

**FALCK RENEWABLES**  
**Group**  
**Interim Financial Report**  
**30.9.2011**

**Board of Directors' Meeting**  
**Milan, 14 November 2011**

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

## Interim Financial Report at 30 September 2011

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## 1. Company officers

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1 Company officers

***Board of directors***

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

(\*) Members of the Executive Committee

***Board of statutory auditors***

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Massimo Scarpelli	<i>Chairman</i>
Aldo Bisioli	<i>Statutory auditor</i>
Alberto Giussani	<i>Statutory auditor</i>
Massimo Foschi	<i>Substitute statutory auditor</i>
Gianluca Pezzati	<i>Substitute statutory auditor</i>

***Independent auditors***

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Reconta Ernst & Young SpA

## 2. Financial information

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2. Financial information

2.1 *Income statement*

	(Euro thousands)				
	3rd quarter 2011	3rd quarter 2010	30.9.2011	30.9.2010	31.12.2010
Revenue	54,537	23,672	168,571	66,938	99,196
Direct labour costs	(1,465)	(1,784)	(6,262)	(5,636)	(7,657)
Direct costs	(28,446)	(11,544)	(82,063)	(32,088)	(54,282)
Cost of sales	(29,911)	(13,328)	(88,325)	(37,724)	(61,939)
<b>Gross profit</b>	<b>24,626</b>	<b>10,344</b>	<b>80,246</b>	<b>29,214</b>	<b>37,257</b>
Other income		593	1,527	1,471	1,527
Other employee costs	(2,783)	(804)	(8,905)	(3,787)	(5,356)
Administrative expenses	(5,681)	(4,550)	(14,584)	(8,973)	(13,772)
<b>Operating profit</b>	<b>16,162</b>	<b>5,583</b>	<b>58,284</b>	<b>17,925</b>	<b>19,656</b>
Finance (costs) - net	(7,530)	(631)	(25,397)	(2,029)	(4,011)
Investment income	12	350	572	351	345
<b>Profit before income tax</b>	<b>8,644</b>	<b>5,302</b>	<b>33,459</b>	<b>16,247</b>	<b>15,990</b>
Income tax expense					(11,347)
<b>Profit for the period</b>					<b>4,643</b>
Profit attributable to minority interest					2,144
<b>Profit attributable to group equity holders</b>					<b>2,499</b>
<b>Ebitda (*)</b>	<b>28,482</b>	<b>10,742</b>	<b>93,475</b>	<b>28,237</b>	<b>39,541</b>

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

2. Financial information

2.2 *Net financial position*

	30.9.2011	30.6.2011	31.12.2010	Change	
(Euro thousands)	(1)	(2)	(3)	(4)=(1)-(2)	(5)=(1)-(3)
Short-term third party financial payables	(50,133)	(50,059)	(51,708)	(74)	1,575
Short-term group financial payables	(1,777)	(1,773)	(161,464)	(4)	159,687
Short-term third party financial receivables	14	14			14
Short-term group financial receivables	34	42	13	(8)	21
Cash and cash equivalents	123,094	104,782	92,789	18,312	30,305
<b>Short-term net financial position</b>	<b>71,232</b>	<b>53,006</b>	<b>(120,370)</b>	<b>18,226</b>	<b>191,602</b>
Medium/long-term third party financial payables	(819,353)	(719,434)	(618,746)	(99,919)	(200,607)
Medium/long-term third party financial receivables	4,441	4,441	4,442		(1)
Medium/long-term group financial receivables	734	734	734		
Third party financial receivables under derivatives		5,649	5,589	(5,649)	(5,589)
<b>Medium/long-term net financial position</b>	<b>(814,178)</b>	<b>(708,610)</b>	<b>(607,981)</b>	<b>(105,568)</b>	<b>(206,197)</b>
<b>Total net financial position</b>	<b>(742,946)</b>	<b>(655,604)</b>	<b>(728,351)</b>	<b>(87,342)</b>	<b>(14,595)</b>
<b>- of which non-recourse financing</b>	<b>(710,466)</b>	<b>(639,021)</b>	<b>(601,213)</b>	<b>(71,445)</b>	<b>(109,253)</b>

### 3. Notes to the Interim Financial Report

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### 3. Notes to the interim financial report

#### 3.1 *Accounting policies, layout and content of the principal consolidated financial statements*

At 30 September 2011 the Falck Renewables Group consisted of 62 companies, of which 54 are consolidated on a line-by-line basis, 2 are consolidated applying the proportional method, 3 are consolidated applying equity accounting and 2 are valued at cost. Eolica Sarda Srl, which was consolidated on a line-by-line basis at 30 June 2011, is no longer included line-by-line following the merger with Geopower Sardegna Srl.

