

**ERG Renew**

Interim Management Statement at 31 March 2009





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## CORPORATE BODIES

### Board of Directors (\*)

<b>Chairman</b>		Raffaele Tognacca
<b>Deputy Chairman</b>		Vittorio Garrone
<b>Chief Executive Officer</b>		Francesco Del Balzo
<b>Directors</b>	Independent	Italo Giorgio Alfieri Luca Bettonte
	Independent	Lorenzo Caprio Pietro Giordano
	Independent	Giorgio Mazzanti
	Independent	Ernesto Monti

### Board of Statutory Auditors

<b>President</b>	Lelio Fornabaio
<b>Standing statutory auditors</b>	Francesco Gatti Andrea Manzitti

### Manager responsible for financial reporting (Law 262/05)

**Luca Giorgerini**

### External Auditor

**Deloitte & Touche S.p.A.**

(\*) appointed on 21 April 2009

## Foreword

On 18 July 2008 EnerTAD S.p.A. changed its corporate name to ERG Renew S.p.A.

The interim management statement at 31 March 2009, which has not been subjected to a legal audit, has been prepared in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRSs) and on the basis of the requirements contained in Paragraph 5 of Article 154 ter of the Italian Consolidated Finance Act, applying Directive 2004/109/EC (the Transparency Directive).

Consolidation and accounting policies are the same as those indicated in the 2008 Annual Consolidated Financial Report, to which reference should be made. It is also important to note that preparation of the interim management statement requires the directors to make estimates and assumptions that affect the measurement of revenues, expenses, assets and liabilities, as well as the information provided in relation to contingent assets and liabilities as at the balance sheet date concerned. Should the directors' best estimates and assumptions prove to differ from the actual circumstances arising in the future, appropriate adjustments are made in the period in which such circumstances change.

Furthermore, certain measurement processes – particularly the more complex processes, such as the measurement of impairment to non-current assets – are generally done in a more complete manner only at the time of preparation of the annual financial statements, at which time all necessary information has become available, except in cases in which there are indications of impairment to an extent that would require an immediate measurement of such losses. In the same way, the measurement of green certificates in accordance with the most recent legislation requires that the average market price of green certificates for the 2009 financial year be calculated during the year.

As already indicated in the Report on Operations in the 2008 Consolidated Annual Financial Report, on 9 March 2009 the Board of Directors of ERG Renew approved the new 2009-2012 Business Plan. The new plan envisages total investments by the end of 2012 of approximately Euro 300 million (of which Euro 93 million in 2009) for total installed capacity of 372 MW (of which 199.3 MW already installed). In view of considerable domestic and regional regulatory uncertainty, as well as the crisis in the financial markets mentioned below, which today makes it less than easy and costly to gather financial resources – and in order to give investments visibility and certainty – the plan is based on the development of wind-farm projects for which site work can effectively be initiated.

We highlight the fact that, following postponement of the planned cash capital increase, approved in 2008, caused by the critical conditions of financial markets, 2009 investments, totalling Euro 93 million, will be underpinned by injections of equity, use of bank borrowing, and support from the parent company ERG S.p.A. During February 2009 the latter formally committed to supporting ERG Renew in the investments planned for 2009 up to the amount of Euro 70 million.

## Business description

The ERG Renew Group of the first quarter of 2009 is very different to that of the first quarter of 2008 following completion of the extraordinary operation of partial demerger of ERG Power & Gas as regards the renewable-source energy business to ERG Renew, effective 1 October 2008. This in fact consolidated the Group's presence in the wind-power sector and helped to develop the new sector of hydroelectric power stations. The contents of this extraordinary operation have been represented in detail in the Report on Operations in the 2008 Consolidated Annual Financial Report as well as in the Prospectus and subsequent supplement prepared pursuant to the CONSOB (Italian securities & exchange commission), all of which are available on the company's site [www.ergrenew.it](http://www.ergrenew.it).

ERG Renew is thus active in the following businesses:

- **Wind - Italy:** via its subsidiaries ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.), ERG Renew generates electricity from wind sources. There are currently 6 wind farms in operation – San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW) and Pian de Corsi Baltera (1.6 MW) with installed capacity in operation totalling 144.1 MW. The capacity relating to the Green Vicari and Pian de Corsi Baltera wind farms is a consequence of the process of partial demerger of ERG Power & Gas S.p.A., whose wind-power and hydropower assets were contributed to ERG Renew effective 1 October 2008, by virtue of the partial demerger, as already described, of ERG Power & Gas S.p.A. In addition, the Group also has 140 MW authorised, for which site work is scheduled to start by the end of the current financial year, i.e. 2009.
- **Wind - France:** in November 2007 ERG Renew entered the French market via acquisition of 5 wind farms for total installed capacity of 55.2 MW. The French wind farms are controlled by ERG Eolienne France S.a.s. (formerly Enerfrance S.a.s.). During the last quarter of 2008, the latter company also finalised two important deals. On 10 October 2008 it finalised the purchase from the French group GSEF of a 50% equity interest in Cita Wind and five project companies. Cita Wind, a company active in the development of wind farms in northern France, currently has projects for 288 MW in its portfolio, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development. On 12 November, ERG Eolienne France S.a.s. instead signed an agreement with the company VSB Energies Nouvelles for acquisition of 100% of Eolienne du Vent Solaire, a company owning all the rights and official approvals for construction of the 9.2 MW Plogastel wind farm, located in Brittany, for which site work began in the first quarter of 2009. At the same time, ERG Eolienne France S.a.s. also signed a memorandum of understanding for the future acquisition of the company Eoliennes de Grenevel, set up to build a wind farm south of Paris with capacity of 20 MW.

- **Mini-hydroelectric plants:** via its subsidiaries I.S.E.A. S.r.l. and Ecopower S.r.l., which entered the scope of consolidation as a result of the operation, already described, of partial demerger of ERG Power & Gas, ERG Renew is active in power generation using mini-hydroelectric plants, with installed capacity totalling 2.2 MW. I.S.E.A. has 5 mini-hydroelectric plants for a total of 1.8 MW in operation located in the municipalities of Terdobbiate - Gaggiotta (Novara), Confienza (Pavia), Cassolnovo - Molino del Conte (Pavia), Cilavegna - Biraghetta (Pavia) and Langosco - Santa Maria di Bagnolo (Pavia). The Ecopower company has one mini-hydroelectric plant in operation with capacity of 0.4 MW located in the municipality of Novara - Sant'Agabio and another 5 currently being refurbished for a total of 0.8 MW located in the municipalities of Galliate - Montereaggio (Novara), Galliate - Speranza (Novara), Trecate - San Martino (Novara), Trecate - San Pietro (Novara) and Romentino - Lumi (Novara).
- **Water services:** via its subsidiaries SODAI Italia S.p.A. and DSI S.r.l., ERG Renew performs treatment of industrial waste. While SODAI Italia SpA operates via purification platforms adjacent to 20 workshops of Trenitalia [part of the Italian state railway group], DSI S.r.l. treats solid and liquid waste for non-captive customers and for those of SODAI Italia. As already announced several times, the ERG Renew Group intends to terminate its activity in the segment because it is not considered core, proceeding with disposal of the related equity investments by the end of 2009. Today the Company has one negotiation underway, which at present is still in the preliminary phase.



