



REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2011

ERG RENEW S.P.A.

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CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN
LUCA BETTONTE

DEPUTY CHAIRMAN
VITTORIO GARRONE

CHIEF EXECUTIVE OFFICER
MASSIMO DERCHI

DIRECTORS
ITALO GIORGIO ALFIERI
GIORGIO CORAGGIOSO
PAOLO LUIGI MERLI

BOARD OF STATUTORY AUDITORS

CHAIRMAN
LELIO FORNABAIO

STANDING AUDITORS
MARIO LAMPARATI
GIOACCHINO MESSINA

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.P.A.



**REPORT
ON OPERATIONS**

AS AT 31 DECEMBER 2011

INTRODUCTION

The Consolidated Financial Statements as of and for the year ended 31 December 2011 has been prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

This document has been audited by the company Deloitte & Touche S.p.A. in accordance with the procedure set forth by CONSOB regulations.

The Consolidated Financial Statements as of 31 December 2011 reported net income of EUR one million against a loss for the year 2010 totalling 16 million.

TAKEOVER BID OF ERG S.P.A. ON ERG RENEW

It should be noted that, on 7 June 2011, at the conclusion of the takeover bid promoted by ERG S.p.A., ERG Renew stock were delisted from the Electronic Stock Market. Following this offer, ERG Renew S.p.A. is 100% controlled by ERG S.p.A..

For more details, refer to the significant events which occurred during the year.

ACQUISITION OF ERG EOLICA CAMPANIA S.P.A. AND ERG EOLICA AMARONI S.R.L.

On 5 August 2011, the acquisition of IVPC Power 3 S.p.A. (now named ERG Eolica Campania S.p.A.) was completed and the company was fully consolidated as of this date; this subsidiary is the owner of five wind farms, in operation since 2008, with installed power of 111.8 MW, with EBITDA contribution for the year of about 10 million and with an impact of about 229 million on the Group's net financial indebtedness.

On 13 September 2011 the company Amaroni Energia S.r.l. (now named ERG Eolica Amaroni S.r.l.), not yet in operation, was acquired; it is the owner of a 22.5 MW authorized wind power project in the Municipality of Amaroni (CZ), adjacent to the Fossa del Lupo wind farm, for which the construction work has already been started and the acquisition contracts with Nordex were signed for 9 WTG N90. The farm is expected to start operating by the end of 2012.

SALE OF WATER SERVICES

In the last part of 2011, ERG sold its equity investments in DSI Servizi Industriali S.r.l. (sold on **16 November 2011**) and SODAI Italia S.p.A. (sold on **2 December 2011**), companies operating in the industrial waste treatment segment, collecting EUR 5.0 million and reporting a total write-down of EUR 3.3 million in the Consolidated Income Statement. While SODAI Italia S.p.A. operates through purification platforms near 20 workshops of Trenitalia, DSI S.r.l. implements activities relative to the treatment of solid and liquid wastes on behalf of third parties and SODAI Italia.

As previously stated, the Group sold the abovementioned assets in the sector since they were not considered core businesses.

CHANGES TO THE "ROBIN TAX" REGULATIONS

On 14 September 2011, Italian Law no. 148/2011 was approved, converting Italian Law Decree no. 138/2011 bearing urgent measures for the financial stabilization and economic development of the Country. The Law introduced the following changes pertaining to the IRES rate surcharge (Robin Tax):

- temporary increase of the IRES rate surcharge from 6.5% to 10.5% for 2011, 2012 and 2013;

- broadened range of energy industry operators to which the additional tax is applicable; specifically, the additional tax is also applicable to the renewable energy segment (i.e. wind, photovoltaic, etc.);
- change of the limits to the application of the additional tax; it will be applicable only if, in the previous tax period, revenues exceeded EUR 10 million (previously, the limit was EUR 25 million), and taxable income exceeded EUR 1 million.

The introduction of the aforesaid changes entails, starting in 2011, higher current taxes for the Group, in terms of higher tax rates for a total of 1 million.

PRIOR YEARS' TAX LOSSES

On 15 July 2011, Italian Law no. 111/2011 was passed; it converted Italian Law Decree no. 98/2011 bearing "Urgent provisions for the financial stabilization of the Country" (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax Act pertaining to the carrying forward of tax losses, eliminating the 5-year time limit prescribed for the purposes of determining whether prior years' tax losses can be carried forward (such losses, therefore, can be carried forward without limitation) and introducing a quantitative limit to the utilization of prior years' tax losses, i.e. 80% of the income produced in the following years. The aforesaid quantitative limit of 80% does not apply to tax losses generated in the first three years from incorporation, provided that they refer to a new productive activity.

The new provisions are already applicable starting in 2011 and, as clarified by circular 54/E 2011 by the Italian Internal Revenue Agency, also with effect on the tax losses generated prior to 2011 and still being carried forward according to previous regulations (e.g. losses formed from 2006 onwards).

The introduction of the aforesaid changes entailed a positive effect on these Consolidated Financial Statements stemming from the recognition of receivables related to prior years' tax losses to be recovered in the medium term, in the amount approximately of EUR 11 million.

FINANCIAL REQUIREMENTS

It should be noted that – during the course of the month of December 2011 – ERG Renew S.p.A. reimbursed, for an amount totalling EUR 450 million and following a capital contribution, the debit line existing with the sole shareholder ERG S.p.A. which was overall utilized up to the same period for an amount, net of accrued interest, of circa EUR 452 million.

Following this reimbursement, the overall balance as of 31 December 2011 of the debt amounted to EUR 1.5 million. In addition, on 20 December 2011, the Board of Directors of ERG S.p.A., deliberated in favour of the undersigning – in favour of ERG Renew S.p.A., of a Centralized Financial Management Agreement with the consequent activation of an intragroup bank account up to a maximum debt exposure of EUR 100 million.

The Agreement has an annual duration, with expiration on 31 December 2012, and is considered tacitly renewed each year. Payable interest based on the 6-month Euribor, increased by a spread of 300 basis points, will accrue with respect to the debtor balances relative to ERG S.p.A. while receivable interest based on the 1-week Euribor, increased by a spread of 100 basis points, will accrue with respect to the credit balances relative to ERG S.p.A.

PROFILE OF THE ERG RENEW GROUP

The ERG Renew Group operates in the following business sectors:

- **WIND ITALY:** carries out activities for the production of electrical energy from wind sources via the subsidiary ERG Eolica Italia S.r.l. There are currently 13 operational plants: San Vincenzo (42 MW), San Ciro (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW), Pian de Corsi Baltera (1.6 MW), Ascoli Satriano (61.8 MW), Rotello (40 MW), Fossa del lupo (97.5 MW), Ginestra (28 MW), Bisaccia (23.6 MW), Lacedonia (18 MW), Foiano (70.2 MW) for a total installed operational power equal to 483.2 MW.
- **WIND FRANCE:** carries out activities for the production of electrical energy from wind sources via the subsidiary ERG Eolienne France S.a.s. The plants are currently six for a total installed capacity equal to 64.4 MW.
- **PHOTOVOLTAIC:** ERG Renew intends to diversify its presence within the realm of renewable energies by also targeting the photovoltaic sector. ERG Renew is part of an R&D projects for new generation solar energy, the so-called "organic photovoltaic", in partnership with Permasteelisa and certain Italian universities. The Consortium which was created for this purpose has continued profitably in its research activities. In particular, the product specifications which it intends to realize have been defined. In addition, the activities relative to the planning of the pilot line have been initiated with the objective of passing the implementational phase in the first half of 2011. In addition, the Company has completed the construction of a traditional plant on the Sicilian industrial site of ISAB Energy in Priolo Gargallo (SR) with a total power of circa 1 MW and which became operational during the course of 2011.

STRATEGY

ERG Renew has continued its strategy for growth in electricity production using renewable sources, primarily in the wind sector. In this realm, ERG Renew has, in recent years, significantly strengthened its position within the domestic market where it is positioned, at the end of 2011, with an installed power totalling almost 500 MW, as the third market player in Italy after Maestrone and Enel Green Power. The growth strategy in Italy was implemented through both the industrial management of systematic projects as well as through the acquisitions of ERG Eolica Adriatica S.r.l. - 102 MW (previously IVPC Power 5 S.r.l.) in 2010 and ERG Eolica Campania S.p.A. - 112 MW (previously IVPC Power 3 S.p.A.) in 2011. Again during the course of 2011, construction was initiated on a wind park in the province of Catanzaro for an installed power level of 22.5 MW and whose start-up of operations is forecasted for the end of 2012. In addition to the French market, where ERG Renew already has a significant presence of 64 MW, the focus is, in particular, on the areas of Eastern Europe where it primarily operates through the joint venture of LukErg Renew with LUKOIL and which will be implemented initially in Bulgaria and Romania, countries with high growth potential. The objective is to construct, in the medium term, a portfolio of geographically and technologically balanced assets.

PERFORMANCE HIGHLIGHTS

(EUR MILLION)		2011	2010
MAIN INCOME STATEMENT DATA			
TOTAL REVENUES		114	73
GROSS OPERATING MARGIN (EBITDA) ⁽¹⁾		69	39
NET OPERATING INCOME		19	(11)
EBIT AT ADJUSTED REPLACEMENT COST ⁽²⁾		22	8
NET INCOME		1	(16)
OF WHICH GROUP NET INCOME		1	(16)
MAIN FINANCIAL DATA			
NET INVESTED CAPITAL		1,004	776
SHAREHOLDERS' EQUITY		534	94
TOTAL NET FINANCIAL INDEBTEDNESS		470	682
OF WHICH NON-RECOURSE PROJECT FINANCING		446	393
FINANCIAL LEVERAGE		47%	88%
OPERATING DATA			
INVESTMENTS	EUR MILLION	53	89
PRODUCTION OF ELECTRICAL ENERGY IN ITALY	MILLIONS OF KWH	627	333
PRODUCTION OF ELECTRICAL ENERGY IN FRANCE	MILLIONS OF KWH	113	117
MARKET INDICATORS			
PUN (ITALY)	EUR/MWH	72.23	64.12
FEED IN TARIFF (FRANCE)	EUR/MWH	86.98	85.09
GREEN CERTIFICATES	EUR/MWH	82.12	87.25

(1) the Gross Operating Margin (EBITDA) corresponds to net income adjusted by taxes, the result of disposals of assets or the result of discontinued activities, financial proceeds and charges as well as the amortization/depreciation of intangible and tangible fixed assets and the write-down of non-current assets. The Gross Operating Margin (EBITDA) is a measure which is utilized by the Group in order to monitor and assess operational trends and is not defined as an accounting measure within the realm of IFRS principles; as a result, it must not be considered an alternative measure with respect to interim financial statement results for evaluating operational performance. Given that the composition of the Gross Operating Margin (EBITDA) is not regulated by applicable accounting standards, the method used by the Group to determine these measures may not be consistent with the method used by other operators and so these might not be fully comparable

(2) EBIT at adjusted replacement cost does not take into account, in 2011, of the write-downs relative to the transfer of the assets pertaining to Water Services and, in 2010, to write-downs following impairment tests

For further details, please refer to the chapter, **Alternative Performance Indicators**

PERFORMANCE HIGHLIGHTS BY SEGMENT

(EUR THOUSAND)	2011	2010
OPERATING REVENUES		
WIND, ITALY	97,748	54,004
WIND, FRANCE	9,841	9,811
TOTAL WIND	107,589	63,815
WATER SERVICES	5,375	8,341
HOLDING	744	511
TOTAL	113,708	72,667
GROSS OPERATING MARGIN (EBITDA)		
WIND, ITALY	76,361	38,832
WIND, FRANCE	6,914	7,585
TOTAL WIND	83,275	46,417
WATER SERVICES	969	2,012
HOLDING	(14,941)	(9,909)
TOTAL	69,303	38,520
OPERATING RESULT AT ADJUSTED REPLACEMENT COST		
WIND, ITALY	36,783	17,075
WIND, FRANCE	(271)	(264)
TOTAL WIND	36,512	16,811
WATER SERVICES	606	1,521
HOLDING	(15,091)	(10,018)
TOTAL	22,027	8,314
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
WIND, ITALY	52,806	86,787
WIND, FRANCE	84	1,419
TOTAL WIND	52,890	88,206
WATER SERVICES	64	339
HOLDING	520	409
TOTAL	53,474	88,954

COMMENTS ON THE YEAR'S PERFORMANCE

In the year 2011, **revenues** were equal to 114 million (of which 5 million relative to the water sector), a significant increase with respect to 2010 and primarily due to the increased production of energy in the period as well as the acquisition of ERG Eolica Campania S.p.A. during the year.

The **gross operating margin (EBITDA)** came in at EUR 69 million, compared with EUR 39 million in 2010. The change is a result of the following factors:

- **WIND ITALY:** contribution of EUR 76 million compared to the EUR 39 million reported in 2010; this was mainly due to the increase in energy generation in the period as a result of the contribution by ERG Eolica Adriatica, acquired on 23 July 2010, and to the progressive start-up, in 2011, of the Fossa del Lupo and Ginestra wind farms as well as the contribution by ERG Eolica Campania, acquired on 5 August 2011.
- **WIND FRANCE:** positive contribution of 6.9 million, essentially in line with respect to 2010 (7.6 million).
- **WATER SERVICES:** positive contribution of circa EUR 1.0 million. It should be noted that Water Services were sold in the first part of 2011. The contribution in question refers to the first nine months of the year.
- **HOLDING:** negative by 14.9 million compared to the 9.9 million of 2010. The worsening was primarily linked to accessory charges associated with the study of extraordinary operations and the increased personnel costs.

