

**FALCK RENEWABLES**  
**Group**  
**Interim Financial Report**  
**30.9.2012**

**Board of directors' meeting**  

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**Milan, 12 November 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

## Interim financial report at 30 September 2012

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## 1. Company officers

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## 1 Company officers

### ***Board of directors***

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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

(\*\*) Non-executive directors

### ***Board of statutory auditors***

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

### ***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 2012	3rd quarter 2011	30.9.2012	30.9.2011	31.12.2011
Revenue	57,326	54,537	199,269	168,571	248,650
Direct labour costs	(1,889)	(1,465)	(6,270)	(6,262)	(8,100)
Direct costs	(34,362)	(28,446)	(115,465)	(82,063)	(122,488)
Cost of sales	(36,251)	(29,911)	(121,735)	(88,325)	(130,588)
<b>Gross profit</b>	<b>21,075</b>	<b>24,626</b>	<b>77,534</b>	<b>80,246</b>	<b>118,062</b>
Other income	533		1,424	1,527	1,662
Other employee costs	(3,119)	(2,783)	(9,615)	(8,905)	(12,983)
Administrative expenses	(6,062)	(5,681)	(16,359)	(14,584)	(27,508)
<b>Operating profit</b>	<b>12,427</b>	<b>16,162</b>	<b>52,984</b>	<b>58,284</b>	<b>79,233</b>
Finance (costs) - net	(12,027)	(7,530)	(35,301)	(25,397)	(42,682)
Investment income		12	676	572	700
<b>Profit before income tax</b>	<b>400</b>	<b>8,644</b>	<b>18,359</b>	<b>33,459</b>	<b>37,251</b>
Income tax expense					(17,407)
<b>Profit for the period</b>					<b>19,844</b>
Profit attributable to non-controlling interests					981
<b>Profit attributable to owners of the parent</b>					<b>18,863</b>
<b>Ebitda</b>	<b>29,611</b>	<b>28,482</b>	<b>115,268</b>	<b>93,475</b>	<b>141,738</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.

2. Financial information

2.2 *Net financial position*

	(Euro thousands)				
	30.9.2012	30.6.2012	31.12.2011	Change	
	(1)	(2)	(3)	(4)=(1)-(2)	(5)=(1)-(3)
Short-term third party financial liabilities	(66,380)	(51,219)	(44,185)	(15,161)	(22,195)
Short-term Group financial liabilities					
Short-term third party financial receivables	552	279		273	552
Short-term Group financial receivables			14		(14)
Other securities					
Cash and cash equivalents	112,657	104,633	96,890	8,024	15,767
<b>Short-term net financial position</b>	<b>46,829</b>	<b>53,693</b>	<b>52,719</b>	<b>(6,864)</b>	<b>(5,890)</b>
Medium/long-term third party financial liabilities	(912,047)	(901,402)	(879,569)	(10,645)	(32,478)
Medium/long-term Group financial liabilities					
Other securities					
<b>Medium/long-term financial position</b>	<b>(912,047)</b>	<b>(901,402)</b>	<b>(879,569)</b>	<b>(10,645)</b>	<b>(32,478)</b>
<b>Net financial position pursuant to Consob circular</b>					
<b>DEM/6064293/2006</b>	<b>(865,218)</b>	<b>(847,709)</b>	<b>(826,850)</b>	<b>(17,509)</b>	<b>(38,368)</b>
Medium/long-term third party financial receivables	407	407			407
Medium/long-term Group financial receivables			734		(734)
<b>Total net financial position</b>	<b>(864,811)</b>	<b>(847,302)</b>	<b>(826,116)</b>	<b>(17,509)</b>	<b>(38,695)</b>
<b>- of which non-recourse financing</b>	<b>(750,370)</b>	<b>(747,135)</b>	<b>(749,680)</b>	<b>(3,235)</b>	<b>(690)</b>



### 3. Notes to the interim financial report

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### 3. Notes to the interim financial report

#### 3.1 *Accounting policies*

At 30 September 2012 the Falck Renewables group (hereinafter “the Falck Renewables Group” or “the Group”) consisted of 60 companies, of which 54 are consolidated on a line-by-line basis, 4 are consolidated applying the proportional method and 2 are valued at cost.