## ERG Renew stock market performance

On 31 March 2009, the reference price of ERG Renew stock was Euro 0.83, with an increase of +27.7% vs. the price at year-end 2008. This compared with performance of the European sector index (Stoxx Utilities Index) of -22.4% and of the Italian MIBtel index of -14.8%.

Below we show some data concerning the prices and trading volume of ERG Renew stock during the first quarter of 2009.

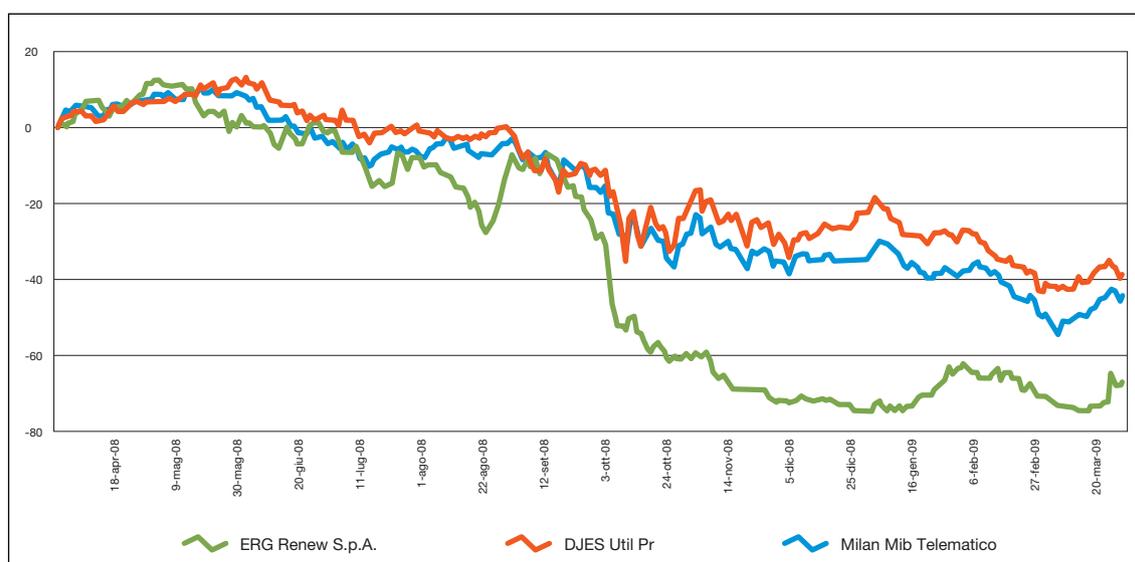
Share price	Euro
Reference price on 31.03.09	0.83
High (04.02.09) <sup>(1)</sup>	0.98
Low (12.03.09)	0.64
Average	0.77

<sup>(1)</sup> These are the highest and lowest prices recorded during the day's trading and therefore are not the same as official and reference prices occurring on the same date.

Volume traded	No. of shares
Highest (29.01.09)	441,715
Lowest (05.03.09)	11,810
Average	128.194

As at 31 March 2009, market capitalisation amounted to Euro 110.1 million (vs. Euro 86.2 million at year-end 2008).

## ERG Renew performance vs. Stoxx Utilities Index and MIBtel index



## Performance highlights

FY 2008		1 <sup>st</sup> quarter		
		2009	2008	
<b>Main economic data (thousand euro)</b>				
43,439	Operating revenues	13,228	13,608	
9,932	EBITDA <sup>(1)</sup>	5,480	8,090	
16,425	Recurrent EBITDA <sup>(2)</sup>	5,480	8,090	
(16,626)	EBIT	472	4,419	
(24,327)	Net profit (loss)	(1,713)	1,606	
(83)	<i>of which Minority Interest</i>	158	62	
(24,410)	Net profit (loss) pertaining to Group	(1,871)	1,544	
<b>Main balance sheet and financial data (million euro)</b>				
389.2	Net invested capital	393.4	265.8	
135.0	Shareholders' equity	132.1	145.1	
254.3	Net financial debt	261.3	120.7	
171.3	<i>of which non-recourse project financing</i>	196.5	143.2	
65.3%	Financial leverage	66.4%	45.4%	
41.7	Investments	3.2	9.9	
<b>Operational data</b>				
199.3	Installed wind capacity	MW	199.3	132.2
144.1	<i>Capacity installed in Italy</i>	MW	144.1	77
55.2	<i>Capacity installed in France</i>	MW	55.2	55.2
258,839	Unit sales of electricity from wind sources	MWh	84,817	86,335
144,115	<i>Unit sales of electricity in Italy</i>	MWh	54,133	43,028
114,724	<i>Unit sales of electricity in France</i>	MWh	30,684	43,307
2.2	Installed hydroelectric capacity	MW	2.2	–
4,245	Unit sales of electricity from hydroelectric sources	MWh	348	–
375,046	Liquid waste treated	cubic m	114,821	93,165
14,717	Solid waste treated	tons	1,560	3,579
<b>Electricity/green certificate prices</b>				
85.86	Electricity selling prices in Italy	Euro/MWh	77.49	85.17
–	Green certificates 09	Euro/MWh	87.00	–
98.00	Green certificates 08	Euro/MWh	98.00	95.00
98.00	Green certificates 07	Euro/MWh	98.00	98.00
98.00	Green certificates 06	Euro/MWh	98.00	98.00
83.80	Electricity selling prices in France (*)	Euro/MWh	86.02	83.77
	(*) <i>inclusive of incentive</i>			

<sup>(1)</sup> EBITDA" corresponds to net income adjusted for taxes, for the result of asset disposal or of discontinued operations, for finance income/expense, as well as for depreciation & amortisation of tangible and intangible assets, and write-downs of non-current assets. EBITDA is a metric used by the Group to monitor and assess its operating performance and is not defined as an accounting metric within IFRSs. Given this, it must not be considered a metric alternative to intermediate reported results for assessment of operating performance. As the composition of EBITDA is not regulated by the accounting standards of reference, the policy for calculation applied by the Group may not be the same as that adopted by others and therefore may not be comparable.

<sup>(2)</sup> "Recurrent EBITDA" corresponds to EBITDA as defined above, adjusted for any non-recurring items.