The Interim Financial Report at 30 September 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS). The income statement presents costs by function, which, with regard to measurement of the headings, corresponds to IFRS requirements.

The Interim Financial Report has also been prepared in conformance with article 154 - third paragraph, section 5 of Legislative Decree 58/1998.

The accounting policies and measurement criteria applied in the preparation of the Interim Financial Report at 30 September 2011 are consistent with those adopted for the previous year-end financial statements and the financial information published in previous interim financial reports.

With regard to Palermo Energia Ambiente ScpA, which is 23.273% owned by Falck Renewables SpA and consolidated using the proportional method, as noted in the half-year financial report at 30 June 2011, the company is in liquidation and the first interim liquidation statement has not yet been approved by the shareholders. Consequently, for the purpose of preparing the Interim Financial Report at 30 September 2011, the 2010 draft financial statements sent by the liquidators to the shareholders on 21 March 2011 were used (and adjusted to reflect costs incurred in the first nine months of 2011). This draft at 31 December 2010 showed that the amounts therein would only have been confirmed following the agreement of the shareholders to support PEA financially in respect of third party receivables. As formal confirmation was received from the shareholders in relation to the full amount requested on 16 June 2011, the values in the draft statements updated at 30 September 2011 were used for the proportional consolidation in this Interim Financial Report at 30 September 2011 pending shareholder approval of the 2010 financial statements that has not yet taken place.

#### 3.2 *Performance for the period and principal changes*

As a result of the demerger and contribution of the wind sector activities to Falck Renewables (hereinafter “Extraordinary Transaction”)<sup>1</sup>, which were carried out in 2010, the income statement, contrary to the first nine months of 2010, now also includes the results of the wind sector. Consequently, the results at 30 September 2011 are not comparable with those at 30 September 2010.

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<sup>1</sup> The current Falck Renewables Group was formed subsequent to the **Project to Consolidate** all of Falck SpA’s activities relating to the production of electrical energy from renewable sources into Falck Renewables SpA, in particular:

- (i) the wind sector activities of Falck Renewables Wind Ltd, formerly Falck Renewables Plc (already controlled by Falck SpA through Falck Energy SpA.) and its subsidiaries; and
- (ii) the activities of the WtE, biomass and photovoltaic sector of Actelios SpA (now Falck Renewables SpA) and its subsidiaries.

The Consolidation Project was finalised on 15 November 2010, on which date Falck Renewables SpA became the owner of 99.99% of Falck Renewables Wind through (i) the partial demerger of Falck Energy with the transfer to Actelios SpA, inter alia, of the investment equal to approximately 81.17% of the share capital of Renewables Wind (the “Demerger”), and (ii) the contribution (the “Contribution”) in kind to Actelios SpA of the minority stakeholders’ interest in Falck Renewables Wind, representing approximately 18.82% of share capital, with the change in company name from “Actelios SpA” to “Falck Renewables SpA” coming into effect on the same date.

3. Notes to the interim financial report

The table below illustrates the changes in Falck Renewables SpA's (formerly Actelios SpA) investment in Falck Renewables Wind Ltd (formerly Falck Renewables Plc).

	<b>Stake in Falck Renewables Wind Ltd</b>
30 September 2010	0.00%
31 December 2010	99.99%
30 September 2011	99.99%

The total equity and financial position at 30 September 2011 are comparable with those at 31 December 2010 but not 30 September 2010.

In the course of the 2011 third quarter the Falck Renewables Group recorded a profit before income tax and amounts attributable to minority interest of Euro 8,644 thousand, an increase of Euro 5,302 thousand on the profit of the same period last year.

