

ACTELIOS group

Interim financial report
31 March 2010

Board of Directors' Meeting

Milan, 6 May 2010

ACTELIOS SpA
Share capital Euro 67,680,000 fully paid
Direction and coordination by Falck SpA
Registered and fiscal address
20121 Milan – Corso Venezia, 16
REA Milan n. 1675378
Milan Companies Register n. 03457730962
VAT and Tax Code n. 03457730962

Interim financial report at 31 March 2010

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1. Company officers

1 Company officers

Board of directors

Federico Falck (*)	<i>Chairman</i>
Bruno Isabella	<i>Deputy chairman</i>
Roberto Tellarini (*)	<i>Managing director</i>
Marco Agostini	<i>Director</i>
Augusto Luigi Clerici Bagozzi	<i>Director</i>
Enrico Falck (*)	<i>Director</i>
Elisabetta Falck	<i>Director</i>
Giovanni Maria Garegnani	<i>Director</i>
Piero Manzoni (*)	<i>Director</i>
Ferruccio Marchi	<i>Director</i>
Guido Rosa	<i>Director</i>
Umberto Rosa	<i>Director</i>
Bernardo Rucellai	<i>Director</i>
Claudio Tatozzi	<i>Director</i>
Fabrizio Zenone	<i>Director</i>

(*) Members of the Executive Committee

Board of statutory auditors

Roberto Bracchetti	<i>Chairman</i>
Aldo Bisioli	<i>Statutory auditor</i>
Nicola Vito Notarnicola	<i>Statutory auditor</i>
Fabio Artoni	<i>Substitute statutory auditor</i>
Massimo Foschi	<i>Substitute statutory auditor</i>

Independent auditors

PricewaterhouseCoopers SpA

2. Financial information

2. Financial information

2.1 *Income statement*

	(Euro thousands)		
	31.3.2010	31.3.2009	31.12.2009
Revenue	21,439	24,098	94,923
Direct labour costs	(1,618)	(1,676)	(6,436)
Direct costs	(9,948)	(12,229)	(55,661)
Cost of sales	(11,566)	(13,905)	(62,097)
Gross profit	9,873	10,193	32,826
Other income	270	388	1,354
Other employee costs	(924)	(842)	(3,715)
Administrative expenses	(2,097)	(2,385)	(11,663)
Operating profit	7,122	7,354	18,802
Finance income/(costs) - net	(1,105)	(1,046)	(2,669)
Investment costs			
Profit before income tax	6,017	6,308	16,133
Income tax expense			(10,399)
Profit for the period			5,734
Profit attributable to minority interest			1,559
Profit attributable to group equity holders			4,175

2. Financial information

2.2 *Net financial position*

	(Euro thousands)		
	31.3.2010	31.12.2009	Change
Short-term third party financial payables	(24,363)	(24,867)	504
Short-term group financial payables	(1,543)	(1,597)	54
Short-term third party financial receivables	4,805	4,972	(167)
Short-term group financial receivables	152,779	153,963	(1,184)
Other securities			
Cash and cash equivalents	26,337	20,709	5,628
Short-term net financial position	158,015	153,180	4,835
Medium/long-term third party financial payables	(58,419)	(57,922)	(497)
Medium/long-term group financial payables			
Medium/long-term third party financial receivables			
Medium/long-term group financial receivables			
Other securities			
Medium/long-term net financial position	(58,419)	(57,922)	(497)
Total net financial position	99,596	95,258	4,338
- of which non-recourse financing	(65,531)	(65,371)	(160)

3. Notes to the interim financial report

3. Notes to the interim financial report

3.1 *Accounting policies*

At 31 March 2010 the Actelios group consisted of 15 companies, of which 12 are consolidated on a line-by-line basis and 3 are consolidated applying the proportional method.