In the course of the first 9 months the scope of consolidation increased to include the following companies that have been 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;
- Falck Renewables Energy Srl - 100% owned by Falck Renewables SpA.

The following companies have no longer been consolidated on a line-by-line basis due to either sale or liquidation:

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

Eolica Calabria Srl has no longer been valued at cost following finalisation of liquidation proceedings in September.

Following changes to the shareholder agreements (that came into effect on 13 March 2012) involving the three Spanish companies (Parque Eolico La Carracha SI, Parque Eolico Plana de Jarreta SI 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 1.6 million in Ebitda for the two quarters, while the consolidated net financial position increased by Euro 10.8 million.

The interim financial report at 30 September 2012 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 2012 are consistent with those adopted for the previous period and the year-end financial statements.

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

In the course of the 2012 third quarter the Falck Renewables Group recorded a profit before income tax and non-controlling interests of Euro 400 thousand, a decrease on the profit of the same period last year that amounted to Euro 8,644 thousand.

*Gross profit* amounted to Euro 21,075 thousand, representing a decrease of Euro 3,551 thousand, while *Operating profit* totalled Euro 12,427 thousand (2011 third quarter - Euro 16,162 thousand). The *gross profit/revenue* ratio amounted to 36.8%, against 45.2% in the 2011 third quarter. *Operating profit* expressed as a percentage of revenue equalled 21.7% (2011 third quarter - 29.6%).

### 3. Notes to the interim financial report

Despite the strong performance of operating plants and revenue from new wind farms that came on stream in recent months that were not included in the first nine months of 2011, the Group's results for the nine months ended 30 September 2012 were negatively affected by the impairment loss of Euro 14,675 thousand recorded in the half-year financial report at 30 June 2012 against the goodwill allocated to 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 was challenged at the beginning of October 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 around 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. This impairment affects the operating results and state of affairs but has no financial impact.

The cumulative income statement at 30 September 2012 shows a profit before income tax and non-controlling interests of Euro 18,359 thousand, a fall on the profit of Euro 33,459 thousand recorded in the same period last year. Excluding the above impairment loss the profit would have totalled Euro 33,034 thousand.

Moreover, the operating result was affected by the review of the ROC Recycle incentive (awarded to renewables producers where renewable energy production falls below the annual limits set by the government) for UK wind farms that resulted in a Euro 2.4 million fall in Ebitda in the last 9 months of 2011 and Euro 1.1 million in the first 3 months of 2012 (UK tax year). The value of the ROC Recycle, published approximately six months after the end of the tax year, differed significantly from market expectations due to the mild, windy winter and the entry of new renewable energy power plants that were not correctly monitored by the electricity market regulator.

### 3. Notes to the interim financial report

*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 115,268 thousand at 30 September 2012 and 57.8% when expressed as a percentage of revenue.

*Gross profit* amounted to Euro 77,534 thousand, corresponding to a decrease of Euro 2,712 thousand. Excluding the impact of the impairment loss this would have amounted to Euro 92,209 thousand.

Operating profit totalled Euro 52,984 thousand compared to Euro 58,284 thousand for the nine months to 30 September 2011. Again excluding the impact of the impairment loss this would have totalled Euro 67,659 thousand.

The *Gross profit/revenue* ratio amounted to 38.9% (30 September 2011 – 47.6%), while *Operating profit* expressed as a percentage of revenue equalled 26.6% (30 September 2011 – 34.6%). Excluding the effect of the impairment loss the corresponding ratios would have been 46.3% and 33.9%.

Net finance costs increased by Euro 9,904 thousand compared to the 30 September 2011, due to an increase in financial indebtedness linked to capital expenditure.

