FALCK RENEWABLES SpA

Half-year Financial Report at 30 June 2012

Board of Directors' Meeting

Milan, 28 August 2012

FALCK RENEWABLES SpA
Share capital Euro 291,413,891 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
20121 Milan – Corso Venezia, 16
REA Milano 1675378
Milan Companies Register 03457730962
VAT and tax code 03457730962

Half-year Financial Report at 30 June 2012

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1 Company officers

Board of directors

Federico Falck (*)	Chairman
Guido Rosa (*)	Deputy chairman
Piero Manzoni (*)	Chief Executive Officer
Marco Agostini	Director
Guido Corbetta	Director
Enrico Falck (*)	Director
Elisabetta Falck	Director
Giovanni Maria Garegnani (**)	Director
William Jacob Heller	Director
Andrea Merloni (**)	Director
Libero Milone (**)	Director
Barbara Poggiali (**)	Director
Bernardo Rucellai (**)	Director
Claudio Tatozzi (**)	Director
Sergio Ungaro (**)	Director

(*) Members of the Executive Committee

(**) Independent members

Board of statutory auditors

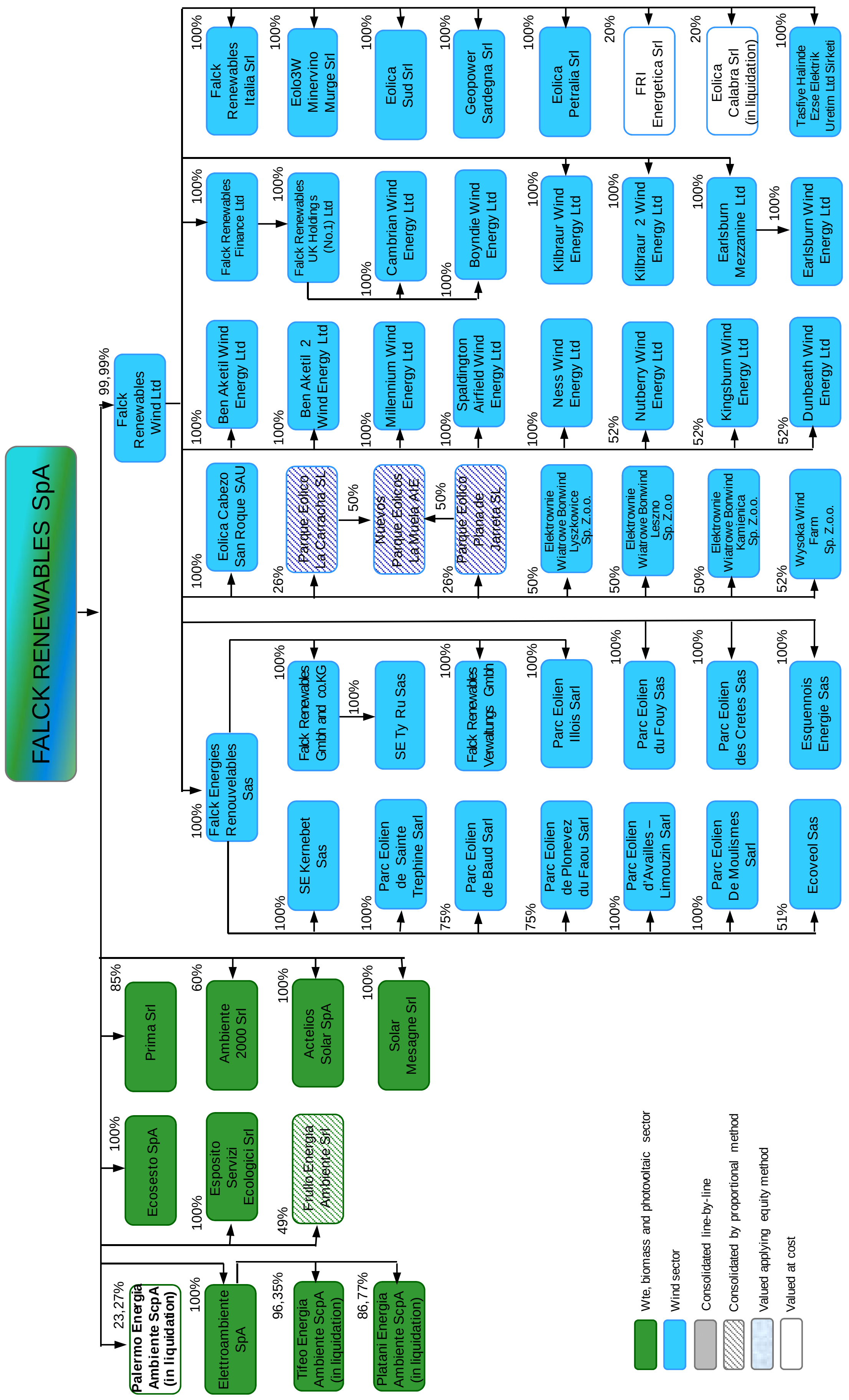
Massimo Scarpelli	Chairman
Aldo Bisioli	Statutory auditor
Alberto Giussani	Statutory auditor
Massimo Foschi	Substitute statutory auditor
Gianluca Pezzati	Substitute statutory auditor

Independent auditors

Reconta Ernst & Young SpA

Company powers vested in the directors are illustrated on page 41.

2 Group structure



3 Financial highlights

(Euro thousands)

	30.6.2012	30.6.2011	2011	2010
Revenue	141,943	114,034	248,650	99,196
Gross profit	56,459	55,620	118,062	37,257
Ebitda (1)	85,657	64,993	141,738	39,541
Operating profit	40,557	42,122	79,233	19,656
Profit for the period	5,359	14,332	19,844	4,643
Profit for the period attributable to Falck Renewables SpA equity holders	4,768	13,335	18,863	2,499
Earnings per share (Euro) (2)	0,016	0,054	0,070	0,031
No. of shares (average for the period) in thousands	291,414	247,025	269,402	79,812
No. of shares (at the period-end) in thousands	291,414	291,414	291,414	161,897
- Net financial position (asset)	24,671	(2,942)	15,523	103,910
- Non-recourse financing	747,135	639,021	749,680	601,213
Total net financial position excluding derivatives	771,806	636,079	765,203	705,123
- Derivative financial instruments	75,496	19,525	60,913	23,228
Total net financial position including derivatives	847,302	655,604	826,116	728,351
Total equity	440,474	470,910	451,826	335,333
Total equity attributable to Falck Renewables SpA	433,876	463,964	444,913	327,988
Equity holders equity per share (Euro)	1,489	1,592	1,651	4,110
Capital expenditure	33,969	85,882	177,995	89,047
Gross profit/revenue	39,8%	48,8%	47,5%	37,6%
Ebitda/revenue	60,3%	57,0%	57,0%	39,9%
Operating profit/revenue	28,6%	36,9%	31,9%	19,8%
Profit for the period/total equity	1,2%	3,0%	4,4%	1,4%
Net financial position/total equity	1,92	1,39	1,83	2,17
Total number of group employees (no.)	243	239	241	210

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

(2) Calculated using the average shares outstanding during the period.

4. Interim directors’ report

4 Interim directors' report

This half-year financial report at 30 June 2012 has been prepared pursuant to article 154 ter of Legislative Decree 58/1998 and in conformance with International Financial Reporting Standards adopted by the European Union under regulation 1606/2002/EC of the European Parliament and Council dated 19 July 2002, in particular IAS 34 – Interim Financial Reporting, and the provisions issued to implement article 9 of Legislative Decree 38/2005.

The Falck Renewables group has prepared the half-year financial report in accordance with IAS 34 and has opted to present condensed explanatory notes to the half-year financial report at 30 June 2012.

4.1 Falck Renewables group operating and financial review

4.1.1 Falck Renewables group profile

Falck Renewables SpA is an Italian limited company (the Company) with registered offices in Corso Venezia 16, Milan and its subsidiaries (hereinafter the "Group") essentially operate in Italy, the United Kingdom and France. Falck Renewables SpA also holds investments in three joint ventures that operate two wind farms in Spain. A number of wind farms are currently under construction in Poland.

The Falck Renewables Group's current structure is the outcome of the Consolidation Project that took place at the end of 2010, whereby all of the renewable energy businesses of Falck SpA were transferred to Falck Renewables SpA, more specifically:

(i) the wind sector business of Falck Renewables Wind Ltd formerly Falck Renewables Plc (previously controlled by Falck SpA through Falck Energy SpA) and its subsidiaries; and

(ii) the WtE, biomass and photovoltaic businesses of Falck Renewables SpA (already controlled by Actelios SpA prior to conclusion of the Consolidation Project) and its subsidiaries.

The Falck Renewables Group produces electricity energy from renewable sources through wind farms, WtE, biomass and photovoltaic plants. Specialising in the renewable energy sector has allowed the Falck Renewables Group to gain experience and acquire know-how in the operation and maintenance (O&M) of proprietary and third party-owned renewable energy power plants.

The Falck Renewables Group principally operates in the following two sectors:

- the wind sector, revenue from which derives mainly from the sale of Green Certificates, ROCs and electricity generated by the Group's wind farms;
- the WtE, biomass and photovoltaic sector, where revenue mainly derives from the sale of electricity and thermal energy and the related incentives (Green Certificates in respect of biomass and incentives for photovoltaic energy), waste transfer and treatment, and the operation and maintenance of third party renewable energy power plants.

4.1.2 Regulatory framework

The growing focus on issues related to climate change led a large group of countries to sign the Kyoto Protocol. The European Union endorsed the Kyoto Protocol and has developed a specific energy strategy aimed at facilitating renewable energy use.

Directive 2009/28/EC set targets for the development of renewable sources for each member state and requires that each state develops its own National Renewable Energy Action Plan. Italy announced its National Renewable Energy Action Plan to the European Commission on 30 June 2010, pledging that by 2020 17% of gross domestic consumption, including 6.38% of energy consumption in the transport sector, 28.97% of electricity and 15.83% of heating and cooling, will be met through renewable energy.
Directive 2009/28/EC was endorsed by Legislative Decree 28/2011 of 6 March 2011, which lays down, inter alia, significant changes in respect of incentives for the production of electricity from renewable sources even in respect of existing plants.

New incentives mechanisms and amendments to existing ones have been passed in the other countries in which the Falck Renewables Group operates with no resulting impact on the Group's power generating capacity.

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

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

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

a) CIP 6/92;

b) Green Certificates introduced by the Bersani Decree subsequently replaced by Incentive Tariffs;

c) The energy account governing photovoltaic plants.

a) CIP 6/92

This incentive system offers a direct incentive to producers of renewable and similar types of energy, and is still effective for a number of operating plants, whereby under a specific agreement the producers sold energy produced to ENEL (now the GSE) at a fixed price without participating in the feed in tariff market mechanism. In particular, CIP 6/92 fixed the selling prices under which Enel purchased electricity, in accordance with the "avoided costs" criteria (of investment and combustibles) and offering incentives in relation to the higher costs incurred by generating electricity from renewable sources.
Benefits terms have been fixed for 15 years, although the incentive element that increments avoided costs is guaranteed up to a maximum of 8 years.

b) Green certificates (GC) and replacement with Incentive Tariffs

From 2001, the Bersani Decree has required entities importing or producing more than 100 GWh per year from conventional sources to feed into the grid (in the following year) not less than 2% of energy produced by renewable sources (for 2012 the minimum quota is 7.55%).
The above mentioned emission quotas may be met through the production of renewable energy or alternatively the purchase of GC's from other renewable energy producers.
For each MWh of renewable energy the GSE awards the producer 1 GC.
The GC's are annual certificates of renewable production that producers receive (for 15 year periods) from the GSE based on production levels and the renewable source used. The current GC ratios applied to renewable energy production are (number of GC's per MWh of production):

- onshore wind farms: 1;
- offshore wind farms: 1.50;
- biodegradable waste and biomass plants not sourced from short chain: 1.3;
- agricultural biomass plants sourced from short chain supplies: 1.8.

The GC market becomes one of demand (minimum quotas) and supply (GCs). Producers are actively involved in the electricity market both in technical terms, through transmission (TERNA), and commercial terms, through valuation (the Electricity Account with the GME or bilateral contracts with operators or traders of standard products).
The Romani Decree called for the replacement of this system and envisages a transition period up until the end of 2015.
The above mechanism applies to plants in operation at 31 December 2012 or that will commence operations by 30 April 2013 (the incentive decreasing by 3% each month commencing January 2013).
The GC system will continue through 2011-2015 and the GSE will buy in all excess GCs on the market. Legislative Decree 28/2011 envisages an annual buy-in by the GSE of 78% (in Euro/MWh) of the difference between 180 and the average annual electricity trading price published by the Regulatory Authority for Electricity and Gas by 31 January each year.
From 2016, the Implementation Decree of the Romani Decree establishes application of same formula in calculating the incentive for the remaining incentive years.
Access to these incentives for plants that commence operations after 31 December 2012 will take place through entry to Registers for plants up to defined capacity thresholds or by registering for descending-price auctions where plants exceed the specified capacity thresholds. Annual incentives caps apply in both cases. The threshold for enrolment to the registers is 5MW in respect of wind farms and biomass plants. The incentives are awarded monthly for a 20 year period applying the contract for differences mechanism (the GSE pays the producer the difference – where positive – between the incentive tariff and the energy price).

c) Energy account

The energy account is the incentive for photovoltaic plants and was originally governed by Ministerial Decree of 19 February 2007 and ensuing amendments (replacing Ministerial Decree 28/07/05 and Ministerial Decree 06/02/06). With regard to plants that commenced operations between 1 January 2008 and 31 December 2010 the Ministerial Decree provides tariff-based incentives for the energy produced that vary based on the characteristics of the plants (integrated, partially integrated or non-integrated) and their nominal capacity (1-3 KW; 3 - 20 KW; over 20 KW). This incentive is provided by GSE for a period of up to 20 years.
Under Legislative Decree 129 of 13 August 2010, the incentive tariffs under the energy account governed by Ministerial Decree (MD) of 19 February 2007 continue to apply to photovoltaic systems including those that commenced operations after 31 December 2010, provided that (i) by 31 December 2010 the photovoltaic system had been installed and the relevant authorities notified of the completion of work, and (ii) the facilities came into operation by 30 June 2011.

MD 06/08/10 (Third Energy Account) applies to plants that entered into service after 1 January 2011 with the exception of those governed by Law 129/2010. This decree also set a national cumulative target of 8MW of capacity to be installed by 2020 with a cap on capacity eligible for incentives of 3MW for photovoltaic plants, 300 MW for innovative integrated plants and 200 MW for concentrating solar plants. The MD of 06/08/10 removed the distinction of plants installed on existing buildings thus analysing them by those installed on buildings and other plants.

MD 12/05/2011 (Fourth Energy Account) established that the provisions therein be applied to plants that entered into service by 31 May 2011. From this date up to 31 December 2016, the Fourth Energy Account sets decreasing six-monthly incentive tariffs to reach the 2016 target of 23GW of installed capacity while fixing a total cumulative annual expenditure of between Euro 6 to 7 billion. From the first half of 2013, the incentive tariffs will be replaced by a comprehensive tariff for energy sold to the grid.

MD 05/07/2012 (Fifth Energy Account), redefines incentive tariffs commencing 27/08/2012 and sets the annual expenditure limit at Euro 6.7 billion. A comprehensive tariff applies for plants with an installed capacity of less than 1 MW while for plants with greater capacities the tariff represents a premium paid in respect of energy generated. The incentive tariffs are decreasing in value for the first five semesters following which they will be reduced by 15% every six months. Access to the incentives is by entry to specific registers except for plants with less than 12 kW of installed capacity, plants with a capacity of between 12 and 24 kW that request a reduction in the applicable rate and those with a capacity of up to 50 kW built to replace plants containing Eternit.

None of the Group's photovoltaic plants fall within the scope of the Fifth Energy Account.

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

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

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

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

a) NFFO (England, Wales and Scotland)

In England and Wales the legacy regime for the sale of electricity generated from renewable sources is regulated under the Electricity (Non-Fossil Fuel Sources) (England and Wales) Orders of 1994, 1997 and 1998 ("NFFOEW Orders"). In Scotland it is regulated under the Electricity (Non-Fossil Fuel Sources) (Scotland) Orders of 1994, 1997 and 1999 ("NFFOS Orders").

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

b) Renewables Obligation Orders

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

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

The ROs require electricity suppliers to source an increasing portion of their electricity supply from renewable sources (including onshore and offshore wind farms). From 2009 the level of renewable energy is measured by the number of ROCs per MWh of energy supplied and for the period 1 April 2012 to 31 March 2013 the minimum quota each supplier must meet is 0.158 ROCs per MWh.

Compliance under the RO scheme is regulated through a certification system using ROCs and SROCs. Renewable energy generators receive ROCs or SROCs for each MWh of electricity generated depending on the source of energy employed.

New ROC levels were introduced in late July 2012 in respect of new plants that will enter into service from April 2013. It is expected that similar incentive levels will also be introduced in Scotland.
Onshore wind farms that commence operations after April 2013 will be awarded 0.9 ROCs for each MWh.

ROCs and SROCs are tradable, are priced in the market and traded at a premium compared to the market price of a similar quantity of energy (FEED IN PREMIUM mechanism).

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

The Finance Act 2000 introduced the Climate Change Levy ("CCL") which is a flat rate currently at £4.41 per MWh, charged on the supply of electricity to non-domestic customers. Eligible renewable generators are entitled to climate change levy exemption certificates ("LECs"). In order to meet the obligations of the Finance Act 2000, suppliers may either purchase LECs from a generator of qualifying renewable energy which can then be submitted to OFGEM or pay the tax directly to OFGEM.
Unlike ROCs (and SROCs), LECs are not fully tradable and the supplier must show they relate to a quantity of renewable electricity actually supplied to a specific industrial consumer.

The incentives schemes available to renewable energy producers in the UK are currently undergoing reform. This envisages the introduction of:

- **Feed-in Tariff with Contracts for Differences (FiT-CfD)** for new plants that under the current system would be eligible for ROCs or SROCs. This mechanism envisages a single fixed, static payment (the sum of the incentive and energy value) that is awarded to renewables plants through a variable incentive in line with energy market rates. Incentives periods vary depending on the technology used;
- **Capacity Mechanism** that is designed to guarantee sufficient generating capacity from programmable plants;
- **Emission Performance Standard (EPS)** that aims to limit the maximum level of carbon dioxide that new fossil fuel power stations can emit;
- **Carbon Price Floor** that provides a mechanism through which the price of carbon emissions gradually increases over time.

The Feed-in Premium currently in place for plants with capacities of less than 5 MW remains unchanged.

The reform is expected to take effect from 2014 and be applicable to new plants. A transition period (2014-2017) will be in place during which new renewable generators may choose between ROCs (or SROCs) and the new incentive scheme (FiT-CfD).

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

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

The main regulations in Spain comprise the 2004 and 2007 Royal Decrees. New regulations were approved in July 2010 which do not affect the wind farms falling under the 2004 Royal Decree.
The 2004 Royal Decree established that electricity generated could be sold at a price comprising a fixed element (or premium) and a variable element depending on the energy prices in the Spanish electricity market.

The 2004 Royal Decree was superseded by the 2007 Royal Decree. The 2007 Royal Decree maintains the feed-in tariff regime and introduces a new pool price regime, which is subject to a floor and a cap to ensure wind farm owners are not under or over remunerated. The Group's wind farms have elected to apply the pool price regime established in the 2004 Royal Decree until 31 December 2012, following which the new pool price regime established under the 2007 Royal Decree will apply.
In addition to the pricing regimes, electricity generated from renewable sources is afforded priority access to the transmission and distribution grid system, ensuring all power is purchased.

In 2010 the Spanish Government introduced two extraordinary measures in the electricity generation market for the period 2011-2013:

- All electricity generators must pay a tax of Euro 0.5 for each MWh of electricity fed in to the network;
- The incentive for solar plants and wind farms is limited to a maximum number of hours per year with any energy generated over this threshold being valued at market prices. The threshold for wind energy is 2,589 hours per year but is only applied where in a given year the threshold of the average number of production hours for the entire Spanish wind farm installed capacity is met (currently 2,350).

Royal Decree 1/2012 issued on 27 January 2012 temporarily suspends all economic incentives for the production of electricity from renewable sources in respect of projects not authorised at the date of issue of the decree as Spain has already exceeded the level of installed capacity set out in the plan issued by the Spanish Government. This suspension will remain in force until a solution to the system's tariff deficit is found and a new renewable sources remuneration model is established.

Pool price regime

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

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

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

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

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

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

Law 2000-198 of 10 February 2000 regarding the upgrade and development of public services and electricity (and ensuing amendments under the Laws of 3 January 2003 and 15 July 2003 - the French Electricity Law) and Decree 2001-410 of 10 May 2001, require Electricité de France ("EDF") and local distributors to purchase electricity generated by producers of energy from renewable sources under a 15 year purchase agreement.
Subsequent to the amendment of July 2005, the purchase obligation applies to wind farms located within the perimeter of a wind farm development area (zone de development de l'éolien or ZDE).