*Gross profit* amounted to Euro 24,626 thousand, representing an increase of Euro 14,282 thousand, while *Operating profit* totalled Euro 16,162 thousand, an improvement of Euro 10,579 thousand.

The *Gross profit/revenue* ratio amounted to 45.2%, compared to 43.7% in the 2010 third quarter.

*Operating profit* expressed as a percentage of revenue equalled 29.6% (2010 third quarter - 23.6%).

The cumulative income statement at 30 September 2011 shows a profit before income tax and amounts attributable to minority interest of Euro 33,459 thousand, a significant increase on the same period last year that closed with a profit of Euro 16,247 thousand.

*Ebitda*, calculated by the Falck Renewables Group as profit for the period before investment income and costs, finance income and costs, depreciation, amortisation, impairment losses, charges to risk provisions and income tax, amounted to Euro 93,475 thousand at 30 September 2011 and 55.5% when expressed as a percentage of revenue.

*Gross profit* amounted to Euro 80,246 thousand, corresponding to a significant increase of Euro 51,032 thousand, while *Operating profit* totalled Euro 58,284 thousand, up Euro 40,359 thousand.

The *Gross profit/revenue* ratio amounted to 47.6% (30 September 2010 – 43.6%), while *Operating profit* expressed as a percentage of revenue equalled 34.6% (30 September 2010 – 26.8%).

Net finance costs increased by Euro 23,368 thousand compared to the 2010 third quarter, due to the increase in the level of financial indebtedness following the Extraordinary Transaction and capital expenditure incurred in the first nine months of 2011, net of the Euro 129,906 thousand share capital increase that was finalised in the 2011 first quarter.

The *net financial position*, a net indebtedness of Euro 742,946 thousand, increased by Euro 14,595 thousand on the balance at 31 December 2010, which is largely attributable to capital expenditure in the period to 30 September 2011 (Euro 157,142 thousand), which was partially offset by the share capital increase finalised in March 2011 (Euro 129,906 thousand).

The net financial position comprises net borrowings of Euro 263,568 thousand relating to projects under construction that, at 30 September 2011, were not yet revenue generating (or had earned a low level of revenue). The net financial position excluding these loans would have been Euro 479,378 thousand.

Finally, the net financial position comprises non-recourse loans that amounted to Euro 710,466 thousand ("Gross Project Debt"), an increase of Euro 109,253 thousand on the balance at 31 December 2010.

3. Notes to the interim financial report

The net financial position of the project companies (NFP Project) comprising the Gross Project Debt, the fair value of derivatives to hedge interest rate exposure on the corresponding debt and the liquidity of the project financing, totalled Euro 647,204 thousand, representing approximately 87% of the Group's net financial position at 30 September 2011.

Moreover, interest rate swaps to a total of Euro 553,787 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, corresponding to 78% of the total debt.

In September 2011, Falck Renewables SpA entered into interest rate swaps totalling Euro 70,000 thousand, to hedge interest rate fluctuations on the committed loan that was entered into on 14 January 2011 and matures on 30 June 2015.

Consequently, as a result of the hedges on Gross Project Debt and the committed loan, approximately 91% of the net financial position (excluding the fair value of derivatives) of Euro 686,871 thousand is hedged from interest rate fluctuations.

The table below illustrates installed capacity analysed by technology:

	(MW)		
Technology	30.9.2011	31.12.2010	30.9.2010
Wind	485.2	450.2	n/a
WtE	31.0	31.0	31.0
Biomass	14.0	14.0	
Photovoltaic	16.1	3.0	3.0
<b>Total</b>	<b>546.3</b>	<b>498.2</b>	<b>34.0</b>

Revenue by activity may be analysed as follows.

