



**Annual report
for the year ended
31 December 2006**

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31 December 2006**

FALCK SpA

Share capital Euro 72,742,313.00 fully paid

Registered and fiscal address

20121 Milan – Corso Venezia, 16

REA Milan no. 683

Milan Companies Register no. 00917490153

VAT and tax code no. 00917490153

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Notice of annual general meeting

The shareholders are invited to attend the annual general meeting to be held at the Circolo della Stampa in Milan, Corso Venezia 16, at 15.00 p.m. on 27 April 2007 in first call and, where necessary, at the same address at 11.30 a.m. on 8 May 2007 in second call, in order to discuss the following:

AGENDA

1. Annual report for the year ended 31 December 2006, the directors' report, the report of the statutory auditors, the independent auditors' report: approval, related resolutions and resulting matters;
2. Appointment of the board of directors for the period 2007-2010, upon agreement of the number of members and the annual emoluments;
3. Proposal to reappoint PriceWaterhouseCoopers SpA as independent auditors for the period 2007-2015;
4. Proposal to confer on the board of directors the power to purchase and sell company shares in accordance with the provisions of articles 2357 and 2357-ter of the Italian Civil Code.

Shareholders may attend the annual general meeting where notice from the authorised intermediary, in compliance with article 2370 of the Italian Civil Code, was received by the company at least two days prior to the date established in first call; shares may not be withdrawn prior to the annual general meeting taking place.

Shareholders will note that the financial statements for the year ended 31 December 2006, the directors' report, the report of the statutory auditors, the proposal to reappoint PricewaterhouseCoopers SpA as independent auditors together with the supporting proposal of the board of statutory auditors will be available to the public at the company's registered offices in Milan, Corso Venezia 16, from 12 April 2007 and, as soon as it has been submitted, the independent auditors' report will be made available through the same channels detailed above within the required timeframe. The shareholders may obtain a copy of the above documentation.

Milan, 2 April 2007

The Chairman
Federico Falck

Notice of the annual general meeting was published in "Il Sole24Ore" of 7 April 2007.

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> |

(*) Members 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>Substitute statutory auditor</i> |
| Luigi Emilio Garavaglia | <i>Substitute statutory auditor</i> |

Independent auditors

PricewaterhouseCoopers SpA

Company powers conferred on the directors are set out on page 85.

Group structure

Falck group

| | |
|-----------------------|-------|
| <i>Parent company</i> | FALCK |
|-----------------------|-------|

Renewable energy segment – biomass and waste to energy

| | |
|--------------------------------|----------|
| <i>Segment holding company</i> | ACTELIOS |
|--------------------------------|----------|

| | |
|------------------------------------|--|
| <i>Biomass and waste to energy</i> | AMBIENTE 2000 AMBIENTE 3000 ECOSESTO ELETTRIOAMBIENTE FRULLO ENERGIA AMBIENTE PALERMO ENERGIA AMBIENTE PLATANI ENERGIA AMBIENTE POWERCROP PRIMA TIFEIO ENERGIA AMBIENTE |
|------------------------------------|--|

Renewable energy segment – wind energy

| | |
|--------------------------------|------------------|
| <i>Segment holding company</i> | FALCK RENEWABLES |
|--------------------------------|------------------|

| | |
|--------------------|---|
| <i>Wind energy</i> | FALCK RENEWABLES FINANCE FALCK RENEWABLES UK HOLDINGS (NO.1) FALCK RENEWABLES ITALIA BOYNDIE WIND ENERGY CAMBRIAN WIND ENERGY EOLICA CABEZO SAN ROQUE PARQUE EOLICO LA CARRACHA PARQUE EOLICO PLANA DE JARRETA FALCK ENERGIES RENOUVELABLES EARLSBURN WIND ENERGY EARLSBURN MEZZANINE EOLICA SUD EOLO 3W MINERVINO MURGE MILLENIUM WIND ENERGY KILBRAUR WIND ENERGY BEN AKETIL WIND ENERGY |
|--------------------|---|

Steel segment

| | |
|------------------------------------|-----------|
| <i>Cold rolled HC and LC strip</i> | ITLA- RTL |
|------------------------------------|-----------|

| | |
|---|--------------------|
| <i>Service centre and trading for strip and coils</i> | FALCK ACCIAI - CNS |
|---|--------------------|

Other activities

| | |
|-----------------|---|
| <i>Services</i> | FALCK ENERGY FALCK ENERGY IRAN FALCK FINANCIAL SERVICES RIESFACTORING SESTO SIDERSERVIZI ITALIAN LAO GROUP |
|-----------------|---|

Consolidated financial highlights

| <i>(Euro millions)</i> | 2006 | 2005 |
|---|-------------|-------------|
| Revenue | 180 | 163 |
| Gross profit | 46 | 38 |
| Operating profit | 22 | 6 |
| Profit for the year | 22 | 90 |
| Profit for the year attributable to equity shareholders | 17 | 87 |
| Earnings per share (Euro) | 0.23 | 1.20 |
| - Net financial (assets)/liabilities | (36) | 23 |
| - Project financing | 203 | 185 |
| Total net financial position-indebtedness | 167 | 208 |
| Total equity | 450 | 353 |
| Total shareholders' equity | 353 | 336 |
| Shareholders' equity per share (Euro) | 4.853 | 4.619 |
| Capital expenditure | 126 | 89 |
| Gross profit/revenue | 25.6% | 23.3% |
| Operating profit/revenue | 12.2% | 3.7% |
| Profit for the year/total equity | 4.9% | 25.5% |
| Net financial position/total equity | 0.37 | 0.59 |
| Total number of group employees | 296 | 297 |

Falck group
Directors' report

Dear shareholders,

This report, which has been prepared in accordance with the Italian Civil Code, presents the following layout in relation to the financial statements of Falck SpA:

- Directors' report;
- Financial statements
 - . Balance sheet
 - . Profit and loss account
 - . Notes to the financial statements
- Supplementary information.

The consolidated financial statements for the year ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). This has resulted in the presentation of new layouts for the balance sheet, profit and loss account and cash flow statement. For comparative purposes, the financial information for the year ended 31 December 2005 and as at 1 January 2005, the date of transition to IFRS for the Falck group, was also prepared in accordance with IFRS. As a result, the notes to the consolidated financial statements have been adjusted to take into consideration the new accounting policies that govern the preparation of consolidated financial statements.

5.1.1 Review of business in 2006

Falck

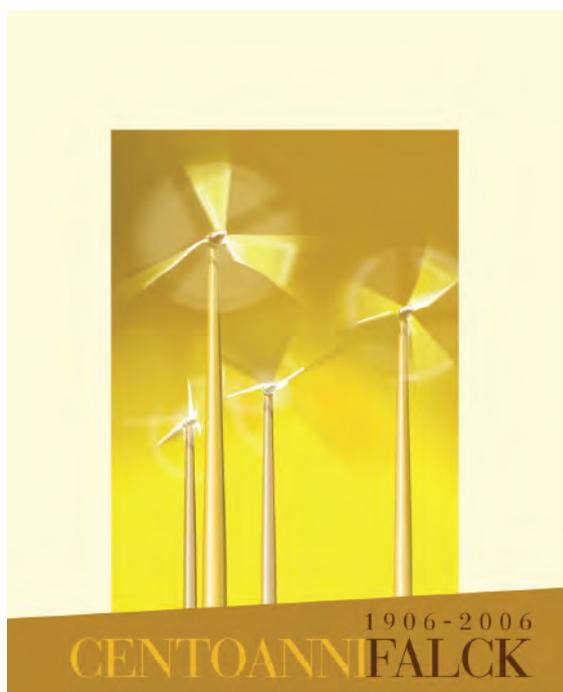
In January 2006 no. 1,227,803 Mediobanca SpA shares were sold for a total of Euro 40,150 thousand resulting in a gain on disposal of Euro 12,415 thousand.

Also in January, the holding in OLT Energy Toscana Srl was sold for Euro 6,000 thousand realising a gain of Euro 491 thousand.

It is noted that in January 2006, a debenture bondholder exercised the right, as set out in the 2003 Convertible Debenture Loan regulations, to convert the debentures into ordinary shares in the ratio of 1 new share to every six debentures, presenting no. 2,082 debentures which were withdrawn and converted into no. 347 newly issued ordinary shares. As a result, from 1 February 2006 the share capital of Falck SpA amounts to Euro 72,742,313.

In January 2006 no. 3,927 shares of Palermo Energia Ambiente ScpA, representing 2.25% of share capital, were purchased from Emit SpA for Euro 450 thousand. This price, considered a fixed amount and as a result already paid, may be increased by a variable element that is linked to future cash flows which will be payable on receipt of the first instalment of project financing.

In February, the share capital increase of Actelios SpA amounting to Euro 250,416,000 was concluded successfully through the issue of no. 45,120,000 new shares with a nominal value of Euro 1.00 each offered in the form of a rights issue to existing shareholders in the ratio of 2 new shares for each share held, at the price of Euro 5.55 each.



Falck SpA, after having purchased no. 1,376,694 pre-emption rights from Italgest Energia SpA, subscribed to and paid Euro 186,891 thousand in the form of a capital increase in the subsidiary Actelios SpA, increasing its holding to 68.72% of share capital. The book value thus amounts to Euro 219,796 thousand, while the unit price is Euro 4.73. An option exists whereby Falck may sell to Italgest Energia SpA the ordinary shares in Actelios SpA up to a total price of Euro 20 million. This option may be exercised within 30 days of the date on which the balance of Euro 20 million, which Actelios SpA owes to Italgest Energia SpA in relation to the sale of Elettroambiente SpA, falls due. The unit price of the exercise of the sale option will be equal to the sum of the acquisition price of the option rights, the subscription price on newly issued shares and the finance costs calculated based on the monthly Euribor rate plus a 1.25% spread.

In February 2006 2.22% of the share capital of a new company Atmos SpA was acquired for Euro 51 thousand.

In March 2006 8.51% of a new company Nettuno Power SpA, which will hold an investment in Ocean Power Delivery Ltd, was acquired for Euro 8 thousand. The latter company will study projects for the development of the production of electrical energy from wave movement. At the same time a non-interest bearing shareholders' loan of Euro 204 thousand was granted to Nettuno Power SpA.

In April 2006 Euro 31,505 thousand was received from the Milan tax offices as full reimbursement of tax credits, in respect of which in November 2004 Falck SpA had commenced recovery proceedings allowed by law.

In April Falck SpA acquired 6.91% of the share capital of Solar Energy Italia SpA for Euro 69 thousand. At the same time it underwrote its share, amounting to Euro 35 thousand, of a convertible debenture loan issued by Solar Energy Italia SpA.

A further improvement in the financial position resulted from the signing of the settlement on 8 May with Valbruna Holding SpA, which settled in full the litigation proceedings that commenced following the sale in 1995 of Acciaierie di Bolzano to Valbruna. This settlement enabled Falck SpA to collect Euro 8.5 million, of which approximately Euro 6.5 million relates to the principal and Euro 2 million to interest on the delayed payment.

In June 2006 no. 4,173 shares of Palermo Energia Ambiente ScpA, representing 3.478% of the share capital, were purchased from Emit SpA for Euro 696 thousand. This price, considered a fixed amount and as a result already paid, may be increased by a variable element that is linked to future cash flows which will be payable on receipt of the first instalment of project financing. Following this acquisition, Falck SpA holds 24.728% of total share capital.

Also in June Falck SpA waived part of the financial receivable due from Palermo Energia Ambiente ScpA for a total of Euro 77 thousand. This waiver, which represents a capital contribution by the shareholders in order to cover the loss, has increased the value of Falck SpA's investment by the same amount.

In July 2006 Falck SpA acquired 10.91% of the share capital of Meltemi Srl for Euro 236 thousand. This company operates in the renewable energy segment.

On 5 September 2006, the board of directors of Falck SpA resolved to issue a 2006–2011 variable rate convertible subordinated debenture loan for a total of Euro 26,944,420.

The subscription by the rights holders took place in October 2006, with the issue of two debentures for every five shares held.

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

This loan was fully subscribed.

On 30 September 2006 the non-convertible debenture loan, “Falck SpA 3.33% 2005-2008”, amounting to Euro 22,266,000, was repaid in advance.

In October 2006 Falck SpA waived part of the financial receivable due from Palermo Energia Ambiente ScpA for a total of Euro 371 thousand. This waiver, which represents a capital contribution by the shareholders in order to cover the loss, has increased the value of the investment of Falck SpA by the same amount.

In November 2006 the tax credits due from the Lecco tax office amounting to Euro 2,965 thousand, in relation to which the appropriate recovery proceedings had commenced, were reimbursed.

In December 2006 Falck SpA paid Euro 4 thousand, representing 3.38% of share capital, in relation to the set-up of Atmos Bio Energy SpA.

Renewable energy segment – biomass and waste to energy

In February 2006, the share capital increase of the parent company Actelios SpA amounting to Euro 250,416,000 was finalised successfully through the issue of no. 45,120,000 new shares with a nominal value of Euro 1.00 each offered to the shareholders in the ratio of 2 new shares for each existing share held at a price of Euro 5.55 each.

Following this operation, the share capital of Actelios SpA increased from Euro 22,560,000 to Euro 67,680,000 and the share premium account increased by Euro 205,296,000. A further increase in the share premium account of Euro 65,246 was generated from the payment received following auction on the stock exchange of no. 7,899 non-exercised rights.

In April Frullo Energia Ambiente Srl decided to rescind the contract relating to the waste to energy (hereinafter also “WTE”) plant in Granarolo dell’Emilia following non-fulfilment of the completion of the plant by the construction company Termomeccanica SpA. Arbitration proceedings commenced following cancellation of the contract.

In June no. 3,927 shares of Palermo Energia Ambiente ScpA, representing 3.27% of the share capital, were purchased from Emit SpA for Euro 654 thousand. This price, considered a fixed amount and as a result already paid, may be increased by a variable element that is linked to future cash flows which will be payable on receipt of the first instalment of project financing. Following this acquisition, Actelios SpA’s investment in Palermo Energia Ambiente ScpA increased to 23.27%.

Also in June Actelios SpA waived part of the financial receivable due from Palermo Energia Ambiente ScpA for an amount of Euro 72 thousand. This waiver, which represents a capital contribution by the shareholders in order to cover the loss, has increased the value of Actelios’s equity investment by the corresponding amount.

On 15 July 2006 construction work commenced on the projects in Sicily relating to the development of integrated waste systems for the treatment of the residual portion of urban waste net of recycled waste.

In September Ecosesto SpA sold its 60% interest in Montalto Ambiente SpA. This disposal took place as part of the aim to focus the business of the Actelios group on the renewable energy segment.

In July 2006 the roadshow to present to the financial institutions the plans relating to the WTE projects in Sicily took place, syndication procedures commenced and were finalised in August. In particular, 15 major national and international banks agreed to participate in the finance proposal put forward by the arranging banks, Unicredito, RBS, Banca Intesa and Cassa Depositi e Prestiti, and confirmed their willingness to finance the project in full. The total value of the three credit lines to be made available, including the share of the arranging banks, amounts to approximately Euro 1,118 million.

On 6 December 2006 the underwriting commitments, set out in the letter dated 2 December 2005 and subsequent extensions, expired. On 22 December 2006, a letter was signed by the same parties (the three project companies and the principal shareholders and the four Mandated Lead Arranger banks), in which Unicredit, Royal Bank of Scotland, Banca Intesa and Cassa Depositi e Prestiti, subject to confirmation by all of the syndicate banks to uphold their respective commitments, agreed to postpone the final date for stipulating the project financing contracts to 31 July 2007.

On 13 December 2006 a joint venture, Powercrop Srl, was set up between Seci Impianti Srl (50%) and Actelios SpA (50%). This company will be responsible for the reconversion of four sugar refineries to plants producing electrical energy from biomass and vegetable oils.

On 21 December Actelios SpA waived part of the financial receivable due from Palermo Energia Ambiente SpA for an amount of Euro 349 thousand. This waiver, which represents a capital contribution by the shareholders in order to cover the loss, has increased the value of Actelios's equity investment by the corresponding amount.





Renewable energy segment – wind energy

In March 2006, Falck Renewables Ltd signed a ten-year agreement with Gaz de France ESS, a subsidiary of Gaz de France, regarding the sale of the electrical energy (37.5 MW) produced by the wind farm currently under development in Earlsburn, in relation to which both the EPC and financing contracts have been signed.

Construction work on the wind farm of Earlsburn Wind Energy Ltd (37.5 MW) commenced in April and in June work began on the site where the wind farm of Millenium Wind Energy Ltd (40 MW) will be developed.

On 7 June the wind farm owned by Boyndie Wind Energy Ltd commenced trading.

With regard to the Kilbraur Wind Energy Ltd (previously Strath Brora Wind Energy) wind farm (48 MW), all authorisations required were obtained, while for the San Sostene wind farm (88 MW) the authorisation process has been finalised and work has commenced on opening the construction site.

The Cambrian Wind Energy Ltd plant suffered stoppages both to control the blades and in order for the electrical grid operator to carry out maintenance work.

On 30 June a refinancing contract was signed in relation to the Spanish wind farms of La Muela. This new financing will allow repayment of the shareholders' loans.

Steel segment

In the course of the year work commenced on the refurbishment of the old Metalmanzoni rolling mill. No other significant events took place during the year.

5.1.2 Falck group operating and financial review

The consolidated profit and loss account of the group shows a profit for the year of Euro 22,081 thousand, which is lower than the 2005 profit for the year of Euro 89,732 thousand. The 2005 result had been significantly affected by the gain of Euro 95,933 thousand realised on the sale of the investment in Leonardo Srl/Aeroporti di Roma SpA.

Both gross profit (+ Euro 7,970 thousand) and operating profit (+ Euro 16,403 thousand) improved significantly. This confirms and reflects the progress of the implementation of the Actelios industrial plan in the renewable energy segment (biomass and waste to energy), a promising start in the wind energy segment and discrete results in the steel segment.

The improved results are principally due to the good performance of the WTE plants in Trezzo sull'Adda (Milan) and Granarolo dell'Emilia (Bologna), the biomass plant in Rende (Cosenza), the wind farms in the UK and Spain, and discrete results in the steel segment.

The consolidated financial results may be summarised as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Revenue | 179,810 | 162,541 |
| Cost of sales | (133,498) | (124,199) |
| Gross profit | 46,312 | 38,342 |
| Operating profit | 22,282 | 5,879 |
| Adjusted EBIT | 51,009 | 22,805 |
| Profit for the year | 22,081 | 89,732 |
| Profit for the year attributable to equity shareholders | 16,934 | 87,063 |
| Invested capital net of provisions | 616,972 | 560,889 |
| Total equity | 450,330 | 352,816 |
| Net financial position - indebtedness | 166,642 | 208,073 |
| of which project financing | 203,317 | 184,744 |
| Capital expenditure | 126,255 | 89,168 |
| Employees at year end | (no.) 296 | 297 |
| Ordinary shares | (no.) 72,742,313 | 72,741,966 |

Group revenue has increased significantly compared to the previous year (+ Euro 17,269 thousand) and may be analysed by business segment as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|---------------|
| Falck SpA | 1,434 | 1,361 | 73 |
| Renewable energy - biomass and waste to energy | 95,818 | 81,900 | 13,918 |
| Renewable energy - wind energy | 19,586 | 12,284 | 7,302 |
| Steel | 63,794 | 67,835 | (4,041) |
| Other activities | 1,677 | 1,645 | 32 |
| | 182,309 | 165,025 | 17,284 |
| Elimination of intercompany revenue | (2,499) | (2,484) | (15) |
| Total | 179,810 | 162,541 | 17,269 |

There has been a marked improvement in revenue in the biomass and WTE (+17%) and the wind energy segments (+59.4%), while the results of the steel segment have decreased slightly (-5.9%).

Following the transition to IAS/IFRS accounting standards, **Adjusted EBIT**, calculated by adding depreciation/amortisation to operating profit, was adopted as a summary performance indicator.

Adjusted EBIT in 2006 amounted to Euro 51,009 thousand (Euro 22,805 thousand in 2005), this amounts to 28.2% (2005 - 14%) when expressed as a percentage of revenue.

An analysis by business segment is as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|-------------------|-------------------|---------------|
| Falck SpA | (7,876) | (25,188) | 17,312 |
| Renewable energy - biomass and WTE | 45,444 | 35,470 | 9,974 |
| Renewable energy - wind energy | 10,191 | 7,096 | 3,095 |
| Steel | 4,948 | 5,792 | (844) |
| Other activities | (1,698) | (1,217) | (481) |
| | 51,009 | 21,953 | 29,056 |
| Consolidation adjustments | | 852 | (852) |
| Total | 51,009 | 22,805 | 28,204 |

Operating profit amounted to Euro 22,282 thousand, which represents a significant increase compared to last year. The operating profit by business segment may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---------------------------------------|-------------------|-------------------|---------------|
| Falck SpA | (8,077) | (25,357) | 17,280 |
| Renewable energy from biomass and WTE | 23,571 | 18,898 | 4,673 |
| Renewable energy from wind farms | 4,683 | 3,146 | 1,537 |
| Steel | 3,153 | 3,965 | (812) |
| Other activities | (1,716) | (1,225) | (491) |
| | 21,614 | (573) | 22,187 |
| Consolidation adjustments | 668 | 6,452 | (5,784) |
| Total | 22,282 | 5,879 | 16,403 |

Profit for the year amounted to Euro 22,081 thousand and has not been affected, as in the previous financial year, by one-off amounts.

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|-------------------|-------------------|-----------------|
| Falck SpA | 8,769 | 7,529 | 1,240 |
| Renewable energy - biomass and WTE | 14,090 | 4,448 | 9,642 |
| Renewable energy - wind energy | (4,494) | (3,361) | (1,133) |
| Steel | 1,398 | 1,871 | (473) |
| Other activities | 3,113 | 94,572 | (91,459) |
| | 22,876 | 105,059 | (82,183) |
| Consolidation adjustments | (795) | (15,327) | 14,532 |
| Total | 22,081 | 89,732 | (67,651) |

Net financial position has improved by Euro 41,431 thousand compared to the previous year and has been influenced, in addition to the cash flows generated by the group's industrial operations, by the share capital increase carried out by Actelios SpA and the sums received by the holding company from the sale of investments (Mediobanca SpA and OLT Energy Toscana Srl) amounting to Euro 46,150 thousand and tax credits reimbursed which totalled Euro 34,470 thousand. On the other hand, the net financial position has been affected by expenditure on investments in the renewable energy from biomass and WTE energy segment and in particular in the wind energy segment.

Capital expenditure on tangible fixed assets, largely relates to the construction of new plants concentrated in the two segments mentioned above. Capital expenditure by business segment may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|-------------------|-------------------|---------------|
| Falck SpA | 228 | 185 | 43 |
| Renewable energy - biomass and WTE | 31,841 | 39,539 | (7,698) |
| Renewable energy - wind energy | 92,232 | 48,112 | 44,120 |
| Steel | 1,128 | 1,099 | 29 |
| Other activities | 826 | 233 | 593 |
| Total | 126,255 | 89,168 | 37,087 |

5.1.3 Performance of business segments

Renewable energy segment – biomass and WTE

Principal financial information for this segment may be summarised as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Revenue | 95,818 | 81,900 |
| Cost of sales | (61,472) | (56,429) |
| Gross profit | 34,346 | 25,471 |
| Operating profit | 23,571 | 18,898 |
| Adjusted EBIT | 45,444 | 35,470 |
| Profit for the year | 14,090 | 4,448 |
| Profit for the year attributable to equity shareholders | 12,603 | 3,484 |
| Invested capital net of provisions | 242,992 | 242,144 |
| Total equity | 339,872 | 78,704 |
| Net financial position (asset)/indebtedness | (96,880) | 163,440 |
| of which project financing | 95,306 | 107,570 |
| Capital expenditure | 31,841 | 39,539 |
| Employees at year end | (no.) 143 | 144 |

Falck operates in the renewable energy from biomass and WTE segment through Actelios SpA and its subsidiaries. This segment focuses on the market for energy from renewable sources and presents interesting opportunities in terms of growth and profitability. In particular, the strategy is developed by putting into operation power plants that are in the completion phase and through the development of new projects, either directly or through joint ventures, with leading industrial enterprises.

Performance

Profit for the year amounted to Euro 14,090 thousand, which represents an increase of Euro 9,642 thousand compared to the result for 2005. This reflects the increase in revenue due to the improved performance of operating plants and the adjustment of Euro 1,642 thousand relating to 2005 sales of electrical energy made under the CIP 6/92 tariff regime. Net interest receivable amounted to Euro 466 thousand (2005 - net interest payable of Euro 7,440 thousand), which is largely due to the share capital increase carried out by Actelios SpA. It should be noted that given developments in the current regulatory framework, the subsidiary Ecosesto SpA, following a number of considerations (technical, legal and financial in nature), has decided

to adopt the strategy to terminate the production of electrical energy at the biomass plant located in Rende at the beginning of 2009. This is consistent with the expiry date of the CIP6/92 tariffs relating to 9 MW. This decision resulted in a review of the useful lives of the main components of the plant itself, with a corresponding increase in the depreciation rates applied compared to those used previously, which amounted to a total increase in depreciation of Euro 2,810 thousand.

In addition, the impairment test based on the cash flows generated over a shorter period than that used to support the values in previous financial statements, resulted in the write-off of the goodwill on the plant in Rende (Euro 7,833 thousand). With regard to operating reviews currently in course and in compliance with the regulatory requirements for renewable energy sources, current proposals to reconvert the plant are aimed at optimising the production of electrical energy in order to meet the required rate of return on the investment.

Adjusted EBIT for 2006, which amounted to Euro 45,444 thousand (2005 – Euro 35,740 thousand), increased significantly compared to the previous year. The EBITDA/revenue ratio was 47.4%, representing an increase on the 2005 ratio of 43.3%.

Capital expenditure

Capital expenditure for the year amounted to Euro 31,841 thousand and comprises the group's investment in the new projects in Sicily, expenditure on two photovoltaic plants and the operation and maintenance of the plant in Trezzo sull'Adda.

Net financial position

The net financial position, a total asset of Euro 96,880 thousand, represents a marked improvement amounting to Euro 260,320 thousand compared to the balance at 31 December 2005. This is largely due to the share capital increase of the parent company Actelios SpA that amounted to Euro 250,416 thousand and the cash generated by operating plants. It should be noted that the net financial position includes loans in respect of project financing, which amounted to Euro 95,306 thousand at 31 December 2006.

Employees

Employees decreased by 1 in number compared to the total at 31 December 2005, while employee costs increased by Euro 1,636 thousand. This is essentially due to the provision of Euro 1,478 thousand made in order to account for the variable element of salaries that is linked to the performance of top and middle management.

Employees at 31 December 2006 comprised:

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|---------------|
| Managers | 15 | 14 | 1 |
| White-collar staff | 67 | 67 | |
| Blue-collar staff | 61 | 63 | (2) |
| 1 Total employees in consolidated entities | 143 | 144 | (1) |
| 2 Employees in non-consolidated entities | | | |
| 3 Total employees (1+2) | 143 | 144 | (1) |

Renewable energy segment – wind energy

Principal financial information for this segment may be summarised as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Revenue | 19,586 | 12,284 |
| Cost of sales | (12,471) | (11,140) |
| Gross profit | 7,115 | 1,144 |
| Operating profit | 4,683 | 3,146 |
| Adjusted EBIT | 10,191 | 7,096 |
| Profit for the year | (4,494) | (3,361) |
| Profit for the year attributable to equity shareholders | (4,019) | (1,797) |
| Invested capital net of provisions | 232,074 | 125,481 |
| Total equity | 5,306 | 10,075 |
| Net financial position - indebtedness | 226,768 | 115,406 |
| of which project financing | 108,011 | 77,174 |
| Capital expenditure | 92,232 | 48,112 |
| Employees at year end | (no.) 11 | 7 |

Falck operates in the renewable energy from wind energy segment through Falck Renewables Ltd and its subsidiaries. The segment focuses on the construction and management of wind farms that produce electrical energy.

This segment includes the company Eolica Cabezo San Roque SI, operative from 2004 and in which a 95.51% interest is held, and the companies Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI that are in the third year of activity and in which a 26% interest is held. In March 2005 the 100% owned UK resident company Cambrian Wind Energy Ltd, which owns a wind farm in Wales, commenced activities. In June 2006 the wind farm owned by Boyndie Wind Energy Ltd commenced trading.

With regard to projects under development, the Earlsburn wind farm was completed at the beginning of 2007 and operating activities are expected to commence in the near future, with regard to the Millenium, Kilbraur and Ben Aketil wind farms, these should be completed by the end of 2007 and operations will commence at the beginning of 2008.

Despite the marked rise in revenue, which increased by Euro 7,302 thousand compared to 2005, and operating profit, which increased by Euro 1,537 thousand, the segment recorded a loss for the year of Euro 4,494 thousand, which is largely due to net interest payable that amounted to Euro 6,501 thousand.

Adjusted EBIT amounted to Euro 10,191 thousand, representing an increase of Euro 3,095 thousand compared to 2005. The EBITDA/revenue ratio amounted to 52%, against 57.8% in 2005.

The net financial position, a net indebtedness, increased by Euro 111,362 thousand compared to 2005, which reflects the impact of significant investments made during the year, and comprises total loans of Euro 108,011 thousand granted as project financing.



Steel segment

Principal financial information for the steel segment may be summarised as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|---------------|---------------|
| Revenue | 63,794 | 67,835 |
| Cost of sales | (58,714) | (61,950) |
| Gross profit | 5,080 | 5,885 |
| Operating profit | 3,153 | 3,965 |
| Adjusted EBIT | 4,948 | 5,792 |
| Profit for the year | 1,398 | 1,871 |
| Profit for the year attributable to equity shareholders | 1,398 | 1,871 |
| Invested capital net of provisions | 28,546 | 32,288 |
| Total equity | 12,029 | 11,995 |
| Net financial position - indebtedness | 16,517 | 20,293 |
| of which project financing | | |
| Capital expenditure | 1,128 | 1,099 |
| Employees at year end | (no.) 91 | 96 |

The activities of the Falck group in the steel segment are focused on the sale of special coils, a slitting centre for coils/strip and the cold rolling of high and low carbon strip. These are niche activities that do not require significant capital investment and have a high service content.

The steel segment includes the following companies and operating areas:

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

Falck Acciai-Cns SpA sale of strip and coils and service centre for strip and coils.

Results

Revenue by company within this segment may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|---------------|---------------|----------------|
| Falck Acciai-Cns SpA | 36,915 | 37,580 | (665) |
| Itla SpA | 42,978 | 44,198 | (1,220) |
| Elimination of intra-segment sales | (16,099) | (13,943) | (2,156) |
| Total | 63,794 | 67,835 | (4,041) |

Revenue in 2006 decreased by 5.9% compared to 2005, operating profit amounted to Euro 3,153 thousand representing a decrease on the result of Euro 3,965 thousand recorded in 2005. This market is experiencing a downturn in demand however, this has not had a significant impact on performance as the overall results are only slightly down on 2005. Operating profit has decreased by Euro 812 thousand compared to 2005 and Adjusted EBIT is Euro 844 thousand lower. The EBITDA/revenue ratio decreased from 8.5% in 2005 to 7.8% in 2006.

Capital expenditure

Capital expenditure principally relates to the revamping of the rolling mill previously owned by Metalmanzoni, which will commence production in the first half of 2007.

Net financial position

The net financial position, a total indebtedness of Euro 16,517 thousand, has improved by Euro 3,776 thousand compared to the balance at the end of 2005.

Employees

The number of employees at the year end has decreased compared to last year as follows:

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|-------------------|-------------------|---------------|
| Managers | 3 | 4 | (1) |
| White-collar staff | 30 | 31 | (1) |
| Blue-collar staff | 58 | 61 | (3) |
| Total employees at year end | 91 | 96 | (5) |

Other activities

Principal financial information for the other activities segment may be summarised as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Revenue | 1,677 | 1,645 |
| Cost of sales | (1,881) | (1,650) |
| Gross profit | (204) | (5) |
| Operating profit | (1,716) | (1,225) |
| Profit for the year | 3,113 | 94,572 |
| Profit for the year attributable to equity shareholders | 3,113 | 94,572 |
| Invested capital net of provisions | 133,120 | 117,901 |
| Total equity | 163,922 | 148,501 |
| Net financial position (asset) | (30,802) | (30,600) |
| of which project financing | | |
| Capital expenditure | 826 | 233 |
| Employees at year end | (no.) 12 | 12 |

This segment largely comprises the following activities:

- Management of cross-border equity investments, support for the study of new projects overseas and raising finance on international markets through Falck Energy Sa, Falck Financial Services Sa and Falck Energy Iran Sa;
- Factoring activities both for group companies and a limited number of third parties through Riesfactoring SpA;
- Activities relating to the provision of various services through Sesto Siderservizi Srl;
- Activities relating to the production of combustibles from vegetable products through the Laos based company Italian Lao Group Co Ltd, which is 60% owned by Falck Energy Sa.

The results of this segment have decreased significantly compared to last year as the 2005 result was strongly influenced by the gain on sale of the investment in Leonardo/Aeroporti di Roma.

The 2006 result has benefited from dividends of Euro 2,758 thousand received from Unicredito Italiano SpA. The net financial position, a total asset of Euro 30,802 thousand, is substantially in line with the balance at the end of the previous financial year.

