

# ACTELIOS Group

Quarterly report  
31 December 2006

Board of directors' meeting

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Milan, 13 February 2007

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

Quarterly report  
as at 31 December 2006

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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>
Achille Colombo	<i>Deputy Chairman</i>
Paride De Masi	<i>Deputy Chairman</i>
Roberto Tellarini	<i>Managing Director</i>
Marco Agostini	<i>Director</i>
Enrico Falck	<i>Director</i>
Giuseppe Gatti	<i>Director</i>
Bruno Isabella	<i>Director</i>
Ferruccio Marchi	<i>Director</i>
Umberto Rosa	<i>Director</i>

***Board of Statutory Auditors***

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Roberto Bracchetti	<i>Chairman</i>
Aldo Bisioli	<i>Statutory auditor</i>
Nicola Vito Notarnicola	<i>Statutory auditor</i>
Francesca Monti	<i>Substitute statutory auditor</i>
Giampiero Maci	<i>Substitute statutory auditor</i>

***Independent auditors***

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PricewaterhouseCoopers SpA

## 2. Financial information

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2. Financial information

2.1 *Profit and loss account*

(Euro thousands)	4th Quarter 2006	4th Quarter 2005	31.12.2006	31.12.2005
Revenue	26.417	25.297	95.818	81.939
Direct labour costs	(1.570)	(1.541)	(6.106)	(6.334)
Direct costs	(22.364)	(14.486)	(55.363)	(50.079)
Cost of sales	(23.934)	(16.027)	(61.469)	(56.413)
<b>Gross profit</b>	<b>2.483</b>	<b>9.270</b>	<b>34.349</b>	<b>25.526</b>
Other income	767	1.164	2.358	7.689
Other employee costs	(2.238)	(640)	(4.434)	(2.570)
Administrative expenses	(1.695)	(1.555)	(8.535)	(11.656)
<b>Operating profit/(loss)</b>	<b>(683)</b>	<b>8.239</b>	<b>23.738</b>	<b>18.989</b>
Net interest receivable/(payable)	441	(893)	521	(7.390)
Investment income	(185)		(185)	
<b>Profit/(loss) before tax</b>	<b>(427)</b>	<b>7.346</b>	<b>24.074</b>	<b>11.599</b>
Taxation				(7.047)
<b>Profit for the year</b>				<b>4.552</b>
Profit attributable to minority interest				(964)
<b>Profit attributable to equity shareholders</b>				<b>3.588</b>

2. Financial information

2.2 *Net financial position*

(Euro thousands)	31.12.2006	30.9.2006	31.12.2005	Change	
	(1)	(2)	(3)	(4)=(1)-(2)	(5)=(1)-(3)
Short-term third party financial liabilities	(20,496)	(19,798)	(18,878)	(698)	(1,618)
Short-term group financial liabilities		(1,403)	(55,200)	1,403	55,200
Short-term third party financial receivables	4,087	4,504	1,862	(417)	2,225
Short-term group financial receivables	54	7		47	54
Other securities					
Cash and cash equivalents	214,209	223,500	23,974	(9,291)	190,235
<b>Short-term net financial position</b>	<b>197,854</b>	<b>206,810</b>	<b>(48,242)</b>	<b>(8,956)</b>	<b>246,096</b>
Medium/long-term third party financial liabilities	(98,789)	(106,053)	(115,469)	7,264	16,680
Medium/long-term group financial liabilities					
Medium/long-term third party financial receivables	2,102	2,104	2,114	(2)	(12)
Medium/long-term group financial receivables					
Other securities					
<b>Medium/long-term net financial position</b>	<b>(96,687)</b>	<b>(103,949)</b>	<b>(113,355)</b>	<b>7,262</b>	<b>16,668</b>
<b>Total net financial position</b>	<b>101,167</b>	<b>102,861</b>	<b>(161,597)</b>	<b>(1,694)</b>	<b>262,764</b>
<b>- of which project financing</b>	<b>(95,306)</b>	<b>(102,515)</b>	<b>(107,570)</b>	<b>7,209</b>	<b>12,264</b>



### 3. Notes to the quarterly report

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### 3. Notes to the quarterly report

#### 3.1 *Accounting policies*

At 31 December 2006 the Actelios group consisted of 13 companies, of which 7 are consolidated on a line-by-line basis, 3 are consolidated applying the proportional method and 3 are valued at cost.