## Divisional performance highlights

FY 2008	(thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
<b>Operating revenues</b>			
25,217	Wind Italy	8,750	7,762
9,672	Wind France	2,759	3,628
<b>34,889</b>	<b>Total Wind</b>	<b>11,509</b>	<b>11,390</b>
33	Mini-hydroelectric plants	49	–
6,962	Water Services	1,668	1,693
1,555	Holding	2	525
<b>43,439</b>	<b>Total</b>	<b>13,228</b>	<b>13,608</b>
<b>EBITDA</b>			
13,289	Wind Italy	6,643	6,725
7,859	Wind France	2,075	3,197
<b>21,148</b>	<b>Total Wind</b>	<b>8,718</b>	<b>9,922</b>
(85)	Mini-hydroelectric plants	(71)	–
(119)	Water Services	149	84
(11,012)	Holding	(3,316)	(1,916)
<b>9,933</b>	<b>Total</b>	<b>5,480</b>	<b>8,090</b>
<b>Recurrent EBITDA</b>			
19,782	Wind Italy	6,643	6,725
7,859	Wind France	2,075	3,197
<b>27,641</b>	<b>Total Wind</b>	<b>8,718</b>	<b>9,922</b>
(85)	Mini-hydroelectric plants	(71)	–
(119)	Water Services	149	84
(11,012)	Holding	(3,316)	(1,916)
<b>16,426</b>	<b>Total</b>	<b>5,480</b>	<b>8,090</b>
<b>EBIT</b>			
(3,747)	Wind Italy	3,593	4,916
871	Wind France	336	1,459
<b>(2,876)</b>	<b>Total Wind</b>	<b>3,929</b>	<b>6,375</b>
(192)	Mini-hydroelectric plants	(176)	–
(510)	Water Services	50	(22)
(13,048)	Holding	(3,331)	(1,934)
<b>(16,625)</b>	<b>Total</b>	<b>472</b>	<b>4,419</b>
<b>Investments in tangible and intangible fixed assets</b>			
41,181	Wind Italy	2,954	9,913
–	Wind France	–	–
<b>41,181</b>	<b>Total Wind</b>	<b>2,954</b>	<b>9,913</b>
–	Mini-hydroelectric plants	47	–
355	Water Services	194	3
186	Holding	17	–
<b>41,722</b>	<b>Total</b>	<b>3,212</b>	<b>9,916</b>

## Comment on period's results

**Revenues** for the first quarter of 2009 (1Q09) amounted to Euro 13.2 million and were down by -2.8% vs. the first quarter of 2008 (1Q08), when they amounted to Euro 13.6 million. This decrease was due to the combined effect of the following factors, i.e.

1. Total erosion of higher Wind Italy electricity output and sales following integration of the Green Vicari wind farm - as mentioned and described in the Foreword – due to
  - a) the San Vincenzo and San Cireo wind farms' lower output, in turn caused by upgrading work by Terna on the national transmission grid in the Apulia region
  - b) the French wind farms' low wind flow, the effect of which was only partly offset by the increase of local electricity selling prices.

These factors led to overall electricity output some -2% lower than in 1Q08

2. A lower electricity selling price in Italy, down from Euro 85.17/MWh in 1Q08 to Euro 77.49/MWh
3. The lower value attributed to green certificates, down from Euro 95/MWh to Euro 87/MWh in 1Q09.

1Q09 **EBITDA** amounted to Euro 5.5 million vs. Euro 8.1 million reported in 1Q08, with a decrease of -32.2% YoY.

The trend in EBITDA reflected the following factors:

- **Wind - Italy:** a contribution of Euro 6.6 million vs. Euro 6.7 million reported in 1Q08 for the reasons already highlighted for revenues.
- **Wind - France:** a contribution of Euro 2.1 million vs. Euro 3.2 million reported in 1Q08 for the reasons already highlighted for revenues.
- **Mini-hydroelectric plants:** a negative contribution of Euro -0.1 million. The business unit forms part of the compendium relating to renewable energy sources demerged by ERG Power & Gas, as already described.
- **Water services:** a positive contribution of Euro 0.2 million, up vs. the positive result of Euro 0.1 million reported in 1Q08. While DSI S.r.l. contributed negatively with Euro -0.2 million, down by Euro 0.3 million vs. 1Q08 because of a fire that irreparably damaged some assets, SODAI Italia S.p.A. contributed with positive EBITDA of Euro 0.3 mn vs. breakeven reported in 1Q08.
- **Holding:** a negative contribution of Euro -3.3 million, worse than in 1Q08 when it was negative by Euro -1.9 million. Deterioration was mainly due to (1) Euro 0.4 million of higher legal advisory costs, mainly relating to the arbitration proceedings underway with ACEA S.p.A. concerning the 2006 sale of the waste-to-energy/waste management business in 2006 and to development of the Wind business; (2) higher technical advisory service costs relating to development of the Wind business; (3) a risk provision in the amount of Euro 0.5 million related to operations of the wind companies; and (4) Euro 0.5 million of higher costs for staff services by the parent company and affiliates. We point out that the presence in the income statement

of costs relating to development of the Wind business, rather than capitalisation in the balance sheet, is consistent with the decision taken by the Company when preparing 2008 year-end financial statements. By virtue of this decision, in view of the marked fragmentation of regulatory responsibility – with a consequent increase in the work and protraction of time needed to carry out approval procedures - development costs will now be capitalised only as from receipt of official approval. In 1Q08, development costs in the amount of Euro 0.3 million were incurred and capitalized as intangible assets.

**EBIT** in 1Q09 was positive by Euro 0.5 million (Euro 4.5 million in 1Q08), after depreciation & amortisation totalling Euro 5 million.

In 1Q09 the **Group's bottom-line result** (i.e. the result attributable to the operating parent company's shareholders) was negative by Euro -1.9 million as opposed to a profit of Euro 1.5 million reported in 1Q08. The result reflected (1) losses of Euro 0.1 million relating to investments in associates, concerning the 50% owned by ERG Eolienne France in C.I.T.A. S.a.s., a company booked at equity which performs development work in the wind business in France, and (2) positive taxes of Euro 0.5 million.

1Q09 **investments** amounted to Euro 3.2 million (vs. Euro 9.9 million in 1Q08). They were almost exclusively attributable to the Wind business, more specifically: Euro 1.6 mn for the Faeto wind farm, Euro 0.5 million for that of Ginestra, Euro 0.4 million for that of Fossa del Lupo, and Euro 0.3 million for the expansion of San Vincenzo.

As at 31 March 2009 **net financial debt** amounted to Euro 261.3 million, up by Euro 7 million vs. 31 December 2008, when it amounted to Euro 254.3 million. The debt increase was mainly due to the investments made and to the trend of working capital.

As at 31 March 2009 **net invested capital** totalled Euro 393.4 million, with an increase of Euro 4.1 million vs. 31 December 2008, when it amounted to Euro 389.2 million.

## Events during the period

### Wind - Italy

On **29 January**, the hearing took place before the Constitutional Court, which should have ruled on the constitutional legitimacy of the Basilicata Regional Law no. 9 of 26 April 2007 concerning rules for the energy sector. The proceedings had been initiated by the Basilicata Regional Administrative Court (RAC) following an appeal filed by the promoter of the Tursi Colobrarò wind farm to oppose suspension of works at the Tursi Colobrarò wind farm imposed by the Basilicata regional authorities. The Constitutional Court, which had postponed its ruling to the end of April 2009, will not announce its decision before the end of May.