	(Euro thousands)			
	3rd quarter 2011	3rd quarter 2010	30.9.2011	30.9.2010
Sale of electrical energy	43,842	14,007	137,639	40,247
Waste treatment and disposal	7,178	6,916	25,310	20,518
Operation of WtE and other activities	3,517	2,749	5,622	6,173
<b>Total</b>	<b>54,537</b>	<b>23,672</b>	<b>168,571</b>	<b>66,938</b>

Profit before income tax and profit attributable to minority interest of the sectors, compared to 2010, are summarised below:

	(Euro thousands)			
	3rd quarter 2011	3rd quarter 2010	30.9.2011	30.9.2010
WtE, biomass and photovoltaic sector	7,269	7,712	25,138	19,926
Wind sector	155		8,019	
Falck Renewables SpA	1,206	(915)	12,397	1,791
Consolidation adjustments	14	(1,495)	(12,095)	(5,470)
<b>Total</b>	<b>8,644</b>	<b>5,302</b>	<b>33,459</b>	<b>16,247</b>

3. Notes to the interim financial report

3.3 *Performance of business sectors*

This paragraph provides a brief summary of the key financial highlights of the two sectors (“WtE, biomass and photovoltaic” and “Wind”) and the information relating to Falck Renewables SpA all of which constitute the Group.

❖ **WtE, biomass and photovoltaic sector**

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

	(Euro thousands)		
	30.9.2011	30.9.2010	31.12.2010
Revenue	81,706	66,928	89,948
Cost of sales	(46,620)	(37,629)	(56,536)
<b>Gross profit</b>	<b>35,086</b>	<b>29,299</b>	<b>33,412</b>
<b>Operating profit</b>	<b>29,705</b>	<b>25,018</b>	<b>28,735</b>
<b>Ebitda</b>	<b>39,916</b>	<b>34,085</b>	<b>45,758</b>
<b>Profit for the period</b>	<b>25,138</b>	<b>19,926</b>	<b>23,082</b>
<b>Net financial position - indebtedness</b>	<b>200,099</b>	<b>168,457</b>	<b>176,704</b>
of which non-recourse financing	81,562	62,662	57,502
<b>Capital expenditure</b>	<b>20,818</b>	<b>23,356</b>	<b>50,369</b>
Employees at period-end	(no.) 132	139	135

This sector focuses on the production of electricity from renewable sources in particular through the conversion of urban waste to energy (WtE), biomass and photovoltaic plants.

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

Revenue increased significantly compared to 31 September 2010, due to revenue from the biomass plant in Rende which came on stream at full capacity in early 2011 following the total revamp carried out in 2010, and the revenue of Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, acquired in June 2010, and Actelios Solar SpA as the photovoltaic plants in Sicily have now come on stream. The WtE plants of Granarolo dell’Emilia and Trezzo sull’Adda continued to perform well despite the CIP6/92 tariff incentives relating to the latter expiring in April 2011.

Ebitda recorded a significant increase (+17.1% compared to 2010) and amounted to Euro 39,916 thousand (Euro 34,085 thousand in 2010); this corresponds to 48.9% of revenue (2010 – 50.9%).

Operating profit increased by 18.7% to Euro 29,705 thousand (2010 – Euro 25,018 thousand); this represents 36.4% of revenue (2010 – 37.4%).

The net financial position, a net indebtedness of Euro 200,099 thousand, increased compared to the balance at 31 December 2010 (Euro 23,395 thousand), principally due to capital expenditure on the completed photovoltaic plants in Sicily. The net financial position comprises non-recourse financing of Euro 81,562 thousand, which also increased by Euro 24,060 thousand.

3. Notes to the interim financial report

❖ Wind sector

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

	(Euro thousands)	
	30.9.2011	31.12.2010
Revenue	86,825	8,884
Cost of sales	(42,217)	(5,310)
<b>Gross profit</b>	<b>44,608</b>	<b>3,574</b>
<b>Operating profit</b>	<b>35,572</b>	<b>1,281</b>
<b>Ebitda</b>	<b>60,258</b>	<b>3,934</b>
<b>Profit for the period</b>	<b>8,019</b>	<b>(1,348)</b>
<b>Net financial position - indebtedness</b>	<b>864,105</b>	<b>750,635</b>
of which non-recourse financing	628,904	543,711
<b>Capital expenditure</b>	<b>135,505</b>	<b>38,678</b>
Employees at period-end	(no.) 41	41

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

The results of the 2011 third quarter are not comparable with those of 2010 as the wind sector has only been included in the scope of consolidation of the Falck Renewables Group from December 2010 following the abovementioned Extraordinary Transaction.

Ebitda amounted to Euro 60,258 thousand and represented 69.4% of revenue.