EBIT at adjusted replacement cost was EUR 22 million (EUR +8 million in 2010) after amortization and depreciation for EUR 47 million, higher than in 2010 (EUR 30 million) as a result of the new plants acquired and of those commissioned.

Group net income (EBIT) was EUR +1.0 million (EUR -16 million in 2010) and was affected by non-recurring items relative to the write-down of assets for water services for EUR 3.3 million, which were sold in the last part of the year, as well as the booking of receivables for prior years' tax losses for EUR 11 million.

In 2011, the **Group capital expenditures** were equal to EUR 53 million (EUR 89 million in 2010) and primarily referred to the construction of wind farms in Fossa del Lupo and Ginestra which became gradually operational during the course of 2011. That stated above should also be noted, i.e. that in the last part of the year the construction work relative to the Amaroni wind farm was initiated.

Net financial indebtedness was equal to EUR 470 million, a decrease of EUR 212 million compared to 31 December 2010 following the positive effect of the recapitalization of ERG Renew S.p.A. which was implemented by the sole shareholder ERG S.p.A. (EUR 450 million) and by the cash flows from ordinary operations which were in part compensated by the acquisition of ERG Eolica Campania and by the capital expenditures implemented in the period.

SIGNIFICANT EVENTS DURING THE YEAR

TAKEOVER BID OF ERG S.P.A. ON ERG RENEW

On **3 January 2011** ERG S.p.A. filed with Consob the draft document for the takeover bid made on all shares of common stock representing the entire share capital of ERG Renew S.p.A. not in the possession of ERG S.p.A..

On **13 January 2011** the Board of Directors of ERG Renew S.p.A. approved the notice per Article 103, Paragraph 3 of Italian Legislative Decree no. 58 dated 24 February 1998 with respect to the voluntary takeover bid by the parent company ERG S.p.A. on all shares of ERG Renew S.p.A. stock not held by ERG S.p.A.

The Board of Directors acknowledged the fairness opinion issued by the independent financial advisor Merrill Lynch International and deemed the price of EUR 0.97 per share proposed by ERG S.p.A. to be sufficient in financial terms.

On **18 January 2011** CONSOB approved the document on the takeover Bid promoted by ERG S.p.A. on all shares of common stock representing the entire share capital of ERG Renew S.p.A. not in the possession of ERG S.p.A., including the ERG Renew S.p.A. notice per Article 103, Paragraph 3 of Italian Legislative Decree no. 58 dated 24 February 1998.

On **18 February 2011** ERG S.p.A. disclosed – after the expiration of the validity of the takeover bid made on all shares of common stock of the entire share capital of ERG Renew S.p.A. not in its possession already – that it had obtained acceptances for a total of 13,962,309 shares, representing 62.748% of the shares involved in the Bid and 10.524% of the share capital of the Issuer, for total value of EUR 13,543,439.73. During the Bid acceptance period, ERG also made acquisitions outside the Bid, purchasing 952,629 shares, representing 0.718% of the share capital of the Issuer. Therefore, taking into account the shares handed over in acceptance of the Bid, the shares already owned on the initial date of the Bid and of those acquired outside the Bid, at 18 February 2011 the Bidder held a total number of 125,557,206 shares, i.e. 94.641% of the share capital of the Issuer. Although a share of at least 95% of the capital of the Issuer was not obtained, ERG, deeming the share thus obtained to be sufficient, waived the Condition of the Minimum Level of Acceptances specified in Paragraph A.1.(i) of the Bid Document and announced that it deemed the Condition of Effectiveness of the Bid, specified in Paragraph A.1.(ii) of the Bid Document, to be fulfilled as well.

In consideration of the above, ERG deemed the Bid to be effective and therefore it announced that it would acquire all Shares handed over in acceptance of the Bid according to terms per the Bid Document.

On **24 May 2011** ERG S.p.A. announced, during the sell out period within the takeover Bid made on all shares of common stock of the entire share capital of ERG Renew S.p.A. not already in its possession, that it had exceeded the 95% of the aforesaid share capital.

On **27 May 2011** ERG S.p.A. announced the conclusion of the sell out phase of the takeover Bid made on ERG Renew stock and the consequent attainment of 96.904% share of ERG Renew capital.

On **7 June 2011**, at the conclusion of the takeover Bid promoted by ERG S.p.A., ERG Renew stock was delisted from the Electronic Stock Market. As a result of the Bid, ERG Renew S.p.A. is a wholly owned subsidiary of ERG S.p.A.

WIND ITALY

On **8 March 2011**, ERG Renew S.p.A. sold its equity investment in ISAB Energy Solare S.r.l., equal to 51% of the share capital, to its subsidiary ERG Solare Italia S.r.l..

On **1 April 2011**, the merger by incorporation of certain non-operational wind companies (Eolico Agira S.r.l., Eolico Mirabella S.r.l., Eolico Palagonia S.r.l. and Eolico Ramacca S.r.l.) into Eolico Troina S.r.l. became effective.

On **29 June 2011** ERG Renew S.p.A. did not underwrite the share capital increase to cover losses of the non-operating companies VCC Abruzzo S.r.l., VCC Agrigento S.r.l., VCC Agrigento 2 S.r.l., VCC Enna S.r.l.; consequently, it is no longer one of the aforesaid companies' shareholders.

On **5 August 2011**, ERG Eolica Italia S.r.l., a subholding of ERG Renew S.p.A., stipulated a closing agreement for the purchase of 100% of IVPC Power 3 S.p.A. (today ERG Eolica Campania S.p.A.), the owner of five wind farms which have been operational as of 2008 in the provinces of Avellino and Benevento, and with a total installed capacity of circa 112 MW.

The value of the acquisition, in terms of enterprise value, was circa EUR 2.1 million per MW. ERG recognized a compensation for the equity to the seller totalling EUR 100 million in addition to the reimbursement of an intragroup loan (EUR 33 million as of 31 December 2010).

On **13 September 2011** ERG Eolica Italia S.r.l. acquired 100% of the share capital of Amaroni Energia S.r.l., owner of a fully authorized 22.5 MW wind power project in the Municipality of Amaroni (CZ).

On **30 December 2011**, ERG Eolica Italia S.r.l. was incorporated within the company ERG Renew S.p.A. with effectiveness as of 1 January 2012. As a result, and effective as of 1 January 2012, the company ERG Eolica Italia S.r.l. was dissolved, the corporate bodies ceased to exist and ERG Renew S.p.A. took over all active and passive legal relationships of the incorporated company.

FOREIGN WIND SECTOR

On **20 May 2011** ERG Renew and LUKOIL-Ecoenergo executed an agreement for the incorporation of the equal-share joint venture as an instrument of collaboration in the renewable energies market in Eastern European Countries and in Russia. The joint venture was formally incorporated on **15 July 2011**, with the name LUKERG Renew GmbH and registered office in Vienna.

On **29 November 2011** ERG Eolienne France S.a.s. sold its equity investment (50%) in the following non operational French wind power companies:

- C.I.T.A. S.a.s.
- Eoliennes de la Chaussee Brunehaut S.a.r.l.
- Eoliennes de la Vallee Notre Dame S.a.r.l.
- Eoliennes de l'Ourcq et du Clignon S.a.r.l.
- Eoliennes de Warloy-Baillon S.a.r.l.
- Eoliennes du Champ Chardon S.a.r.l.

The overall result of the sales brought about a capital loss of immaterial amount (EUR 0.1 million).

WATER SERVICES

On **16 November 2011**, ERG sold the equity investments in **DSI Servizi Industriali S.r.l.** and, on **2 December 2011**, in **SODAI Italia S.p.A.**, companies that operate in the industrial waste treatment segment, collecting EUR 5.0 million and reporting a total write-down of EUR 3.3 million in the Consolidated Income Statement. While Sodai Italia S.p.A. operates through purification platforms near 20 workshops of Trenitalia, DSI Servizi Industriali S.r.l. implements activities relative to the treatment of solid and liquid wastes on behalf of third parties and SODAI Italia.

OTHER SIGNIFICANT EVENTS

On **30 April 2011**, ERG Renew S.p.A. did not underwrite the share capital increase to cover losses of the company Ansaldo Fuel Cells S.p.A.; consequently it is no longer one of the company's shareholders.

On **20 July 2011** as a result of the delisting of the Company and of the resignations tendered by the Directors of **ERG Renew S.p.A.**, **the Shareholders' Meeting of that company appointed a new Board of Directors** chaired by Mr. Luca Bettonte, who thus replaced Mr. Pietro Giordano. On the same date, the new Board of Directors appointed Mr. Massimo Derchi as Chief Executive Officer of the Company, replacing Mr. Francesco Del Balzo.

On **20 December 2011**, the shareholders' meeting of ERG Renew S.p.A. deliberated – in accordance with Article 2446 of the Italian Civil Code and on the basis of the financial situation of ERG Renew S.p.A. on 30 September 2011 – to cover the losses through the use of all the reserves of ERG Renew S.p.A. and a decrease in the relative share capital to the value of EUR 100 million.

On the same date, the Board of Directors of the single shareholder ERG S.p.A., having noted the coverage of the abovementioned losses and highlighting the need to support the financial requirements of ERG Renew S.p.A., deliberated in favour of its recapitalization through a capital contribution of EUR 450 million.

On **23 December 2011**, the abovementioned undersigning of the Centralized Financial Management Agreement was implemented with the consequent activation of an intragroup bank account with maximum debt exposure of 100 million.

REGULATORY FRAMEWORK

The primary legislative novelties relative to the production of electrical energy from renewable sources are reported and commented below. It remains agreed that the regulations which are reported below must be integrated with all regulations that the local entities, regions, provinces and municipalities have adopted on this topic and which render each authorizational process different from region to region.

Italian Legislative Decree no. 79 of 16 March 1999: Art. 11 introduced the obligation – for producers and importers of electrical energy produced from non-renewable energy sources – to supply the national electrical system, as of 2002, with a minimum quota of the electricity produced by systems supplied by renewable sources and which became operational after 1 April 1999. The producers and importers which are subject to this obligation can fulfil the latter by supplying the network with electrical energy that is produced by renewable sources or by acquiring green certificates relative to the year of the obligation from other producers.

Italian Legislative Decree no. 387/03: this is a legislative decree with which Italy incorporated Directive 2001/77/EC and which provides for the promotion of electrical energy produced by renewable sources within the domestic energy market and incorporates the definition of renewable source.

The Minister of Productive Activities, in collaboration with the Minister of the Environment and Protection of the Territory and in compliance with the provisions of Article 20, paragraph 8, of Italian Legislative Decree no. 387/03, issued the Decree containing the "Updates of directives for incentives relative to energy produced by renewable sources, in accordance with Article 11, paragraph 5, of Italian Legislative Decree no. 79 of 16 March 1999" on 24 October 2005 and which, in repealing the Italian Ministerial Decrees of 11 November 1999 and 18 March 2002, decreed new provisions for the qualification of renewable energy source plants (IAFR qualification) and for the issue of green certificates.

Italian Ministerial Decree of 24 October 2005: on the basis of that regulated by Article 11, paragraph 1, GSE adopted the technical procedures for the IAFR ("Impianti Alimentati da Fonti Rinnovabili"; Plants Supplied by Renewable Energy Sources) qualification as well as for the issue of green certificates by subjecting these procedures – for their approval – to the Ministers of Economic Development and the Environment and Protection of the Territory and the Sea. These Procedures were approved with the Italian Decree dated 21 December 2007 which was published, along with the Procedures, in Official Gazette no. 16 of 19/1/2008, ordinary supplement.

2007 Financial Act: Italian Law no. 296 of 27 December 2006, Article 1, paragraph 1117, states that, as of 1 January 2007, any financing and public incentives of the government which aim to promote renewable energy sources can only be exclusively granted for the production of electrical energy produced by renewable sources, as defined by Directive 2001/77/EC.

Italian Law no. 222 of 29 November 2007 (so-called Supplement to the 2008 Financial Act, Article 26, paragraph 4 bis) and the 2008 financial law (Italian Law no. 244 of 24 December 2007) introduced new important novelties relative to incentives for energy produced by plants with renewable energy sources.

By means of **Italian Ministerial Decree of 18 December 2008** (which repeals the Italian Ministerial Decree of 24 October 2005), the Minister of Economic Development, in collaboration with the Minister of the Environment and Protection of the Territory and the Sea, implemented that which was sanctioned by the 2008 Financial Law and established the

implementational modalities of the new incentive mechanisms. The ministerial decree described above, even for the purposes of not penalizing investments which were previously initiated, decreed that the green certificates of competence of completed or yet to be completed productions for the entire year of 2010 will be, upon request of the parties owning the certificates, collected by the GSE. This purchase, the application for which must be sent on or before 31 March of the year following the one to which certificates refer, will take place at a price equal to the market average during the three-year period preceding the year of filing the application. The GSE will collect the green certificates within and no later than 30 June.

The **2009 EU Law** was definitively approved in the Senate, on fourth reading, on 12 May 2010; this law states the principles and directive criteria with which the government must comply in order to incorporate Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

This receipt was implemented through a specific legislative decree which – following the favourable qualified assessments by the Unified Conference, the Commissions for Productive Activities and the Environment of the Chamber of Deputies as well as of the Senate Industry Committee – was definitively approved by the Council of Ministers on 3 March 2011. This Decree states that, in the case of wind plants which are already operational, or for those which become operational within 31 December 2012, the GSE will continue to collect Green Certificates until 2015 as the last instance operator and at a price of 78% of the result of 180 EUR/MWh minus the average price of electrical energy of the previous year. As of 2016, the mechanism for incentives for Green Certificates will be changed to a “rate-based” system. With regard to plants which will become operational as of 2013, and above a certain threshold, the incentives will be assigned through auctions, but a minimum incentive will be, in any case, guaranteed to all operators (independently from the auction). Additional operational details for these incentive mechanisms will be defined in Italian Ministerial Decrees which should be issued within six months.