### Water services

On **30 January** DSI S.r.l. obtained from the Latium Region's authorities Integrated Environmental Authorisation, valid for 6 years.

On **30 January**, the arbitration board set up to rule on contractual default vs. ERG Renew by the company Sari Group concerning the contract for purchase & sale of 100% of DSI Servizi Industriali S.r.l.'s capital, upheld most of ERG Renew's requests, without ruling on the remainder. The company has chosen not to recognize this gain, given that its actual realization is not yet certain.

### Holding

On **23 January** the Company collected the entire amount, inclusive of interest, relating to the life assurance policies established with the insurance company Generali Vita S.p.A. to guarantee the suretyship policy issued to Trenitalia, in turn guaranteeing payment of the put option on 49% of SODAI Italia, exercised at Euro 16.7 million as a result of the transaction settlement agreement discussed elsewhere.

On **30 January** the Gepafin company, shareholder with a 0.27% stake of Ansaldo Fuel Cells S.p.A., exercised its put option vis-à-vis ERG Renew. ERG Renew does not consider the put option right on the shares of Ansaldo Fuel Cells S.p.A. to exist and has thus informed Gepafin that it will not buy the shares covered by the option.

On **9 March** ERG Renew's Board of Directors reviewed 2008 consolidated financial statements and approved the new 2009–2012 Business Plan.

## Business divisions

### Wind - Italy

In Italy ERG Renew operates in the production of electricity from wind via its subsidiary ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.). There are currently 5 plants in operation, with total installed operational capacity of 144.1 MW. Wind farms consist of wind turbines, capable of transforming wind's kinetic energy into mechanical energy, which in turn is used to produce electricity. While plant availability remains the basic factor, the results of each wind farm are obviously affected by the anemological (wind) characteristics of the site where the wind farm is located.

Operating profitability is also influenced by the selling price of electricity and green certificates, while net profitability is also affected by interest-rate trends.

### Electricity and green certificate selling prices

FY 2008	Electricity/green certificate prices		1 <sup>st</sup> quarter	
			2009	2008
85.86	Electricity selling prices in Italy	Euro/MWh	77.49	85,17
–	Green certificates 09	Euro/MWh	87.00	–
98.00	Green certificates 2008	Euro/MWh	98.00	95.00
98.00	Green certificates 2007	Euro/MWh	98.00	98.00
98.00	Green certificates 2006	Euro/MWh	98.00	98.00

## Summary of results

FY 2008	Economic results (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
25,217	Operating revenues	8,750	7,762
13,289	EBITDA	6,643	6,725
19,782	Recurrent EBITDA	6,643	6,725
(17,036)	Amortisation & depreciation and write-downs	(3,050)	(1,809)
(3,747)	EBIT	3,593	4,916
41,181	Investments in tangible and intangible assets	2,954	9,913
	<b>Operational data</b>		
144,115	Production output (MWh)	54,133	43,028
	of which:		
68,308	San Vincenzo	17,222	20,667
58,531	San Cireo	13,511	18,772
-	Faeto	1	-
13,082	Viticuso	5,514	3,589
3,610	Vicari	17,446	-
584	Pian dei Corsi Baltera	439	-

In 1Q09 the operating **revenues** of the Wind Italy business increased by 12.7% vs. 1Q08, rising from Euro 7.8 million to Euro 8.8 million. The Euro 1-million increase was due to the 25.8% increase in electricity produced, which rose from 43,028 MWh in 1Q08 to 54,133 MWh in 1Q09. This was solely due to consolidation of the Vicari wind farm, forming part of the demerged branch of ERG Power & Gas involved in the extraordinary operation already mentioned earlier.

Setting aside the contribution of this farm, the output of Wind Italy business featured a major decrease of -15.7% YoY due to the upgrading work being carried out by Terna on the national transmission grid in the Apulia region.

Besides this, the revenue increase discussed above was also dampened by the downturn in electricity prices and in the prices used to value green certificates accrued. In effect, while electricity selling prices averaged Euro 77.49/MWh, down by -9% vs. 1Q08, green certificates were quantified at Euro 87/MWh, down by -8.4% vs Euro 95/MWh used in 1Q08.

As regards the latter, their value has been estimated on the basis of the rules of the Ministry Decree of 18 December 2008 - enacted by the Economic Development Ministry in concert with the Environment and Territorial & Sea Protection Ministry and published in the Italian Official Gazette on 12 January 2009 – which regulates the transition from the old incentivization mechanism to the new one established by the 2008 National Budget Act. In fact this decree - also in order not to penalise investments already underway - rules that green certificates accrued and accruing up to end of 2010 will, at their holders' request, be acquired by the GSE (Grid Operator). This purchase, the application for which must be sent by and not later than 31 March of the year after the one to which certificates refer, will take place at a price equal to the market average in the 3-year period prior to the year when the application is filed. The GSE will purchase these green certificates by and not later than 30 June. By virtue of this, on 18 March 2009 the companies ERG Eolica San Vincenzo, ERG Eolica San Cireo, Eolo, Green Vicari and Pian de Corsi Baltera

asked the GSE to purchase the green certificates relating to the years 2006, 2007 and 2008 held by them as at 31 December 2008. This purchase will realistically take place by 30 June 2009.

From the above it follows that (a) the green certificates accrued during 1Q09 and that accrue in the next few months of the current financial year will form the subject of a request for purchase sent to the GSE during March 2010 and (b) this purchase will take place at the average market price of the 3-year period 2007-2009, i.e. the 3-year period prior to the year when the purchase application is filed, as regulated by the decree. Given this, as the 2007 and 2008 average market prices are already known – and have been used to calculate the purchase price of 2006-2008 green certificates – and as the market price in these early months of 2009 has featured a downturn tangibly distancing it from the original Euro 98/MWh, the Company believes that, as at the date of this Interim Management Statement, a price of Euro 87/MWh is prudential and is a reasonable estimate of the price at which the green certificates will be traded with the GSE in 2010.

In 1Q09 Wind Italy **EBITDA** amounted to Euro 6.6 million, down by -1.22% vs. 1Q08 when it amounted to Euro 6.7 million. The decrease was mainly due to the reasons already described for operating revenues and, secondly, to higher Operation & Maintenance (O&M) costs of over Euro 0.3 million and higher insurance costs of over Euro 0.1 million.

**Amortisation & depreciation** for the Wind Italy business in 1Q09 amounted to Euro 3 million, up by Euro 1.2 million vs. 1Q08, when they amounted to Euro 1.8 million. The increase was due to consolidation of the Vicari wind farm, which in fact started production during the second quarter of 2008.

In 1Q09 **EBIT** of the Wind business in Italy totalled Euro 3.6 million, tangibly down vs. 1Q08 when it amounted to Euro 4.9 million. The reasons are those already discussed for revenues, EBITDA and amortisation & depreciation.