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

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

The tariff applicable to a specific wind farm is determined using a coefficient ("k index") dependent on the year in which the EDF received the full application to enter into the electricity purchase agreement. The k index is reviewed annually in line with a specific formula defined in the Arrété. The tariff, subject to an annual index, is guaranteed for the 15 years following the start of operations. The Group's plants are located in low wind speed areas.

An appeal was filed with the French Council of State in 2012 contesting the incentives laid down in the Arrété of 17 November 2008 regarding wind farm electricity generation. The appeal claims that the incentives constitute state aid that requires the prior approval of the European Commission.
The appeal is currently being reviewed by the European Court of Justice and this process is not expected to be finalised prior to the first half of 2013. In the event that the European Court of Justice rules the incentives to constitute state aid, the French Government will need to undertake a reform of the current incentives system.

4.1.3 Performance

Despite the outstanding performance of operating plants and revenue from new wind farms coming on stream after the first half of 2011, the Group's results for the half-year to 30 June 2012, as illustrated below, were negatively influenced by the impairment losses totalling Euro 14,675 thousand recognised against the Sicily Projects in Casteltermini (Platani) and Augusta (Tifeo) as a result of litigation in course with the Sicily Region that commenced in late 2009.
These impairment losses were recorded subsequent to the Suspension Order issued by the Court of Milan in relation to the civil proceedings between Tifeo Energia Ambiente ScpA (in liquidation), Platani Energia Ambiente ScpA (in liquidation), Palermo Energia Ambiente ScpA (in liquidation – lead project company for the Sicily Projects) and the Sicily Region's Department for Energy and Public Utilities. The proceedings in Milan have been suspended pending ruling on the related administrative procedures currently before the Sicily Regional Administrative Court.
Consequently, the outcome of the civil proceedings may be influenced by the rulings on the administrative proceedings.
There are two possible outcomes regarding the claims submitted in the Administrative Proceedings: i) admission of the claim for damages raised in the Administrative Proceedings would result in the cancellation of the claims presented in the Milan proceedings; ii) it may also occur that, in the event that the Administrative Proceedings rule the Region's suspension decree and those declaring invalidity and/or ratifying cancellation, to be illegitimate, the same Administrative Proceedings do not award damages: in this case the proceedings would be brought before the Civil Court where the damages claim would continue. With regard to the first scenario, administrative law adopts a restrictive approach whereby damages for loss of profits are generally excluded.
In any event, following suspension of the Civil Proceedings, which may still be challenged under the rules regarding jurisdiction pursuant to article 42 of the Code of Civil Procedures (c.p.c.), the timeframe for reaching a temporary enforcement ruling in the civil hearings under scenario ii) would be at least five years.
In light of recent events and the complex nature of this case, as confirmed by the Company's independent advisors, the probability of obtaining a successful outcome regarding the pecuniary damages claim is substantially in line with previous opinion. However, the likelihood of a successful outcome regarding the award of damages for loss of profits is significantly compromised. Given the above assessments the decision was made to record an impairment loss of Euro 14,675 thousand against the goodwill in the consolidated financial statements.
Following impairment the total amount recorded in "assets under construction" and "goodwill" in the consolidated financial statements in respect of the Sicily Projects (Tifeo and Platani) corresponds to the total amount of pecuniary damages of approximately Euro 93 million.

(Euro thousands)

		30.6.2012	30.6.2011	31.12.2011
Revenue		141,943	114,034	248,650
Cost of sales		(85,484)	(58,414)	(130,588)
Gross profit		**56,459**	**55,620**	**118,062**
Operating profit		**40,557**	**42,122**	**79,233**
Ebitda		**85,657**	**64,993**	**141,738**
Profit before income tax		**17,959**	**24,815**	**37,251**
Profit for the period		**5,359**	**14,332**	**19,844**
Profit attributable to parent company equity holders		**4,768**	**13,335**	**18,863**
Invested capital net of provisions		1,287,776	1,126,514	1,277,942
Total equity		440,474	470,910	451,826
Net financial position (asset)		**847,302**	**655,604**	**826,116**
of which non-recourse financing		747,135	639,021	749,680
Capital expenditure		**33,969**	**85,882**	**177,995**
Employees at period-end	(no.)	243	239	241
Ordinary shares	(no.)	291,413,891	291,413,891	291,413,891

Revenue amounted to Euro 141,943 thousand recording a significant increase that is attributable to new wind farms coming on stream. Revenue for the first half of 2012 analysed by sector is as follows:

(Euro thousands)

	30.6.2012	%	30.6.2011	%
WtE, biomass and photovoltaic	47,690	34	55,520	49
Wind	94,226	66	58,488	51
Falck Renewables SpA	27	0	220	0
Sub-total	141,943	100	114,228	100
Elimination of inter-company revenue		0	(194)	0
Total	**141,943**	**100**	**114,034**	**100**

Gross profit amounted to Euro 56,459 thousand, an increase of Euro 839 thousand on 2011, and was impacted by the impairment loss of Euro 14,675 thousand recognised in relation to the goodwill of the Sicily Projects. Gross profit expressed as a percentage of revenue was 39.8% (2011 – 48.8%) and excluding the above impairment loss it would have amounted to Euro 71,134 thousand and 50.1% of revenue.

Ebitda totalled Euro 85,657 thousand representing a significant increase of Euro 20,664 thousand on the 2011 first half-year and corresponded to 60.3% of revenue (30 June 2011 - 57%). Ebitda increased 31.8% on the previous year.

Operating profit equalled Euro 40,557 thousand, a Euro 1,565 thousand fall on 2011, and represents 28.6% of revenue (30 June 2011 – 36.9%). Excluding the impact of the goodwill impairment loss, operating profit would have amounted to Euro 55,232 thousand and 38.9% of revenue.

Profit for the period also reflects the abovementioned loss and totalled Euro 5,359 thousand, a Euro 8,973 drop on the total at 30 June 2011.

The **net financial position, excluding the fair value of derivatives** [1] was a net indebtedness of Euro 771,806 thousand representing a slight increase on the total of Euro 765,203 thousand at 31 December 2011.

The increased indebtedness is largely due to capital expenditure of Euro 33,969 thousand in the period that was almost entirely offset by cash generated by operating plants.

[1] The net financial position including the fair value of derivates amounted to Euro 847,302 thousand at 30 June 2012 (31 December 2011 - Euro 826,116 thousand). The overall net indebtedness represents the sum of cash and cash equivalents, current financial assets including available for sale securities, financial liabilities, the fair value of financial hedging instruments and other non-current financial assets.

The net financial position comprises non-recourse loans (Gross Project Debt) that amounted to Euro 747,135 thousand at 30 June 2012 (31 December 2011 – Euro 749,680 thousand).

The net financial position includes net borrowings of Euro 67,450 thousand relating to construction projects that were not revenue generating at 30 June 2012. The net indebtedness, net of these borrowings and the fair value of derivatives would have amounted to Euro 704,356 thousand.

The net financial position of the project companies (NFP Project) comprising Gross Project Debt, the fair value of derivatives to hedge interest rate exposure on this debt and the liquidity of the financed projects amounted to Euro 718,150 thousand, representing approximately 85% of the Group's net indebtedness at 30 June 2012.

Interest rate swaps to a total of Euro 596,234 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, equal to 80% of the total debt.

Consequently, approximately 86% of the total net indebtedness of Euro 771,806 thousand, net of the fair value of derivatives, is hedged from interest rate fluctuations through the same interest rate swaps.

The ratios illustrated in the table below summarise the breakdown and hedging of the Falck Renewables Group interest rate risk:

	(Euro thousands)
	30.6.2012
Total NFP net of Fair Value of Derivatives	771,806
Total hedged against interest rate fluctuations	666,234
% Hedged/NFP net of derivatives	86%
Total Gross Debt including Fair Value of Derivatives (GD+FVD)	952,621
of which Project Gross Debt + Fair Value of Project Derivatives	820,480
%Project GD including FV Derivatives/(GD+FVD)	86%
Total Gross Debt (GD)	877,125
of which Project Gross Debt (Project GD)	747,135
% Project GD/GD	85%
Project Gross Debt	747,135
Total hedged against interest rate fluctuations	596,234
% Project NFP/NFP	80%
Total Gross Debt (GD)	877,125
Total hedged against interest rate fluctuations	666,234
% Hedged/GD	76%
Total net financial position including Fair Value of Derivatives (NFP)	847,302
of which Project Financing Net Debt (Project NFP) (*)	718,150
% Project NFP/NFP	85%

(*) Project NFP = Project Gross Debt + Fair Value of Project Derivatives - Project Liquidity

Capital expenditure in the period, which amounted to Euro 33,969 thousand, represents the Group's financial commitment in relation to wind farms and improvements to operating plants. Capital expenditure in the period principally comprised Euro 8,302 thousand to finalise construction of the Buddusò-Alà dei Sardi wind farm, Euro 4,863 thousand on the construction of the Petralia Sottana wind farm, Euro 7,084 thousand on the Nutberry wind farm, Euro 9,641 thousand on the Ty Ru wind farm and Euro 3,099 thousand on the Spaldington and West Browncastle wind farms, while improvements to operating plants in the WtE, biomass and photovoltaic sector totalled Euro 730 thousand.

Employee numbers increased by 2 compared to the total at 31 December 2011 thus totalling 243 at 30 June 2012.

Installed capacity by technology increased significantly compared to the first half of 2011 as illustrated in the table below.

(MW)

Technology	30 June 2012	31 December 2011	30 June 2011
Wind	623.2	623.2	465.2
WtE	31.0	31.0	31.0
Biomass	14.0	14.0	14.0
Photovoltaic	16.1	16.1	16.1
Total	**684.3**	**684.3**	**526.3**

The Petralia Sottana wind farm (22.1 MW) in Sicily and Ty Ru wind farm (10 MW) in Brittany came on stream in July 2012 bringing total installed capacity to 716.4 MW.

4.1.4 Non-financial performance indicators

The key non-financial performance indicators are set out below:

	Unit of measurement	30.6.2012	30.6.2011
Gross electricity generated	MWh	916,000	710,000
Total waste treated	tonn.	163,594	183,505

4.1.5 Share price performance

The performance of the Falck Renewables SpA share price, which is listed on the STAR segment, is illustrated below.

The format of communications to shareholders or prospective investors of Falck Renewables SpA is based on constant interaction and does not necessarily follow that of presentations or road shows. Investor relations are in fact principally based on one to one meetings and issuing notices and explanations even by e-mail or through telephone contact. The Company attends conventions and financial discussions organised by Borsa Italiana, enterprises or financial institutions.

In the first half of 2012 Falck Renewables SpA attended the usual meetings with the financial community aimed at illustrating the key elements of the Group's business model, comprising the management and strategic development of new projects. Particular care is taken by the Company to ensure that all communications are transparent and timely.
An effective communication tool available to investors is the website www.falckrenewables.eu, which meets all of the criteria for companies listed on the STAR segment. In compliance with the STAR segment regulations the Company appointed Centrobanca SpA as a specialist.
The Company also activated a Twitter account in March 2012.

4.1.6 Performance of business sectors

The new Group formed subsequent to the extraordinary transaction (Consolidation Project to transfer the wind sector activities to Falck Renewables SpA) that resulted in the consolidation in Falck Renewables SpA of all Falck SpA's activities relating to the production of electrical energy from renewable sources, comprises:

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

This paragraph therefore illustrates the principal results of operations, net assets and financial data of the Group's two sectors, supported by a brief commentary, while the notes to the half-year report set out the full results of operations and net assets of the sectors with separate disclosure of the amounts relating to Falck Renewables SpA.

❖ **WtE, biomass and photovoltaic sector**

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

(Euro thousands)

		30.6.2012	30.6.2011	31.12.2011
Revenue		47,690	55,520	106,216
Cost of sales		(46,480)	(31,270)	(66,134)
Gross profit		**1,210**	**24,250**	**40,082**
Operating (loss)/profit		**(1,952)**	**20,183**	**32,748**
EBITDA		**20,969**	**27,203**	**50,548**
(Loss)/profit for the period		**(9,717)**	**11,024**	**17,671**
(Loss)/profit for the period attributable to parent equity holders		**(10,282)**	**10,017**	**16,638**
Invested capital net of provisions		281,236	287,177	303,521
Total equity		67,830	93,539	92,057
Net financial position - indebtedness/(asset)		**213,406**	**193,638**	**211,464**
of which non-recourse financing		74,387	65,102	77,797
Capital expenditure		**751**	**11,536**	**21,789**
Employees at the period end	(no.)	126	131	134

This sector focuses on electricity generation from renewable sources (biomass and photovoltaic plants), and the treatment of urban waste employing WtE technology.

The strategy has been developed through the management of operating plants and the development of new projects either directly or be entering into joint ventures with leading industrial enterprises.
The WtE, biomass and photovoltaic sector revenue fell compared to the first half of 2011 due to the decreased revenue of the Trezzo sull'Adda and Granarolo dell'Emilia WtE plants that despite strong performances were impacted by the expiry of the incentive tariffs pursuant to point 3 of CIP6/92, while the avoided cost tariff is still in force. The improved performance of the Rende biomass plant and revenue from the photovoltaic plants in Sicily that came on stream in March 2011 both partially offset the drop in revenue attributable to CIP6.

The combined effect of the lower incentives, partially offset by the performance of the other plants, resulted in a fall in Ebitda (- Euro 6,234 thousand) that totalled Euro 20,969 thousand: 44.0% when expressed as a percentage of revenue (2011 – 49.0%).

The operating loss totalled Euro 1,952 thousand due in part to the fall in revenue but mainly the goodwill impairment loss (Euro 14,675 thousand), in respect of the Sicily Projects (WtE plants of Casteltermini and Augusta) recognised following the impairment test carried out for the purpose of preparing the half-year interim financial report. Consequently, the sector recorded a loss for the period of Euro 9,717 thousand that, excluding this impairment, would have amounted to a profit of Euro 4,958 thousand.

The net indebtedness of Euro 213,406 thousand is largely in line with the total at 31 December 2011 (Euro 211,464 thousand).
The net financial position comprises non-recourse borrowings that amounted to Euro 74,387 thousand (31 December 2011 – Euro 77,797 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 4,466 thousand (31 December 2011 – Euro 3,221 thousand).

Capital expenditure in the period amounted to Euro 751 thousand and comprised improvements to operating plants for Euro 730 thousand and Euro 21 thousand of development costs.

❖ Wind sector

The key financial information for this sector may be summarised as follows:

				(Euro thousands)
		30.6.2012	30.6.2011	31.12.2011
Revenue		94,226	58,488	142,378
Cost of sales		(39,083)	(27,274)	(64,861)
Gross profit		**55,143**	**31,214**	**77,517**
Operating profit		**48,484**	**26,273**	**64,380**
EBITDA		**70,344**	**41,928**	**101,859**
Loss for the period		**17,930**	**3,349**	**19,452**
(Loss)/profit for the period attributable to parent equity holders		**17,905**	**3,359**	**19,504**
Invested capital net of provisions		986,527	820,559	959,960
Total equity		65,012	36,264	53,411
Net financial position - indebtedness		**921,515**	**784,295**	**906,549**
of which non-recourse financing		672,748	573,919	671,883
Capital expenditure		**33,162**	**73,644**	**155,336**
Employees at the period-end	(no.)	42	42	42

This sector focuses on electricity production through the construction and management of plants that generate electricity using wind energy.

Revenue increased significantly (+ Euro 35,738 thousand), which is largely due to the higher installed capacity associated with the Buddusò-Alà dei Sardi, Kilbraur and Millennium wind farms that had not yet come on stream in the first half of 2011. Moreover, the Spanish and UK wind farms recorded stronger performances that those of the first half of 2011.

Ebitda totalled Euro 70,344 thousand, an increase of Euro 28,416 thousand and equalled 74.7% of revenue (2011 – 71.68%).

Operating profit also rose, recording an increase of Euro 22,211 thousand compared to the first half of 2011 and amounting to 51.5% of revenue (2011 – 44.92%).

The net indebtedness amounted to Euro 921,515 thousand, an increase of Euro 14,966 thousand on the balance at December 2011. The total comprises net financial liabilities of Euro 67,450 thousand relating to projects under construction that were not yet revenue generating at 30 June 2012; the net financial position net of this amount and the fair value of derivatives would have amounted to Euro 785,186 thousand.

The net financial position includes non-recourse financing of Euro 672,748 thousand (31 December 2011 – Euro 671,883 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 68,879 thousand (31 December 2011 – Euro 56,502 thousand).

Capital expenditure in the period amounted to Euro 33,162 thousand and principally relates to the Buddusò-Alà dei Sardi wind farm in Sardinia, the Petralia wind farm in Sicily, the Nutberry, Spaldington and West Browncastle wind farms in the UK and the Ty Ru wind farm in France.

- **Sicily projects (Integrated projects for the management and WtE treatment of waste in Sicily)**

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

These projects commenced following the declaration of a state of emergency in the waste management sector in Sicily by the Italian Prime Minister in the Decree dated 22 January 1999, resulting in the appointment of a Commissioner to deal with the emergency on 31 May 1999. Subsequently the Government identified the possibility of treating the municipal waste generated in the territory of the Sicily Region using WtE technology, as this provided the opportunity to derive fuel from waste, improving the energy content of the residual fraction of waste by increasing the dry portion.

Following publication of O.P.C.M. (Ordinance of the Prime Minister) 3190 of 22 March 2002, which approved, inter alia, the construction of WtE plants, the Commissioner published an invitation to enter into conventions with a maximum 20 year duration, for the utilisation of the residual fraction of municipal waste, net of recycled waste, generated in the territory of the Sicily Region pursuant to article 4 of O.P.C.M. 2983, (subsequently replaced by article 5 of Ordinance 3190/02), with industrial operators that were able to treat the residual fraction of waste and recover energy through its use in dedicated WtE plants or industrial plants under their ownership.

At this time Elettroambiente SpA (**Elettroambiente**), formerly part of the Enel group, together with other local and non-local companies, formed a temporary business association (ATI), in which it acted as lead agent, with the purpose of bidding for public tenders. Enel Produzione SpA (Enel) was also a member of this ATI as it provided the required financial resources that the other members lacked.

In August 2002, the Company joined a group, with Elettroambiente acting as lead agent, to submit a bid in relation to the above tender for the treatment of waste through WtE for municipalities in the Palermo area. Subsequently, Elettroambiente and Enel left the group in respect of the Palermo area and Falck SpA took over as lead agent.

Under the new directive, the Commissioner published calls for tenders on 9 August 2002) that were awarded on 2 May 2003; in the same month the members of the ATI formed the special-purpose entities Palermo Energia Ambiente ScpA (**Pea**), Platani Energia Ambiente ScpA (**Platani**) and Tifeo Energia Ambiente ScpA (**Tifeo**) (hereinafter, the "**Industrial Operators**").

On 17 June 2003 each of these project companies executed a 20 year convention with the President of the Sicily Region (then the Commissioner appointed by the Italian government to tackle the emergency waste situation), to utilise the residual fraction of municipal waste, net of recycling, generated in the municipalities of the Sicily Region as per article 4 of O.P.C.M. 2983, replaced by article 5 of Ordinance 3190/02.

Also in 2003, Enel entered into an agreement with Italgest Energia SpA (**Italgest**) for the sale of Elettroambiente (the holding company of Platani and Tifeo), and further to this Falck and Italgest executed an agreement on 5 August 2003 for the sale of Elettroambiente to the Company.

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

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

In the period between late 2004 and early 2006, the Industrial Operators received all of the authorisations relating to the construction and operation of the plants comprised in the integrated systems and those relating to emissions to the atmosphere, with work commencing officially in July 2006. A series of unforeseeable events that were beyond the control of the Industrial Operators had a significant impact on the timing of construction work on the WtE plants and on the financial terms of the Sicily Projects and as a consequence on the realisation of the Sicily Projects themselves.

For example, in February 2007 the Industrial Operators were notified of a Joint Ministry Decree suspending the authorisations following which work was suspended (appeals to the Regional Administrative Court (TAR) in Lazio and the ruling issued by the Council of State resulted in cancellation of the suspension decree); the 2007 Finance Act introduced significant changes to existing legislation creating uncertainty regarding the continued application of the CIP/6 incentives (it was only at the end of 2008 that the TAR in Lazio ruled on the appeals made by the Industrial Operators and declared illegitimate the silence of the Ministry for Economic Development in relation to the statements filed by the plaintiffs against the ministry decree on article 1, paragraphs 1117 and 1118 of Law 296/2006 relating to the right to be awarded the incentives under CIP 6/1992).
The above events prevented the execution of the project financing contracts essential to the construction of the plants. In a letter dated 21 March 2008 the Regional Department for Waste and Water (**ARRA**) notified the Industrial Operators that the European Court of Justice had previously passed judgment on 18 July 2007 (case C-382/05) whereby it found that the Italian Republic had failed to fulfil its publicity obligations regarding tenders as the Court regarded the Conventions as public service contracts rather than service concessions.

