

**ERG Renew Group**

Interim management statement at 30 September 2008



## INDEX

### Management statement

<b>Corporate bodies</b>	2
<b>Business description</b>	3
<b>Scope of consolidation as at 30.09.2008</b>	4
<b>ERG Renew on the stock market</b>	5
<b>Performance of ERG Renew</b>	6
<b>Performance highlights</b>	7
<b>Divisional performance highlights</b>	8
<b>Comment on period's results</b>	9
<b>Significant events during the period</b>	12
<b>Business Divisions</b>	13
<b>Overview of ERG Renew Group income statement, balance sheet and financial position</b>	14
<b>Significant events after end of period</b>	27
<b>Business outlook</b>	28

## CORPORATE BODIES

### Board of Directors

<b>Chairman</b>		Giuseppe Gatti
<b>Chief Executive Officer Vice Chairman</b>		Raffaele Tognacca Salvatore Russo
<b>Directors</b>		Luca Bettonte
	Independent	Giancarlo Cimoli
		Alessandro Garrone
		Vittorio Garrone
		Pietro Giordano
	Independent	Giorgio Mazzanti
	Independent	Ernesto Monti
		Paolo Panella

### General Manager

**Francesco Del Balzo**

### Board of Statutory Auditors

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

### Manager responsible for preparation of company accounts (Law 262/05)

**Luca Giorgerini**

### External auditor

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

## Foreword

The interim management statement at 30 September 2008, 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 154/3 of the Italian Consolidated Finance Act, applying Directive 2004/109/EC (the Transparency Directive).

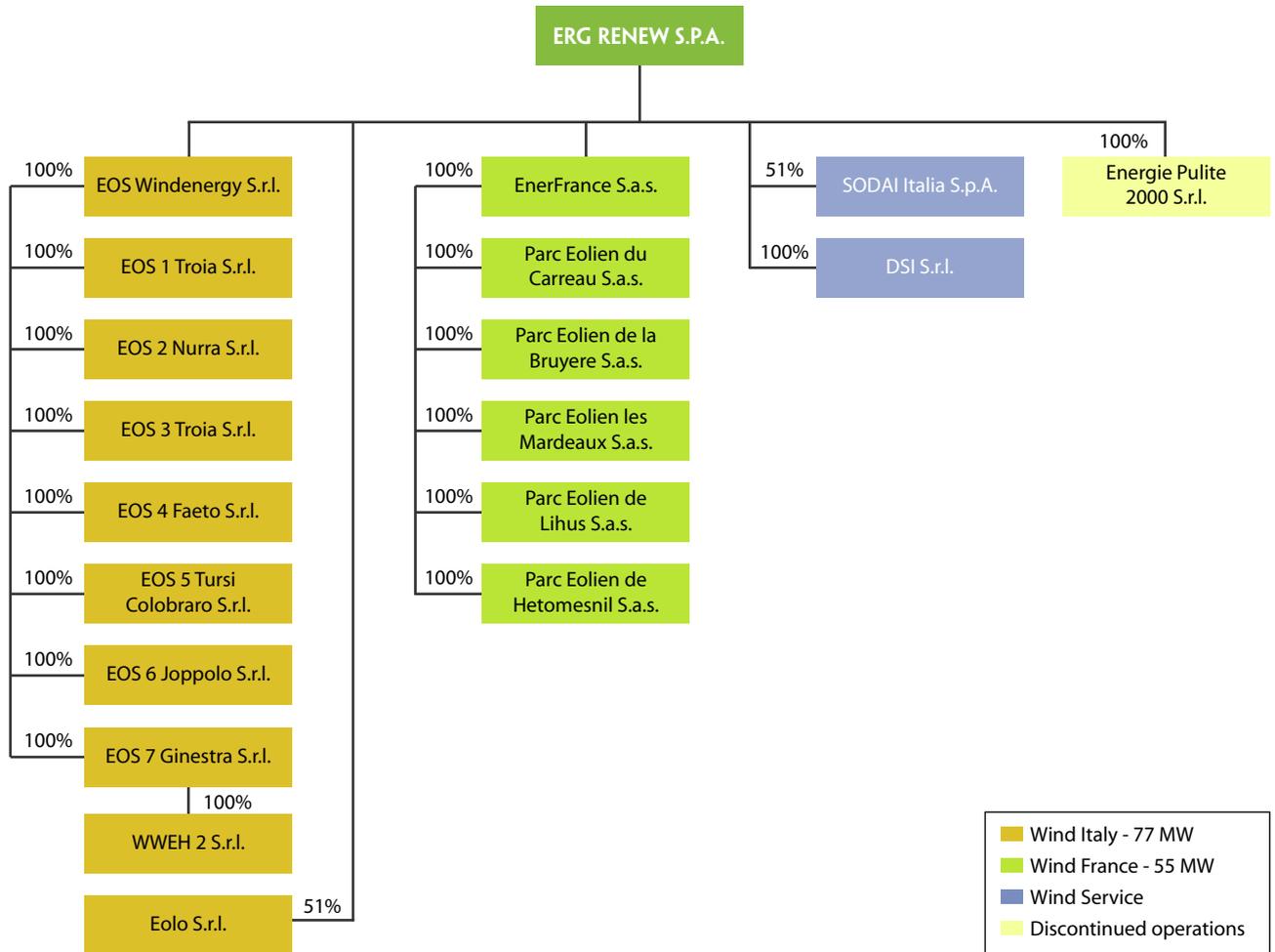
Consolidation and accounting policies are the same as those indicated in the 2007 Annual Consolidated Financial Report, to which reference should be made.

## Business description

ERG Renew (formerly Enertad S.p.A.), listed on the Milan Stock Exchange, is active in the following business segments:

- **Wind - Italy:** via its subsidiaries EOS Windenergy S.r.l. and Eolo S.r.l., ERG Renew generates electricity from wind sources. There are currently 3 wind farms in operation – Troia San Vincenzo, Troia San Cireo and Viticuso – with total installed capacity of 77 MW (2.2% market share in Italy). The Group also has 28 MW under construction, 113 MW authorised, and 209 MW under development. In addition, following partial demerger from ERG Power & Gas S.p.A., which took effect on 1 October 2008, it will be beneficiary of the wind division assets of ERG Power & Gas S.p.A. Following the aforesaid operation, ERG Renew will therefore have a further 1.6 MW installed, 37.5 MW operational, 100 MW under construction, and 18 MW under development, to reach a total target of 700 MW.
- **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 EnerFrance Sas. On 10 October 2008 the latter company also 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 166 MW at an advanced stage of development and 120 MW at a preliminary stage of development.
- **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 S.p.A. operates purification platforms adjacent to 20 workshops of Trenitalia [part of the Italian state railway group] (shareholder with a 49% stake), DSI S.r.l. treats solid and liquid waste for non-captive customers. 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 monetisation of the related equity investment by the end of 2009.

## ERG Renew - Scope of consolidation as at 30.09.2008



## ERG Renew on the stock market

On 30 September 2008, the reference price of ERG Renew stock was Euro 1.90, with a decrease of -37.94% vs. the price on 28 December 2007. This compared with performance of the European sector index (Stoxx Utilities Index) of -28.27% and of the Italian MIBtel index of -33.64%.

Below we show some data concerning the prices and trading volume of ERG Renew stock in the first nine months of 2008.