## Wind - France

### Summary of results

FY 2008	Economic results (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
9,672	Revenues from ordinary operations	2,759	3,628
7,859	EBITDA	2,075	3,197
7,859	Recurrent EBITDA	2,075	3,197
(6,988)	Amortisation & depreciation and write-downs	(1,739)	(1,738)
871	EBIT	336	1,459
-	Investments in tangible and intangible assets	-	-
	<b>Operational data</b>		
114,724	Production output (MWh)	30,684	43,307
	of which:		
23,191	Hetomesnil	6,132	9,101
21,933	Le Mardeaux	6,348	8,116
22,216	Le Carreau	6,043	8,459
23,452	Lihus	5,544	8,793
23,932	La Bruyère	6,617	8,838

In 1Q09 the **revenues** of the Wind France business, which totalled Euro 2.8 million, were down by -24% vs. 1Q08, when they amounted to Euro 3.6 million. This downturn was totally due to the severe lack of wind flow, which led to a decrease of -29% in electricity output, which went down from 43,307 MWh in 1Q08 to 30,684 MWh in 1Q09. The top line thus decreased notwithstanding an increase in the selling price of electricity, which rose from Euro 83.77/MWh in 1Q08 to Euro 86.02/MWh in 1Q09. This tariff originates from a price of Euro 82/MWh contractually established with the operator EDF at the start of the wind farms' activity. It is valid for 10 years and indexed to the inflation rate each year. For a further five years the tariff varies according to the wind farms' production performance.

The 1Q09 contribution to consolidated **EBITDA** of the Wind France business was Euro 2.1 million, down by -35% vs. 1Q08, when it amounted to Euro 3.2 million.

**Amortisation & depreciation** totalled Euro 1.7 million, perfectly in line with that of 1Q08.

In 1Q09 **EBIT** for the Wind France business was Euro 0.3 million, down vs. 1Q08 (Euro 1.5 million) for the reasons already described above.

## Mini-hydroelectric plants

### Summary of results

FY 2008	Economic results (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
33	<b>Revenues from ordinary operations</b>	49	-
(85)	<b>EBITDA</b>	(71)	-
(85)	<b>Recurrent EBITDA</b>	(71)	-
(107)	Amortisation & depreciation and write-downs	(105)	-
(192)	<b>EBIT</b>	(176)	-
-	Investments in tangible and intangible assets	47	-
	<b>Operational data</b>		
4,245	<b>Production output (MWh)</b>	348	-
	of which:		
4,245	I.S.E.A. plants	348	-
-	Ecopower plants	-	-

1Q09 operating **revenues** for the mini-hydroelectric (mini-hydro) business – consolidated as from 1 October 2008 following contribution to ERG Renew of ERG Power & Gas’s demerged renewables unit – amounted to Euro 0.05 million, based on electricity output of 348 MWh. The mini-hydroelectric plants operate using canals utilised for irrigation. Given this, their activity is subject to periods and limits dictated by the channel operator. Revenues are produced almost exclusively between March and September, i.e. the period featuring the so-called “summer flow” which features maximum flow. During this period there is no occurrence of the so-called “dry-outs”, which are instead performed between September and March, i.e. the period featuring the so-called “winter flow”, which features minimum flow. Dry-outs can last no longer than 60 days for routine maintenance.

**EBITDA** for the mini-hydro business in 1Q98 was negative by Euro -0.1 million, while **EBIT** was negative by Euro -0.2 million following amortisation & depreciation of Euro -0.1 million.

**Amortisation & depreciation** amounted to Euro -0.1 million.

**EBIT** for the mini-hydro business was negative by Euro -0.2 million.

## Water services

### Summary of results

FY 2008	Economic results (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
6,962	Revenues from ordinary operations	1,668	1,693
(119)	EBITDA	149	84
(119)	Recurrent EBITDA	149	84
(391)	Amortisation & depreciation and write-downs	(99)	(106)
(510)	EBIT	50	(22)
355	Investments in tangible and intangible assets	194	-
	<b>Operational data</b>		
	<b>Waste treated</b>		
358,910	SODAI Italia - waste treated (cubic m.)	110,419	88,857
16,136	DSI Servizi Industriali - liquid waste treated (cubic m.)	4,402	4,308
14,717	DSI Servizi Industriali - solid waste treated (tons)	1,560	3,579

In 1Q09 the operating **revenues** of the Water Services business totalled Euro 1.7 million, in line with those of 1Q08. It is appropriate to point out that revenue performance was unable to benefit from the major increase in the quantity of waste water treated by SODAI because, in practice, the potential effect was wiped by a -56% decrease in the quantity of solid waste treated by DSI, following a fire at the end of 2008 that damaged some of its plant and equipment irreparably.

The Water Services business's **EBITDA** in 1Q09 was positive by Euro 0.15 million, up vs. 1Q08, which featured EBITDA of Euro 0.08 million.

**Amortisation & depreciation** for the Water Services business amounted to Euro 0.1 million, in line with those of the same period in 2008.

1Q09 **EBIT** for the Water Services business was positive by Euro 0.05 million, improving compared with the negative 1Q08 result.

## Holding

FY 2008	Economic results (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
1,555	Revenues from ordinary operations	2	525
(11,012)	EBITDA	(3,316)	(1,916)
(11,012)	Recurrent EBITDA	(3,316)	(1,916)
(2,036)	Amortisation & depreciation and write-downs	(15)	(18)
(13,048)	EBIT	(3,331)	(1,934)
186	Investments in tangible and intangible assets	17	-

In 1Q09 the holding division's **revenues** were totally marginal and not comparable with those of 1Q08, when the Company provided technical services to the companies later involved in the partial demerger of ERG Power & Gas to ERG Renew, as already mentioned.

In 1Q09 **EBITDA** was negative by Euro -3.3 million, deteriorating by a further Euro 1.4 mn vs. 1Q08. This further deterioration was mainly due to (1) Euro 0.4 million of higher legal advisory costs, mainly relating to the arbitration proceedings underway with ACEA S.p.A. concerning the 2006 sale of the waste-to-energy/waste management business in 2006 and to development of the Wind business; (2) higher technical advisory service costs relating to development of the Wind business; (3) a risk provision in the amount of Euro 0.5 million related to operations of the wind companies; and (4) Euro 0.5 million of higher costs for staff services by the parent company and affiliates. We point out that the presence in the income statement of costs relating to development of the Wind business, rather than capitalisation in the balance sheet, is consistent with the decision taken by the Company when preparing 2008 year-end financial statements. By virtue of this decision, in view of the marked fragmentation of regulatory responsibility – with a consequent increase in the work and protraction of time needed to carry out approval procedures – development costs will now be capitalised only as from receipt of official approval. In 1Q08, development costs in the amount of Euro 0.3 million were incurred and capitalized as intangible assets.

At **EBIT** level, the operating parent company reported a negative result of Euro -3.3 mn, with further deterioration of Euro 1.4 mn vs. 1Q08, for the reasons already indicated for EBITDA.