Italian Legislative Decree no. 28/2011 dated 3 March 2011 with which – in implementation of European Parliament Directive 2009/28/EC – defined the instruments, mechanisms, incentives and the institutional, financial and legal framework, necessary for the achievement of the 2020 targets set by the European Union with respect to the total portion of energy generated from renewable sources. In particular, and with regard to the wind sector, the decree states that – for plants which are already operational, or for those which will become operational as of 31 December 2012, the GSE will continue to collect, until 2015, the green certificates as a final operator and at a price equal to 78% of the difference between 180 EUR/MWh and the average annual sales prices of electrical energy which was recorded in the previous year following the collection of the certificates themselves (in accordance with the prevalent interpretation) and which was communicated by the Electrical Energy and Gas Authority in implementation of Article 13, paragraph 3, of Italian Law Decree no. 387 of 29 December 2003.

MARKET OF REFERENCE ⁽¹⁾

	2011	2010
RENEWABLES MARKET ITALY (GWH) ⁽²⁾		
PRODUCTION FROM RENEWABLE SOURCES ⁽³⁾	71,797	69,764
INCLUDING:		
HYDROELECTRIC	47,672	53,795
GEOTHERMAL	5,307	5,047
WIND	9,560	9,048
SOLAR	9,258	1,874
FRENCH RENEWABLE ENERGY SOURCES MARKET (GWH) ⁽²⁾		
PRODUCTION FROM RENEWABLE SOURCES ⁽⁴⁾	59,267	75,404
OF WHICH WIND	10,686	8,534
SALES PRICES (EUR/MWH)		
PUN (ITALY) ⁽⁵⁾	72.23	64.12
FEED IN TARIFF (FRANCE)	86.98	85.09

(1) production estimated for the month of December

(2) source: Terna S.p.A. Monthly report on the electrical system. Estimated data, subject to revision.

(3) sources taken into account: hydroelectric, geothermalelectric, wind and solar

(4) sources taken into account: hydroelectric and wind

(5) Prezzo Unico Nazionale (Single National Price)

National electrical production (net) was guaranteed from renewable sources for 25%: 16% from hydroelectric sources, 3% from wind, 3% from photovoltaic sources and the remaining 2% from geothermal electric sources. Compared to the same period of the previous year, generation from hydroelectric sources contracted (-11%); by contrast, generation from geothermal sources increased (+5%), along with generation from wind power (+6%) and especially along with generation from photovoltaic sources (+394%), driven by the very sharp growth in installed power.

On 3 March 2011, the Council of Ministers gave its final approval to the legislative decree implementing Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

Said Decree prescribes that for plants already in operation, or for those that will start operations by 31 December 2012, the National Grid Operator (GSE) will continue to withdraw the Green Certificates issued for generation from renewable sources until 2015, as operator of last resort, at a price equal to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity recorded in the previous year and announced by the Italian Authority for Electric Energy and Gas (AEEG), no later than 31 January of each year, in accordance with Article 13, Paragraph 3, of Italian Law Decree 387 dated 29 December 2003.

BUSINESS SEGMENTS

WIND SECTOR: ITALY

ERG Renew operates in the sector of electricity production in Italy through various subsidiaries. There are currently 13 operational plants: San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW), Pian de Corsi Baltera (1.6 MW), Ascoli Satriano (61.8 MW), Rotello (40 MW), Fossa del lupo (97.5 MW), Ginestra (28 MW), Bisaccia (23.6 MW), Lacedonia (18 MW), Foiano (70.2 MW) for total installed operational power equal to 483.2 MW. Aside from the availability of the plants, the performance expected from each wind farm is obviously influenced by the wind speed profile of the site on which the wind farm is located. The economic performance is also influenced by electricity selling prices and by the price of green certificates while net profitability is also influenced by trends in interest rates.

PERFORMANCE HIGHLIGHTS

	2011	2010
ECONOMIC RESULTS (EUR MILLION)		
OPERATING REVENUES	97,748	54,004
GROSS OPERATING MARGIN (EBITDA)	76,361	38,832
AMORTIZATION/DEPRECIATION AND WRITE-DOWNS	(39,578)	(21,757)
EBIT AT ADJUSTED REPLACEMENT COST	36,783	17,075
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	52,806	86,787
OPERATING DATA (THOUSANDS OF MWH)		
PRODUCTION	626,614	333,389
INCLUDING		
SAN VINCENZO	68,274	61,401
SAN CIREO	57,858	50,201
FAETO	39,838	38,875
VITICUSO	15,176	14,941
VICARI	58,410	74,613
PIAN DEI CORSI BALTERA	1,239	1,183
ROTELLO	86,215	46,305
ASCOLI SATRIANO	129,218	45,870
GINESTRA	18,478	–
FOSSA DEL LUPO	71,732	–
BISACCIA	15,411	–
LACEDONIA	10,655	–
FOIANO	54,109	–
INSTALLED POWER AT THE END OF THE PERIOD	483	246

Consolidated revenues in 2011 exceed those of 2010 due to the full contribution of the two wind farms (Rotello and Ascoli Satriano) belonging to ERG Eolica Adriatica, acquired on 23 July 2010 and to the acquisition, completed in August 2011, of the wind farms (Bisaccia, Lacedonia and Foiano) belonging to ERG Eolica Campania, as well as the progressive start-up, in 2011, of the Fossa del Lupo and Ginestra wind farms.

With regard to sales prices – and given the increase in the sales price of electrical energy – a decrease in the value of Green Certificates was reported, in accordance with the provisions of the abovementioned Italian Legislative Decree. The average sale price of electricity was 71.4 EUR/MWh, greater than the value of 65.4 EUR/MWh in 2010, whilst the price of green

certificates, estimated at 82.1 EUR/MWh, declined relative to the 87.3 EUR/MWh of 2010. During the course of 2011, the production of electrical energy in Italy was equal to 627 GWh compared to the 333 GWh of 2010. This increase was primarily linked to the full contribution of ERG Eolica Adriatica with the start-up of production of the farm of Fossa del Lupo, and whose installed power is 97.5 MW; this occurred gradually during the course of 2011 and was completed in the month of July with a production in the period which was equal to 72 GWh. There was also a partial contribution of Ginestra (18 GWh) which became operational in the last months of 2011 for 28 MW out of the 40 MW which are provided for. Additionally, in August 2011 the acquisition of the ERG Eolica Campania wind farms was completed; the farms contributed with an output of 80 GWh. Gross operating margin (EBITDA) for the period thus grew strongly, reaching EUR 76 million, i.e. about double compared to the same period of 2010, due to the greater output discussed above.

WIND SECTOR: FRANCE

ERG Renew operates in the sector of electricity production in France through its subsidiary ERG Eolienne France S.a.s. The facilities are currently 6, with a total installed capacity equal to 64.4 MW, including 9.2 MW relative to the new wind farm in Plogastel which became commercially operational at the end of the month of April 2010.

PERFORMANCE HIGHLIGHTS

	2011	2010
ECONOMIC RESULTS (EUR MILLION)		
OPERATING REVENUES	9,841	9,811
GROSS OPERATING MARGIN (EBITDA)	6,914	7,585
AMORTIZATION/DEPRECIATION AND WRITE-DOWNS	(7,185)	(7,849)
EBIT AT ADJUSTED REPLACEMENT COST	(271)	(264)
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	84	1,419
OPERATING DATA (THOUSANDS OF MWH)		
PRODUCTION	113,150	116,776
INCLUDING		
HETOMESNIL	21,672	20,890
LE MARDEUX	18,632	21,589
LE CARREAU	19,079	21,572
LIHUS	20,933	20,733
LA BRUYERE	20,602	23,355
PLOGASTEL	12,232	8,637
INSTALLED POWER AT THE END OF THE PERIOD (MW)	64	64
VALUATION OF FEED IN TARIFF (EUR/MWH)	86,98	85,09

Revenues of the wind business in France for 2011, equal to 9.8 million, were in line with those of 2010 despite lower production (-2.8%) due to rather weak winds whose effects were compensated by the increase in the sales price of electrical energy from 85.09 EUR/MWh in 2010 to 86.98 EUR/MWh in 2011. This price – which was originally contracted with the EDF manager at 82 EUR/MWh, including both the price of sold electrical energy as well as the incentive that is valid for ten years and for an additional five years according to the productive performance of the farms – is indexed on an annual basis.

CAPITAL EXPENDITURES

During the course of 2011, the ERG Group invested a total of EUR 53 million (EUR 89 million in 2010), including EUR 5 million for intangible fixed assets (EUR 86 million in 2010) and EUR 48 million for tangible fixed assets (EUR 3 million in 2010); these almost exclusively refer to activities in Italy.

It should be noted that the investments do not include the acquisition of wind farms totalling 102 MW in 2010 for ERG Eolica Adriatica and 112 MW in 2011 for ERG Eolica Campania.

The construction of the Fossa del Lupo wind farm (97.5 MW versus the planned 90 MW) was completed and the farm is in full commercial operation. With regard to the Ginestra wind farm (40 MW), its start-up of commercial operations of 11 WTG (28 MW) occurred in the month of October; the start-up of commercial operations for the remaining 6 WTG is expected in the first half of 2012. In the month of September, construction of the Amaroni farm (22.5 MW) was started; the project was acquired on 13 September and it is expected to start production by the end of 2012.

INSTALLED CAPACITY

The Group's net installed capacity at 31 December 2011 was equal to 548 MW and is almost entirely provided by wind farms (about 1 MW by the new photovoltaic plant installed at the industrial site of ISAB Energy at Priolo Gargallo). The increase relative to 31 December 2010, equal to 238 MW, is the consequence of the commissioning of the Fossa del Lupo wind farm, fully operational since July 2011 with an installed capacity of 97.5 MW and of the acquisition, completed in August 2011, of IVPC Power 3 S.p.A. (today, ERG Eolica Campania S.p.A.), owner of three wind farms with total installed power of 111.8 MW, and the partial start-up of operations for 28 MW of the Ginestra farm in addition to the aforementioned photovoltaic plant.

As previously stated, the gradual start-up of commercial operations of the remaining 12 MW relative to the Ginestra project (total of 40 MW) is forecasted for the first half of 2012. At the end of 2012, the completion of the wind farm of Amaroni (22.5 MW) is expected.

Finally, it should be noted that, during the course of 2011, ERG Renew undersigned an important partnership agreement with LUKOIL, thereby creating the joint venture LukErg Renew and through which the two shareholders have the objective of reaching a significant level of wind power in the countries of Eastern Europe.

RISKS AND UNCERTAINTIES

The ERG Group started implementing an integrated risk management model based on the principles of Enterprise Risk Management (ERM), with particular reference to the CoSO framework (promoted by the Committee of Sponsoring Organisations of the Treadway Commission), with the goal of managing risks optimally (informed acceptance, elimination, reduction, transfer) and of protecting “shareholder value”.

ERG Renew has identified the following main risk categories in relation to its own operations and/or those of its subsidiaries:

RISKS RELATED TO CONDITIONS OF THE REFERENCE MARKET

ERG Renew, which creates plants for the production of electrical energy from wind sources, operates in a sector which is strongly dependent on a few suppliers of primary components, such as wind turbines.

The strong commercial dependence on just a few suppliers within an environment characterized by growth in demand could result in a difficulty to supply key components, even for the purposes of management and maintenance activities, or an increase in the costs and timing which is required to obtain these components from other suppliers.

In the case of framework agreements which are stipulated with wind turbine suppliers before determining the final destination of the latter – in order to reduce supply times – risk may arise in relation to the failure to recover the so-called reservation fees in the case that the orders are not issued in the contractually required time periods.

These events could influence the construction of plants for which the supply is not yet ensured or their realization in compliance with pre-determined time periods, thereby resulting in negative consequences on economic-financial results.

RISKS ASSOCIATED WITH WIND CONDITIONS

The results of ERG Renew and its subsidiaries strongly depend on wind levels which are a non-controllable element in the sites where the wind turbines are located. If these levels turn out to be lower with respect to historical figures that were used to choose wind farm locations, the economic performance and financial situation could be strongly and negatively affected.

RISKS RELATED TO THE REGULATORY FRAMEWORK AND ENVIRONMENTAL POLICY

The construction of wind farms requires the issue, on the part of public competent authorities, of numerous authorizations or permits. In particular, the authorizational process is particularly complex and, assuming the availability of the site and the absence of specific impedimental factors, is generally completed over a one to three year time period. There is therefore the risk – for wind farms under development – that the authorizational process will not be completed and the construction of the farms will not be initiated within the required time periods.

In addition, the failure to obtain the necessary authorizations or permits or their subsequent revocation or cancellation could respectively delay or halt the realization or start-up of operations of the plants or result in a halt or suspension of the productive activities of operational wind farms, even due to the administrative dispute which would result.

The regulatory environment also includes a significant uncertainty factor associated with the scenario of incentives for developing renewable energy sources; the company is therefore adopting a risk management strategy which aims to assess existing opportunities and, given equal levels of economic attractiveness, aims to pursue growth in environments which are characterized by low or reduced uncertainty.

Furthermore, ERG Renew and its subsidiaries are subject to environmental laws and regulations; in this regard, also in consideration of the recent introduction of environmental criminal offenses in Italian Legislative Decree 231/01, the best industry practices are adopted

in order to provide additional guarantees for compliance with the environmental requirements defined by current regulations.