The net financial position was Euro 864,105 thousand and increased by Euro 113,470 thousand compared to the balance at 31 December 2010, largely due to capital expenditure incurred during the period. The total comprised non-recourse financing that also increased by Euro 85,193 thousand to Euro 628,904 thousand.

3.4 *Performance of the parent company Falck Renewables SpA*

The income statement of Falck Renewables SpA for the 2011 third quarter closed with a profit before income tax of Euro 1,206 thousand, an increase compared to the loss of Euro 4,122 thousand recorded in the same period last year.

The cumulative income statement at 30 September 2011 closed with a profit before income tax of Euro 12,397 thousand, a significant increase on the profit of Euro 1,791 thousand in the same period last year. This improvement is largely due to an increase in both net income from equity investments (+ Euro 8,517 thousand) and net finance income (+ Euro 3,370 thousand). Increases were recorded in employee costs (+ Euro 1,310 thousand) and administrative expenses (+ Euro 1,594 thousand), following acquisition of two businesses from Falck SpA and Riesfactoring SpA that perform management services.

The net financial position, a net asset of Euro 321,258 thousand compared to a net asset of Euro 198,988 thousand at 31 December 2010, was mainly influenced by income from the share capital increase that concluded at the end of March 2011.

### 3. Notes to the interim financial report

#### 3.5 *Management outlook for the current year*

The results for the year will benefit from the full year's consolidation of the wind sector.

The results will also benefit from:

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

The Group has already raised the necessary financial resources through both non-recourse financing and a Euro 165 million corporate loan in order to meet the construction commitments envisaged in the 2010-2014 Business Plan. The Group is therefore in a strong position to grasp the best market and investment opportunities while endeavouring to improve the net financial position: this expansion will be mitigated by cash generated by the operating plants that overall are producing extremely positive results.

The Group will continue to monitor regulations in the renewables sector, with particular focus on incentives schemes, particularly in Italy where the renewable energy incentives regime is currently under review.

#### 3.6 *Employees*

At 30 September 2011 the total number of employees comprised:

	30.9.2011	31.12.2010	30.9.2010
Managers	24	19	12
White-collar staff and special categories	140	115	82
Blue-collar workers	75	76	77
<b>Total</b>	<b>239</b>	<b>210</b>	<b>171</b>

As Frullo Energia Ambiente Srl is consolidated applying the proportional method, the numbers above include the 49% share of the employees of this company corresponding to 18 white-collar staff and 27 blue-collar workers.

The increase compared to 31 December 2010 is largely due to the employees of Falck SpA and Riesfactoring SpA who joined Falck Renewables SpA following acquisition of the management services businesses.

The increase compared to 30 September 2010 is due to the consolidation of the wind sector commencing December 2010.

3. Notes to the interim financial report

3.7 *Combined results*

The following combined results have been prepared in order to provide shareholders, stakeholders and the financial markets with a better insight into the magnitude of the results of operations, net assets and financial position of the new Falck Renewables Group.

The combined data of the Falck Renewables Group have been reported for the purpose of presenting the net assets, financial position and results of operations of the activities that are now part of the Group following the Extraordinary Transaction, as though the Actelios group (now Falck Renewables SpA) and the Falck Renewables Plc group (now Falck Renewables Wind Ltd) had operated as a single group under Falck Renewables SpA commencing 1 January 2010<sup>2</sup>. The combined data at 30 September 2010 are compared below with the consolidated results at 30 September 2011.

If the combined activities had operated under Falck Renewables SpA Group at 30 September 2010, the net assets, financial position and results of operations may have differed from those presented below.

❖ **Consolidated income statement at 30.9.2011 compared to the combined results at 30.9.2010**

		(Euro thousands)	
		30.9.2011	30.9.2010
A	Revenue	168,571	132,231
	Direct labour costs	( 6,262)	( 5,945)
	Direct costs	( 82,063)	( 68,106)
B	Total cost of sales	( 88,325)	( 74,051)
<b>C</b>	<b>Gross profit</b>	<b>80,246</b>	<b>58,180</b>
	Other income	1,527	3,504
	Other employee costs	( 8,905)	( 8,222)
	Administrative expenses	( 14,584)	( 15,178)
<b>D</b>	<b>Operating profit</b>	<b>58,284</b>	<b>38,284</b>
	Finance costs - net	( 25,397)	( 27,647)
	Investment income	572	838
<b>E</b>	<b>Profit before income tax</b>	<b>33,459</b>	<b>11,475</b>
	<b>Ebitda (*)</b>	<b>93,475</b>	<b>70,725</b>