5.1.4 Employees

At 31 December 2006, the number of employees working in consolidated companies was 296, a decrease of 1 compared to the total at 31 December 2005:

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Managers | 37 | 37 |
| White-collar staff | 140 | 135 |
| Blue-collar staff | 119 | 125 |
| 1 Total employees in consolidated companies | 296 | 297 |
| 2 Employees in companies not included in consolidation | | |
| 3 Total employees (1+2) | 296 | 297 |
| 4 Employees not working | | |
| 5 Employees in temporary unemployment | | |
| 6 Total employees (3+4+5) | 296 | 297 |

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

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 |
|-------------------------------------|-------------------|-------------------|
| Falck SpA | 39 | 38 |
| Renewable energy - biomass and WTE | 143 | 144 |
| Renewable energy - wind energy | 11 | 7 |
| Steel | 91 | 96 |
| Other activities | 12 | 12 |
| Total consolidated companies | 296 | 297 |
| Other group companies | | |
| Total group | 296 | 297 |

5.1.5 Research and development activities

Actelios and the Ev-K2-CNR Committee have developed a complex applied research project named EARTH, with the purpose of contributing to safeguarding the environment in high altitude areas. This is a prototype piece of equipment for the thermal treatment of waste from alpine expeditions, which is designed to operate in extreme weather conditions where the thin air and total absence of electrical energy result in the requirement to find state of the art technological solutions.

The machinery, which was patented on 19 June 2006 by Actelios SpA and the Ev-K2-CNR Committee, was presented to the press in Cervinia in July 2006 and will be sent to the Central Karakorum National Park in order to be installed at an altitude of 3,400 metres.

In addition, analysis work on new technology in the field of renewable energy has commenced.



5.1.6 Significant post balance sheet events

Significant events that occurred after the balance sheet date in relation to Falck SpA are detailed in paragraph 6.1.10.

Significant post balance sheet events relating to the business segments are illustrated below.

Renewable energy - biomass and waste to energy

On 2 February 2007 a government bill was presented which aims to exclude from the CIP6/92 tariff regime authorised plants that are not yet operative. However these provisions allow exceptions to this exclusion to be granted by the Minister for Economic Development together with the Minister of the Environment. The project companies in Sicily have received written assurance from the Sicily Region regarding their firm intention to uphold the commitments, undertaken on signing of the Convention, relating to the application of the CIP6/92 tariffs. Despite the uncertainties raised by the above situation that has caused significant delays in signing the financing contract and carrying out financial initiatives in general, the companies are confident that the rights acquired will be fully upheld.

The companies involved in the projects in Sicily suspended construction activities on the WTE plants in February 2007. In the period from August to November 2006, the Minister of the Environment called a number of intergovernmental works meetings that were also attended by representatives of the Sicily Region, in order to discuss the authorisations issued under Presidential Decree 203/88. The outcome of these meetings was the issue of Intergovernmental Decree GAB/DEC/30/2007 that ordered the suspension until 15 April 2007 of the authorisations issued under Presidential Decree 203/88, which were obtained following issue of the previous Intergovernmental Decrees.

The suspension decree ordered the suspension of the authorisations issued under Presidential Decree

203/88 until finalisation of the issue proceedings to be carried out by the Integrated Environmental Authorisation (AIA), which must be finalised within sixty days from the date of commencement of proceedings by the IPPC Commission and must begin by 15 February 2007. In the event of non-compliance with these deadlines, and by 15 April 2007 at the latest, the authorisations will resume full validity.

On 17 March 2007 the Lazio Regional Administrative Court, upheld the appeal filed by the project companies in Sicily and adopted temporary precautionary measures that resulted in suspension of the above Inter-governmental Decree. At the same, the Lazio Regional Administrative Court announced the date for the panel hearing to confirm the agreed precautionary measures, which will take place on 4 April 2007.

Renewable energy - wind energy

Following completion of the construction of the Earlsburn Wind Energy Ltd wind farm, invoicing commenced in relation to the production of electrical energy. The plant will become fully operative by the end of the first half of 2007.

Other activities

On 31 January 2007 Falck Energy Iran Sa sold its entire investment in Pareh Sar GmbH.

5.1.7 Future developments and going concern

Based on the 2006 results, which confirmed a significant improvement in the volume of business and profitability of the plants operating in the renewable energy from biomass and WTE and wind energy segments, a similar level of operating performance is expected in 2007.

It should be noted that the revision made to the method of calculating electrical energy sales tariffs, carried out by the competent authority at the end of 2006, will have a negative impact on operating margins in the renewable energy from biomass and WTE segment.

The net financial position is expected to benefit from the significant cash that will be generated by the operating plants, however, it will continue to be affected by the significant capital expenditure required for the construction of the WTE plants in Sicily and a number of projects relating to wind farm developments.

**Consolidated financial statements
for the year ended 31 December 2006**

5.2.1 Consolidated balance sheets

| <i>(Euro thousands)</i> | Note | 31.12.2006 | 31.12.2005 |
|--|------|------------------|----------------|
| Assets | | | |
| A Non-current assets | | | |
| 1 Intangible assets | (1) | 121,795 | 87,741 |
| 2 Property, plant and equipment | (2) | 411,237 | 302,079 |
| 3 Financial assets | (3) | 151,474 | 135,966 |
| 4 Medium/long-term financial receivables | (4) | 2,142 | 2,114 |
| 5 Deferred tax assets | (7) | 8,599 | 3,879 |
| 6 Other receivables | (6) | 5,691 | 1,424 |
| Total | | 700,938 | 533,203 |
| B Current assets | | | |
| 1 Inventories | (8) | 19,383 | 17,618 |
| 2 Trade receivables | (5) | 93,004 | 91,217 |
| 3 Other receivables | (6) | 29,449 | 69,221 |
| 4 Financial assets | (4) | 36,666 | 62,772 |
| 5 Investments | (9) | 5,581 | 45,326 |
| 6 Cash and cash equivalents | (10) | 235,532 | 87,308 |
| Total | | 419,615 | 373,462 |
| C Non-current assets available for sale | | | |
| Total assets | | 1,120,553 | 906,665 |
| Liabilities | | | |
| D Shareholders' equity | | | |
| 1 Ordinary shares | | 72,742 | 72,742 |
| 2 Reserves | | 166,176 | 83,851 |
| 3 Retained earnings | | 97,562 | 92,535 |
| 4 Profit for the year | | 16,934 | 87,063 |
| Total shareholders' equity | (11) | 353,414 | 336,191 |
| 5 Minority interest in equity | | 96,916 | 16,625 |
| Total equity | (11) | 450,330 | 352,816 |
| E Non-current liabilities | | | |
| 1 Medium/long-term financial liabilities | (14) | 250,201 | 267,121 |
| 2 Other non-current liabilities | (16) | 60 | 1,023 |
| 3 Deferred tax liabilities | (7) | 2,952 | 1,485 |
| 4 Provisions | (12) | 60,750 | 60,637 |
| 5 Staff leaving indemnity | (13) | 4,612 | 4,635 |
| Total | | 318,575 | 334,901 |
| F Current liabilities | | | |
| 1 Trade payables | (15) | 94,197 | 90,860 |
| 2 Other payables | (16) | 66,635 | 34,942 |
| 3 Short-term financial liabilities | (14) | 190,816 | 93,146 |
| 4 Provisions | | | |
| Total | | 351,648 | 218,948 |
| G Liabilities attributable to non-current assets available for sale | | | |
| Total liabilities | | 1,120,553 | 906,665 |

5.2.2 Consolidated profit and loss account

| <i>(Euro thousands)</i> | | Note | 31.12.2006 | 31.12.2005 |
|-------------------------|---|------|---------------|---------------|
| A | Revenue | (17) | 179,810 | 162,541 |
| | Direct labour costs | (18) | (10,673) | (11,318) |
| | Direct costs | (19) | (122,825) | (112,881) |
| B | Cost of sales | | (133,498) | (124,199) |
| C | Gross profit | | 46,312 | 38,342 |
| | Other income | (20) | 4,146 | 12,542 |
| | Other employee costs | (18) | (11,950) | (9,048) |
| | Administrative expenses | (21) | (16,226) | (35,957) |
| D | Operating profit | | 22,282 | 5,879 |
| | Net interest (payable)/receivable | (22) | (4,378) | (14,254) |
| | Investment income | (23) | 17,291 | 105,667 |
| E | Profit before tax | | 35,195 | 97,292 |
| | Taxation | (24) | (13,114) | (7,560) |
| F | Profit for the year | | 22,081 | 89,732 |
| G | Profit attributable to minority interest | | (5,147) | (2,669) |
| H | Profit attributable to equity shareholders | | 16,934 | 87,063 |

5.2.3 Consolidated cash flow statement

| <i>(Euro thousands)</i> | Note | 31.12.2006 | 31.12.2005 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit for the period | | 22,081 | 89,732 |
| Adjusted for: | | | |
| Amortisation and impairment of intangible assets | | 8,562 | 652 |
| Depreciation and impairment of tangible assets | | 20,165 | 16,274 |
| Impairment of equity investments | | | (5,513) |
| Staff leaving indemnity provision | | 831 | 890 |
| Fair value of financial assets | | | |
| Interest income | | (38,672) | (11,882) |
| Interest expense | | 42,967 | 26,136 |
| Dividends received | | | |
| Share of profit of equity investments | | (63) | (541) |
| Gain on sale of intangibles | | | (1,007) |
| Profit on disposal of property, plant and equipment | | | |
| Profit on sale of investments | | (12,714) | (95,044) |
| Other changes | | 10 | 1 |
| Taxation (profit and loss account) | | 13,114 | 7,560 |
| Operating profit before changes in net working capital and provisions | | 56,281 | 27,258 |
| Change in inventories | | (1,765) | (2,803) |
| Change in trade receivables | | (1,755) | (23,933) |
| Change in trade payables | | 2,226 | 23,110 |
| Change in other receivables/payables | | 54,359 | 6,435 |
| Net change in provisions | | 113 | 15,718 |
| Change in employee payables - staff leaving indemnity paid during year | | (830) | (699) |
| Cash generated from operations | | 108,629 | 45,086 |
| Interest paid | | (41,276) | (24,445) |
| Tax paid | | (4,805) | (7,468) |
| Net cash from operating activities (1) | | 62,548 | 13,173 |
| Cash flows from investing activities | | | |
| Dividends received | | | |
| Proceeds from sale of property, plant and equipment | | 281 | 16,465 |
| Proceeds from sale of intangible assets | | | 8,007 |
| Proceeds from investment activities | | | |
| Acquisition of intangible assets | | (43,448) | (10,453) |
| Purchase of property, plant and equipment | | (126,255) | (89,168) |
| Acquisition of investments | | (1,855) | (803) |
| Sale of investments | | 47,754 | 162,057 |
| Change in scope of consolidation | | (111) | |
| Interest received | | 33,340 | 11,882 |
| Net cash (used in)/ from investing activities (2) | | (90,294) | 97,987 |
| Cash flows from financing activities | | | |
| Dividends paid | | (3,253) | (1,909) |
| Proceeds from issue of ordinary share capital increase and capital contribution | | 70,676 | (7) |
| Loans received | | | |
| Loans granted | | 26,043 | 26,613 |
| Net loans received/(repaid) | | 158,801 | 99,241 |
| Finance repayments | | (73,568) | (168,699) |
| Net cash from/(used in) financing activities (3) | | 178,699 | (44,761) |
| Net increase/(decrease) in cash and cash equivalents (1+2+3) | | 150,953 | 66,399 |
| Cash and cash equivalents at 1 January | | 76,155 | 9,756 |
| Cash and cash equivalents at 31 December | (10) | 227,108 | 76,155 |

5.2.4 Statement of changes in shareholders' equity

| | Share capital | Reserves | Fair value reserves | Profit for the year | Total shareholders' equity | Minority interest in equity | Total equity |
|---------------------------------|---------------|----------------|---------------------|---------------------|----------------------------|-----------------------------|----------------|
| <i>(Euro thousands)</i> | | | | | | | |
| At 31 December 2004 | 72,742 | 115,834 | | (936) | 187,640 | 11,214 | 198,854 |
| Application of IAS/IFRS | | (14,583) | 48,361 | | 33,778 | (2,355) | 31,423 |
| At 1 January 2005 | 72,742 | 101,251 | 48,361 | (936) | 221,418 | 8,859 | 230,277 |
| Appropriation of 2004 profit | | (936) | | 936 | | | |
| Share capital increase | | | | | | | |
| Dividends | | (1,909) | | | (1,909) | | (1,909) |
| Change in fair value | | | 35,142 | | 35,142 | | 35,142 |
| Other movements | | (5,523) | | | (5,523) | 5,097 | (426) |
| Profit for the year | | | | 87,063 | 87,063 | 2,669 | 89,732 |
| At 31 December 2005 | 72,742 | 92,883 | 83,503 | 87,063 | 336,191 | 16,625 | 352,816 |
| Appropriation of 2005 profit | | 87,063 | | (87,063) | | | |
| Actelios share capital increase | | (2,252) | | | (2,252) | 72,284 | 70,032 |
| Dividends | | (2,503) | | | (2,503) | (750) | (3,253) |
| Change in fair value | | | 8,504 | | 8,504 | | 8,504 |
| Other movements | | (3,460) | | | (3,460) | 3,610 | 150 |
| Profit for the year | | | | 16,934 | 16,934 | 5,147 | 22,081 |
| At 31 December 2006 | 72,742 | 171,731 | 92,007 | 16,934 | 353,414 | 96,916 | 450,330 |

5.2.5 Notes to the consolidated financial statements

5.2.5.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards (*International Accounting Standards - IAS and International Financial Reporting Standards - IFRS*), and the relevant interpretations (*Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC*).

The group took advantage of the option allowed by IFRS 1 to apply IAS 32 and 39 from 1 January 2005 and, as a result, information at 31 December 2004 in respect of those standards is not comparable. With regard to goodwill, the Falck group adopted IFRS 3 from 1 January 2005 and starting from this date depreciation allowances have no longer been recorded.

The financial statements utilised for consolidation purposes are those prepared by the board of directors for approval at the annual general meeting of each individual company, reclassified and adjusted in line with International Accounting Standards (IAS/IFRS) and group policy.

With regard to the layout of the consolidated financial statements the company has opted to present the following accounting statements:

. *Consolidated balance sheet*

The consolidated balance sheet is presented in opposing sections with separate indication of assets, liabilities and shareholders' equity. Assets and liabilities are classified in the consolidated financial statements as either current, non-current and available for sale.

. *Consolidated profit and loss account*

The consolidated profit and loss account presents costs by function, using also, as a distinguishing analytical element, the variable nature of costs.

For a better understanding of the typical results of the ordinary operational, financial and tax management activities, the profit and loss account presents the following intermediate consolidated results:

- gross profit;
- operating profit;
- profit before tax;
- profit for the year;
- profit attributable to minority interest;
- profit attributable to equity shareholders.

Information on separate business segments has been provided in order to present and better understand the operating performance of each individual business segment.

. *Consolidated cash flow statement*

The consolidated cash flow statement presents an analysis by areas generating cash flows, as required by international accounting standards.

. *Statement of changes in shareholders' equity*

The statement of changes in shareholders' equity is presented as required by international accounting standards with separate disclosure of the profit for the year and each item of revenue, income, cost and expense not recorded in the profit and loss account but charged directly to consolidated shareholders' equity based on specific IAS/IFRS requirements.

5.2.5.2 Consolidated entities

At 31 December 2006 the Falck group comprised 65 companies, of which 52 are consolidated on a line-by-line basis, 3 are consolidated applying the proportional method, 3 are valued using equity accounting and 7 are valued at cost.

Details of the companies included in the scope of consolidation are provided in the supplementary information (paragraph 5.4.1).

The consolidated financial statements include the financial statements of Falck SpA, the holding company, and all of the entities in which it holds, either directly or indirectly, the majority of voting rights.

These financial statements are those approved by the respective AGM's or presented by the board of directors or sole directors, and are adjusted to bring them in line with group policy.

5.2.5.3 Change in scope of consolidation

The increase during the year in the number of companies consolidated on a line-by-line basis relates to the companies listed below:

| | |
|--|------------------------------------|
| - Alba Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Aonach Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Beinn Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Brae Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Corrie Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Creag Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Dunmore Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Eolica Sud Srl | 100% owned by Falck Renewables Ltd |
| - Eolo 3W Minervino Murge Srl | 100% owned by Falck Renewables Ltd |
| - Falck Energies Renouvelables Sarl | 52% owned by Falck Renewables Ltd |
| - Inver Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Kinloch Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Ness Wind Energy Ltd | 100% owned by Falck Renewables Ltd |
| - Parc Eolien de Baud Sarl | 75% owned by Falck Renewables Ltd |
| - Parc Eolien de Seulles Sarl | 100% owned by Falck Renewables Ltd |
| - Parc Eolien de Plonevez du Faou Sarl | 75% owned by Falck Renewables Ltd |
| - Italian Lao Group Co Ltd | 60% owned by Falck Energy Sa |
| - Earlsburn Mezzanine Ltd | 100% owned by Falck Renewables Ltd |

Montalto Ambiente SpA has been excluded from companies consolidated on a line-by-line basis following disposal of this investment.

With regard to companies consolidated applying the proportional method, this includes Ambiente 3000 Srl, a joint venture in which Actelios SpA has a 49% interest.

Equity investments valued at cost include new investments set-up in December in the following companies:

| | |
|------------------|------------------------------------|
| - Powercrop Srl | 50% owned by Actelios SpA |
| - Minervento SpA | 100% owned by Falck Renewables Ltd |

5.2.5.4 Principles of consolidation

The companies included within the scope of consolidation applying the line-by-line method are those controlled by the parent company even through indirect holdings.

The companies for which the parent company exercises control together with other third parties are consolidated applying the proportional method.

Associated companies are accounted for under the equity method.

The financial statements of the companies included within the scope of consolidation have been adjusted, where necessary, to bring them into line with group accounting policies that conform to IAS/IFRS.

The financial statements of subsidiaries are included in the consolidated financial statements from the date in which the parent company gains control and up to the date in which this control ceases.

All significant intercompany balances and transactions are eliminated.

Significant profits arising on transactions between consolidated entities, or with companies accounted for under the net equity method, which are included within assets at the year-end as they are not yet realised, are eliminated.

The book value of consolidated investments is eliminated against the related share of equity inclusive of any fair value adjustments on acquisition. The resulting difference is treated as goodwill and is accounted for in accordance with IFRS 3.

The minority interest in equity and profit attributable to equity shareholders are disclosed under separate headings in the consolidated balance sheet and profit and loss account.

Differences between acquisition cost and net equity at current fair values at the acquisition date are, where possible, allocated to specific assets and liabilities of the acquired company. In the event that the residual difference relates to a higher purchase price paid for goodwill this is recorded within intangible assets and subjected to an impairment test on an annual basis. Where the remaining difference is negative the amount is charged against shareholders' equity.

The percentage ownership used for companies consolidated either line-by-line or proportionally, is the statutory amount considering also indirect holdings.

Dividends received by the parent company or other consolidated companies from investments included within the scope of consolidation, are reversed in the consolidated profit and loss account.

5.2.5.5 Accounting policies

The valuation and measurement of the financial information for the 2006 financial year are based on IAS/IFRS currently in force and the related interpretations as set out in the documents issued to date by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The consolidated financial statements are prepared in Euro and all values are rounded to thousands of Euro except where otherwise indicated.

The consolidated financial statements have been prepared applying the historical cost convention, with the exception of derivative instruments and financial assets available for sale, which are measured at market value (fair value).

Non-operating assets and tangible fixed assets available for sale are recorded at the lower of net book value and market value. Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, valuations and assumptions based on historic results and experience that could influence the accounting value of a number of assets and liabilities, costs and revenues and disclosures relating to contingent assets and liabilities at the date of the financial statements. Estimates and assumptions principally relate to the recovery value of intangible assets, the definition of the useful life of property, plant and equipment, the recoverability of receivables, the recognition and/or valuation of risk provisions and to the valuation of receivable balances relating to the sale of electrical energy. These estimates and assumptions are reviewed periodically and, in particular, at the end of each financial year.

The accounting policies detailed below have been applied to the current financial year, comparative amounts for the prior year and in the preparation of the opening IFRS financial statements at 1 January 2005 representing the date of transition to IFRS. All adjustments arising from the first-time adoption of IAS/IFRS were recognised in shareholders' equity. In addition, on first-time adoption of IFRS, as allowed by IFRS 1, the standards IFRS 3, IAS 32 and IAS 39 were adopted from 1 January 2005. As a result, as from that date, amortisation of goodwill has no longer been accounted for and derivative financial instruments have been measured at fair value without retrospective application.

The principal accounting policies and valuation methods adopted in the preparation of these consolidated financial statements are set out below:

Intangible assets

An intangible asset is recorded only when it is identifiable, controllable, is expected to generate economic benefits in future periods and the cost may be reliably measured.

Intangible assets are recorded at cost including directly attributable expenses and are amortised systematically over the useful economic life.

Intangible assets, having a finite useful life, are classified at cost net of accumulated amortisation and any permanent losses in value. Amortisation is based on the estimated useful life and commences when the asset is available for use.

Intangible assets with an indefinite useful life and those not available for use are tested for impairment. This test consists in a comparison between future expected cash flows from the intangible asset and the net book value. The method of discounted operating cash flows is applied based on projections included in future business plans approved by company management.

Costs relating to the acquisition of CIP 6/92 rights are amortised over the related benefit period.

Goodwill principally relates to the differences arising on first time consolidation, between the book value of the investments and the corresponding share of equity of the consolidated companies, adjusted in order to take into consideration both significant intercompany transactions and the fair values of the identifiable assets and liabilities of the acquired company. Goodwill that did not originate from consolidation differences relates to the purchase price paid by Frullo Energia Ambiente Srl following acquisition of a business line. Goodwill is subject to an annual impairment test in order to identify permanent reductions in

value. In order to perform the impairment test correctly, goodwill has been allocated to each of the cash generating units (CGU) that benefit from the acquisition.

Within the group, the CGU's identified are the various cash-flow generating projects.

Remaining intangibles comprise costs relating to the automation and mechanisation of a number of information systems.

Property, plant and equipment

The Falck group has opted for the cost method in preparing the first IAS/IFRS financial statements, as allowed by IFRS 1. As a result, with regard to property, plant and equipment, the company has preferred not to adopt the fair value approach.

Property, plant and equipment are recorded at acquisition or production cost including directly attributable charges.

Tangible fixed assets are valued at cost, less accumulated depreciation and impairment losses, with the exception of land, which is not depreciated and is valued at cost less accumulated impairment losses.

In the event that significant components of an item of property, plant and equipment have different useful lives, each component is attributed a separate useful life for depreciation purposes (component approach).

The depreciation rates applied represent the theoretical economic-technical useful lives of the assets.

The rates applied to the various asset categories are as follows:

| (%) | |
|---|------------------------|
| Industrial buildings – lightweight construction | 3 - 4 - 10 |
| General and specific plant | 5-12- 15 - 20 |
| Heavy plant and operating machinery | 9 - 10 |
| Equipment | 10 - 12 - 20 - 25 - 30 |
| Office machines and equipment | 12 - 20 |
| Vehicles and forklifts | 20 - 25 |

These rates are applied based on months of actual use with regard to assets that come into use during the year.

Ordinary maintenance costs are charged to the profit and loss account as incurred.

Maintenance costs that increase the future economic benefits deriving from the assets are capitalised on the related asset and depreciated over the asset's remaining useful life.

Borrowing costs incurred for the construction of a plant or its acquisition are capitalised up to the time when the asset is ready for use in the production process.

Impairment of fixed tangible assets and goodwill/intangible assets

In the presence of circumstances that potentially indicate a loss in value, impairment tests are conducted on tangible and intangible assets, by estimating the recoverable amount of the asset and comparing it with the related net book value. In the event that the recoverable value is lower than the carrying value an impairment write-down is charged to the profit and loss account.

In the event that there is an indication that an impairment loss recognised in a previous accounting period is no longer required, the carrying value is restated to the new estimated recoverable value which may not exceed the carrying value that would have been recognised had the original impairment not occurred. The reversal is also recorded in the profit and loss account.

Investments

Investments in subsidiaries and associates

Investments in subsidiaries excluded from the scope of consolidation are valued at cost when the effect of their consolidation would not have a significant impact on the consolidated financial position and on the consolidated profit for the period. Investments in associates in which the Falck group holds more than 20% (or 10% if listed), are valued applying the equity method.

Investments in other companies and other investments

In accordance with IAS 39 and 32, investments in companies that are neither subsidiaries nor associates are measured at fair value with the exception of those circumstances in which market price or fair value cannot be determined: in which case the cost method is applied.

Gains and losses arising on adjustments to value are recognised as a specific reserve within shareholders' equity.

Where impairment losses in value exist or in the event of disposal of the related asset, the gains and losses recorded in net equity up until this point are charged to the profit and loss account.

Investments held for sale are valued at fair value with any adjustment recognised in the profit and loss account.

Cost is reduced for any impairment in value in the event that investments have recorded losses and no profits are foreseeable in the near future to recover these losses; the original value may be restated in subsequent accounting periods in the event that the reasons that resulted in the write-down no longer exist.

Joint-venture

Holdings in joint-ventures are consolidated applying the proportional method whereby the consolidated financial statements reflect line-by-line the relevant share of assets, liabilities, profits and losses of the entity in which the company has invested.

Financial assets

Classification

In accordance with IAS 39 and IAS 32, financial assets are classified into the following four categories:

1. Financial assets 'at fair value through profit and loss';
2. Held-to-maturity investments;
3. Loans and receivables similar to investments;
4. Available-for-sale financial assets.

Classification depends on the reason for which the investment was initially purchased and subsequently held and management is required to determine the initial classification at the time they are first recorded updating this at each financial year end. A description of the principal characteristics of each asset category detailed above may be summarised as follows:

Financial assets 'at fair value through profit and loss'

This category has two sub-categories:

- Financial assets held for trading;
- Financial assets designated to the fair value category at inception. This category includes all financial investments, except for equity instruments that are unquoted, for which a fair value may be reliably measured.

Financial instruments, with the exception of hedge instruments, may be included in this category and their fair value recorded in the profit and loss account.

All assets within this category are classified as current if they are held for trading purposes or where disposal is expected within 12 months from the year end.

Designation of a financial instrument to this category is irrevocable and may take place only on inception.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, which the group intends to hold to maturity (e.g. underwritten debentures).

Evaluation of the intent and ability to hold the asset to maturity must be made following initial acquisition and at each subsequent balance sheet date.

In the event of sale (of a significant amount and not in exceptional circumstances) of held-to-maturity securities, all such investments are reclassified as available-for-sale and measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the group does not intend to trade.

These are included in current assets with the exception of the portion expiring more than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within the financial statements under the headings financial receivables and other receivables.

Available-for-sale financial assets

All non-derivative instruments that are not classified in another category are classified as available-for-sale financial assets. These are classified as non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Accounting treatment

Financial assets 'at fair value through profit and loss' held for trading (category 1) and financial assets available-for-sale (category 4) are recorded at fair value including costs directly attributable to acquisition.

Gains or losses relating to financial assets held for trading are recognised immediately in the profit and loss account.

Gains or losses relating to financial assets available for sale are recorded within a separate heading in equity until they are sold or otherwise disposed of, or until circumstances indicate they may be impaired. Where any of these events take place, all gains or losses recognised to date and recorded in equity are reclassified to the profit and loss account.

The fair value represents the amount at which an asset may be exchanged or a liability settled in an arm's length transaction

between knowledgeable, willing parties. As a result it is assumed that the entity is a going concern and that neither party needs to liquidate its assets through transactions applying unfavourable terms.

In the case of securities traded on an active market, the fair value is determined with reference to the bid price at the end of trading at the balance sheet date.

In the event that a market valuation is not available for the investment, the fair value is determined either based on the current market value of another substantially similar financial instrument or applying appropriate valuation techniques (discounted cash flows - DCF).

Where the fair value may not be reliably determined, the financial asset is valued at cost with disclosure in the notes to the financial statements regarding the type of asset and explanation of the accounting treatment.

The "held-to-maturity" investments (category 2) and "loans and receivables" (category 3) are recorded at cost representing the fair value of the initial exchange and are subsequently valued applying the amortised cost method utilising the effective interest rate and taking into consideration any discounts or premiums received at the date of acquisition in order to record them over the entire period of ownership up to maturity. Gains and losses are recognised in the profit and loss account either when the investment reaches maturity or where circumstances indicate that it has suffered an impairment loss, in the way they are identified during the normal amortisation period foreseen by the amortised cost method.

Investments in financial assets may be de-recognised, only when the contractual rights to receive cash flows from the investments have expired (e.g. final payment of underwritten bonds) or when the group transfers the financial asset together with all of the related risks and rewards.

Inventories

Finished goods are stated at the lower of purchase cost and net realisable value.

Purchase cost is determined using the weighted average cost method.

Obsolete and slow moving inventory is valued based on possible future use or realisation.

With regard to contract work in progress that spans more than one accounting period, valuation is based on income earned to date with reasonable certainty, determined by comparing actual costs to date with the total expected costs to completion.

Receivables

Receivables are initially recorded at the fair value of the amount to be received, which for this category normally relates to the nominal value indicated on the invoice, adjusted where necessary to the expected recoverable amount through recognition of a provision for impairment of receivables. Subsequently, where the required conditions exist, receivables are valued applying the amortised cost method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term bank balances.

Non-current assets held for sale and discontinued operations

Discontinued operations include those assets (or groups of assets) due to be disposed of and for which the accounting value will be recovered principally through sale rather than future use. Non-current assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

In accordance with IFRS, information relating to discontinued operations is presented in two specific headings in the balance sheet: non-current assets held for sale and liabilities relating to non-current assets held for sale; and in a specific heading in the profit and loss account; gain/(loss) on discontinued operations or non-current assets held for sale.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount may be made.

No provision is made for risks in relation to which the recognition of a liability is only possible. In this case the risk is disclosed in the relevant note on contingencies and commitments and no provision is made.

Provisions may be analysed as follows:

Legal obligations

This provision includes the charge for future costs relating to legal proceedings.

Equity investment risks

Provision is made to recognise potential permanent losses in the carrying value of non-consolidated subsidiaries.

Environmental improvements

This provision is set up to meet future requirements in relation to the redevelopment of landfills in accordance with the obli-

gations undertaken on receipt of permission from the relevant authorities. The provision is based on estimates prepared by specialist enterprises.

Sundry provisions

This provision includes all other future liabilities not included above, which are reasonably quantifiable but for which the date of occurrence is uncertain.

Staff leaving indemnity (TFR)

Employee benefits paid subsequent to termination of employment, post employment benefits such as “defined benefits” and other long-term benefits, are subjected to actuarial valuation. The liability recognised in the balance sheet is the present value of the group obligations. Actuarial gains and losses are recognised in the profit and loss account.

Valuation of the liability is performed by independent actuaries.

Trade payables

Trade payables with normal trading terms, are recorded at nominal value.

Financial payables

Financial payables are initially recorded at fair value, less any transaction costs. Subsequently, financial payables are valued applying the amortised cost method. The finance costs are determined using the effective interest rate.

Other financial payables comprise derivative instruments entered into in order to hedge interest rate risk. The derivative instruments are accounted for using hedge accounting in accordance with IAS 39 and are recognised at fair value with gains and losses recorded in the profit and loss account. The company adopted IAS 39 from 1 January 2005.

Current tax liabilities

The provision for income taxes is based on the estimated taxable income for the period for each individual company, taking into consideration tax credits and losses brought forward and utilised in the period.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals are determined applying the accruals concept.

Shareholders' equity

Ordinary shares are classified within share capital at nominal value. Costs directly attributable to capital transactions undertaken by the parent company are recorded as a reduction in shareholders' equity.

Foreign currency translation

The functional currency of the group is the Euro and is the currency in which the consolidated financial statements are prepared and presented.

Foreign currency transactions are recorded at the exchange rate existing at the date of the transaction. Receivables and payables are translated at the closing rate at the balance sheet date. Exchange gains or losses arising on translation are recognised in the profit and loss account in the period in which they arise.

Non-monetary items valued at historical cost are translated using the exchange rate at the date of the transaction.

Non-monetary items valued at fair value are translated using the exchange rate at the date when the fair value was determined.

Revenue recognition

Revenue is recorded net of returns, discounts and rebates, as well as direct taxes on the sale of goods or provision of services.

Revenue from product sales

Revenue from the sale of products is recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.

Revenue from services

Revenue from services is recognised once the service has been rendered.

Interest

Financial income is accounted for applying the accruals concept.

Dividends

Dividends are recognised when the right to receipt of the dividend is established, which normally corresponds with the approval of distribution in the shareholders' meeting.

Other income

Other income relates to amounts that do not relate to the core business of the group and, in accordance with IAS 1 which has been applied from 1 January 2005, they are classified in ordinary activities and where significant in value are disclosed separately in the notes to the financial statements.

Costs

Costs are recognised net of returns, discounts, bonuses and premiums, as well as direct taxes relating to the purchase of goods and services.

Taxation including deferred tax

Income tax is calculated and provided for based on estimated taxable income for the year and applying existing tax legislation. Deferred income taxes are calculated applying the liability method on all temporary differences between the tax bases of assets and liabilities and the financial reporting values at the balance sheet date.

