



**2004 Annual Report
and Financial Statements**

2004 Annual Report and Financial Statements

FALCK SpA

Share Capital Euro 72,741,966.00 fully paid

Registered address and fiscal domicile -

20121 Milano – Corso Venezia, 16

REA Milano n. 683

Milano companies Register n. 00917490153

VAT and Tax code n. 00917490153

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Notice of Shareholders' Meeting

The Shareholders' Meeting is to be held on **27 April 2005** at 12.00 a.m. at 16, Corso Venezia, Milano in first sitting and if necessary on 29 April 2005 at 12.00 a.m. at same address, in second sitting, to approve the following:

AGENDA

1. The financial statements for the year ended 31 December 2004.
2. Appointment of Statutory Auditors for the three-year period 2005-2007 and fixing of their emoluments.
3. That the Board of Directors is empowered to acquire and sell the company's own shares in accordance with the provisions of articles 2357 and 2357 ter of the Civil Code.

Shareholders who have registered their shareholding with MonteTitoli SpA, can participate at the Shareholders' Meeting, if five days before the date of the Meeting they ask an authorised intermediary for the appropriate certificate as required in terms of Article 33 of Notice 11768 of Consob (Stock Exchange Regulatory Council) dated 23 December 1998.

The Financial Statements of the Company and the Group for the year ended 31 December 2004 together with the Directors' Report and the Report of the Statutory Auditors shall be available to the public and copies thereof can be obtained from the company's registered address as from 11 April 2005 while the Report of the External Auditors shall be made available in accordance with relevant legislation and time frame as soon as the report is made available by the External Auditors.

Milano, 18 March 2005

On behalf of the Board of Directors
The Chairman
Federico Falck

Notice of the Meeting was published in "Il Sole24 ore" dated 6 April 2005.

Company Officers

Board of Directors

Federico Falck (*)	<i>Chairman</i>
Carlo Marchi (*)	<i>Deputy Chairman</i>
Achille Colombo (*)	<i>Managing Director</i>
Angelo Casò	<i>Director</i>
Enrico Falck	<i>Director</i>
Bruno Isabella (*)	<i>Director</i>
Ferruccio Marchi	<i>Director</i>
Filippo Marchi	<i>Director</i>

(*) Member of the Executive Committee

Board of Statutory Auditors

Filippo Tamborini	<i>Chairman</i>
Gerolamo Gavazzi	<i>Statutory Auditor</i>
Massimo Scarpelli	<i>Statutory Auditor</i>
Giorgio Moro Visconti	<i>Alternate Statutory Auditor</i>
Guido Croci	<i>Alternate Statutory Auditor</i>

External Auditors

PricewaterhouseCoopers SpA

Company representation granted to directors is detailed on page 85.

Group Business Sectors

Renewable Energy Sector – Biomass and waste to energy

<i> Holding Company</i>	ACTELIOS
<i> Energy – Biomass and waste to energy</i>	AMBIENTE 2000 AMBIENTE 3000 ECOSESTO ELETTRROAMBIENTE ENERGIE TECNOLOGIE AMBIENTE FRULLO ENERGIA AMBIENTE PALERMO ENERGIA AMBIENTE PLATANI ENERGIA AMBIENTE PRIMA TIFE0 ENERGIA AMBIENTE
<i> Treatment and disposal of special waste and urban waste composting</i>	ECOSESTO

Renewable Energy Sector – Wind farms

<i> Wind energy</i>	FALCK RENEWABLES FALCK RENEWABLES UK HOLDINGS (No. 1) BOYNDIE WIND ENERGY CAMBRIAN WIND ENERGY EOLICA LUCANA EOLO TEMPIO PAUSANIA EOLICA CABEZO SAN ROQUE PARQUE EOLICO LA CARRACHA PARQUE EOLICO PLANA DE JARRETA
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Steel Sector

<i> Cold rolled HC and LC strip</i>	ITLA- RTL
<i> Marketing and service centre for steel strip and coils</i>	FALCK ACCIAI -CNS

Other Activities

<i> Services</i>	LEONARDO - AEROPORTI DI ROMA FINSTAHL FALCK ENERGY FALCK ENERGY IRAN FALCK FINANCIAL SERVICES RIESFACTORING SESTO SIDERSERVIZI
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Summary of Consolidated Data

<i>(Euro million)</i>	2004	2003	2002	2001	2000
Revenues from sales	142	139	75	756	681
Gross operating margin	22.9	12.1	0.4	203	192
Operating result	9.5	0.6	(8)	133	133
Net earnings	(6.0)	46	67	44	165
Net earnings pertaining to the Group	(0.9)	42	64	15	144
Net earnings per share (Euro)	0.0	0.6	2.6	0.13	1.25
Fixed assets	457	363	195	1,030	1,221
Net working capital	59	38	68	108	149
Invested capital net of provisions	516	401	263	1,138	1,370
Shareholders' equity	199	207	137	549	696
- Net financial liabilities	164	149	43	204	246
- <i>Project financing</i>	153	45	83	323	345
- Finance leasing				61	84
Total net financial position	317	194	126	588	674
Shareholders' equity pertaining to the Group	188	189	136	423	586
Shareholders' equity per share (Euro)	2.58	2.60	5.60	3.66	5.07
Variation in net financial position	123	68	462	86	(85)
Investments in tangible assets	97	126	83	98	104
Gross operating margin/Sales	16.1%	8.7%	0.5%	26,8%	28.1%
Operating profit/Sales	6.7%	0.4%	-10.7%	17.6%	19.4%
Net earnings/Shareholders' equity	-3.0%	22.2%	48.9%	8.0%	23.8%
Operating profit/Net capital invested	1.8%	0.1%	-3.0%	11.7%	9.7%
Net financial liabilities/Shareholders' equity	1.59	0.94	0.92	1.07	0.97
Personnel of consolidated entities (no.)	304	332	266	778	996

Falck Group

Report of the Directors on Performance

Dear Shareholders,

The financial statements, which are hereby being submitted for your approval in respect of the Parent Company and the Group, have been prepared in accordance with the provisions of the Civil Code and include the following:

- Report of the Board of Directors;
- Financial Statements:
 - . Balance sheet
 - . Profit and loss account
 - . Notes to the financial statements
- Supplementary statements.

5.1.1 Significant events occurring during the current year

Falck

During February 2004, Falck SpA subscribed for a share capital increase in Sadelmi Srl amounting to Euro 450 thousand, of which Euro 113 thousand (equivalent to 25%) were paid. During the same Shareholders' Meeting that approved the share capital increase, it was also resolved to change the company to a SpA.

During March 2004, following a Board of Directors resolution to dispose of non-strategic equity investments and given the movement in stock exchange prices, the company disposed of 44,884 shares in Enertad SpA, 10,000 shares in Acea SpA and 2,500 shares in Banca Lombarda SpA for a total sale consideration of Euro 265 thousand. A gain of Euro 140 thousand was registered from these disposals.

In accordance with shareholders' resolutions, during the first quarter, Falck SpA acquired 816 own shares having a nominal value of Euro 816, for a value of Euro 4,195. Following this acquisition, the Company holds 6,900,234 of own shares, equivalent to 9.486% of the issued share capital, of which 3,513 are saving shares having a total nominal value of Euro 6,900,234 and a carrying amount of Euro 12,156,904.

On 30 April, Falck SpA acquired 340,680 shares in Actelios SpA, equivalent to 1.67% of the share capital at a cost of Euro 2,200 thousand. Following this acquisition, the company holds 60.905 % of the issued capital of Actelios SpA.

During July, a pool of banks granted Prima Srl Euro 77,000 thousand as project financing of which Euro 75,000 thousand were withdrawn during September. Banca Nazionale del Lavoro acted as lead bank. Following this, Prima Srl repaid the bridging loan which had been granted by Falck SpA.

On 7 September 2004, an agreement was signed for a syndicated loan of Euro 110 million. This deal was carried out in anticipation of the income that will be generated on the disposal of the shares held in Aeroporti di Roma SpA by Finstahl Sa and Leonardo Srl. In accordance with an agreement reached with IRI – Fintecna at the time of privatisation, the sale cannot be carried out prior to August 2005. La Compagnia Finanziaria has arranged the syndicated loan. Banca Monte del Paschi di Siena, Gruppo Bancario Intesa and Gruppo Bancario Credito Valtellinese are participants in the syndicated loan with an important share and in



the role of joint arranger, together with the participation of other primary institutions. The syndicated loan was granted for a period of 18 months less one day, with the possibility of renewal for another 18 months and bears interest at Euribor plus a spread of 1 point. As security for the loan, Falck SpA has given a pledge on the shares in Finstahl Sa, the latter holding 31% in Leonardo Srl. Leonardo Srl holds 51.15% of Aeroporti di Roma SpA. The drawdown of the loan was made on 23 September.

During December a 30% equity holding in Sadelmi SpA which forms part of the Engineering and plant manufacture sector, was sold in view of a strategic repositioning in the development of Group activities.

During December, the adjustment to the sale consideration for the acquisition, made during 1999 from the former Cmi SpA, of the equity investments in Ecosesto, Etr and Ttr was established. Subsequent to a valuation carried out by independent experts, Actelios SpA, which took over all the rights and obligations of Cmi SpA after a de-merger, agreed to pay Falck SpA Euro 16,022 thousand as an increase in the sale consideration for the acquisition of the mentioned equity investments. This adjustment was recorded as a receivable due from Actelios SpA. In terms of an agreement entered into following the 2002 de-merger, Actelios SpA has a right to request that the stated liability be converted into share capital. This request has already been forwarded to Falck SpA since the latter entity has an obligation to accept such a request. Procedures as required by legislation have already commenced to effect an increase in share capital to be entirely allotted to Falck SpA. It should be observed that the valuation, which should have been carried out during 2003, was postponed to 2004 following mutual agreement between the parties.

During December agreement was reached with Techint SpA in respect of the adjustment in the price for the purchase by Falck SpA of 45% equity holding in ETR SpA. This adjustment resulted in an additional charge of Euro 500 thousand which amount has been included with extraordinary charges.

Renewable Energy Sector – Biomass and waste to energy

During February Ecosesto SpA exercised the option to dispose of a 25% equity holding in Asi Ambiente Srl.

In line with the Group's restructuring process, on 1 March 2004 Ecosesto SpA merged with its wholly owned subsidiary Tecno Trattamento Rifiuti Srl. For tax purposes, the merger is recognised as from 1 January 2004.

During the end of March, Actelios SpA acquired for Euro 5 million, CIP6/92 rights for a production capacity of 10 MW. The amount was settled by the end of May 2004. The acquisition was made from two entities owned by Italgest Energia SpA, the latter entity having a 15% equity interest in Actelios SpA. The purchase consideration was confirmed through the advice obtained from an independent expert who opined the fair value thereof. The cost of these rights has been capitalised with intangible assets and included with Concessions, licences, trademarks and similar rights. These rights shall be utilised by a new waste to energy plant, when constructed, and shall be eventually transferred to the entity owning the plant.

During the end of March, final agreement was reached between Ecosesto SpA and the municipality of Colongo Monzese for the operation of a composting plant, the management of which shall be for a period of twenty years.

During June, in line with the Group's restructuring process to streamline and reduce indirect equity holdings, Actelios SpA acquired, from its wholly owned subsidiary Ecosesto SpA, the equity holdings held in Prima Srl and Ambiente 2000 Srl for a consideration of Euro 13,548 thousand. No gain was generated since these transfers were made at book value.

During July, Ecosesto SpA concluded the disposal of the Sassari landfill business unit registering a gain of Euro 600 thousand.

During July, a pool of banks granted Prima Srl Euro 77,000 thousand as project financing of which Euro 75,000 thousand were withdrawn during September. Banca Nazionale del Lavoro acted as lead bank.

During September Actelios SpA was admitted to the Star section of Borsa Italiana SpA (Italian Stock Exchange), which section consists of listed entities that have the required requisites and apply to be so admitted. Admission signifies more transparency with shareholders, the stock market, financial analysts and with institutional investors, in terms of rules set by Borsa Italiana SpA.

During the year, Frullo Energia Ambiente Srl continued to construct the waste to energy plant at Granarolo dell'Emilia for the city of Bologna and surrounding municipalities.

There was a continuation in Sicily of the start up process by the entities engaged to construct and operate an integrated waste system for the treatment of the residual part of urban waste and to produce electric energy falling within the CIP 6/92 tariff system. These entities are Tifeo Energia Ambiente ScpA, Plantani Energia Ambiente ScpA and Palermo Energia Ambiente ScpA, which respectively operate in the Agrigento, Palermo and Trapani basins.

Renewable Energy Sector – Wind Farms

Eolica Cabezo San Roque Sl commenced producing electric energy during January. This entity was acquired during end December 2003 and the Group holds 95.51% equity interest therein.

During February, this entity was granted a loan by Dexia bank in the form of project financing amounting to Euro 18,916 thousand. At 31 December 2004, Euro 17,750 thousand was outstanding.

Cambrian Wind Energy Ltd was wholly acquired at end of March for Euro 16,319 thousand. This entity is engaged to set up a wind farm in Wales (UK) producing 58.5MW which is expected to be completed and to commence operating during the first months of 2005.

During September, Falck Renewables UK Holdings (No.1) Ltd was incorporated. This entity is a wholly owned subsidiary of Falck Renewables Ltd. The latter entity transferred to the former the equity holding in Cambrian Wind Energy Ltd to whom it is also expected to transfer its 52% equity holding in Boyndie Wind Energy Ltd during 2005. Boyndie Wind Energy Ltd is engaged to set up a wind farm in Scotland (UK) producing 14MW which is expected to commence producing electric energy during September 2005.

During September an agreement was signed with Bank of Tokyo Mitsubishi for a loan of Euro 90 million to be utilised in the construction of wind farms pertaining to Cambrian Wind Energy Ltd and Boyndie Wind Energy Ltd. The drawdown as at 31 December 2004 by Cambrian Wind Energy Ltd amounted to Euro 19,371 thousand.

Steel Sector

Isla SpA completed the extension works of the premises situated at Oggiono.

Other Activities Sector

During July, Finstahl Sa sold all equity holdings, with the exception of Leonardo Srl and Leonardo Holding Sa, to Falck Energy Sa, (formerly Falck Investments Sa) a wholly owned subsidiary of Falck SpA.

The following equity holdings were transferred;

- . Falck Financial Services Sa
- . Falck Renewables Ltd
- . Innovation Utility Bv
- . Bell Sa
- . Hopa SpA
- . Unicredito Italiano SpA
- . Syntek Capital Ag.

All the above equity investments were transferred at book value, with the exception of Unicredito Italiano SpA, which was sold at a gain of Euro 7,752 thousand through private placement.

5.1.2 Economic and financial performance of the Group

The Group sustained a loss of Euro 936 thousand during the year, as compared to a profit of Euro 41,833 thousand achieved during the comparative year. It should be noted that the results of 2003 were influenced by the gain realised on the sale by Leonardo Holding Sa of 44.74% equity in Aeroporti di Roma SpA.

Although net results show a downturn, there has been a marked improvement in Gross Operating Margin (+Euro 10,787 thousand) and in Operating Profit (+Euro 8,945 thousand). This represents a confirmation and a significant progress in the realisation of the industrial plan of Actelios SpA in the Renewable energy sector (biomass and waste to energy), a promising start by the Wind farm sector and good results achieved by the Steel sector.

Revenue from sales and services amounted to Euro 142,360 thousand which amount is only minimally effected by long term contracts as was the case during 2003. The increase in revenues is principally attributable to the operation of the waste to energy plants at Trezzo sull'Adda (Milano) and Rende (Cosenza), as well as, the good results obtained by the plant at Granarolo dell'Emilia (Bologna) and the good results of the Steel sector. Another plant is expected to commence operating at Granarolo dell'Emilia (Bologna).

The consolidated results are summarised below:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Revenues from sales and services	142,360	138,956	3,404
Added value	42,157	29,246	12,911
Personnel costs	(19,237)	(17,113)	(2,124)
Gross operating margin	22,920	12,133	10,787
Depreciation and provision for bad debts	(13,717)	(11,540)	(2,177)
Operating profit	9,538	593	8,610
Total net earnings	(5,986)	45,810	(51,796)
Profit pertaining to the Group	(936)	41,833	(42,769)
Invested capital net of provisions	515,720	400,900	114,820
Total shareholders' equity	198,854	206,682	(7,828)
Net financial indebtedness liability(asset)	163,671	149,260	14,411
<i>Project finance</i>	153,530	44,958	108,572
Finance leasing			
Total net indebtedness inclusive of finance leasing	317,201	194,218	122,983
Investments	97,322	125,748	(28,426)
Personnel at end of year	(n.) 304	332	(28)
of which operating in consolidated entities	(n.) 304	332	(28)
Ordinary and saving shares	(n./1000) 72,742	72,742	
Value per share (Euro)			
Shareholders' equity per share	2.58	2.60	(0.02)
Earnings per share	(0.01)	0.58	(0.59)

Group revenue from sales show a substantial increase as compared to the previous year. Revenue by sector is as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck SpA	1,965	836	1,129
Renewable energy from biomass and waste to energy	71,363	86,770	(15,407)
Renewable energy from wind farms	3,515		3,515
Steel	64,587	51,282	13,305
Other activities	3,855	2,148	1,707
	145,285	141,036	4,249
Elimination intra group revenue	(2,925)	(2,080)	(845)
Total	142,360	138,956	3,404

As indicated above, there has been a marked improvement in revenue generated by the Steel sector and a good start up in the Renewable energy from wind farms sector, while the decrease in the Renewable energy from biomass and waste to energy sector is attributable to the fact that the comparative year included the final invoicing of a long term contract amounting to Euro 31,407 thousand, offset by the decrease in contract work in progress of Euro 31,002 thousand.

Gross operating margin amounting to Euro 22,920 thousand is substantially higher than the previous year. Gross operating margin by sector is as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck SpA	(7,817)	(9,360)	1,543
Renewable energy from biomass and waste to energy	23,396	20,357	3,039
Renewable energy from wind farms	1,955	(795)	2,750
Steel	6,233	3,031	3,202
Other activities	(1,004)	(1,098)	94
	22,763	12,135	10,628
Consolidation adjustments	157	(2)	159
Total	22,920	12,133	10,787

Total net earnings of the Group and Minorities as at 31 December 2004 amount to a loss of Euro 5,986 thousand as compared to a profit of Euro 45,810 thousand for 2003. Net earnings by sector are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck SpA	14,781	8,561	6,220
Renewable energy from biomass and waste to energy	1,787	13,604	(11,817)
Renewable energy from wind farms	(2,745)	(1,860)	(885)
Steel	1,729	187	1,542
Other activities	(3,051)	44,274	(47,325)
	12,501	64,766	(52,265)
Consolidation adjustments	(18,487)	(18,956)	469
Total	(5,986)	45,810	(51,796)

Net financial position show a net increase in exposure as compared to the previous year mainly attributable to the investments carried out by the Renewable energy from biomass and waste to energy sector and by the Renewable energy from wind farms sector.

Investments were mainly concentrated in the Electric energy sectors mentioned above were principally in connection with the construction of new power plants.

Investments by Sector are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck SpA	1,414	241	1,173
Renewable energy from biomass and waste to energy	23,730	107,693	(83,963)
Renewable energy from wind farms	69,960	11,381	58,579
Steel	2,046	6,118	(4,072)
Engineering and plant manufacture		298	(298)
Other activities	172	17	155
Total	97,322	125,748	(28,426)

Total shareholders' equity decreased by Euro 7,828 thousand and can be summarised as follows:

<i>(Euro thousand)</i>	Group	Minority	Total
Loss for the year	(936)	(5,050)	(5,986)
Dividends paid	(1,778)	(435)	(2,213)
Other variations in consolidation area	1,276	(905)	371
Total	(1,438)	(6,390)	(7,828)

Personnel decreased by 28 as compared to 31 December 2003 and at year end amounted to 304, mainly reflecting the personnel of Sadelmi Srl, an entity which has been de-consolidated following the sale of 30% equity interest therein.

5.1.3 Performance by Sector

Renewable Energy Sector – Biomass and waste to energy

The principal data of this sector are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Revenues from sales	71,363	86,770	(15,407)
Value of industrial production	69,550	55,397	14,153
Gross operating margin (GOM)	23,396	20,357	3,039
GOM/revenues from sales	32.8%	23.5%	9.3%
GOM/value of industrial production	33.6%	36.7%	-3.1%
Operating profit pertaining to Group	1,559	5,398	(3,839)
Investments	23,730	107,693	(83,963)
Net capital invested	238,831	217,522	21,309
Net indebtedness	(178,194)	(158,355)	(19,839)
Personnel (no.)	154	149	5



Falck Group operates in the Renewable energy from biomass and the waste to energy sector through Actelios SpA and the latter entity's subsidiaries. This Sector is focused on the production of renewable electric energy by the waste to energy process, which presents interesting growth and revenue opportunities. In particular, this strategy shall be attainable through the completion and operation of power plants and also through the development of new projects either directly or on joint venture basis with primary industrial partners. Furthermore, the sector, having developed know how for the operation of plants in accordance with modern methodologies of operation and maintenance can complement this line of business with that of plant ownership, thereby making it possible to offer a complete range of services in this line of operations.

Trading performance of sector

The profit for the year amounts to Euro 1,559 thousand, reflecting a decrease over 2003, this as a result of an increase in finance costs and income tax charges, the latter notwithstanding the adoption of the newly enacted group taxation system used in respect of the following entities: Actelios SpA, Prima Srl, Elettroambiente SpA, Platani Energia Ambiente ScpA and Tifeo Energia Ambiente ScpA.

Net revenues show a decrease of Euro 15,407 thousand as compared to 2003, while the value of industrial production increased by Euro 14,153 thousand. It should be noted that during the comparative year, revenues included the final invoicing of a long-term contract amounting to Euro 31,407 thousand, offset by the decrease in contract work in progress amounting to Euro 31,002 thousand.

Gross operating margin equivalent to 33.6% of the Value of industrial production show an increase of Euro 3,039 thousand over 2003. Although there is an increase in absolute terms, the margin is slightly lower than last year on percentage basis.

Investments

Investments for the year amounting to Euro 23,730 thousand represent the Group's investment in the waste to energy plant at Granarolo dell'Emilia, as well as, the new projects in Sicily. Investments include the acquisition of CIP 6/92 rights for a production capacity of 10MW for Euro 5,000 thousand and the price adjustment consideration paid in respect of acquisitions made during 1999 of equity investments in ETR/TTR and Ecosesto SpA from the former CMI SpA.

Net financial position

Net financial position amounting to an indebtedness of Euro 178,194 thousand, shows an increase of Euro 19,839 thousand over 2003, reflecting the finance required for the capital expenditure in progress. Net indebtedness includes project financing without recourse amounting to Euro 116,409 thousand, as compared to Euro 44,958 thousand as at 31 December 2003.

Personnel

Personnel increased by 5 persons as compared to 31 December 2003, while personnel costs increased by Euro 851 thousand.

Personnel at year end is made up as follows:

<i>(number)</i>	31.12.2004	31.12.2003	Variation
Managerial	13	14	(1)
Clerical	59	52	7
Industrial	82	83	(1)
1 Total personnel in consolidated entities	154	149	5
2 Personnel in non consolidated entities			
3 Total operating personnel (1+2)	154	149	5

Renewable Energy Sector – Wind Farms

The principal data of this sector are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Revenues from sales	3,515		3,515
Gross operating margin (GOM)	1,955	(795)	2,750
% on revenues from sales (GOM/revenues from sales)	55.6%		55.6%
Operating profit	(2,777)	(1,834)	(943)
Investments	69,960	11,381	58,579
Net capital invested	83,235	21,032	62,203
Net indebtedness	(65,984)	(15,379)	(50,605)
Personnel (no.)	5	3	2

Falck Group operates in the sector of Renewable energy from wind farms through Falck Renewables Ltd and its associated entities. This Sector is focused on the construction and operation of wind farms that produce electric energy.

This sector sustained a loss of Euro 2,777 thousand during the year. Revenue amounted to Euro 3,515 thousand, while Gross operating margin amounted to Euro 1,955 thousand. This sector comprises Eolica Cabezo San Roque SI, an entity in which the Group holds a 95% equity interest and which commenced operating as from January 2004 and Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI, entities



in which the Group holds a 26% equity interest and which are in their second year of operation. During March, Cambrian Wind Energy Ltd a wholly owned subsidiary, was acquired. This entity, which is domiciled in the United Kingdom, is the proprietor of a wind farm in Wales. The construction thereof was completed and operations commenced during early 2005. Another wind farm is expected to start to be constructed by Boyndie Wind Energy Ltd, an entity in which the Group holds a 52% equity interest. The plant will commence operating during the second half of 2005.

Net indebtedness reflects the investments being carried out and includes project financing, amounting to Euro 37,121 thousand, of which Euro 17,750 thousand granted to Eolica Cabezo San Roque SI and Euro 19,371 thousand pertaining to Cambrian Wind Energy Ltd.

Steel Sector

The principal data of the Steel sector are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Revenues from sales	64,587	51,282	13,305
Gross operating margin (GOM)	6,233	3,031	3,202
% on revenues from sales (GOM/revenues from sales)	9.7%	5.9%	3.7%
Operating profit	1,729	187	1,542
Investments	2,046	6,118	(4,072)
Net capital invested	26,949	30,961	(4,012)
Net indebtedness	(16,597)	(21,719)	5,122
Personnel (no.)	96	94	2



The activities of the Falck Group in the steel sector are concentrated in the sale of special coils and as a slitting centre for strip and coils; the Group is also present in the business of high carbon and low carbon cold rolled strip. This is a niche activity that is characterised by low investments, where the principal objectives are the maximisation of the return on capital invested and the generation of cash flows.

The Steel sector consists of the following entities and operating activities:

Itla-Redaelli Tecna Laminati SpA high carbon strip, low carbon and alloyed strip, cold rolled strip

Falck Acciai-Cns SpA marketing of steel strip and coils and slitting centre for coils and strip

Trading performance of sector

Turnover by entity is made up as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck Acciai-Cns SpA	35,773	28,815	6,958
Itla SpA	41,072	32,747	8,325
Elimination of intra sector sales	(12,258)	(10,280)	(1,978)
Total	64,587	51,282	13,305

Revenues for 2004 increased by 25.9% as compared to 2003.

Gross operating margin increased to Euro 6,233 thousand as compared to Euro 3,031 thousand for 2003, equivalent to 9.7% on revenues (2003 5.9%). The results achieved show a steady growth over 2003, in a market characterised by a sharp and unexpected rise in raw material prices and by a decline in supply. It was therefore possible to increase substantially selling prices, this being reflected in the results.

Investments

Investments are mainly attributable to the completion of the factory extension at Oggiono.

Net financial position

Net financial position amounting to an indebtedness of Euro 16,597 thousand, a decrease of Euro 5,122 thousand as compared to 2003, mainly resulting from a decrease in working capital.

Personnel

Personnel increased by 2 during the year and is made up as follows:

<i>(number)</i>	31.12.2004	31.12.2003	Variation
Managerial	4	4	
Clerical	31	29	2
Industrial	61	61	
Total personnel	96	94	2

Other Activities Sector

The principal data of the Other activities sector is as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Revenues from sales	3,855	2,148	1,707
Gross operating margin (GOM)	(1,004)	(1,098)	94
% on revenues from sales (GOM/revenues from sales)			
Operating profit(loss)	(3,051)	44,274	(47,325)
Investments	172	17	155
Net capital invested	144,004	127,386	16,618
Net indebtedness	(36,272)	(16,431)	(19,841)
Personnel (no.)	14	12	2

This sector principally includes the following activities:

- administration of the Group's overseas investments, rendering of support for the carrying out of feasibility studies in respect of new overseas projects and the procurement of funds from international money markets through Finstahl Sa, Finstahl Investments Sa, Falck Energy Sa and Falck Financial Services Sa;
- equity investment of 31% in Leonardo Holding Sa;
- equity investment of 31% in Leonardo Srl, the latter controlling 51.15% of the equity in Aeroporti di Roma SpA.
- rendering of factoring services by Riesfactoring SpA to Group companies and to a limited number of third parties;
- rendering of services by Sesto Siderservizi Srl.

