



> Half Year Report
as of June 30, 2006

EnerTAD SpA

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Share Capital Euro 94,870,629.00 fully paid-in.
Reg. N. at the Tribunal of Milan: 1078902
Fiscal Code 00276450632
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> I. Company Officers

Board of Directors

Russo Salvatore	<i>Chairman and Managing Director</i>
Panella Paolo	<i>Vice Chairman and Managing Director</i>
Bonamigo Mario	<i>Director</i>
Cimoli Giancarlo	<i>Director</i>
Colleoni Gastone	<i>Director</i>
Loli Giorgio	<i>Director</i>
Monti Ernesto	<i>Director</i>

Board of Statutory Auditors

de Ruvo Marco	<i>Chairman of the Board</i>
della Fontana Alessandro	<i>Standing member</i>
Tavormina Carlo	<i>Standing member</i>
De' Mozzi Myrta	<i>Alternate member</i>
Messina Gioacchino	<i>Alternate member</i>

Secretary of the Board

Lodola Danilo

Independent audit firm

Deloitte & Touche SpA

> 2. Director's Report

as at June 30, 2006

2. Director's Report

2.1 Summary of the results

The half-year report as at June 30, 2006 was prepared in accordance with international accounting standards (IAS/IFRS). The financial statements at June 30, 2005 were appropriately adjusted for comparative purposes.¹

The **consolidated net result for the first half of 2006** was a profit of Euro 1 million (compared to a net loss of Euro 6.3 million in the first half of 2005).

In the first half of 2006, the strategic and operational activities continued in relation to the implementation of the Industrial Plan and, in particular, to the finalisation of the actions for the Group's strategic repositioning and the re-equilibrium of the financial structure through the sale of the "Steel" and "Waste-to-energy/Waste management" businesses and of the company Omnia Srl ("Water services" business).

On May 31, 2006, Enertad SpA has completed the sale of Enertad France Sas, the parent company of the Group's "Steel" division, to the company ASBM Ltd., a US investment company led by a group of investors operating in the metals distribution sector. The sale of the investment in Enertad France, effective as of January 1, 2006, was for a price equal to the consolidated net equity of Enertad France Sas at May 31, 2006, equal to Euro 58.2 million. This price, together with third party financial payables as at May 31, 2006 of Euro 39.7 million which were transferred to the buyer; resulted in an enterprise value of Euro 97.9 million. The buyer made an initial payment of Euro 50 million on May 31, 2006, while the balance of Euro 8.2 million was paid with Euro 3.2 million on September 11, 2006 and the residual Euro 5 million is currently being transferred to the bank account of Enertad SpA. The operation generated a gain in both the consolidated accounts and the Group Parent Company Enertad SpA at June 30, 2006.²

¹ The Group has adopted international accounting standards as from the annual and interim accounts in 2005.

² Further details in relation to the sale of the investment in Enertad France Sas are contained in the Information Document prepared in accordance with article 71 of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments, available to the public since June 15, 2006. However, it should be noted that the result for the first five months of 2006 and the shareholders' equity at May 31, 2006 as reported in the Information Document, differ from the actual results as they related to estimates and are determined in accordance with the prudence principle.

On May 22, 2006, the contract was signed for the sale to the company Acea SpA of the investment in TAD Energia Ambiente SpA, the parent company in the "Waste-to-energy" and "Waste management"³ businesses. The sale, completed on July 4, 2006, was for a price equal to the difference between (i) the enterprise value contractually agreed of Euro 149.5 million and (ii) the consolidated net financial position of TAD Energia Ambiente at June 30, 2006 adjusted as contractually agreed. As on July 4, 2006, the consolidated net financial position at June 30, 2006 was not yet determined, the net financial position was estimated as equal to that as at December 31, 2005 which was a debt position of Euro 135.6 million; this therefore gave rise to a provisional value of Euro 13.9 million for the sales price of the investment. This value was recognised by Acea SpA on July 4, 2006, in addition to the repayment of the financial payables of TAD Energia Ambiente and its subsidiaries to Enertad SpA equal to Euro 85 million. On the completion of the contractual period, the definitive consolidated net financial position at June 30, 2006 was determined as a debt position of Euro 129.6 million; the decrease of Euro 6 million compared to December 31, 2005 constitutes a balance in favour of Enertad SpA and increases the sales price of the investment from the provisional Euro 13.9 million to the definitive Euro 19.9 million. This balance, still to be agreed upon with the buyer, will be recognised in cash shortly. Finally, Acea SpA undertook third party financial payables equal to Euro 41.3 million net of some accounting adjustments contractually agreed upon.

The sale of TAD Energia Ambiente generates a gain in the consolidated accounts (which will be recorded in the quarterly report as at September 30, 2006) and a loss in the Group Parent Company, already recorded in the company's separate accounts attached to the present half-year report. The adoption of this different treatment arises from the application of current accounting standards in which it is necessary to write down the values of the investments available for sale to their realisable value (including the estimate of transaction costs) while recording the consolidated gain in the following quarter:⁴

On May 30, 2006, the 100% investment in Omnia Srl, operating in the "Water services" business, was sold to the company Acea SpA, for a payment of Euro 0.1 million and the payment of the financial payables of Omnia to Enertad SpA of Euro 2.3 million.

The **consolidated net financial debt** at June 30, 2006 was Euro 150 million, a decrease of Euro 85.5 million compared to December 31, 2005 (Euro 235.5 million) of which Euro 105.1 million was "non recourse" (project financing). The significant improvement is due to (i) the deconsolidation of the net debt of the "Steel" business consequent of the sale of Enertad France on May 31; (ii) the receipt of the first instalment on the sale of this investment.

The full impact of the sales on the debt is evident from the **pro-forma net financial position of Enertad Group at June 30, 2006**, which shows a positive position of Euro 4.5 million due to: (i) the receipt of the second instalment for the sale of Enertad France Sas; (ii) the receipt of the payment for the sale of TAD Energia Ambiente and the repayment of intercompany receivables; (iii) simultaneous deconsolidation of the net financial debt of TAD Energia Ambiente and its subsidiaries.

Enertad SpA will utilise the liquidity from the sales firstly for the repayment of the convertible bond of Euro 76.4 million due on November 30, 2006 and, secondly, to the development of Enertad SpA's core businesses in the wind sector, where the company wishes to focus its activities.

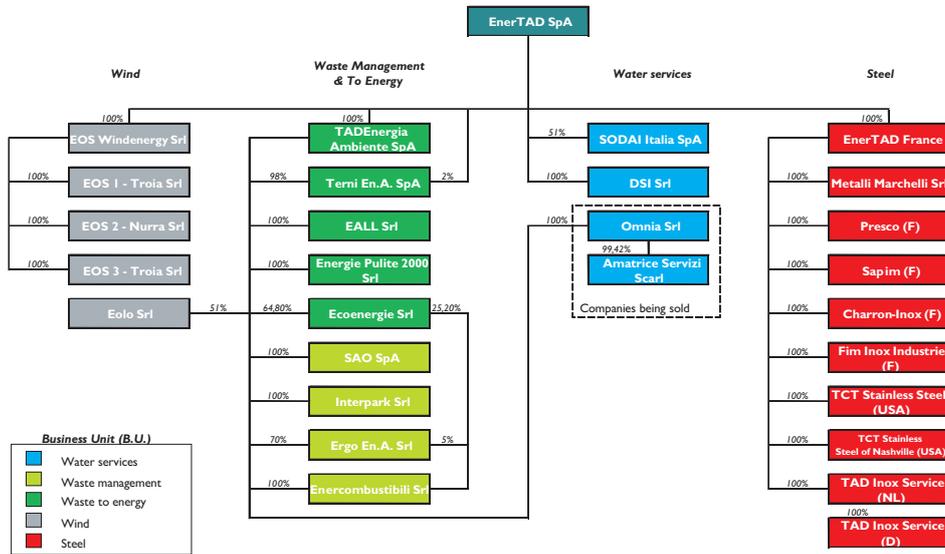
On June 15, 2006 the companies EOS 4 Faeto Srl and EOS 5 Tursi Colobraro Srl were founded. These belong to the "Wind" business and were set up for the development of the wind parks recently acquired.

The **consolidation scope** as at June 30, 2006 has changed significantly compared to the first half-year of 2005. The corporate structure is shown below at 31/12/05, at 30/06/06 and at 4/07/06.

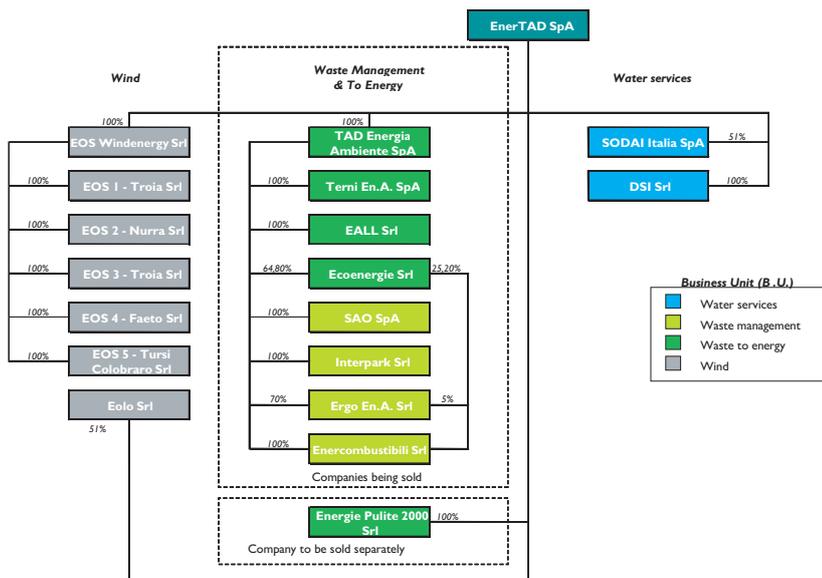
3 Before the closing, TAD Energia Ambiente SpA sold to Enertad SpA its investment in the companies Eolo Srl (operating in the "Wind" sector; core business of Enertad) and Energie Pulite 2000 Srl (real estate company relating to a "Waste to energy" project no longer realisable) which will be sold separately. At the same time, TAD Energia Ambiente SpA acquired from Enertad SpA the residual shareholding, equal to 2% of the share capital, of Terni En.A. SpA.

4 Further details in relation to the sale of the investment in TAD Energia Ambiente SpA are contained in the Information Document prepared in accordance with article 71 of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments, available to the public since July 19, 2006. However, it should be noted that the result as reported in the Information Document, differ from the actual results as they related to estimates and are determined in accordance with the prudence principle.

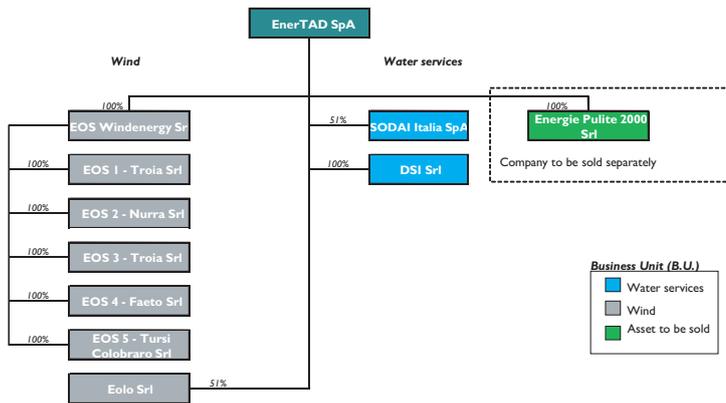
EnerTad Group – Consolidation area at 31/12/06



EnerTad Group – Consolidation area at 30/06/06



EnerTad Group – Consolidation area at 04/07/06



Based on the above-mentioned operations, the data of the consolidated income statement and balance sheet shown below, and commented upon, were prepared adopting the following criteria:

Consolidation scope

Business	Stato	Half-Year Report 2006	
		Income statement	Balance sheet
Wind-parks	in course	consolidated (normal operations) *	consolidated *
Waste to energy	sold 04/07/06	consol. (discontinued operations) **	consolidated **
Waste management	sold 04/07/06	consol. (discontinued operations) **	consolidated **
Water services	in course	consol. (normal operations) *	consolidated *
Steel	sold 31/05/06	consol. (discontinued operations) **	deconsolidated

(*) consolidated by the line-by-line method

(**) in the consolidated balance sheet "Assets available for sale" and "Liabilities related to assets available for sale"; in the income statement under "Result from discontinued operations"

Following the adoption of the above criteria, the Group consolidated results were as follows:

a. Continuing operations

- > The **Ebit**, was a profit of Euro 4.7 million (an increase of Euro 5.2 million compared to the first half of 2005); this includes a non-recurring risk provision of Euro 1.5 million as guarantee against possible losses on the extraordinary disposal operations.
- > The **net result** was a profit of Euro 0.6 million (an increase of Euro 3 million compared to the first half of 2005).

b. Discontinued operations

- > The **net result** was a profit of Euro 0.3 million (an increase of Euro 4.2 million compared to the first half of 2005).

c. Net result

- > The **total net result (continuing and discontinued operations)** was a profit of Euro 1 million (compared to a net loss of Euro 6.3 million in the first half of 2005).

(€/000)

	2 nd Quarter			First Half Year		
	2006	2005	Changes	2006	2005	Changes
Revenues - normal operations	7,015	4,171	2,844	16,458	6,942	9,516
Ebitda from normal operations	3,198	1,264	1,934	9,206	1,252	7,954
% on revenues	45.6%	30.3%	68.0%	55.9%	18.0%	83.6%
Ebit from normal operations	314	27	287	4,736	(451)	5,187
Net result from normal operations	(1,597)	(1,288)	(309)	631	(2,410)	3,041
Net result from discontinued operations	(2,285)	(3,652)	1,367	345	(3,846)	4,191
Result for the period	(3,882)	(4,940)	1,058	976	(6,256)	7,232
<i>of the Group</i>	(3,964)	(4,742)	778	763	(6,059)	6,822
<i>of third parties</i>	82	(198)	280	213	(197)	410

N.B.: the comparison of first half 2006/first half 2005 is made on the same consolidation areas

2.2 Results of the Enertad Group

I. Revenues from sales and services from continuing operations in the first half of 2006, amounting to Euro 16.5 million, increased by Euro 9.5 million compared to the revenues in the first half of 2005 (+137.1%). The increase was principally due to the "Wind" business.

Revenues from normal operations	(€/000)					
	2 nd Quarter			First Half Year		
	2006	2005	Changes	2006	2005	Changes
Wind-parks	5,691	2,869	2,822	13,557	4,740	8,817
Water services	1,311	1,245	66	2,888	2,124	764
Holding	13	57	(44)	13	78	(65)
TOTAL	7,015	4,171	2,844	16,458	6,942	9,516

> **"Wind"**: The increase of Euro 8.8 million in revenues in the "Wind" business in the first half of 2006 compared to the same period in 2005 (+186%), from Euro 4.7 million to Euro 13.6 million, is firstly as a result of full production at the Troia San Vincenzo wind-park (installed power of 38 MW from 19 wind-turbines of 2MW's each), while the first half of 2005 saw the gradual entry into production of the wind-turbines completed in April. The full production levels resulted in an increase in production of 11,889 MWh (+42.7%) compared to the first half of 2005 from 27,843 MWh to 39,732 MWh.

Secondly, in February, the new wind-park at Troia San Cireo (with installed power of 30 MW distributed from 15 wind-turbines of 2 MW each) gradually entered into production from December 2005, reaching full capacity and contributing to revenues in the first half of 2006 with 31,160 MWh produced and sold.

Finally, revenues in the "Wind" business were generated by the Viticuso park, belonging to the company Eolo Srl (9 MW), with production increasing from 2,386 MWh to 5,462 MWh thanks to an optimised management of the wind-park through a control software of the wind-turbines. However, the production continues to be lower than the project potential due to the limitation to 3.5 MW of the transport capacity of the transmission line (the new electricity line will be completed by the end of 2006).