The Industrial Operators may not be held responsible for the breach of procedures that led to the signing of the Conventions. The above-mentioned letters communicated that in order to comply with this judgment a new call for tenders would be made in order to award the service. ARRA invited the Industrial Operators to continue carrying out work despite this situation. The requirement to implement the measures established in the judgment passed by the European Court of Justice gave rise to a long and complex negotiation process between the parties in order to identify the appropriate methods and conditions required to reach a mutual solution to the Conventions.

These negotiations lasted almost a year and were finalised on 28 April 2009 with the execution of an agreement (the **Agreement**) between ARRA and each of the Industrial Operators and the respective shareholders. More precisely it was established that: (i) in the event that no bids were submitted in relation to the new tender, the Industrial Operators would be required to take part in a "negotiated procedure", on condition that these procedures were "carried out based on tariffs and operating conditions in line with those stipulated in the New Call for Tenders, provided that the financial viability of the current project was preserved" (Agreement art. 3); (ii) in any event the Industrial Operators and their shareholders would assign ownership of the Sicily Projects, the authorisations, sites and work carried out by the Industrial Operators and the shareholders against compensation for costs incurred to be certified by an independent advisor (clause 6 of the Agreements). Calls for tenders were issued the following day (no bids were submitted) and on 23 July 2009 ARRA called for a "negotiated procedure" applying the same terms as those of the call for tenders using open procedures, also inviting the Industrial Operators.

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

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

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

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

Moreover, the Industrial Operators filed an appeal against ARRA before the TAR in Palermo asking the court to cancel the act which resulted in termination of the Agreements and the Conventions, and to order ARRA to compensate the operators for all damages already suffered and that would be suffered in future.

At the end of 2009 ARRA extended the authorisations relating to the construction and operation of the individual plants that constituted the Integrated Systems by a further 5 years.

On 18 January 2010 the Civil Court in Milan admitted the urgent appeal filed by the Industrial Operators pursuant to art. 700 of the code of civil procedure (c.p.c.), prohibiting ARRA from enforcing the guarantees. With regard to the subject matter of the ruling, the judge, albeit as a summary judgment, established that the breach by the Industrial Operators assumed by ARRA as the basis for its decision to terminate the Conventions and the Agreements was *prima facie* contradicted by ARRA in its declaration restated in the Agreements.

The Sicily Region's Department for Energy and Public Utilities (replacing ARRA *ex lege* from 31 December 2009 – "the Department") did not appeal against the interim orders issued by the Civil Court in Milan under art. 700 c.p.c..

On 16 February 2010 the Department joined the proceedings brought by the Industrial Operators with the Civil Court in Milan, seeking the rejection of the measures sought by the Industrial Operators (and their shareholders), and asking the court to order the Industrial Operators to compensate the Regional Administration for the damages that it had allegedly suffered as a result of the alleged breach of the Conventions (quantified as follows: Tifeo, Euro 36,656,997.65; Platani, Euro 12,898,471.19; Pea, Euro 60,685,999.31).

Zurich also joined the proceedings, requesting that ARRA's petition to enforce the guarantee policies be rejected.

The Industrial Operators filed a first defence brief under article 183, paragraph 6 of the c.p.c., on 8 April 2010.

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

Having acknowledged in the second brief the approval of the New Regional Law and the impossibility of proceeding with the construction of the WtE plants, the Industrial Operators filed a third brief on 28 May 2010 in which a detailed analysis of the impact on the Sicily Projects of the New Regional Law was provided based on an independent expert opinion. This opinion clearly demonstrated the radical changes implemented by the Regional Administration in relation to the entire strategy surrounding waste management and treatment in the municipalities of the Sicily Region.

Given the Department's final and irrevocable decision no longer to proceed with the Sicily Projects in accordance with the Conventions, confirmed by the introduction of the New Regional Law and the proceedings initiated on 18 May 2010 pursuant to article 7 of Law 241/1990 (see paragraph below), the Industrial Operators were forced to modify, before the Court in Milan, pursuant to article 1453, second paragraph of the Italian Civil Code, their petition for specific performance of contract presented in the original summons to a claim for termination of the Agreement due to the actions and default of the Department.

The Industrial Operators therefore sought compensation for damages suffered in respect of both pecuniary loss (quantified as follows: Tifeo, Euro 55,745,013.00; Platani, Euro 37,676,745; Pea, Euro 49,555,742.00 – of which the Company share is Euro 11,531,621.16) and loss of profit (quantified as follows: Tifeo, Euro 94,100,000.00; Platani, Euro 47,800,000.00; Pea, Euro 88,800,000.00 – of which the Company share is Euro 20,663,760.00).

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

In the hearings that took place on 15 July 2010, the modification of the claim from specific performance brought by the companies in the summons previously filed, to a claim for termination of the Agreement due to the actions and default of ARRA was acknowledged by the Civil Court of Milan, specifying also that subsequent to this modification that the joinder of all parties to the Agreement would be necessary. On this basis, the plaintiffs asked the judge to postpone the hearing and set a limit for the joinder of all parties, requesting, in any event, admission of the claims and preliminary motions brought forward.

The public prosecutor objected to this request and asked for the intervention of an expert witness in order to assess the damages sustained by the Department. The Court adjourned the hearing to 24 February 2011 and, acknowledging the company's request, ordered the shareholders of Tifeo, Platani and Pea, signatories of the Agreement of 28 April 2009, to be joined to the proceedings.

Finally, the boards of directors of Tifeo and Platani on 3 August 2010 and the shareholders of Pea on 23 September, approved the voluntary liquidation of the companies, which the Company believes will not affect the above court proceedings.

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

On 24 February 2011 the Court confirmed the validity of the notices served against the named third parties and awarded the parties the time limits to submit statements pursuant to article 183, paragraph six, c.p.c.. The case was adjourned and proceedings will continue in the hearing scheduled to take place on 23 November 2011, during which the judge reserved his decision on the subject of the proceedings presented before him and adjourned the hearing to 13 January 2012.

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

On 14 July 2011, the Sicily Project companies were notified of Decree 548 of 22 September 2010 (the "Decree") pursuant to which, inter alia, the said 2002 bids were declared non-responsive and all subsequent acts and measures adopted to implement the said procedures were cancelled in self-defence. This is in light of, among other things, the *i)* alleged *"intersezione soggettiva"* between a number of the associated companies, *ii)* the alleged absence of any geographical overlap in the responses to the tender and *iii)* the outcome in 2005 regarding the infiltration of organised crime in the groups that participated in the bid, and *iv)* the rulings issued by the European Court of Justice on 18 July 2007.
An objection against the Decree was served on 3 October 2011, through notification of an appeal "for additional grounds" in the proceedings pending before the TAR in Palermo. The nature of the challenges raised stem from the arguments already put forward by the Industrial Operators in the statements presented on 17 June 2010 in response to the notice of proceedings pursuant to articles 7 and ff. of Law 241/1990 initiated by the Sicily Region on 18 May 2010 that culminated with the issue of the Decree more than one year after presentation of the above counterclaims, in order to contest each aspect of the entire notified Decree, on the grounds of speciousness, contradiction with previous acts, including the suspension decree challenged in the originating application of November 2009, and illogicality, further breach of the legitimate award to the Industrial Operator, serious flaws in the statements and finally misdirection. Compensation for actual damage and loss of profits was sought together with the above additional grounds.

Events that took place in 2012 in respect of the Sicily Projects

Palermo Energia Ambiente ScpA

At the date of preparation of the 2011 consolidated financial statements, the first (2010) and second (2011) interim liquidation accounts of Palermo Energia Ambiente ScpA had not been approved. Pea is one of the Sicily Project companies (Bellolampo-Palermo) currently in liquidation, in which the Company has a 23.275% interest that was consolidated applying the proportional method up to the 2010 financial statements. This is due to a dispute with the shareholder Amia S.p.A. ("Amia"), which holds a 48% interest in Pea and is currently in extraordinary administration. Consequently, as joint control may not be exercised over Pea this resulted in its exclusion from the 2011 scope of consolidation.
Consequently, from 2011 the Sicily Projects' cash generating unit no longer include the Palermo WtE plant but only those of Casteltermini (Platani) and Augusta (Tifeo).

In the event that an agreement cannot be reached with Amia regarding approval of Pea's third liquidation accounts, it is highly likely that the company will be dissolved pursuant to article 2490 of the Italian Civil Code. The above issues involving Pea do not apply to the other two Sicily Project companies, Tifeo and Platani (in which Falck Renewables SpA holds indirect interests of 96.35% and 86.77% respectively through its subsidiary Elettroambiente SpA).

Furthermore, on 6 and 8 March 2012 respectively, the liquidators of Pea received notification of the bankruptcy proceedings filed by the Public Prosecutor with the Court of Palermo on 28 December 2011. The Court of Palermo acknowledged the objection regarding jurisdiction filed by Pea stating that it was not able to rule on the bankruptcy petition and transferred the case to the Court in Monza.

In order to best represent Pea's and its shareholders claims against the Sicily Regional Authorities, Falck Renewables SpA and Falck SpA, which together hold a 48% interest in Pea, signed an agreement with Pea in March 2012 whereby they agree to defer the receivables (both trade and financial) to allow payment of other creditors and waive the same receivables in the event that following liquidation Pea does not have sufficient financial resources to pay the amounts in full. Also under this agreement, the shareholders Falck Renewables SpA and Falck SpA undertake to provide Pea with the funds required to settle certain creditors. A provision of Euro 2,210 thousand was included in the sundry risks provision in the 2011 consolidated financial statements in order to reflect this commitment. Pea's other shareholders entered into separate agreements regarding the settlement of receivables with Pea.

In light of this situation, which only involves Pea, for the purpose of the 2011 consolidation financial statements the Falck Renewables Group carried out a valuation of the amounts arising after deconsolidation of Pea that resulted in recognition of impairment losses, given the risk of dissolution of the company, against the carrying value of the investment in Pea and all receivables (trade and financial) due from it.[2]

These amounts have been updated for the purpose of preparing the half-year financial report and consequently the consolidated profit for the 2012 half-year comprises a write-off of Euro 30 thousand against trade receivables and Euro 239 thousand against financial receivables due to the Falck Renewables Group by Pea and an increase of Euro 73 thousand in the sundry risks provision. The total impact on profit for the period is Euro 342 thousand.

Litigation with the Department of the Sicily Region

With regard to the ordinary proceedings before the Civil Court in Milan that involve Tifeo, Platani and Pea, in the ruling issued on 18 January 2012 – reversing the stance taken during the hearing of 13 January 2012 – the Court, inter alia:

- declared that the plea of lack of territorial jurisdiction brought forward by the Department be reviewed together with the ruling on the merits as the plea is not considered all-encompassing (*i.e.* the cases remain before the Civil Court in Milan);
- Approved filing of the Decree and authorised the plaintiffs and other parties to the action to submit relevant and/or consequential documents;
- Awarded the Department time to prepare its closing statements and the plaintiffs and other parties to the action time to reply and prepare closing statements;
- Adjourned the disputes to the hearing scheduled for 14 June 2012.

In the hearing that took place on 14 June 2012 the Court reserved judgement on the claims filed by the parties (i.e. request for pronouncement of inadmissibility of the proceedings on the grounds of "intervening loss of the plaintiffs right of action, the suspension pursuant to article 295 c.p.c. of the proceedings pending ruling on the administrative proceedings relating to the injunction of Decree 548, technical consultant's opinion, etc.).

In the ruling made on 20 July 2012 the Court of Milan suspended the civil proceedings pursuant to article 295 of the c.p.c. until sentencing has been made in respect of the administrative proceedings filed by the Falck Renewables Group with the TAR in Palermo requesting the cancellation of Decree 548 of 22 September 2010, which was enacted by the President of the Sicily Region and the Department, and all relevant, consequential or relevant acts. In particular, under the ruling of 20 July 2012 the Court of Milan deemed it necessary "*to suspend proceedings pursuant to article 295 of the c.p.c. to avoid, given the overlap between the case before the Ordinary and Administrative Judges regarding the same merits of illegitimacy of the Decree, conflict in sentencing with regard to the claim for damages filed by the plaintiffs*".

The administrative court tends to adopt a tight policy that generally excludes the award of damages for loss of profits.

An appeal against the suspension order will be filed with the Court of Cassation pursuant to article 42 of the c.p.c..

In light of recent events and the complex nature of this case, as confirmed by the Company's independent advisors, the probability of obtaining a successful outcome regarding the pecuniary losses claim is substantially in line with previous opinion. However, the likelihood of a successful outcome regarding the award of damages for loss of profits is significantly compromised.

[2] Further details may be found in the 2011 Annual Report.

For the purpose of preparing this half-year financial report an impairment test was performed on the goodwill allocated to the Sicily Projects' cash generating unit, the costs capitalised under the headings Property, plant and equipment in the condensed consolidated financial statements and Trade receivables, Financial receivables and Investments in the Falck Renewables SpA financial statements, and any other amount relating to the above-mentioned projects (that no longer include Pea). This took into account the matters detailed above, the change in interest rates and the opinion of the independent legal experts.

The impairment test performed on the Sicily Projects identified impairment of the amounts recorded in both the consolidated and separate financial statements in respect of the Sicily Projects. Consequently, an impairment loss was recognised against Goodwill attributable to the Sicily Projects in the consolidated financial statements, and Investments and the Financial receivables due from Elettroambiente SpA, holding company of Tifeo and Platani, in the separate financial statements of Falck Renewables SpA at 30 June 2012.

4.1.7 Review of business in the first half of 2012

Two new German companies were incorporated in February 2012: Falck Renewables Gmbh und co. KG and Falck Renewables Verwaltungs Gmbh.

The French company Parc Eolien d'Illois Sarl was also incorporated in February 2012.

Cushnie Wind Energy Ltd was liquidated on 30 March 2012.

Falck Renewables SpA sold its entire shareholding in Actelios Etnea Srl, the holder of three photovoltaic projects that had not yet obtained authorisation, on 4 April 2012.

A 52% interest in the Polish company Wysoka Wind Farm Sp was acquired on 26 April 2012.

During the 2012 second quarter a further 4.49% was acquired in Eolica Cabezo San Roque, bringing ownership to 100%, while the investment in the French company Ty Ru Sas was transferred from Falck Energies Renouvelables Sas to Falck Renewables Gmbh und co. KG.

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

4.1.8 Employees

The number of employees at the period-end was 243 and comprised:

(Number)

	30.6.2012	30.6.2011	31.12.2011
Managers	24	24	24
White-collar staff	144	141	140
Blue-collar staff	75	74	77
Total employees in consolidated entities	**243**	**239**	**241**

As Frullo Energia Ambiente Srl is consolidated applying the proportional method, total employees at 30 June 2012 included the 49% proportional share of the employees amounting to 19 white-collar staff and 29 blue-collar staff.

4.1.9 Environment, health and safety

During the period the Group continued its commitment to meet adequate environmental, safety and quality standards that are consistent with its mission statement, through:

- On-going improvements in the integration of company management procedures relating to quality, environment and safety, by taking advantage of synergies in these areas;
- Periodic training of employees in relation to health and safety in the workplace and increasing awareness regarding the protection and safeguarding of the environment while carrying out their work.

More specifically, the principal Group subsidiaries operating in the WtE, biomass and photovoltaic sector had the following systems in place at 30 June 2012:

Company	Management system	Location
Falck Renewables SpA	Quality management system UNI EN ISO 9001:2008 for services provided to group companies: human resources, administration and finance, procurement, quality, environment and safety management. Environmental management system UNI EN ISO 14001:2004 Safety management system OHSAS 18001-2007 Certificate of Excellence (quality, environment and safety)	Head office
Ecosesto SpA	Certified integrated quality and environment system UNI EN ISO 9001:2008	- Head office - Rende biomass plant
	Environmental management system UNI EN ISO 14001:2004	- Rende biomass plant
	Safety management system OHSAS 18001- 2007	- Rende biomass plant
	Safety management system OHSAS 18001- 2007	- Fusina WtE plant
Ambiente 2000 Srl	Quality management system UNI EN ISO 9001:2008 Environmental management system UNI EN ISO 14001:2004 Safety management system OHSAS 18001-2007 Certificate of Excellence (quality, environment and safety)	Trezzo sull'Adda WtE plant
Prima Srl	Environmental management system UNI EN ISO 14001:2004 EMAS registration	Trezzo sull'Adda WtE plant
Esposito Servizi Ecologici Srl	Quality management system UNI EN ISO 9001:2008 Environmental management system UNI EN ISO 14001:2004 EMAS registration Quality management system UNI EN ISO 9001:2008 (currently being finalised)	Gorle plant: Selection and adjustment of volume of non-hazardous waste Waste collection and transport Gorle plant: Treatment and recovery of non-hazardous waste mainly from street sweeping and land reclamation

With regard to accidents, two accidents took place in the first half of 2012 involving employees of Ecosesto at the production facilities in Fusina and Rende. Consequently, the total Group accident frequency and criticality rates were 12.23 and 0.06 respectively.
With regard to companies operating in the wind energy sector both in Italy and abroad, no accidents were recorded in the first half of 2012. The companies have adopted internal quality, environment and safety management systems and the operating plants in Italy have implemented environmental management systems certified under UNI EN ESO 14001:2004, while Eolo 3W Minervino Murge Srl has also been awarded an EMAS registration.

4.1.10 Research and development activities

The Falck Renewables Group did not carry out any research and development activities in the period.
A process patent request has been filed regarding the use of a concentrating solar thermodynamic plants coupled with a thermal plant in order to improve the thermodynamic efficiency of the thermal plant.

4.1.11 Risks and uncertainties

a) Financial

1. ***Credit risk***

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk connected to the negotiation of other financial assets. The credit risk exposure of the Falck Renewables Group is very limited in respect of both commercial customers and financial counterparties. Commercial customers present a low risk due to their nature: one third of amounts due from third parties (not related parties) is owed by the Italian national electrical energy supplier (GSE). The degree of concentration of customers is medium-high, however they have a high credit rating. The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with leading financial institutions. A summary quantitative indication of the maximum exposure to credit risk is the carrying amount of the financial assets, expressed gross of derivatives with a positive fair value and net of any guarantees.
The Group does not enter into instruments or guarantees to mitigate credit risk and as a consequence these have no impact on the disclosures that follow.
Amounts due to the parent company Falck Renewables SpA from the Sicily Project companies are linked to the risks and uncertainties surrounding the outcome of the dispute with the Sicily Region as disclosed in full in the above note on the Sicily Projects.

2. ***Liquidity risk***

The Falck Renewables Group has a group treasury department that does not employ a cash pooling system with all of its subsidiaries but carries out netting of opposing balances through the use of specific intercompany correspondence accounts. Falck Renewables SpA has a loan of Euro 165 million with a pool of financial institutions, Euro 102 million of which had been drawn down at 30 June 2012.
The Falck Renewables Group prepares an updated cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by a summary evaluation and commentary.

3. ***Market risks***

The Falck Renewables Group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, it does follow well-established procedures aimed at monitoring risk and that avoid undertaking transactions of a speculative nature.
The type and suitability of hedging instruments is evaluated for each specific case in consideration of the amount of exposure and current financial market conditions.
The Falck Renewables Group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging. Moreover, the derivatives held at the period-end were acquired in order to allow the debt structure to meet the covenants determined by the financial institutions in relation to project financing. In particular, borrowings at variable rates for these contracts are matched with opposing IRS that partially convert the borrowings from variable to fixed rates.
Although these operations are entered into to hedge interest rate risk, hedge accounting is not applied to all of these derivative financial instruments. Consequently, changes in the fair value of these derivatives follow the general rule applied to trading derivatives and are charged directly to the income statement with a direct effect on profit for the period. Approximately 86% of net debt was hedged against interest rate fluctuations through IRS.

b) Legal

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

- **Ecosesto SpA**
  With regard to litigation with Syntea SpA, on 14 December 2011 the Court dismissed the appeal filed by Syntea and sentenced it to pay the costs. The existing provision (Euro 300 thousand) was released as the time limit for the counterparty to file a third stage appeal has expired.