The consolidated financial statements of the Actelios group as at 31 March 2010 included the following companies:

		Method of consolidation
Actelios SpA	Parent company	Line-by-line
Abbiategrosso Bioenergia Srl	58.73% owned by Actagri Srl	Line-by-line
Actelios Solar SpA	100% owned by Actelios SpA	Line-by-line
Actagri Srl	100% owned by Actelios SpA	Line-by-line
Ambiente 2000 Srl	60% owned by Actelios SpA	Line-by-line
Ecosesto SpA	100% owned by Actelios SpA	Line-by-line
Elettroambiente SpA	100% owned by Actelios SpA	Line-by-line
Frullo Energia Ambiente Srl	49% owned by Actelios SpA	Proportional
Palermo Energia Ambiente ScpA	23.27% owned by Actelios SpA	Proportional
Platani Energia Ambiente ScpA	85.73% owned by Elettroambiente SpA	Line-by-line
Powercrop SpA	50% owned by Actelios SpA	Proportional
Prima Srl	85% owned by Actelios SpA	Line-by-line
Solar Rende Srl	100% owned by Ecosesto SpA	Line-by-line
Solar Mesagne Srl	100% owned by Actelios Solar SpA	Line-by-line
Tifeo Energia Ambiente ScpA	95.62% owned by Elettroambiente SpA	Line-by-line

The interim financial report has been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). The income statement is presented by function which, with regard to determination of the headings, complies with IFRS requirements.

Furthermore, the interim financial report has been prepared in accordance with Appendix 3D of CONSOB (the Italian stock exchange commission) regulation no. 14990 of 14 April 2005.

The accounting policies and measurement criteria applied in the preparation of the Interim Financial Report are consistent with those adopted for the previous year-end financial statements and the financial information published in previous interim financial reports.

3.2 *Performance for the period and principal changes*

In the course of the 2010 first quarter the Actelios group recorded a profit before income tax and amounts attributable to minority interest of Euro 6,017 thousand, representing a slight fall on the profit of the same period last year, which amounted to Euro 6,308 thousand.

The operating results have also decreased slightly compared to the 2009 first quarter; *Gross profit* amounted to Euro 9,873 thousand, a fall of Euro 320 thousand, *Operating profit* totalled Euro 7,122 thousand representing a decrease of Euro 232 thousand.

The *Gross profit/Revenue* ratio amounted to 46.1%, compared to 42.3% in the 2009 first quarter. *Operating profit* expressed as a percentage of *Revenue* equalled 33.2% (2009 first quarter – 30.5%).

3. Notes to the interim financial report

The 2010 first quarter results reflect the fall in revenue of the biomass plant in Rende as the 9 MW CIP6/92 tariffs expired in February 2009. Moreover, in the first quarter the plant operated at a 5 MW capacity as it is due to be closed for a complete requalification in order to benefit from the green certificates programme for the next 15 years.

The strong performance of the WTE plants in Trezzo sull'Adda and Granarolo dell'Emilia partially offset the fall in revenue of the plant in Rende. No adjustments on the sales of electrical energy made under the CIP6/92 regime have been recorded in the quarter while revenue in the first quarter of 2009 included an adjustment of Euro 1,068 thousand.

Net finance costs are largely in line with the 2009 first quarter and include the negative impact amounting to Euro 650 thousand arising on the fair value measurement of derivative financial instruments.

The net financial position, a net asset of Euro 99,596 thousand, increased by Euro 4,338 thousand compared to the balance at 31 December 2009 that is mainly due to higher liquidity generated from the cash flows of the operating plants. The net financial position comprises non-recourse loans of Euro 65,531 thousand.

All revenue is generated in Italy, the home market, and may be analysed by business segment as follows.

	(Euro thousands)	
	1° quarter 2010	1° quarter 2009
Sale of electrical energy	13,656	15,567
Waste treatment and disposal	6,679	6,215
Management of WTE plants and landfills	881	861
Sale of agricultural produce	121	
Other services	102	1,455
Total	21,439	24,098

Revenue from other services in the first quarter of 2009 related to the invoicing of the long-term contract on the Vieste landfill amounting to Euro 1,364 thousand, the corresponding entry being a decrease in contract work-in-progress.

3.3 *Performance of subsidiaries and associates*

A summary of the performance of the principal subsidiaries and associates for the 2010 first quarter is presented below.

Abbiategrasso Bioenergia Srl

This company, owned by Actagri Srl, holds the single authorisation to construct and operate a 1 MW biogas plant in the town council of Abbiategrasso (MI). The 2010 first quarter recorded a loss before tax of Euro 46 thousand and revenue of Euro 70 thousand from the sale of agricultural products and closed with a negative net financial position of Euro 293 thousand.