Deferred tax assets are recognised only when future taxable income, sufficient to utilise these assets, is reasonably foreseeable. The balance of deferred tax assets is reviewed at each balance sheet date and a valuation allowance is provided in the event that it is no longer probable that sufficient future taxable profits will be available to offset all or part of the tax credit.

Deferred tax assets and liabilities are measured at the enacted tax rates that will be in effect in the periods in which the assets are realised or the liability is settled and are classified in non-current assets and liabilities respectively.

5.2.5.6 Financial risk management

The financial instruments of the group, other than derivatives, comprise bank loans, demand and short term bank deposits. Similar instruments are employed in financing the group operating activities. The group has entered into derivatives, principally interest rate swaps. The group's aim is to manage the interest rate risk on group transactions and the various forms of financing.

The group's debt financing expose it to a variety of financial risks that include interest rate, liquidity and credit risk.

Interest rate risk

The group's exposure to market risks in respect of variations in interest rates principally relate to the long-term obligations entered into by the group, using a mix of fixed and variable interest rates. In order to manage this mix effectively, the group purchases interest rate swaps under which it agrees to exchange, at specific levels, the difference between fixed interest rates and variable rates calculated on a pre-determined notional capital amount. The swaps are designated to hedge the underlying obligations.

Credit risk

The group only trades with reliable and reputable customers.

Credit risk relates to the other financial activities of the group that include cash and cash equivalents, financial assets available-for-sale and a number of derivative instruments, and present a maximum risk equal to the book value of these assets.

Liquidity risk

The objective of the group is to achieve a balance between maintaining available funds and flexibility through use of loans and bank overdrafts.

5.2.5.7 Segmental reporting

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

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

| <i>(Euro thousands)</i> | Biomass and WTE | | Wind energy | | Steel | | Other activities | | Falck SpA | | Elimination | | Group | |
|---|-----------------|---------------|----------------|----------------|--------------|--------------|------------------|----------------|----------------|-----------------|----------------|-----------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Operations | | | | | | | | | | | | | | |
| Revenue | 95,818 | 81,900 | 19,586 | 12,284 | 63,794 | 67,835 | 1,677 | 1,645 | 1,434 | 1,361 | (2,499) | (2,484) | 179,810 | 162,541 |
| Cost of sales | (61,472) | (56,429) | (12,471) | (11,140) | (58,714) | (61,950) | (1,881) | (1,650) | | | 1,040 | 6,970 | (133,498) | (124,199) |
| Gross profit | 34,346 | 25,471 | 7,115 | 1,144 | 5,080 | 5,885 | (204) | (5) | 1,434 | 1,361 | (1,459) | 4,486 | 46,312 | 38,342 |
| Other income | 2,357 | 7,427 | | 3,656 | 264 | 252 | 170 | 271 | 5,806 | 4,500 | (4,451) | (3,564) | 4,146 | 12,542 |
| Administrative expenses | (13,132) | (14,000) | (2,432) | (1,654) | (2,191) | (2,172) | (1,682) | (1,491) | (15,317) | (31,218) | 6,578 | 5,530 | (28,176) | (45,005) |
| Operating profit | 23,571 | 18,898 | 4,683 | 3,146 | 3,153 | 3,965 | (1,716) | (1,225) | (8,077) | (25,357) | 668 | 6,452 | 22,282 | 5,879 |
| Net interest receivable/(payable) | 466 | (7,440) | (6,501) | (7,088) | (757) | (787) | 2,079 | 111 | 335 | 950 | | | (4,378) | (14,254) |
| Investment income/(expenses) | (185) | | 63 | 542 | 171 | 136 | 2,758 | 95,787 | 15,947 | 30,981 | (1,463) | (21,779) | 17,291 | 105,667 |
| Profit before tax | 23,852 | 11,458 | (1,755) | (3,400) | 2,567 | 3,314 | 3,121 | 94,673 | 8,205 | 6,574 | (795) | (15,327) | 35,195 | 97,292 |
| Taxation | (9,762) | (7,010) | (2,739) | 39 | (1,169) | (1,443) | (8) | (101) | 564 | 955 | | | (13,114) | (7,560) |
| Profit for the year | 14,090 | 4,448 | (4,494) | (3,361) | 1,398 | 1,871 | 3,113 | 94,572 | 8,769 | 7,529 | (795) | (15,327) | 22,081 | 89,732 |
| Profit attributable to minority interest | (1,487) | (964) | 475 | 1,564 | | | | | | | (4,135) | (3,269) | (5,147) | (2,669) |
| Profit attributable to equity shareholders | 12,603 | 3,484 | (4,019) | (1,797) | 1,398 | 1,871 | 3,113 | 94,572 | 8,769 | 7,529 | (4,930) | (18,596) | 16,934 | 87,063 |

| <i>(Euro thousands)</i> | Biomass and WTE | | Wind energy | | Steel | | Other activities | | Falck SpA | | Elimination | | Group | |
|--|-----------------|----------------|----------------|----------------|---------------|---------------|------------------|----------------|----------------|----------------|------------------|------------------|------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Financial | | | | | | | | | | | | | | |
| Non-current assets | 300,007 | 278,464 | 244,507 | 127,704 | 15,349 | 15,897 | 132,779 | 117,962 | 347,048 | 154,129 | (338,752) | (160,953) | 700,938 | 533,203 |
| Current assets | 263,214 | 68,378 | 35,523 | 17,078 | 37,537 | 36,316 | 182,648 | 95,095 | 139,040 | 267,948 | (238,347) | (111,353) | 419,615 | 373,462 |
| Assets held for sale | | | | | | | | | | | | | | |
| Total assets | 563,221 | 346,842 | 280,030 | 144,782 | 52,886 | 52,213 | 315,427 | 213,057 | 486,088 | 422,077 | (577,099) | (272,306) | 1,120,553 | 906,665 |
| Total shareholders' equity | 335,847 | 75,592 | 8,747 | 12,964 | 12,029 | 11,995 | 163,922 | 148,501 | 265,601 | 262,142 | (432,732) | (175,003) | 353,414 | 336,191 |
| Minority interest in equity | 4,025 | 3,112 | (3,441) | (2,889) | | | | | | | 96,332 | 16,402 | 96,916 | 16,625 |
| Total equity | 339,872 | 78,704 | 5,306 | 10,075 | 12,029 | 11,995 | 163,922 | 148,501 | 265,601 | 262,142 | (336,400) | (158,601) | 450,330 | 352,816 |
| Non-current liabilities | 103,887 | 121,040 | 115,985 | 87,155 | 4,891 | 6,660 | 4,613 | 4,577 | 91,551 | 117,821 | (2,352) | (2,352) | 318,575 | 334,901 |
| Current liabilities | 119,462 | 147,098 | 158,739 | 47,552 | 35,966 | 33,558 | 146,892 | 59,979 | 128,936 | 42,114 | (238,347) | (111,353) | 351,648 | 218,948 |
| Liabilities attributable to assets held for sale | | | | | | | | | | | | | | |
| Total liabilities | 563,221 | 346,842 | 280,030 | 144,782 | 52,886 | 52,213 | 315,427 | 213,057 | 486,088 | 422,077 | (577,099) | (272,306) | 1,120,553 | 906,665 |

| <i>(Euro thousands)</i> | Biomass and WTE | | Wind energy | | Steel | | Other activities | | Falck SpA | | Elimination | | Group | |
|----------------------------|-----------------|--------|-------------|--------|-------|-------|------------------|-------|-----------|------|-------------|---------|---------|--------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Capital expenditure | 32,516 | 42,222 | 122,078 | 53,462 | 1,239 | 1,291 | 2,780 | 2,259 | 11,090 | 387 | | | 169,703 | 99,621 |
| Depreciation/ amortisation | 14,040 | 16,572 | 5,508 | 3,950 | 1,795 | 1,827 | 18 | 8 | 201 | 169 | (668) | (5,600) | 20,894 | 16,926 |
| Impairment | 7,833 | | | | | | | | | | | | | 7,833 |

The secondary reporting format comprises the geographical segment, as allowed by IAS/IFRS, details of which are provided below.

| <i>(Euro thousands)</i> | Italy | | EU | | Rest of Europe | | Group | |
|-------------------------|---------|---------|---------|---------|----------------|------|-----------|---------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue | 160,224 | 150,257 | 19,586 | 12,284 | | | 179,810 | 162,541 |
| Segment assets | 853,637 | 761,883 | 266,916 | 144,782 | | | 1,120,553 | 906,665 |
| Capital expenditure | 73,909 | 46,159 | 95,794 | 53,462 | | | 169,703 | 99,621 |

The information illustrated above for the EU geographical segment, relates entirely to the overseas subsidiaries of the wind energy segment, which sell electrical energy produced by wind turbine generators located in the United Kingdom and Spain. With regard to the other segments, all revenue is generated in the Italian market, with the exception of the steel segment that generates immaterial sales outside Italy.

5.2.5.8 Balance sheet content and changes

Assets

A Non-current assets

1 Intangible assets

Movements during the year were as follows:

| <i>(Euro thousands)</i> | At 31.12.2005 | Acqui- sitions | Capital.n and reclass.n | Change in scope of consol.n | Disposals | Other move- ments | Impair- ment losses | Amorti- sation | At 31.12.2006 |
|--|------------------|-------------------|-------------------------------|-----------------------------------|-----------|-------------------------|---------------------------|-------------------|------------------|
| 1.1 Industrial patent rights | 617 | 223 | | | | | | (247) | 593 |
| 1.2 Concessions, licences, trademarks and similar | 2,100 | | | 24 | | | | (481) | 1,643 |
| 1.3 Goodwill | 83,792 | 43,145 | | | | | (7,833) | | 119,104 |
| 1.4 Other intangibles | 687 | 5 | | | | (687) | | | 5 |
| 1.5 Assets under construction and advances | 545 | 75 | | | | (170) | | | 450 |
| Total | 87,741 | 43,448 | | 24 | | (857) | (7,833) | (728) | 121,795 |

Acquisitions largely comprise goodwill that relates to the acquisition of the equity investments made by Falck Renewables Ltd in: Earlsburn Wind Energy Ltd (Euro 12,658 thousand), Eolica Sud Srl (Euro 8,780 thousand) and Eolo 3W Minervino Murge Srl (Euro 8,233 thousand).

This heading also includes the goodwill relating to the acquisition by the parent company of share option rights that arose following the share capital increase of Actelios SpA (Euro 9,719 thousand), goodwill relating to both Falck SpA's and Actelios SpA's acquisition of a 9% interest in Palermo Energia Ambiente ScpA (Euro 1,794 thousand) and the goodwill generated following the acquisition of 0.24% of the share capital of Falck Renewables Ltd by Falck Energy Sa (Euro 1,860 thousand).

The impairment loss recorded against goodwill is wholly due to the write-off of the goodwill relating to the biomass plant in Rende (Cosenza). The subsidiary Ecosesto SpA, based on a number of considerations (technical, legal and financial), has decided to adopt the strategy to terminate the production of electrical energy, under the current operating conditions, at the beginning of 2009, which is in line with the expiry dates of the CIP6/92 tariff regime relating to 9 MW.

The impairment test, formulated based on future cash flows that relate to a reduced period compared to that used for the purposes of previous financial statements, has resulted in the recognition of an impairment write-off on the goodwill relating to this plant.

Commencing 1 January 2005, goodwill is no longer amortised and is subjected to an annual impairment test. The goodwill resulting from the aggregation of the companies was allocated to different and distinct cash generating units (CGU) in order to identify any reduction in value.

The cash generating units identified are:

- Actelios SpA
- Boyndie Wind Energy Ltd (wind farm located in UK)
- Cambrian Wind Energy Ltd (wind farm located in UK)
- Earlsburn Wind Energy Ltd (wind farm located in UK)
- Eolica Cabezo San Roque Sa (wind farm located in Spain)
- Eolica Sud Srl (wind farm located in San Sostene - Italy)
- Eolo 3W Minervino Murge Srl (wind farm located in Minervino Murge)
- Falck Renewables Ltd
- Frullo Energia Ambiente Srl (WTE plant in Granarolo dell'Emilia)
- Italian Lao Group Co. Ltd (production of combustibles from vegetable products)
- Palermo Energia Ambiente ScpA (WTE plant in Bellolampo)
- Platani Energia Ambiente ScpA (WTE plant in Casteltermini)
- Prima Srl (WTE plant in Trezzo sull'Adda)
- Tifeo Energia Ambiente ScpA (WTE plant in Augusta)

An impairment test on goodwill was performed at 31 December 2006 following the procedures required by IAS 36. In particular, the recoverable amount of individual cash generating units was determined based on the value in use, which is calculated using the projection of cash flows over a period of time corresponding to the expected useful life of each individual project and a weighted average cost of capital (WACC) of 6.7%. This assessment fully supports the goodwill values recorded in the financial statements and as a result no impairment losses were recognised.

Goodwill at 31 December 2006 consisted of:

| <i>(Euro thousands)</i> | Book value at 31.12.2006 |
|--------------------------------|-------------------------------------|
| Actelios SpA | 10,783 |
| Boyndie Wind Energy Ltd | 5,350 |
| Cambrian Wind Energy Ltd | 15,746 |
| Earlsburn Wind Energy Ltd | 12,658 |
| Eolica Cabezo San Roque Sa | 913 |
| Eolica Sud Srl | 8,780 |
| Eolo 3W Minervino Murge Srl | 8,233 |
| Falck Renewables Ltd | 3,715 |
| Frullo Energia Ambiente Srl | 1,519 |
| Italian Lao Group Co. Ltd | 94 |
| Palermo Energia Ambiente ScpA | 1,794 |
| Parc Eolien de la Seulles Sarl | 9 |
| Platani Energia Ambiente ScpA | 16,095 |
| Tifeo Energia Ambiente ScpA | 33,202 |
| Other minor amounts | 213 |
| Total | 119,104 |

2 Property, plant and equipment

Movements during the year were as follows:

| | At 31.12.2005 | Additions | Capital.n and reclass.n | Change in scope of consol.n | Disposals | Other movements | Impair- ment losses | Deprec- iation | At 31.12.2006 |
|---------------------------------|---------------------------------------|-----------------|-------------------------------|-----------------------------------|--------------|--------------------|---------------------------|-------------------|------------------|
| <i>(Euro thousands)</i> | | (A) | | | | | | | |
| Gross value | | | | | | | | | |
| 2.1 | Land | 8,377 | 6,685 | 27 | | | | | 15,089 |
| 2.2 | Buildings | 15,140 | 340 | 1,181 | | | | | 16,661 |
| 2.3 | Plant and machinery | 200,625 | 15,001 | 5,515 | 1 | (1) | 1,530 | | 222,671 |
| 2.4 | Industrial and office equipment | 529 | 177 | 373 | 80 | (24) | 1 | | 1,136 |
| 2.5 | Other assets | 4,828 | 548 | 421 | (30) | (228) | | | 5,539 |
| 2.6 | Assets operated under concession | 79,385 | 2,314 | | | | | | 81,699 |
| 2.7 | Assets under construction and adv. | 50,471 | 101,190 | (5,515) | 1,657 | (251) | 216 | | 147,768 |
| Total gross value | | 359,355 | 126,255 | 2,002 | 1,708 | (504) | 1,747 | | 490,563 |
| Accumulated depreciation | | | | | | | | | |
| 2.1 | Land | | | | | | | | |
| 2.2 | Buildings | (5,464) | | (1,716) | | | | (554) | (7,734) |
| 2.3 | Plant and machinery | (32,921) | | 285 | | | (122) | (14,291) | (47,049) |
| 2.4 | Industrial and office equipment | (405) | | (160) | (9) | 11 | | (72) | (635) |
| 2.5 | Other assets | (3,167) | | (411) | 25 | 212 | | (435) | (3,776) |
| 2.6 | Assets under construction and adv. | (15,319) | | | | | | (4,813) | (20,132) |
| Total depreciation | | (57,276) | | (286) | 16 | 223 | (122) | (20,165) | (79,326) |
| Net book amounts | | | | | | | | | |
| 2.1 | Land | 8,377 | 6,685 | 27 | | | | | 15,089 |
| 2.2 | Buildings | 9,676 | 340 | (535) | | | | (554) | 8,927 |
| 2.3 | Plant and machinery | 167,704 | 15,001 | 5,800 | 1 | (1) | 1,408 | (14,291) | 175,622 |
| 2.4 | Industrial and office equipment | 124 | 177 | 213 | 71 | (13) | 1 | (72) | 501 |
| 2.5 | Other assets | 1,661 | 548 | 10 | (5) | (16) | | (435) | 1,763 |
| 2.6 | Assets operated under concession | 64,066 | 2,314 | | | | | (4,813) | 61,567 |
| 2.7 | Assets under construction and adv. | 50,471 | 101,190 | (5,515) | 1,657 | (251) | 216 | | 147,768 |
| Total net book amounts | | 302,079 | 126,255 | | 1,724 | (281) | 1,625 | (20,165) | 411,237 |

A) Additions - comprise:

(Euro thousands)

| | |
|--|----------------|
| Development costs Falck Energies Renouvelables Sarl | 1,103 |
| Development costs Falck Renewables Italia Srl | 3,518 |
| Photovoltaic plant in Rende | 1,298 |
| WTE project in Augusta | 14,450 |
| WTE project in Casteltermini | 7,039 |
| WTE project in Palermo | 4,390 |
| Improvements on Itla-RTL SpA plant | 1,113 |
| Improvements on WTE plant in Granarolo dell'Emilia | 956 |
| Improvements on WTE plant in Trezzo sull'Adda | 2,334 |
| Improvements on biomass plant in Rende | 1,052 |
| Improvements on Eolica Cabezo San Roque Sa wind farm | 651 |
| Wind farm of Ben Aketil Wind Energy Ltd | 8,343 |
| Wind farm of Boyndie Wind Energy Ltd | 13,166 |
| Wind farm of Earlsburn Wind Energy Ltd | 31,724 |
| Wind farm of Eolica Sud Srl | 107 |
| Wind farm of Eolo 3W Minervino Murge Srl | 4,293 |
| Wind farm of Kilbraur Wind Energy Ltd | 13,678 |
| Wind farm of Millenium Wind Energy Ltd | 14,737 |
| Land in Rende | 678 |
| Other minor additions | 1,625 |
| Total | 126,255 |

It should be noted that buildings include Euro 2,304 thousand relating to a finance lease contract taken out in relation to the property of Itla-RTL SpA.

Finance costs allocated during the year to property, plant and equipment amount to Euro 1,309 thousand and relate to WTE plants under construction in Sicily and the wind farms under construction in the UK.

3 Investments

Investments at 31 December 2006 may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|-------------------|-------------------|---------------|
| Subsidiaries | 119 | | 119 |
| Associates | 1,935 | 3,270 | (1,335) |
| Other entities | 149,420 | 132,696 | 16,724 |
| Securities | | | |
| Total | 151,474 | 135,966 | 15,508 |

Equity investments

Subsidiaries valued at cost

This relates to the investment in Minervento SpA, which was set up by Falck Renewables Ltd on 18 December 2006.

Associated companies included applying equity accounting

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-----------------------------------|------------|--------------|----------------|
| Parque Eolico La Carracha SI | 339 | 1,011 | (672) |
| Parque Eolico Plana de Jarreta SI | 371 | 1,010 | (639) |
| Nuevos Parque Eolicos La Muela | | | |
| Total | 710 | 2,021 | (1,311) |

The decrease is due to the repayment of part of the share capital of these investments.

Associated companies valued at cost

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--------------------------------------|--------------|--------------|-------------|
| Ambiente 3000 Srl | | 74 | (74) |
| Eolica Lucana Srl | 1 | 1 | |
| Pareh Sar Gmbh | 1,150 | 1,150 | |
| Powercrop Srl | 50 | | 50 |
| Termini Imerese Energia Ambiente Srl | 24 | 24 | |
| Total | 1,225 | 1,249 | (24) |

The increase is due to the set up of the new company Powercrop Srl, a joint venture set up in December with Seci Impianti Srl to convert four sugar refineries into electrical energy production plants from biomass and vegetable oil.

Other entities valued at cost

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--------------------------------------|----------------|----------------|---------------|
| Agenzia Nord Milano SpA | 52 | 52 | |
| Atmos Bio Energy SpA | 4 | | 4 |
| Atmos SpA | 51 | | 51 |
| Bell Sa | 417 | 417 | |
| Compagnia Fiduciaria Nazionale SpA | 33 | 33 | |
| Crossenergy Srl | 3,934 | 3,934 | |
| Delna SpA | 920 | 687 | 233 |
| Enertad SpA | 1 | 1 | |
| Geo Power Sardegna Srl | 880 | | 880 |
| Hera SpA | 2,108 | 1,441 | 667 |
| Hopa SpA | 3,626 | 3,626 | |
| Intesa San Paolo SpA | 37,439 | 28,874 | 8,565 |
| Meltemi Srl | 236 | | 236 |
| Nettuno Power Srl | 213 | | 213 |
| OLT Energy Toscana Srl | | 5,509 | (5,509) |
| PCF Project Financing Consulting SpA | 375 | 375 | |
| Sintek Capital AG | 1,057 | 1,057 | |
| Solar Energy Italia SpA | 69 | | 69 |
| Unicredito Italiano SpA | 97,940 | 86,627 | 11,313 |
| U-Steel SpA | 44 | 44 | |
| Other minor investments | 21 | 19 | 2 |
| Total | 149,420 | 132,696 | 16,724 |

The main increases relate to the measurement of listed investments using the fair value method, which includes the following companies: Unicredito Italiano SpA, Intesa San Paolo SpA and Hera SpA. The difference has been recorded in shareholders' equity as these relate to available-for-sale financial assets. Other increases relate to new acquisitions that took place in the course of 2006.

The only decrease relates to the sale of the interest in OLT Energy Toscana Srl.

4 Financial receivables

Financial receivables at 31 December 2006 may be analysed as follows:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|-----------------|-------------|-----------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Amounts owed by third parties | 35,949 | 2,142 | 33,807 | 59,966 | 2,114 | 57,852 | (24,017) | 28 | (24,045) |
| Amounts owed by subsidiaries | | | | | | | | | |
| Amounts owed by associates | 2,264 | | 2,264 | 4,920 | | 4,920 | (2,656) | | (2,656) |
| Amounts owed by parent company | | | | | | | | | |
| Amounts owed by other group companies | 595 | | 595 | | | | 595 | | 595 |
| Guarantee deposits | | | | | | | | | |
| Total | 38,808 | 2,142 | 36,666 | 64,886 | 2,114 | 62,772 | (26,078) | 28 | (26,106) |

The table below provides details of the nominal value, maturity date and fair value of the group financial receivables.

| | 31.12.2006 | | | | | | | |
|---|---------------------------|----------|----------------------------|---------------------|---------------|---------------|-----------------|---------------------|
| | Effective interest rate | Maturity | Increase/ amounts received | Decrease/ repayment | Nominal value | Fair value | Current portion | Non-current portion |
| <i>(Euro thousands)</i> | | | | | | | | |
| Shareholders' loan to Frullo Energia Ambiente Srl | Euribor + spread | | | | 4,116 | 4,116 | 2,017 | 2,099 |
| Shareholders' loan to Palermo Energia Ambiente ScpA | | | | | 5,013 | 5,013 | 5,013 | |
| Other loans | | | | | 48 | 48 | 5 | 43 |
| Loan (Falck Energy) | Euribor 6 months + spread | 26/07/07 | | | 1,542 | 1,542 | 1,542 | |
| Advances (Riesfactoring) | | 3 months | | | 25,230 | 25,230 | 25,230 | |
| Amounts owed by third parties | | | | | 35,949 | 35,949 | 33,807 | 2,142 |
| Amounts owed by subsidiaries | | | | | | | | |
| Shareholders' loan to La Carracha | Euribor + spread | 30/12/07 | 269 | 1,770 | 675 | 675 | 675 | |
| Shareholders' loan to Plana de Jarreta | Euribor + spread | 30/12/07 | 274 | 1,435 | 1,058 | 1,058 | 1,058 | |
| Shareholders' loan to Pareh Sar | | | | | 525 | 525 | 525 | |
| Shareholders' loan to Gsa Scarl (in liquidation) | | | | | 6 | 6 | 6 | |
| Amounts owed by associates | | | | | 2,264 | 2,264 | 2,264 | |
| Amounts owed by parent company | | | | | | | | |
| Loan Geo Power | Euribor 3 months | | | | 595 | 595 | 595 | |
| Amounts owed by other group companies | | | | | 595 | 595 | 595 | |
| Total | | | | | 38,808 | 38,808 | 36,666 | 2,142 |

| | 31.12.2005 | | | | | | | |
|---|-------------------------|----------|----------------------------|---------------------|---------------|---------------|-----------------|---------------------|
| | Effective interest rate | Maturity | Increase/ amounts received | Decrease/ repayment | Nominal value | Fair value | Current portion | Non-current portion |
| <i>(Euro thousands)</i> | | | | | | | | |
| Shareholders' loan to Frullo Energia Ambiente Srl | Euribor + spread | | | | 3,961 | 3,961 | 1,862 | 2,099 |
| Shareholders' loan to Palermo Energia Ambiente ScpA | | | | | 1,298 | 1,298 | 1,298 | |
| Other loans | | | | | 15 | 15 | | 15 |
| Advances (Riesfactoring) Operation tres. Caboto (Falck) | | 3 months | | | 24,488 | 24,488 | 24,488 | |
| | | | | | 30,204 | 30,204 | 30,204 | |
| Amounts owed by third parties | | | | | 59,966 | 59,966 | 57,852 | 2,114 |
| Amounts owed by subsidiaries | | | | | | | | |
| Shareholders' loan to La Carracha | Euribor + spread | 30/12/07 | | 419 | 2,176 | 2,176 | 2,176 | |
| Shareholders' loan to Plana de Jarreta | Euribor + spread | 30/12/07 | | 490 | 2,219 | 2,219 | 2,219 | |
| Shareholders' loan to Pareh Sar | | | | | 525 | 525 | 525 | |
| Amounts owed by associates | | | | | 4,920 | 4,920 | 4,920 | |
| Amounts owed by parent company | | | | | | | | |
| Amounts owed by other group companies | | | | | | | | |
| Total | | | | | 64,886 | 64,886 | 62,772 | 2,114 |

5 Trade receivables

Trade receivables at 31 December 2006 consisted of the following:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|---------------|-------------|---------------|---------------|-------------|---------------|--------------|-------------|--------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Trade debtors | 93,004 | | 93,004 | 91,186 | | 91,186 | 1,818 | | 1,818 |
| Amounts owed by subsidiaries | | | | | | | | | |
| Amounts owed by associates | | | | 31 | | 31 | (31) | | (31) |
| Amounts owed by parent company | | | | | | | | | |
| Amounts owed by other group companies | | | | | | | | | |
| Total | 93,004 | | 93,004 | 91,217 | | 91,217 | 1,787 | | 1,787 |

Trade debtors are disclosed net of the provision for the impairment of receivables in order to adjust them to fair value. The composition and movement in the provision for the impairment of receivables is set out below.

| | |
|----------------------------|--------------|
| <i>(Euro thousands)</i> | |
| At 31 December 2005 | 1,325 |
| Charge | 153 |
| Utilisation | (332) |
| At 31 December 2006 | 1,146 |

6 Other receivables

Other receivables at 31 December 2006 consisted of the following:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|-----------------|--------------|-----------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Amounts owed by third parties | 18,836 | 22 | 18,814 | 29,627 | 95 | 29,532 | (10,791) | (73) | (10,718) |
| Amounts owed by subsidiaries | | | | | | | | | |
| Amounts owed by associates | | | | | | | | | |
| Amounts owed by parent company | | | | | | | | | |
| Amounts owed by other group companies | | | | | | | | | |
| Advances | 540 | | 540 | 1,055 | | 1,055 | (515) | | (515) |
| Tax credits | 10,656 | 4,826 | 5,830 | 38,508 | 1,016 | 37,492 | (27,852) | 3,810 | (31,662) |
| Guarantee deposits | 1,029 | 839 | 190 | 316 | 310 | 6 | 713 | 529 | 184 |
| Accrued income and prepayments | 4,079 | 4 | 4,075 | 1,139 | 3 | 1,136 | 2,940 | 1 | 2,939 |
| Total | 35,140 | 5,691 | 29,449 | 70,645 | 1,424 | 69,221 | (35,505) | 4,267 | (39,772) |

Amounts owed by third parties principally relate to the first instalment paid by Falck SpA (Euro 15,000 thousand) for the purchase of Tecnimont SpA. Tax credits have decreased significantly compared to 2005, which is largely due to repayment of the reimbursements requested by Falck SpA details of which are provided in the directors' report.

7 Deferred tax asset

Deferred tax assets amounted to Euro 8,599 thousand representing an increase of Euro 4,720 thousand compared to the balance at 31 December 2005.

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

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

Movements in the deferred tax account were as follows:

| | |
|---|--------------|
| <i>(Euro thousands)</i> | |
| At 31 December 2005 | 3,879 |
| Movements through profit and loss account | 3,064 |
| Recorded against net equity | 1,656 |
| At 31 December 2006 | 8,599 |

Deferred tax liabilities, which amount to Euro 2,952 thousand, have increased by Euro 1,467 thousand compared to the balance at 31 December 2005.

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

| | |
|---|--------------|
| <i>(Euro thousands)</i> | |
| At 31 December 2005 | 1,485 |
| Movements through profit and loss account | 1,450 |
| Recorded against net equity | 17 |
| At 31 December 2006 | 2,952 |

B Current assets

8 Inventories

Inventories at 31 December 2006 may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-------------------------------|-------------------|-------------------|---------------|
| Raw materials and consumables | 9,188 | 6,923 | 2,265 |
| Semi-finished goods | | | |
| Work in progress | 2,166 | 818 | 1,348 |
| Finished goods | 8,029 | 9,877 | (1,848) |
| Advances | | | |
| Total | 19,383 | 17,618 | 1,765 |

9 Investments

Investments in other companies

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|----------------------------|-------------------|-------------------|-----------------|
| Assicurazioni Generali SpA | 5,459 | 4,867 | 592 |
| Camfin SpA | 87 | 109 | (22) |
| Mediobanca SpA | | 40,350 | (40,350) |
| Total | 5,546 | 45,326 | (39,780) |

The interest in Mediobanca SpA was sold in January 2006. The other movements relate to the measurement at fair value, which corresponds to the year end market value. These differences have been recorded in net equity as they relate to available-for-sale financial assets.

Investments also include securities amounting to Euro 35 thousand that relate to a debenture loan granted to the investment Solar Energy Italia SpA.

10 Cash and cash equivalents

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|----------------|
| Short-term bank and post office deposits | 235,507 | 87,287 | 148,220 |
| Cash in hand | 25 | 21 | 4 |
| Total | 235,532 | 87,308 | 148,224 |

Cash and cash equivalents may be detailed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|----------------|
| Cash at bank and in hand | 235,532 | 87,308 | 148,224 |
| Bank overdrafts | (4,303) | (4,942) | 639 |
| Invoice advances | (4,121) | (6,211) | 2,090 |
| Group current accounts | | | |
| Total cash and cash equivalents | 227,108 | 76,155 | 150,953 |

Cash at bank and in hand include the current accounts of Prima Srl (Euro 17,748 thousand) and Frullo Energia Ambiente Srl (Euro 13,431 thousand), which represent the balances that must be maintained in order to meet the obligations of the project financing contracts entered into with the financing banks.

Liabilities

D Shareholders' equity

11 Share capital

Share capital consists of 72,731,171 ordinary shares and 11,142 savings shares, issued and fully paid with a nominal value of Euro 1.00 each.

As mentioned above, the parent company did not trade in its own shares during the year, as a result at the year end own shares held amounted to 6,906,234 shares, of which 3,561 are savings shares, with a total nominal value of Euro 6,906,234.

Movements in shareholders' equity of the Falck group are set out in paragraph 5.2.4 above.

Movements in the exchange translation reserve are set out below:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------|------------|------------|--------|
| Exchange translation reserve | 348 | 273 | 75 |

12 Provisions

| <i>(Euro thousands)</i> | At 31.12.2005 | Change in scope of consol.n | Charge | Utilised | Reclass.n | At 31.12.2006 |
|--|------------------|-----------------------------------|--------------|----------------|-----------|------------------|
| <i>Provisions for pensions and similar obligations</i> | | | | | | |
| <i>Provisions for taxation</i> | | | | | | |
| - Current | | | | | | |
| - Deferred taxes | | | | | | |
| <i>Total tax provisions</i> | | | | | | |
| <i>Other provisions</i> | | | | | | |
| - litigation | 3,033 | | | | | 3,033 |
| - investments | 6,205 | | | | | 6,205 |
| - environmental | 670 | | 677 | (175) | | 1,172 |
| - restructuring | | | | | | |
| - sundry provisions | 50,729 | | 2,303 | (2,692) | | 50,340 |
| <i>Total other provisions</i> | 60,637 | | 2,980 | (2,867) | | 60,750 |
| Total | 60,637 | | 2,980 | (2,867) | | 60,750 |

13 Staff leaving indemnity (TFR)

| <i>(Euro thousands)</i> | At 31.12.2005 | Charges | Transfers/ new consol.n | Utilised/ paid | At 31.12.2006 |
|---|------------------|------------|----------------------------|-------------------|------------------|
| Managers | 1,271 | 270 | 22 | (416) | 1,147 |
| White-collar staff and special categories | 1,702 | 328 | 14 | (280) | 1,764 |
| Blue-collar staff | 1,662 | 233 | (34) | (160) | 1,701 |
| Total | 4,635 | 831 | 2 | (856) | 4,612 |

The Trattamento di Fine Rapporto (TFR) – staff leaving indemnity provision – was subjected to an actuarial valuation by an independent expert. The resulting calculation did not differ significantly from the amount provided under Italian GAAP and as a result the company did not record any adjustments.