RISK RELATIVE TO PROJECT FINANCING CONTRACTS

The construction of wind farms is primarily financed through non recourse Project Financing contracts which are based on the capacity to reimburse the financed entity.

These financing contracts include certain limitations on the use of financial resources both during the construction phase of the plants as well as during their management phase. In addition, they require that – in the case of failed compliance with the abovementioned limitations or with specific financial indices or the occurrence of certain events, facts or circumstances that are particularly serious (such as insolvencies, unpaid debt exposures, certain contractual defaults or revocation of authorizations) and if a remedy is not provided within established deadlines – financial institutions will moreover retain the right to declare that the company benefiting from the financing has been subject to the acceleration clause and the contract is cancelled, thereby resulting in the consequent obligation to provide a full reimbursement within the established deadline and with potentially damaging effects on the economic/financial results of ERG Renew and/or its subsidiary companies.

The financing is also covered by the usual commitments and guarantees in favour of the financing institutions, including the pledging of shares of operational vehicle companies, the creation of mortgages on real estate properties and special liens on the plants, the pledging of bank accounts and the transfer of receivables deriving from allocated contributions under guarantee. In addition, it should be noted that, in accordance with financing agreements, the liquidity which is present within the companies owning wind farms financed through project financing is blocked.

RISK CONNECTED WITH FLUCTUATIONS IN INTEREST RATES

ERG Renew and its subsidiaries are exposed to interest rate risk given that currently effective financial debt requires the payment of financial charges that are primarily determined on the basis of variable interest rates that are, for the most part, linked to Euribor.

In order to reduce the impact of the abovementioned risk, ERG Renew currently is a party to derivative contracts for managing risk with long-term expiration dates in order to maintain the interest rate within a pre-determined range of values. In relation to Project Financing in force with the subsidiaries of ERG Renew, the quota subject to hedging varies from 50% to 100%. It is not, however, possible to be certain that the management policies for interest rate risk which are implemented by ERG Renew and its subsidiaries are sufficient in order to fully or partially prevent potential negative effects on economic/financial results. In addition, a potential increase in interest rates can result in an increase in costs associated with the financing or re-financing of debt, thereby negatively affecting future results.

OPERATIONAL RISK

The management of operational risks – i.e. those risks associated with the efficiency and efficacy of operational processes and those supporting business operations as well as the operational and functional continuity of systems and facilities and the security of people and assets – is based on the adoption of the best international standards for the identification, measurement, treatment and monitoring of such risks.

In addition, a significant percentage of the costs sustained by ERG Renew is represented by structural costs which are not influenced by the quantity of sold electrical energy and the number of assigned Green Certificates; despite the fact that ERG Renew is constantly involved in cost containments, it is not possible to exclude the possibility that potential decreases in the sales rates of electrical energy or in the valuation of green certificates could have an impact on future profitability.

CREDIT RISK

Exposure to credit risk, inherent in the possibility of insolvency (default) by a counterparty and/or in the deterioration of its creditworthiness, appears essentially negligible given that the sale of electrical energy and green certificates occurs with financial counterparties that are solid and very reliable.

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. Today, the Company – given its strength from belonging to the ERG Group – guarantees adequate coverage of its financial requirements (refer to the previous paragraph, “Financial Requirements”) by means of its cash flow generation, its own equity and the availability of lines of credit provided by various counterparties.

COMPLIANCE RISKS

In view of the Group in which ERG Renew operates, of increasing relevance for ERG are the risks linked to compliance with the significant number of regulations to which its activities are subjected. The goal of implementing an ERM methodology is to shift from an approach oriented at specifically managing individual compliance risk areas (Unified Finance Act, Privacy, Italian Legislative Decree 81/08, etc.) by specialized internal organizations, to an integrated, coordinated approach. The management of risks related to the company’s liability for illegal acts giving rise to criminal offences (pursuant to Italian Legislative Decree 231/01) is focused on prevention. It is carried out via a structured process consistent with best practices and aims to adopt elevated standards in terms of ethics, as formalized in the Code of Ethics, and operational standards, as described in the Organizational and Managerial Model (both reviewed and updated during the course of 2011) with which all recipients are required to comply.

HEALTH, SAFETY AND ENVIRONMENT

Guaranteeing the safety of operations and worker health and protecting the environment are priorities in the financial, social and environmental sustainability of ERG Renew. The implementation of this policy emphasizes risk prevention and management.

During the course of 2011, ERG Renew continued the activities of the Safety Project. This is a long-term, far-reaching initiative aimed at improving and ensuring the widespread assimilation of a culture of safety. The interdependence of all workers and full compliance with rules and procedures are key elements of this process. The initial phase of the analysis and evaluation of shortcomings with respect to best management practices was followed by the establishment and initiation of improvement actions such as greater consistency in individual behaviours and a strong commitment, on the part of the entire organization, to develop competencies through training and coaching. The Project, which is currently in the final part of its second phase, will be completed in 2013 with the objective of improving company processes and utilized tools, thereby fully integrating the commitment to incorporate prevention in the culture of the Group and strengthen the current Safety Management System in order to make these improvements sustainable over time.

In accordance with the Health, Safety, Environmental and Quality policy of ERG Renew, the maintenance audits relative to the certification of the integrated quality-environment management system of ERG Renew were implemented during the course of 2011, in compliance with UNI EN ISO 9001:2008 and UNI EN ISO 14001:2004 norms, respectively. In the same period, the audits for maintenance of the certifications of the integrated quality-environment management system of the subsidiaries ERG Eolica San Vincenzo S.r.l., ERG Eolica San Ciro S.r.l. and ERG Eolica Faeto S.r.l. were completed in reference to the norms cited above.

TREASURY SHARES OR OWNED SHARES OR QUOTAS OF PARENT COMPANIES

In compliance with the provisions of Article 2428, paragraph 2, point 3, of the Italian Civil Code, it should be noted that, as of 31 December 2011, the company did not possess treasury shares or shares of parent companies.

TREASURY SHARES OR OWNED SHARES OR QUOTAS OF PARENT COMPANIES WHICH WERE ACQUIRED OR SOLD BY THE COMPANY DURING THE COURSE OF THE YEAR

In compliance with the provisions of Article 2428, paragraph 2, point 4, of the Italian Civil Code, it should be noted that, during the course of the year, the company did not acquire or sell treasury shares or shares of parent companies.

RELATIONS WITH RELATED PARTIES

For information on dealings with related parties, including transactions with unconsolidated investee companies, see the notes of the Consolidated Financial Statements.

R&D ACTIVITIES

ERG Renew directly implements R&D activities in the so-called organic photovoltaic sector through its participation in the Dyepower Consortium where it retains a 24.7% shareholding along with the companies Permasteelisa and Dysol Italia and the Universities of Ferrara, Torino and Roma Tor Vergata.

FINANCIAL STATEMENTS

ECONOMIC AND FINANCIAL PERFORMANCE

INCOME STATEMENT

(EUR THOUSAND)	YEAR 2011	YEAR 2010
REVENUES FROM ORDINARY OPERATIONS	108,333	64,326
OTHER REVENUES AND INCOME	955	1,578
TOTAL REVENUES	109,288	65,904
COSTS FOR PURCHASES	(351)	(115)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(34,816)	(26,212)
LABOR COSTS	(5,787)	(3,069)
GROSS OPERATING MARGIN (EBITDA)	68,334	36,508
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(46,913)	(29,457)
OPERATING INCOME	21,421	(12,470)
NET FINANCIAL INCOME (EXPENSES)	(31,675)	(15,331)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	136	(674)
PROFIT (LOSS) BEFORE TAXES	(10,118)	(28,475)
INCOME TAXES	14,891	10,904
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	4,773	(17,571)
NET INCOME FROM DISCONTINUED OPERATIONS	(3,411)	1,937
NET PROFIT (LOSS) FOR THE PERIOD	1,362	(15,634)
MINORITY INTERESTS	(273)	(219)
GROUP'S NET PROFIT (LOSS)	1,089	(15,853)

REVENUES FROM ORDINARY OPERATIONS

Consolidated revenues in 2011 exceed those of 2010 due to the full contribution of the two wind farms belonging to ERG Eolica Adriatica, acquired on 23 July 2010 and to the acquisition, completed in August 2011, of the wind farms belonging to ERG Eolica Campania, as well as the progressive start-up, in 2011, of the Fossa del Lupo and Ginestra wind farms.

With regard to sales prices – and given the increase in the sales price of electrical energy – a decrease in the value of Green Certificates was reported, in accordance with the provisions of the abovementioned Legislative Decree. The average sale price of electricity was 71.4 EUR/MWh, greater than the value of 65.4 EUR/MWh in 2010, whilst the price of green certificates, estimated at 82.1 EUR/MWh, declined relative to the 87.3 EUR/MWh of 2010.

OTHER REVENUES AND INCOME

These primarily include contributions for operating expenses, indemnities and expense recoveries.

It should be noted that the 2010 item includes insurance reimbursements for damages sustained by certain French wind farms as well as from ERG Eolica San Cireo and ERG Eolica San Vincenzo.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

Service costs mainly concern consulting costs, operating expenses for the upkeep and routine maintenance of the industrial sites, insurance costs, municipal commissions and other expense categories and minor charges directly related to operating activities for wind energy

production. The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.

The increase with respect to 2010 is mainly due to the increase in activities in the wind sector following the new acquisitions of wind farms and those which became operational in 2011 in addition to accessory charges associated with the study of extraordinary operations.

LABOUR COSTS

The increase in personnel costs essentially refers to exit incentives equal to circa EUR 1.7 million and ascertained during the course of the current year.

AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

The increase in the amortization/depreciation is attributable to the start-up of operations of new facilities (Fossa del Lupo and Ginestra), as well as the full contribution of ERG Eolica Adriatica and the contribution of ERG Eolica Campania which was acquired during the course of the year. In 2010, the item included the write-downs implemented after the year-end impairment tests and amounting approximately to EUR 19.5 million.

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses in 2011 totalled EUR 32 million, an increase of EUR 17 million compared to the previous year due to the:

- full contribution in 2011 of ERG Eolica Adriatica S.r.l.;
- the increase in indebtedness due to the acquisition of ERG Eolica Campania;
- the increase in interest rates.

INCOME TAXES

Income taxes in 2011 amounted to EUR 15 million (EUR 11 million in 2010) and comprise EUR 6 million in current taxes and EUR 21 million in positive deferred taxes.

The aforementioned Italian Law no. 148/2011 dated 14 September 2011 introduced the temporary rise in the IRES rate surcharge from 6.5% to 10.5% for 2011, 2012 and 2013 and the application of the same rate also to other energy industry operators, such as those of the renewable energy sources sector (i.e. wind power, photovoltaic and the like).

The introduction of the aforesaid changes entailed a negative effect amounting approximately to EUR 1 million on current taxes to be paid and a net positive impact on deferred tax assets and liabilities, amounting approximately to EUR 3 million entirely recognised in 2011.

Finally, it should be noted that the item also includes the effects of the introduction of the Italian Law no. 111/2011 and its subsequent amendments which amended Article 84 of the Unified Income Tax Act in reference to the elimination of the 5-year time limit prescribed for the purposes of determining whether prior years' tax losses can be carried forward.

The introduction of the aforesaid changes had a positive impact on these Consolidated Financial Statements, stemming from the recognition of receivables related to prior years' tax losses, in the amount of approximately EUR 11 million.

NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The net profit (loss) from discontinued operations includes the capital losses relating to the sale of companies operating in the hydro sector and of the projects located in France and named CITA Wind (paragraphs "Extraordinary operations" and "Scope of Consolidation").

In addition, the profit (loss) from discontinued operations in FY 2010, equal to a total positive amount of EUR 1,937 thousand, includes the capital gains and write-downs of non-current assets relative to sales operations which occurred in the previous year and relative to companies operating in the mini-hydro sector as well as the recognition, on the part of the company ACEA S.p.A. with respect to ERG Renew S.p.A., of a price increase deriving from the sale of TAD Energia Ambiente which occurred during the course of 2006.

ALTERNATIVE PERFORMANCE INDICATORS

To enhance understandability of business performance, the operating results are also shown at their adjusted replacement cost, excluding non-ordinary items (income items of extraordinary nature) and including the contribution of discontinued operations.

Results at adjusted replacement cost are indicators that are not defined in the International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance, and are generally used by petroleum industry operators in their financial reporting.

Since the composition of these indicators is not regulated by the applicable accounting standards, the method used by the Group to determine these measures may not be consistent with the method used by other operators and so these might not be fully comparable.

RECONCILIATION

	2011	2010
GROSS OPERATING MARGIN (EBITDA) FROM ORDINARY OPERATIONS	68,334	36,508
<i>WATER SERVICES</i>	969	2,012
GROSS OPERATING MARGIN (EBITDA)	69,303	38,520
OPERATING INCOME	21,421	(12,470)
<i>WATER SERVICES</i>	606	1,521
OPERATING INCOME FROM ORDINARY OPERATIONS	22,027	(10,949)
CANCELLATION OF WRITE-DOWN OF WIND ITALY ⁽¹⁾	–	7,609
CANCELLATION OF WRITE-DOWN OF WIND FRANCE ⁽¹⁾	–	11,654
OPERATING INCOME AT ADJUSTED REPLACEMENT COST	22,027	8,314

(1) for more details on write-downs from impairment tests, refer to the 2010 Financial Statements

BALANCE SHEET DATA

(EUR THOUSAND)	12/31/2011	12/31/2010
TANGIBLE FIXED ASSETS	702,814	570,327
INTANGIBLE FIXED ASSETS	236,014	118,444
FINANCIAL FIXED ASSETS	1,889	4,105
FIXED ASSETS	940,717	692,876
TRADE RECEIVABLES	77,603	53,205
TRADE PAYABLES	(23,188)	(14,201)
WORKING CAPITAL	54,415	39,004
SEVERANCE INDEMNITIES	(267)	(615)
OTHER ASSETS	101,533	89,944
OTHER LIABILITIES	(92,476)	(45,262)
NET INVESTED CAPITAL	1,003,922	775,947
SHAREHOLDERS' EQUITY	534,124	93,905
QUOTA OF THE PARENT COMPANY	533,279	93,251
MINORITY INTERESTS	845	654
NET FINANCIAL INDEBTEDNESS	469,798	682,042
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	1,003,922	775,947

Net invested capital as of 31 December 2011 was EUR 1,003 million, a EUR 228 million increase compared with the 31 December 2010 amount which was equal to 776 million. The increase is almost exclusively ascribable to the consolidation of the new equity investment in ERG Eolica Campania as well as the increase in activity of the wind farms that became operational in 2011.

