



**2005 Annual Report  
and Financial Statements**

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**2005 Annual report**

**FALCK SpA**

Share capital € 72,742,313.00 fully paid

Registered and fiscal address

20121 Milan – Corso Venezia, 16

REA Milan n. 683

Milan Companies Register no. 00917490153

VAT and tax code no. 00917490153

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## **Notice of annual general meeting**

The shareholders are invited to attend the ordinary annual general meeting at 11.00 a.m. on 28 April 2006 in Milan, Corso Venezia 16 in first sitting and where necessary at 15.30 p.m. on 10 May 2006 in Milan, Via Cino del Duca 8 (Palazzo Visconti) in second sitting, in order to approve the following

### AGENDA

- Annual report for the year ended 31 December 2005.
- Proposal to vest board of directors with power to purchase and sell the company's own shares in accordance with articles 2357 and 2357-ter of the Italian Civil Code.

Shareholders may attend the annual general meeting where notice from the authorised intermediary, in conformance with article 2370 of the Italian Civil Code, was received by the company at least two days prior to the date established for the first sitting; shares may not be withdrawn prior to the annual general meeting taking place.

The financial statements of the company and the consolidated financial statements for the year ended 31 December 2005, the directors' report, the report of the statutory auditors and the report on matters set out in the agenda, will be available to the public at the company's registered offices from 13 April 2006 and, as soon as it is received, the independent auditors' report will be made available through the same channels mentioned above and in accordance with the required timeframe. The shareholders may obtain a copy of the above documentation.

Milan, 27 March 2006

On behalf of the board of directors  
The chairman  
Federico Falck

Notice of the annual general meeting was published in "Il Sole24 Ore" of 10 April 2006.

## Company officers

### Board of directors

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Federico Falck (*)	<i>Chairman</i>
Carlo Marchi (*)	<i>Deputy chairman</i>
Achille Colombo (*)	<i>Managing director</i>
Angelo Casò	<i>Director</i>
Enrico Falck	<i>Director</i>
Bruno Isabella (*)	<i>Director</i>
Ferruccio Marchi	<i>Director</i>
Filippo Marchi	<i>Director</i>

(\*) Members of executive committee

### Board of statutory auditors

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Filippo Tamborini	<i>Chairman</i>
Gerolamo Gavazzi	<i>Statutory auditor</i>
Massimo Scarpelli	<i>Statutory auditor</i>
Giorgio Moro Visconti	<i>Substitute statutory auditor</i>
Guido Croci	<i>Substitute statutory auditor</i>

### Independent auditors

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PricewaterhouseCoopers SpA

Company powers granted to directors are set out on page 85.

## Group structure

### Falck group

<i>Parent company</i>	FALCK
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### Renewable energy sector – biomass and waste to energy

<i>Holding company</i>	ACTELIOS
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<i>Energy - Biomass and waste to energy</i>	AMBIENTE 2000 AMBIENTE 3000 ECOSESTO ELETTRROAMBIENTE FRULLO ENERGIA AMBIENTE PALERMO ENERGIA AMBIENTE PLATANI ENERGIA AMBIENTE PRIMA TIFEO ENERGIA AMBIENTE
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### Renewable energy sector – wind farms

<i>Sector head</i>	FALCK RENEWABLES
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<i>Wind energy</i>	FALCK RENEWABLES FINANCE FALCK RENEWABLES UK HOLDINGS (NO.1) FALCK RENEWABLES ITALIA BOYNDIE WIND ENERGY CAMBRIAN WIND ENERGY EOLICA LUCANA EOLICA CABEZO SAN ROQUE PARQUE EOLICO LA CARRACHA PARQUE EOLICO PLANA DE JARRETA
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### Steel sector

<i>Cold rolled HC and LC strip</i>	ITLA- RTL
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<i>Service centre and trading for strip and coils</i>	FALCK ACCIAI -CNS
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### Other activities

<i>Services</i>	FALCK ENERGY FALCK ENERGY IRAN FALCK FINANCIAL SERVICES RIESFACTORING SESTO SIDERSERVIZI
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## Consolidated financial highlights

<i>(Euro millions)</i>	2005	2004	2003	2002	2001
Revenues from sales and services	162	142	139	75	756
Gross operating margin	40.5	22.9	12.1	0.4	203
Operating profit/(loss)	21.0	9.5	0.6	( 8)	133
Net profit/(loss)	88.1	( 6.0)	46	67	44
Net profit/(loss) attributable to the group	84.0	( 0.9)	42	64	15
Net earnings per share (Euro)	1.2	0.0	0.6	2.6	0.13
Fixed assets	438	457	363	195	1,030
Net working capital	57	59	38	68	108
Invested capital net of provisions	495	516	401	263	1,138
Shareholders' equity	284	199	207	137	549
- Net financial liabilities	18	164	149	43	204
- Project financing	192	153	45	83	323
- Finance leasing					61
Total net financial position	211	317	194	126	588
Shareholders' equity attributable to the group	264	188	189	136	423
Shareholders' equity per share (Euro)	3.63	2.58	2.60	5.60	3.66
Change in net financial position	(106)	123	68	462	86
Investments	95	97	126	83	98
Gross operating margin/Revenue	25.0%	16.1%	8.7%	0.5%	26,8%
Operating profit/Revenue	13.0%	6.7%	0.4%	-10.7%	17.6%
Net profit/Shareholders' equity	31.0%	-3.0%	22.2%	48.9%	8.0%
Operating profit/Net invested capital	4.2%	1.8%	0.1%	-3.0%	11.7%
Net financial liabilities/Shareholders' equity	0.74	1.59	0.94	0.92	1.07
<b>Total number of group employees (no.)</b>	<b>297</b>	<b>304</b>	<b>332</b>	<b>266</b>	<b>778</b>

**Falck group**  
**Directors' report**

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Dear shareholders,

The report set out herein, which relates to the consolidated financial statements of the Falck group and the financial statements of Falck SpA, was prepared in accordance with the Italian Civil Code and comprises the following:

- Directors' report;
- Financial statements
  - . Balance sheet
  - . Profit and loss account
  - . Notes to the financial statements
- Supplementary information.

## **5.1.1 Review of business in 2005**

### **Falck**

In February Falck SpA issued a non-convertible debenture loan with a three year maturity date for a total of Euro 22,266 thousand.

Also in February Falck SpA underwrote the share capital increase in Camfin SpA for an amount of Euro 45 thousand.

The shareholders' meeting of Actelios SpA of 27 April 2005 approved a share capital increase reserved to the majority shareholder Falck SpA. On 16 May 2005 Falck SpA paid the reserved share capital increase, of which Euro 2,160 thousand represented the nominal value and Euro 13,867 thousand the share premium. Following this increase Falck SpA held 64.65% of the share capital of Actelios SpA.

Subsequent to the sale of 31% of the holding in Leonardo Srl by the subsidiary Finstahl Sa on 15 September 2005, on the same date the loan of Euro 110 million, which was organised by La Compagnia Finanziaria acting as arranger with Banca Monte dei Paschi di Siena, the Intesa banking group and the Credito Valtellinese banking group participating with a significant share and acting as joint arrangers together with the participation of other leading financial institutions, was repaid. Falck SpA had issued a guarantee in respect of this loan, as a pledge on the shares held in Finstahl Sa, which was subsequently cancelled.

In December the 20% holding in Sadelmi SpA was sold.

### **Renewable energy sector – biomass and waste to energy**

The Sardinia region returned the guarantees amounting to approximately Euro 2.6 million relating to the second site of the Sassari landfill, which was sold by Ecosesto SpA in the previous financial year.

On 3 March 2005, in light of the commitment undertaken in 2003 on behalf of Termomeccanica Ecologia SpA, Elettroambiente SpA recognised the amount of Euro 5,000 thousand due to Termomeccanica, of which



Euro 2,000 thousand is in respect of engineering studies and documentation relating to the Casteltermini project and the projects in the Sicily region in general and Euro 3,000 thousand that relates to damages on the engineering procurement contract (EPC) order not issued to Termomeccanica Ecologia SpA.

On 11 March 2005, Elettroambiente SpA stipulated a contract with Pianimpianti SpA for the sale of a line of business which consisted principally in the rights to plan and construct two solid urban waste (RSU) waste to energy (WTE) plants in relation to the Casteltermini and Augusta sites. Elettroambiente realised a gain on sale of Euro 3,100 thousand on this transaction.

On 30 May, Actelios SpA proceeded with the sale of the CIP6/92 rights on 6 MW to a non-group company. This sale, amounting to Euro 3,600 thousand, generated a gain on disposal of Euro 600 thousand.

In July, Ecosesto SpA finalised the disposal of the business line relating to the composting plant in Cologno Monzese. The sale, which took effect on 1 October 2005, resulted in a gain on sale of Euro 305 thousand in the financial statements of Ecosesto SpA, while it gave rise to a loss on sale in the consolidated financial statements of approximately Euro 3,500 thousand. This sale is essentially linked to the strategic decision to focus entirely on the core business of the production of electrical energy from renewable sources.

On 5 September 2005, the extraordinary shareholders' meeting of Actelios SpA conferred to the board of directors the power to:

- 1) increase the share capital by a maximum nominal amount of Euro 150 million through the issue of ordinary shares, with warrants also, in accordance with article 2443 of the Italian Civil Code, by and no later than 5 September 2010, either with or without payment and in one or more instalment;
- 2) issue convertible bonds, with warrants also, in accordance with article 2420 ter of the Italian Civil Code, either with the right of option or excluding right of option, by and no later than 5 September 2010, in one or more instalment, for a maximum nominal amount of Euro 150 million.

On 18 October 2005 the board of directors of Actelios SpA passed a resolution, in accordance with the powers conferred above, to increase, in divisible parts, the share capital against payment by a maximum nominal amount of Euro 150 million, being understood that the total value of the issue (including share premium) would amount to Euro 250 million. In addition, it was determined that the issue price of the shares would be equal to the theoretical ex-rights price of Actelios SpA ordinary shares – calculated based on the lower of the simple arithmetic average of the official share price for each trading day of the Italian stock exchange in the one hundred and eighty calendar days preceding the day in which the issue price is determined and the official share price recorded on the day prior to determination of the issue price – discounted by a maximum of 35%.

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In the month of December, Actelios SpA sold the CIP6/92 rights on 4 MW to Italgest Servizi Srl. This sale resulted in a gain on sale in the financial statements of the company amounting to Euro 400 thousand.

Also in the month of December, Elettroambiente SpA finalised the sale of the 40% holding in Energie Technologie Ambiente SpA, realising a gain on disposal of Euro 704 thousand. This transaction results from the strategic decision of the Actelios group to concentrate its activities on investments that guarantee a managerial role.

In December 2005 the financing banks (Mandated Lead Arrangers) and the main shareholders of the three Sicilian projects (Key Shareholders) signed the "Commitment and Underwriting letter" that binds the parties to reach "Financial Close", currently expected by 15 May 2006, while the first payment is scheduled for the end of July 2006.

### **Renewable energy sector – wind farms**

Final acceptance of the Cambrian Wind Energy Ltd plant took place at the end of March. This consists in a wind farm in Wales (GB) producing 58.5 MW that entered the commercial phase on 1 April 2005.

At the end of June construction commenced on a new 14 MW wind farm located in Scotland, which will be developed by the subsidiary Boyndie Wind Energy Ltd. This wind farm is expected to commence electrical energy production in the second quarter of 2006. In September Falck Renewables Ltd acquired 48% of the



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share capital of Boyndie Wind Energy Ltd, thus becoming 100% shareholder.

During the year the company obtained all of the necessary authorisation required in relation to the construction of three new wind farms in the United Kingdom with the following 52% owned subsidiaries:

- Earlsburn Wind Energy Ltd (37.5 MW)
- Millenium Wind Energy Ltd (40 MW)
- Kingsburn Wind Energy Ltd (20 MW).

During the year the value of assets under construction was written down in relation to costs incurred for the Sellmoor project (Euro 379 thousand) and the Mellock Hill project (Euro 809 thousand). These write-downs were required as a result of the remote possibility of these projects achieving a successful outcome.

In December the company Falck Renewables Italia Srl, a 100% subsidiary of Falck Renewables Ltd, was set up under Italian law with the purpose of assisting and co-ordinating the development of wind farms in Italy.

In this regard authorisation was obtained for the construction of an 88 MW wind farm in the area of San Sostene in the Calabria region, development of which will commence in the second half of 2006.

In March 2006 the project to construct a wind farm in Whinash (UK) was rejected. This resulted in the write-down in the 2005 financial statements of the heading assets under construction representing the costs incurred for the development of the project for a total of Euro 2,118 thousand.

### **Steel sector**

During 2005, the authorisation for use relating to the new part of the Oggiono site was obtained. Investment in this site took place in 2003 and 2004.

### **Other activities**

In September Finstahl Sa sold its 31% investment in Leonardo Srl, which in turn held 51.08% of Aeroporti di Roma SpA, to Gemina SpA. Against the payment of Euro 220 million resulting from the sale, Finstahl Sa realised a gain of Euro 45,100 thousand, which corresponds to a gain of Euro 95,933 thousand in the consolidated financial statements of the Falck group.

In December, Finstahl Sa was put into liquidation and subsequently wound up, after having contributed its own assets to Falck Energy Sa, a subsidiary of Falck SpA, against an increase in share capital.

## **5.1.2 Falck group operating and financial review**

The consolidated group profit and loss account shows a profit for the year of Euro 84,027 thousand representing a significant improvement on the prior year loss of Euro 936 thousand. The result has been significantly affected by the gain of Euro 95,933 thousand realised on the sale of the investment in Leonardo Srl/Aeroporti di Roma.

Despite the fact that the result was influenced by one-off transactions, the gross operating margin (+ Euro 17,566 thousand) and the operating profit (+ Euro 11,519 thousand) improved considerably. This confirms

and reflects the progress of the implementation of the Actelios industrial plan in the renewable energy sector (biomass and waste to energy), a promising start in the wind farm sector and good results in the steel sector.

The development in the volume of business is largely due to the waste to energy (WTE) plants in Trezzo sull'Adda (Milan) and Rende (Cosenza) being operative, as well as the results of the new plant in Granarolo dell'Emilia (Bologna) and the discreet performance of the steel sector.

The consolidated financial results may be summarised as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Revenues from sales and services	162,457	142,360	20,097
<b>Added value</b>	<b>61,971</b>	<b>42,157</b>	<b>19,814</b>
Personnel costs	(21,485)	(19,237)	(2,248)
<b>Gross operating margin</b>	<b>40,486</b>	<b>22,920</b>	<b>17,566</b>
Depreciation and provision for bad debts	(19,429)	(13,382)	(6,047)
<b>Operating profit</b>	<b>21,057</b>	<b>9,538</b>	<b>11,519</b>
<b>Profit/(loss) for the year</b>	<b>88,060</b>	<b>(5,986)</b>	<b>94,046</b>
<b>Profit/(loss) for the year attributable to the group</b>	<b>84,027</b>	<b>(936)</b>	<b>84,963</b>
Invested capital net of provisions	494,912	516,055	(21,143)
Total shareholders' equity	284,394	198,854	85,540
Net financial position - liability/(asset)	18,007	163,671	(145,664)
<i>Project financing</i>	192,511	153,530	38,981
<b>Total net financial position including leasing</b>	<b>210,518</b>	<b>317,201</b>	<b>(106,683)</b>
<b>Investments</b>	<b>95,216</b>	<b>97,322</b>	<b>(2,106)</b>
Total employees at year end	(no.) 297	304	(7)
- of which number working in consolidated companies	(no.) 297	304	(7)
Ordinary and saving shares	(no./1000) 72,742	72,742	
<b>Earnings per share (Euro)</b>			
Group share of net equity per share	3.63	2.58	1.05
Group earnings per share	1.16	(0.01)	1.17

**Group revenues** from sales have increased significantly on last year and may be analysed by sector as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Falck SpA	1,361	1,965	(604)
Renewable energy from biomass and waste to energy	81,886	71,363	10,523
Renewable energy from wind farms	12,284	3,515	8,769
Steel	67,778	64,587	3,191
Other	1,167	3,855	(2,688)
	<b>164,476</b>	<b>145,285</b>	<b>19,191</b>
Elimination of intercompany revenues	(2,019)	(2,925)	906
<b>Total</b>	<b>162,457</b>	<b>142,360</b>	<b>20,097</b>

There is a marked improvement in revenues in the renewable energy from biomass and WTE sector (+14.7%) and the renewable energy from wind farms sector (+249.5%), while the steel sector has remained substantially in line with the prior year, although a slight improvement was recorded (+4.9%).

The gross operating margin, amounting to Euro 40,486 thousand, presents a significant increase compared to the previous financial year (+ 76.6%). The gross operating margin by sector is as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Falck SpA	(9,161)	(7,817)	(1,344)
Renewable energy from biomass and waste to energy	34,080	23,396	10,684
Renewable energy from wind farms	11,474	1,955	9,519
Steel	5,557	6,233	(676)
Other	(1,463)	(1,004)	(459)
	<b>40,487</b>	<b>22,763</b>	<b>17,724</b>
Consolidation adjustments	(1)	157	(158)
<b>Total</b>	<b>40,486</b>	<b>22,920</b>	<b>17,566</b>

The total profit for the year increases from a loss of Euro 5,986 thousand for the year ended 31 December 2004 to a profit of Euro 88,060 thousand in 2005, which may be analysed by sector as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Falck SpA	7,529	14,781	(7,252)
Renewable energy from biomass and waste to energy	3,106	1,787	1,319
Renewable energy from wind farms	(3,446)	(2,745)	(701)
Steel	1,526	1,729	(203)
Other	94,574	(3,051)	97,625
	<b>103,289</b>	<b>12,501</b>	<b>90,788</b>
Consolidation adjustments	(15,229)	(18,487)	3,258
<b>Total</b>	<b>88,060</b>	<b>(5,986)</b>	<b>94,046</b>

**The net financial position**, which records a net improvement on last year of Euro 106,683 thousand, was influenced positively by the receipt of Euro 220 million on the sale of Leonardo Srl/Aeroporti di Roma SpA and was negatively affected by investments in the renewable energy from biomass and waste to energy sector and the renewable energy from wind farms sector.

**Investments**, which were largely concentrated in the two sectors noted above, principally related to the construction of new plants.

Investments by sector were as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Falck SpA	387	1,414	(1,027)
Renewable energy from biomass and waste to energy	42,535	23,730	18,805
Renewable energy from wind farms	48,780	69,960	(21,180)
Steel	1,291	2,046	(755)
Other	2,223	172	2,051
<b>Total</b>	<b>95,216</b>	<b>97,322</b>	<b>(2,106)</b>

**The consolidated shareholders' equity** increased by Euro 85,540 thousand and comprises:

<i>(Euro thousands)</i>	<b>Group</b>	<b>Minority interests</b>	<b>Total</b>
Profit for the year	84,027	4,033	88,060
Dividends paid	(1,909)		(1,909)
Exchange rate differences	(389)	(4)	(393)
Other changes in scope of consolidation	(5,247)	5,029	(218)
<b>Total</b>	<b>76,482</b>	<b>9,058</b>	<b>85,540</b>

The number of employees working in consolidated companies at the year end was 297 representing a decrease of 7 employees compared to 31 December 2004.

### 5.1.3 Performance by sector

#### Renewable energy sector – biomass and waste to energy

Principal financial information for this sector may be summarised as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Revenues from sales	81,886	71,363	10,523
Gross operating margin (GOM)	34,080	23,396	10,684
GOM/Revenues from sales - %	41.6%	32.8%	8.8%
Profit for the year attributable to the group	2,156	1,559	597
Investments	42,535	23,730	18,805
Research and development			
Net invested capital	246,242	238,831	7,411
Net financial position	(166,448)	(178,194)	11,746
Employees (number)	144	154	(10)

Falck operates in the renewable energy from biomass and waste to energy sector through Actelios SpA and its subsidiaries. This sector focuses on the market for energy from renewable sources and presents interesting opportunities in terms of growth and profitability. In particular, the strategy is developed by putting into operation power plants that are in the completion phase and through the development of new projects, either directly or through joint ventures, with leading industrial enterprises.

#### *Results*

The profit for the year of Euro 2,156 thousand (+ Euro 597 thousand compared to 2004) includes an increase in tax on profit despite adoption of the group taxation regime, in particular in order to release deferred tax assets recorded in previous financial years by Frullo Energia Ambiente Srl. The group taxation regime was enacted in respect of Actelios SpA, the consolidating company, and Prima Srl, Elettroambiente SpA, Platani Energia Ambiente ScpA and Tifeo Energia Ambiente ScpA, the consolidated companies.

Revenues from sales have increased by Euro 10,523 thousand compared to 2004, despite the new WTE plant in Bologna not meeting expectations, while the gross operating margin increased compared to 2004 by Euro 10,684 thousand, corresponding to 41.6% of net revenues against 32.8% in 2004.

#### *Investments*

Investments for the period, amounting to Euro 42,535 thousand, reflect the financial commitments of the Actelios group in relation to finalising the WTE plant in Granarolo dell'Emilia, as well as the projects located in Sicily, and expenses incurred on improvements to the plant in Trezzo sull'Adda.

#### *Net financial position*

The net financial position, a total indebtedness of Euro 166,448 thousand and a decrease of Euro 11,746 thousand compared to the balance at 31 December 2004, reflects the finance required for the projects relating to the plants under construction. The net financial position includes project financing without recourse amounting to Euro 113,243 thousand, against Euro 116,409 thousand as at 31 December 2004.

## Employees

Employees decreased by 10 in number compared to 31 December 2004, while employee costs increased by Euro 420 thousand due to the change in composition of the workforce.

Employees at 31 December 2005 comprised:

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Managers	14	13	1
White collar employees	67	59	8
Blue collar employees	63	82	(19)
<b>1 Total employees working in consolidated companies</b>	<b>144</b>	<b>154</b>	<b>(10)</b>
2 Employees working in companies not included in consolidation			
<b>3 Total working employees (1+2)</b>	<b>144</b>	<b>154</b>	<b>(10)</b>

## Renewable energy sector – wind farms

Principal financial information for this sector may be summarised as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Revenues from sales	12,284	3,515	8,769
Gross operating margin (GOM)	11,474	1,955	9,519
GOM/Revenues from sales - %	93.4%	55.6%	37.8%
Loss for the year attributable to the group	(3,477)	(2,777)	(700)
Investments	48,780	69,960	(21,180)
Research and development			
Net capital invested	128,360	83,235	45,125
Net financial position	(114,929)	(65,984)	(48,945)
Employees (number)	7	5	2

Falck operates in the renewable energy from wind farms sector through Falck Renewables Ltd and its subsidiaries. The sector focuses on the construction and management of wind farms that produce electrical energy.

This sector includes the company Eolica Cabezo San Roque SI, operative from 2004 and in which a 95.51% interest is held, and the companies Parque Eolico La Carracha SI and Parque Eolico Plana de Jarreta SI that are in the third year of activity and in which a 26% interest is held.

In addition, in March 2005 the 100% owned UK resident company Cambrian Wind Energy Ltd, which owns a wind farm in Wales, commenced activities.

The sector recorded a loss of Euro 3,477 thousand, largely as a result of the write-down of Euro 2,922 thousand on the heading assets under construction, relating to two projects that were rejected definitively by the relevant authorities. Revenues from sales amounted to Euro 12,284 thousand (+ Euro 8,769 thousand compared to 2004) and the gross operating margin recorded an increase of Euro 9,519 thousand corresponding to 93.4% as a percentage of revenues (55.6% in 2004).

The net financial position, a net indebtedness, reflects the significant investments incurred and has increased by Euro 48,945 thousand compared to 2004. The balance includes loans granted as project financing for a total of Euro 79,267 thousand, of which Euro 16,113 thousand relates to Eolica Cabezo San Roque and Euro 63,154 thousand to Cambrian Wind Energy Ltd.



## Steel sector

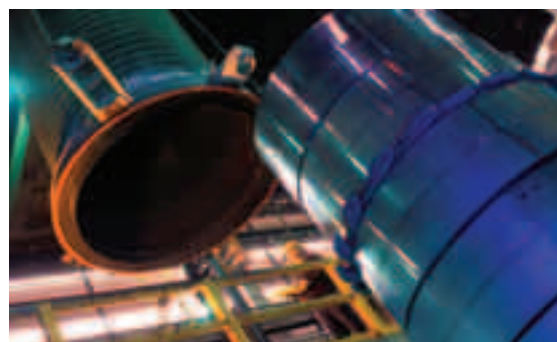
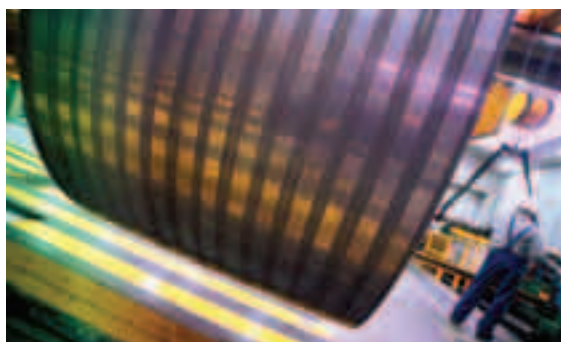
Principal financial information for the steel sector may be summarised as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Revenues from sales	67,778	64,587	3,191
Gross operating margin (GOM)	5,557	6,233	(676)
GOM/Revenues from sales - %	8.2%	9.7%	-1.5%
Profit for the year	1,526	1,729	(203)
Investments	1,291	2,046	(755)
Research and development			
Net invested capital	30,557	26,949	3,608
Net financial position	(20,206)	(16,597)	(3,609)
Employees (number)	96	96	

The activities of the Falck group in the steel sector are centred on the sale of special coils, the provision of a slitting centre for coils/strip and the business of high and low carbon cold rolled strip. These are niche activities that do not require significant capital investment and have a high service content.

The steel sector includes the following companies and operating areas:

<b>Itla-Redaelli Tecna Laminati SpA</b>	high carbon strip, low carbon and alloyed strip, cold rolled strip
<b>Falck Acciai-Cns SpA</b>	sale of strip and coils and slitting centre for strip and coils



### Results

Revenues by company within this sector are as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Falck Acciai-Cns SpA	37,580	35,773	1,807
Itla SpA	44,141	41,072	3,069
Elimination of intra-sector sales	(13,943)	(12,258)	(1,685)
<b>Total</b>	<b>67,778</b>	<b>64,587</b>	<b>3,191</b>

Revenues in 2005 increased by 4.9% compared to 2004 while the gross operating margin amounted to Euro 5,557 thousand, a decrease on the 2004 margin of Euro 6,233 thousand and equal to 8.2% of revenues (9.7% in 2004). The results have fallen slightly compared to 2004; in a market that is characterised by a downturn in demand that has not however had a significant negative impact on performance. The gross operating margin shows a decrease in both absolute terms (- Euro 676 thousand) and as a percentage of revenues, falling from 9.7% in 2004 to 8.2% in 2005.

### Investments

Investments principally relate to the completion of the extension to the factory in Oggiono (Euro 1,077 thousand).

### Net financial position

The net financial position, a net indebtedness of Euro 20,206 thousand, has increased by Euro 3,609 thousand compared to 2004, largely as a result of the increase in working capital.

### Employees

The number of employees has not changed compared to the previous year end and comprises:

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Managers	4	4	
White collar employees	31	31	
Blue collar employees	61	61	
<b>Total employees</b>	<b>96</b>	<b>96</b>	

## Other activities

Principal financial information relating to other activities may be summarised as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Revenues from sales	1,167	3,855	(2,688)
Gross operating margin (GOM)	(1,463)	(1,004)	(459)
GOM/Revenues from sales - %			
Profit/(loss) for the year	94,574	(3,051)	97,625
Investments	2,223	172	2,051
Research and development			
Net invested capital	81,930	144,004	(62,074)
Net financial position	30,603	(36,272)	66,875
Employees (number)	12	14	(2)

This sector largely comprises the following activities:

- Management of the international investments, support for the study of new projects overseas and raising finance on international markets through the companies Falck Energy Sa, Falck Financial Services Sa and Falck Energy Iran Sa;
- Factoring activities both for group companies and a limited number of third parties through Riesfactoring SpA;
- Activities linked to the provision of a number of services through Sesto Siderservizi Srl.

On 15 September 2005, Finstahl Sa sold its 31% investment in Leonardo Srl, which in turn held 51.08% of Aeroporti di Roma SpA. On the same date the selling price of Euro 220 million was paid in full. This transaction generated a gain of Euro 45,100 thousand in the financial statements of Finstahl Sa and Euro 95,933 thousand in the consolidated financial statements of the Falck group. At the year end Finstahl Sa contributed its assets to Falck Energy Sa, through a share capital increase, and following this was liquidated.

As a result of the above gain, the result for the year is a profit of Euro 94,574 thousand against a loss in 2004 of Euro 3,051 thousand. In addition, the 2005 result benefited from dividends received from Unicredito Italiano SpA (Euro 2,570 thousand) and Hopa SpA (Euro 150 thousand).

## 5.1.4 Employees

At 31 December 2005 employees working in the consolidated companies were 297, a decrease of 7 on the total at 31 December 2004:

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>
Managers	37	38
White collar employees	135	122
Blue collar employees	125	144
<b>1 Total employees working in consolidated companies</b>	<b>297</b>	<b>304</b>
2 Employees working in companies not included in consolidation		
<b>3 Total employees (1+2)</b>	<b>297</b>	<b>304</b>
4 Employees not working		
5 Employees in temporary unemployment		
<b>6 Total employees (3+4+5)</b>	<b>297</b>	<b>304</b>

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The table below sets out the changes in employee numbers in the business sectors.

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>
Falck SpA	38	35
Renewable energy from biomass and waste to energy	144	154
Renewable energy from wind farms	7	5
Steel	96	96
Other activities	12	14
<b>Total consolidated companies</b>	<b>297</b>	<b>304</b>
Other group companies		
<b>Total group</b>	<b>297</b>	<b>304</b>

## 5.1.5 Research and development

No research and development activities were carried out during 2005.

## 5.1.6 Significant post balance sheet events

The significant events that occurred after the balance sheet date in relation to Falck SpA are detailed in paragraph 6.1.10.

The significant post balance sheet events relating to the business sectors are set out below.