- **Sicily projects (Projects for the management and WtE treatment of waste in Sicily)**
  - **Altecoen Srl in liquidation/Tifeo**
    On 28 December 2009, Altecoen Srl (hereinafter “Altecoen), currently in liquidation, served three writs on Tifeo regarding agreements for the sale of land in the municipalities of Caltagirone, Enna and Modica, entered into on 1 December 2005. Altecoen’s requests were: (i) primarily, immediate payment of the balance for the sale (95% of the consideration), respectively Euro 23,401.80, Euro 229,301.05 and Euro 169,588.30 and (ii) alternatively, termination of the agreements, with the award of damages that Altecoen calculated as no less than Euro 5,616.43, Euro 83,424.63 and Euro 40,701.19. Tifeo joined the proceedings and in turn requested that the claim be rejected, while retaining the right to exercise the put option on Altecoen’s land, as envisaged in the agreements, after verifying the implications that Regional Law 9 of 8 April 2010 (Regional Law 9/2010) had on proceeding with the Tifeo Project (the Project). Tifeo exercised the put option on 9 June 2010.
    Altecoen sent a recorded delivery on 1 July 2010, in which it notified its intention to repurchase the land in question. In the statements filed in the three actions pursuant to article 183, paragraph 6, no. 1 of the c.p.c., Tifeo acknowledged the impact that Regional Law 9/2010 and the procedure pursuant to article 7 ff of Law 241/1990 had on the Project’s execution and the exercise of the option right stipulated in the agreements.
    In reference to the last point, Tifeo requested that in the event that Altecoen defaulted on its obligation to repurchase the land, a ruling be made pursuant to article 2932 of the Italian Civil Code, to execute the sale and purchase agreements and that Altecoen be ordered to return the sums already paid by Tifeo. Altecoen submitted a counterclaim against the last request in its statement to the Civil Court of Enna pursuant to article 183, paragraph 6 no. 2, requesting that the Court order Tifeo to pay an indemnity for use of the land under dispute. After several attempts at reaching a settlement, in the hearing that took place on 16 February 2012 Tifeo requested, pursuant to article 153 paragraph 2 of

the Civil Code ("c.p.c."), the case be re-opened to submit Decree 548 issued by the President of the Sicily Region on 22/9/2010 (the Decree) and the appeal on additional grounds in Tifeo's favour notified on 3/10/2011; Altecoen opposed this request, asking that the Court grant time to submit a counterclaim.
The trial was initially adjourned to the hearing scheduled for 7 June 2012 and subsequently to 11 October 2012. With regard to the proceedings before the Civil Court of Caltagirone, on 14 December 2010 the Court held that the case was not within its territorial jurisdiction and, accordingly, removed the case from the case register and set Altecoen a deadline of three months to transfer the matter to a competent Court. In an application to reinstate the action on 12 March 2011, Altecoen resumed proceeding before the Court of Siracusa. Tifeo joined the proceedings submitting its defence on 16 September 2011. The first hearing pursuant to article 183 of the c.p.c., originally set for 10 October 2011, was adjourned to 7 November 2011. On conclusion of this hearing the Court withheld sentencing. Finally, in relation to the proceedings before the Civil Court of Modica, in the hearing of 30 June 2011 the parties indicated to the Court their willingness to settle and the case was adjourned on several occasions. In the ruling of 26-28 May 2012 the Court declared lack of territorial jurisdiction and removed the case from the case register, granting Altecoen three months to transfer the case to a competent court. As these disputes are still in the opening stages, it is not possible at present to predict the outcome of the proceedings.

- **Gulino Group SpA/Tifeo**
On 28 December 2009 Gulino Group S.p.A. ("Gulino") served two writs on Tifeo regarding the sale agreements for some sites of land in the municipalities of Modica and Enna/Assoro, entered into on 1 December 2005. Gulino claimed: (i) primarily, immediate payment of the balance of the sales (95% of the total consideration), respectively Euro 2,774,950 and Euro 2,931,700; and (ii) alternatively, the termination of the agreements and payment of damages calculated at not less than Euro 2,143,968 and Euro 2,258,700. Tifeo joined the proceedings requesting the claim be rejected, while stating that it would consider its position with regard to the request for termination after verifying the implications of Regional Law 9 of 8 April 2010 on the ability to proceed with constructing the plants. In the statement filed pursuant to article 183, paragraph 6, no.1 of the c.p.c., Tifeo acknowledged the impact of Regional Law 9/2010 and the procedure pursuant to Article 7 ff of Law 241/1990 on the ability to execute the project and the request to terminate the Agreement with ARRA submitted in the action pending before the Court of Milan. Tifeo also requested that the sale and purchase agreements be terminated; demanding the reimbursement of all sums already paid (5% of the sale price plus VAT on the whole amount, namely Euro 730,250 and Euro 771,500 respectively). In the proceedings before the Civil Court of Enna, in the statement filed pursuant to article 183, paragraph 6, no.2, Gulino submitted a counterclaim requesting the Court to order Tifeo to pay an indemnity for the use of the land under dispute.
After several attempts at reaching a settlement, in the hearing that took place on 16 February 2012 Tifeo requested, pursuant to article 153 paragraph 2 of the c.p.c., the case be re-opened to submit Decree 548 issued by the President of the Sicily Region on 22/9/2010 (the Decree) and the appeal on additional grounds in Tifeo's favour notified on 3/10/2011; Gulino opposed this request, asking that the Court grant time to submit a counterclaim. The trial was adjourned initially to the hearing scheduled for 7 June 2012 and subsequently to 11 October 2012.
In the proceedings before the Civil Court of Modica, during the hearing of 7 October 2011 to discuss the preliminary statements presented by the parties, the Court of Modica upheld Tifeo's claim of lack of territorial jurisdiction, transferring the case to the Civil Court of Siracusa, removed the case from the register and granted the parties time to resume proceedings before the competent court. Gulino notified Tifeo of the reinstatement of the case before the Civil Court in Siracusa on 9 January 2012. As the case file had not arrived from the Civil Court of Modica, the Court adjourned proceedings to 14 November 2012, reserving the decision on the parties' requests pending receipt of the file. Given that the disputes are still in the opening stages, it is not possible to predict the outcome of the proceedings.

- **Panelli Impianti Ecologici SpA/Tifeo**

  A) *Proceedings*

  Tifeo brought an action before the Civil Court of Milan against the temporary injunction order awarded to Panelli Impianti Ecologici S.p.A. (in liquidation) ("Panelli") by the Civil Court of Milan on 17 June 2010 and notified to Tifeo on 23 July 2010. Under this injunction the Court in Milan ordered Tifeo to pay Euro 5,079,349 representing the balance of the amount payable to Panelli by Tifeo for the purchase of land owned by Panelli pursuant to sale agreements entered into on 1 December 2005. On 23 September 2010 Tifeo exercised the put option envisaged by article 3.2 of the agreement to transfer the land under dispute to Panelli. Tifeo issued a writ on 30 September 2010, within the time limits required by law, opposing the injunction and notified Panelli, requesting (i) revocation of the provisional enforceability of the injunction order, (ii) revocation of the injunction order on the grounds that Tifeo was not in breach of the agreements, (iii) that in the event that Panelli contested the exercise of the option by Tifeo and defaulted on its obligation to repurchase the land, that a constitutive ruling be made pursuant to article 2932 of the Italian Civil Code to enforce the sale agreements and order return of all sums already paid by Tifeo. Panelli joined the proceedings on 24 January 2011 submitting a deed of reply in which it denies in full the claims made by Tifeo and requested the separation of the proceedings relating to the put option, contesting the claims put forward. Following the hearing that took place on 26 January 2011 to discuss the suspension of the provisional enforceability of the opposed injunction, the Court of Milan admitted Tifeo's claim thus suspending the provisional enforceability and confirming, albeit in a summary ruling, the substance of the claims brought forward by Tifeo regarding (i) the irrecoverable nature of the receivable claimed by Panelli in the payment injunction due to non-fulfilment of the event to which payment of the balance for the land purchase was dependent (i.e. the loan was not issued) and (ii) Tifeo's valid and effective exercise of the option right on 23 September 2010 regarding sale of the land pursuant to the contracts' terms. In the hearing that took place on 17 February 2011 the Court assigned the limits under law for filing statements pursuant to article 183, paragraph six, c.p.c., adjourning the proceedings to 29 June 2011, following which the Court adjourned the case to 15 March 2012 to allow the admission of facts. Judgement was pronounced on 8-22 June 2012 in which the Civil Court of Milan (i) revoked the opposed injunction order; (ii) ruled Panelli to have breached its obligation to repurchase the land under dispute; (iii) transferred ownership of the land from Tifeo to Panelli pursuant to article 2392 of the Italian Civil Code, ordering Panelli to first reimburse all sums already paid by Tifeo including VAT; (iv) dismissed all of Panelli's claims and exceptions; (v) sentenced Panelli to reimburse all legal fees to Tifeo.

  (B) Proceedings opposing enforceability

  On 4 October 2010, Panelli served a writ of execution on Tifeo pursuant to article 480 of c.p.c. for payment of Euro 6,954,528.82 (representing the amount of Euro 5,079,349 cited in the injunction order plus interest and costs).

  Subsequently, on 24 November 2010 Panelli issued an order to seize Tifeo's bank accounts and Tifeo's receivable due from Platani Energia Ambiente S.c.p.A. (Platani) "up to the amount specified in the writ of execution plus half, corresponding to Euro 10,431,793.23".

  On 13 December 2010, Tifeo filed its objection to the enforcement actions pursuant to article 617 c.p.c., claiming (i) lack of territorial jurisdiction of the Civil Court of Milan in relation to the third parties Platani and Unicredit SpA and consequently (ii) the invalidity of the seizure order, for lack of territorial jurisdiction of the Court official that issued the order. The hearing to discuss this objection, pursuant to article 618 c.p.c., was held on 14 March 2011, during which, the Court reviewing the enforcement proceedings acknowledged the ruling to suspend the provisional enforceability of the injunction order until the outcome of the proceedings opposing the injunction order. The Court of the enforcement proceedings assigned the limits for filing introductory statements regarding the bases for opposing the enforcement orders; consequently under the writ served on Panelli on 28 May 2011,

Tifeo claimed (i) lack of territorial jurisdiction of the Civil Court of Milan in relation to the third parties Platani and Unicredit SpA, (ii) cancellation of the seizure order, for lack of territorial jurisdiction of the Court official that issued the order and consequently (iii) cancellation of the enforcement proceedings. In the first hearing before the Civil Court of Milan on 4 October 2011, the Court granted time to submit statements pursuant to article 183, paragraph 6 of the c.p.c.. The Court, adjourned the proceeding to the hearing of 16 April 2013.
The parties are trying to reach an amicable settlement to the disputes between Tifeo and Panelli. In the event that these negotiations do not reach a successful outcome in the short-term, the decision on the merits issued on 8-22 June 2012 will be enforced.

- **Palermo Energia Ambiente ScpA/Safab**
SAFAB (Società Appalti e Forniture per Acquedotti e Bonifiche S.p.A. that subsequently assigned the claims in the action to Safab S.p.A. ("Safab")), initiated arbitration proceedings against Pea on 2 February 2010. Safab requested the board of arbitration (i) to find Pea in breach of the tender contract entered into by the parties on 8 March 2005, regarding construction work to be performed by Safab in order to execute the Pea Project; (ii) to terminate the tender contract owing to acts committed by and through the fault of Pea; and (iii) to order Pea to pay Euro 20,047,293.63 as consideration for work carried out and damages (this request was later reduced to Euro 16.5 million).
Pea responded in the arbitration proceedings objecting that it was not in default of its payment obligations under the contract since the alleged breaches of contract were the subject of a compromise settlement agreed by the parties on 2 April 2009. Pea also argued that it was not in breach of the compromise settlement since, following execution of the Agreement of 28 April 2009 with ARRA (to which Safab was a party), Safab agreed that the amounts it was due to receive in accordance with the settlement would be paid in the manner specified in and in accordance with, the provisions of the Agreement with ARRA. After it became clear that the project would not proceed, Pea submitted a counterclaim to the board of arbitration, asking the board to rule on the termination of the tender contract and the compromise settlement under the principle of frustration of purpose or, alternatively, factum principis (representing a decision or order issued by a relevant authority which overrides any contractual obligation to fulfil or otherwise comply with the terms of the contract). In the hearing of 13 September 2010, the board of arbitration, deferring any decision on the inadmissibility of the claims to invalidate or terminate the compromise settlement due to breach by Pea, explored the possibility of reaching a settlement, on conclusion of which the parties declared they would consider the possibility of reaching an amicable settlement of the dispute. After several adjournments, in the order dated 9 February 2011, the board of arbitrators, requested the intervention of an independent technical expert to provide an opinion on the statements formulated by the parties. Following further adjournments, on request of both parties presented on 24 January 2012, the arbitration proceedings were suspended until 10 May 2012 later adjourned to 4 October 2012. It is not possible at present to predict the final outcome of this dispute.
The appointment of an independent technical expert in the proceedings does not give any indication of the leanings of the board of arbitration as the investigation to be carried out by the technical expert is instrumental to the ruling on the claims filed by both parties. This does not however exclude the possibility of Pea losing the case, which is limited to the amounts determined in the compromise agreement (approximately Euro 4.5 million). A sundry risk provision has been set up to cover part of this amount.

- **Consorzio Ravennate delle Cooperative di Produzione e Lavoro ScpA (the "Consorzio")/Elettroambiente**
An injunction was filed on 9 October 2010 by the Consorzio for service on 27 October 2010, and provisionally enforceable only against Pianimpianti, a shareholder of Platani, whereby the Court of Ravenna ordered Elettroambiente and other shareholders of Platani, to pay Euro 1,530,711 to the Consorzio representing payment for work carried out pursuant to a tender contract entered into on 4 August 2006 between the Consorzio and Pianimpianti for civil works on the Platani Project.

The action was also brought against the other shareholders of Platani on the grounds that they were jointly and severally liable pursuant to article 13 of Law 109/1994 (now article 37 of Legislative Decree 163/2006). In a writ served on the Consorzio opposing the injunction, Elettroambiente initially contested the claims brought against it as the conditions for invoking its joint and several liability were not satisfied as it had not signed the said tender contract. Moreover, regarding the subject matter of the dispute Elettroambiente has requested (i) withdrawal and/or cancellation of the said injunction due to (a) the invalidity of the basis, namely the tender contract, on which the injunction was issued and (b) the acknowledgement of the events that occurred in the meantime (i.e. the issue of Regional Law 9/2010 and the proceedings initiated by the Department pursuant to article 7 and ff of Law 241/1990 to render invalid the 2002 tender process and all related measures) that made it impossible to proceed with the Project, with all related consequences regarding the impossibility of the Consorzio to finish the work specified in the tender contract; and (ii) to verify the absence of any sum owed by Elettroambiente to the Consorzio Subordinately, in the event of conviction, Elettroambiente filed recovery actions against Pianimpianti and EPC Sicilia Srl (which sold the business of Pianimpianti involved, inter alia, in the dispute), in order to recover any sum that Elettroambiente may be ordered to pay to the Consorzio, requesting the Court pursuant to article 269 c.p.c. to summon Pianimpianti and EPC Sicilia to the action. In a writ served on the Consorzio on 9 December 2010 Enel Produzione contested the injunction requesting it be fully reformed and that the claims made against it by the Consorzio be dismissed. Consequently, Enel Produzione enforced Elettroambiente's guarantee, invoking the indemnity clause pursuant to the shareholders' agreement entered into by the parties on 27 October 2002. Finally, AMIA, EMIT and Catanzaro Costruzioni have also independently contested the above injunction without however making any claim against Elettroambiente. The actions were originally assigned to different courts but were later grouped with the exception of the action brought by AMIA as it is currently in extraordinary administration: this action will therefore proceed independently of the others. The parties exchanged statements pursuant to article 183, paragraph 6 of the c.p.c..
With regard to the above exchange of statements, in its first statement Elettroambiente, in light of the Project no longer proceeding, requested appointment of a technical expert (i) to ascertain whether, given the impossibility of executing the Project, the work carried out by the Consorzio under the tender contract is currently of any use to Pianimpianti and, consequently, (ii) in the event that it is, identify which work Pianimpianti can put to use; the purpose being to establish whether Pianimpianti is required to pay the Consorzio compensation pursuant to article 1672 of the Italian Civil Code.
In the third statement Elettroambiente and Enel Produzione waived the claims and objections made by each other in the proceeding. The Civil Court of Ravenna declared on 2 April 2012 "granting temporary enforcement of the opposed injunction orders to be unacceptable with respect to the current objectants" (including Elettroambiente SpA) and did not admit the preliminary statements submitted by the Consorzio (holding them inadmissible and/or unfounded). The Court scheduled the final hearing to take place on 31 January 2013, considering it necessary to first of all review the preliminary statements the outcome of which "*could affect the ruling*". The Court also declared that "*it would be uneconomical to summons other parties to the action* ", thus dismissing the request made by Elettroambiente subordinately, whereby in the event of conviction Pianimpianti and EPC Sicilia would be summoned to the actions in order to file recovery actions against them. Finally, the Court acknowledged the waiver of claims and objections between Elettroambiente and Enel Produzione, pronouncing "*the case dismissed*" in relation to the proceedings between the parties. As the proceedings are still in the opening stages it is not possible to predict the outcome at present.

- **Palermo Energia Ambiente ScpA/Tax authorities**
  Following the application submitted by Pea to the tax authorities regarding VAT to be reclaimed in relation to 2005 to 2009, Pea received Euro 386 thousand (2005 VAT) on 24 April 2007 and Euro 1,021 thousand (2006 VAT) on 19 August 2008. On 27 July 2011, Pea received a copy of a letter issued by the tax authorities to Unicredit SpA regarding enforcement of the guarantee issued by Pea for an amount of Euro 1,111 thousand, pursuant to article 38bis Presidential Decree 633/72, regarding

the 2006 claim. Pea received a tax demand from the Provincial Offices in Palermo on 29 July 2011, rejecting the VAT claim made in respect of 2006 and issuing a penalty of 100% of the claim submitted. This tax assessment has been appealed. In its ruling of 22 February 2012, the Provincial Tax Commission of Palermo admitted the appeal filed by the company. The tax authorities have also rejected the 2007 and 2008 VAT claims on the basis that Pea is not an operating company and has no right to claim repayment. Pea challenged this refusal in an appeal. In its ruling of 28 December 2011 the Provincial Tax Commission of Palermo admitted the appeals filed by Pea and agreed to settle the claims for repayment. A default notice was sent to the tax authorities on 22 February 2012 requesting payment of all sums due. The tax authorities filed an appeal with the Regional Tax Commission on the 2007/2008 VAT rulings.

. **Falck Renewables Wind Ltd**

- **Geopower Sardegna Srl/ATI nBI-Eolo Scarl (arbitration proceedings)**
  In the "Letter of warning and Request for arbitration" served on 26 March 2012, nBI Srl ("nBI2), acting as agent of the Associazione Temporanea di Imprese (temporary consortium, hereinafter "ATI nBI-Eolo") together with the principal Eolo Scarl ("Eolo"), commenced arbitration proceedings against Geopower pursuant to article 36 of the tender contract (the "Contract") dated 4 June 2010 between Geopower and the temporary consortium comprising Busi Impianti SpA ("Busi") and Eolo ("ATI Busi-Eolo") subsequently amended on 23 December 2010. In the Request for arbitration, nBI claimed to have entered into an agreement with Busi on 14 September 2011 (the "Rent Contract") whereby the latter rented to the former a branch of its business that comprised the "work governed by the contract with Geopower" (the "Business"). Subsequent to the Rent Contract a "new temporary association between nBI and the principal Eolo Scarl was formed", namely the ATI nBI-Eolo.
  In light of the above, nBI claimed that Geopower had committed multiple breaches of its contractual obligations with ATI nBI-Eolo and called on Geopower to remedy the breaches where possible and commenced arbitration proceedings claiming the return of undue payments and restitution for a total of approximately Euro 21.6 million (including repayment of Euro 3,980,000 representing the amount received by Geopower following execution of the performance bond issued in the interests of ATI Busi-Eolo by the Banca Popolare dell'Emilia Romagna). In the course of settlement negotiations between the parties, Geopower appointed an arbitrator on 16 April 2012 and requested that the opponent's claims be dismissed and that Geopower's counterclaim be admitted to the proceedings.
  The parties agreed a settlement on 5 July whereby:
  - Geopower agrees to repay Euro 3,980,000 representing the amount received following execution of the performance bond and to pay ATI nBI-Eolo the sum of Euro 4,953,408.10, including VAT, as settlement for invoices already issued. These amounts have been included in liabilities in the half-year financial report at 30 June 2012.
  - Geopower agrees to issue the milestones stipulated in the contract following approval of Lot 3 and, contrary to the Tender, the Final Acceptance Certificate (FAC) at the date of the agreement;
  - nBI and Eolo agreed to carry out the secondary works completely, accurately and on time in order to finalise the wind farm.

  The parties waived all claims, requests and exceptions submitted by them in the course of the proceedings.

- **Eolo 3W Minervino Murge Srl/ICQ**
  In the injunction filed on 25 June 2012, Eolo 3W was ordered to pay ICQ Euro 4,544,000.00, plus interest pursuant to Legislative Decree 231/02 calculated from 24 January 2012 and legal expenses, as further compensation linked to benefits under Law 488/1992, in accordance with the contract signed on 6 September 2006 relating to the sale of ICQ's entire shareholding in Eolo 3W Minervino Murge Srl to Falck Renewables Wind Ltd. Falck Renewables Wind and Minervento SpA signed an "Assumption to discharge debt" on 9 October 2007, signed by ICQ under article 1273 of the c.c.,

whereby Minervento assumed any amounts owed to ICQ by Falck Renewables Wind arising under the contract; on the same date Falck Renewables Wind sold to Minervento its entire shareholding in Eolo 3W; finally, Minervento was merged through acquisition with Eolo 3W on 17 June 2010, with the latter taking on all of Minervento's contractual obligations. Given the complexity of regulations regarding the granting of benefits under Law 488, and negotiations currently underway to reach an amicable settlement, it is not possible to foresee the outcome of this litigation at present. An objection is being drawn up pending the outcome of these negotiations.