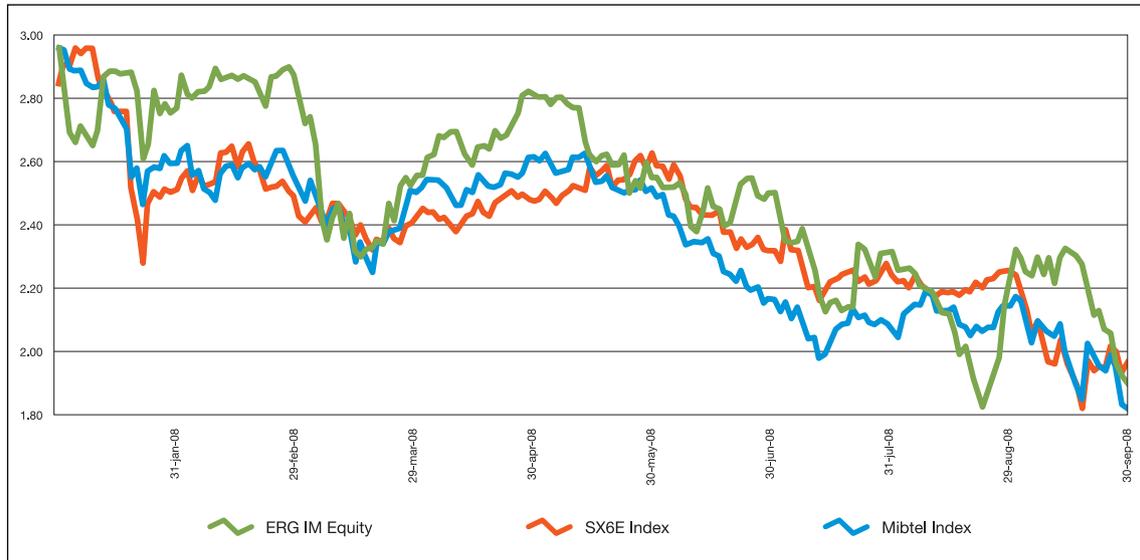
<b>Share price</b>	<b>Euro</b>
Reference price on 30/09/08	1.90
High (02/01/08) (1)	3.05
Low (26/08/08)	1.78
Average	2.50

<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.

<b>No. of shares</b>	
Highest (29/02/08)	563,573
Lowest (08/08/08)	5,633
Average	80,989

At 30 September 2008, market capitalisation amounted to Euro 180.3 million (vs. Euro 290.3 million at 28 December 2007).

### Performance of ERG Renew vs. Stoxx Utilities Index and MIBtel Index



## Performance highlights

3rd Quarter			First 9 Months		
2008	2007		2008	2007	
<b>Main economic data (thousand Euro)</b>					
9,968	9,914	Operating revenues	31,225	28,503	
3,852	6,542	EBITDA <sup>(1)</sup>	10,777	17,020	
119	4,528	EBIT	(410)	10,879	
(2,087)	1,446	Net profit (loss)	(4,581)	4,616	
(60)	(65)	of which Minority Interest	(98)	(113)	
(2,027)	1,511	Group net profit (loss)	(4,483)	4,729	
<b>Main balance sheet and financial data (million Euro)</b>					
–	–	Net invested capital *	289,2	167,9	
–	–	Shareholders' equity *	140,1	144,3	
–	–	Net financial debt*	149,1	111,6	
–	–	of which non-recourse project financing	139,9	46,9	
		Financial leverage *	51,6%	66,5%	
13,952	2,521	Investments	32,147	23,584	
(*) Data as at 30/09/08 are compared with those as at 31/12/2007					
<b>Operational data</b>					
132	77	Installed wind capacity	MW	132	77
77	77	Capacity installed in Italy	MW	77	77
55	–	Capacity installed in France	MW	55	–
55,587	40,974	Unit sales of electricity	MWh	199,183	116,954
30,859	40,974	Unit sales of electricity in Italy	MWh	112,808	116,954
24,728	–	Unit sales of electricity in France	MWh	86,375	–
78,139	72,486	Liquid waste treated	cubic m.	270,180	265,746
3,666	3,174	Solid waste treated	tons	11,612	7,920
77	62	Employees at end of period		77	62
<b>Electricity/green certificate prices</b>					
98,19	82,30	Electricity selling price	Euro/MWh	85,16	81,60
91,00	–	Green certificates 2008	Euro/MWh	91,00	–
85,00	115,00	Green certificates 2007	Euro/MWh	85,00	115,00
78,00	115,00	Green certificates 2006	Euro/MWh	78,00	115,00

<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 interim 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.

### Divisional performance highlights

3rd Quarter			First 9 Months	
2008	2007	(thousand Euro)	2008	2007
<b>Operating revenues</b>				
5,920	8,465	Wind Italy	17,425	23,975
2,082	–	Wind France	7,248	–
<b>8,002</b>	<b>8,465</b>	<b>Total Wind</b>	<b>24,673</b>	<b>23,975</b>
1,571	1,449	Water Services	5,166	4,528
395	–	Holding	1,386	–
<b>9,968</b>	<b>9,914</b>	<b>Total</b>	<b>31,225</b>	<b>28,503</b>
<b>EBITDA</b>				
5,047	7,517	Wind Italy	12,183	20,225
1,711	–	Wind France	6,070	–
<b>6,758</b>	<b>7,517</b>	<b>Total Wind</b>	<b>18,253</b>	<b>20,225</b>
(43)	8	Water Services	64	226
(2,864)	(983)	Holding	(7,540)	(3,431)
<b>3,852</b>	<b>6,542</b>	<b>Total</b>	<b>10,777</b>	<b>17,020</b>
<b>EBIT</b>				
3,178	5,613	Wind Italy	6,588	14,514
(34)	–	Wind France	831	–
<b>3,144</b>	<b>5,613</b>	<b>Total Wind</b>	<b>7,419</b>	<b>14,514</b>
(152)	(83)	Water Services	(261)	(150)
(2,874)	(1,001)	Holding	(7,568)	(3,484)
<b>119</b>	<b>4,529</b>	<b>Total</b>	<b>(410)</b>	<b>10,879</b>
<b>Investments in tangible and intangible fixed assets</b>				
13,747	2,098	Wind Italy	31,883	23,043
–	–	Wind France	–	–
<b>13,747</b>	<b>2,098</b>	<b>Total Wind</b>	<b>31,883</b>	<b>23,043</b>
84	423	Water Services	118	541
121	–	Holding	146	–
<b>13,952</b>	<b>2,521</b>	<b>Total</b>	<b>32,147</b>	<b>23,584</b>

## Comment on period's results

**Revenues** for the **3rd quarter (3Q08)** amounted to Euro 10 million, growing by 0.5% over the same period in the previous financial year (3Q07). The limited extent of the increase was the result of the combined effect of some positive and negative factors. In practice, the positive effect of consolidation of the new French wind farms acquired on 30 October 2007 and of the increase in selling prices for electricity produced by the Italian wind farms was almost totally eroded both by Italian wind farms' lower electricity output (-24.7%), due to upgrading work by Terna on the national grid in the Apulia region, and by the lower value attributed to the green certificates maturing. The latter, which had been quantified at Euro 115/MWh in 3Q07, in 3Q08 were quantified at Euro 91/MWh (-20.8%). The combination of the above factors therefore meant that revenues for the Wind business of Euro 10 million were mostly unchanged vs. 3Q07. The water division's revenues amounted to Euro 1.6 million, growing by 8.4% over 3Q07 thanks to an increase in solid waste treated both by SODAI Italia S.p.A. and by DSI S.r.l. Lastly, holding services produced revenues of Euro 0.4 million –not present in 3Q07 and relating to services provided to the parent company and to affiliates as from 2008.