### • Renewable energy from biomass and waste to energy

In February 2006, the share capital increase of Euro 250,416,000 approved by Actelios SpA was successfully concluded through issue of no. 45,120,000 new shares with a nominal value of Euro 1.00 that were offered under rights issue to the shareholders in the ratio of 2 new shares for each existing share at a price of Euro 5.55 each.

Following this operation, the company's share capital increased from Euro 22,560,000 to Euro 67,680,000 and the share premium increased by Euro 205,296,000. A further increase in the share premium of Euro 65,246 took place following the sale through auction of no. 7,899 non-exercised rights.

### • Renewable energy from wind farms

In March 2006 the project relating to the wind farm in Whinash (UK) was rejected definitively by the relevant authorities.

In March 2006, Falck Renewables Ltd signed a ten year agreement with Gaz de France ESS, a subsidiary of Gaz de France, for the sale of the energy produced by the Earlsburn wind farm that is currently under development. This agreement is fundamental to the procurement of finance on a without recourse basis that is required to construct the wind farm.

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### **5.1.7 Future developments and going concern**

Based on the results achieved in 2005, which confirmed a substantial improvement in the volume of business and the profitability of the operating plants, it may be assumed that there will be further improvement in revenues and operating profits for 2006, despite the fact that research and development costs and the start-up of new projects, concentrated mainly in the renewable energy from biomass and waste to energy and renewable energy from wind farm sectors, will weigh heavily on the profit for the year.

The net financial position, while benefiting from a significant cash influx from the plants during the year, will continue to be influenced by significant investment in plants under construction, in particular the three WTE projects in Sicily and a number of projects relating to the development of wind farms.

**Consolidated financial statements  
for the year ended 31 December 2005**

## 5.2.1 Consolidated balance sheet

### Assets

<b>A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL</b>			
<b>B) FIXED ASSETS</b>	I. Intangible assets	1	Start-up and expansion costs
		2	Research, development and advertising costs
		3	Industrial patent rights
		4	Concessions, licences, trademarks and similar rights
		5	Goodwill
		6	Assets under construction and advance payments
		7	Other intangible assets
	<i>Total intangible assets</i>		
	II. Tangible assets	1	Land and buildings
		2	Plant and machinery
		3	Industrial and commercial equipment
		4	Other tangible assets
		5	Assets operated under concession
		6	Assets under construction and advance payments
	<i>Total tangible assets</i>		
	III. Financial assets	1	Equity investments :
			a subsidiaries
			b associates
			c other companies
			<i>Total equity investments</i>
		2	Receivables :
			a subsidiaries
			b associates
			c parent company
			d others
			e other Group companies
			f guarantee deposits
			<i>Total receivables</i>
		3	Securities
		4	Own shares (nominal value Euro 6,900,234)
	<i>Total financial assets</i>		
<b>TOTAL FIXED ASSETS</b>			
<b>C) CURRENT ASSETS</b>	I. Inventory	1	Raw, accessory and ancillary materials
		2	Semi-finished products and goods
		3	Contract work in progress
		4	Finished products and goods
		5	Advance payments
	<i>Total inventory</i>		
	II. Receivables	1	Trade receivables
		2	Subsidiaries
			a trade
			b financial
			c other
			<i>Total receivables from subsidiaries</i>
		3	Associates
			a trade
			b financial
			c other
			<i>Total receivables from associates</i>
		4	Parent company
			a trade
			b financial
			c other
			<i>Total receivables from parent company</i>
		4bis	Tax authorities
		4ter	Tax asset
		5	Others
			a financial
			b advance payments
			c other
			<i>Total receivables from others</i>
		6	Other Group companies
			a trade
			b financial
			c other
			<i>Total receivables from other Group companies</i>
	<i>Total receivables</i>		
	III. Other financial assets	1	Equity investments in subsidiaries
		2	Equity investments in associates
		3	Equity investments in other companies
		4	Own shares
		5	Securities
		6	Bills receivable
	<i>Total other financial assets</i>		
	IV. Liquid assets	1	Bank and post office accounts
		2	Cheques
		3	Cash in hand
	<i>Total liquid assets</i>		
<b>TOTAL CURRENT ASSETS</b>			
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>			
<b>TOTAL ASSETS</b>			

31 December 2005			31 December 2004		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		442,141			4,759
		1,757			3,513
		617,950			444,461
		2,100,950			6,111,383
		75,858,967			76,587,934
		170,000			1,408,780
		3,362,428			449,007
		82,554,193			85,009,837
		39,333,987			34,712,806
		147,657,510			47,226,261
		106,214			144,399
		1,679,737			2,035,071
		70,139,121			86,387,083
		52,789,904			87,922,923
		311,706,473			258,428,543
		5,450,000			47,358
		3,272,000			68,213,781
		58,309,798			53,471,000
		67,031,798			121,732,139
87,391	9,418	96,809	75,023	39,506	114,529
38,590	507,556	546,146	395,134	146,091	541,225
125,981	516,974	642,955	470,157	185,597	655,754
		12,186,904			12,156,904
		79,861,657			134,544,797
		<b>474,122,323</b>			<b>477,983,177</b>
		6,054,714			5,582,920
		2,491,687			1,836,971
		8,123,119			6,672,302
		212,500			587,500
		16,882,020			14,679,693
91,005,358		91,005,358	61,875,346		61,875,346
3,000		3,000			
			125,000		125,000
3,000		3,000	125,000		125,000
31,000		31,000	5,139,000		5,139,000
4,920,000		4,920,000	67,755,000		67,755,000
4,951,000		4,951,000	72,894,000		72,894,000
37,136,205	1,003,613	38,139,818	37,484,572	395,247	37,879,819
5,206,250	1,283,984	6,490,234	5,877,151	2,692,028	8,569,179
57,849,870	2,099,000	59,948,870	23,133,316	576,000	23,709,316
1,224,117		1,224,117	1,424,663		1,424,663
27,965,114	2,843	27,967,957	27,137,373	1,459,345	28,596,718
87,039,101	2,101,843	89,140,944	51,695,352	2,035,345	53,730,697
225,340,914	4,389,440	229,730,354	229,951,421	5,122,620	235,074,041
		32,087,475			30,974,843
					15,235
		32,087,475			30,990,078
		86,978,036			22,280,147
		19,376			28,031
		86,997,412			22,308,178
		<b>365,697,261</b>			<b>303,051,990</b>
		<b>689,688</b>			<b>4,466,446</b>
		<b>840,509,272</b>			<b>785,501,613</b>

## Liabilities

<b>A) SHAREHOLDERS' EQUITY</b>	
I. Share capital	
II. Share premium reserve	
III. Revaluation reserve	1 reserve ex Law 72/83 2 reserve ex Law 413/91
Total revaluation reserve	
IV. Legal reserve	
V. Statutory reserve	
VI. Reserve for own shares	
VII. Other reserves	1 Extraordinary reserve 2 Advances by shareholders 3 Exchange translation reserve 4 Differences on consolidation
Total other reserves	
VIII. Profit (loss) carried forward	
IX. Profit (loss) for the year	
<b>GROUP SHAREHOLDERS' EQUITY</b>	
Reserves pertaining to minority interests	
Share of profit pertaining to minority interests	
Minority interests	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>	
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>	
	1 For pensions and similar obligations
	2 For taxes
	a Current b Deferred
Total provision for taxes	
	3 Others
	a Provision for ongoing lawsuits b Provision for equity investment risks c Provision for periodical maintenance d Provision for environment improvements e Provision for reorganisation costs f Other provisions
Total others	
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	
<b>D) PAYABLES</b>	
	1 Bonds
	2 Convertible bonds
	3 Shareholders' loans
	4 Banks
	5 Other financing creditors
	6 Advance payments received
	7 Trade payables
	8 Bills payable
	9 Subsidiaries
	a trade b financial c other
Total amount payable to subsidiaries	
	10 Associates
	a trade b financial c other
Total amount payable to associates	
	11 Parent company
	a trade b financial c other
Total amount payable to parent company	
	12 Tax payables
	13 Social security and national insurance contributions
	14 Other payables
	15 Other Group companies
	a trade b financial c other
Total amount payable to other Group companies	
<b>TOTAL PAYABLES</b>	
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>	
<b>TOTAL LIABILITIES</b>	

31 December 2005			31 December 2004		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		72,741,966			72,741,966
		28,654,919			28,684,919
		31,375,994			31,375,994
		12,186,904			12,156,904
		17,187,170			17,187,170
		450,000			450,000
		(236,932)			286,232
		(69,311,899)			(48,481,095)
		(51,911,661)			(30,557,693)
		87,045,934			74,174,186
		84,027,185			(936,014)
		<b>264,121,241</b>			<b>187,640,262</b>
		16,240,000			6,164,000
		4,033,000			5,050,000
		20,273,000			11,214,000
		<b>284,394,241</b>			<b>198,854,262</b>
		43,745			39,760
		792,622			477,933
		792,622			477,933
		3,033,107			3,222,635
		6,805,196			4,187,000
		1,756,615			1,500,024
		670,000			750,564
		1,150,645			1,238,600
		48,934,850			35,963,325
		62,350,413			46,862,148
		<b>63,186,780</b>			<b>47,379,841</b>
		<b>4,634,226</b>			<b>4,444,208</b>
	22,266,000	22,266,000			
	9,151,901	9,151,901		9,151,901	9,151,901
4,335,296	3,217,326	7,552,622	1,672,868	1,717,926	3,390,794
90,790,953	230,088,481	320,879,434	83,385,819	332,712,273	416,098,092
	2,631,000	2,631,000	72,032	2,515,000	2,587,032
2,037,680		2,037,680	1,925,224		1,925,224
88,445,624		88,445,624	66,637,141		66,637,141
13,000		13,000	819,000		819,000
17,000		17,000	17,000		17,000
30,000		30,000	836,000		836,000
3,353,389		3,353,389	2,963,408		2,963,408
1,292,948		1,292,948	1,196,369		1,196,369
29,072,406		29,072,406	28,682,063		28,682,063
<b>219,358,296</b>	<b>267,354,708</b>	<b>486,713,004</b>	<b>187,370,924</b>	<b>346,097,100</b>	<b>533,468,024</b>
		<b>1,581,021</b>			<b>1,355,278</b>
		<b>840,509,272</b>			<b>785,501,613</b>

## 5.2.2 Consolidated memorandum accounts

	31.12.2005			31.12.2004		
	Amounts included on the	Off balance sheet balance sheet	Total items	Amounts included on the	Off balance sheet balance sheet	Total items
<i>(Euro thousands)</i>						
<b>I Guarantees granted</b>						
- Unsecured guarantees granted						
1 <i>Guarantees</i>						
- commitments of the Company		17,555	17,555		18,252	18,252
- commitments of subsidiaries	8,813	116,618	125,431	730	102,363	103,093
- commitments of associates		2,924	2,924		3,115	3,115
- commitments of third parties		1,441	1,441		2,973	2,973
2 <i>Sureties</i>						
3 <i>Other guarantees</i>						
- commitments of the Company		5,522	5,522		50,501	50,501
- commitments of subsidiaries	12,380	55,477	67,857	11,890	58,313	70,203
- commitments of associates		542	542		7,138	7,138
- Secured guarantees						
1 <i>Pledges</i>						
- commitments of the Company	25,597		25,597	20,421		20,421
- commitments of subsidiaries		4,856	4,856		4,616	4,616
- commitments of associates		8,398	8,398		8,398	8,398
2 <i>Mortgages</i>						
- commitments of subsidiaries	73,799	93,086	166,885	9,102	157,783	166,885
- commitments of associates	46,868	59,417	106,285	44,597	61,688	106,285
<b>II Other memorandum items</b>						
- Guarantees received						
- warranties		6,676	6,676		29,631	29,631
- other guarantees		62,922	62,922		67,617	67,617
- Securities and assets held of third parties						
- Contingencies						
- Commitments						
- Leasing liabilities						
- Securities and assets with third parties						

## 5.2.3 Consolidated profit and loss account

(Euro)	31.12.2005	31.12.2004	Change
<b>A) Value of production</b>			
1 Revenues from sales and services	161,538,472	141,518,971	20,019,501
2 Variation in work in progress, semi-finished and finished products and goods	629,000	(2,578,965)	3,207,965
3 Variation in contract work in progress	654,716		654,716
4 Capitalised costs			
a production and inventory	5,508,200	2,819,000	2,689,200
b capitalised interests	2,232,831	2,861,486	(628,655)
Total capitalised costs	7,741,031	5,680,486	2,060,545
5 Other revenues			
a grants received			
b other operating income	918,907	840,690	78,217
c costs recovered	794,035	281,889	512,146
d sundry revenues	4,680,339	1,197,282	3,483,057
e real estate revenues	6,134	13,135	(7,001)
f gains from ordinary operations	52,627		52,627
g windfall income	727,857	1,465,230	(737,373)
Total other revenues	7,179,899	3,798,226	3,381,673
<b>Total value of production</b>	<b>177,743,118</b>	<b>148,418,718</b>	<b>29,324,400</b>
<b>B) Production costs</b>			
6 Raw, accessory and ancillary materials and goods	(65,646,402)	(55,947,852)	(9,698,550)
7 Services			
a services	(36,438,079)	(34,053,770)	(2,384,309)
b utilities	(3,195,087)	(3,167,037)	(28,050)
c sundry costs	(4,182,644)	(3,782,476)	(400,168)
Total services	(43,815,810)	(41,003,283)	(2,812,527)
8 Rentals and leasing charges	(4,531,572)	(3,297,367)	(1,234,205)
9 Personnel			
a salaries and wages	(14,430,061)	(13,214,283)	(1,215,778)
b social security charges	(4,902,823)	(4,585,896)	(316,927)
c severance indemnity	(889,107)	(863,540)	(25,567)
d pensions and similar obligations		(31)	31
e other costs	(1,262,724)	(573,388)	(689,336)
Total personnel costs	(21,484,715)	(19,237,138)	(2,247,577)
10 Depreciation and write downs			
a amortisation of intangible assets	(3,383,443)	(2,020,367)	(1,363,076)
b depreciation of tangible assets	(15,157,955)	(11,115,774)	(4,042,181)
c other write down of fixed assets	(3,512,168)	(509,482)	(3,002,686)
d write down of current assets receivables and liquid assets	(887,726)	(246,345)	(641,381)
e utilisation of bad debts provision in respect of current assets receivables and liquid assets	311,774	160,510	151,264
f bad debts	(611,740)	(160,510)	(451,230)
Total depreciation and write downs	(23,241,258)	(13,891,968)	(9,349,290)
11 Variation in raw, accessory and ancillary materials and goods	1,293,612	(2,334,170)	3,627,782
12 Provision for contingencies			
a Provision for ongoing lawsuits	(200,000)	(400,000)	200,000
b Utilisation of provision for ongoing lawsuits	282,653	20,925	261,728
Total provision for contingencies	82,653	(379,075)	461,728
13 Other provisions	(176,027)	(434,276)	258,249
14 Other operating charges			
a indirect taxes	(910,430)	(794,657)	(115,773)
b real estate charges	(9,385)	(94,891)	85,506
c losses from ordinary operations	(314)		(314)
d windfall charges	(508,835)	(1,122,616)	613,781
e others	(1,198,747)	(971,395)	(227,352)
Total other operating charges	(2,627,711)	(2,983,559)	355,848
<b>Total production costs</b>	<b>(160,147,230)</b>	<b>(139,508,688)</b>	<b>(20,638,542)</b>
<b>Difference between value of production and production costs</b>	<b>17,595,888</b>	<b>8,910,030</b>	<b>8,685,858</b>
<b>C) Financial income and charges</b>			
15 Income from equity investments			
a subsidiaries		17	(17)
b associates		74,273	(74,273)
c other companies	4,989,866	3,955,312	1,034,554
d tax credits on dividends			
e gains on disposal of equity investments			
Total income from equity investments	4,989,866	4,029,602	960,264

<i>(Euro)</i>	31.12.2005	31.12.2004	Change
<b>16 Other financial income</b>			
a From receivables included as fixed assets			
a.1 subsidiaries			
a.2 associates			
a.3 parent company			
a.4 other Group companies			
a.5 others			
Total from receivables included as fixed assets			
b From securities included as fixed assets			
c From securities included as current assets			
c.1 interest income from securities	114	15,526	(15,412)
c.2 gains from disposal of securities		30,220	(30,220)
Total income from securities included as current assets	114	45,746	(45,632)
d Other income			
d.1 interest and commission from subsidiaries	90,760		90,760
d.2 interest and commission from associates	120,000	1,637,000	(1,517,000)
d.3 interest and commission from parent company			
d.4 interest and commission from other Group companies			
d.5 interest and commission from banks	1,002,290	235,774	766,516
d.6 interest and commission from others and sundry income	4,725,088	5,124,235	(399,147)
Total other income	5,938,138	6,997,009	(1,058,871)
Total other financial income	5,938,252	7,042,755	(1,104,503)
<b>17 Interest expense and other financial charges</b>			
a subsidiaries			
b associates		(175,000)	175,000
c parent company			
d other Group companies			
e others			
f losses on disposal of equity investments	(22,112,736)	(21,366,011)	(746,725)
g losses on disposal of securities			
Total interest expense and other financial charges	(22,112,736)	(21,541,011)	(571,725)
<b>17bis Gains and losses on exchange rate fluctuations</b>			
a gains on exchange	2,769,733	3,375,547	(605,814)
b losses on exchange	(1,698,866)	(5,475,262)	3,776,396
Total gains and losses on exchange rate fluctuations	1,070,867	(2,099,715)	3,170,582
<b>Total financial income and charges</b>	<b>(10,113,751)</b>	<b>(12,568,369)</b>	<b>2,454,618</b>
<b>D) Adjustments to financial assets</b>			
<b>18 Revaluations</b>			
a equity investments	6,053,959	3,548,224	2,505,735
b financial assets included as fixed assets			
c securities included as current assets			
Total revaluations	6,053,959	3,548,224	2,505,735
<b>19 Write down</b>			
a equity investments			
a.1 permanent losses on equity investments	(2,870,316)	(4,072,878)	1,202,562
a.2 provision for equity investment risks			
a.3 utilisation of provision for equity investment risks		2,109,575	(2,109,575)
Total write down of equity investments	(2,870,316)	(1,963,303)	(907,013)
b of financial assets included as fixed assets			
c of securities included as current assets			
Total write down	(2,870,316)	(1,963,303)	(907,013)
Total adjustments to financial assets	<b>3,183,643</b>	<b>1,584,921</b>	<b>1,598,722</b>
<b>E) Extraordinary income and charges</b>			
<b>20 Income</b>			
a gains from extraordinary disposals	102,635,233	612,848	102,022,385
b other extraordinary income	5,734,706	3,124,701	2,610,005
c utilisation of provision for reorganisation and liquidation costs	87,955	42,345	45,610
Total income	108,457,894	3,779,894	104,678,000
<b>21 Charges</b>			
a losses from extraordinary disposals	(19,341)	(1,218,334)	1,198,993
b tax relating to prior financial periods	(3,941)	(58,685)	54,744
c other extraordinary charges	(23,598,972)	(1,967,148)	(21,631,824)
d reorganisation costs		(690)	690
Total charges	(23,622,254)	(3,244,857)	(20,377,397)
Total extraordinary items	<b>84,835,640</b>	<b>535,037</b>	<b>84,300,603</b>
Profit for the year before taxation	<b>95,501,420</b>	<b>(1,538,381)</b>	<b>97,039,801</b>
<b>22 Tax on profit for the year</b>	<b>(7,441,235)</b>	<b>(4,447,633)</b>	<b>(2,993,602)</b>
<b>23 Profit for the year after taxation</b>	<b>88,060,185</b>	<b>(5,986,014)</b>	<b>94,046,199</b>
Minority interest	(4,033,000)	5,050,000	(9,083,000)
<b>Group profit for the year</b>	<b>84,027,185</b>	<b>(936,014)</b>	<b>84,963,199</b>

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## 5.2.4 Notes to the consolidated financial statements

### Consolidated entities

At 31 December 2005 the Falck group comprised 48 companies, of which 21 are included within the scope of consolidation applying the line-by-line method, 2 are included using the proportional method, 3 are valued using equity accounting and 22 are valued at cost.

The companies included within the scope of consolidation are listed in the supplementary information (point 5.3.1). The consolidated financial statements include the financial statements of the parent company Falck SpA, and all of the Italian and foreign entities in which the parent holds, either directly or indirectly, majority voting rights. The financial statements used are those approved in the respective shareholders' meetings or presented by the board of directors or sole directors, which are adjusted to bring them in line with group policies. The companies to be excluded from the scope of consolidation were determined in accordance with article 28 of Legislative Decree 127/91.

### Changes in the scope of consolidation

The increase during the year in the number of companies consolidated line-by-line relate to the company Falck Energy Iran Sa, previously valued at cost, and the new UK registered company Falck Renewables Finance Ltd. The company Finstahl Sa has been excluded as it was liquidated during the year.

With regard to companies valued using equity accounting, Leonardo Srl, Leonardo Holding Sa, Aeroporti di Roma SpA and Sadelmi SpA have been excluded following disposal of the investments.

The increase in entities valued at cost relate to new investments acquired during the year as follows:

- Falck Renewables Italia Srl	100% owned by Falck Renewables Ltd
- Limmer Hill Wind Energy Ltd	52% owned by Falck Renewables Ltd
- Portclair Wind Energy Ltd	52% owned by Falck Renewables Ltd
- Kingsburn Wind Energy Ltd	52% owned by Falck Renewables Ltd
- Earlsburn Mezzanine Ltd	52% owned by Falck Renewables Ltd

This year equity investments valued at cost exclude Energie Tecnologie Ambiente SpA and Eolo Tempio Pausania Srl following disposal of these investments, while Seconda Srl has been excluded as it is in the final liquidation stage.

### Departures per Legislative Decree no. 127/91

During the year, no exceptional circumstances arose that resulted in the application of the accounting principles, as set out in Legislative Decree no. 127/91, not presenting a true and fair view of the company's state of affairs, financial position and financial performance for the year.

As a result none of the departures prescribed by article 29 of Legislative Decree 127/91 were adopted.

### Principles of consolidation

The balance sheet and profit and loss account are presented in the format stipulated by article 32 of Legislative Decree no. 127 of 9 April 1991, updated by the legal provisions resulting from Legislative Decree no. 6 of 17.1.2003.

The companies included within the scope of consolidation on a line-by-line basis are those controlled by the parent company even through indirect holdings.

Investments in joint-ventures are consolidated using the proportional method.

Other associated companies are valued applying equity accounting.

Investments in subsidiaries and associates that were not operative at the year end or that are not material to consolidation are valued at cost, less write-downs where necessary.

The financial statements are adjusted, where necessary, in order to reverse tax accounting entries and to reflect correct accounting policies that are in line with group policy and with those that govern preparation of consolidated financial statements. All significant intercompany balances and transactions are eliminated.

Significant profits arising on transactions between consolidated entities or entities included applying equity accounting, which are included within assets at the year end as they are unrealised, are eliminated.

The book value of consolidated investments is eliminated against the related share of equity.

The minority interest share of net equity and profit for the year of consolidated subsidiaries are disclosed under a separate heading in both the consolidated balance sheet and profit and loss account.

The differences between acquisition cost and net equity at current values at the date of acquisition of the subsidiaries are charged to shareholders' equity; in the event that the differences are attributable to specific assets the difference is recorded as an increase in the related asset value; in the event that the difference relates to a higher purchase price paid for goodwill this is recorded within intangible assets and is amortised over the project life.

The percentage ownership used for companies consolidated either line-by-line or by the proportional method, is the statutory amount including indirect holdings.

Dividends received by the parent company and the other consolidated companies from investments included in the scope of consolidation, are reversed in the consolidated profit and loss account.

The financial statements denominated in foreign currencies are translated into Euro as follows: profit and loss accounts are translated at average exchange rates, balance sheets are translated at the exchange rates at 31 December 2005, with the exception of profit for the year that is translated at the average exchange rate.

The following differences are recorded directly in the exchange translation reserve within shareholders' equity:

- . the difference between the profit for the year, translated at average rates, and the amount that would have resulted applying the year-end exchange rate;
- . the difference arising as a result of translating opening shareholders' equity at closing exchange rates.

### **Differences on consolidation and reconciliation of shareholders' equity and profit for the year ended 31 December 2005**

Differences on consolidation (reserves) relate to the elimination of the carrying value of consolidated investments against the related share of net equity.

In addition, these include the differences arising from the reversal of tax entries and unrealised profits on intercompany transactions.

Differences arising on the translation to Euro of the financial statements of subsidiaries denominated in foreign currencies, as noted above, are included in the exchange translation reserve.

As a result the other elements of shareholders' equity, with the exception of the profit for the year, correspond to those reported in the statutory financial statements of the parent company.

The reconciliation of shareholders' equity and the 2005 profit for the year may be summarised as follows:

<i>(Euro thousands)</i>	<b>Profit for the year</b>	<b>Shareholders' equity</b>
<b>Falck SpA financial statements</b>	<b>7,529</b>	<b>257,171</b>
Difference between adjusted shareholders' equity of consolidated companies and book value of related investments	39,626	60,428
Elimination of dividends from consolidated companies	(21,822)	
Adjustments to gains:		
Realised profits on sale of parent company investments in consolidated companies		(38,131)
Realised profits on intra-group sales of fixed assets (net of depreciation), on inventory and other minor amounts	1,117	(17,699)
Reversal of write-down of investments in consolidated entities:		
Write-down of subsidiaries in parent company financial statements net of utilisation of provision	895	2,352
Adjustment to investments in associates valued applying equity accounting	56,682	
<b>Group profit for the year and shareholders' equity</b>	<b>84,027</b>	<b>264,121</b>

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## Accounting policies and valuation criteria

The financial statements were prepared in accordance with the Italian Civil Code and the accounting standards issued by the Consiglio Nazionale dei dottori Commercialisti (Italian institute of chartered accountants) and Consiglio Nazionale dei Ragionieri (Italian registered auditors) and international accounting standards IFRS/IAS where necessary.

The accounting policies have been consistently applied to all years presented.

The principal accounting policies and valuation criteria adopted in the preparation of these consolidated financial statements are set out below.

### Intangible assets

Goodwill represents the higher price paid compared to the share of net equity of the acquired investments and is amortised over the life of the projects to which it relates.

Other intangible assets are recorded at cost and are amortised over five years. These largely comprise costs incurred on projects for the automation of information systems, costs for raising medium-long term loans, expenses relating to share capital increases, goodwill and other minor expenses.

### Tangible fixed assets

Tangible fixed assets in the consolidated financial statements are recorded at cost, adjusted for revaluations carried out in accordance with local laws or article 2425, last comma, of the Italian Civil Code.

Property and industrial buildings have also been revalued in accordance with Law no. 413 of 30.12.1991.

The revaluation surpluses are included in revaluation reserves within shareholders' equity and have been partially utilised in prior accounting periods for share capital increases and to cover losses.

The tangible fixed assets of Irla SpA are recorded at the values resulting from an independent valuation in relation to the spin-off and disposal operations. Fixed assets acquired subsequent to these operations are valued at acquisition or production cost. Depreciation rates represent the estimated useful life of the assets.

The rates applied to the various asset categories are as follows:

	(%)
Industrial buildings – light construction	3 - 4 - 5 - 10
General and specific plant	7- 12 - 15
Heavy plant and operating machinery	10 - 17,5
Furnaces and related equipment	8 - 15
Other equipment	10 - 25
Office furniture and equipment	12 -18 - 20
Motor vehicles and internal transport vehicles	20 - 25

Reduced depreciation rates are applied in the financial year in which assets come into use.

### Financial assets

#### *Equity investments*

Equity investments in associates, in which the Falck group holds more than 20%, or 10% if listed, are valued applying equity accounting.

A list of subsidiaries, which are valued at cost as they are considered immaterial or are not yet operative, is set out in the supplementary information.

A number of investments valued at cost were revalued in prior years by immaterial amounts, in accordance with Laws no. 576/75 and no. 72/83, while the revaluations carried out in accordance with article 2425 of the Italian Civil Code, last comma, were reversed.

Other investments are valued at acquisition cost, while minor investments in listed enterprises are valued at the lower of cost and market value in the event of a permanent reduction in value, taking into consideration market values after the balance sheet date.

A provision for risks relating to investments that are not consolidated line-by-line is recorded.

#### *Other securities*

Other securities are recorded at subscription cost.

#### *Own shares*

Company shares included within financial assets are valued at acquisition cost.

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A corresponding non-distributable reserve is included in shareholders' equity as disclosed in the parent company financial statements.

### **Inventory**

Finished goods are valued at the lower of purchase or production cost and net realisable value.

The cost of semi-finished and finished goods includes the depreciation of the assets utilised in production and a share of indirect production costs.

The net realisable value is calculated taking into consideration direct selling costs.

Obsolete and slow moving inventory is written down based on possible future use or realisation.

These amounts are adjusted to take into consideration the effective market value.

Medium-long term contract work in progress is valued based on contractual amounts, determined by comparing costs incurred to date with the total expected costs to completion of the contracts.

### **Receivables**

Receivables are recorded at the estimated recoverable amount through recognition of a provision for bad debts.

### **Current financial assets**

#### *Equity investments*

Equity investments are valued at the lower of acquisition cost and net realisable value, which is based on market performance.

#### *Securities*

Securities are valued at the lower of cost and net realisable value, taking into consideration the market value of negotiable securities.

### **Provisions for risks and charges**

These are recorded in relation to liabilities that may arise in future and for which, in accordance with correct accounting principles, suitable conditions exist to justify recognition of a provision.

These provisions are analysed as follows:

#### *Provision for ongoing lawsuits*

This provision includes the expected future costs relating to legal proceedings against the group. The estimated costs are supported by legal opinion.

#### *Provision for equity investment risks*

The provision is increased by permanent losses in the value of investments that exceed the related book values.

#### *Provision for periodic maintenance*

Provision is made to cover the cost of periodic maintenance that will be incurred in future in relation to heavy plant.

#### *Provision for environmental improvements*

This provision covers future obligations relating to the redevelopment of landfill areas in accordance with the commitments undertaken at the time permission was granted by the relevant authorities.

These costs are provided based on estimates prepared by specialist enterprises.