3. Notes to the interim financial report

Actagri Srl

This company is the holding of the segment operating in the production of electrical energy using biogas generated by the farming and animal breeding industries. It closed this quarter with a loss of Euro 120 thousand and no revenue while the net financial position was negative Euro 80 thousand.

Actelios Solar SpA

This company operates in the segment involved in the production of electrical energy by photovoltaic plants. It closed the 2010 first quarter with a loss of Euro 68 thousand and revenue of Euro 6 thousand realised by the photovoltaic plant in Trezzo sull'Adda. The result was affected by the expenses incurred to obtain the authorisations to construct and manage three photovoltaic plants in Sicily with an installed capacity of 13.04 MW that are expected to be finalised by the end of this year. Capital expenditure on these plants amounted to Euro 527 thousand in the first quarter.

The net financial position at 31 March 2010 was a net indebtedness of Euro 2,229 thousand.

Ambiente 2000 Srl

The main business of Ambiente 2000 Srl is the operation and maintenance of the WTE plants. It recorded a loss before tax of Euro 121 thousand and total revenue of Euro 2,494 thousand.

The net financial position was a total asset of Euro 1,830 thousand.

Ecosesto SpA

The company owns a biomass waste to energy plant in Rende and also operates in other environmental management activities. It also owns a photovoltaic plant in Rende that operates in the production of electrical energy. The 2010 first quarter closed with a loss before tax of Euro 195 thousand, against revenue of Euro 2,644 thousand. The result was affected by the fall in revenue of the biomass plant that operated at 5 MW and is programmed to cease production at the end of April so that the plant can undergo a total requalification in order to take part in the green certificates scheme for the next 15 years.

Capital expenditure to 31 March 2010 amounted to Euro 2,737 thousand.

The net financial position was a total indebtedness of Euro 12,838 thousand.

Elettroambiente SpA

This company holds a controlling interest in two consortium enterprises: Platani Energia Ambiente ScpA and Tifeo Energia Ambiente ScpA. Each enterprise owns an industrial project aimed at the construction and operation of an integrated waste treatment and electrical energy production system with installed capacities of 30 and 50 MW respectively, which benefit from the CIP 6/92 tariffs.

Elettroambiente, co-ordinated engineering activities and provided engineering services to the above consortium enterprises and Palermo Energia Ambiente ScpA, an associate of Actelios SpA, until 1 July 2009 following which it ceased to provide these services given the situation surrounding the Sicily projects. Consequently, it closed the first quarter with a loss before tax of Euro 536 thousand and no revenue.

The net financial position was a total indebtedness of Euro 42,952 thousand.

Fruzzo Energia Ambiente Srl

This company, set up as a joint venture between Hera SpA (51%) and Actelios SpA (49%), manages the WTE plant in Granarolo dell'Emilia (Bologna), which has installed capacity of 20 MW and falls within the CIP6/92 tariff regime.

3. Notes to the interim financial report

It recorded a profit before tax of Euro 6,948 thousand, against revenue of Euro 14,455 thousand. Capital expenditure in the period amounted to Euro 171 thousand and related to minor improvements to the operating plants.

The net financial position, a total indebtedness of Euro 65,357 thousand, comprises cash and cash equivalents of Euro 12,627 thousand, non-recourse medium/long-term bank borrowings of Euro 74,782 thousand, net of Euro 1,724 thousand arising from application of the amortised cost method to the costs incurred in raising this finance. Moreover, the net financial position comprises costs of Euro 3,202 thousand relating to the fair value measurement of derivative instruments entered into to hedge financing contracts (interest rate swaps to hedge interest rate risk and render variable rates fixed).

Palermo Energia Ambiente ScpA

This company, which is dedicated to the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Palermo and Trapani basins and the production of electrical energy with installed capacity of 62 MW that benefits from CIP 6/92 tariffs, closed the first quarter with a loss of Euro 499 thousand and no revenue. From 1 October 2009, costs on this project have no longer been capitalised, with the result for the period reflecting all costs incurred.

The net financial position was a total indebtedness of Euro 23,297 thousand.