(\*) Ebitda is measured by the Falck Renewables Group as profit for the period before investment income/(costs), finance income/(costs), depreciation and amortisation, impairment losses, charges to risk provisions and income tax expense. This amount has been determined in line with best market practice taking into consideration the latest project financing contracts entered into by the Group. This definition was applied retroactively to calculate Ebitda of the combined data at 30 September 2010 that amounted to Euro 70,725 thousand.

<sup>2</sup> The combination took effect following the Demerger on 15 November 2010.

3. Notes to the interim financial report

❖ **Comparison of consolidated capital expenditure at 30.9.2011 with the combined amount at 30.9.2010**

	(Euro thousands)	
	30.9.2011	30.9.2010
Intangible assets	440	3,289
Property, plant and equipment	156,702	96,565
<b>Total intangible assets and property, plant and equipment</b>	<b>157,142</b>	<b>99,854</b>

❖ **Net financial position**

	(Euro thousands)	
	30.9.2011	31.12.2010
<b>Total net financial position</b>	<b>(742,946)</b>	<b>(728,351)</b>

❖ **Installed capacity**

	(MW)		
Technology	30.9.2011	31.12.2010	30.9.2010
Wind	485.2	450.2	445.6
WtE	31.0	31.0	31.0
Biomass	14.0	14.0	
Photovoltaic	16.1	3.0	3.0
<b>Total</b>	<b>546.3</b>	<b>498.2</b>	<b>479.6</b>

**Comparison of the consolidated and combined financial information**

Consolidated **revenue** of the Falck Renewables Group at 30 September 2011 has increased significantly, by Euro 36,340 thousand or approximately 27%, when compared to combined revenue at 30 September 2010. This is attributable to:

- The positive impact arising on consolidation of the two companies acquired in June 2010, Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, as only four months results were included at 30 September 2010;
- Increased revenue from the Sicily photovoltaic plants coming on stream as these had not commenced operations in the first nine months of 2010;
- The results of the biomass plant in Rende, which returned to full capacity in January 2011 following the total revamp finalised in 2010;
- Growth in the revenue of the wind sector due to the start-up of new wind farms with a consequent increase in installed capacity.

**Installed capacity** increased by approximately 14% on the total at 30 September 2010 and now totals 546.3 MW.

Consolidated **direct labour and employee costs** of the Falck Renewables Group increased by Euro 1,000 thousand in the first nine months of 2011 compared to the combined employee costs for the same period in 2010, which is principally due to a greater number of employees following acquisition of the businesses of Falck SpA and Riesfactoring SpA relating to the provision of management services.

### 3. Notes to the interim financial report

Consolidated **direct costs** of the Falck Renewables Group at 30 September 2011 increased by Euro 13,957 thousand compared to the combined direct costs at 30 September 2010 (corresponding to an approximate 20% increase on the same period in 2010), which is largely attributable to increased depreciation on property, plant and equipment and maintenance costs, in line with the increased installed capacity.

Consolidated **administrative expenses** of the Falck Renewables Group at 30 September 2011 fell slightly (- Euro 594 thousand) compared to the combined figure for the first nine months of 2010 due to the cost containment plan.

As a result of the above, consolidated **Ebitda** of the Falck Renewables Group for the period grew by 32.2% compared to combined Ebitda for the same period last year.

The Falck Renewables Group consolidated **operating profit** at 30 September 2011 increased by Euro 20,000 thousand to Euro 58,284 thousand, corresponding to a 52.2% rise on the combined amount at 30 September 2010, which is in line with the significant increase in Ebitda.

Consolidated **profit before income tax** of the Falck Renewables Group tripled to Euro 33,459 thousand compared to the result at 30 September 2010 (+ Euro 21,984 thousand), largely in line with the above-mentioned growth in Operating profit.