Wind-park production (Energy sold)	(€/000)					
	2 nd Quarter			First Half Year		
	2006	2005	Changes	2006	2005	Changes
Troia San Vincenzo	15,282	17,469	(2,187)	39,732	27,843	11,889
Troia San Cireo	13,934	0	13,934	31,160	0	31,160
Viticuso	1,763	921	842	5,462	2,386	3,076
TOTAL	30,979	18,390	12,589	76,354	30,229	46,125

Also contributing to the growth in revenues was the increase in the electricity sales price which increased from approximately Euro 55 per MWh in the first half of 2005 to approximately Euro 71 per MWh in the second half of 2006, as well as the increase in the green certificate prices (Euro 108.9 per MWh equal to the GRTN reference price of 2005 compared to Euro 97 per MWh in the first half of 2005).

However, from an analysis of the production in the second quarter, it is noted that the period was not particularly windy, impacting upon revenues in the first half-year in all the wind-parks.

> **"Water services"**: Revenues in the "Water services" business increased by Euro 0.8 million compared to the first half of 2005, from Euro 2.1 million to Euro 2.9 million in the first half of 2006 (+35.6%). The increase is principally due to the increase in revenues in the company DSI Srl from Euro 0.1 million in the first half of 2005 to Euro 0.7 million in the first half of 2006, as the company benefited from the gradual recovery in volumes treated during 2006 and to the conferment of a business division from Omnia Srl as of January 1, 2006.

2. EBITDA from consolidated continuing operations in the first half of 2006, equal to Euro 9.2 million, increased by Euro 8 million compared to the same period in 2005 (+635.31%). The improvement is principally due to the "Wind" business.

Ebitda from normal operations (EBITDA)	(€/000)					
	2 nd Quarter			First Half Year		
	2006	2005	Changes	2006	2005	Changes
Wind-parks	4,908	2,606	2,302	11,973	4,101	7,872
Water services	14	(74)	88	196	(172)	368
Holding	(1,724)	(1,268)	(456)	(2,963)	(2,677)	(286)
TOTALE	3,198	1,264	1,934	9,206	1,252	7,954

- > **"Wind"**. The increase in the EBITDA of Euro 7.9 million compared to the first half of 2005 (+192%) is due to the reasons already described in relation to revenues.
- > **"Water services"**. The EBITDA in the "Water services" business in the first half of 2006 was Euro 0.2 million compared to a negative EBITDA of Euro 0.2 million in the first half of 2005. This is due to the increase in revenues in the company DSI Srl as previously described.
- > **"Holding"/"Energie Pulite"**. The negative EBITDA in the first half of 2006 of Euro 3 million, a decrease of Euro 0.3 million compared to first half of 2005 is principally due to higher administration costs of Euro 0.2 million incurred by Enertad SpA for activities and projects of an extraordinary and non-recurring nature.

3. The consolidated EBIT from continuing operations, equal to Euro 4.7 million, increased by Euro 5.2 million, compared to the first half of 2005 when the result was a loss of Euro 0.5 million. The result includes Euro 3 million for amortisation and depreciation, an increase of Euro 1.8 million compared to June 30, 2005, following the new investments made in the "Wind" business, with the depreciation increasing from Euro 1.1 million in the first half-year of 2005 to Euro 2.7 million in the first half-year of 2006; in addition, a non-recurring risk provision of Euro 1.5 million was made in the holding company Enertad SpA relating to the extraordinary operations.

Ebit from normal operations	(€/000)					
	2 nd Quarter			First Half Year		
	2006	2005	Changes	2006	2005	Changes
Wind-parks	3,577	1,979	1,598	9,264	3,048	6,216
Water services	(78)	(86)	8	(24)	(191)	167
Holding/Energie Pulite	(1,685)	(1,866)	181	(3,004)	(3,308)	304
SUB TOTAL	1,814	27	1,787	6,236	(451)	6,687
Non-recurring provision relating to the extraordinary operations	(1,500)	0	(1,500)	(1,500)	0	(1,500)
TOTAL	314	27	287	4,736	(451)	5,187

4. The net result from continuing operations, amounting to Euro 0.6 million, increased by Euro 3 million compared to the first half of 2005. The result includes net financial charges of Euro 3.6 million, an increase of Euro 1.9 million compared to the first half of 2005; this is due to: (i) a strong reduction in the financial income which in the first half of 2005 matured interest on receivables from the shareholder TAD Fin SpA collected through the execution of the related guarantee in November 2005; (ii) an increase in the net debt; (iii) an increase in the cost of borrowing. Finally, the result includes income taxes of Euro 0.5 million, an increase of Euro 0.2 million compared to the same period in 2005 and relating to IRAP for the period.

5. The **net result from discontinued operations** relating to the first half of 2006, amounting to Euro 0.3 million, increased by Euro 4.2 million compared to June 30, 2005, which ended with a loss of Euro 3.8 million. A detailed breakdown of the costs and revenues are shown below:

Net result from discontinued operations	(€/000)
Result Omnia Srl 01/01/06-31/05/06	(187)
Consolidated result TAD Energia Ambiente SpA 01/01/06-30/06/06	(1,565)
Total result of discontinued operations	(1,752)
Gain on sale of investment in Omnia Srl	242
Gain on sale of investment in Enertad France Sas	2,829
<small>(as difference between the carrying value of € 55,422 and the sales price of € 58,250 already included in the result at 01/01/06-31/05/06 for € 5,988)</small>	
Accessory costs on sale of investment in Enertad France Sas	(974)
Total gains on sale of investments *	2,097
Result from discontinued activities	345

(*) The gain/loss of the sale of TAD Energia Ambiente, on July 4, 2006, will be included in the quarter at September 30, 2006

In order to provide further information on the discontinued operations in the first half of 2006, information is provided below on the respective gross operating margins (EBITDA).

EBITDA from discontinued operations	(€/000)		
	First Half-Year		
	2006	2005	Cge.
Waste to energy	8,925	6,200	2,725
Waste management	166	(1,300)	1,466
Total	9,091	4,900	4,191

In the first half of 2006, the EBITDA in the "Waste to energy" business was Euro 8.9 million, an increase of Euro 2.7 million compared to the first half of 2005. This is due on the one hand to the increase in the CIP6 tariffs and, on the other to the efficiencies in both the waste-to-energy plants. In fact, in the first half of 2005 the waste-to-energy plant at Terni En.A. sustained losses in production due to technical problems subsequently resolved.

The "Waste management" business recorded an EBITDA of Euro 0.2 million in the first half of 2006, an increase of Euro 1.5 million compared to the first half of 2005. This positive performance is due, for both the landfill at "Le Crete" and the CDR production plant at Paliano (FR), to higher quantities of waste conferred and a different mix of waste which permitted the application of higher tariffs.

6. The **total consolidated net result (continuing and discontinued operations)** relating to the first half of 2006 was therefore equal to Euro 1 million, an increase of Euro 7.2 million compared to the first half of 2005, which recorded a loss of Euro 6.3 million.

7. **Personnel.** During the first half of 2006, following the sale of the "Steel" business and of the company Omnia, the total personnel decreased by 556, from 824 at December 31, 2005 to 268 at June 30, 2006. The sale of the "Waste-to-energy" and "Waste management" businesses, whose closing took place on July 4, 2006, resulted in a further reduction of 198 employees (from 268 at June 30, 2006 to 70 at July 4, 2006).

Employees				
	at 30/06/05	at 31/12/05	at 30/06/06	after sale of WTE & WM - 04/07/06
Steel	467	495	sold	sold
WTE & WM	208	201	198	sold
Water services	104	96	38	38
EnertTAD SpA + Wind	33	32	32	32
Total	812	824	268	70

2.2.1 Balance sheet

The balance sheet at June 30, 2006, after the deconsolidation of the "Steel" business which was sold on May 31, 2006, still includes the "Waste to energy" and "Waste management" businesses, classified in the accounts "Assets available for sale" and "Liabilities related to assets available for sale".

	(€/000)		
	at 30/06/06	at 31/12/05	Changes
A. Fixed assets	140,660	326,947	(186,287)
Tangible assets	92,087	225,538	(133,451)
Intangible assets	44,308	93,912	(49,604)
Financial assets	4,265	7,497	(3,232)
B. Working capital	164,357	62,681	101,676
Inventories	0	45,080	(45,080)
Trade receivables	4,118	81,314	(77,196)
Other assets	33,906	33,655	251
Assets available for sale	183,348	0	183,348
Trade payables	(13,876)	(57,957)	44,081
Provisions for risks and charges	(1,799)	(18,935)	17,136
Other liabilities	(3,596)	(20,476)	16,880
Liabilities related to activities available for sale	(37,744)	0	(37,744)
C. Capital employed less current liabilities (a+b)	305,017	389,628	(84,611)
D. Employee leaving indemnity	(424)	(2,365)	1,941
E. Capital employed less current liabilities and employee leaving indemnity (c+d)	304,593	387,263	(82,670)
Financed by:			
F. Own funds	(154,557)	(151,788)	(2,769)
Parent Company quota	(146,698)	(144,152)	(2,546)
Minority interest	(7,859)	(7,636)	(223)
G. Medium/long term loans	(85,212)	(110,400)	25,188
H. Net short term debt	(64,824)	(125,075)	60,251
Short-term bank payables	(102,186)	(118,277)	16,091
Liquid assets and short-term financial receivables	37,362	(6,798)	44,160
Total debt (g+h)	(150,036)	(235,475)	85,439

The financial structure of the Enertad Group at June 30, 2006 reports a net capital employed of Euro 304.6 million (Euro 387.3 million at December 31, 2005), of which 50.7% is covered by its own capital (39.2% at December 31, 2005) and 49.3% by the net financial debt (60.8% at December 31, 2005).

The **consolidated net debt** at June 30, 2006 amounted to Euro 150 million, a decrease of Euro 85.4 million compared to December 31, 2005, when the net debt amounted to Euro 235.5 million.

	(€/000)		
	at 30/06/06	at 31/12/05	Changes
Current financial assets	62,189	45,348	16,841
Current financial liabilities	(127,013)	(170,423)	43,410
Current financial position	(64,824)	(125,075)	60,251
Non-current financial assets	13,021	11,824	1,197
Non-current financial liabilities	(98,233)	(122,224)	23,991
Non-current financial position	(85,212)	(110,400)	25,188
Net financial position	(150,036)	(235,475)	85,439
<i>of non-recourse project financing</i>	<i>(105,092)</i>	<i>(103,820)</i>	
<i>percentage project financing on NFP</i>	<i>70%</i>	<i>44%</i>	

This improvement is due almost exclusively to the sale of the investment in Enertad France, the parent company of the "Steel" business, which on the one hand resulted in the deconsolidation of the net debt of this business of Euro 39.7 million and, on the other, the receipt of the sales price of the investment of Euro 50 million, with the balance to be received in September of a further Euro 8.2 million.

A part of the cash received from the sale of the "Steel" business, amounting to Euro 16 million, was utilised for the repayment of a loan on June 28, 2006, of an original amount of Euro 32 million, for which the lending banks had received a pledge, as guarantee, of the shares of TAD Energia Ambiente SpA amounting to 50% of the share capital. The release of this pledge was necessary for the sale to Acea SpA of the investment in TAD Energia Ambiente SpA, which was completed on July 4, 2006.

Finally, it should be noted the increase of the percentage on the net financial position of the project financing debt, which increased from 44% at December 31, 2005 to 70% at June 30, 2006.

The table below reports the principal changes in the debt at June 30, 2006 compared to December 31, 2005. Also included is the pro forma net financial position at June 30, 2006 post completion of the sales operations as previously described, which reports a positive position of Euro 4.5 million.

	(€/000)
Net financial position at 31/12/2005	(235,475)
Receipt from sale of Omnia Srl	2,745
Investments	(14,790)
Normal operations	5,886
Deconsolidation of "Steel" net debt	41,598
Receipt from sale of "Steel" business	50,000
Net financial position at 30/06/06	(150,036)
Deconsolidation of "WTE/WM" net debt	41,338
Receipt from sale of "WTE/WM" business	98,968
Balance received from sale of "Steel" business	8,250
Balance due from sale of "WTE/WM" business	5,931
Pro-forma net financial position at 30/06/2006	4,451

(*) to be agreed with the buyer. For further information reference should be made to the "Summary of the results"

As already described in the introduction, the liquidity from the sales will be utilised firstly for the repayment of the "Enertad 2003-2006 convertible" bond of Euro 76.4 million and the relative coupon of Euro 2.2 million, both due on November 30, 2006 and, secondly, to the development of Enertad SpA's core businesses in the wind sector, where the company wishes to focus its activities.

2.2.2 Most important operational events in the first half-year

The most important operational events in the first half-year of 2006 are illustrated below:

- > **"Wind"**: with the completion of the new wind-park at Troia San Cireo at the end of February, the total installed power is now 77 MW, including the 38 MW at the Troia San Vincenzo park and the 9 MW at the Eolo – Viticuso park.
On February 3, 2006, the construction and management rights were acquired for the wind park at Faeto in Puglia (authorised 24 MW); the contract was completed on June 22, 2006 with the acquisition of the business unit. Also on February 3, 2006, the rights were acquired to extend the Troia San Vincenzo wind-park from 38 to 42 MW.
On June 26, 2006 an agreement was reached for the acquisition of the construction and management rights of a further two new wind-parks. The first, located between the municipalities of Tursi and Colobraro (MT) in the Basilicata Region, will have an installed power of 74 MW (87 wind-turbines with a power of 0.85 MW each); the second, located in the municipalities of Joppolo and Spilinga (VV) in the Calabria Region, will have an installed power of 28 MW (14 wind-turbines of 2 MW each).
For the Faeto and Tursi-Colobraro wind-park projects, Efibanca and MCC have been appointed as the financial advisors, arrangers and underwriters of the respective project financing.
- > **"Water services"**: on May 31, 2006, TAD Energia Ambiente SpA completed the sale of 100% of Omnia Srl and of its holdings in Amatrice Servizi Scarl and Umbriadue Servizi Scarl to the company Acea SpA.
- > **"Holding"**: on April 10, 2006, the Board of Directors approved and adopted the control and organizational model as per Legislative Decree 231/2001 and nominated the members of the Supervision Board of the Company.
On April 12, 2006, the Board of Directors meeting approved the possibility of a share capital increase of about Euro 45 million and authorised the Chairman and Managing Director to present a proposal. A primary banking institution will underwrite - including on behalf of other parties - the full subscription of the share issue.
Therefore, it should be noted that the sale of the "Steel" business and, in particular, of 100% of the "Waste-to-energy" and "Waste management" businesses have permitted Enertad SpA to complete all those actions (re-equilibrium of the financial position and balance sheet, simplification of the business portfolio and focus on the development of renewable energies) which will allow for the realisation of the industrial and strategic plan.

As the sale of the "Waste-to-energy" and "Waste management" businesses originally provided for the sale of a significant part of the investment in the division's parent company TAD Energia Ambiente but not 100%, Enertad SpA considers that the necessity of the above increase is not imminent.

On April 28, 2006, the Shareholders' Meeting of Enertad SpA approved the financial statements for 2005.

On June 5, 2006, the company ERG SpA filed a communication with CONSOB in relation to a public offer to purchase (OPA) 100% of the shares of Enertad SpA.

The purchase price was communicated to be Euro 3 for each share, for a maximum counter-value, in the case of full acceptance, of approximately Euro 285 million.

On June 26, 2006, the Board of Directors of Enertad SpA approved the 2006—2009 Industrial Plan which, following the restructuring actions and strategic re-focus already implemented, including the sale of the "Steel", "Waste-to-energy" and "Waste management" businesses, and is concentrating on the development of the "Wind" business to reach an installed capacity of 350 MW by 2009.