**Revenues** for the **first nine months (9M08)** amounted to Euro 31.2 million, growing by 9.5% over the same period in the previous financial year (9M07). The increase was ascribable to consolidation of the new French wind farms acquired on 30 October 2007 and to the increase in selling prices for electricity produced by Italian wind farms, up by 4.3%. This positive contribution was partly eroded by (i) the lower output of Italian wind farms (-3.5%), (ii) the lower value attributed to the green certificates maturing - which, having been quantified at Euro 115/MWh in 9M07, were quantified at Euro 81/MWh in 9M08 – and (iii) a non-recurring item of negative equalisation of Euro 2.4 million on 2007 electricity revenues. The combination of the above factors meant that revenues for the Wind business of Euro 24.7 million were up by 2.9% over 9M07. The water division's revenues amounted to Euro 5.2 million, growing by 14.1% over 9M08 thanks to the increase in solid and liquid waste treated both by SODAI Italia S.p.A. and DSI S.r.l. Lastly, holding services produced revenues of Euro 1.4 million – not present in 2007 and relating to services provided to the parent company and to affiliates as from 2008.

**EBITDA in 3Q08** amounted to Euro 3.9 million vs. Euro 6.5 million reported in 3Q07. The decrease (-41.1%) reflected the following factors:

- **Wind - Italy** a contribution of Euro 5 million vs. 7.5 million reported in 3Q07. Besides the factors already indicated for revenues, EBITDA also reflected the effect of adjustment of the value of 2006 green certificates from Euro 79/MWh to Euro 78/MWh. This is because this value reflects the average at 30 September 2008 of the prices of green certificates sold on the GSE (Italian electricity services operator) platform. The average of such prices at 31 December 2008 will be the price for repurchase by the GSE of unsold 2006 green certificates, which has to be completed by 31 March 2009.
- **Wind - France:** a contribution of Euro 1.7 million. The five companies, comprising a similar number of wind farms, have been consolidated since 1 November 2007, the start date of the acquisition's effects.

- **Water services:** negative by Euro -0.1 million, down vs. breakeven reported in 3Q07. DSI contributed Euro 0.05 million, lower than in 3Q07, which ended with a positive result of Euro 0.1 million, due to posting of waste disposal costs also relating to the first half of 2008, SODAI Italia S.p.A. contributed negative EBITDA of Euro -0.1 million, in line with the negative result reported in 3Q07.
- **Holding:** in 3Q08 EBITDA was negative by Euro -2.9 million, deteriorating vs. 3Q07 when it was negative by Euro -1 million. The net decrease related to non-recurring technical advisory costs, costs connected with integration of the ERG Renew group with that of the parent company - also concerning development of the 2008-2011 Investment Plan approved in May this year – and higher costs due to maintenance, during the first six months of 2008, both of offices in Milan until natural expiry of the rental contract and of the new offices in Genoa. It also related to costs concerning the capital increase following the demerger of ERG Power & Gas renewable energy sources to the benefit of ERG Renew and the paid capital increase, which, in September, the company's Board of Directors decided to suspend. Lastly, there were also higher personnel costs (headcount rose from 62 at 30 September 2007 to 77 at 30 September 2008) as a result also of new hires functional for the major investments envisaged in the 2008-2011 Plan.

**EBITDA in 9M08** amounted to Euro 10.8 million vs. Euro 17 million reported in 9M07. The decrease (-36.7%) reflected the following factors:

- **Wind - Italy:** a contribution of Euro 12.2 million vs. 20.2 million reported in 9M07. Besides the factors already indicated for revenues, EBITDA also reflected the effect of adjustment of the value of 2006 green certificates. More specifically, it was deemed appropriate to reduce the value of 2006 green certificates from Euro 98/MWh to Euro 78/MWh and of 2007 green certificates from Euro 98/MWh to Euro 85/MWh. The reasons for this recalculation are better described later on in this report.
- **Wind - France:** a contribution of Euro 6.1 million. The five companies, comprising a similar number of wind farms, have been consolidated since 1 November 2007, the start date of the acquisition's effects.
- **Water services:** positive by Euro 0.1 million, down vs. the result of Euro 0.2 million reported in 9M07. DSI contributed Euro 0.2 million, increasing vs. the result of Euro 0.1 million reported in 9M07 following the increase in quantities treated. SODAI Italia S.p.A. instead contributed negative EBITDA of Euro -0.2 million, decreasing vs. the positive result of Euro 0.2 million reported in 9M07, also because of some non-recurring items of Euro 0.1 million of an extraordinary nature relating to personnel.
- **Holding:** in 9M08 EBITDA was negative by Euro -7.5 million, deteriorating vs. 9M07 when it was negative by Euro -3.4 million. The net decrease related to non-recurring technical advisory costs, costs connected with integration of the ERG Renew group with that of the parent company - also concerning development of the 2008-2011 Investment Plan approved in May this year – and higher costs due to maintenance, during the first six months of 2008, both of offices in Milan until natural

expiry of the rental contract and the new offices in Genoa. It also related to costs of Euro 0.5 million for advisory services concerning both the capital increase following the demerger of ERG Power & Gas renewable energy sources to the benefit of ERG Renew and the paid capital increase, which, at its meeting on 25 September this year, the company's Board of Directors decided to suspend. Lastly, there were also higher personnel costs (headcount rose from 62 at 30 September 2007 to 77 at 30 September 2008) as a result also of new hires functional for the major investments envisaged in the 2008-2011 Plan.

**EBIT in 3Q08** was positive by Euro 0.1 million (vs. Euro 4.5 million in 3Q07) after amortisation & depreciation totalling Euro 3.7 million. The latter increased by Euro 1.7 million vs. 3Q07 due to consolidation, as already mentioned, of the new French wind farms.

**EBIT in 9M08** was negative by Euro -0.4 million (vs. Euro +10.9 million in 9M07) after amortisation & depreciation totalling Euro 11.2 million. The latter increased by Euro 5.1 million vs. 9M07 due to consolidation, as already mentioned of the new French wind farms.

The **Group net result in 3Q08** (i.e. the result attributable to the operating parent's equity holders) showed a loss of Euro -2 million, decreasing by Euro 3.5 million vs. 3Q07, which ended with a profit of Euro 1.5 million.

The **Group net result in 9M08** (i.e. the result attributable to the operating parent's equity holders) showed a loss of Euro -4.5 million, decreasing by Euro 9.2 million vs. 9M07, which ended with a profit of Euro 4.7 million.

In **3Q08 investments** amounted to Euro 14 million (vs. Euro 2.5 million in 3Q07) and related almost exclusively to the Wind business and, more specifically, to the wind farms managed by the companies EOS 4 Faeto (28 MW) and EOS 7 Ginestra (40 MW).

In **9M08 investments** amounted to Euro 32.1 million (vs. Euro 23.6 million in 9M07) and related almost exclusively to the Wind business and, more specifically, to the wind farms managed by the companies EOS 4 Faeto (28 MW) and EOS 7 Ginestra (40 MW).

At 30 September 2008 **net financial debt** amounted to Euro 149.1 million, increasing by Euro 37.4 million vs. 31 December 2007, when it amounted to Euro 111.7 million. The debt increase was mainly ascribable to payment of project-financing funding relating to the Wind business.

**Net invested capital** amounted to Euro 289.2 million at 30 September 2008, increasing by Euro 33.3 million over the figure at 31 December 2007, which totalled Euro 255.9 million. The increase was entirely due to the Wind business.

## Significant events during the period

### *Wind*

On **24 July** the shareholders' meetings of EOS 7 Ginestra S.r.l. and of its wholly owned subsidiary WVEH 2 S.r.l. resolved merger by incorporation of the latter into the former. The effects of this operation will start as from October this year.

