial support for 75.272%, in excess of its stake of 23.272%, of third party commitments excluding current and previous shareholders as highlighted in the interim liquidation statements at 31 December 2010, while Falck SpA guaranteed 24.728% representing its shareholding in the company. This is due to the fact that the shareholder Amia SpA, which holds 48% of share capital, is not in a position to guarantee financial support as it is in extraordinary administration.

**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 in Elettroambiente SpA and Other payables due to Italgest Energia SpA recorded at the previous year-end, the Falck Group is exposed to a remote risk, albeit considered improbable, in respect of this amount as the contractual conditions on which the total acquisition price of Elettroambiente SpA was based may be reinstated.

5.6 Notes to the condensed consolidated interim financial statements

**Related party transactions**

	(Euro thousands)					
	Financial receivables			Other receivables		
	30.6.2011	31.12.2010	Change	30.6.2011	31.12.2010	Change
<b>Subsidiaries</b>						
Agr Venture Malaysia Sdn Bnd (in liquid.)	16	16				
<b>Total subsidiaries</b>	<b>16</b>	<b>16</b>				
<b>Associates</b>						
Parque Eolico La Carracha Sl	264	251	13	506		506
Parque Eolico Plana de Jarreta Sl	511	483	28	360		360
Eolica Calabria Srl		13	(13)			
<b>Total associates</b>	<b>775</b>	<b>747</b>	<b>28</b>	<b>866</b>		<b>866</b>

5.6.6 Income statement content and movements

**17 Revenue**

Revenue consisted of the following:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Revenue from sales of goods	93,797	69,621	24,176
Revenue from provision of services	20,355	16,711	3,644
<b>Total</b>	<b>114,152</b>	<b>86,332</b>	<b>27,820</b>

Revenue arising from the sale of goods, compared to the previous period, may be analysed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Sale of electricity	93,239	69,357	23,882
Sale of thermal energy	558	264	294
<b>Total</b>	<b>93,797</b>	<b>69,621</b>	<b>24,176</b>

Revenue from the provision of services compared to the same period last year may be detailed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Waste treatment and disposal	18,132	13,602	4,530
Operation and maintenance contracts	1,813	2,044	(231)
Rental income	94	100	(6)
Other services	316	965	(649)
<b>Total</b>	<b>20,355</b>	<b>16,711</b>	<b>3,644</b>



5.6 Notes to the condensed consolidated interim financial statements

**18 Employee costs**

Employee costs may be analysed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Cost of production staff	4,814	4,357	457
Cost of administrative staff	6,537	8,661	(2,124)
<b>Total</b>	<b>11,351</b>	<b>13,018</b>	<b>(1,667)</b>

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

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Wages and salaries	8,468	7,745	723
Social security costs	2,407	2,323	84
Staff leaving indemnity	390	331	59
Other costs	86	2,619	(2,533)
<b>Total</b>	<b>11,351</b>	<b>13,018</b>	<b>(1,667)</b>

The average number of employees was as follows.

	(Number)	
	30.6.2011	30.6.2010
Managers	29	36
White-collar staff	148	176
Blue-collar staff	78	178
<b>Total average number of employees</b>	<b>255</b>	<b>390</b>

**19 Direct costs**

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Materials	6,906	3,392	3,514
Services	17,399	15,950	1,449
Other costs	8,112	7,965	147
Change in inventories	(236)	454	(690)
Charges to/(utilisation of) operating provisions	(6)	(178)	172
Amortisation and impairment of intangibles	542	203	339
Depreciation and impairment of property, plant and equipment	21,032	17,717	3,315
Costs capitalised on assets under construction	(334)	(315)	(19)
<b>Total</b>	<b>53,415</b>	<b>45,188</b>	<b>8,227</b>

The increase in direct costs is principally due to higher depreciation on property, plant and equipment (Euro 3,315 thousand) and increased maintenance costs (Euro 1,449 thousand), both attributable to the increased installed capacity, and also to an increase in biomass purchases (+Euro 3,514 thousand) as the plant in Rende recommenced operations.