#### *Provision for reorganisation and liquidation*

This provision includes identifiable costs relating to company reorganisation and liquidation and other costs arising from the closure of industrial activities, which are charged with the aim of not penalising future results.

This provision is adopted under the prudence concept.

#### *Other provisions*

This provision comprises all other future expenditure not covered above, which is reasonably quantifiable but for which the date of materialisation is uncertain.

### **Staff leaving indemnity**

The provision reflects the liability due in respect of all employees and is calculated based on current legislation and employment contracts.

### **Payables**

Payables are stated at nominal value.

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### **Amounts expressed in foreign currency**

Receivables and payables denominated in foreign currency are translated to Euro at historical exchange rates and are adjusted at year-end rates, net of any hedging contracts.

Realised gains and losses on foreign currency transactions are recognised in the profit and loss account.

### **Accruals and prepayments**

These are determined in accordance with the accruals concept.

### **Revenues**

Revenues are stated net of returns, discounts, bonuses and premiums, as well as direct taxes on the sale of the related goods and services.

Revenue from the sale of products is recognised on the transfer of ownership, which normally takes place on delivery or despatch of the goods.

Financial income is recorded based on the accruals concept.

### **Costs**

Costs are recorded net of returns, discounts, bonuses and premiums, as well as direct taxes relating to the purchase of goods and services.

### **Dividends**

Dividends are recognised in the period in which they are approved and actually paid. With regard to subsidiaries only, in the event that the shareholders' meeting approves the distribution of dividends prior to the board meeting of the parent company, the dividends are accounted for applying the accruals concept.

### **Contingencies, commitments and guarantees**

The memorandum accounts set out the value of actual contingencies, commitments and guarantees at the year end.

In particular, guarantees issued in relation to financial commitments are stated at the value of the corresponding liability.

In order to provide a better understanding with regard to the total value of contingencies and commitments, the amounts, which are either included in the balance sheet or relate to off-balance sheet items, are disclosed separately in the memorandum accounts.

### **Tax charge and liability**

Taxes on income are calculated and provided for based on the charge for the year estimated in accordance with current tax legislation.

The tax payable as calculated above is recorded as a specific liability in the balance sheet.

In accordance with Italian accounting standard no.25, deferred taxes are recorded based on the temporary differences arising between the taxable income and the income before tax recorded in the statutory financial statements. A deferred tax asset is recorded to the extent that it may be recovered in future.

## Balance sheet content and changes

### B Fixed assets

#### B I Intangible assets

Movements during the year were as follows:

	At 31.12.2004	Additions (A)	Capitalis. and reclass. (B)	Changes in scope of consolidat. (C)	Disposals (C)	Write- downs	Amorti- sation	At 31.12.2005
<i>(Euro thousands)</i>								
BI1 Start-up and expansion costs	5	442					(5)	442
BI2 Research and development and advertising	3						(1)	2
BI3 Industrial patent rights	444	2,394			(2,000)		(220)	618
BI4 Concessions, licenses and trademarks	6,112	1	1,409		(5,000)		(421)	2,101
BI5 Goodwill	76,588	1,849					(2,578)	75,859
BI6 Assets under construction and advances								
- assets under construction	1,409	140	(1,409)	30				170
- advances								
Total assets under construction and advances	1,409	140	(1,409)	30				170
BI7 Other	449	683	2,388				(158)	3,362
<b>Total</b>	<b>85,010</b>	<b>5,509</b>	<b>2,388</b>	<b>30</b>	<b>(7,000)</b>		<b>(3,383)</b>	<b>82,554</b>

During the year no financial expenditure was capitalised in intangible assets.

A) Principal additions related to:

BI1 expenses on share capital increase of Actelios SpA	Euro 442 thousand
BI3 studies and plans for WTE plants in Sicily	Euro 2,000 thousand
BI3 software licences	Euro 202 thousand
BI5 goodwill on Falck Renewables Ltd	Euro 1,849 thousand
BI7 land rights for Tifeo	Euro 683 thousand

B) These relate to expenses incurred to raise project financing for Frullo Energia Ambiente Srl which were recorded previously in work in progress within tangible fixed assets.

C) Disposals relate to the sale by Actelios SpA of CIP6/92 rights for Euro 5,000 thousand and the disposal of a business unit, comprising project studies and plans, by Elettroambiente SpA for Euro 2,000 thousand.

Start-up and expansion costs comprised:

<i>(Euro thousands)</i>	
Share capital increase expenses	442
<b>Total</b>	<b>442</b>

Goodwill largely relates to the additional price paid over the share of net equity, for the companies operating in the renewable energy from biomass and waste to energy sector and the renewable energy from wind farms sector. This amount also includes the purchased goodwill on the acquisition of business units by Frullo Energia Ambiente Srl and Ecosesto SpA for a total of Euro 8,186 thousand. Goodwill relating to projects that are already operational is amortised. The goodwill on projects that are not yet completed will be amortised from the period in which they become operative and generate the first revenues.

## B II Tangible fixed assets

Movements during the year were as follows:

	At 31.12.2004	Additions (A)	Capital and reclass.	Changes in scope consol.	Disposals (B)	Write- downs	Exchange diffe- rences	Depre- ciation	At 31.12.2005
<i>(Euro thousands)</i>									
<b>Gross value</b>									
BII1 Land and buildings	41,902	6,760	958		(437)				49,183
BII2 Plant and machinery	73,902	50,901	55,851		(199)		1,082		181,537
BII3 Industrial and office equipment	729	5			(230)				504
BII4 Other assets	8,484	335	(5)		(3,946)				4,868
BII5 Assets operated under concession	95,127	4,048			(16,512)				82,663
BII6 Assets under construction and advances									
- assets under construction	87,063	27,433	(58,532)		(616)	(2,980)			52,368
- advances	860	222	(660)						422
Total assets under construction and advances	87,923	27,655	(59,192)		(616)	(2,980)			52,790
<b>Total gross value</b>	<b>308,067</b>	<b>89,704</b>	<b>(2,388)</b>		<b>(21,940)</b>	<b>(2,980)</b>	<b>1,082</b>		<b>371,545</b>
<b>Accumulated depreciation</b>									
BII1 Land and buildings	(7,189)				367			(3,027)	(9,849)
BII2 Plant and machinery	(26,676)				68	(520)		(6,752)	(33,880)
BII3 Industrial and office equipment	(584)				228			(42)	(398)
BII4 Other assets	(6,449)				3,789			(528)	(3,188)
BII5 Assets operated under concession	(8,740)				1,025			(4,809)	(12,524)
<b>Total accumulated depreciation</b>	<b>(49,638)</b>				<b>5,477</b>	<b>(520)</b>		<b>(15,158)</b>	<b>(59,839)</b>
<b>Net book amounts</b>									
BII1 Land and buildings	34,713	6,760	958		(70)			(3,027)	39,334
BII2 Plant and machinery	47,226	50,901	55,851		(131)	(520)	1,082	(6,752)	147,657
BII3 Industrial and office equipment	145	5			(2)			(42)	106
BII4 Other assets	2,035	335	(5)		(157)			(528)	1,680
BII5 Assets operated under concession	86,387	4,048			(15,487)			(4,809)	70,139
BII6 Assets under construction and advances									
- assets under construction	87,063	27,433	(58,532)		(616)	(2,980)			52,368
- advances	860	222	(660)						422
Total assets under construction and advances	87,923	27,655	(59,192)		(616)	(2,980)			52,790
<b>Total net book amounts</b>	<b>258,429</b>	<b>89,704</b>	<b>(2,388)</b>		<b>(16,463)</b>	<b>(3,500)</b>	<b>1,082</b>	<b>(15,158)</b>	<b>311,706</b>

Finance expenses capitalised in tangible fixed assets during the year amount to Euro 2,233 thousand and relate to the new WTE plant in Granarolo dell'Emilia.

A) Additions may be analysed as follows:

<i>(Euro thousands)</i>	
Wind energy power plants Cambrian Wind Energy Ltd	40,811
WTE plant Augusta	14,306
WTE plant Granarolo dell'Emilia	9,785
Wind energy power plants Falck Renewables Ltd	7,956
WTE plant Casteltermini	7,256
WTE plant Trezzo sull'Adda	4,049
WTE plant Palermo	3,605
Plant and machinery Itla SpA	1,077
Biomass plant Rende	315
Other additions	544
<b>Total</b>	<b>89,704</b>

B) Disposals relate to the sale of the composting plant in Cologno Monzese for Euro 10,322 thousand and minor assets for a total of Euro 976 thousand. In addition, this total includes the adjustment to the plant in Trezzo sull'Adda amounting to Euro 5,165 thousand to reflect a price adjustment that took place following a claim made on the guarantee bond.

### Monetary revaluations

Tangible fixed assets at the year end include the following revaluations that took place in accordance with local laws on monetary revaluation.

<i>(Euro thousands)</i>	Law 1952 and prior years	Law no. 576 of 2.12.75	Law no. 72 of 19.3.83	Law no. 413 of 30.12.91	Total 31.12.2005
Land and buildings		11	29	211	251
Plant and machinery					
Industrial and commercial equipment					
Other assets					
Assets under construction and advances					
<b>Total</b>		<b>11</b>	<b>29</b>	<b>211</b>	<b>251</b>

### B III Financial assets

#### B III 1 Equity investments

Equity investments at 31.12.2005 compared to 31.12.2004 were as follows:

##### *Non-consolidated subsidiaries*

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Falck Energy Iran Sa		31	(31)
Ben Aketil Wind Energy Ltd			
Boyndie Wind Energy Ltd	5,350		5,350
Chalmerston Wind Energy Ltd			
Dunbeath Wind Energy Ltd			
Earlsburn Mezzanine Ltd			
Earlsburn Wind Energy Ltd			
Falck Energy International Ltd (in liquidation)			
Falck Renewables Italia Srl	100		100
Kingsburn Wind Energy Ltd			
Limmer Wind Energy Ltd			
Mellock Hill Wind Energy Ltd			
Millennium Wind Energy Ltd			
Nutberry Wind Energy Ltd			
Portclair Wind Energy Ltd			
Sellmoor Wind Energy Ltd			
Strath Brora Wind Energy Ltd			
Seconda Srl (in liquidation)		16	(16)
<b>Total</b>	<b>5,450</b>	<b>47</b>	<b>5,403</b>

The increase relates to the purchase of the entire investment in Boyndie Wind Energy Ltd (52% was held in 2004) and the set-up of Falck Renewables Italia Srl, a company that will manage and co-ordinate the development of the wind farm energy business in Italy.

The decrease relates to the Luxembourg company Falck Energy Iran Sa that was consolidated line-by-line in 2005 and Seconda Srl which is in the final liquidation phase.

*Associated companies included applying equity accounting*

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Leonardo Holding Sa		53,340	(53,340)
Leonardo Srl		6,858	(6,858)
Parque Eolico La Carracha SI	1,011	786	225
Parque Eolico Plana de Jarreta SI	1,012	694	318
Sadelmi SpA		218	(218)
<b>Total</b>	<b>2,023</b>	<b>61,896</b>	<b>(59,873)</b>

The decreases relate to the disposals of investments as detailed in the directors' report.

The two Spanish companies were revalued by a total of Euro 543 thousand as a result of equity accounting.

*Other associates valued at cost*

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Ambiente 3000 Srl	74	49	25
Consortile Messina Scarl		3	(3)
Eolica Lucana Srl	1	1	
Eolo Tempio Pausania Srl		2	(2)
Energie Tecnologie Ambiente Srl		6,239	(6,239)
Pareh Sar Gmbh	1,150		1,150
Termini Imerese Energia Ambiente Srl	24	24	
<b>Total</b>	<b>1,249</b>	<b>6,318</b>	<b>(5,069)</b>

The increases relate to Pareh Sar Gmbh, which has been classified for the first time in associates following consolidation of Falck Energy Iran Sa, which has a 50% holding in the former company, and to the capital increase paid to Ambiente 3000 Srl.

The decreases are due to the disposal of Energie Tecnologie Ambiente SpA and Eolo Tempio Pausania Srl.

*Other companies valued at cost*

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Agenzia Nord Milano SpA	52	52	
Banca Intesa SpA	25,597	20,421	5,176
Bell Sa	416	416	
Compagnia Fiduciaria Nazionale SpA	32	32	
Crossenergy Srl	3,933	3,933	
Delna SpA	687	687	
Edison SpA		337	(337)
Enertad SpA	1	1	
Hera SpA	800	800	
Hopa SpA	3,626	3,626	
Olt Energy Toscana Srl	5,509	5,509	
PCF Project Financing Consulting SpA	375	375	
Sintek Capital Ag	1,058	1,058	
Unicredito Italiano SpA	16,160	16,160	
U-Steel SpA	44	44	
Others	20	20	
<b>Total</b>	<b>58,310</b>	<b>53,471</b>	<b>4,839</b>

The changes relate to the revaluation of the investment in Banca Intesa SpA by Euro 5,176 thousand to reflect the average trading price for the last six months and to the sale of the shares in Edison SpA.

### B III 2 Receivables

#### B III 2d Other

These largely relate to tax advances on staff leaving indemnity calculated on the provision at 31.12.1996 in accordance with local legislation and including inflation adjustments.

#### B III 2f Guarantee deposits

Guarantee deposits increased by Euro 5 thousand.

### B III 4 Own shares

During the year the balance of own shares moved as follows:

	No. of shares	% of share capital	Cost (Euro)	Book value per share
<b>At 31.12.2004</b>	<b>6,900,234</b>	<b>9.486</b>	<b>12,156,904</b>	<b>1.76</b>
Acquired during year	6,000	0.008	30,000	5.00
Sold during year				
<b>At 31.12.2005</b>	<b>6,906,234</b>	<b>9.494</b>	<b>12,186,904</b>	<b>1.76</b>

### C Current assets

#### C I Inventory

Inventory increased by Euro 2,202 thousand compared to 31 December 2004, this principally relates to finished goods for Euro 1,451 thousand and work in progress for Euro 655 thousand.

#### C II Receivables

Receivables decreased by Euro 5,344 thousand largely as a result of the reduction in receivables due from associates (-Euro 67,943 thousand), which is partially offset by the increases in trade receivables (+Euro 29,130 thousand) and financial receivables due from others (+Euro 36,240 thousand).

No receivables are due after more than five years.

Trade receivables are stated net of the provision for bad debts which moved as follows:

*(Euro thousands)*

<b>Provision at 31 December 2004</b>	<b>1,541</b>
Utilisation	(324)
Charge	108
<b>Provision at 31 December 2005</b>	<b>1,325</b>

The heading CII 5c Receivables due from others – Others comprises:

*(Euro thousands)*

First instalment for acquisition of Tecnimont	15,000
Amounts due from Acciaierie di Bolzano and its companies	6,941
Amount due from sale of Sassari landfill	1,512
Amount due from ICQ	2,500
Amounts due from Pria SpA on sale of Il Chiodo	433
Amounts due from shareholders for payments due to group companies	151
Amounts due from Hera SpA in relation to IRES (corporation tax)	936
INVIM (property increment tax) on appeal	105
Amounts due from employees	70
Other	320
<b>Total</b>	<b>27,968</b>

The balance above includes the first instalment of Euro 15,000 thousand paid in 2002 to Edison SpA following signing of the agreement relating to the purchase of the entire share capital of Tecnimont SpA and Protecma Srl.

*Receivables due from others – Other* include amounts due from Acciaierie di Bolzano SpA, Siab SpA and Cersec Srl for which legal proceedings have been initiated to recover the debts.

*Receivables from tax authorities* amount to Euro 38,140 thousand, of which Euro 34,146 thousand represents tax credits including interest for which reimbursement has been requested by Falck SpA.

With regard to these credits, in November 2004 Falck SpA commenced recovery proceedings, stipulated by law, with the tax authorities, requesting repayment of the principal of Euro 22,455 thousand. In 2005 the courts in Milan and Lecco sentenced the tax authorities to pay the sum requested plus interest, including compound interest. The tax authorities did not appeal against this first degree sentence and as a result the company has taken action in order to recover these credits as quickly as possible.

Deferred tax assets of Euro 6,490 thousand have been recorded following application of Italian accounting standard no. 25.

The deferred tax asset may be analysed as follows:

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Taxed provision for bad debts	36	69	(33)
Provision for legal obligations	223	242	(19)
Inventory provision	64	55	9
Provision for periodic maintenance	155	559	(404)
Provision for environmental improvements	499	280	219
General risk provision	516	629	(113)
Provision for accelerated depreciation	31	1,715	(1,684)
Tax losses	292	519	(227)
Tax effect on eliminated intra-group profits	4,119	4,119	
Other temporary differences	555	382	173
<b>Total</b>	<b>6,490</b>	<b>8,569</b>	<b>(2,079)</b>

### CIII Current financial assets

#### C III 3 Equity investments in other companies

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Assicurazioni Generali SpA	4,260	3,924	336
Mediobanca SpA	27,736	27,004	732
Camfin SpA	91	47	44
<b>Total</b>	<b>32,087</b>	<b>30,975</b>	<b>1,112</b>

The changes relate to the purchase of shares in Mediobanca SpA, the subscription to the share capital increase in Camfin SpA and the revaluation to original cost of the investment in Assicurazioni Generali SpA, which was written down in the previous financial year in order to reflect market movements.

#### C IV Liquid assets

Liquid assets largely comprise bank current accounts and have increased by Euro 64,689 thousand compared to 31 December 2004.

#### D Accrued income and prepaid expenses

The balance of accrued income and prepaid expenses comprises:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<i>Accrued income</i>			
Interest on loans	44	3,436	(3,392)
Maintenance	47		47
Other	9	4	5
<i>Total accrued income</i>	100	3,440	(3,340)
<i>Prepayments</i>			
Anticipated costs	131		131
Insurance	18	94	(76)
Royalties	62	79	(17)
Commission on guarantees	27	32	(5)
Rent payable	10	163	(153)
Other	342	658	(316)
<i>Total prepayments</i>	590	1,026	(436)
<b>Total</b>	<b>690</b>	<b>4,466</b>	<b>(3,776)</b>

## A Shareholders' equity

### A I Share capital

Share capital consists of no. 72,730,824 ordinary shares and no. 11,142 saving shares, issued and fully paid with a nominal value of Euro 1.00 each.

As mentioned above, the parent company carried out operations on its own shares during the year, as a result it held no. 6,906,234 shares, of which no. 3,561 are saving shares, with a total nominal value of Euro 6,906,234.

The shareholders' equity of the parent company Falck SpA may be analysed as follows:

<i>(Euro thousands)</i>	Amount	Possible utilisation	Share available	Summary of utilisation in previous three years	
				Cover losses	Other
<b>Share capital</b>	<b>72,742</b>				<b>(118,741)</b>
<b>Capital reserves</b>					
Share premium reserve	28,655	A-B-C	28,655		(78,434)
Reserve for own shares held	6,698				(11,201)
Shareholders' contributions	450	A-B			
<b>Earnings reserves</b>					
Legal reserve	31,376	A-B	16,828		
Extraordinary reserve	17,187	A-B-C	17,187		
Reserve for own shares held	5,489				(9,222)
Retained earnings	87,046	A-B-C	87,046		(32,633)
<b>Total</b>	<b>249,643</b>		<b>149,716</b>		

Key:

A: to increase share capital

B: to cover losses

C: to distribute to shareholders

Amounts utilised in shareholders' equity may be summarised as follows:

- share capital reduction of Euro 118,741 thousand following de-merger in 2002;
- reduction in share premium account of Euro 32,916 thousand due to de-merger in 2002;
- reduction in share premium account of Euro 2,234 thousand in 2002 following reclassification to reserve for own shares held;
- reduction in share premium account of Euro 41,220 thousand in 2003 following bonus share issue;
- reduction in share premium account of Euro 2,030 thousand in 2003 following reclassification to reserve for own shares;
- reduction in share premium account of Euro 4 thousand in 2004 following reclassification to reserve for own shares;
- reduction in reserve for own shares of Euro 20,423 thousand in 2003 following de-merger that resulted in cancellation of own shares;
- reduction in retained earnings of Euro 32,633 thousand in 2002 following merger with companies owned by the Falck family;
- reduction in share premium account of Euro 30 thousand in 2005 following reclassification to reserve for own shares held.

The movements in shareholders' equity during the 2004 and 2005 financial years were as follows:

	Share capital	Legal reserve	Share premium account	Extra-ordinary reserve	Reserve for own shares	Retained earnings	Share-holders contr.bn	Exchange translation reserve	Difference on consolidation	Profit for the year	Group equity	Minority interest	Total
<i>(Euro thousands)</i>													
<b>At 31.12.2003</b>	<b>72,742</b>	<b>31,376</b>	<b>28,689</b>	<b>17,187</b>	<b>12,153</b>	<b>67,391</b>	<b>450</b>	<b>363</b>	<b>(83,106)</b>	<b>41,833</b>	<b>189,078</b>	<b>17,604</b>	<b>206,682</b>
Appropriation of 2003 parent company profit to reserves						8,561				(8,561)			
Appropriation of 2003 consolidated profit to reserves									33,272	(33,272)			
Purchase of own shares			(4)		4								
Dividends paid						(1,778)					(1,778)	(435)	(2,213)
Change in scope of consolidation													
Share capital increase Tifeo/Platani												117	117
Change in Actelios minority interest													
Change in exchange translation reserve													
Change in exchange translation reserve Falck Renewables and FFS								(78)			(78)	(1)	(79)
Consolidation Cabezo												71	71
Change in minority on purchase													
Actelios 1.167%												(948)	(948)
Change in minority Falck Renewables									144		144	(144)	
Other movements Falck Renewables									(152)		(152)		(152)
Change in reserves AdR									1,362		1,362		1,362
Loss for the year										(936)	(936)	(5,050)	(5,986)
<b>At 31.12.2004</b>	<b>72,742</b>	<b>31,376</b>	<b>28,685</b>	<b>17,187</b>	<b>12,157</b>	<b>74,174</b>	<b>450</b>	<b>285</b>	<b>(48,480)</b>	<b>(936)</b>	<b>187,640</b>	<b>11,214</b>	<b>198,854</b>
<i>(Euro thousands)</i>													
<b>At 31.12.2004</b>	<b>72,742</b>	<b>31,376</b>	<b>28,685</b>	<b>17,187</b>	<b>12,157</b>	<b>74,174</b>	<b>450</b>	<b>285</b>	<b>(48,480)</b>	<b>(936)</b>	<b>187,640</b>	<b>11,214</b>	<b>198,854</b>
Appropriation of 2004 parent company profit to reserves						14,781			(14,781)				
Appropriation of 2004 consolidated profit to reserves									(936)	936			
Purchase of own shares			(30)		30								
Dividends paid						(1,909)					(1,909)		(1,909)
Change in scope of consolidation													
Share capital increase Tifeo/Platani												23	23
Change in group equity for Actelios share capital increase									(3,479)		(3,479)	3,479	
Change in exchange translation reserve Falck Renewables and FFS								(389)			(389)	(4)	(393)
Consolidation Falck Energy Iran									(91)		(91)		(91)
Change in minority Actelios group									(1,555)		(1,555)	1,555	
Change in minority Falck Renewables												(42)	(42)
Other movements Falck Renewables								(133)	20		(113)		(113)
Merger Finstahl Falck Energy									(10)		(10)	15	5
Profit for the year										84,027	84,027	4,033	88,060
<b>At 31.12.2005</b>	<b>72,742</b>	<b>31,376</b>	<b>28,655</b>	<b>17,187</b>	<b>12,187</b>	<b>87,046</b>	<b>450</b>	<b>(237)</b>	<b>(69,312)</b>	<b>84,027</b>	<b>264,121</b>	<b>20,273</b>	<b>284,394</b>

All of the headings included in group reserves correspond to those of the parent company Falck SpA, with the exception of the exchange translation reserve and the differences on consolidation that comprise:

(Euro thousands)

Difference between adjusted shareholders' equity of the consolidated subsidiaries and book value of related investments	20,801
Dividends from consolidated subsidiaries	21,822
Adjustment to profits:	
Realised by the parent company on sale of investments to consolidated subsidiaries	(38,131)
Realised on intra-group sales of tangible fixed assets, net of depreciation, on inventories and other minor assets	(18,817)
Reversal of write-down of consolidated investments:	
Write-downs in financial statements of subsidiaries net of utilisation of provision	1,458
Adjustment to book value of associates applying equity accounting	(56,682)
<b>Total</b>	<b>(69,549)</b>

## B Provisions for risks and charges

(Euro thousands)	At 31.12.2004	Change in scope of consolidation	Provision	Utilised	Reclassi- fication	At 31.12.2005
B1 <i>Provision for pensions and similar obligations</i>	40		4			44
B2 <i>Provision for taxes</i>						
- Current						
- Deferred	478		368	(53)		793
<i>Total provision for taxes</i>	478		368	(53)		793
B3 <i>Other provisions</i>						
- provision for ongoing lawsuits	3,223		200	(390)		3,033
- provision for equity investment risks	4,187		2,870		(252)	6,805
- provision for periodic maintenance	1,500		1,129	(872)		1,757
- provision for environmental improvements	750			(81)		669
- provision for reorganisation and liquidation	1,239			(88)		1,151
- other provisions	35,963		18,719	(5,753)	6	48,935
<i>Total other provisions</i>	46,862		22,918	(7,184)	(246)	62,350
<b>Total</b>	<b>47,380</b>		<b>23,290</b>	<b>(7,237)</b>	<b>(246)</b>	<b>63,187</b>

The provision for equity investment risks comprises:

(Euro thousands)

Crossenergy Srl	3,935
Hopa SpA	1,813
Sintek Capital Ag	1,057
<b>Total</b>	<b>6,805</b>

The *provision for ongoing lawsuits* was increased to cover the risks relating to legal proceedings involving Ecosesto SpA.

The *periodic maintenance provision* includes future costs relating to extraordinary maintenance to be carried out on the plant in Rende and the WTE incinerator in Fusina.

The *provision for environmental improvements* is charged to cover the costs to manage the closure and post-closure phases in relation to landfills.

*Other provisions* have increased as a result of a provision made by Falck SpA (Euro 16,000 thousand) to cover the potential risks relating to previous industrial activities and for the development of new business the outcome of which is uncertain, and a provision charged by Falck Renewables Ltd (Euro 3,306 thousand) on risks relating to new projects currently being developed for which the outcome is uncertain.

## C Staff leaving indemnity

Movements during the year were as follows:

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>Opening provision</b>	<b>4,444</b>	<b>5,113</b>	<b>(669)</b>
Provision for the year	890	864	26
Change in scope of consolidation and reclassifications	(8)	(1,040)	1,032
Utilisation/payments	(692)	(493)	(199)
<b>Closing provision</b>	<b>4,634</b>	<b>4,444</b>	<b>190</b>

## D Payables

The decrease in payables of Euro 46,755 thousand is largely due to the reduction in amounts payable to banks amounting to Euro 95,219 thousand, which is partially offset by the increase in bonds of Euro 22,266 thousand and trade payables for Euro 21,808 thousand.

Amounts due after more than 5 years include amounts payable to banks totalling Euro 94,559 thousand, which relate to the renewable energy from biomass and waste to energy sector (Euro 42,043 thousand) and the renewable energy from wind farms sector (Euro 52,516 thousand).

Bonds, which total Euro 22,266 thousand, relate to the bonded loan issued by Falck SpA, which consists of no. 22,266,000 bonds with a nominal value of Euro 1.00 each, which matures on 31 January 2008 and bears interest at 3.33%.

Convertible bonds, which amount to Euro 9,152 thousand, relate to the bonded loan also issued by the parent company, which consists of no. 9,151,901 bonds with a nominal value of Euro 1.00 each, which matures on 31 May 2008 and bears interest at 4.16%. The conversion of 1 share for every 6 bonds may take place in January 2006, 2007 and 2008.

Details of loans covered by guarantees on company assets at 31 December 2005 are as follows:

<i>(Euro thousands)</i>	Unsecured (1)	Secured by pledge (2)	Secured by mortgage (3)	Total secured loans (4)=(2)+(3)	Total (5)=(1)+(4)
Bonds	22,266				22,266
Convertible bonds	9,152				9,152
Shareholders' loans	7,553				7,553
Bank loans	171,186	95,402	54,291	149,693	320,879
Loans from other financial institutions	2,631				2,631
<b>Total</b>	<b>212,788</b>	<b>95,402</b>	<b>54,291</b>	<b>149,693</b>	<b>362,481</b>

The subsidiary Prima Srl has entered into interest rate swaps (IRS) for a notional amount of Euro 46,463 thousand, in order to hedge the interest rate risk on project financing and render variable rates fixed thus bringing them into line with market rates.

The fair value of these IRS contracts is negative Euro 888 thousand. Frullo Energia Ambiente Srl entered into interest rate swaps (IRS) for a notional amount of Euro 25,881 thousand, in order to hedge the interest rate risk on project financing and render variable rates fixed thus bringing them into line with market rates. The fair value of these IRS contracts, as at 31 December 2005, is negative Euro 1,782 thousand.

With regard to the subsidiary Ecosesto SpA, the loan, which matures on 31.7.2010, is repayable in half year instalments commencing 30.6.2002 and bears interest at 6 months Euribor plus spread.