### *Holding*

On **10 September** ERG Renew and Permasteelisa, one of the leading global players in the design, construction and installation of architectural cladding and also a supplier of hi-tech solutions, signed an agreement to enter new-generation photovoltaic energy via participation in a project for the research and development of a cutting-edge technology to produce non-silicon-based solar panels. Partners in the project will be the Universities of Rome Tor Vergata, Ferrara, and Turin, which will handle research, as well as another industrial partner, the Australian company Dyesol, a leader in the sector for the supply of materials and technologies. The project envisages investments of over Euro 10 million to which ERG Renew and Permasteelisa will contribute Euro 2.5 million each and Dyesol about Euro 1.5 million.

On **25 September**, on occasion of approval of the supplement to the Prospectus, published on 19 June this year, concerning the project for demerger of ERA Power & Gas renewable energy assets to the benefit of ERG Renew, the company's Board of Directors decided to postpone the planned capital increase, for which it had been delegated powers for five years by the Shareholders' Meeting on 30 June this year, mainly because of the critical conditions currently characterising financial markets.

During the same Board meeting it was also decided not to exercise the pre-emption right on the 16.10% stake in Ansaldo Fuel Cells owned by Fincantieri S.p.A., in relation to which the latter had received a purchase offer from Ansaldo Energy.

## Business Divisions

### Wind - Italy

ERG Renew operates in the wind energy production sector in Italy via 3 wind farms with total installed capacity of 77 MW.

Wind farms consist of wind turbines able to transform wind's kinetic energy into mechanical energy, which in turn is used to produce electrical energy. Taking as given the availability of plant, the results expected from each wind park are obviously affected by the wind characteristics of the site where the plant is located.

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

### Selling prices of electricity and value of green certificates

3rd Quarter		Electricity/green certificate prices (Euro/MWh)	First 9 Months	
2008	2007		2008	2007
98,13	82,30	Electricity selling price	85,12	81,60
91,00	–	Green certificates 2008	91,00	–
85,00	115,00	Green certificates 2007	85,00	115,00
78,00	115,00	Green certificates 2006	78,00	115,00

Readers should refer to the explanatory notes in the next subsection – “Highlights of results” – for the considerations made concerning valuation of green certificates, in view of the present and expected trend of the related market and of the electricity market.

## Highlights of results

3rd Quarter		Economic results (thousand Euro)	First 9 Months	
2008	2007		2008	2007
<b>5,920</b>	<b>8,465</b>	<b>Operating revenues</b>	<b>17,425</b>	<b>23,975</b>
<b>5,047</b>	<b>7,517</b>	<b>EBITDA</b>	<b>12,183</b>	<b>20,225</b>
(1,869)	(1,904)	Amortisation & depreciation and write-downs	(5,595)	(5,711)
<b>3,178</b>	<b>5,613</b>	<b>EBIT</b>	<b>6,588</b>	<b>14,514</b>
13,747	2,098	Investments in tangible and intangible fixed assets	31,883	23,043
		<b>Operating data</b>		
<b>30,858</b>	<b>40,974</b>	<b>Production output (MWh)</b>	<b>112,808</b>	<b>116,954</b>
		of which:		
15,104	21,302	Troia San Vincenzo	55,964	60,147
13,968	18,038	Troia San Cireo	48,276	50,194
1,786	1,634	Viticuso	8,568	6,613

In **3Q08** operating **revenues** of the Wind Italy business decreased by -30% vs. 3Q07, going down from Euro 8.5 to 5.9 million. This negative trend was primarily due to a -24.7% decrease in electricity produced, which went down from 40,974 MWh in 3Q07 to 30,858 MWh in 3Q08, due to upgrading work by Terna on the national grid in the Apulia region. A contributory factor to this downturn was also the value attributed to green certificates maturing, which decreased from Euro 115/MWh in 3Q07 to Euro 91/MWh in 3Q08 (-20.9%). This is consistent with the policy applied by the Group, according to which the value of green certificates available must be calculated based on the price they are expected to have in the financial year when, by law, they must be repurchased, if they are still unsold, by the GSE (i.e. by the end of March of the third financial year after that of production) – taking into account the electricity cost scenario expected in the next 3-year period. The negative trend in revenues was only partly offset by the positive trend in electricity selling prices, which increased from Euro 82.30/MWh in 3Q07 to Euro 98.13/MWh in 3Q08 (+19.23%).

In **9M08** operating **revenues** of the Wind Italy business decreased by -27.3% vs. 9M07, going down from Euro 24 to 17.4 million. This negative trend was primarily due to a -3.5% decrease in electricity produced, which went down from 116,954 MWh in 9M07 to 112,808 MWh in 9M08. A contributory factor to this downturn was also the value attributed to green certificates maturing, which decreased from Euro 115/MWh in 9M07 to Euro 91/MWh in 3Q08 (-20.9%). This is consistent with the policy applied by the Group, as described in the comment on revenues. The negative trend in revenues - only partly offset by the positive trend in electricity selling prices, which increased from Euro 81.60/MWh in 9M07 to Euro 85.12/MWh in 9M08 (+4.3%) – also reflected negative equalisation of Euro -2.4 million on electricity sales relating to 2007 and accruing as a result of Resolution 48/08 of the AEEG (Italian Electricity & Gas Authority). In February 2005 the Authority had in fact established that the selling price of electricity for generators using renewable energy sources would have consisted solely of the component a) indicated in Article 30, letter a), of its Consolidated Regulation (Testo Integrato). Following this, the Ministry Decree of 24 October 2005 then belied the AEEG, according generators of electricity from renewable sources a selling price also comprising the components b) and c) envisaged by the Consolidated Regulation. The AEEG

first appealed against this to the Regional Administrative Court of the Latium Region and then, after an adverse ruling, to the Council of State, which, with its ruling no. 44/08 of January 2008 – which was published and became operational only in June 2008 – instead ruled in favour of the AEEG. Since, however, in the meantime the AEEG, in compliance with the rules of the Ministry Decree of 24 October 2005, had accorded generators the full selling price, it then requested – following the Council of State's ruling – reimbursement of the higher price accorded.

Lastly, there was negative equalisation of Euro -0.4 million relating to production in the first half of 2006. In effect, while the tariff applied up to the end of 2007 was the one corresponding to the zone average, as from FY2008 the tariff applied is the one recorded nationally on an hourly basis.

**EBITDA** of the Wind Italy business in **3Q08** amounted to Euro 5 million, down by -32.9% from Euro 7.5 million in 3Q07. The decrease was due to the reasons already indicated concerning operating revenues.

**EBITDA** of the Wind Italy business in **9M08** amounted to Euro 12.2 million, down by -39.8% from Euro 20.2 million in 9M07. The decrease was due both to the reasons already indicated concerning operating revenues and to write-down of 2006 green certificates from Euro 98/MWh to Euro 78/MWh (Euro 0.3 million) and of 2007 green certificates from Euro 98/MWh to Euro 85/MWh (Euro 2 million). Reduction of the value attributed them became necessary in view of a persistently anomalous trend in trading during 9M08. Trading – in the absence of regulatory clarifications<sup>(1)</sup> concerning the method for determining price, redefinition of which had been endorsed by the Italian 2008 National Budget Law, – in fact featured extremely limited volume compared with potential supply. This situation was due to the behaviour of small operators, whose sole objective was immediate realisation, with consequent significant depreciation of the value of green certificates traded in the last part of the period compared with the value definable according to the new official formulas introduced by the 2008 Budget Law.