The **net financial position**, a net indebtedness of Euro 742,946 thousand, increased by Euro 14,595 thousand compared to the balance at 31 December 2010, largely due to capital expenditure in the period to 30 September 2011 (Euro 157,142 thousand), which was partially offset by the share capital increase concluded in March 2011 (Euro 129,906 thousand).

The net financial position comprises net borrowings of Euro 263,568 thousand relating to projects under construction/development that at 30 September 2011 had not yet earned revenue (or had generated low levels of revenue). The net financial position excluding these loans would have been Euro 479,378 thousand.

The net financial position comprises non-recourse borrowings of Euro 710,466 thousand (Gross Project Debt) at 30 September 2011, an increase of Euro 109,523 thousand on the total at 31 December 2010.

The net financial position of the project companies (PFN Project) comprising the Gross Project Debt, the fair value of derivatives to hedge interest rate exposure and the liquidity of the project financing, totalled Euro 647,204 thousand, representing approximately 87% of the Group's net financial position at 30 September 2011.

Interest rate swaps to a total of Euro 553,787 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, which corresponds to 78% of this debt.

In September 2011, Falck Renewables SpA entered into interest rate swaps totalling Euro 70,000 thousand, to hedge interest rate fluctuations on the committed loan that was entered into on 14 January 2011 and matures on 30 June 2015.

Consequently, as a result of the hedges on Gross Project Debt and the committed loan, approximately 91% of the net financial position (excluding the fair value of derivatives) is hedged from interest rate fluctuations.

## 4. Directors' report

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### 4.1 *Review of significant business developments*

Construction work on the largest Italian 138MW wind farm located in Buddusò/Alà dei Sardi was completed in the last quarter. All of the 69 aerogenerators that make up the plant were installed, 27 of which came on stream on 1 August 2011, with the remaining 42 in advanced stages of commissioning, which should be finalised prior to the year-end.

On conclusion of the commissioning phase, the photovoltaic plants of Cardonita (Enna), Spinasanta (Catania) and Sugherotorto (Ragusa) with a total installed capacity of 13.1 MW, were formally accepted on 28 September.

The further 20MW extension to the Kilbraur wind farm came on stream in September on finalisation of the commissioning phase.

With regard to litigation 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 ("the Department"), in respect of which the next hearing is scheduled to take place on 23 November 2011, it should be noted that on 14 July 2011, the Sicily Project companies were notified of Decree 548 of 22 September 2010 pursuant to which, inter alia, the said 2002 bids were declared non-responsive and all subsequent acts and measures adopted to implement the said procedures were cancelled in self-defence. This is in light of, among other things, the *i)* alleged "*intersezione soggettiva*" between a number of the associated companies, *ii)* the alleged absence of any geographical overlap in the responses to the tender and *iii)* the outcome in 2005 regarding the infiltration of 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. In the brief filed pursuant to article 153, section 2 of the code of civil procedure (c.p.c.) on 22 September 2011, the Department requested the Court of Milan to extend the time limits in order to submit a copy of the above-mentioned Decree for inclusion in the proceedings. The project companies filed reply briefs. On 3 October 2011 PEA, Tifeo and Platani (and the shareholders of PEA, Falck Renewables SpA and Falck SpA, and the shareholder of Tifeo and Platani, Elettroambiente) served an objection against the Decree through notification of an appeal "for additional reasons" in the proceedings pending before TAR Palermo. The aforesaid Decree was issued by the Sicily Region as part of the proceedings initiated on 18 May 2010 pursuant to articles 7 and ff of Law 241/1990 aimed at implementing measures to declare the bids submitted by the Industrial Operators as inadmissible ab origine based on the allegation that Altecocoen Srl (a member, subsequently replaced, of an ATI – a temporary association awarded two of the four Integrated Systems) was under investigation for involvement with the mafia and, according to Arra's statement, was linked to the companies that formed the other two temporary associations (subsequently to become the project companies) that were awarded the procedures. The Industrial Operators presented statements on 17 June 2010 in which they underlined the unlawfulness of the claims made by Arra as it had been aware from the end of 2006 of Altecocoen's alleged illegal actions and could have taken action on the Court of Auditors' Report (endorsed by resolution 6/2007/G of 5 April 2007) that was illustrated on 12 December 2006 in the presence of a delegate of the Administration of the Sicily Region; it was noted that this information had already been taken into consideration as it was cited in the "work of the parliamentary investigation committee on the waste cycle and the connected illegal activities, XIV Legislature – Report on the Sicily Region dated 15-12-2005". Given this prior knowledge it has been assumed that Arra had considered the information presented in the Court of Auditors' report and in the previous parliamentary report to be irrelevant. This is in light of the fact that, subsequent to the above information, the Sicily Region initially urged each Industrial Operator to fulfil its obligations under the Conventions and subsequently entered into an Agreement to resolve them and finally invited the Operators to the negotiated procedures that took place in August 2009 to award the new public tenders.