The consolidated financial statements of the Actelios group as at 31 December 2006 include the following companies:

		Method of consolidation
Actelios SpA	Parent company	Line-by-line
Ambiente 2000 Srl	60% interest held by Actelios SpA	Line-by-line
Ambiente 3000 Srl	49% interest held by Actelios SpA	Proportional
Ecosesto SpA	100% interest held by Actelios SpA	Line-by-line
Elettroambiente SpA	100% interest held by Actelios SpA	Line-by-line
Frullo Energia Ambiente Srl	49% interest held by Actelios SpA	Proportional
Palermo Energia Ambiente ScpA	23.273% interest held by Actelios SpA	Proportional
Platani Energia Ambiente ScpA	80.9% interest held by Elettroambiente SpA	Line-by-line
Prima Srl	85% interest held by Actelios SpA	Line-by-line
Tifeo Energia Ambiente ScpA	84.9% interest held by Elettroambiente SpA	Line-by-line

The companies consolidated on a line-by-line basis no longer include Montalto Ambiente SpA, in which Ecosesto SpA held a 60% interest, following the sale of the former in September. During the month of December has been settled Powercrop Srl. Group interest is 50% held by Actelios SpA and for the year ended 31 December 2006 is valued at cost.

The quarterly report has been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). The profit and loss account is presented by function which, with regard to the determination of the headings, reflects IFRS requirements.

The quarterly report has also been prepared in accordance with Appendix 3D of CONSOB (the Italian stock exchange commission) regulation n. 14990 of 14 April 2005.

The accounting policies and measurement criteria applied in the preparation of the consolidated quarterly report are consistent with those adopted for the prior year-end financial statements and the financial information published in previous quarterly reports.

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

In the 2006 fourth quarter, the Actelios group recorded a loss before tax and minority interest of Euro 427 thousand, representing a decrease on the same period of the previous year that recorded a profit of Euro 7,346 thousand. Moreover, the operating results have also decreased compared to the 2005 fourth quarter; *Gross profit* amounts to Euro 2,483 thousand representing a decrease of Euro 6,787 thousand, while the *Operating loss* for the period amounts to Euro 683 thousand, a decrease of Euro 8,922 thousand.

It should be noted that the fourth quarter result has been significantly affected by the strategic decision taken by management, in relation to the plant in Rende, to terminate production of electrical energy at the beginning of 2009. This decision, arisen from the real uncertainty of renewable energy sector, has resulted in a revision of the useful lives of the main asset categories of this plant, with a resulting increase in the depreciation rates commencing with the 2006 financial statements (+Euro 2,810 thousand compared to previous rates) and the total write-off, following performance of an impairment test, of the related goodwill (Euro 7,833 thousand).

3. Notes to the quarterly report

In addition, direct labour costs are Euro 1,598 thousand higher than the amount recorded in the 2005 fourth quarter following the provision (Euro 1,478 thousand) recorded to account for the variable portion of salaries that is linked to company performance, which will be paid in 2007 and 2008 to top and middle group management.

The cumulative profit and loss account for the year ended 31 December 2006, which presents a profit before tax and minority interest of Euro 24,074 thousand (Euro 11,599 thousand in 2005) also reflects a significant improvement in the operating results; *Gross margin* amounts to Euro 34,349 thousand, an increase of Euro 8,823 thousand, *Operating profit* totals Euro 23,738 thousand representing an improvement of Euro 4,749 thousand. The *Gross profit/revenue* ratio is 35.9%, compared to 31.2% in 2005. *Operating profit* expressed as a percentage of *revenue* is equal to 24.8% (23.2% in 2005). The increase in revenue (+Euro 13,879 thousand), is wholly due to the improved performance of the operating plants and also reflects the adjustment of Euro 1,642 thousand relating to 2005 sales of electrical energy carried out under the CIP 6/92 regime. Net interest receivable amounts to Euro 521 thousand (compared to net interest payable in 2005 of Euro 7,390 thousand), which is largely due to the Actelios SpA share capital increase.

Following the transition to IAS/IFRS accounting standards, *Adjusted EBIT*, calculated by adding depreciation/amortisation to operating profit, was adopted as a summary performance indicator. The movements in Adjusted EBIT are set out below:

	(Euro thousands)			
	4th Quarter 2006	4th Quarter 2005	31.12.2006	31.12.2005
Adjusted EBIT	12,837	14,263	45,611	35,562
Adjusted EBIT/Revenue %	48.6%	56.4%	47.6%	43.4%

The net financial position, a net asset of Euro 101,167 thousand, represents a significant improvement, amounting to Euro 262,764 thousand, compared to the net balance at 31 December 2005, which is largely due to the share capital increase of Euro 250,416 thousand carried out by the parent company Actelios SpA and cash generated by the operating plants. The net financial position comprises loans in respect of project financing for a total of Euro 95,306 thousand at 31 December 2005.