The investment held in Il Chiodo Srl was sold during the year for Euro 3,060 thousand registering a loss at Group level of Euro 1,171 thousand. This entity is carrying out an immovable property project at Treviso. Finstahl Investments Sa changed the name to Falck Energy Sa, to whom were transferred the equity investments held by Finstahl Sa as noted in the section Significant events occurring during the current year.

This sector registered a loss for the year amounting to Euro 3,051 thousand as compared to a profit of Euro 44,274 thousand achieved during 2003, the latter year substantially influenced by non-recurring revenue in respect of the share of the profit generated from the disposal of 44.74% of Aeroporti di Roma SpA.

The result for the year includes a loss of Euro 862 thousand resulting from the consolidation by the equity method of Leonardo Srl, which recognises the profit achieved by Aeroporti di Roma SpA. The result for the current year also includes a windfall charge (Euro 459 thousand) in respect of a waiver by Finstahl Investments Sa (now Falck Energy Sa) and dividends received from Unicredito Italiano SpA (Euro 2,144 thousand) and Hopa SpA (Euro 150 thousand).

5.1.4 Personnel

At 31 December 2004, personnel of consolidated entities amounted to 304. The decrease principally reflects the de-consolidation of Sadelmi SpA.

<i>(number)</i>	31.12.2004	31.12.2003
Management	38	42
Clerical	122	145
Industrial	144	145
1 Total operating personnel of consolidated entities	304	332
2 Operating personnel of unconsolidated entities		
3 Total operating personnel (1+2)	304	332
4 Non-operating personnel		
5 Personnel on temporary unemployment benefits		
6 Overall number of personnel (3+4+5)	304	332

The following table details the movement of operating personnel by business sector.

<i>(number)</i>	31.12.2004	31.12.2003
Falck SpA	35	25
Renewable energy from biomass and waste to energy	154	149
Renewable energy from wind farms	5	3
Steel	96	94
Engineering and plant manufacture		49
Other activities	14	12
Total consolidated entities	304	332
Other unconsolidated entities		
Total Group Personnel	304	332



5.1.5 Research and Development

No research and development activities were carried out during 2004.

5.1.6 Significant events occurring after the balance sheet date

The significant events occurring after the balance sheet date in respect of Falck SpA are detailed in section 6.1.10.

The significant events in respect of the various business sectors of the Group are summarised below:

- **Renewable energy from biomass and waste to energy**

The Sardegna region reimbursed the cash guarantee amounting to Euro 2.6 million relating to the second phase of the Sassari landfill.

Actelios SpA, in terms of an agreement entered with Falck SpA at the time of the de-merger of CMI SpA during 2002, resolved to capitalise as share capital the liability due to Falck SpA which arose during December 2004 from an adjustment to the price for the disposal of Ecosesto SpA and ETR/TTR as determined by independent experts. This increase, which totals Euro 16,027,200 is to be allotted to Falck SpA and is to be made at a price per share of Euro 7.42 as approved by the Board of Directors of Actelios SpA. The increase in share capital shall be for a nominal value of Euro 2,160,000 at a premium of Euro 13,867,200.

The External Auditors were today requested to submit their opinion as to the fairness of the price established by the Board of Directors.

On 3 March 2005, Elettroambiente SpA assumed a liability of Euro 5,000 thousand in favour of Termomeccanica Ecologia SpA in terms of a commitment entered into during 2003. The stated amount is divided as to Euro 2,000 thousand in respect of engineering studies and documentation prepared in connection with the project at Casteltermini and for Sicily in general and Euro 3,000 thousand as compensation for failure to submit order for EPC to Termomeccanica Ecologia SpA.

On 11 March 2005, Elettroambiente SpA entered into a contract with Pianimpianti SpA to dispose of a business unit consisting principally of rights for the design and construction of two RSU waste to energy plants relating to the sites at Casteltermini and Augusta. This sale shall generate a gain of Euro 3,000 thousand.

5.1.7 Management outlook and prospects for continuation as a going concern

In view of the results achieved during the year, which has evidenced a substantial increase in production volumes and turnover from operating plants, it is envisaged that during 2005 there shall be a further significant improvement in turnover and earnings, although the results for the year could be materially effected by the substantial development and start up costs of new projects, especially in respect of the sectors of Renewable Energy from biomass and waste to energy and the Renewable Energy from wind farms.

From a financial aspect, although the operating plants would generate a consistent and considerable cash flow, this would be significantly absorbed by the investments in plants in the course of construction, especially by the three waste to energy plants in Sicily and the wind farm projects.

Consolidated Financial Statements as at 31 December 2004

5.2.1 Consolidated Balance Sheet

Assets

A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL			
B) FIXED ASSETS	I. Intangible assets	1	Start-up and expansion costs
		2	Research, development and advertising costs
		3	Industrial patent rights
		4	Concessions, licences, trademarks and similar rights
		5	Goodwill
		6	Assets under construction and advance payments
		7	Other intangible assets
	<i>Total intangible assets</i>		
	II. Tangible assets	1	Land and buildings
		2	Plant and machinery
		3	Industrial and commercial equipment
		4	Other tangible assets
		5	Assets operated under concession
		6	Assets under construction and advance payments
	<i>Total tangible assets</i>		
	III. Financial assets	1	Equity investments:
			a subsidiaries
			b associates
			c other companies
			<i>Total equity investments</i>
		2	Receivables:
			a subsidiaries
			b associates
			c parent company
			d others
			e other Group companies
			f guarantee deposits
			<i>Total receivables</i>
		3	Securities
		4	Own shares (nominal value Euro 6,900,234)
	<i>Total financial assets</i>		
TOTAL FIXED ASSETS			
C) CURRENT ASSETS	I. Inventory	1	Raw, accessory and ancillary materials
		2	Semi-finished products and goods
		3	Contract work in progress
		4	Finished products and goods
		5	Advance payments
	<i>Total inventory</i>		
	II. Receivables	1	Trade receivables
		2	Subsidiaries
			a trade
			b financial
			c other
			<i>Total receivables from subsidiaries</i>
		3	Associates
			a trade
			b financial
			c other
			<i>Total receivables from associates</i>
		4	Parent company
			a trade
			b financial
			c other
			<i>Total receivables from parent company</i>
		4bis	Tax authorities
		4ter	Deferred tax asset
		5	Others
			a financial
			b advance payments
			c other
			<i>Total receivables from others</i>
		6	Other Group companies
			a trade
			b financial
			c other
			<i>Total receivables from other Group companies</i>
	<i>Total receivables</i>		
	III. Other financial assets	1	Equity investments in subsidiaries
		2	Equity investments in associates
		3	Equity investments in other companies
		4	Own shares
		5	Securities
		6	Bills receivable
	<i>Total other financial assets</i>		
	IV. Liquid assets	1	Bank and post office accounts
		2	Cheques
		3	Cash in hand
	<i>Total liquid assets</i>		
TOTAL CURRENT ASSETS			
D) ACCRUED INCOME AND PREPAID EXPENSES			
TOTAL ASSETS			

31 December 2004			31 December 2003		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		4,759			146,204
		3,513			5,269
		444,461			442,295
		6,111,383			1,512,367
		76,587,934			60,004,366
		1,408,780			1,408,780
		449,007			514,901
		85,009,837			64,034,182
		34,712,806			19,472,302
		47,226,261			24,718,395
		144,399			169,475
		2,035,071			2,033,226
		86,387,083			83,660,067
		87,922,923			76,681,415
		258,428,543			206,734,880
		47,358			2,527,000
		68,213,781			72,913,966
		53,471,000			70,644,135
		121,732,139			146,085,101
75,023	39,506	114,529	3,574,522	1,477,702	5,052,224
395,134	146,091	541,225	81,026	175,072	256,098
470,157	185,597	655,754	3,655,548	1,652,774	5,308,322
		12,156,904			1,000
		134,544,797			12,152,709
		477,983,177			163,547,132
		5,582,920			434,316,194
		1,836,971			6,879,778
		6,672,302			7,203,723
		587,500			7,762,595
		14,679,693			19,221
61,875,346		61,875,346	51,721,862	1,803,739	21,865,317
125,000		125,000			53,525,601
125,000		125,000			
5,139,000		5,139,000	9,731,000		9,731,000
67,755,000		67,755,000	61,354,720		61,354,720
72,894,000		72,894,000	71,085,720		71,085,720
37,484,572	395,247	37,879,819	36,934,003	152,359	37,086,362
5,877,151	2,692,028	8,569,179	4,886,535	1,799,247	6,685,782
23,133,316	576,000	23,709,316	25,598,007		25,598,007
1,424,663		1,424,663	905,447		905,447
27,137,373	1,459,345	28,596,718	28,026,485	2,591,906	30,618,391
51,695,352	2,035,345	53,730,697	54,529,939	2,591,906	57,121,845
229,951,421	5,122,620	235,074,041	219,158,059	6,347,251	225,505,310
		30,974,843			46,786
		15,235			3,239,495
		30,990,078			3,286,281
		22,280,147			24,244,741
		28,031			27,323
		22,308,178			24,272,064
		303,051,990			274,928,972
		4,466,446			1,657,985
		785,501,613			710,903,151

Liabilities

A) SHAREHOLDERS' EQUITY	
I. Share capital	
II. Share premium reserve	
III. Revaluation reserve	
IV. Legal reserve	
V. Statutory reserve	
VI. Reserve for own shares	
VII. Other reserves	1 Extraordinary reserve
	2 Advances by shareholders
	3 Exchange translation reserve
	4 Differences on consolidation
<i>Total other reserves</i>	
VIII. Profit (loss) carried forward	
IX. Profit (loss) for the year	
GROUP SHAREHOLDERS' EQUITY	
<i>Reserves pertaining to minority interests</i>	
<i>Share of profit pertaining to minority interests</i>	
<i>Minority interests</i>	
TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	
B) PROVISIONS FOR RISKS AND CHARGES	
	1 For pensions and similar obligations
	2 For taxes
	a Current
	b Deferred
<i>Total provision for taxes</i>	
	3 Others
	a Provision for ongoing lawsuits
	b Provision for equity investment risks
	c Provision for periodical maintenance
	d Provision for environment improvements
	e Provision for reorganisation costs
	f Other provisions
<i>Total others</i>	
TOTAL PROVISIONS FOR RISKS AND CHARGES	
C) EMPLOYEE SEVERANCE INDEMNITY	
D) PAYABLES	
	1 Bonds
	2 Convertible bonds
	3 Shareholders' loans
	4 Banks
	5 Other financing creditors
	6 Advance payments received
	7 Trade payables
	8 Bills payable
	9 Subsidiaries
	a trade
	b financial
	c other
<i>Total amount payable to subsidiaries</i>	
	10 Associates
	a trade
	b financial
	c other
<i>Total amount payable to associates</i>	
	11 Parent company
	a trade
	b financial
	c other
<i>Total amount payable to parent company</i>	
	12 Tax payables
	13 Social security and national insurance contributions
	14 Other payables
	15 Other Group companies
	a trade
	b financial
	c other
<i>Total amount payable to other Group companies</i>	
TOTAL PAYABLES	
E) ACCRUED LIABILITIES AND DEFERRED INCOME	
TOTAL LIABILITIES	

31 December 2004			31 December 2003		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		72,741,966			72,741,966
		28,684,919			28,689,114
		31,375,994			31,375,994
		12,156,904			12,152,709
		17,187,170			17,187,170
		450,000			450,000
		286,232			363,242
		(48,481,095)			(83,106,584)
		(30,557,693)			(65,106,172)
		74,174,186			67,391,209
		(936,014)			41,833,054
		187,640,262			189,077,874
		6,164,000			13,627,000
		5,050,000			3,977,000
		11,214,000			17,604,000
		198,854,262			206,681,874
		39,760			34,860
		477,933			206,100
		477,933			206,100
		3,222,635			2,843,560
		4,187,000			6,296,575
		1,500,024			878,709
		750,564			2,089,458
		1,238,600			1,280,946
		35,963,325			47,402,332
		46,862,148			60,791,580
		47,379,841			61,032,540
		4,444,208			5,112,638
			22,654,000		22,654,000
	9,151,901	9,151,901		9,151,901	9,151,901
1,672,868	1,717,926	3,390,794	456,020	1,890,834	2,346,854
83,385,819	332,712,273	416,098,092	104,724,916	172,793,978	277,518,894
72,032	2,515,000	2,587,032	63,582	2,000,000	2,063,582
1,925,224		1,925,224	4,136,069		4,136,069
66,637,141		66,637,141	78,255,265		78,255,265
			711,167		711,167
			17,000		17,000
			728,167		728,167
819,000		819,000			
17,000		17,000			
836,000		836,000			
2,963,408		2,963,408	6,014,999		6,014,999
1,196,369		1,196,369	1,345,342		1,345,342
28,682,063		28,682,063	29,553,866		29,553,866
187,370,924	346,097,100	533,468,024	247,932,226	185,836,713	433,768,939
		1,355,278			4,307,160
		785,501,613			710,903,151

5.2.2 Consolidated Memorandum items

	31.12.2004			31.12.2003		
	Amounts included on the balance sheet	Off balance sheet items	Total	Amounts included on the balance sheet	Off balance sheet items	Total
<i>(Euro thousand)</i>						
I Guarantees						
- Unsecured guarantees given						
1 <i>Guarantees</i>						
- commitments of the Company		18,252	18,252		42,672	42,672
- commitments of subsidiaries	730	102,363	103,093	825	130,387	131,212
- commitments of associates		3,115	3,115		329	329
- commitments of third parties		2,973	2,973		18,008	18,008
2 <i>Sureties</i>						
3 <i>Other guarantees</i>						
- commitments of the Company		50,501	50,501		76,088	76,088
- commitments of subsidiaries	11,890	58,313	70,203	65,002	38,346	103,348
- commitments of associates		7,138	7,138		6,465	6,465
- Secured guarantees						
1 <i>Pledges</i>						
- commitments of the Company	20,421		20,421	17,112		17,112
- commitments of subsidiaries		4,616	4,616			
- commitments of associates		8,398	8,398		8,398	8,398
2 <i>Mortgages</i>						
- commitments of subsidiaries	9,102	157,783	166,885	10,936	131,321	142,257
- commitments of associates	44,597	61,688	106,285	91,750	18,874	110,624
II Other memorandum items						
- Guarantees received						
- warranties		29,631	29,631		53,067	53,067
- other guarantees		67,617	67,617		65,832	65,832
- Securities and assets held of third parties						
- Contingencies						
- Commitments						
- Leasing liabilities				2,000	21	2,021
- Securities and assets with third parties						

5.2.3 Consolidated Profit and Loss account

(Euro)	31.12.2004	31.12.2003	Variation
A) Value of production			
1 Revenues from sales and services	141,518,971	136,779,383	4,739,588
2 Variation in work in progress, semi-finished and finished products and goods	(2,578,965)	281,240	(2,860,205)
3 Variation in contract work in progress		(31,692,968)	31,692,968
4 Capitalised costs			
a production and inventory	2,819,000	1,925,618	893,382
b capitalised interest	2,861,486	1,209,242	1,652,244
Total capitalised costs	5,680,486	3,134,860	2,545,626
5 Other revenues			
a grants received		44,206	(44,206)
b other operating income	840,690	2,176,558	(1,335,868)
c costs recovered	281,889	1,915,143	(1,633,254)
d sundry revenues	1,197,282	505,496	691,786
e real estate revenues	13,135	64,731	(51,596)
f gains from ordinary operations			
g windfall income	1,465,230	3,998,045	(2,532,815)
Total other revenues	3,798,226	8,704,179	(4,905,953)
Total value of production	148,418,718	117,206,694	31,212,024
B) Production costs			
6 Raw, accessory and ancillary materials and goods	(55,947,852)	(45,180,424)	(10,767,428)
7 Services			
a services	(34,053,770)	(29,570,162)	(4,483,608)
b utilities	(3,167,037)	(1,858,930)	(1,308,107)
c sundry costs	(3,782,476)	(2,758,536)	(1,023,940)
Total services	(41,003,283)	(34,187,628)	(6,815,655)
8 Rentals and leasing charges	(3,297,367)	(2,535,309)	(762,058)
9 Personnel			
a salaries and wages	(13,214,283)	(11,839,098)	(1,375,185)
b social security charges	(4,585,896)	(4,120,070)	(465,826)
c severance indemnity	(863,540)	(772,191)	(91,349)
d pensions and similar obligations	(31)	(32)	1
e other costs	(573,388)	(381,369)	(192,019)
Total personnel costs	(19,237,138)	(17,112,760)	(2,124,378)
10 Depreciation and write downs			
a amortisation of intangible assets	(2,020,367)	(2,853,790)	833,423
b depreciation of tangible assets	(11,115,774)	(8,251,454)	(2,864,320)
c other write down of fixed assets	(509,482)	(206,403)	(303,079)
d write down of current assets receivables and liquid assets	(246,345)	(435,296)	188,951
e utilisation of bad debts provision in respect of current assets receivables and liquid assets	160,510	464,883	(304,373)
f bad debts	(160,510)	(377,127)	216,617
Total depreciation and write downs	(13,891,968)	(11,659,187)	(2,232,781)
11 Variation in raw, accessory and ancillary materials and goods	(2,334,170)	280,138	(2,614,308)
12 Provision for contingencies			
a Provision for ongoing lawsuits	(400,000)	(70,000)	(330,000)
b Utilisation of provision for ongoing lawsuits	20,925	71,314	(50,389)
Total provision for contingencies	(379,075)	1,314	(380,389)
13 Other provisions	(434,276)	(737,163)	302,887
14 Other operating charges			
a indirect taxes	(794,657)	(614,987)	(179,670)
b real estate charges	(94,891)	(33,216)	(61,675)
c losses from ordinary operations			
d windfall charges	(1,122,616)	(1,469,639)	347,023
e others	(971,395)	(922,820)	(48,575)
Total other operating charges	(2,983,559)	(3,040,662)	57,103
Total production costs	(139,508,688)	(114,171,681)	(25,337,007)
Difference between value of production and production costs	8,910,030	3,035,013	5,875,017
C) Financial income and charges			
15 Income from equity investments			
a subsidiaries	17		17
b associates	74,273	1,001,410	(927,137)
c other companies	3,955,312	5,504,583	(1,549,271)
d tax credits on dividends		760,236	(760,236)
e gains on disposal of equity investments			
Total income from equity investments	4,029,602	7,266,229	(3,236,627)

(Euro)	31.12.2004	31.12.2003	Variation
16 Other financial income			
a From receivables included as fixed assets			
a.1 subsidiaries			
a.2 associates			
a.3 parent company			
a.4 other Group companies			
a.5 others			
Total from receivables included as fixed assets			
b From securities included as fixed assets			
c From securities included as current assets			
c.1 interest income from securities	15,526	94,611	(79,085)
c.2 gains from disposal of securities	30,220	4,534	25,686
Total income from securities included as current assets	45,746	99,145	(53,399)
d Other income			
d.1 interest and commission from subsidiaries			
d.2 interest and commission from associates	1,637,000	2,950,040	(1,313,040)
d.3 interest and commission from parent company			
d.4 interest and commission from other Group companies			
d.5 interest and commission from banks	235,774	305,035	(69,261)
d.6 interest and commission from others and sundry income	5,124,235	6,776,789	(1,652,554)
Total other income	6,997,009	10,031,864	(3,034,855)
Total other financial income	7,042,755	10,131,009	(3,088,254)
17 Interest expense and other financial charges			
a subsidiaries			
b associates	(175,000)		(175,000)
c parent company			
d other Group companies			
e others			
f losses on disposal of equity investments	(21,366,011)	(15,722,899)	(5,643,112)
g losses on disposal of securities			
Total interest expense and other financial charges	(21,541,011)	(15,722,899)	(5,818,112)
17bis Gains and losses on exchange rate fluctuations			
a gains on exchange	3,375,547	963,603	2,411,944
b losses on exchange	(5,475,262)	(1,163,336)	(4,311,926)
Total gains and losses on exchange rate fluctuations	(2,099,715)	(199,733)	(1,899,982)
Total financial income and charges	(12,568,369)	1,474,606	(14,042,975)
D) Adjustments to financial assets			
18 Revaluations			
a equity investments	3,548,224	49,220,000	(45,671,776)
b financial assets included as fixed assets			
c securities included as current assets			
Total revaluations	3,548,224	49,220,000	(45,671,776)
19 Write down			
a equity investments			
a.1 impairment losses	(4,072,878)	(11,581,764)	7,508,886
a.2 provision for equity investment risks			
a.3 utilisation of provision for equity investment risks	2,109,575	5,395,372	(3,285,797)
Total write down of equity investments	(1,963,303)	(6,186,392)	4,223,089
b of financial assets included as fixed assets			
c of securities included as current assets			
Total write down	(1,963,303)	(6,186,392)	4,223,089
Total adjustments to financial assets	1,584,921	43,033,608	(41,448,687)
E) Extraordinary income and charges			
20 Income			
a gains from extraordinary disposals	612,848	2,441,883	(1,829,035)
b other extraordinary income	3,124,701	14,241,700	(11,116,999)
c utilisation of provision for reorganisation and liquidation costs	42,345	15,952,317	(15,909,972)
Total income	3,779,894	32,635,900	(28,856,006)
21 Charges			
a losses from extraordinary disposals	(1,218,334)	(736,249)	(482,085)
b tax relating to prior financial periods	(58,685)	(622,220)	563,535
c other extraordinary charges	(1,967,148)	(30,950,236)	28,983,088
d reorganisation costs	(690)	(60,422)	59,732
Total charges	(3,244,857)	(32,369,127)	29,124,270
Total extraordinary items	535,037	266,773	268,264
Profit for the year before taxation	(1,538,381)	47,810,000	(49,348,381)
22 Tax on profit for the year	(4,447,633)	(1,999,946)	(2,447,687)
23 Profit for the year after taxation	(5,986,014)	45,810,054	(51,796,068)
Minority interest	5,050,000	(3,977,000)	9,027,000
Group profit for the year	(936,014)	41,833,054	(42,769,068)

5.2.4 Notes to the Consolidated Financial Statements

Consolidated companies

The Falck Group consists of 51 companies, of which 20 are consolidated using the line-by-line method, 2 consolidated using the proportional method, 7 are recognised by the equity method and 21 are stated at cost.

The companies included in the consolidated financial statements as at 31 December 2004 are listed in the supplementary statements (section 5.3.1).

The consolidated financial statements include the financial statements of Falck SpA, the parent company, and all the Italian and foreign entities in which the former holds, directly or indirectly, the majority of votes.

The financial statements utilised for consolidation are those approved by the Shareholders' Meeting or Board of Directors or Sole Director of the respective companies. Certain financial statements have been adjusted to conform to Group accounting policies.

The basis followed for the exclusion of companies from consolidation is in accordance with the provisions of article 28 of Law Decree 127/91.

Variation in the consolidation area

The following entities have been newly consolidated line-by-line:

- Cambrian Wind Energy Ltd
- Falck Renewables UK Holdings (n.1) Ltd

The following entities have been excluded from the consolidation. These entities were previously consolidated line-by-line:

- Il Chiodo Srl, sold during the current year;
- Tecno Trattamento Rifiuti Srl, merged into Ecosesto SpA.

As the equity held in Sadelmi SpA has decreased from 50% to 20%, this entity has been excluded from consolidation by the proportional method and has been consolidated by the equity method. Nuevos Parque Eolicos La Muela Aie has been newly consolidated by the equity method.

New entities recognised at cost refer to acquisitions during the current period. These are listed below:

- Ben Aketil Wind Energy Ltd	52% held by Falck Renewables Ltd
- Boyndie Wind Energy Ltd	52% held by Falck Renewables Ltd
- Chalmerston Wind Energy Ltd	52% held by Falck Renewables Ltd
- Dunbeath Wind Energy Ltd	52% held by Falck Renewables Ltd
- Earlsburn Wind Energy Ltd	52% held by Falck Renewables Ltd
- Falck Energy Iran Sa	100% held by Falck SpA
- Mellock Hill Wind Energy Ltd	52% held by Falck Renewables Ltd
- Millennium Wind Energy Ltd	52% held by Falck Renewables Ltd
- Nutberry Wind Energy Ltd	52% held by Falck Renewables Ltd
- Sellmoor Wind Energy Ltd	52% held by Falck Renewables Ltd
- Strath Brora Wind Energy Ltd	52% held by Falck Renewables Ltd
- Falck Energy International Ltd (in liquidation)	99.99% held by Falck Energy Sa

The following entities have been excluded from the consolidation. These entities were recognised at cost as at 31 December 2003:

- Asi Ambiente Srl, sold during the current year;
- Consortile Messina Scarl, now not an associate since only 0.2% equity is held;
- Smartcity.it SpA, final liquidation proceedings carried out during the current year.

Provisions pursuant to Law Decree n. 127/91

During the year, there were no exceptional circumstances that rendered the application of the principles for the preparation of the consolidated financial statements incompatible with the norms provided by Legislative Decree n. 127/91 with respect to the true and fair presentation of the Group's state of affairs, financial situation and the result for the year.

There were no instances requiring the application of the departures allowed pursuant to section 4, article 29, Legislative Decree 127/91.

Consolidation principles and methodology

The consolidated balance sheet and profit and loss account are presented in the format required by article 32 of Legislative Decree n.127 of 9 April 1991.

Entities controlled directly or indirectly by the parent company are consolidated on a line-by-line basis.

Entities held on joint venture are consolidated by the proportional method.

Associated companies are consolidated by the equity method.

Investments in subsidiary and associated companies that were not yet operative at year end or are insignificant are recognised at cost, or in case of a permanent diminution in value, at cost less allowance for impairment.

The financial statements have been adjusted, where considered necessary, in order to reverse tax accounting entries and to align them to correct and homogeneous accounting policies adopted by the Group, in line with consolidation principles.

All significant intra group balances and transactions are eliminated.

Gains arising on intra group transactions between consolidated entities and gains arising from transactions with associates are eliminated, if significant.

The carrying amount of equity investments in consolidated entities is eliminated against the relevant share of shareholders' equity.

Minority interests in shareholders' equity and net earnings in respect of consolidated subsidiaries are disclosed separately in the consolidated balance sheet and profit and loss account.

Differences between the acquisition cost and the carrying amount at current values of shareholders' equity in subsidiaries are written off directly to shareholders' equity; where such difference relates to specific assets, the difference is recognised as an increase in the carrying amount of such assets; when the difference paid represents goodwill this is accounted with intangible assets and is written off over the life of the project.

The percentage shareholding utilised in respect of the consolidation of companies line-by-line and by the proportional method correspond to direct and indirect holdings as reported in the financial statements.

Dividends received from consolidated entities, either by the parent company or by any consolidated entity, are eliminated from the consolidated profit and loss account.

Financial statements prepared in foreign currency are translated to Euro as follows: profit and loss account items on the basis of average rates of exchange for the period, while balance sheet items on the basis of exchange rates prevailing on 31 December 2004, except for the result for the year which is translated at the average exchange rate. The following differences, which are included as variations in the exchange translation reserve, are accounted directly to consolidated shareholders' equity:

- the difference on the result for the year arising on translation at average exchange rates and that which would have resulted by using the exchange rates prevailing at year end;
- the difference resulting on translation of shareholders' equity at the beginning of the year at the year end exchange rates.

Consolidation differences and reconciliation of shareholders' equity and the result for the year

Consolidation reserves include the difference arising from the elimination of the carrying amount of the equity investment in consolidated entities against the relevant share of shareholders' equity.

Differences arising from the reversal of tax accounting entries and unrealised profits resulting from intra group transactions are also included.

Differences arising on the translation to Euro of financial statements prepared in foreign currencies are included in the exchange translation reserve.

Consequently, the other amounts included in shareholders' equity correspond to those reported in the financial statements of the parent company.