5.6 Notes to the condensed consolidated interim financial statements

**20 Other income**

Other income consisted of the following:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Income from operating activities	133	498	(365)
Income from non-operating activities	1,652	2,798	(1,146)
<b>Total</b>	<b>1,785</b>	<b>3,296</b>	<b>(1,511)</b>

Income from operating activities comprises revenue from services (Euro 107 thousand) and commission (Euro 26 thousand). Income from non-operating activities includes income relating to other accounting periods (Euro 430 thousand), insurance claims (Euro 716 thousand) and extraordinary income (Euro 506 thousand).

**21 Administrative expenses**

Administrative expenses may be analysed as follows:

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Consumables	466	304	162
Services	7,154	7,115	39
Other costs	2,546	2,541	5
Non-operating expenses	1,366	26,116	(24,750)
Amortisation and impairment of intangibles	50	102	(52)
Depreciation and impairment of property, plant and equipment	274	287	(13)
Charges to/(utilisation of) provisions	(494)	(25,887)	25,393
<b>Total</b>	<b>11,362</b>	<b>10,578</b>	<b>784</b>

The slight increase of Euro 784 thousand is principally attributable to expenditure on consumables and services. At 30 June 2010 non-operating expenses included the costs incurred by Falck SpA in relation to settlement of the arbitration proceedings with Edison that were offset by the reversal of the sundry risks provision 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)		
	30.6.2011	30.6.2010	Change
Finance costs	(21,982)	(22,332)	350
Finance income	1,866	2,545	(679)
Foreign exchange gains	21,712		21,712
Foreign exchange losses	(22,185)	(182)	(22,003)
Finance costs capitalised on assets under construction	1,630	4,565	(2,935)
<b>Total</b>	<b>(18,959)</b>	<b>(15,404)</b>	<b>(3,555)</b>

Net finance costs have increased by Euro 3,555 thousand compared to the first half of 2010 due to the higher level of indebtedness.

5.6 Notes to the condensed consolidated interim financial statements

**23 Investment income and costs**

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Dividends	1,313	1,505	(192)
Revaluation of investments valued under equity method	560	316	244
Impairment losses	(746)	(2,742)	1,996
Charges to investments provision			0
Utilisation of investments provision		3,521	(3,521)
Gains on disposals	735	474	261
Losses on disposals		(203)	203
<b>Total</b>	<b>1,862</b>	<b>2,871</b>	<b>(1,009)</b>

Dividends relate to the following investments:

- Assicurazioni Generali SpA Euro 84 thousand, paid to Falck SpA
- Hera SpA Euro 58 thousand, paid to Falck SpA
- Compagnia Fiduciaria Nazionale SpA Euro 136 thousand, paid to Falck SpA
- Intesa San Paolo SpA Euro 512 thousand, paid to Falck SpA
- Unicredito SpA Euro 523 thousand, paid to Falck Energy

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

- Parque Eolico La Carracha Sl Euro 306 thousand
- Parque Eolico Plana de Jarreta Sl Euro 254 thousand

The impairment losses recognised by Falck SpA, relate to the stakes in PFC Project Financing Consulting SpA (Euro 364 thousand), Nettuno Power SpA (Euro 327 thousand) and Eolica Lucana Srl (Euro 55 thousand).

Gains on disposals comprise the sale by the parent company of pre-emption rights of Banca Intesa San Paolo SpA.

**24 Income tax expense**

	(Euro thousands)		
	30.6.2011	30.6.2010	Change
Current tax	9,499	526	8,973
Deferred income tax	848	5,239	(4,391)
<b>Total</b>	<b>10,347</b>	<b>5,765</b>	<b>4,582</b>

Current taxes are based on the estimated taxable income for the period ended 30 June 2011.

The tax charge for the period to 30 June 2010 reflected the benefit arising from the Tremonti Ter law that was applicable to certain categories of companies operating in specific industry sectors.

It should be noted that the recent austerity budget issued by the Italian government (Manovra di Ferragosto), which envisages a 10.5% increase in IRES on the taxable income of electricity companies with revenue of more than Euro 10 million and taxable income of Euro 1 million, would result in an increase of approximately Euro 1.5 million in the tax charge of the Falck Group disclosed in the half-year report, which is offset by a Euro 0.7 million adjustment to deferred income tax assets, with a consequent decrease of approximately Euro 0.8 million in profit for the period.