The financial actuarial assumptions used to calculate the estimated cost for the 2006 financial statements are as follows:

| (%) | 31.12.2006 | 31.12.2005 | Change |
|---------------------------|------------|------------|--------|
| Annual discounting rate | 4.60% | 4.00% | 0.60% |
| Annual inflation rate | 2.00% | 2.00% | 0.00% |
| Annual total pay increase | 3.00% | 3.00% | 0.00% |
| Annual TFR increase rate | 3.00% | 3.00% | 0.00% |

Commencing 1 January 2007 the Finance Act and related implementation decrees introduced changes to current TFR regulations, among which the possibility for the employee to choose where to invest the TFR matured to date.

In particular, new charges relating to TFR may either be allocated to a pension fund specified by the employee or kept in the company (in the latter case the company will pay TFR contributions into a treasury account held by INPS – the department of health and social security). At present interpretation of the above act is unclear, which makes an adjustment to the actuarial calculation of the TFR balance at 31 December 2006 premature due to the different possible interpretations of the measurement of TFR matured to date in accordance with IAS 19 and the fact that it is not possible to anticipate the choice of the employees regarding the allocation of the TFR matured to date (each employee has until 30 June 2007 to decide).

14 Financial liabilities

Financial liabilities at 31 December 2006 consisted of the following:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|--------------|--------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Amounts owed by third parties | 200,770 | 29,666 | 171,104 | 138,368 | 59,655 | 78,713 | 62,402 | (29,989) | 92,391 |
| Amounts owed by subsidiaries | | | | | | | | | |
| Amounts owed by associates | | | | | | | | | |
| Amounts owed by parent company | | | | | | | | | |
| Amounts owed by other group companies | | | | | | | | | |
| Project financing | 203,317 | 183,605 | 19,712 | 192,219 | 177,786 | 14,433 | 11,098 | 5,819 | 5,279 |
| IRS | 836 | 836 | | 5,737 | 5,737 | | (4,901) | (4,901) | |
| Convertible debenture loans | 36,094 | 36,094 | | 22,266 | 22,266 | | 13,828 | 13,828 | |
| Non-convertible debenture loans | | | | 9,152 | 9,152 | | (9,152) | (9,152) | |
| Total | 441,017 | 250,201 | 190,816 | 367,742 | 274,596 | 93,146 | 10,873 | 5,594 | 5,279 |

The table below sets out the principal data relating to borrowings, including interest rates and maturity dates for financial years 2006 and 2005.

| 31.12.2006 | | | | | | |
|--|--------------------------|-----------------|------------------|----------------|--------------------|------------------------|
| <i>(Euro thousands)</i> | Interest rate % | Maturity | Nominal value | Fair value | Current portion | Non-current portion |
| Bank overdrafts | | | 4,303 | 4,303 | 4,303 | |
| Hot money loans | | | 7,756 | 7,756 | 7,756 | |
| Loans | | | 22,927 | 22,927 | 22,927 | |
| Invoice advances | | | 4,121 | 4,121 | 4,121 | |
| Banca Popolare Sondrio loan | 4.71% | 31/03/2008 | 857 | 857 | 571 | 286 |
| Antonveneta loan | 4.875% | 13/02/2007 | 30,000 | 30,000 | 30,000 | |
| Short-term loans on credit lines | | On cancellation | 90,300 | 90,300 | 90,300 | |
| Efibanca loan | Euribor 3 m + spread | 31/07/2010 | 4,132 | 4,132 | 1,033 | 3,099 |
| Efibanca loan | EIB + 1% | 31/03/2009 | 1,615 | 1,615 | 646 | 969 |
| Banca Popolare Sondrio loan | Euribor 3 m + spread | 31/07/2014 | 9,729 | 9,729 | 1,109 | 8,620 |
| Loans | Euribor 3 m + spread | | 1,118 | 1,118 | | 1,118 |
| Loans (Palermo Energia Ambiente ScpA to third parties) | | | 2,935 | 2,935 | 2,935 | |
| Amounts due to other financial institutions | Euribor 6 m + spread | | 2,107 | 2,107 | 8 | 2,099 |
| Loans to Sicily project companies | Euribor 3 m + spread | | 3,155 | 3,155 | 3,155 | |
| Loans to wind farm project companies | | | 634 | 634 | 634 | |
| Falck Renewables loan | | | 1,452 | 1,452 | | 1,452 |
| Falck Renewables Finance loan | Libor + spread | 30/06/2012 | 11,291 | 11,291 | 1,606 | 9,685 |
| Leasing obligations (Itla) | | | | 2,338 | | 2,338 |
| Amounts owed to third parties | | | 198,432 | 200,770 | 171,104 | 29,666 |
| Project financing Prima Srl | Euribor 6 m + spread | 31/12/2013 | 58,125 | 55,147 | 8,625 | 46,522 |
| Project financing Frullo Srl | Euribor 6 m + spread | 31/12/2017 | 41,653 | 40,159 | 4,610 | 35,549 |
| Project financing Eolica Cabezo | Euribor 12 m + spread | 31/12/2018 | 15,143 | 14,923 | 999 | 13,924 |
| Project financing Cambrian Wind Energy | Libor 3 m + spread | 31/12/2019 | 61,606 | 60,079 | 3,205 | 56,874 |
| Project financing Boyndie | Libor 3 m + spread | 30/06/2017 | 11,367 | 11,385 | 2,273 | 9,112 |
| Project financing Earlsburn Wind Energy | Libor 3 m + spread | 15/04/2022 | 21,624 | 21,624 | | 21,624 |
| Project financing | | | 209,518 | 203,317 | 19,712 | 183,605 |
| IRS Prima Srl | | | | 147 | | 147 |
| IRS Frullo Energia Ambiente Srl | | | | 667 | | 667 |
| IRS Eolica Cabezo S. Roque | | | | 323 | | 323 |
| IRS Cambrian Wind Energy | | | | (136) | | (136) |
| IRS Boyndie Wind Energy | | | | (165) | | (165) |
| Total IRS | | | | 836 | | 836 |
| Convertible debenture loan | | | | | | |
| Falck 2003-2008 | 4.16% | 31/05/2008 | | 9,150 | | 9,150 |
| Convertible debenture loan | | | | | | |
| Falck 2006-2011 | Official ref. rate + 2/3 | 31/10/2011 | | 26,944 | | 26,944 |
| Total convertible debenture loans | | | | 36,094 | | 36,094 |
| Total financial liabilities | | | 407,950 | 441,017 | 190,816 | 250,201 |

| 31.12.2005 | | | | | | |
|---|-----------------------|------------|------------------|----------------|--------------------|------------------------|
| <i>(Euro thousands)</i> | Interest rate % | Maturity | Nominal value | Fair value | Current portion | Non-current portion |
| Bank overdrafts | | | 4,942 | 4,942 | 4,942 | |
| Hot money loans | | | 6,500 | 6,500 | 6,500 | |
| Loans | | | 23,464 | 23,464 | 23,464 | |
| Invoice advances | | | 6,211 | 6,211 | 6,211 | |
| Banca Popolare Sondrio loan | 4.71% | 31/03/2008 | 1,645 | 1,645 | 788 | 857 |
| Antonveneta loan | 4.875% | 13/02/2007 | 30,000 | 30,000 | | 30,000 |
| Mediobanca loan | 2.950% | 28/06/2006 | 90,300 | 29,035 | 29,035 | |
| Efibanca loan | Euribor 6 m + spread | 31/07/2010 | 5,164 | 5,164 | 1,033 | 4,131 |
| Efibanca loan | EIB + 1% | 31/03/2009 | 2,260 | 2,260 | 645 | 1,615 |
| Banca Popolare Sondrio loan | Euribor 3 m + spread | 31/07/2014 | 10,000 | 10,000 | 271 | 9,729 |
| Loans | Euribor 3 m + spread | | 1,118 | 1,118 | | 1,118 |
| Loans (Palermo Energia Ambiente ScpA with third parties) | | | 1,449 | 1,449 | 1,449 | |
| Amounts due to other financial institutions | Euribor 6 m + spread | | 2,099 | 2,099 | | 2,099 |
| Loans to Sicily project companies | Euribor 3 m + spread | | 2,880 | 2,880 | 2,880 | |
| Loans to wind farm project companies | | | 318 | 318 | 318 | |
| Falck Renewables Finance loans | Libor + spread | 30/06/2012 | 8,652 | 8,652 | 1,177 | 7,475 |
| Leasing obligations (Itla) | | | | 2,631 | | 2,631 |
| Amounts due to third parties | | | 197,002 | 138,368 | 78,713 | 59,655 |
| Project financing Prima Srl | Euribor 6 m + spread | 31/12/2013 | 66,375 | 62,478 | 8,250 | 54,228 |
| Project financing Frullo Srl | Euribor 6 m + spread | 31/12/2017 | 46,868 | 45,092 | 5,213 | 39,879 |
| Project financing Eolica Cabezo | Euribor 12 m + spread | 31/12/2018 | 16,114 | 15,864 | 970 | 14,894 |
| Project financing Cambrian Wind Energy | Libor 3 m + spread | 31/12/2019 | 63,155 | 61,310 | | 61,310 |
| Project financing | | | 192,512 | 184,744 | 14,433 | 170,311 |
| IRS Prima Srl | | | | 888 | | 888 |
| IRS Frullo Energia Ambiente Srl | | | | 1,782 | | 1,782 |
| IRS Eolica Cabezo S. Roque | | | | 779 | | 779 |
| IRS Cambrian Wind Energy | | | | 2,288 | | 2,288 |
| Total IRS | | | | 5,737 | | 5,737 |
| Debenture loan Falck | 3.33% | 31/01/2008 | | 22,266 | | 22,266 |
| Convertible debenture loan Falck 2003-2008 | 4.16% | 31/05/2008 | | 9,152 | | 9,152 |
| Total debenture loans | | | | 31,418 | | 31,418 |
| Total financial payables | | | 389,514 | 360,267 | 93,146 | 267,121 |

Details of debenture loans are provided in paragraph D Liabilities of the notes to the financial statements of Falck SpA.

With regard to the convertible debenture loans, the analysis performed to separate the equity and loan components resulted in identification of an immaterial equity component; consequently the book value of these loans has not been adjusted.

At 31 December 2006, the Falck group held the following IRS contracts:

| Description of IRS <i>(Euro thousands)</i> | Contract start-date | Contract expiry date | Notional value | Fixed rate | Fair value |
|--|----------------------------|-----------------------------|-----------------------|-------------------|-------------------|
| Frullo IRS Intesa | 25/9/2002 | 31/12/2017 | 23,471 | 4.68% | (673) |
| Frullo IRS Unicredit | 25/9/2002 | 31/12/2017 | 23,471 | 4.68% | (690) |
| Prima IRS Double Fixed | 23/7/2004 | 31/12/2013 | 20,344 | 2.73% | (210) |
| Prima IRS Cancellable | 23/7/2004 | 31/12/2013 | 20,344 | 3.90% | 63 |
| Cabezo San Roque IRS Dexia | 19/2/2004 | 31/12/2010 | 10,412 | 3.85% | (323) |
| Cambrian IRS Barclays | 20/12/2004 | 31/12/2016 | 27,948 | 5.20% | 50 |
| Cambrian IRS Mitsubishi Securities | 20/12/2004 | 30/12/2016 | 18,632 | 5.20% | 70 |
| Cambrian IRS HVB | 20/12/2004 | 31/12/2016 | 9,316 | 5.20% | 16 |
| Boyndie IRS Barclays | 12/4/2006 | 31/12/2016 | 5,107 | 4.99% | 60 |
| Boyndie IRS Mitsubishi Securities | 12/4/2006 | 31/12/2016 | 3,370 | 4.99% | 85 |
| Boyndie IRS HVB | 12/4/2006 | 31/12/2016 | 1,735 | 4.99% | 20 |

15 Trade payables

Trade payables at 31 December 2006 compared to the previous financial year may be analysed as follows:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|---------------|-------------|---------------|---------------|-------------|---------------|--------------|-------------|--------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Trade payables | 94,197 | | 94,197 | 90,847 | | 90,847 | 3,350 | | 3,350 |
| Amounts owed to subsidiaries | | | | | | | | | |
| Amounts owed to associates | | | | 13 | | 13 | (13) | | (13) |
| Amounts owed to parent company | | | | | | | | | |
| Amounts owed to other group companies | | | | | | | | | |
| Total | 94,197 | | 94,197 | 90,860 | | 90,860 | 3,337 | | 3,337 |

16 Other payables

Other payables at 31 December 2006 and 31 December 2005 may be analysed as follows:

| | 31.12.2006 | | | 31.12.2005 | | | Change | | |
|---------------------------------------|---------------|-------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| <i>(Euro thousands)</i> | | | | | | | | | |
| Other creditors | 53,505 | | 53,505 | 32,855 | 605 | 32,250 | 20,650 | (605) | 21,255 |
| Amounts owed to subsidiaries | | | | | | | | | |
| Amounts owed to associates | 54 | | 54 | 17 | | 17 | 37 | | 37 |
| Amounts owed to parent company | | | | | | | | | |
| Amounts owed to other group companies | | | | | | | | | |
| Advances | 2,204 | | 2,204 | 1 | | 1 | 2,203 | | 2,203 |
| Tax payable | 7,953 | | 7,953 | 1,092 | | 1,092 | 6,861 | | 6,861 |
| Accruals and deferred income | 2,979 | 60 | 2,919 | 2,000 | 418 | 1,582 | 979 | (358) | 1,337 |
| Total | 66,695 | 60 | 66,635 | 35,965 | 1,023 | 34,942 | 30,730 | (963) | 31,693 |

Other creditors may be detailed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Amounts due for acquisition of Elettroambiente SpA | 20,000 | 20,000 |
| IRES (corporation tax) of Frullo Energia Ambiente due to Hera (group tax regime) | 2,371 | |
| Amounts due to Acciaierie di Bolzano for assignment of debts | | 1,640 |
| Amounts owed to Legnochimica | 620 | 605 |
| Amounts owed to Immobiliare Bolzano | 349 | 349 |
| Amounts owed to parent company shareholders for distributable reserves | 190 | 190 |
| Environmental contribution | 825 | 790 |
| Holiday pay | 763 | 444 |
| Other amounts due to employees (Mbo) | 2,257 | 356 |
| Tax payable | 6,351 | 1,810 |
| Social security payable | 409 | 384 |
| Total | 34,135 | 26,568 |

Commitments and contingencies

Personal guarantees issued as at 31 December 2006 amounted to Euro 201,958 thousand and consisted of:

| <i>(Euro thousands)</i> | |
|--|----------------|
| Bank guarantees | 79,275 |
| Guarantees given to public entities and ministries | 62,962 |
| Guarantees given to VAT authorities | 25,837 |
| Other personal guarantees | 33,884 |
| Total | 201,958 |

Real guarantees issued comprise pledges amounting to Euro 13,254 thousand and mortgages totalling Euro 165,967 thousand. Pledges principally relate to pledges on the shares of Prima Srl (Euro 4,856 thousand) and the associate Frullo Energia Ambiente Srl (Euro 8,398 thousand) as guarantees on loans received.

Mortgages relate to guarantees issued on loans granted for the acquisition and construction of three WTE plants in the renewable energy from biomass and WTE segment.

Related party transactions

| <i>(Euro thousands)</i> | Trade receivables | | | Trade payables | | |
|--|-------------------|------------|-------------|----------------|------------|-------------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Associates | | | | | | |
| Ambiente 3000 Srl | | 25 | (25) | | | |
| Gsa Scarl in liquidation | | | | | 13 | (13) |
| Lonardi Costruzioni Srl in liquidation | | 4 | (4) | | | |
| Pareh Sar Gmbh | | 2 | (2) | | | |
| Total | | 31 | (31) | | 13 | (13) |

| <i>(Euro thousands)</i> | Financial receivables | | | Financial payables | | |
|-----------------------------------|-----------------------|--------------|----------------|--------------------|------------|--------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Associates | | | | | | |
| Gsa Scarl in liquidation | 6 | | 6 | | | |
| Pareh Sar Gmbh | 523 | 527 | (4) | | | |
| Parque Eolico La Carracha SI | 677 | 2,219 | (1,542) | | | |
| Parque Eolico Plana de Jarreta SI | 1,058 | 2,174 | (1,116) | | | |
| Total | 2,264 | 4,920 | (2,658) | | | |

| <i>(Euro thousands)</i> | Other receivables | | | Other payables | | |
|--------------------------------------|-------------------|------------|--------|----------------|------------|-----------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Associates | | | | | | |
| Powercrop Srl | | | | 37 | | 37 |
| Termini Imerese Energia Ambiente Srl | | | | 17 | 17 | |
| Total | | | | 54 | 17 | 37 |

5.2.5.9 Profit and loss account content and changes

17 Revenue

Revenue consisted of the following:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------------|----------------|----------------|---------------|
| Revenue from sales of goods | 150,069 | 133,309 | 16,760 |
| Revenue from provision of services | 29,741 | 29,232 | 509 |
| Total | 179,810 | 162,541 | 17,269 |

Revenue arising from the sale of goods, compared to the amounts for the previous year, is attributable to the following business segments:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---------------------------|----------------|----------------|---------------|
| Sale of electrical energy | 85,933 | 65,274 | 20,659 |
| Sale of thermal energy | 990 | 702 | 288 |
| Sale of steel products | 63,146 | 67,333 | (4,187) |
| Total | 150,069 | 133,309 | 16,760 |

Revenue relating to the provision of services, compared to the total for 2005, is attributable to the following business segments:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------|---------------|---------------|------------|
| Waste treatment and disposal | 23,339 | 20,553 | 2,786 |
| Operation and maintenance | 3,597 | 5,217 | (1,620) |
| Other | 2,805 | 3,462 | (657) |
| Total | 29,741 | 29,232 | 509 |

18 Employee costs

Employee costs may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------------|---------------|---------------|--------------|
| Cost of production employees | 10,673 | 11,318 | (645) |
| Cost of administrative staff | 11,950 | 9,048 | 2,902 |
| Total | 22,623 | 20,366 | 2,257 |

Total employee costs by nature of the expense may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-------------------------------|---------------|---------------|--------------|
| Wages and salaries | 16,667 | 14,430 | 2,237 |
| Social security costs | 4,991 | 4,903 | 88 |
| Staff leaving indemnity (TFR) | 897 | 889 | 8 |
| Other costs | 68 | 144 | (76) |
| Total | 22,623 | 20,366 | 2,257 |

The average number of group employees was as follows:

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 |
|--|-------------------|-------------------|
| Managers | 37 | 37 |
| White-collar staff | 138 | 129 |
| Blue-collar staff | 122 | 135 |
| Total average number of employees | 297 | 301 |

19 Direct costs

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|---------------|
| Materials | 61,329 | 65,454 | (4,125) |
| Services | 28,239 | 30,142 | (1,903) |
| Other costs | 10,235 | 8,956 | 1,279 |
| Change in inventories | (800) | (2,945) | 2,145 |
| Charges to/(utilisation of) operating provisions | (354) | (155) | (199) |
| Amortisation and impairment of intangibles | 8,472 | 601 | 7,871 |
| Depreciation and impairment of property, plant and equipment | 19,965 | 16,054 | 3,911 |
| Employee costs capitalised on assets under construction | (4,261) | (5,226) | 965 |
| Total | 122,825 | 112,881 | 9,944 |

Direct costs have increased by Euro 9,944 thousand compared to 2005. The most significant increases relate to amortisation and impairment of intangibles and property, plant and equipment (+Euro 11,782 thousand) and other costs (+ Euro 1,279 thousands), while materials costs (- Euro 4,125 thousand) and services (- Euro 1,903 thousand) decreased.

Amortisation and impairment of intangibles includes the impairment write-off amounting to Euro 7,833 thousand recognised on the goodwill of the plant in Rende.

20 Other income

Other income consisted of the following:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--------------------------------------|-------------------|-------------------|----------------|
| Income from operating activities | 1,279 | 1,333 | (54) |
| Income from non-operating activities | 2,867 | 11,209 | (8,342) |
| Total | 4,146 | 12,542 | (8,396) |

Income from operating activities may be further detailed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|---------------|
| Income from services provided to group companies | 388 | 290 | 98 |
| Recharged expenses | 820 | 943 | (123) |
| Commissions | 71 | 93 | (22) |
| Other | | 7 | (7) |
| Total | 1,279 | 1,333 | (47) |

Income from non-operating activities may be further detailed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|----------------|
| Income relating to other accounting periods | 2,404 | 714 | 1,690 |
| Gains on disposal of property, plant and equipment | 12 | 5,122 | (5,110) |
| Damages received | 5 | 39 | (34) |
| Insurance compensation | 6 | 1,240 | (1,234) |
| Supplier rebates | 5 | 4 | 1 |
| Other income | 435 | 4,090 | (3,655) |
| Total | 2,867 | 11,209 | (8,342) |

21 Administrative expenses

Administrative expenses may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|-------------------|-------------------|-----------------|
| Consumables | 702 | 849 | (147) |
| Services | 7,495 | 9,024 | (1,529) |
| Other costs | 5,786 | 5,239 | 547 |
| Property costs | 87 | 9 | 78 |
| Non-operating expenses | 2,515 | 7,264 | (4,749) |
| Amortisation and impairment of intangibles | 91 | 51 | 40 |
| Depreciation and impairment of property, plant and equipment | 199 | 220 | (21) |
| Charges to/(utilisation) of provisions | (649) | 13,301 | (13,950) |
| Total | 16,226 | 35,957 | (19,731) |

Administrative expenses have decreased significantly in particular due to the fact that 2005 included a charge to the sundry risk provision of Euro 18,504 thousand. In addition, non-operating expenses (- Euro 4,749 thousand) and services (- Euro 1,529 thousand) have decreased.

22 Finance costs - net

Financial income and expenses may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|---------------|
| Interest expense | (34,709) | (26,136) | (8,573) |
| Interest income | 29,022 | 9,558 | 19,464 |
| Interest capitalised on assets under construction | 1,309 | 2,324 | (1,015) |
| Total | (4,378) | (14,254) | 9,876 |

Interest expenditure consisted of the following:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|---------------|
| Interest on bank current accounts | 953 | 657 | 296 |
| Interest on short-term bank loans | 8,766 | 7,365 | 1,401 |
| Interest on medium/long-term bank loans | 10,339 | 11,020 | (681) |
| Interest on debenture loans | 1,175 | 1,057 | 118 |
| Other financial expenses | 8,608 | 1,334 | 7,274 |
| Interest on IRS | 174 | 2,363 | (2,189) |
| Bank expenses and commission | 264 | 111 | 153 |
| Commission on guarantees | 315 | 269 | 46 |
| Exchange losses | 4,018 | 1,900 | 2,118 |
| Other | 97 | 60 | 37 |
| Total | 34,709 | 26,136 | 8,573 |

Interest income for the year ended 31 December 2006 may be analysed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|---------------|
| Interest on bank current accounts | 1,798 | 977 | 821 |
| Interest on short-term bank loans | 4,504 | 799 | 3,705 |
| Interest on medium/long-term bank loans | 242 | 76 | 166 |
| Interest on late payments | 2,019 | 317 | 1,702 |
| Interest on group current accounts | 777 | 1,158 | (381) |
| Other financial income | 10,684 | 2,102 | 8,582 |
| Interest on IRS | 4,747 | 928 | 3,819 |
| Interest on tax credits | 750 | 633 | 117 |
| Exchange gains | 3,501 | 2,551 | 950 |
| Other | | 17 | (17) |
| Total | 29,022 | 9,558 | 19,464 |

23 Investment income

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|---------------|----------------|-----------------|
| Dividends | 4,507 | 4,990 | (483) |
| Revaluations | 63 | 6,054 | (5,991) |
| Impairment losses | (186) | (2,870) | 2,684 |
| Gains on disposals | 12,907 | 97,511 | (84,604) |
| Losses on disposals | | (18) | 18 |
| Total | 17,291 | 105,667 | (88,376) |

Dividends principally comprise:

| | | |
|------------------------------|----------------------|--------------------------|
| - Banca Intesa SpA | Euro 1,408 thousand, | paid to Falck SpA |
| - Assicurazioni Generali SpA | Euro 89 thousand, | paid to Falck SpA |
| - Unicredito Italiano SpA | Euro 2,758 thousand, | paid to Falck Energy Sa. |

The balance of gains on disposals, which in 2005 was significantly affected by the sale of the investment in Leonardo/Aeroporti di Roma, principally relates to the following gains realised by the parent company:

| | |
|--------------------------|----------------------|
| - Mediobanca SpA | Euro 12,415 thousand |
| - OLT Energy Toscana Srl | Euro 491 thousand. |

24 Taxation

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|---------------|--------------|--------------|
| Current tax | 14,728 | 6,167 | 8,561 |
| Deferred tax | (1,614) | 1,393 | (3,007) |
| Total | 13,114 | 7,560 | 5,554 |

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|---|-----------------|----------------|
| Profit before taxation | 35,195 | 97,292 |
| Taxes calculated applying tax rate to group profit | (13,035) | (29,667) |
| Profits not subjected to taxation | 1,810 | 28,612 |
| Expenses not deductible for tax purposes | (2,187) | (589) |
| Utilisation of tax losses carried forward | 722 | 22 |
| Tax losses on which deferred taxes are not recognised | (424) | (5,938) |
| Total taxation | (13,114) | (7,560) |

Related party transactions

| <i>(Euro thousands)</i> | Revenue from sales and services | Other operating income | Recharged expenses | Other income | Amounts relating to prior periods | Provision of services | Other costs | Income from investments | Other financial income | Interest expense |
|-----------------------------------|---------------------------------|------------------------|--------------------|--------------|-----------------------------------|-----------------------|-------------|-------------------------|------------------------|------------------|
| Associates | | | | | | | | | | |
| Parque Eolico La Carracha SI | | | | | | | | | | 497 |
| Parque Eolico Plana de Jarreta SI | | | | | | | | | | 333 |
| Total associates | | | | | | | | | | 830 |

Appendix to consolidated financial statements

Transition to IFRS

Introduction and definition of optional exemptions

The date of first time adoption of IFRS in relation to the preparation of the consolidated financial statements of the Falck group is 1 January 2006. As a result the consolidated financial statements for the year ended 31 December 2006 are the first prepared in accordance with these principles.

The date of transition to IFRS of the Falck group is 1 January 2005, corresponding to the date on which the opening balance sheet was prepared in accordance with IAS/IFRS.

This paragraph, which covers the first time application of international accounting standards, has been prepared in accordance with the requirements of "IFRS 1 – First time adoption of International Financial Reporting Standards" and provides full information regarding the impact on the consolidated state of affairs, results of operations and cash flows of the Falck group of changing from Italian generally accepted accounting principles (Italian GAAP) to IAS/IFRS.

The Falck group has delegated the task of reviewing the reconciliation statements required by IFRS 1 and the principal actions to be carried out on transition to IFRS, to the independent auditors PricewaterhouseCoopers SpA.

The valuation and measurement of financial information, both in relation to adjustments to the 2005 company financial statements and for the information relating to 2006, are based on the IAS/IFRS currently in force and their related interpretations.

The choices made by the Falck group in relation to the optional exemptions for the opening balance sheet on first time adoption, as allowed by IFRS 1, are as follows:

- *Business combinations*: the company has elected not to apply IFRS 3 retrospectively and thus not to restate business combinations that took place prior to the transition date of 1 January 2005.
- *Goodwill*: Falck has adopted IFRS 3 from 1 January 2005 and as a result, from 1 January 2005 amortisation of goodwill has no longer been recorded.
- *Fair value*: with regard to the valuation of property, plant and equipment at the transition date, the cost method was chosen in preference to the fair value method. Assets are therefore measured in the financial statements at historical cost or, where requisites are met, at the value determined under previous accounting principles as a substitute for cost, net of accumulated depreciation.
- *Employee benefits*: it has been decided to recognise in full the cumulative actuarial differences at the transition date of 1 January 2005.
- *Financial instruments*: Falck has adopted IAS 32 and 39 from 1 January 2005, without opting for retrospective application.

Reconciliation of equity at 1 January 2005, 31 December 2005 and the profit for 2005 in accordance with IFRS 1 (paragraphs 39 and 40)

| <i>(Euro thousands)</i> | Consolidated equity at 01/01/2005 | Of which IAS 32-39 adjustments | Consolidated profit 2005 | Dividends | Other movements | Consolidated equity at 31/12/2005 |
|--|---|--------------------------------------|-----------------------------|----------------|--------------------|---|
| Falck consolidated Italian GAAP reporting | 198,854 | | 88,060 | (1,909) | (611) | 284,394 |
| - IAS 38 Intangible assets | | | 2,144 | | | 2,144 |
| Goodwill | | | 2,578 | | | 2,578 |
| Deferred taxes | | | (434) | | | (434) |
| - IAS 16 Property, plant and equipment | (2,248) | | (171) | | | (2,419) |
| Adjustments to property, plant and equipment | (3,055) | | (660) | | | (3,715) |
| Other tangible fixed assets | | | | | | |
| Scheduled maintenance provision | 898 | | 441 | | | 1,339 |
| Deferred taxes | (91) | | 48 | | | (43) |
| - IAS 32 and 39 Financial instruments | 44,613 | 44,769 | (621) | | 35,142 | 79,134 |
| Derivative instruments | 47,154 | 47,154 | (381) | | 35,142 | 81,915 |
| Effective interest resulting from amortised cost method | (264) | | (713) | | | (977) |
| Deferred taxes | (2,277) | (2,385) | 473 | | | (1,804) |
| - IAS 1 Own shares held | (12,157) | (12,157) | | | (30) | (12,187) |
| - IAS 2 Inventories at weighted average cost | 1,310 | | 336 | | | 1,646 |
| Inventories at weighted average cost | 2,088 | | 534 | | | 2,622 |
| Deferred taxes | (778) | | (198) | | | (976) |
| - Other minor differences | (94) | | (16) | | 214 | 104 |
| Consolidated IAS/IFRS reporting | 230,278 | 32,612 | 89,732 | (1,909) | 34,715 | 352,816 |
| Total differences Italian GAAP - IAS/IFRS | 31,424 | | 1,672 | | 35,326 | 68,422 |
| Minority interest in equity - Italian GAAP | 11,214 | | 11,214 | 4,033 | 5,026 | 20,273 |
| Difference Italian GAAP - IAS/IFRS | (2,355) | | (1,363) | | 70 | (3,648) |
| Minority interest in equity - IAS/IFRS | 8,859 | | 8,859 | 4,033 | 5,096 | 16,625 |
| Total equity Italian GAAP | 187,640 | | 76,846 | (5,942) | (5,637) | 264,121 |
| Difference Italian GAAP - IAS/IFRS | 33,779 | | 3,035 | | 35,256 | 72,070 |
| Total equity IAS/IFRS | 221,419 | | 79,881 | (5,942) | 29,619 | 336,191 |

Note: the column IAS 32-39 adjustments, relates to amounts included in the column Consolidated equity at 1 January 2005.

Explanatory notes to reconciliation statement

The principal differences between the previous and new accounting principles are summarised as follows:

- **IAS 16 – Property, plant and equipment**

- *Analysis of capitalised costs based on components (component approach):* an analysis was performed of the costs capitalised within assets, with particular emphasis on plant, in order to verify if the requirements of IAS/IFRS were met. Adjustments related solely to the elimination of accessory charges totalling Euro 2,157 thousand capitalised under previous accounting principles, which largely related to wind farms (Euro 2,370 thousand). This adjustment resulted in a negative impact (Euro 77 thousand) on the 2005 profit and loss account. With regard to finance costs, also for IAS purposes the group has opted to capitalise borrowing costs (as permitted by IAS 23), without generating any differences in respect of Italian GAAP.