The reconciliation of shareholders' equity and the result for the year is set out below:

<i>(Euro thousand)</i>	Result for the year	Shareholders' equity
Amounts reported in financial statements of Falck SpA	14,781	251,552
Differences arising between shareholders' equity, as adjusted, of consolidated entities and the carrying amount of these investments	5,190	47,333
Elimination of dividends received from consolidated companies	(809)	
Adjustments to gains:		
Realised by the parent company on the disposal of equity investments to consolidated entities	(11,873)	(38,131)
Realised on intra group sale of tangible assets, net of depreciation, inventories and other sundries	(9,137)	(17,486)
Elimination of write downs in respect of equity investments in consolidated entities: in the financial statements of subsidiaries, net of utilisation of provisions	1,493	1,500
Adjustment to the carrying amount of investments in respect of associated companies recognised by the equity method	(581)	(57,128)
Group consolidated result and shareholders' equity	(936)	187,640

Accounting policies and methods of valuation

The financial statements are prepared in conformity with the Civil Code and in accordance with accounting standards issued by the Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Revisori or, when not available, with International Financial Reporting Standards (IFRS)

The accounting policies are consistent with those adopted in the previous year.

The significant accounting policies and methods of valuation used in the preparation of the consolidated financial statements are as follows:

Intangible assets

Goodwill representing the excess amount paid over the acquired share of shareholders' equity is amortised over the life of the projects to which these relate.

Other intangible assets are included at cost and are amortised over five years except for borrowing costs, which are amortised over the duration of the loan. These primarily consist of costs incurred for the automation and mechanisation of data processing systems, costs relating to the procurement of medium-long term loans, expenses relating to share capital increase, goodwill and other sundry costs.

Tangible fixed assets

Tangible fixed assets are stated at cost as adjusted to reflect revaluations carried out in accordance with prevailing legislation or on the basis of article 2425, last section, of the Civil Code.

Industrial buildings and premises have been revalued pursuant to Law n. 413 of 30.12.1991.

Revaluation surpluses, which have been credited to revaluation reserve and included with shareholders' equity were partially utilised during past years towards share capital increases or to cover losses.

The carrying amounts of tangible assets pertaining to Irla SpA were determined on the basis of appraisals specifically commissioned in connection with spin-offs or disposal. Assets acquired subsequent to these operations are stated at their purchase or manufacture costs.

Depreciation has been calculated to write down the carrying amount of the assets over their estimated useful economic lives.

Depreciation is calculated on the basis of the following rates:

	(%)
Industrial buildings – light construction	3 - 4 - 5 - 10
General and specific plants	7- 12 - 15
Large plants and operating machinery	10 - 17,5
Furnaces and related equipment	8 - 15
Other equipment	10 - 25
Office furniture and equipment	12 -18 - 20
Motor vehicles and vehicles for internal transport	20 - 25

During the first period of use, depreciation is recognised as from date of actual utilisation.

Financial assets

Equity investments

Equity investments in associated companies in which Falck Group has at least a 20% share, or 10% for listed companies, are recognised by the equity method.

Investments in subsidiaries which are recognised at cost in view of their insignificance or because these have as yet to commence operating, are disclosed in the supplementary statements.

Certain investments recognised at cost, were in previous years revalued pursuant to Law n. 576/75 and Law n. 72/83 however, the revaluation was insignificant. Other revaluations carried out pursuant to art. 2425 last section, of the Civil Code, were eliminated.

Other equity investments are recognised at cost of acquisition, whereas inconsequential shareholdings in listed entities are valued at the lower of acquisition cost and market value in case of a permanent diminution in value, after considering market movements after the balance sheet date.

An impairment allowance is recognised to cover investment risks in respect of unconsolidated entities.

Other securities

These are recognised at subscription cost.

Own shares

The company's own shares, which are included with financial assets, are recognised at acquisition cost.

A non-distributable reserve for an equivalent amount has been included with shareholders' equity, as disclosed in the parent company's financial statements.

Inventory

Inventories are valued at the lower of purchase or manufacturing cost and net realisable value.

Semi-finished and finished product costs include depreciation charge of assets used for production and a share of indirect production costs.

The estimated net realisable value takes into consideration the direct costs of sale.

Obsolete and slowing moving inventories are written down according to their possible use or marketability and are stated at the lower of carrying value and net realisable value.

Work in progress in respect of medium-long term contracts is recognised at cost plus share of profit to date based on contractual amounts and determined by relating actual costs sustained as a proportion to total estimated costs to completion.

Receivables

Receivables are stated at their estimated recoverable amount, net of allowance for bad debts.

Current financial assets

Equity investments

Equity investments are stated at the lower of acquisition cost and net realisable value.

Securities

Securities are recognised at the lower of cost and net realisable value, after taking into account the market value of negotiable instruments.

Provision for risks and charges

Provision is made when it is reasonable to presume that there could result a possible future risk and conditions exist to recognise such provision in accordance with the prudence concept.

These provisions are listed below:

Provision for ongoing lawsuits

Provision is recognised for estimated charges that are expected to arise from ongoing lawsuits. The provision is based on estimates provided by the companies' lawyers.

Provision for equity investment risks

Provision is made to recognise permanent losses in the carrying amount of equity investments.

Provision for periodical maintenance

Provision is recognised in respect of future periodical maintenance in respect of large plant.

Provision for environment improvements

Provision is made for future costs that are expected to be incurred in the redevelopment of landfill sites, this in accordance with agreements reached with the competent authorities at the time of issuance of the relevant permits. Provisions are based on quotations received from entities specialised in this sector.

Provision for reorganisation and liquidation

Provision is made towards known and quantified reorganisation and liquidation costs and other charges which are expected to be incurred following the closure of industrial activities, this in accordance with the prudence concept.

Other provisions

These provisions are recognised in respect of other liabilities that are to materialise in the future at a date still unknown but for which the amounts thereof are reasonably quantifiable.

Employee severance indemnity

The provision corresponds to the liability in favour of employees as at the balance sheet date, calculated in accordance with current legislation and contracts of employment.

Payables

Payables are stated at cost.

Amounts in foreign currency

Monetary assets and liabilities expressed in non Euro-Zone currencies have been translated at the exchange rates prevailing at the balance sheet date, net of any hedging arrangements.

Profits and losses resulting from transactions in foreign currencies that have been realised during the year are recognised in the profit and loss account.

Accruals and deferrals

These are included on the accruals basis.

Revenue

Revenue is stated net of returns, discounts, bonuses and premiums, as well as taxes directly related to the sale of goods or services rendered.

Revenue from sale of products is recognised at the time of the transfer of ownership, this being on delivery or despatch of the goods.

Revenue of a financial nature is accounted on the accruals basis.

Costs

Costs are stated net of returns, discounts, bonuses and premiums, as well as taxes directly related to the purchase of goods and services.

Dividends

Dividends are recognised at the time when the right to receive such dividend is established following approval by the shareholders' meeting and is received. In respect of subsidiaries, whose shareholders' meeting declare a dividend prior to the convening of the board meeting of the parent company, the dividend is recognised on the accruals basis.

Contingencies, commitments and guarantees

Contingencies, commitments and guarantees as at the balance sheet date are disclosed as memorandum items.

Guarantees given in respect of financial commitments are recognised at an amount equivalent to the liabilities to which these relate.

In order to give a better understanding of the total exposure to contingencies and commitments, these amounts are separately disclosed in the financial statements as to those that are included on balance sheet and those that relate to off balance sheet items.

Tax and tax liabilities

Current tax is provided at the applicable tax rate on the basis of the estimated taxable income for the year.

In accordance with accounting standard n.25, deferred taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. A deferred tax asset is included with amounts receivable and is recognised to the extent that it is probable that future taxable profits would be available against which this asset can be utilised.

Contents and variations of the balance sheet

B Assets

B 1 Intangible assets

Movements during the year are as follows:

	Balance 31.12.2003	Additions	Capitalis. and reclassif.	Variations in the consolid. area	Disposals	Write down	Amorti- sation	Balance 31.12.2004
<i>(Euro thousand)</i>		(A)	(B)			(C)		
BI1 Start-up and expansion costs	146			(24)			(117)	5
BI2 Research, development and advertising costs	5						(2)	3
BI3 Industrial patent rights	443	205					(204)	444
BI4 Concessions, licences and trademarks	1,512	5,012		(210)			(202)	6,112
BI5 Goodwill	60,004	18,013					(1,429)	76,588
BI6 Assets under construction and advance payments								
- assets under construction	1,409							1,409
- advance payments								
Total assets under construction and advance payments	1,409							1,409
BI7 Other intangible assets	515						(66)	449
Total	64,034	23,230		(234)			(2,020)	85,010

No financial charges were capitalised with intangible assets during the year.

A) Additions mainly consist of goodwill paid in respect of the 100% acquisition of Cambrian Wind Energy Ltd for Euro 15,746 thousand. Other additions amounting to Euro 5,000 thousand essentially refer to the acquisition of the CIP6 rights for production capacity of 10MW effected by Actelios SpA.

Start-up and expansion costs consist of the following:

<i>(Euro thousand)</i>	
Share capital increase costs	4
Other	1
Total	5

Goodwill refers to the excess amount paid over the acquired share of shareholders' equity in respect of entities that operate in the Renewable energy from biomass and waste to energy sector and in the Renewable energy from wind farms. There is also included purchased goodwill amounting to Euro 10,389 thousand in respect of the acquisition of business units made by Frullo Energia Ambiente Srl and Ecosesto SpA.

Amortisation of goodwill is recognised when the relative projects commence operating, while goodwill relating to projects that have not yet been completed are amortised as soon as the projects become operative and commence to generate revenue.

BII Tangible fixed assets

Movements during the year are as follows:

	Balance 31.12.2003	Additions	Capitalis. reclass.	Variations in and the consol. area	Disposals	Write down	Depre- ciation	Balance 31.12.2004
<i>(Euro thousand)</i>								
Gross value								
BII1 Land and buildings	26,810	19,366	5,277	(3,262)	(6,289)			41,902
BII2 Plant and machinery	48,514	26,505	(1,092)		(25)			73,902
BII3 Industrial and office equipment	703	37	(2)		(9)			729
BII4 Other assets	7,949	683	264	(68)	(327)	(17)		8,484
BII5 Assets operated under concession	87,810	303	11,002		(3,988)			95,127
BII6 Assets under construction and advance payments								
- assets under construction	76,682	26,338	(15,449)			(508)		87,063
- advance payments		860						860
Total assets under construction and and advance payments	76,682	27,198	(15,449)			(508)		87,923
Total gross value	248,468	74,092		(3,330)	(10,638)	(525)		308,067
Depreciation								
BII1 Land and buildings	(7,337)				2,931		(2,783)	(7,189)
BII2 Plant and machinery	(23,796)				25		(2,905)	(26,676)
BII3 Industrial and office equipment	(533)		1		9		(61)	(584)
BII4 Other assets	(5,912)		(226)	6	229	11	(557)	(6,449)
BII5 Assets operated under concession	(4,155)		225				(4,810)	(8,740)
Total depreciation	(41,733)			6	3,194	11	(11,116)	(49,638)
Net values								
BII1 Land and buildings	19,473	19,366	5,277	(3,262)	(3,358)		(2,783)	34,713
BII2 Plant and machinery	24,718	26,505	(1,092)				(2,905)	47,226
BII3 Industrial and office equipment	170	37	(1)				(61)	145
BII4 Other assets	2,037	683	38	(62)	(98)	(6)	(557)	2,035
BII5 Assets operated under concession	83,655	303	11,227		(3,988)		(4,810)	86,387
BII6 Assets under construction and advance payments								
- assets under construction	76,682	26,338	(15,449)			(508)		87,063
- advance payments		860						860
Total assets under construction and and advance payments	76,682	27,198	(15,449)			(508)		87,923
Total net values	206,735	74,092		(3,324)	(7,444)	(514)	(11,116)	258,429

Finance charges amounting to Euro 2,861 thousand were capitalised with tangible assets during the year. These relate to the new waste to energy plant at Granarolo dell'Emilia.

A) Additions consist of the following:

(Euro thousand)

Wind energy power plants Cambrain Wind Energy Ltd	34,090
Wind energy power plants Cabezo San Roque SI	17,958
Waste to Energy plant Granarolo dell'Emilia	6,048
Waste to Energy plant Augusta	4,837
Waste to Energy plant Casteltermini	3,471
Waste to Energy plant at Palermo	2,296
Plant and machinery Itla SpA	1,213
Wind farm power plants Falck Renewables Ltd	1,144
Biomass plant at Rende	1,109
Factory premises extension Oggiono	639
Composting plant Cologno Monzese	404
Waste to Energy plant Trezzo	237
Landfill Sassari	179
Other sundry	467
Total	74,092

Disposals principally refer to the sale of the Sassari landfill for Euro 3,358 thousand and sundry assets for Euro 92 thousand. Furthermore, disposals include an adjustment of Euro 3,994 thousand in respect of the plant at Trezzo sull'Adda relating to a price adjustment resulting from the calling in of a performance bond following the results obtained from tests carried out on the plant.

Monetary revaluation

Tangible fixed assets as at year end include the following revaluations carried out in accordance with Italian Laws on monetary revaluation.

<i>(Euro thousand)</i>	Law n. 576 of 2.12.75	Law n. 72 of 19.3.83	Law n. 413 of 30.12.91	Total 31.12.2003
Land and buildings	11	29	211	251
Total	11	29	211	251

B III Financial assets

B III 1 Equity investments

Equity investments as at year end, compared to 31 December 2003, are as follows:

Unconsolidated subsidiaries

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Eolica Cabezo San Roque SI		2,511	(2,511)
Falck Energy Iran Sa	31		31
Ben Aketil Wind Energy Ltd			
Boyndie Wind Energy Ltd			
Chalmerston Wind Energy Ltd			
Dunbeath Wind Energy Ltd			
Earlsburn Wind Energy Ltd			
Falck Energy International Ltd (in liquidation)			
Mellock Hill Wind Energy Ltd			
Millennium Wind Energy Ltd			
Nutberry Wind Energy Ltd			
Sellmoor Wind Energy Ltd			
Strath Brora Wind Energy Ltd			
Seconda Srl (in liquidation)	16	16	
Total	47	2,527	(2,480)

The decrease refers to Eolica Cabezo San Roque SI an entity domiciled in Spain that has been consolidated line-by-line during the current year.

Associated companies valued by the equity method

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Leonardo Holding Sa	53,340	54,815	(1,475)
Leonardo Srl	6,858	4,886	1,972
Parque Eolico La Carracha SI	786	3,274	(2,488)
Parque Eolico Plana de Jarreta SI	694	3,253	(2,559)
Sadelmi SpA	218		218
Total	61,896	66,228	(4,332)

Leonardo Holding Sa, an entity registered in Luxembourg, was set up to acquire Aeroporti di Roma SpA.

Leonardo Srl holds 51.15% equity holding in Aeroporti di Roma SpA. The consolidation of these entities by the equity method has resulted in a decrease in the carrying amount of the investment in Leonardo Holding Sa following the loss sustained during the current year and an increase in the carrying amount of the investment in Leonardo Srl. Leonardo Srl group's indebtedness as at 31 December 2004 amounted to Euro 1,582.3 million, of which Euro 250.9 million pertains to Falck SpA.

This exposure was utilised to fund the acquisition of Aeroporti di Roma SpA. The difference resulting between the acquisition cost and shareholders' equity at date of acquisition amounting to Euro 1,949,454 thousand has been accounted as goodwill and is disclosed as concession cost in the consolidated financial statements of Leonardo Srl. This is being amortised over the period of the concession granted by the government for the operation of Fiumicino and Ciampino airports, expiring 2044.

Amortisation of goodwill for the year ended 31 December 2004 amounted to Euro 50,645 thousand (share of Falck SpA Euro 7,978 thousand).

It should be noted that the consolidation of the two Spanish entities by the equity method has resulted in a decrease in the carrying amount of these investments by Euro 5,047 thousand.

Other associated companies valued at cost

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Ambiente 3000 Srl	49	49	
Asi Ambiente Srl		227	(227)
Consortile Messina Scarl	3	3	
Eolica Lucana Srl	1	1	
Eolo Tempio Pausania Srl	2	2	
Energie Tecnologie Ambiente Srl	6,239	6,239	
Gsa Scarl (in liquidation)		5	(5)
Innovation Utility Bv		135	(135)
Termini Imerese Energia Ambiente Srl	24	24	
Total	6,318	6,685	(367)

Decreases mainly consist of the sale of Asi Ambiente Srl and the write off of Innovation Utility Bv as the liquidation proceedings were completed.

The investment in the associate Energie Tecnologie Ambiente Srl has been recognised at cost, in view of an agreement in force whereby Elettroambiente SpA has a right to sell to a third party and the latter party has a right to acquire this investment at a consideration equivalent to the carrying amount.

Other companies valued at cost

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Acea SpA		49	(49)
Agenzia Nord Milano SpA	52	52	
Banca Intesa SpA	20,421	17,764	2,657
Banca Lombarda SpA		24	(24)
Bell Sa	416	416	
Compagnia Fiduciaria Nazionale SpA	32	32	
Consortium Srl		15,092	(15,092)
Crossenergy Srl	3,933	8,272	(4,339)
Delna SpA	687	687	
Edison SpA	337	337	
Enertad SpA	1	52	(51)
Hera SpA	800	800	
Hopa SpA	3,626	3,626	
Olt Energy Toscana Srl	5,509	5,509	
PCF Project Financing Consulting SpA	375		375
Sintek Capital Ag	1,058	1,702	(644)
Unicredito Italiano SpA	16,160	16,160	
U-Steel SpA	44	44	
Other	20	26	(6)
Total	53,471	70,644	(17,173)

The principal increases refer to the revaluation of the carrying amount of the investment in Banca Intesa SpA by Euro 2,657 thousand to reflect the average stock exchange price for the last six months of the year and to the acquisition of PCF Project Financing Consulting SpA for Euro 375 thousand.

The principal decreases refer to the equity holding in Consortium Srl following which, equity acquisitions were made in Mediobanca SpA and Assicurazioni Generali SpA, the latter both included with current assets and to the write down in the carrying amount of Syntek Capital Ag for Euro 644 thousand which is compensated by the utilisation of a provision for investment risks specifically recognised in previous years. Furthermore, the reduction of Euro 4,339 thousand in respect of Crossenergy Srl reflects the expiry of a shareholders' resolution to effect an increase in share capital. This liability has been cancelled.

B III 2 Receivables

B III 2d Receivables others

Principally refers to advance payments of tax on employee severance indemnity, calculated on the provision as at 31 December 1996 in terms of legislation, inclusive of adjustments for inflation. The decrease relates to the de-consolidation of Sadelmi SpA which at 31 December 2003 had an amount receivable from Alstom Power Italia SpA of Euro 4,911 thousand.

B III 2f Guarantee deposits

These increased by Euro 285 thousand.

BIII 4 Own shares

During the year there were the following movements:

	n. shares	% share capital	Cost (Euro)	Carrying amount per share
Balance at 31.12.2003	6,904,905	9.492	12,152,709	1.76
Acquisitions during the year	816	0.001	4,195	5.14
Adjustment for error in 2003	(5,487)	(0.008)		
Balance at 31.12.2004	6,900,234	9.486	12,156,904	1.76

During 2003, the number of own shares were incorrectly increased by 5,487 following an increase in share capital by means of a bonus issue. This error was rectified during the current year.

C Current assets

C I Inventories

Inventories decreased by Euro 7,186 thousand as compared to 31 December 2003, principally attributable to contract work following the invoicing of a long term contract amounting to Euro 5,367 thousand and to the reduction of Euro 3,004 thousand in raw materials and finished goods inventories' of the Steel sector.

C II Receivables

Receivables increased by Euro 9,569 thousand as compared to 31 December 2003.

This is mainly attributable to increases in Trade receivables (+ Euro 8,350 thousand), *Financial receivables from associates* (+ Euro 6,400 thousand) partly compensated by the reduction in *Financial receivables from others* (- Euro 1,889 thousand), *Receivables from others* (- Euro 2,022 thousand) and *Trade receivables from associates* (- Euro 4,592 thousand).

Amounts receivable after five years consist of guarantee deposits amounting to Euro 43 thousand pertaining to Falck Renewables Ltd.

Receivables are stated net of the provision for bad debts which is made up as follows:

(Euro thousand)

Balance 31 December 2003	1,544
Utilisation	(249)
Provision	246
Balance 31 December 2004	1,541

Receivables from others - Others (CII 5c) consist of:

(Euro thousand)

First instalment acquisition price Tecnimont SpA	15,000
Receivables from Acciaierie di Bolzano SpA and subsidiaries	6,941
Receivable from sale of Sassari landfill	2,911
Receivables from ICQ	2,500
Receivable from Pria SpA for sale of Il Chiodo	433
Receivables from Group companies' shareholders for increases in share capital	145
Call Option JP Morgan	123
Advances to personnel	49
Other	495
Total	28,597

The amount of Euro 15,000 thousand represents a deposit paid on the signing of an agreement entered between Falck SpA and Edison SpA for the acquisition by Falck Group of the entire share capital of Tecnimont SpA and Protecma Srl.

There is also included a Capped European Call Option on shares of Unicredito Italiano SpA, entered during 2002 and maturing April 2005, issued by JP Morgan. The consideration paid by the parent company amounts to Euro 7,663 thousand. This option has two strike prices: Floor of Euro 4.6773 and Cap of Euro 6.7873. The exercise or otherwise of the option falls on maturity date by reference to the two strike prices and the average price of Unicredito Italiano SpA shares for the last three working days prior to maturity date.

On 31 December 2004, JP Morgan valued the option on the basis of the listed price at Euro 2,546 thousand lower than the valuation as at 31 December 2003. The option is therefore being carried at Euro 123 thousand.

Receivables from others - Others include amounts receivable from Acciaierie di Bolzano SpA, Siab SpA and Cersec Srl. Legal proceedings have been instituted for the recovery of these debts.

Receivables from tax authorities amount to Euro 37,880 thousand of which Euro 33,528 thousand refers to tax credits inclusive of interest and the balance represents VAT receivable.

During November, Falck SpA started proceedings in accordance with legislation against the Tax Authority requesting the settlement of Euro 22,455 thousand as principal amount.

Receivables include an amount of Euro 8,569 thousand in respect of deferred tax credit recognised in accordance with accounting standard n. 25.

Deferred tax credit is made up as follows:

(Euro thousand)	31.12.2004	31.12.2003	Variation
Provision for bad debts	69		69
Provision for ongoing law suits	242		242
Provision for inventory obsolescence	55		55
Provision for periodical maintenance	559		559
Provision for environment improvements	280		280
Provision for other risks	629	441	188
Provision for accelerated depreciation	1,715	1,799	(84)
Tax losses	519		519
Tax effect on intra group profit eliminated	4,119	4,119	
Other temporary differences	382	327	55
Total	8,569	6,686	1,883

CIII Current financial assets

C III 3 Equity investments in other companies

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Assicurazioni Generali SpA	3,924		3,924
Mediobanca SpA	27,004		27,004
Camfin SpA	47	47	
Total	30,975	47	30,928

Increase refer to Mediobanca SpA for Euro 27,004 thousand and Assicurazioni Generali SpA for Euro 3,924 thousand.

C III 5 Other Securities

These consist of fixed interest bearing securities held mainly by Falck SpA acquired to deploy available funds. These decreased by Euro 3,224 thousand as compared to 31 December 2003 as explained in notes to the financial statement of Falck SpA page 88.

C IV Liquid assets

These mainly consist of bank current accounts. These decreased by Euro 1,964 thousand as compared to 31 December 2003.

D Accrued income and prepaid expenses

Accrued income and prepaid expenses consist of:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Accrued income			
Interest on financial receivables	3,436		3,436
Interest on securities		40	(40)
Other	4	21	(17)
Total accrued income	3,440	61	3,379
Prepaid expenses			
Interest on financial payables		2	(2)
Insurance	94	346	(252)
Royalties	79		79
Commission charges	32	105	(73)
Rent payable	163	26	137
Leasing rentals			
Other	658	1,118	(460)
Total prepaid expenses	1,026	1,597	(571)
Total	4,466	1,658	2,808

A Shareholders' equity

A I Share capital

Share capital consists of 72,730,824 ordinary shares and 11,142 saving shares having a nominal value of Euro 1.00 each, fully subscribed and paid up.

As already noted, during the year there were movements in own shares held as a result of which, at year end, the Company held 6,900,234 shares, of which 3,513 are saving shares, having a total nominal value of Euro 6,900,234.

Items making up shareholders' equity of the Falck SpA, the parent company can be classified as follows:

	Amount	Extent of utilisation	Available amount	Summary of utilisations carried out in the preceding three years	
				To cover losses	Other
<i>(Euro thousand)</i>					
Share Capital	72,742				(118,741)
Capital reserves					
Share premium reserve	28,685	A-B-C	28,685		(78,404)
Reserve for own shares	6,668				(11,201)
Shareholders' contributions	450	A-B			
Earnings reserves					
Legal reserve	31,376	A-B	16,828		
Extraordinary reserve	17,187	A-B-C	17,187		
Reserve for own shares	5,489				(9,222)
Profit (Loss) carried forward	74,174	A-B-C	74,174		(32,633)
Total	236,771		136,874		

Agenda:

A: for increase in share capital

B: to cover losses

C: for distribution to shareholders

Shareholders' equity was utilised as follows:

- reduction in share capital effected during 2002 amounting to Euro 118,741 thousand following a de-merger;
- reduction in share premium reserve effected during 2002 amounting to Euro 32,916 thousand following a de-merger;
- reduction in share premium reserve effected during 2002 amounting to Euro 2,234 thousand following a reclassification to reserve for own shares;
- reduction in share premium reserve effected during 2003 amounting to Euro 41,220 thousand following a bonus issue of shares;
- reduction in share premium reserve effected during 2003 amounting to Euro 2,030 thousand following a reclassification to reserve for own shares;
- reduction in share premium reserve effected during 2004 amounting to Euro 4 thousand following a reclassification to reserve for own shares;
- reduction in reserve for own shares effected during 2002 amounting to Euro 20,423 thousand following a de-merger which entailed an equivalent reduction of own shares;
- reduction in profit carried forward effected during 2002 amounting to Euro 32,633 thousand following a merger with companies owned by the Falck family.

Shareholders' equity for 2003 and 2004 is as follows:

	Share capital	Legal Reserve	Share premium reserve	Extra-ordinary reserve	Own shares reserve	Profit carried forward	Share-holders contribution	Exchange translation reserve	Difference on consolid.	Profit for the year	Group share-holders' equity	Minority interest	Total
<i>(Euro thousand)</i>													
Balance 31.12.2002	31,522	31,376	71,939	17,187	10,123	52,399	450	349	(143,997)	64,334	135,682	995	136,677
Appropriation of 2002 profit of parent company to reserves						16,582				(16,582)			
Appropriation of 2002 group profit to reserves								47,752	(47,752)				
Increase in share capital Falck SpA	41,220		(41,220)										
Acquisition of own shares			(2,030)		2,030								
Dividends paid						(1,590)					(1,590)		(1,590)
Variation in consolidation area									(662)		(662)	257	(405)
Increase in share capital Actelios SpA									12,836		12,836	12,164	25,000
Variation minority Actelios SpA												150	150
Movement in exchange translation reserve								(155)			(155)		(155)
Movement in exchange translation reserve Falck Renewables								169	(169)				
Other movements									(2)		(2)	61	59
Variation in AdR reserves									1,136		1,136		1,136
Profit for the year										41,833	41,833	3,977	45,810
Balance 31.12.2003	72,742	31,376	28,689	17,187	12,153	67,391	450	363	(83,106)	41,833	189,078	17,604	206,682
<i>(Euro thousand)</i>													
Balance 31.12.2003	72,742	31,376	28,689	17,187	12,153	67,391	450	363	(83,106)	41,833	189,078	17,604	206,682
Appropriation of 2003 profit of parent company to reserves						8,561				(8,561)			
Appropriation of 2003 group profit to reserves								33,272	(33,272)				
Purchase of own shares			(4)		4								
Dividends paid						(1,778)					(1,778)	(435)	(2,213)
Variation in consolidation area													
Share capital increase Tifeo/Platani												117	117
Variation minority Actelios													
Variation in exchange translation reserve													
Variation in exchange translation reserve Falck Renewables and Falck Financial Service								(78)			(78)	(1)	(79)
Consolidation Cabezo												71	71
Variation minority on purchase 1.167% Actelios												(948)	(948)
Variation minority Falck Renewables									144		144	(144)	
Other movements Falck Renewables									(152)		(152)		(152)
Variation reserves AdR									1,362		1,362		1,362
Loss for the year										(936)	(936)	(5,050)	(5,986)
Balance 31.12.2004	72,742	31,376	28,685	17,187	12,157	74,174	450	285	(48,480)	(936)	187,640	11,214	198,854

The items making up Group reserves are the same as those of the parent company Falck SpA, except for the exchange translation reserve and differences on consolidation which are made up as follows:

(Euro thousand)

Difference arising between shareholders' equity, as adjusted, of consolidated entities and the carrying amount of these investments	42,145
Dividends received from consolidated companies	809
Adjustment to gains:	
Realised by the parent company on disposal of equity investments to consolidated entities	(26,259)
Realised on intra group sales of tangible assets, net of depreciation, inventories and sundries	(8,349)
Elimination of write downs in respect of equity investments in consolidated entities:	
In the financial statements of subsidiaries, net of utilisation of provisions	7
Adjustment to the carrying amount of investments of associates recognised by the equity method	(56,548)
Total	(48,195)

B Provisions for risks and charges

(Euro thousand)	Balance 31.12.2003	Variation in consolid. area	Provision	Utilisation	Reclassifi- cation	Balance 31.12.2004
B1 Provisions for pensions and similar obligations	35		5			40
B2 Provisions for taxes						
a. Current						
b. Deferred	206		325	(53)		478
Total provisions for taxes	206		325	(53)		478
B3 Other provisions						
- Provision for ongoing lawsuits	2,844		400	(21)		3,223
- Provision for equity investment risks	6,296			(2,109)		4,187
- Provision for periodical maintenance	879		1,516	(895)		1,500
- Provision for environment improvements	2,089		179	(270)	(1,248)	750
- Provision for reorganisation and liquidation	1,281			(42)		1,239
- Other provisions	47,402		599	(2,962)	(9,076)	35,963
Total other provisions	60,791		2,694	(6,299)	(10,324)	46,862
Total	61,032		3,024	(6,352)	(10,324)	47,380

The provision for equity investment risks consists of:

(Euro thousand)

Crossenergy Srl and OLT Toscana Srl	4,000
Assicurazioni Generali SpA	187
Total	4,187

The *provision for ongoing lawsuits* has been increased to cover potential liabilities connected with a lawsuit instituted by a supplier against Ecosesto SpA.