5.6 Notes to the condensed consolidated interim financial statements

**Related party transactions**

	(Euro thousands)									
	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								306		
Parque eolico Plana de Jarreta								254		
<b>Total associates</b>								<b>560</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 offices	Currency	Share capital	% Indirect holding	
				Direct holding	Through subsidiary
<b>. Companies consolidated on a line-by-line basis</b>					
Falck SpA	Milan	Euro	72,793,163		
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	Falck Renewables SpA
Actelios Etnea Srl	Palermo	Euro	10,000	100.000	Falck Renewables SpA
Actelios Solar SpA	Sesto S. Giovanni (Mi)	Euro	120,000	100.000	Falck Renewables SpA
Alba Wind Energy Ltd	London (UK)	GBP	50	100.000	Falck Renewables Wind Ltd
Ambiente 2000 Srl	Milan	Euro	103,000	60.000	Falck Renewables SpA
Ben Aketil 2 Wind Energy Ltd	Inverness (UK)	GBP	100	100.000	Falck Renewables Wind Ltd
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100	100.000	Falck Renewables Wind Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100	100.000	Falck Renewables UK Holdings (No.1) Ltd
Cambrian Wind Energy Ltd	London (UK)	GBP	100	100.000	Falck Renewables UK Holdings (No.1) Ltd
Cushnie Wind Energy Ltd	Inverness (UK)	GBP	100	52.000	Falck Renewables Wind Ltd
Dunbeath Wind Energy Ltd	Inverness (UK)	GBP	100	52.000	Falck Renewables Wind Ltd
Earlsburn Mezzanine Ltd	London (UK)	GBP	100	100.000	Falck Renewables Wind Ltd
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	Falck Renewables SpA
Ecosesto SpA	Rende (Cosenza)	Euro	5,120,000	100.000	Falck Renewables SpA
Ecoveol Sas	Rennes (France)	Euro	1,000	51.000	Falck Energies Renouvelables Sas
Elettroambiente SpA	Sesto S. Giovanni (Mi)	Euro	245,350	100.000	Falck Renewables SpA
Elektrownie Wiatrowe Bonwind Leszno Sp.Z.o.o.	Poznan (Poland)	PLN	50,028	50.000	Falck Renewables Wind Ltd
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	100,000	50.000	Falck Renewables Wind Ltd
Elektrownie Wiatrowe Bonwind Kamienica Sp.Z.o.o.	Łódź (Poland)	PLN	758	50.000	Falck Renewables Wind Ltd
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1,500,000	95.511	Falck Renewables Wind Ltd
Eolica Petralia Srl	Sesto S. Giovanni (Mi)	Euro	10,000	100.000	Falck Renewables Wind Ltd
Eolica Sarda Srl	Sesto S. Giovanni (Mi)	Euro	2,000,000	100.000	Falck Renewables Wind Ltd
Eolica Sud Srl	Davoli Marina (Cz)	Euro	5,000,000	100.000	Falck Renewables Wind Ltd
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (Mi)	Euro	10,000	100.000	Falck Renewables Wind Ltd
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (Mi)	Euro	10,000	100.000	Falck Renewables SpA
Esquennois Energie Sas	Paris	Euro	37,000	100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	Euro	60,000	100.000	Falck Renewables Wind Ltd
Falck Energy Iran Sa	Luxembourg	Euro	31,000	99.677	
Falck Energy SpA	Milan	Euro	42,149,556.1	100.000	
Falck Financial Services Sa (in liquidation)	Lugano (Switzerland)	CHF	250,000	100.000	Falck Energy SpA
Falck Renewables Finance Ltd	London (UK)	GBP	100	100.000	Falck Renewables Wind Ltd
Falck Renewables Italia Srl	Sesto S. Giovanni (Mi)	Euro	100,000	100.000	Falck Renewables Wind Ltd
Falck Renewables SpA	Milan	Euro	291,413,891	60.000	
Falck Renewables Wind Ltd	London (UK)	GBP	17,759,066	99.989	Falck Renewables 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	2,000,000	100.000	Eolica Sarda Srl
Italian Lao Group Co Ltd	Lao PDR	USD	3,000,000	82.240	Falck Energy SpA
Kilbraur 2 Wind Energy Ltd	Inverness (UK)	GBP	100	100.000	Falck Renewables Wind Ltd