The Group consequently valued its available green certificates according to the price expected for them in the financial year when, by law, they must be repurchased, if they are still unsold, by the GSE (i.e. by the end of March of the third financial year after that of production). This valuation takes into account (a) the electricity cost scenario expected in the next 3-year period and (b) the ability to finance payment of project-financing instalments falling due also with use of alternative sources of funding, without any need for forced realisation of green certificate production at prices significantly different from those assumed above.

<sup>(1)</sup> These are expected to be provided in an implementation decree, due to be published by the end of November this year, which is expected to help stabilise the green certificate market at values consistent with the return on investment taken as the basis of reference by the 2008 National Budget Law to define the mechanism for quantifying the value of green certificates. The decree is expected to regulate a more gradual transition from the old to the new green-certificate mechanism. This should concern 2008, 2009 and 2010 green certificates, whose duration will be limited to the year after the year of production, at the end of which the GSE will repurchase unsold green certificates at the average price established in the three years prior to the year of repurchase.

Given this, as regards green certificates produced in 2006, the price was aligned with the average emerging as up to 30 September 2008 from auctions taking place on the GSE platform and whose average as up to 31 December 2008 will be the price for repurchase by the AEEG on 31 March 2009. Conversely, as regards green certificates for FY2007, based on the situation indicated previously, their price was calculated assuming their sale in March 2010 at prices aligned with those calculable using the present calculation methodology introduced by the 2008 Budget Law, taking into account the expected price of electricity at the time of sale, as can be assumed based on the present relevant energy scenario.

**Amortisation & depreciation and write-downs in 3Q08** amounted to Euro 1.9 million, in line with those of 3Q07.

**Amortisation & depreciation and write-downs in 9M08** amounted to Euro 5.6 million, in line with those of 9M07.

**EBIT** of the Wind Italy business in **3Q08** amounted to Euro 3.2 million, decreasing by -43.4% vs. 3Q07 for the reasons already outlined for revenues and EBITDA.

**EBIT** of the Wind Italy business in **9M08** amounted to Euro 6.6 million, decreasing by -54.6% vs. 9M07 for the reasons already outlined for revenues and EBITDA.

## Wind - France

### Highlights of results

3rd Quarter		Economic results (thousand Euro)	First 9 Months	
2008	2007		2008	2007
<b>2,082</b>	-	<b>Revenues from ordinary operations</b>	<b>7,248</b>	-
<b>1,711</b>	-	<b>EBITDA</b>	<b>6,070</b>	-
(1,745)	-	Amortisation & depreciation and write-downs	(5,239)	-
<b>(34)</b>	-	<b>EBIT</b>	<b>831</b>	-
-	-	Investments in tangible and intangible fixed assets	-	-
		<b>Operational data</b>		
<b>24,728</b>	-	<b>Production output (MWh)</b>	<b>86,376</b>	-
		of which:		
4,739	-	Hetomesnil	17,163	-
4,907	-	Le Mardeaux	16,528	-
5,023	-	Le Carreau	17,309	-
4,920	-	Lihus	17,547	-
5,139	-	La Bruyere	17,829	-

**3Q08 revenues** of the Wind France business, amounting to Euro 2.1 million, related to production of 24,728 MWh by the five French wind farms acquired on 31 October 2007. French regulations concerning production of electricity using wind establish a price for sale of such electricity to the operator EDF of Euro 83.9/MWh, inclusive both of the price of the electricity sold and of the incentive. This tariff originates from a price of Euro 82/MWh contractually established at the start of the wind farms' activity, valid for 10 years and indexed to the inflation rate each year. For a further five years the tariff varies according to the farms' production performance.

**9M08 revenues** of the Wind France business, amounting to Euro 7.2 million, related to production of 86,376 MWh by the five French wind farms acquired on 31 October 2007, priced according to the regulations described above.

The contribution of the Wind France business to consolidated **3Q08 EBITDA** was Euro 1.7 million, whereas its EBIT, after amortisation & depreciation and write-downs totalling Euro 1.7 million, was negative by about Euro -0.1 million.

The contribution of the Wind France business to consolidated **9M08 EBITDA** was Euro 6.1 million, while its **EBIT**, after amortisation & depreciation and write-downs totalling Euro 5.3 million, was positive by Euro 0.8 million.

## Water services

### Highlights of results

3rd Quarter			First 9 Months	
2008	2007	Economic results (thousand Euro)	2008	2007
1,571	1,449	Revenues from ordinary operations	5,166	4,528
(43)	8	EBITDA	64	226
(109)	(91)	Amortisation & depreciation and write-downs	(325)	(376)
(152)	(83)	EBIT	(261)	(150)
84	423	Investments in tangible and intangible fixed assets	118	541
<b>Operational data</b>				
<b>Waste treated</b>				
73,742	68,103	Sodai Italia - waste treated (cubic m.)	256,341	254,856
4,397	4,383	DSI Servizi Industriali - liquid waste treated (cubic m.)	13,839	10,890
3,666	3,174	DSI Servizi Industriali - solid waste treated (tons)	11,612	7,920

In **3Q08** the operating **revenues** of the Water Services business grew by 8.4% vs. 3Q07, rising from Euro 1.4 to 1.6 million. The increase was due both to the subsidiary DSI S.r.l. and to SODAI Italia S.p.A. As regards DSI, its revenues progressed from Euro 0.6 million in 3Q07 to Euro 0.7 million in 3Q08 as the subsidiary benefited from significant overall recovery in volume treated. In effect, while liquid waste treated by DSI S.r.l. remained mostly unchanged, solid waste treated increased by +15.5% from 3,174 cubic m. in 3Q07 to 3,666 cubic m. in 3Q08. As regards the subsidiary SODAI Italia S.p.A., its revenues grew by 8.2%, rising from Euro 0.8 million in 3Q07 to Euro 0.9 million in 3Q08, set against an 8.3% increase in waste treated from 68,103 cubic m. in 3Q07 to 73,742 cubic m. in 3Q08.

In **9M08** the operating **revenues** of the Water Services business grew, similarly to the 3Q08 trend, by 14.1% vs. 9M07, rising from Euro 4.5 to 5.2 million. The increase was due above all to the subsidiary DSI S.r.l. The latter's revenues grew from Euro 1.7 million in 9M07 to Euro 2.3 million in 9M08 as the subsidiary benefited from significant overall recovery in volume treated. In effect, liquid waste treated by DSI S.r.l. increased by 27.1% and solid waste treated increased by +46.6%. As regards the subsidiary SODAI Italia S.p.A., its revenues grew by 8.2%, rising from Euro 0.8 million in 9M07 to Euro 0.9 million in 9M08, set against a 0.6% increase in waste treated from 254,856 cubic m. in 9M07 to 256,341 cubic m. in 9M08.

**EBITDA** of the Water Services business in **3Q08** was negative by about Euro -0.1 million, decreasing vs. breakeven reported in 3Q07. While DSI S.r.l. contributed with Euro 0.05 million, down vs. 3Q07, which ended with a positive result of Euro 0.1 million, due to posting of waste disposal costs also relating to the first half of 2008, SODAI Italia S.p.A. contributed negative EBITDA of Euro -0.1 million, in line with the negative result reported in 3Q07.

**EBITDA** of the Water Services business in **9M08** was positive by Euro 0.1 million, down vs. the result of Euro 0.2 million reported in 9M07. DSI contributed Euro 0.2 million, increasing vs. the result of Euro 0.1 million reported in 9M07 following the increase in quantities treated. SODAI Italia S.p.A. instead contributed negative EBITDA of Euro -0.2 million, decreasing vs. the positive result of Euro 0.2 million reported in 9M07, also because of some non-recurring items of Euro 0.1 million of an extraordinary nature relating to personnel.