The *provision for periodical maintenance* consists of provisions made in respect of costs that shall be incurred in respect of the power plant at Rende and the waste to energy incinerator at Fusina.

The *provision for environment improvement* refers to costs that are expected to be incurred to rehabilitate the environment at the end of utilisation and post closure of the landfills.

The decrease in the *provision for other risks* is mainly attributable to the de-consolidation of Il Chiodo Srl and Sadelmi SpA.

C Employee severance indemnity

The movements during the year are as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Balance at the beginning of year	5,113	3,760	1,353
Provision for the year	864	770	94
Variation in consolidation area and reclassifications	(1,040)	1,085	(2,125)
Utilisation/Payments	(493)	(502)	9
Balance at the end of year	4,444	5,113	(669)

D Payables

The net increase of Euro 99,699 thousand is principally attributable to the increase in *Amounts payable to banks* amounting to Euro 138,579 thousand and in Shareholders' loans amounting to Euro 1,044 thousand, while there were reductions in Bonds of Euro 22,654 thousand relating to the repayment made by Falck Energy Sa at the end of the year, in Trade payables of Euro 11,618 thousand and in Tax payables of Euro 3,052 thousand.

Amounts payable after more than five years include *Payables to banks* amounting to Euro 59,586 thousand and *Payables to other financing creditors* for Euro 576 thousand.

Payables secured by collateral on assets as at 31 December 2004 are as follows:

<i>(Euro thousand)</i>	Unsecured (1)	Pledge secured (2)	Mortgage secured (3)	Total secured loans (4)=(2)+(3)	Total (5)=(1)+(4)
Bonds					
Convertible bonds	9,152				9,152
Shareholders' loans	3,391				3,391
Banks	151,560	210,839	53,699	264,538	416,098
Other financing creditors	2,587				2,587
Total	166,690	210,839	53,699	264,538	431,228

At year end, there were interest rate swap contracts opened by Prima Srl for a nominal value of Euro 75,000 thousand, converting interest rates from variable to fixed substantially in line with market conditions. These contracts, opened as a hedge in connection with project financing, had a negative fair value of Euro 1,541 thousand at balance sheet date.

The project finance loan due by the associate Frullo Energia Ambiente Srl matures on 31 December 2017 and is repayable half yearly, commencing 30 June 2004. The loan bears interest at Euribor 6 months plus spread. The company entered into an interest rate swap contract as a hedge for a nominal value of Euro 57,148 thousand converting interest rates from variable to fixed substantially in line with market conditions. This contract had a negative fair value of Euro 2,057 thousand at balance sheet date. The loan due by the subsidiary Ecosesto SpA matures on 31 July 2010 and is repayable half yearly, commencing 30 June 2002. The loan bears interest at Euribor 6 months plus spread.

Other payables are made up as follows:

(Euro thousand)

Payable to Italgas Energia SpA in respect of acquisition Elettroambiente SpA	20,000
Payable to Acciaierie di Bolzano SpA for assignment of debts	1,640
Provision for unutilised vacation leave	890
Payable to personnel	624
Contribution for environment	534
Payable to Techint for price adjustment ETR SpA	500
Provision for personnel expenses	223
Payable to shareholders in respect of distribution of reserves	202
Payable in respect of unpaid subscription for equity participation (Sadelmi SpA)	135
Dividend payable to shareholders	27
Other	3,907
Total	28,682

E Accrued liabilities and deferred income

Accrued liabilities and deferred income consist of:

(Euro thousand)

	31.12.2004	31.12.2003	Variation
<i>Accruals</i>			
Interest payable	1,026	1,147	(121)
Insurance	18	11	7
Commission charges on guarantees	197	42	155
Other	63	184	(121)
<i>Total accruals</i>	1,304	1,384	(80)
<i>Deferred income</i>			
Interest receivable	37	24	13
Financial income on Banca Intesa option		2,854	(2,854)
Other	14	45	(31)
<i>Total deferred income</i>	51	2,923	(2,872)
Total	1,355	4,307	(2,952)

Memorandum items

Guarantees at 31 December 2004 amount to Euro 255,275 thousand and are made up as follows:

(Euro thousand)

Guarantees given to banks	85,233
Guarantees given to Public Entities and Ministries	127,523
Guarantees given to Tax Authority in respect of VAT	26,431
Other warranties	16,088
Total	255,275

Secured guarantees consist of pledges for Euro 33,435 thousand and mortgages for Euro 273,170 thousand.

Pledges include a pledge on Banca Intesa BCI SpA shares (Euro 20,421 thousand), a pledge on shares held in the subsidiary Prima Srl (Euro 4,616 thousand) and a pledge on shares held in the associate Frullo Energia Ambiente Srl (Euro 8,398 thousand) as security for finance granted to these entities.

Mortgages refer to the security given in respect of finance obtained for the funding of the acquisition and construction of three waste to energy power plants pertaining to the Renewable Energy – Biomass and waste to energy sector.

Transactions with group companies

Amounts receivable and payable as at 31 December 2004 from/to unconsolidated subsidiary and associated undertakings are as follows:

<i>(Euro thousand)</i>	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Subsidiary						
Falck Energy Iran Sa			125			
Total subsidiary			125			
Associates						
Ambiente 3000 Srl	21					
Aeroporti di Roma SpA	4,755	87				
Gsa Scarl (in liquidation)	332	732	286			
Leonardo Holding Sa			62,310			
Lonardi Costruzioni Srl (in liquidation)	4					
Parque Eolico La Carracha SI			2,593			
Parque Eolico Plana de Jarreta SI			2,566			
Sadelmi SpA	27					
Termini Imerese Energia Ambiente Srl						17
Total associates	5,139	819	67,755			17

Contents and variations of the profit and loss account

A Value of production

A1 Revenue from sales and services

Revenues from sales and services consist of the following business segments:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Sale of electric energy	43,244	30,359	12,885
Sale of thermal energy	760	1,072	(312)
Operation of waste to energy power plants and landfills	3,431	3,339	92
Waste treatment and disposal	18,430	14,188	4,242
Waste marketing		2,271	(2,271)
Owner's engineering services	3,080		3,080
Long-term contracts	2,841	32,238	(29,397)
Sale of steel products	64,586	50,598	13,988
Other services	5,147	2,714	2,433
Total	141,519	136,779	4,740

The breakdown of revenue by geographical area is as follows:

	(Euro thousand)	(%)
Italy	138,095	97.58
Europe EU	2,298	1.62
Europe Non EU	896	0.63
Africa		0.00
Asia	193	0.14
Americas	37	0.03
Total	141,519	100.00

Revenue increased in all sectors in which Falck Group operates, this reflecting the attainment of good efficiency levels by the new energy production plants and the positive results achieved by the Steel sector.

As regards the Renewable energy – Biomass and waste to energy sector, it should be noted that 2003 revenue includes the final invoicing of a long term contract amounting to Euro 31,407 thousand, offset by the decrease in contract work in progress of Euro 31,002 thousand.

A2-A3-B11 Variation in work in progress, semi-finished and finished products, and contract work in progress, raw materials and goods

This reflects a total net decrease of Euro 4,913 thousand substantially attributable to the de-consolidation of Il Chiodo Srl and Sadelmi SpA.

A4 Capitalised costs

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a. From production and inventories	2,819	1,926	893
b. Capitalised interest	2,861	1,209	1,652
Total	5,680	3,135	2,545

Capitalised internal costs refer to the three Sicilian projects to which have been capitalised owner's engineering costs charged by Elettroambiente SpA in respect of Augusta and Agrigento and by Falck SpA in respect of Palermo while the capitalised interest costs are in respect of the new plant at Granarolo dell'Emilia.

A5 Other revenues

Other revenues decreased by Euro 4,906 thousand mainly attributable to a reduction in windfall income of the Parent Company as compared to 2003, which year included income relating to the conclusion of the arbitration proceedings concerning the disposal of Acciaierie di Bolzano SpA, and to a reduction in other operating income principally of Ambiente 2000 Srl.

B Production costs

These costs increased by Euro 25,337 thousand consequent to an increase in operating activity and volumes. This brought a general increase in all production costs, the most significant being in raw material costs (+ Euro 10,767 thousand), in services (+ Euro 6,816 thousand), in depreciation and write down (+ Euro 2,233 thousand), in personnel costs (+ Euro 2,124 thousand) and in rentals and leasing charges (+ Euro 762 thousand).

C Financial income and charges

C 15 Income from equity investments

<i>(Euro thousand)</i>	Dividends		Tax credit	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Subsidiaries				
Frullo Energia Ambiente Srl				228
Itla SpA				249
Riesfactoring SpA				107
Total subsidiaries				584
Associates				
Innovation Utility Bv	74			
Leonardo Srl		1,001		
Total associates	74	1,001		
Other				
Banca Intesa SpA	299	89		50
Banca Lombarda SpA		1		
Camfin SpA	1	1		
Compagnia Fiduciaria Nazionale SpA	101	224		126
Delna SpA	51			
Hera SpA	34			
Hopa SpA	150			
Mediobanca SpA	982			
Redaelli G. & Fratello SpA	155	2,641		
Redaelli Sidas SpA	37	567		
Unicredito Italiano SpA	2,144	1,981		
Other sundry	1			
Total other	3,955	5,504		176
Total income from equity investments	4,029	6,505		760

C 16 Other financial income

This decreased by Euro 3,088 thousand as compared to the previous year, principally attributable to lower interest receivable from associates (- Euro 1,313 thousand) and from others and sundry income (- Euro 1,653 thousand).

C 17 Interest payable and other financial charges

These increased by Euro 5,818 thousand mainly due to increases in interest payable to others (Euro 5,643 thousand) and in interest payable to associates (Euro 175 thousand).

Interest payable and other financial charges is made up as follows:

<i>(Euro thousand)</i>	Bond	Bank	Other	Total
Associates			175	175
Other	1,394	14,715	5,257	21,366
Total	1,394	14,715	5,432	21,541

C 17 bis Gains and losses on exchange

This amounts to a net loss on exchange of Euro 2,100 thousand, an increase of Euro 1,900 thousand as compared to 2003. This loss was sustained principally by the Wind farm energy sector and Other activities sector. These sectors primarily carry out their operations overseas and mainly in Pound Sterling.

D Adjustments to financial assets

D 18 Revaluation of equity investments

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Banca Intesa SpA	2,657	5,450	(2,793)
Leonardo Holding Sa		42,641	(42,641)
Leonardo Srl	610	1,129	(519)
Parque Eolica La Carracha Sa	195		195
Parque Eolico Plana de Jarreta Sl	86		86
Total	3,548	49,220	(45,672)

D 19 Equity investments write down

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a. Permanent losses on equity investments			
Assicurazioni Generali SpA	336		336
Bell Sa		5,375	(5,375)
Consortium Srl	1,477		1,477
Eolica La Carracha Sl		366	(366)
Eolica Plana de Jarreta Sl		387	(387)
Innovation Utility Bv	135		135
GSA Scarl (in liquidation)	5		5
Leonardo Holding Sa	1,473		1,473
Lonardi Costruzioni Srl (in liquidation)		5,202	(5,202)
Pluriservizi Nord Milano Srl	3		3
Redaelli Tecna Laminati Srl		232	(232)
Sintek Capital Ag	644		644
Valorizzazione Srl		20	(20)
Total permanent losses on equity investments	4,073	11,582	(7,509)
b. Provision for equity investments risks			
c. Utilisation of provision for equity investment risks			
Assicurazioni Generali SpA	336		336
Bell Sa		5,375	(5,375)
Consortium Srl	1,477		1,477
Innovation Utility Bv	296		296
Valorizzazione Srl		20	(20)
Total utilisation of provision for equity investment risks	2,109	5,395	(3,286)

E Extraordinary income and charges

E20 Extraordinary income

This consists of:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a Gains from extraordinary disposals			
Gains from disposal of tangible assets	613	84	529
Gains from disposal of equity investments		2,358	(2,358)
Total gains from extraordinary disposals	613	2,442	(1,829)
b Other			
Utilisation of provision for other risks	2,766	13,698	(10,932)
Insurance claims receivable	14	6	8
De-consolidation Falck Energy Int. Ltd	300		300
Compensation for damages	4	485	(481)
Other	41	53	(12)
Total other	3,125	14,242	(11,117)
c Utilisation of provision for reorganisation costs	42	15,952	(15,910)
Total extraordinary income	3,780	32,636	(28,856)

The gain from disposal of tangible assets principally refers to the disposal by Ecosesto SpA of the business unit relating to the Sassari landfill.

Comments in respect of the utilisation of provisions have already been included in the section relating to provision for other risks.

E21 Extraordinary charges

This is made up as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a Losses from extraordinary disposals			
Losses from disposal of equity investments	1,198	14	1,184
Losses from disposal of tangible assets	20	722	(702)
Total losses from extraordinary disposals	1,218	736	482
b Tax in respect of prior years	59	622	(563)
c Other			
Damages	3		3
Provision for various risks	517	23,306	(22,789)
Sundry extraordinary charges	1,311	7,645	(6,334)
Contractual penalties	137		137
Total other	1,968	30,951	(28,983)
d Reorganisation charges		60	(60)
Total extraordinary charges	3,245	32,369	(29,124)

Losses from disposal of equity investments refer to the disposals of Il Chiodo Srl and Sadelmi SpA which generated a loss of Euro 1,171 thousand and Euro 27 thousand, respectively.

Sundry extraordinary charges include costs reimbursed to Novamet Srl, a former Group company, and charges sustained by Falck SpA in respect of activities connected with environment improvements.

Provision for various risks substantially refer to the Wind Energy sector and specifically to Falck Renewables Ltd and refer to costs already incurred in respect of new projects which are in suspense.

E22 Income Tax

Income tax as at 31 December 2004 consists of current and deferred tax and is calculated on the basis of the estimated amount of taxable income.

The charge for tax for the year consists of:

<i>(Euro thousand)</i>	31.12.2004
Current	6,057
Deferred	(1,609)
Total tax on profit for the year	4,448

Other information

Average number of employees

<i>(number)</i>	31.12.2004	31.12.2003
Management	35	34
Clerical	119	106
Industrial	143	141
1 Total operating personnel of consolidated entities	297	281
2 Operating personnel of unconsolidated entities		
3 Total operating personnel (1+2)	297	281
4 Non-operating personnel		
5 Personnel on temporary unemployment benefits		
6 Overall number of personnel (3+4+5)	297	281

Emoluments of directors and statutory auditors

<i>(Euro thousand)</i>	31.12.2004	31.12.2003
Directors	835	782
Statutory Auditors	146	146
Total	981	928

Supplementary Statements - Group

5.3.1 Shareholding in subsidiary and associated companies

Consolidated companies - line by line method

	Registered Address	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Falck SpA	Milano	Euro	72,741,966			
Actelios SpA	Milano	Euro	20,400,000	60.905		
Ambiente 2000 Srl	Milano	Euro	103,000		60.000	Actelios SpA
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables UK Holdings (No.1) Ltd
Ecosesto SpA	Milano	Euro	5,120,000		100.000	Actelios SpA
Elettroambiente SpA	Roma	Euro	245,350		100.000	Actelios SpA
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1,499,999,76		95.511	Falck Renewables Ltd
Falck Acciai - CNS SpA	Grassobbio (Bg)	Euro	516,000	100.000		
Falck Financial Services Sa	Lugano (Switzerland)	CHF	250,000		100.000	Falck Energy Sa
Falck Renewables Ltd	London (UK)	GBP	20,000,000		98.820	Falck Energy Sa
Falck Renewables UK Holdings (No.1) Ltd	Sheffield (Great Britain)	GBP	1		100.000	Falck Renewables Ltd
Falck Energy Sa	Luxembourg	Euro	31,000	99.990		
Finstahl Sa	Luxembourg	Euro	21,443,370	100.000		
Itla - Redaelli Tecna Laminati SpA	Milano	Euro	4,129,312	100.000		
Montalto Ambiente SpA	Montalto di Castro (Vt)	Euro	510,000		60.000	Ecosesto SpA
Platani Energia Ambiente ScpA	Palermo	Euro	120,000		81.000	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000		85.000	Actelios SpA
Riesfactoring SpA	Milano	Euro	2,000,000	99.800	0.200	Actelios SpA
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	100.000		
Tifeo Energia Ambiente ScpA	Palermo	Euro	120,000		85.000	Elettroambiente SpA

Consolidated companies - proportional method

	Registered Address	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Fruillo Energia Ambiente Srl	Bologna	Euro	17,139,100		49.000	Actelios SpA
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	19.000	20.000	Actelios SpA

Consolidated companies - equity method

	Registered Address	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Aeroporti di Roma SpA	Roma	Euro	62,309,801		51.151	Leonardo Srl
Leonardo Srl	Milano	Euro	10,400		31.000	Finstahl Sa
Leonardo Holding Sa	Luxembourg	Euro	350,021,000		31.000	Finstahl Sa
Nuevos Parque Eolicos La Muela AIE	Saragozza (Spain)	Euro	10,000		50.000	Parque Eolico La Carraccha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carraccha SI	Saragozza (Spain)	Euro	3,325,000		26.000	Falck Renewables Ltd
Parque Eolico Plana de Jarreta SI	Saragozza (Spain)	Euro	3,325,000		26.000	Falck Renewables Ltd
Sadelmi SpA	Milano	Euro	1,000,000	20.000		

Other equity investments in subsidiary and associated companies valued at cost

	Registered Address	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Ambiente 3000 Srl	Bologna	Euro	100,000		49.000	Actelios SpA
Ben Aketil Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Boyndie Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Chalmerston Wind Power Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Dunbeath Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Earlsburn Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Energie Tecnologie Ambiente SpA	Crotone	Euro	11,725,120		40.000	Elettroambiente SpA
Eolica Lucana Srl	Potenza	Euro	10,000	20.000		
Eolo Tempio Pausania Srl	Roma	Euro	10,000	20.000		
Falck Energy International Ltd (in liquidation)	Dublin (Ireland)	Euro	20,000,000		99.999	Falck Energy Sa
Falck Energy Iran Sa	Luxembourg	Euro	31,000	99.997		
Gsa Scarl (in liquidation)	Milano	Euro	10,000		50.000	Ecosesto SpA
Lonardi Costruzioni Srl (in liquidation)	Sesto S. Giovanni (Mi)	Euro	58,140	49.000		
Mellock Hill Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Millennium Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Nutberry Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Pareh Sar Gmbh	Munich (Germany)	Euro	2,300,000		0.500	Falck Energy Iran Sa
Seconda Srl (in liquidation)	Sesto S. Giovanni (Mi)	Euro	25,822		100.000	Ecosesto SpA
Sell Moor Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Strath Brora Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100		52.000	Falck Renewables Ltd
Termini Imerese Energia Ambiente Srl	Termini Imerese (Pa)	Euro	100,000		24.000	Actelios SpA

5.3.2 Reclassified profit and loss account

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Industrial revenues and income			
Revenues from sales	142,360	138,956	3,404
Other income	1,197	550	647
	143,557	139,506	4,051
Variation in work in progress, semi-finished and finished products and goods	(2,579)	(31,412)	28,833
Value of production	140,978	108,094	32,884
Capitalised costs	5,680	3,135	2,545
Total value of production for year	146,658	111,229	35,429
Purchase of raw materials, semi-finished products and goods	(55,948)	(45,180)	(10,768)
Variation in inventories of raw materials, semi-finished and finished products and goods	(2,334)	280	(2,614)
Services received	(34,054)	(29,570)	(4,484)
Utilities and sundry costs	(11,651)	(8,813)	(2,838)
Expenses re-charged	282	1,915	(1,633)
Indirect taxes	(795)	(615)	(180)
Added value	42,158	29,246	12,912
Personnel costs	(19,237)	(17,113)	(2,124)
Gross operating margin	22,921	12,133	10,788
Depreciation relating to operations	(13,136)	(11,105)	(2,031)
Bad debts provision	(246)	(435)	189
Operating result	9,539	593	8,946
Financial income and charges	(16,628)	(5,796)	(10,832)
Real estate income and charges	(82)	32	(114)
Equity investment income and charges	5,615	50,300	(44,685)
Non-operating income and charges	18	2,681	(2,663)
Profit for the year before tax	(1,538)	47,810	(49,348)
Income tax	(4,448)	(2,000)	(2,448)
Profit after tax	(5,986)	45,810	(51,796)
Minority interest	5,050	(3,977)	9,027
Group profit for the year	(936)	41,833	(42,769)

5.3.3 Analytical reclassified Profit and Loss account

(Euro thousand)

<i>Profit and loss account reference</i>	31.12.2004	31.12.2003	Variation
Industrial revenues and income			
<i>Revenue from sales</i>			
1 Revenues from sales and services	141,519	136,779	4,740
5b Other operating income	841	2,177	(1,336)
<i>Total</i>	142,360	138,956	3,404
<i>Other income</i>			
5a Grants received		44	(44)
5d Sundry revenues	1,197	506	691
<i>Total</i>	1,197	550	647
	143,557	139,506	4,051
<i>Variation in work in progress, semi-finished and finished products and goods</i>			
2 Variation in work in progress of semi-finished and finished products	(2,579)	281	(2,860)
3 Variation in contract work in progress		(31,693)	31,693
<i>Total</i>	(2,579)	(31,412)	28,833
Value of production	140,978	108,094	32,884
<i>Capitalised costs</i>			
4a From production and inventory	2,819	1,926	893
4b Capitalised interest	2,861	1,209	1,652
<i>Total</i>	5,680	3,135	2,545
Total value of production for the year	146,658	111,229	35,429
<i>Purchase of raw materials, semi-finished products and goods</i>			
6 Raw, accessory and ancillary materials and goods	(55,948)	(45,180)	(10,768)
<i>Variation in inventory of raw materials, semi-finished and finished products and goods</i>			
11 Variation in raw, accessory and ancillary materials and goods	(2,334)	280	(2,614)
<i>Services costs</i>			
7a Services	(34,054)	(29,570)	(4,484)
<i>Utilities and sundry costs</i>			
7b Utilities	(3,167)	(1,859)	(1,308)
7c Sundry costs	(3,782)	(2,759)	(1,023)
8 Rentals and leasing charges	(3,297)	(2,535)	(762)
13 Other provisions	(434)	(737)	303
14e Other operating charges - other	(971)	(923)	(48)
<i>Total</i>	(11,651)	(8,813)	(2,838)
<i>Expenses re-charged</i>			
5c Costs recovered	282	1,915	(1,633)
<i>Indirect taxes</i>			
14a Indirect taxes	(795)	(615)	(180)
Added value	42,158	29,246	12,912
<i>Personnel costs</i>			
9 Total personnel costs	(19,237)	(17,113)	(2,124)
<i>Total</i>	(19,237)	(17,113)	(2,124)
Gross operating margin	22,921	12,133	10,788
<i>Depreciation relating to operations</i>			
10a Amortisation of intangible assets	(2,020)	(2,854)	834
10b Depreciation of tangible assets	(11,116)	(8,251)	(2,865)
<i>Total</i>	(13,136)	(11,105)	(2,031)
<i>Bad debt provision</i>			
10d Write down of receivables included with current assets	(246)	(435)	189
Operating profit	9,539	593	8,946

(Euro thousand)

<i>Profit and loss account reference</i>	31.12.2004	31.12.2003	Variation
<i>Financial income and charges</i>			
16 Total other financial income	7,043	10,131	(3,088)
-16cc2 Reclassification of gains on disposal of securities	(30)	(5)	(25)
17 Interest expense and other financial charges	(21,541)	(15,723)	(5,818)
-17f Reclassification of losses on disposal of equity investments			
-17g Reclassification of losses on disposal of securities			
17bis Gains and losses on exchange	(2,100)	(199)	(1,901)
<i>Total</i>	(16,628)	(5,796)	(10,832)
<i>Real estate income and charges</i>			
5e Real estate revenue	13	65	(52)
14b Real estate charges	(95)	(33)	(62)
<i>Total</i>	(82)	32	(114)
<i>Equity investment income and charges</i>			
18a Revaluations of equity investments	3,548	49,220	(45,672)
19a Write down of equity investments	(1,963)	(6,186)	4,223
15 Total income from equity investments	4,030	7,266	(3,236)
-15e Reclassification of gains on disposal of equity investments			
<i>Total</i>	5,615	50,300	(44,685)
<i>Non-operating income and charges</i>			
5f Gains from ordinary operations			
5g Windfall income	1,465	3,998	(2,533)
10c Write down of fixed assets	(510)	(206)	(304)
10e Utilisation of bad debt provision included with current assets	161	465	(304)
10f Bad debts	(161)	(377)	216
12a Provision for ongoing lawsuits	(400)	(70)	(330)
12b Utilisation of provision for ongoing lawsuits	21	71	(50)
14c Losses from ordinary operations			
14d Windfall charges	(1,123)	(1,469)	346
15e Gains on disposal of equity investments			
16cc2 Gains on disposal of securities	30		30
17g Losses on disposal of securities			
17f Losses on disposal of equity investments			
18 Adjustments to financial assets			
19b Write down of financial assets included as fixed assets			
19c Write down of securities included as current assets			
20a Gains from extraordinary disposals	613	2,442	(1,829)
20b Other extraordinary income	3,125	14,242	(11,117)
20c Utilisation of provision for reorganisation and liquidation costs	42	15,953	(15,911)
21a Losses from extraordinary disposals	(1,218)	(736)	(482)
21b Tax relating to prior financial years	(59)	(622)	563
21c Other extraordinary charges and provision for other risks	(1,967)	(30,950)	28,983
21d Reorganisation and liquidation costs	(1)	(60)	59
<i>Total</i>	18	2,681	(2,663)
Profit for the year before taxation	(1,538)	47,810	(49,348)
<i>Income tax</i>			
22 Tax on profit for the year	(4,448)	(2,000)	(2,448)
Profit before minority interests	(5,986)	45,810	(51,796)
Minority interests	5,050	(3,977)	9,027
Group profit for the year	(936)	41,833	(42,769)