The net financial position, net of the fair value of derivatives<sup>1</sup> of Euro 87,577 thousand, corresponded to a net indebtedness of Euro 777,234 thousand, an increase on the balance of Euro 765,203 thousand at 31 December 2011.

This increase is largely attributable to capital expenditure of Euro 43,674 thousand in the period, which was partially offset by cash flows generated by operating plants.

Finance costs – net, increased by Euro 9,904 thousand compared to 30 September 2011 in line with the increased indebtedness arising from capital expenditure.

The net financial position comprises non-recourse loans (Gross Project Debt) that amounted to Euro 750,370 thousand at 30 September 2012 (31 December 2011 – Euro 749,680 thousand).

The net financial position includes net borrowings of Euro 19,432 thousand relating to construction projects that were not revenue generating at 30 September 2012. The net indebtedness, net of these borrowings and the fair value of derivatives would have amounted to Euro 757,802 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 725,001 thousand, representing approximately 84% of the Group's net indebtedness at 30 September 2012.

Interest rate swaps to a total of Euro 588,968 thousand have been entered into to hedge interest rate fluctuations on the Gross Project Debt, equal to 78% of the total debt.

Consequently, approximately 85% of the total net indebtedness of Euro 777,234 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's interest rate risk:

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<sup>1</sup> The net financial position including the fair value of derivatives amounted to Euro 864,811 thousand at 30 September 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.

3. Notes to the interim financial report

	(Euro thousands)
	30.9.2012
Total NFP net of Fair Value of Derivatives	777,234
Total hedged against interest rate fluctuations	658,968
% Hedged/NFP net of derivatives	85%
Total Gross Debt including Fair Value of Derivatives (GD+FVD)	978,427
of which Project Gross Debt + Fair Value of Project Derivatives	835,298
%Project GD including FV Derivatives/(GD+FVD)	85%
Total Gross Debt (GD)	890,850
of which Project Gross Debt (Project GD)	750,370
% Project GD/GD	84%
Project Gross Debt	750,370
Total hedged against interest rate fluctuations	588,968
% Project NFP/NFP	78%
Total Gross Debt (GD)	890,850
Total hedged against interest rate fluctuations	658,968
% Hedged/GD	74%
Total net financial position including Fair Value of Derivatives (NFP)	864,811
of which Project Financing Net Debt (Project NFP) (*)	725,001
% Project NFP/NFP	84%

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

Installed capacity by technology is illustrated in the table below.

	(MW)		
Technology	30.9.2012	31.12.2011	30.9.2011
Wind	655.3	623.2	485.2
WtE	31.0	31.0	31.0
Biomass	14.0	14.0	14.0
Photovoltaic	16.1	16.1	16.1
<b>Total</b>	<b>716.4</b>	<b>684.3</b>	<b>546.3</b>

Revenue by activity may be analysed as follows.

	(Euro thousands)			
	3rd quarter 2012	3rd quarter 2011	30.9.2012	30.9.2011
Sale of electrical energy	48,215	43,842	171,497	137,639
Waste treatment and disposal	7,108	7,178	23,016	25,310
Operation of WtE and other activities	2,003	3,517	4,756	5,622
<b>Total</b>	<b>57,326</b>	<b>54,537</b>	<b>199,269</b>	<b>168,571</b>

3. Notes to the interim financial report

The results before income tax and non-controlling interests of the sectors, compared to 30 September 2011, are summarised below:

	(Euro thousands)			
	3rd quarter 2012	3rd quarter 2011	30.9.2012	30.9.2011
WtE, biomass and photovoltaic sector	4,652	7,269	(1,112)	25,138
Wind sector	(2,269)	155	25,086	8,019
Falck Renewables SpA	(2,012)	1,206	(28,610)	12,397
Consolidation adjustments	29	14	22,995	(12,095)
<b>Total</b>	<b>400</b>	<b>8,644</b>	<b>18,359</b>	<b>33,459</b>

The loss before income tax of the WtE, biomass and photovoltaic sector at 30.9.2012 is largely attributable to the impairment loss (Euro 14,675 thousand) recognised against the goodwill of the Sicily Projects (Casteltermini and Augusta WtE plants) identified following impairment tests carried out at the time of preparation of the half-year financial report. Excluding the impairment loss the sector would have recorded a profit of Euro 13,563 thousand.