- **Arbitration Falck SpA - Geopower Sardegna Srl - GEO Mbh**
  A request for arbitration was filed on 25 June 2009 by GEO Gesellschaft für Energie und Oekologie mbH against Falck SpA after a dispute arose regarding the consideration payable by Falck Renewables Wind Ltd under an agreement for the sale of quotas in Geopower Sardegna dated 20 May 2005. The request regards the enforcement of the corporate guarantee for Euro 3,621,000 issued by Falck SpA on 8 April 2009.
  The board of arbitration assessed the credit secured by the corporate guarantee as Euro 1.9 million and handed down its award on 8 October 2010, ordering Falck SpA to pay Euro 1.9 million. On 18 November 2010 Falck SpA filed a plea to correct the award, having found mistakes in its calculation. In an order of 20 December 2010, the board of arbitration dismissed the application for the correction of the award. On 7 September 2011 Falck SpA filed an appeal with the Appeal Court in Milan, claiming the invalidity of the arbitration award and a plea for suspension of the award execution; this plea was thrown out by the Court order issued on 20 October 2011.
  The first hearing on the merits of the appeal action adjourned the final hearing to 23 June 2015.
  In the meantime a notice of objection to the payment order was served by GEO relating to the awarded amount and subsequent costs (which have been paid by Falck under right of restitution). GEO raised an enforcement order in relation to a dispute that arose regarding bank commission applied to the amount paid to it by Falck, seizing Euro 500 from Falck's bank accounts. The next hearing is scheduled to take place on 22 November 2012.
  Given the complex subject matter and the new rules governing the challenge of arbitration awards, the outcome of the dispute is uncertain and as a consequence recovery of the sums already paid is considered unlikely.
  The costs incurred by Falck and the economic impact of the case will be borne by Falck Renewables.

c) Internal and external risks

The Falck Renewables Group is largely exposed to risks relating to the authorisation process involved with the development of its projects and the authorisations held that are necessary to continue production activities.
In order to mitigate these risks the Group is diversifying both the types of investment and the location of the operating plants in order to spread the risks across different businesses.
With regard to the operating plants, the risks principally relate to the activities performed by the workforce and the operation and maintenance of owned plants or those managed by Group companies, in order to ensure that they comply with the requirements of the Integrated Environmental Authorisation (AIA) and authorisations issued under law.
Moreover, the renewable energy market in which the Group operates is heavily regulated. As a consequence particular care must be paid in order to keep abreast of regulatory developments so that, where possible, the best implementation solutions may be adopted.
The previous factors present a significant risk to the Group.

d) Risks related to the legal/fiscal and regulatory framework

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

e) Risks related to production

The sources of energy used in this sector lead to highly variable production, due to variable climatic conditions of the locations of the wind farms and the photovoltaic plants (sun and wind), and production forecasts based on historic data and probability estimates.
In particular, electricity generation from wind and solar sources are associated with unforeseeable climatic factors that are affected by seasonality during the year and do not generate constant production levels.
Adverse climatic conditions, specifically long periods of low wind levels for the wind farms and low levels of sun rays for the photovoltaic plants compared to levels recorded during the development stages (regarding the availability of the source and forecast climate conditions), could result in a drop in, or interruption of, the plant's activities with a fall in the volume of electricity generated and a negative impact on operations and the Group's results, state of affairs and financial position.
The Group mitigates this risk by installing new sites in diversified geographic areas and monitoring performance using historic data in order to identify sites of potential interest.

f) Risks related to plant technology

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

g) Risks related to supplier dependence

Capital expenditure in this sector consists of technologically advanced components (such as wind aero generators and photovoltaic panels), manufactured by a limited number of suppliers, particularly in the wind sector. The expansion of the renewable energy market and the resulting constant growth in demand, may result in increased purchase prices and longer delivery times.
The continued economic and financial crises at international level has led to machine prices remaining in line with the previous year and improved delivery times.

h) Risks related to plant financing

The Group finances its projects, in particular in the wind sector, principally through project financing and in many cases taking out bridging loans during the construction phase while waiting to receive these loans.
The current financial situation and the difficulties involved in raising debt has witnessed a general worsening in the economic conditions of project financing and an extension in the time taken to secure the finance.
The Group continues to have access to this form of financing at economic conditions and within a timeframe that meets the construction and performance specifications of the financed projects.

4.1.12 Significant events after the balance sheet date

The Petralia Sottana (22 MW) and Ty Ru (10 MW) wind farms were completed and came on stream in July 2012. With the exception of the matters described above relating to the Regulatory framework and the Sicily Projects, no other significant events took place after the balance sheet date that require disclosure.

4.1.13 *Management outlook for the coming year and going concern*

Revenue in 2012 will benefit from the full year's production of:

- The Buddusò-Alà dei Sardi wind farm (138 MW);
- The extensions to the Kilbraur (20 MW) and Millennium (15 MW) wind farms;
- The photovoltaic plants in Sicily.

The above increase in installed capacity will more than offset the fall in revenue attributable to the expiry in 2011 of the incentive element under paragraph 3 of the CIP 6/92 decree in respect of both the Trezzo sull'Adda and Granarolo dell'Emilia WtE plants.

The second half of 2012 will benefit from the revenue of the Petralia Sottana (22MW) and Ty Ru (10MW) wind farms that were completed and came on stream in July 2012. Construction work commenced on the Nutberry Wind Energy Ltd wind farm (15 MW), which is expected to be completed in the first half of 2013.

Authorisations have been received to construct the Spaldington Airfield (15 MW), West Browncastle (30 MW) and Kingsburn (20MW) UK wind farms, while scouting for new initiatives and the repowering of existing plants in the WtE and biomass sector continued.

The funds required to finance construction of the above plants will impact the net financial position, with the increased debt partially offset by cash generated by the operating plants.

The Group will continue to monitor regulations in the renewables sector, with particular focus on incentives schemes. The Group will monitor regulatory and tax changes in order to allocate investments to those businesses or countries that are more interesting and advantageous, with a view to diversifying both renewable technologies employed and geographical location as defined in the updated 2012-2014 Business Plan presented to the markets on 30 March 2012.

Particular focus will be placed on the international finance markets given the capital intensive nature of the business in which the Group operates.

4.2 Operating and financial review of Falck Renewables SpA

4.2.1 Financial highlights

(Euro thousands)

		30.6.2012	30.6.2011	31.12.2011
Revenue		27	220	140
Cost of sales		(148)	(52)	(130)
Gross (loss)/profit		**(121)**	**168**	**10**
Operating loss		**(6,351)**	**(4,366)**	**(17,654)**
(Loss)/profit before income tax		**(26,598)**	**11,384**	**(1,791)**
(Loss)/profit for the period		**(25,813)**	**12,261**	**(1,776)**
Invested capital net of provisions		234,232	249,175	264,739
Total equity		521,851	571,504	556,636
Net financial position (asset)		**(287,619)**	**(322,329)**	**(291,897)**
Capital expenditure		**56**	**702**	**870**
Employees at the period-end	(no.)	75	66	65
Ordinary shares	(no.)	291,413,891	291,413,891	291,413,891

4.2.2 Performance and review of business

The first half of 2012 closed with a loss of Euro 25,813 thousand, after amortisation and depreciation of Euro 51 thousand and income from the group consolidated tax regime of Euro 784 thousand.

The result was negatively influenced by the impairment losses totalling Euro 33,370 thousand recognised against the entire carrying value of the investment in Elettroambiente, the holding company of Tifeo and Platani, and the write-down of financial receivables due from Elettroambiente totalling Euro 1,834 thousand: the total impact was Euro 35,204 thousand.

Excluding the impact of these losses the Company would have recorded a profit for the period of Euro 9,391 thousand.

These impairment losses and write offs were recorded subsequent to the Suspension Order issued by the Civil Court of Milan in relation to the proceedings between Tifeo Energia Ambiente ScpA (in liquidation), Platani Energia Ambiente ScpA (in liquidation), Palermo Energia Ambiente ScpA (in liquidation – lead project company for the Sicily Projects) and the Sicily Region's Department for Energy and Public Utilities.
The proceedings in Milan have been suspended pending ruling on the related administrative procedures currently before the Sicily Regional Administrative Court. Consequently, the outcome of the civil proceedings may be influenced by the rulings on the administrative proceedings. There are two possible outcomes regarding the claims submitted in the Administrative Proceedings: i) admission of the claim for damages raised in the Administrative Proceedings would result in the cancellation of the claims presented in the Milan proceedings; ii) it may also occur that, in the event that the Administrative Proceedings rule the Region's suspension decree and those declaring invalidity and/or ratifying cancellation, to be illegitimate, the same Administrative Proceedings do not award damages: in this case the proceedings would be brought before the Civil Court where the damages claim would continue. With regard to the first scenario, administrative law adopts a restrictive approach whereby damages for loss of profits are generally excluded.
In any event, following suspension of the Civil Proceedings, which may still be challenged under the rules regarding jurisdiction pursuant to article 42 of the Code of Civil Procedures (c.p.c.), the timeframe for reaching a temporary enforcement ruling in the civil hearings under scenario ii) would be at least five years.

In light of recent events and the complex nature of this case, as confirmed by the Company's independent advisors, the probability of obtaining a successful outcome regarding the pecuniary damages claim is substantially in line with prior opinion. However, the likelihood of a successful outcome regarding the award of damages for loss of profits is significantly compromised.
Consequently an impairment test was performed on the carrying value of the investment in Elettroambiente that resulted in recognition of a total impairment loss of Euro 35,204 thousand comprising the full carrying value of the investment and part of the financial receivable due from Elettroambiente.
Following impairment the balances recorded in the separate company financial statements represent the pecuniary losses Elettroambiente's subsidiaries (Tifeo and Platani) are estimated to recover. Impairment losses had been recognised against the full carrying value of the investment in Pea and total trade and financial receivables owed to Falck Renewables SpA by the former in the separate financial statements at 31 December 2011.
The first half-year results also include investment income of Euro 12,260 thousand relating to dividends from Prima Srl (Euro 2,550 thousand), Frullo Energia Ambiente Srl (Euro 3,430 thousand), Actelios Solar SpA (Euro 3,600 thousand), Ecosesto SpA (Euro 2,500 thousand) and Ambiente 2000 Srl (Euro 180 thousand).
With regard to the associate Palermo Energia Ambiente ScpA (in liquidation), which is no longer included in the scope of consolidation, the loss for the first half of 2012 includes write-downs of Euro 30 thousand against trade receivables and Euro 239 thousand against financial receivables owed to Falck Renewables SpA by Pea, and a charge of Euro 73 thousand to the sundry risks provision. The total impact on the result was Euro 342 thousand.
The net financial position was an asset of Euro 287,619 thousand, representing a decrease of Euro 4,278 thousand on the balance at 31 December 2011. The net financial position also includes the negative fair value of derivatives to hedge interest rate exposure amounting to Euro 2,151 thousand (31 December 2011 – Euro 1,190 thousand).

4.2.3 Employees

The total number of employees in the Company at 30 June 2012 was 75, comprising 16 managers and 59 blue-collar workers, representing an increase of 10 employees compared to the total at 31 December 2011, which is mainly attributable to internal reorganisations that are partially reflected in a reduction in employee numbers in the WtE, biomass and photovoltaic sector.

4.2.4 Capital expenditure

Capital expenditure totalled Euro 56 thousand and relates entirely to the implementation of SAS that is used in the preparation of the Group consolidated financial statements.

4.2.5 Company controls

Falck Renewables SpA continued to rationalise and optimise its organisation structure in order to ensure that transparency and efficiency surround the corporate governance structure.
Share capital consists entirely of ordinary shares and Falck SpA is a significant shareholder with a holding of 60% of share capital; other significant shareholders include William Heller, a director of the wind farm sector, with approximately 6% and Achille Colombo, a former director, who holds more than 2%.

The remaining shares are owned by shareholders that hold less than 2% of share capital.

The Company has adopted the provisions and recommendations provided by the stock exchange regulatory and control bodies. In particular the Company has implemented:

- The Code of Self Discipline

- The Code of Internal Dealing
- The Code of Ethics.

The Company is managed by a board of directors.

The chairman of the board acts as the Company's legal representative and has separate signatory powers, the deputy chairman and chief executive officer (CEO) act as legal representatives and have signatory powers in line with the limits assigned to them. The CEO is also vested with the powers required to manage the business and to carry out extraordinary activities where necessary.

In accordance with the Code of Self Discipline, the board of directors set up a remuneration committee and an internal controls and corporate governance committee, which perform consultative roles and present recommendations.

Moreover, in accordance with the provisions of Legislative Decree 231/01, the Company has adopted an Organisation and Operations Manual and has appointed a Supervisory Board.

The Company has also appointed an Investor Relator in order that the market may obtain and receive on a regular basis information and news regarding the Company and the Group.

4.2.6 Related party transactions

Relations with subsidiaries and associates

Falck Renewables SpA carries out arm's length transactions of both a trade and financial nature with its parent company, subsidiaries and associates.

These transactions allow for group synergies to be achieved through the use of common services and know-how and the application of common financial policies.
In particular, the transactions relate to specific activities, details of which are provided in the notes to the financial statements and include:

- Raising finance and issuing guarantees;
- Administrative and professional services;
- Management of common services.

Relations with the parent company Falck SpA

Falck SpA, which is in turn 65.96% owned by Finmeria Srl, held a 60% stake in the Company at 30 June 2012 and no transactions of an economic or financial nature take place with the former.

Falck Renewables SpA performs professional services for modest amounts and manages shared services for the parent company Falck SpA.
The Company also participates in the consolidated tax regime and the group VAT return with its parent company Falck SpA.

Falck Renewables SpA's board of directors approved the procedure governing related party transactions on 12 November 2010.

4.2.7 Direction and coordination activities

In accordance with article 2497 bis, paragraph 5 of the Italian Civil Code, it is noted that Falck SpA performs direction and coordination activities with respect to Falck Renewables SpA. The activities performed are of a commercial and financial nature as noted above, and resulted in Euro 92 thousand of income from services performed on behalf of the parent company.

The loss for the half-year also includes recharges made by Falck SpA for a total Euro 937 thousand that principally relates to Euro 387 thousand of costs arising from the contract governing use of the Falck trademark, including an adjustment of Euro 29 thousand in respect of 2011, and Euro 490 thousand representing emoluments of the Chief Executive Officer and one director that are recharged to the parent company Falck SpA.

4.2.8 Holding of own shares or shares in the parent company

In accordance with article 2428, paragraph 2, point 3 of the Italian Civil Code, the Company declares that at 30 June 2012 it did not hold its own shares or shares in the parent company.

4.2.9 Purchase and sale of own shares or shares in the parent company

In accordance with article 2428, paragraph 2, point 4 of the Italian Civil Code, the Company declares that during the six months ended 30 June 2012 it did not purchase or sell its own shares or shares in the parent company.

4.2.10 Share schemes

The Company does not currently operate employee benefit schemes through implementation of stock option plans.

On behalf of the board of directors
The Chairman
Federico Falck

Milan, 28 August 2012

5. Condensed consolidated interim financial statements at 30 June 2012

5.1 Consolidated balance sheet

(Euro thousands)

	Note	30.6.2012	of which related parties	31.12.2011	of which related parties
Assets					
A **Non-current assets**					
1 Intangible assets	(1)	119,221		131,069	
2 Property, plant and equipment	(2)	1,127,406		1,098,604	
3 Financial assets	(3)	18		1,096	
4 Medium/long-term financial receivables	(4)	407		734	734
5 Trade receivables	(5)				
6 Deferred income tax assets	(7)	32,466		29,853	
7 Other receivables	(6)	2,693		8,288	5,760
Total		**1,282,211**		**1,269,644**	
B **Current assets**					
1 Inventories	(8)	4,508		4,263	
2 Trade receivables	(5)	119,841	128	102,554	236
3 Other receivables	(6)	64,342	10,171	60,449	6,250
4 Financial receivables	(4)	279		14	14
5 Financial assets					
6 Cash and cash equivalents	(9)	104,633		96,890	
Total		**293,603**		**264,170**	
C **Non-current assets held for sale**					
Total assets		**1,575,814**		**1,533,814**	
Liabilities					
D **Equity**					
1 Ordinary shares		291,414		291,414	
2 Reserves		127,724		114,614	
3 Retained earnings		9,970		20,022	
4 Profit for the period		4,768		18,863	
Equity attributable to owners of the parent	(10)	**433,876**		**444,913**	
5 Non-controlling interests		6,598		6,913	
Total equity	(10)	**440,474**		**451,826**	
E **Non-current liabilities**					
1 Medium/long-term financial liabilities	(13)	901,402		879,569	
2 Other non-current liabilities	(15)			352	
3 Deferred income tax liabilities	(7)	15,772		14,990	
4 Provisions for other liabilities and charges	(11)	35,751		33,797	
5 Staff leaving indemnity	(12)	3,887		3,790	
Total		**956,812**		**932,498**	
F **Current liabilities**					
1 Trade payables	(14)	74,947	2,283	62,116	3,034
2 Other payables	(15)	52,362	6,955	43,189	8,519
3 Short-term financial liabilities	(16)	51,219		44,185	
4 Provisions for other liabilities and charges					
Total		**178,528**		**149,490**	
G **Liabilities attributable to non-current assets held for sale**					
Total liabilities		**1,575,814**		**1,533,814**	

Related party transactions are detailed on page 69.

5.2 Consolidated income statement

(Euro thousands)

		Note	30.6.2012	*of which related parties*	30.6.2011	*of which related parties*
A	Revenue	(17)	141,943		114,034	
	Direct labour costs	(18)	(4,381)		(4,797)	
	Direct costs	(19)	(81,103)	25	(53,617)	
B	Cost of sales		(85,484)		(58,414)	
C	**Gross profit**		**56,459**		**55,620**	
	Other income	(20)	891	170	1,527	127
	Other employee costs	(18)	(6,496)		(6,122)	
	Administrative expenses	(21)	(10,297)	(998)	(8,903)	(600)
D	**Operating profit**		**40,557**		**42,122**	
	Finance costs - net	(22)	(23,274)	118	(17,867)	(1,597)
	Investment income	(23)	676		560	560
E	**Profit before income tax**		**17,959**		**24,815**	
	Income tax expense	(24)	(12,600)		(10,483)	
F	**Profit for the period**		**5,359**		**14,332**	
G	Profit attributable to non-controlling interests		591		997	
H	**Profit attributable to owners of the parent**		**4,768**		**13,335**	

Related party transactions are detailed on page 75.