## Investments

Investments made by the group in 1Q09 totalled Euro 3.2 million (vs. Euro 9.9 million in 1Q08). The following table shows the investment breakdown by business division:

FY 2008	Investments (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
41,181	Wind Italy	2,954	9,913
-	Wind France	-	-
<b>41,181</b>	<b>Total Wind</b>	<b>2,954</b>	<b>9,913</b>
-	Mini-hydroelectric plants	47	-
355	Water Services	194	3
186	Holding	17	-
<b>41,722</b>	<b>Total</b>	<b>3,212</b>	<b>9,916</b>

Investments related almost exclusively to the Wind Italy business and mainly to the Faeto wind farm, which is scheduled to start operation before the end of the first half of 2009, and the Ginestra wind farm, where site work will start by the end of the first half of 2009.

## Financial reporting overview

### Reclassified Income Statement

FY 2008	Reclassified Income Statement (thousand Euro)	1 <sup>st</sup> quarter	
		2009	2008
43,439	Operating revenues	13,228	13,608
1,056	Other revenues and income	627	324
<b>44,495</b>	<b>Total revenues</b>	<b>13,855</b>	<b>13,932</b>
(404)	Cost of purchases	(130)	(77)
(18,620)	Costs for services	(5,908)	(3,938)
(7,097)	Personnel expenses	(1,555)	(1,518)
(8,442)	Other operating costs	(782)	(309)
<b>9,932</b>	<b>EBITDA</b>	<b>5,480</b>	<b>8,090</b>
(17,386)	Amortisation & depreciation	(5,008)	(3,671)
(9,171)	Write-downs	–	–
<b>(16,625)</b>	<b>EBIT</b>	<b>472</b>	<b>4,419</b>
(8,219)	Net financial income (expense)	(2,548)	(1,987)
(5,840)	Net income (loss) from equity investments	(117)	–
<b>(30,684)</b>	<b>Profit before tax</b>	<b>(2,193)</b>	<b>2,432</b>
6,357	Income taxes	480	(826)
(83)	Minority interest	(158)	(62)
–	Profit (loss) of discontinued operations	–	–
<b>(24,410)</b>	<b>Net profit (loss) pertaining to Group</b>	<b>(1,871)</b>	<b>1,544</b>

The operating components contributing to EBIT have already been discussed in the previous section “Comments on the period’s results”.

#### Net financial income (expense)

Net financial income in 1Q09 amounted to Euro 2.5 million, with an increase of Euro 0.5 million over 1Q08. This increase was due to (1) project-financing funding of the Faeto wind farm, which in 1Q08 had only been partly paid out; (2) consolidation of the demerged renewables branch of ERG Power & Gas, which has in place the project-financing loan paid out for construction of the Vicari warm farm, as well as loans paid out by the affiliate company ERG Power & Gas.

#### Net income (loss) from equity investments

In 1Q09 losses on equity investments totalled Euro 0.1 million and related to valuation of the 50% stake in the French company C.I.T.A. Wind, booked at equity.

## Income taxes

Income taxes were positive by Euro 0.5 million following the loss before tax recorded for the period.

## Reclassified Balance Sheet

31.3.2008	(thousand euro)	31.3.2009	31.12.2008
<b>239,954</b>	<b>ASSETS</b>	<b>352,948</b>	<b>353,674</b>
170,269	Tangible assets	257,238	257,895
65,420	Intangible assets	90,388	90,314
4,265	Financial assets	5,322	5,465
<b>26,289</b>	<b>Working capital</b>	<b>40,821</b>	<b>35,947</b>
–	Inventories	–	–
9,217	Trade receivables	9,300	11,730
46,179	Other current assets	80,541	73,476
(7,011)	Trade payables	(17,814)	(18,594)
(4,153)	Provisions for liabilities and charges	(6,684)	(6,183)
(17,943)	Other current liabilities	(24,522)	(24,482)
<b>(446)</b>	<b>Staff leaving indemnities</b>	<b>(386)</b>	<b>(378)</b>
<b>265,797</b>	<b>Net invested capital</b>	<b>393,383</b>	<b>389,243</b>
<b>145,072</b>	<b>Shareholders' equity</b>	<b>132,132</b>	<b>134,984</b>
144,883	Attributable to parent company	131,735	134,745
189	Attributable to minority interest	397	239
<b>120,725</b>	<b>Net financial debt</b>	<b>261,251</b>	<b>254,259</b>
<b>265,797</b>	<b>Equity and financial liabilities</b>	<b>393,383</b>	<b>389,243</b>

At 31 March 2009, net invested capital amounted to Euro 393.4 million, up by Euro 4.1 million vs. 31 December 2008. Financial leverage – expressed as the ratio of total net financial debt and net invested capital – was 66.4% (vs. 65.3% at 31 December 2008).

## Fixed assets

Fixed assets include tangible, intangible and financial assets. The decrease of Euro 0.8 million was due to normal depreciation not offset by new capitalizations.

## Working capital

Net working capital increased by Euro 4.6 million, rising from Euro 35.9 million at 31 December 2008 to Euro 40.6 million at 31 March 2009.

This increase was mainly due to the increase of Euro 6.8 million in “Other assets” because of booking of credit for green certificates maturing during the quarter. This increase was partly

offset by a decrease in trade receivables, which went down from Euro 11.7 million to Euro 9.3 million. The increase in working capital was obviously also due to consolidation, as already mentioned, of the demerged ERG Power & Gas unit.

The "Other assets" item also included receivables for green certificates relating to 2006, 2007 and 2008 and totalling Euro 28.8 million, for which, on 18 March 2009, the companies holding them had applied for purchase by the GSE pursuant to the Ministry Decree of 18 December 2008. This purchase will realistically take place by 30 June 2009.

### Consolidated net financial position

From the operational point of view, the consolidated Net Financial Position is detailed as follows:

31.3.2008	(thousand euro)	31.3.2009	31.12.2008
<b>86,005</b>	<b>Current financial assets</b>	<b>65,181</b>	<b>41,322</b>
-	Holding companies	-	-
-	Group companies	-	-
12,600	Third parties	-	12,250
68,108	Cash & cash equivalents	60,970	24,809
4,170	Cash and equivalent under lien	4,170	4,170
1,127	Receivables for derivative instruments	41	93
<b>(39,834)</b>	<b>Current financial liabilities</b>	<b>(134,768)</b>	<b>(124,588)</b>
-	Holding companies	(229)	(226)
-	Associated companies	(67,904)	(64,581)
(22,334)	Third parties	(60,749)	(55,622)
(17,500)	Derivative instruments	(5,886)	(4,159)
<b>46,171</b>	<b>CURRENT NET FINANCIAL POSITION</b>	<b>(69,587)</b>	<b>(83,266)</b>
<b>414</b>	<b>Non-current financial assets</b>	<b>1,112</b>	<b>2,086</b>
-	Associated companies	594	1,568
414	Third parties	518	518
<b>(167,310)</b>	<b>Non-current financial liabilities</b>	<b>(192,776)</b>	<b>(173,079)</b>
(167,310)	Third parties	(191,697)	(171,957)
-	Other lenders	(1,079)	(1,122)
-	Derivative instruments	-	-
<b>(166,896)</b>	<b>NON-CURRENT NET FINANCIAL POSITION</b>	<b>(191,664)</b>	<b>(170,993)</b>
<b>(120,725)</b>	<b>NET FINANCIAL POSITION</b>	<b>(261,251)</b>	<b>(254,259)</b>

At 31 March 2009 the net financial position featured net debt of Euro 261.3 million million, Euro 7 million higher than debt at 31 December 2008. This increase was due above all to payout of project-financing loans relating to the Wind business.