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 that together constitute the Group.

❖ **WtE, biomass and photovoltaic sector**

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

	(Euro thousands)		
	30.9.2012	30.9.2011	31.12.2011
Revenue	71,318	81,706	106,216
Cost of sales	(61,987)	(46,620)	(66,134)
<b>Gross profit</b>	<b>9,331</b>	<b>35,086</b>	<b>40,082</b>
<b>Operating profit</b>	<b>4,627</b>	<b>29,705</b>	<b>32,748</b>
<b>Ebitda</b>	<b>31,524</b>	<b>39,916</b>	<b>50,548</b>
<b>(Loss)/profit for the period</b>	<b>(1,112)</b>	<b>25,138</b>	<b>28,700</b>
<b>Net financial position - indebtedness</b>	<b>214,365</b>	<b>200,099</b>	<b>211,464</b>
of which non-recourse financing	73,882	81,562	77,797
<b>Capital expenditure</b>	<b>1,174</b>	<b>20,818</b>	<b>21,789</b>
Employees at period-end	(no.)	126	132

This sector focuses on the production of electricity from renewable sources in particular through the conversion of urban waste to energy (WtE), biomass and from 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 fell compared to 31 September 2011, due to decreased revenue from the Trezzo sull’Adda and Granarolo 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 still in force.

### 3. Notes to the interim financial report

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 8,392 thousand) that totalled Euro 31,524 thousand: 44.2% when expressed as a percentage of revenue (2011 – 48.9%).

Operating profit totalled Euro 4,627 thousand, down on 30 September 2011, due in part to the above-mentioned 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 before income tax of Euro 1,112 thousand that, excluding this impairment, would have amounted to a profit of Euro 13,563 thousand.

The net indebtedness of Euro 214,365 thousand increased (Euro 2,901 thousand) compared to the balance at 31 December 2011. The net financial position comprises non-recourse borrowings that amounted to Euro 73,882 thousand, a decrease of Euro 3,915 thousand compared to 31 December 2011, and the fair value of derivatives to hedge interest rate exposure of Euro 5,496 thousand (31 December 2011 – Euro 3,221 thousand).

#### ❖ Wind sector

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

	(Euro thousands)		
	30.9.2012	30.9.2011	31.12.2011
Revenue	127,910	86,825	142,378
Cost of sales	(60,102)	(42,217)	(64,861)
<b>Gross profit</b>	<b>67,808</b>	<b>44,608</b>	<b>77,517</b>
<b>Operating profit</b>	<b>58,051</b>	<b>35,572</b>	<b>64,380</b>
<b>Ebitda</b>	<b>91,945</b>	<b>60,258</b>	<b>101,859</b>
<b>Profit for the period</b>	<b>25,086</b>	<b>8,019</b>	<b>25,842</b>
<b>Net financial position - indebtedness</b>	<b>942,935</b>	<b>864,105</b>	<b>906,549</b>
of which non-recourse financing	676,488	628,904	671,883
<b>Capital expenditure</b>	<b>42,345</b>	<b>135,505</b>	<b>155,336</b>
Employees at period-end	(n.) 46	41	42

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

Revenue increased significantly (+ Euro 41,085 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 nine months of 2011. Moreover, the Spanish (including the Muela wind farm that commencing 1 April 2012 has been consolidated under the proportional method) and UK wind farms recorded stronger performances than those of the first part of 2011.