2.2.3 Significant events after the end of the first half year

After June 30, 2006, the following important significant events took place:

On July 3, 2006, the Board of Directors of Enertad SpA gave its opinion in accordance with regulations on the public purchase offer (OPA) 100% of the shares of Enertad SpA launched on June 5, 2006 by the company ERG SpA and, on July 5, 2006, issued an "Issuers' Communication" in accordance with article 39 of the Issuers' Regulations, adopted by Consob with Resolution No. 11971/99 and subsequent amendments and integrations. In summary, the Board of Directors of Enertad SpA, on the basis of the considerations made in relation to the programmes declared by the offerer and taking into consideration the fact that the offer, equal to Euro 3 per share, is lower than the minimum value of the valuation interval (Euro 3.1-3.5 per share) determined by the financial advisor Credit Suisse Securities (Europe) Limited, declared that it considered ERG SpA's offer was not adequate.

On July 4, 2006, the sales contract was completed of the investment in TAD Energia Ambiente SpA to Acea SpA and which was described in detail in the previous paragraphs.

On August 4, 2006, the subsidiary EOS Windenergy Srl acquired the business unit relating to the wind-park at Joppolo (VV).

On August 10, 2006, in relation to the public purchase offer (OPA) launched on June 5, 2006 by the company ERG SpA on 100% of the shares of Enertad SpA and which expired on August 9, 2006, the offerer issued a press release in which it informed the public that the conditions of the offer were not met.

2.2.4 Outlook

The operating performance is contained in the 2006-2009 Industrial Plan approved by the Board of Directors of Enertad SpA on June 26, 2006 and presented at the same date to the financial community. By the end of the year 2006 the operations will be characterised by the following actions:

- > **"Holding"**: the sale of the "Steel", "Waste-to-energy" and "Waste management" businesses as previously illustrated will permit a re-equilibrium of the financial position and balance sheet, simplification of the business portfolio and focus on the development of renewable energies. The cash flow deriving from these sales will permit the repayment of the convertible bond and the development of Enertad SpA's core business in the wind sector.
- > **"Wind"**: with the completion of the construction of the Troia San Ciro wind-park in the first quarter, the total installed power is currently 77 MW.
It is expected that by the end of the year work will begin on the expansion of the Troia San Vincenzo wind-park from 38 to 42 MW with 2 new wind-turbines of 2 MW each (already authorized) and on the construction of the wind-parks at Faeto (24 MW), Tursi Colobraro (74 MW) and Joppolo (28 MW). The timeframe for the completion of these parks will depend on the delivery time of the wind-turbines, with extended delays due to the strong demand, and are under negotiation.
- > **"Water services"**: the company Sodai will continue the completion of the authorisation process for the revamping of some water purification platforms for the treatment of waste liquid.

In addition, Sodai Italia, in accordance with the contract signed with Trenitalia on June 6, 2004, communicated to this latter in March that it wished to exercise the return of the plant at Alessandria, Asti and Cuneo. The economic effect, determined in accordance with the contractual method agreed upon and amounting to Euro 0.9 million, is currently being evaluated by Trenitalia. At present, the company has not recorded any amount in the accounts.

The Directors underlined the possibilities that events may arise which are currently unknown, that may influence the realisation of some of the above actions, as well as the possibility that differences may arise in the economic/production forecasts used as the basis for the financial plans of the Group.

2.2.5 Risks and disputes from continuing operations

- **“Holding”**: On February 24, 2004, Enertad SpA sold to Fin.Ind.Int SA its holding of 33% in the company Eurosviluppo Industriale SpA. The sales/purchase contract provided that in the case where the buyer, already with a further holding of 33%, sold the investment in Eurosviluppo Industriale SpA to third parties by December 31, 2004 or, alternatively, this latter sold its investment, equal to 99%, in the company Eurosviluppo Elettrica SpA, the price would be increased in accordance with the terms of the contract. Despite that the above conditions materialised (during 2004 Eurosviluppo Elettrica SpA was sold to ASM Brescia SpA and Endesa SpA), the company Fin.Ind.Int. SA did not make the payment in accordance with the contract. Therefore, having exhausted all of the actions for the application of the sales contract, on September 1, 2006 Enertad SpA requested the President of the Milan Court to appoint the sole arbitrator to make a decision on the dispute with the company Fin.Ind.Int. SA. It should be noted that, in relation to the contractual recognition of this further payment to Enertad SpA, the company did not record any accrued income.

In relation to the sale of the “Steel” business, Enertad SpA, in compliance with the contractual conditions, guarantees the buyer compensation for any unaccrued liabilities up to a maximum amount of 30% of the sales price, as further described in the Information Document prepared in accordance with CONSOB regulations.

Similarly in relation to the sale of the “Waste to energy” and “Waste management” businesses, Enertad SpA, in compliance with the contractual conditions, guarantees compensation for damages or claims by third parties, which may not exceed a total amount of Euro 11.1 million. In addition, the seller guarantees the book value of trade receivables as at May 17, 2006, the date of the sales contract of the investment, which is Euro 12.9 million.

However, it should be noted that the sales/purchase contract provides that Acea, which may benefit by approximately Euro 15 million relating to the losses carried forward of TAD Energia Ambiente and its subsidiaries, will recognise to Enertad SpA an additional payment amounting to 80% of the income taxes corresponding to the losses utilised within the next 6 years. In addition, as legal proceedings are ongoing for the recognition to the company EALL of an indemnity for damages incurred on the waste-to-energy plant, the contract specifies, that on the recognition of the indemnity to EALL, Acea will pay this indemnity to Enertad SpA up to a maximum amount of Euro 1.2 million. These amounts could compensate any payments necessary deriving from the contractual obligations.

Further details are contained in the Information Document prepared in accordance with CONSOB regulations.

- **Energie Pulite SpA**: The extraordinary recourse to the Head of State is still pending, brought by the municipality of Zoppola in September 2002 for the cancellation of the building concession given for the construction of the thermal-electric station planned at Arzene.
- > **“Wind”**.
 - **Enertad SpA**: A company gave notice, in May 2005, of an injunction for the payment of an amount of Euro 303,463.15 in addition to legal costs and expenses, that the company considers due from Enertad SpA, based on a mandate for the conclusion of a commercial operation in the wind sector. Enertad SpA, considered that the amount requested from the above-mentioned company is not due, and challenged the above-mentioned injunction. In December 2005, the judge granted a provisional execution of the injunction. The case is still pending.
- > **“Water services”**.
 - **DSI Srl**: In November 2005, the Court of Rome rejected a company's application for the provisional enforcement of a court order for the payment of Euro 343,631.74 from D.S.I. Srl, for waste disposal services carried out in the period prior to D.S.I. becoming part of the Enertad Group. D.S.I. Srl immediately opposed the court order and the case remains pending.
Following the acquisition of the business unit from Omnia Srl, the company took over the civil proceedings at the Rome Civil Court concerning the recognition of payments relating to two engineering studies requested for documentation necessary for participation in a public procedure.
Following the acquisition of the business unit from Omnia Srl, the company took over two civil proceedings at the Latina Regional Administrative Court both relating to the cancellation of a building concession presented respectively in the years 2003 and 2005.
In March 2006, the company commenced arbitration to enforce responsibility deriving from the violation of contractual guarantees made by the counterparty in the contract signed in October 2003, and relating to the 100% sale to Enertad SpA of DSI Servizi Industriali Srl. Enertad quantified the damages incurred as Euro 1,034,456.65, reserving the right to quantify any further damages, “in course”.

2.2.6 Risks and disputes from discontinued operations

> **“Waste to energy”/“Waste management”**. It should be noted that, as from July 4, 2006, the litigation indicated below is no longer part of the Enertad Group as included in the sale of the investment in TAD Energia Ambiente, as previously described.

- **TAD Energia Ambiente:** In October 2005, Tad Energia Ambiente started arbitration proceedings in order to recover the sum of Euro 2,400,000 due by a company based on a contract signed in July 2003. The company did not appear before the courts.

The arbitrator, with arbitral award issued on November 30, 2005, ordered the defendant company to pay the sum requested by TAD Energia Ambiente SpA, including interest, incidental costs and legal fees. TAD energia Ambiente instigated the consequent actions for the recovery of the receivable.

- **Interpark Srl:** the company took legal action to recover receivables from a client company, invoiced in 2004, for a total amount of approximately Euro 85,000. A court order was obtained, against which the counterparty objected. Following the judgment, Interpark accepted extended repayment terms of the receivables with the final payment due on 31.12.2006

The company took legal action to recover receivables invoiced in 2005 for transport and disposal activities of approximately Euro 52 thousand. A court order was obtained which was appealed by the counterparty with recourse to ordinary court proceedings.

- **SAO Servizi Ambientali Orvieto SpA:** The dispute seeking the payment of receivables by the company from a municipality relating to services contractually provided for the management of the local waste treatment plant is still pending; the municipality on the other hand has made a request for damages based on the negligence of the management of the above-mentioned treatment plant in which it considers SAO SpA responsible.

It is recalled that a preliminary investigation held by the Public Prosecutor's Office in Orvieto is pending, concerning the landfill managed by SAO SpA and the removal of waste from the Campania Region, currently suspended, and that in July 2004, a precautionary order was made to place the landfill under sequestration without impairing its current operation. The conclusion notice of the preliminary investigation was published and the preliminary hearing fixed.

A civil case brought in the Court of Livorno, in October 2004, against the company is still pending, for an amount of Euro 224,268, as compensation for professional activities of planning and preparation of a proposal for the construction and management of a R.S.U. selection and treatment plant, and CDR and FORSU production that SAO presented, in June 2002, to the Municipality of Grosseto in relation to project financing in accordance with law 109/94.

SAO also called upon the other members involved in the tender process and fully contested the action taken, making a counterclaim against the plaintiff company. The other members of the tender process also contested the demands cited several times by the consulting company.

A municipality commenced, in April 2005, a preliminary reconciliation in relation to a proposal of a legal action for non contractual compliance with regard to the cancellation of the contract agreed with SAO on June 17, 2000 for the construction of a waste transfer and selection centre and for the consequent damages suffered. SAO, although contesting the claims of non compliance, has proposed a specific settlement, that, at the present moment, has not yet been accepted by the Municipality.

SAO SpA sub-entered into the civil proceedings already underway by a subsidiary currently in liquidation. The plaintiff company requested that a Municipality be held responsible for the invalid work in relation to a tender contract in 1996 and which has been concluded. They also requested that it be consequently recognised and declared that the plaintiff company should be awarded damages.

Legal action has been taken to recover receivables from a Municipality, for waste disposal and recycling services carried out between March 2002 and March 2005. The Municipality has objected.

Other action pending concerns the recovery of receivables by the company from a Municipal Consortium that disposed of waste from an area outside the region in plants belonging to the company. The transfer of waste was already disrupted in April 2004.

- **Terni EN.A:** The appeal is still pending, brought by third parties before the Regional Administrative Court of Umbria for the cancellation of some administrative regulations issued, in relation to the waste-to-energy plant at Maratta Bassa, Terni, and including an operational resolution, that approved a minor modification to the project of the plant, which was already judged favourably by the (EIA) Environmental Impact Assessment, confirmed by the Umbria Court and the Council of State.

The appeal is still pending against the resolution adopted by the Provincial Council of Terni before the Regional Administrative Court of Umbria. The resolution approved, according to article 20 of the legislative decree 22/97, the identification of unsuitable areas for waste disposal and recycling plant sites, and enforced pre-defined procedures to be applied to plants already approved and located such as those belonging to Terni En.A. SpA. This resolution provides, after a transitory period, some limitations for the plants such as those belonging to Terni En.A. SpA and that, although duly authorised, are situated and operate in areas that are considered “pre-dated” and unsuitable in relation certain criteria.

A civil case brought in January 2005 is still pending, against Terni En.A. SpA by a company that had commercial relations with this latter and which has requested damages, in the amount of Euro 295,015.23, as loss of earnings, due to the anticipated withdrawal from a contractual relationship relating to the conferment of waste.

Action has been taken to recover a payment of Euro 400,000.00, due by a company for the transfer of waste made to the Terni waste-to-energy plant.

In April, a company brought a case against Terni En.A. SpA for contractual violations relating to the conferment of fuel to the waste-to-energy plant, quantifying the claim as approximately Euro 800 thousand. The company appealed these claims.

The case is pending brought against the Italian Ministry for Productive Activity for cancelling the Ministerial Decree of May 30, 2005 (MD No. B3/RC/9/142127), with which Provisional Concession Decree No. 100714 of 10/07/2001 repealed financing, according to Law no. 488, adopted in the favour of Terni EN.A. SpA .

- **E.A.L.L.:** In relation to the waste-to-energy plant at S.Vittore del Lazio, owned by the company E.A.L.L. Srl, there are currently administrative appeals pending brought by third parties before the Regional Administrative Court of Lazio concerning the Stralcio Plan to manage waste, relating to the offer of a waste-to-energy plant approved by the Lazio Region in January 2002 and by the Managerial Assessors of the Frosinone Region in April 2002, thereby authorising the construction and management of the aforementioned plant. The petition for a precautionary suspension of the resolutions brought forward by the claimants has been rejected by both the Regional Administrative Court of Lazio, and on appeal, by the Council of State.

The appeal is still pending to the Council of State, made by the company, for damages on the cancellation of the sentence with which the Regional Administrative Court of Lazio ruled, against the company, on the administration disputes existing with the municipality of Cervaro relating to the construction of an electro-duct servicing the plant of San Vittore del Lazio on the land of the municipality, already authorised by the Lazio Region with ruling number 969/7/C/1 of June 13, 2001.

The arbitral procedure is still pending, initiated by a third party in December 2004, requiring the implementation by Eall Srl of the Operation and Maintenance contract signed, relating to the San Vittore del Lazio plant, in January 2001 and not considered valid by Eall. The plaintiff requests, in addition to the fulfilment of the contract, general damages from Eall Srl to be paid in a separate ruling. Eall has contested the requests made by the plaintiff.

Proceedings are pending at the Court of Cassino against E.A.L.L. Srl by a company, acting in subrogation, to evaluate an apparent entitlement of the Municipality Consortium to receive compensation in the amount of Euro 9,916,800.00 as damages following a complaint regarding a breach of contract by Eall. During 2005, the Consortium, which was transformed into a limited company, became joint plaintiff with the company.

- **Enercombustibili:** In relation to the waste-to-energy plant at Paliano there are currently administrative appeals still pending brought by third parties before the Regional Administrative Court of Lazio, to contest Resolution No. 66 of the "Special Commissioner" for the waste emergency in Lazio made on July 30, 2003, thereby authorising the aforementioned plant and the convention agreed with the Paliano municipality. Petitions to suspend the proposed measures by the claimants were all rejected at first and second instance. The court procedures are still pending.

The company took legal action to recover receivables from a client company, invoiced in 2006, for a total amount of approximately Euro 200,000.00 in relation to special waste at the CDR Paliano plant. A court order was obtained.

2.3 Results of the parent company Enertad SpA

Enertad SpA (mln/€)	First half 2006	First half 2005
Revenues from sales and services	1,0	1,4
Net result of Enertad	8,4	(2,1)
Net financial position*	37,2	(2,5)

(*) the comparison relates to the net financial position at 31/12/05

The first half of 2006 ended with **revenues and income** of Euro 1.0 million compared to Euro 1.4 million in the same period in 2005.

The net result was a profit of Euro 8.4 million. This result includes the sale of the investments in Enertad France Sas, the parent company of the "Steel" business, and TAD Energia Ambiente SpA, the parent company of the "Waste-to-energy" and "Waste management" businesses and whose results are summarised as follows:

	(€/000)	
	Sale of "Steel"	Sale of "WTE/WM"
Carrying value of the investments	35,750	27,804
Equity recognised by the buyer	58,250	19,850
Accessory charges	974	1,368
Gain/Loss	21,526	(9,322)

In relation to the gain generated from the sale of the "Steel" business of Euro 21.5 million, it should be noted that at December 31, 2005 Enertad SpA, which adopted Italian GAAP permitting the valuation of the investments alternatively under the cost or equity method, revalued the investment in Enertad France Sas by Euro 15 million, increasing its value from Euro 35.7 million, under the cost method, to Euro 50.7 million, under the equity method. Given that, from the current half-year, Enertad SpA adopts the international accounting standards IAS/IFRS and as these only provide for the valuation of the investments under the cost method, the company, in the preparation of the reconciliation schedules between the shareholders' equity in accordance with Italian GAAP and in accordance with IAS/IFRS at December 31, 2005, reversed the revaluation of the investment in Enertad France Sas described above, restating the value to the original Euro 35.7 million.