5.3 Statement of comprehensive income

(Euro thousands)

		30.6.2012			30.6.2011		
		Gross	Tax	Net	Gross	Tax	Net
A	**Profit for the period**	**17,959**	**(12,600)**	**5,359**	**24,815**	**(10,483)**	**14,332**
	Other elements recognised in equity:						
	(Gains)/losses reversed to income statement in respect of available-for-sale financial assets, previously recorded in net equity						
B	**(Gains)/losses reversed to income statement previously recognised in equity**						
	Foreign exchange differences on translation of overseas financial statements	1,648		1,648	(81)		(81)
	Fair value adjustment of available-for-sale financial assets						
	Balance of actuarial gains/(losses) on employee benefits				59		59
	Fair value adjustments of derivatives designated as cash flow hedges	(12,765)	3,664	(9,101)	2,360	(894)	1,466
	Portion of other elements recorded in net equity relating to associates and joint ventures				115		115
C	**Gains/(losses) recognised directly in equity in the period**	**(11,117)**	**3,664**	**(7,453)**	**2,453**	**(894)**	**1,559**
B+C	**Total other elements recognised in equity**	**(11,117)**	**3,664**	**(7,453)**	**2,453**	**(894)**	**1,559**
A+B+C	**Total recognised gains/(losses)**	**6,842**	**(8,936)**	**(2,094)**	**27,268**	**(11,377)**	**15,891**
	Attributable to:						
	- owners of the parent			(2,684)			14,894
	- non-controlling interests			590			997

5.5 Consolidated cash flow statement

(Euro thousands)

	Note	30.6.2012	of which related parties	30.6.2011	of which related parties
Cash flows from operating activities					
Profit for the period		5,359		14,332	
Adjusted for:					
Amortisation and impairment of intangible assets		15,146		588	
Depreciation and impairment of tangible assets		28,947		21,565	
Staff leaving indemnity provision		429		371	
Fair value of financial assets					
Finance income		(9,392)		(13,700)	
Finance costs		32,666		31,567	1,597
Dividends received					
Share of profit of equity investments		(747)	(747)	(560)	
Gain on sale of intangibles					
Profit on disposal of property, plant and equipment		(34)			
Profit on sale of investments		71			
Other changes		26		52	
Income tax expense (income statement)		12,600		10,483	
Operating profit before changes in net working capital and provisions		**85,071**		**64,698**	
Change in inventories		(245)		(236)	
Change in trade receivables		(16,552)		5,454	
Change in trade payables		12,399		(19,295)	
Change in other receivables/payables		6,535		(19,732)	
Net change in provisions		309		2,321	
Change in employee payables - staff leaving indemnity paid during		(332)		(299)	
Cash generated from operating activities		**87,185**		**32,911**	
Interest paid		(30,418)		(31,114)	(1,597)
Tax paid		(6,845)		(1,130)	
Net cash generated from operating activities (1)		**49,922**		**667**	
Cash flows from investing activities					
Dividends received				867	
Proceeds from sale of property, plant and equipment		34		302	
Proceeds from sale of intangible assets					
Proceeds from investment activities					
Purchases of intangible assets		(77)		(111)	
Purchases of property, plant and equipment		(33,892)		(85,271)	
Acquisition of investments		(463)	(463)	(1,488)	
Sale of investments		320			
Interest received		9,293	118	13,207	
Change in scope of consolidation		3,275			
Net cash used in investing activities (2)		**(21,510)**		**(72,494)**	
Cash flows from financing activities					
Dividends paid		(8,846)		(4,857)	(2,098)
Proceeds from share capital increase and capital contributions net of expenses				129,972	
Expenses relating to capital transactions				(3,353)	
Proceeds from borrowings		14			
Borrowings granted		(264)		(42)	
New borrowings		17,592		159,037	
Repayments of borrowings		(27,041)		(201,238)	
Net cash (used in)/from financing activities (3)		**(18,545)**		**79,519**	
Net increase in cash and cash equivalents and bank overdrafts (1+2+3)		**9,867**		**7,692**	
Cash and cash equivalents and bank overdrafts at 1 January		96,769		92,789	
Translation (loss)/gain on cash and cash equivalents		(2,003)		4,301	
Cash and cash equivalents and bank overdrafts at 30 June	(9)	**104,633**		**104,782**	

5.5 Consolidated statement of changes in equity

(Euro thousands)

	Share capital	Reserves	Profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 31.12.2010	**161,897**	**163,592**	**2,499**	**327,988**	**7,345**	**335,333**
Appropriation of 2010 profit		2,499	(2,499)			
Share capital increase	129,517			129,517		129,517
Dividends		(3,497)		(3,497)	(1,360)	(4,857)
Other movements		(3,379)		(3,379)	(36)	(3,415)
Profit for the half-year to 30 June 2011			13,335	13,335	997	14,332
At 30.6.2011	**291,414**	**159,215**	**13,335**	**463,964**	**6,946**	**470,910**
Share capital increase		(2,006)		(2,006)		(2,006)
Dividends					(38)	(38)
Other movements		(22,573)		(22,573)	21	(22,552)
Profit for the half-year to 31 December 2011			5,528	5,528	(16)	5,512
At 31.12.2011	**291,414**	**134,636**	**18,863**	**444,913**	**6,913**	**451,826**
Appropriation of 2011 profit		18,863	(18,863)			
Dividends		(8,276)		(8,276)	(570)	(8,846)
Other movements		(7,529)		(7,529)	(336)	(7,865)
Profit for the half-year to 30 June 2012			4,768	4,768	591	5,359
At 30.6.2012	**291,414**	**137,694**	**4,768**	**433,876**	**6,598**	**440,474**

5.6.1 Basis of preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the period 1 January 2012 - 30 June 2012 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC).

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

In accordance with IAS 34 "Interim financial reporting" and in order to allow full comprehension of the condensed consolidated interim financial statements at 30 June 2012 this report includes consolidated statements consistent with those presented at 31 December 2011.

As the condensed consolidated interim financial statements do not contain all of the disclosures required for the preparation of the annual report they should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011.

With regard to the layout of the condensed consolidated interim financial statements, the Company has opted to present the following accounting statements:

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

. ***Consolidated income statement***
The consolidated income statement presents costs by function, using also the variable element of cost as a distinguishing factor.
For a better understanding of the normal results of ordinary operating, financial and tax management activities, the income statement presents the following intermediate consolidated results:

- gross profit;
- operating profit;
- profit before income tax;
- profit for the period;
- profit attributable to non-controlling interests;
- profit attributable to owners of the parent.

Segment reporting has been presented in respect of the business units in which the Group operates, as the information used by management to evaluate operating results and for decision-making purposes in the individual business units coincides with the economic and financial information of each segment.

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

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

. ***Consolidated statement of changes in equity***
The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenue, income, cost and expense not

recorded in the income statement but recognised directly in consolidated equity based on specific IAS/IFRS requirements.

The condensed consolidated interim financial statements are prepared in Euro and all amounts disclosed in the financial statements and accompanying notes are expressed in Euro thousands, except where otherwise noted.

The condensed consolidated interim financial statements at 30 June 2012 were approved by the board of directors on 28 August 2012 during which publication of the interim report was authorised.

The condensed consolidated interim financial statements are subject to a limited audited by Reconta Ernst & Young SpA under the terms of engagement approved in the AGM of 6 May 2011.

5.6.2 Scope of consolidation

The condensed consolidated interim financial statements for the six months ended 30 June 2012 include the financial statements of the parent company Falck Renewables SpA and all of the subsidiaries in which it holds, either directly or indirectly, majority voting rights. The companies in which the parent company exercises joint control with other shareholders (joint-ventures) are consolidated applying the proportional method, while those companies over which the Group exercises a significant influence are accounted for using the equity method.

The Falck Renewables Group consists of 60 companies, 53 of which are consolidated on a line-to-line basis, 4 are consolidated applying the proportional method and 3 are valued at cost. The scope of consolidation was modified in the course of the period to include the following companies that are consolidated on a line-by-line basis:

- Falck Renewables Gmbh und co. KG - 100% owned by Falck Energies Renouvelables Sas;
- Falck Renewables Verwaltungs Gmbh – 100% owned by Falck Energies Renouvelables Sas;
- Wysoka Wind Farm Sp. Z.o.o. - 52% owned by Falck Renewables Wind Ltd;
- Parc Eolien d'Illois Sarl - 100% owned by Falck Energies Renouvelables Sas.

The following companies, previously consolidated on a line-by-line basis, were no longer included in the scope of consolidation following sale or liquidation:

- Actelios Etnea Srl - 100% owned by Falck Renewables SpA;
- Cushnie Wind Energy Ltd - 52% owned by Falck Renewables Wind Ltd.

Following changes to the shareholder agreements (that came into effect on 13 March 2012) involving the three Spanish companies (Parque Eolico La Carracha Sl, Parque Eolico Plana de Jarreta Sl and Nuevos Parque Eolicos La Muela AIE), in which Falck Renewables Wind Ltd holds 26% interests respectively, these are now considered joint ventures and have been consolidated under the equity method until 31 March 2012 and applying the proportional method from 1 April 2012. This switch to the proportional method resulted in an increase of Euro 0.7 million in Ebitda for the three month period, while the consolidated net financial position increased by Euro 10.5 million.

5.6.3 Principles of consolidation

The principles of consolidation and the accounting policies used in the preparation of the half-year financial report for the six months to 30 June 2012 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2011, which should be referred to for further detail, with the exception of new accounting policies that came into force from 1 January 2012, changes to existing policies and interpretations as detailed below.

- **IAS 12 – Deferred Tax: Recovery of Underlying Assets**

  This amendment to IAS 12 includes the presumption that recovery of the carrying amount of an investment property, measured using the fair value model in IAS 40, will normally be through sale and that the related deferred tax asset should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. In particular IAS 12 requires that the deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be determined on a sale basis. The amendments are mandatory for annual periods beginning on or after 1 January 2012.
  This standard is not applicable to the Group as it does not hold investment property.
  The following amendments have not impacted the Group's accounting policies, state of affairs or results of operations.

- **IFRS 7 – Financial Instruments: Disclosures – transfers of financial assets**

  The IASB published an amendment to IFRS 7 in order to improve disclosures on financial assets. These disclosures relate to transferred assets (as defined in IAS 39). Where the transferred financial assets are not derecognised in their entirety, an entity is required to provide disclosures that allow users of financial statements to understand the relationship between transferred financial assets and the associated liabilities. Where transferred assets are derecognised in their entirety and where the entity has a continuing involvement, disclosures are required in order to allow the users of financial statements to understand the nature of the entity's continuing involvement in the derecognised assets and the associated risks. The effective date for the amendment is annual periods beginning on or after 1 July 2011; comparative disclosures are not required.

- **IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time users**

  When an entity's date of transition to IFRS is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities, held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The effective date of this amendment is for annual periods beginning on or after 1 July 2011; earlier application is permitted.

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

5.6.4 Segment information

Set out below are details of the results of operations and financial position by business segment in accordance with IAS/IFRS.
The segments identified represent the organisation and production structure that the Falck Renewables Group has decided to adopt.
The operating segments and performance indicators were determined based on the reporting used by the Group's board of directors for the purpose of strategic decision making.

5.6 Notes to the condensed consolidated interim financial statements

(Euro thousands)

	WtE, biomass, photovoltaic		Wind		Holding		Elimination		Consolidated	
Operations	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Revenue	47,690	55,520	94,226	58,488	27	220		(194)	141,943	114,034
Cost of sales	(46,480)	(31,270)	(39,083)	(27,274)	(148)	(52)	227	182	(85,484)	(58,414)
Gross profit	**1,210**	**24,250**	**55,143**	**31,214**	**(121)**	**168**	**227**	**(12)**	**56,459**	**55,620**
Other income	131	165	403	1,170	2,825	2,560	(2,468)	(2,368)	891	1,527
Administrative expenses	(3,293)	(4,232)	(7,062)	(6,111)	(9,055)	(7,094)	2,617	2,412	(16,793)	(15,025)
Operating profit/(loss)	**(1,952)**	**20,183**	**48,484**	**26,273**	**(6,351)**	**(4,366)**	**376**	**32**	**40,557**	**42,122**
Finance income/(costs) - net	(3,812)	(2,314)	(21,861)	(18,969)	566	3,416	1,833		(23,274)	(17,867)
Investment income/(expenses)			732	560	(20,813)	12,334	20,757	(12,334)	676	560
Profit/(loss) before income tax	**(5,764)**	**17,869**	**27,355**	**7,864**	**(26,598)**	**11,384**	**22,966**	**(12,302)**	**17,959**	**24,815**
Income tax expense	(3,953)	(6,845)	(9,425)	(4,515)	785	877	(7)		(12,600)	(10,483)
Profit/(loss) for the period	**(9,717)**	**11,024**	**17,930**	**3,349**	**(25,813)**	**12,261**	**22,959**	**(12,302)**	**5,359**	**14,332**
Profit/(loss) attributable to non-controlling interests	565	1,007	25	(10)			1		591	997
Profit/(loss) attributable to owners of the parent	**(10,282)**	**10,017**	**17,905**	**3,359**	**(25,813)**	**12,261**	**22,958**	**(12,302)**	**4,768**	**13,335**
Ebitda	**20,969**	**27,203**	**70,344**	**41,928**	**(5,974)**	**(4,138)**	**318**		**85,657**	**64,993**

(Euro thousands)

	WtE, biomass, photovoltaic		Wind		Holding		Elimination		Consolidated	
Financial	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Non-current assets	294,629	334,550	984,112	829,579	235,546	246,113	(232,076)	(237,875)	1,282,211	1,172,367
Current assets	92,372	72,837	202,003	159,570	405,737	416,334	(406,509)	(417,809)	293,603	230,932
Assets held for sale										
Total assets	**387,001**	**407,387**	**1,186,115**	**989,149**	**641,283**	**662,447**	**(638,585)**	**(655,684)**	**1,575,814**	**1,403,299**
Equity attributable to owners of the parent	60,699	86,432	65,297	36,175	521,851	571,504	(213,971)	(230,147)	433,876	463,964
Non-controlling interests	7,131	7,107	(285)	89			(248)	(250)	6,598	6,946
Total equity	**67,830**	**93,539**	**65,012**	**36,264**	**521,851**	**571,504**	**(214,219)**	**(230,397)**	**440,474**	**470,910**
Non-current liabilities	102,601	89,630	763,967	601,404	109,096	73,164	(18,852)	(11,920)	956,812	752,278
Current liabilities	216,570	224,218	357,136	351,481	10,336	17,779	(405,514)	(413,367)	178,528	180,111
Liabilities attributable to assets held for sale										
Total liabilities	**387,001**	**407,387**	**1,186,115**	**989,149**	**641,283**	**662,447**	**(638,585)**	**(655,684)**	**1,575,814**	**1,403,299**

5.6.5 Balance sheet content and movements

Assets

A Non-current assets

1 Intangible assets

Movements during the period were as follows:

(Euro thousands)

		At 31.12.2011	Acquisi-tions	Foreign exchange differences	Change in scope of consol.n	Disposals	Other move-ments	Impair-ment losses	Amorti-sation	At 30.6.2012
1.1	Industrial patent rights	319	8						(43)	284
1.2	Concession, licenses, trademarks and similar	8,235							(426)	7,809
1.3	Goodwill	116,563		2,630	838			(14,675)		105,356
1.4	Other intangibles	3,581		127					(2)	3,706
1.5	Assets under construction and advances	2,371	69		(374)					2,066
Total		**131,069**	**77**	**2,757**	**464**			**(14,675)**	**(471)**	**119,221**

Goodwill principally consists of the differences arising on first time consolidation between the book value of the investments and the corresponding share of net equity of the consolidated companies that is attributable to the Group. In addition, this heading includes the purchased goodwill arising on the acquisition of a business line by Frullo Energia Ambiente Srl (Euro 1,519 thousand).

Since 1 January 2005, goodwill has not been amortised but is subjected to an annual impairment test.
The goodwill resulting from business combinations has been allocated to separate cash generating units (CGUs) in order to identify any reduction in value. The cash generating units identified are:

- Ben Aketil Wind Energy Ltd (Ben Aketil wind farm)
- Boyndie Wind Energy Ltd (Boyndie wind farm)
- Cambrian Wind Energy Ltd (Cefn Croes wind farm)
- Earlsburn Wind Energy Ltd (Earlsburn wind farm)
- Ecosesto SpA (Rende biomass plant)
- Eolica Cabezo San Roque Sau (Cabezo wind farm)
- Eolica Petralia Srl (Petralia wind farm)
- Eolica Sud Srl (San Sostene wind farm)
- Eolo 3W Minervino Murge Srl (Minervino Murge wind farm)
- Esquennois Energie Sas (Breteuil wind farm)
- Falck Renewables Wind Ltd (holding company of wind energy business)
- Frullo Energia Ambiente Srl (Granarolo dell’Emilia WtE plant)
- Geopower Sardegna Srl (Buddusò-Alà dei Sardi wind farm)
- Ty Ru Sas (Plouigneau wind farm)
- Kilbraur Wind Energy Ltd (Kilbraur wind farm)
- Millennium Wind Energy Ltd (Millennium wind farm)
- Parc Eolien du Fouy Sas (Fouy wind farm)
- La Muela wind farm (Plana de Jarreta and La Carracha wind farms)
- Prima Srl (Trezzo sull’Adda WtE plant)
- Sicily Projects (Casteltermini and Augusta WtE plants).

- ***Goodwill of Sicily Projects' CGU***

The goodwill allocated to the Sicily Projects' CGU no longer includes the goodwill of Pea (in liquidation), in which the Company has a 23.2725% interest, following its deconsolidation from 31 December 2011 due to the fact that joint control may not be exercised over the investment. As the liquidation accounts of Pea have not been approved for two consecutive years, due to bankruptcy proceedings and a dispute with the shareholder Amia SpA (Amia), which holds a 48% interest in Pea and is currently in extraordinary administration, there is a serious risk that Pea will be dissolved pursuant to article 2490 c.c.. Consequently, all financial receivables and other assets relating to Pea were written down in the financial statements at 31 December 2011.

Following Pea's deconsolidation, the Sicily Projects' CGU no longer includes the Palermo project therefore the goodwill at 30 June 2012 comprises the goodwill of the other two project companies, Tifeo and Platani.

Moreover, as already discussed in detail in the Falck Renewables Group Operating and financial review above, with regard to the dispute and an analysis of the recoverability of the asset carrying values, in the hearing of 14 June 2012 the Court issued sentence and in the ruling filed on 20 July 2012 the Civil Court in Milan suspended the proceedings pursuant to article 295 c.p.c. pending the decision on the administrative proceedings brought by Platani, Tifeo and Pea against Decree 548 of 2010.

Following this decision and taking into account both the change in the level of risk inherent in this case and independent legal advice, an impairment loss of Euro 14,675 thousand was recorded against goodwill for the purpose of preparing the half-year financial report as in light of recent events and the complex nature of this case, although the probability of obtaining a successful outcome regarding the pecuniary losses claim is substantially unchanged, the likelihood of a successful outcome regarding the award of damages for loss of profits is significantly compromised.

The impairment loss was identified following the impairment tests performed on the Sicily Projects' CGU that took into consideration the above factors, the level of expenditure that forms the basis of the pecuniary losses claim, the change in interest rates and the most likely outcome of the dispute pending ruling by the competent authorities.
Consequently, following recognition of the impairment loss, the total amount recorded in the consolidated financial statements under the headings Goodwill and Assets under construction corresponds to the pecuniary damages claim of approximately Euro 93 million.
In the separate financial statements, the same impairment test resulted in the recognition of an impairment loss of Euro 33,370 thousand against the entire carrying value of Falck Renewables SpA's interest in Elettroambiente SpA (the holding company of Tifeo and Platani) and a write-down of financial receivables due from the latter of Euro 1,834 thousand, corresponding to a total negative impact of Euro 35,204 thousand.

- ***Other CGUs***

The impairment test performed for the purpose of the consolidated financial statements at 31 December 2011 confirmed the goodwill carrying value with the exception of the following projects:

- Trezzo sull'Adda (Prima Srl)
- Petralia Sottana (Eolica Petralia Srl)
- Kernebet (SE Kernebet Sas) project written down in full.

No indicators of impairment arose in the course of the 2012 half-year in relation to the Falck Renewables Group's plants therefore no further impairment testing was performed.

The only testing carried out involved the following projects:

- Trezzo sull'Adda (Prima Srl)
- Petralia Sottana (Eolica Petralia Srl)

Moreover as the market capitalisation of Falck Renewables SpA at 30 June 2012 is below total equity, an impairment test was carried out on the value of the Falck Renewables Group as a whole, updating the calculation performed at 31 December 2011 with the latest WACC rates.

The WACCs employed were as follows:

WtE Italy:	7.02%
Wind sector UK:	6.13%
Wind sector Italy:	7.40%
Wind sector Spain:	8.03%
Wind sector France:	6.37%
Photovoltaic Italy:	7.48%

The tests did not identify any impairment.

Goodwill at 30 June 2012 comprised:

	(Euro thousands) Carrying value 30.6.2012
Ben Aketil Wind Energy Ltd	10,853
Boyndie Wind Energy Ltd	4,531
Cambrian Wind Energy Ltd	13,760
Earlsburn Wind Energy Ltd	10,677
Eolica Cabezo San Roque Sau	787
Eolica Sud Srl	2,147
Eolo 3W Minervino Murge Srl	1,960
Esquennois Energie Sas	6
Falck Renewables Wind Ltd	10,222
Frullo Energia Ambiente Srl	1,519
Geopower Sardegna Srl	17,650
Kilbraur Wind Energy Ltd	4,120
La Muela	838
Millennium Wind Energy Ltd	10,348
Parc Eolien du Fouy Sas	21
Prima Srl	1,009
Sicily Projects	14,622
Ty Ru Sas	286
Total	**105,356**

Acquisitions principally relate to expenditure incurred to implement new consolidation software (Euro 56 thousand).

Impairment losses comprise the amount recognised following the impairment test on the Sicily Projects.

The change in scope of consolidation relates to the goodwill (Euro 838 thousand) of the La Muela wind farm (Parque Eolico La Carracha Sl, Parque Eolico Plana de Jarreta Sl and Nuevos Parque Eolicos La Muela AIE) that has been consolidated applying the proportional method as a result of changes made to the shareholder agreements. The disposal of Actelios Etnea Srl resulted in a decrease of Euro 374 thousand as it is no longer included in the scope of consolidation.

No borrowing costs were capitalised on intangible assets in the course of the period.