5.3.4 Variation in financial position

<i>(Euro thousand)</i>		31.12.2004	31.12.2003	Variation
B III 2	Financial assets: receivables (excluding item f - guarantee deposits)	115	5,052	(4,937)
B III 3	Financial assets: securities		1	(1)
C II 2b	Current assets: financial receivables from subsidiaries	125		125
C II 3b	Current assets: financial receivables from associates	68,333	61,355	6,978
C II 4b	Current assets: financial receivables from parent company			
C II 5a	Current assets: financial receivables from others	23,131	25,598	(2,467)
C II 6b	Current assets: financial receivables from other group companies			
C III 5	Current financial assets: securities	15	3,239	(3,224)
C III 6	Current financial assets: bills receivable			
C IV	Liquid assets	22,308	24,271	(1,963)
D 1	Payables: bonds		(22,654)	22,654
D 2	Payables: convertible bonds	(9,152)	(9,152)	
D 3	Payables: shareholders' loans	(3,391)	(2,347)	(1,044)
D 3	Payables: banks	(416,098)	(277,517)	(138,581)
D 4	Payables: other financing creditors	(2,587)	(2,064)	(523)
D 7	Payables: bills payable			
D 8	Payables: subsidiaries			
D 9 b	Payables: associates			
D 10 b	Payables: parent company			
D 14 b	Payables: other group companies			
Total		(317,201)	(194,218)	(122,983)

The financial position as at 31.12.2004 and 31.12.2003 is summarised below:

<i>(Euro thousand)</i>		31.12.2004	31.12.2003	Variation
1	Medium and long term financial receivables	616	1,479	(863)
2	Medium and long term financial payables	(346,097)	(185,837)	(160,260)
3	Medium and long term net financial position (1+2)	(345,481)	(184,358)	(161,123)
4	Short term financial receivables	113,411	118,039	(4,628)
5	Short term financial payables	(85,131)	(127,899)	42,768
6	Short term net financial position (4+5)	28,280	(9,860)	38,140
7	Total net financial position (3+6)	(317,201)	(194,218)	(122,983)

5.3.5 Cash flow statement

	Current operation	Variation in consolidation area	Total
<i>(Euro thousand)</i>			
1	Loss for the year	(5,986)	(5,986)
2	Amortisation/Depreciation	13,136	13,136
3	<i>Adjustment for extraordinary items not involving the movement of funds</i>		
	Write down of equity investments	4,073	4,073
	Revaluation of equity investments	(3,548)	(3,548)
	Write down of tangible and intangible assets	513	513
	Increase/(utilisation) of deferred tax provision	272	272
	Increase/(utilisation) of provision for reorganisation costs	(41)	(41)
	Increase/(utilisation) of provision for environment improvements	(1,339)	(1,339)
	Increase/(utilisation) of provision for equity investment risks	(2,109)	(2,109)
	Increase/(utilisation) of provision for periodical maintenance	621	621
	Increase/(utilisation) of provision for ongoing lawsuits	379	379
	Increase/(utilisation) of provision for bad debts	3	3
	Increase/(utilisation) of provision for other risks	(2,363)	(11,439)
	Increase/(utilisation) of provision for pensions and similar obligations	5	5
	<i>Total extraordinary items not involving the movement of funds</i>	<i>(3,534)</i>	<i>(12,610)</i>
4	<i>Realised extraordinary items</i>		
	Dividends received and tax credit thereon	4,028	4,028
	(Gains)/losses on disposal of equity investments and securities	586	586
	(Gains)/losses on disposal of tangible assets and business unit	20	20
	<i>Total realised extraordinary items</i>	<i>4,634</i>	<i>4,634</i>
5	Operating cash flow (1÷4)	8,250	(826)
6	Variations in working capital (*)	(25,279)	(21,299)
7	(Increase)/decrease in guarantee deposits	(285)	(285)
8	Variation in employee severance indemnity and similar obligations	371	(668)
9	Additions to tangible assets	(74,092)	(74,092)
10	Additions to intangible assets	(22,216)	(23,231)
11	Acquisition of equity investments	(32,171)	(32,171)
12	Cash flow after financial charges and taxes (5÷11)	(145,422)	(152,572)
13	Disposal of fixed assets (net book value)	7,210	10,769
14	Disposal of intangible assets	236	236
15	Gains/(losses) on disposal of tangible assets	(20)	(20)
16	Disposal of equity investments and own shares (book value)	18,630	26,420
17	Gains/(losses) on disposal of equity investments	(586)	(586)
18	Net cash flow (12÷17)	(119,952)	(115,753)
19	Dividends received and tax credit thereon	(4,028)	(4,028)
20	Variation in consolidation area	5,831	(5,831)
21	Other variations in shareholders' equity	(158)	(158)
22	Dividend paid	(2,213)	(2,213)
23	Increase in share capital of subsidiaries by minorities	117	117
24	Variation in minority interest net of dividends paid	(948)	(948)
25	Variation in net financial position (18÷24)	(121,351)	(122,983)
26	Financial position at 31.12.2003 - asset/(liability)		(194,218)
27	Financial position at 31.12.2004 - asset/(liability) (25÷26)		(317,201)

(*) The variation is net of the movement in the provision for bad debts.

5.3.6 Reclassified balance sheet in terms of “source and application of funds”

Application of funds

(Euro thousand)

Balance sheet reference		31.12.2004	31.12.2003	Variation
1	A Receivables from shareholders for unpaid share capital			
	Fixed assets			
BI	Intangible assets	85,010	64,034	20,976
BII	Tangible assets			
	Gross	308,067	248,468	59,599
	Accumulated depreciation	(49,638)	(41,733)	(7,905)
	Total tangible assets	258,429	206,735	51,694
	Financial assets			
BIII1	Equity investments	121,732	146,085	(24,353)
CIII (1/2/3)	Equity investments (current assets)	30,975	47	30,928
BIII4	Own shares	12,157	12,153	4
CIII4	Own shares (current assets)			
	Total equity investments and own shares	164,864	158,285	6,579
B3b	Provision for equity investment risks	(4,187)	(6,297)	2,110
BIII2f	Guarantee deposits	541	256	285
	Total financial assets	161,218	152,244	8,974
	Total fixed assets and investments	504,657	423,013	81,644
	Provisions for risks and charges			
B1	For pensions and similar obligations	(40)	(35)	(5)
B2	For taxes			
B2a	Current			
B2b	Deferred	(478)	(206)	(272)
	Total provision for taxes	(478)	(206)	(272)
B3	Other			
B3a	Provision for ongoing law suits	(3,223)	(2,844)	(379)
B3c	Provision for periodical maintenance	(1,500)	(879)	(621)
B3d	Provision for environment improvements	(751)	(2,089)	1,338
B3e	Provision for reorganisation and liquidation costs	(1,239)	(1,281)	42
B3f	Other provisions	(35,963)	(47,402)	11,439
	Total other provisions	(42,676)	(54,495)	11,819
	Total provisions for risks and charges	(43,194)	(54,736)	11,542
	C Employee severance indemnity	(4,444)	(5,113)	669
2	Net fixed assets	457,019	363,164	93,855
CI	Inventory			
	Gross	14,680	21,865	(7,185)
	Obsolescence provision			
	Total net inventory	14,680	21,865	(7,185)
	Trade receivables			
CII	Net trade receivables			
	Gross	63,415	54,710	8,705
	Bad debt provision	(1,541)	(1,184)	(357)
	Total net trade receivables	61,874	53,526	8,348
	Trade receivables from Group companies			
CII2a	Subsidiaries			
CII3a	Associates	5,139	9,731	(4,592)
CII4a	Parent company			
CII6a	Other Group companies			
	Total trade receivables from Group companies	5,139	9,731	(4,592)
	Total net trade receivables	67,013	63,257	3,756

(Euro thousand)

<i>Balance sheet reference</i>	31.12.2004	31.12.2003	Variation
Other receivables			
Group			
CII2c Subsidiaries			
CII3c Associates			
CII4c Parent company			
CII6c Other Group companies			
<i>Total other receivables from Group companies</i>			
4bis Receivables from tax authorities	37,880	37,086	794
4ter Deferred tax asset	8,569	6,686	1,883
CII5b From others - advance payments	1,425	905	520
CII5c From others - other	28,597	30,618	(2,021)
Total other receivables	76,471	75,295	1,176
D Accrued income and prepaid expenses	4,466	1,658	2,808
Total current assets	162,630	162,075	555
Payables			
D7 Trade payables	(66,637)	(78,255)	11,618
Group companies			
D9a Subsidiaries		(711)	711
D10a Associates	(819)		(819)
D11a Parent company			
D15a Other Group companies			
<i>Total other payables to Group companies</i>	<i>(819)</i>	<i>(711)</i>	<i>(108)</i>
Total trade payables	(67,456)	(78,966)	11,510
Other payables			
Group companies			
D9c Subsidiaries		(17)	17
D10c Associates	(17)		(17)
D11c Parent company			
D15c Other Group companies			
<i>Total other payables to Group companies</i>	<i>(17)</i>	<i>(17)</i>	
Others			
D6 Advance payments received	(1,925)	(4,136)	2,211
D12 Tax liabilities	(2,963)	(6,015)	3,052
D13 Social security and national insurance	(1,196)	(1,345)	149
D14 Other payables - other	(28,682)	(29,554)	872
<i>Total other payables to others</i>	<i>(34,766)</i>	<i>(41,050)</i>	<i>6,284</i>
Total other payables	(34,783)	(41,067)	6,284
E Accrued liabilities and deferred income	(1,355)	(4,307)	2,952
Total current liabilities	(103,594)	(124,340)	20,746
3 Working capital	59,036	37,735	21,301
4 Total invested capital (1+2+3)	516,055	400,899	115,156

Source of funds

(Euro thousand)

<i>Balance sheet reference</i>		31.12.2004	31.12.2003	Variation
A	Shareholders' equity			
AI	Share capital	(72,742)	(72,742)	
All	Share premium reserve	(28,685)	(28,689)	4
AIII	Revaluation reserve			
AIV	Legal reserve	(31,376)	(31,376)	
AV	Statutory reserve			
AVI	Reserve for own shares	(12,157)	(12,153)	(4)
AVII	Other reserves	30,558	65,106	(34,548)
AVIII	(Profit)/Loss carried forward	(74,174)	(67,391)	(6,783)
	<i>Total</i>	(188,576)	(147,245)	(41,331)
AIX	(Profit)/Loss for the year	936	(41,833)	42,769
	Group shareholders' equity	(187,640)	(189,078)	1,438
	<i>Minority interest</i>	(11,214)	(17,604)	6,390
1	Total shareholders' equity	(198,854)	(206,682)	7,828
	Medium/long term financial receivables (due after 12 months)			
	<i>Third parties</i>			
BIII2d	Receivables from others	40	1,478	(1,438)
BIII3	Securities		1	(1)
CII5a	Financial receivables from others	576		576
	<i>Total from third parties</i>	616	1,479	(863)
	<i>Group companies</i>			
BIII2a	Subsidiaries			
BIII2b	Associates			
BIII2c	Parent company			
BIII2e	Other Group companies			
CII2b	Subsidiaries			
CII3b	Associates			
CII4b	Parent company			
CII6b	Other Group companies			
	<i>Total from Group companies</i>			
	Total medium/long term financial receivables (due after 12 months)	616	1,479	(863)
	Medium/long term financial payables (due after 12 months)			
	<i>Third parties</i>			
D1	Bonds			
D2	Convertible bonds	(9,152)	(9,152)	
D3	Shareholders' loans	(1,718)	(1,891)	173
D4	Banks	(332,712)	(172,794)	(159,918)
D5	Other financing creditors	(2,515)	(2,000)	(515)
D8	Bills payable			
	<i>Total financial payables to third parties</i>	(346,097)	(185,837)	(160,260)
	<i>Group companies</i>			
D9b	Subsidiaries			
D10b	Associates			
D11b	Parent company			
D15b	Other Group companies			
	<i>Total financial payables to Group companies</i>			
	Total medium/long term financial payables	(346,097)	(185,837)	(160,260)
	Total medium/long term net financial position	(345,481)	(184,358)	(161,123)

(Euro thousand)

Balance sheet reference

	31.12.2004	31.12.2003	Variation
Short term financial receivables (due within 12 months)			
<i>Third parties</i>			
BIII2d Short term receivables from third parties	75	3,575	(3,500)
CII5a Financial receivables from others	23,133	25,598	(2,465)
CIII5 Securities	15	3,239	(3,224)
CIII6 Bills receivable			
<i>Total from third parties</i>	23,223	32,412	(9,189)
<i>Group companies</i>			
BIII2a Subsidiaries			
BIII2b Associates			
BIII2c Parent company			
BIII2e Other Group companies			
CII2b Subsidiaries	125		125
CII3b Associates	67,755	61,355	6,400
CII4b Parent company			
CII6b Other Group companies			
<i>Total from Group companies</i>	67,880	61,355	6,525
CIV <i>Liquid assets</i>	22,308	24,272	(1,964)
Total short term financial receivables	113,411	118,039	(4,628)
Short term financial payables (due within 12 months)			
<i>Third parties</i>			
D1 Bonds		(22,654)	22,654
D2 Convertible bonds			
D3 Shareholders' loans	(1,673)	(456)	(1,217)
D4 Banks	(83,386)	(104,725)	21,339
D5 Other financing creditors	(72)	(64)	(8)
D8 Bills payable			
<i>Total to third parties</i>	(85,131)	(127,899)	42,768
<i>Group companies</i>			
D9b Subsidiaries			
D10b Associates			
D11b Parent company			
D15b Other Group companies			
<i>Total to Group companies</i>			
Total short term financial payables (due within 12 months)	(85,131)	(127,899)	42,768
Total short term net financial position	28,280	(9,860)	38,140
2 Total net financial position	(317,201)	(194,218)	(122,983)
3 Total sources of funds (1+2)	(516,055)	(400,900)	(115,155)

**Report of the Statutory Auditors
on the Consolidated Financial Statements**

Dear Shareholders,

The Board of Directors has prepared the consolidated financial statements of the Group as at 31 December 2004 in terms of Legislative Decree no. 127 dated 9 April 1991, which have been submitted together with the Report of the Directors on the performance of the Group.

These documents, prepared in terms of legislation, contain all the required information, as also confirmed by the Report issued by the External Auditors in terms of article 156 of Legislative Decree no.58 dated 24 February 1998. The External Auditors did not raise any reservations.

The Board of Statutory Auditors

Sesto San Giovanni, 22 March 2005

**Report of the External Auditors
on the Consolidated Financial Statements**

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409TER OF THE CIVIL CODE

To the shareholders of
FALCK SpA

- 1 We have audited the consolidated financial statements of FALCK SpA as of 31 December 2004. These consolidated financial statements are the responsibility of FALCK SpA's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

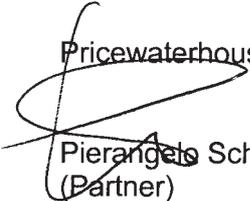
- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 16 April 2004.

- 3 In our opinion, the consolidated financial statements of FALCK SpA as of 31 December 2004 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the consolidated financial position and of the consolidated result of operations of the Company.

Milan, 8 April 2005

PricewaterhouseCoopers SpA


Pierangelo Schiavi
(Partner)

This report has been translated from the original, which was issued in accordance with Italian legislation.

Falck SpA

Report of the Directors on Performance

6.1.1 Trading and financial performance of Falck SpA

Summary data

<i>(Euro thousand)</i>	31.12.2004	31.12.2003
Total value of production	6,555	6,686
Production costs:		
- personnel costs	(4,159)	(3,435)
- other costs	(9,308)	(11,928)
Total production costs	(13,467)	(15,363)
Difference between value of production and production costs	(6,912)	(8,677)
Financial income and charges:		
- income from equity investments	2,419	19,687
- other financial income	9,787	11,583
- interest and other financial income	(11,612)	(9,638)
- gains and losses on exchange	3	
Total financial income and charges	597	21,632
Profit from ordinary activities	(6,315)	12,955
- Adjustment to financial assets, net of extraordinary income and charges	21,096	(4,394)
- Income tax		
Profit for the year	14,781	8,561
<i>Total investments</i>	162	241
<i>Cash flow after financial charges and taxes</i>	(62,707)	(3,104)
<i>Capital invested</i>	271,706	228,334
<i>Financial position - asset (liability)</i>	(20,154)	10,215
<i>Personnel (n.)</i>	35	25

6.1.2 Results and performance for the year

During the year ended 31 December 2004 Falck SpA achieved a profit of Euro 14,781 thousand, an increase of Euro 6,220 thousand as compared to 31 December 2003, after charging depreciation of Euro 193 thousand. The result for the year includes dividends received amounting to Euro 2,419 thousand and gains on sale of equity investments amounting to Euro 18,972 thousand which mainly consisted of Euro 2,810 thousand from the disposal of Il Chiodo Srl and Euro 16,022 thousand from the disposal of Ecosesto SpA and ETR/TTR. The latter represents the adjustment to the sale consideration for the acquisition, made during 1999 from the former subsidiary Cmi SpA, of the mentioned equity investments which right was transferred to Actelios SpA following a de-merger. In terms of an agreement the price adjustment was scheduled for the end of 2003 however was postponed to 2004. The increase in value of the disposed investments was obtained by means of a valuation carried out by independent experts as stipulated in the sale agreement. No tax has been provided on the profit for the year since the chargeable income in respect of IRES (corporate tax) has been absorbed by the tax losses brought forward from the year 2003 and there is no taxable income in respect of IRAP (local income tax).

During the initial months of the year the call option on shares Unicredito Italiano SpA entered into during December 2003 was exercised generating a gain of Euro 1,126 thousand, while the shares held in Banca Intesa SpA were marked to market generating a gain of Euro 2,657 thousand. This investment had been written down during 2002.

As compared to the previous year, during the current year there has been a decrease in costs of services, a reduction in depreciation and an increase in personnel costs reflecting the increase in the average number of employees during the current year. Value of production includes income amounting to Euro 1,027 thousand in respect of owner's engineering services generated by the associate Palermo Energia Ambiente ScpA pertaining to the current year and Euro 921 thousand in respect of 2003.

The net financial position at year end shows net indebtedness of Euro 20,154 thousand as compared to an asset balance of Euro 10,215 thousand as at 31 December 2003, a negative variation of Euro 30,369 thousand. This variation is primarily attributable to the acquisition of 340,680 shares Actelios SpA for Euro 2,200 thousand and 1,672,412 shares Mediobanca SpA for Euro 18,076 thousand and to the increase in working capital of Euro 16,565 thousand. It should be observed that following the liquidation of Consortue Srl, set up from a de-merger of Consortium Srl, Falck SpA was assigned 783,194 shares Mediobanca SpA having a value of Euro 8,928 thousand and 164,083 shares Assicurazioni Generali SpA having a value of Euro 3,924 thousand.

During the year, there was a continuation of the arbitration proceedings in respect of the dispute between Falck SpA and Edison SpA relating to the acquisition of Tecnimont SpA by Falck SpA. To date, nothing has materialised from the proceedings that could signify there could be a change to the expected favourable outcome.

6.1.3 Personnel

Personnel at year end amounted to 35, an increase of 10 as compared to 31 December 2003.

<i>(number)</i>	31.12.2004	31.12.2003	Variation
Managerial	14	11	3
Clerical	20	13	7
Industrial	1	1	
Total operating personnel	35	25	10

Personnel costs increased by Euro 724 thousand during 2004.

6.1.4 Investments

During 2004 investments in intangible assets amounted to Euro 13 thousand consisting of registration costs of new trademarks. Investments in tangible assets amounted to Euro 149 thousand relating to the acquisition of 2 motor vehicles, personal computer and a deposit paid on the purchase of land.

6.1.5 Performance of subsidiaries

Information in respect to the results of subsidiaries and events occurring during the year can be found in the Report of the Directors on the consolidated financial statements

6.1.6 Company representation

In accordance with article 18 of the company's statute, the legal representation of the company is vested in the Chairman, Deputy Chairman and the Managing Director.

The Chairman and the Managing Director have been vested with the powers of ordinary and extraordinary administration.

The Board of Directors has set up an Executive Committee to which have been conveyed all the powers, excluding those that are vested by legislation to the Board of Directors. A number of executives have been empowered by the Chairman or Managing Director as signatories for ordinary administration in their respective line of management.

The Board of Directors and the Executive Committee are updated periodically, or when the necessity arises, with the main issues relating to the performance and the economic-financial situation of the Company and its subsidiaries.

The Chairman or the Managing Director of the Parent Company holds the post of Chairman or Deputy Chairman in the principal subsidiaries.

6.1.7 Transactions with subsidiary and associated companies

Falck SpA carries out trading and financial transactions with subsidiaries and associated companies on an arm's length basis. The activities carried out permit that full advantages are availed of through the use of common services and the exercise of synergies within the Group, as well as the application of homogenous financial policies.

These activities are listed hereunder and details thereof are reported in the notes to the financial statements:

- treasury management
- administrative services
- management of common services
- procurement of finance and granting of guarantees

6.1.8 Own shares

Pursuant to article 2428, section 2, point 3, the company held, as at 31 December 2004, 6,900,234 own shares, of which 3,513 shares are saving shares, having a total nominal value of Euro 6,900,234, equivalent to 9.49% of the issued share capital.

The carrying amount of Euro 12,156,903.72 corresponds to an average value per share of Euro 1.76.

At 31 December 2004 no subsidiaries held shares in Falck SpA either directly or through fiduciaries or other intermediaries.

6.1.9 Acquisition and disposal of own shares during the year

Pursuant to article 2428, section 2, point 4, during the year the company acquired 816 own shares for a consideration of Euro 4,194.73.

During 2003 following the increase in share capital through a bonus issue, own shares were increased incorrectly by an additional 5,487 shares at nil value. This error was corrected during 2004 by a reduction of 5,487 shares at nil value.

6.1.10 Significant events occurring after the balance sheet date

There were no significant events after the balance sheet date which require to be pointed out.

6.1.11 Management outlook and prospects for continuation as a going concern

The operating result for 2005 is expected to be slightly better than for the year 2004 while the net results for 2005 should substantially be lower since it is not expected that these results would be effected by non-recurring income.

6.1.12 Proposal for the distribution of the profit for the year

To the Shareholders,

The financial year ended 31 December 2004 closed with a profit of Euro 14,781,311.

We propose that this profit be appropriated as follows:

<i>(Euro)</i>	
To 7,629 saving shares Euro 0.04.9 cents (4.9% on nominal value)	373.82
To 65,834,103 ordinary shares Euro 0.02.9 cents (2.9% on nominal value)	1,909,188.99
Earnings to be carried forward	12,871,748.19
Total profit for 2004	14,781,311.00

No transfer to Legal reserve has been made since this reserve is in excess of one-fifth of the share capital.

The above is based on the issued share capital consisting of 11,142 savings shares and 72,730,824 ordinary shares, net of own shares held by the company consisting of 3,513 saving shares and 6,896,721 ordinary shares.

We propose, that if you are in agreement, to approve the Report of the Directors and the Financial Statements consisting of the Balance Sheet, the Profit and Loss Account and the Notes to the financial statements.

On behalf of the Board of Directors
The Chairman
Federico Falck

Milano, 18 March 2005

Falck SpA Financial Statements as at 31 December 2004

6.2.1 Falck SpA - Balance Sheet

Assets

A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL

B) FIXED ASSETS	I. Intangible assets	1	Start-up and expansion costs	
		2	Research, development and advertising costs	
		3	Industrial patent rights	
		4	Concessions, licences, trademarks and similar rights	
		5	Goodwill	
		6	Assets under construction and advance payments	
		7	Other intangible assets	
	<i>Total intangible assets</i>			
	II. Tangible assets	1	Land and buildings	
		2	Plant and machinery	
		3	Industrial and commercial equipment	
		4	Other tangible assets	
		5	Assets operated under concession	
		6	Assets under construction and advance payments	
	<i>Total tangible assets</i>			
	III. Financial assets	1	Equity investments:	a subsidiaries b associates c other companies
			<i>Total equity investments</i>	
		2	Receivables:	a subsidiaries b associates c parent company d others e other Group companies f guarantee deposits
			<i>Total receivables</i>	
		3	Securities	
		4	Own shares (nominal value Euro 6,900,234)	
	<i>Total financial assets</i>			

TOTAL FIXED ASSETS

C) CURRENT ASSETS	I. Inventory	1	Raw, accessory and ancillary materials	
		2	Semi-finished products and goods	
		3	Contract work in progress	
		4	Finished products and goods	
		5	Advance payments	
	<i>Total inventory</i>			
	II. Receivables	1	Trade receivables	
		2	Subsidiaries	a trade b financial c other
			<i>Total receivables from subsidiaries</i>	
		3	Associates	a trade b financial c other
			<i>Total receivables from associates</i>	
		4	Parent company	a trade b financial c other
			<i>Total receivables from parent company</i>	
		4bis	Tax authorities	
		4ter	Deferred tax asset	
		5	Others	a financial b advance payments c other
			<i>Total receivables from others</i>	
		6	Other Group companies	a trade b financial c other
			<i>Total receivables from other Group companies</i>	
	<i>Total receivables</i>			
	III. Other financial assets	1	Equity investments in subsidiaries	
		2	Equity investments in associates	
		3	Equity investments in other companies	
		4	Own shares	
		5	Securities	
		6	Bills receivable	
	<i>Total other financial assets</i>			
	IV. Liquid assets	1	Bank and post office accounts	
		2	Cheques	
		3	Cash in hand	
	<i>Total liquid assets</i>			

TOTAL CURRENT ASSETS

D) ACCRUED INCOME AND PREPAID EXPENSES

TOTAL ASSETS

31 December 2004			31 December 2003		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		23,796			28,345
		22,023			11,379
		45,819			39,724
		468,617			468,617
		45,806			55,915
		728			27,706
		296,628			371,945
		50,000			
		861,779			924,183
		165,725,323			160,737,954
		480,900			312,400
		31,524,809			48,047,146
		197,731,032			209,097,500
				5,435,488	5,435,488
	149,020	149,020		149,561	149,561
	149,020	149,020		5,585,049	5,585,049
		12,156,904			12,152,709
		210,036,956			226,835,258
		210,944,554			227,799,165
3,514,781		3,514,781	4,647,123	1,803,739	6,450,862
16,646,538		16,646,538	520,424		520,424
192,588,297		192,588,297	140,526,670		140,526,670
563,124		563,124	766,537		766,537
209,797,959		209,797,959	141,813,631		141,813,631
2,640,619		2,640,619	2,401,958		2,401,958
1,406,760		1,406,760			
			466		466
4,047,379		4,047,379	2,402,424		2,402,424
33,988,194		33,988,194	33,816,603		33,816,603
			994		994
179		179	11,231		11,231
25,314,893		25,314,893	24,738,141	2,668,773	27,406,914
25,315,072		25,315,072	24,750,366	2,668,773	27,419,139
276,663,385		276,663,385	207,430,147	4,472,512	211,902,659
		30,974,843			46,786
		15,235			3,239,495
		30,990,078			3,286,281
		212,908			274,209
		9,373			12,924
		222,281			287,133
		307,875,744			215,476,073
		250,262			78,608
		519,070,560			443,353,846

Liabilities

A) SHAREHOLDERS' EQUITY	
I. Share capital	
II. Share premium reserve	
III. Revaluation reserve	1 reserve ex Law 72/83 2 reserve ex Law 413/91
<i>Total revaluation reserve</i>	
IV. Legal reserve	
V. Statutory reserve	
VI. Reserve for own shares	
VII. Other reserves	1 Extraordinary reserve 2 Advances by shareholders
<i>Total other reserves</i>	
VIII. Profit (loss) carried forward	
IX. Profit (loss) for the year	
TOTAL SHAREHOLDERS' EQUITY	
B) PROVISIONS FOR RISKS AND CHARGES	
	1 For pensions and similar obligations
	2 For taxes
	a Current b Deferred
<i>Total provision for taxes</i>	
	3 Others
	a Provision for ongoing lawsuits b Provision for equity investment risks c Provision for environmental improvements d Provision for reorganisation and liquidation costs e Other provisions
<i>Total others</i>	
TOTAL PROVISIONS FOR RISKS AND CHARGES	
C) EMPLOYEE SEVERANCE INDEMNITY	
D) PAYABLES	
	1 Bonds
	2 Convertible bonds
	3 Shareholders' loans
	4 Banks
	5 Other financing creditors
	6 Advance payments received
	7 Trade payables
	8 Bills payable
	9 Subsidiaries
	a trade b financial c other
<i>Total amount payable to subsidiaries</i>	
	10 Associates
	a trade b financial c other
<i>Total amount payable to associates</i>	
	11 Parent company
	a trade b financial c other
<i>Total amount payable to parent company</i>	
	12 Tax payables
	13 Social security and national insurance contributions
	14 Other payables
	15 Other Group companies
	a trade b financial c other
<i>Total amount payable to other Group companies</i>	
TOTAL PAYABLES	
E) ACCRUED LIABILITIES AND DEFERRED INCOME	
TOTAL LIABILITIES	