Ebitda totalled Euro 91,945 thousand, an increase of Euro 31,687 thousand and corresponded to 71.9% of revenue (30 September 2011 – 69.4%): the operating results have been impacted by the review of the ROC Recycle incentives (awarded to renewables producers where renewable energy production falls below the annual limits set by the government) for UK wind farms that resulted in a Euro 2.4 million fall in Ebitda in the last 9 months of 2011 and Euro 1.1 million in the first 3 months of 2012 (UK tax year). The value of the ROC Recycle, published approximately six months after the end of the tax year, differed significantly from market expectations due to the mild, windy winter and the entry of new renewable energy power plants that were not correctly monitored by the electricity market regulator.

### 3. Notes to the interim financial report

Operating profit also rose, recording an increase of Euro 22,479 thousand compared to 30 September 2011 and amounting to 45.4% of revenue (30 September 2011 – 41%).

Profit before income tax totalled Euro 25,086 thousand, a significant increase on the result to 30 September 2011 (+ Euro 17,067 thousand).

The net indebtedness amounted to Euro 942,935 thousand, an increase of Euro 36,386 thousand on the balance at December 2011. The total comprises net financial liabilities of Euro 19,432 thousand relating to projects under construction that were not yet revenue generating at 30 September 2012; the net financial position net of this amount and the fair value of derivatives would have amounted to Euro 844,072 thousand.

The net financial position includes non-recourse financing of Euro 676,488 thousand (31 December 2011 – Euro 671,883 thousand) and the fair value of derivatives to hedge interest rate exposure of Euro 79,431 thousand (31 December 2011 – Euro 56,502 thousand).

#### 3.4 *Performance of the parent company Falck Renewables SpA*

The income statement of Falck Renewables SpA for the 2012 third quarter closed with a loss before income tax of Euro 2,012 thousand, a decrease on the profit of Euro 1,206 thousand recorded in the same period last year.

The cumulative income statement at 30 September 2012 closed with a loss before income tax of Euro 28,610 thousand.

The result was significantly affected by the write-down of Euro 33,370 thousand against the entire shareholding in Elettroambiente, the holding company of Tifeo and Platani, made in the first half of 2012 and the partial 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 result would have been a profit of Euro 6,594 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 as mentioned in paragraph 3.2 above.

Consequently the balances recorded in the separate financial statements of Falck Renewables SpA 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 results for the first nine months 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 before income tax for the period to 30 September 2012 includes write-downs of Euro 45 thousand against trade receivables and Euro 283 thousand against financial receivables owed to Falck Renewables SpA by Pea, and a charge of Euro 1,153 thousand to the sundry risks provision. The total impact on the result was Euro 1,463 thousand.

The net financial position was an asset of Euro 292,489 thousand, representing an increase of Euro 592 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 2,650 thousand (31 December 2011 – Euro 1,190 thousand).



3. Notes to the interim financial report

**3.5 Employees**

At 30 September 2012 the total number of employees increased by 8 compared to 31 December 2011 and comprised:

	30.9.2012	31.12.2011	(Number) 30.9.2011
Managers	26	24	24
White-collar staff and special categories	148	140	140
Blue-collar workers	75	77	75
<b>Total</b>	<b>249</b>	<b>241</b>	<b>239</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 19 white-collar staff and 29 blue-collar workers.

**3.6 Management outlook for the coming year**

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 pursuant to point 3 of the CIP 6/92 decree in respect of both the Trezzo sull'Adda and Granarolo dell'Emilia WtE plants.

The 2012 last quarter will benefit in particular from the revenue of the Petralia Sottana (22MW) and Ty Ru (10MW) wind farms that were completed and came on stream in July 2012.

If 2012 fourth quarter production were in line with that of the same period in 2011, all other things being equal, Group Ebitda would amount to approximately Euro 155-160 million.

Construction work commenced on the Nutberry Wind Energy Ltd wind farm (15 MW), which is expected to be completed in the first quarter 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.