Platani Energia Ambiente ScpA

This enterprise, which is engaged in the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Agrigento basin and the production of electrical energy with installed capacity of 30 MW that benefits from the CIP 6/92 tariffs, closed the first quarter with a loss of Euro 185 thousand and no revenue. From 1 October 2009, costs on this project have no longer been capitalised, with the result for the period reflecting all costs incurred.

The net financial position was a total indebtedness of Euro 15,133 thousand.

Powercrop SpA

This company, a joint venture between Seci Impianti Srl (50%) and Actelios SpA (50%), is responsible for the redevelopment of five sugar refineries into plants that produce electrical energy from biomass and vegetable oils. As this relates to a start-up business, the 2010 first quarter closed with a loss of Euro 592 thousand and no revenue. Capital expenditure in the period amounted to Euro 213 thousand.

The net financial position was a net indebtedness of Euro 952 thousand.

Prima Srl

This company is the owner of the WTE plant in Trezzo sull'Adda, which has an installed capacity of 18 MW and benefits from the CIP6/92 tariffs. It recorded a profit before tax and minority interest of Euro 4,715 thousand and revenue of Euro 11,374 thousand. The net financial position, a total indebtedness of Euro 20,217 thousand, comprises cash and cash equivalents of Euro 17,024 thousand that are subject to restrictions imposed by the project financing contracts, bank loans for project financing of Euro 28,888 thousand, net of Euro 737 thousand arising from application of the amortised cost method to the costs incurred in raising this finance, the loan granted by Actelios SpA of Euro 6,374 thousand and other shareholders' loans of Euro 1,118 thousand. Moreover, the net financial position comprises costs of Euro 861 thousand relating to the fair value measurement of derivative instruments entered into to hedge project financing contracts (interest rate swaps to hedge interest rate risk and render variable rates fixed).

3. Notes to the interim financial report

Solar Rende Srl

This company, which is wholly owned by Ecosesto SpA, was set-up to develop and construct new initiatives in the photovoltaic power plant sector in Calabria. The company is still in the start up stages and it closed the quarter with a loss of Euro 7 thousand and no revenue, while the net financial position was an asset of Euro 26 thousand.

Solar Mesagne Srl

This company, which is 100% owned by Actelios Solar SpA, was incorporated with registered offices in Brindisi, with the purpose of developing and constructing new initiatives in the photovoltaic power plant sector in Puglia. It owns the already operational 1 MW photovoltaic plant in La Calce and is about to acquire another 1 MW plant in Notarpanaro.

It closed the first quarter with a profit before tax of Euro 3 thousand and revenue of Euro 139 thousand. The net financial position was a net indebtedness of Euro 4,643 thousand that is largely due to the acquisition of the La Calce plant.

Tifeo Energia Ambiente ScpA

This company, which is dedicated to the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Augusta basin and for the production of electrical energy with installed capacity of 50 MW that benefits from the CIP 6/92 tariffs, closed the first quarter with a loss of Euro 305 thousand and no revenue. From 1 October 2009, costs on this project have no longer been capitalised, with the result for the period reflecting all costs incurred.

The net financial position was a total indebtedness of Euro 19,171 thousand.

3.4 *Performance of the parent company Actelios SpA*

The income statement of Actelios SpA for the three months to 31 March 2010 recorded a loss before income tax of Euro 124 thousand, representing a fall on the corresponding period last year, a profit of Euro 577 thousand. This decrease is essentially due to a fall in finance income linked to the decrease in interest rates. The net financial position, a total asset of Euro 253,222 thousand compared to the balance of Euro 246,976 thousand 31 December 2009.

The parent company income statement does not show dividend income as this will be included in the next quarter due to the fact that the shareholders' approvals took place in April.

3.5 *Outlook for the current year*

It is expected that 2010 will experience a drop in volumes resulting in lower profitability, which is substantially due to the stoppage at the biomass plant in Rende from May to December 2010 in order to install a new turbine and boiler that will allow the company to take advantage of the green certificates scheme for the next 15 years. The results of the second half of the year should benefit from the consolidation of two new acquisitions that are detailed further on page 17.

3. Notes to the interim financial report

The 2010 result will also be affected by the development and start-up costs of new projects, both in respect of dedicated crop biomass plants owned by Powercrop SpA, and the photovoltaic plants. Impairment tests will be performed on goodwill at the year-end and may have an impact on the results for the year.