Other payables comprise:

*(Euro thousands)*

Due to Italgest Energia SpA for acquisition of Elettroambiente SpA	20,000
Due to Acciaierie di Bolzano SpA	1,899
Due for purchase of Pareh Sar Gmbh shares	1,130
Environment contribution	790
Holiday pay	741
Due to Hera SpA	726
Due to Legnochimica for acquisition of land in Rende	616
Due to employees	592
Employee social security expenses	591
Due in relation to CO2 emissions from WTE plant in Trezzo sull'Adda	504
Due to Immobiliare Bolzano Srl	349
Due to shareholders for distribution of reserves	190
Due to Siab SpA	118
Due to shareholders for dividends	27
Other	799
<b>Total</b>	<b>29,072</b>

## E Accrued liabilities and deferred income

Accrued liabilities and deferred income comprise:

<i>(Euro thousands)</i>	At 31.12.2005	At 31.12.2004	Change
<i>Accruals</i>			
Interest payable	1,344	1,026	318
Insurance	10	18	(8)
Commission on guarantees	174	197	(23)
Other	19	63	(44)
<i>Total accruals</i>	<b>1,547</b>	<b>1,304</b>	<b>243</b>
<i>Deferred income</i>			
Interest receivable	33	37	(4)
Other	2	14	(12)
<i>Total deferred income</i>	<b>35</b>	<b>51</b>	<b>(16)</b>
<b>Total</b>	<b>1,582</b>	<b>1,355</b>	<b>227</b>

## Memorandum accounts

At 31 December 2005 total personal guarantees issued amounted to Euro 221,272 thousand and comprised:

*(Euro thousands)*

Bank guarantees	101,054
Guarantees issued to public and government enterprises	85,623
Guarantee issued to tax authorities in respect of VAT	22,771
Other personal guarantees	11,824
<b>Total</b>	<b>221,272</b>

Real guarantees issued include pledges for Euro 38,851 thousand and mortgages for Euro 273,170 thousand. Pledges principally relate to a pledge on Banca Intesa SpA shares (Euro 25,597 thousand), a pledge on the shares in the subsidiary Prima Srl (Euro 4,856 thousand) and a pledge on the shares of the associate Frullo Energia Ambiente Srl (Euro 8,398 thousand) as guarantee for financing issued to the respective companies. Mortgages relate to guarantees issued in relation to the finance granted for the acquisition and construction of three WTE plants in the renewable energy from biomass and waste to energy sector.

## Transactions with group companies

Details of receivables and payables with non-consolidated subsidiaries and associates at 31 December 2005 were as follows:

<i>(Euro thousands)</i>	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
<b>Subsidiary</b>						
Falck Renewables Italia Srl	3					
<b>Total subsidiaries</b>	<b>3</b>					
<b>Associates</b>						
Ambiente 3000 Srl	25					
Gsa Scarl (in liquidation)		13				
Lonardi Costruzioni Srl (in liquidation)	4					
Pareh Sar Gmbh	2			525		
Parque Eolico La Carracha SI				2,219		
Parque Eolico Plana de Jarreta SI				2,176		
<b>Total associates</b>	<b>31</b>	<b>13</b>	<b>4,920</b>			

## Profit and loss account content and changes

### A Value of production

#### A1 Revenues from sales and services

Revenues from sales and services by activity segment may be analysed as follows:

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Sale of electrical energy	65,236	43,244	21,992
Sale of thermal energy	702	760	(58)
Management of WTE and landfills	5,073	3,431	1,642
Waste treatment and disposal	20,553	18,430	2,123
Owner's engineering services	1,194	1,247	(53)
Long-term contracts		2,841	(2,841)
Sale of steel products	67,778	64,586	3,192
Other services	1,002	6,980	(5,978)
<b>Total</b>	<b>161,538</b>	<b>141,519</b>	<b>20,019</b>

An analysis of sales by geographical area is as follows:

	(Euro thousands)	(%)
Italy	143,319	88.72
Europe EU	17,231	10.67
Europe non-EU	691	0.43
Africa	17	0.01
Asia	238	0.15
Americas	42	0.03
<b>Total</b>	<b>161,538</b>	<b>100.00</b>

Revenues increased in almost all of the business segments in which the Falck group operates both as a result of efficiencies achieved by the new electrical energy production plants (WTE and wind farms) and a constant level of positive results in the steel sector.

#### **A2-A3-B11 Variation in work in progress, semi-finished and finished products; variation in contract work in progress; variation in raw materials and goods**

These headings present a total increase in the profit and loss account of Euro 2,578 thousand.

#### **A4 Capitalised costs**

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
a. From production and inventories	5,508	2,819	2,689
b. Capitalised interest	2,233	2,861	(628)
<b>Total</b>	<b>7,741</b>	<b>5,680</b>	<b>2,061</b>

Capitalised internal costs relate to the three projects in Sicily and include the cost of owner's engineering services provided by Elettroambiente SpA for Augusta and Agrigento and by Falck SpA for Palermo, while the capitalised interest relates to the new plant in Granarolo dell'Emilia for Euro 1,293 thousand and the plants under construction in the wind energy sector for Euro 940 thousand.

#### **A5 Other revenues**

Other revenues have increased by Euro 3,382 thousand. This is largely due to payment received from the constructor of the wind farm of Cambrian Wind Energy Ltd in relation to damages amounting to Euro 3,656 thousand on the late delivery of the plant which resulted in loss of revenues.

#### **B Production costs**

Production costs increased in total by Euro 20,638 thousand as a result of the higher volume of business and production during the year; this resulted in an increase across almost all production cost categories. The most significant increases relate to raw materials costs (+Euro 9,698 thousand), services (+Euro 2,812 thousand), depreciation and write-downs (+Euro 9,349 thousand), personnel costs (+Euro 2,248 thousand) and rentals and leasing charges (+Euro 1,234 thousand).

## C Financial income and charges

### C15 Income from equity investments

<i>(Euro thousands)</i>	Dividends	
	31.12.2005	31.12.2004
<b>Associates</b>		
Innovation Utility Bv		74
<b>Total associates</b>		<b>74</b>
<b>Other investments</b>		
Assicurazioni Generali SpA	70	
Banca Intesa SpA	673	299
Camfin SpA	2	1
Compagnia Fiduciaria Nazionale SpA	91	101
Delna SpA	136	51
Hera SpA	38	34
Hopa SpA	150	150
Mediobanca SpA	1,200	982
Redaelli G. & Fratello SpA	60	155
Redaelli Sidas Spa		37
Unicredito Italiano SpA	2,570	2,144
Other minor investments		1
<b>Total other investments</b>	<b>4,990</b>	<b>3,955</b>
<b>Total income from equity investments</b>	<b>4,990</b>	<b>4,029</b>

### C16 Other financial income

Other financial income decreased compared to the previous year by Euro 1,104 thousand, largely as a result of lower interest income from associates (- Euro 1,517 thousand) and a decrease in other income (- Euro 399 thousand), which are partially offset by higher bank interest income (+ Euro 766 thousand).

### C17 Interest expense and other financial charges

Interest expense and other financial charges increased by Euro 572 thousand due to higher interest due to others (+Euro 747 thousand), compensated by lower interest expenditure to associates (- Euro 175 thousand).

Interest expenses and other financial charges may be further detailed as follows:

<i>(Euro thousands)</i>	Bonded loans	Bank loans	Other loans	Total
Subsidiaries				
Associates				
Parent company				
Group companies				
Other	1,057	20,789	267	22,113
Losses on exchange				
Losses on exchange rate fluctuations				
Loss on sale of investments				
Loss on sale of securities				
<b>Total</b>	<b>1,057</b>	<b>20,789</b>	<b>267</b>	<b>22,113</b>

### C17 bis Gains and losses on exchange rate fluctuations

These represent a net gain of Euro 1,071 thousand, an improvement of Euro 3,171 thousand compared to 2004. These principally relate to the wind farm energy sector and other activities, which both have a significant amount of business abroad in particular in the UK.

## D Adjustments to financial assets

### D18 Revaluation of equity investments

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Assicurazioni Generali SpA	336		
Banca Intesa SpA	5,175	2,657	2,518
Leonardo Srl		610	(610)
Parque Eolica La Carracha Sa	226	195	31
Parque Eolico Plana de Jarreta SI	317	86	231
<b>Total</b>	<b>6,054</b>	<b>3,548</b>	<b>2,170</b>

### D19 Equity investments write-down

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>a. Permanent losses on equity investments</b>			
Assicurazioni Generali SpA		336	(336)
Consortium Srl		1,477	(1,477)
Innovation Utility Bv		135	(135)
GSA Scarl (in liquidation)		5	(5)
Leonardo Holding Sa		1,473	(1,473)
Pluriservizi Nord Milano Srl		3	(3)
Sintek Capital Ag		644	(644)
<b>Total permanent losses on equity investments</b>		<b>4,073</b>	<b>(4,073)</b>
<b>b. Provision for equity investment risks</b>			
Hopa SpA	1,813		1,813
Sintek Capital Ag	1,057		1,057
<b>Total charge to provision for equity investment risks</b>	<b>2,870</b>		<b>2,870</b>
<b>c. Utilisation of provision for equity investment risks</b>			
Assicurazioni Generali SpA		336	(336)
Consortium Srl		1,477	(1,477)
Innovation Utility Bv		296	(296)
<b>Total utilisation of provision for equity investment risks</b>		<b>2,109</b>	<b>(2,109)</b>

## E Extraordinary income and charges

### E20 Extraordinary income

Extraordinary income may be analysed as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>a Gains on disposal of extraordinary items</b>			
Gains on disposal of tangible fixed assets	4,423	613	3,810
Gains on disposal of equity investments	98,212		98,212
<b>Total gains on disposal of extraordinary items</b>	<b>102,635</b>	<b>613</b>	<b>102,022</b>
<b>b Other</b>			
Utilisation of provision for other risks	1,837	2,766	(929)
Income from insurance claims	15	14	1
De-consolidation of Falck Energy Int.Ltd		300	(300)
Damages	42	4	38
Other	3,841	41	3,800
<b>Total other</b>	<b>5,735</b>	<b>3,125</b>	<b>2,610</b>
<b>c Utilisation of provision for reorganisation costs</b>	<b>88</b>	<b>42</b>	<b>46</b>
<b>Total extraordinary income</b>	<b>108,458</b>	<b>3,780</b>	<b>104,678</b>

*Gains on disposal of tangible fixed assets* largely relate to the sale of a business unit by Elettroambiente SpA (Euro 3,100 thousand), the sale of CIP6/92 rights by Actelios SpA (Euro 1,000 thousand) and the sale of a business unit consisting of the composting plant in Cologno Monzese (MI).

*Gains on disposal of equity investments* include the sale of Leonardo/Aeroporti di Roma by Finstahl Sa (Euro 95,933 thousand), the sale of the shares in Edison SpA by Falck SpA (Euro 1,575 thousand) and the disposal of Energie Technologie Ambiente SpA by Elettroambiente (Euro 704 thousand).

Utilisation of provisions is already detailed in the paragraph on provisions for risks and charges.

### E21 Extraordinary charges

Extraordinary charges comprise:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>a Loss on disposal of extraordinary items</b>			
Loss on disposal of investments	18	1,198	(1,180)
Loss on disposal of tangible fixed assets	1	20	(19)
<b>Total losses on disposal of extraordinary items</b>	<b>19</b>	<b>1,218</b>	<b>(1,199)</b>
<b>b Tax relating to prior financial periods</b>	<b>4</b>	<b>59</b>	<b>(55)</b>
<b>c Other</b>			
Damages paid		3	(3)
Provision for other risks	18,504	517	17,987
Other extraordinary charges	2,031	1,311	720
Contractual penalties	3,064	137	2,927
<b>Total other</b>	<b>23,599</b>	<b>1,968</b>	<b>21,631</b>
<b>d Reorganisation charges</b>			
<b>Total extraordinary charges</b>	<b>23,622</b>	<b>3,245</b>	<b>20,377</b>

*Losses on disposal of investments* relate to the sale of the 20% holding in Sadelmi SpA.

*Other extraordinary charges* comprise the legal expenses relating to arbitration proceedings, costs relating to the sale of investments and costs incurred by Falck SpA in respect of the steel business.

The *provision for other risks* is already described in the paragraph on provision for risks and charges.

Damages paid relate, in particular, to costs incurred by Elettroambiente SpA due to an engineering and procurement contract (EPC) order not being issued to Termomeccanica Ecologia SpA (Euro 3,000 thousand) and the penalty for anticipated cancellation of the head office rent contract following transfer from Rome to Sesto San Giovanni (Euro 56 thousand).

## E22 Income tax

The tax charge, which includes both current and deferred tax, was calculated based on taxable income at 31 December 2005. The tax charge comprises:

<i>(Euro thousands)</i>	<b>31.12.2005</b>
Current tax	5,049
Deferred tax	2,392
<b>Total tax on profit for the year</b>	<b>7,441</b>

## Other information

### Average number of employees

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>
Managers	37	35
White collar employees	129	119
Blue collar employees	135	143
<b>1 Total employees working in consolidated entities</b>	<b>301</b>	<b>297</b>
2 Employees working in companies not included in consolidation		
<b>3 Total working employees (1+2)</b>	<b>301</b>	<b>297</b>
4 Employees not working		
5 Employees in temporary unemployment		
<b>6 Total employees (3+4+5)</b>	<b>301</b>	<b>297</b>

### Emoluments of directors and statutory auditors

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>
Directors' emoluments	1,128	835
Statutory auditors' emoluments	146	146
<b>Total</b>	<b>1,274</b>	<b>981</b>



**Supplementary information  
to consolidated financial statements**



### 5.3.1 List of investments in subsidiaries and associates

#### Companies consolidated using line-by-line method

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Falck SpA	Milan	Euro	72,741,966			
Actelios SpA	Milan	Euro	22,560,000	64.648		
Ambiente 2000 Srl	Milan	Euro	103,000		60.000	Actelios SpA
Cambrian Wind Energy Ltd	London (UK)	GBP	100		100.000	Falck Renewables UK Holdings (No.1) Ltd
Ecosesto SpA	Milan	Euro	5,120,000		100.000	Actelios SpA
Elettroambiente SpA	Sesto S. Giovanni (Mi)	Euro	245,350		100.000	Actelios SpA
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1,500,000		95.511	Falck Renewables Ltd
Falck Acciai - CNS SpA	Grassobbio (Bg)	Euro	516,000	100.000		
Falck Financial Services Sa	Lugano (Switzerland)	CHF	250,000		100.000	Falck Energy Sa
Falck Renewables Ltd	London (UK)	GBP	20,000,000		99.060	Falck Energy Sa
Falck Renewables Finance Ltd	London (UK)	GBP	1		100.000	Falck Renewables Ltd
Falck Renewables UK Holdings (No.1) Ltd	London (UK)	GBP	1		100.000	Falck Renewables Ltd
Falck Energy Sa	Luxembourg	Euro	43,038,013	99.990		
Falck Energy Iran Sa	Luxembourg	Euro	31,000	99.677		
Itla - Redaelli Tecna Laminati SpA	Milan	Euro	4,129,312	100.000		
Montalto Ambiente SpA	Montalto di Castro (Vt)	Euro	510,000		60.000	Ecosesto SpA
Platani Energia Ambiente ScpA	Palermo	Euro	120,000		80.900	Elettroambiente SpA
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000		85.000	Actelios SpA
Riesfactoring SpA	Milan	Euro	2,000,000	99.800	0.200	Actelios SpA
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	100.000		
Tifeo Energia Ambiente ScpA	Palermo	Euro	120,000		84.900	Elettroambiente SpA

#### Companies consolidated using proportional method

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Fruillo Energia Ambiente Srl	Bologna	Euro	17,139,100		49.000	Actelios SpA
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	19.000	20.000	Actelios SpA

#### Other investments in subsidiaries and associates valued at cost

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Nuevos Parque Eolicos La Muela AIE	Saragozza (Spain)	Euro	10,000		50.000	Parque Eolico La Carraccha SL
					50.000	Parque Eolico Plana de Jarreta SL
Parque Eolico La Carraccha SI	Saragozza (Spain)	Euro	3,325,000		26.000	Falck Renewables Ltd
Parque Eolico Plana de Jarreta SI	Saragozza (Spain)	Euro	3,325,000		26.000	Falck Renewables Ltd

## Other equity investments in subsidiaries and associates valued at cost

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Ambiente 3000 Srl	Bologna	Euro	100,000		49.000	Actelios SpA
Ben Aketil Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Boyndie Wind Energy Ltd	Inverness (UK)	GBP	100		100.000	Falck Renewables UK Holdings (No.1) Ltd
Chalmerston Wind Power Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Dunbeath Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Earlsburn Mezzanine Ltd	London (UK)	GBP	100		100.000	Falck Renewables Ltd
Earlsburn Wind Energy Ltd	Inverness (UK)	GBP	100		52.000	Falck Renewables Ltd
Eolica Lucana Srl	Potenza	Euro	10,000	20.000		
Falck Energy International Ltd (in liquid.)	Dublin (Ireland)	Euro	18,863,679		99.999	Falck Energy Sa
Falck Renewables Italia Srl	Sesto S. Giovanni (Mi)	Euro	100,000		100.000	Falck Renewables Ltd
Gsa Scarl (in liquidation)	Milan	Euro	10,000		50.000	Ecosesto SpA
Kingsburn Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Limmer Hill Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Lonardi Costruzioni Srl (in liquidation)	Sesto S. Giovanni (Mi)	Euro	58,140	49.000		
Mellock Hill Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Millennium Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Nutberry Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Pareh Sar Gmbh	Munich (Germany)	Euro	2,300,000		50.000	Falck Energy Iran Sa
Portclair Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Sell Moor Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Strath Brora Wind Energy Ltd	Edinburgh (UK)	GBP	100		52.000	Falck Renewables Ltd
Termini Imerese Energia Ambiente Srl	Termini Imerese (Pa)	Euro	100,000		24.000	Actelios SpA

### 5.3.2 Reclassified summary profit and loss account

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>Industrial revenues and income</b>			
Revenues from sales	162,457	142,360	20,097
Other income	4,680	1,197	3,483
	<b>167,137</b>	<b>143,557</b>	<b>23,580</b>
Variation in work in progress, semi-finished and finished products and goods	1,284	(2,579)	3,863
<b>Value of production</b>	<b>168,421</b>	<b>140,978</b>	<b>27,443</b>
Capitalised costs	7,741	5,680	2,061
<b>Total value of production for year</b>	<b>176,162</b>	<b>146,658</b>	<b>29,504</b>
Purchase of raw materials, semi-finished products and goods	(65,646)	(55,948)	(9,698)
Variation in inventories of raw materials, semi-finished and finished products and goods	1,294	(2,334)	3,628
Services received	(36,438)	(34,054)	(2,384)
Utilities and sundry costs	(13,285)	(11,651)	(1,634)
Expenses re-charged	794	282	512
Indirect taxes	(910)	(795)	(115)
<b>Added value</b>	<b>61,971</b>	<b>42,158</b>	<b>19,813</b>
Personnel costs	(21,485)	(19,237)	(2,248)
<b>Gross operating margin</b>	<b>40,486</b>	<b>22,921</b>	<b>17,565</b>
Depreciation relating to operations	(18,541)	(13,136)	(5,405)
Bad debts provision	(888)	(246)	(642)
<b>Operating result</b>	<b>21,057</b>	<b>9,539</b>	<b>11,518</b>
Financial income and charges	(15,104)	(16,628)	1,524
Real estate income and charges	(3)	(82)	79
Equity investment income and charges	8,174	5,615	2,559
Non-operating income and charges	81,377	18	81,359
<b>Profit for the year before tax</b>	<b>95,501</b>	<b>(1,538)</b>	<b>97,039</b>
Income tax	(7,441)	(4,448)	(2,993)
<b>Profit after tax</b>	<b>88,060</b>	<b>(5,986)</b>	<b>94,046</b>
Minority interest	(4,033)	5,050	(9,083)
<b>Group profit for the year</b>	<b>84,027</b>	<b>(936)</b>	<b>84,963</b>

### 5.3.3 Reclassified analytical profit and loss account

(Euro thousands)

<i>Profit and loss account reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>Industrial revenues and income</b>			
<i>Revenue from sales</i>			
1 Revenues from sales and services	161,538	141,519	20,019
5b Other operating income	919	841	78
<i>Total</i>	<b>162,457</b>	<b>142,360</b>	<b>20,097</b>
<i>Other income</i>			
5a Grants received			
5d Sundry revenues	4,680	1,197	3,483
<i>Total</i>	<b>4,680</b>	<b>1,197</b>	<b>3,483</b>
	<b>167,137</b>	<b>143,557</b>	<b>23,580</b>
<i>Variation in work in progress, semi-finished and finished products and goods</i>			
2 Variation in work in progress of semi-finished and finished products	629	(2,579)	3,208
3 Variation in contract work in progress	655		655
<i>Total</i>	<b>1,284</b>	<b>(2,579)</b>	<b>3,863</b>
<b>Value of production</b>	<b>168,421</b>	<b>140,978</b>	<b>27,443</b>
<i>Capitalised costs</i>			
4a From production and inventory	5,508	2,819	2,689
4b Capitalised interest	2,233	2,861	(628)
<i>Total</i>	<b>7,741</b>	<b>5,680</b>	<b>2,061</b>
<b>Total value of production for the year</b>	<b>176,162</b>	<b>146,658</b>	<b>29,504</b>
<i>Purchase of raw materials, semi-finished products and goods</i>			
6 Raw, accessory and ancillary materials and goods	(65,646)	(55,948)	(9,698)
<i>Variation in inventory of raw materials, semi-finished and finished products and goods</i>			
11 Variation in raw, accessory and ancillary materials and goods	1,294	(2,334)	3,628
<i>Services costs</i>			
7a Services	(36,438)	(34,054)	(2,384)
<i>Utilities and sundry costs</i>			
7b Utilities	(3,195)	(3,167)	(28)
7c Sundry costs	(4,183)	(3,782)	(401)
8 Rentals and leasing charges	(4,532)	(3,297)	(1,235)
13 Other provisions	(176)	(434)	258
14e Other operating charges - other	(1,199)	(971)	(228)
<i>Total</i>	<b>(13,285)</b>	<b>(11,651)</b>	<b>(1,634)</b>
<i>Expenses re-charged</i>			
5c Costs recovered	794	282	512
<i>Indirect taxes</i>			
14a Indirect taxes	(910)	(795)	(115)
<b>Added value</b>	<b>61,971</b>	<b>42,158</b>	<b>19,813</b>
<i>Personnel costs</i>			
9 Total personnel costs	(21,485)	(19,237)	(2,248)
<i>Total</i>	<b>(21,485)</b>	<b>(19,237)</b>	<b>(2,248)</b>
<b>Gross operating margin</b>	<b>40,486</b>	<b>22,921</b>	<b>17,565</b>
<i>Depreciation relating to operations</i>			
10a Amortisation of intangible assets	(3,383)	(2,020)	(1,363)
10b Depreciation of tangible assets	(15,158)	(11,116)	(4,042)
<i>Total</i>	<b>(18,541)</b>	<b>(13,136)</b>	<b>(5,405)</b>
<i>Bad debt provision</i>			
10d Write down of receivables included with current assets	(888)	(246)	(642)
<b>Operating profit</b>	<b>21,057</b>	<b>9,539</b>	<b>11,518</b>

(Euro thousands)

<i>Profit and loss account reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<i>Financial income and charges</i>			
16 Total other financial income	5,938	7,043	(1,105)
-16cc2 Reclassification of gains on disposal of securities		(30)	30
17 Interest expense and other financial charges	(22,113)	(21,541)	(572)
-17f Reclassification of losses on disposal of equity investments			
-17g Reclassification of losses on disposal of securities			
17bis Gains and losses on exchange	1,071	(2,100)	3,171
<i>Total</i>	<b>(15,104)</b>	<b>(16,628)</b>	<b>1,524</b>
<i>Real estate income and charges</i>			
5e Real estate revenue	6	13	(7)
14b Real estate charges	(9)	(95)	86
<i>Total</i>	<b>(3)</b>	<b>(82)</b>	<b>79</b>
<i>Equity investment income and charges</i>			
18a Revaluations of equity investments	6,054	3,548	2,506
19a Write down of equity investments	(2,870)	(1,963)	(907)
15 Total income from equity investments	4,990	4,030	960
-15e Reclassification of gains on disposal of equity investments			
<i>Total</i>	<b>8,174</b>	<b>5,615</b>	<b>2,559</b>
<i>Non-operating income and charges</i>			
5f Gains from ordinary operations	52		52
5g Windfall income	728	1,465	(737)
10c Write down of fixed assets	(3,512)	(510)	(3,002)
10e Utilisation of bad debt provision included with current assets	312	161	151
10f Bad debts	(612)	(161)	(451)
12a Provision for ongoing lawsuits	(200)	(400)	200
12b Utilisation of provision for ongoing lawsuits	282	21	261
14c Losses from ordinary operations			
14d Windfall charges	(509)	(1,123)	614
15e Gains on disposal of equity investments			
16cc2 Gains on disposal of securities		30	(30)
17g Losses on disposal of securities			
17f Losses on disposal of equity investments			
18 Adjustments to financial assets			
19b Write down of financial assets included as fixed assets			
19c Write down of securities included as current assets			
20a Gains from extraordinary disposals	102,635	613	102,022
20b Other extraordinary income	5,735	3,125	2,610
20c Utilisation of provision for reorganisation and liquidation costs	88	42	46
21a Losses from extraordinary disposals	(19)	(1,218)	1,199
21b Tax relating to prior financial years	(4)	(59)	55
21c Other extraordinary charges and provision for other risks	(23,599)	(1,967)	(21,632)
21d Reorganisation and liquidation costs		(1)	1
<i>Total</i>	<b>81,377</b>	<b>18</b>	<b>81,359</b>
<b>Profit for the year before taxation</b>	<b>95,501</b>	<b>(1,538)</b>	<b>97,039</b>
<i>Income tax</i>			
22 Tax on profit for the year	(7,441)	(4,448)	(2,993)
<b>Profit before minority interest</b>	<b>88,060</b>	<b>(5,986)</b>	<b>94,046</b>
Minority interest	(4,033)	5,050	(9,083)
<b>Group profit for the year</b>	<b>84,027</b>	<b>(936)</b>	<b>84,963</b>

### 5.3.4 Change in financial position

<i>(Euro thousands)</i>		31.12.2005	31.12.2004	Change
B III 2	Financial assets : receivables (excluding item f - guarantee deposits)	97	115	(18)
B III 3	Financial assets : securities			
C II 2b	Current assets : financial receivables from subsidiaries		125	(125)
C II 3b	Current assets : financial receivables from associates	4,920	68,333	(63,413)
C II 4b	Current assets : financial receivables from parent company			
C II 5a	Current assets : financial receivables from others	59,949	23,131	36,818
C II 6b	Current assets : financial receivables from other group companies			
C III 5	Current financial assets : securities		15	(15)
C III 6	Current financial assets : bills receivable			
C IV	Liquid assets	86,997	22,308	64,689
D 1	Payables : bonds	(22,266)		(22,266)
D 2	Payables : convertible bonds	(9,152)	(9,152)	
D 3	Payables : shareholders' loans	(7,553)	(3,391)	(4,162)
D 3	Payables : banks	(320,879)	(416,098)	95,219
D 4	Payables : other financing creditors	(2,631)	(2,587)	(44)
D 7	Payables : bills payable			
D 8	Payables : subsidiaries			
D 9 b	Payables : associates			
D 10 b	Payables : parent company			
D 14 b	Payables : other group companies			
<b>Total</b>		<b>(210,518)</b>	<b>(317,201)</b>	<b>106,683</b>

The financial position as at 31.12.2005 and 31.12.2004 is summarised below :

<i>(Euro thousands)</i>		31.12.2005	31.12.2004	Change
1	Medium and long term financial receivables	2,108	616	1,492
2	Medium and long term financial payables	(267,354)	(346,097)	78,743
3	Medium and long term net financial position (1+2)	(265,246)	(345,481)	80,235
4	Short term financial receivables	149,854	113,411	36,443
5	Short term financial payables	(95,126)	(85,131)	(9,995)
6	Short term net financial position (4+5)	54,728	28,280	26,448
<b>7</b>	<b>Total net financial position (3+6)</b>	<b>(210,518)</b>	<b>(317,201)</b>	<b>106,683</b>

### 5.3.5 Cash flow statement

	Current operation	Variation in consolidation area	Total
<i>(Euro thousands)</i>			
<b>1</b>	<b>Loss for the year</b>	<b>88,060</b>	<b>88,060</b>
<b>2</b>	<b>Amortisation/Depreciation</b>	<b>18,541</b>	<b>18,541</b>
3	<i>Adjustment for extraordinary items not involving the movement of funds</i>		
	Write down of equity investments		
	Revaluation of equity investments	(878)	(878)
	Write down of tangible and intangible assets	2,418	2,418
	Increase/(utilisation) of deferred tax provision	315	315
	Increase/(utilisation) of provision for reorganisation costs		
	Increase/(utilisation) of provision for environment improvements	(81)	(81)
	Increase/(utilisation) of provision for equity investment risks	2,618	2,618
	Increase/(utilisation) of provision for periodical maintenance	257	257
	Increase/(utilisation) of provision for ongoing lawsuits	(190)	(190)
	Increase/(utilisation) of provision for bad debts		
	Increase/(utilisation) of provision for other risks	12,884	12,884
	Increase/(utilisation) of provision for pensions and similar obligations	4	4
	<i>Total extraordinary items not involving the movement of funds</i>	<i>17,347</i>	<i>17,347</i>
4	<i>Realised extraordinary items</i>		
	Dividends received and tax credit thereon	(4,990)	(4,990)
	(Gains)/losses on disposal of equity investments and securities	(98,499)	(98,499)
	(Gains)/losses on disposal of tangible assets and business unit	(4,169)	(4,169)
	<i>Total realised extraordinary items</i>	<i>(107,658)</i>	<i>(107,658)</i>
<b>5</b>	<b>Operating cash flow (1÷4)</b>	<b>16,290</b>	<b>16,290</b>
6	Variations in working capital (*)	1,255	1,160
7	(Increase)/decrease in guarantee deposits	(5)	(5)
8	Variation in employee severance indemnity and similar obligations	191	191
9	Additions to tangible assets	(87,320)	(87,320)
10	Additions to intangible assets	(7,896)	(30)
11	Acquisition of equity investments	(11,457)	(1,150)
<b>12</b>	<b>Cash flow after financial charges and taxes (5÷11)</b>	<b>(88,942)</b>	<b>(20)</b>
13	Disposal of fixed assets (net book value)	16,465	16,465
14	Disposal of intangible assets	7,000	7,000
15	Gains/(losses) on disposal of tangible assets	4,169	4,169
16	Disposal of equity investments and own shares (book value)	67,012	31
17	Gains/(losses) on disposal of equity investments	98,499	98,499
<b>18</b>	<b>Net cash flow (12÷17)</b>	<b>104,203</b>	<b>11</b>
19	Dividends received and tax credit thereon	4,990	4,990
20	Variation in consolidation area		
21	Other variations in shareholders' equity	(544)	(91)
22	Dividend paid	(1,909)	(1,909)
23	Increase in share capital of subsidiaries by minorities	23	23
24	Variation in minority interest net of dividends paid		
<b>25</b>	<b>Variation in net financial position (18÷24)</b>	<b>106,763</b>	<b>(80)</b>
<b>26</b>	<b>Financial position at 31.12.2004 - asset/(liability)</b>		<b>(317,201)</b>
<b>27</b>	<b>Financial position at 31.12.2005 - asset/(liability) (25÷26)</b>		<b>(210,518)</b>

(\*) The variation is net of the movement in the provision for bad debts.