31 December 2004			31 December 2003		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		72,741,966			72,741,966
		28,684,919			28,689,114
		31,375,994			31,375,994
		12,156,904			12,152,709
		17,187,170			17,187,170
		450,000			450,000
		17,637,170			17,637,170
		74,174,186			67,391,208
		14,781,311			8,560,719
		251,552,450			238,548,880
		2,271,649			2,292,574
		5,687,000			6,000,000
		33,369,453			35,927,970
		41,328,102			44,220,544
		41,328,102			44,220,544
		731,100			888,635
	9,151,901	9,151,901		9,151,901	9,151,901
8,024		8,024			
36,200,148	169,027,000	205,227,148	13,750,148	59,027,000	72,777,148
			63,582		63,582
1,336		1,336	10,000		10,000
4,503,697		4,503,697	6,444,420		6,444,420
			782,032		782,032
1,093,513		1,093,513	57,281,468		57,281,468
406,201		406,201	288,004		288,004
1,499,714		1,499,714	58,351,504		58,351,504
			172		172
			172		172
198,537		198,537	1,790,957		1,790,957
395,459		395,459	349,420		349,420
3,497,344		3,497,344	6,786,241		6,786,241
46,304,259	178,178,901	224,483,160	87,546,444	68,178,901	155,725,345
		975,748			3,970,442
		519,070,560			443,353,846

On behalf of the Board of Directors
The Chairman
Federico Falck

6.2.2 Falck SpA - Memorandum items

	31.12.2004			31.12.2003		
	Amounts included on the balance sheet	Off balance sheet items	Total	Amounts included on the balance sheet	Off balance sheet items	Total
<i>(Euro)</i>						
I Guarantees						
- Unsecured guarantees given						
1 <i>Guarantees</i>						
- commitments of the Company		17,910,682	17,910,682		13,624,191	13,624,191
- commitments of subsidiaries	730,000	39,024,348	39,754,348	825,000	109,965,413	110,790,413
- commitments of associates		3,115,022	3,115,022		294,823	294,823
- commitments of third parties		2,557,533	2,557,533		18,007,866	18,007,866
2 <i>Sureties</i>						
3 <i>Other guarantees</i>						
- commitments of the Company		41,136,848	41,136,848		61,705,272	61,705,272
- commitments of subsidiaries	11,890,000	9,310,000	21,200,000	15,002,285	10,864,559	25,866,844
- Secured guarantees						
1 <i>Pledges</i>						
- commitments of the Company	20,421,332		20,421,332	17,111,932		17,111,932
2 <i>Mortgages</i>						
II Other memorandum items						
- Guarantees received						
- warranties		2,338,860	2,338,860			
- other guarantees		4,066,456	4,066,456		4,066,456	4,066,456
- Securities and assets held of third parties						
- Contingencies						
- Commitments						
- Leasing liabilities						
- Securities and assets with third parties						

6.2.3 Falck SpA - Profit and Loss account

(Euro)	31.12.2004	31.12.2003	Variation
A) Value of production			
1 Revenues from sales and services	1,246,814	225	1,246,589
2 Variation in work in progress, semi-finished and finished products and goods			
3 Variation in contract work in progress			
4 Capitalised costs			
a production and inventory			
b capitalised interest			
Total capitalised costs			
5 Other revenues			
a grants received			
b other operating income	718,602	836,268	(117,666)
c costs recovered	3,296,493	3,130,152	166,341
d sundry revenues	112,481	135,727	(23,246)
e real estate revenues	12,980	12,980	
f gains from ordinary operations			
g windfall income	1,168,317	2,570,964	(1,402,647)
Total other revenues	5,308,873	6,686,091	(1,377,218)
Total value of production	6,555,687	6,686,316	(130,629)
B) Production costs			
6 Raw, accessory and ancillary materials and goods	(144,938)	(79,522)	(65,416)
7 Services			
a services	(6,967,270)	(7,779,921)	812,651
b utilities	(72,303)	(101,963)	29,660
c sundry costs	(729,915)	(725,404)	(4,511)
Total services	(7,769,488)	(8,607,288)	837,800
8 Rentals and leasing charges	(603,664)	(563,552)	(40,112)
9 Personnel			
a salaries and wages	(2,877,450)	(2,353,139)	(524,311)
b social security charges	(930,979)	(764,877)	(166,102)
c severance indemnity	(189,413)	(165,545)	(23,868)
d pensions and similar obligations			
e other costs	(161,789)	(151,833)	(9,956)
Total personnel costs	(4,159,631)	(3,435,394)	(724,237)
10 Depreciation and write downs			
a amortisation of intangible assets	(6,912)	(641,394)	634,482
b depreciation of tangible assets	(186,009)	(209,167)	23,158
c other write down of fixed assets		(184,210)	184,210
d write down of current assets receivables and liquid assets	(466)		(466)
e utilisation of bad debts provision in respect of current assets receivables and liquid assets			
f bad debts		(15)	15
Total depreciation and write downs	(193,387)	(1,034,786)	841,399
11 Variation in raw, accessory and ancillary materials and goods			
12 Provision for contingencies			
a Provision for ongoing lawsuits			
b Utilisation of provision for ongoing lawsuits	20,925	71,314	(50,389)
Total provision for contingencies	20,925	71,314	(50,389)
13 Other provisions			
14 Other operating charges			
a indirect taxes	(38,186)	(36,121)	(2,065)
b real estate charges	(3,902)	(10,045)	6,143
c losses from ordinary operations			
d windfall charges	(100,027)	(1,208,783)	1,108,756
e others	(475,014)	(458,702)	(16,312)
Total other operating charges	(617,129)	(1,713,651)	1,096,522
Total production costs	(13,467,312)	(15,362,879)	1,895,567
Difference between value of production and production costs	(6,911,625)	(8,676,563)	1,764,938
C) Financial income and charges			
15 Income from equity investments			
a subsidiaries	809,017	15,631,520	(14,822,503)
b associates			
c other companies	1,609,619	3,523,274	(1,913,655)
d tax credits on dividends		532,370	(532,370)
e gains on disposal of equity investments			
Total income from equity investments	2,418,636	19,687,164	(17,268,528)

(Euro)	31.12.2004	31.12.2003	Variation
16 Other financial income			
a From receivables included as fixed assets			
a.1 subsidiaries			
a.2 associates			
a.3 parent company			
a.4 other Group companies			
a.5 others			
Total from receivables included as fixed assets			
b From securities included as fixed assets			
c From securities included as current assets			
c.1 interest income from securities	15,526	94,611	(79,085)
c.2 gains from disposal of securities	30,220	4,534	25,686
Total income from securities included as current assets	45,746	99,145	(53,399)
d Other income			
d.1 interest and commission from subsidiaries	6,128,949	5,081,680	1,047,269
d.2 interest and commission from associates	24,422	1,633,822	(1,609,400)
d.3 interest and commission from parent company			
d.4 interest and commission from other Group companies			
d.5 interest and commission from banks	3,950	19,468	(15,518)
d.6 interest and commission from others and sundry income	3,583,814	4,737,936	(1,154,122)
Total other income	9,741,135	11,472,906	(1,731,771)
Total other financial income	9,786,881	11,572,051	(1,785,170)
17 Interest expense and other financial charges			
a subsidiaries	(1,223,069)	(1,907,204)	684,135
b associates	(88,301)		(88,301)
c parent company			
d other Group companies			
e others			
f losses on disposal of equity investments	(10,300,323)	(7,729,996)	(2,570,327)
g losses on disposal of securities			
Total interest expense and other financial charges	(11,611,693)	(9,637,200)	(1,974,493)
17bis Gains and losses on exchange rate fluctuations			
a gains on exchange	6,618	10,371	(3,753)
b losses on exchange	(3,339)	(663)	(2,676)
Total gains and losses on exchange rate fluctuations	3,279	9,708	(6,429)
Total financial income and charges	597,103	21,631,723	(21,034,620)
D) Adjustments to financial assets			
18 Revaluations			
a equity investments	2,657,224	5,450,000	(2,792,776)
b financial assets included as fixed assets			
c securities included as current assets			
Total revaluations	2,657,224	5,450,000	(2,792,776)
19 Write down			
a equity investments			
a.1 impairment losses	(1,812,946)	(6,434,089)	4,621,143
a.2 provision for equity investment risks	(1,500,000)		(1,500,000)
a.3 utilisation of provision for equity investment risks	1,813,000	1,000,000	813,000
Total write down of equity investments	(1,499,946)	(5,434,089)	3,934,143
b of financial assets included as fixed assets			
c of securities included as current assets			
Total write down	(1,499,946)	(5,434,089)	3,934,143
Total adjustments to financial assets	1,157,278	15,911	1,141,367
E) Extraordinary income and charges			
20 Income			
a gains from extraordinary disposals	18,971,837	2,376,397	16,595,440
b other extraordinary income	2,608,209	16,593,999	(13,985,790)
c utilisation of provision for reorganisation and liquidation costs		15,891,895	(15,891,895)
Total income	21,580,046	34,862,291	(13,282,245)
21 Charges			
a losses from extraordinary disposals	(34,190)	(8,809,044)	8,774,854
b tax relating to prior financial periods	(34,095)	(199,409)	165,314
c other extraordinary charges	(1,573,206)	(30,264,190)	28,690,984
d reorganisation costs			
Total charges	(1,641,491)	(39,272,643)	37,631,152
Total extraordinary items	19,938,555	(4,410,352)	24,348,907
Profit for the year before taxation	14,781,311	8,560,719	6,220,592
22 Tax on profit for the year			
23 Profit for the year	14,781,311	8,560,719	6,220,592

On behalf of the Board of Directors
The Chairman
Federico Falck

6.2.4 Falck SpA – Notes to the Financial Statements

General Information

Balance sheet and profit and loss account format (art.2423 ter)

The Balance sheet and profit and loss account are prepared in accordance with the format set forth in articles 2424 and 2425 of the Civil Code.

Additional details have been included in the financial statements to give a clearer picture.

Provisions pursuant to section 4 of Art. 2423

During the year, there were no exceptional circumstances that rendered the application of the principles for the preparation of the financial statements incompatible with the norms provided by Legislative Decree 127/91 with respect to the true and fair presentation of the Company's state of affairs, financial position and the result for the year.

There were no instances requiring the application of the departures as allowed by legislation.

Accounting policies and methods of valuation

The accounting policies adopted by the company comply with the regulations governing the preparation of financial statements.

Balance sheet items are included on the basis of the general concepts of prudence, competence and on a going concern basis and therefore, for accounting purposes, the economic substance of operations has been given priority over their legal form.

Profits are recognised if realised within the financial period end, while contingencies and losses are accounted on the accruals basis even if the relative charge is raised after the balance sheet date.

The more significant accounting policies adopted by the company are as follows:

Intangible assets

Intangible assets are stated at cost and are amortised over five years. When required, the statutory auditors approval is obtained.

Intangible assets mainly consist of costs incurred for licences and registration of trademarks.

Tangible assets and depreciation

Tangible assets are stated at acquisition or production cost, including other related expenses. Borrowing costs relating to specific loans are capitalised up to the date of manufacture. Carrying amounts are re-valued in accordance with specific domestic laws that allow for the revaluation of fixed assets.

Depreciation is calculated to reduce the cost or re-valued amount at straight line based on the duration of the estimated useful life of the asset, which prudently approximates the economic-technical rate.

The rates used are as follows: plant 12%-17%, other equipment 25%, office furniture and equipment 12%-20%; motor vehicles 25%.

During the first period of use, depreciation is recognised as from the date of actual utilisation.

Ordinary maintenance costs are recognised in the profit and loss account as an expense as incurred. Maintenance costs are capitalised when these increase the future economic benefits embodied in the item of the asset and are depreciated over the asset's remaining useful economic life.

Financial assets

Equity investments

Equity investments in subsidiaries, in associate companies (between 20% to 50% of the share capital) and other companies that are held on long-term basis, are recognised at cost or re-valued amount in accordance with legislation.

Where there is a permanent diminution in the value of an investment and there are no foreseeable future profits that could absorb the losses, then the cost is written down.

The company has prepared consolidated financial statements.

Other securities

These are stated at subscription cost.

Own shares

The company's own shares are included with financial assets at acquisition cost as approved by shareholders' meetings. An undistributable reserve for an equivalent amount is included with shareholders' equity.

Receivables

Receivables are stated at their estimated recovery amount, net of an allowance for bad debts.

Current financial assets

Equity investments

Equity investments are stated at the lower of acquisition cost and net realisable value.

Securities

Securities are recognised at the lower of cost and net realisable value. Listed securities are stated at market price.

Employee severance indemnity

The provision corresponds to the liability in favour of employees as at the balance sheet date, calculated in accordance with current legislation.

Other provisions

Provision is made where it is reasonable to presume that there could be a possible future risk and the conditions exist to recognise such provision.

Payables

Payables are stated at cost.

Amounts in foreign currency

Monetary assets and liabilities expressed in foreign currencies are translated to Euro at the exchange rates prevailing at balance sheet date, net of any hedging arrangements.

Realised gains and losses resulting from transactions in foreign currencies are credited or charged to the profit and loss account.

Prepayments, accruals and deferrals

These are recognised on the accrual basis.

Revenue

Revenue is stated net of returns, discounts, bonuses and premiums, as well as taxes directly related to the sale of goods or services rendered.

Revenue from sale of products is recognised at the time of the transfer of ownership, this being on delivery or despatch of the goods.

Revenue of a financial nature is recognised on the accrual basis.

Costs

Costs are stated net of returns, discounts, bonuses and premiums, as well as taxes directly related to the purchase of goods and services.

Dividends

Dividends are recognised at the time when the right to receive such dividend is established following approval by the shareholders' meeting and is received. In respect of subsidiaries, whose shareholders' meeting declare a dividend prior to the convening of the board meeting of the parent company, the dividend is recognised on the accruals basis.

Contingencies, commitments and guarantees

Contingencies, commitments and guarantees as at the balance sheet date are disclosed as memorandum items.

Guarantees given in respect of financial commitments are recognised at an amount equivalent to the liabilities to which these relate.

In order to give a better understanding of the total exposure to contingencies and commitments, these amounts are separately disclosed in the financial statements as to those that are included on balance sheet and those that relate to off balance sheet items.

Tax and tax liabilities

Current tax is provided at the applicable tax rate on the basis of the estimated taxable income for the year.

Tax liabilities are disclosed separately on the balance sheet.

In accordance with accounting standard n.25, deferred taxes are provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. A deferred tax asset is included with amounts receivable and is recognised to the extent that it is probable that future taxable profits would be available against which this asset can be utilised.

Contents and variations of the balance sheet

B Assets

B 1 Intangible assets

Movements during the year are as follows:

<i>(Euro thousand)</i>	Balance 31.12.2003	Additions	Capitali- sation	Write down	Disposals	Amorti- sation	Balance 31.12.2004
BI1 Start-up and expansion costs							
BI2 Research, development and advertising costs							
BI3 Industrial patent rights	29					(5)	24
BI4 Concessions, licences and trademarks	11	13				(2)	22
BI5 Goodwill							
BI6 Assets under construction and advance payments							
- assets under construction							
- advance payments							
Total assets under construction and advance payments							
BI7 Other intangible assets							
Total	40	13				(7)	46

Additions amounting to Euro 13 thousand represent costs incurred in respect of the registration of trademarks.

During the year no financial charges were capitalised with intangible assets.

The above costs were capitalised as these are considered to render economic benefits over a number of years.

B II Tangible assets

Movements during the year are as follows:

	Balance 31.12.2003	Additions (A)	Capitali- sation	Write down	Disposals (B)	Depre- ciation	Balance 31.12.2004
<i>(Euro thousand)</i>							
Gross value							
BII1 Land and buildings	469						469
BII2 Plant and machinery	106						106
BII3 Industrial and office equipment	210						210
BII4 Other assets	4,607	99			(70)		4,636
BII5 Assets operated under concession							
BII6 Assets under construction and advance payments							
- assets under construction							
- advance payments		50					50
Total assets under construction and and advance payments		50					50
Total gross value	5,392	149			(70)		5,471
Depreciation							
BII1 Land and buildings							
BII2 Plant and machinery	(50)					(10)	(60)
BII3 Industrial and office equipment	(183)					(26)	(209)
BII4 Other assets	(4,235)				44	(150)	(4,341)
BII5 Assets operated under concession							
Total depreciation	(4,468)				44	(186)	(4,610)
Net values							
BII1 Land and buildings	469						469
BII2 Plant and machinery	56					(10)	46
BII3 Industrial and office equipment	27					(26)	1
BII4 Other assets	372	99			(26)	(150)	295
BII5 Assets operated under concession							
BII6 Assets under construction and advance payments							
- assets under construction							
- advance payments		50					50
Total assets under construction and and advance payments		50					50
Total net values	924	149			(26)	(186)	861

Additions refer to acquisitions of two motor vehicles for Euro 52 thousand, personal computer for Euro 33 thousand, office furniture for Euro 14 thousand and to a deposit paid for the purchase of land to be utilised in the future towards the set up of a waste to energy power plant.

Disposals, which in total have generated a loss of Euro 7 thousand, refer to sales of sundry assets.

No financial charges were capitalised during the year.

Monetary revaluation

Tangible assets as at year end include the following revaluations carried out during the years 1975-1991 in accordance with domestic Laws on monetary revaluation.

<i>(Euro thousand)</i>	Balance 31.12.2003	Movements (+)	(-)	Balance 31.12.2004
Land and buildings	251			251
Total	251			251

In accordance with art.10 of Law n. 72/1983, hereunder are detailed the company's assets as at 31 December 2004 on which monetary revaluations have been carried out.

<i>(Euro thousand)</i>	Law of 1952 and prior	Law n. 576 of 2.12.75	Law n. 72 of 19.3.83	Law n. 413 of 30.12.91	Total 31.12.2004
Land and buildings		11	29	211	251
Total		11	29	211	251

BIII Financial assets

BIII 1 Equity investments

Subsidiaries

<i>(Euro thousand)</i>	Balance 31.12.2003	Acquisit. and share capital increase (A)	Reclassi- fications	Disposals (B)	Revalua- tions	Write down	Other movem.	Balance 31.12.2004
cost	294,166	5,238		(251)				299,153
revaluation	3,187							3,187
write down (net of write back)	(136,615)							(136,615)
Total	160,738	5,238		(251)				165,725

A) The company subscribed and paid for the increase in the share capital of Falck Energy Sa for Euro 3,007 thousand and acquired 340,680 shares in Actelios SpA for Euro 2,200 thousand. The company set up Falck Iran Sa and paid Euro 31 thousand in respect of the share capital.

B) Disposals consist of the sale of the entire shareholding in Il Chiodo Srl generating a gain of Euro 2,810 thousand.

Equity investment acquisition costs are generally lower than the share in the relative shareholders' equity, except for Irla-Redaelli Tecna Lamnati SpA, Falck Acciai-CNS SpA and Falck Energy Sa whose carrying amounts are in excess of the relevant share in shareholders' equity.

In respect of Irla-Redaelli Tecna Lamnati SpA the difference is substantially attributable to the fair value of tangible assets over their net book value at the date of acquisition and therefore on provision is necessary, in the case of the Falck Acciai-CNS SpA a provision for Euro 1,500 thousand is included in the Provision for equity investment risks while in respect of Falck Energy Sa the variation is not considered as representing a permanent diminution in the value of this investment as profits are expected to be generated in the forthcoming years.

Associates

	Balance 31.12.2003	Acquisit. and share capital increase (A)	Reclassi- fications	Disposals (B)	Revalua- tions	Write down	Other movem.	Balance 31.12.2004
<i>(Euro thousand)</i>								
cost	5,514	496		(327)				5,683
revaluation	(5,202)							(5,202)
write down (net of write back)								
Total	312	496		(327)				481

A) Additions refer to subscription for the increase in the share capital of Sadelmi SpA.

B) Disposals refer to the sale by the Company of 30% equity holding in Sadelmi SpA.

Other companies

	Balance 31.12.2003	Acquisit. and share capital increase (A)	Reclassi- fications	Disposals (B)	Revalua- tions	Write down	Other movem.	Balance 31.12.2004
<i>(Euro thousand)</i>								
cost	56,666	375		(124)			(19,430)	37,487
revaluation	5,469				2,657			8,126
write down (net of write back)	(14,088)							(14,088)
Total	48,047	375		(124)	2,657		(19,430)	31,525

Increases refer to the subscription and payment for an increase in the share capital of PCF-Project Financing Consulting SpA following which the Company holds 12.5% of the share capital.

Disposals refer to the sale of the entire equity holdings in Banca Lombarda SpA (Euro 24 thousand), and Acea SpA (Euro 49 thousand) and to the partial sale of shares held in Enertad SpA (Euro 51 thousand).

Revaluations refer to Banca Intesa SpA the carrying amount of which was increased by Euro 2,657 thousand to reflect the average stock exchange price for the last six months of the year.

Other movements refer to Consortium Srl (-Euro 15,092 thousand) following a de-merger in Consordue Srl, the latter assigning shares in Mediobanca SpA and Assicurazioni Generali SpA and a reduction of Euro 4,338 thousand in respect of Crossenergy Srl reflecting the expiry of a shareholders' resolution to effect an increase in share capital. This liability has been cancelled.

Furthermore, 5,945,325 shares of Banca Intesa SpA are still pledged in respect of a convertible bond issued by Mediobanca International Ltd, maturing July 2005.

Equity holdings in other companies as at 31 December 2004 are as follows:

	Book Value (Euro)	Shareholding (%)
Agenzia Nord Milano SpA	51,646	3.333
Banca Intesa SpA	20,421,332	0.089
Compagnia Fiduciaria Nazionale SpA	32,532	13.333
Crossenergy Srl	3,934,497	15.000
Edison SpA	336,815	0.049
Enertad SpA	351	
Hera SpA	800,000	0.081
Idrovia Ticino SpA	6,456	2.576
Indesit SpA		0.103
Istituto per l'edilizia economia e popolare Milano Srl (in liquidation)	516	3.226
Istituto per i valori di Impresa Srl	516	8.333
Istud Istituto Studi Direzionali SpA	2,066	0.400
Olt Energy Toscana Srl	5,508,872	10.527
PCF - Project Financing Consulting SpA	375,000	12.500
Redaelli G. & Fratello SpA		13.987
Redaelli Sidas SpA		6.061
Lybian Joint Company	10,492	
U-Steel SpA (in liquidation)	43,718	11.040
Total	31,524,809	

B III 2 Receivables

B III 2a *Receivables from subsidiaries*

These consisted of interest free loans granted to Il Chiodo Srl which loans were repaid following the disposal of the mentioned subsidiary at the year end.

B III 2f *Guarantee deposits*

There were virtually no movements during the year as compared to 31 December 2003.

B III 4 *Own shares*

During the year there were the following movements:

	n. shares	% share capital	Cost (Euro)	Carrying amount per share
Balance at 31.12.2003	6,904,905	9.492	12,152,709	1.76
Acquisitions during the year	816	0.001	4,195	5.14
Adjustment for error in 2003	(5,487)	(0.008)		
Balance at 31.12.2004	6,900,234	9.486	12,156,904	1.76

During 2003, the number of own shares were incorrectly increased by 5,487 following an increase in share capital by means of a bonus issue. This error was rectified during the current year.

C Current assets

C II Receivables

Receivables increased by Euro 64,851 thousand as compared to 31 December 2003.

This is mainly attributable to the increase in *Financial receivables from subsidiaries* amounting to Euro 52,062 thousand and in *Trade receivables from associates* of Euro 16,126 thousand while there was a reduction in Trade receivables of Euro 2,936 thousand and in Receivables from others-Others of Euro 2,002 thousand.

There were no amounts that were receivable after five years.

Foreign debtors amount to Euro 41 thousand due from a USA trade customer.

There were no movements in the provision for bad debts in respect of trade receivables. This is made up as follows:

(Euro thousand)

Balance 31 December 2003	251
Write back	
Provision	
Balance 31 December 2004	251

Receivables from tax authorities amount to Euro 33,988 thousand of which Euro 33,528 thousand refer to tax credits, inclusive of interest and the balance represents VAT receivable.

During November, Falck SpA started proceedings in accordance with legislation against the Tax Authority requesting the settlement of Euro 22,455 thousand as principal amount.

The Company, being a holding company, derives its income mainly from dividends which are almost entirely not subject to tax in the company's hands. In view of this, the Company has not recognised a deferred tax asset in respect of tax losses carried forward as it not probable that there will be enough taxable profits in the forthcoming years to absorb the tax losses.

Receivables from others - Others consist of:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Receivables from personnel (Fondo Cometa)	43	34	9
Receivables from Il Chiodo	433		433
Advance to ICQ for wind farm projects in Italy	2,500	2,500	
Receivables from Valbruna for disposal of Acciaierie di Bolzano SpA	6,941	6,941	
Deposit acquisition Tecnimont SpA	15,000	15,000	
Recourse in respect of INVIM	105		105
Call option JP Morgan	123	2,669	(2,546)
Other	170	263	(93)
Total	25,315	27,407	(2,092)

The above includes Euro 15,000 thousand in respect of a deposit paid during 2002 on the signing of an agreement between Falck SpA and Edison SpA for the acquisition of the entire share capital of Tecnimont SpA and Protecma SpA.

The above also includes an amount receivable in respect of a Capped European Call Option on shares in Unicredito Italiano SpA maturing April 2005 entered with JP Morgan during April 2002, for a consideration of Euro 7,663 thousand. The option has two strike prices: Floor of Euro 4.6773 and Cap of Euro 6.7873. The exercise or otherwise of the option falls on maturity date by reference to the two strike prices and the average price of the Unicredito Italiano SpA shares of the last three working days prior to the maturity date.

On 31 December 2004 JP Morgan valued the option on the basis of the listed price at Euro 2,546 thousand lower than the carrying amount at 31 December 2003. The option is therefore being carried at Euro 123 thousand.

Finally, legal proceedings were instituted for the recovery of amounts receivable from Acciaierie di Bolzano SpA, Siab SpA and Cersec Srl.

C III Current financial assets

C III 3 Equity investments in other companies

<i>(Euro thousand)</i>	Balance 31.12.2003 capital increase	Acquisit. and share	Reclassi- fications	Disposals	Revalua- tions	Write down	Other movem.
cost	428	31,264					31,692
revaluation							
write down (net of write back)	(381)					(336)	(717)
Total	47	31,264				(336)	30,975

Additions refer to 27,003 shares in Mediobanca SpA and 4,261 shares in Assicurazioni Generali SpA. Write down of Euro 336 thousand was made in respect of Assicurazioni Generali SpA to reduce the carrying amount to market value.

The above investments consist of:

	Carring amount (Euro)	% equity holding (%)
Assicurazioni Generali SpA	3,924,483	0.013
Camfin SpA	46,786	0.033
Mediobanca SpA	27,003,573	0.315
Total	30,974,842	

C III 5 Securities

<i>(Euro thousand)</i>	Abi Code	31.12.2004	31.12.2003	Variation
Treasury Credit Certificate 1/1/2006	367596		3,148	(3,148)
Cariplo Bond 01/01/2004	1301		45	(45)
Cariplo Bond 01/01/2005	1332	15	46	(31)
Total		15	3,239	(3,224)

C 1V Liquid assets

These mainly consist of bank current accounts the balance of which decreased by Euro 65 thousand as compared to 31 December 2003.

D Accrued income and prepaid expenses

This mainly consists of insurance and rent payable.

A Shareholders' equity

A I Share capital

Share capital consists of 72,730,824 ordinary shares and 11,142 saving shares having a nominal value of Euro 1.00 each, fully subscribed and paid up.

As already noted, during the year there were movements in own shares held as a result of which, at year end, the Company held 6,900,234 shares, of which 3,513 are saving shares, having a total nominal value of Euro 6,900,234.