-
- *Depreciation recorded based on the component approach:* the review of the useful lives of tangible assets in accordance with IAS 16 resulted in an adjustment of Euro 489 thousand, while increased depreciation amounting to Euro 1,003 thousand was recorded in the 2005 profit and loss account. The adjustments largely related to the WTE plants and to a lesser extent the wind farms. Identification of the useful lives to be applied to the individual components of the plants was based on a specific analysis performed by group technical experts.
 - *Provision for scheduled maintenance:* the application of the component approach to significant elements of the WTE plants has resulted in derecognition, at the date of transition, of the provision for scheduled maintenance of Euro 898 thousand. Under previous accounting principles this provision was recorded within liabilities in the balance sheet to cover the cost of scheduled extraordinary maintenance.
 - *Amortised cost:* the application of the amortised cost method in relation to financial instruments has resulted in the reversal of the accessory costs of raising project financing required for the construction of the WTE plants and the wind farms, which were capitalised within plant and machinery as permitted by previous accounting principles. These costs, as further detailed below, have been classified as a reduction of borrowings. As a result, where on the one hand the company recorded lower depreciation for an amount of Euro 257 thousand in 2005, on the other hand higher effective interest payable of Euro 1,305 thousand was recognised compared to the amount actually paid to the lending banks, following application of the effective cost method.
 - *Deferred taxes:* this relates to the tax effect on the adjustments detailed above.
- **IAS 38 – Intangible assets**
 - *Goodwill:* previous accounting principles allowed amortisation of goodwill. In accordance with IFRS 3, which came into effect on 1 January 2005, goodwill is no longer amortised on a systematic basis but is subjected to impairment testing, at least on an annual basis, in order to identify any reductions in value. Accordingly, the group tested for impairment of the goodwill value as at 1 January 2005, applying the procedures required by IAS 36. The discounted operating cash flow method, based on projections included in the long-term business plan approved by company management, was utilised. The test performed on the present value of estimated future cash flows supports a goodwill value that is higher than the carrying amount and as a result no impairment loss was recognised.
 - **IAS 19 – Employee benefits**
 - The provision for staff leaving indemnity (TFR) was subjected to an actuarial calculation by an independent expert. No significant differences emerged compared to the values determined under Italian GAAP and as a result it was decided that no adjustment was necessary.
 - **IAS 32 and 39 – Financial instruments and derivatives**
 - *Derivative instruments:* the Falck group has adopted IAS 32 and 39 from 1 January 2005, without opting for retrospective application. The impact of the fair value measurement of equity investments in other companies, with regard to listed enterprises, has resulted in an increase in the value of these investments, with a corresponding increase in shareholders equity, amounting to Euro 48,361 thousand at 1 January 2005 and Euro 83,503 thousand at 31 December 2005.
 - The fair value measurement of contracts entered into to hedge interest risk (interest rate swaps – IRS) on project financing has resulted in an increase in financial liabilities of Euro 5,325 thousand, a reduction in consolidated shareholders' equity at 1 January 2005 of Euro 3,590 thousand and recognition of a deferred tax effect amounting to Euro 1,735 thousand. Under previous accounting principles, financial instruments used to hedge interest rate risk, related to specific liabilities in the financial statements, were recorded in the profit and loss account in accordance with the accrual concept. The fair value adjustments for the 2005 financial year resulted in increased costs of Euro 286 thousand, net of the tax effect, and have been charged to the profit and loss account as the company has elected not to apply the provisions relating to hedge accounting set out in paragraph 71 and ensuing paragraphs of IAS 39.
 - *Deferred taxes:* this relates to the tax effect of the above adjustments.
 - **IAS 1 – Presentation of financial statements**
 - *Own shares held:* shareholders' equity has been reduced by the value of own shares acquired by the parent company.

- **IAS 2 – Inventories**

The adjustment relates to application of the weighted average cost method in valuing inventories.

- **IAS/IFRS adjustments to minority interest in net equity**

This amount relates to the share of the adjustments arising from adoption of the new IAS/IFRS accounting principles attributable to minority shareholders.

The total impact at 1 January 2005 and 31 December 2005 is a reduction in shareholders' equity of Euro 2,355 thousand and Euro 3,648 thousand respectively.

Impact of the transition to IAS/IFRS on the net financial position at 31 December 2005

IAS/IFRS adjustments to the group consolidated net financial position are detailed as follows:

| <i>(Euro thousands)</i> | Italian GAAP | Adjustments | IAS/IFRS |
|--|---------------------|--------------------|-------------------|
| | 31.12.2005 | IAS/IFRS | 31.12.2005 |
| 1 Medium/long-term financial receivables | 2,108 | 6 | 2,114 |
| 2 Medium/long-term financial payables | (267,354) | 233 | (267,121) |
| 3 Net medium/long-term financial position | (265,246) | 239 | (265,007) |
| 4 Short-term financial receivables | 149,854 | 226 | 150,080 |
| 5 Short-term financial payables | (95,126) | 1,980 | (93,146) |
| 6 Net short-term financial position | 54,728 | 2,206 | 56,934 |
| 7 Total net financial position (3+6) | (210,518) | 2,445 | (208,073) |

**Supplementary information
to consolidated financial statements**

5.4.1 List of investments in subsidiaries and associates

Companies consolidated using line-by-line method

| | Registered office | Currency | Share capital | % Direct holding | Indirect holding | |
|---|-------------------------|----------|---------------|------------------|------------------|---------------------------------------|
| | | | | | % | Through subsidiary |
| Falck SpA | Milan | Euro | 72,742,313 | | | |
| Actelios SpA | Milan | Euro | 67,680,000 | 68.717 | | |
| Alba Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Ambiente 2000 Srl | Milan | Euro | 103,000 | | 60.000 | Actelios SpA |
| Aonach Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Beinn Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Ben Aketil Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |
| Boyndie Wind Energy Ltd | Edinburgh (UK) | GPB | 250,000 | | 100.000 | Falck Renewables UK Holding(no.1) Ltd |
| Brae Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Cambrian Wind Energy Ltd | London (UK) | GBP | 1,000 | | 100.000 | Falck Renewables UK Holding(no.1) Ltd |
| Chalmerston Wind Power Ltd | Edinburgh (UK) | GBP | 250,000 | | 52.000 | Falck Renewables Ltd |
| Corrie Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Creag Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Dunbeath Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | | 52.000 | Falck Renewables Ltd |
| Dunmore Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Earlsburn Mezzanine Ltd | London (UK) | GBP | 1,000 | | 100.000 | Falck Renewables Ltd |
| Earlsburn Wind Energy Ltd | Inverness (UK) | GBP | 1,000 | | 100.000 | Earlsburn Mezzanine Ltd |
| Ecosesto SpA | Milan | Euro | 5,120,000 | | 100.000 | Actelios SpA |
| Elettroambiente SpA | Sesto S. Giovanni (Mi) | Euro | 245,350 | | 100.000 | Actelios SpA |
| Eolica Cabezo San Roque Sl | Saragozza (Spain) | Euro | 1,500,000 | | 95.511 | Falck Renewables Ltd |
| Eolica Sud Srl | Catanzaro | Euro | 10,000 | | 100.000 | Falck Renewables Ltd |
| Eolo 3W Minervino Murge Srl | Sesto S. Giovanni (Mi) | Euro | 10,000 | | 100.000 | Falck Renewables Ltd |
| Falck Acciai - CNS SpA | Grassobbio (Bg) | Euro | 516,000 | 100.000 | | |
| Falck Energies Renouvelables Sarl | Cesson Sevigne (France) | Euro | 60,000 | | 100.000 | Falck Renewables Ltd |
| Falck Energy Iran Sa | Luxembourg | Euro | 31,000 | 99.677 | | |
| Falck Energy Sa | Luxembourg | Euro | 43,038,013 | 99.990 | | |
| Falck Financial Services Sa | Lugano (Switzerland) | CHF | 250,000 | | 100.000 | Falck Energy Sa |
| Falck Renewables Finance Ltd | London (UK) | GBP | 1,000 | | 100.000 | Falck Renewables Ltd |
| Falck Renewables Italia Srl | Sesto S. Giovanni (Mi) | Euro | 100,000 | | 100.000 | Falck Renewables Ltd |
| Falck Renewables Ltd | London (UK) | GBP | 20,000,000 | | 99.290 | Falck Energy Sa |
| Falck Renewables UK Holdings (No.1) Ltd | London (UK) | GBP | 1,000 | | 100.000 | Falck Renewables Ltd |
| Inver Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Italian Lao Group Co Ltd | Laos PDR | USD | 1,532,500 | | 60.000 | Falck Energy Sa |
| Isla - Redaelli Tecna Laminati SpA | Milan | Euro | 4,129,312 | 100.000 | | |
| Kilbraur Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |
| Kingsburn Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |
| Kinloch Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Limmer Hill Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |
| Mellock Hill Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | | 52.000 | Falck Renewables Ltd |
| Millennium Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |

Companies consolidated using line-by-line method (continued)

| | Registered office | Currency | Share capital | % Direct holding | Indirect holding | |
|--------------------------------------|-------------------------|----------|---------------|------------------|------------------|----------------------|
| | | | | | % | Through subsidiary |
| Ness Wind Energy Ltd | London (UK) | GBP | 100 | | 100.000 | Falck Renewables Ltd |
| Nutberry Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | | 52.000 | Falck Renewables Ltd |
| Parc Eolien de Baud Sarl | Cesson Sevigne (France) | Euro | 1,000 | | 75.000 | Falck Renewables Ltd |
| Parc Eolien de la Seulles Sarl | Cesson Sevigne (France) | Euro | 1,000 | | 100.000 | Falck Renewables Ltd |
| Parc Eolien de Plovenez du Faou Sarl | Cesson Sevigne (France) | Euro | 1,000 | | 75.000 | Falck Renewables Ltd |
| Platani Energia Ambiente ScpA | Palermo | Euro | 120,000 | | 80.900 | Elettroambiente SpA |
| Portclair Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | 52.000 | Falck Renewables Ltd |
| Prima Srl | Sesto S. Giovanni (Mi) | Euro | 5,430,000 | | 85.000 | Actelios SpA |
| Riesfactoring SpA | Milan | Euro | 2,000,000 | 99.800 | 0.200 | Actelios SpA |
| Sell Moor Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | | 52.000 | Falck Renewables Ltd |
| Sesto Siderservizi Srl | Sesto S. Giovanni (Mi) | Euro | 260,000 | 100.000 | | |
| Tifeo Energia Ambiente ScpA | Palermo | Euro | 120,000 | | 84.900 | Elettroambiente SpA |

Companies consolidated using proportional method

| | Registered office | Currency | Share capital | % Direct holding | Indirect holding | |
|-------------------------------|-------------------|----------|---------------|------------------|------------------|--------------------|
| | | | | | % | Through subsidiary |
| Ambiente 3000 Srl | Bologna | Euro | 100,000 | | 49.000 | Actelios SpA |
| Fruzzo Energia Ambiente Srl | Bologna | Euro | 17,139,100 | | 49.000 | Actelios SpA |
| Palermo Energia Ambiente ScpA | Palermo | Euro | 120,000 | 24.728 | 23.272 | Actelios SpA |

Companies valued applying equity method

| | Registered office | Currency | Share capital | % Direct holding | Indirect holding | |
|------------------------------------|-------------------|----------|---------------|------------------|------------------|--------------------------------------|
| | | | | | % | Through subsidiary |
| 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 |

Other investments in subsidiaries and associates valued at cost

| | Registered office | Currency | Share capital | % Direct holding | Indirect holding | |
|--|------------------------|----------|---------------|------------------|------------------|----------------------|
| | | | | | % | Through subsidiary |
| Eolica Lucana Srl | Potenza | Euro | 10,000 | 20.000 | | |
| Gsa Srl (in liquidation) | Milan | Euro | 10,000 | | 50.000 | Ecosesto SpA |
| Lonardi Costruzioni Srl (in liquidation) | Sesto S. Giovanni (Mi) | Euro | 58,140 | 49.000 | | |
| Minervento SpA | Sesto S. Giovanni (Mi) | Euro | 120,000 | | 100.000 | Falck Renewables Ltd |
| Pareh Sar GmbH | Monaco (Germania) | Euro | 2,300,000 | | 50.000 | Falck Energy Iran Sa |
| Powercrop Srl | Sesto S. Giovanni (Mi) | Euro | 100,000 | | 50.000 | Actelios SpA |
| Termini Imerese Energia Ambiente Srl | Termini Imerese (Pa) | Euro | 100,000 | | 24.000 | Actelios SpA |

**Report of the statutory auditors
on the consolidated financial statements**

The consolidated financial statements for the year ended 31 December 2006 show a profit attributable to equity shareholders (excluding profit attributable to minority interest) of Euro 16,934 thousand, total shareholders' equity of Euro 353,414 thousand and total assets and total liabilities of Euro 1,120,553.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards IAS – IFRS; for comparative purposes the information at 1 January 2005 and 31 December 2005 have also been prepared in accordance with these accounting standards.

The consolidated financial statements and the directors' report were submitted to the board of statutory auditors on a timely basis.

The scope of consolidation is clearly illustrated in the notes to the financial statements together with the principles of consolidation adopted.

There are no matters to note on the consolidation of investments, the difference arising on consolidation, impairment recorded and the elimination of intercompany balances.

We have reviewed the independent auditors' report on the consolidated financial statements issued today by Pricewaterhouse-Coopers SpA.

The board of statutory auditors does not express an opinion in relation to the approval of the consolidated financial statements as this is not required by law.

Milan, 13 April 2007

The board of statutory auditors

**Independent auditors' report
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 2006, comprising the consolidated balance sheet, income statement, statement of changes in shareholders' equity, statement of cashflows and related notes. These consolidated financial statements are the responsibility of the directors of Falck SpA. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The aforementioned consolidated financial statements are the first to be prepared in compliance with the International Financial Reporting Standards as adopted by the European Union .

- 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 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.

The consolidated financial statements show as comparatives the corresponding amounts of the prior year determined in accordance with the same accounting principles. Moreover, note 5.3 ("Separate Appendix") illustrates the effects of the transition to the International Financial Reporting Standards as adopted by the European Union. We have examined the information disclosed in note 5.3 for the purposes of expressing our opinion on the consolidated financial statements as of 31 December 2006.

- 3 In our opinion, the consolidated financial statements of Falck SpA as of 31 December 2006 comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they have been drawn up clearly and give a true and fair view of the consolidated financial position, results of operations, changes in shareholders' equity and cashflows of Falck Group for the year then ended.

Milan, 13 April 2007

PricewaterhouseCoopers SpA



Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian practice

Falck SpA
Directors' report

6.1.1 Operating and financial review of Falck SpA

Financial highlights

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|---|-----------------|-----------------|
| Total value of production | 7,205 | 5,806 |
| Cost of production | | |
| - employee costs | (4,917) | (5,033) |
| - other costs | (11,344) | (10,156) |
| Total production costs | (16,261) | (15,189) |
| Difference between value and cost of production | (9,056) | (9,383) |
| Financial income and charges | | |
| - income from equity investments | 3,041 | 23,955 |
| - other financial income | 17,366 | 8,892 |
| - interest expense and other financial charges | (16,549) | (8,153) |
| - exchange gains and losses | (482) | 211 |
| Total financial income and charges | 3,376 | 24,905 |
| Profit from ordinary activities | (5,680) | 15,522 |
| - Adjustments to financial assets, net of extraordinary income and expenses | 14,979 | (8,947) |
| - Income tax | 564 | 954 |
| Profit for the year | 9,863 | 7,529 |
| <i>Capital expenditure</i> | 314 | 387 |
| <i>Cash flow after financial charges and taxes</i> | 31,830 | 27,074 |
| <i>Invested capital</i> | 315,575 | 196,709 |
| <i>Net financial position-indebtedness/(asset)</i> | 51,040 | (60,462) |
| <i>Employees (no.)</i> | 39 | 38 |

6.1.2 Performance and review of business in 2006

Falck SpA recorded a profit for the year of Euro 9,863 thousand (2005 – Euro 7,529 thousand). The 2006 result was positively affected by the gains realised following disposal of the investments in Mediobanca SpA (Euro 12,415 thousand) and OLT Energy Toscana Srl (Euro 491 thousand). In addition, the dividends distributed by investments (in particular Itla-RTL SpA – Euro 1,363 thousand and Banca Intesa SpA – Euro 1,408 thousand) and the revaluation of the investment in Banca Intesa SpA of Euro 1,094 thousand, to reflect average trading prices for the last six months, also contributed to this result. The latter investment had been written down in previous financial years, again to reflect stock market prices.

The cost of production increased compared to the previous year by Euro 1,071 thousand. This is principally due to the increased rent of the headquarters (+ Euro 640 thousand), which was not recorded in the first half of 2005. The value of production has also increased (+ Euro 1,399 thousand) due to higher costs of services provided to group companies (+ Euro 941 thousand) and income relating to prior accounting periods (+ Euro 380 thousand). The profit for the year has also benefited from Euro 1,992 thousand of interest income on the overdue payment relating to the sale of Acciaierie di Bolzano to Valbruna Holding SpA that took place in 1995.

The net financial position, a net indebtedness of Euro 51,040 thousand, has decreased by Euro 111,502 thousand compared to the net asset at 31 December 2005, which is largely due to the payment to Actelios SpA of Euro 186,891 thousand in relation to its share capital increase, which was partially offset by the amounts received in relation to the investment disposals detailed above (Euro 46,150 thousand) and reimbursed tax credits, including interest, which totalled Euro 34,470 thousand.

Finally, the net financial position was also affected by Euro 8,500 thousand received from Valbruna Holding SpA (including interest of Euro 1,992 thousand) in relation to the above mentioned transaction. In addition, dividends of Euro 2,502 thousand, capital contributions of Euro 1,718 thousand to acquire new equity investments and waived receivables totalling Euro 448 thousand, all had a negative impact on the net financial position.

The profit for the year includes a tax credit of Euro 1,198 thousand arising from the group taxation regime, which was adopted in 2005 by Falck SpA and its subsidiaries Itla-RTL SpA, Falck Acciai CNS SpA, Riesfactoring SpA and Sesto Siderservizi Srl. Income tax includes IRAP (trade income tax) of Euro 634 thousand, which largely relates to the tax on the capital gain realised on the disposal of the shares in Mediobanca SpA, which were disclosed in current assets.

6.1.3 Employees

The number of company employees at the year end was 39, representing an increase of 1 compared to the total at the end of 2005.

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 | Change |
|------------------------|-------------------|-------------------|---------------|
| Managers | 12 | 12 | |
| White-collar staff | 27 | 25 | 2 |
| Blue-collar staff | | 1 | (1) |
| Total employees | 39 | 38 | 1 |

Employee costs in 2006 decreased by Euro 117 thousand.

6.1.4 Capital expenditure

In the course of 2006, capital expenditure on intangible assets amounted to Euro 86 thousand for the purchase of new software licences. In addition, expenditure on property, plant and equipment totalled Euro 228 thousand in relation to the purchase of 3 motor vehicles, personal computers and office furniture.

6.1.5 Performance of subsidiaries

Information on the performance of operating subsidiaries and significant events in 2006 is set out in the directors' report on the consolidated financial statements.

6.1.6 Company representation

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

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

The board of directors has set up an executive committee which has been vested with all powers with the exception of those assigned by law to the board. A number of company directors have been given, either by the chairman or managing director, joint authority to sign in respect of ordinary management activities relevant to the roles performed by them.

The board of directors and the executive committee are informed on a regular basis, immediately where necessary, regarding the performance and the economic and financial position of the company and its subsidiaries.

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

6.1.7 Related party transactions

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

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

6.1.8 Holding of own shares

In accordance with article 2428, comma 2, point 3 of the Italian Civil Code, the company declares that at 31 December 2006, it held 6,906,234 own shares, of which 3,561 are saving shares, for a total nominal value of Euro 6,906,234 representing 9.49% of the entire share capital of the company.

The book value of Euro 12,186,903.72 corresponds to an average price per share of Euro 1.76.

At 31 December 2006 no subsidiaries, either directly or through trust companies or intermediaries, held shares in Falck SpA.

6.1.9 Purchase or sale of own shares

In accordance with article 2428, comma 2, point 4 of the Italian Civil Code, the company declares that during 2006 it did not purchase or sell holdings in its own shares.

6.1.10 Litigation

The arbitration proceedings continued between Falck SpA and Edison SpA. On 14 July 2006 the board of arbitrators appointed Prof. Giuseppe Bruni from Verona as the arbitration technical consultant (Consulente Tecnico di Ufficio –“CTU”). The CTU must reply to numerous queries made by the board in relation to the identification and quantification of any damages that Edison may have suffered as a result of Falck not acquiring Tecnimont, in relation to which Falck has also expressed specific reservations. In the meantime Falck formalised the appointment of its own technical consultants, Professor Mario Cattaneo and Professor Gabriele Villa from Milan, while Edison appointed Professor Angelo Provasoli.

In the hearing that took place on 20 July 2006 the board of arbitrators submitted to the CTU the queries already stipulated in the ordinance dated 7 June 2006, and declared 28 February 2007 to be the latest date for filing the experts' report.

In the meeting held on 16 February 2007 the CTP's (technical consultants of parties) requested an extension to the date established for submission of the experts' report. The CTU, recognising the request of these representatives, requested the board of arbitrators to postpone the submission date for the report to 30 October 2007.

Legal proceedings continued between Falck SpA and Gruppo Belleli aimed at establishing the responsibilities of the directors and previous directors of companies in the Calabrian industries and to contest the accuracy of the 2004, 2004 and 2005 financial statements of Crossenergy Srl.

On 7 December 2006 the Public Prosecutor in Rome issued to the defendants the disciplinary orders ex article 415 bis, identifying a series of charges amongst which; fraud, money laundering, falsification of company announcements and falsification of financial statements.

In the course of 2006 arbitration proceedings commenced between Falck SpA/Sviluppo Nord Milano. The dispute relates to the interpretation of article 6.1.5 of the preliminary purchase and sale agreement for shares signed on 25 November 2000, subsequently endorsed in the final contract of 5 December 2000 between Falck SpA and San Clemente Srl, relating to the drainage works and waste disposal on the areas named "Concordia Sud".

The arbitration agreement of 20 April 2006 appointed the arbitrators Marco Janni for Falck and Roberto Sacchi for San Clemente and Vittorio Colesanti as a third arbitrator who will act as chairman.

The board of arbitrators was set up on 21 June 2006.

The hearings to take witness statements were held and on 19 February 2007 the board of arbitrators declared the preliminary proceedings closed and fixed a hearing for 2 April 2007 to try again to reach a settlement.

6.1.11 Significant post balance sheet events

In January 2007, Euro 37 thousand was received as partial payment for the liquidation of the investment in U-Steel SpA, which had previously gone into liquidation.

On 1 February 2007 the company paid Euro 52 thousand in relation to the share capital increase in Atmos SpA.

On 8 February 2007 Euro 129 thousand was received in relation to full settlement of the tax credits for which repayment had been requested.

6.1.12 Data protection - Legislative Decree No. 196/2003

All subsidiaries have already adopted, and updated, both internal regulations on privacy and the Security Policy Document. With regard to Falck SpA, adoption of the regulations was approved in the meeting of the board of directors that took place on 27 March 2006.

6.1.13 Future developments and going concern

For 2007 the company foresees a slight improvement in operating profit and a decrease compared to 2006 in profit for the year, which is not expected to be affected by extraordinary income.

6.1.14 Proposed distribution for profit for the year

Dear Shareholders,

the financial statements for the year ended 31 December 2006 closed with a profit for the year of Euro 9,862,838.

We propose to appropriate this profit as follows:

| | |
|--|---------------------|
| <i>(Euro)</i> | |
| To the 7,581 savings shares Euro 0.06 (6.0% of nominal value) | 454.86 |
| To 65,828,498 ordinary shares Euro 0.038 (3.8% of nominal value) | 2,501,482.92 |
| To retained earnings | 7,360,900.22 |
| Total profit for 2006 | 9,862,838.00 |

No transfer will be made to the legal reserve as this already exceeds one fifth of share capital.

The above proposal is based on the 11,142 saving shares and the 72,731,171 ordinary shares that form the share capital, net of own shares held at the date of the board meeting amounting to 3,561 saving shares and 6,902,673 ordinary shares.

Where in agreement, we invite you to approve the 2006 annual report comprising the balance sheet, profit and loss account and notes to the financial statements.

On behalf of the board of directors
The Chairman
Federico Falck

Milan, 27 March 2007

Falck SpA
Financial statements for the year ended 31 December 2006

6.2.1 Balance sheet Falck SpA

Assets

| | | | |
|---|---|------|--|
| A) SHARE CAPITAL SUBSCRIBED AND NOT YET PAID | | | |
| B) FIXED ASSETS | I. <i>Intangible assets</i> | 1 | Start-up and expansion costs |
| | | 2 | Research, development and advertising expenses |
| | | 3 | Industrial patent rights |
| | | 4 | Concessions, licences, trademarks and similar rights |
| | | 5 | Goodwill |
| | | 6 | Assets under construction and advances |
| | | 7 | Other intangible assets |
| | <i>Total intangible assets</i> | | |
| | II. <i>Tangible assets</i> | 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 advances |
| | <i>Total tangible assets</i> | | |
| | III. <i>Financial assets</i> | 1 | Equity investments : |
| | | | a subsidiaries |
| | | | b associates |
| | | | c other companies |
| | <i>Total equity investments</i> | | |
| | | 2 | Receivables : |
| | | | a due from subsidiaries |
| | | | b due from associates |
| | | | c due from parent company |
| | | | d due from others |
| | | | e due from other group companies |
| | | | f guarantee deposits |
| | <i>Total receivables</i> | | |
| | | 3 | Securities |
| | | 4 | Own shares (nominal value Euro 6,906,234) |
| | <i>Total financial assets</i> | | |
| TOTAL FIXED ASSETS | | | |
| C) CURRENT ASSETS | I. <i>Inventory</i> | 1 | Raw materials and consumables and goods |
| | | 2 | Work in progress, semi-finished products and goods |
| | | 3 | Contract work in progress |
| | | 4 | Finished products and goods |
| | | 5 | Advance payments |
| | <i>Total inventory</i> | | |
| | II. <i>Receivables</i> | 1 | Trade receivables |
| | | 2 | Due from subsidiaries |
| | | | a trade |
| | | | b financial |
| | | | c other |
| | <i>Total receivables due from subsidiaries</i> | | |
| | | 3 | Due from associates |
| | | | a trade |
| | | | b financial |
| | | | c other |
| | <i>Total receivables due from associates</i> | | |
| | | 4 | Due from parent company |
| | | | a trade |
| | | | b financial |
| | | | c other |
| | <i>Total receivables due from parent company</i> | | |
| | | 4bis | Tax credits |
| | | 4ter | Deferred tax assets |
| | | 5 | Due from others |
| | | | a financial |
| | | | b advance payments |
| | | | c other |
| | <i>Total receivables due from others</i> | | |
| | | 6 | Due from other group companies |
| | | | a trade |
| | | | b financial |
| | | | c other |
| | <i>Total receivables due from other Group companies</i> | | |
| | <i>Total receivables</i> | | |
| | III. <i>Short-term investments</i> | 1 | Investments in subsidiaries |
| | | 2 | Investments in associates |
| | | 3 | Investments in other companies |
| | | 4 | Own shares |
| | | 5 | Securities |
| | | 6 | Bills receivable |
| | <i>Total short-term investments</i> | | |
| | IV. <i>Cash and bank</i> | 1 | Bank and post office accounts |
| | | 2 | Cheques |
| | | 3 | Cash in hand |
| | <i>Total cash and bank</i> | | |
| TOTAL CURRENT ASSETS | | | |
| D) ACCRUED INCOME AND PREPAID EXPENSES | | | |
| TOTAL ASSETS | | | |

| 31.12.2006 | | | 31.12.2005 | | |
|------------------------------|-----------------------------|--------------------|------------------------------|-----------------------------|--------------------|
| Amounts due within 12 months | Amounts due after 12 months | Total (Euro) | Amounts due within 12 months | Amounts due after 12 months | Total (Euro) |
| | | 246,858 16,418 | | | 213,566 19,221 |
| | | 263,276 | | | 232,787 |
| | | 484,538 | | | 484,538 |
| | | 40,023 | | | 48,992 |
| | | 78 | | | 78 |
| | | 392,498 | | | 306,992 |
| | | 50,000 | | | 50,000 |
| | | 967,137 | | | 890,600 |
| | | 299,200,411 | | | 112,309,403 |
| | | 1,853,970 | | | 260,900 |
| | | 32,515,909 | | | 36,363,857 |
| | | 333,570,290 | | | 148,934,160 |
| 39,880 | | 39,880 | | | |
| | 149,020 | 149,020 | | 154,128 | 154,128 |
| 39,880 | 149,020 | 188,900 | | 154,128 | 154,128 |
| | | 12,186,904 | | | 12,186,904 |
| | | 345,946,094 | | | 161,275,192 |
| | | 347,176,507 | | | 162,398,579 |
| | | | | | |
| 2,055,403 | | 2,055,403 | 4,078,724 | | 4,078,724 |
| 1,814,135 | | 1,814,135 | 443,705 | | 443,705 |
| 99,048,951 | | 99,048,951 | 65,791,378 | | 65,791,378 |
| 2,211,795 | | 2,211,795 | 1,332,996 | | 1,332,996 |
| 103,074,881 | | 103,074,881 | 67,568,079 | | 67,568,079 |
| 5,590,784 | | 5,590,784 | 3,932,748 | | 3,932,748 |
| 5,658,944 | | 5,658,944 | 2,127,620 | | 2,127,620 |
| 2,418 | | 2,418 | | | |
| 11,252,146 | | 11,252,146 | 6,060,368 | | 6,060,368 |
| | | | | | |
| 1,155,733 | | 1,155,733 | 36,641,812 | | 36,641,812 |
| 4,928 | | 4,928 | 30,204,000 | | 30,204,000 |
| 15,123,011 | | 15,123,011 | 25,048,948 | | 25,048,948 |
| 15,127,939 | | 15,127,939 | 55,252,948 | | 55,252,948 |
| | | | | | |
| 132,666,102 | | 132,666,102 | 169,601,931 | | 169,601,931 |
| | | 4,352,289 | | | 32,087,475 |
| | | 34,550 | | | |
| | | 4,386,839 | | | 32,087,475 |
| | | 722,472 | | | 52,876,479 |
| | | 6,708 | | | 7,646 |
| | | 729,180 | | | 52,884,125 |
| | | 137,782,121 | | | 254,573,531 |
| | | 64,200 | | | 133,621 |
| | | 485,022,828 | | | 417,105,731 |

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 Contributions from shareholders |
| Total other reserves | |
| 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 |
| | Total provision for taxes |
| | 3 Other provisions |
| | a Provision for litigation |
| | b Provision for equity investment risks |
| | c Provision for environmental improvements |
| | d Provision for reorganisation and liquidation costs |
| | e Sundry provisions |
| | Total other provisions |
| TOTAL PROVISIONS FOR RISKS AND CHARGES | |
| C) EMPLOYEE SEVERANCE INDEMNITY | |
| D) PAYABLES | |
| | 1 Bonds and debenture loans |
| | 2 Convertible bonds and debenture loans |
| | 3 Shareholders' loans |
| | 4 Bank loans and overdrafts |
| | 5 Other financing creditors |
| | 6 Advance payments received |
| | 7 Trade payables |
| | 8 Bills payable |
| | 9 Due to subsidiaries |
| | a trade |
| | b financial |
| | c other |
| | Total amount due to subsidiaries |
| | 10 Due to associates |
| | a trade |
| | b financial |
| | c other |
| | Total amount due to associates |
| | 11 Due to parent company |
| | a trade |
| | b financial |
| | c other |
| | Total amount due to parent company |
| | 12 Tax payables |
| | 13 Social security and national insurance contributions |
| | 14 Other payables |
| | 15 Due to other group companies |
| | a trade |
| | b financial |
| | c other |
| | Total amount due to other group companies |
| TOTAL PAYABLES | |
| E) ACCRUED LIABILITIES AND DEFERRED INCOME | |
| TOTAL LIABILITIES | |

| 31.12.2006 | | | 31.12.2005 | | |
|------------------------------|-----------------------------|--------------------|------------------------------|-----------------------------|--------------------|
| Amounts due within 12 months | Amounts due after 12 months | Total (Euro) | Amounts due within 12 months | Amounts due after 12 months | Total (Euro) |
| | | 72,742,313 | | | 72,741,966 |
| | | 28,656,654 | | | 28,654,919 |
| | | 31,375,994 | | | 31,375,994 |
| | | 12,186,904 | | | 12,186,904 |
| | | 17,187,170 | | | 17,187,170 |
| | | 450,000 | | | 450,000 |
| | | 17,637,170 | | | 17,637,170 |
| | | 92,072,848 | | | 87,045,934 |
| | | 9,862,838 | | | 7,528,839 |
| | | 264,534,721 | | | 257,171,726 |
| | | | | | |
| | | 2,238,996 | | | 2,238,996 |
| | | 5,687,000 | | | 5,687,000 |
| | | 46,710,566 | | | 47,703,566 |
| | | 54,636,562 | | | 55,629,562 |
| | | 54,636,562 | | | 55,629,562 |
| | | 820,798 | | | 773,528 |
| | | | | 22,266,000 | 22,266,000 |
| | 36,094,239 | 36,094,239 | | 9,151,901 | 9,151,901 |
| 8,024 | | 8,024 | 8,024 | | 8,024 |
| 120,304,928 | | 120,304,928 | 29,027,148 | 30,000,000 | 59,027,148 |
| | | | | | |
| 3,234,381 | | 3,234,381 | 4,509,390 | | 4,509,390 |
| 1,003,206 | | 1,003,206 | 808,723 | | 808,723 |
| 149,038 | | 149,038 | 91,808 | | 91,808 |
| 506,515 | | 506,515 | 2,888,890 | | 2,888,890 |
| 1,658,759 | | 1,658,759 | 3,789,421 | | 3,789,421 |
| | | | | | |
| | | | | | |
| | | | | | |
| 942,384 | | 942,384 | 201,138 | | 201,138 |
| 406,200 | | 406,200 | 386,030 | | 386,030 |
| 1,756,357 | | 1,756,357 | 3,203,076 | | 3,203,076 |
| | | | | | |
| 128,311,033 | 36,094,239 | 164,405,272 | 41,124,227 | 61,417,901 | 102,542,128 |
| | | 625,475 | | | 988,787 |
| | | 485,022,828 | | | 417,105,731 |