Financial leverage, which represents the ratio of total net financial indebtedness and net invested capital, was 46.8% (87.9% at 31 December 2010).

FIXED ASSETS

Fixed assets, totalling 941 million, include tangible, intangible and financial fixed assets. The increase of 248 million with respect to 31 December 2010 is almost exclusively ascribable to the consolidation of the new equity investment in ERG Eolica Campania as well as the investments implemented in the wind sector during the course of the year.

NET INVESTED CAPITAL

Net invested capital amounted increased by EUR 228 million, from the EUR 776 million on 31 December 2010 to the EUR 1,004 million on 31 December 2011.

The increase is, first of all, ascribable to the consolidation of the new equity investment in ERG Eolica Campania and, secondly, to the investments implemented in the wind sector during the course of the year.

CONSOLIDATED NET FINANCIAL POSITION

From a managerial perspective, the consolidated Net Financial Position can be analyzed as follows:

(EUR THOUSAND)	12/31/2011	12/31/2010
CASH AND CASH EQUIVALENTS	53,218	70,653
BANK ACCOUNT OVERDRAFTS	(16,320)	(14,900)
TIME BANK AND POSTAL DEPOSITS	4,170	4,170
SHORT-TERM NET FINANCIAL INDEBTEDNESS	41,068	59,923
FINANCIAL RECEIVABLES DUE FROM OTHERS	419	49
FINANCIAL ASSETS	419	49
TOTAL CURRENT FINANCIAL ASSETS	41,487	59,972
PAYABLES DUE TO OTHER FINANCERS	(52)	(237)
PAYABLES DUE TO COMPANIES OF THE GROUP	(198)	(353)
PAYABLES DUE TO BANKS	(90,479)	(42,703)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	(92,573)	(45,137)
PAYABLES DUE TO OTHER FINANCERS	–	(4,840)
PAYABLES DUE TO PARENT COMPANIES	(1,494)	(284,431)
PAYABLES DUE TO BANKS	(375,140)	(379,416)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(42,078)	(28,190)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(418,712)	(696,877)
NET FINANCIAL POSITION	(469,798)	(682,042)

The **net financial position** was equal to EUR 470 million, an increase of EUR 212 million compared to 31 December 2010 following the positive effect of the recapitalization of ERG Renew S.p.A. which was implemented by the sole shareholder ERG S.p.A. (EUR 450 million) and by the cash flows from ordinary operations which were in part compensated by the acquisition of ERG Eolica Campania and by the investments implemented in the period.

Current financial assets, equal to 41.5 million, were primarily represented by liquidity totalling 53.2 million which was primarily relative to the wind business and therefore availability almost entirely tied up with project financing and 4.2 million tied up as a guarantee for the issue of bank guarantees.

Current financial liabilities, equal to 92.6 million, are primarily represented by:

- Financial payables due to third parties were equal to 90.3 million, including 75.6 million as a short-term quota of a no. recourse payable relative to the project financing of the wind business and 14.7 million as a short-term quota relative to two medium to long-term credit lines ascribable to the parent company ERG Renew; with regard to this point, it should be noted that the covenant on the project financing of the wind farm in Vicari was not complied with as of 31 December 2011: therefore, in accordance with IAS 1, the medium-long term portion of the aforesaid loan, i.e. approximately EUR 36 million, was reclassified as current.
- A payable for derivative instruments equal to EUR 1.8 million and relative to the put option of equal amount granted in October 2003 to the company Gepafin S.p.A. on the 0.27% held by the latter in Ansaldo Fuel Cells S.p.A., and whose exercise due date on 29 January

2009 was punctually met. Moreover, for purposes of disclosure, it should be noted that ERG Renew considered the option right to be non-existent and contested the exercise of this option by the counterparty.

Non-current financial liabilities, equal to 418.7 million, are primarily represented by:

- 1.5 million due to the parent company ERG S.p.A. (for more details, refer to the paragraph "Financial Requirements");
- 375.1 million, including 370.3 million as a medium to long-term quota of the no-recourse payable relative to the project financing of the wind sector and 4.8 million as the medium to long-term quota of two lines ascribable to the parent company ERG Renew;
- 42.1 million for derivative instruments whose contracts are undersigned by wind companies in order to hedge against the interest rate risk on project financing.

ERG RENEW S.P.A. FINANCIAL STATEMENTS

The Separate year-end Financial Statements of ERG Renew S.p.A. as of 31 December 2011 have been drawn up on the basis of the Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

INCOME STATEMENT

(EUR THOUSAND)	YEAR 2011	YEAR 2010
REVENUES FROM ORDINARY OPERATIONS	3,757	4,256
OTHER REVENUES AND INCOME	45	258
TOTAL REVENUES	3,802	4,514
COSTS FOR PURCHASES	(86)	(70)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(13,060)	(11,058)
LABOR COSTS	(5,544)	(3,065)
GROSS OPERATING MARGIN (EBITDA)	(14,888)	(9,679)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(150)	(109)
OPERATING INCOME	(15,038)	(9,788)
NET FINANCIAL INCOME (EXPENSES)	(1,088)	(342)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(3,472)	(9,769)
PROFIT (LOSS) BEFORE TAXES	(19,598)	(19,899)
INCOME TAXES	3,651	2,150
PROFIT (LOSS) FOR THE PERIOD	(15,947)	(17,749)

REVENUES FROM ORDINARY OPERATIONS AND OTHER REVENUES AND INCOME

Revenues from ordinary operations and other revenues and income almost entirely refer to the services provided to the companies of the Group. These services primarily refer to administrative services, the management of human resources and IT services and are re-debited with values aligned to those of the market.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

The increase in costs for services and other operating costs is primarily due to consulting costs amounting to EUR 5.1 million and relative to the acquisition of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. in addition to consultancies associated with other extraordinary operations that are being conducted and evaluated by the Company. Operating charges include an amount equal to EUR 920 thousand which refer to the re-debiting of operating expenses on the part of the consortium DyePower.

LABOUR COSTS

The increase in personnel costs essentially refers to exit incentives equal to circa EUR 1.7 million and ascertained during the course of the current year.

NET FINANCIAL INCOME (EXPENSES)

The increase in financial charges is primarily linked to the increase in debt vis-à-vis the parent company ERG S.p.A. during the course of 2011 as a result of the existing credit line.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

Charges from equity investments primarily include the capital loss derived from the previously mentioned sale of the hydro business (EUR 4.4 million).

INCOME TAXES

The item includes the balance of taxes deriving from the recovery, for IRES purposes, of the tax loss of the company.

STATEMENT OF FINANCIAL POSITION

(EUR THOUSAND)	12/31/2011	12/31/2010
TANGIBLE FIXED ASSETS	681	623
INTANGIBLE FIXED ASSETS	398	86
EQUITY INVESTMENT AND OTHER FINANCIAL FIXED ASSETS	51,571	61,035
FIXED ASSETS	52,650	61,744
TRADE RECEIVABLES	12,170	10,757
TRADE PAYABLES	(6,446)	(3,310)
NET WORKING CAPITAL	5,724	7,447
SEVERANCE INDEMNITIES	(265)	(182)
OTHER ASSETS	10,855	10,128
OTHER LIABILITIES	(12,565)	(11,661)
NET INVESTED CAPITAL	56,399	67,476
SHAREHOLDERS' EQUITY	532,321	98,268
NET FINANCIAL INDEBTEDNESS	(475,922)	(30,792)
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	56,399	67,476

As of 31 December 2011 net invested capital amounted to approximately EUR 56 million, a decrease of some EUR 11 million compared with 2010.

FIXED ASSETS

Fixed assets consist mainly of financial fixed assets. The decrease compared with the previous year reflects the write-down of the equity investments in the water sector (DSI S.r.l. and SODAI S.p.A.).

NET WORKING CAPITAL

Net working capital consists of trade receivables and payables mostly vis-à-vis Group companies and third parties.

OTHER ASSETS

These primarily include receivables due from the tax authorities and other receivables due from companies of the Group. The item also includes deferred tax assets and prepaid expenses.

OTHER LIABILITIES

These primarily include short term tax payables, payables due to companies of the Group and other payables. This item also includes other provisions for risks and charges.

NET FINANCIAL POSITION

(EUR THOUSAND)	12/31/2011	12/31/2010
CASH AND CASH EQUIVALENTS	713	8,516
BANK ACCOUNT OVERDRAFTS	(16,320)	(14,134)
TIME BANK AND POSTAL DEPOSITS	4,170	4,170
TOTAL CURRENT FINANCIAL ASSETS	(11,437)	(1,448)
PAYABLES DUE TO OTHER FINANCERS		(174)
PAYABLES DUE TO COMPANIES OF THE GROUP	(1,192) ^A	(654)
PAYABLES DUE TO BANKS	(14,880) ^B	(9,200)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(1,844) ^C	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	(17,916)	(11,872)
FINANCIAL RECEIVABLES DUE TO COMPANIES OF THE GROUP	511,569 ^A	348,043
TOTAL NON-CURRENT FINANCIAL ASSETS	511,569	348,043
PAYABLES DUE TO PARENT COMPANIES	(1,494) ^D	(284,431)
PAYABLES DUE TO BANKS	(4,800) ^B	(19,500)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(6,294)	(303,931)
NET FINANCIAL POSITION	475,922	30,792

A) giro accounts for subsidiaries

B) 19.7 million in financing from Natixis and BPM

C) put option on Ansaldo Fuel Cells

D) debit line with respect to ERG S.p.A.

NOTES ON THE RESULTS OF THE MAIN NON-CONSOLIDATED SUBSIDIARY AND ASSOCIATED COMPANIES ⁽¹⁾

ISAB ENERGY SOLARE S.R.L.

The company, a joint venture between ERG Solare Italia S.r.l. (51%) and Princemark Limited (49%), implements its activities in the sector of renewable energy sources, and in particular operates in the sector for the production of electrical energy from solar sources. The company owns a photovoltaic plant within the industrial site of ISAB Energy S.r.l. in Priolo Gargallo (SR) for the production of electrical energy with installed power equal to 968 kW; it became operational during the course of 2011.

The company closed the year ended 31 December 2011 with a loss of 0.1 million.

LUKERG RENEW GMBH

On 15 July 2011, the company LUKERG Renew GmbH was founded following an agreement between ERG Renew S.p.A. and LUKOIL-Ecoenergo, with a registered office in Vienna. This joint venture will initially concentrate its activities in Bulgaria and Romania, and subsequently in the Ukraine and Russia, and will be developed systematically as well as through the search for acquisition opportunities in the sector of renewable energies, particularly that from wind sources.

(1) Data prepared on the basis of national accounting principles

MANAGEMENT AND COORDINATION ACTIVITIES ON THE PART OF ERG S.P.A.

ERG Renew is subject management and coordination activities on the part of ERG S.p.A. within an operational area that is presently represented by the definition of business strategies, the specification of strategic guidelines from an organizational perspective and personnel policies at a macro level as well as the management of strategic finance, the management of tax-related issues, especially with regards to planning, the management of communication policies and institutional relations, the centralized management of company obligations, legal support for the most significant transactions and the definition of common policies for internal audit and corporate security.