## 5.3.6 Reclassified balance sheet – source and application of funds

### Application of funds

(Euro thousands)

Balance sheet reference		31.12.2005	31.12.2004	Change
<b>1</b>	<b>A Receivables from shareholders for unpaid share capital</b>			
	<b>Fixed assets</b>			
BI	Intangible assets	82,554	85,010	(2,456)
BII	Tangible assets			
	Gross	371,545	308,067	60,382
	Accumulated depreciation	(59,839)	(49,638)	(7,105)
	<b>Total tangible assets</b>	<b>311,706</b>	<b>258,429</b>	<b>53,277</b>
	<b>Financial assets</b>			
BIII1	Equity investments	67,032	121,732	(54,700)
CIII (1/2/3)	Equity investments (current assets)	32,088	30,975	1,113
BIII4	Own shares	12,187	12,157	30
CIII4	Own shares (current assets)			
	<b>Total equity investments and own shares</b>	<b>111,307</b>	<b>164,864</b>	<b>(53,557)</b>
B3b	Provision for equity investment risks	(6,805)	(4,187)	(2,618)
BIII2f	Guarantee deposits	546	541	5
	<b>Total financial assets</b>	<b>105,048</b>	<b>161,218</b>	<b>(56,170)</b>
	<b>Total fixed assets and investments</b>	<b>499,308</b>	<b>504,657</b>	<b>(5,349)</b>
	<b>Provisions for risks and charges</b>			
B1	For pensions and similar obligations	(44)	(40)	(4)
B2	For taxes			
B2a	Current			
B2b	Deferred	(793)	(478)	(315)
	<b>Total provision for taxes</b>	<b>(793)</b>	<b>(478)</b>	<b>(315)</b>
B3	Other			
B3a	Provision for ongoing law suits	(3,033)	(3,223)	190
B3c	Provision for periodical maintenance	(1,757)	(1,500)	(257)
B3d	Provision for environment improvements	(670)	(751)	81
B3e	Provision for reorganisation and liquidation costs	(1,150)	(1,239)	89
B3f	Other provisions	(48,935)	(35,963)	(12,972)
	<b>Total other provisions</b>	<b>(55,545)</b>	<b>(42,676)</b>	<b>(12,869)</b>
	<b>Total provisions for risks and charges</b>	<b>(56,382)</b>	<b>(43,194)</b>	<b>(13,188)</b>
	<b>C Employee severance indemnity</b>	<b>(4,634)</b>	<b>(4,444)</b>	<b>(190)</b>
<b>2</b>	<b>Net fixed assets</b>	<b>438,292</b>	<b>457,019</b>	<b>(18,727)</b>
CI	<b>Inventory</b>			
	Gross	16,882	14,680	2,202
	Inventory write down provision			
	<b>Total net inventory</b>	<b>16,882</b>	<b>14,680</b>	<b>2,202</b>
	<b>Trade receivables</b>			
CII	Net trade receivables			
	Gross	92,330	63,415	28,915
	Obsolescence provision	(1,325)	(1,541)	216
	<b>Total net trade receivables</b>	<b>91,005</b>	<b>61,874</b>	<b>29,131</b>
	<b>Trade receivables from Group companies</b>			
CII2a	Subsidiaries	3		3
CII3a	Associates	31	5,139	(5,108)
CII4a	Parent company			
CII6a	Other Group companies			
	<b>Total trade receivables from Group companies</b>	<b>34</b>	<b>5,139</b>	<b>(5,105)</b>
	<b>Total net trade receivables</b>	<b>91,039</b>	<b>67,013</b>	<b>24,026</b>

(Euro thousands)

<i>Balance sheet reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>Other receivables</b>			
Group			
CII2c Subsidiaries			
CII3c Associates			
CII4c Parent company			
CII6c Other Group companies			
<i>Total other receivables from Group companies</i>			
4bis Receivables from tax authorities	38,140	37,880	260
4ter Deferred tax asset	6,490	8,569	(2,079)
CII5b From others - advance payments	1,224	1,425	(201)
CII5c From others - other	27,968	28,597	(629)
<b>Total other receivables</b>	<b>73,822</b>	<b>76,471</b>	<b>(2,649)</b>
<b>D Accrued income and prepaid expenses</b>	<b>690</b>	<b>4,466</b>	<b>(3,776)</b>
<b>Total current assets</b>	<b>182,433</b>	<b>162,630</b>	<b>19,803</b>
<b>Payables</b>			
D7 Trade payables	(88,446)	(66,637)	(21,809)
Group companies			
D9a Subsidiaries			
D10a Associates	(13)	(819)	806
D11a Parent company			
D15a Other Group companies			
<i>Total other payables to Group companies</i>	<i>(13)</i>	<i>(819)</i>	<i>806</i>
<b>Total trade payables</b>	<b>(88,459)</b>	<b>(67,456)</b>	<b>(21,003)</b>
<b>Other payables</b>			
Group companies			
D9c Subsidiaries			
D10c Associates	(17)	(17)	
D11c Parent company			
D15c Other Group companies			
<i>Total other payables to Group companies</i>	<i>(17)</i>	<i>(17)</i>	
Others			
D6 Advance payments received	(2,037)	(1,925)	(112)
D12 Tax liabilities	(3,353)	(2,963)	(390)
D13 Social security and national insurance	(1,293)	(1,196)	(97)
D14 Other payables - other	(29,072)	(28,682)	(390)
<i>Total other payables to others</i>	<i>(35,755)</i>	<i>(34,766)</i>	<i>(989)</i>
<b>Total other payables</b>	<b>(35,772)</b>	<b>(34,783)</b>	<b>(989)</b>
<b>E Accrued liabilities and deferred income</b>	<b>(1,581)</b>	<b>(1,355)</b>	<b>(226)</b>
<b>Total current liabilities</b>	<b>(125,812)</b>	<b>(103,594)</b>	<b>(22,218)</b>
<b>3 Working capital</b>	<b>56,621</b>	<b>59,036</b>	<b>(2,415)</b>
<b>4 Total invested capital (1+2+3)</b>	<b>494,913</b>	<b>516,055</b>	<b>(21,142)</b>

## Source of funds

(Euro thousands)

<i>Balance sheet reference</i>		31.12.2005	31.12.2004	Change
<b>A</b>	<b>Shareholders' equity</b>			
AI	Share capital	(72,742)	(72,742)	
AII	Share premium reserve	(28,655)	(28,685)	30
AIII	Revaluation reserve			
AIV	Legal reserve	(31,376)	(31,376)	
AV	Statutory reserve			
AVI	Reserve for own shares	(12,187)	(12,157)	(30)
AVII	Other reserves	51,911	30,558	21,353
AVIII	(Profit)/Loss carried forward	(87,046)	(74,174)	(12,872)
	<i>Total</i>	(180,095)	(188,576)	8,481
AIX	(Profit)/Loss for the year	(84,027)	936	(84,963)
	<b>Group shareholders' equity</b>	<b>(264,122)</b>	<b>(187,640)</b>	<b>(76,482)</b>
	<i>Minority interest</i>	(20,273)	(11,214)	(9,059)
<b>1</b>	<b>Total shareholders' equity</b>	<b>(284,395)</b>	<b>(198,854)</b>	<b>(85,541)</b>
	<b>Medium/long term financial receivables (due after 12 months)</b>			
	<i>Third parties</i>			
BIII2d	Receivables from others	9	40	(31)
BIII3	Securities			
CII5a	Financial receivables from others	2,099	576	1,523
	<i>Total from third parties</i>	2,108	616	1,492
	<i>Group companies</i>			
BIII2a	Subsidiaries			
BIII2b	Associates			
BIII2c	Parent company			
BIII2e	Other Group companies			
CII2b	Subsidiaries			
CII3b	Associates			
CII4b	Parent company			
CII6b	Other Group companies			
	<i>Total from Group companies</i>			
	<b>Total medium/long term financial receivables (due after 12 months)</b>	<b>2,108</b>	<b>616</b>	<b>1,492</b>
	<b>Medium/long term financial payables (due after 12 months)</b>			
	<i>Third parties</i>			
D1	Bonds	(22,266)		(22,266)
D2	Convertible bonds	(9,152)	(9,152)	
D3	Shareholders' loans	(3,217)	(1,718)	(1,499)
D4	Banks	(230,088)	(332,712)	102,624
D5	Other financing creditors	(2,631)	(2,515)	(116)
D8	Bills payable			
	<i>Total financial payables to third parties</i>	(267,354)	(346,097)	78,743
	<i>Group companies</i>			
D9b	Subsidiaries			
D10b	Associates			
D11b	Parent company			
D15b	Other Group companies			
	<i>Total financial payables to Group companies</i>			
	<b>Total medium/long term financial payables</b>	<b>(267,354)</b>	<b>(346,097)</b>	<b>78,743</b>
	<b>Total medium/long term net financial position</b>	<b>(265,246)</b>	<b>(345,481)</b>	<b>80,235</b>

(Euro thousands)

<i>Balance sheet reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>Short term financial receivables (due within 12 months)</b>			
<i>Third parties</i>			
BIII2d Short term receivables from third parties	87	75	12
CII5a Financial receivables from others	57,850	23,133	34,717
CIII5 Securities		15	(15)
CIII6 Bills receivable			
<i>Total from third parties</i>	<b>57,937</b>	<b>23,223</b>	<b>34,714</b>
<i>Group companies</i>			
BIII2a Subsidiaries			
BIII2b Associates			
BIII2c Parent company			
BIII2e Other Group companies			
CII2b Subsidiaries		125	(125)
CII3b Associates	4,920	67,755	(62,835)
CII4b Parent company			
CII6b Other Group companies			
<i>Total from Group companies</i>	<b>4,920</b>	<b>67,880</b>	<b>(62,960)</b>
CIV <i>Liquid assets</i>	<b>86,997</b>	<b>22,308</b>	<b>64,689</b>
<b>Total short term financial receivables</b>	<b>149,854</b>	<b>113,411</b>	<b>36,443</b>
<b>Short term financial payables (due within 12 months)</b>			
<i>Third parties</i>			
D1 Bonds			
D2 Convertible bonds			
D3 Shareholders' loans	(4,335)	(1,673)	(2,662)
D4 Banks	(90,791)	(83,386)	(7,405)
D5 Other financing creditors		(72)	72
D8 Bills payable			
<i>Total to third parties</i>	<b>(95,126)</b>	<b>(85,131)</b>	<b>(9,995)</b>
<i>Group companies</i>			
D9b Subsidiaries			
D10b Associates			
D11b Parent company			
D15b Other Group companies			
<i>Total to Group companies</i>			
<b>Total short term financial payables (due within 12 months)</b>	<b>(95,126)</b>	<b>(85,131)</b>	<b>(9,995)</b>
<b>Total short term net financial position</b>	<b>54,728</b>	<b>28,280</b>	<b>26,448</b>
<b>2 Total net financial position</b>	<b>(210,518)</b>	<b>(317,201)</b>	<b>106,683</b>
<b>3 Total sources of funds (1+2)</b>	<b>(494,913)</b>	<b>(516,055)</b>	<b>21,142</b>



**Report of the statutory auditors  
on the consolidated financial statements**



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Dear shareholders,

The board of directors has prepared the consolidated financial statements of the group for the year ended 31 December 2005, in accordance with Legislative Decree no. 127 of 9 April 1991, which were submitted to us on a timely basis together with the directors' report.

These documents, which were prepared in accordance with current legislation, contain all of the required information, as confirmed in the report of the independent auditors in compliance with article 156 of Legislative Decree no. 58 of 24 February 1998 n. 58. No exceptions were brought to our attention by the independent auditors.

The board of statutory auditors

Sesto San Giovanni, 13 April 2006



**Independent auditors' report  
on the consolidated financial statements**



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409TER OF THE CIVIL CODE**

To the shareholders of  
FALCK SpA

- 1 We have audited the consolidated financial statements of Falck SpA as of 31 December 2005. These consolidated financial statements are the responsibility of Falck SpA's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
  
- 2 We conducted our audit in accordance with auditing standards generally accepted in Italy. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 8 April 2005.
  
- 3 In our opinion, the consolidated financial statements of Falck SpA as of 31 December 2005 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the consolidated financial position and of the consolidated result of operations of the Company.

Milan, 13 April 2006

PricewaterhouseCoopers SpA



Pierangelo Schiavi  
(Partner)

*This report has been translated from the original which was issued in accordance with Italian law.*



**Falck SpA**

**Directors' report**



## 6.1.1 Operating and financial review of Falck SpA

### Financial highlights

<i>(Euro thousands)</i>	31.12.2005	31.12.2004
<b>Total value of production</b>	<b>5,806</b>	<b>6,555</b>
Production costs:		
- personnel costs	(5,033)	(4,159)
- other costs	(10,156)	(9,308)
<b>Total production costs</b>	<b>(15,189)</b>	<b>(13,467)</b>
<b>Difference between value of production and production costs</b>	<b>(9,383)</b>	<b>(6,912)</b>
Financial income and charges:		
- income from equity investments	23,955	2,419
- other financial income	8,892	9,787
- interest and other financial income	(8,153)	(11,612)
- gains and losses on exchange	211	3
<b>Total financial income and charges</b>	<b>24,905</b>	<b>597</b>
<b>Profit from ordinary activities</b>	<b>15,522</b>	<b>(6,315)</b>
- Adjustment to financial assets, net of extraordinary income and charges	(8,947)	21,096
- Income tax	954	
<b>Profit for the year</b>	<b>7,529</b>	<b>14,781</b>
<i>Total investments</i>	387	162
<i>Cash flow after financial charges and taxes</i>	27,074	(62,707)
<i>Invested capital</i>	196,709	271,706
<i>Net financial position</i>	60,462	(20,154)
<i>Employees (no.)</i>	38	35

## 6.1.2 Results and review of business in 2005

Falck SpA recorded a profit for the year ended 31 December 2005 of Euro 7,529 thousand (against a profit of Euro 14,781 thousand in 2004). The 2005 result was positively affected by dividends received from investments (the principal amounts being Finstahl Sa for Euro 20,124 thousand, Itla SpA for Euro 1,115 thousand and Mediobanca SpA for Euro 1,200 thousand) and the revaluation of the investments in Banca Intesa SpA for Euro 5,175 thousand and Assicurazioni Generali SpA for Euro 336 thousand, in order to reflect the average market trading price for the last six months. These investments had been written-down in previous financial years, again to reflect market prices. In order to take into account the potential risks relating to previous industrial activities and the development of new business, the outcome of which is uncertain, a charge of Euro 16,000 thousand was made to the provision for other risks.

The net financial position, representing a net positive balance of Euro 60,462 thousand, is an improvement of Euro 80,616 thousand on the total indebtedness at 31 December 2004, which is largely due to the income received by the subsidiary Finstahl Sa following sale of the investment in Leonardo Srl/ Aeroporti di Roma. Following the receipt of Euro 220 million from this sale, Finstahl Sa, in addition to the distribution of dividends noted above, also distributed equity amounting to Euro 70,000 thousand.

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The increase in share capital of Actelios SpA (Euro 16,027 thousand) and the payment of shareholders' dividends totalling Euro 1,909 thousand had a negative impact on the net financial position of Falck SpA.

The profit for the year comprises a tax credit of Euro 954 thousand, arising from adoption of the group taxation regime in 2005 in respect of Falck SpA and the subsidiaries Irla SpA, Falck Acciai CNS SpA, Riesfactoring SpA and Sesto Siderservizi Srl.

### 6.1.3 Employees

The number of company employees at the year-end was 38 representing an increase of 3 employees compared to 2004.

<i>(number)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Managers	12	14	(2)
White collar employees	25	20	5
Blue collar employees	1	1	
<b>Total working employees</b>	<b>38</b>	<b>35</b>	<b>3</b>

In 2005 personnel costs increased by Euro 874 thousand.

### 6.1.4 Investments

During 2005, investments in intangible assets amounted to Euro 202 thousand relating to the purchase of new software licences. In addition, expenditure on tangible fixed assets totalled Euro 185 thousand for the purchase of a motor vehicle, personal computers and office furniture.

### 6.1.5 Performance of subsidiaries

Information on the performance of the operating subsidiaries and significant events in 2005 is set out in the directors' report of the consolidated financial statements.

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## **6.1.6 Company representation**

Legal representation of the company is assigned to the chairman, deputy chairman and managing director in accordance with article 18 of the company's articles of association.

The chairman and managing director are assigned powers relating to ordinary and extraordinary management.

The board of directors set up an executive committee which has been vested with all powers with the exception of those assigned by law to the board. A number of company directors have been assigned, either by the chairman or managing director, signatory powers relating to the management activities relevant to the roles performed by them.

The board of directors and the executive committee are updated on a regular basis, immediately where necessary, regarding information relating to the performance and the economic and financial position of the company and its subsidiaries.

The chairman, or the managing director of the parent company, holds the office of chairman or deputy chairman in the principal subsidiaries.

## **6.1.7 Related party transactions**

Falck SpA carries out arms length transactions of both a trade and financial nature with its subsidiaries and associates. These allow for group synergies to be achieved through use of common services and know-how and the application of common financial policies.

In particular, these transactions relate to specific activities, details of which are included in the notes to the financial statements, and include:

- treasury management
- administrative services
- management of common services
- raising of finance and issue of guarantees.

## **6.1.8 Holding of own shares**

In accordance with article 2428, comma 2, point 3 of the Italian Civil Code, the company declares that at 31 December 2005, own shares held amounted to no. 6,906,234, of which no. 3,561 are saving shares, for a total nominal value of Euro 6,906,234 and represent 9.49% of the entire share capital of the company.

The book value of Euro 12,186,903.72 corresponds to an average share price of Euro 1.76. At 31 December 2005 no subsidiaries, either directly or through trust companies or intermediaries, held shares in Falck SpA.

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## 6.1.9 Purchase or sale of own shares

In accordance with article 2428, comma 2, point 4 of the Italian Civil Code, the company declares that in 2005 it acquired no. 6,000 of its own shares with a book value of Euro 30,000.

## 6.1.10 Litigation

The arbitration proceedings continued between Falck and Edison in relation to the agreement for the acquisition of Tecnimont SpA by Falck. In an order dated 6 July 2005, the board of arbitrators declared that the request submitted by Edison, regarding the forced sale of Tecnimont to Falck, could not proceed. It also declared default by Falck requesting, for the purpose of the arbitration proceedings, the arbitration technical consultants to assess the damages Edison may have suffered.

A discussion hearing took place on 28 February 2006 in order to define the possible questions to pose to the arbitration technical consultant who will be nominated to define the damages suffered by Edison. Subsequently the board of arbitrators will define the questions, nominate the arbitration technical consultant and the date in which expert operations will commence, subject to appointment by Falck and Edison of its own technical consultants.

Legal proceedings with Acciaierie Valbruna continued in relation to the sale in 1995 of Acciaierie di Bolzano SpA. Following the favourable outcome of the arbitral judgement to revise the sale price, Falck SpA received Euro 6,195 thousand in 2003.

Acciaierie Valbruna subsequently contested the arbitrators' award in the Bolzano appeal court, which rejected the contestation awarding to Falck a further integration of the sale price, for which recovery proceedings were initiated before the court in Vicenza.

On 19 October 2005 the appeal court of Milan issued a sentence, deposited on 14 January 2006, in which it declared itself incompetent to act as arbitrator in relation to judging amounts due from Valbruna to Falck (amounting to a total of Euro 5,430,000 net of payables and excluding interest), in respect of which the original board of arbitrators, which had issued an opinion on the questions relating to the price differential, had also declared itself incompetent.

In addition, it should be noted that the original arbitral decision has still to be evaluated definitively by the supreme court of appeal and that on this same decision requests and counterclaims for modification, made by both Valbruna and Falck, are pending.

The Falck defence lawyers believe that it is most probable that the outcome will reconfirm the decision in its current state. Falck, in addition to soliciting the date of a discussion hearing with the supreme court of appeal, has before it the alternative either to propose a new appeal judgement on the decision made by the supreme court of Milan or commence new arbitration proceedings.

Falck SpA commenced cautionary and substantive legal proceedings against the companies Crossenergy Srl and OLT Energy Toscana Srl, in which equity investments are held, in order to obtain its rights in relation to the shareholder agreements signed on acquisition of share capital of both companies (which were set up respectively, to develop a re-gasification plant in Calabria and Tuscany) and in relation to the removal of operational irregularities executed by a number of directors of these companies (and the respective subsidiaries).

On 16 January 2006, a settlement was reached in relation to the numerous legal disputes that arose regarding the Tuscan business. These agreements resulted in the sale by Falck SpA of the investment in Olt Energy Toscana Srl for Euro 6 million (with a gain of approximately Euro 0.5 million), for which payment

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was received immediately, and remission of the legal proceedings with the public prosecutor's office in Rome in respect of the matters linked exclusively to the Tuscan business. Exit from this project is also due to the fact that it has been confirmed that the industrial and corporate conditions, which led Falck to participate initially, do not exist. On the other hand the legal proceedings taken out against the Belleli group by Falck to protect its rights in relation to the project in Calabria are still underway.

Two new legal actions were initiated in February 2006 both aimed at confirming the responsibility of the directors and ex directors of companies belonging to this business and to contest the financial statements of Crossenergy Srl at 31 December 2005.

In addition, a new report was presented to the penal court in relation to the attempt by Belleli to transfer control of the project from Crossenergy, a Falck SpA investment, to another company in the Belleli group and to transfer a minority investment to a company in the Italtroli group. Civil notices have also been prepared in relation to this matter. It is expected that in relation to the penal actions, developments will take place in the near future.

### **6.1.11 Significant post balance sheet events**

In January 2006 the sale of no. 1,227,803 Mediobanca SpA shares was finalised for a total of Euro 40,150 thousand resulting in a gain of Euro 12,415 thousand.

In January 2006, in accordance with the 2003 Convertible Bonded Loan regulations, which stipulate the right to convert bonds to ordinary shares in the ratio of one new share to every six bonds held, a bondholder exercised this right presenting no. 2,082 bonds that were withdrawn and substituted by no. 347 newly issued shares. As a result, from 1 February 2006 the share capital of Falck SpA amounts to Euro 72,742,313.

Also in the month of January negotiations relating to the sale of the entire investment in OLT Energy Toscana Srl for Euro 6,000 thousand were concluded resulting in a gain of Euro 491 thousand.

In February, the share capital increase of Actelios SpA amounting to Euro 250,416,000 was concluded successfully through the issue of no. 45,120,000 new shares with a nominal value of Euro 1.00 each offered in the form of a rights issue to existing shareholders in the ratio of 2 new shares for each share held, at the price of Euro 5.55 each. Falck SpA, after having purchased no. 1,376,694 rights from Italgest Energia SpA, subscribed to and paid Euro 186,891 thousand as a share capital increase in the subsidiary Actelios SpA, increasing its holding to 68.72% of share capital. The book value thus amounts to Euro 219,796 thousand, while the unit price is Euro 4.73. An option exists whereby Falck may sell to Italgest Energia SpA the ordinary shares in Actelios SpA up to a total price of Euro 20 million. This option may be exercised within 30 days of the date in which the amount of Euro 20 million, payable to Italgest Energia SpA from Actelios SpA in relation to the sale of Elettroambiente SpA, falls due. The unit price of the exercise of the sale option will be equal to the sum of; the acquisition price of the option rights, the subscription price to newly issued shares and the finance costs calculated on the monthly Euribor rate increased by a 1.25% spread.

In February 2.22% of the share capital of a new company Atmos SpA was acquired for Euro 51 thousand.

In March 8.51% of a new company Nettuno Power SpA, which will hold an investment in Ocean Power Delivery Ltd, was acquired for Euro 8 thousand. The latter company will study projects for the development of the production of electrical energy from wave movement. At the same time a non-interest bearing shareholders' loan of Euro 204 thousand was granted to Nettuno Power SpA.

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### 6.1.12 Legislative decree no. 196/2003 Data protection

With reference to the new consolidated text on privacy, which came into force on 1 January 2004, the group companies have reviewed safety standards relating to the collection and processing of personal data of employees, customers and suppliers.

All subsidiaries have already adopted, and updated, both internal regulations on privacy and the Security Policy Document. With regard to Falck SpA, adoption of the regulations will be set before the board of directors in the near future.

### 6.1.13 Future developments and going concern

For 2006, a slight improvement in operating profit is expected with the profit for the year being in line with 2005 as again this will be influenced by non-recurring income as mentioned in paragraph 6.1.11 above.

### 6.1.14 Proposal for distribution of profit for the year

Dear Shareholders,

the financial statements for the year ended 31 December 2005 closed with a profit for the year of Euro 7,528,839.

We propose to appropriate this profit as follows:

*(Euro)*

To no. 7,581 saving shares Euro 0.06 (6.0% of nominal value)	454.86
To no. 65,828,151 ordinary shares Euro 0.038 (3.8% of nominal value)	2,501,469.74
Profit to be carried forward	5,026,914.40
<b>Total profit for 2005</b>	<b>7,528,839.00</b>

No transfer will be made to the legal reserve as this already exceeds one fifth of the share capital.

The above proposal is based on the no. 11,142 saving shares and the no. 72,730,824 ordinary shares that form the share capital, net of own shares held amounting to no. 3,561 saving shares and no. 6,902,673 ordinary shares.

Where in agreement, we invite you to approve the 2005 annual report comprising the balance sheet, profit and loss account and notes to the financial statements.

On behalf of the board of directors  
The chairman  
Federico Falck

Milan, 27 March 2006

**Falck SpA**  
**Financial statements for the year ended 31 December 2005**

## 6.2.1 Falck SpA balance sheet

### Assets

#### A) RECEIVABLES FROM SHAREHOLDERS FOR UNPAID SHARE CAPITAL

B) FIXED ASSETS	I. Intangible assets	1	Start-up and expansion costs	
		2	Research, development and advertising costs	
		3	Industrial patent rights	
		4	Concessions, licences, trademarks and similar rights	
		5	Goodwill	
		6	Assets under construction and advance payments	
		7	Other intangible assets	
			<i>Total intangible assets</i>	
	II. Tangible assets	1	Land and buildings	
		2	Plant and machinery	
		3	Industrial and commercial equipment	
		4	Other tangible assets	
		5	Assets operated under concession	
		6	Assets under construction and advance payments	
			<i>Total tangible assets</i>	
	III. Financial assets	1	Equity investments :	a subsidiaries b associates c other companies
			<i>Total equity investments</i>	
		2	Receivables :	a subsidiaries b associates c parent company d others e other Group companies f guarantee deposits
			<i>Total receivables</i>	
		3	Securities	
		4	Own shares (nominal value Euro 6,900,234)	
			<i>Total financial assets</i>	

#### TOTAL FIXED ASSETS

C) CURRENT ASSETS	I. Inventory	1	Raw, accessory and ancillary materials	
		2	Semi-finished products and goods	
		3	Contract work in progress	
		4	Finished products and goods	
		5	Advance payments	
			<i>Total inventory</i>	
	II. Receivables	1	Trade receivables	
		2	Subsidiaries	a trade b financial c other
			<i>Total receivables from subsidiaries</i>	
		3	Associates	a trade b financial c other
			<i>Total receivables from associates</i>	
		4	Parent company	a trade b financial c other
			<i>Total receivables from parent company</i>	
		4bis	Tax authorities	
		4ter	Tax asset	
		5	Others	a financial b advance payments c other
			<i>Total receivables from others</i>	
		6	Other Group companies	a trade b financial c other
			<i>Total receivables from other Group companies</i>	
			<i>Total receivables</i>	
	III. Other financial assets	1	Equity investments in subsidiaries	
		2	Equity investments in associates	
		3	Equity investments in other companies	
		4	Own shares	
		5	Securities	
		6	Bills receivable	
			<i>Total other financial assets</i>	
	IV. Liquid assets	1	Bank and post office accounts	
		2	Cheques	
		3	Cash in hand	
			<i>Total liquid assets</i>	

#### TOTAL CURRENT ASSETS

#### D) ACCRUED INCOME AND PREPAID EXPENSES

#### TOTAL ASSETS

31 December 2005			31 December 2004		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		213,566			23,796
		19,221			22,023
		232,787			45,819
		484,538			468,617
		48,992			45,806
		78			728
		306,992			296,628
		50,000			50,000
		890,600			861,779
		112,309,403			165,725,323
		260,900			480,900
		36,363,857			31,524,809
		148,934,160			197,731,032
	154,128	154,128		149,020	149,020
	154,128	154,128		149,020	149,020
		12,186,904			12,156,904
		161,275,192			210,036,956
		<b>162,398,579</b>			<b>210,944,554</b>
4,078,724		4,078,724	3,514,781		3,514,781
443,705		443,705	16,646,538		16,646,538
65,791,378		65,791,378	192,588,297		192,588,297
1,332,996		1,332,996	563,124		563,124
67,568,079		67,568,079	209,797,959		209,797,959
3,932,748		3,932,748	2,640,619		2,640,619
2,127,620		2,127,620	1,406,760		1,406,760
6,060,368		6,060,368	4,047,379		4,047,379
36,641,812		36,641,812	33,988,194		33,988,194
30,204,000		30,204,000			
25,048,948		25,048,948	179		179
55,252,948		55,252,948	25,314,893		25,314,893
			25,315,072		25,315,072
169,601,931		169,601,931	276,663,385		276,663,385
		32,087,475			30,974,843
					15,235
		32,087,475			30,990,078
		52,876,479			212,908
		7,646			9,373
		52,884,125			222,281
		<b>254,573,531</b>			<b>307,875,744</b>
		133,621			250,262
		<b>417,105,731</b>			<b>519,070,560</b>