The **net financial position** was a positive amount of Euro 37.2 million, with an improvement of Euro 39.7 million compared to December 31, 2005.

2.3.1 Corporate boards

During the first half year the Control Committee met on March 21, April 10, and April 12 and also met on July 5; on June 14 the Remuneration Committee met.

2.3.2 Self-governance, conduct and ethical Codes

The company has adopted the Code of Conduct as recommended by Borsa Italiana SpA and has also updated its ethical code. A copy of this Code is available for persons so requiring, at the registered office of the company as well as on the internet site www.enertad.it. The annual Corporate Governance report is also available within the same terms for publication of the annual accounts.

2.3.3 Investments held by Directors, Statutory Auditors and General Directors

The members of the Board of Directors, executives with strategic responsibility as well as spouses not legally separated and minor children, directly or through controlled companies, trust companies or interposed persons, as resulting from the shareholder register; from communications received and from other information acquired by the members of the Board of Directors, from the general directors and from executives with strategic responsibilities do not hold shares of the issuer or shares or holdings in its subsidiaries.

2.3.4 Transactions with subsidiary, associate and holding companies

Enertad SpA carries out transactions of a commercial and financial nature at normal market conditions with subsidiary and associated companies. These relationships allow for the attainment of advantages deriving from the use of common services and expertise, resulting from the exploitation of Group synergies and the application of Group-wide financial policies.

In particular, these relationships relate to the activities listed below, further detailed in the notes to the financial statements:

- > treasury management, loans and guarantees;
- > administration and legal services;
- > property rental;
- > management of common services;
- > purchase and re-billing of services.

2.3.5 Treasury shares or quotas held in holding companies

In compliance with article 2428, paragraph 2, point 3 of the Italian Civil Code, it is hereby stated that at June 30, 2006 the Company did not own any treasury shares or shareholdings in holding companies.

2.3.6 Treasury shares or quotas in holding companies acquired or sold by the company in the year

In compliance with article 2428, paragraph 2, point 4 of the Italian Civil Code, it is hereby specified that during the period, the company did not acquire or sell any treasury shares or shareholdings of its holding companies.

2.3.7 Legislative Decree No. 196/2003 Protection for Privacy

In accordance with the law for the Protection of Personal Data, the Company implemented a review of the security standards imposed by the above-mentioned regulation on the receipt and treatment of personal data relating to employees, customers and suppliers. Therefore, with the preparation of the so-called "Programmed Document on security" the forms of the current protection were described, which will be periodically updated by March 31 of each year; identifying and applying the necessary implementations to the security system which the company intends to adopt in compliance with the regulations.

2.4 Transition to International Financial Reporting Standards (IFRS) by the Parent Company EnerTad SpA

2.4.1 General considerations

In accordance with Legislative Decree No. 38/2005, listed companies, from the year 2006 must prepare the parent company's financial statements (non-consolidated) applying the International Accounting Standards IAS/IFRS as approved by the European Union.

Consequently, in accordance with the requirements of article 81 the "Half-year report" of the Issuers' Regulation, in the preparation of the half-year report at June 30, 2006, EnerTad S.p.A took into consideration the new regulations for the preparation of the parent company's accounts. The consolidated accounts of the EnerTad Group were prepared in accordance with international accounting standards IAS/IFRS from the year ended December 31, 2005.

In relation to this, in order to provide sufficient understanding of the effects of the transition to the new standards for the parent company, the balance sheet and income statement relating to the Parent Company EnerTad SpA - attached to the half-year report at June 30, 2006 – also includes the information required in accordance with international accounting standard IFRS I "First-time adoption of the International Financial Reporting Standard" with particular reference to the reconciliations required as per paragraphs 39 and 40 of the standard. In particular the following is presented:

- > A reconciliation of the shareholders' equity and of the result at the end of the previous half-year and of the previous year, to be determined in accordance with the criteria utilised for the financial statements of the previous year; compared to the value utilised applying international accounting standards;
- > The reconciliations required by paragraphs 39 and 40 of the IFRS I "First-time adoption of the International Financial Reporting Standard" (as interpreted by paragraph IG 63 of the Implementation Guidance to the standard), together with explanatory notes of the criteria and of the accounts contained in the reconciliations.

In the present paragraph the following is provided, with reference to the financial statements of the parent company EnerTad SpA:

- > The description of the principal differences between Italian GAAP (previously used) and IAS/IFRS standards.
- > The accounting treatment chosen by the Company in relation to the accounting options contained in the IAS/IFRS standards.
- > The exemptions permitted by IFRS I and used by the Company.

- > The information required by CONSOB communication No. 14990 of April 14, 2005 with reference to the reconciliation of the shareholders' equity at January 1, 2005, at June 30, 2005 and at December 31, 2005 and of the result for the first six months ended June 30, 2005 and the year ended December 31, 2005, applying respectively Italian GAAP and IFRS.
- > The detail of the effects of the transition to IAS/IFRS on the balance sheet at December 31, 2005 and on the income statement for the year 2005.

2.4.2 Principal differences between Italian GAAP used previously and IAS/IFRS standards

The accounting standards adopted by EnerTad SpA for the transition of the parent company's financial statements to the international accounting standards IAS/IFRS are those utilised by the EnerTad Group for the preparation of the consolidated financial statements for the year ended December 31, 2005; reference should therefore be made to these consolidated financial statements.

IFRS 1 governs the procedures for the transition to the new accounting standards. They provide that at the transition date to the IAS/IFRS (January 1, 2005, in consideration of the requirements of the European Union) separate financial statements are prepared for the parent company EnerTad SpA. These financial statements were prepared in accordance with the following criteria:

- > All of the assets and liabilities specifically required to be recognised by IAS/IFRS were recorded, even where this recognition was not permitted by Italian GAAP;
- > No assets and liabilities were recognised that are not permitted by the new IAS/IFRS standards;
- > Reclassifications were made of all accounts not in compliance with the IAS/IFRS standards.
- > In accordance with IFRS 1.25, as EnerTad SpA adopts the IAS/IFRS standards for the first time in the parent company's financial statements for the year 2006, having already adopted these standards for the preparation of the consolidated financial statements as at December 31, 2005, the assets and liabilities recorded in the parent company's financial statements prepared in accordance with IFRS criteria at January 1, 2005 were recognised at the same values of those recorded in the consolidated financial statements at the same date, except for the investments and the other accounts eliminated in the Group consolidated financial statements. This implies that for the parent company's financial statements the choices made remain unchanged in application of IFRS 1 (IFRS 1.13 and IFRS 1.26) in the Group consolidated financial statements at January 1, 2004 (transition date previously utilised for the consolidated financial statements).

In accordance with IFRS 1, the effect of these adjustments resulting from the first-time application of IAS/IFRS were recorded in a separate equity reserve.

The principal differences between the IAS/IFRS standards and the previous standards are summarised below:

Equity investments: with reference to the accounting principles of the investments, while Italian GAAP permitted the valuation of the investments alternatively under the cost method or the equity method (adopted by EnerTad S.p.A from the preparation of the financial statements as at December 31, 2005 relating only to the investment in EnerTad France S.a.S.) the IAS/IFRS standards only permit the valuation at cost, reduced for any permanent loss in value determined with reference to the future expected cash flows of the investment.

Derivative instruments: according to Italian GAAP the derivative instruments, for the management of the risk of interest rate movements, are represented as "off balance sheet" while in accordance with IAS 39 they must be recorded in the balance sheet and measured at the relative "fair value" even when they are of a hedging nature. In particular, with reference to the derivative instruments held by the Company, they are classified in the category "Cash flow hedge"; and therefore:

- > the profits and losses deriving from the adjustments to the fair value of the hedging instruments (for the part relating to the cover) are recorded directly to equity;
- > the remaining part (not hedged) is recorded directly to the income statement;
- > the amounts recorded in equity are subsequently recorded in the income statement in the period in which the contracts and transactions are expected to have their economic effect.

Sales options of minority interests of non-listed investments: in accordance with IAS/IFRS standards the current value of the option exercisable by minority interests with EnerTad SpA for the sale of shares held in non-listed subsidiaries, is determined as the current value of the amount paid of the option and measured as a component of the cost of acquisition of the investment. With reference to the previous accounting standards, this option was recorded in the memorandum account for the notional value.

Bonds: according to Italian GAAP, the bonds (including convertible or exchangeable) are recorded at their residual nominal value (capital amount); in addition any discounts or premiums on issue, as well as the issue expenses, are deferred and amortised over the period of the loan. In accordance

with IAS 39, the value of the bonds without options are determined in accordance with the amortised cost method and thus the fair value net of the capital repayments already made, adjusted for the amortisation (at the effective interest rate) of any differences (such as discounts, premiums, issue expenses and premium reimbursements) to the initial net value received and the repayable value at maturity; on the other hand, the value of the composed financial instruments (convertible bonds) must be divided between the payable and net equity component. In particular, for the convertible bonds into own shares, the value of the payable component is determined as the current value of the future cash flows on the basis of the market interest rates at the moment of the issue of the referred to instruments having the same characteristics but without the option, while the value of the option is determined as the difference between the net value received and the value of the payable component and recorded in a specific account under equity.

Intangible assets: on the basis of IAS 38 for the recording of intangible assets, the following reclassifications and adjustments were made compared to the previous standards:

- > the costs for the share capital increase that, in accordance with the Italian GAAP, are capitalised and amortised, according to IAS/IFRS are recorded, for the total amount, directly as a reduction of the share capital increase and debited to the net equity. The cumulative amortisation at the transition date was recorded as a positive adjustment component of the net equity for the first-time adoption of the IFRS;
- > the costs of research are charged to the income statement at the moment they are incurred, while the development costs relating to the new initiatives in company's sector; that comply with the requisites required by IAS 38 for their capitalisation, are capitalised and subsequently amortised from the commencement of the production activity and over the economic life of the initiative. The development costs capitalised only include the charges incurred that can be allocated to the development process. The research and development costs, recorded under intangible assets on the basis of Italian accounting principles which do not satisfy the requisites of the IAS/IFRS principles previously described, are recorded as a reduction of the net equity. In accordance with the provisions of IAS 36, the development costs capitalised under intangible assets shall be subject to an impairment test and shall be recorded as a write-down when the recoverable value of the asset is lower than its inscription value.

Incentive plans: from 2005, the Company recognises additional benefits to some members of senior management through stock option plans. In accordance with the provisions of IFRS 2 – Share-based payments - the total amount of the stock options at the assignment date is recorded in the income statement as a cost. Subsequent changes in the current value to the assignment date do not have an effect on the initial value. The remuneration cost, corresponding to the current value of the options, is recognised under personnel costs and is based on a constant quota criteria over the period between the assignment date and that of maturity and is directly recorded to equity.

2.4.3 Accounting treatment chosen by the Company in relation to the accounting options contained in the IAS/IFRS standards.

In line with the valuation criteria already adopted in the preparation of the financial statements in accordance with Italian GAAP, in the valuation of the tangible and intangible fixed assets, the Company has opted for the Cost model, after the initial cost recognition, net of amortisation/depreciation and any loss in value arising.

2.4.4 Exemptions permitted by IFRS I and used by the Company

In the transition to the IAS/IFRS standards the Company has availed of the following exemptions contained in IFRS I:

Measurement of intangible and tangible fixed assets: the Company has availed of the option to utilise the book value of the above-mentioned assets, determined on the basis of the previous accounting standards, as substitution of the cost at January 1, 2005, in line with the requisites of IFRS I.

Business combinations: IFRS 3 provides that business combinations are accounted for using the "purchase method", recording the assets and liabilities at their relative fair value at the acquisition date. The Company, in conformity with IFRS I, did not apply in retrospective manner IFRS 3 to the business combinations before the transition date to IAS/IFRS standards. These are therefore recorded at the same values determined on the basis of the previous accounting standards with the prior verification and recording of any loss in value.

2.4.5 Reconciliation of Italian GAAP previously utilised compared to the IAS/IFRS

The reconciliations between the shareholders' equity and the result, determined in accordance with Italian GAAP, and those calculated in accordance with IAS/IFRS, were prepared only for the purposes of the transition process for the preparation of the parent company's financial statements of EnerTad SpA at December 31, 2006 according to IAS/IFRS adopted by the European Commission; therefore, these reconciliation schedules do not contain comparative data and the necessary explanatory notes that would be required to represent in a true and fair manner the balance sheet, financial position and result of EnerTad SpA in conformity with IAS/IFRS.

It is necessary to underline that the data presented in the reconciliation schedules constitute the values published for comparative purposes in the first full IFRS of the parent company's financial statements; these values could be subject to changes necessary to reflect new and future orientations of the European Commission, new pronouncements and interpretations of the IASB/IFRIC that may be issued before December 31, 2006 in relation to the valuation of investments and that EnerTad SpA, if permitted, could decide to apply already from the current year, before the publication of the above-mentioned parent company's annual accounts.

The data contained in the present document were audited in accordance with the indications contained in Consob Communication No. DEM/6064313 of July 28, 2006.

The accounts are shown in the table before taxes, while the relative fiscal effects are shown cumulatively in a separate adjustment account.

	(€/000)				
	Balance	Incentive	Derivative	Result	Balance
	1.1.05	plan	financial		31.12.05
					instruments
Shareholders' equity as per Italian GAAP	173,755			(18,897)	154,858
IFRS CHANGES:					
Reversal of intangible assets not capitalised					
- Accessory charges of share capital increase	(5,557)			1,530	(4,027)
- Other intangible assets not capitalised	(569)			220	(349)
sub- total	(6,126)			1,750	(4,376)
Adjustments relating to the valuations of investments in subsidiary companies					
- Reversal valuation under the equity method of Enertad France Sas	0			(15,000)	(15,000)
Other adjustments					
- Valuation of financial instruments	(253)		168		(85)
- Valuation of convertible bonds	(200)				(200)
- Personnel costs for incentive plan		203		(203)	0
sub- total	(453)	203	168	(203)	(285)
Correlated fiscal effect	0				0
total IFRS changes	(6,579)	203	168	(13,453)	(19,661)
Shareholders' equity as per IFRS	167,176	203	168	(32,350)	135,197

With reference to the application of the valuation criteria contained in IAS 19 in relation to employee benefits ("project unit credit method") to the employee leaving indemnity provision, the Company, due to the immateriality of the absolute value of the employee leaving indemnity provision compared to total liabilities and equity, have not quantified this amount as it would not be significant in any case.

At June 30, 2005 the reconciliation of Italian GAAP utilised in the preparation of the half-year report compared to the IAS/IFRS can be summarised in the table below. The accounts are shown in the table before taxes, while the relative fiscal effects are shown cumulatively in a separate adjustment account.

	(€/000)				
	Balance	Incentive	Derivative	Result	Balance
	I.1.2005	plan	financial	(note 1)	30.06.05
					instruments
Shareholders' equity as per Italian GAAP	173,755			(2,900)	170,855
IFRS CHANGES:					
Reversal of intangible assets not capitalised					
- Accessory charges of share capital increase	(5,557)			765	(4,792)
- Other intangible assets not capitalised	(569)			110	(459)
sub- total	(6,126)		0	875	(5,251)
Other adjustments					
- Valuation of financial instruments	(253)		(135)		(388)
- Valuation of convertible bonds	(200)				(200)
- Personnel costs for incentive plan		92		(92)	0
sub- total	(453)	92	(135)	(92)	(588)
Correlated fiscal effect	0				0
total IFRS changes	(6,579)	92	(135)	783	(5,839)
Shareholders' equity as per IFRS	167,176	92	(135)	(2,117)	165,016

Note 1: The result of Enertad SpA in accordance with Italian GAAP, as permitted by CONSOB regulations, published in the half-year report at June 30, 2005, did not include the deferred tax income for the period of Euro 651 thousand.