At business segment level, the production of electrical energy from renewable sources contributed significantly to the result, representing approximately 95% of total revenue.

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

	(Euro thousands)			
	4th Quarter 2006	4th Quarter 2005	31.12.2006	31.12.2005
Sale of electrical energy	19.009	17.778	67.194	53.692
Waste treatment and disposal	5.700	4.828	23.339	20.553
Management of WTE plants and landfills	1.708	2.691	5.285	7.694
<b>Total</b>	<b>26.417</b>	<b>25.297</b>	<b>95.818</b>	<b>81.939</b>

### 3. Notes to the quarterly report

#### 3.3 *Performance of subsidiaries and associates*

A summary of the performance of the principal subsidiaries and associates for the 2006 fourth quarter is presented below.

##### **Ecosesto SpA**

The company owns a biomass electrical energy plant and also operates in other environmental management activities. The fourth quarter of 2006 closed with a loss before tax of Euro 8,361 thousand and revenue of Euro 5,747 thousand. Capital expenditure in this quarter amounted to Euro 1,650 thousand.

The cumulative profit and loss account at 31 December 2006 shows a loss before tax of Euro 3,540 thousand against revenue of Euro 25,269 thousand, while capital expenditure totalled Euro 3,041 thousand. As mentioned above, the loss is due to the write-off of the goodwill relating to the biomass plant in Rende and increased depreciation following the revision of the useful lives of the related assets.

The net financial position at 31 December 2006 is a total indebtedness of Euro 10,947 thousand.

##### **Ambiente 2000 Srl**

The main business of Ambiente 2000 Srl is the operation and maintenance of the WTE plants. It recorded a profit before tax in the fourth quarter of Euro 192 thousand and revenue of Euro 2,445 thousand.

The cumulative profit and loss account shows a profit before tax of Euro 360 thousand and revenue of Euro 10,867 thousand.

The net financial position is a total asset of Euro 850 thousand.

##### **Ambiente 3000 Srl**

This company, set up as a joint venture between Hera SpA (51%) and Actelios SpA (49%), is responsible for the operation and maintenance of the WTE plant owned by Frullo Energia Ambiente Srl in Granarolo dell'Emilia. The fourth quarter closed with a profit before tax of Euro 194 thousand and revenue of Euro 3,214 thousand. The cumulative profit and loss account at 31 December shows a profit before tax of Euro 414 thousand and revenue of Euro 8,118 thousand.

The net financial position is a net asset of Euro 327 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, which co-ordinates engineering activities and provides engineering services to the above consortium enterprises and Palermo Energia Ambiente ScpA, an associate of Actelios SpA, recorded a profit before tax in the fourth quarter of Euro 336 thousand and revenue of Euro 543 thousand. The profit and loss account for the year ended 31 December 2006 shows a loss of Euro 592 thousand and revenue amounting to Euro 2,155 thousand.

The net financial position is a total indebtedness of Euro 29,689 thousand.

### 3. Notes to the quarterly report

#### **Frullo Energia Ambiente Srl**

This company, set up as a joint venture between Hera SpA (51%) and Actelios SpA (49%), is responsible for the operation of the WTE plant in Granarolo dell'Emilia (Bologna), which has installed capacity of 20 MW and falls within the CIP6/92 tariffs. In the fourth quarter the company recorded a profit before tax of Euro 2,555 thousand and revenue of Euro 11,386 thousand. Capital expenditure in the quarter amounted to Euro 118 thousand.

The profit before tax for the year ended 31 December 2006 amounts to Euro 19,720 thousand, revenue totals Euro 48,357 thousand and capital expenditure is equal to Euro 1,953 thousand.

The net financial position, a total indebtedness of Euro 64,308 thousand, comprises cash and cash equivalents amounting to Euro 27,410 thousand, bank loans for project financing of Euro 81,957 thousand, net of Euro 3,058 thousand arising from application of the amortised cost method to the costs incurred in raising this finance, and shareholders' loans of Euro 8,400 thousand. In addition, the net financial position comprises Euro 1,361 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).

#### **Prima Srl**

The company is the owner of the WTE plant in Trezzo sull'Adda. In the fourth quarter it recorded a profit before tax of Euro 7,438 thousand and revenue of Euro 12,670 thousand. Capital expenditure in the period amounted to Euro 122 thousand. The cumulative result to 31 December shows a profit before tax of Euro 19,491 thousand and revenue of Euro 44,589 thousand. At 31 December 2006 capital expenditure on the WTE plant amounts to Euro 2,334 thousand.