## Liabilities

<b>A) SHAREHOLDERS' EQUITY</b>	
I. Share capital	
II. Share premium reserve	
III. Revaluation reserve	
IV. Legal reserve	
V. Statutory reserve	
VI. Reserve for own shares	
VII. Other reserves	1 Extraordinary reserve
	2 Advances by shareholders
Total other reserves	
VIII. Profit (loss) carried forward	
IX. Profit (loss) for the year	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>	
	1 For pensions and similar obligations
	2 For taxes
	a Current
	b Deferred
	Total provision for taxes
	3 Others
	a Provision for ongoing lawsuits
	b Provision for equity investment risks
	c Provision for environmental improvements
	d Provision for reorganisation and liquidation costs
	e Other provisions
	Total others
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	
<b>D) PAYABLES</b>	
	1 Bonds
	2 Convertible bonds
	3 Shareholders' loans
	4 Banks
	5 Other financing creditors
	6 Advance payments received
	7 Trade payables
	8 Bills payable
	9 Subsidiaries
	a trade
	b financial
	c other
	Total amount payable to subsidiaries
	10 Associates
	a trade
	b financial
	c other
	Total amount payable to associates
	11 Parent company
	a trade
	b financial
	c other
	Total amount payable to parent company
	12 Tax payables
	13 Social security and national insurance contributions
	14 Other payables
	15 Other Group companies
	a trade
	b financial
	c other
	Total amount payable to other Group companies
<b>TOTAL PAYABLES</b>	
<b>E) ACCRUED LIABILITIES AND DEFERRED INCOME</b>	
<b>TOTAL LIABILITIES</b>	

31 December 2005			31 December 2004		
Amounts due within 12 months	Amounts due after 12 months	Total (Euro)	Amounts due within 12 months	Amounts due after 12 months	Total (Euro)
		72,741,966			72,741,966
		28,654,919			28,684,919
		31,375,994			31,375,994
		12,186,904			12,156,904
		17,187,170			17,187,170
		450,000			450,000
		17,637,170			17,637,170
		87,045,934			74,174,186
		7,528,839			14,781,311
		<b>257,171,726</b>			<b>251,552,450</b>
		2,238,996			2,271,649
		5,687,000			5,687,000
		47,703,566			33,369,453
		55,629,562			41,328,102
		<b>55,629,562</b>			<b>41,328,102</b>
		<b>773,528</b>			<b>731,100</b>
	22,266,000	22,266,000			
	9,151,901	9,151,901		9,151,901	9,151,901
8,024		8,024	8,024		8,024
29,027,148	30,000,000	59,027,148	36,200,148	169,027,000	205,227,148
			1,336		1,336
4,509,390		4,509,390	4,503,697		4,503,697
808,723		808,723	1,093,513		1,093,513
91,808		91,808			
2,888,890		2,888,890	406,201		406,201
3,789,421		3,789,421	1,499,714		1,499,714
201,138		201,138	198,537		198,537
386,030		386,030	395,459		395,459
3,203,076		3,203,076	3,497,344		3,497,344
<b>41,124,227</b>	<b>61,417,901</b>	<b>102,542,128</b>	<b>46,304,259</b>	<b>178,178,901</b>	<b>224,483,160</b>
		<b>988,787</b>			<b>975,748</b>
		<b>417,105,731</b>			<b>519,070,560</b>

On behalf of the board of directors  
The chairman  
Federico Falck

## 6.2.2 Falck SpA memorandum accounts

(Euro)	31.12.2005			31.12.2004		
	Amounts included on the	Off balance sheet balance sheet	Total items	Amounts included on the	Off balance sheet balance sheet	Total items
<b>I Guarantees granted</b>						
- Unsecured guarantees granted						
1 <i>Guarantees</i>						
- commitments of the Company		17,214,691	17,214,691	17,910,682		17,910,682
- commitments of subsidiaries	8,813,157	33,304,573	42,117,730	730,000	39,024,348	39,754,348
- commitments of associates		2,923,575	2,923,575	3,115,022		3,115,022
- commitments of third parties		123,965	123,965	2,557,533		2,557,533
2 <i>Sureties</i>						
3 <i>Other guarantees</i>						
- commitments of the Company				41,136,848		41,136,848
- commitments of subsidiaries	12,380,000	10,577,984	22,957,984	11,890,000	9,310,000	21,200,000
- Secured guarantees						
1 <i>Pledges</i>						
- commitments of the Company	25,597,195		25,597,195	20,421,332		20,421,332
2 <i>Mortgages</i>						
<b>II Other memorandum items</b>						
- Guarantees received						
- warranties		2,338,860	2,338,860	2,338,860		2,338,860
- other guarantees		1,916,457	1,916,457	4,066,456		4,066,456
- Securities and assets held of third parties						
- Contingencies						
- Commitments						
- Leasing liabilities						

## 6.2.3 Falck SpA profit and loss account

(Euro)	31.12.2005	31.12.2004	Change
<b>A) Value of production</b>			
1 Revenues from sales and services	1,044,875	1,246,814	(201,939)
2 Variation in work in progress, semi-finished and finished products and goods			
3 Variation in contract work in progress			
4 Capitalised costs			
a production and inventory			
b capitalised interests			
Total capitalised costs			
5 Other revenues			
a grants received			
b other operating income	316,126	718,602	(402,476)
c costs recovered	4,278,153	3,296,493	981,660
d sundry revenues	73,563	112,481	(38,918)
e real estate revenues	6,134	12,980	(6,846)
f gains from ordinary operations			
g windfall income	87,295	1,168,317	(1,081,022)
Total other revenues	4,761,271	5,308,873	(547,602)
<b>Total value of production</b>	<b>5,806,146</b>	<b>6,555,687</b>	<b>(749,541)</b>
<b>B) Production costs</b>			
6 Raw, accessory and ancillary materials and goods	(257,017)	(144,938)	(112,079)
7 Services			
a services	(6,963,687)	(6,967,270)	3,583
b utilities	(126,789)	(72,303)	(54,486)
c sundry costs	(808,371)	(729,915)	(78,456)
Total services	(7,898,847)	(7,769,488)	(129,359)
8 Rentals and leasing charges	(1,101,458)	(603,664)	(497,794)
9 Personnel			
a salaries and wages	(3,012,681)	(2,877,450)	(135,231)
b social security charges	(956,810)	(930,979)	(25,831)
c severance indemnity	(202,671)	(189,413)	(13,258)
d pensions and similar obligations			
e other costs	(861,324)	(161,789)	(699,535)
Total personnel costs	(5,033,486)	(4,159,631)	(873,855)
10 Depreciation and write downs			
a amortisation of intangible assets	(15,287)	(6,912)	(8,375)
b depreciation of tangible assets	(153,956)	(186,009)	32,053
c other write down of fixed assets			
d write down of current assets receivables and liquid assets		(466)	466
e utilisation of bad debts provision in respect of current assets receivables and liquid assets	143,485		143,485
f bad debts	(207,297)		(207,297)
Total depreciation and write downs	(233,055)	(193,387)	(39,668)
11 Variation in raw, accessory and ancillary materials and goods			
12 Provision for contingencies			
a Provision for ongoing lawsuits			
b Utilisation of provision for ongoing lawsuits	32,653	20,925	11,728
Total provision for contingencies	32,653	20,925	11,728
13 Other provisions			
14 Other operating charges			
a indirect taxes	(62,051)	(38,186)	(23,865)
b real estate charges	(9,385)	(3,902)	(5,483)
c losses from ordinary operations			
d windfall charges	(106,535)	(100,027)	(6,508)
e others	(520,392)	(475,014)	(45,378)
Total other operating charges	(698,363)	(617,129)	(81,234)
<b>Total production costs</b>	<b>(15,189,573)</b>	<b>(13,467,312)</b>	<b>(1,722,261)</b>
<b>Difference between value of production and production costs</b>	<b>(9,383,427)</b>	<b>(6,911,625)</b>	<b>(2,471,802)</b>
<b>C) Financial income and charges</b>			
15 Income from equity investments			
a subsidiaries	21,821,152	809,017	21,012,135
b associates			
c other companies	2,133,702	1,609,619	524,083
d tax credits on dividends			
e gains on disposal of equity investments			
Total income from equity investments	23,954,854	2,418,636	21,536,218

<i>(Euro)</i>	31.12.2005	31.12.2004	Change
<b>16 Other financial income</b>			
a From receivables included as fixed assets			
a.1 subsidiaries			
a.2 associates			
a.3 parent company			
a.4 other Group companies			
a.5 others			
Total from receivables included as fixed assets			
b From securities included as fixed assets			
c From securities included as current assets			
c.1 interest income from securities	114	15,526	(15,412)
c.2 gains from disposal of securities		30,220	(30,220)
Total income from securities included as current assets	114	45,746	(45,632)
d Other income			
d.1 interest and commission from subsidiaries	6,790,543	6,128,949	661,594
d.2 interest and commission from associates	62,391	24,422	37,969
d.3 interest and commission from parent company			
d.4 interest and commission from other Group companies			
d.5 interest and commission from banks	125,969	3,950	122,019
d.6 interest and commission from others and sundry income	1,913,382	3,583,814	(1,670,432)
Total other income	8,892,285	9,741,135	(848,850)
Total other financial income	8,892,399	9,786,881	(894,482)
<b>17 Interest expense and other financial charges</b>			
a subsidiaries	(598,835)	(1,223,069)	624,234
b associates		(88,301)	88,301
c parent company			
d other Group companies			
e others	(7,553,891)	(10,300,323)	2,746,432
f losses on disposal of equity investments			
g losses on disposal of securities			
Total interest expense and other financial charges	(8,152,726)	(11,611,693)	3,458,967
<b>17bis Gains and losses on exchange rate fluctuations</b>			
a gains on exchange	214,032	6,618	207,414
b losses on exchange	(2,867)	(3,339)	472
Total gains and losses on exchange rate fluctuations	211,165	3,279	207,886
<b>Total financial income and charges</b>	<b>24,905,692</b>	<b>597,103</b>	<b>24,308,589</b>
<b>D) Adjustments to financial assets</b>			
<b>18 Revaluations</b>			
a equity investments	5,511,959	2,657,224	2,854,735
b financial assets included as fixed assets			
c securities included as current assets			
Total revaluations	5,511,959	2,657,224	2,854,735
<b>19 Write down</b>			
a equity investments			
a.1 permanent losses on equity investments	(43,120)	(1,812,946)	1,769,826
a.2 provision for equity investment risks		(1,500,000)	1,500,000
a.3 utilisation of provision for equity investment risks		1,813,000	(1,813,000)
Total write down of equity investments	(43,120)	(1,499,946)	1,456,826
b of financial assets included as fixed assets			
c of securities included as current assets			
Total write down	(43,120)	(1,499,946)	1,456,826
<b>Total adjustments to financial assets</b>	<b>5,468,839</b>	<b>1,157,278</b>	<b>4,311,561</b>
<b>E) Extraordinary income and charges</b>			
<b>20 Income</b>			
a gains from extraordinary disposals	1,583,302	18,971,837	(17,388,535)
b other extraordinary income	1,710,321	2,608,209	(897,888)
c utilisation of provision for reorganisation and liquidation costs			
Total income	3,293,623	21,580,046	(18,286,423)
<b>21 Charges</b>			
a losses from extraordinary disposals	(19,309)	(34,190)	14,881
b tax relating to prior financial periods		(34,095)	34,095
c other extraordinary charges	(17,691,125)	(1,573,206)	(16,117,919)
d reorganisation costs			
Total charges	(17,710,434)	(1,641,491)	(16,068,943)
<b>Total extraordinary items</b>	<b>(14,416,811)</b>	<b>19,938,555</b>	<b>(34,355,366)</b>
<b>Profit for the year before taxation</b>	<b>6,574,293</b>	<b>14,781,311</b>	<b>(8,207,018)</b>
<b>22 Tax on profit for the year</b>	<b>954,546</b>		<b>954,546</b>
<b>23 Profit for the year</b>	<b>7,528,839</b>	<b>14,781,311</b>	<b>(7,252,472)</b>

On behalf of the board of directors  
The chairman  
Federico Falck

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## 6.2.4 Falck SpA notes to the financial statements

### General information

#### Structure of balance sheet and profit and loss account (article 2423 ter)

The company has adopted the balance sheet and profit and loss account formats prescribed by articles 2424 and 2425 of the Italian Civil Code.

A number of variations, the addition and removal of headings, were made to the above statements in order to provide a clearer presentation of the financial statements.

#### Departures per comma 4 of article 2423

During the year no exceptional circumstances arose that resulted in the application of the accounting principles, set out in Legislative Decree 127/91, not resulting in the presentation of a true and fair view of the company's state of affairs, financial position and financial performance.

As a result the departures prescribed by law were not required to be adopted.

### Accounting policies and valuation criteria

The accounting policies adopted comply with the regulations governing the preparation of financial statements.

The amounts included in the financial statements were valued applying the general concepts of prudence, accruals and going concern, thus for accounting purposes precedence is given to the economic substance of transactions.

Income is recognised only in the event that it is realised within the year end, while contingencies and losses are recognised immediately even when they relate to subsequent accounting periods.

The principal accounting policies and valuation criteria are set out below:

#### Intangible assets

Intangible assets are recorded, with the approval of the board of statutory auditors where necessary, at cost and are amortised over five years.

These principally comprise expenditure incurred to utilise licences and for the registration of trademarks.

#### Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost of acquisition or production, including related acquisition costs. The finance costs relating to specific loans are included only up until the date from which the assets may be utilised. Cost is adjusted only in accordance with local legislation where this allows the revaluation of tangible fixed assets.

Depreciation is calculated systematically on the cost, or revalued amount, based on rates that represent the estimated residual useful lives of the assets.

The depreciation rates applied correspond prudently with the economic-technical rates. The rates used are as follows: plant 12%-17%, equipment 25%, office furniture and equipment 12%-20%, motor vehicles 25%.

In the financial year in which the fixed assets come into use, the rates are reduced based on the period of actual use.

Ordinary maintenance costs are expensed in the profit and loss account as incurred. Maintenance expenditure that increases the asset value is added to the cost of the asset to which it relates and is depreciated over the remaining useful life of the asset.

#### Financial assets

##### *Equity investments*

Equity investments in subsidiaries, associates (between 20% and 50% of share capital), and other companies included within fixed assets are valued at cost adjusted for revaluations made in accordance with local legislation.

Cost is written down to reflect permanent losses in the value of the investment.

Consolidated financial statements have been prepared as the group meets the required conditions.

##### *Other securities*

These are stated at subscription cost.

##### *Own shares*

Own shares held are included in financial assets and are recorded at acquisition cost on the basis of shareholders' approvals.

A corresponding reserve is included within shareholders' equity.

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### **Receivables**

Receivables are recorded at the estimated realisable value through provision of a specific allowance for bad debts.

### **Current financial assets**

#### *Equity investments*

These are stated at the lower of acquisition cost and net realisable value, which is based on market performance.

### **Securities**

Securities are stated at the lower of cost and net realisable value, taking into consideration the market value of negotiable securities.

### **Staff leaving indemnity**

The provision corresponds to the entire amount due to employees calculated in accordance with current legislation.

### **Provisions for risks and charges**

Provisions for risks and charges included within liabilities in the balance sheet are intended to cover losses or liabilities of a definite nature, which are either certain or probable, but for which the amount or date of materialisation are not yet identified at the year end.

### **Payables**

Payables are recorded at nominal cost.

### **Amounts expressed in foreign currency**

Receivables and payables denominated in foreign currency are translated to Euro at historical exchange rates and are adjusted at year-end rates, net of any hedging contracts.

Realised gains and losses on foreign currency transactions are recognised in the profit and loss account.

### **Accruals and prepayments**

These are determined in accordance with the accruals concept.

### **Revenue**

Revenue is stated net of returns, discounts, bonuses and premiums, and taxes directly related to the sale of goods and services. Revenue for the sale of goods is recognised on transfer of ownership that normally takes place following delivery or despatch of the goods.

Financial income is recognised on an accruals basis.

### **Costs**

Costs are recorded net of returns, discounts, bonuses and premiums and taxes directly related to the purchase of goods and services.

### **Dividends**

Dividends are recorded in the period in which they are declared and paid. With regard to subsidiaries only, in the event that the shareholders' meeting approves the distribution of dividends prior to the board meeting of the parent company, the dividends are accounted for applying the accruals concept.

### **Contingencies, commitments and guarantees**

The memorandum accounts set out the value of actual contingencies, commitments and guarantees at the year end.

In particular, guarantees issued in relation to financial commitments are stated at the value of the corresponding liability.

In order to provide a better understanding of the total value of contingencies and commitments, the amounts, which are either included in the balance sheet or relate to off-balance sheet items, are disclosed separately in the memorandum accounts.

### **Tax charge and liability**

Taxes on income are calculated and provided for in relation to the charge for the year estimated in accordance with current tax legislation.

The tax payable as calculated above is recorded as a specific liability in the balance sheet.

In addition deferred taxes are recorded based on the temporary differences arising between the taxable income and the income before tax recorded in the statutory financial statements. A deferred tax asset is recorded to the extent that it may be recovered in future.

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## Balance sheet content and changes

### B Fixed assets

#### B I Intangible assets

Movements in the year were as follows:

<i>(Euro thousands)</i>	At 31.12.2004	Additions	Capita- lisation	Write- downs	Disposals	Amorti- sation	At 31.12.2005
BI1 Start-up and expansion costs							
BI2 Research and development and advertising							
BI3 Industrial patent rights	24	202				(12)	214
BI4 Concessions, licences, trademarks and other rights	22					(3)	19
BI5 Goodwill							
BI6 Assets under construction and advances - <i>assets under construction</i> - <i>advances</i>							
Total assets under construction and advances							
BI7 Other							
<b>Total</b>	<b>46</b>	<b>202</b>				<b>(15)</b>	<b>233</b>

Additions of Euro 202 thousand relate to new software licences, in particular Euro 123 thousand in respect of the Smart Stream Web licence and Euro 79 thousand for the AS licence regarding software for management accounting and the consolidated financial statements.

During the year no financial expenditure was capitalised in intangible assets.

The above amounts have been included within intangible assets in the balance sheet as they are considered to provide economic benefit to more than one accounting period.

## B II Tangible fixed assets

Movements in the year were as follows:

	At 31.12.2004	Additions (A)	Capita- lisation	Write- downs	Disposals (B)	Depre- ciation	At 31.12.2005
<i>(Euro thousands)</i>							
<b>Gross value</b>							
BII1 Land and buildings	469	16					485
BII2 Plant and machinery	106	14			(23)		97
BII3 Industrial and office equipment	210				(205)		5
BII4 Other assets	4,636	155			(3,485)		1,306
BII5 Assets operated under concession							
BII6 Assets under construction and advances							
- assets under construction							
- advances	50						50
Total assets under construction and advances	50						50
<b>Total gross value</b>	<b>5,471</b>	<b>185</b>			<b>(3,713)</b>		<b>1,943</b>
<b>Accumulated depreciation</b>							
BII1 Land and buildings							
BII2 Plant and machinery	(60)				23	(11)	(48)
BII3 Industrial and office equipment	(209)				205	(1)	(5)
BII4 Other assets	(4,341)				3,484	(142)	(999)
BII5 Assets operated under concession							
<b>Total accumulated depreciation</b>	<b>(4,610)</b>				<b>3,712</b>	<b>(154)</b>	<b>(1,052)</b>
<b>Net book amounts</b>							
BII1 Land and buildings	469	16					485
BII2 Plant and machinery	46	14				(11)	49
BII3 Industrial and office equipment	1					(1)	
BII4 Other assets	295	155			(1)	(142)	307
BII5 Assets operated under concession							
BII6 Assets under construction and advances							
- assets under construction							
- advances	50						50
Total assets under construction and advances	50						50
<b>Total net book amounts</b>	<b>861</b>	<b>185</b>			<b>(1)</b>	<b>(154)</b>	<b>891</b>

A) Additions during the year relate to the purchase of a motor vehicle for Euro 44 thousand, personal computers for a total of Euro 52 thousand, office furniture for Euro 59 thousand, a security system for Euro 14 thousand and extraordinary maintenance on the Rome office for Euro 16 thousand.

B) Disposals, which resulted in net gains of Euro 8 thousand, relate to various minor assets.

During the year no financial expenditure was capitalised in tangible fixed assets.

## Monetary revaluations

Tangible fixed assets at the year end included the following revaluations that took place in 1975-1991 in accordance with national monetary revaluation laws.

<i>(Euro thousands)</i>	At	Movements		At
	31.12.2004	(+)	(-)	31.12.2005
Land and buildings	251			251
Plant and machinery				
Industrial and commercial equipment				
Other assets				
Assets under construction and advances				
<b>Total</b>	<b>251</b>			<b>251</b>

In accordance with article 10 of Law no. 72/1983 details are provided of company assets as at 31 December 2005 which have been subject to monetary revaluations and are in contrast with valuation criteria prescribed by current legislation.

<i>(Euro thousands)</i>	Law 1952 and previous years	Law no. 576 of 2.12.75	Law no. 72 of 19.3.83	Law no. 413 of 30.12.91	Total 31.12.2005
	Land and buildings		11	29	211
Plant and machinery					
Industrial and commercial equipment					
Other assets					
Assets under construction and advances					
<b>Total</b>		<b>11</b>	<b>29</b>	<b>211</b>	<b>251</b>

## B III Financial assets

### B III 1 Equity investments

#### Subsidiaries

<i>(Euro thousands)</i>	At 31.12.2004	Share capital increase and acquisition (A)	Reclassi- fications	Disposals	Revalua- tions	Write- downs (B)	Other movem. (C)	At 31.12.2005
Cost	299,153	16,627					(70,000)	245,780
Revaluation	3,187							3,187
Write-down (net of reversals)	(136,615)					(43)		(136,658)
<b>Total</b>	<b>165,725</b>	<b>16,627</b>				<b>(43)</b>	<b>(70,000)</b>	<b>112,309</b>

A) An increase, amounting to Euro 16,027 thousand, in the share capital of Actelios SpA was underwritten and paid, while Euro 600 thousand was paid to Sesto Siderservizi Srl as shareholders' contribution.

B) The write-down refers to the investment in Sesto Siderservizi Srl, which was made in order to reflect the loss suffered by the company.

C) Other movements relate to the repayment of retained earnings by Finstahl Sa, which was liquidated at the year end after having transferred its assets to Falck Energy Sa. This liquidation took place as a consequence of the sale of Finstahl Sa's investment in Leonardo/Aeroporti di Roma.

The comparison between the book value of the investments and the related share of net equity in general resulted in book values that are lower than the share of equity, with the exception of Irla-Redaelli Tecna Laminati SpA, Falck Acciai-Cns SpA and Falck Energy Iran Sa, the book values of which are higher than the share of net equity.

With regard to the first investment the excess value paid on acquisition is attributable to the fair value of fixed assets owned by Itla-Redaelli Tecna Laminati SpA, which is higher than the book value and as a result no write-down was made. In relation to the second investment a charge of Euro 1,752 thousand is included in the provision for equity investment risks, while for Falck Energy Iran Sa a provision of Euro 1,500 thousand was included in the provision for other risks.

#### Associates

	At 31.12.2004	Share capital increase and acquisition	Reclassi- fications	Disposals	Revalua- tions	Write- downs	Other movem.	At 31.12.2005
<i>(Euro thousands)</i>								
Cost	5,683			(220)				5,463
Revaluation	(5,202)							(5,202)
Write-down (net of reversals)								
<b>Total</b>	<b>481</b>			<b>(220)</b>				<b>261</b>

Disposals relate to the sale of the investments in Sadelmi SpA (Euro 218 thousand) and Eolo Tempio Pausania Srl (Euro 2 thousand).

#### Other companies

	At 31.12.2004	Share capital increase and acquisition	Reclassi- fications	Disposals	Revalua- tions	Write- downs	Other movem.	At 31.12.2005
<i>(Euro thousands)</i>								
Cost	37,487					(337)		37,150
Revaluation	8,126				5,176			13,302
Write-down (net of reversals)	(14,088)							(14,088)
<b>Total</b>	<b>31,525</b>				<b>5,176</b>	<b>(337)</b>		<b>36,364</b>

Disposals relate to the sale of the investment in Edison SpA following the takeover launched on this company.

Revaluations relate to the investment in Banca Intesa SpA that was written down in 2002 but which, on the basis of the last six months trading, recorded an increase of Euro 5,176 thousand.

Finally, it is noted that no. 5,954,325 of Banca Intesa SpA shares have been pledged in relation to the bonded convertible loan issued by Mediobanca International Ltd that matures in June 2006.

Equity investments in other companies at 31.12.2005 were as follows:

	Book value (Euro)	% shareholding (%)
Agenzia Nord Milano SpA	51,646	3.333
Banca Intesa SpA	25,597,195	0.089
Compagnia Fiduciaria Nazionale SpA	32,532	13.333
Crossenergy Srl	3,934,497	15.000
Enertad SpA	351	
Hera SpA	800,000	0.081
Idrovia Ticino SpA	6,456	2.576
Indesit SpA		0.103
Istituto per l'edilizia economia e popolare Milano Srl (in liquidation)	516	3.226
Istituto per i valori di Impresa Srl	516	8.333
Istud Istituto Studi Direzionali SpA	2,066	0.400
Olt Energy Toscana Srl	5,508,872	10.527
PCF - Project Financing Consulting SpA	375,000	12.500
Redaelli G. & Fratello SpA		13.987
Redaelli Sidas SpA		6.061
Lybian Joint Company	10,492	
U-Steel SpA (in liquidation)	43,718	11.040
<b>Total</b>	<b>36,363,857</b>	

### B III 2 Receivables

#### B III 2f Guarantee deposits

Guarantee deposits have increased slightly on the previous year (+ Euro 5 thousand).

### B III 4 Own shares

Movements in the year were as follows:

	No. of shares	% of share capital	Cost (Euro)	Unit book value
<b>At 31.12.2004</b>	<b>6,900,234</b>	<b>9.486</b>	<b>12,156,904</b>	<b>1.76</b>
Acquired during year	6,000	0.008	30,000	5.00
Sold during year				
<b>At 31.12.2005</b>	<b>6,906,234</b>	<b>9.494</b>	<b>12,186,904</b>	<b>1.76</b>

### C Current assets

#### C II Receivables

Receivables decreased by Euro 107,061 thousand compared to 2004.

This is largely due to the fall of Euro 126,797 thousand in financial receivables due from subsidiaries and the decrease of Euro 16,202 thousand in trade receivables due from subsidiaries. *Receivables from other companies* increased by Euro 30,204 thousand.

No receivables are due after more than five years.

Receivables due from overseas customers amount to Euro 67 thousand of which Euro 41 thousand relates to a US customer and Euro 26 thousand to EU customers.

Movements in the provision for bad debts were as follows:

(Euro thousands)

<b>At 31 December 2004</b>	<b>251</b>
Utilisation	(143)
Provision	
<b>At 31 December 2005</b>	<b>108</b>

*Receivables from tax authorities* amount to Euro 36,642 thousand, of which Euro 34,146 thousand relates to tax credits including interest for which repayment has been requested and Euro 1,191 thousand of VAT receivable. In addition, these include Euro 1,303 thousand of IRES (corporation tax) credits that matured during the year following application of the group taxation regime that was adopted by Falck SpA and the subsidiaries Itla SpA, Falck Acciai CNS SpA, Riesfactoring SpA and Sesto Siderservizi Srl.

With regard to the tax credits in November 2004 Falck SpA commenced recovery proceedings, stipulated by law, with the tax authorities, requesting repayment of the principal of Euro 22,455 thousand. In 2005 the courts in Milan and Lecco sentenced the tax authorities to pay the sum requested plus interest, including compound interest. The tax authorities did not appeal against this first degree sentence and as a result the company has taken action in order to recover these credits as quickly as possible.

The company has not recorded deferred tax assets, despite the existence of temporary differences and tax losses, as no sufficient taxable income is expected in future financial periods due to the fact that for the holding company the majority of income relates to dividends that are almost wholly tax exempt.

Receivables from others – Others comprises:

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Amounts due from employees for Fondo Cometa	56	43	13
Appeal for INVIM	105	105	
Amounts due from Il Chiodo	433	433	
Advance to ICQ for wind farm projects in Italy	2,500	2,500	
Amounts due from Acciaierie di Bolzano and companies	6,941	6,941	
First instalment for acquisition of Tecnimont	15,000	15,000	
Call option JP Morgan		123	(123)
Other	14	170	(156)
<b>Total</b>	<b>25,049</b>	<b>25,315</b>	<b>(266)</b>

The balance above includes the first price instalment amounting to Euro 15,000 thousand paid in 2002 to Edison SpA following signing of the agreement relating to the acquisition of the entire share capital of Tecnimont SpA and Protecma Srl.

Legal proceedings are underway in relation to recovery of the amounts due from Acciaierie di Bolzano SpA, Siab SpA and Cersec Srl.

### CIII Current financial assets

#### C III 3 Equity investments in other companies

<i>(Euro thousands)</i>	At 31.12.2004	Sh. Cap inc. and acquis.	Reclassi- fications	Disposals	Revalu- ations	Write- downs	At 31.12.2005
Cost	31,692	776					32,468
Revaluations					336		336
Write-downs (net of reversals)	(717)						(717)
<b>Total</b>	<b>30,975</b>	<b>776</b>			<b>336</b>		<b>32,087</b>

Increases relate to the acquisition of no. 44,394 shares in Mediobanca SpA for a total amount of Euro 731 thousand and a share capital increase in Camfin SpA amounting to Euro 45 thousand. Revaluations relate to Assicurazioni Generali SpA in order to reflect the trading price for the previous six months, this investment was written down in 2004.

Equity investments in other companies comprise:

	Book value (Euro)	% shareholding (%)
Assicurazioni Generali SpA	4,260,579	0.013
Camfin SpA	91,710	0.062
Mediobanca SpA	27,735,186	0.315
<b>Total</b>	<b>32,087,475</b>	

### C IV Liquid assets

These largely relate to bank balances and have increased by Euro 52,662 thousand compared to 31 December 2004.

### D Accrued income and prepaid expenses

These largely relate to accrued interest income on short term loans receivable and prepaid insurance expenses.

## A Shareholders' equity

### A I Share capital

Share capital comprises no. 72,730,824 ordinary shares and no. 11,142 saving shares that are issued and fully paid and have a nominal value of Euro 1.00 each.

As mentioned above, the company carried out operations on its own shares during the year and, as a result, at the year end the company held no. 6,906,234 shares, of which no. 3,561 are saving shares, with a total nominal value of Euro 6,906,234.