Items making up shareholders' equity can be classified as follows:

<i>(Euro thousand)</i>	Amount	Extent of utilisation	Available amount	Summary of utilisations carried out in the preceding three years	
				To cover losses	Other
Share Capital	72,742				(118,741)
Capital reserves					
Share premium reserve	28,685	A-B-C	28,685		(78,404)
Reserve for own shares	6,668				(11,201)
Shareholders' contributions	450	A-B			
Earnings reserves					
Legal reserve	31,376	A-B	16,828		
Extraordinary reserve	17,187	A-B-C	17,187		
Reserve for own shares	5,489				(9,222)
Profit (Loss) carried forward	74,174	A-B-C	74,174		(32,633)
Total	236,771		136,874		

Agenda:

A: for increase in share capital

B: to cover losses

C: for distribution to shareholders

Shareholders' equity was utilised as follows:

- reduction in share capital effected during 2002 amounting to Euro 118,741 thousand following a de-merger;
- reduction in share premium reserve effected during 2002 amounting to Euro 32,916 thousand following a de-merger;
- reduction in share premium reserve effected during 2002 amounting to Euro 2,234 thousand following a reclassification to reserve for own shares;
- reduction in share premium reserve effected during 2003 amounting to Euro 41,220 thousand following a bonus issue of shares;

- reduction in share premium reserve effected during 2003 amounting to Euro 2,030 thousand following a reclassification to reserve for own shares;
- reduction in share premium reserve effected during 2004 amounting to Euro 4 thousand following a reclassification to reserve for own shares;
- reduction in reserve for own shares effected during 2002 amounting to Euro 20,423 thousand following a de-merger which entailed an equivalent reduction of own shares;
- reduction in profit carried forward effected during 2002 amounting to Euro 32,633 thousand following a merger with companies owned by the Falck family.

Shareholders' equity in 2003 and 2004 is as follows:

<i>(Euro thousand)</i>	Balance 31.12.2002	Appropriation of results	Profit (loss) for the year	Increase in share capital	Other movements	Balance 31.12.2003
Share capital	31,522			41,220		72,742
Share premium reserve	71,939			(41,220)	(2,030)	28,689
Revaluation reserve						
Legal reserve	31,376					31,376
Own shares reserve	10,123				2,030	12,153
Statutory reserve						
Other reserve:						
- extraordinary reserve	17,187					17,187
- shareholders' contribution	450					450
Profit carried forward	52,399	14,992				67,391
Profit for the year	16,582	(16,582)	8,561			8,561
Total	231,578	(1,590)	8,561			238,549

<i>(Euro thousand)</i>	Balance 31.12.2003	Appropriation of results	Profit (loss) for the year	Increase in share capital	Other movements	Balance 31.12.2004
Share capital	72,742					72,742
Share premium reserve	28,689				(4)	28,685
Revaluation reserve						
Legal reserve	31,376					31,376
Own shares reserve	12,153				4	12,157
Statutory reserve						
Other reserve:						
- extraordinary reserve	17,187					17,187
- shareholders' contribution	450					450
Profit carried forward	67,391	6,783				74,174
Profit for the year	8,561	(8,561)	14,781			14,781
Total	238,549	(1,778)	14,781			251,552

The profit for 2003 has been appropriated as to Euro 6,783 thousand added to profits carried forward and Euro 1,778 thousand distributed as dividend, as resolved by the Shareholders Meeting held on 30 April 2004.

B Provisions for risks and charges

<i>(Euro thousand)</i>		Balance	Allocation	Utilisation	Balance
		31.12.2003	to provision		31.12.2004
B1	<i>Provisions for pensions and similar obligations</i>				
B2	<i>Provisions for taxes</i>				
	a. Current				
	b. Deferred				
	<i>Total provisions for taxes</i>				
B3	<i>Other provisions</i>				
	a. Provisions for ongoing lawsuits	2,293		(21)	2,272
	b. Provisions for equity investment risks	6,000	1,500	(1,813)	5,687
	c. Provision for environment improvements				
	d. Provision for reorganisation and liquidation				
	e. Other provisions	35,928		(2,559)	33,369
	<i>Total other provisions</i>	44,221	1,500	(4,393)	41,328
Total		44,221	1,500	(4,393)	41,328

B3 Other provisions

B3a *Provision for ongoing lawsuits*

This decreased by Euro 21 thousand representing utilisation in respect of compensation for damages connected with a lawsuit concluded during the current year.

B3b *Provision for equity investment risk*

This provision increased by Euro 1,500 thousand to recognise the difference resulting between the carrying amount of the equity investment in Falck Acciai-CNS SpA and shareholders' equity, while the provision was reduced following utilisation thereof towards the write down of Assicurazioni Generali SpA (Euro 336 thousand) and for the losses sustained in respect of the equity investment in Consortium Srl, following the de-merger in Consordue Srl, and the latter being placed into liquidation (Euro 1,477 thousand).

The provision as at 31 December 2004 consists of:

(Euro thousand)

Assicurazioni Generali SpA	187
Crossenergy Srl	4.000
Falck Acciai-Cns SpA	1.500

B3e *Other provisions*

These provisions were raised in respect of potential liabilities that could result from disputes with the Public Administration, towards risks associated with the Bolzano industrial site, towards environment risks connected to the former steel making activities and in respect of other risks linked to equity investments.

During the year, the provision decreased by Euro 2,559 thousand. The provision was principally utilised towards environment improvements connected to former activities of Falck SpA. Excess provision was transferred to the Provision for equity investment risks in respect of Falck Acciai-CNS SpA.

C Employee severance indemnity

The movements for the year are as follows:

<i>(Euro thousand)</i>	Balance	Provision	Transfers	Utilisation	Balance
	31.12.2003		by Group	and	31.12.2004
			entities	payments	
Managerial	628	139	(197)	(50)	520
Clerical	258	49	2	(13)	296
Industrial	3	2			5
Total	889	190	(195)	(63)	821

D Payables

Payables increased by Euro 68,758 thousand as compared to 31 December 2003 principally attributable to an increase in *Loans and overdrafts payable to banks* of Euro 132,450 thousand, partially compensated by a decrease in *Financial payables to parent company* of Euro 57,281 thousand, in *Other payables* of Euro 3,289 thousand, in *Tax payables* of Euro 1,592 thousand and in *Trade payables* of Euro 1,941 thousand.

Amounts payable to banks amounting to Euro 139,027 thousand were granted on secured bases, whilst the remaining Euro 66,200 thousand are unsecured.

There are no liabilities which are payable after more than five years.

Payables to foreign creditors (consisting of trade payables) amount to Euro 490 thousand of which Euro 283 thousand are in respect of EU suppliers and Euro 207 thousand in respect of suppliers from the rest of Europe.

At 31 December 2004, there were the following medium and long-term loans:

<i>(Euro thousand)</i>	Original amount	Outstanding balance 31.12.2004	Due within 12 months	Final repayment date
- Mediobanca SpA	29,027	29,027		2006
- Banca Antonveneta SpA	30,000	30,000		2007
- Monte dei Paschi di Siena SpA	110,000	110,000		2006
Total	169,027	169,027		

Other payables are made up as follows:

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Payable to Acciaierie di Bolzano SpA for assignment of debts	1,640	1,640	
Dividends payable to shareholders	27	28	(1)
Payables to shareholders on distribution of reserves	190	190	
Payable to Immobiliare Bolzano	349		349
Payable to Techint for price adjustment ETR	500		500
Payables to personnel	219	219	
Unutilised vacation leave	303	233	70
Unpaid subscription for equity participation	135	4,338	(4,203)
Other	134	138	(4)
Total	3,497	6,786	(3,289)

The amount payable to Immobiliare Bolzano derive from a contract entered by the latter at the time of sale of Il Chiodo Srl and the amount payable to Techint originate from the contract for the sale of 45% equity holding in ETR SpA.

Unpaid subscription for equity participation was reduced by Euro 4,338 thousand in respect of Crossenergy Srl, as the liability for the increase in share capital was cancelled since the increase has not been approved by a shareholders' meeting, and was increased by Euro 135 thousand for the subscription to an increase in the share capital of Sadelmi SpA.

E Accrued liabilities and deferred income

This principally refers to accruals for interest payable on medium/long term financial payables for Euro 976 thousand.

Memorandum items

Guarantees given in respect of the company's own commitments and those given on behalf of subsidiaries relate as to Euro 40,249 thousand for environment risks, Euro 87,469 thousand in respect of bank facilities granted to the Company and to subsidiaries of which Euro 12,620 thousand were utilised as at 31 December 2004, Euro 21,993 thousand in respect of VAT credits receivable by Group entities, Euro 3,065 thousand in respect of guarantees issued connected to wind farm projects, Euro 41,137

thousand in favour of IRI following the acquisition of Aeroporti di Roma SpA, Euro 9,296 thousand covering doubtful tax credits of an entity sold to ABB group and Euro 163 thousand in respect of other guarantees.

Guarantees in respect of environment risks refer to Euro 6,475 thousand given in favour of public entities on behalf of Ecosesto SpA and the balance for the Company's own commitments in respect of potential damages connected with the utilisation of the former steel making sites.

Guarantees secured by pledge refer to a pledge on 6,400,899 ordinary shares of Banca Intesa SpA given as security for loans granted by Mediobanca SpA.

Transactions with Group companies

<i>(Euro thousand)</i>	Trade receivables			Trade payables		
	31.12.2004	31.12.2003	Variation	31.12.2004	31.12.2003	Variation
Subsidiaries						
Actelios SpA	16,101	319	15,782	277	43	234
Ambiente 2000 Srl	2	2				
Ecosesto SpA		4	(4)	10		10
Elettroambiente SpA	126		126	150		150
Falck Acciai-Cns SpA	24	37	(13)			
Falck Financial Services Sa				350	393	(43)
Falck Renewables Ltd		8	(8)	237		237
Il Chiodo Srl					4	(4)
Itla-Redaelli Tecna Laminati SpA	23	25	(2)			
Montalto Ambiente SpA		1	(1)			
Platani Energia Ambiente ScpA	44	5	39			
Prima Srl	274	10	264			
Riesfactoring SpA	7	10	(3)	61	49	12
Sesto Siderservizi Srl	2	77	(75)	9	293	(284)
Tifeo Energia Ambiente ScpA	43	5	38			
Ttr Srl		17	(17)			
Total subsidiaries	16,646	520	16,126	1,094	782	312
Associates						
Frullo Energia Ambiente Srl	25	25				
Gsa Scarl (in liquidation)	23	23				
Lonardi Costruzioni Srl (in liquidation)	4	7	(3)			
Palermo Energia Ambiente ScpA	2,562	2,152	410			
Sadelmi SpA	27	80	(53)			
Smartcity.it SpA (in liquidation)		115	(115)			
Total associates	2,641	2,402	239			

<i>(Euro thousand)</i>	Financial receivables			Financial payables		
	31.12.2004	31.12.2003	Variation	31.12.2004	31.12.2003	Variation
Subsidiaries						
Actelios SpA	34,402	58,243	(23,841)			
Elettroambiente SpA	15,267		15,267			
Falck Acciai-Cns SpA	919	5,149	(4,230)			
Falck Renewables Ltd	3,466		3,466	1,846		(1,846)
Falck Energy Sa	123,744		123,744			
Falck Energy Iran Sa	125		125			
Finstahl Sa	11,651	14,055	(2,404)			
Il Chiodo Srl				5,298		(5,298)
Itla-Redaelli Tecna Laminati SpA	370	4,725	(4,355)			
Prima Srl		58,355	(58,355)	50,000		(50,000)
Riesfactoring SpA	116		116	137		(137)
Sesto Siderservizi Srl	2,528		2,528			
Total subsidiaries	192,588	140,527	52,061	57,281		(57,281)
Associates						
Palermo Energia Ambiente ScpA	1,407		1,407			
Total associates	1,407		1,407			

<i>(Euro thousand)</i>	Other receivables			Other payables		
	31.12.2004	31.12.2003	Variation	31.12.2004	31.12.2003	Variation
Subsidiaries						
Actelios SpA	177	111	66			
Ambiente 2000 Srl	67	74	(7)			
Ecosesto SpA				210	247	(37)
Falck Acciai-Cns SpA	310	99	211			
Sesto Siderservizi Srl				7	5	2
Il Chiodo Srl					5	(5)
Itla-Redaelli Tecna Laminati SpA		393	(393)	164	6	158
Montalto Ambiente SpA				4	10	(6)
Prima Srl		83	(83)	21		21
Riesfactoring SpA	9	6	3			
Ttr Srl					15	(15)
Total subsidiaries	563	766	(203)	406	288	118

Contents and variations of the profit and loss account

A Value of production

This decreased by Euro 131 thousand as compared to the previous year mainly due to a decrease in windfall income (-Euro 1,403 thousand) net of an increase in revenue from owner's engineering services rendered to Palermo Energia Ambiente ScpA (+Euro 1,247 thousand).

Revenues consist of services and were entirely generated from the domestic market.

B Production costs

These costs decreased by Euro 1,896 thousand principally attributable to a reduction in services costs (-Euro 838 thousand), in depreciation and write down (-Euro 1,109 thousand), net of an increase in personnel costs due to an increase in the average number of personnel (+Euro 724 thousand).

C Financial income and charges

C15 Income from equity investments

<i>(Euro thousand)</i>	Dividend		Tax credit		Total	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Subsidiaries						
Finstahl Sa		15,000				15,000
Itla-Redaelli Tecna Laminati SpA	619	442		248	619	690
Riesfactoring SpA	190	190		107	190	297
Total subsidiaries	809	15,632		355	809	15,987
Others						
Banca Intesa SpA	299	89		50	299	139
Banca Lombarda SpA		1		1		2
Camfin SpA	1	1			1	1
Compagnia Fiduciaria Nazionale SpA	101	224		126	101	350
Hera SpA	34				34	
Mediobanca SpA	982				982	
Redaelli G.& Fratello SpA	155	2,641			155	2,641
Redaelli Sidas SpA	37	567			37	567
Total others	1,609	3,523		177	1,609	3,700
Total	2,418	19,155		532	2,418	19,687

C 16 Other financial income

This decreased by Euro 1,785 thousand, mainly attributable to a reduction in interest receivable from associates (-Euro 1,609 thousand) and interest receivable from others (-Euro 1,154 thousand), net of an increase in interest receivable from subsidiaries (+Euro 1,047 thousand).

C 17 Interest expense and other financial charges

These increased by Euro 1,974 thousand mainly as a result of higher interest payable to others (+Euro 2,570 thousand), net of a decrease in interest payable to subsidiaries (- Euro 684 thousand).

Interest expense and other financial charges are made up as follows:

<i>(Euro thousand)</i>	Bonds	Banks	Other	Total
Subsidiaries			1,223	1,223
Associates			88	88
Others	381	4,860	5,059	10,300
Total	381	4,860	6,370	11,611

D Adjustments to financial assets

D 18 a Revaluation of equity investments

This refers to an increase in the carrying amount of the investment in Banca Intesa SpA to reflect the average stock exchange price for the last six months of the year. This investment was written down during 2002.

D19 a Write down of equity investments

D19 a 1 Impairment losses

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Consortium Srl	1,477	5,202	(3,725)
Assicurazioni Generali SpA	336	1,232	(896)
Total	1,813	6,434	(4,621)

D19 a 2 Provision for equity investments risks

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Falck Acciai-Cns SpA	1,500		1,500
Total	1,500		1,500

D19 a 3 Utilisation of the provision for equity investment risk

The amount of Euro 1,813 thousand was utilised towards losses incurred on the investment in Consortium Srl and the write down to market value of the investment in Assicurazioni Generali SpA.

E Extraordinary income and charges

E20 Extraordinary income

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a Gains from extraordinary disposals			
Gains from disposal of equity investments	18,972	2,358	16,614
Gains from disposal of tangible assets		18	(18)
Total gains from extraordinary disposals	18,972	2,376	16,596
b Other			
Insurance claims	14	4	10
Compensation for damages		484	(484)
Other extraordinary income	35		35
Utilisation of provision for other risks	2,559	16,106	(13,547)
Total other	2,608	16,594	(13,986)
c Utilisation of provision for re-organisation costs		15,892	(15,892)
Total extraordinary income	21,580	34,862	(13,282)

The gains from disposal of equity investments is made up as follows:

<i>(Euro thousand)</i>	
Acea SpA	8
Banca Lombarda SpA	2
Ecosesto, ETR and TTR	16,022
Enertad Spa	130
Il Chiodo Srl	2,810
Total	18,972

Comments with respect to the utilisation of the Provision for other risks have already been included in the section relating to provisions.

E 21 Extraordinary charges

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
a Losses from extraordinary disposals			
Losses from disposal of equity investments	27	8,809	(8,782)
Losses from disposal of tangible assets	7		7
Total losses from extraordinary disposals	34	8,809	(8,775)
b Tax relating to prior financial years	34	199	(165)
c Other			
Compensation for damages	2	1,475	(1,473)
Contractual penalties			
Sundry extraordinary charges	1,571	5,483	(3,912)
Provision for other risks		23,306	(23,306)
Total other	1,573	30,264	(28,691)
d Reorganisation costs			
Total extraordinary charges	1,641	39,272	(37,631)

Losses from disposal of equity investments were sustained on disposal of a portion of the shares held in Sadelmi SpA whereas losses from disposal of tangible assets are attributable to the sale of sundry assets.

Extraordinary charges principally refer to Euro 529 thousand incurred by Novamet Srl (formerly a Group company) and Euro 333 thousand paid to Pasini group, the latter the acquirer of the industrial sites at Sesto San Giovanni, reimbursed in terms of contractual agreements and costs amounting to Euro 592 thousand incurred on improvements to the former steel making industrial sites.

E22 Tax on profit for the year

No tax has been provided on the profit for the year since the chargeable income in respect of IRES (corporate tax) has been absorbed by the tax losses brought forward from the year 2003. Unabsorbed tax losses carried forward amount to about Euro 1,300 thousand. There is no taxable income in respect of IRAP (local income tax).

Transactions with Group companies

<i>(Euro thousand)</i>	Revenues	Other income			Windfall income
	from sales and services	Other operating income	Recovered costs	Other income	
Subsidiaries					
Actelios SpA			1,375	8	
Ambiente 2000 Srl			23		
Ecosesto SpA		61	22	3	
Elettroambiente SpA			359	48	
Falck Acciai - Cns SpA		37	70	3	
Falck Renewables Ltd		32	550		
Sesto Siderservizi Srl		1	17		
Itla-Redaelli Tecna Laminati SpA		43	200	3	43
Platani Energia Ambiente ScpA			130	5	
Prima Srl		274	1	7	
Riesfactoring SpA		140	84	2	1
Tifeo Energia Ambiente ScpA			130	4	
Total subsidiaries		588	2,961	83	44
Associates					
Frullo Energia Ambiente Srl				25	
Palermo Energia Ambiente ScpA	1,027		130	5	921
Sadelmi SpA	220	1	130		
Total associates	1,247	1	260	30	921

<i>(Euro thousand)</i>	Services	Windfall charges	Income from equity investments	Other financial income	Interest and other financial charges
Subsidiaries					
Actelios SpA	226	12		1,683	
Cambrian Wind Energy Ltd				65	
Ecosesto SpA	9				
Elettroambiente SpA	150			267	
Eolica Cabezo San Roque Sl				22	
Falck Acciai-Cns SpA				116	
Falck Energy Sa				1,246	
Falck Financial Services Sa	865				
Falck Renewables Ltd				58	
Finstahl Sa				928	4
Itla-Redaelli Tecna Laminati SpA			619	133	
Prima Srl				1,559	1,197
Riesfactoring SpA	475		190		16
Sesto Siderservizi Srl	101			51	6
Total subsidiaries	1,826	12	809	6,128	1,223
Associates					
Palermo Energia Ambiente ScpA				24	
Sadelmi SpA	121				88
Total associates	121			24	88

Other information

Average number of employees

<i>(number)</i>	31.12.2004	31.12.2003	Variation
Management	13	11	2
Clerical	18	12	6
Industrial	1	1	
Total average number of employees	32	24	8

Emoluments of directors and statutory auditors

<i>(Euro thousand)</i>	31.12.2004	31.12.2003
Directors	724	731
Statutory Auditors	146	146
Total	870	877

These financial statements give a true and fair view of the company's state of affairs, financial position and the result for the year and are in agreement with the accounting records.

On behalf of the Board of Directors
The Chairman
Federico Falck

Supplementary Statements - Falck SpA

6.3.1 Direct and indirect shareholding in subsidiary and associated companies

	Registered address	Currency	Share capital	Share-holders equity (Euro thousand)	Profit (loss) (Euro thousand)	Direct share-holding (%)	Indirect share-holding (%)	Book value (euro)
Directly controlled subsidiaries								
Actelios SpA	Milano	Euro	20,400,000	54,588	3,435	60.905		16,878,265
Falck Acciai - CNS SpA	Grassobbio (Bg)	Euro	516,000	2,827	506	100.000		4,286,664
Falck Energy Iran Sa	Luxembourg	Euro	31,000	(60)	(91)	99.997		31,000
Falck Energy Sa	Luxembourg	Euro	3,037,987.41	1,309	(2,702)	99.999		3,025,192
Finstahl Sa	Luxembourg	Euro	21,443,370	167,784	8,148	100.000		130,729,402
Itla - Redaelli Tecna Laminati SpA	Milano	Euro	4,129,312	6,472	1,304	100.000		8,496,356
Riesfactoring SpA	Milano	Euro	2,000,000	2,288	182	99.800	0.200	1,999,633
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	397	(110)	100.000		278,811
								165,725,323
Indirectly controlled subsidiaries								
Ambiente 2000 Srl	Milano	Euro	103,000	1,011	387		60.000	
Ben Aketil Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Boyndie Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Cambrian Wind Energy Ltd	London (UK)	GBP	100					100,000
Chalmerston Wind Power Ltd	Edinburgh (Great Britain)	GBP	100	(2)	(1)			52,000
Dunbeath Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Earlsburn Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Ecosesto SpA	Milano	Euro	5,120,000	9,664	1,467		100.000	
Elettroambiente SpA	Roma	Euro	245,350	1,093	904		100.000	
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1.499.999,76	930	(637)			95.511
Falck Energy International Ltd (in liquidation)	Dublin (Ireland)	Euro	18,863,679	40	340			99.999
Falck Financial Services Sa	Lugano (Switzerland)	CHF	250,000	2,236	53			100.000
Falck Renewables Ltd	London (UK)	GBP	20,000,000	17,583	(3,078)			98.820
Falck Renewables UK Holdings (No.1) Ltd	Sheffield (Great Britain)	GBP	1	(433)	(450)			100.000
Mellock Hill Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Millenium Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Montalto Ambiente SpA	Montalto di Castro (Vt)	Euro	510,000	270	(245)			60,000
Nutberry Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Platani Energia Ambiente ScpA	Palermo	Euro	120,000	314	(263)			81,000
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000	11,243	1,671			85,000
Seconda Srl (in liquidation) (4)	Sesto S. Giovanni (Mi)	Euro	25,822	39	5			100,000
Sell Moor Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Strath Brora Wind Energy Ltd	Edinburgh (Great Britain)	GBP	100					52,000
Tifeo Energia Ambiente ScpA	Palermo	Euro	120,000	313	(271)			85,000
Associates								
Aeroporti di Roma SpA	Roma	Euro	62,309,801	758,052	12,244			51,151
Ambiente 3000 Srl	Bologna	Euro	100,000	69	(14)			49,000
Energie Technologie Ambiente SpA	Crotone	Euro	11,725,120	14,220	181			40,000
Eolica Lucana Srl (1)	Potenza	Euro	10,000	8	(2)	20.000		600
Eolo Tempio Pausania Srl (1)	Roma	Euro	10,000	8	(1)	20.000		2,000
Fruilo Energia Ambiente Srl	Bologna	Euro	17,139,100	24,148	6,382			49,000
Gsa Scarl (in liquidation)	Milano	Euro	10,000	11				50,000
Leonardo Holding Sa (2)	Luxembourg	Euro	350,021,000					31,000
Leonardo Srl (3)	Milano	Euro	10,400	28,258	(74)			31,000
Lonardi Costruzioni Srl (in liquidation) (1)	Sesto S. Giovanni (Mi)	Euro	58,140	494	2,748	49.000		
Nuevos Parque Eolicos La Muela AIE	Saragozza (Spain)	Euro	10,000	6			100.000	
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	882	(249)	19.000	20.000	260,300
Pareh Sar Gmbh (2)	Munich (Germany)	Euro	2,300,000					50,000
Parque Eolico La Carracha SI	Saragozza (Spain)	Euro	3,325,000	1,878	391			26,000
Parque Eolico Plana de Jarreta SI	Saragozza (Spain)	Euro	3,325,000	1,163	(5)			26,000
Sadelmi SpA (2)	Torino	Euro	1,000,000			20.000		218,000
Termini Imerese Energia Ambiente Srl	Termini Imerese (Pa)	Euro	100,000	83	(8)		24.000	
								480,900

(1) Financial data as at 31.12.2003

(2) Financial data non available

(3) Financial data as at 30.6.2004

(4) Financial data as per final liquidation proceedings at 30 September 2004

6.3.2 Summary financial data of subsidiary and associated companies

Balance sheet

	Currency	Receivable from share- holders	Fixed assets	Current assets	Accrued income and prepaid expenses	Share- holders equity excluding result	Profit (loss) for the year	Provision for risk and charges	Employees severance indemnity	Payables	Accrued liabilities and deferred income
<i>(Euro thousand)</i>											
Directly controlled subsidiaries											
Actelios SpA	Euro		100,104	27,374	4	51,153	3,435		377	72,517	
Falck Acciai - CNS SpA	Euro		1,928	19,027	9	2,321	506		314	17,823	
Falck Energy Iran Sa	Euro		1,180	45		31	(91)			1,285	
Falck Energy Sa	Euro		88,008	37,069	1,581	4,011	(2,702)			125,349	
Finstahl Sa	Euro		108,512	70,742	234	159,636	8,148			11,704	
Itla - Redaelli Tecna Laminati SpA	Euro		10,426	21,090	22	5,168	1,304	739	1,260	23,049	18
Riesfactoring SpA	Euro		18	45,842	3	2,106	182	16	116	43,406	37
Sesto Siderservizi Srl	Euro			4,820		507	(110)	1,433	238	2,752	
Indirectly controlled subsidiaries											
Ambiente 2000 Srl	Euro		351	4,852	260	624	387	898	226	2,993	335
Ben Aketil Wind Energy Ltd	GBP										
Boyndie Wind Energy Ltd	GBP										
Cambrian Wind Energy Ltd	Euro		34,315	3,838						37,624	529
Chalmerston Wind Power Ltd	GBP		195	30		(2)	(1)			228	
Dunbeath Wind Energy Ltd	GBP										
Earlsburn Wind Energy Ltd	GBP										
Ecosesto SpA	Euro		40,154	13,216	91	8,197	1,467	2,376	641	40,520	260
Elettroambiente SpA	Euro		7,349	17,985	3	189	904		21	24,223	
Eolica Cabezo San Roque Sa	Euro		20,634	3,298	3,140	1,567	(637)			25,869	273
Falck Energy International Ltd (in liquidation)	Euro			46		(300)	340				6
Falck Financial Services Sa	Euro		6	2,311	55	2,183	53			136	
Falck Renewables Ltd	Euro		4,953	53,318	1,540	20,661	(3,078)	496		40,151	1,581
Falck Renewables UK Holdings (No.1) Ltd	Euro		15,746	3,919	110	17	(450)			19,665	543
Mellock Hill Wind Energy Ltd	GBP										
Millenium Wind Energy Ltd	GBP										
Montalto Ambiente SpA	Euro	361	17	845	2	515	(245)		16	931	8
Nutberry Wind Energy Ltd	GBP										
Platani Energia Ambiente ScpA	Euro		8,276	798		577	(263)			8,756	4
Prima Srl	Euro		90,278	16,910	77	9,572	1,671	900	12	95,076	34
Seconda Srl (in liquidation) (4)	Euro			41		34	5			2	
Sell Moor Wind Energy Ltd	GBP										
Strath Brora Wind Energy Ltd	GBP										
Tifeo Energia Ambiente ScpA	Euro		10,064	859		584	(271)			10,608	2
Associates											
Aeroporti di Roma SpA	Euro		2,423,581	330,538	3,794	745,808	12,244	26,720	47,709	1,919,610	5,822
Ambiente 3000 Srl	Euro		45	618	1	83	(14)			66	529
Energie Tecnologie Ambiente SpA	Euro		40,420	14,048	16	14,039	181		85	24,453	15,726
Eolica Lucana Srl (1)	Euro		34	15		10	(2)			41	
Eolo Tempio Pausania Srl (1)	Euro		25	45		9	(1)			62	
Fruilo Energia Ambiente Srl	Euro		109,965	23,797	15	17,766	6,382	750	1,004	107,864	11
Gsa Scarl (in liquidation)	Euro			1,495		11				1,484	
Leonardo Holding Sa (2)	Euro										
Leonardo Srl (3)	Euro		549,731	1,385		28,332	(74)			522,858	
Lonardi Costruzioni Srl (in liquidation) (1)	Euro		7	1,897		(2,253)	2,748	604		805	
Nuevos Parque Eolicos La Muela AIE	Euro		5	108		6				107	
Palermo Energia Ambiente ScpA	Euro		9,394	1,258	10	1,131	(249)			9,761	19
Pareh Sar Gmbh (2)	Euro										
Parque Eolico La Carracha SI	Euro		44,106	4,748		1,487	391	617		46,359	
Parque Eolico Plana de Jarreta SI	Euro		43,604	5,058		1,168	(5)	617		46,882	
Sadelmi SpA (2)	Euro										
Termini Imerese Energia Ambiente Srl	Euro	70		20		91	(8)				7