On behalf of the board of directors
The Chairman
Federico Falck

6.2.2 Memorandum accounts Falck SpA

| (Euro) | 31.12.2006 | | | 31.12.2005 | | |
|--|---------------------------------------|-------------------------|------------|---------------------------------------|-------------------------|------------|
| | Amounts included on the balance sheet | Off balance sheet items | Total | Amounts included on the balance sheet | Off balance sheet items | Total |
| I Guarantees given | | | | | | |
| - Personal guarantees given | | | | | | |
| 1 <i>Guarantees</i> | | | | | | |
| - commitments of the Company | | 20,836,055 | 20,836,055 | | 17,214,691 | 17,214,691 |
| - commitments of subsidiaries | 15,420,000 | 30,459,989 | 45,879,989 | 8,813,157 | 33,304,573 | 42,117,730 |
| - commitments of associates | | 2,923,575 | 2,923,575 | | 2,923,575 | 2,923,575 |
| - commitments of third parties | | 33,570 | 33,570 | | 123,965 | 123,965 |
| 2 <i>Sureties</i> | | | | | | |
| 3 <i>Other guarantees</i> | | | | | | |
| - commitments of subsidiaries | | 23,745,399 | 23,745,399 | 12,380,000 | 10,577,984 | 22,957,984 |
| - Real guarantees given | | | | | | |
| 1 <i>Pledges</i> | | | | | | |
| - commitments of the Company | | | | 25,597,195 | | 25,597,195 |
| 2 <i>Mortgages</i> | | | | | | |
| II Other memorandum items | | | | | | |
| - Guarantees received | | | | | | |
| - warranties | | 2,338,860 | 2,338,860 | | 2,338,860 | 2,338,860 |
| - other guarantees | | 516,457 | 516,457 | | 1,916,457 | 1,916,457 |
| - Securities and assets held on deposit | | | | | | |
| - Contingencies | | | | | | |
| - Commitments | | | | | | |
| - Leasing liabilities | | | | | | |
| - Securities and assets held by third parties | | | | | | |

6.2.3 Profit and loss account Falck SpA

| (Euro) | 31.12.2006 | 31.12.2005 | Change |
|---|---------------------|---------------------|--------------------|
| A) Value of production | | | |
| 1 Revenue from sales and services | 1,064,943 | 1,044,875 | 20,068 |
| 2 Change in work in progress, semi-finished and finished products | | | |
| 3 Change in contract work in progress | | | |
| 4 Own work capitalised | | | |
| a production and inventory | | | |
| b capitalised interests | | | |
| <i>Total own work capitalised</i> | | | |
| 5 Other income | | | |
| a grants received | | | |
| b other operating income | 368,889 | 316,126 | 52,763 |
| c recharged expenses | 5,219,650 | 4,278,153 | 941,497 |
| d sundry income | 84,460 | 73,563 | 10,897 |
| e property income | | 6,134 | (6,134) |
| f gains from ordinary operations | | | |
| g non-recurring income | 467,211 | 87,295 | 379,916 |
| <i>Total other income</i> | 6,140,210 | 4,761,271 | 1,378,939 |
| Total value of production | 7,205,153 | 5,806,146 | 1,399,007 |
| B) Cost of production | | | |
| 6 Raw materials and consumables and goods | (185,569) | (257,017) | 71,448 |
| 7 Cost of services | | | |
| a services | (6,091,674) | (6,963,687) | 872,013 |
| b utilities | (125,139) | (126,789) | 1,650 |
| c sundry costs | (743,686) | (808,371) | 64,685 |
| <i>Total cost of services</i> | (6,960,499) | (7,898,847) | 938,348 |
| 8 Rentals and leasing charges | (1,741,463) | (1,101,458) | (640,005) |
| 9 Employee costs | | | |
| a salaries and wages | (3,686,050) | (3,012,681) | (673,369) |
| b social security charges | (964,538) | (956,810) | (7,728) |
| c staff leaving indemnity (TFR) | (200,496) | (202,671) | 2,175 |
| d pensions and similar obligations | | | |
| e other costs | (65,645) | (861,324) | 795,679 |
| <i>Total employee costs</i> | (4,916,729) | (5,033,486) | 116,757 |
| 10 Amortisation, depreciation and write-downs | | | |
| a amortisation of intangible assets | (55,754) | (15,287) | (40,467) |
| b depreciation of tangible assets | (144,966) | (153,956) | 8,990 |
| c other write-downs on fixed assets | | | |
| d write-down of current assets and cash | | | |
| e utilisation of bad debt provision in respect of current assets and cash | | 143,485 | (143,485) |
| f bad debts | (942,797) | (207,297) | (735,500) |
| <i>Total amortisation, depreciation and write downs</i> | (1,143,517) | (233,055) | (910,462) |
| 11 Change in inventory of raw materials and consumables and goods | | | |
| 12 Provision for contingencies | | | |
| a Charge to provision for litigation | | | |
| b Utilisation of provision for litigation | | 32,653 | (32,653) |
| <i>Total provision for contingencies</i> | | 32,653 | (32,653) |
| 13 Other provisions | | | |
| 14 Other operating charges | | | |
| a indirect taxes | (44,505) | (62,051) | 17,546 |
| b property charges | | (9,385) | 9,385 |
| c losses from ordinary operations | | | |
| d non-recurring expenses | (107,935) | (106,535) | (1,400) |
| e other | (1,160,873) | (520,392) | (640,481) |
| <i>Total other operating charges</i> | (1,313,313) | (698,363) | (614,950) |
| Total cost of production | (16,261,090) | (15,189,573) | (1,071,517) |
| Difference between value and cost of production | (9,055,937) | (9,383,427) | 327,490 |
| C) Financial income and charges | | | |
| 15 Income from equity investments | | | |
| a subsidiaries | 1,462,473 | 21,821,152 | (20,358,679) |
| b associates | | | |
| c other companies | 1,578,385 | 2,133,702 | (555,317) |
| d tax credits on dividends | | | |
| e gains on disposal of equity investments | | | |
| <i>Total income from equity investments</i> | 3,040,858 | 23,954,854 | (20,913,996) |

| <i>(Euro)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|---------------------|---------------------|
| 16 Other financial income | | | |
| a From receivables included in fixed assets | | | |
| a.1 subsidiaries | | | |
| a.2 associates | | | |
| a.3 parent company | | | |
| a.4 other group companies | | | |
| a.5 others | | | |
| Total from receivables included in fixed assets | | | |
| b From securities included in fixed assets | | | |
| c From securities included in current assets | | | |
| c.1 interest income from securities | | 114 | (114) |
| c.2 gains from disposal of securities | | | |
| Total income from securities included in current assets | | 114 | (114) |
| d Other income | | | |
| d.1 interest and commission from subsidiaries | 3,294,707 | 6,790,543 | (3,495,836) |
| d.2 interest and commission from associates | 222,390 | 62,391 | 159,999 |
| d.3 interest and commission from parent company | | | |
| d.4 interest and commission from other group companies | | | |
| d.5 interest and commission from banks | 139,515 | 125,969 | 13,546 |
| d.6 interest and commission from others and sundry income | 13,709,637 | 1,913,382 | 11,796,255 |
| Total other income | 17,366,249 | 8,892,285 | 8,473,964 |
| Total other financial income | 17,366,249 | 8,892,399 | 8,473,850 |
| 17 Interest and other financial charges | | | |
| a subsidiaries | (3,208,523) | (598,835) | (2,609,688) |
| b associates | | | |
| c parent company | | | |
| d other group companies | | | |
| e others | | | |
| f losses on disposal of equity investments | (13,340,320) | (7,553,891) | (5,786,429) |
| g losses on disposal of securities | | | |
| Total interest and other financial charges | (16,548,843) | (8,152,726) | (8,396,117) |
| 17bis Exchange gains and losses | | | |
| a exchange gains | 1,016,126 | 214,032 | 802,094 |
| b exchange losses | (1,498,439) | (2,867) | (1,495,572) |
| Total exchange gains and losses | (482,313) | 211,165 | (693,478) |
| Total financial income and charges | 3,375,951 | 24,905,692 | (21,529,741) |
| D) Adjustments to financial assets | | | |
| 18 Revaluations | | | |
| a equity investments | 1,094,378 | 5,511,959 | (4,417,581) |
| b financial assets included in fixed assets | | | |
| c securities included in current assets | | | |
| Total revaluations | 1,094,378 | 5,511,959 | (4,417,581) |
| 19 Write-downs | | | |
| a equity investments | | | |
| a.1 permanent losses on equity investments | | (43,120) | 43,120 |
| a.2 provision for equity investment risks | | | |
| a.3 utilisation of provision for equity investment risks | | | |
| Total write-downs on equity investments | | (43,120) | 43,120 |
| b of financial assets included in fixed assets | | | |
| c of securities included in current assets | | | |
| Total write-downs | | (43,120) | 43,120 |
| Total adjustments to financial assets | 1,094,378 | 5,468,839 | (4,374,461) |
| E) Extraordinary income and expenses | | | |
| 20 Income | | | |
| a gains from extraordinary disposals | 12,917,212 | 1,583,302 | 11,333,910 |
| b other extraordinary income | 1,016,886 | 1,710,321 | (693,435) |
| c utilisation of provision for reorganisation and liquidation costs | | | |
| Total extraordinary income | 13,934,098 | 3,293,623 | 10,640,475 |
| 21 Expenses | | | |
| a losses from extraordinary disposals | (1,372) | (19,309) | 17,937 |
| b tax relating to prior financial periods | | | |
| c other extraordinary charges | (48,425) | (17,691,125) | 17,642,700 |
| d reorganisation and liquidation costs | | | |
| Total extraordinary expenses | (49,797) | (17,710,434) | 17,660,637 |
| Total extraordinary items | 13,884,301 | (14,416,811) | 28,301,112 |
| Profit for the year before taxation | 9,298,693 | 6,574,293 | 2,724,400 |
| 22 Tax on profit for the year | 564,145 | 954,546 | (390,401) |
| 23 Profit for the year | 9,862,838 | 7,528,839 | 2,333,999 |

On behalf of the board of directors
The Chairman
Federico Falck

6.2.4 Falck SpA notes to the financial statements

General information

Presentation of the balance sheet and profit and loss account (article 2423 ter)

The company has adopted the balance sheet and profit and loss account layouts prescribed by articles 2424 and 2425 of the Italian Civil Code.

A number of variations, the addition and removal of headings, were made to the above statements in order to provide a clearer presentation of the financial statements.

Departures as per paragraph 4 of article 2423

During the year no exceptional circumstances arose that would have resulted in the application of the accounting principles set out in Legislative Decree 127/91, not giving a true and fair view of the company's financial position, result of operations and cash flows.

As a result the departures allowed by law were not required to be adopted.

Accounting policies and valuation criteria

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

The amounts included in the financial statements were valued applying the general concepts of prudence, accrual and going concern, thus for accounting purposes precedence is given to the economic substance of transactions.

Income is recognised only in the event that it is realised within the year, while contingencies and losses are recognised immediately even when they relate to subsequent accounting periods.

The principal accounting policies and valuation criteria are set out below:

Intangible assets

Intangible assets are recorded, with the approval of the board of statutory auditors where necessary, at cost and are amortised over five years.

These principally comprise expenditure incurred to utilise licences and for the registration of trademarks.

Tangible fixed assets and depreciation

Tangible assets are recorded at purchase or production cost, including related acquisition costs. Finance costs relating to specific loans are included only up until the date from which the assets may be utilised. Cost is adjusted only in accordance with local legislation where this allows the revaluation of tangible fixed assets.

Depreciation is calculated systematically on the cost, or revalued amount, based on rates that represent the estimated remaining useful lives of the assets.

The depreciation rates applied correspond prudently to the economic-technical rates. The rates used are as follows: plant 12%-17%, equipment 25%, office furniture and equipment 12%-20%, motor vehicles 25%.

In the financial year in which a fixed asset comes into use, the depreciation allowance is reduced based on the period of actual use.

Ordinary maintenance costs are expensed in the profit and loss account as incurred. Maintenance expenditure that increases the asset value is added to the cost of the asset to which it relates and is depreciated over the remaining useful life of the asset.

Financial assets

Equity investments

Equity investments in subsidiaries, associates (between 20% and 50% of share capital), and other companies included within fixed assets are valued at cost adjusted for revaluations made in accordance with local legislation.

Cost is written down to reflect permanent losses in the value of the investment.

Consolidated financial statements have been prepared as the group meets the relevant requirements.

Other securities

These are stated at subscription cost.

Own shares

Own shares held are included in financial assets and are recorded at acquisition cost, following shareholders' approval. A corresponding reserve is included within shareholders' equity.

Receivables

Receivables are recorded at estimated realisable value through provision of a specific allowance for bad debts.

Short-term investments

Investments

These are stated at the lower of acquisition cost and net realisable value, which is based on market performance.

Securities

Securities are stated at the lower of cost and net realisable value, taking into consideration the market value of negotiable securities.

Staff leaving indemnity (TFR)

The provision corresponds to the entire amount due to employees at the balance sheet date calculated in accordance with current legislation.

Provisions for risks and charges

Provisions for risks and charges included within liabilities in the balance sheet are intended to cover losses or liabilities of a definite nature, which are either certain or probable, but for which the amount or date of occurrence are not yet identified at the year end.

Payables

Payables are recorded at nominal cost.

Amounts expressed in foreign currency

Receivables and payables denominated in foreign currency are translated into Euro at historical exchange rates and are adjusted to year-end rates, net of any hedging contracts.

Realised gains and losses on foreign currency transactions are recognised in the profit and loss account.

Accruals, prepayments and deferrals

These are determined in accordance with the accrual basis of accounting.

Revenue

Revenue is stated net of returns, discounts and rebates, and taxes directly related to the sale of goods and services.

Revenue from the sale of goods is recognised on transfer of ownership that normally takes place following delivery or despatch of the goods.

Financial income is recognised on an accrual basis.

Costs

Costs are recorded net of returns, discounts and rebates, and taxes directly related to the purchase of goods and services.

Dividends

Dividends are recorded in the period in which they are declared and paid. With regard to subsidiaries only, in the event that the shareholders' meeting approves the distribution of dividends prior to the board meeting of the parent company, dividends are accounted for on an accruals basis.

Contingencies, commitments and guarantees

Memorandum accounts set out the value of actual contingencies, commitments and guarantees at the year end.

In particular, guarantees issued in relation to financial commitments are stated at the value of the corresponding liability.

In order to provide a better understanding of the total value of contingencies and commitments, amounts which are included in the balance sheet and those relating to off-balance sheet items are disclosed separately in the memorandum accounts.

Taxes

Taxes on income are calculated and provided for in relation to the charge for the year estimated in accordance with current tax legislation.

The tax payable as calculated above is recorded as a specific liability in the balance sheet.

In addition, deferred taxes are recorded based on temporary differences arising between the taxable income and the pre-tax result of operations reported in the statutory financial statements. A deferred tax asset is recorded to the extent that it may be recovered in future.

Balance sheet content and changes

B Fixed assets

B I Intangible assets

Movements in the year were as follows:

| <i>(Euro thousands)</i> | At 31.12.2005 | Additions | Capita- lisation | Write- downs | Disposals | Amorti- sation | At 31.12.2006 |
|--|------------------|-----------|---------------------|-----------------|-----------|-------------------|------------------|
| BI1 Start-up and expansion costs | | | | | | | |
| BI2 Research, development and advertising expenses | | | | | | | |
| BI3 Industrial patent rights | 214 | 86 | | | | (53) | 247 |
| BI4 Concessions, licences, trademarks and similar rights | 19 | | | | | (3) | 16 |
| BI5 Goodwill | | | | | | | |
| BI6 Assets under construction and advances | | | | | | | |
| - assets under construction | | | | | | | |
| - advances | | | | | | | |
| Total assets under construction and advances | | | | | | | |
| BI7 Other intangible assets | | | | | | | |
| Total | 233 | 86 | | | | (56) | 263 |

Additions amounted to Euro 86 thousand and relate to expenditure on new software licences.

During the year borrowing costs were not capitalised in intangible assets.

The above amounts have been included within intangible assets in the balance sheet as they are considered to provide economic benefit in more than one accounting period.

B II Property, plant and equipment

Movements in the year were as follows:

| | At 31.12.2005 | Additions (A) | Capita- lisation | Write- downs | Disposals (B) | Depre- ciation | At 31.12.2006 |
|---|------------------|------------------|---------------------|-----------------|------------------|-------------------|------------------|
| <i>(Euro thousands)</i> | | | | | | | |
| Gross value | | | | | | | |
| BII1 Land and buildings | 485 | | | | | | 485 |
| BII2 Plant and machinery | 97 | | | | | | 97 |
| BII3 Industrial and commercial equipment | 5 | | | | | | 5 |
| BII4 Other tangible assets | 1,306 | 228 | | | (93) | | 1,441 |
| BII5 Assets operated under concession | | | | | | | |
| BII6 Assets under construction and advances | | | | | | | |
| - assets under construction | | | | | | | |
| - advances | 50 | | | | | | 50 |
| Total assets under construction and advances | 50 | | | | | | 50 |
| Total gross value | 1,943 | 228 | | | (93) | | 2,078 |
| Accumulated depreciation | | | | | | | |
| BII1 Land and buildings | | | | | | | |
| BII2 Plant and machinery | (48) | | | | | (9) | (57) |
| BII3 Industrial and commercial equipment | (5) | | | | | | (5) |
| BII4 Other tangible assets | (999) | | | | 86 | (136) | (1,049) |
| BII5 Assets operated under concession | | | | | | | |
| Total accumulated depreciation | (1,052) | | | | 86 | (145) | (1,111) |
| Net book amounts | | | | | | | |
| BII1 Land and buildings | 485 | | | | | | 485 |
| BII2 Plant and machinery | 49 | | | | | (9) | 40 |
| BII3 Industrial and commercial equipment | | | | | | | |
| BII4 Other tangible assets | 307 | 228 | | | (7) | (136) | 392 |
| BII5 Assets operated under concession | | | | | | | |
| BII6 Assets under construction and advances | | | | | | | |
| - assets under construction | | | | | | | |
| - advances | 50 | | | | | | 50 |
| Total assets under construction and advances | 50 | | | | | | 50 |
| Total net book amounts | 891 | 228 | | | (7) | (145) | 967 |

A) Additions during the year relate to the purchase of 3 motor vehicles for Euro 163 thousand, personal computers for a total of Euro 63 thousand and office furniture for Euro 2 thousand.

B) Disposals, which resulted in net gains of Euro 10 thousand, relate to various minor assets.

During the year no borrowing costs were capitalised in tangible fixed assets.

Monetary revaluations

Tangible fixed assets at the year end included the following revaluations that took place in 1975-1991 in accordance with national monetary revaluation laws.

| <i>(Euro thousands)</i> | At 31.12.2005 | Movements | At 31.12.2006 |
|--|------------------|------------|------------------|
| | | (+) (-) | |
| Land and buildings | 251 | | 251 |
| Plant and machinery | | | |
| Industrial and commercial equipment | | | |
| Other tangible assets | | | |
| Assets under construction and advances | | | |
| Total | 251 | | 251 |

In accordance with article 10 of Law 72/1983, details are provided of company assets as at 31 December 2006 in relation to which monetary revaluations and departures from the accounting policies prescribed by current legislation have been applied.

| <i>(Euro thousands)</i> | Law 1952 and previous years | Law n.576 of 2.12.75 | Law n.72 of 19.3.83 | Law n.413 of 30.12.91 | Total 31.12.2006 |
|--|-----------------------------------|----------------------------|---------------------------|-----------------------------|---------------------|
| Land and buildings | | 11 | 29 | 211 | 251 |
| Plant and machinery | | | | | |
| Industrial and commercial equipment | | | | | |
| Other tangible assets | | | | | |
| Assets under construction and advances | | | | | |
| Total | 11 | 29 | 211 | 251 | |

B III Financial assets

B III 1 Equity investments

Subsidiaries

| <i>(Euro thousands)</i> | At 31.12.2005 | Share capital increase and acquisition (A) | Reclassi- fications | Disposals | Revalua- tions | Write- downs | Other movem. | At 31.12.2006 |
|--------------------------------|------------------|---|------------------------|-----------|-------------------|-----------------|-----------------|------------------|
| Cost | 245,780 | 186,891 | | | | | | 432,671 |
| Revaluation | 3,187 | | | | | | | 3,187 |
| Write-downs (net of reversals) | (136,658) | | | | | | | (136,658) |
| Total | 112,309 | 186,891 | | | | | | 299,200 |

A) The increase relates to the share capital increase carried out by Actelios SpA.

The comparison between the carrying amounts of investments and the related share of net equity in general showed that the carrying amount is lower than the relevant equity share, with the exception of Irla-Redaelli Tecna Laminati SpA, Falck Acciai-Cns SpA, Sesto Siderservizi Srl and Falck Energy Iran Sa, the carrying amounts of which are higher than the proportionate share of net equity.

With regard to the first investment the excess value paid on acquisition is attributable to the fair value of fixed assets owned by Irla-Redaelli Tecna Laminati SpA, which is higher than the book value, as a result no write-down was posted. In relation to the second investment an accrual of Euro 1,752 thousand was charged to the provision for equity investment risks, while for Sesto Siderservizi Srl and Falck Energy Iran Sa an accrual of Euro 2,100 thousand was posted to the provision for sundry risks.

Associates

| | At 31.12.2005 | Share capital increase and acquisition | Reclassi- fications | Disposals | Revalua- tions | Write- downs | Other movem. | At 31.12.2006 |
|--------------------------------|------------------|--|------------------------|-----------|-------------------|-----------------|-----------------|------------------|
| <i>(Euro thousands)</i> | | | | | | | | |
| Cost | 5,462 | 1,593 | | | | | | 7,055 |
| Revaluations | (5,202) | | | | | | | (5,202) |
| Write-downs (net of reversals) | | | | | | | | |
| Total | 260 | 1,593 | | | | | | 1,853 |

The increases comprise the acquisition of shares (Euro 1,145 thousand) and a debt waiver (Euro 448 thousand), both of which relate to Palermo Energia Ambiente SpA in order to cover losses and increase equity reserves.

Other companies

| | At 31.12.2005 | Share capital increase and acquisition | Reclassi- fications | Disposals | Revalua- tions | Write- downs | Other movem. | At 31.12.2006 |
|--------------------------------|------------------|--|------------------------|----------------|-------------------|-----------------|-----------------|------------------|
| <i>(Euro thousands)</i> | | | | | | | | |
| Cost | 37,150 | 573 | | (5,515) | | | | 32,208 |
| Revaluations | 13,302 | | | | 1,094 | | | 14,396 |
| Write-downs (net of reversals) | (14,088) | | | | | | | (14,088) |
| Total | 36,364 | 573 | | (5,515) | 1,094 | | | 32,516 |

The increases relate to the acquisition of new investments in Solar Energy Italia SpA (Euro 69 thousand), Atmos SpA (Euro 51 thousand), Atmos Bio Energy SpA (Euro 4 thousand), Nettuno Power Srl (Euro 213 thousand) and Meltemi Srl (Euro 236 thousand).

Disposals relate to the sale of the entire investments in OLT Energy Toscana Srl (Euro 5,509 thousand) and Istud Istituto Studi Direzionali SpA (Euro 2 thousand). In addition, 1,027 shares in Banca Intesa SpA were sold (Euro 4 thousand) following conversion of the debenture loan that expired in June 2006.

Revaluations relate to the Banca Intesa SpA shares, which had been written down in 2002, but based on the last six months trading prices recorded an increase of Euro 1,094 thousand.

Equity investments in other companies at 31 December 2006 were as follows:

| | Carrying value (Euro) | % held (%) |
|---|--------------------------|---------------|
| Agenzia Nord Milano SpA | 51,646 | 3.333 |
| Atmos Bio Energy SpA | 4,056 | 3.377 |
| Atmos SpA | 50,636 | 2.222 |
| Banca Intesa SpA | 26,687,466 | 0.089 |
| Compagnia Fiduciaria Nazionale SpA | 32,532 | 13.333 |
| Crossenergy Srl | 3,934,497 | 15.000 |
| Enertad SpA | 351 | |
| Hera SpA | 800,000 | 0.081 |
| Idrovia Ticino SpA | 6,456 | 2.576 |
| Indesit SpA | | 0.103 |
| Istituto per i valori di Impresa Srl | 516 | 8.333 |
| Istituto per l'edilizia economia e popolare Milano Srl (in liquidation) | 516 | 3.226 |
| Lybian Joint Company | 10,492 | |
| Meltemi Srl | 235,927 | 10.910 |
| Nettuno Power Srl | 213,000 | 8.511 |
| PCF - Project Financing Consulting SpA | 375,000 | 12.500 |
| Redaelli G. & Fratello SpA | | 13.987 |
| Redaelli Sidas SpA | | 6.061 |
| Solar Energy Italia SpA | 69,100 | 6.281 |
| U-Steel SpA (in liquidation) | 43,718 | 11.040 |
| Total | 32,515,909 | |

B III 2 Receivables

B III 2f Guarantee deposits

Guarantee deposits have decreased compared to the previous year (- Euro 5 thousand).

B III 4 Own shares

No movements in the holding in own shares took place during the year:

| | No. of shares | % of share capital | Cost (Euro) | Unit carrying value |
|----------------------------|------------------|-----------------------|-------------------|------------------------|
| At 31 December 2005 | 6,906,234 | 9.494 | 12,186,904 | 1.76 |
| Acquisitions | | | | |
| Disposals | | | | |
| At 31 December 2006 | 6,906,234 | 9.494 | 12,186,904 | 1.76 |

Current assets

C II Receivables

Total receivables decreased by Euro 36,936 thousand compared to 2005.

This is largely due to the decrease of Euro 30,199 thousand in financial receivables due from others, Euro 35,486 thousand in tax credits and Euro 9,926 thousand in other receivables. Financial receivables due from subsidiaries increased by Euro 33,258 thousand and those due from associates increased by 3,531 thousand.

There are no receivables due after more than 5 years.

Receivables from overseas customers amounted to Euro 43 thousand, of which Euro 41 thousand relates to a US customer and Euro 2 thousand to a customer in the EU.

The provision for bad debts has not changed since 31 December 2005.

With regard to tax credits, in November 2004 Falck SpA commenced recovery proceedings, allowed by law, against the tax authorities, claiming repayment of the principal of Euro 22,455 thousand. In 2005 the courts in Milan and Lecco ordered the tax authorities to pay the sum claimed plus interest, including compound interest. The tax authorities did not appeal against the first-degree rulings and during 2006 the company received Euro 34,470 thousand.

The company has not recorded deferred tax assets, despite the existence of temporary differences and tax losses, as no sufficient taxable income is expected in future financial periods due to the fact that for the parent company the majority of income relates to dividends that are almost wholly tax exempt.

Receivables from others - Others consisted of the following:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|---------------|---------------|----------------|
| Amounts due from employees for Fondo Cometa | | 56 | (56) |
| Appeal for INVIM | 105 | 105 | |
| Amounts owed by Il Chiodo | | 433 | (433) |
| Advance to ICQ for wind farm projects in Italy | | 2,500 | (2,500) |
| Amounts owed by Acciaierie di Bolzano and subsidiaries | | 6,941 | (6,941) |
| First instalment for acquisition of Tecnimont | 15,000 | 15,000 | |
| Other | 18 | 14 | 4 |
| Total | 15,123 | 25,049 | (9,926) |

The balance above includes the first price instalment amounting to Euro 15,000 thousand paid in 2002 to Edison SpA following signing of the agreement relating to the acquisition of the entire share capital of Tecnimont SpA and Protecma Srl.

In the course of 2006 the amounts owed by Acciaierie di Bolzano and its subsidiaries, the advance to ICQ Srl and the amount owed by Il Chiodo Srl, were all received in full.

CIII Short-term investments

C III 3 Equity investments in other companies

| <i>(Euro thousands)</i> | At 31.12.2005 | Share capital increase and acquisition | Reclassi- fications | Disposals | Revalu- ations | Write- downs | At 31.12.2006 |
|--------------------------------|------------------|--|------------------------|-----------------|-------------------|-----------------|------------------|
| Cost | 32,468 | | | (27,735) | | | 4,733 |
| Revaluations | 336 | | | | | | 336 |
| Write-downs (net of reversals) | (717) | | | | | | (717) |
| Total | 32,087 | | | (27,735) | | | 4,352 |

Disposals relate to the sale in January 2006 of all shares held in Mediobanca SpA, which resulted in a gain on disposal of Euro 12,415 thousand.

Equity investments in other companies at 31 December 2006 consisted of the following:

| | Carrying value (Euro) | % held (%) |
|----------------------------|--------------------------|---------------|
| Assicurazioni Generali SpA | 4,260 | 0.013 |
| Camfin SpA | 92 | 0.062 |
| Total | 4,352 | |

In addition the total includes securities of Euro 35 thousand relating to the debenture loan granted to the investment Solar Energy Italia SpA.

C IV Cash and bank

This heading mainly comprises bank balances, which decreased by Euro 52,155 thousand compared to 31 December 2005.

D Accrued income and prepaid expenses

This heading principally consists of accrued interest income on short-term loans and prepaid insurance premiums.

A Shareholders' equity

A I Share capital

Share capital comprises 71,731,171 ordinary shares and 11,142 saving shares that are issued and fully paid and have a nominal value of Euro 1.00 each.

As mentioned above, the company did not carry out operations on its own shares during the year and, as a result, at the year end the company held 6,906,234 shares, of which 3,561 are saving shares, with a total nominal value of Euro 6,906,234.

Shareholders' equity may be analysed as follows:

| | Total | Possible utilisation | Share available | Summary of utilisation in three previous financial years | |
|-------------------------------|----------------|----------------------|-----------------|--|------------------|
| | | | | To cover losses | Other reasons |
| <i>(Euro thousands)</i> | | | | | |
| Share capital | 72,742 | | | | (118,741) |
| Capital reserves | | | | | |
| Share premium | 28,657 | A-B-C | 28,657 | | (78,434) |
| Reserve for own shares | 6,698 | | | | (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 | 92,073 | A-B-C | 92,073 | | (32,633) |
| Total | 254,672 | | 154,745 | | |

Key:

A: to increase share capital

B: to cover losses

C: for shareholder distributions

Amounts utilised in shareholders' equity may be summarised as follows:

- Share capital reduction of Euro 118,741 thousand following demerger in 2002;
- Reduction in share premium account of Euro 32,916 thousand following demerger in 2002;
- Reduction in share premium account of Euro 2,234 thousand in 2002 following reclassification to reserve for own shares;
- Reduction in share premium account of Euro 41,220 thousand in 2003 following bonus share issue;
- Reduction in share premium account of Euro 2,030 thousand in 2003 following reclassification to reserve for own shares;
- Reduction in share premium account of Euro 4 thousand in 2004 following reclassification to reserve for own shares;
- Reduction in reserve for own shares of Euro 20,423 thousand in 2003 following the demerger that resulted in cancellation of own shares;
- Reduction in retained earnings of Euro 32,633 thousand in 2002 following merger with companies owned by the Falck family;
- Reduction in share premium account of Euro 30 thousand in 2005 following reclassification to reserve for own shares.

Movements in shareholders' equity in 2005 and 2006 were as follows:

| <i>(Euro thousands)</i> | At 31.12.2004 | Appropriation of profit | Profit/(loss) for year | Share capital increase | Other movements | At 31.12.2005 |
|--|------------------|----------------------------|---------------------------|---------------------------|--------------------|------------------|
| Share capital | 72,742 | | | | | 72,742 |
| Share premium | 28,685 | | | | (30) | 28,655 |
| Revaluation reserve | | | | | | |
| Legal reserve | 31,376 | | | | | 31,376 |
| Reserve for own shares | 12,157 | | | | 30 | 12,187 |
| Statutory reserves | | | | | | |
| Other reserves | | | | | | |
| - <i>extraordinary reserve</i> | 17,187 | | | | | 17,187 |
| - <i>contributions from shareholders</i> | 450 | | | | | 450 |
| Profit/(loss) carried forward | 74,174 | 12,872 | | | | 87,046 |
| Profit/(loss) for the year | 14,781 | (14,781) | 7,529 | | | 7,529 |
| Total | 251,552 | (1,909) | 7,529 | | | 257,172 |

| <i>(Euro thousands)</i> | At 31.12.2005 | Appropriation of profit | Profit/(loss) for year | Share capital increase | Other movements | At 31.12.2006 |
|--|------------------|----------------------------|---------------------------|---------------------------|--------------------|------------------|
| Share capital | 72,742 | | | | | 72,742 |
| Share premium | 28,655 | | | 2 | | 28,657 |
| Revaluation reserves | | | | | | |
| Legal reserve | 31,376 | | | | | 31,376 |
| Reserve for own shares | 12,187 | | | | | 12,187 |
| Statutory reserves | | | | | | |
| Other reserves | | | | | | |
| - <i>extraordinary reserve</i> | 17,187 | | | | | 17,187 |
| - <i>contributions from shareholders</i> | 450 | | | | | 450 |
| Profit/(loss) carried forward | 87,046 | 5,027 | | | | 92,073 |
| Profit/(loss) for the year | 7,529 | (7,529) | 9,863 | | | 9,863 |
| Total | 257,172 | (2,502) | 9,863 | 2 | | 264,535 |

The 2005 profit for the year was carried forward for an amount of Euro 5,027 thousand and distributed to shareholders for Euro 2,502 thousand, as approved in the annual general meeting of 10 May 2006.