The points of the Agenda of the Day deliberated by the Board of Directors of ERG Renew and ascribable to the management and coordination activities implemented by the parent company:

- Board of Directors' meeting of 20 July 2011:
 - point 2: Remuneration of directors invested with specific offices
 - point 4: agreement in the renewable energy sector

- Board of Directors' meeting of 2 August 2011:
 - point 2: Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries

- Board of Directors' meeting of 8 November 2011:
 - point 3: Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries

- Board of Directors' meeting of 19 December 2011:
 - point 3: 2012 Investments budget

The following are the main financial statement data of the parent company ERG S.p.A.:

CONSOLIDATED STATEMENT	12/31/2010	12/31/2009
(THOUSANDS OF EURO)		
INTANGIBLE ASSETS	8,485	4,189
GOODWILL	7,082	–
PROPERTY, PLANTS AND MACHINERY	15,697	13,834
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	1,667,103	436,423
OTHER NON-CURRENT ASSETS	26,350	960
NON-CURRENT ASSETS	1,724,716	455,407
INVENTORIES	251,215	–
TRADE RECEIVABLES	298,966	4,834
OTHER CURRENT RECEIVABLES AND ASSETS	70,630	66,949
CURRENT FINANCIAL ASSETS	84,361	464,106
LIQUID FUNDS AND EQUIVALENTS	1,114,939	949,334
CURRENT ASSETS	1,820,111	1,485,223
TOTAL ASSETS	3,544,827	1,940,630
SHAREHOLDERS' EQUITY	1,657,333	869,109
SEVERANCE INDEMNITIES	1,885	1,927
NON-CURRENT FINANCIAL LIABILITIES	12,079	382
OTHER NON-CURRENT LIABILITIES	420,559	424,128
NON-CURRENT LIABILITIES	434,691	426,436
TRADE PAYABLES	563,578	11,572
CURRENT FINANCIAL PAYABLES	768,523	560,000
OTHER CURRENT LIABILITIES	74,389	73,512
CURRENT LIABILITIES	1,452,803	645,084
TOTAL LIABILITIES	3,544,827	1,940,630
INCOME STATEMENT	2010	2009
(THOUSANDS OF EURO)		
NET INCOME FROM EQUITY INVESTMENTS	543,321	744,204
OTHER OPERATING INCOME	4,888,713	30,649
CHANGE IN INVENTORIES	170,871	–
OTHER OPERATING COSTS	(5,232,588)	(66,009)
FINANCIAL PROCEEDS	109,766	12,781
FINANCIAL CHARGES	(113,079)	(23,964)
RESULT BEFORE TAXES	367,005	697,661
INCOME TAXES	31,126	596
NET RESULT OF THE PERIOD	398,131	698,258

MANAGEMENT AND COORDINATION ACTIVITIES ON THE PART OF ERG RENEW

ERG Renew applies management and coordination activities to its subsidiary and associated companies with which it entertains relations of financial nature that are regulated at normal market conditions and to which it supplies technical services pertaining to the development, planning, construction and management of wind farms and hydroelectric plants. Refer to the explanatory notes of the separate financial statements for a detailed quantitative analysis of these relations in absolute and relative terms with respect to the total assets and liabilities as well as of the costs and revenues of the separate financial statements.

PRIVACY – SECURITY POLICY DOCUMENT

During the course of 2011, the ERG Group regularly provided for the updating of the “Security Policy Document” (SPD) which was drafted in accordance with Article 34, paragraph 1, letter g) of Italian Legislative Decree no. 196/03 (Privacy Code) on the basis of the modalities required by the “Technical regulations pertaining to minimum security measures” and pursuant to Attachment B of the Code. The SPD represents the tool through which the companies of the ERG Group define, promote and update their respective security policies in order to guarantee an adequate level of protection of the personal data which is handled on the part of entrusted staff members with or without the aid of IT tools and in full compliance with the provisions of regulations pertaining to personal data protection.

SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

On **2 February 2012**, LUKERG Renew, the joint venture between ERG Renew and LUKOIL-Ecoenergo, undersigned an agreement with Raiffeisen Energy & Environment, a company of the Austrian banking group Raiffeisen, for the purposes of purchasing 100% of a wind farm in Bulgaria in the region of Dobrich with an installed capacity of 40 MW and operational as of 2009.

The value of the acquisition, in terms of enterprise value, was circa EUR 52 million.

The closing of the operation, subordinate to the approval of the Antitrust Authority of competence, is expected in the first half of 2012.

The operation allows LukErg Renew, just a few months from its creation, to enter the Bulgarian wind market with a share of 10%. As part of a multi-year growth plan, the company is also evaluating additional opportunities, both systemic as well as through acquisitions, in Romania and Bulgaria.

On **16 February 2012**, ERG Eolica Fossa del Lupo S.r.l. (100% ERG Renew) undersigned a project financing contract for its wind farm located in the province of Catanzaro, which gradually started up operations in 2011 and which retains an installed capacity of 97.5 MW. The contract, totalling an overall amount of EUR 126 million and with a duration of 14 years, was undersigned by ING Bank as the Mandate Lead Arranger (MLA) and documentation bank, and by Crédit Agricole CIB as the MLA and technical bank as well as by Centrobanca as the MLA, modelling bank and agent bank.

BUSINESS OUTLOOK

In reference to the estimates and forecasts set out in this section, it should be noted that actual results may differ significantly from forecasted results due to a multitude of factors, including: future trends in crude oil prices, the operating performance of plants, the impact of regulations for the oil and energy industry and for the environment, other changes in business conditions and in the action of the competition.

The expected outlook for the main operating and performance indicators in 2012 is as follows:

During the course of 2012, the completion of the operational start-up of the wind farm in Ginestra (40 MW, of which 28 MW already operational as of the end of 2011) and the completion of the wind farm of Amaroni (22.5 MW) in Italy are expected.

ERG Renew will also be committed to assessing potential additional investments in Italy which will, however, also depend on regulatory developments that are forecasted in relation to incentive systems for those wind farms which will be realized after 2012.

With regard to production, significant growth is expected in 2011 due to the full contribution of the wind farms which gradually became operational during the course of 2011 and those which were acquired during the year.

With regard to foreign operations, the objective of the company is to implement important investments in Eastern Europe through its joint venture with LUKOIL (LukErg Renew), both in terms of possible acquisitions of already operational wind farms as well as through the potential construction of new facilities. With regard to this point, it should be noted that, on 2 February 2012, LukErg Renew undersigned an agreement for the acquisition of 100% of a wind farm in Bulgaria for an installed capacity of circa 40 MW.

In light of the above, a significant improvement in the results of the renewables sector is expected with respect to 2011.

BOARD OF DIRECTORS' PROPOSAL

Dear shareholders,

we hereby conclude our report and call upon you to approve the financial statements for your company as of and for the year ended 31 December 2011, which closed with a loss of EUR 15,947,476 and which we propose to book under the reserve "profit (loss) carried forward".

Genoa, 2 March 2012

on behalf of the Board of Directors
The Chief Executive Officer
Massimo Derchi



**CONSOLIDATED
FINANCIAL STATEMENTS**

AS AT 31 DECEMBER 2011

ERG RENEW S.P.A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(THOUSAND EURO)	NOTES	12/31/2011	12/31/2010
PROPERTY, PLANT AND EQUIPMENT	1	702,814	570,327
INTANGIBLE FIXED ASSETS	2	236,014	118,444
EQUITY INVESTMENTS	3	551	1,472
FINANCIAL ASSETS	4	725	725
DERIVATIVES RECEIVABLES	17	1	172
OTHER RECEIVABLES	5	9,114	14,852
TAX ASSETS	6	8,945	20,599
DEFERRED TAX ASSETS	7	62,548	32,911
NON-CURRENT ASSETS		1,020,712	759,502
TRADE RECEIVABLES	8	77,603	53,205
OTHER RECEIVABLES	9	6,774	9,292
TAX ASSETS	10	15,183	14,094
AVAILABLE-FOR-SALE EQUITY INVESTMENTS	11	-	2
CASH AND CASH EQUIVALENTS	12	57,388	74,823
CURRENT ASSETS		156,948	151,416
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		1,177,660	910,918
GROUP SHAREHOLDERS' EQUITY	13	533,279	93,251
MINORITY INTERESTS	13	845	654
SHAREHOLDERS' EQUITY		534,124	93,905
EMPLOYEES' SEVERANCE INDEMNITIES	14	267	615
PROVISIONS FOR LIABILITIES AND CHARGES	15	3,890	4,134
FINANCIAL PAYABLES NET OF CURRENT PORTION	16	375,140	384,256
FINANCIAL PAYABLES DUE TO PARENT COMPANIES NET OF CURRENT PORTION	16	1,494	284,431
DERIVATIVES PAYABLES	17	42,078	28,190
OTHER PAYABLES	18	3,621	4,055
DEFERRED TAX LIABILITIES	19	73,540	30,234
NON-CURRENT LIABILITIES		500,030	735,915
FINANCIAL PAYABLES - CURRENT PORTION	16	107,049	58,194
DERIVATIVES PAYABLES	17	1,844	1,844
TRADE PAYABLES	20	23,188	14,221
OTHER PAYABLES	21	9,380	5,384
TAX LIABILITIES	22	2,045	1,455
CURRENT LIABILITIES		143,506	81,098
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES		1,177,660	910,918

ERG RENEW S.P.A. CONSOLIDATED INCOME STATEMENT

(THOUSAND EURO)	NOTES	2011	2010
OPERATING REVENUES	24	108,333	64,326
OTHER REVENUES AND INCOME	24	955	1,578
TOTAL REVENUES		109,288	65,904
COST OF PRODUCTION			
RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		(351)	(115)
SERVICES	25	(30,118)	(19,890)
PERSONNEL EXPENSES	26	(5,787)	(3,069)
OTHER OPERATING EXPENSES	27	(4,698)	(6,322)
AMORTISATION AND DEPRECIATION	28	(46,913)	(29,457)
WRITE-DOWNS AND PROVISIONS	29	-	(19,521)
EBIT		21,421	(12,470)
NET FINANCIAL INCOME (EXPENSES)	30	(31,675)	(15,331)
INCOME (LOSS) FROM EQUITY INVESTMENTS	31	136	(674)
PROFIT BEFORE TAXES		(10,118)	(28,475)
INCOME TAXES	32	14,891	10,904
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		4,773	(17,571)
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	33	(3,411)	1,937
NET PROFIT (LOSS) FOR THE PERIOD		1,362	(15,634)
MINORITY INTERESTS		(273)	(219)
GROUP NET PROFIT (LOSS)		1,089	(15,853)
EARNINGS PER SHARE			
NOT DILUTED		0.008	(0.119)

ERG RENEW S.P.A. OTHER COMPONENTS OF THE COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(THOUSAND EURO)	2011	2010
NET PROFIT (LOSS) FOR THE PERIOD	1,362	(15,634)
CHANGES IN CASH FLOW HEDGE RESERVE	(16,365)	3,132
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME COMPONENTS	5,304	(851)
OTHER COMPONENTS OF COMPREHENSIVE NET PROFIT (LOSS)	(11,061)	2,281
COMPREHENSIVE NET PROFIT (LOSS)	(9,699)	(13,353)
MINORITY INTERESTS	(273)	(219)
GROUP COMPREHENSIVE NET PROFIT (LOSS)	(9,972)	(13,572)

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE PERIOD	GROUP SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 12/31/2009	132.667	1.388	720	(27.952)	106.823	435	107.258
ALLOCATION OF 2009 PROFIT (LOSS)	-	-	(27,952)	27,952	-	-	-
PERSONNEL EXPENSES FOR INCENTIVE PLANS	-	-	-	-	-	-	-
OTHER CHANGES	-	-	-	-	-	-	-
2010 PROFIT (LOSS)	-	-	-	(15,853)	(15,853)	219	(15,634)
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	-	-	2,281	-	2,281	-	2,281
COMPREHENSIVE NET PROFIT (LOSS)	-	-	2,281	(15,853)	(13,572)	219	(13,353)
BALANCE AT 12/31/2010	132,667	1,388	(24,951)	(15,853)	93,251	654	93,905
ALLOCATION OF 2010 PROFIT (LOSS)	-	-	(15,853)	15,853	-	-	-
COVERAGE OF LOSSES	(32,667)	(1,388)	27,919	6,136	-	-	-
PAYMENT FOR FUTURE SHARE CAPITAL INCREASE	-	-	450,000	-	450,000	-	450,000
OTHER CHANGES	-	-	-	-	-	(82)	(82)
2011 PROFIT (LOSS)	-	-	-	1,089	1,089	273	1,362
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	-	-	(11,061)	-	(11,061)	-	(11,061)
COMPREHENSIVE NET PROFIT (LOSS)	-	-	(11,061)	1,089	(9,972)	273	(9,699)
BALANCE AT 12/31/2011	100,000	-	426,054	7,225	533,279	845	534,124

CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

(THOUSAND EURO)	2011	2010
OPERATING ACTIVITIES		
EBIT	21,421	(10,949)
ADJUSTMENTS FOR:		
DEPRECIATION OF TANGIBLE FIXED ASSETS	39,377	25,592
WRITE-DOWN FOR VALUE LOSSES OF TANGIBLE FIXED ASSETS	–	264
WRITE-DOWN OF OTHER EQUITY INVESTMENTS AND RECEIVABLES	179	674
AMORTISATION OF INTANGIBLE FIXED ASSETS	7,536	4,350
WRITE-DOWN FOR VALUE LOSSES OF INTANGIBLE FIXED ASSETS	–	19,263
CAPITAL GAIN ON SALE OF FIXED ASSETS	(283)	–
PROVISIONS FOR STAFF INCENTIVE PLANS	–	–
PROVISIONS FOR LIABILITIES AND CHARGES	(184)	1,765
TOTAL ADJUSTMENTS	46,625	51,908
CHANGES IN WORKING CAPITAL		
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	(14,221)	(10,978)
(DECREASE) IN TRADE AND OTHER PAYABLES	9,204	(1,478)
TOTAL CHANGE IN WORKING CAPITAL	(5,017)	(12,456)
CHANGE IN SCOPE OF CONSOLIDATION	26,192	(18,657)
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	89,221	9,846
INCOME TAXES PAID	(1,993)	(184)
INTEREST PAID	(35,823)	(18,024)
NET CASH FLOW FROM OPERATING ACTIVITIES	51,405	(8,362)
INVESTING ACTIVITIES		
INTEREST RECEIVED	727	220
RECEIVED DIVIDENDS	33	–
PAYMENTS FOR THE (PURCHASE) / SALE OF FINANCIAL ASSETS	–	(103)
(PURCHASES) OF EQUITY INTERESTS IN SUBSIDIARIES	(88,366)	(54,881)
PORTION OF PRICE PAID USING CASH OR CASH EQUIVALENTS	(102,107)	(64,580)
CASH OR CASH EQUIVALENTS OF EQUITY INTERESTS ACQUIRED THROUGH DEMERGER	13,741	9,699
SALES OF EQUITY INTERESTS IN SUBSIDIARIES	2,156	2,451
PORTION OF PRICE RECEIVED IN CASH OR CASH EQUIVALENTS	4,955	2,550
CASH OR CASH EQUIVALENTS OF EQUITY INTERESTS SOLD	(2,799)	(99)
EQUITY INTERESTS SOLD IN OTHER COMPANIES	815	–
EQUITY INTERESTS ACQUIRED IN OTHER COMPANIES	(386)	(184)
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	(53,474)	(84,189)
PAYMENTS FOR FUTURE CAPITAL INCREASES	450,000	–
PROCEEDS FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS	3,810	6,546
CHANGE IN SCOPE OF CONSOLIDATION	(250,138)	(256,011)
NET CASH FLOW FROM INVESTING ACTIVITIES	65,177	(386,151)
FINANCING ACTIVITIES		
REPAYMENT OF LOANS	(69,939)	(29,392)
NEW LOANS RECEIVED	–	47,233
NEW LOANS RECEIVED FROM PARENT COMPANIES	167,063	165,629
REPAYMENT OF LOANS RECEIVED FROM PARENT COMPANIES	(450,000)	–
REPAYMENT OF LOANS RECEIVED FROM JOINT VENTURES	1,122	(1,734)
CHANGE IN SCOPE OF CONSOLIDATION	216,317	217,859
NET CASH FLOW FROM FINANCING ACTIVITIES	(135,437)	399,595
NET INCREASE IN CASH AND CASH EQUIVALENTS	(18,855)	5,082
NET FINANCIAL DEBT AT THE BEGINNING OF THE YEAR	59,923	54,841
NET FINANCIAL DEBT AT YEAR-END	41,068	59,923
COMPRISING		
BANK AND POSTAL ACCOUNTS	57,386	74,820
CASH AND NOTES ON HAND	2	3
BANK OVERDRAFTS	(16,320)	(14,900)
OF WHICH CASH AND CASH EQUIVALENTS NOT FREELY AVAILABLE	4,170	4,170