2.4.6 Explanatory notes:

As already mentioned, the valuation effect outlined below are before the fiscal effect, and cumulatively recorded in a single line in the reconciliation schedule.

Intangible assets:

At January 1, 2005: A reduction of intangible assets of Euro 6,126 thousand. The impact is due for Euro 5,557 thousand to the cost for the share capital increase and for Euro 569 thousand to research and development costs which no longer satisfy IFRS for their capitalisation.

At June 30, 2005: A reduction of the amortisation of Euro 875 thousand and a reduction of the net equity before the fiscal effect of Euro 5,251 thousand.

At December 31, 2005: A reduction of the amortisation of Euro 1,750 thousand and a reduction of the net equity before the fiscal effect of Euro 4,376 thousand.

Equity investments:

At January 1 and June 30, 2005: no effect.

At December 31, 2005: a reduction of Euro 15 million from extraordinary income and net equity at December 31, 2005 deriving from the effect of the valuation of the investment in EnerTad France S.a.S. under the equity method before the fiscal effect.

Derivative instruments:

For the Company this relates to interest rate risk management derivative instruments (cash flow hedge) which must be recorded in the parent company's financial statements and valued at the relative fair value. This accounting method results in, with reference to the date of January 1, 2005, an increase in the financial payables and a reduction of the net equity before the fiscal effect of Euro 253 thousand, as these instruments comply with the hedging strategy for which they were agreed. The increase of the financial payables and the reduction of the net equity before the fiscal effect, at June 30, 2005 and at December 31, 2005, amounted to Euro 388 thousand and Euro 85 thousand respectively.

Bonds:

For the Company this relates to convertible bonds, therefore a composed financial instrument with an option in the bond which converts the payable into capital. The accounting method, as described in the section "Principal difference between Italian GAAP used previously and IFRS" results in, with reference to January 1, 2005:

- > the recording of the bonds at amortised cost, which results in an increase in the financial payable and a reduction in the net equity before the fiscal effect of Euro 200 thousand;
- > the recording of the option value granted to the subscribers of the convertible bond to convert the payable into capital, with no effect on the net equity as the option refers to a capital instrument and not a payable instrument.

The effect at January 1, 2005 is also confirmed at June 30, 2005 and December 31, 2005 without any impact on the income statement.

Incentive plans:

On February 1, 2005, 930,200 shares were assigned to employees on the basis of a long-term incentive plan. The cost for remuneration, corresponding to the current value of the options, is recorded under personnel costs on the basis of the constant quota criteria over the period between the assignment date and that of maturity (February 1, 2008), with the direct recording to net equity at June 30, 2005 and at December 31, 2005 of Euro 92 thousand and Euro 203 thousand respectively.

With reference to the CONSOB disclosure requirements, the following reconciliation schedule is provided of the assets and liabilities and of the income statement determined, with reference to section IG, implementation guidance, paragraph 63.

	31.12.2005	Reclassifications	Adjustments	31.12.2005
	Italian GAAP			IFRS standards
(€/000)				
BALANCE SHEET				
Non-current assets	138,607	(923)	(3,426)	134,258
Current assets	146,510			146,510
Total Assets	285,117	(923)	(3,426)	280,768
Shareholders' equity	154,858		(19,661)	135,197
Non-current liabilities	8,542		15,950	24,492
Current liabilities	121,717	(923)	285	121,079
Total shareholders' equity and liabilities	285,117	(923)	(3,426)	280,768

	31.12.2005	Reclassifications	Adjustments	31.12.2005
	Italian GAAP			IFRS standards
(€/000)				
INCOME STATEMENT				
Total revenues	3,387			3,387
Total cost of production	(10,345)	706	1,547	(8,092)
Result from normal operations	(6,958)	706	1,547	(4,705)
Total net financial income and charges	74	(922)		(848)
Equity investment income and charges valued under the Net Equity method	(28,100)			(28,100)
Result before taxes from normal operations	(34,984)	(216)	1,547	(33,653)
Income Taxes	1,303			1,303
Loss from normal operations	(33,681)	(216)	1,547	(32,350)
Result from discontinued operations	0			0
Extraordinary income and charges	14,784	216	(15,000)	0
Loss for the year	(18,897)	0	(13,453)	(32,350)

2.4.7 Details to the schedules relating to the effects of the transition to IFRS on the balance sheet

Non-current assets:

	(€/000)
Reclassifications:	31.12.2005
Intangible fixed assets	(923)
Total	(923)

More specifically:

	(€/000)
Intangible assets:	31.12.2005
Accessory charges of convertible bond recorded as a reduction of the financial payable	(923)
Total	(923)

	(€/000)
Adjustments:	31.12.2005
Intangible fixed assets	(4,376)
Equity investments	950
Total	(3,426)

More specifically:

	(€/000)
Intangible assets:	31.03.2005
Accessory charges of share capital increase recorded as a direct reduction of Net Equity	(4,027)
Reversal of research and development costs not capitalised	(349)
Total	(4,376)

	(€/000)
Equity investments:	31.12.2005
Value of minority share sales option in a non quoted company	15,950
Reversal valuation under the equity method of Enertad France Sa	(15,000)
Total	950

Non-current liabilities

	(€/000)
Adjustments:	31.12.2005
Payables for derivative instruments	15,950
Total	15,950

More specifically:

	(€/000)
Payables for derivative instruments:	31.12.2005
Value of minority share sales option in a non quoted company	15,950
Total	15,950

Current liabilities:

	(€/000)
Reclassifications:	31.12.2005
Current liabilities (interest bearing)	(923)
Total	(923)

More specifically:

	(€/000)
Current liabilities (interest bearing):	31.12.2005
Accessory charges of convertible bond recorded as a reduction of the financial payable	(923)
Total	(923)

	(€/000)
Adjustments:	31.12.2005
Current liabilities (interest bearing)	200
Payables for derivative instruments	85
Total	285

More specifically:

	(€/000)
Current liabilities (interest bearing):	31.12.2005
Valuation of convertible bond options	200
Total	200

	(€/000)
Payables for derivative instruments:	31.12.2005
Fair value valuation of interest risk hedging contracts	85
Total	85

2.4.8 Details to the schedules relating to the effects of the transition to IFRS on the income statement

Production costs:

	(€/000)
Reclassifications:	31.12.2005
Amortisation of convertible bond accessory charges	922
Reclassification of extraordinary charges	(216)
Total	706

	(€/000)
Adjustments:	31.12.2005
Reversal of amortisation of share capital increase accessory charges	1,530
Reversal of amortisation of intangible assets not capitalised	220
Personnel cost for incentive plan	(203)
Total	1,547

Financial income and charges:

	(€/000)
Reclassifications:	31.12.2005
Amortisation of convertible bond accessory charges	(922)
Total	(922)

Extraordinary income and charges

	(€/000)
Reclassifications:	31.12.2005
Reclassification of extraordinary charges	(216)
Total	(216)

	(€/000)
Adjustments:	31.12.2005
Reversal valuation under the equity method of Enertad France Sas	(15,000)
Total	(15,000)

Glossary

Wind-turbines: Plant capable of transforming the kinetic energy in wind into mechanical energy, which in turn is utilised for the production of electricity.

Green certificates (CV): Annual certificates attributed to the energy produced from renewable sources from plants entered into production after April 1, 1999. Each certificate has a value equal to or multiples of 100 MWh, is issued by the network operator and is valid only for the year to which it refers.

CIP6: incentive tariff in which the "Gestore della Rete di Trasmissione Nazionale" (GRTN) purchases electricity produced by plants from renewable sources and similar established by regulation CIP6/92.

Energy wind-parks: energy produced from wind.

Waste to energy: transformation process of waste into energy.

Waste management: all activity for the collection, transport and selection of waste.

> 3. Consolidated Financial Statements

> 3.1 Consolidated Balance Sheet

	(in thousands of Euro)		
	30.06.2006	31.12.2005	30.06.2005
Tangible fixed assets	92,087	225,538	207,916
Intangible assets	44,308	93,912	94,857
Equity investments	0	2,330	2,594
Other equity investments	4,263	4,263	4,263
Financial assets	13,021	11,831	11,839
Other receivables	2,500	4,423	4,305
Deferred tax assets	149	4,148	5,755
Total non-current assets	156,328	346,445	331,529
Inventories	0	45,080	60,896
Trade receivables	4,118	81,314	91,144
Financial receivables from holding companies	3,451	3,343	38,261
Other receivables	23,790	14,293	9,264
Tax assets	7,467	10,817	9,442
Equity investments available for sale	2	904	993
Receivables for derivative instruments	1,264	0	0
Cash and cash equivalents	47,662	41,972	23,167
Total current assets	87,754	197,723	233,167
Assets available for sale	193,098	0	0
TOTAL ASSETS	437,180	544,168	564,696
Group net equity	146,698	144,152	148,710
Shareholders' equity - Minority interest	7,859	7,636	7,406
Total shareholders' equity	154,557	151,788	156,116
Employee leaving indemnity provision	424	2,365	2,256
Provisions for risks and charges	1,799	18,935	16,857
Financial payables - non-current portion	48,056	106,274	173,015
Payables for derivative instruments	16,553	15,950	15,370
Other payables	0	638	58
Deferred tax liabilities	99	4,477	4,090
Total non-current liabilities	66,931	148,639	211,646
Financial payables - current portion	109,505	168,244	96,908
Payables for derivative instruments	0	2,178	3,842
Trade payables	13,876	57,958	77,415
Other payables	3,032	12,682	15,158
Tax liabilities	465	2,679	3,611
Total current liabilities	126,878	243,741	196,934
Liabilities related to activities available for sale	88,814	0	0
TOTAL EQUITY & LIABILITIES	437,180	544,168	564,696

> 3.2 Consolidated Income Statement

	(in thousands of Euro)			
	30.06.2006	30.06.2005	Q II 2006 UNAUDITED	Q II 2005 UNAUDITED
Operating revenues				
Revenues from sales and services	16,458	6,942	7,015	4,171
Change in inventories of finished products and contract work-in-progress	(7)	(14)	(7)	(14)
Other operating income and revenues	287	415	149	313
Value of production	16,738	7,343	7,157	4,470
Cost of production				
Raw, ancillary and consumable materials and goods for resale	(229)	(232)	(124)	(68)
Costs for services	(4,363)	(3,415)	(2,292)	(1,790)
Personnel costs	(2,516)	(2,351)	(1,240)	(1,342)
Other operating expenses	(424)	(93)	(303)	(6)
Amortisation & Depreciation	(2,970)	(1,154)	(1,445)	(680)
Provisions & write-downs	(1,500)	(549)	(1,439)	(557)
Operating result	4,736	(451)	314	27
Net financial income and charges	(3,666)	(2,714)	(1,647)	(1,569)
Net financial income and charges from holding companies	108	1,089	54	547
Equity investment income and charges	0	0	0	0
Profit before taxes	1,178	(2,076)	(1,279)	(995)
Taxation on profit for the period	(547)	(334)	(318)	(293)
Result from normal operations	631	(2,410)	(1,597)	(1,288)
Result from discontinued operations	345	(3,846)	(2,285)	(3,652)
Result for the period	976	(6,256)	(3,882)	(4,940)
Minority interest	(213)	197	(82)	198
Group result	763	(6,059)	(3,964)	(4,742)
Earning per share				
Basic	0.008	(0.064)		
Diluted	0.030	(0.030)		

> 3.3 Consolidated cash flow statement

	(in thousands of Euro)	
	30.06.2006	30.06.2005
Operating activities		
<i>Result of operating activities</i>	7,942	3,653
<i>Adjustments for:</i>		
depreciation of tangible assets	8,931	8,225
write-down for loss in value of tangible fixed assets	0	299
amortisation on intangible assets	61	106
gains on asset sales	(111)	(106)
provisions for personnel incentive plans	111	92
net provisions	1,476	79
<i>Total adjustments</i>	10,468	8,695
<i>Change in working capital</i>		
increase in inventories	(1)	(11,036)
increase in trade and other receivables	(8,157)	(10,627)
increase in trade and other payables	4,401	13,719
<i>Total changes in working capital</i>	(3,757)	(7,944)
Cash flow from operating activities	14,653	4,404
<i>Income taxes paid</i>	0	(3,676)
<i>Interest paid</i>	(7,477)	(8,053)
Net cash flow from operating activities	7,176	(7,325)
Financing activities		
<i>Interest received</i>	1,126	1,081
<i>Payments for the purchase of financial assets</i>	(1,850)	(2,232)
<i>Disposal of shareholdings in other companies</i>		
payments made with liquid funds or cash equivalents	50,445	0
liquid funds or cash equivalents of the equity investments acquired	17,413	0
<i>Total effect of the sale of holdings in subsidiaries</i>	67,858	0
<i>Sale of shareholdings in other companies</i>	3	263
<i>Purchase of shareholdings in other companies</i>	(1,195)	(223)
<i>Tangible and intangible asset investments</i>	(14,790)	(39,926)
<i>Receipt from the sale of tangible and intangible assets</i>	133	764
Net cash flow from investing activities	51,285	(40,273)
Financing activities		
<i>Exchange gains/(losses)</i>	0	(83)
<i>Payables for finance leases</i>	(18)	(191)
<i>Repayment of loans</i>	(23,812)	(1,525)
<i>New loans received</i>	8,129	45,020
<i>Repayment of bonds</i>	0	(42)
Net cash flow from financing activities	(15,701)	43,179
Net increase in cash and cash equivalents	42,760	(4,419)
Beginning net debt	(10,174)	(15,953)
<i>Effect of the changes in foreign exchange rates</i>	0	(94)
Closing liquidity/(net debt)	32,586	(20,466)
Comprised of:		
bank and postal accounts	57,383	23,079
cash-in-hand and cash equivalents	30	88
bank overdrafts	(24,827)	(43,633)
Closing liquidity/(net debt)	32,586	(20,466)
Of which cash and cash equivalents not available for use	0	5,430
Of which cash and cash equivalents relating to assets available for sale	9,421	0

> 3.4 Net consolidated financial position

(in thousands of Euro)

	30.06.2006	31.12.2005	Changes
Cash and cash equivalents	57,413	38,334	19,079
Current account overdrafts	(24,827)	(52,146)	27,319
Bank and postal accounts	0	3,638	(3,638)
Short-term net financial position	32,586	(10,174)	42,760
Financial receivables from associated companies	7	7	0
Financial receivables from subsidiaries	54	26	28
Financial receivables from holding companies	3,451	3,343	108
Receivables for derivative instruments	1,264		1,264
Financial assets	4,776	3,376	1,400
TOTAL CURRENT FINANCIAL ASSETS	37,362	(6,798)	44,160
Convertible bonds	(76,482)	(76,142)	(340)
Payables for shareholder loans	(62)	(62)	0
Bank payables	(23,885)	(27,550)	3,665
Other lenders	(361)	(12,345)	11,984
Financial payables to subsidiary companies	(35)	0	(35)
Payables for derivative instruments	(1,361)	(2,178)	817
TOTAL CURRENT FINANCIAL LIABILITIES	(102,186)	(118,277)	16,091
Financial assets: other receivables	13,021	11,167	1,854
Financial assets: other securities	0	657	(657)
TOTAL NON-CURRENT FINANCIAL ASSETS	13,021	11,824	1,197
Bank payables	(81,680)	(82,613)	933
Other lenders	0	(23,661)	23,661
Payables for derivative instruments	(16,553)	(15,950)	(603)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(98,233)	(122,224)	23,991
Net financial position	(150,036)	(235,475)	85,439

> 3.5 Statement of change in consolidated shareholders' equity

(in thousands of Euro)

	Share capital	Legal reserve	Other reserves	Profit (loss) for period	Group net equity	Minority interest net equity	Total net equity
Balance at January 1, 2005	94,866	1,388	81,158	(20,117)	157,295	7,610	164,905
Effect of the application of IAS 32 and 39 at January 1, 2005			(3,626)		(3,626)		(3,626)
Allocation of the 2004 net result			(20,117)	20,117	0		0
Change in the translation reserve			1,788		1,788		1,788
Change in the fair value of the hedging instruments			351		351		351
Personnel cost for incentive plan			204		204		204
Other changes					0	73	73
Net result 2005				(11,860)	(11,860)	(47)	(11,907)
Balance December 31, 2005	94,866	1,388	59,758	(11,860)	144,152	7,636	151,788
Allocation of the 2005 net result			(11,860)	11,860	0		0
Change in the fair value of the hedging instruments			1,563		1,563		1,563
Valuation of convertible bond options			109		109		109
Personnel cost for incentive plan			111		111		111
Other changes					0	10	10
Net result 2006				763	763	213	976
Balance June 30, 2006	94,866	1,388	49,681	763	146,698	7,859	154,557

> 3.6 consolidated gains and losses recorded in 2006

	(in thousands of Euro)	
	First half 2006	Year 2005
Gains recorded directly to cash flow hedge reserve	1,563	351
Gains recorded directly for incentive plan	111	204
Gains recorded directly to translation reserve	0	1,788
Gains recorded directly for valuation of convertible bond options	109	0
Gains recorded directly to Group net equity	1,783	2,343
Group net result	763	(11,860)
Total Group profit/loss recorded in the period	2,546	(9,517)

> 3.7 Notes to the Consolidated Financial Statements

Introduction

Introduction

Enertad SpA (the Company) is a limited liability company incorporated in Italy at the Milan Company's Register Office and listed on the Milan Stock Exchange. The Group operates in the production of electricity from renewable sources and environmental services.