In **3Q08 EBIT** of the Water Services business remained negative by Euro -0.1 million, in line with the result of 3Q07.

In **3Q08 EBIT** of the Water Services business was negative by Euro -0.3 million, showing deterioration vs. the result of Euro -0.1 million reported in 9M07.

As regards SODAI Italia S.p.A., we point out that, also at 30 September 2008, the subsidiary's prospective profitability justifies the carrying value of the intangible and tangible assets relating to its business, albeit in the presence of the less than positive performance in 9M08 described previously. More specifically, the Directors underline that, although profitability is adequate for the purposes of evaluation of the firmness of the aforementioned assets, it depends on the outcome of an administrative appeal filed with the Regional Administrative Court of the Basilicata Region. The appeal aims to ascertain the existence of elements harming the subsidiary's interests in the present Provincial Waste Management Plan, which does not consider the project presented by the subsidiary for development of the San Nicola di Melfi platform. The Directors confirm the reasonableness of the assumptions made underlying the business plan, which is considered fundamental for medium-term development of the company's business, based on exploitation of the San Nicola di Melfi platform, albeit in the uncertainty concerning the outcome of the appeal mentioned above. Failure to obtain authorisation to construct and operate the aforementioned platform might make it necessary to write down tangible and intangible assets. Directors will systematically monitor the emergence of any such necessity at each interim and annual balance sheet date.

## Holding

3rd Quarter		Economic results (thousand Euro)	First 9 Months	
2008	2007		2008	2007
395	-	Revenues from ordinary operations	1,386	-
(2,864)	(983)	EBITDA	(7,540)	(3,431)
(10)	(18)	Amortisation & depreciation and write-downs	(28)	(53)
(2,874)	(1,001)	EBIT	(7,568)	(3,484)
121	-	Investments in tangible and intangible fixed assets	146	-

The Holding division's **3Q08 revenues** amounted to Euro 0.4 million and consisted of services provided to the parent company and affiliates. These revenues were not present in 3Q07.

The Holding division's **9M08 revenues** amounted to Euro 1.4 million and consisted of services provided to the parent company and affiliates. These revenues were not present in 9M07.

In **3Q08 EBITDA** was negative by Euro -2.9 million, further deteriorating by Euro 1.9 million vs. 3Q07. This negative trend was ascribable to staff and technical services supplied by the parent company and affiliates to support ERG Renew in its integration within the ERG Group and also to develop the 2008-2011 Investment Plan approved in May this year. In addition, costs of Euro 0.5 million were charged to the income statement for advisory costs relating both to ERG Renew's capital increase following the demerger of ERG Power & Gas renewable energy sources to the company's benefit of ERG Renew and to the paid capital increase, which, at the meeting held on 25 September this year, the company's Board of Directors decided to suspend.

In **9M08 EBITDA** was negative by Euro -7.5 million, further deteriorating by Euro 4.1 million vs. 9M07. This negative trend was due to (i) non-recurring costs of Euro 0.7 million relating to some technical advisory services and to transfer of the head office and personnel from Milan to Genoa, higher costs due to maintenance, during the first six months of 2008, both of offices in Milan until natural expiry of the rental contract and the new offices in Genoa; (ii) staff and technical services supplied by the parent company and affiliates to support ERG Renew in its integration within the ERG Group and also to develop the 2008-2011 Investment Plan approved in May this year; (iii) costs of Euro 0.5 million for advisory services concerning both the capital increase following the demerger of ERG Power & Gas renewable energy sources to the benefit of ERG Renew and the paid capital increase, which, at its meeting on 25 September this year, the company's Board of Directors decided to suspend; and (iv) higher personnel costs (headcount rose from 62 at 30 September 2007 to 77 at 30 September 2008) as a result also of new hires functional for the major investments envisaged in the 2008-2011 Plan.

At **EBIT** level, in **3Q08** the parent company reported a negative result of Euro -2.9 million, further deteriorating by Euro 1.9 million vs. 3Q07 for the reasons already indicated for EBITDA.

At **EBIT** level, in **9M08** the parent company reported a negative result of Euro -7.6 million, further deteriorating by Euro 4.1 million vs. 3Q07 for the reasons already indicated for EBITDA.

## Investments

In **3Q03** the group made investments totalling Euro 14 million (Euro 2.5 million in 3Q07).

In **9M08** the group made investments totalling Euro 32.1 million (Euro 23.6 million in 9M07).

The following table shows the breakdown of investments by business division:

3rd Quarter		Economic results (thousand Euro)	First 9 Months	
2008	2007		2008	2007
13,747	2,098	Wind Italy	31,883	23,043
-	-	Wind France	-	-
13,747	2,098	Total Wind	31,883	23,043
84	423	Water Services	118	541
121	-	Holding	146	-
<b>13,952</b>	<b>2,521</b>	<b>Total</b>	<b>32,147</b>	<b>23,584</b>

Investments related also exclusively to the Wind Italy business. Investments in fact continued for construction of the wind farm managed by the company EOS 4 Faeto S.r.l., whose production is expected to be on-stream by the end of this year, and the first payments were made for the supply of wind turbines for the EOS 7 Ginestra wind farm.

## Financial reporting overview

### Reclassified Income Statement

3rd Quarter		Reclassified Income Statement (thousand Euro)	First 9 Months	
2008	2007		2008	2007
9,968	9,914	Operating revenues	31,225	28,503
354	272	Other revenues and income	932	817
<b>10,322</b>	<b>10,186</b>	<b>TOTAL REVENUES</b>	<b>32,157</b>	<b>29,320</b>
(94)	(85)	Cost of purchases	(221)	(324)
(4,534)	(2,398)	Costs for services	(13,070)	(7,544)
(1,539)	(1,034)	Personnel expenses	(4,914)	(3,288)
(303)	(127)	Other operating costs	(3,175)	(1,144)
<b>3,852</b>	<b>6,542</b>	<b>EBITDA</b>	<b>10,777</b>	<b>17,020</b>
(3,733)	(2,023)	Amortisation & depreciation	(11,187)	(6,066)
–	9	Write-downs and provisions	–	(75)
119	4,528	EBIT	(410)	10,879
(1,715)	(1,649)	Net financial income (expense)	(4,395)	(2,705)
(757)	–	Net income (loss) from equity investments	(757)	–
<b>(2,353)</b>	<b>2,879</b>	<b>Profit before tax</b>	<b>(5,562)</b>	<b>8,174</b>
266	(1,433)	Income taxes	981	(3,558)
60	65	Minority interest	98	113
–	–	Profit (loss) of discontinued operations	–	–
<b>(2,027)</b>	<b>1,511</b>	<b>Net profit (loss) pertaining to Group</b>	<b>(4,483)</b>	<b>4,729</b>

#### Net financial income (expense)

**3Q08** net financial expense totalled Euro 1.7 million, up by Euro 0.1 million vs. 3Q07. This increase was due to (a) consolidation of finance expense stemming from the French wind farms' project financing as from 1 November 2007 and (b) lower finance expense relating to the Holding unit, which in 3Q07 had reported a non-recurring item of Euro 0.8 million.

**9M08** net financial expense totalled Euro 4.4 million, up by Euro 1.7 million vs. 9M07. This increase was due to (a) consolidation of finance expense stemming from the French wind farms' project financing as from 1 November 2007 and (b) lower finance expense relating to the Holding unit, for the reasons indicated when commenting on the 3Q08 trend in financial income.