#### 4. Directors' report

The Industrial Operators also observed from a different standpoint that, with regard to Altecoen's alleged mafia connections and the applicability of Presidential Decree 252/1998 (prohibiting public tender contracts from being entered into with suspect companies under anti-mafia regulations), this law is not applicable as Altecoen had always received a clean anti-mafia certification (most recently issued by the Enna Chamber of Commerce – CCIAA - on 24 May 2010), bearing in mind also that the Department's statements were not founded on criminal rulings but merely on the accusations put forward by the investigating magistrates in bringing a case against the entity.

In light of the above Decree, Tifeo, Platani, PEA and Elettroambiente are preparing the defence of their statements before the court.

There have been no significant changes in the status of litigation disclosed in the Half-year Financial Report at 30 June 2011, with the exception of the arbitration between Falck SpA - Geopower Sardegna Srl - Geo Mbh, in respect of which Falck SpA filed an injunction with the Appeal Court in Milan on 7 September 2011 requesting cancellation of the arbitration award and the issue of a suspension order against the enforcement of the award. In its ruling of 20 October 2011 the Appeal Court dismissed the suspension order request. The first hearing of the appeal proceedings (on merit) will take place on 29 May 2012.

In light of the dismissal of the request to suspend enforcement, in order to avoid the defendant commencing enforcement procedures, Falck SpA paid the sum of Euro 2.3 million (the principal of Euro 1.9 million plus interest and expenses) on 28 October 2011, reserving the right to restitution following the outcome of the appeal ruling. Falck SpA exercised its right of recourse against Falck Renewables SpA, receiving on the same date the sum of Euro 2.3 million and in turn Falck Renewables SpA exercised its right of recourse against Falck Renewables Wind Ltd.

#### 4.2 *Significant capital expenditure and disposals*

Capital expenditure on property, plant and equipment in the period amounted to Euro 156,702 thousand, which is largely attributable to the construction of the Buddusò/Alà dei Sardi wind farm (Euro 76,289 thousand), the Petralia wind farm (Euro 23,597 thousand) and the Ty Ru wind farm (Euro 3,068 thousand) and the extensions to the Kilbraur (Euro 24,231 thousand) and Millennium (Euro 7,181 thousand) wind farms. Expenditure also covered construction of the Spinasanta (Euro 8,755 thousand), Sugherotorto (Euro 5,180 thousand) and Cardonita (Euro 5,746 thousand) photovoltaic plants.

Expenditure on intangible assets totalled Euro 440 thousand.

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

5. Certification of the Corporate Accounting Documents  
Officer pursuant to Article 154-bis paragraph 2 of  
Legislative Decree 58/1998

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5. Certification of the Corporate Accounting Documents Officer pursuant to Article 154-bis paragraph 2 of Legislative Decree 58/1998

As required by Article 154-bis, paragraph 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Paolo Rundeddu, in his capacity as Corporate Accounting Document Officer, declares that the accounting information contained in this interim financial report at 30 September 2011 is consistent with the data in the documents, accounting records and other records.

With regard to one of the Sicily Project companies, Palermo Energia Ambiente ScpA (PEA), which is in liquidation, at the time of preparation of the Interim Financial Report at 30 September 2011, the first interim liquidation statement had not yet been approved by the shareholders. Consequently, for the purpose of consolidation the draft financial statements at 31 December 2010 sent by the liquidators to the shareholders on 21 March 2011 were used and adjusted to reflect costs incurred in the first nine months of 2011.

Paolo Rundeddu

(Corporate Accounting Documents Officer)

Milan, 14 November 2011