(1) Financial data as at 31.12.2003

(2) Financial data non available

(3) Financial data as at 30.6.2004

(4) Financial data as per final liquidation proceedings at 30 September 2004

Profit and Loss account

	Currency	Production revenues	Production costs	Financial income and charges	Adjustments to the value of financial assets	Extraordinary income and expenses	Taxes	Profit (loss) for the year
<i>(Euro thousand)</i>								
Directly controlled subsidiaries								
Actelios SpA	Euro	2,613	(5,955)	6,398		1	378	3,435
Falck Acciai - CNS SpA	Euro	35,989	(34,667)	(253)		(8)	(555)	506
Falck Energy Iran Sa	Euro		(90)	(1)				(91)
Falck Energy Sa	Euro		(729)	(1,797)	(176)			(2,702)
Finstahl Sa	Euro		(239)	635		7,752		8,148
Illa - Redaelli Tecna Laminati SpA	Euro	41,258	(38,466)	(427)		4	(1,065)	1,304
Riesfactoring SpA	Euro	493	(1,096)	868		(8)	(75)	182
Sesto Siderservizi Srl	Euro	2,919	(2,966)	(47)		(3)	(13)	(110)
Indirectly controlled subsidiaries								
Ambiente 2000 Srl	Euro	8,766	(8,128)	9			(260)	387
Ben Aketil Wind Energy Ltd	GBP							
Boyndie Wind Energy Ltd	GBP							
Cambrian Wind Energy Ltd	Euro	529		(529)				
Chalmerston Wind Power Ltd	GBP		(1)					(1)
Dunbeath Wind Energy Ltd	GBP							
Earlsburn Wind Energy Ltd	GBP							
Ecosesto SpA	Euro	25,774	(24,894)	(1,391)	6	817	1,155	1,467
Elettroambiente SpA	Euro	4,007	(2,356)	(494)		(137)	(116)	904
Eolica Cabezo San Roque Sa	Euro	3,551	(2,971)	(1,217)				(637)
Falck Energy International Ltd (in liquidation)	Euro	459	(123)	4				340
Falck Financial Services Sa	Euro	1,152	(1,091)	13		(2)	(19)	53
Falck Renewables Ltd	Euro		(1,954)	(608)		(516)		(3,078)
Falck Renewables UK Holdings (No.1) Ltd	Euro			(450)				(450)
Mellock Hill Wind Energy Ltd	GBP							
Millenium Wind Energy Ltd	GBP							
Montalto Ambiente SpA	Euro	1,086	(1,325)	(6)				(245)
Nutberry Wind Energy Ltd	GBP							
Platani Energia Ambiente ScpA	Euro		(351)	(47)			135	(263)
Prima Srl	Euro	31,812	(23,664)	(4,645)		(1)	(1,831)	1,671
Seconda Srl (in liquidation) (4)	Euro	22	(15)				(2)	5
Sell Moor Wind Energy Ltd	GBP							
Strath Brora Wind Energy Ltd	GBP							
Tifeo Energia Ambiente ScpA	Euro		(346)	(62)			137	(271)
Associates								
Aeroporti di Roma SpA	Euro	492,972	(365,745)	(92,187)		1,878	(24,074)	12,844
Ambiente 3000 Srl	Euro	91	(113)	8				(14)
Energie Tecnologie Ambiente SpA	Euro	22,692	(22,555)	(608)		863	(211)	181
Eolica Lucana Srl (1)	Euro		(1)	(1)				(2)
Eolo Tempio Pausania Srl (1)	Euro	43	(44)					(1)
Frullo Energia Ambiente Srl	Euro	25,390	(10,422)	(4,343)		(28)	(4,215)	6,382
Gsa Scarl (in liquidation)	Euro	67	(45)	(5)			(17)	
Leonardo Holding Sa (2)	Euro							
Leonardo Srl (3)	Euro	1	(202)	122		5		(74)
Lonardi Costruzioni Srl (in liquidation) (1)	Euro	249	(966)	(28)		3,493		2,748
Nuevos Parque Eolicos La Muela AIE	Euro	396	(396)					
Palermo Energia Ambiente ScpA	Euro		(375)	(97)			223	(249)
Pareh Sar Gmbh (2)	Euro							
Parque Eolico La Carracha SI	Euro	7,132	(6,741)					391
Parque Eolico Plana de Jarreta SI	Euro	6,664	(6,669)					(5)
Sadelmi SpA (2)	Euro							
Termini Imerese Energia Ambiente Srl	Euro		(8)					(8)

(1) Financial data as at 31.12.2003

(2) Financial data non available

(3) Financial data as at 30.6.2004

(4) Financial data as per final liquidation proceedings at 30 September 2004

6.3.3 Reclassified profit and loss account

<i>(Euro thousand)</i>	31.12.2004	31.12.2003	Variation
Industrial revenues and income			
Revenues from sales	1,966	836	1,130
Other income	112	136	(24)
	2,078	972	1,106
Variations in work in progress, semi-finished and finished products and goods			
Value of industrial production	2,078	972	1,106
Capitalised costs			
Total value of production for the year	2,078	972	1,106
Purchase of raw materials, semi-finished products and goods	(145)	(79)	(66)
Variations in inventory of raw materials, semi-finished and finished products and goods			
Services costs	(6,967)	(7,780)	813
Utilities and sundry costs	(1,881)	(1,850)	(31)
Expenses re-charged	3,296	3,130	166
Indirect taxes	(38)	(36)	(2)
Added value	(3,657)	(5,643)	1,986
Personnel costs	(4,160)	(3,435)	(725)
Gross operating margin	(7,817)	(9,078)	1,261
Depreciation relating to operations	(193)	(850)	657
Bad debts provision			
Operating result	(8,010)	(9,928)	1,918
Financial income and charges	(1,852)	1,939	(3,791)
Real estate income and charges	9	3	6
Equity investments income and charges	3,576	19,703	(16,127)
Non-operating income and charges	21,058	(3,156)	24,214
Profit for the year before tax	14,781	8,561	6,220
Tax			
Profit for the year	14,781	8,561	6,220

6.3.4 Analytical reclassified profit and loss account

(Euro thousand)

<i>Profit and loss account reference</i>	31.12.2004	31.12.2003	Variation
Industrial revenues and income			
<i>Revenue from sales</i>			
1 Revenues from sales and services	1,247		1,247
5b Other operating income	719	836	(117)
<i>Total</i>	1,966	836	1,130
<i>Other income</i>			
5a Grants received			
5d Sundry revenues	112	136	(24)
<i>Total</i>	112	136	(24)
	2,078	972	1,106
<i>Variation in work in progress, semi-finished and finished products and goods</i>			
2 Variation in work in progress of semi-finished and finished products			
3 Variation in contract work in progress			
<i>Total</i>			
Value of production	2,078	972	1,106
<i>Capitalised costs</i>			
4a From production and inventory			
4b Capitalised interest			
<i>Total</i>			
Total value of production for the year	2,078	972	1,106
<i>Purchase of raw materials, semi-finished products and goods</i>			
6 Raw, accessory and ancillary materials and goods	(145)	(79)	(66)
<i>Variation in inventory of raw materials, semi-finished and finished products and goods</i>			
11 Variation in raw, accessory and ancillary materials and goods			
<i>Services costs</i>			
7a Services	(6,967)	(7,780)	813
<i>Utilities and sundry costs</i>			
7b Utilities	(72)	(102)	30
7c Sundry costs	(730)	(725)	(5)
8 Rentals and leasing charges	(604)	(564)	(40)
13 Other provisions			
14e Other operating charges - other	(475)	(459)	(16)
<i>Total</i>	(1,881)	(1,850)	(31)
<i>Expenses re-charged</i>			
5c Costs recovered	3,296	3,130	166
<i>Indirect taxes</i>			
14a Indirect taxes	(38)	(36)	(2)
Added value	(3,657)	(5,643)	1,986
<i>Personnel costs</i>			
9 Total personnel costs	(4,160)	(3,435)	(725)
<i>Total</i>	(4,160)	(3,435)	(725)
Gross operating margin	(7,817)	(9,078)	1,261
<i>Depreciation relating to operations</i>			
10a Amortisation of intangible assets	(7)	(641)	634
10b Depreciation of tangible assets	(186)	(209)	23
<i>Total</i>	(193)	(850)	657
<i>Bad debt provision</i>			
10d Write down of receivables included with current assets			
Operating profit	(8,010)	(9,928)	1,918

(Euro thousand)

<i>Profit and loss account reference</i>	31.12.2004	31.12.2003	Variation
<i>Financial income and charges</i>			
16 Total other financial income	9,793	11,582	(1,789)
-16cc2 Reclassification of gains on disposal of securities	(30)	(5)	(25)
17 Interest expense and other financial charges	(11,615)	(9,638)	(1,977)
-17f Reclassification of losses on disposal of equity investments			
-17g Reclassification of losses on disposal of securities			
17bis Gains and losses on exchange			
<i>Total</i>	(1,852)	1,939	(3,791)
<i>Real estate income and charges</i>			
5e Real estate revenue	13	13	
14b Real estate charges	(4)	(10)	6
<i>Total</i>	9	3	6
<i>Equity investment income and charges</i>			
18a Revaluations of equity investments	2,657	5,450	(2,793)
19a Write down of equity investments	(1,500)	(5,434)	3,934
15 Total income from equity investments	2,419	19,687	(17,268)
-15e Reclassification of gains on disposal of equity investments			
<i>Total</i>	3,576	19,703	(16,127)
<i>Non-operating income and charges</i>			
5f Gains from ordinary operations			
5g Windfall income	1,168	2,571	(1,403)
10c Write down of fixed assets		(184)	184
10e Utilisation of bad debt provision included with current assets			
10f Bad debts			
12a Provision for ongoing lawsuits			
12b Utilisation of provision for ongoing lawsuits	21	71	(50)
14c Losses from ordinary operations			
14d Windfall charges	(100)	(1,209)	1,109
15e Gains on disposal of equity investments			
16cc2 Gains on disposal of securities	30	5	25
17g Losses on disposal of securities			
17f Losses on disposal of equity investments			
18 Adjustments to financial assets			
19b Write down of financial assets included as fixed assets			
19c Write down of securities included as current assets			
20a Gains from extraordinary disposals	18,972	2,376	16,596
20b Other extraordinary income	2,608	16,594	(13,986)
20c Utilisation of provision for reorganisation and liquidation costs		15,892	(15,892)
21a Losses from extraordinary disposals	(34)	(8,809)	8,775
21b Tax relating to prior financial years	(34)	(199)	165
21c Other extraordinary charges and provision for other risks	(1,573)	(30,264)	28,691
21d Reorganisation and liquidation costs			
<i>Total</i>	21,058	(3,156)	24,214
Profit for the year before taxation	14,781	8,561	6,220
<i>Income tax</i>			
22 Tax on profit for the year			
Profit for the year	14,781	8,561	6,220

6.3.5 Variation of financial position

<i>(Euro thousand)</i>		31.12.2004	31.12.2003	Variation
B III 2	Financial assets: receivables (excluding item f - guarantee deposits)		5,435	(5,435)
B III 3	Financial assets: securities			
C II 2b	Current assets: financial receivables from subsidiaries	192,588	140,527	52,061
C II 3b	Current assets: financial receivables from associates	1,407		1,407
C II 4b	Current assets: financial receivables from parent company			
C II 5a	Current assets: financial receivables from others		1	(1)
C II 6b	Current assets: financial receivables from other group companies			
C III 5	Current financial assets: securities	15	3,239	(3,224)
C III 6	Current financial assets: bills receivable			
C IV	Liquid assets	223	287	(64)
D 1	Payables: bonds			
D 2	Payables: convertible bonds	(9,152)	(9,152)	
D 3	Payables: shareholders' loans			
D 3	Payables: banks	(205,227)	(72,777)	(132,450)
D 4	Payables: other financing creditors	(8)	(64)	56
D 7	Payables: bills payable			
D 8	Payables: subsidiaries		(57,281)	57,281
D 9 b	Payables: associates			
D 10 b	Payables: parent company			
D 14 b	Payables: other group companies			
Total		(20,154)	10,215	(30,369)

The financial position as at 31.12.2004 and 31.12.2003 is summarised below:

<i>(Euro thousand)</i>		31.12.2004	31.12.2003	Variation
1	Medium and long term financial receivables		5,435	(5,435)
2	Medium and long term financial payables	(178,179)	(68,179)	(110,000)
3	Medium and long term net financial position (1+2)	(178,179)	(62,744)	(115,435)
4	Short term financial receivables	194,233	144,054	50,179
5	Short term financial payables	(36,208)	(71,095)	34,887
6	Short term net financial position (4+5)	158,025	72,959	85,066
7	Total net financial position (3+6)	(20,154)	10,215	(30,369)

6.3.6 Cash flow statement

<i>(Euro thousand)</i>		31.12.2004	31.12.2003
1	Profit for the year	14,781	8,561
2	<i>Amortisation/Depreciation</i>	193	850
3	<i>Adjustment for extraordinary items not involving the movement of funds</i>		
	Write down of equity investments (net of revaluations)	(2,321)	984
	Write down of tangible and intangible assets		184
	Deferred tax asset on prior years' provisions written off		
	Increase/(utilisation) of provision for equity investment risks	(313)	(1,000)
	Increase/(utilisation) of provision for reorganisation		(15,892)
	Increase/(utilisation) of provision for other risks (receivables and other)	(2,580)	7,100
	<i>Total extraordinary items not involving the movement of funds</i>	<i>(5,214)</i>	<i>(8,624)</i>
4	<i>Realised extraordinary items</i>		
	(Gains)/losses on disposal of equity investments	(17,468)	6,451
	(Gains)/losses on disposal of tangible assets	7	(18)
	<i>Total realised extraordinary items</i>	<i>(17,461)</i>	<i>6,433</i>
5	Operating cash flow (1÷4)	(7,701)	7,220
6	Variations in working capital	(20,813)	(4,473)
7	(Increase)/decrease in guarantee deposits	1	
8	Variation in employee severance indemnity	(158)	48
9	Additions to tangible and intangible assets	(162)	(241)
10	Purchase of equity investments	(33,874)	(5,658)
11	Cash flow after financial charges and taxes (5÷10)	(62,707)	(3,104)
12	Disposal of tangible assets (net book value)	26	6
13	Gains (losses) on disposal of tangible assets net of tax	(7)	18
14	Disposal of equity investments and own shares (book value)	20,132	9
15	Gains (losses) on disposal of equity investments	17,468	(6,451)
16	Net cash flow (11÷15)	(25,088)	(9,522)
17	(Increase)/reduction in the share capital of Group companies (received or paid)	(3,503)	(2,913)
18	Reduction in reserves following merger with family owned entities		
19	Decrease in shareholders' equity following de-merger		
20	Dividends paid	(1,778)	(1,591)
21	Variation in net financial position (16÷20)	(30,369)	(14,026)
22	Financial position as at 31.12.2003 asset/(liability)	10,215	24,241
23	Financial position as at 31.12.2004 (21÷22) asset/(liability)	(20,154)	10,215

6.3.7 Reclassified balance sheet in terms of “source and application of funds”

Application of funds

(Euro thousand)

Balance sheet reference		31.12.2004	31.12.2003	Variation
1	A Receivables from shareholders for unpaid share capital			
	Fixed assets			
BI	Intangible assets	46	40	6
BII	Tangible assets			
	Gross	5,471	5,392	79
	Accumulated depreciation	(4,609)	(4,468)	(141)
	Total tangible assets	862	924	(62)
	Financial assets			
BIII1	Equity investments	197,731	209,098	(11,367)
CIII (1/2/3)	Equity investments (current assets)	30,975	47	30,928
BIII4	Own shares	12,157	12,153	4
CIII4	Own shares (current assets)			
	Total equity investments and own shares	240,863	221,298	19,565
B3b	Provision for equity investment risks	(5,687)	(6,000)	313
BIII2f	Guarantee deposits	149	150	(1)
	Total financial assets	235,325	215,448	19,877
	Total fixed assets and investments	236,233	216,412	19,821
	Provisions for risks and charges			
B1	For pensions and similar obligations			
B2	For taxes			
B2a	Current			
B2b	Deferred			
	Total provision for taxes			
B3	Other			
B3a	Provision for ongoing law suits	(2,272)	(2,293)	21
B3c	Provision for environment improvements			
B3d	Provision for reorganisation and liquidation costs			
B3e	Other provisions	(33,369)	(35,928)	2,559
	Total other provisions	(35,641)	(38,221)	2,580
	Total provisions for risks and charges	(35,641)	(38,221)	2,580
C	Employee severance indemnity	(731)	(889)	158
2	Net fixed assets	199,861	177,302	22,559
CI	Inventory			
	Gross			
	Obsolescence provision			
	Total net inventory			
	Trade receivables			
CII	Net trade receivables			
	Gross	3,766	6,703	(2,937)
	Bad debts provision	(252)	(252)	
	Total net trade receivables	3,514	6,451	(2,937)
	Trade receivables from Group companies			
CII2a	Subsidiaries	16,646	520	16,126
CII3a	Associates	2,641	2,402	239
CII4a	Parent company			
CII6a	Other Group companies			
	Total trade receivables from Group companies	19,287	2,922	16,365
	Total net trade receivables	22,801	9,373	13,428

(Euro thousand)

<i>Balance sheet reference</i>	31.12.2004	31.12.2003	Variation
Other receivables			
<i>Group</i>			
CII2c Subsidiaries	563	766	(203)
CII3c Associates			
CII4c Parent company			
CII6c Other Group companies			
<i>Total other receivables from Group companies</i>	563	766	(203)
4bis Receivables from tax authorities	33,988	33,817	171
4ter Deferred tax asset			
CII5b From others - advance payments		11	(11)
CII5c From others - other	25,315	27,406	(2,091)
Total other receivables from Group companies	59,866	62,000	(2,134)
D Accrued income and prepaid expenses	250	79	171
Total current assets	82,917	71,452	11,465
Payables			
D7 Trade payables	(4,504)	(6,444)	1,940
<i>Group companies</i>			
D9a Subsidiaries	(1,094)	(782)	(312)
D10a Associates			
D11a Parent company			
D15a Other Group companies			
<i>Total other payables to Group companies</i>	(1,094)	(782)	(312)
Total trade payables	(5,598)	(7,226)	1,628
Other payables			
<i>Group companies</i>			
D9c Subsidiaries	(406)	(288)	(118)
D10c Associates			
D11c Parent company			
D15c Other Group companies			
<i>Total other payables to Group companies</i>	(406)	(288)	(118)
<i>Others</i>			
D6 Advance payments received	(1)	(10)	9
D12 Tax liabilities	(199)	(1,791)	1,592
D13 Social security and national insurance	(395)	(349)	(46)
D14 Other payables - other	(3,497)	(6,786)	3,289
<i>Total other payables to others</i>	(4,092)	(8,936)	4,844
Total other payables	(4,498)	(9,224)	4,726
E Accrued liabilities and deferred income	(976)	(3,970)	2,994
Total current liabilities	(11,072)	(20,420)	9,348
3 Working capital	71,845	51,032	20,813
4 Total invested capital (1+2+3)	271,706	228,334	43,372

Source of funds

(Euro thousand)

<i>Balance sheet reference</i>	31.12.2004	31.12.2003	Variation
A Shareholders' equity			
AI Share capital	(72,742)	(72,742)	
AII Share premium reserve	(28,685)	(28,689)	4
AIII Revaluation reserve			
AIV Legal reserve	(31,376)	(31,376)	
AV Statutory reserve			
AVI Reserve for own shares	(12,157)	(12,153)	(4)
AVII Other reserves	(17,637)	(17,637)	
AVIII (Profit)/Loss carried forward	(74,174)	(67,391)	(6,783)
<i>Total</i>	(236,771)	(229,988)	(6,783)
AIX (Profit)/Loss for the year	(14,781)	(8,561)	(6,220)
1 Total shareholders' equity	(251,552)	(238,549)	(13,003)
Medium/long term financial receivables (due after 12 months)			
<i>Third parties</i>			
BIII2d Receivables from others			
BIII3 Securities			
CII5a Financial receivables from others			
<i>Total from third parties</i>			
<i>Group companies</i>			
BIII2a Subsidiaries		5,435	(5,435)
BIII2b Associates			
BIII2c Parent company			
BIII2e Other Group companies			
CII2b Subsidiaries			
CII3b Associates			
CII4b Parent company			
CII6b Other Group companies			
<i>Total from Group companies</i>		5,435	(5,435)
Total medium/long term financial receivables (due after 12 months)		5,435	(5,435)
Medium/long term financial payables (due after 12 months)			
<i>Third parties</i>			
D1 Bonds			
D2 Convertible bonds	(9,152)	(9,152)	
D3 Shareholders' loans			
D4 Banks	(169,027)	(59,027)	(110,000)
D5 Other financing creditors			
D8 Bills payable			
<i>Total financial payables to third parties</i>	(178,179)	(68,179)	(110,000)
<i>Group companies</i>			
D9b Subsidiaries			
D10b Associates			
D11b Parent company			
D15b Other Group companies			
<i>Total financial payables to Group companies</i>			
Total medium/long term financial payables	(178,179)	(68,179)	(110,000)
Total medium/long term net financial position	(178,179)	(62,744)	(115,435)

(Euro thousand)

<i>Balance sheet reference</i>	31.12.2004	31.12.2003	Variation
Short term financial receivables (due within 12 months)			
<i>Third parties</i>			
BIII2d Short term receivables from third parties			
CII5a Financial receivables from others		1	(1)
CIII5 Securities	15	3,239	(3,224)
CIII6 Bills receivable			
<i>Total from third parties</i>	15	3,240	(3,225)
<i>Group companies</i>			
BIII2a Subsidiaries			
BIII2b Associates			
BIII2c Parent company			
BIII2e Other Group companies			
CII2b Subsidiaries	192,588	140,527	52,061
CII3b Associates	1,407		1,407
CII4b Parent company			
CII6b Other Group companies			
<i>Total from Group companies</i>	193,995	140,527	53,468
CIV <i>Liquid assets</i>	223	287	(64)
Total short term financial receivables	194,233	144,054	50,179
Short term financial payables (due within 12 months)			
<i>Third parties</i>			
D1 Bonds			
D2 Convertible bonds			
D3 Shareholders' loans			
D4 Banks	(36,200)	(13,750)	(22,450)
D5 Other financing creditors	(8)	(64)	56
D8 Bills payable			
<i>Total to third parties</i>	(36,208)	(13,814)	(22,394)
<i>Group companies</i>			
D9b Subsidiaries		(57,281)	57,281
D10b Associates			
D11b Parent company			
D15b Other Group companies			
<i>Total to Group companies</i>		(57,281)	57,281
Total short term financial payables (due within 12 months)	(36,208)	(71,095)	34,887
Total short term net financial position	158,025	72,959	85,066
2 Total net financial position	(20,154)	10,215	(30,369)
3 Total sources of funds (1+2)	(271,706)	(228,334)	(43,372)

**Report of the Statutory Auditors
on the Financial Statements of Falck SpA**

Dear Shareholders,

The Board of Statutory Auditors has examined the financial statements of the Company as at 31 December 2004 duly submitted to us in terms of legislation together with the supplementary statements and the Report of the directors on performance.

The balance sheet, which is summarised hereunder, shows a profit for the year amounting to Euro 14,781,311.

(Euro)

Total Assets		519,070,560
Liabilities	267,518,110	
Shareholders' equity	236,771,139	
Profit for the year	14,781,311	
Total Liabilities		519,070,560

Commitments, guarantees and other memorandum items:

(Euro)

On balance sheet		33,041,332
Off balance sheet		119,459,749

The summarised profit and loss account is as follows:

(Euro)

- Value of production	6,555,687	
- Production costs	(13,467,312)	
Difference		(6,911,625)
- Financial income and charges	597,103	
- Adjustments to financial assets	1,157,278	
- Extraordinary income and charges	19,938,555	
	21,692,936	
Profit before taxation		14,781,311
Tax on profit		
Profit for the year		14,781,311

The examination by the Board of Statutory Auditors was carried out in accordance with the principles recommended by the Consiglio Nazionale dei Dottori Commercialisti and in accordance with legislation that regulates the preparation of financial statements, as construed and supplemented by correct accounting policies established by the Consiglio Nazionale dei Dottori Commercialisti and Consiglio Nazionale dei Revisori.

The report of the directors confirmed that in the preparation of the financial statements there were no instances requiring the application of departures allowed pursuant to article 2423 of the Civil Code.

The financial statements and the Report of the Directors on performance are in agreement with the books and accounting entries and the Company's assets are evaluated in conformity with the principles of article 2426 of the Civil Code.

During the course of the year, the Board of Statutory Auditors carried out controls in respect of the accounting and administration functions and supervised adherence with legislation and statute. The Statutory Auditors attended the meetings of the Board of Directors and of the Executive Committee and carried out verifications in terms of article 2426 of the Civil Code.

On the basis of the mentioned verifications, there were no violations of requirements emanating from civil, tax, and social security legislations or company's statute.

The Board of Statutory Auditors confirm the following:

1. we have been in constant contact with the external auditors who did not raise any reservations or observations;
2. the Directors kept us constantly informed of issues relating to the management of the Company, subsidiaries and to related parties. Administration was carried out in compliance with legislation and the company's statute and in conformity with the statute's objects clause;
3. the Company's administrative structure, human resources and the systems of internal control are adequate for the size of the company;
4. instructions to subsidiaries and agreements with related parties were fair and proper in relation to intra group transactions.

The Board of Statutory Auditors invite the Shareholders' Meeting to approve the financial statements for the year ended 31 December 2004 and the resolution for the appropriation of the profit for the year.

Dear Shareholders,

The office of the Board of Statutory Auditors terminates with the forthcoming Shareholders' Meeting. While we would like to thank you for the trust you placed in us, we invite you to appoint a new Board of Statutory Auditors, the Board's Chairman and to fix the Board member's remuneration.

The Board of Statutory Auditors

Sesto San Giovanni, 22 March 2005

**6.5 Report of the External Auditors
on the Financial Statements of Falck SpA**

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE

To the shareholders of
FALCK SpA

- 1 We have audited the financial statements of FALCK SpA as of 31 December 2004. These financial statements are the responsibility of FALCK SpA's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

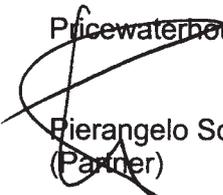
- 2 We conducted our audit in accordance with auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 16 April 2004.

- 3 In our opinion, the financial statements of FALCK SpA as of 31 December 2004 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the result of operations of the Company.

Milan, 8 April 2005

PricewaterhouseCoopers SpA


Pierangelo Schiavi
(Partner)

This report has been translated from the original, which was issued in accordance with Italian legislation.