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

In **3Q08 and 9M08** net loss from equity investments amounted to Euro 0.8 million (it was not present in the same periods in 2007). This loss was due to the capital increase to cover losses made mainly during FY2007 by the company Ansaldo Fuel Cells S.p.A., in which ERG Renew owns a 5.36% interest. This coverage of losses took place via participation in a capital increase.

## Income taxes

Income taxes – positive by Euro 1 million – related to Euro 1.5 million of positive deferred taxation substantially caused by appreciation of write-downs of the value of green certificates deductible solely in the year of sale, for which taxable status is in any case expected. This positive contribution was partly eroded by regional business tax (IRAP) of Euro 0.5 million. No corporate income tax (IRES) charge emerged due to negative taxable income, which was the consequence of the tax consolidation in place.

## Reclassified balance sheet

(thousand Euro)	30.09.2008	31.12.2007	30.06.2008
<b>Fixed assets</b>	<b>256,492</b>	<b>233,709</b>	<b>246,244</b>
Tangible	184,692	164,361	174,436
Intangible	65,718	65,083	65,749
Financial	6,082	4,265	6,059
<b>Working capital</b>	<b>33,087</b>	<b>22,631</b>	<b>29,833</b>
Inventories	–	–	–
Trade receivables	8,221	9,360	9,717
Other current assets	57,543	50,064	55,199
Trade payables	(9,229)	(14,564)	(9,796)
Provisions for liabilities and charges	(4,177)	(4,169)	(4,177)
Other current liabilities	(19,271)	(18,060)	(21,110)
<b>Staff leaving indemnities</b>	<b>(392)</b>	<b>(425)</b>	<b>(444)</b>
<b>Net invested capital</b>	<b>289,187</b>	<b>255,915</b>	<b>275,633</b>
<b>Shareholders' equity</b>	<b>140,064</b>	<b>144,264</b>	<b>143,150</b>
Attributable to parent company	140,035	144,137	143,061
Attributable to minority interest	29	127	89
<b>Net financial debt</b>	<b>149,123</b>	<b>111,651</b>	<b>132,483</b>
<b>Equity and financial liabilities</b>	<b>289,187</b>	<b>255,915</b>	<b>275,633</b>

At 30 September 2008, net invested capital amounted to Euro 289.2 million, up by Euro 33.3 million vs. 31 December 2007.

Financial leverage – expressed as the ratio of total net financial debt and net invested capital – was 51.6% (vs. 43.6% at 31 December 2007 and 13.5% at 30 June 2007).

### Fixed assets

Fixed assets includes tangible, intangible and financial fixed assets. The increase vs. 31 December 2007 was due to the period's investments in the Wind Italy business.

### Net working capital

Net working capital increased by Euro 10.5 million, rising from Euro 22.6 million at 31 December 2007 to Euro 33.1 million at 30 September 2008.

This increase was mainly due to (i) the increase of Euro 7.5 million in "Other assets" because of booking of green certificates maturing during 9M08 and (ii) the decrease of "Trade payables" by Euro 5.3 million, relating almost exclusively to the EOS 4 Faeto wind farm, for payment of amounts payable for the supply of wind turbines.

### Consolidated Net Financial Position

(thousand Euro)	30.09.2008	31.12.2007	30.06.2008
<b>Current financial assets</b>	<b>62,847</b>	<b>79,741</b>	<b>69,022</b>
Vs. parent companies	-	-	-
Vs. Group companies	-	-	-
Vs. third parties	14,350	12,600	12,600
Cash & cash equivalents	41,727	60,437	48,029
Cash & cash equivalents pledged	4,170	4,170	4,170
Receivables for derivative instruments	2,600	2,534	4,223
<b>Current financial liabilities</b>	<b>(45,479)</b>	<b>(40,340)</b>	<b>(39,759)</b>
Vs. parent companies	(62)	(62)	(62)
Vs. third parties	(26,100)	(22,778)	(20,403)
Derivative instruments	(19,317)	(17,500)	(19,294)
<b>CURRENT NET FINANCIAL POSITION</b>	<b>17,368</b>	<b>39,401</b>	<b>29,263</b>
<b>Non-current financial assets</b>	<b>414</b>	<b>414</b>	<b>414</b>
Vs. third parties	414	414	414
<b>Non-current financial liabilities</b>	<b>(166,905)</b>	<b>(151,466)</b>	<b>(162,160)</b>
Vs. third parties	(166,905)	(151,466)	(162,160)
Derivative instruments	-	-	-
<b>NON-CURRENT NET FINANCIAL POSITION</b>	<b>(166,491)</b>	<b>(151,052)</b>	<b>(161,746)</b>
<b>NET FINANCIAL POSITION</b>	<b>(149,123)</b>	<b>(111,651)</b>	<b>(132,483)</b>

At 30 September 2008 the net financial position featured net debt of Euro 149.1 million, Euro 37.5 million higher than debt at 31 December 2007.

**Current financial assets** mainly consisted of:

- Cash & cash equivalents of Euro 42.3 million, of which Euro 24.9 million relating to the Wind business and therefore almost all restricted in relation to project financing and Euro 12.9 million relating to the operating parent company ERG Renew, i.e. residual cash coming from sale of the Steel and Waste to energy/Waste management businesses.
- Non-captive receivables of Euro 14.3 million relating to capital redemption insurance policies to obtain the contractual suretyships envisaged as guarantee of acquisition of 49% of the subsidiary SODAI Italia S.p.A. from the partner Trenitalia, which exercised its put option in May 2007 and whose right – initially considered non-existent by ERG Renew – was the subject of a transaction agreement between the parties on 16 October this year, as better specified later on in the section “Significant events after end of period”.

**Current financial liabilities** consisted of:

- Non-captive financial payables of Euro 26.1 million, of which Euro 11.9 million for current account overdrafts of ERG Renew S.p.A. and Euro 14.2 million for the current portion of non-recourse debt relating to project financing of the Wind business.
- Liabilities for derivative instruments totalling Euro 19.3 million relating to (i) the put option of Euro 17.5 million granted to Trenitalia on the 49% of SODAI Italia S.p.A. in its possession. This amount is the value at which Trenitalia, on 22 May 2007, manifested its intention of exercising the put option. On 11 June 2007 ERG Renew informed Trenitalia that it did not consider the put option right on SODAI Italia S.p.A. shares (49%) to exist. Notwithstanding initiation of the arbitration procedure pursuant to the agreement signed on 23 December 2003, on 16 October this year the parties made a transaction settlement agreement establishing transfer of the stake owned in SODAI Italia S.p.A. by Trenitalia at a price of Euro 16.7 million instead of 17.5 million, with compensation of legal and arbitration expenses, and (ii) the put option of Euro 1.8 million granted in October 2003 to Gepafin S.p.A. on the 0.27% owned by the latter in Ansaldo Fuel Cells S.p.A., to be exercised by 29 January 2009.

**Non-current financial assets** consisted of a capital redemption insurance policy taken out to guarantee a suretyship policy for the EOS 1 Troia (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** mainly consisted of Euro 136.2 million for the medium-/long-term portion of non-recourse debt relating to project financing business and of Euro 41 million for medium-/long-term loans paid out to the operating parent company ERG Renew.

The ERG Renew Group's derivative-product transactions outstanding at 30 September referred to a total notional value of Euro 109 million, down by Euro 5.2 million vs. Euro 113.6 million outstanding at 31 December 2007. This reduction was due to repayment of instalments relating to the various project financing arrangements of the wind farms in operation, partly offset by the initiation of new derivatives relating to project financing of the EOS 4 Faeto wind farm under construction.