- **Current financial assets**, which amounted to Euro 65.1 million, mainly consisted of cash & cash equivalents of: (1) Euro 44.6 million relating to the Wind business and therefore almost all restricted in relation to project financing; (2) Euro 14.9 million relating to the operating parent company ERG Renew that – except for Euro 4.2 million restricted as collateral for the issue of suretyships - came from redemption of the three capital redemption insurance policies taken out to obtain contractually envisaged suretyships to guarantee acquisition of 49% of the subsidiary SODAI Italia S.p.A. from the partner Trenitalia; and (3) Euro 2.6 million relating to the water services business.
- **Current financial liabilities**, which amounted to Euro 134.8 million, mainly consisted of:
  - Financial payables due to associate companies of Euro 67.9 million relating to consolidation of the demerged ERG Power & Gas renewables unit. The debt consists mainly of the loan paid out by ERG Power & Gas to the company ERG Eolica S.r.l. (now merged by incorporation in ERG Eolica Italia S.r.l.) and earmarked for construction of the Green Vicari wind farm.
  - Non-captive financial payables of Euro 60.7 million, of which Euro 42.6 million for the current portion of non-recourse debt relating to project financing of the Wind business, Euro 15.0 million for current account overdrafts of ERG Renew SpA and Euro 3.1 million for the current portion of two medium-/long-term lines of credit pertaining to the operating parent company ERG Renew.
  - Payables for derivative instruments totalling Euro 5.9 million relating above all to interest rate swaps set up by the wind companies to hedge interest rate risk connected with project financing. Secondly, it related to the Euro 1.8-million option granted in October 2003 to the company Gepafin S.p.A. on its 0.27% stake in Ansaldo Fuel Cells S.p.A., whose exercise deadline of 29 January 2009 was punctually met. By way of information, we point out that ERG Renew considers the option right to be non-existent and has notified its objection to exercise to the counterparty.
- **Non-current financial assets**, which amounted to Euro 1.1 million, consisted of (a) Euro 0.6 million of amounts receivable from associate companies, more specifically from the French subsidiaries and associates, and (b) Euro 0.5 million for a capital redemption insurance policy taken out to guarantee a suretyship policy for the ERG Eolica San Vincenzo subsidiary for the benefit of some owners of plots of land on which the wind farm's wind turbines are located.
- **Non-current financial liabilities**, which totalled Euro 192.8 million, consisted of Euro 153.9 million for the medium-/long-term portion of non-recourse debt relating to project financing of the wind business; Euro 37.9 million for medium-/long-term loans paid out to the operating parent company ERG Renew; and Euro 1.0 million for leasing instalments relating to some plants in the mini-hydroelectric business.

As regards current and non-current financial liabilities, it should be noted that, due to the non-sale of green certificates, the subsidiaries ERG Eolica San Vincenzo and ERG Eolica San Ciro, each holders of a project financing line, temporarily breached the financial covenants contractually agreed with the payor banks.

On 25 September 2008, the payor banks signed an agreement with the two subsidiaries amending some provisions of their respective project financing contracts. As it definitively overcomes the aforementioned breaches of the financial covenants, it also assures ERG Eolica San Vincenzo and ERG Eolica Troia San Cireo greater flexibility in the selling policy for green certificates still held, maturing in the years 2006, 2007 and 2008, in order to exploit better market conditions.

More specifically, it has been excluded that non-sale of green certificates maturing in the years 2006, 2007 and 2008 by the original due dates (i.e. respectively by the end of May 2007, 2008 and 2009) constitutes any form of non-performance of the obligations taken on by virtue of the project financing contracts. In addition, the possibility has been introduced of finding the liquidity necessary to pay the instalments falling due on 30 June and 31 December 2009, also via the use of existing liquidity and/or possible financial support from the sub-holding company EOS Eolica Italia S.r.l., if necessary, with involvement of ERG Renew if the sub-holding company was unable to handle these commitments. The amendment agreement has also permitted, albeit in the presence of non-performance, to continue classifying as non-current the medium-/long-term portion of the project-financing loans.

The problem described above will certainly be solved by virtue of the Ministry Decree of 18 December 2008 (published in the Italian Official Gazette on 12 January 2009) enacted by the Economic Development Ministry in concert with the Environment and Territorial & Sea Protection Ministry and that regulates the transition from the old incentivization mechanism to the new one established by the 2008 National Budget Act.

In effect, while in the case of FY2007 financial statements and of interim and half-yearly statements, green certificates were quantified according to their expected price in the year when, by law, they would have been purchased by the GSE (Grid Operator) (i.e. by the end of March of the third FY after that of production), the above Ministry Decree - also in order not to penalise investments underway - rules that green certificates accrued and accruing up to end of 2010 will, at their holders' request, be acquired by the GSE by the end of June in the year after the one concerned.

This purchase, the application for which must be sent by and not later than 31 March of the year after the one to which certificates refer, will take place at a price equal to the market average in the 3-year period prior to the year when the application is filed. The GSE will purchase these green certificates by and not later than 30 June.

As a consequence of the above, on 18 March 2009 the companies ERG Eolica San Vincenzo, ERG Eolica San Cireo, Eolo, Green Vicari and Pian dei Corsi Baltera asked the GSE to acquire the green certificates relating to FYs 2006, 2007 and 2008 held by the companies as at 31 December 2008. This purchase will realistically take place by 30 June 2009.

Given this, cash-in of some Euro 30 million from the sale of green certificates will enable ERG Eolica San Vincenzo and ERG Eolica San Cireo to return within the framework of the financial covenants contractually agreed with the payor banks.

## Events after end of reporting period

### Wind

On **23 April** the companies EOS 1 - Troia S.r.l., EOS 2 - Nurra S.r.l., EOS 3 - Troia S.r.l., EOS 4 - Faeto S.r.l., EOS 5 - Tursi Colobraro S.r.l., EOS 6 - Joppolo S.r.l. and EOS 7 - Ginestra S.r.l. respectively changed their names to ERG Eolica San Vincenzo S.r.l., ERG Eolica Nurra S.r.l., ERG Eolica San Cireo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Tursi Colobraro S.r.l., ERG Eolica Joppolo S.r.l. and ERG Eolica Ginestra S.r.l.