The consolidated financial statements, expressed in thousands of Euro, are prepared in accordance with the requirements of the Issuers' Regulations of the Stock Exchange Authority (CONSOB) and in accordance with the criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission in article 6 of the EU Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002, and the documents of the International Financial Interpretations Committee (IFRIC).

Extraordinary operations

The half-year report at June 30, 2006 is impacted on by the following extraordinary operations which resulted in significant changes in the assets and liabilities and the size of the Group and resulted in a change in the classification criteria in accordance with IFRS 5; these extraordinary operations related to:

- > Sale of Enertad France Sas
- > Sale of Omnia Srl
- > Sale of TAD Energia Ambiente SpA

The extraordinary operations gave rise to the restructuring project already outlined in the consolidated financial statements at December 31, 2005 and in subsequent communications to the market in order to implement the re-equilibrium and strengthening of the balance sheet and its financial position and to provide focus on the investments in the wind sector.

Sale of Enertad France Sas

On May 31, 2006 the Group sold its entire holding of 100% in the subsidiary Enertad France Sas and, consequently, sold its entire interest in the steel sector.

The buyer, ASBM Ltd., is a US investment company, with headquarters in Northbrook, USA.

On May 25, 2006, a contract was signed for the sale of the investment in the above-mentioned holding; the sale was subject to suspension clauses, which were realised on May 31, 2006. The contract provides that the effects of the sale are retrospective to January 1, 2006.

Enertad France Sas holds 100% of the share capital in the following companies:

- > Charron Inox Sas;
- > Metalli Marchelli Srl;
- > Presco Sas;
- > Sapim Sas;
- > TCT Stainless Steel of Nashville Inc;
- > TCT Stainless Steel Inc;
- > TAD Inox Service BV, which in turn holds the share capital of TAD Inox Service GmbH;
- > Fim Inox Sas.

The Enertad France Group operates in the processing sector and, in particular, the distribution of stainless steel semi-finished and finished products, through retail and service centre channels. The sales operation, already described, is in line with that already announced in the 2005-2008 industrial plan presented to the financial community on March 22, 2005, which contemplated a possible sale of the steel sector as it is no longer considered part of the core business of the Enertad Group, following an increase of investments in the Wind sector.

The amount paid to Enertad SpA is equal to the consolidated net equity of Enertad France Sas at May 31, 2006, determined in accordance with international accounting standards integrated by specific valuation criteria of the value of the goodwill and inventories which were contractually agreed.

The payment was made, for an amount of Euro 50 million, at the effective contract date (May 31, 2006) to the company's bank account.

The remainder, equal to Euro 8,250 thousand was paid by the buyer – at the completion of the accounting due diligence without the necessity of an adjusting difference – with Euro 3,250 thousand on September 11, 2006 while the balance is currently being transferred into the bank account of Enertad SpA.

The economic effects of the operation are described in the notes to the financial statements relating to the result from discontinued operations.

The assets and liabilities in the steel sector included in the consolidated financial statements of the Enertad Group at December 31, 2005 are summarised as follows:

Consolidated balance sheet of Enertad France at December 31, 2005	(in thousands of Euro)
Tangible assets	21,780
Intangible assets	23,069
Financial assets	657
Other receivables	209
Deferred tax assets	806
Total non-current assets	46,521
Inventories	42,792
Trade receivables	46,796
Other receivables	1,776
Tax assets	336
Cash and cash equivalents	2,438
Total current assets	94,138
TOTAL ASSETS	140,659
Group net equity	55,422
Shareholders' equity - Minority interest	0
Total shareholders' equity	55,422
Employee leaving indemnity provision	396
Provisions for risks and charges	566
Financial payables - non-current portion	15,970
Other payables	57
Deferred tax liabilities	4,251
Total non-current liabilities	21,240
Financial payables - current portion	28,724
Trade payables	29,543
Other payables	4,660
Tax liabilities	1,070
Total current liabilities	63,997
TOTAL EQUITY & LIABILITIES	140,659

As previously described in the Directors' Report, these assets and liabilities were deconsolidated in the period while the economic result for the first five months – in accordance with the provisions of IFRS 5 – were classified in the line "Result from discontinued operations" together with the gain realised net of the transaction costs prevalently relating to advisor fees.

Sale of Omnia Srl

On May 31, 2006, the Enertad group also sold the company Omnia Srl and its subsidiary Amatrice Servizi Scarl.

The operation was completed with the sale of the shares for a value of Euro 445 thousand. The economic effects are described in the notes to the financial statements relating to the result from discontinued operations.

Also in this case, the assets and liabilities were deconsolidated in the period, while the result of the sale was recorded in the account "Result from discontinued operations" in the income statement for the period.

The assets and liabilities of the company sold included in the consolidated financial statements of the Enertad Group at December 31, 2005 are summarised as follows:

Consolidated balance sheet of Omnia Srl at December 31, 2005	(in thousands of Euro)
Tangible assets	1,225
Intangible assets	5
Financial assets	3
Other receivables	7
Deferred tax assets	80
Total non-current assets	1,320
Inventories	26
Trade receivables	4,818
Other receivables	410
Tax assets	46
Equity investments available-for-sale	787
Cash and cash equivalents	446
Total current assets	6,533
TOTAL ASSETS	7,853
Group net equity	(606)
Shareholders' equity - Minority interest	0
Total shareholders' equity	(606)
Employee leaving indemnity provision	336
Other payables	82
Total non-current liabilities	418
Financial payables - current portion	3,764
Trade payables	3,153
Other payables	960
Tax liabilities	164
Total current liabilities	8,041
TOTAL EQUITY & LIABILITIES	7,853

Sale of TAD Energia Ambiente SpA

On July 4, 2006, the Enertad group sold the company TAD Energia Ambiente SpA and consequently the waste-to-energy and waste management sectors. The application of IFRS 5 therefore resulted in the complete reclassification of the assets and liabilities relating to the sectors in the lines "Assets available for sale" and "Liabilities relating to assets available for sale"; the relative income statement values were classified in the account "Result from discontinued operations".

The operation related to the full investment held by Enertad SpA in the share capital of TAD Energia Ambiente SpA, as well as the balance of financial receivables less any financial payables, between Enertad SpA and the company and its subsidiaries. The buyer, Acea SpA, is the parent company of the Acea group, which operates in the water, electricity, public lighting and gas sectors.

The sale was completed on July 4, 2006, with effect as of July 1, 2006.

TAD Energia Ambiente SpA controls the following companies:

- > Terni En.A SpA;
- > E.A.L.L. Srl;
- > Interpark Srl;
- > SAO SpA;
- > Ergo En.A Srl;
- > Ecoenergie Srl;
- > Enercombustibili Srl;
- > Recupera Srl;
- > Sorepla Srl;
- > Ame@tad Srl;
- > Enerdepurazioni Scarl

In June 2006, in compliance with the contractual obligations in order to define the assets to be sold, TAD Energia Ambiente SpA sold to Enertad SpA its investments in the companies Energie Pulite 2000 Srl and Eolo Srl; simultaneously the company acquired the residual shareholdings, equal to 2% of the share capital, of Terni Ena SpA.

The sale of the entire shareholding held by the Enertad group in TAD Energia Ambiente SpA was approved, unanimously by the Board of Directors of Enertad SpA on May 15, 2006, with the acceptance of the binding offer of May 12, 2006 from Acea.

The amount paid for the investment was Euro 13,919 thousand determined as the difference between: (i) an enterprise value of Euro 149,500 thousand and (ii) the net financial position of TAD Energia Ambiente SpA and its subsidiaries at December 31, 2005.

The payment was subject to revision, with consequent adjustment of the price in favour of Enertad SpA. This adjustment, in accordance with the terms of contract, amounted to Euro 5,931 thousand and was determined taking into account the difference between the net financial position at December 31, 2005 and June 30, 2006.

The payment was made amounting to Euro 98,968 thousand, on July 4, 2006, to the company's bank account. The adjustment, to be agreed between the parties, equal to Euro 5,931 thousand, will be paid in September 2006.

The assets and liabilities in the waste-to-energy and waste management sectors sold in July and included in the consolidated financial statements of the Enertad Group at December 31, 2005 are summarised as follows:

Consolidated balance sheet of TAD Energia Ambiente SpA at December 31, 2005		(in thousands of Euro)
Tangible assets		115,831
Intangible assets		32,048
Equity investments		2,327
Financial assets		7
Other receivables		1,654
Deferred tax assets		2,995
Total non-current assets		154,862
Inventories		2,255
Trade receivables		28,156
Other receivables		3,972
Tax assets		1,848
Equity investments available-for-sale		115
Cash and cash equivalents		11,000
Total current assets		47,346
TOTAL ASSETS		202,208
Group net equity		14,496
Shareholders' equity - Minority interest		41
Total shareholders' equity		14,537
Employee leaving indemnity provision		1,303
Provisions for risks and charges		17,769
Financial payables - non-current portion		38,620
Other payables		498
Deferred tax liabilities		127
Total non-current liabilities		58,317
Financial payables - current portion		96,980
Payables for derivative instruments		2,058
Trade payables		24,785
Other payables		4,627
Tax liabilities		904
Total current liabilities		129,354
TOTAL EQUITY & LIABILITIES		202,208

Effect of the extraordinary operations on the financial statements of the parent company Enertad SpA

It should be noted that the sale of Omnia Srl and its subsidiaries included the subsidiary TAD Energia Ambiente SpA and, therefore, did not have an impact on the financial statements of the parent company Enertad SpA.

The effects of the remaining sales operations are summarised as follows:

Sale of Enertad France Sas

The sale of Enertad France Sas resulted in the realisation of a gain of Euro 21,526 thousand less transaction costs of Euro 974 thousand. The size of the gain was impacted upon – as already described in the Directors' Report – by the reversal of the revaluation of the investment in application of the equity method, recorded in the financial statements at December 31, 2005 prepared in accordance with Italian GAAP and not permitted by IAS/IFRS.

Sale of TAD Energia Ambiente SpA

The sale of TAD Energia Ambiente SpA, completed on July 4, 2006, resulted in the classification of the investment under assets available for sale at its realisable value of Euro 18,598 thousand with the consequent recognition of a write-down of Euro 9,206 thousand, which includes an estimate of the impact of the transaction costs of Euro 1,252 thousand.

In relation to the above operations, provisions were recorded in the income statement of Euro 1.5 million, recorded within continuing operations, against potential liabilities resulting from the contractual agreements.

Consolidation scope

Following the above-mentioned sales, as described in the Directors' Report, the consolidation scope of the Enertad Group is as follows:

Company	Note	Head Office	% held	Holding company
Enertad SpA		Milan	==	Parent Company
TAD Energia Ambiente SpA	(1)	Milan	100.00	Enertad SpA
<i>Wind sector:</i>				
Eolo Srl		Atina (Fr)	51.00	Enertad SpA
Eos 1 Troia Srl		Milan	100.00	Eos Windenergy Srl
Eos 2 Nurra Srl		Milan	100.00	Eos Windenergy Srl
Eos 3 Troia Srl		Milan	100.00	Eos Windenergy Srl
Eos 4 Faeto Srl		Milan	100.00	Eos Windenergy Srl
Eos 5 Tursi Colobraro Srl		Milan	100.00	Eos Windenergy Srl
Eos Windenergy Srl		Milan	100.00	Enertad SpA
<i>Waste to energy sector:</i>				
Eall Srl	(1)	Orvieto (Tr)	100.00	TAD Energia Ambiente SpA
Ecoenergie Srl	(1)	Paliano (Fr)	90.00	TAD Energia Ambiente SpA
Energie Pulite 2000 Srl		Milan	100.00	Enertad SpA
Terni En.A. SpA	(1)	Terni	100.00	TAD Energia Ambiente SpA
<i>Waste management sector:</i>				
Enercombustibili Srl	(1)	Frosinone	100.00	TAD Energia Ambiente SpA
Ergo En.A. Srl	(1)	Frosinone	75.00	TAD Energia Ambiente SpA
Interpark Srl	(1)	Terni	100.00	TAD Energia Ambiente SpA
Sao SpA	(1)	Orvieto (Tr)	100.00	TAD Energia Ambiente SpA
<i>Water services business:</i>				
DSI Srl		Frosinone	100.00	Enertad SpA
Sodai Italia SpA		Milan	51.00	Enertad SpA

Note 1: the values of the assets and liabilities of these companies are stated in the accounts "Assets available for sale" and "Liabilities relating to assets available for sale"; the relative income statement values are classified in the account "Result from discontinued operations".

The following companies were included in the consolidation scope:

- Eos 4 Faeto Srl, incorporated in June 2006 and operating in the wind sector;
- Eos 5 Tursi Colobraro, incorporated in June 2006 and operating in the wind sector.

Comparison of the consolidated half-year financial statements at June 30, 2006 with the consolidated financial statements at December 31, 2005

For the purposes of the comparison of the consolidated balance sheet at June 30, 2006 - on which the above-mentioned extraordinary operations resulted in changes in the consolidation scope as well the classification of the assets available for sale and of the liabilities related to the assets available for sale - the following table shows the balance sheet at December 31, 2005 - as resulting from the financial statements approved by the board - net of the assets and liabilities sold in the first half year, as well as with the assets and liabilities available-for-sale in accordance with their classification at June 30, 2006.