The net financial position, a total indebtedness of Euro 44,999 thousand, comprises cash and cash equivalents equal to Euro 17,748 thousand, bank loans for project financing of Euro 55,147 thousand, net of Euro 2,978 thousand relating to the application of the amortised cost method to the costs of raising this finance, and shareholders' loans of Euro 7,453 thousand. In addition, the net financial position includes Euro 147 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).

#### **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, proceeded with its start-up activities and closed the fourth quarter with a loss of Euro 104 thousand and no revenue. The cumulative result to 31 December 2006 is a loss of Euro 485 thousand.

In the fourth quarter capital expenditure amounts to Euro 1,940 thousand giving a total for the year ended 31 December of Euro 7,039 thousand. The net financial position is a total indebtedness of Euro 9,224 thousand.

#### **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, proceeded with its start-up activities and closed the fourth quarter with a loss of Euro 137 thousand and no revenue, while the loss for the year ended 31 December 2006 amounts to Euro 651 thousand.

In the fourth quarter capital expenditure amounts to Euro 2,967 thousand, while the total for the year to date is Euro 14,450 thousand. The net financial position is a total indebtedness of Euro 15,386 thousand.

### 3. Notes to the quarterly report

#### 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, proceeded with its start-up activities and closed the fourth quarter with a loss of Euro 168 thousand and no revenue, while the cumulative result to 31 December 2006 is a loss of Euro 893 thousand.

In the fourth quarter capital expenditure amounts to Euro 5,754 thousand, while the total for the year to date amounts to Euro 9,466 thousand. The net financial position is a total indebtedness of Euro 17,338 thousand.

#### 3.4 Performance of the parent company Actelios SpA

The 2006 fourth quarter closed with a profit before tax of 570 thousand, a slight decrease on the corresponding period of last year that closed with a profit of Euro 770 thousand.

The cumulative profit and loss account at 31 December 2006, presents a profit before tax of Euro 10,345 thousand (Euro 908 thousand at 31 December 2005). In addition to the benefit generated from net interest receivable amounting to Euro 7,660 thousand, the result has been affected by dividends received from subsidiaries amounting to Euro 9,381 thousand, of which Euro 4,250 thousand relates to Prima Srl, Euro 922 thousand relates to Ecosesto SpA and Euro 4,209 thousand relates to Frullo Energia Ambiente Srl.

The net financial position, a total asset of Euro 245,949 thousand, against a total indebtedness of Euro 6,665 thousand at 31 December 2005, was affected significantly by the share capital increase that was finalised successfully in February 2006.

#### 3.5 Employees

At 31 December 2006 the workforce of the Actelios group comprised:

	(number)	
	31.12.2006	31.12.2005
Managers	15	14
White-collar staff and special categories	67	67
Blue-collar staff	61	63
<b>Total</b>	<b>143</b>	<b>144</b>

## 4. Directors' report

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## 4. Directors' report

### 4.1 *Review of significant business developments*

No significant business developments took place during the 2006 fourth quarter, with the exception of the developments detailed below relating to the project financing of the WTE plants under construction in Sicily.

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

On 2 February the Italian Government presented a draft Law for the exclusion of the benefit of CIP6 tariffs authorised but not yet operating plants; the above draft Law contemplates the possibility of exceptions.

The companies involved in the projects in Sicily proceed with the construction of the waste to energy plants, in full compliance with existing legislation

Finally, it should be noted that the companies involved in the project have not received any official communication subsequent to the works meeting, held in the Ministry of the Environment last November, regarding the granting of authorisation in relation to emissions by the plants under construction. In fact the outcome of this meeting was brought to our knowledge through declarations to the press only by the Environmental Minister.

The picture described above denotes a real uncertainty situation in relation to the realisation of the projects in Sicily.

### 4.2 *Significant capital expenditure and disposals*

During the year, investment in fixed assets continued mainly in respect of the WTE plants, in particular this relates to the start-up phase of the three plants in Sicily for a total for the period of Euro 30,995 thousand. Improvements were made to increase the performance of the plant in Trezzo sull'Adda (Euro 2,334 thousand) and the biomass plant in Rende (Euro 1,052 thousand). Finally, Ecosesto SpA purchased land in Rende for Euro 678 thousand on which a photovoltaic plant will be constructed for the production of electrical energy, in relation to which Euro 1,298 thousand has already been invested.

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

The board of directors

Milan, 13 February 2007