(1)) the cash flow statement also includes the cash flows for sold assets and liabilities, whose details are specified under the paragraph "Extraordinary operations"

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

ERG Renew S.p.A. (the Company) is a joint stock company, incorporated in Italy and registered with the Genoa Companies' Register. The Group operates in the sector of electricity production using renewable sources (wind). The main activities of the Company and its subsidiaries (the Group) are described in Note 34 under the "Other information" section of these explanatory notes. It should be noted that, on 7 June 2011 and following the completion of the public offering initiated by ERG S.p.A., the listing of ERG Renew S.p.A. shares has been removed from the electronic equity market. Following this offer, ERG Renew S.p.A. is 100% controlled by ERG S.p.A.

These Financial Statements are expressed in Euro as this is the currency in which the majority of the Group's transactions are denominated.

SUMMARY OF PRIMARY ACCOUNTING PRINCIPLES

The Consolidated Financial Statements have been prepared in accordance with the requirements of the National Commission for Companies and the Stock Exchange (CONSOB) Issuers' Regulations and comply with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, as well as the documents of the International Financial Reporting Interpretations Committee (IFRIC). In particular, in the preparation of the consolidated financial statements, all IAS/IFRS standards applicable to accounting aspects significant for the Group were applied without exception.

In order to confirm the going concern requirement, the Group performed an analysis of the financial resources available and future forecasted cash flows. From this analysis, as more particularly specified in the Report on Operations and in the explanatory notes on "Risk disclosure," it emerged that, in view of the financial support pledged by ERG S.p.A. (as described in Note 16 "Financial Payables" and Note 37 "Related-party transactions"), there are no uncertainties, as defined by IAS 1, paragraphs 23-24, regarding the company's capacity to operate as a going concern.

The Consolidated Financial Statements at 31 December 2011 have been audited by Deloitte & Touche S.p.A. in accordance with the procedure set forth by CONSOB regulations.

The Financial Statements have been prepared on the basis of the historical cost criterion, except for the revaluation of some financial instruments.

As regards the layout of the financial statements, the ERG Renew Group presents the statement of financial position showing a distinction between current and non-current assets and liabilities, while the Income Statement features classification of revenues and costs according to their nature, a format considered more representative than the so-called classification "by function". The statement of shareholders' equity includes all recorded changes in shareholders' equity. The Statement of Comprehensive Income, as required by the

revised version of IAS 1, shows the income components recognised in shareholders' equity. Lastly, the Statement of Cash Flows has been prepared using the "indirect" method. Amounts are reported in thousands of Euro.

With reference to CONSOB Resolution no. 15519 of 27 July 2006, the income and charges deriving from non-recurring operations or from events that are unusual in the normal course of business have not been reported separately in the Income Statement. These accounts are commented, however, in the present section in the paragraph "Non-recurring events and operations". Again in reference to the above mentioned CONSOB Resolution, the amounts pertaining to related-party positions and transactions have not been reported separately in the Statement of Financial Position and in the Income Statement, with the exception of the item "Financial payables due to parent companies net of current portion" amounting to Euro 1.5 million. These items are commented in Note 37 "Related-party transactions".

Regarding the disclosure required pursuant to IFRS 8, we point out that in Note 34 information is reported by business division.

The main accounting principles that were adopted are shown below.

CONSOLIDATION PRINCIPLES

The Consolidated Financial Statements include the financial statements of the Parent Company and the companies controlled by same (its subsidiaries) and are prepared as at 31 December of each year. Control is acquired when an entity has the power to determine the financial and operational policies of another entity in such a way as to obtain benefits from its business. In particular, Parent Company control derives from legal majority ownership of shares and voting rights in the subsidiary companies.

The financial statements consolidated at year-end are those prepared by the respective boards of directors, which approved them prior to approval of the consolidated financial statements by the Board of Directors of the Parent Company. The economic results of subsidiaries acquired or sold during the year are included in the Consolidated Income Statement from the effective date of acquisition until the effective date of sale. Where necessary, adjustments are made to subsidiaries' financial statements in order to align accounting policies with those used by the Group. Subsidiaries' financial statements are consolidated using the line-by-line consolidation method, recording the full amounts of assets, liabilities, costs and revenues of the individual companies, regardless of the stake held, and eliminating the book value of the consolidated equity investments held by the Company against the related shareholders' equity. Minority interests in the net assets of subsidiaries consolidated are identified separately from Group shareholders' equity. These minority interests are calculated based on the percentage held in the fair value of the assets and liabilities recorded at the original acquisition date and in the changes in shareholders' equity after this date. Unrealized gains and losses, when they are not insignificant, deriving from intragroup operations between consolidated companies are eliminated, as are all significantly sized items giving rise to payables and receivables and to costs and revenues between Group companies. Equity investments in non-operating subsidiaries are classified under the item "Equity investments" and valued using the principle stated in reference to such item of the Consolidated Statement of Financial Position.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at cost, including directly allocated ancillary costs and those necessary to bring the asset to the condition appropriate for the use for which it was acquired, net of related depreciation provision and cumulative impairments, if any.

During the year in question and in previous years, no revaluations were performed, either voluntarily and/or in accordance with monetary revaluation laws.

Costs include dismantling and removal of the asset and costs for reinstating the site where the asset is located, whenever the requirements of IAS 37 are met. Assets comprising components, of significant amount, and with different useful lives are considered separately in the calculation of depreciation. Land, whether without buildings or adjacent to civil and industrial buildings, is not depreciated as it has an indefinite useful life. The "Land" category includes excavation and road works and land rights incurred prior to the start-up of wind farms. These costs are depreciated over the duration of the concession. Depreciation is calculated on a straight-line basis, according to the assets' estimated useful life, by applying the following rates:

Wind turbines - depreciation is calculated taking into account the different useful lives of each component (so-called Component Analysis) of the wind farm.

Land - not depreciated

Land rights and other civil engineering works (included in the item "Land") 3.5%

Buildings 2.5% - 5%

Electrical works 5%

Plant and machinery 5% - 10% - 20% - 30%

Industrial and commercial equipment 10% - 20%

Other capital goods 12% - 15% - 20%

The rates for the plants were determined by taking into account the economic use of the plant itself; in the case of certain facilities, this involves depreciation over 20 years while for others a shorter period is used (12 years circa).

Plant and machinery under construction for production purposes, or for purposes not yet determined, are recognized at cost, net of write-downs for loss in value. Costs include professional fees, if any, and for some assets, the financial charges capitalized in accordance with the Group's accounting policies. Depreciation of these assets, as for all fixed assets, commences from the moment when the assets are available for use. Assets held under finance lease contracts are depreciated according to the estimate of their useful life as with owned assets or, if shorter, based on the end date of the lease contract. The gains and losses deriving from the sale or disposal of assets are calculated as the difference between sale proceeds and the asset's net book value and are recognized in the Income Statement for the year.

INTANGIBLE ASSETS

Research costs are expensed in the Income Statement in the year in which they are incurred. Development costs relate to the wind farm planning and implementation charges, during the phase following identification of the wind farm with relevant authorizations and until the purchase of the related business division. They mainly concern technical consultancies for the planning and construction phase. Costs relating to wind farms which, at the end of the reporting period, had not been identified as future developments have been directly expensed in the Income Statement.

Intangible assets generated internally are recorded under assets only if all of the following conditions apply:

- the asset is identifiable (as, for example, software or new processes);
- it is probable that the asset created will generate future economic benefits;
- the development costs of the asset can be measured reliably.

Internally generated assets are amortised on a straight-line basis over their useful life. They are reviewed once a year and any changes, where possible, are applied prospectively.

Patents, concessions, licences and trademarks are initially recognised at purchase cost and are amortised on a straight-line basis over their expected useful life, as defined in the note on assets. No revaluations were carried out during the year in question or in previous years, either voluntarily and/or in accordance with monetary revaluation laws.

BUSINESS COMBINATIONS

Business combinations are recorded according to the purchase method. The purchase cost of the business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed and financial instruments issued by the Group, in exchange for control of the company acquired, plus any costs directly attributable to the business combination. The identifiable assets, liabilities, and contingent liabilities of the company acquired that meet IFRS 3 requirements for recognition are recorded at their fair value as at the date of acquisition. Goodwill acquired in a business combination is recorded as an asset and is initially measured at cost, represented by the excess of acquisition cost over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Minority interests in the company acquired are initially measured according to their share of the fair value of assets, liabilities and contingent liabilities recognised.

OTHER EQUITY INVESTMENTS

Investments in non-operating subsidiaries and associates and in other companies, consisting of non-current financial assets that are not held for trading, and for which the fair value is not available, are recorded at cost less write-downs due to impairment, if any. The write-downs are reinstated up to the limit of historical cost if the reasons for the impairment no longer apply.

GOODWILL

In the case of company acquisitions, the acquired and identifiable assets, liabilities and contingent liabilities are recognised at their fair value as at acquisition date.

The positive difference between purchase cost and the Group's share of the fair value of these assets and liabilities is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference ("negative goodwill") is instead recognised in the Income Statement at the time of acquisition.

Goodwill is not amortised but subjected annually – or more frequently if specific events or changes in circumstances indicate the occurrence of impairment – to the tests envisaged by IAS 36 (Impairment of Assets).

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and asset disposal groups) classified as held for sale are measured at their previous carrying value or market value, whichever is lower, net of their selling costs. Non-current assets (and asset disposal groups) are classified as held for sale when it is expected that their carrying value will be recovered via a disposal transaction instead of via their utilisation in the company's business operations. This condition is applicable only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and Management has made a commitment to sell, for a sale that should take place within 12 months following the date of classification under this item.

REVENUE RECOGNITION

Revenues are recognised when it is possible to determine their value reliably and it is likely that the relative economic benefits will be received by the Group. Depending on the type of transaction, revenues are recognised on the basis of the specific criteria indicated below.

Sale of goods and services

Revenues and costs are booked within the Income Statement on an accruals basis and are reported net of returns, discounts, rebates and premiums.

Revenues from the sale of electricity are recognized at the time of injection into the electricity grid, even though not yet invoiced, and are determined by supplementing with appropriate estimates the revenues recorded based on specific meter reading instruments. These revenues are calculated in accordance with the legal provisions of Electricity Authority resolutions applicable during the year, while also taking account of the equalization regulations for the time being in force.

Revenues from green certificates produced by Company plants for sale to producers or importers of energy from non-renewable sources or to the National Grid (Gestore dei Servizi Elettrici - GSE) (the latter is obliged to acquire the unsold green certificates from producers using renewable sources by the end of the third year after their production) are recognized in the year when the certificate matures, i.e. the year of production of electricity from renewable sources.

Legislative Decree no. 28/2011 of 3 March 2011 (which repeals the Ministerial Decree of 18 December 2008) – in implementation of Directive 2009/28/EC of the European Parliament – has defined the instruments, mechanisms and incentives, as well as the institutional, financial and legal framework which is necessary to reach the 2020 objectives set by the EU in relation to the overall quota of energy produced by renewable sources. In particular, and with regard to the wind sector, the decree states that – for plants which are already operational, or for those which will become operational as of 31 December 2012 the GSE will continue to collect, until 2015, the green certificates as a final operator and at a price equal to 78% of the difference between 180 Euro/MWh and the average annual sales prices of electrical energy which was recorded in the previous year following the collection of the certificates themselves (in accordance with the prevalent interpretation) and which was communicated by the Electrical Energy and Gas Authority in implementation of Article 13, paragraph 3, of Legislative Decree no. 287 of 29 December 2003.

Interest income is recognized in accordance with the accrual principle, based on the amount financed and the effective interest rate applicable.

Dividends are recorded when the entitlement of shareholders to receive payment of same is established.