Shareholders' equity may be analysed as follows:

	Total	Possible utilisation	Share available	Summary of utilisation in three previous financial years	
				To cover losses	Other reasons
<i>(Euro thousands)</i>					
<b>Share capital</b>	<b>72,742</b>				<b>(118,741)</b>
<b>Capital reserves</b>					
Share premium	28,655	A-B-C	28,655		(78,434)
Reserve for own shares held	6,698				(11,201)
Shareholders' contributions	450	A-B			
<b>Earnings reserves</b>					
Legal reserve	31,376	A-B	16,828		
Extraordinary reserve	17,187	A-B-C	17,187		
Reserve for own shares held	5,489				(9,222)
Profit/(loss) carried forward	87,046	A-B-C	74,174		(32,633)
<b>Total</b>	<b>249,643</b>		<b>136,844</b>		

Key:

A: to increase share capital

B: to cover losses

C: to distribute to shareholders

Amounts utilised in shareholders' equity may be summarised as follows:

- share capital reduction of Euro 118,741 thousand following de-merger in 2002;
- reduction in share premium account of Euro 32,916 thousand due to de-merger in 2002;
- reduction in share premium account of Euro 2,234 thousand in 2002 following reclassification to reserve for own shares held;
- reduction in share premium account of Euro 41,220 thousand in 2003 following bonus share issue;
- reduction in share premium account of Euro 2,030 thousand in 2003 following reclassification to reserve for own shares;
- reduction in share premium account of Euro 4 thousand in 2004 following reclassification to reserve for own shares;
- reduction in reserve for own shares of Euro 20,423 thousand in 2003 following de-merger that resulted in cancellation of own shares;
- reduction in retained earnings of Euro 32,633 thousand in 2002 following merger with companies owned by the Falck family;
- reduction in share premium account of Euro 30 thousand in 2005 following reclassification to reserve for own shares held.

Movements in shareholders' equity in 2004 and 2005 were as follows:

<i>(Euro thousands)</i>	At 31.12.2003	Appropriation of profit	Profit/(loss) for year	Share capital increase	Other movements	At 31.12.2004
Share capital	72,742					72,742
Share premium	28,689				(4)	28,685
Revaluation reserve						
Legal reserve	31,376					31,376
Reserve for own shares	12,153				4	12,157
Statutory reserves						
Other reserves						
- extraordinary reserves	17,187					17,187
- shareholders' contribution	450					450
Retained earnings/(losses)	67,391	6,783				74,174
Profit/(loss) for the year	8,561	(8,561)	14,781			14,781
<b>Total</b>	<b>238,549</b>	<b>(1,778)</b>	<b>14,781</b>			<b>251,552</b>

<i>(Euro thousands)</i>	At 31.12.2004	Appropriation of profit	Profit/(loss) for year	Share capital increase	Other movements	At 31.12.2005
Share capital	72,742					72,742
Share premium	28,685				(30)	28,655
Revaluation reserve						
Legal reserve	31,376					31,376
Reserve for own shares	12,157				30	12,187
Statutory reserves						
Other reserves						
- extraordinary reserves	17,187					17,187
- shareholders' contribution	450					450
Retained earnings/(losses)	74,174	12,872				87,046
Profit/(loss) for the year	14,781	(14,781)	7,529			7,529
<b>Total</b>	<b>251,552</b>	<b>(1,909)</b>	<b>7,529</b>			<b>257,172</b>

The 2004 profit was appropriated to retained earnings for an amount of Euro 12,872 thousand and distributed to shareholders for Euro 1,909 thousand, as approved in the annual general meeting of 27 April 2005.

## B Provisions for risks and charges

<i>(Euro thousands)</i>	At 31.12.2004	Provision	Utilised	At 31.12.2005
B1 Provisions for pensions and similar obligations				
B2 Provisions for taxes				
a. Current				
b. Deferred				
Total provisions for taxes				
B3 Other provisions				
a. Provisions for ongoing lawsuits	2,272		(33)	2,239
b. Provisions for equity investment risks	5,687			5,687
c. Provision for environmental improvements				
d. Provision for reorganisation and liquidation				
e. Other provisions	33,369	16,000	(1,666)	47,703
Total other provisions	41,328	16,000	(1,699)	55,629
<b>Total</b>	<b>41,328</b>	<b>16,000</b>	<b>(1,699)</b>	<b>55,629</b>

### B3 Other provisions

#### B3a Provision for ongoing lawsuits

This provision decreased by Euro 33 thousand following utilisation to cover legal expenses in relation to a lawsuit that Falck won in the first degree.

#### B3b Provision for equity investment risks

At 31 December 2005 this provision comprises:

(Euro thousands)

Crossenergy Srl	3,935
Falck Acciai-Cns SpA	1,752
<b>Total</b>	<b>5,687</b>

#### B3e Other provisions

This provision was set up in order to cover the risk relating to disputes with public authorities, the environmental risks relating to previous activities in the steel sector and other risks on investment operations.

In order to take into account the potential risks relating to previous industrial activities and the development of new business the outcome of which is uncertain, a charge of Euro 16,000 thousand was made to other provisions.

During 2005, the provision was utilised for an amount of Euro 1,666 thousand. This utilisation principally relates to expenses for environmental improvements in respect of previous activities of Falck SpA and the cost of arbitration proceedings with Edison SpA.

### C Staff leaving indemnity

Movements in the provision were as follows:

(Euro thousands)	At 31.12.2004	Provision	Utilisation/ payments	At 31.12.2005
Managers	430	139	(148)	421
White collar employees	296	62	(13)	345
Blue collar employees	5	2		7
<b>Total</b>	<b>731</b>	<b>203</b>	<b>(161)</b>	<b>773</b>

### D Payables

Payables have decreased compared to the previous year end by Euro 121,941 thousand largely as a result of the decrease of Euro 146,200 thousand in payables to banks, which is partially compensated by the increase in bonds of Euro 22,266 thousand, and lower other payables due to subsidiaries for Euro 2,483 thousand.

The balance of bonds, amounting to Euro 22,266 thousand, relate to the bonded loan that comprises no. 22,266,000 bonds with a nominal value of Euro 1.00 each, which matures on 31 January 2008 and bears interest at 3.33%.

The convertible bonds, amounting to Euro 9,152 thousand, relate to the bonded loan that comprises no. 9,151,901 bonds with a nominal value of Euro 1.00 each, which expires on 31 May 2008 and bears interest at 4.16%. The conversion of 1 share for every 6 bonds held may be exercised in January 2006, 2007 and 2008.

Payables to banks that are covered by pledges amount to Euro 29,027 thousand, while the remaining balance of Euro 30,000 thousand is not covered by real guarantees.

No amounts are payable after more than five years.

Total amounts due to foreign suppliers are Euro 431 thousand, of which Euro 52 thousand relates to EU suppliers, Euro 377 thousand to suppliers from the rest of Europe and Euro 2 thousand to a US supplier.

At 31 December 2005 payables to banks in respect of medium-long term loans comprise:

<i>(Euro thousands)</i>	<b>Original amount</b>	<b>Balance outstanding at 31.12.2005</b>	<b>Due within 12 months</b>	<b>Final repayment date</b>
- Mediobanca SpA	29,027	29,027	29,027	2006
- Banca Antonveneta SpA	30,000	30,000		2007
<b>Total</b>	<b>59,027</b>	<b>59,027</b>	<b>29,027</b>	

*Other payables* may be detailed as follows:

<i>(Euro thousands)</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
Due to Acciaierie di Bolzano SpA for assignment of debts	1,640	1,640	
Dividends payable to shareholders	26	27	(1)
Due to shareholders for distribution of reserves	190	190	
Due to Immobiliare Bolzano	349	349	
Due to Techint for ETR price adjustment		500	(500)
Due to Acciaierie di Bolzano SpA	259		259
Due to Siab SpA	118		118
Amounts due to employees	219	219	
Holiday pay	275	303	(28)
Unpaid subscription to equity investments		135	(135)
Other	127	134	(7)
<b>Total</b>	<b>3,203</b>	<b>3,497</b>	<b>(294)</b>

## **E Accrued liabilities and deferred income**

This balance principally relates to accrued interest on medium-long term loans for Euro 764 thousand and interest on the bonded loans amounting to Euro 218 thousand.

## **Memorandum accounts**

Personal guarantees issued in respect of company commitments and those of the subsidiaries are to cover:

- environmental risks for Euro 7,449 thousand;
- credit facilities granted to Falck SpA and its subsidiaries for a total of Euro 77,311 thousand, of which Euro 21,193 thousand was utilised at 31 December 2005;
- VAT receivables of group companies amounting to Euro 17,240 thousand;
- wind farm projects for a total of Euro 8,259 thousand;
- tax disputes of Euro 9,296 thousand relating to a company sold to the ABB group;
- other risks for a total of Euro 475 thousand.

The guarantees issued to cover environmental risks relate to guarantees issued to public authorities on behalf of Ecosesto SpA for an amount of Euro 6,475 thousand with the balance issued on behalf of Falck SpA to cover potential damages arising from the use of former steel making sites.

With regard to other real guarantees issued (pledges), the amount relates to a pledge on no. 6,400,899 ordinary shares of Banca Intesa SpA as a guarantee for loans issued by Mediobanca SpA.

## Transactions with group companies

<i>(Euro thousands)</i>	Trade receivables			Trade payables		
	31.12.2005	31.12.2004	Change	31.12.2005	31.12.2004	Change
<b>Subsidiaries</b>						
Actelios SpA	51	16,101	(16,050)	18	277	(259)
Ambiente 2000 Srl		2	(2)			
Cambrian Wind Energy Ltd	24		24			
Ecosesto SpA	1		1		10	(10)
Elettroambiente SpA	50	126	(76)	300	150	150
Falck Acciai-Cns SpA	106	24	82			
Falck Financial Services Sa				484	350	134
Falck Renewables Ltd	3		3		237	(237)
Itla-Redaelli Tecna Laminati SpA	1	23	(22)			
Montalto Ambiente SpA						
Platani Energia Ambiente ScpA	83	44	39			
Prima Srl	34	274	(240)			
Riesfactoring SpA	8	7	1	3	61	(58)
Sesto Siderservizi Srl	1	2	(1)	4	9	(5)
Tifeo Energia Ambiente ScpA	82	43	39			
<b>Total subsidiaries</b>	<b>444</b>	<b>16,646</b>	<b>(16,202)</b>	<b>809</b>	<b>1,094</b>	<b>(285)</b>
<b>Associates</b>						
Frullo Energia Ambiente Srl		25	(25)			
Gsa Scarl (in liquidation)		23	(23)			
Lonardi Costruzioni Srl (in liquidation)	4	4				
Palermo Energia Ambiente ScpA	3,927	2,562	1,365			
Pareh Sar Gmbh	2		2			
Sadelmi SpA		27	(27)			
<b>Total associates</b>	<b>3,933</b>	<b>2,641</b>	<b>1,292</b>			

<i>(Euro thousands)</i>	Financial receivables			Financial payables		
	31.12.2005	31.12.2004	Change	31.12.2005	31.12.2004	Change
<b>Subsidiaries</b>						
Actelios SpA	54,774	34,402	20,372			
Elettroambiente SpA		15,267	(15,267)			
Falck Acciai-Cns SpA	446	919	(473)			
Falck Renewables Ltd	6,982	3,466	3,516			
Falck Energy Sa	362	123,744	(123,382)			
Falck Energy Iran Sa	824	125	699			
Finstahl Sa		11,651	(11,651)			
Itla-Redaelli Tecna Laminati SpA	7	370	(363)			
Riesfactoring SpA		116	(116)	92		92
Sesto Siderservizi Srl	2,396	2,528	(132)			
<b>Total subsidiaries</b>	<b>65,791</b>	<b>192,588</b>	<b>(126,797)</b>	<b>92</b>		<b>92</b>
<b>Associates</b>						
Palermo Energia Ambiente ScpA	2,128	1,407	721			
<b>Total associates</b>	<b>2,128</b>	<b>1,407</b>	<b>721</b>			

<i>(Euro thousands)</i>	Other receivables			Other payables		
	31.12.2005	31.12.2004	Change	31.12.2005	31.12.2004	Change
<b>Subsidiaries</b>						
Actelios SpA	563	177	386			
Ambiente 2000 Srl	91	67	24			
Ecosesto SpA	36		36		210	(210)
Elettroambiente SpA	380		380			
Falck Acciai-Cns SpA	160	310	(150)	279		279
Sesto Siderservizi Srl	1		1	115	7	108
Itla-Redaelli Tecna Laminati SpA				104	164	(60)
Montalto Ambiente SpA				3	4	(1)
Platani Energia Ambiente ScpA				420		420
Prima Srl				119	21	98
Riesfactoring SpA	101	9	92			
Tifeo Energia Ambiente ScpA				1,849		1,849
<b>Total subsidiaries</b>	<b>1,332</b>	<b>563</b>	<b>769</b>	<b>2,889</b>	<b>406</b>	<b>2,483</b>

## Profit and loss account content and changes

### A Value of production

This has decreased by Euro 749 thousand compared to the previous year largely as a result of a decrease in windfall income (- Euro 1,081 thousand), in other operating income (- Euro 402 thousand) and in revenues from sales and services (- Euro 202 thousand), which have been partially offset by an increase in costs recovered from subsidiaries (+ Euro 982 thousand). Revenues relate to the provision of services carried out in the domestic market only.

### B Production costs

Production costs have increased by Euro 1,722 thousand principally as a result of the increase in personnel costs (+ Euro 874 thousand), in rentals and leasing charges (+ Euro 498 thousand) and the cost of services (+ Euro 129 thousand).

## C Financial income and charges

### C15 Income from equity investments

<i>(Euro thousands)</i>	Dividend	
	31.12.2005	31.12.2004
<b>Subsidiaries</b>		
Falck Acciai CNS SpA	413	
Finstahl Sa	20,124	
Itla-Redaelli Tecna Laminati SpA	1,115	619
Riesfactoring SpA	169	190
<b>Total subsidiaries</b>	<b>21,821</b>	<b>809</b>
<b>Other companies</b>		
Assicurazioni Generali SpA	70	
Banca Intesa SpA	673	299
Camfin SpA	2	1
Compagnia Fiduciaria Nazionale SpA	91	101
Hera SpA	38	34
Mediobanca SpA	1,200	982
Redaelli G.& Fratello SpA	60	155
Redaelli Sidas SpA		37
<b>Total other companies</b>	<b>2,134</b>	<b>1,609</b>
<b>Total</b>	<b>23,955</b>	<b>2,418</b>

### C16 Other financial income

Other financial income has decreased by Euro 894 thousand mainly due to a fall in interest from others (- Euro 1,670 thousand). An increase was noted in interest from subsidiaries (+ Euro 662 thousand) and interest from banks (+ Euro 122 thousand).

### C17 Interest expense and other financial charges

This balance has decreased by Euro 3,459 thousand which is largely due to lower interest due to others (- Euro 2,746 thousand) and interest due to subsidiaries (- Euro 624 thousand).

Interest expense and other financial charges may be analysed as follows:

<i>(Euro thousands)</i>	Bonded loans	Bank loans	Other loans	Total loans
Subsidiaries			599	599
Associates				
Parent company				
Other group companies				
Other	1,057	6,497		7,554
<b>Total</b>	<b>1,057</b>	<b>6,497</b>	<b>599</b>	<b>8,153</b>

### C17 bis Gains and losses on exchange rate fluctuations

These resulted in a net gain of Euro 211 thousand, representing an increase of Euro 208 thousand compared to the previous year end.

## D Adjustments to financial assets

### D18 a Revaluation of equity investments

This amount comprises the revaluation of the equity investment in Banca Intesa SpA (Euro 5,176 thousand), which was written down in 2002, and the revaluation of Assicurazioni Generali SpA (Euro 336 thousand), which was written down in 2004. The revaluations were based on the average trading prices for the second half of 2005. The value of the investment in Assicurazioni Generali was written back to the cost of acquisition in 2004.

### D19 a Write down of equity investments

#### D19 a1 Impairment losses

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
Consortium Srl		1,477	(1,477)
Sesto Siderservizi Srl	43		43
Assicurazioni Generali SpA		336	(336)
<b>Total</b>	<b>43</b>	<b>1,813</b>	<b>(1,770)</b>

#### D19 a2 Provision for equity investment risks

No provision was made during the year.

#### D19 a3 Utilisation of provision for equity investment risks

No amounts were utilised during the year.

## E Extraordinary income and charges

### E20 Extraordinary income

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>a Gains on disposal of extraordinary items</b>			
Gains on disposal of equity investments	1,575	18,972	(17,397)
Gains on disposal of tangible fixed assets	8		8
<b>Total gains on disposal of extraordinary items</b>	<b>1,583</b>	<b>18,972</b>	<b>(17,389)</b>
<b>b Other</b>			
Insurance claims	3	14	(11)
Compensation for damages	39		39
Other extraordinary income	3	35	(32)
Utilisation of provision for other risks	1,666	2,559	(893)
<b>Total others</b>	<b>1,711</b>	<b>2,608</b>	<b>(897)</b>
<b>c Utilisation of provision for reorganisation costs</b>			
<b>Total extraordinary income</b>	<b>3,294</b>	<b>21,580</b>	<b>(18,286)</b>

The gains on disposal of equity investments relate entirely to the sale of shares in Edison SpA, which took place following a takeover bid on this company.

The utilisation of the provision for other risks has been detailed above in the paragraph on provisions for risks and charges.

## E21 Extraordinary charges

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>a Losses on disposal of extraordinary items</b>			
Losses on disposal of equity investments	18	27	(9)
Losses on disposal of tangible fixed assets	1	7	(6)
<b>Total losses on disposal of extraordinary items</b>	<b>19</b>	<b>34</b>	<b>(15)</b>
<b>b Tax relating to prior financial years</b>		34	(34)
<b>c Other</b>			
Compensation for damages		2	(2)
Provision for other risks	16,000		16,000
Sundry extraordinary charges	1,691	1,571	120
<b>Total others</b>	<b>17,691</b>	<b>1,573</b>	<b>16,118</b>
<b>d Reorganisation costs</b>			
<b>Total extraordinary charges</b>	<b>17,710</b>	<b>1,641</b>	<b>16,069</b>

The losses on disposal of equity investments relates to the sale of the holding in Sadelmi SpA, while the losses on disposal of tangible fixed assets relate to the sale of sundry fixed assets.

Sundry extraordinary charges principally relate to legal expenses incurred in respect of the arbitration proceedings with Edison, costs arising on the disposal of investments and charges linked to the steel business.

The charge to the provision for other risks has been described in the paragraph on provisions for risks and charges.

## E22 Tax on profit for the year

The company presented taxable losses for both IRES (corporation tax) and IRAP (local income tax).

As the company has adopted a group taxation regime together with the subsidiaries Itla SpA, Falck Acciai CNS SpA, Riesfactoring SpA and Sesto Siderservizi Srl, a tax credit of Euro 954 thousand was recorded due to the fact that the subsidiaries, with the exception of Sesto Siderservizi, presented taxable income for the year ended 31 December 2005.

## Transactions with group companies

<i>(Euro thousands)</i>	Revenue	Other income					
	from sales and services	Other operat. income	Recovered costs	Other income	Income from assets	Gains ord. activ.	Windfall income
<b>Subsidiaries</b>							
Actelios SpA			1,527	9			
Ambiente 2000 Srl							
Ecosesto SpA		47	2				
Elettroambiente SpA			330	40			
Falck Acciai - Cns SpA		34	69				
Falck Energy Iran Sa		2					
Falck Renewables Ltd		19					
Sesto Siderservizi Srl		2	29				
Itla-Redaelli Tecna Laminati SpA		36	190				
Platani Energia Ambiente ScpA			132	5			
Prima Srl		30	1	4			
Riesfactoring SpA		133	98	2			
Tifeo Energia Ambiente ScpA			132	4			
<b>Total subsidiaries</b>		<b>303</b>	<b>2,510</b>	<b>64</b>			
<b>Associates</b>							
Fruzzo Energia Ambiente Srl							
Palermo Energia Ambiente ScpA	1,045		162	10			
Sadelmi SpA							
<b>Total associates</b>	<b>1,045</b>		<b>162</b>	<b>10</b>			

	Services	Income equity investments	Other financial income	Interest and other financial charges
<i>(Euro thousands)</i>				
<b>Subsidiaries</b>				
Actelios SpA	1		1,725	
Elettroambiente SpA	150		276	
Falck Acciai-Cns SpA		413	104	2
Falck Energy Sa			3,967	2
Falck Energy Iran Sa			20	
Falck Financial Services Sa	851			
Falck Renewables Ltd			229	
Finstahl Sa		20,124	326	592
Itla-Redaelli Tecna Laminati SpA		1,115	37	
Riesfactoring SpA	470	169		3
Sesto Siderservizi Srl	14		106	
<b>Total subsidiaries</b>	<b>1,486</b>	<b>21,821</b>	<b>6,790</b>	<b>599</b>
<b>Associates</b>				
Palermo Energia Ambiente ScpA			62	
<b>Total associates</b>			<b>62</b>	

## Other information

### Average number of employees

<i>(number)</i>	31.12.2005	31.12.2004	Change
Managers	13	13	
White collar employees	23	18	5
Blue collar employees	1	1	
<b>Total average employees</b>	<b>37</b>	<b>32</b>	<b>5</b>

### Emoluments of directors and statutory auditors

<i>(Euro thousands)</i>	31.12.2005	31.12.2004
Directors' emoluments	819	724
Statutory auditors' emoluments	146	146
<b>Total</b>	<b>965</b>	<b>870</b>

The financial statements herein present a true and fair view of the state of affairs, financial position and financial performance for the year and are in agreement with the accounting records.

On behalf of the board of directors  
The chairman  
Federico Falck

**Falck SpA**  
**Supplementary information**



### 6.3.1 List of direct and indirect investments in subsidiaries and associates

	Registered office	Currency	Share capital	Share-holders equity (Euro thousand)	Profit (loss) (Euro thousand)	Direct share-holding (%)	Indirect share-holding (%)	Book value (euro)
<b>Directly controlled subsidiaries</b>								
Actelios SpA	Milan	Euro	22,560,000	71,917	1,302	64.648		32,905,466
Falck Acciai - CNS SpA	Grassobbio (Bg)	Euro	516,000	2,464	50	100.000		4,286,664
Falck Energy Iran Sa	Luxembourg	Euro	31,000	(109)	(49)	99.997		31,000
Falck Energy Sa	Luxembourg	Euro	43,038,013	116,918	(2,083)	99.999		63,754,593
Itla - Redaelli Tecna Laminati SpA	Milan	Euro	4,129,312	6,802	1,445	100.000		8,496,356
Riesfactoring SpA	Milan	Euro	2,000,000	2,224	106	99.800	0.200	1,999,633
Sesto Siderservizi Srl	Sesto S. Giovanni (Mi)	Euro	260,000	836	(161)	100.000		835,691
								<b>112,309,403</b>
<b>Indirectly controlled subsidiaries</b>								
Ambiente 2000 Srl	Milan	Euro	103,000	1,186	175		60.000	
Ben Aketil Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(1)	(1)		52.000	
Boyndie Wind Energy Ltd (3)	Inverness (UK)	GBP	100				100.000	
Cambrian Wind Energy Ltd (1)	London (UK)	GBP	100	2,029	2,333		100.000	
Chalmerston Wind Power Ltd (3)	Edinburgh (UK)	GBP	100				52.000	
Dunbeath Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(2)	(2)		52.000	
Earlsburn Mezzanine Ltd (3)	London (UK)	GBP	100				100.000	
Earlsburn Wind Energy Ltd (1)	Inverness (UK)	GBP	100	(2)	(2)		52.000	
Ecosesto SpA	Milan	Euro	5,120,000	9,178	999		100.000	
Elettroambiente SpA	Sesto S. Giovanni (Mi)	Euro	245,350	1,339	246		100.000	
Eolica Cabezo San Roque Sa	Saragozza (Spain)	Euro	1,500,000	429	(521)		95.511	
Falck Energy International Ltd (in liquidation)	Dublin (Ireland)	Euro	18,863,679	2	(38)		99.999	
Falck Financial Services Sa	Lugano (Switzerland)	CHF	250,000	2,264	46		100.000	
Falck Renewables Ltd	London (UK)	GBP	20,000,000	14,368	(3,590)		99.060	
Falck Renewables Finance Ltd	London (UK)	GBP	1	(519)	(520)		100.000	
Falck Renewables Italia Srl (3)	Sesto S. Giovanni (Mi)	Euro	100,000				100.000	
Falck Renewables UK Holdings (No.1) Ltd	London (UK)	GBP	1	(3,082)	(2,203)		100.000	
Kingsburn Wind Energy Ltd (3)	Edinburgh (UK)	GBP	100				52.000	
Limmer Hill Wind Energy Ltd (3)	Edinburgh (UK)	GBP	100				52.000	
Mellock Hill Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(2)	(2)		52.000	
Millenium Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(2)	(2)		52.000	
Montalto Ambiente SpA	Montalto di Castro (Vt)	Euro	510,000	347	78		60.000	
Nutberry Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(2)	(2)		52.000	
Platani Energia Ambiente ScpA	Palermo	Euro	120,000	31	(89)		80.900	
Portclair Wind Energy Ltd (3)	Edinburgh (UK)	GBP	100				52.000	
Prima Srl	Sesto S. Giovanni (Mi)	Euro	5,430,000	17,658	6,415		85.000	
Sell Moor Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100				52.000	
Strath Brora Wind Energy Ltd (1)	Edinburgh (UK)	GBP	100	(2)	(2)		52.000	
Tifeo Energia Ambiente ScpA	Palermo	Euro	120,000	13	(107)		84.900	
<b>Associates</b>								
Ambiente 3000 Srl	Bologna	Euro	100,000	106	(13)		49.000	
Eolica Lucana Srl (2)	Potenza	Euro	10,000	7	(3)	20.000		600
Fullo Energia Ambiente Srl	Bologna	Euro	17,139,100	27,192	9,044		49.000	
Gsa Scarl (in liquidation)	Milan	Euro	10,000	11			50.000	
Lonardi Costruzioni Srl (in liquidation) (2)	Sesto S. Giovanni (Mi)	Euro	58,140	879	385	49.000		
Nuevos Parque Eolicos La Muela AIE	Saragozza (Spain)	Euro	10,000	6			100.000	
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	335	(547)	19.000	20.000	260,300
Pareh Sar Gmbh (2)	Munich (Germany)	Euro	2,300,000	10	(1)		50.000	
Parque Eolico La Carracha SI	Saragozza (Spain)	Euro	3,325,000	2,906	1,026		26.000	
Parque Eolico Plana de Jarreta SI	Saragozza (Spain)	Euro	3,325,000	2,562	1,399		26.000	
Termini Imerese Energia Ambiente Srl	Termini Imerese (Pa)	Euro	100,000	71	(12)		24.000	
								<b>260,900</b>

(1) Information relates to financial statements at 31.7.2005

(2) Information relates to financial statements at 31.12.2004

(3) Company has not yet prepared financial statements

## 6.3.2 Summary of significant financial data of subsidiaries and associates

### Balance sheet

	Receivable from share- holders	Fixed assets	Current assets	Accrued income and prepaid expenses	Share- holders equity excluding result	Profit (loss) for the year	Provision for risk and charges	Employees severance indemnity	Payables	Accrued liabilities and deferred income
<i>(Euro thousands)</i>										
<b>Directly controlled subsidiaries</b>										
Actelios SpA		95,535	57,820	13	70,615	1,302		435	81,016	
Falck Acciai - CNS SpA		1,693	16,267	7	2,414	50		349	15,154	
Falck Energy Iran Sa		1,320	555		(60)	(49)			1,984	
Falck Energy Sa		90,237	30,361	1,084	119,001	(2,083)	2,870		1,894	
Illa - Redaelli Tecna Laminati SpA		9,803	19,994	565	5,357	1,445	492	1,355	21,703	10
Riesfactoring SpA		16	56,827	3	2,118	106		109	54,480	33
Sesto Siderservizi Srl			4,945	3	997	(161)	1,345	253	2,514	
<b>Indirectly controlled subsidiaries</b>										
Ambiente 2000 Srl		221	5,642	3	1,011	175	1,339	203	2,930	208
Ben Aketil Wind Energy Ltd (1)		769	12			(1)			782	
Boyndie Wind Energy Ltd (3)										
Cambrian Wind Energy Ltd (1)		73,316	5,621	128	(303)	2,333			76,954	81
Chalmerston Wind Power Ltd (3)										
Dunbeath Wind Energy Ltd (1)		626	31			(2)			659	
Earlsburn Mezzanine Ltd (3)										
Earlsburn Wind Energy Ltd (1)		1,295	32			(2)			1,329	
Ecosesto SpA		25,834	10,721	69	8,179	999	1,943	598	24,717	188
Elettroambiente SpA		1,197	37,196	6	1,093	246		31	37,029	
Eolica Cabezo San Roque Sa		17,920	2,712		950	(521)			19,959	244
Falck Energy International Ltd (in liquidation)			15		40	(38)			13	
Falck Financial Services Sa		9	2,318	16	2,218	46	79			
Falck Renewables Ltd		4,786	54,171	249	17,958	(3,590)	2,992		40,762	1,084
Falck Renewables Finance Ltd			9,197		1	(520)			9,712	4
Falck Renewables Italia Srl (3)										
Falck Renewables UK Holdings (No.1) Ltd		21,096	2,663		(879)	(2,203)			26,841	
Kingsburn Wind Energy Ltd (3)										
Limmer Hill Wind Energy Ltd (3)										
Mellock Hill Wind Energy Ltd (1)		722	15			(2)			739	
Millenium Wind Energy Ltd (1)		1,076	4			(2)			1,082	
Montalto Ambiente SpA	362	10	648	2	269	78		22	653	
Nutberry Wind Energy Ltd (1)		592	33			(2)			627	
Platani Energia Ambiente ScpA	6	15,533	661		120	(89)			16,153	16
Portclair Wind Energy Ltd (3)										
Prima Srl		83,940	27,242	62	11,243	6,415	860	21	92,668	37
Sell Moor Wind Energy Ltd (1)			5						5	
Strath Brora Wind Energy Ltd (1)		1,179	15			(2)			1,196	
Tifeo Energia Ambiente ScpA		25,055	2,236		120	(107)			27,273	5
<b>Associates</b>										
Ambiente 3000 Srl		199	909	4	119	(13)			630	376
Eolica Lucana Srl (2)		34	18		10	(3)			45	
Fruzzo Energia Ambiente Srl		124,039	29,995	428	18,148	9,044	750	989	125,149	382
Gsa Scarl (in liquidation)			1,495		11				1,484	
Lonardi Costruzioni Srl (in liquidation) (2)			1,307	31	494	385	155		304	
Nuevos Parque Eolicos La Muela AIE		5	37		6				36	
Palermo Energia Ambiente ScpA		18,636	3,052	11	882	(547)			21,284	80
Pareh Sar Gmbh (2)			142		10	(1)			132	
Parque Eolico La Carracha SI		41,172	5,103		1,880	1,026	885		42,484	
Parque Eolico Plana de Jarreta SI		40,703	5,180		1,162	1,399	885		42,437	
Termini Imerese Energia Ambiente Srl	70		13		83	(12)			12	