(in thousands of Euro)

	Enertad Group 31.12.2005	Effect of extraord. operations	UNAUDITED Consolidated result net of extraord. operations	Consolidated Enertad 30.06.2006	Changes	Note
Tangible assets	225,538	(138,836)	86,702	92,087	5,385	(1)
Intangible assets	93,912	(55,122)	38,790	44,308	5,518	(2)
Equity investments	2,330	(2,330)	0	0	0	
Other equity investments	4,263	0	4,263	4,263	0	
Financial assets	11,831	(664)	11,167	13,021	1,854	(6)
Other receivables	4,423	(1,870)	2,553	2,500	(53)	
Deferred tax assets	4,148	(3,881)	267	149	(118)	
Total non-current assets	346,445	(202,703)	143,742	156,328	12,586	
Inventories	45,080	(45,073)	7	0	(7)	
Trade receivables	81,314	(78,365)	2,949	4,118	1,169	
Financial receivables from holding companies	3,343	0	3,343	3,451	108	(6)
Other receivables	14,293	2,092	16,385	23,790	7,405	(3)
Tax assets	10,817	(2,230)	8,587	7,467	(1,120)	
Equity investments available-for-sale	904	(902)	2	2	0	
Receivables for derivative instruments	0	0	0	1,264	1,264	
Cash and cash equivalents	41,972	(11,139)	30,833	47,662	16,829	(6)
Total current assets	197,723	(135,617)	62,106	87,754	25,648	
Assets available for sale		204,356	204,356	193,098	(11,258)	(4)
TOTAL ASSETS	544,168	(133,964)	410,204	437,180	26,976	
Group net equity	144,152	3,879	148,031	146,698	(1,333)	
Shareholders' equity - Minority interest	7,636	(41)	7,595	7,859	264	
Total shareholders' equity	151,788	3,838	155,626	154,557	(1,069)	
Employee leaving indemnity provision	2,365	(2,035)	330	424	94	
Provisions for risks and charges	18,935	(18,335)	600	1,799	1,199	(5)
Financial payables - non-current portion	106,274	(54,590)	51,684	48,056	(3,628)	(6)
Payables for derivative instruments	15,950	0	15,950	16,553	603	(6)
Other payables	638	(637)	1	0	(1)	
Deferred tax liabilities	4,477	(4,378)	99	99	0	
Total non-current liabilities	148,639	(79,975)	68,664	66,931	(1,733)	
Financial payables - current portion	168,244	(98,766)	69,478	109,505	40,027	(6)
Payables for derivative instruments	2,178	(2,058)	120	0	(120)	(6)
Trade payables	57,958	(44,127)	13,831	13,876	45	
Other payables	12,682	(10,044)	2,638	3,032	394	
Tax liabilities	2,679	(2,138)	541	465	(76)	
Total current liabilities	243,741	(157,133)	86,608	126,878	40,270	
Liabilities related to assets available for sale		99,306	99,306	88,814	(10,492)	(4)
TOTAL EQUITY & LIABILITIES	544,168	(133,964)	410,204	437,180	26,976	

Accounting standards, policies and use of estimates

The accounting standards and policies, and the use of estimates have not changed compared to those utilised in the preparation of the consolidated financial statements at December 31, 2005, to which reference should be made.

Significant changes in balance sheet accounts

With reference to the contents of the balance sheet accounts shown in the notes to the consolidated financial statements at December 31, 2005 – in accordance with IAS 34 – the principal changes in the first half-year are shown in the previous paragraph “Comparison of the consolidated half-year financial statements at June 30, 2006 and the consolidated financial statements at December 31, 2005” and therefore after the effects of the sales operations previously described.

1. Tangible assets

The details of tangible assets, of the relative depreciation provisions, and of the movements during the period, are shown in the following table:

Category	Land and buildings	Plant and machinery	Industrial & Comm. equipment	Other fixed assets	Assets under construct.	(€/000)
						Total
Gross values						
Balance 31.12.2005	10,036	49,518	1,235	475	30,491	91,755
Increases from investments	484	258	158	85	7,344	8,329
Other reclassifications	4,402	32,627			(37,029)	0
Total gross values	14,922	82,403	1,393	560	806	100,084
Accumulated depreciation						
Balance 31.12.2005	(587)	(3,796)	(416)	(253)		(5,052)
Depreciation	(254)	(2,611)	(38)	(42)		(2,945)
Total acc. depreciation	(841)	(6,407)	(454)	(295)	0	(7,997)
Total net values	14,081	75,996	939	265	806	92,087

The principal investments relate to: i) investments in plant for the wind park at Troia San Ciro of Euro 7,558 thousand and ii) investments in the environmental sector (water services) of Euro 766 thousand.

In relation to the new wind parks the Group undertook new commitments totalling Euro 10,950 thousand. These commitments may increase by a variable part based on the future production of electricity and the duration of the licences obtained.

2 Intangible assets

The details of intangible assets, of the relative amortisation provisions, and of the movements during the period, are shown in the following table:

Category	Develop. costs	Industrial rights	Concess. licenses & tradem.	Good-will	Assets under	(€/000)
						Total
Gross values						
Balance 31.12.2005	1,968	320	140	36,701		39,129
Increases from investments	648		5	3,600	343	4,596
Increases (internal costs)	155				189	344
Other increases				603		603
Total gross values	2,771	320	145	40,904	532	44,672
Accumulated amortisation						
Balance 31.12.2005	(8)	(274)	(57)			(339)
Amortisation	(2)	(9)	(14)			(25)
Total accumulated depreciation	(10)	(283)	(71)	0	0	(364)
Total net values	2,761	37	74	40,904	532	44,308

The increases refer almost entirely to the wind sector:

The change in the goodwill account in the period was as follows: i) an increase of Euro 3,600 thousand relating to the purchase of the wind park at Faeto and ii) an increase of Euro 603 thousand relating to the lower "time value" of the sales option to third parties exercisable against the group relating to the investment in Sodai SpA.

The Group verifies the recoverability of goodwill at least annually (on the preparation of the consolidated financial statements). In the first half-year there were no events which indicate that the valuations made at December 31, 2005 would require the necessity of a write-down of the net residual value of the goodwill recorded at June 30, 2006.

3 Other Receivables

The change principally relates to: i) valuation of the green certificates, referring to the production of electricity from wind sources, matured by the group in the first half of 2006 for Euro 7,882 thousand, net of receipts in the period ii) payment of deposit for contracts relating to new wind parks equal to Euro 2,400 thousand and iii) residual receivables relating to the sale of the investment in Enertad France Sas.

The green certificates matured by the group and referring to production in the first half of 2006 were valued at Euro 108.9 which represents the latest price communicated by GRTN net of the transaction commissions.

With reference to the tax position of the Group, it is noted that the group has losses carried forward, at June 30, 2006, relating to continuing operations totalling Euro 15,754 thousand. Against these losses, no deferred tax assets were recorded at June 30, 2006; this treatment is in line with the valuations made in previous years which consider that the deferred tax assets on losses carried forward should not be recorded due to the uncertainty on the recovery of these receivables from future assessable income; this treatment will be reviewed at December 31, 2006.

4 Assets available for sale and liabilities relating to assets available for sale

As previously described the account includes the assets and liabilities of TAD Energia Ambiente SpA and its subsidiaries sold in July and shown in the following tables:

TAD Energia Ambiente SpA at June 30, 2006	(in thousands of Euro)
Tangible assets	111,228
Intangible assets	32,127
Equity investments	2,579
Other receivables	203
Deferred tax assets	2,032
Total non-current assets	148,169
Inventories	2,263
Trade receivables	28,956
Other receivables	2,276
Tax assets	1,683
Cash and cash equivalents	9,751
Total current assets	44,929
TOTAL ASSETS	193,098

TAD Energia Ambiente SpA at June 30, 2006	(in thousands of Euro)
Employee leaving indemnity provision	1,427
Provisions for risks and charges	17,828
Financial payables - non-current portion	33,624
Other payables	497
Deferred tax liabilities	127
Total non-current liabilities	53,503
Financial payables - current portion	16,111
Payables for derivative instruments	1,360
Trade payables	12,116
Other payables	4,236
Tax liabilities	1,488
Total current liabilities	35,311
TOTAL LIABILITIES	88,814

5 Provisions for risks and charges

The total balance can be broken down as follows:

	Balance 31.12.2005	Provisions	Utilisat.	Balance 30.06.2006
Risk on current disputes	300		(300)	0
Risks related to extraordinary operations		1,500		1,500
Other risks	299			299
Total	599	1,500	(300)	1,799

The value of the risk provisions related to a request for payment for consulting services. This litigation was settled in the period.

The value of the risk provisions connected to extraordinary operations relates to the provision against potential liabilities resulting from contractual agreements on the sales operations previously described.

The provision for other risks relates to various litigation proceedings in course concerning Group companies and taking into account the evaluations of legal consultants who have assisted the Group in the various disputes.

The details of the litigation in course at June 30, 2006 relating to the continuing operations and those sold (where there exists contractual guarantees given to the buyer as described in the Directors' Report), are described in the Directors' Report. The risk provision is considered adequate against the risks directly impacting upon the Group or indirectly due to the guarantees given.

6 Net financial position

The Group consolidated net financial position, including the balances classified under "Assets available for sale" and the "Liabilities related to assets available for sale" are broken down as follows:

	30.06.2006	31.12.2005	Changes
Cash and cash equivalents (1)	57,413	38,334	19,079
Current account overdrafts	(24,827)	(52,146)	27,319
Bank and postal accounts	0	3,638	(3,638)
Short-term net financial position	32,586	(10,174)	42,760
Financial receivables from associated companies	7	7	0
Financial receivables from subsidiaries	54	26	28
Financial receivables from holding companies	3,451	3,343	108
Receivables for derivative instruments	1,264	0	1,264
Financial assets	4,776	3,376	1,400
TOTAL CURRENT FINANCIAL ASSETS	37,362	(6,798)	44,160
Convertible bonds	(76,482)	(76,142)	(340)
Shareholder loans	(62)	(62)	0
Payables to banks	(23,885)	(27,550)	3,665
Other lenders	(361)	(12,345)	11,984
Financial payables to subsidiary companies	(35)	0	(35)
Payables for derivative instruments	(1,361)	(2,178)	817
TOTAL CURRENT FINANCIAL LIABILITIES	(102,186)	(118,277)	16,091
Financial assets: other receivables	13,021	11,167	1,854
Financial assets: other securities	0	657	(657)
TOTAL NON-CURRENT FINANCIAL ASSETS	13,021	11,824	1,197
Bank payables	(81,680)	(82,613)	933
Other lenders	0	(23,661)	23,661
Payables for derivative instruments	(16,553)	(15,950)	(603)
TOTAL NON-CURRENT FIN. LIABILITIES	(98,233)	(122,224)	23,991
Net financial position	(150,036)	(235,475)	85,439

Nota (1): The account includes the amount of cash and other liquidity of the companies sold on July 4, 2006 whose value, Euro 9,751 thousand, is included in the assets available for sale.

The improvement of the net financial position, as illustrated in the cash flow statement, is principally due to the collection of the first instalment on the sale of Enertad France Sas and the deconsolidation of the relative net financial position, in part compensated by the capital expenditures made in the wind sector.

The change in the above-mentioned net financial position after June 30, 2006, due to the liquidity generated from the sale of TAD Energia Ambiente SpA and from the receipt of the balance from the sale of Enertad France Sas, is described in the Directors' Report.

Significant changes in income statement accounts

The comparative income statement in the first half of 2005, in application of IFRS 5, records in the line "Results from discontinued operations" the costs and revenues, and the income and charges of the companies sold relating to the extraordinary operations previously described which in the consolidated half-year income statement at June 30, 2005, were classified, based on the nature of the costs, under costs and revenues, and income and charges from continuing operations.

Value of production

The account is comprised as follows:

	30.06.2006	30.06.2005	Changes
Revenues from sales and services	16,458	6,942	9,516
Variation of work in progress and finished and semi finished goods	(7)	(14)	7
Other operating income and revenues	287	415	(128)
Total	16,738	7,343	9,395

Revenues from sales and services:

Revenues from sales and services relate to the following sectors in which the Group operates:

	30.06.2006	30.06.2005	Changes
Wind-parks	13,557	4,740	8,817
Water services	2,888	2,124	764
Not allocated	13	78	(65)
Total	16,458	6,942	9,516

Reference should be made to the Directors' Report for an analysis of the revenues from sales and services.

Costs for services

The account is comprised as follows:

	30.06.2006	30.06.2005	Changes
Services	2,710	2,158	552
Utilities	134	85	49
Various costs	542	532	10
Rents, leases and similar	977	640	337
Total	4,363	3,415	948

Personnel costs

The account is comprised as follows:

	30.06.2006	30.06.2005	Changes
Salaries	1,853	1,745	108
Social charges	551	510	41
Employee leaving indemnity provision	102	87	15
Other costs	10	9	1
Total	2,516	2,351	165

Provisions & write-downs

Reference should be made to the section 'Provision for risks and charges'.

Financial income and charges

The account is comprised as follows:

	30.06.2006	30.06.2005	Changes
Financial income	614	336	278
Financial charges	(4,280)	(3,050)	(1,230)
Total	(3,666)	(2,714)	(952)

Financial income:

	30.06.2006	30.06.2005	Changes
Interest and commission from banks	145	198	(53)
Interest and commission from others	469	138	331
Total	614	336	278

Financial charges:

	30.06.2006	30.06.2005	Changes
Interest from others	4,280	3,030	1,250
Losses on sale of equity investments		20	(20)
Total	4,280	3,050	1,230

Net financial income and charges from holding companies

The account is comprised as follows:

	30.06.2006	30.06.2005	Changes
Interest from Fintad International SA	108	1,089	(981)
Total	108	1,089	(981)

Result from discontinued operations

The balance sheet accounts, determined from the sales operations previously described, are shown below:

	30.06.2006			30.06.2005		
	Tad Energia Ambiente SpA	Enertad France Sas	Omnia Srl	Tad Energia Ambiente SpA	Enertad France Sas	Omnia Srl
Group result	(1,565)	5,988	(187)	(7,562)	4,179	(463)
Gain/(Loss) on disposals		(3,159)	242			
Accessory sales costs		(974)				
Income taxes (1)		0	0			
Sub-total	(1,565)	1,855	55	(7,562)	4,179	(463)
TOTAL			345			(3,846)

Nota (1): The amount assessable generated from the sales operations are compensated by the losses carried forward utilised by the group.

Potential assets

The potential assets, not recorded at June 30, 2006 in application of the prudence principle, relates to the insurance reimbursements of approximately Euro 700 thousand and potential adjustments on the sales price of TAD Energia Ambiente SpA based on the contractual clauses as further described in the Directors' Report in relation to the sale of the investment to ACEA SpA.

Transactions with related parties

The details of the residual operations after the consolidation eliminations are indicated below:

Balance Sheet accounts:

	Trade		Financial		Others	
	Receiv.	Pay.	Receiv.	Pay.	Receiv.	Pay.
(€/000)						
Holding companies						
Fintad International SA			3,452		1,291	
Tad Fin SpA		1,033				
Total holding companies		1,033	3,452		1,291	
Subsidiaries						
Ame@Tad Srl		9	48			
Enercom Srl in liquidation		93				
Enerdepurazioni Scarl		7	5		4	
Recupera Srl				17		
Sorepla Srl				17		
Total subsidiary companies		109	53	34	4	
Associated companies						
Amea SpA	44	152				
Amea Servizi SpA						
Umbriadue Servizi Idrici Scarl						
Total associated companies	44	152				
Other group companies						
E-Tad Tecnologie SpA		43				
Tad Immobiliare SpA		685				
Total other group companies		728				

Income Statement accounts:

	Revenues	Other	Service	Other	Financial	Financial
	from sales	revenues	costs	operating	income	charges
	& services	& income		costs		
(€/000)						
Holding companies						
Fintad International SA					108	
Total holding companies					108	
Subsidiaries						
Ame@Tad Srl	44		2			
Total subsidiary companies	44		2			
Associated companies						
Amea Servizi SpA			239			
Total associated companies			239			
Other group companies						
Tad Immobiliare SpA			165			
Total other group companies			165			

The transactions between the parent company Enertad SpA and its associated companies are as follows:

Balance Sheet accounts:

Financial receivables from holding companies:

	30.06.2006
Fintad International Sa	3,451

Financial receivables from subsidiaries:

	30.06.2006
Ame@tad Srl	48
Dsi Srl	2,309
EALL Srl	10,136
Ecoenergie Srl	1,574
Enercombustibili Srl	1,521
Enerdepurazioni Scarl	5
Energie Pulite Srl	35
Eolo Srl	8,930
EOS Windenergy Srl	544
EOS 2 - Nurra Srl	3,854
Ergo En.A. Srl	4,913
Interpark Srl	1,469
SAO SpA	14,094
TAD Energia Ambiente SpA	43,542
Temi En. A. SpA	7,748
TOTAL	100,722

Trade receivables from holding, subsidiary and associated companies:

	30.06.2006
Subsidiaries	
DSI Servizi Industriali Srl	591
EALL Srl	301
Ecoenergie Srl	14
Enercombustibili Srl	283
Energie Pulite 2000 Srl	30
Eolo Srl	184
EOS Windenergy srl	2,246
EOS 1 - Troia Srl	310
EOS 2 - Nurra Srl	32
EOS 3 - Troia Srl	124
Ergo En.A. Srl	13
Interpark Srl	53
SAO SpA	123
Sodai Italia SpA	88
TAD Energia Ambiente SpA	92
Temi En. A. SpA	221
Sub- total subsidiaries	4,705
Associated companies	
Amea SpA	37
Sub-total associated comp.	37
Holding companies	
Fintad International SA (Lux)	50
Tad Fin SpA	194
Sub-total holding comp.	244
TOTAL	4,986

Income Statement accounts:

(€/000)

	30.06.2006			
	Operating		Financial	
	Revenues	Costs	Revenues	Costs
DSI Servizi Industriali Srl	27		35	
EALL Srl	127			
Ecoenergie Srl	12		71	4
Enercombustibili Srl	68			
Energie Pulite 2000 Srl	6		1	
Eolo Srl	25		215	
EOS Windenergy srl	357		82	
EOS 1 - Troia Srl	66			
EOS 2 - Nurra Srl	7		87	
EOS 3 - Troia Srl	56			
Ergo En.A. Srl	11		92	
Fintad International Sa			108	
Interpark Srl	46		27	
SAO SpA	70		320	
Sodai Italia SpA	88			7
TAD Energia Ambiente SpA	77		927	
Tad Immobiliare SpA		165		
Temi En.A. SpA	117			

Directors fees

The remuneration of directors for the first half of 2006 was as follows:

	30.06.2006	31.12.2005
Remuneration	35	20
Non-monetary benefits	21	41
Other benefits	363	625
Total	419	686

The remuneration of Directors is fixed by the Remuneration Committee which reports to the Board of Directors.

Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

Result	30.06.2005	30.06.2006
Result for the determination of the basic earnings per share	(6,059)	676
Effects of dilution deriving from potential ordinary shares:		
- interest on convertible bonds	2,648	2,648
Result for the determination of the diluted earnings per share	(3,411)	3,324

Number of shares	30.06.2005	30.06.2006
Weighted average number of ordinary shares for the determination of the basic earnings per share	94,865,881	94,865,881
Effects of dilution deriving from potential ordinary shares:		
- convertible bonds	17,997,821	17,997,821
Weighted average number of ordinary shares for the determination of the diluted earnings per share	112,863,702	112,863,702

> 4. Financial Statements Enertad SpA

> 4.1 Balance Sheet Enertad SpA

	(in thousands of Euro)		
	30.06.2006	31.12.2005	30.06.2005
Tangible fixed assets	105	119	137
Intangible assets	100	121	154
Investments in subsidiary companies	70,026	118,587	118,616
Other equity investments	4,264	4,264	4,264
Financial assets	13,021	11,167	11,167
Total non-current assets	87,516	134,258	134,338
Trade receivables	42	5	5
Trade receivables from subsidiaries and ass. companies	4,986	14,832	12,554
Financial receivables from holding companies	3,451	3,343	38,261
Financial receivables from subsidiaries	100,722	95,797	106,033
Other receivables	11,237	4,210	1,869
Tax assets	5,323	3,709	4,346
Equity investments available-for-sale	2	2	2
Cash and cash equivalents	38,751	24,612	13,251
Total current assets	164,514	146,510	176,321
Assets available for sale	18,598	0	0
TOTAL ASSETS	270,628	280,768	310,659
Shareholders' equity	143,875	135,197	165,016
Total shareholders' equity	143,875	135,197	165,016
Employee leaving indemnity provision	254	217	185
Provisions for risks and charges	1,500	300	0
Financial payables - non-current portion	0	8,025	91,357
Payables for derivative instruments	16,553	15,950	15,369
Total non-current liabilities	18,307	24,492	106,911
Financial payables - current portion	100,956	113,138	31,837
Payables for derivative instruments	0	85	388
Trade payables	4,430	3,091	2,888
Other payables	2,973	4,596	3,468
Tax liabilities	87	169	151
Total current liabilities	108,446	121,079	38,732
Liabilities related to activities available for sale	0	0	0
TOTAL EQUITY & LIABILITIES	270,628	280,768	310,659

> 4.2 Income statement Enertad SpA

	(in thousands of Euro)	
	30.06.2006	30.06.2005
Operating revenues		
Revenues from sales and services	987	1,415
Other operating income and revenues	194	188
Value of production	1,181	1,603
Operating costs		
Raw, ancillary and consumable materials and goods for resale	(30)	(39)
Costs for services	(2,249)	(2,082)
Personnel costs	(1,431)	(1,758)
Other operating expenses	(267)	(68)
Amortisation & depreciation	(39)	(61)
Provisions & write-downs	(1,500)	0
Operating result	(4,335)	(2,405)
Net financial income and charges from third parties	(3,556)	(4,194)
Net financial income and charges from holding companies	108	1,089
Net financial income and charges from subsidiaries	1,847	2,742
Write-downs of investments	(9,322)	0
Non-recurring income from sale of investments	21,526	0
Profit/(loss) before taxes	6,268	(2,768)
Taxation on profit for the period	2,104	651
Net profit/(loss) for the period	8,372	(2,117)

> 4.3 Cash flow statement Enertad SpA

	(in thousands of Euro)	
	First half 2006	First half 2005
Operating activities		
Result of operating activities	(4,335)	(2,405)
Adjustments for:		
depreciation of tangible assets	19	17
amortisation on intangible assets	21	44
loss on asset sales	0	8
provisions for personnel incentive plans	112	92
charge/(utilisation) of provisions	1,237	46
Total adjustments	1,389	207
Change in working capital		
decrease/(increase) in trade and other receivables	6,399	(2,492)
decrease in trade and other payables	(284)	(225)
Total changes in working capital	6,115	(2,717)
Cash flow from operating activities	3,169	(4,915)
Income taxes paid	0	(1,359)
Interest paid	(3,722)	(4,063)
Net cash flow used in operating activities	(553)	(10,337)
Investing activities		
Interest received	2,462	3,073
Payments for the purchase of financial assets	(1,854)	(1,887)
Receipt from sale of investments	49,157	0
Purchase of shareholdings in other companies	(14,521)	(1,100)
Tangible and intangible asset investments	(5)	(35)
Receipt from the sale of tangible and intangible assets	0	6
Net cash flow from investing activities	35,239	57
Financing activities		
Repayment of loans	(16,050)	(8,025)
Net cash flow from financing activities	(16,050)	(8,025)
Net increase in cash and cash equivalents	18,636	(18,305)
Beginning net liquidity/(net debt)	(4,359)	135
Closing net liquidity/(net debt)	14,277	(18,170)
Comprised of:		
bank and postal accounts	38,750	13,248
cash-in-hand and cash equivalents	1	3
bank overdrafts	(24,474)	(31,421)
Closing net liquidity/(net debt)	14,277	(18,170)
of which cash and cash equivalents not available for use	0	4,912

> 4.4 Net financial position Enertad SpA

	(in thousands of Euro)		
	30.06.2006	31.12.2005	Changes
Cash and cash equivalents	38,751	20,974	17,777
Current account overdrafts	(24,474)	(28,971)	4,497
Bank and postal accounts		3,638	(3,638)
Short-term net financial position	14,277	(4,359)	18,636
Financial receivables from associated companies			0
Financial receivables from subsidiaries	100,722	95,797	4,925
Financial receivables from holding companies	3,452	3,343	109
Financial assets	104,174	99,140	5,034
TOTAL CURRENT FINANCIAL ASSETS	118,451	94,781	23,670
Convertible bonds	(76,482)	(76,142)	(340)
Other lenders		(8,025)	8,025
Financial payables to subsidiary companies	(1,200)	(175)	(1,025)
Payables for derivative instruments		(85)	85
TOTAL CURRENT FINANCIAL LIABILITIES	(77,682)	(84,427)	6,745
Financial assets: other receivables	13,021	11,167	1,854
TOTAL NON-CURRENT FINANCIAL ASSETS	13,021	11,167	1,854
Other lenders		(8,025)	8,025
Payables for derivative instruments	(16,553)	(15,950)	(603)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(16,553)	(23,975)	7,422
Net financial position	37,237	(2,454)	39,691

> 4.5 Statement of change in shareholders' equity

	(in thousands of Euro)						
	Share capital Enertad SpA	Legal reserve	Share premium reserve	Other reserves	Retained earnings	Result for period	Total share. equity
Balance at January 1, 2005	94,866	1,388	70,115	9,272	(8,465)	0	167,176
Personnel cost for incentive plan				203			203
Change in the fair value of the hedging instruments				168			168
Net result 2005						(32,350)	(32,350)
Balance December 31, 2005	94,866	1,388	70,115	9,643	(8,465)	(32,350)	135,197
Allocation of the 2005 net result					(32,350)	32,350	0
Change in the fair value of the hedging instruments				86			86
Personnel cost for incentive plan				111			111
Valuation of convertible bond options				109			109
Net result for the period						8,372	8,372
Balance June 30, 2006	94,866	1,388	70,115	9,949	(40,815)	8,372	143,875

> 5. Report of the Board of Statutory
Auditors on the half-year
financial statements

Report of the Board of Statutory Auditors on the half-year financial statements as at June 30, 2006 of EnerTAD SpA

The Board of Statutory Auditors reviewed the half-year financial statements as approved by the Board of Directors on September 11, 2006 and the relevant documents attached thereto.

The Board considers that the valuation criteria are in accordance with the principles of prudence, transparency, clarity and accuracy in the presentation of the business operations; in addition, it is noted that:

- the half-year financial statements at June 30, 2006 were prepared in accordance with International Accounting Standards (IAS/IFRS), adjusting, for comparative purposes also the results as at June 30, 2005. The transition to IAS/IFRS resulted in the reversal of the extraordinary income of Euro 15 million recorded at December 31, 2005 in relation to the change of the valuation principle of the investment in EnerTAD France S.a.S.
- the continuation of the strategic and operational activities in relation to the implementation of the industrial plan and the re-equilibrium of the financial structure (principally relating to the sale of the “STEEL” and “WASTE-TO-ENERGY/WASTE MANAGEMENT” businesses) has generated cash flow for the repayment of the convertible bond and development in the wind sector, the Group's core business.

Based on the above matters, and taking into consideration the declaration of the audit firm on September 19, 2006 and the verifications made by the Board, there are no other matters to report.

Milan, October 3, 2006

The Board of Statutory Auditors

Marco de Ruvo

Alessandro Della Fontana

Carlo Tavormina



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> 6. Reports of the Independent Auditors

Deloitte

Deloitte & Touche S.p.A.
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**LIMITED AUDIT ON THE HALF-YEAR REPORT
PREPARED IN ACCORDANCE
WITH ARTICLE 81 OF CONSOB REGULATION 11971 OF MAY 14, 1999
AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS**

To the Shareholders of EnerTAD S.p.A.

We have performed a limited audit of the interim consolidated financial statements consisting of the balance sheet, income statement, changes in shareholders' equity, cash flow statement (hereafter "financial statements") and of the related notes included in the half-year report as at June 30, 2006 of EnerTAD S.p.A. The half-year report is the responsibility of EnerTAD S.p.A.'s Directors. Our responsibility is to express an opinion on the present report based on our limited audit. We have also reviewed the part of the notes containing information on the operations for consistency with the rest of the report.

We conducted our limited audit in accordance with the Auditing Standards and criteria recommended by CONSOB. A limited audit principally consists of the gathering of information on the accounts included in the financial statements and on the homogeneity of the accounting principles through meetings with the management of the company and the analysis of the data contained in the financial statements. A limited audit excludes procedures such as verification testing and the verification or procedures on the correctness of the assets and liabilities and results in significantly reduced work to that of a full audit in accordance with Auditing Standards. Consequently, unlike for the consolidated financial statements for the year, we do not express an opinion on the half yearly financial statements.

For the opinion on the consolidated financial statements of the prior year, presented for comparison, reference should be made to our auditors' reports issued on April 12, 2006. The comparative data relating to the interim consolidated financial statement at June 30, 2005, restated in accordance with IFRS and the relative IFRS reconciliation schedules, derive from the restated half-year accounts in accordance with law and the previous accounting standards and on which we performed a limited audit. Our limited auditors' report was issued on October 6, 2005.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 10.327.940,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Based on the work performed, we are not aware of variations or significant integrations that should be applied to the consolidated financial statements and to the notes identified in the first paragraph of the present report, in order that they are in conformity with IAS 34 and the requirements of article 81 of Consob Regulation 11971 of May 14, 1999 and subsequent amendments and integrations.

In the first half of 2006, the strategic and operational activities continued in relation to the implementation of the Industrial Plan and in particular, the finalisation of the actions for the Group's strategic repositioning and the re-equilibrium of the financial structure through the sale of the "Steel" and "Waste-to-energy/Waste management" businesses and of the "Water services" business managed by the subsidiary Omnia S.r.l.. These sales, completed between May and July 2006, permitted the Group a re-equilibrium of the financial position and balance sheet, simplification of the business portfolio and focus on the development of renewable energies. The cash flow generated from these sales will permit the repayment of the convertible bond and the development of the Group's core business.

DELOITTE & TOUCHE S.p.A.


Ernesto Lanzillo
Partner

Milan, September 19, 2006

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Deloitte

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**AUDITORS' REPORT
ON THE IFRS RECONCILIATION SCHEDULES (PARENT COMPANY)
WITH EXPLANATION OF THE EFFECTS OF TRANSITION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS)**

To the Board of Directors of EnerTAD S.p.A.

We have audited the attached reconciliation schedules of the balance sheet at January 1, 2005 and at December 31, 2005 and of the income statement for the year ended December 31, 2005 (hereafter the 'IFRS reconciliation schedules') of EnerTAD S.p.A. and of the relative notes in accordance with CONSOB communication No. 6064313 of July 28, 2006 contained in the section "Transition to the International Financial Reporting Standards (IFRS) of the Parent Company EnerTAD S.p.A." of the half-year report at June 30, 2006. The above-mentioned IFRS reconciliation schedules derive from the financial statements of EnerTAD S.p.A. for the year ended December 31, 2005 prepared in accordance with regulations on the preparation of financial statements audited by us and on which we issued our auditors' report on April 12, 2006. Our report includes information provided by the Directors on the going concern criteria utilized in the preparation of the financial statements as well as on the effects of the results and shareholders' equity deriving from the change of the valuation principle of the investment in EnerTAD France S.a.s. from the cost method to the equity method. The IFRS reconciliation schedules were prepared within the transition project to International Financial Reporting Standards (IFRS) adopted by the European Union. The responsibility of the preparation of the IFRS reconciliation schedules is that of EnerTAD S.p.A.'s Directors. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the IFRS reconciliation schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS reconciliation schedules. 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.

In our opinion, the IFRS reconciliation schedules, identified in the first paragraph of the present report, were prepared in conformity with the requirements of CONSOB communication No. 6064313 of July 28, 2006.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Treviso Verona

Member of
Deloitte Touche Tohmatsu

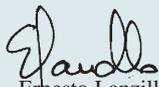
Sede Legale: Via Tortona, 25 - 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 10.327.940,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

4. For a better understanding of the IFRS reconciliation schedules, identified in the first paragraph, the following matters are called to the attention of the reader, described in detail in the section “Reconciliation of the Italian GAAP with IAS/IFRS”:

The IFRS reconciliation schedules, as prepared only for the purposes of the transition project for the preparation of the first financial statements in accordance with IAS/IFRS adopted by the European Union, do not include comparative data and the necessary explanatory notes that would be required to represent in a true and fair manner the balance sheet, financial position and result of the Parent Company EnerTAD in conformity with IFRS adopted by the European Union. In addition, the IFRS reconciliation schedules report the values that will be included for comparative purposes in the first full financial statements of the parent company in accordance with IFRS; these values may be subject to changes that are considered necessary where some international accounting standards are reviewed or amended before the publication of these accounts.

The transition to IAS/IFRS resulted in the reversal of the extraordinary income of Euro 15 million recorded in the financial statements at December 31, 2005 in relation to the change of the valuation principle of the investment in EnerTAD France S.a.S.

DELOITTE & TOUCHE S.p.A.


Ernesto Lanzillo
Partner

Milan, September 19, 2006

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