From a strategic point of view, the Actelios group is focusing on a wider business strategy that foresees the development of projects in the photovoltaic, biomass and other innovative initiatives in the field of electrical energy production from renewable sources.

The net financial position is expected to benefit from the significant cash generated by the operating plants. However, the level of investment required to construct the above plants will continue to impact the net financial position of the Actelios group.

3.6 *Employees*

At 31 March 2010 the total number of employees comprised:

	31.3.2010	31.12.2009	(Number) 31.3.2009
Managers	14	14	16
White-collar staff and special categories	70	72	62
Blue-collar workers	59	59	60
Total	143	145	138

As Frullo Energia Ambiente Srl is consolidated applying the proportional method, the numbers above include the 49% share of the employees of this company that comprise 1 manager, 18 white-collar staff and 29 blue-collar workers.

4. Directors' report

4. Directors' report

4.1 *Review of significant business developments*

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

Following total restoration of the biomass plant in Rende, on 18 February 2009 Ecosesto SpA was awarded the IAFR (Renewable Plant) status by GSE and as a consequence may participate in the Green Certificates scheme for the next 15 years commencing January 2011 when the plant is expected to resume operations.

The authorisations for the construction of the photovoltaic plants of Cardonita (3.78 MW), Spinasanta (5.99 MW) and Sugherotorto (3.27 MW), situated in the provinces of Enna, Catania and Ragusa, were published in the Sicily Region's Official Gazette on 12 February, 19 February and 17 March 2010 respectively. Actelios Solar SpA, the holder of the above authorisations, is currently carrying out the planning and finance work for the construction of these plants.

With regard to the WTE projects in Sicily, the first hearings were held in the court in Milan on 9 March 2010, during which the State Law Officers representing the Department for Energy and Public Utilities (taking over from ARRA in the proceedings), insisted on admission of the exception of lack of territorial jurisdiction, which had already been requested and dismissed during precautionary measures, requesting that the case be resubmitted on this point.

The project companies opposed the claim, requesting the limit to be set for filing memorials under article 183 of the code of civil procedure (c.p.c).

The judge admitted the parties' requests and set deadlines for 8 April, 8 May and 28 May 2010 to file memorials under article 183, point six of the c.p.c., adjourning the cases to the preliminary hearings set for 15 July 2010.

The Sicily Region approved a new law on 8 April 2010 (no. 9/2010 published in the Official Gazette of the Sicily Region on 12 April 2010), on "integrated waste management and reclamation of polluted areas", which established new rules regarding waste management and the construction of waste treatment plants in councils of the Sicily Region.

The Actelios group is assessing the significance of this new legislation and the implications it has on the future of the projects carried out under the Convention dated June 2003.

On 29 March 2010 Actelios SpA signed purchase agreements for the acquisition of the entire shareholdings of Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, which operate in the treatment of non-dangerous urban and special waste. This will allow further integration into the waste disposal production chain and extend the range of environmental services provided across the country. Actelios SpA will also become the owner of a state of the art plant that holds an Italian and European patent for the treatment of swept ground waste. These acquisitions that amounted to Euro 13,500 thousand will increase consolidated group revenue by more than Euro 12,000 thousand and are expected to be finalised by 31 July 2010 with the transfer of the plant management authorisations.

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

4. Directors' report

4.2 *Significant capital expenditure and disposals*

Capital expenditure on property, plant and equipment in the period amounted to Euro 2,967 thousand and principally related to the restoration work on the Rende biomass plant (Euro 2,737 thousand), while expenditure on intangible assets amounted to Euro 635 thousand and related to the three photovoltaic plant projects in Sicily (Euro 454 thousand) and Powercrop's biomass plant initiatives (Euro 181 thousand).

No significant disposals, either in terms of size or amount, were made during the period.

5. Certification Pursuant to Article 154-*bis* Section 2 of
Legislative Decree No. 58/1998

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As required by Article 154-bis, Section 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Paolo Rundeddu, in his capacity as Corporate Accounting Document Officer of Actelios SpA, declares that the accounting information contained in this Interim Financial Report at 31 March 2010 is consistent with the data in the documents, accounting records and other records.

Paolo Rundeddu
(Corporate Accounting Document Officer)

Milan, 6 May 2010