2 Property, plant and equipment

Movements during the period were as follows:

(Euro thousands)

	At 31.12.2011	Additions (A)	Change in scope of consol.n	Capital.n and reclass.n	Exchange differences	Disposals	Other move-ments	Impair-ment losses	Deprec-iation	At 31.12.2012
Gross value										
2.1 Land	18,849	2								18,851
2.2 Buildings	6,085									6,085
2.3 Plant and machinery	1,020,102	565	28,302		12,631					1,061,600
2.4 Industrial and office equipment	3,196	40			7					3,243
2.5 Other assets	4,226	44		33	22	(109)				4,216
2.6 Assets operated under concession	92,527			271						92,798
2.7 Assets under construction and adv.	150,801	33,241		(271)	25			(52)		183,744
Total gross value	**1,295,786**	**33,892**	**28,302**	**33**	**12,685**	**(109)**		**(52)**		**1,370,537**
Accumulated depreciation										
2.1 Land										
2.2 Buildings	(4,131)								(55)	(4,186)
2.3 Plant and machinery	(145,254)		(14,688)		(2,423)	109			(25,902)	(188,158)
2.4 Industrial and office equipment	(1,230)				(6)				(193)	(1,429)
2.5 Other assets	(2,578)			(33)	(13)				(277)	(2,901)
2.6 Assets operated under concession	(43,989)								(2,468)	(46,457)
Total depreciation	**(197,182)**		**(14,688)**	**(33)**	**(2,442)**	**109**			**(28,895)**	**(243,131)**
Net book amounts										
2.1 Land	18,849	2								18,851
2.2 Buildings	1,954								(55)	1,899
2.3 Plant and machinery	874,848	565	13,614		10,208	109			(25,902)	873,442
2.4 Industrial and office equipment	1,966	40			1				(193)	1,814
2.5 Other assets	1,648	44			9	(109)			(277)	1,315
2.6 Assets operated under concession	48,538			271					(2,468)	46,341
2.7 Assets under construction and adv.	150,801	33,241		(271)	25			(52)		183,744
Total net book amounts	**1,098,604**	**33,892**	**13,614**		**10,243**			**(52)**	**(28,895)**	**1,127,406**

A) Additions – these comprise:

	(Euro thousands)
Petralia wind farm	4,863
Spaldington and West Browncastle wind farms	3,099
Ty Ru wind farm	9,641
Nutberry wind farm	7,084
Improvements to Granarolo dell'Emilia WtE plant	494
Buddusò-Alà dei Sardi wind farm	8,302
Improvements to Trezzo sull'Adda WtE plant	83
Rende fire prevention plant	131
Motor vehicles	22
Other minor wind sector additions	173
Other minor WtE, biomass and photovoltaic additions	
Total	**33,892**

Borrowing costs allocated during the period to property, plant and equipment amounted to Euro 2,356 thousand relating to wind farms under construction. Property, plant and equipment at 30 June 2012 did not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

The impairment test performed on the property, plant and equipment of the Sicily Projects[3] amounting to approximately Euro 78 million, did not identify any impairment loss.

3 Financial assets

Financial assets at 30 June 2012 may be analysed as follows:

(Euro thousands)

	30.6.2012	31.12.2011	Change
Investments in subsidiaries			
Investments in associates	7	1,085	(1,078)
Other investments	11	11	
Securities			
Total	**18**	**1,096**	**(1,078)**

Equity investments

. *Associates accounted for under the equity method*

The decrease of Euro 1,078 thousand relates to the two 26% stakes in Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl, the owners of the La Muela wind farm, which are no longer accounted for under the equity method but are consolidated applying the proportional method as they are now considered joint ventures following changes to the shareholder agreements.

. *Associates valued at cost*

These comprise two 20% stakes in Falck Renewables Italia Energetica Srl and Eolica Calabra Srl that are in liquidation.

This heading also comprises the interest in Palermo Energia Ambiente ScpA, which was written down to nil at the 2011 year-end (Euro 2,639 thousand).

. *Other entities valued at cost*

The only investment included under this heading is Riesfactoring SpA, the value of which did not change during the period.

4 Financial receivables

Financial receivables at 30 June 2012 may be analysed as follows:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	686	407	279				686	407	279
Amounts owed by subsidiaries									
Amounts owed by associates				748	734	14	(748)	(734)	(14)
Amounts owed by parent company									
Amounts owed by other Group companies									
Derivative financial instruments									
Total	**686**	**407**	**279**	**748**	**734**	**14**	**(62)**	**(327)**	**265**

[3] Following deconsolidation of Pea and its subsequent impairment, the Palermo project is no longer included in the Sicily Projects' CGU.

Financial receivables are disclosed net of the provision for doubtful accounts of Euro 6,162 thousand.

Amounts owed by third parties comprise the non-Group portion of amounts due from Parque Eolico La Carracha Sl and Parque Eolico Plana de Jarreta Sl, which are now consolidated applying the proportional method.
Amounts owed by associates comprises Euro 6,162 thousand due from Palermo Energia Ambiente Scpa, which was written down to nil in 2011 through the provision for doubtful accounts.

5 Trade receivables

Trade receivables at 30 June 2012 may be analysed as follows:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade receivables	119,713		119,713	102,318		102,318	17,395		17,395
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company	80		80	121		121	(41)		(41)
Amounts owed by other Group companies	48		48	115		115	(67)		(67)
Total	**119,841**		**119,841**	**102,554**		**102,554**	**17,287**		**17,287**

The analysis of trade receivables by geographical location is as follows:

. Italy Euro 100,653 thousand
. Great Britain Euro 17,902 thousand
. Spain Euro 602 thousand
. France Euro 554 thousand
. Other countries Euro 2 thousand

Trade receivables are disclosed net of the provision for doubtful accounts of Euro 5,134 thousand at 30 June 2012, recorded in order to adjust them to fair value.

Amounts owed by associates comprise the trade receivables of Euro 4,045 thousand due from Palermo Energia Ambiente ScpA, which were written off in full in the 2011 consolidated financial statements through the provision for doubtful accounts.

The increase in trade receivables is due to delays in the payment of Green Certificates by the GSE that has agreed to pay 50% on 9 August 2012 and the balance at 31 December 2012. The balance of GCs recoverable at 30 June 2012 was Euro 49,100 thousand.

6 Other receivables

Other receivables at 30 June 2012 consisted of the following:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts owed by third parties	552		552	605		605	(53)		(53)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company	10,171		10,171	12,010	5,760	6,250	(1,839)	(5,760)	3,921
Amounts owed by other Falck Group companies									
Advances	166		166	5,612		5,612	(5,446)		(5,446)
Tax credits	42,262		42,262	42,570		42,570	(308)		(308)
Guarantee deposits	2,384	2,384		2,153	2,153		231	231	
Accrued income and prepayments	11,500	309	11,191	5,787	375	5,412	5,713	(66)	5,779
Total	**67,035**	**2,693**	**64,342**	**68,737**	**8,288**	**60,449**	**(1,702)**	**(5,595)**	**3,893**

The amounts owed by parent company principally relate to tax income due from Falck SpA in relation to the Group consolidated tax regime and the sale of VAT recoverable under the Group VAT return.
Current tax credits principally relate to the VAT recoverable on capital expenditure incurred by the Group companies.
Accrued income and prepayments largely relate to plant maintenance prepayments and deferred charges on the cost to secure guarantees, insurance premiums and royalties payable to local authorities in the areas in which the Group's plants are located.

7 Deferred income tax assets and liabilities

Deferred income tax assets at 30 June 2012 amounted to Euro 32,466 thousand, representing an increase of Euro 2,613 thousand on the balance at 31 December 2011. Deferred income tax liabilities amounted to Euro 15,772 thousand, an increase of Euro 782 thousand.

Deferred income tax assets and liabilities, arising from differences between the tax bases of assets and liabilities and their IFRS financial reporting values, are only offset when there is a legally enforceable right of offset and there is an intention to settle the balances net.
Deferred tax assets have been recognised as they are considered recoverable.

B Current assets

8 Inventories

Inventories at 30 June 2012 may be detailed as follows:

(Euro thousands)

	30.6.2012	31.12.2011	Chamge
Raw materials and consumables	2,867	2,736	131
Semi-finished goods			
Work in progress			
Finished goods	1,641	1,527	114
Advances			
Total	**4,508**	**4,263**	**245**

Raw materials comprise biomass stocks while finished goods include the spare parts of plants in service.

9 Cash and cash equivalents

(Euro thousands)

	30.6.2012	31.12.2011	Change
Short-term bank and post office deposits	104,612	96,871	7,741
Cash in hand	21	19	2
Total	**104,633**	**96,890**	**7,743**

Cash and cash equivalents may be detailed as follows:

(Euro thousands)

	30.6.2012	31.12.2011	Change
Cash at bank and in hand	104,633	96,890	7,743
Bank overdrafts		(121)	121
Invoice advances			
Group current accounts			
Total cash and cash equivalents	**104,633**	**96,769**	**7,864**

The bank accounts of companies that have entered into project financing contracts are restricted as they are required to meet the covenants imposed by the contracts. This corresponds to Euro 102,329 thousand including Euro 79,363 thousand in respect of the Wind sector and Euro 22,966 thousand for the WtE, biomass and photovoltaic sector. The balance of cash in hand of Euro 2,304 thousand relates to companies not financed under project financing.

Liabilities

D Equity

10 Share capital

Share capital consists of 291,413,891 issued and fully paid ordinary shares, with a nominal value of Euro 1 each.

Movements in equity during 2011 and 2012 were as follows:

(Euro thousands)

		Reserves								
	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Other reserves	Profit for the year	Equity attributable to owners of the parent	Non-controlling interests	Total
At 31.12.2010	**161,897**	**620,521**	**(371,598)**	**(1,294)**	**(20,224)**	**(63,813)**	**2,499**	**327,988**	**7,345**	**335,333**
Appropriation of 2010 profit of the parent to reserves						2,499	(2,499)			
Dividends distributed						(3,497)		**(3,497)**	(1,398)	**(4,895)**
Share capital increase	129,517	455						**129,972**		**129,972**
Cost of share capital increase						(2,461)		**(2,461)**		**(2,461)**
Other movements recorded in equity				979	(25,714)			**(24,735)**	28	**(24,707)**
Acquisition of non-controlling interests						(755)		**(755)**	(45)	**(800)**
Reclassifications				931	(274)	(657)				
Other movements						(462)		**(462)**	2	**(460)**
Profit for the year							18,863	**18,863**	981	**19,844**
At 31.12.2011	**291,414**	**620,976**	**(371,598)**	**616**	**(46,212)**	**(69,146)**	**18,863**	**444,913**	**6,913**	**451,826**

(Euro thousands)

		Reserves								
	Share capital	Share premium account	Demerger reserve under common control	Translation reserve	Cash flow hedge reserve	Other reserves	Profit for the period	Equity attributable to owners of the parent	Non-controlling interests	Total
At 31.12.2011	**291,414**	**620,976**	**(371,598)**	**616**	**(46,212)**	**(69,146)**	**18,863**	**444,913**	**6,913**	**451,826**
Appropriation of 2011 profit of the parent to reserves						18,863	(18,863)			
Dividends distributed						(8,276)		**(8,276)**	(570)	**(8,846)**
Share capital increase										
Cost of share capital increase										
Other movements recorded in equity				1,649	(9,101)			**(7,452)**	(1)	**(7,453)**
Acquisition of non-controlling interests					(38)	(77)		**(115)**	(333)	**(448)**
Reclassifications				(2,119)	(802)	2,921				
Other movements						38		**38**	(2)	**36**
Profit for the period							4,768	**4,768**	591	**5,359**
At 30.6.2012	**291,414**	**620,976**	**(371,598)**	**146**	**(56,153)**	**(55,677)**	**4,768**	**433,876**	**6,598**	**440,474**

Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period.

The data used to calculate basic earnings per share were as follows.

	30.6.2012	31.12.2011
Weighted average number of ordinary shares in issue (number)	291,413,891	269,401,780
Profit attributable to ordinary equity holders of the parent company (Euro thousands)	4,768	18,863
Basic earnings per share (Euro per share)	**0,016**	**0,070**

	30.6.2012	31.12.2011
Weighted average number of ordinary shares in issue (number)	291,413,891	269,401,780
Profit attributable to ordinary equity holders of the parent company (Euro thousands)	4,768	18,863
Diluted earnings per share (Euro per share)	**0,016**	**0,070**

11 Provisions for other liabilities and charges

(Euro thousands)

	At 31.12.2011	Change in scope of consolidation	Charges	Credited/ released	Other movements	Foreign exchange differences	At 30.6.2012
Provisions for pensions and similar obligations							
Other provisions							
- litigation	588			(300)			288
- investments							
- environmental	29,213	1,645	343		20	322	31,543
- restructuring							
- sundry risks provision	3,996		353	(419)	(20)	10	3,920
Total other provisions	33,797	1,645	696	(719)		332	35,751
Total	**33,797**	**1,645**	**696**	**(719)**		**332**	**35,751**

All provisions are non-current.

The *environmental provision* comprises future obligations in relation to the decommissioning of power plants at the end of their useful life that are calculated based on independent expert valuations. The corresponding charges are not expensed in the income statement but recorded as an increase in the book value of the asset to which the obligation relates.
The provision also includes amounts provided to meet future commitments in relation to the redevelopment of landfills in accordance with the obligations undertaken on receipt of authorisations from the relevant authorities. These are also based on estimates prepared by specialist enterprises.

The *litigation provision* has been recognised in order to cover probable liabilities that may arise on pending legal proceedings. The release of Euro 300 thousand arose following conclusion of litigation between the subsidiary Ecosesto SpA and Syntea.

The sundry risks provision covers the potential costs that may arise on pending litigation with one of the shareholders of Palermo Energia Ambiente ScpA, which was already included in the prior year financial statements and was increased by Euro 73 thousand to reflect Falck Renewables SpA's commitment to provide financial support to Pea to settle a number of outstanding creditors.
The release of the sundry risks provision comprises Euro 319 thousand made at 31 December 2011 in respect of Actelios Etnea Srl that was sold during the period and Euro 100 thousand released by Ecosesto SpA following updated estimates on the post mortem phase expenditure on the Cologno Monzese landfill.

12 Staff leaving indemnity

(Euro thousands)

	At 31.12.2011	Charges	Change in scope of consolid.n	Transfers and reclass.ns	Utilised or paid	At 30.6.2012
Managers	661	89			(68)	682
White-collar staff	2,373	218			(144)	2,447
Blue-collar staff	756	122			(120)	758
Total	**3,790**	**429**			**(332)**	**3,887**

The Trattamento di Fine Rapporto, "TFR" (staff leaving indemnity provision), substantially represents the discounted amount due to employees and given that during the half-year there were no indicators to suggest the assumptions adopted for the calculation at 31 December 2011 had changed, the Group recorded the TFR value calculated in accordance with Italian GAAP.

13 Financial liabilities

Financial liabilities at 30 June 2012 consisted of the following:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Due to third parties	129,990	122,837	7,153	113,161	109,323	3,838	16,829	13,514	3,315
Due to subsidiaries									
Due to associates									
Due to parent company									
Due to other Group companies									
Project financing	747,135	703,069	44,066	749,680	709,333	40,347	(2,545)	(6,264)	3,719
Derivative financial instruments	75,496	75,496		60,913	60,913		14,583	14,583	
Total	**952,621**	**901,402**	**51,219**	**923,754**	**879,569**	**44,185**	**28,867**	**21,833**	**7,034**

Amounts due to third parties comprise the Euro 165 million loan that Falck Renewables SpA entered into with a pool of leading banks on 14 January 2011. The transaction falls within the scope of the Consolidation Project and reorganisation of the Group companies, its purpose being to fund development of the activities and investments envisaged in the business plan.
The loan agreement provides for a term facility with a cap of Euro 70 million and a revolving facility totalling Euro 95 million. The loan, which was released on completion of the share capital increase, will mature on 30 June 2015 and approximately Euro 98.7 million had been drawn down at 30 June 2012. The parent company has placed a pledge on the shares held in Falck Renewables Wind Ltd for a nominal value of Euro 46,801 thousand.

The contract requires six-monthly covenants to be met commencing 30 June 2011. The covenants in place at 30 June 2012 comprised Net Financial Debt over EBITDA and Net Financial Debt over Total Equity: all covenants were met at 30 June 2012 and prior periods.

Liabilities supported by real guarantees include all project financing contracts, which are secured by pledges on the shares of the financed companies and the non-recourse borrowing of Frullo Energia Ambiente Srl, which is guaranteed by a mortgage and special privileges on the plant's assets.

An analysis of all project financing contracts at 30 June 2012 is as follows:

(Euro thousands)

	30.6.2012			
	Interest rate (%)	Carrying amount	Current portion	Non-current poriton
Frullo Srl m/l-term loan	Euribor 6 m + spread	25,896	2,450	23,446
Project financing Prima Srl	Euribor 6 m + spread	6,639	4,875	1,764
Project financing Actelios Solar Srl	Euribor 6 m + spread	41,851	2,664	39,187
Project financing Millennium	Libor 3 m + spread	63,189	3,091	60,098
Project financing Kilbraur	Libor 3 m + spread	67,961	3,710	64,251
Project financing Ben Aketil	Libor 3 m + spread	28,080	1,972	26,108
Project financing Earlsburn	Libor 3 m + spread	31,477	2,001	29,476
Project financing Boyndie	Libor 3 m + spread	3,735	902	2,833
Project financing Cambrian WE	Libor 3 m + spread	31,368	4,619	26,749
Project financing La Carracha	Euribor + spread	6,512	811	5,701
Project financing Plana de Jarreta	Euribor + spread	6,270	745	5,525
Project financing Eolica Cabezo	Euribor + spread	9,408	1,168	8,240
Project financing Eolo 3W	Euribor + spread	76,039	3,684	72,355
Project financing Crêtes	Euribor + spread	10,165	470	9,695
Project financing Fouy	Euribor + spread	9,787	453	9,334
Project financing Esquennois	Euribor + spread	12,622	584	12,038
Project financing Eolica Sud	Euribor + spread	132,373	6,516	125,857
Project financing Geopower	Euribor + spread	183,763	3,351	180,412
Total project financing		**747,135**	**44,066**	**703,069**

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

Group's outstanding IRSs at 30 June 2012 are disclosed in the table below:

(Euro thousands)

	At 31.12.2011	Change through profit or loss	Change through equity	Change in scope of consolidation	Foreign exchange	At 30.6.2012
IRS Prima Srl	154	(46)				108
IRS Frullo Energia Ambiente Srl	1,425	133				1,558
IRS Falck Renewables SpA	1,190		961			2,151
IRS Actelios Solar SpA	1,642		1,157			2,799
IRS Millennium Wind Energy Ltd	7,459		(147)		265	7,577
IRS Kilbraur Wind Energy Ltd	6,172		114		218	6,504
IRS Ben Aketil Wind Energy Ltd	5,247		94		185	5,526
IRS Earlsburn Wind Energy Ltd	3,070		(133)		109	3,046
IRS Boyndie Wind Energy Ltd	286		(28)		10	268
IRS Cambrian Wind Energy Ltd	3,363		(131)		119	3,351
IRS Eolica Cabezo San Roque Sa	1,145		3			1,148
IRS Parque Eolico La Carracha Sl			10	417		427
IRS Parque Eolico Plana de Jarreta Sl			(62)	409		347
IRS Eolo 3W Minervino Murge Srl	6,799		1,342			8,141
IRS Esquennois Energie Sas	1,228		263			1,491
IRS Parc Eolien des Cretes Sas	1,020		210			1,230
IRS Geopower Sardegna Srl	10,355		6,208			16,563
IRS Parc Eolien du Fouy Sas	983		202			1,185
IRS Eolica Sud Srl	9,375		2,701			12,076
Total	**60,913**	**87**	**12,764**	**826**	**906**	**75,496**

The lending banks have imposed covenants on the above borrowings that the companies are obliged to meet for the entire contract period and are verified by the banks every six months.

More specifically the project financing contracts require the Group companies to meet certain obligations and satisfy certain parameters including:

- The obligation to bind part of settled revenue to guarantee repayment of the outstanding debt on specific projects;
- The requirement to issue mortgages on properties or pledges on shares to the financial institutions that are party to the projects;
- The satisfaction of certain debt service cover ratios between expected cash flows arising on the financed project over a certain period and the interest and principal of the outstanding debt in the same period;
- The satisfaction of total equity/net financial debt ratios;
- The possibility of distributing dividends only where: i) established debt service cover ratios are met, and ii) on settlement of outstanding payments arising on the project financing contracts.

Subsequent to the enactment of the FER (Renewable Energy Sources) Decree in Italy, new payment dates were established by the GSE in relation to GCs that were previously paid on 30 June each year.
Up to now this practice was reflected in the financial forecasts of the project finance transactions and in calculating the related financial ratios.

GSE's rescheduling of GC payments this year, with 50% now due on 9 August 2012 and the balance due on 31 December 2012, has resulted in financial ratios not being although this was independent of plant performance.

As this breach is wholly due to an extraordinary, one off event and is in no way attributable to technical/operational issues, the lenders have not considered this to be a default of the contract terms for the following three reasons:

1) The payment due on 30 June was made through partial use of the debt service reserve fund that is set up as part of the project structure with the principal aim of normalising the project cash flows and allowing any changes in respect of the Base Case assumptions to be dealt with;
2) The breach of the ratios is entirely due to the delay in publication of the FER Decree compared to expectations with a resulting delay in payments by the GSE. The FER Decree did not in any way prejudice the project companies' ability to meet payments and in fact improved the payment terms governing GCs that will have a positive impact on working capital;
3) Following the payment on 9 August 2012, the ratios were met in full and the debt service reserve fund replenished and all parameters reinstated.

14 Trade payables

Trade payables at 30 June 2012 compared to the previous year end may be analysed as follows:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade payables	72,664		72,664	59,082		59,082	13,582		13,582
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company	2,210		2,210	2,539		2,539	(329)		(329)
Amounts due to other Group companies	73		73	495		495	(422)		(422)
Total	**74,947**		**74,947**	**62,116**		**62,116**	**12,831**		**12,831**

Amounts due to the parent company Falck SpA largely relate to amounts due by Falck Renewables SpA for Euro 783 thousand, Tifeo Energia Ambiente ScpA for Euro 701 thousand and Platani Energia Ambiente ScpA for Euro 699 thousand.
Amounts due to other Falck Group companies comprise the amount owed to the factoring company Riesfactoring SpA, a member of the Falck Group, which provided factoring services up to November 2011.