## 4. Directors' report

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### 4.1 *Review of significant business developments*

The Petralia Sottana (22 MW) and Ty Ru (10 MW) wind farms were completed and came on stream in July 2012.

With regard to Palermo Energia Ambiente SpA (in liquidation, hereinafter “Pea”), at the date of preparation of the 2011 consolidated financial statements, the first (2010) and second (2011) interim liquidation accounts had not been approved. Pea is one of the Sicily Project companies (Bellolampo-Palermo) currently in liquidation, in which the Company has a 23.2725% interest that was consolidated applying the proportional method up to the 2010 financial statements. This is due to a dispute with the shareholder Amia SpA (“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.

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. On 14 June 2012 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.

A hearing was held at the Court in Monza on 4 September 2012 whereby the Court ruled, in order to avoid Pea's insolvency, that Pea must be provided with the means necessary to satisfy its third party creditors (*i.e.* not shareholders, including members of the Falck Group). In particular, the Court declared that the agreements in place between Pea and its shareholders do not guarantee in full the settlement of third party creditors as the possibility exists that Falck and Falck Renewables may not meet their obligations to provide Pea with the financial resources necessary to pay its creditors; this is based on the fact that Pea does not have sufficient finances and the agreements in question do not allow the creditors to take direct action with Falck and Falck Renewables for settlement of the balances.

Given this ruling, it was requested that the Court postpone proceedings for a suitable period (at least two months) in order to act on the above ruling. The prosecuting attorney did not oppose this request. The Court agreed with the motion to postpone and reserved the right to consult the Board in order to obtain authorisation for this lengthy postponement. In the ruling of 11 September 2012, the Court granted Pea until 5 November 2012 to submit the documentation underlying the agreements between the company and its shareholders regarding the latter's receivables and the terms and condition of waiver, the assumption of the company's debts and the issue of guarantees in favour other creditors, and set the hearing for 22 November 2012 to appear before the reporting judge. All documents were filed on time.

The shareholders' meeting of 22 October 2012 of Falck Renewables SpA authorised the board of directors to purchase up to a maximum of 5,828,277 ordinary shares of Falck Renewables SpA, corresponding to 2% of share capital.

#### 4. Directors' report

Own shares may be purchased for a period of 18 months from 22 October 2012 at a price per share no less than 20% below and no more than 20% above the quoted price of Falck Renewables shares registered by Borsa Italiana SpA in the previous trading session and in any event according to the terms, conditions and requirements of current market practice and regulatory provisions.

This authorisation aims to provide Falck Renewables with a tool that allows it intervene in the market in order to reinforce the liquidity and stability of its share stock. Own shares may be used in investment transactions, including share exchanges and joint venture and/or partnership agreements in line with the Company's business strategy.

There have been no significant changes in the status of litigation disclosed in the Half-year Financial Report at 30 June 2012, which may be referred to for further details.

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

Capital expenditure on property, plant and equipment in the first nine months of the year amounted to Euro 43,498 thousand, which was largely attributable to the construction of the Nutberry wind farm (Euro 11,212 thousand), the Petralia wind farm (Euro 5,802 thousand), the Ty Ru wind farm (Euro 10,595 thousand), the Spaldington and Browncastle wind farms (Euro 5,263 thousand) and completion of the Buddusò-Alà dei Sardi wind farm (Euro 9,047 thousand). Expenditure also comprised improvements to the Granarolo dell'Emilia (Euro 484 thousand) and Trezzo sull'Adda (Euro 104 thousand) WtE plants and the Rende biomass plant (Euro 565 thousand).

Expenditure on intangible assets amounted to Euro 175 thousand largely in respect of the acquisition of new application software.

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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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 2012 is consistent with the data in the documents, accounting records and other records.

I draw attention to the disclosures made in paragraph 2.3 of the “Audit report on the condensed consolidated financial statements at 30 June 2012” dated 28 August 2012.

Paolo Rundeddu  
(Corporate Accounting Document Officer)

Milan, 12 November 2012