Hedging instruments (thousand Euro)	Notional amount as at 30.09.08	Notional amount as at 31.12.07	Notional amount as at 30.06.08
Interest Rate Swap (IRS)	88,005	96,801	92,225
<i>Relating to Wind business</i>	<i>80,005</i>	<i>88,801</i>	<i>84,225</i>
<i>Relating to medium-/long-term borrowing</i>	<i>8,000</i>	<i>8,000</i>	<i>8,000</i>
Interest Rate Cap	20,466	16,840	16,840
<i>Relating to Wind business</i>	<i>13,266</i>	<i>-</i>	<i>9,640</i>
<i>Relating to medium-/long-term borrowing</i>	<i>7,200</i>	<i>16,840</i>	<i>7,200</i>
<b>Total</b>	<b>108,471</b>	<b>13,641</b>	<b>109,065</b>

As regards current and non-current financial liabilities, it should be noted that, due to the non-sale of green certificates and equalisation on 2007 electricity prices discussed earlier, the EOS 1 and EOS 3 subsidiaries, holders of a project financing line totalling Euro 64.9 million (of which Euro 5.4 million falling due by the end of the current financial year), temporarily breached the financial covenants contractually agreed with the payor banks.

On 25 September, the payor banks signed an agreement with EOS 1 and EOS 3 amending some provisions of their respective project financing contracts. As it definitively overcomes the aforementioned breaches of the financial covenants, it also assures EOS 1 and EOS 3 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 31 December 2008, 30 June and 31 December 2009, also via the use of existing liquidity and/or possible financial support from the sub-holding company EOS Windenergy 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 Euro 59.5-million portion of debt.

At 30 September 2008, no other cases of non-compliance with financial covenants were present in ERG Renew Group's debt.

## Significant events after end of period

### Wind

**17 October** marked the start of the effects of merger by incorporation of WVEH 2 S.r.l. in its subsidiary EOS 7 Ginestra S.r.l.

**On 13 October**, the Shareholder Meeting took place of EOS Windenergy S.r.l., 100% owned by ERG Renew, which resolved to change the company's name to ERG Eolica Italia S.r.l.

### Holding

**1 October** marked the start of the effects of demerger of the renewable sources of ERG Power & Gas to the benefit of ERG Renew, which issued 37,789,734 newly issued ordinary shares stemming from the capital increase following the operation. The demerger was approved by the respective Shareholder Meetings of ERG Renew and ERG Power & Gas on 30 June this year. By virtue of this issuance, ERG S.p.A. holds 102,667,267 shares, accounting for 77.387% of ERG Renew's share capital, corresponding to 132,666,675 shares with a par value of Euro 1.00 each.

**On 10 October**, ERG Renew, via its subsidiary EnerFrance, signed an agreement with the French group GSEF for acquisition of a 50% stake 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 166 MW at an advanced stage of development and 120 MW at a preliminary stage of development. EnerFrance accorded GSEF a price of some Euro 3 million, inclusive of 50% of development costs relating to 2008. The agreement envisages an increase of EnerFrance's initial equity interest from 50% to 90% in the project companies once authorisations have been obtained, with payment of a further amount that will be commensurate with the plants' future feasibility.

**On 16 October** ERG Renew and Trenitalia signed a transaction settlement agreement concerning exercise of the put option held by Trenitalia on 49% of SODAI Italia S.p.A., worth Euro 17.5 million, which Trenitalia had exercised on 22 May 2007. ERG Renew had objected that this exercise was illegitimate, as it deemed the contractual prerequisites not to exist, and had consequently initiated the arbitration procedure envisaged in the contract. The transaction agreement established transfer to ERG Renew of the stake owned by Trenitalia for a value reduced to Euro 16.7 million from the Euro 17.5 million recognised in accounts in previous years, as per IFRSs, and with compensation of legal and arbitration expenses.

## Business outlook

With reference to the 2008-2011 Business Plan, investment activity has undergone a slowdown and the company expects to end the year with investments made totalling Euro 60 million.

This delay will make it possible to wait for positive evolution of the present critical conditions of financial markets, to then be able to implement the planned capital increase according to the approved timing and approach.

Following the decision taken by the Board of Directors on 25 September to suspend the planned capital increase and waiting for the conditions characterising the financial markets today to become such as to permit its implementation, the company believes it can obtain the resources needed to cover the financial requirements of the 2008-2011 Business Plan by turning to the banking industry. As regards this, we remind readers that the forecast data in the 2008-2011 Business Plan were constructed on the basis of assumptions on some aspects of the external scenario that cannot be governed by the Group – including evolution of the relevant market, evolution of the price of electricity and green certificates, potential to increase installed capacity, the effective feasibility of the wind farms' production, the effective feasibility of investments planned, and evolution of operating and overhead costs, as well as the macroeconomic scenario and, in particular, the inflation rate – and of key strategic actions governed by the Group.

Non-materialisation of such assumptions, given the aleatory factor inherent in any future event, and even more so of uncontrollable events, or materialisation of assumptions in a different way with respect to the Plan, may lead to significant deviation of actual results from the forecasts made.

## Wind

In the Wind segment, FY2008 profitability will be penalised by events of a non-recurring nature that have penalised 9M08 results and by lower production output of Italian wind farms in 3Q08. Conversely, consolidation of the French wind farms for the whole of FY2008 will make a positive contribution to the year's results.

During the fourth quarter (4Q08) commissioning of the Faeto wind farm will start, consequently meaning production start-up as from the beginning of the next financial year.

By the end of the current financial year, the works site will be started for the EOS 7 Ginestra wind park. The wind turbines for the site, purchased on 30 June with signature of the relevant supply contract with Repower Systems AG, will be delivered starting in April 2009.

## Water Services

SODAI Italia S.p.A. will continue execution of the approval procedures for expansion of a water purification platform for treatment of non-piped liquid waste.

### **Holding**

1 October marks the start of the ERG Power & Gas demerger described at the beginning of this management statement among significant facts in the period. As of this date ERG Renew will consolidate the production of the Vicari and Pian dei Corsi wind farms, as well as production of the hydroelectric plants of Ecopower and ISEA. This will also mean consolidation of debt relating to the shareholdings transferred to ERG Renew and in particular, debt relating to project financing provided for construction of the Vicari wind farm.

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

Attestation pursuant to Article 2.6.2, paragraph 15 of the Italian Stock Exchange Regulation

Pursuant to the article indicated above, it is herewith declared that the company ERG Renew does not find itself in any of the conditions indicated in Article 37 of CONSOB (Italian securities & exchange commission) resolution 11971/1908 as subsequently amended and supplemented.

Certification by the manager in charge of preparation of the company accounts pursuant to Article 154-bis (2) Legislative Decree 58/1998 (Consolidated Law on Financial Intermediation)

The Manager in charge of preparation of the company accounts of ERG Renew S.p.A., Luca Giorgerini, certifies pursuant to Article 154-bis (2) of the Consolidated Finance Act that, to the best of his knowledge, the disclosures set out in this Interim Management Statement correspond to the company's documentary evidence, accounting records and books.

Genoa, 10 November 2008

The Manager in charge of preparation  
of the company accounts

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

ERG Renew S.p.A.

Torre WTC  
via De Marini, 1  
16149 Genoa  
Phone 01024011  
Fax 0102401686  
[www.ergrenew.it](http://www.ergrenew.it)

Registered Office:  
via Nicola Piccinni, 2  
20131 Milan

Share Capital Euro 132.666.675,00 fully paid.

Company Register Milan and  
Fiscal Code 00276450632  
R.E.A. Milan n. 1078902  
VAT 09077420157