15 Other payables

Other payables at 30 June 2012 compared to 31 December 2011 are as follows:

(Euro thousands)

	30.6.2012			31.12.2011			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Amounts due to third party creditors	40,929		40,929	32,012	352	31,660	8,917	(352)	9,269
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company	6,955		6,955	8,519		8,519	(1,564)		(1,564)
Amounts due to other Group companies									
Accruals and deferred income	4,478		4,478	3,010		3,010	1,468		1,468
Total	**52,362**		**52,362**	**43,541**	**352**	**43,189**	**8,821**	**(352)**	**9,173**

Third party creditors may be detailed as follows:

(Euro thousands)

	30.6.2012	31.12.2011
Amount due for acquisition of wind sector investments	1,277	1,233
Amounts due to Ministry of Economic Development	14,236	12,719
Tax payables	12,435	8,514
Wittholding taxes due	456	550
Advances		11
Environmental contribution	1,199	1,213
Other amounts due to employees	1,591	2,019
Amounts owed to the Province of Bologna	858	885
Holiday pay	1,039	1,139
Dividends to be distributed by Prima Srl	2,300	1,950
Social security payables	943	803
Amount due for acquisition of Solar Mesagne business	276	276
Amount owed by Geopower Sardegna Srl for enforcement of guarantee	3,980	
Other	339	348
Total	**40,929**	**31,660**

The amounts due to the Ministry of Economic Development relate to the grant awarded pursuant to Law 488, which has been recorded in other payables awaiting final confirmation of the amount following which the balance will be deducted from the cost of the plant.

The amount due to the parent company relates to IRES (corporation tax) payable under the Group taxation regime with the parent company Falck SpA.

Further details of the Amount owed by Geopower Sardegna Srl for enforcement of guarantee are provided in note *4.1.11 b) "Risks and uncertainties- Legal- Falck Renewables Ltd- Geopower Sardegna Srl/ATI nBI-Eolo Scarl arbitration proceedings"*.

Commitments and contingencies

Guarantees issued at 30 June 2012 amounted to Euro 137,745 thousand. Guarantees relating to subsidiary undertakings principally consist of performance bonds to guarantee completion of work in progress and to participate in tenders for contracts, for a total of Euro 66,390 thousand and guarantees issued to the VAT authorities in relation to requests for repayment of VAT receivables for Euro 9,387 thousand. Also included are Euro 35,610 thousand of bank guarantees and other guarantees of Euro 26,358 thousand.

Upon request of the liquidators of the Sicily Project companies Tifeo and Platani, Falck Renewables SpA has agreed to provide the financial support they need in order to settle third party debts excluding those with current and previous shareholders and pursue pending legal proceedings against the Sicily Region's Department for Energy and Public Utilities.

Other risks

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

Related party transactions

In compliance with Consob's circulars of 20 February 1997, 27 February 1998, 30 September 1998, 30 September 2002 and 27 July 2006, no uncharacteristic or uncommon transactions take place with related parties that are out with the normal business operations or are detrimental to the Group's results of operations, state of affairs and financial position.
Related party transactions represent the day to day business activities that are carried out at arm's length. These comprise the recharge of costs between Group companies and intercompany current accounts that give rise to finance income and costs.
In accordance with IAS 24 Related Party Disclosures and the disclosures pursuant to Consob circular 6064293 of 28 July 2006, all related party transactions and the corresponding incidence on the Falck Renewables Group's balance sheet headings are provided below.

(Euro thousands)

	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Parent company						
Falck SpA	80	2,210			10,171	6,955
Total parent company	**80**	**2,210**			**10,171**	**6,955**
Associates						
Parque Eolico La Carracha Sl						
Parque Eolico Plana de Jarreta Sl						
Total associates						
Other Group companies						
Sesto Siderservizi Srl	8					
Falck Energy SpA	28					
Riesfactoring SpA	12	73				
Total other Group companies	**48**	**73**				
Total	**128**	**2,283**			**10,171**	**6,955**
% incidence on balance sheet heading	**0,1%**	**3,0%**			**15,8%**	**13,3%**

The net financial position is disclosed pursuant to Consob Communication DEM/6064293 of 28 July 2006.

Net financial position

			(Euro thousands)
	30.6.2012	31.12.2011	Change
Short-term third party financial liabilities	(51,219)	(44,185)	(7,034)
Short-term group financial liabilities			
Short-term third party financial receivables	279		279
Short-term Group financial receivables		14	(14)
Other securities			
Cash and cash equivalents	104,633	96,890	7,743
Short-term net financial position	**53,693**	**52,719**	**974**
Medium/long-term third party financial liabilities	(901,402)	(879,569)	(21,833)
Medium/long-term Group financial liabilities			
Other securities			
Medium/long-term financial position	**(901,402)**	**(879,569)**	**(21,833)**
Net financial position pursuant to Consob circular DEM/6064293/2006	**(847,709)**	**(826,850)**	**(20,859)**
Medium/long-term third party financial receivables	407		407
Medium/long-term Group financial receivables		734	(734)
Total net financial position	**(847,302)**	**(826,116)**	**(21,186)**
- of which non-recourse financing	**(747,135)**	**(749,680)**	**2,545**

5.6.6 Income statement content and movements

16 Revenue

Revenue consisted of the following:

(Euro thousands)

	30.6.2012	30.6.2011
Revenue from sales of goods	123,282	93,797
Revenue from the provision of services	18,661	20,237
Total	**141,943**	**114,034**

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

(Euro thousands)

	30.6.2012	30.6.2011
Sale of electrical energy	122,818	93,239
Sale of thermal energy	464	558
Total	**123,282**	**93,797**

Revenue arising from the provision of services, compared to the previous period, is attributable to the following business segments:

(Euro thousands)

	30.6.2012	30.6.2011
Waste treatment and disposal	15,908	18,132
Operation and maintenance	1,495	1,813
Other	1,258	292
Total	**18,661**	**20,237**

Revenue analysed by geographical location is as follows:

- Italy Euro 92,715 thousand
- Great Britain Euro 42,006 thousand
- France Euro 2,916 thousand
- Spain Euro 4,306 thousand

17 Employee costs

Employee costs may be analysed as follows:

(Euro thousands)

	30.6.2012	30.6.2011
Cost of production employees	4,381	4,797
Cost of administrative staff	6,496	6,122
Total	**10,877**	**10,919**

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

(Euro thousands)

	30.6.2012	30.6.2011
Wages and salaries	7,991	8,151
Social security costs	2,412	2,322
Staff leaving indemnity (TFR)	429	371
Other costs	45	75
Total	**10,877**	**10,919**

The average number of employees was as follows:

(Number)

	30.6.2012	30.6.2011
Managers	24	25
White-collar workers	142	140
Blue-collar workers	77	75
Total average number of employees	**243**	**240**

The above totals include the 49% proportional share of the employees of Frullo Energia Ambiente Srl, consolidated applying the proportional method, which amount to 19 white-collar staff and 29 blue-collar staff.

18 Direct costs

An analysis of direct costs is provided together with the amounts at 30 June 2011:

(Euro thousands)

	30.6.2012	30.6.2011
Materials	6,518	6,906
Services	18,563	17,281
Other costs	12,136	8,096
Change in inventories	(240)	(236)
Charges to/(utilisation of) operating provisions	371	(6)
Amortisation and impairment of intangibles	15,103	542
Depreciation and impairment of property, plant and equipment	28,690	21,368
Employee costs capitalised on assets under construction	(38)	(334)
Total	**81,103**	**53,617**

The increase of Euro 27,486 thousand is dur to the Euro 14,675 thousand impairment loss recognised against the goodwill of the Sicily Projects as detailed above and new wind farms coming on stream during the period.

19 Other income

Other income consisted of the following:

(Euro thousands)

	30.6.2012	30.6.2011
Income from operating activities	259	260
Income from non-operating activities	632	1,267
Total	**891**	**1,527**

Income from operating activities may be further detailed as follows:

(Euro thousands)

	30.6.2012	30.6.2011
Income from services attributable to non-controlling interest in companies consolidated applying the proportional method	167	189
Other	92	71
Total	**259**	**260**

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

(Euro thousands)

	30.6.2012	30.6.2011
Income relating to other accounting periods	349	182
Insurance compensation	264	716
Other	19	369
Total	**632**	**1,267**

20 Administrative expenses

Administrative expenses may be analysed as follows:

(Euro thousands)

	30.6.2012	30.6.2011
Consumables	597	457
Services	6,263	5,207
Other costs	2,983	2,234
Non-operating expenses	520	483
Amortisation and impairment of intangible assets	43	46
Depreciation and impairment of property, plant and eq.pt	257	197
Charges to/(utilisation of) provisions	(366)	279
Total	**10,297**	**8,903**

The increase in services is largely due to business development costs.

21 Finance costs - net

Finance income and costs may be analysed as follows:

(Euro thousands)

	30.6.2012	30.6.2011
Finance costs	(25,395)	(19,120)
Foreign exchange losses	(9,627)	(14,077)
Finance income	879	1,025
Foreign exchange gains	8,513	12,675
Interest capitalised on assets under construction	2,356	1,630
Total	**(23,274)**	**(17,867)**

The increase in net finance costs is due to the higher indebtedness required to finance the increase in installed capacity.

Finance costs may be further analysed as follows:

(Euro thousands)

	Debenture loans	Bank loans	Others	Total
Payable to parent company				
Payable to other Group companies				
Payable to others		26,181	8,841	35,022
Total		**26,181**	**8,841**	**35,022**

Finance costs on bank loans payable to others comprise foreign exchange losses of Euro 9,355 thousand.

Finance income at 30 June 2012 may be analysed as follows:

(Euro thousands)

	30.6.2012	30.6.2011
Bank interest and commission	462	311
Foreign exchange gains on bank balances	8,480	12,580
Third party interest and commission and other income	417	716
Third party foreign exchange gains	33	93
Total	**9,392**	**13,700**

Finance income was analysed to ensure the correct classification and resulted in a reclassification of comparatives at 30 June 2011 to align these with the breakdown at 30 June 2012.

22 Investment income and costs

This comprises the revaluation of investments in associates valued applying the equity method up until 31 March 2012 and relate to:

- Parque Eolico La Carracha Sl — Euro 399 thousand
- Parque Eolico Plana de Jarreta Sl — Euro 348 thousand

The heading also comprises the write-down of the investment in Eolica Calabra Srl that is in liquidation and loss on sale of the interest in Actelios Etnea Srl amounting to Euro 56 thousand.

23 Income tax expense

(Euro thousands)

	30.6.2012	30.6.2011
Current tax	10,760	9,631
Deferred income tax (assets)	1,840	852
Total	**12,600**	**10,483**

Current taxes are based on the estimated taxable income for the period ended 30 June 2012. The Italian companies Geopower Sardegna Srl, Eolo 3W Minervino Murge Srl, Eolica Sud Srl, Prima Srl and Ecosesto SpA are subject to the so called Robin Tax that envisages an additional 10.5% in IRES (corporation tax) over and above the standard rate of 27.5%.

Related party transactions

(Euro thousands)

	Revenue from sale of goods	Revenue from services	Other income	Direct costs	Admin. expenses	Finance costs	Finance income	Income from investments
Parent company								
Falck SpA			92		938			
Total parent company			**92**		**938**			
Associates								
Palermo Energia Ambiente ScpA			**30**				**99**	
Parque Eolico La Carracha Sl							7	
Parque Eolico Plana de Jarreta Sl							12	
Total associates			**30**				**118**	
Group companies								
Riesfactoring SpA			12		60			
Sesto Siderservizi Srl			8					
Falck Energy SpA			28					
Total Group companies			**48**		**60**			
Total			**170**		**998**		**118**	
% incidence on income statement heading			**19,1%**		**9,7%**		**1,3%**	

6. Supplementary information
To the condensed consolidated interim financial statements

6.1 *List of investments in subsidiaries and associates*

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding %	Indirect holding Subsidiary
. Companies consolidated applying the line-by-line method						
Falck Renewables SpA	Milan	Euro	291,413,891			
Actelios Solar SpA	Catania	Euro	120,000	100.000		
Ambiente 2000 Srl	Milan	Euro	103,000	60.000		
Ben Aketil 2 Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ben Aketil Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables UK Holdings (No.1) Ltd
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables UK Holdings (No.1) Ltd
Dunbeath Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Earlsburn Mezzanine Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Earlsburn Mezzanine Ltd
Ecosesto SpA	Rende (Cosenza)	Euro	5,120,000	100.000		
Ecoveol Sas	Rennes (France)	Euro	1,000		51.000	Falck Energies Renouvelables Sas
Elettroambiente SpA	Sesto S. Giovanni (Mi)	Euro	245,350	100.000		
Elektrownie Wiatrowe Bonwind Leszno Sp.Z.o.o.	Poznan (Poland)	PLN	50,028		50.000	Falck Renewables Wind Ltd
Elektrownie Wiatrowe Bonwind Łyszkowice Sp.Z.o.o.	Łódź (Poland)	PLN	100,000		50.000	Falck Renewables Wind Ltd
Elektrownie Wiatrowe Bonwind Kamienica Sp.Z.o.o.	Łódź (Poland)	PLN	758		50.000	Falck Renewables Wind Ltd
Eolica Cabezo San Roque Sau	Saragozza (Spain)	Euro	1,500,000		100.000	Falck Renewables Wind Ltd
Eolica Petralia Srl	Sesto S. Giovanni (Mi)	Euro	10,000		100.000	Falck Renewables Wind Ltd
Eolica Sud Srl	Davoli Marina (Cz)	Euro	5,000,000		100.000	Falck Renewables Wind Ltd
Eolo 3W Minervino Murge Srl	Sesto S. Giovanni (Mi)	Euro	10,000		100.000	Falck Renewables Wind Ltd
Esposito Servizi Ecologici Srl	Sesto S. Giovanni (Mi)	Euro	10,000	100.000		
Esquennois Energie Sas	Paris (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Falck Energies Renouvelables Sas	Rennes (France)	Euro	60,000		100.000	Falck Renewables Wind Ltd
Falck Renewables Finance Ltd	London (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Falck Renewables Gmbh and co.KG	Nurimberg (Germany)	Euro	5,000		100.000	Falck Energie Renouvelables Sas
Falck Renewables Italia Srl	Sesto S. Giovanni (Mi)	Euro	100,000		100.000	Falck Renewables Wind Ltd
Falck Renewables UK Holdings (No.1) Ltd	London (UK)	GBP	1		100.000	Falck Renewables Finance Ltd
Falck Renewables Verwaltungs Gmbh	Nurimberg (Germany)	Euro	25,000		100.000	Falck Energie Renouvelables Sas
Falck Renewables Wind Ltd	London (UK)	GBP	37,759,066	99.989		
Geopower Sardegna Srl	Sesto S. Giovanni (Mi)	Euro	2,000,000		100.000	Falck Renewables Wind Ltd
Kilbraur 2 Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Kilbraur Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Kingsburn Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Millennium Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables Wind Ltd
Ness Wind Energy Ltd	London (UK)	GBP	50		100.000	Falck Renewables Wind Ltd

	Registered offices	Currency	Share capital	% Direct holding	Indirect holding %	Indirect holding Subsidiary
. Companies consolidated applying line-by-line method (con.)						
Nutberry Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Wind Ltd
Parc Eolien d'Availles - Limouzin Sarl	Rennes (France)	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Baud Sarl	Rennes (France)	Euro	1,000		75.000	Falck Energies Renouvelables Sas
Parc Eolien de Sainte Trephine Sarl	Rennes (France)	Euro	10,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Moulismes Sarl	Rennes (France)	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Parc Eolien de Plovenez du Faou Sarl	Rennes (France)	Euro	1,000		75.000	Falck Energies Renouvelables Sas
Parc Eolien des Cretes Sas	Paris (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien du Fouy Sas	Paris (France)	Euro	37,000		100.000	Falck Renewables Wind Ltd
Parc Eolien d'Illois Sarl	Rennes (France)	Euro	1,000		100.000	Falck Energies Renouvelables Sas
Platani Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	Euro	3,364,264		86.770	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000	85.000		
S E Ty Ru Sas	Rennes (France)	Euro	1,009,003		100.000	Falck Renewables Gmbh and co.KG
S E Kernebet Sas	Rennes (France)	Euro	37,005		100.000	Falck Energies Renouvelables Sas
Solar Mesagne Srl	Brindisi	Euro	50,000	100.000		
Spaldington Airfield Wind Energy Ltd	London (UK)	GBP	50		100.000	Falck Renewables Wind Ltd
Tasfiye Halinde Ezse Elektrik Uretim Ltd Sirketi	Izmir (Turkey)	YTL	11,772,152		100.000	Falck Renewables Wind Ltd
Tifeo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	Euro	4,679,829		96.350	Elettroambiente SpA
Wysoka Wind Farm.Sp.Z.o.o.	Poznan (Poland)	PLN	5,000		52.000	Falck Renewables Wind Ltd
. Companies consolidated applying proportional method						
Frullo Energia Ambiente Srl	Bologna	Euro	17,139,100	49.000		
Nuevos Parque Eolicos La Muela AIE*	Saragozza (Spain)	Euro	10,000		50.000	Parque Eolico La Carracha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carracha Sl*	Saragozza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd
Parque Eolico Plana de Jarreta Sl *	Saragozza (Spain)	Euro	100,000		26.000	Falck Renewables Wind Ltd

* consolidated applying the proportional method from 1.4.2012; previously consolidated applying the equity method

. Other investments in subsidiaries and associates valued at cost

Eolica Calabra Srl (in liquidation)	Belvedere Marittimo (Cosenza)	Euro	10,000		20.000	Falck Renewables Wind Ltd
Fri Energetica Srl	Cosenza	Euro	20,000		20.000	Falck Renewables Wind Ltd
Palermo Energia Ambiente ScpA (in liquidation)	Sesto S. Giovanni (Mi)	Euro	120,000	23.272		

7. Certification on the condensed consolidated interim financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999 and ensuing amendments

7 Certification on the half-year financial report pursuant to article 81-ter of Consob regulation 11971 of 14 May 1999 and ensuing amendments

Certification on the condensed consolidated interim financial statements pursuant to article 81-ter of Consob Regulation 11971 of 14 May 1999 and ensuing amendments

1. We, the undersigned Piero Manzoni, in my capacity as "Chief Executive Officer", and Paolo Rundeddu, in my capacity as "Corporate Accounting Documents Officer", of Falck Renewables SpA, taking into account the provisions of Article 154-bis, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the condensed consolidated interim financial statements for the first half of 2012:

- were adequate in light of the Company's characteristics, and
- were properly applied.

2. We further certify that:

2.1 The condensed consolidated interim financial statements:

a) were prepared in accordance with applicable international accounting standards (IAS/IFRSs), endorsed by the European Union pursuant to Regulation (CE) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
b) are consistent with the information in the accounting records and other corporate documents;
c) give a true and fair presentation of the financial position and results of operations of the Issuer and of all of the companies included in the scope of consolidation;

2.2 The directors' report includes a reliable analysis of the Group's performance and results from operations in the first six months of the year and the impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the second half-year.
The half-year financial report also presents accurate disclosures of related party transactions.

2.3 We draw attention to the fact that the condensed consolidated interim financial statements include assets under construction and goodwill relating to the construction of WtE plants (Sicily Projects) amounting to a total Euro 93 million net of impairment losses recognised during the period and the prior year, the recoverability of which hinges on the outcome of the pending dispute with the Sicily Region that arose following a change in the regulatory framework that interrupted work on these projects. The risks and uncertainties relating to this dispute are disclosed in the directors' report and the notes to the financial statements.

Chief Executive Officer	Corporate Accounting Document Officer
____________________	____________________

Milan, 28 August 2012

8. Independent auditors’ report

8 Independent auditors' report

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Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Falck Renewables S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, income statement, the statement of comprehensive income, cash flow statement, statement of changes in equity and related explanatory notes, of Falck Renewables S.p.A. and its subsidiaries (the "Falck Renewables Group") as of June 30, 2012. Management of Falck Renewables S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 2, 2012 and on August 29, 2011, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Falck Renewables Group as of June 30, 2012 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

4. Without qualifying our opinion we draw your attention on the fact that the interim condensed consolidated financial statements include assets accounted for in the items "work in progress" and "goodwill" for approximately Euro 93 million, net of the impairment losses recorded during the first six months of 2012 and the prior fiscal year, in connection with the projects for the construction of waste plants ('Sicily Projects'). The recoverability of these assets is linked to the outcome of the litigation pending with the Sicily Region risen as a consequence of the change of the operating framework that has interrupted the realization of the above mentioned projects.

   The risks and uncertainties related to such litigation are disclosed in the interim director's report and in the notes to the interim condensed consolidated financial statements.

Milan, August 29, 2012

Reconta Ernst & Young S.p.A.
Signed by: Gabriele Grignaffini, Partner

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