B Provision for risks and charges

| <i>(Euro thousands)</i> | At 31.12.2005 | Provision | Utilised | At 31.12.2006 |
|---|------------------|---------------|--------------|------------------|
| 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. Provision for litigation | | 2,239 | | 2,239 |
| b. Provision for equity investment risks | | 5,687 | | 5,687 |
| c. Provision for environmental improvements | | | | |
| d. Provision for reorganisation and liquidation costs | | | | |
| e. Sundry provisions | | 47,703 | (993) | 46,710 |
| <i>Total other provisions</i> | | 55,629 | (993) | 54,636 |
| Total | | 55,629 | (993) | 54,636 |

B3 Other provisions

B3a Provision for litigation

This provision did not change in 2006.

B3b Provision for equity investment risks

At 31 December 2006 this provision comprised:

(Euro thousands)

| | |
|----------------------|--------------|
| Crossenergy Srl | 3,935 |
| Falck Acciai-Cns SpA | 1,752 |
| Total | 5,687 |

B3e Sundry provisions

This provision was set up in order to cover the risk relating to disputes with public authorities, the environmental risks relating to previous activities in the steel segment and other risks on investment operations.

In the course of 2006, this provision was utilised for Euro 993 thousand principally to cover expenses relating to prior activities of Falck SpA.

C Staff leaving indemnity (TFR)

Movements in this provision were as follows:

| (Euro thousands) | At 31.12.2005 | Charges | Transfers | Utilised/ paid | At 31.12.2006 |
|--------------------|------------------|------------|-----------|-------------------|------------------|
| Managers | 421 | 132 | | (144) | 409 |
| White-collar staff | 345 | 68 | | (1) | 412 |
| Blue-collar staff | 7 | | | (7) | |
| Total | 773 | 200 | | (152) | 821 |

D Payables

Payables have increased by Euro 61,683 thousand compared to the previous year end, which is largely due to the increase in bank loans and overdrafts of Euro 61,278 thousand.

Bonds and debenture loans, which at the previous year end amounted to Euro 22,266 thousand, related to the debenture loan consisting of 22,266,000 debentures with a nominal value of Euro 1.00 each that matured on 31 January 2008 and bore interest at 3.33%, which was fully repaid in compliance with the regulation allowing advanced reimbursement.

Convertible bonds and debenture loans, which amounted to Euro 36,094 thousand, comprises two debenture loans. The first is a subordinated debenture loan consisting of 9,149,819 debentures with a nominal value of Euro 1.00 each, which mature on 31 May 2008 and bear interest at 4.16%. The conversion to 1 share for every 6 debentures held may be exercised in January 2006, 2007 and 2008. In January 2006, 2,082 debentures were converted resulting in a corresponding increase in share capital.

The second loan, which is also subordinated, was fully subscribed in October 2006 and represents a new subordinated convertible variable rate debenture loan 2006–2011 amounting to Euro 26,944,420.

The offer to subscribe granted to rights holders was made in the ratio of two debentures for every five shares held.

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

Bank loans and overdrafts are not secured by real guarantees.

There are no payables due after more than 5 years.

Amounts due to overseas companies (in respect of trade payables only) totalled Euro 56 thousand, all of which related to EU suppliers.

At 31 December 2006 bank loans and overdrafts did not comprise amounts in respect of medium/long-term loans.

In fact the Mediobanca loan of Euro 29,027 thousand matured in 2006, while the Banca Antonveneta loan of Euro 30,000 thousand is due to mature in 2007. The remaining amounts included in bank loans and overdrafts relate to short-term loans on revocable credit lines.

Other payables may be detailed as follows:

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|----------------|
| Amounts owed to Acciaierie di Bolzano SpA for assignment of debts | 1,640 | (1,640) | |
| Dividends payable to shareholders | 26 | 26 | |
| Due to shareholders for distribution of reserves | 190 | 190 | |
| Amounts owed to Immobiliare Bolzano | 349 | 349 | |
| Amounts owed to Acciaierie di Bolzano SpA | | 259 | (259) |
| Amounts owed to Siab SpA | | 118 | (118) |
| Amounts owed to employees | 577 | | 577 |
| Amounts provided for employees | 200 | 219 | (19) |
| Holiday pay | 297 | 275 | 22 |
| Other | 117 | 127 | (10) |
| Total | 1,756 | 3,203 | (1,447) |

E Accrued liabilities and deferred income

The balance wholly relates to accrued interest on medium/long-term loans and debenture loans.

Memorandum accounts

Personal guarantees issued in respect of company commitments and those of its subsidiaries are to secure:

- Environmental risks for Euro 1,244 thousand;
- Credit facilities granted to Falck SpA and its subsidiaries for Euro 38,620 thousand, of which Euro 23,157 thousand was drawn down at 31 December 2006;
- VAT receivables of group companies that amounted to Euro 14,751 thousand;
- Wind farm projects for Euro 29,117 thousand;
- Tax disputes of Euro 9,296 thousand, relating to a company sold to ABB Group;
- Sundry risks that amounted to Euro 391 thousand.

The guarantees securing environmental risks relate to guarantees given to public authorities on behalf of Ecosesto SpA for an amount of Euro 256 thousand with the balance on behalf of Falck SpA securing potential damages arising from the use of decommissioned steelmaking sites.

With regard to the balance at the previous year end of other real guarantees given (pledges), the amount related to a pledge on 6,400,899 ordinary shares in Banca Intesa SpA as security on loans issued by Mediobanca SpA, which were repaid on maturity in 2006.

Transactions with group companies

| <i>(Euro thousands)</i> | Trade receivables | | | Trade payables | | |
|--|-------------------|--------------|--------------|----------------|------------|------------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Subsidiaries | | | | | | |
| Actelios SpA | 1,425 | 51 | 1,374 | 81 | 18 | 63 |
| Cambrian Wind Energy Ltd | 25 | 24 | 1 | | | |
| Ecosesto SpA | 1 | 1 | | | | |
| Elettroambiente SpA | 69 | 50 | 19 | 45 | 300 | (255) |
| Falck Acciai-Cns SpA | 37 | 106 | (69) | | | |
| Falck Financial Services Sa | | | | 648 | 484 | 164 |
| Falck Renewables Italia Srl | 66 | | 66 | | | |
| Falck Renewables Ltd | 1 | 3 | (2) | | | |
| Itla-Redaelli Tecna Laminati SpA | 25 | 1 | 24 | | | |
| Platani Energia Ambiente ScpA | 62 | 83 | (21) | | | |
| Prima Srl | 25 | 34 | (9) | | | |
| Riesfactoring SpA | 3 | 8 | (5) | 229 | 3 | 226 |
| Sesto Siderservizi Srl | 12 | 1 | 11 | | 4 | (4) |
| Tifeo Energia Ambiente ScpA | 63 | 82 | (19) | | | |
| Total subsidiaries | 1,814 | 444 | 1,370 | 1,003 | 809 | 194 |
| Associates | | | | | | |
| Lonardi Costruzioni Srl (in liquidation) | 17 | 4 | 13 | | | |
| Palermo Energia Ambiente ScpA | 5,572 | 3,927 | 1,645 | | | |
| Pareh Sar Gmbh | 2 | 2 | | | | |
| Total associates | 5,591 | 3,933 | 1,658 | | | |

| <i>(Euro thousands)</i> | Financial receivables | | | Financial payables | | |
|----------------------------------|-----------------------|---------------|---------------|--------------------|------------|-----------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Subsidiaries | | | | | | |
| Actelios SpA | | 54,774 | (54,774) | 48 | | 48 |
| Eolica Sud Srl | 121 | | 121 | | | |
| Eolo 3W Minervino Murge Srl | 1,399 | | 1,399 | | | |
| Falck Acciai-Cns SpA | | 446 | (446) | 16 | | 16 |
| Falck Energy Iran Sa | 1,006 | 824 | 182 | | | |
| Falck Energy Sa (*) | 88,723 | 362 | 88,361 | | | |
| Falck Renewables Italia Srl | 5,008 | | 5,008 | | | |
| Falck Renewables Ltd | | 6,982 | (6,982) | | | |
| Itla-Redaelli Tecna Laminati SpA | | 7 | (7) | 85 | | 85 |
| Riesfactoring SpA | 29 | | 29 | | 92 | (92) |
| Sesto Siderservizi Srl | 2,762 | 2,396 | 366 | | | |
| Total subsidiaries | 99,048 | 65,791 | 33,257 | 149 | 92 | 57 |
| Associates | | | | | | |
| Palermo Energia Ambiente ScpA | 5,659 | 2,128 | 3,531 | | | |
| Total associates | 5,659 | 2,128 | 3,531 | | | |

(*) of which GBP £58,555

| <i>(Euro thousands)</i> | Other receivables | | | Other payables | | |
|----------------------------------|-------------------|--------------|------------|----------------|--------------|----------------|
| | 31.12.2006 | 31.12.2005 | Change | 31.12.2006 | 31.12.2005 | Change |
| Subsidiaries | | | | | | |
| Actelios SpA | 132 | 563 | (431) | | | |
| Ambiente 2000 Srl | 46 | 92 | (46) | | | |
| Ecosesto SpA | | 36 | (36) | 106 | | 106 |
| Elettroambiente SpA | 390 | 380 | 10 | | | |
| Falck Acciai-Cns SpA | 617 | 160 | 457 | | 279 | (279) |
| Itla-Redaelli Tecna Laminati SpA | 898 | | 898 | 242 | 104 | 138 |
| Montalto Ambiente SpA | | | | | 3 | (3) |
| Platani Energia Ambiente ScpA | | | | | 420 | (420) |
| Prima Srl | 60 | | 60 | | 119 | (119) |
| Riesfactoring SpA | 69 | 101 | (32) | | | |
| Sesto Siderservizi Srl | | 1 | (1) | 159 | 115 | 44 |
| Tifeo Energia Ambiente ScpA | | | | | 1,849 | (1,849) |
| Total subsidiaries | 2,212 | 1,333 | 879 | 507 | 2,889 | (2,382) |

Profit and loss account content and changes

A Value of production

Value of production increased by Euro 1,399 thousand compared to the previous year, which is largely due to an increase in recharged expenses to subsidiaries (+ Euro 941 thousand) and non-recurring income of (+ Euro 380 thousand). Revenue relates to the provision of services in the domestic market only.

B Cost of production

Cost of production increased by Euro 1,071 thousand principally in relation to rentals and leasing charges (+ Euro 640 thousand), bad debts (+ Euro 735 thousand) and other operating charges (+ Euro 615 thousand). Decreases were recorded in cost of services (- Euro 938 thousand) and employee costs (- Euro 117 thousand).

C Financial income and charges

C15 Income from equity investments

| <i>(Euro thousands)</i> | Dividend | |
|------------------------------------|--------------|---------------|
| | 31.12.2006 | 31.12.2005 |
| Subsidiaries | | |
| Falck Acciai CNS SpA | | 413 |
| Finstahl Sa | | 20,124 |
| Itla-Redaelli Tecna Laminati SpA | 1,362 | 1,115 |
| Riesfactoring SpA | 100 | 169 |
| Total subsidiaries | 1,462 | 21,821 |
| Other companies | | |
| Assicurazioni Generali SpA | 89 | 70 |
| Banca Intesa San Paolo SpA | 1,408 | 673 |
| Camfin SpA | 2 | 2 |
| Compagnia Fiduciaria Nazionale SpA | 35 | 91 |
| Hera SpA | 45 | 38 |
| Mediobanca SpA | | 1,200 |
| Redaelli G.& Fratello SpA | | 60 |
| Total other companies | 1,579 | 2,134 |
| Total | 3,041 | 23,955 |

C16 Other financial income

Other financial income increased by Euro 8,474 thousand principally due to the increase in interest and commission from others (+ Euro 11,796 thousand).

Interest and commission from subsidiaries decreased (- Euro 3,496 thousand).

C17 Interest and other financial charges

Interest and other financial charges increased by Euro 8,396 thousand that is largely due to higher interest due to others (+ Euro 5,786 thousand) and subsidiaries (+ Euro 2,610 thousand).

Interest and other financial charges may be analysed as follows:

| <i>(Euro thousands)</i> | Debenture loans | Bank loans and overdrafts | Other loans | Total |
|-------------------------|--------------------|------------------------------|----------------|---------------|
| Subsidiaries | | | 3,208 | 3,208 |
| Associates | | | | |
| Parent company | | | | |
| Other group companies | | | | |
| Others | 1,175 | 3,666 | 8,500 | 13,341 |
| Total | 1,175 | 3,666 | 11,708 | 16,549 |

C17 bis Exchange gains and losses

The balance of realised gains and losses was a net loss of Euro 482 thousand, against a net gain of Euro 211 thousand in 2005.

D Adjustments to financial assets

D18 a Revaluations of equity investments

Revaluations of equity investments relates to the revaluation of the holding in Banca Intesa San Paolo SpA, which had been written down in 2002. The revaluation was based on the average trading prices for the second half of 2006. The value of this investment was written back to the cost of acquisition.

D19 a2 Provision for equity investment risks

No charges were made to this provision during the year.

D19 a3 Utilisation of provision for equity investment risks

No amounts were utilised in the course of the year.

E Extraordinary income and expenses

E20 Extraordinary income

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|---------------|--------------|---------------|
| a Gains from extraordinary disposals | | | |
| Gains on disposal of equity investments | 12,907 | 1,575 | 11,332 |
| Gains on disposal of tangible fixed assets | 10 | 8 | 2 |
| Total gains from extraordinary disposals | 12,917 | 1,583 | 11,334 |
| b Others | | | |
| Insurance claims | 5 | 3 | 2 |
| Compensation for damages | | 39 | (39) |
| Other extraordinary income | 19 | 3 | 16 |
| Utilisation of provision for sundry risks | 993 | 1,666 | (673) |
| Total others | 1,017 | 1,711 | (694) |
| c Utilisation of provision for reorganisation and liquidation costs | | | |
| Total extraordinary income | 13,934 | 3,294 | 10,640 |

The gains on disposal of equity investments relate to the sale of the entire investments in Mediobanca SpA (Euro 12,415 thousand) and OLT Energy Toscana Srl (Euro 491 thousand) and part of the shares held in Banca Intesa SpA (Euro 0.8 thousand).

The utilisation of the sundry risks provision has been detailed above in the paragraph on provisions for risks and charges.

E21 Extraordinary expenses

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|------------|---------------|-----------------|
| a Losses on extraordinary disposals | | | |
| Losses on disposals of equity investments | | 18 | (18) |
| Losses on disposals of tangible fixed assets | 1 | 1 | |
| Total losses on extraordinary disposals | 1 | 19 | (18) |
| b Tax relating to prior financial periods | | | |
| c Others | | | |
| Accruals to provision for sundry risks | | 16,000 | (16,000) |
| Other extraordinary charges | 49 | 1,691 | (1,642) |
| Total others | 49 | 17,691 | (17,642) |
| d Reorganisation and liquidation costs | | | |
| Total extraordinary expenses | 50 | 17,710 | (17,660) |

Losses on disposals of investments relate to the sale of the investment in Istud Istituto Studi Direzionali SpA.

E22 Tax on profit for the year

Although the company presented taxable profits for IRES (corporation tax) purposes, no tax charge was accrued as the company used taxable losses carried forward in order to offset entirely the taxable income.

With regard to IRAP (trade income tax), the company recorded taxable income largely as a result of the sale of the shares in Mediobanca SpA that were included in current assets. The amount provided for IRAP amounts to Euro 634 thousand.

As the company submitted a consolidated tax return together with its subsidiaries Ipla SpA, Falck Acciai CNS SpA, Riesfactoring SpA and Sesto Siderservizi Srl, a tax credit of Euro 1,198 thousand was recorded.

Transactions with group companies

| | Revenue from sales and services | Other income | | | | | |
|----------------------------------|---------------------------------------|------------------------------|-----------------------|-----------------|--------------------|-----------------------------|-----------------------------|
| | | Other operating income | Recharged expenses | Other income | Property income | Gains ord. activities | Non- recurring income |
| <i>(Euro thousands)</i> | | | | | | | |
| Subsidiaries | | | | | | | |
| Actelios SpA | | | 2,024 | 10 | | | |
| Ecosesto SpA | | 32 | 2 | | | | |
| Elettroambiente SpA | | | 391 | 19 | | | |
| Falck Acciai - Cns SpA | | 25 | 73 | | | | |
| Falck Energy Iran Sa | | 1 | | | | | |
| Falck Renewables Ltd | | 113 | 674 | | | | |
| Falck Renewables Italia Srl | | | 376 | | | | |
| Falck Renouvelables Sa | | 5 | | | | | |
| Sesto Siderservizi Srl | | 14 | 34 | | | | 135 |
| Ipla-Redaelli Tecna Laminati SpA | 26 | 253 | | | | | |
| Platani Energia Ambiente ScpA | | 3 | 180 | 5 | | | |
| Prima Srl | | 16 | | 9 | | | |
| Riesfactoring SpA | | 129 | 114 | 1 | | | |
| Tifeo Energia Ambiente ScpA | | 5 | 180 | 4 | | | |
| Total subsidiaries | | 369 | 4,301 | 48 | | | 135 |
| Associates | | | | | | | |
| Palermo Energia Ambiente ScpA | 1,065 | | 180 | 29 | | | |
| Total associates | 1,065 | | 180 | 29 | | | |

| | Purchases | Services | | | Rentals | Other operating charges | | | | Income | Other financial income | | Interest |
|--------------------------------------|--------------|-----------|--------------|-------------|-------------------|-------------------------|---------------------|-------|--------------------|-------------|------------------------|-----------------------------|--------------|
| | Provided | Utilities | Sundry costs | and leasing | Property expenses | Loss ordin. operations | Non-recurring costs | Other | equity investments | Receivables | Others | and other financial charges | |
| <i>(Euro thousands)</i> | | | | | | | | | | | | | |
| Subsidiaries | | | | | | | | | | | | | |
| Actelios SpA | 81 | | | | | | 2 | | | | 178 | | 2,692 |
| Elettroambiente SpA | 150 | | | | | | | | | | | | |
| Eolo 3W Minervino Murge Srl | | | | | | | | | | | 13 | | |
| Eolica Sud Srl | | | | | | | | | | | 2 | | |
| Falck Acciai-Cns SpA | | | | | | | | | | | 65 | | 5 |
| Falck Energy Sa | | | | | | | | | | | 37 | | 503 |
| Falck Energy Iran Sa | | | | | | | | | | | 43 | | |
| Falck Financial Services Sa | 815 | | | | | | | | | | | | |
| Falck Renewables Ltd | | | | | | | | | | | | 2,734 | |
| Falck Renewables Italia Srl | | | | | | | | | | | 93 | | |
| Itla-Redaelli Tecna Laminati SpA | | | | | | | | | 1,362 | | 7 | | 3 |
| Riesfactoring SpA | 475 | | | | | | 1 | | 100 | | | | 6 |
| Sesto Siderservizi Srl | | | | | | | | 31 | | | 123 | | |
| Total subsidiaries | 1,521 | | | | | | 34 | | 1,462 | | 3,295 | | 3,209 |
| Associates | | | | | | | | | | | | | |
| Palermo Energia Ambiente ScpA | | | | | | | | | | | | 210 | |
| Lonardi Costruzioni Srl in liquidat. | | | | | | | | | | | 12 | | |
| Total associates | | | | | | | | | | | 222 | | |

Additional disclosures

Average number of employees

| <i>(Number)</i> | 31.12.2006 | 31.12.2005 | Change |
|--|------------|------------|----------|
| Managers | 12 | 13 | (1) |
| White-collar staff | 26 | 23 | 3 |
| Blue-collar staff | | 1 | (1) |
| Total average number of employees | 38 | 37 | 1 |

Remuneration of directors and statutory auditors

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 |
|-------------------------|------------|------------|
| Directors | 834 | 819 |
| Statutory auditors | 146 | 146 |
| Total | 980 | 965 |

These financial statements give a true and fair view of the company's financial position, result of operations and cash flows and are in agreement with the accounting records.

On behalf of the board of directors
The Chairman
Federico Falck

Falck SpA
Supplementary information

6.3.1 List of direct and indirect investments in subsidiaries and associates

The information for the Italian companies was prepared in accordance with Italian GAAP with the exception of the statutory financial statements of Actelios SpA which were prepared in accordance with IAS/IFRS.

| | Registered office | 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 | Milan | Euro | 67,680,000 | 329,887 | 10,197 | 68.717 | | 219,796,474 |
| Falck Acciai - CNS SpA | Grassobbio (Bg) | Euro | 516,000 | 2,994 | 529 | 100.000 | | 4,286,664 |
| Falck Energy Iran Sa | Luxembourg | Euro | 31,000 | (556) | (447) | 99.677 | | 31,000 |
| Falck Energy Sa | Luxembourg | Euro | 43,038,013 | 160,298 | 3,850 | 99.999 | | 63,754,593 |
| Illa - Redaelli Tecna Laminati SpA | Milan | Euro | 4,129,312 | 6,985 | 1,546 | 100.000 | | 8,496,356 |
| Riesfactoring SpA | Milan | Euro | 2,000,000 | 2,246 | 122 | 99.800 | 0.200 | 1,999,633 |
| Sesto Siderservizi Srl | Sesto S. Giovanni (Mi) | Euro | 260,000 | 457 | (378) | 100.000 | | 835,691 |
| | | | | | | | | 299,200,411 |
| Indirectly controlled subsidiaries | | | | | | | | |
| Alba Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Ambiente 2000 Srl | Milan | Euro | 103,000 | 1,281 | 95 | | 60.000 | |
| Aonach Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Beinn Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Ben Aketil Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | (2) | | | 52.000 | |
| Boyndie Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | 1,262 | 833 | | 100.000 | |
| Brae Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Cambrian Wind Energy Ltd | London (UK) | GBP | 1,000 | 1,435 | 1,446 | | 100.000 | |
| Chalmerston Wind Power Ltd | Edinburgh (UK) | GBP | 250,000 | (2,169) | (94) | | 52.000 | |
| Corrie Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Creag Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Dunbeath Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | (1,087) | (253) | | 52.000 | |
| Dunmore Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Earlsburn Mezzanine Ltd | London (UK) | GBP | 1,000 | (1,031) | (1,016) | | 100.000 | |
| Earlsburn Wind Energy Ltd | Inverness (UK) | GBP | 1,000 | 16 | 17 | | 100.000 | |
| Ecosesto SpA | Milan | Euro | 5,120,000 | 5,867 | (9,239) | | 100.000 | |
| Elettroambiente SpA | Sesto S. Giovanni (Mi) | Euro | 245,350 | 875 | (464) | | 100.000 | |
| Eolica Cabezo San Roque Sl | Saragozza (Spain) | Euro | 1,500,000 | 3,661 | 1,335 | | 95.511 | |
| Eolica Sud Srl | Catanzaro | Euro | 10,000 | 8 | (2) | | 100.000 | |
| Eolo 3W Minervino Murge Srl | Sesto S. Giovanni (Mi) | Euro | 10,000 | 38 | 28 | | 100.000 | |
| Falck Energies Renouvelables Sarl | Cesson Sevigne (France) | Euro | 60,000 | (289) | (349) | | 100.000 | |
| Falck Financial Services Sa | Lugano (Switzerland) | CHF | 250,000 | 2,245 | 55 | | 100.000 | |
| Falck Renewables Finance Ltd | London (UK) | GBP | 1,000 | 495 | 92 | | 100.000 | |
| Falck Renewables Italia Srl | Sesto S. Giovanni (Mi) | Euro | 100,000 | 175 | (118) | | 100.000 | |
| Falck Renewables Ltd | London (UK) | GBP | 20,000,000 | 12,645 | (2,068) | | 99.290 | |
| Falck Renewables UK Holdings (No.1) Ltd | London (UK) | GBP | 1,000 | (4,764) | (2,445) | | 100.000 | |
| Inver Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Kilbraur Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | (3) | (1) | | 52.000 | |
| Kingsburn Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | (379) | (209) | | 52.000 | |
| Kinloch Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Limmer Hill Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | (894) | (115) | | 52.000 | |
| Mellock Hill Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | (1,034) | (201) | | 52.000 | |
| Millennium Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | | | | 52.000 | |
| Minervento SpA | Sesto S. Giovanni (Mi) | Euro | 120,000 | | | | 100.000 | |
| Ness Wind Energy Ltd | London (UK) | GBP | 100 | | | | 100.000 | |
| Nutberry Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | (938) | (140) | | 52.000 | |
| Parc Eolien de Baud Sarl | Cesson Sevigne (France) | Euro | 1,000 | 1 | | | 75.000 | |
| Parc Eolien de la Seules Sarl | Cesson Sevigne (France) | Euro | 1,000 | 1 | | | 100.000 | |
| Parc Eolien de Plovenez du Faou Sarl | Cesson Sevigne (France) | Euro | 1,000 | 1 | | | 75.000 | |
| Platani Energia Ambiente ScpA | Palermo | Euro | 120,000 | 1,400 | (332) | | 80.900 | |
| Portclair Wind Energy Ltd | Edinburgh (UK) | GBP | 1,000 | (158) | (50) | | 52.000 | |
| Prima Srl | Sesto S. Giovanni (Mi) | Euro | 5,430,000 | 24,695 | 12,036 | | 85.000 | |
| Sell Moor Wind Energy Ltd | Edinburgh (UK) | GBP | 250,000 | (848) | (51) | | 52.000 | |
| Tifeo Energia Ambiente ScpA | Palermo | Euro | 120,000 | 1,333 | (479) | | 84.900 | |

| | Registered office | Currency | Share capital | Share-holders equity (Euro thousand) | Profit (loss) (Euro thousand) | Direct share-holding (%) | Indirect share-holding (%) | Book value (euro) |
|--|------------------------|----------|---------------|--------------------------------------|-------------------------------|--------------------------|----------------------------|-------------------|
| Associates | | | | | | | | |
| Ambiente 3000 Srl | Bologna | Euro | 100,000 | 281 | 174 | | 49.000 | |
| Eolica Lucana Srl | Potenza | Euro | 10,000 | | | 20.000 | | 600 |
| Fruzzo Energia Ambiente Srl | Bologna | Euro | 17,139,100 | 30,749 | 12,147 | | 49.000 | |
| Gsa Scarl (in liquidation) | Milan | Euro | 10,000 | 11 | (2) | | 50.000 | |
| Italian Lao Group Co Ltd | Lao PDR | USD | 1,532,500 | 1,798 | (148) | | 60.000 | |
| Lonardi Costruzioni Srl (in liquidation) | Sesto S. Giovanni (Mi) | Euro | 58,140 | 65 | (367) | 49.000 | | |
| Nuevos Parque Eolicos La Muela AIE | Saragozza (Spain) | Euro | 10,000 | 6 | | | 100.000 | |
| Palermo Energia Ambiente ScpA | Palermo | Euro | 120,000 | 1,461 | (619) | 24.728 | 23.272 | 1,853,370 |
| Pareh Sar Gmbh | Munich (Germany) | Euro | 2,300,000 | | | | 50.000 | |
| Parque Eolico La Carracha SI | Saragozza (Spain) | Euro | 3,325,000 | 334 | 234 | | 26.000 | |
| Parque Eolico Plana de Jarreta SI | Saragozza (Spain) | Euro | 3,325,000 | 108 | 8 | | 26.000 | |
| Powercrop Srl (1) | Sesto S. Giovanni (Mi) | Euro | 100,000 | | | | 50.000 | |
| Termini Imerese Energia Ambiente Srl | Termini Imerese (Pa) | Euro | 100,000 | 63 | (8) | | 24.000 | |
| | | | | | | | | 1,853,970 |

(1) The company has not completed its first financial year

6.3.2 Summary of significant financial data of subsidiaries and associates

The information for the Italian companies was prepared in accordance with Italian GAAP with the exception of the statutory financial statements of Actelios SpA which were prepared in accordance with IAS/IFRS.

Balance sheet

| <i>(Euro thousands)</i> | Non-current assets | Current assets | Shareholders' equity | Non-current liabilities | Current liabilities |
|---|-----------------------|-------------------|-------------------------|----------------------------|------------------------|
| Directly controlled subsidiaries | | | | | |
| Actelios SpA | 108,617 | 256,643 | 329,887 | 1,086 | 34,287 |
| Falck Acciai - CNS SpA | 1,463 | 17,746 | 2,994 | 305 | 15,910 |
| Falck Energy Iran Sa | 1,150 | 559 | (556) | | 2,265 |
| Falck Energy Sa | 132,641 | 121,193 | 160,298 | 2,870 | 90,666 |
| Itla - Redaelli Tecna Laminati SpA | 9,885 | 26,619 | 6,985 | 1,879 | 27,640 |
| Riesfactoring SpA | 15 | 54,407 | 2,246 | 130 | 52,046 |
| Sesto Siderservizi Srl | | 4,958 | 457 | 1,613 | 2,888 |
| Indirectly controlled subsidiaries | | | | | |
| Alba Wind Energy Ltd | | | | | |
| Ambiente 2000 Srl | 590 | 5,258 | 1,281 | 1,431 | 3,136 |
| Aonach Wind Energy Ltd | | | | | |
| Beinn Wind Energy Ltd | | | | | |
| Ben Aketil Wind Energy Ltd | 9,283 | 1,288 | (2) | | 10,573 |
| Boyndie Wind Energy Ltd | 18,132 | 3,301 | 1,262 | 9,369 | 10,802 |
| Brae Wind Energy Ltd | | | | | |
| Cambrian Wind Energy Ltd | 69,342 | 7,134 | 1,435 | 58,003 | 17,038 |
| Chalmerston Wind Power Ltd | | 325 | (2,169) | | 2,494 |
| Corrie Wind Energy Ltd | | | | | |
| Creag Wind Energy Ltd | | | | | |
| Dunbeath Wind Energy Ltd | 23 | | (1,087) | | 1,110 |
| Dunmore Wind Energy Ltd | | | | | |
| Earlsburn Mezzanine Ltd | 13,312 | 442 | (1,031) | | 14,785 |
| Earlsburn Wind Energy Ltd | 33,722 | 2,606 | 16 | 21,624 | 14,688 |
| Ecosesto SpA | 20,505 | 14,170 | 5,867 | 14,846 | 13,962 |
| Elettroambiente SpA | 4,650 | 50,853 | 875 | 46 | 54,582 |
| Eolica Cabezo San Roque Sl | 20,165 | 3,192 | 3,661 | 15,851 | 3,845 |
| Eolica Sud Srl | 108 | 23 | 8 | | 123 |
| Eolo 3W Minervino Murge Srl | 5,029 | 2,287 | 38 | | 7,278 |
| Falck Energies Renouvelables Sarl | 1,104 | 212 | (289) | | 1,605 |
| Falck Financial Services Sa | 8 | 2,322 | 2,245 | | 85 |
| Falck Renewables Finance Ltd | 416 | 11,964 | 495 | 9,686 | 2,199 |
| Falck Renewables Italia Srl | 3,518 | 2,150 | 175 | | 5,493 |
| Falck Renewables Ltd | 22,482 | 130,253 | 12,645 | 5,605 | 134,485 |
| Falck Renewables UK Holdings (No.1) Ltd | 22,393 | 3,074 | (4,764) | | 30,231 |
| Inver Wind Energy Ltd | | | | | |
| Kilbraur Wind Energy Ltd | 14,417 | 2,239 | (3) | | 16,659 |
| Kingsburn Wind Energy Ltd | | 18 | (379) | | 397 |
| Kinloch Wind Energy Ltd | | | | | |
| Limmer Hill Wind Energy Ltd | | 18 | (894) | | 912 |
| Mellock Hill Wind Energy Ltd | | 26 | (1,034) | | 1,060 |
| Millennium Wind Energy Ltd | 15,564 | 2,405 | | | 17,969 |
| Minervento SpA | | | | | |
| Ness Wind Energy Ltd | | | | | |
| Nutberry Wind Energy Ltd | | 15 | (938) | | 953 |
| Parc Eolien de Baud Sarl | | 1 | 1 | | |
| Parc Eolien de la Seullles Sarl | | 1 | 1 | | |
| Parc Eolien de Plovenez du Faou Sarl | | 1 | 1 | | |
| Platani Energia Ambiente ScpA | 24,158 | 692 | 1,400 | | 23,450 |
| Portclair Wind Energy Ltd | | 3 | (158) | | 161 |
| Prima Srl | 81,267 | 30,687 | 24,695 | 57,670 | 29,589 |
| Sell Moor Wind Energy Ltd | | 1 | (848) | | 849 |
| Tifeo Energia Ambiente ScpA | 41,203 | 1,464 | 1,333 | | 41,334 |

| <i>(Euro thousands)</i> | Non-current assets | Current assets | Shareholders' equity | Non-current liabilities | Current liabilities |
|--|-----------------------|-------------------|-------------------------|----------------------------|------------------------|
| Associates | | | | | |
| Ambiente 3000 Srl | 437 | 4,854 | 281 | 1,077 | 3,933 |
| Eolica Lucana Srl | | | | | |
| Frullo Energia Ambiente Srl | 119,347 | 43,281 | 30,749 | 84,704 | 47,175 |
| Gsa Scarl (in liquidation) | | 24 | 11 | | 13 |
| Italian Lao Group Co Ltd | 1,353 | 445 | 1,798 | | |
| Lonardi Costruzioni Srl (in liquidation) | | 65 | 65 | | |
| Nuevos Parque Eolicos La Muela AIE | 5 | 34 | 6 | | 33 |
| Palermo Energia Ambiente ScpA | 31,720 | 1,052 | 1,461 | | 31,311 |
| Pareh Sar Gmbh | | | | | |
| Parque Eolico La Carracha SI | 38,453 | 5,810 | 334 | 38,781 | 5,148 |
| Parque Eolico Plana de Jarreta SI | 38,000 | 5,338 | 108 | 38,114 | 5,116 |
| Powercrop Srl (1) | | | | | |
| Termini Imerese Energia Ambiente Srl | | 74 | 63 | | 11 |