(1) Information relates to financial statements at 31.7.2005

(2) Information relates to financial statements at 31.12.2004

(3) Company has not yet prepared financial statements

## Profit and loss account

	Production revenues	Production costs	Financial income and charges	Adjustments to the value of financial assets	Extraordinary income and expenses	Taxes	Profit (loss) for the year
<i>(Euro thousands)</i>							
<b>Directly controlled subsidiaries</b>							
Actelios SpA	3,291	(7,538)	4,149		1,003	397	1,302
Falck Acciai - CNS SpA	37,656	(37,143)	(311)		12	(164)	50
Falck Energy Iran Sa		(16)	(33)				(49)
Falck Energy Sa		(267)	1,054	(2,870)			(2,083)
Itla - Redaelli Tecna Laminati SpA	44,986	(42,170)	(296)		2	(1,077)	1,445
Riesfactoring SpA	542	(1,100)	900		(45)	(191)	106
Sesto Siderservizi Srl	247	(410)	(107)			109	(161)
<b>Indirectly controlled subsidiaries</b>							
Ambiente 2000 Srl	12,036	(11,591)	(11)		4	(263)	175
Ben Aketil Wind Energy Ltd (1)		(1)					(1)
Boyndie Wind Energy Ltd (3)							
Cambrian Wind Energy Ltd (1)	13,059	(4,259)	(5,370)			(1,097)	2,333
Chalmerston Wind Power Ltd (3)							
Dunbeath Wind Energy Ltd (1)		(2)					(2)
Earlsburn Mezzanine Ltd (3)							
Earlsburn Wind Energy Ltd (1)		(2)					(2)
Ecosesto SpA	26,246	(23,610)	(964)		201	(874)	999
Elettroambiente SpA	2,393	(2,124)	(871)		747	101	246
Eolica Cabezo San Roque Sa	3,820	(3,041)	(1,300)				(521)
Falck Energy International Ltd (in liquidation)		(38)					(38)
Falck Financial Services Sa	1,132	(1,090)	23			(19)	46
Falck Renewables Ltd		(4,533)	2,384		(2,551)	1,110	(3,590)
Falck Renewables Finance Ltd		(18)	(495)			(7)	(520)
Falck Renewables Italia Srl (3)							
Falck Renewables UK Holdings (No.1) Ltd			(2,196)			(7)	(2,203)
Kingsburn Wind Energy Ltd (3)							
Limmer Hill Wind Energy Ltd (3)							
Mellock Hill Wind Energy Ltd (1)		(2)					(2)
Millenium Wind Energy Ltd (1)		(2)					(2)
Montaito Ambiente SpA	752	(658)	(8)			(8)	78
Nutberry Wind Energy Ltd (1)		(2)					(2)
Platani Energia Ambiente ScpA		(384)	(124)			162	(346)
Portclair Wind Energy Ltd (3)							
Prima Srl	37,695	(23,515)	(3,645)		40	(4,160)	6,415
Sell Moor Wind Energy Ltd (1)		(819)			819		
Strath Brora Wind Energy Ltd (1)		(2)					(2)
Tifeo Energia Ambiente ScpA	8	(388)	(167)			171	(376)
<b>Associates</b>							
Ambiente 3000 Srl	563	(604)	7			21	(13)
Eolica Lucana Srl (2)		(3)					(3)
Frullo Energia Ambiente Srl	38,640	(18,858)	(4,830)		(3)	(5,905)	9,044
Gsa Scarl (in liquidation)	67	(45)	(5)			(17)	
Lonardi Costruzioni Srl (in liquidation) (2)	1	(348)	7		725		385
Nuevos Parque Eolicos La Muela AIE	351	(351)					
Palermo Energia Ambiente ScpA	1	(490)	(261)			203	(547)
Pareh Sar GmbH (2)		(2)	1				(1)
Parque Eolico La Carracha SI	9,184	(8,158)					1,026
Parque Eolico Plana de Jarreta SI	8,687	(7,288)					1,399
Termini Imerese Energia Ambiente Srl		(12)					(12)

(1) Information relates to financial statements at 31.7.2005

(2) Information relates to financial statements at 31.12.2004

(3) Company has not yet prepared financial statements

### 6.3.3 Reclassified summary profit and loss account

<i>(Euro thousands)</i>	31.12.2005	31.12.2004	Change
<b>Industrial revenues and income</b>			
Revenues from sales	1,361	1,966	(605)
Other income	74	112	(38)
	<b>1,435</b>	<b>2,078</b>	<b>(643)</b>
Variations in work in progress, semi-finished and finished products and goods			
<b>Value of industrial production</b>	<b>1,435</b>	<b>2,078</b>	<b>(643)</b>
Capitalised costs			
<b>Total value of production for the year</b>	<b>1,435</b>	<b>2,078</b>	<b>(643)</b>
Purchase of raw materials, semi-finished products and goods	(257)	(145)	(112)
Variations in inventory of raw materials, semi-finished and finished products and goods			
Services costs	(6,964)	(6,967)	3
Utilities and sundry costs	(2,556)	(1,881)	(675)
Expenses re-charged	4,278	3,296	982
Indirect taxes	(62)	(38)	(24)
<b>Added value</b>	<b>(4,126)</b>	<b>(3,657)</b>	<b>(469)</b>
Personnel costs	(5,033)	(4,160)	(873)
<b>Gross operating margin</b>	<b>(9,159)</b>	<b>(7,817)</b>	<b>(1,342)</b>
Depreciation relating to operations	(169)	(193)	24
Bad debts provision			
<b>Operating result</b>	<b>(9,328)</b>	<b>(8,010)</b>	<b>(1,318)</b>
Financial income and charges	950	(1,852)	2,802
Real estate income and charges	(3)	9	(12)
Equity investments income and charges	29,424	3,576	25,848
Non-operating income and charges	(14,468)	21,058	(35,526)
<b>Profit for the year before tax</b>	<b>6,575</b>	<b>14,781</b>	<b>(8,206)</b>
Tax	954		954
<b>Profit for the year</b>	<b>7,529</b>	<b>14,781</b>	<b>(7,252)</b>

## 6.3.4 Reclassified analytical profit and loss account

(Euro thousands)

<i>Profit and loss account reference</i>	31.12.2005	31.12.2004	Change
<b>Industrial revenues and income</b>			
<i>Revenue from sales</i>			
1 Revenues from sales and services	1,045	1,247	(202)
5b Other operating income	316	719	(403)
<i>Total</i>	1,361	1,966	(605)
<i>Other income</i>			
5a Grants received			
5d Sundry revenues	74	112	(38)
<i>Total</i>	74	112	(38)
	1,435	2,078	(643)
<i>Variation in work in progress, semi-finished and finished products and goods</i>			
2 Variation in work in progress of semi-finished and finished products			
3 Variation in contract work in progress			
<i>Total</i>			
<b>Value of production</b>	<b>1,435</b>	<b>2,078</b>	<b>(643)</b>
<i>Capitalised costs</i>			
4a From production and inventory			
4b Capitalised interest			
<i>Total</i>			
<b>Total value of production for the year</b>	<b>1,435</b>	<b>2,078</b>	<b>(643)</b>
<i>Purchase of raw materials, semi-finished products and goods</i>			
6 Raw, accessory and ancillary materials and goods	(257)	(145)	(112)
<i>Variation in inventory of raw materials, semi-finished and finished products and goods</i>			
11 Variation in raw, accessory and ancillary materials and goods			
<i>Services costs</i>			
7a Services	(6,964)	(6,967)	3
<i>Utilities and sundry costs</i>			
7b Utilities	(127)	(72)	(55)
7c Sundry costs	(808)	(730)	(78)
8 Rentals and leasing charges	(1,101)	(604)	(497)
13 Other provisions			
14e Other operating charges - other	(520)	(475)	(45)
<i>Total</i>	(2,556)	(1,881)	(675)
<i>Expenses re-charged</i>			
5c Costs recovered	4,278	3,296	982
<i>Indirect taxes</i>			
14a Indirect taxes	(62)	(38)	(24)
<b>Added value</b>	<b>(4,126)</b>	<b>(3,657)</b>	<b>(469)</b>
<i>Personnel costs</i>			
9 Total personnel costs	(5,033)	(4,160)	(873)
<i>Total</i>	(5,033)	(4,160)	(873)
<b>Gross operating margin</b>	<b>(9,159)</b>	<b>(7,817)</b>	<b>(1,342)</b>

(Euro thousands)

<i>Profit and loss account reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<i>Financial income and charges</i>			
16 Total other financial income	8,892	9,793	(901)
-16cc2 Reclassification of gains on disposal of securities		(30)	30
17 Interest expense and other financial charges	(8,153)	(11,615)	3,462
-17f Reclassification of losses on disposal of equity investments			
-17g Reclassification of losses on disposal of securities			
17bis Gains and losses on exchange	211		211
<i>Total</i>	<b>950</b>	<b>(1,852)</b>	<b>2,802</b>
<i>Real estate income and charges</i>			
5e Real estate revenue	6	13	(7)
14b Real estate charges	(9)	(4)	(5)
<i>Total</i>	<b>(3)</b>	<b>9</b>	<b>(12)</b>
<i>Equity investment income and charges</i>			
18a Revaluations of equity investments	5,512	2,657	2,855
19a Write down of equity investments	(43)	(1,500)	1,457
15 Total income from equity investments	23,955	2,419	21,536
-15e Reclassification of gains on disposal of equity investments			
<i>Total</i>	<b>29,424</b>	<b>3,576</b>	<b>25,848</b>
<i>Non-operating income and charges</i>			
5f Gains from ordinary operations			
5g Windfall income	87	1,168	(1,081)
10c Write down of fixed assets			
10e Utilisation of bad debt provision included with current assets	143		143
10f Bad debts	(207)		(207)
12a Provision for ongoing lawsuits			
12b Utilisation of provision for ongoing lawsuits	33	21	12
14c Losses from ordinary operations			
14d Windfall charges	(107)	(100)	(7)
15e Gains on disposal of equity investments			
16cc2 Gains on disposal of securities		30	(30)
17g Losses on disposal of securities			
17f Losses on disposal of equity investments			
18 Adjustments to financial assets			
19b Write down of financial assets included as fixed assets			
19c Write down of securities included as current assets			
20a Gains from extraordinary disposals	1,583	18,972	(17,389)
20b Other extraordinary income	1,710	2,608	(898)
20c Utilisation of provision for reorganisation and liquidation costs			
21a Losses from extraordinary disposals	(19)	(34)	15
21b Tax relating to prior financial years		(34)	34
21c Other extraordinary charges and provision for other risks	(17,691)	(1,573)	(16,118)
21d Reorganisation and liquidation costs			
<i>Total</i>	<b>(14,468)</b>	<b>21,058</b>	<b>(35,526)</b>
<b>Profit for the year before taxation</b>	<b>6,575</b>	<b>14,781</b>	<b>(8,206)</b>
<i>Income tax</i>			
22 Tax on profit for the year	954		954
<b>Profit for the year</b>	<b>7,529</b>	<b>14,781</b>	<b>(7,252)</b>

### 6.3.5 Change in financial position

<i>(Euro thousands)</i>		31.12.2005	31.12.2004	Change
B III 2	Financial assets : receivables (excluding item f - guarantee deposits)			
B III 3	Financial assets : securities			
C II 2b	Current assets : financial receivables from subsidiaries	65,791	192,588	(126,797)
C II 3b	Current assets : financial receivables from associates	2,128	1,407	721
C II 4b	Current assets : financial receivables from parent company			
C II 5a	Current assets : financial receivables from others	30,204		30,204
C II 6b	Current assets : financial receivables from other group companies			
C III 5	Current financial assets : securities		15	(15)
C III 6	Current financial assets : bills receivable			
C IV	Liquid assets	52,884	223	52,661
D 1	Payables : bonds	(22,266)		(22,266)
D 2	Payables : convertible bonds	(9,152)	(9,152)	
D 3	Payables : shareholders' loans	(8)		(8)
D 3	Payables : banks	(59,027)	(205,227)	146,200
D 4	Payables : other financing creditors		(8)	8
D 7	Payables : bills payable			
D 8	Payables : subsidiaries	(92)		(92)
D 9 b	Payables : associates			
D 10 b	Payables : parent company			
D 14 b	Payables : other group companies			
<b>Total</b>		<b>60,462</b>	<b>(20,154)</b>	<b>80,616</b>

The financial position as at 31.12.2005 and 31.12.2004 is summarised below :

<i>(Euro thousands)</i>		31.12.2005	31.12.2004	Change
1	Medium and long term financial receivables			
2	Medium and long term financial payables	(61,418)	(178,179)	116,761
3	Medium and long term net financial position (1+2)	(61,418)	(178,179)	116,761
4	Short term financial receivables	151,007	194,233	(43,226)
5	Short term financial payables	(29,127)	(36,208)	7,081
6	Short term net financial position (4+5)	121,880	158,025	(36,145)
<b>7</b>	<b>Total net financial position (3+6)</b>	<b>60,462</b>	<b>(20,154)</b>	<b>80,616</b>

## 6.3.6 Cash flow statement

<i>(Euro thousands)</i>		31.12.2005	31.12.2004
<b>1</b>	<b>Profit for the year</b>	<b>7,529</b>	<b>14,781</b>
2	<i>Amortisation/Depreciation</i>	169	193
3	<i>Adjustment for extraordinary items not involving the movement of funds</i>		
	Write down of equity investments (net of revaluations)	(5,469)	(2,321)
	Write down of tangible and intangible assets	144	
	Deferred tax asset on prior years' provisions written off		
	Increase/(utilisation) of provision for equity investment risks		(313)
	Increase/(utilisation) of provision for reorganisation		
	Increase/(utilisation) of provision for other risks (receivables and other)	14,158	(2,580)
	<i>Total extraordinary items not involving the movement of funds</i>	<b>8,833</b>	<b>(5,214)</b>
4	<i>Realised extraordinary items</i>		
	(Gains)/losses on disposal of equity investments	(1,557)	(17,468)
	(Gains)/losses on disposal of tangible assets	(8)	7
	<i>Total realised extraordinary items</i>	<b>(1,565)</b>	<b>(17,461)</b>
<b>5</b>	<b>Operating cash flow (1÷4)</b>	<b>14,966</b>	<b>(7,701)</b>
6	Variations in working capital	13,219	(20,813)
7	(Increase)/decrease in guarantee deposits	(5)	1
8	Variation in employee severance indemnity	43	(158)
9	Additions to tangible and intangible assets	(387)	(162)
10	Purchase of equity investments	(762)	(33,874)
<b>11</b>	<b>Cash flow after financial charges and taxes (5÷10)</b>	<b>27,074</b>	<b>(62,707)</b>
12	Disposal of tangible assets (net book value)	1	26
13	Gains (losses) on disposal of tangible assets net of tax	8	(7)
14	Disposal of equity investments and own shares (book value)	557	20,132
15	Gains (losses) on disposal of equity investments	1,557	17,468
<b>16</b>	<b>Net cash flow (11÷15)</b>	<b>29,197</b>	<b>(25,088)</b>
17	(Increase)/reduction in the share capital of Group companies (received or paid)	53,328	(3,503)
18	Reduction in reserves following merger with family owned entities		
19	Decrease in shareholders' equity following de-merger		
20	Dividends paid	(1,909)	(1,778)
<b>21</b>	<b>Variation in net financial position (16÷20)</b>	<b>80,616</b>	<b>(30,369)</b>
<b>22</b>	<b>Financial position as at 31.12.2004 asset/(liability)</b>	<b>(20,154)</b>	<b>10,215</b>
<b>23</b>	<b>Financial position as at 31.12.2005 (21÷22) asset/(liability)</b>	<b>60,462</b>	<b>(20,154)</b>

## 6.3.7 Reclassified balance sheet – source and application of funds

### Application of funds

(Euro thousands)

Balance sheet reference		31.12.2005	31.12.2004	Change
<b>1</b>	<b>A Receivables from shareholders for unpaid share capital</b>			
	<b>Fixed assets</b>			
BI	Intangible assets	233	46	187
BII	Tangible assets			
	Gross	1,943	5,471	(3,528)
	Accumulated depreciation	(1,052)	(4,609)	3,557
	<b>Total tangible assets</b>	<b>891</b>	<b>862</b>	<b>29</b>
	<b>Financial assets</b>			
BIII1	Equity investments	148,934	197,731	(48,797)
CIII (1/2/3)	Equity investments (current assets)	32,087	30,975	1,112
BIII4	Own shares	12,187	12,157	30
CIII4	Own shares (current assets)			
	<b>Total equity investments and own shares</b>	<b>193,208</b>	<b>240,863</b>	<b>(47,655)</b>
B3b	Provision for equity investment risks	(5,687)	(5,687)	
BIII2f	Guarantee deposits	154	149	5
	<b>Total financial assets</b>	<b>187,675</b>	<b>235,325</b>	<b>(47,650)</b>
	<b>Total fixed assets and investments</b>	<b>188,799</b>	<b>236,233</b>	<b>(47,434)</b>
	<b>Provisions for risks and charges</b>			
B1	For pensions and similar obligations			
B2	For taxes			
B2a	Current			
B2b	Deferred			
	<b>Total provision for taxes</b>			
B3	Other			
B3a	Provision for ongoing law suits	(2,239)	(2,272)	33
B3c	Provision for environment improvements			
B3d	Provision for reorganisation and liquidation costs			
B3e	Other provisions	(47,704)	(33,369)	(14,335)
	<b>Total other provisions</b>	<b>(49,943)</b>	<b>(35,641)</b>	<b>(14,302)</b>
	<b>Total provisions for risks and charges</b>	<b>(49,943)</b>	<b>(35,641)</b>	<b>(14,302)</b>
<b>C</b>	<b>Employee severance indemnity</b>	<b>(774)</b>	<b>(731)</b>	<b>(43)</b>
<b>2</b>	<b>Net fixed assets</b>	<b>138,082</b>	<b>199,861</b>	<b>(61,779)</b>
CI	<b>Inventory</b>			
	Gross			
	Obsolescence provision			
	<b>Total net inventory</b>			
	<b>Trade receivables</b>			
CII	Net trade receivables			
	Gross	4,187	3,766	421
	Bad debts provision	(108)	(252)	144
	<b>Total net trade receivables</b>	<b>4,079</b>	<b>3,514</b>	<b>565</b>
	<b>Trade receivables from Group companies</b>			
CII2a	Subsidiaries	444	16,646	(16,202)
CII3a	Associates	3,933	2,641	1,292
CII4a	Parent company			
CII6a	Other Group companies			
	<b>Total trade receivables from Group companies</b>	<b>4,377</b>	<b>19,287</b>	<b>(14,910)</b>
	<b>Total net trade receivables</b>	<b>8,456</b>	<b>22,801</b>	<b>(14,345)</b>

(Euro thousands)

<i>Balance sheet reference</i>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
<b>Other receivables</b>			
<i>Group</i>			
CII2c Subsidiaries	1,333	563	770
CII3c Associates			
CII4c Parent company			
CII6c Other Group companies			
<i>Total other receivables from Group companies</i>	1,333	563	770
4bis Receivables from tax authorities	36,642	33,988	2,654
4ter Deferred tax asset			
CII5b From others - advance payments			
CII5c From others - other	25,049	25,315	(266)
<b>Total other receivables from Group companies</b>	<b>63,024</b>	<b>59,866</b>	<b>3,158</b>
<b>D Accrued income and prepaid expenses</b>	<b>134</b>	<b>250</b>	<b>(116)</b>
<b>Total current assets</b>	<b>71,614</b>	<b>82,917</b>	<b>(11,303)</b>
<b>Payables</b>			
D7 Trade payables	(4,509)	(4,504)	(5)
<i>Group companies</i>			
D9a Subsidiaries	(809)	(1,094)	285
D10a Associates			
D11a Parent company			
D15a Other Group companies			
<i>Total other payables to Group companies</i>	(809)	(1,094)	285
<b>Total trade payables</b>	<b>(5,318)</b>	<b>(5,598)</b>	<b>280</b>
<b>Other payables</b>			
<i>Group companies</i>			
D9c Subsidiaries	(2,889)	(406)	(2,483)
D10c Associates			
D11c Parent company			
D15c Other Group companies			
<i>Total other payables to Group companies</i>	(2,889)	(406)	(2,483)
<i>Others</i>			
D6 Advance payments received		(1)	1
D12 Tax liabilities	(201)	(199)	(2)
D13 Social security and national insurance	(386)	(395)	9
D14 Other payables - other	(3,203)	(3,497)	294
<i>Total other payables to others</i>	(3,790)	(4,092)	302
<b>Total other payables</b>	<b>(6,679)</b>	<b>(4,498)</b>	<b>(2,181)</b>
<b>E Accrued liabilities and deferred income</b>	<b>(989)</b>	<b>(976)</b>	<b>(13)</b>
<b>Total current liabilities</b>	<b>(12,986)</b>	<b>(11,072)</b>	<b>(1,914)</b>
<b>3 Working capital</b>	<b>58,628</b>	<b>71,845</b>	<b>(13,217)</b>
<b>4 Total invested capital (1+2+3)</b>	<b>196,710</b>	<b>271,706</b>	<b>(74,996)</b>

## Source of funds

(Euro thousands)

<i>Balance sheet reference</i>		31.12.2005	31.12.2004	Change
<b>A</b>	<b>Shareholders' equity</b>			
AI	Share capital	(72,742)	(72,742)	
AII	Share premium reserve	(28,655)	(28,685)	30
AIII	Revaluation reserve			
AIV	Legal reserve	(31,376)	(31,376)	
AV	Statutory reserve			
AVI	Reserve for own shares	(12,187)	(12,157)	(30)
AVII	Other reserves	(17,637)	(17,637)	
AVIII	(Profit)/Loss carried forward	(87,046)	(74,174)	(12,872)
	<i>Total</i>	<i>(249,643)</i>	<i>(236,771)</i>	<i>(12,872)</i>
AIX	(Profit)/Loss for the year	(7,529)	(14,781)	7,252
<b>1</b>	<b>Total shareholders' equity</b>	<b>(257,172)</b>	<b>(251,552)</b>	<b>(5,620)</b>
	<b>Medium/long term financial receivables (due after 12 months)</b>			
	<i>Third parties</i>			
BIII2d	Receivables from others			
BIII3	Securities			
CII5a	Financial receivables from others			
	<i>Total from third parties</i>			
	<i>Group companies</i>			
BIII2a	Subsidiaries			
BIII2b	Associates			
BIII2c	Parent company			
BIII2e	Other Group companies			
CII2b	Subsidiaries			
CII3b	Associates			
CII4b	Parent company			
CII6b	Other Group companies			
	<i>Total from Group companies</i>			
	<b>Total medium/long term financial receivables (due after 12 months)</b>			
	<b>Medium/long term financial payables (due after 12 months)</b>			
	<i>Third parties</i>			
D1	Bonds	(22,266)		(22,266)
D2	Convertible bonds	(9,152)	(9,152)	
D3	Shareholders' loans			
D4	Banks	(30,000)	(169,027)	139,027
D5	Other financing creditors			
D8	Bills payable			
	<i>Total financial payables to third parties</i>	<i>(61,418)</i>	<i>(178,179)</i>	<i>116,761</i>
	<i>Group companies</i>			
D9b	Subsidiaries			
D10b	Associates			
D11b	Parent company			
D15b	Other Group companies			
	<i>Total financial payables to Group companies</i>			
	<b>Total medium/long term financial payables</b>	<b>(61,418)</b>	<b>(178,179)</b>	<b>116,761</b>
	<b>Total medium/long term net financial position</b>	<b>(61,418)</b>	<b>(178,179)</b>	<b>116,761</b>

(Euro thousands)

<i>Balance sheet reference</i>	31.12.2005	31.12.2004	Change
<b>Short term financial receivables</b>			
<i>Third parties</i>			
BIII2d Short term receivables from third parties	30,204		30,204
CII5a Financial receivables from others			
CIII5 Securities		15	(15)
CIII6 Bills receivable			
<i>Total from third parties</i>	30,204	15	30,189
<i>Group companies</i>			
BIII2a Subsidiaries			
BIII2b Associates			
BIII2c Parent company			
BIII2e Other Group companies			
CII2b Subsidiaries	65,791	192,588	(126,797)
CII3b Associates	2,128	1,407	721
CII4b Parent company			
CII6b Other Group companies			
<i>Total from Group companies</i>	67,919	193,995	(126,076)
CIV <i>Liquid assets</i>	52,884	223	52,661
<b>Total short term financial receivables</b>	<b>151,007</b>	<b>194,233</b>	<b>(43,226)</b>
<b>Short term financial payables (due within 12 months)</b>			
<i>Third parties</i>			
D1 Bonds			
D2 Convertible bonds			
D3 Shareholders' loans	(8)	(8)	
D4 Banks	(29,027)	(36,200)	7,173
D5 Other financing creditors			
D8 Bills payable			
<i>Total to third parties</i>	(29,035)	(36,208)	7,173
<i>Group companies</i>			
D9b Subsidiaries	(92)		(92)
D10b Associates			
D11b Parent company			
D15b Other Group companies			
<i>Total to Group companies</i>	(92)		(92)
<b>Total short term financial payables (due within 12 months)</b>	<b>(29,127)</b>	<b>(36,208)</b>	<b>7,081</b>
<b>Total short term net financial position</b>	<b>121,880</b>	<b>158,025</b>	<b>(36,145)</b>
<b>2 Total net financial position</b>	<b>60,462</b>	<b>(20,154)</b>	<b>80,616</b>
<b>3 Total sources of funds (1+2)</b>	<b>(196,710)</b>	<b>(271,706)</b>	<b>74,996</b>

**Report of the statutory auditors  
on the financial statements of Falck SpA**

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Dear Shareholders,

The financial statements of the company for the year ended 31 December 2005 were submitted to the board of statutory auditors in compliance with legislation, together with the supplementary information and the directors' report.

The profit for the year amounts to Euro 7,528,839 and may be summarised in the following financial information:

*(Euro)*

<b>Total assets</b>		<b>417,105,731</b>
Liabilities	159,934,005	
Shareholders' equity (not including profit for the year)	249,642,887	
Profit for the year	7,528,839	
<b>Total liabilities</b>		<b>417,105,731</b>

Commitments, guarantees and other memorandum accounts:

*(Euro)*

Included in the balance sheet	46,790,352
Off-balance sheet	68,400,105

The profit and loss account headings may be summarised as follows:

*(Euro)*

- Value of production	5,806,146	
- Production costs	(15,189,573)	
Difference		(9,383,427)
- Financial income and charges	24,905,692	
- Adjustments to financial assets	(8,947,972)	
	15,957,720	
Profit before taxation		6,574,293
Tax on profit		954,546
<b>Profit for the year</b>		<b>7,528,839</b>

The work of the board of statutory auditors was carried out in accordance with the principles recommended by the Consiglio Nazionale dei Dottori Commercialisti (Italian Institute of Chartered Accountants), and with reference to legislation governing the preparation of financial statements, interpreted with and integrated by correct accounting principles issued by the Consiglio Nazionale dei Dottori Commercialisti and the Consiglio Nazionale dei Ragionieri (Italian registered auditors).

The notes to the financial statements confirm that no departures were made as set out in article 2423 of the Italian Civil Code and that the accounting policies adopted comply with regulations governing the preparation of financial statements.

The financial statements, together with the directors' report, correspond with the accounting records and entries and the valuation of the company's assets was carried out in accordance with the criteria set out in article 2426 of the Italian Civil Code.

During the year the board of statutory auditors carried out controls on the administrative functions and confirmed compliance with legislation and the articles of association, through participation at the meetings of the board of directors and the executive committee and performing the activities set out in article 2403 of the Italian Civil Code.

On the basis of these controls the board of statutory auditors did not identify any departures from civil, fiscal, social security or statutory requirements.

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In addition, the board of statutory auditors confirms the following:

1. regular contact took place with the independent auditors who did not bring to our attention any exceptional matters or observations;
2. the board of directors kept the statutory auditors informed of significant matters relating to the management of the company, its subsidiaries and related parties, which took place in accordance with legislation, company statute and in conformity with the company's designated activities per the articles of association;
3. the administrative structure of the company, the related roles and the controls in place are appropriate to the size of the company;
4. Instructions to the subsidiaries and contracts with related parties are correct and suitable with regard to intra-group transactions;
5. With reference to the new consolidated text on privacy, the company has met all of the requirements stipulated by Legislative Decree 196 in relation to both the company and its subsidiaries.

The board of statutory auditors

Sesto San Giovanni, 13 April 2006

**6.5 Report of the External Auditors  
on the Financial Statements of Falck SpA**



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409TER OF THE CIVIL CODE**

To the shareholders of  
FALCK SpA

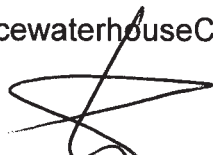
- 1 We have audited the financial statements of Falck SpA as of 31 December 2005. These financial statements are the responsibility of Falck SpA's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
  
- 2 We conducted our audit in accordance with auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 8 April 2005.

- 3 In our opinion, the financial statements of Falck SpA as of 31 December 2005 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the result of operations of the Company.

Milan, 13 April 2006

PricewaterhouseCoopers SpA



Pierangelo Schiavi  
(Partner)

*This report has been translated from the original which was issued in accordance with Italian law.*