6. Supplementary information to the condensed consolidated interim financial statements

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding	
					%	Through subsidiary
<b>. Companies consolidated on a line-by-line basis (continued)</b>						
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ness Wind Energy Ltd	London (UK)	GBP	50		100.000	Falck Renewables Wind Ltd
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Parc Eolien d'Availles - Limouzin Sarl	Paris	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Baud Sarl	Rennes (France)	Euro	1,000		75.000	Falck Energies Renouvelables Sas
Parc Eolien de Sainte Trephine Sarl	Rennes (France)	Euro	10,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Moulismes Sarl	Paris	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Plovenez du Faou Sarl	Rennes (France)	Euro	1,000		75.000	Falck Energies Renouvelables Sas
Parc Eolien des Cretes Sas	Paris	Euro	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien du Fouy Sas	Paris	Euro	37,000		100.000	Falck Renewables Wind Ltd
Platani Energia Ambiente ScpA (in liquidation)	Palermo	Euro	3,364,264		86.770	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000		85.000	Falck Renewables SpA
Riesfactoring SpA	Milan	Euro	2,000,000	99.800	0.200	Falck Renewables SpA
S E Ty Ru Sas	Rennes (France)	Euro	37,005		100.000	Falck Energies Renouvelables Sas
S E Kernebet Sas	Rennes (France)	Euro	37,005		100.000	Falck Energies Renouvelables Sas
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	100.000		
Solar Mesagne Srl	Brindisi	Euro	50,000		100.000	Falck Renewables SpA
Tasfiye Halinde Ezse Elektrik Uretim Ltd Sirketi	Izmir (Turkey)	YTL	11,772,152		100.000	Falck Renewables Wind Ltd
Tifeo Energia Ambiente ScpA (in liquidation)	Palermo	Euro	4,679,829		96.350	Elettroambiente SpA
<b>. Companies consolidated applying proportional method</b>						
Fruzzo Energia Ambiente Srl	Bologna	Euro	17,139,100		49.000	Falck Renewables SpA
Palermo Energia Ambiente ScpA (in liquidation)	Palermo	Euro	120,000	24.728	23.272	Falck Renewables SpA
<b>. Companies valued applying equity method</b>						
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 Wind Ltd
Parque Eolico Plana de Jarreta Sl	Saragozza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
<b>. Other investments in subsidiaries and associates valued at cost</b>						
Agr Venture Malaysia Sdn Bnd (in liquidation)	Kuala Lumpur (Malaysia)	MYR	500,000		100.000	Falck Energy SpA
Eolica Calabria Srl	Belvedere Marittimo (Cosenza)	Euro	10,000		20.000	Falck Renewables Wind Ltd
Eolica Lucana Srl (in liquidazione)	Potenza	Euro	10,000	20.000		
Falck Bioenergy (Thailand) Co. Ltd (in liquid.)	Bangkok (Thailand)	BAHT	3,000,000		100.000	Falck Energy SpA
Fri Energetica Srl	Cosenza	Euro	20,000		20.000	Falck Renewables Wind Ltd

## 7. Independent auditors' report

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## 7. Independent auditors' report



### AUDITORS' REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 IN ACCORDANCE WITH IAS 34

To the shareholders of  
FALCK SpA

- 1 We have reviewed the condensed consolidated interim financial statements of FALCK SpA as of 30 June 2011, comprising the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related selected 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 CONSOB, the national stock exchange commission, 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 utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated 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 a professional audit opinion on the condensed consolidated interim financial statements.

Regarding the amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements for the first half of the prior year presented for comparative purposes, reference should be made to our reports dated, respectively, 22 April 2011 and 4 October 2010.

#### **PricewaterhouseCoopers SpA**

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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 FALCK SpA as of 30 June 2011 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, 26 September 2011

PricewaterhouseCoopers SpA

A handwritten signature in black ink, appearing to read 'Marco Sala', is written over a faint, light-colored signature line.

Marco Sala  
(Partner)

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