(1) The company has not completed its first financial year

Profit and loss account

| | Value of production | Cost of production | Gross margin | Operating profit | Profit before tax | Profit/(loss) for the year |
|---|------------------------|--------------------------|-----------------|---------------------|-------------------------|-------------------------------|
| <i>(Euro thousands)</i> | | | | | | |
| Directly controlled subsidiaries | | | | | | |
| Actelios SpA | 488 | (453) | 35 | (6,696) | 10,345 | 10,197 |
| Falck Acciai - CNS SpA | 36,915 | (35,745) | 1,170 | 1,342 | 1,033 | 529 |
| Falck Energy Iran Sa | | (395) | (395) | (395) | (447) | (447) |
| Falck Energy Sa | | (401) | (401) | (401) | 3,850 | 3,850 |
| Itla - Redaelli Tecna Laminati SpA | 42,960 | (39,798) | 3,162 | 2,972 | 2,700 | 1,546 |
| Riesfactoring SpA | 465 | (290) | 175 | (466) | 266 | 122 |
| Sesto Siderservizi Srl | | | | (412) | (535) | (378) |
| Indirectly controlled subsidiaries | | | | | | |
| Alba Wind Energy Ltd | | | | | | |
| Ambiente 2000 Srl | 10,867 | (10,214) | 653 | 341 | 360 | 95 |
| Aonach Wind Energy Ltd | | | | | | |
| Beinn Wind Energy Ltd | | | | | | |
| Ben Aketil Wind Energy Ltd | | | | | | |
| Boyndie Wind Energy Ltd | 2,914 | (658) | 2,256 | 2,102 | 1,232 | 833 |
| Brae Wind Energy Ltd | | | | | | |
| Cambrian Wind Energy Ltd | 11,274 | (1,805) | (9,469) | 5,712 | 2,282 | 1,446 |
| Chalmerston Wind Power Ltd | | (94) | (94) | (94) | (94) | (94) |
| Corrie Wind Energy Ltd | | | | | | |
| Creag Wind Energy Ltd | | | | | | |
| Dunbeath Wind Energy Ltd | | (253) | (253) | (253) | (253) | (253) |
| Dunmore Wind Energy Ltd | | | | | | |
| Earlsburn Mezzanine Ltd | | | | | (1,452) | (1,016) |
| Earlsburn Wind Energy Ltd | | | | | 17 | 17 |
| Ecosesto SpA | 25,269 | (27,570) | (2,301) | (2,947) | (3,540) | (2,389) |
| Elettroambiente SpA | 2,155 | (1,179) | 976 | 570 | (592) | (464) |
| Eolica Cabezo San Roque Sl | 5,398 | (2,893) | 2,505 | 2,441 | 1,794 | 1,335 |
| Eolica Sud Srl | | | | (2) | (2) | (2) |
| Eolo 3W Minervino Murge Srl | | | | (7) | 36 | 28 |
| Falck Energies Renouvelables Sarl | | | | (336) | (349) | (349) |
| Falck Financial Services Sa | 1,212 | (752) | 460 | 47 | 76 | 55 |
| Falck Renewables Finance Ltd | | | | | 118 | 92 |
| Falck Renewables Italia Srl | | | | (180) | (180) | (118) |
| Falck Renewables Ltd | 88 | (2,397) | (2,309) | (5,016) | (559) | (2,068) |
| Falck Renewables UK Holdings (No.1) Ltd | | | | | (2,445) | (2,445) |
| Inver Wind Energy Ltd | | | | | | |
| Kilbraur Wind Energy Ltd | | | | (1) | (1) | (1) |
| Kingsburn Wind Energy Ltd | | (209) | (209) | (209) | (209) | (209) |
| Kinloch Wind Energy Ltd | | | | | | |
| Limmer Hill Wind Energy Ltd | | (115) | (115) | (115) | (115) | (115) |
| Mellock Hill Wind Energy Ltd | | (201) | (201) | (201) | (201) | (201) |
| Millennium Wind Energy Ltd | | | | | | |
| Minervento SpA | | | | | | |
| Ness Wind Energy Ltd | | | | | | |
| Nutberry Wind Energy Ltd | | (140) | (140) | (140) | (140) | (140) |
| Parc Eolien de Baud Sarl | | | | | | |
| Parc Eolien de la Seules Sarl | | | | | | |
| Parc Eolien de Plovenz du Faou Sarl | | | | | | |
| Platani Energia Ambiente ScpA | | | | (406) | (485) | (332) |
| Portclair Wind Energy Ltd | | | | (50) | (50) | (50) |
| Prima Srl | 44,589 | (22,848) | 21,741 | 22,290 | 19,491 | 12,036 |
| Sell Moor Wind Energy Ltd | | (51) | (51) | (51) | (51) | (51) |
| Tifeo Energia Ambiente ScpA | | | | (507) | (651) | (479) |

| | Value of production | Cost of production | Gross margin | Operating profit | Profit before tax | Profit/(loss) for the year |
|--|------------------------|--------------------------|-----------------|---------------------|-------------------------|-------------------------------|
| <i>(Euro thousands)</i> | | | | | | |
| Associates | | | | | | |
| Ambiente 3000 Srl | 8,120 | (7,737) | 383 | 385 | 415 | 174 |
| Eolica Lucana Srl | | | | | | |
| Frullo Energia Ambiente Srl | 48,357 | (23,787) | 24,570 | 24,248 | 19,721 | 12,147 |
| Gsa Scarl (in liquidation) | | (3) | (3) | (3) | (2) | (2) |
| Italian Lao Group Co Ltd | | (74) | (74) | (148) | (148) | (148) |
| Lonardi Costruzioni Srl (in liquidation) | | (314) | (314) | (314) | (367) | (367) |
| Nuevos Parque Eolicos La Muela AIE | | | | | | |
| Palermo Energia Ambiente ScpA | | | | (660) | (893) | (619) |
| Pareh Sar Gmbh | | | | | | |
| Parque Eolico La Carracha SI | 10,656 | (4,851) | 5,805 | 3,168 | 507 | 234 |
| Parque Eolico Plana de Jarreta SI | 11,228 | (5,833) | 5,395 | 2,816 | 159 | 8 |
| Powercrop Srl (1) | | | | | | |
| Termini Imerese Energia Ambiente Srl | | (8) | (8) | | (8) | (8) |

(1) The company has not completed its first financial year

6.3.3 Summary reclassified profit and loss account

| <i>(Euro thousands)</i> | 31.12.2006 | 31.12.2005 | Change |
|---|----------------|----------------|--------------|
| Industrial revenue and income | | | |
| Revenue from sales | 1,434 | 1,361 | 73 |
| Other income | 84 | 74 | 10 |
| | 1,518 | 1,435 | 83 |
| Change in work in progress, semi-finished and finished products and goods | | | |
| Value of industrial production | 1,518 | 1,435 | 83 |
| Capitalised costs | | | |
| Total value of production for the year | 1,518 | 1,435 | 83 |
| Purchase of raw materials, semi-finished products and goods | (186) | (257) | 71 |
| Change in inventory of raw materials, semi-finished and finished products and goods | | | |
| Services costs | (6,092) | (6,964) | 872 |
| Utilities and sundry costs | (3,771) | (2,556) | (1,215) |
| Expenses re-charged | 5,220 | 4,278 | 942 |
| Indirect taxes | (45) | (62) | 17 |
| Value added | (3,356) | (4,126) | 770 |
| Employee costs | (4,917) | (5,033) | 116 |
| Gross operating margin | (8,273) | (9,159) | 886 |
| Depreciation relating to operations | (200) | (169) | (31) |
| Bad debts provision | | | |
| Operating result | (8,473) | (9,328) | 855 |
| Financial income and charges | 335 | 950 | (615) |
| Real estate income and charges | | (3) | 3 |
| Equity investments income and charges | 4,135 | 29,424 | (25,289) |
| Non-operating income and charges | 13,302 | (14,468) | 27,770 |
| Profit for the year before tax | 9,299 | 6,575 | 2,724 |
| Tax | 564 | 954 | (390) |
| Profit for the year | 9,863 | 7,529 | 2,334 |

6.3.4 Analytical reclassified profit and loss account

(Euro thousands)

| <i>Profit and loss account reference</i> | 31.12.2006 | 31.12.2005 | Change |
|--|----------------|----------------|------------|
| Industrial revenue and income | | | |
| <i>Revenue from sales</i> | | | |
| 1 Revenue from sales and services | 1,065 | 1,045 | 20 |
| 5b Other operating income | 369 | 316 | 53 |
| <i>Total</i> | 1,434 | 1,361 | 73 |
| <i>Other income</i> | | | |
| 5a Grants received | | | |
| 5d Sundry income | 84 | 74 | 10 |
| <i>Total</i> | 84 | 74 | 10 |
| | 1,518 | 1,435 | 83 |
| <i>Change in work in progress, semi-finished and finished products</i> | | | |
| 2 Change in work in progress of semi-finished and finished products | | | |
| 3 Change in contract work in progress | | | |
| <i>Total</i> | | | |
| Value of industrial production | 1,518 | 1,435 | 83 |
| <i>Own work capitalised</i> | | | |
| 4a Production and inventory | | | |
| 4b Capitalised interest | | | |
| <i>Total</i> | | | |
| Total value of production for the year | 1,518 | 1,435 | 83 |
| <i>Purchase of raw materials, semi-finished products and goods</i> | | | |
| 6 Raw materials and consumables and goods | (186) | (257) | 71 |
| <i>Change in inventory of raw materials, semi-finished and finished products and goods</i> | | | |
| 11 Change in raw materials and consumables and goods | | | |
| <i>Cost of services</i> | | | |
| 7a Services | (6,092) | (6,964) | 872 |
| <i>Utilities and sundry costs</i> | | | |
| 7b Utilities | (125) | (127) | 2 |
| 7c Sundry costs | (744) | (808) | 64 |
| 8 Rentals and leasing charges | (1,741) | (1,101) | (640) |
| 13 Other provisions | | | |
| 14e Other operating charges - other | (1,161) | (520) | (641) |
| <i>Total</i> | (3,771) | (2,556) | (1,215) |
| <i>Recharged expenses</i> | | | |
| 5c Recharged expenses | 5,220 | 4,278 | 942 |
| <i>Indirect taxes</i> | | | |
| 14a Indirect taxes | (45) | (62) | 17 |
| Value added | (3,356) | (4,126) | 770 |
| <i>Employee costs</i> | | | |
| 9 Total employee costs | (4,917) | (5,033) | 116 |
| <i>Total</i> | (4,917) | (5,033) | 116 |
| Gross operating margin | (8,273) | (9,159) | 886 |
| <i>Amortisation, depreciation relating to operations</i> | | | |
| 10a Amortisation of intangible assets | (55) | (15) | (40) |
| 10b Depreciation of tangible assets | (145) | (154) | 9 |
| <i>Total</i> | (200) | (169) | (31) |
| <i>Bad debt provision</i> | | | |
| 10d Write down of receivables included in current assets | | | |
| Operating profit | (8,473) | (9,328) | 855 |

(Euro thousands)

| <i>Profit and loss account reference</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|-----------------|
| <i>Financial income and charges</i> | | | |
| 16 Total other financial income | 17,366 | 8,892 | 8,474 |
| -16cc2 Reclassification of gains on disposal of securities | | | |
| 17 Interest expense and other financial charges | (16,549) | (8,153) | (8,396) |
| -17f Reclassification of losses on disposal of equity investments | | | |
| -17g Reclassification of losses on disposal of securities | | | |
| 17bis Exchange gains and losses | (482) | 211 | (693) |
| <i>Total</i> | 335 | 950 | (615) |
| <i>Property income and charges</i> | | | |
| 5e Property income | | 6 | (6) |
| 14b Property charges | | (9) | 9 |
| <i>Total</i> | | (3) | 3 |
| <i>Equity investment income and charges</i> | | | |
| 18a Revaluations of equity investments | 1,094 | 5,512 | (4,418) |
| 19a Write-down of equity investments | | (43) | 43 |
| 15 Total income from equity investments | 3,041 | 23,955 | (20,914) |
| -15e Reclassification of gains on disposal of equity investments | | | |
| <i>Total</i> | 4,135 | 29,424 | (25,289) |
| <i>Non-operating income and charges</i> | | | |
| 5f Gains from ordinary operations | | | |
| 5g Non-recurring income | 467 | 87 | 380 |
| 10c Write-down of fixed assets | | | |
| 10e Utilisation of bad debt provision included in current assets | | 143 | (143) |
| 10f Bad debts | (943) | (207) | (736) |
| 12a Charge to provision for litigation | | | |
| 12b Utilisation of provision for litigation | | 33 | (33) |
| 14c Losses from ordinary operations | | | |
| 14d Non-recurring expenses | (108) | (107) | (1) |
| 15e Gains on disposal of equity investments | | | |
| 16cc2 Gains on disposal of securities | | | |
| 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 in fixed assets | | | |
| 19c Write-down of securities included in current assets | | | |
| 20a Gains from extraordinary disposals | 12,918 | 1,583 | 11,335 |
| 20b Other extraordinary income | 1,017 | 1,710 | (693) |
| 20c Utilisation of provision for reorganisation and liquidation costs | | | |
| 21a Losses from extraordinary disposals | (1) | (19) | 18 |
| 21b Tax relating to prior financial years | | | |
| 21c Other extraordinary charges and provision for sundry risks | (48) | (17,691) | 17,643 |
| 21d Reorganisation and liquidation costs | | | |
| <i>Total</i> | 13,302 | (14,468) | 27,770 |
| Profit for the year before taxation | 9,299 | 6,575 | 2,724 |
| <i>Income tax</i> | | | |
| 22 Tax on profit for the year | 564 | 954 | (390) |
| Profit for the year | 9,863 | 7,529 | 2,334 |

6.3.5 Statement of changes in financial position

| <i>(Euro thousands)</i> | | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|--|-----------------|---------------|------------------|
| B III 2 | Financial assets : receivables (excluding item f - guarantee deposits) | 39 | | 39 |
| B III 3 | Financial assets : securities | | | |
| C II 2b | Current assets : financial receivables from subsidiaries | 99,049 | 65,791 | 33,258 |
| C II 3b | Current assets : financial receivables from associates | 5,659 | 2,128 | 3,531 |
| C II 4b | Current assets : financial receivables from parent company | | | |
| C II 5a | Current assets : financial receivables from others | 5 | 30,204 | (30,199) |
| C II 6b | Current assets : financial receivables from other group companies | | | |
| C III 5 | Current financial assets : securities | 35 | | 35 |
| C III 6 | Current financial assets : bills receivable | | | |
| C IV | Cash and bank | 729 | 52,884 | (52,155) |
| D 1 | Payables : bonds and debenture loans | | (22,266) | 22,266 |
| D 2 | Payables : convertible bonds and debenture loans | (36,094) | (9,152) | (26,942) |
| D 3 | Payables : shareholders' loans | (8) | (8) | |
| D 4 | Payables : bank loans and overdrafts | (120,305) | (59,027) | (61,278) |
| D5 | Payables : other financing creditors | | | |
| D 8 | Payables : bills payable | | | |
| D 9 | Payables : subsidiaries | (149) | (92) | (57) |
| D 10 b | Payables : associates | | | |
| D 11 b | Payables : parent company | | | |
| D 15 b | Payables : other group companies | | | |
| Total | | (51,040) | 60,462 | (111,502) |

The financial position as at 31.12.2006 and 31.12.2005 is summarised below :

| <i>(Euro thousands)</i> | | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|---|-----------------|---------------|------------------|
| 1 | Medium/long-term financial receivables | | | |
| 2 | Medium/long-term financial payables | (36,094) | (61,418) | 25,324 |
| 3 | Medium/long-term net financial position (1+2) | (36,094) | (61,418) | 25,324 |
| 4 | Short-term financial receivables | 105,516 | 151,007 | (45,491) |
| 5 | Short-term financial payables | (120,462) | (29,127) | (91,335) |
| 6 | Short-term net financial position (4+5) | (14,946) | 121,880 | (136,826) |
| 7 | Total net financial position (3+6) | (51,040) | 60,462 | (111,502) |

6.3.6 Cash flow statement

| <i>(Euro thousands)</i> | | 31.12.2006 | 31.12.2005 |
|-------------------------|---|------------------|-----------------|
| 1 | Profit for the year | 9,863 | 7,529 |
| 2 | <i>Amortisation/depreciation</i> | 200 | 169 |
| 3 | <i>Adjustment for extraordinary items not involving the movement of funds</i> | | |
| | Write-down of equity investments (net of revaluations) | (1,094) | (5,469) |
| | Write-down of tangible and intangible assets | | 144 |
| | Deferred tax asset on prior years' provisions written off | | |
| | Increase/(utilisation) of provision for equity investment risks | | |
| | Increase/(utilisation) of provision for reorganisation | | |
| | Increase/(utilisation) of provision for other risks (receivables and other) | (993) | 14,158 |
| | <i>Total extraordinary items not involving the movement of funds</i> | <i>(2,087)</i> | <i>8,833</i> |
| 4 | <i>Realised extraordinary items</i> | | |
| | (Gains)/losses on disposal of equity investments | (12,906) | (1,557) |
| | (Gains)/losses on disposal of tangible assets | (10) | (8) |
| | <i>Total realised extraordinary items</i> | <i>(12,916)</i> | <i>(1,565)</i> |
| 5 | Operating cash flow (1÷4) | (4,940) | 14,966 |
| 6 | Change in working capital | 39,087 | 13,219 |
| 7 | (Increase)/decrease in guarantee deposits | 5 | (5) |
| 8 | Change in employee severance indemnity | 47 | 43 |
| 9 | Additions to tangible and intangible assets | (314) | (387) |
| 10 | Purchase of equity investments | (2,055) | (762) |
| 11 | Cash flow after financial charges and taxes (5÷10) | 31,830 | 27,074 |
| 12 | Disposal of tangible assets (net book value) | 6 | 1 |
| 13 | Gains/(losses) on disposal of tangible assets net of tax | 10 | 8 |
| 14 | Disposal of equity investments and own shares (book value) | 33,250 | 557 |
| 15 | Gains/(losses) on disposal of equity investments | 12,906 | 1,557 |
| 16 | Net cash flow (11÷15) | 78,002 | 29,197 |
| 17 | (Increase)/reduction in the share capital of Group companies (received or paid) | (187,002) | 53,328 |
| 18 | Reduction in reserves following merger with family owned entities | | |
| 19 | Decrease in shareholders' equity following de-merger | | |
| 20 | Dividends paid | (2,502) | (1,909) |
| 21 | Change in net financial position (16÷20) | (111,502) | 80,616 |
| 22 | Financial position as at 31 December 2005 asset/(liability) | 60,462 | (20,154) |
| 23 | Financial position as at 31 December 2006 (21÷22) asset/(liability) | (51,040) | 60,462 |

6.3.7 Reclassified balance sheet – source and application of funds layout

Application of funds

(Euro thousands)

| Balance sheet reference | | 31.12.2006 | 31.12.2005 | Change |
|-------------------------|---|-----------------|-----------------|----------------|
| 1 | A Share capital subscribed and not yet paid | | | |
| | Fixed assets | | | |
| BI | Intangible assets | 263 | 233 | 30 |
| BII | Tangible assets | | | |
| | Gross | 2,078 | 1,943 | 135 |
| | Accumulated depreciation | (1,111) | (1,052) | (59) |
| | Total tangible assets | 967 | 891 | 76 |
| | Financial assets | | | |
| BIII1 | Equity investments | 333,570 | 148,934 | 184,636 |
| CIII (1/2/3) | Short-term investments (current assets) | 4,352 | 32,087 | (27,735) |
| BIII4 | Own shares | 12,187 | 12,187 | |
| CIII4 | Own shares (current assets) | | | |
| | Total equity investments and own shares | 350,109 | 193,208 | 156,901 |
| B3b | Provision for equity investment risks | (5,687) | (5,687) | |
| BIII2f | Guarantee deposits | 149 | 154 | (5) |
| | Total financial assets | 344,571 | 187,675 | 156,896 |
| | Total fixed assets and investments | 345,801 | 188,799 | 157,002 |
| | 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 litigation | (2,239) | (2,239) | |
| B3c | Provision for environmental improvements | | | |
| B3d | Provision for reorganisation and liquidation costs | | | |
| B3e | Sundry provisions | (46,711) | (47,704) | 993 |
| | Total other provisions | (48,950) | (49,943) | 993 |
| | Total provisions for risks and charges | (48,950) | (49,943) | 993 |
| C | Staff leaving indemnity (TFR) | (821) | (774) | (47) |
| 2 | Net fixed assets | 296,030 | 138,082 | 157,948 |
| CI | Inventory | | | |
| | Gross | | | |
| | Obsolescence provision | | | |
| | Total net inventory | | | |
| | Trade receivables | | | |
| CII | Net trade receivables from third parties | | | |
| | Gross | 2,163 | 4,187 | (2,024) |
| | Bad debt provision | (108) | (108) | |
| | Total net trade receivables from third parties | 2,055 | 4,079 | (2,024) |
| | Trade receivables from group companies | | | |
| CII2a | Subsidiaries | 1,814 | 444 | 1,370 |
| CII3a | Associates | 5,591 | 3,933 | 1,658 |
| CII4a | Parent company | | | |
| CII6a | Other group companies | | | |
| | Total trade receivables from group companies | 7,405 | 4,377 | 3,028 |
| | Total net trade receivables | 9,460 | 8,456 | 1,004 |

(Euro thousands)

| <i>Balance sheet reference</i> | 31.12.2006 | 31.12.2005 | Change |
|---|-------------------|-------------------|-----------------|
| Other receivables | | | |
| Group | | | |
| CII2c Subsidiaries | 2,212 | 1,333 | 879 |
| CII3c Associates | 2 | | 2 |
| CII4c Parent company | | | |
| CII6c Other group companies | | | |
| <i>Total other receivables from group companies</i> | 2,214 | 1,333 | 881 |
| 4bis Receivables from tax authorities | 1,156 | 36,642 | (35,486) |
| 4ter Deferred tax assets | | | |
| CII5b Other receivables - advance payments | | | |
| CII5c Other receivables - other | 15,123 | 25,049 | (9,926) |
| Total other receivables | 18,493 | 63,024 | (44,531) |
| D Accrued income and prepaid expenses | 64 | 134 | (70) |
| Total current assets | 28,017 | 71,614 | (43,597) |
| Payables | | | |
| D7 Trade payables | (3,234) | (4,509) | 1,275 |
| Group companies | | | |
| D9a Subsidiaries | (1,003) | (809) | (194) |
| D10a Associates | | | |
| D11a Parent company | | | |
| D15a Other group companies | | | |
| <i>Total other payables to group companies</i> | (1,003) | (809) | (194) |
| Total trade payables | (4,237) | (5,318) | 1,081 |
| Other payables | | | |
| Group companies | | | |
| D9c Subsidiaries | (506) | (2,889) | 2,383 |
| D10c Associates | | | |
| D11c Parent company | | | |
| D15c Other group companies | | | |
| <i>Total other payables to group companies</i> | (506) | (2,889) | 2,383 |
| Third parties | | | |
| D6 Advance payments received | | | |
| D12 Tax payables | (942) | (201) | (741) |
| D13 Social security and national insurance | (406) | (386) | (20) |
| D14 Other payables - other | (1,756) | (3,203) | 1,447 |
| <i>Total payables to third parties</i> | (3,104) | (3,790) | 686 |
| Total other payables | (3,610) | (6,679) | 3,069 |
| E Accrued liabilities and deferred income | (625) | (989) | 364 |
| Total current liabilities | (8,472) | (12,986) | 4,514 |
| 3 Working capital | 19,545 | 58,628 | (39,083) |
| 4 Total invested capital (1+2+3) | 315,575 | 196,710 | 118,865 |

Source of funds

(Euro thousands)

| <i>Balance sheet reference</i> | 31.12.2006 | 31.12.2005 | Change |
|---|------------------|------------------|----------------|
| A Shareholders' equity | | | |
| AI Share capital | (72,742) | (72,742) | |
| AII Share premium reserve | (28,657) | (28,655) | (2) |
| AIII Revaluation reserve | | | |
| AIV Legal reserve | (31,376) | (31,376) | |
| AV Statutory reserve | | | |
| AVI Reserve for own shares | (12,187) | (12,187) | |
| AVII Other reserves | (17,637) | (17,637) | |
| AVIII (Profit)/loss carried forward | (92,073) | (87,046) | (5,027) |
| <i>Total</i> | <i>(254,672)</i> | <i>(249,643)</i> | <i>(5,029)</i> |
| AIX (Profit)/loss for the year | (9,863) | (7,529) | (2,334) |
| 1 Total shareholders' equity | (264,535) | (257,172) | (7,363) |
| 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 | | | |
| 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) | | | |
| Medium/long-term financial payables (due after 12 months) | | | |
| <i>Third parties</i> | | | |
| D1 Bonds and debenture loans | | (22,266) | 22,266 |
| D2 Convertible bonds and debenture loans | (36,094) | (9,152) | (26,942) |
| D3 Shareholders' loans | | | |
| D4 Bank loans and overdrafts | | (30,000) | 30,000 |
| D5 Other financing creditors | | | |
| D8 Bills payable | | | |
| <i>Total financial payables to third parties</i> | <i>(36,094)</i> | <i>(61,418)</i> | <i>25,324</i> |
| <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 | (36,094) | (61,418) | 25,324 |
| Total medium/long-term net financial position | (36,094) | (61,418) | 25,324 |

(Euro thousands)

| Balance sheet reference | 31.12.2006 | 31.12.2005 | Change |
|---|------------------|------------------|------------------|
| Short-term financial receivables (due within 12 months) | | | |
| <i>Third parties</i> | | | |
| BIII2d Short-term receivables from third parties | 40 | | 40 |
| CII5a Financial receivables from others | 5 | 30,204 | (30,199) |
| CIII5 Securities | 35 | | 35 |
| CIII6 Bills receivable | | | |
| <i>Total from third parties</i> | 80 | 30,204 | (30,124) |
| <i>Group companies</i> | | | |
| BIII2a Subsidiaries | | | |
| BIII2b Associates | | | |
| BIII2c Parent company | | | |
| BIII2e Other group companies | | | |
| CII2b Subsidiaries | 99,049 | 65,791 | 33,258 |
| CII3b Associates | 5,659 | 2,128 | 3,531 |
| CII4b Parent company | | | |
| CII6b Other group companies | | | |
| <i>Total from group companies</i> | 104,708 | 67,919 | 36,789 |
| CIV Cash and bank | 728 | 52,884 | (52,156) |
| Total short-term financial receivables | 105,516 | 151,007 | (45,491) |
| Short-term financial payables (due within 12 months) | | | |
| <i>Third parties</i> | | | |
| D1 Bonds and debenture loans | | | |
| D2 Convertible bonds and debenture loans | | | |
| D3 Shareholders' loans | (8) | (8) | |
| D4 Banks loans and overdrafts | (120,305) | (29,027) | (91,278) |
| D5 Other financing creditors | | | |
| D8 Bills payable | | | |
| <i>Total to third parties</i> | (120,313) | (29,035) | (91,278) |
| <i>Group companies</i> | | | |
| D9b Subsidiaries | (149) | (92) | (57) |
| D10b Associates | | | |
| D11b Parent company | | | |
| D15b Other group companies | | | |
| <i>Total to group companies</i> | (149) | (92) | (57) |
| Total short-term financial payables (due within 12 months) | (120,462) | (29,127) | (91,335) |
| Total short-term net financial position | (14,946) | 121,880 | (136,826) |
| 2 Total net financial position | (51,040) | 60,462 | (111,502) |
| 3 Total sources of funds (1+2) | (315,575) | (196,710) | (118,865) |

**Report of the statutory auditors
on the financial statements of Falck SpA**

Dear Shareholders,

in the course of the financial year ended 31 December 2006 the work of the board of statutory auditors was carried out in conformance with the rules of conduct governing boards of statutory auditors as recommended by the Consigli Nazionali dei Dottori Commercialisti e Ragionieri (representative bodies of the Italian accounting professions). As the board of statutory auditors is not engaged to carry out the control of accounting records, this report has been prepared in accordance with article 2429, 2nd comma of the Italian Civil Code.

In particular:

We verified compliance with law, the articles of association and principles of correct administrative practice.

We attended all of the meetings of the shareholders and the board of directors, which took place in accordance with the statutory, legislative and regulatory requirements that discipline them and in relation to which we can reasonably assure that the resolutions passed comply with law and the articles of association and are not manifestly imprudent, risky, potential conflicts of interest and do not compromise the integrity of the company's net worth.

During the meetings held with the directors we obtained information on the general performance and future developments and on significant transactions, either in size or nature, undertaken by the company and its subsidiaries, and we can reasonably assure that the transactions carried out are in conformance with law and the articles of association and are not manifestly imprudent, risky, potential conflicts of interest or in contrast with the resolutions passed by the annual general meeting of shareholders and do not compromise the company's net worth.

Instructions provided to the subsidiaries and contracts with related parties are correct and are representative of current relations.

We reviewed the work carried out in relation to the control of accounting records and that of the statutory auditors of the subsidiary Actelios SpA and no significant matters arose that require specific mention in this report.

We obtained knowledge and verified the adequacy of the company's organisational structure, also through information obtained from officers responsible for the respective functions; in the course of financial year 2006, the company met the requirements of Legislative Decree 231 in relation to Privacy and the Organisation and Operations Manual.

We evaluated and verified the adequacy of the administrative-accounting system and its reliability in presenting correctly management actions, through information obtained from the heads of the relevant departments and the party responsible for the control of the accounting records, and the review of company documentation.

No significant matters arose from our control and verification activities that require disclosure or specific mention in this report.

No claims have been filed under article 2408 of the Italian Civil Code.

In the course of the financial year, the board of statutory auditors has not issued any opinions prescribed by law, with the exception of the statements relating to the issue of the convertible debenture loan by the board of directors on 5 September 2006.

We examined the parent company financial statements for the year ended 31 December 2006, which were submitted to us in accordance with the legal timeframe (together with the attachments and directors' report).

The balance sheet shows a profit for the year of Euro 9,862,838 and may be summarised in the following financial information:

(Euro)

| | |
|--|------------------|
| Total assets and total liabilities | 485,022,828 |
| Shareholders' equity (including profit for the year) | 264,534,721 |
| Profit for the year | 9,862,838 |
| Commitments, guarantees, risks and other memorandum accounts | 96,273,905 |

The profit and loss account headings may be summarised as follows:

(Euro)

| | |
|--|--------------------|
| Value of production | 7,205,153 |
| Cost of production | 16,261,090 |
| Difference | - 9,055,937 |
| Financial income and charges | + 3,375,951 |
| Adjustments to financial assets | + 1,094,378 |
| Extraordinary income and expenses | + 13,884,301 |
| Profit for the year before taxation | +9,298,693 |
| Tax on profit for the year | + 564,145 |
| Profit for the year | + 9,862,838 |

As the board of statutory auditors was not engaged to perform the detailed control on the content of the financial statements, we verified the general compliance with law with regard to its presentation and layout. In addition, we confirmed compliance with the laws relating to the preparation of the directors' report; no matters arose that require specific mention.

To the best of our knowledge, in preparing the financial statements the directors did not depart from the legal requirements of article 2423, comma 4 of the Italian Civil Code.

In accordance with article 2426, points 5 and 6 of the Italian Civil Code, we note that balance sheet assets do not include any amounts relating to start-up and expansion costs, research, development and advertising expenses and goodwill.

We checked that the financial statements correspond with the information gathered during the course of our work and we have no observations to make.

Considering also the results of the work carried out in relation to the control of the accounting records, attached as a separate report to the financial statements, the board of statutory auditors has not identified any matters that would impede the approval of the financial statements for the year ended 31 December 2006, nor does it have any objections in relation to the proposed distribution of the profit for the year presented by the board of directors.

Milan, 13 April 2007

The board of statutory auditors

**Independent auditors' report
on the financial statements of Falck SpA**

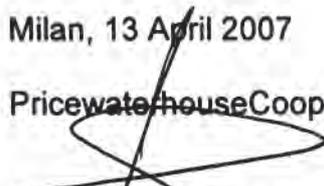
AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409TER OF THE CIVIL CODE

To the shareholders of
FALCK SpA

- 1 We have audited the financial statements of Falck SpA as of 31 December 2006. These financial statements are the responsibility of the directors of Falck SpA. 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 13 April 2006.
- 3 In our opinion, the financial statements of Falck SpA as of 31 December 2006 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 results of operations of the Company.

Milan, 13 April 2007

PricewaterhouseCoopers SpA


Pierangelo Schiavi
(Partner)

This report has been translated from the original which was issued in accordance with Italian practice