On **30 April** the Rome Arbitration Chamber advised that as the term had ended in vain for instituting the arbitration proceedings brought by some landowners against ERG Eolica (now ERG Eolica Italia) concerning alleged non-performance of an agreement with a consequent claim for damages quantified as being approximately Euro 13 million, the arbitration proceedings could not be initiated. The arbitration board also informed ERG Eolica Italia that it will be refunded as soon as possible for the amount it had paid as an expense float.

### Holding

On **21 April** the ERG Renew Shareholders' Meeting established the number of members of the Board of Directors as being nine for the 3-year period 2009-2011. Board membership is thus as follows: Raffaele Tognacca (Chairman of the Board of Directors), Vittorio Garrone, Francesco Del Balzo, Italo Giorgio Alfieri, Luca Bettonte, Lorenzo Caprio, Pietro Giordano, Giorgio Mazzanti, and Ernesto Monti. The new Board membership features the presence of four independent directors, i.e. Italo Giorgio Alfieri, Lorenzo Caprio, Giorgio Mazzanti and Ernesto Monti.

On **21 April** there was a meeting of the Board of Directors of ERG Renew, which appointed Vittorio Garrone as Deputy Chairman and Francesco Del Balzo, formerly General Manager of ERG Renew, as Chief Executive Officer.

Powers were delegated to the Chairman, Raffaele Tognacca, to manage – via duties of supervision, guidance and control – the activities of Institutional and International Relations, including the activities of Investor Relations, Corporate Affairs, and Internal Auditing. The Deputy Chairman, Vittorio Garrone, was vested with the powers of supervision, guidance and control of activities concerning the creation and development abroad of the renewable-source power generation business. The CEO was assigned all powers for ordinary and extraordinary management of the Company, except for some powers reserved as the prerogative of the Board of Directors.

On **12 May**, the Board of Directors of ERG Renew granted powers to the Chairman and to the Chief Executive Officer as needed to renegotiate, with ERG S.p.A., the repayment date for the Euro 70 million financing agreement to support both 2009 investments and the ordinary and current operations of ERG Renew S.p.A.

## Business outlook

### Wind

During the second quarter commissioning will be completed of the Faeto wind farm, which will therefore start full production by the end of the first half of 2009.

By the end of the first half of 2009 site work will start for the ERG Eolica Ginestra wind farm (40 MW), whose wind turbines – acquired on 30 June 2008 by virtue of signature of the related supply contract with Repower Systems AG – will be delivered as from May 2009.

The output of the San Vincenzo, San Cireo and the new Faeto wind farms may be penalised by possible protraction of Terna's upgrading work on the national transmission grid in the Apulia region.

### Water Services

SODAI Italia S.p.A. will continue to complete approval processes for expansion of its water purification platforms for the treatment of un piped liquid waste.

DSI's processing of solid waste, suspended following the fire that occurred on 27 November 2008, will start up again in July, following installation of the new crusher. Storage of solid waste will instead continue normally.

### Holding

As already mentioned, during FY2009 the company will assess financial markets' decisions and therefore consider whether to implement the capital increase resolved by the Shareholders' Meeting on 30 June 2008 and then suspended by the Board of Directors at its meeting on 25 September 2008 because of the ongoing uncertainty of financial markets.

The Directors stress the possibility that events, unknown today, may arise such as to affect implementation of some of the actions outlined above.

Attestation of the Manager responsible for financial reporting as per the requirements of Article 154 bis, paragraph 2, of Italian Legislative Decree 58/1998 (Italian Consolidated Finance Act)

The Manager responsible for the corporate financial reporting of ERG Renew S.p.A., herewith declares, pursuant to paragraph 2 of Article 154 bis of the Italian Consolidated Finance Act, that that financial disclosure contained in this Interim Management Statement, to the best of his knowledge matches documentary evidence, corporate books, and accounting records.

Genoa, 12 May 2009

Manager responsible  
for financial reporting

(Luca Giorgerini)

A handwritten signature in black ink, appearing to read 'Luca Giorgerini', written over a horizontal dashed line.

## GLOSSARY

**AEEG (Autorità per l'Energia Elettrica e il Gas) = Italian Electricity & Gas Authority:** an independent authority set up pursuant to Law No. 481 of 14 November 1995 with regulatory and control functions in the electricity and gas sectors. An independent authority is a public administration that takes its decisions based on legislation enacted and its own procedures and regulations with a major degree of autonomy in its judgements and evaluations from the executive body. The regulatory powers in the sector refer to the determination of the tariffs, the quality of the services and the technical-economic conditions of access and interconnection to the grids, in services where the market would be unable to guarantee the best interest of users and consumers due to technical, legal and other restrictions that limit the normal functioning of competition.

**GME (Gestore del mercato elettrico S.p.A.):** this is the company, set up by Gestore della Rete di Trasmissione Nazionale SpA (currently Gestore dei Servizi Elettrici - GSE SpA), that manages the electricity market, in accordance with the criteria of neutrality, transparency and objectivity, in order to promote competition between producers, ensuring, in addition, economic management of adequate availability of power reserves.

**Green Certificates:** certificates that, pursuant to Industry Ministry Decree of 11 November 1999, Article 5, attest the production of electricity from renewable sources required from producers and importers of electricity produced from non-renewable sources for a quantity exceeding 100 GWh/year. Green Certificates are issued by the GSE for the first 8 years of a plant's functioning and, until 31 December 2007, had a value equal to 50 MWh and could be sold or acquired on the Green Certificates market by parties with surpluses or deficits of production from renewable sources. The 2008 National Budget Act establishes that, as from 1 January 2008, each Green Certificate has a value equal to 1 MWh, while increasing the incentivized period from 8 to 15 years.

**GSE (Gestore dei Servizi Elettrici S.p.A.):** it has a central role in the promotion, incentivization and development of renewable sources in Italy. The sole shareholder of the GSE is the Economy & Finance Ministry, which exercises its rights as shareholder together with the Industry Ministry. The GSE is the parent company of the two subsidiaries AU (Single Buyer) and GME (Operator of the Electricity Market).

**Maximum flow:** in the case of ERG Renew, whose mini-hydroelectric plants use irrigation flows, this is the flow they enjoy in the summertime (March - September).

**MW (= 1 million watts):** unit of measurement of a plant's electricity production capacity.

**Waste-management:** all activities relating to the collection, transportation and sorting of waste. This business was sold in 2006.

**Waste-to-energy:** the process of transformation of waste into energy. This business was sold in 2006.

**Wind energy:** energy produced by wind

**Wind turbine:** plant capable of transforming the kinetic energy of wind into mechanical energy, which in turn is used to produce electricity.

**Winter flow:** in the hydroelectric sector this is the flow enjoyed by hydroelectric plants in the September-March period. In our specific case, due to the fact that ERG Renew's mini-hydroelectric plants use irrigation canals, in the wintertime the flow is minimum.

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