PUBLIC GRANTS

Public grants obtained against investments in equipment are recorded in the Income Statement over the period necessary to match them with the related costs. Operating subsidies (granted to provide immediate financial assistance to the company or to compensate for expenses and losses incurred in a previous year) are fully recognised in the Income Statement at the time when conditions for recognition have been met.

EMPLOYEE BENEFITS

The benefits guaranteed to employees paid out upon termination of employment or thereafter, through defined benefit plans (such as: employees' severance indemnities and additional months of salary) or other long-term benefits are recognised in the period when the right accrues. These provisions and benefits are not financed.

Employees' severance indemnities constitute a defined benefit plan valued based on actuarial criteria, which means that the amount accrued must be projected to the future to estimate the amount to be paid at the time of termination of employment and then discounted to present value, using the "projected unit credit method", to take account of the period of time that will

pass before payment actually takes place. The Group constantly monitors the employees' severance indemnity liability, calculated in accordance with the above mentioned criteria, and at the same time calculates the liability to personnel in compliance with the rules laid down by Article 2120 of the Italian Civil Code.

In view of the scarce significance of the outright value of this statement of financial position (balance sheet) component and the difference in the liability calculated according to the two methods, the Group has recorded the employees' severance indemnity provisions by allocating the liability legally accrued at year-end pursuant to Article 2120 of the Italian Civil Code.

FINANCIAL EXPENSES

The financial expenses directly attributable to the acquisition, construction or production of fixed assets requiring a significant period of time before they are ready for use or sale, are included in the costs of such fixed assets, up to the moment when they are ready for use or sale. The revenues received from the temporary investment of liquidity obtained from the above-mentioned loans are deducted from the capitalised interest. All other financial expenses are charged to the Income Statement at the time they are incurred.

INCOME TAXES

Current taxes are allocated on the basis of a forecast of the charge pertaining to the year while also taking into account the effects relative to adherence to the "fiscal consolidation" of a majority of the companies of the Group.

Income taxes are charged directly to the Income Statement with the exception of those directly debited or credited to a shareholders' equity reserve and whose fiscal effect is also recognized directly within shareholders' equity.

In addition, and in relation to the accruals principle, deferred tax assets and liabilities have also been allocated within the consolidated financial statements for timing differences associated with adjustments applied to the financial statements of consolidated companies – in order to have the latter comply with the homogeneous accounting principles of the Group – as well as for the timing differences which arose between the statutory results and the relative taxable income amounts.

Allocations for taxes which could be generated from the transfer of net income not distributed from subsidiaries are only implemented in the case that there is a real intention to transfer this income.

Deferred tax assets (or prepaid taxes) are only booked within the financial statements if their future recovery is probable.

With regard to deferred tax assets relative to fiscal losses that can be carried forward, refer to the next paragraph.

Deferred taxes are calculated based on the tax rates that are expected in the periods in which the taxable timing differences will be recovered.

Deferred tax assets and liabilities are classified under non-current assets and liabilities.

Past fiscal losses

On 15 July 2011, Law no. 111/2011, a conversion of Law Decree no. 98/2011 containing *Urgent provisions for the financial stabilization of the country* (Corrective Act of 2011), was approved. In particular, the Law Decree modified Article 84 of the Consolidated Income Tax Act relative to the carrying forward of fiscal losses, eliminating the temporal limit of 5 years required for the purposes of reportability of past fiscal losses (which therefore become reportable for an unlimited time period) and introducing a quantitative limit to the utilization of past fiscal losses equal to 80% of the income produced in subsequent years. The abovementioned limit

of 80% is not applicable to fiscal losses which were generated in the first three years of the founding of the company on the condition that these refer to a new productive activity. The new provisions are already applicable as of the year 2011 and, as clarified by memorandum 53/E 2011 of the Fiscal Revenues Agency, even with respect to fiscal losses generated before 2011 and which will be carried forward according to the previous regulations (for example, losses formed from 2006 onwards). The introduction of the abovementioned novelties had a positive effect on these financial statements due to the recording of receivables relative to past fiscal losses which are forecasted to be recoverable in the medium time period, and totalling approximately 11 million.

Modifications applied to the Robin Tax regulations

On 14 September 2011, Law no. 148/2011, a conversion of Law Decree no.98/2011 containing *Urgent provisions for the financial stabilization of the country and the economic development of the country*, was approved. The provision introduced the following novelties in relation to additional IRES (corporate income tax, the so-called Robin Tax):

- temporary increase in the rate of the IRES additional tax from 6.5% to 10.5% for the years 2011, 2012 and 2013;
- extension of the range of applicability to operators within the energy sector; in particular, the additional tax would also be applicable to the sector of renewable energy sources (i.e. wind, solar, etc.);
- a modification of the limits of applicability of the additional tax, making it applicable only if revenues exceeded 10 million in the previous period (previously the limit was equal to 25 million) and taxable income was greater than 1 million.

The introduction of the abovementioned novelties had a positive effect on these financial statements due to the adjustment of fiscal rates with respect to deferred tax assets and liabilities, totalling approximately 3 million.

IMPAIRMENT

At the end of each reporting period, the Group reviews the book value of its tangible, intangible and financial fixed assets to determine whether there is evidence of these assets having suffered reductions in value. Where such evidence exists, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs, this being identified as the asset's legal entity and operating segment.

The recoverable amount is the net selling price or value in use, whichever is higher. In measuring the value in use, the estimated future cash flows are discounted to their present value at a pre-tax rate that reflects the market's current assessment of the time value of money and the risks specific to the asset.

In particular, the recoverable amount of the cash-generating units (which normally coincide with the legal entity to which the fixed assets refer) is verified by determining the value in use. The principal assumptions used to calculate the value in use concern the discount rate, the growth rate, the expected variation in the selling prices of electricity and green certificates, or the wastewater disposal service performed, and the trend in direct costs during the period assumed for calculation purposes. The Group's Management therefore adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the different cash-generating units. The growth rates used are based on growth forecasts pertaining to the relevant industrial sector of the legal entity. The variations in selling prices as regards the wastewater disposal service and direct costs are

based on past experience, future market expectations and foreseeable changes in the specific regulatory situation of some of the Group's assets (with special reference to the anticipated trend in the price of electricity and green certificates). The Group prepares operating cash flow forecasts derived from the latest four-year plans approved and determines the terminal value on the basis of a medium and long-term growth rate in keeping with that of the specific sector in question. At least once a year, at the time of preparing the consolidated financial statements, the Group also verifies the recoverability of the goodwill.

Similar estimation processes are necessary in case of reference to the presumed realizable value due to the uncertainty inherent in each transaction.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than its carrying value, the carrying value of the asset is reduced to the lower recoverable value. A loss in value is immediately recognised in the Income Statement.

When there is no longer any reason to maintain a write-down, the book value of the asset (or cash-generating unit) is increased to the new value deriving from estimation of its recoverable value, albeit without exceeding the net carrying value the asset would have had if it had not been written down for impairment. Reinstatement of value is immediately recognised in the Income Statement.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recorded in the financial statements when the Group becomes a party to the instrument's contractual clauses.

TRADE AND OTHER RECEIVABLES

Trade receivables are stated at their nominal value reduced by appropriate bad debt provision to reflect the estimated losses on receivables.

The estimate of the amounts considered non-recoverable is made when it is considered likely that the company will be unable to recover the receivable's full amount. Customer trade receivables refer to the amounts invoiced that have still to be collected as at the date of this document, as well as to the portion of revenues pertaining to the year but invoiced after year-end.

FINANCIAL ASSETS

Financial assets are recognized at the trading date at cost corresponding to the nominal value, including acquisition costs.

At the end of subsequent reporting periods, the financial assets that the Group companies have the intention and ability to hold to maturity are recognised at amortised cost, net of write-downs made to reflect impairment.

Financial assets other than those held to maturity are classified among those available for sale, and are measured at the original nominal value corresponding to the realisable value.

For available-for-sale financial assets, the gains and losses arising from changes in fair value are directly recognised in shareholders' equity until the assets are sold or have suffered impairment; in such case, the total gains or losses previously recorded in equity are recognised in the Income Statement for the period.

IAS 39 envisages classification of financial assets in the following categories:

- financial assets at fair value through profit or loss (FVTPL);
- Held-to-Maturity (HTM) investments;
- loans and receivables (L&R);
- available-for-sale (AFS) financial investments.

All financial assets are initially recognised at fair value, plus – in the case of assets other than FVTPL assets – accessory charges.

At the time of stipulation, an assessment is made as to whether or not a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value, whenever analysis shows that the economic characteristics and risks of same are not closely related to those of the host contract.

The Group classifies its financial assets after initial recognition and, when appropriate and allowed, reviews this classification at the close of each financial year.

- **Financial assets at fair value through profit or loss (FVTPL)**

This category comprises:

- assets held for trading (HFT);
- assets designated as FVTPL financial assets at the time of initial recognition.

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments. Gains and losses on assets held for trading are taken to the Income Statement.

As at 31 December 2011, there were no financial assets designated at FVTPL.

- **Held-to-maturity (HTM) investments**

Non-derivative financial assets with fixed or determinable payments are classified as “held-to-maturity (HTM) investments” whenever the Group intends and has the ability to hold them to maturity. After initial recognition, HTM financial investments are measured at amortised cost, applying the effective interest rate method. Gains and losses are recognised in the Income Statement when the investment is derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

As at 31 December 2011, the Group held no investments classified as HTM.

- **Loans & Receivables (L&R)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Following initial recognition, these assets are measured at amortised cost using the effective interest rate method, net of provisions for impairment, if any. Gains and losses are recognised in the Income Statement when loans and receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

Trade receivables are shown at their fair value, which corresponds to their nominal value, and are subsequently reduced for impairment, if any. Trade receivables whose due date is not consistent with normal trading terms and which do not earn interest are discounted to their present value.

- **Available-for-sale (AFS) financial investments**

Available-for-sale (AFS) financial investments are financial assets, other than derivative financial instruments, that have been designated as such or are not classified in any of the previous three categories.

Following initial recognition, AFS financial investments are measured at fair value and gains and losses are reported under a separate heading in shareholders’ equity.

AFS financial investments include equity investments in companies other than subsidiaries and associates in which ERG Renew’s direct or indirect ownership percentage is less than 20%. When fair value cannot be reliably calculated, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included under “Other net income (losses) from equity investments”.

When the reasons for write-downs cease to exist, equity investments measured at cost are written back up to the limit of impairments recorded and the relevant effect is recognised in the Income Statement.

The risk arising from any losses exceeding shareholders' equity is recognised in a specific reserve to the extent that the investor has committed to meet legal or implied obligations vis-à-vis the investee company or in any case to cover its losses.

IAS 39 envisages the following measurement methods: fair value and the amortised cost method.

Fair value

In the case of securities widely traded in regulated markets, fair value is determined in reference to stock market prices recorded at close of trading at the end of the reporting period. Regarding investments for which no active market exists, fair value is determined using measurement techniques based on:

- prices of recent arm's length transactions;
- current fair market value of a substantially similar instrument;
- discounted cash flow (DCF) analysis;
- option pricing models.

Amortised cost method

"Held-to-maturity investments" and "Loans & receivables" are measured at amortised cost, calculated using the effective interest rate method, net of impairment provisions, if any. This calculation takes into account all purchase discounts or premiums and includes any fees that are an integral part of the effective interest rate and transaction costs.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, the Group verifies whether a financial asset or group of financial assets has suffered an impairment in value.

If there is objective evidence that a loan or receivable posted at amortized cost has suffered impairment, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future estimated cash flows discounted at the asset's original effective interest rate.

The carrying value of the asset is reduced by using a provision. The impairment amount is recognized in the Income Statement.

The Group assesses the existence of factual evidence of impairment at an individual level.

If the amount of impairment subsequently decreases and this reduction can objectively be attributed to an event occurring after recognition of impairment, the value previously reduced can be reinstated. Any subsequent write-backs of value are recognized in the Income Statement, to the extent that the asset's carrying value does not exceed the amortized cost as at write-back date.

As regards trade receivables, a provision for impairment is made when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that the Group will be unable to recover all amounts owed according to the original conditions.

The carrying value of the receivable is reduced by using a specific provision. Impaired receivables are written off if they are deemed unrecoverable.

CASH AND CASH EQUIVALENTS

This item includes cash and bank current accounts and deposits repayable on demand and other highly liquid short-term financial investments, readily convertible into cash and subject to a non-significant risk of a change in value.

FINANCIAL LIABILITIES

Interest bearing bank loans and overdrafts are recognised based on the amounts received, net of direct costs.

IAS 39 envisages classification of financial liabilities according to the following categories:

- financial liabilities at fair value through profit or loss (FVTPL);
- other financial liabilities.

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.

After initial recognition, loans are measured at amortised cost using the effective interest rate method.

Every gain or loss is recorded in the Income Statement when the liability is discharged, as well as via the amortisation process.

Financial liabilities at FVTPL include “Held-for-trading liabilities”.

“Held-for-trading (HFT) liabilities” are those acquired for the purpose of short-term sale and comprise derivatives – including those separated out – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the Income Statement.

As at 31 December 2011, there were no financial liabilities designated at FVTPL.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has taken on a contractual obligation to pay same in their entirety and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and has transferred substantially all risks and rewards of ownership of the financial asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of same.

In cases where the Group has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in Group accounts to the extent of the Group’s residual involvement in such asset.

A financial liability is derecognised when the liability’s underlying obligation has been extinguished, cancelled, or fulfilled.

TRADE PAYABLES

Trade payables, which mature within the normal commercial terms, are recognised at their nominal value.

DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognized at cost, and adjusted to fair value at the end of subsequent reporting periods.

Changes in the fair value of derivative instruments designated to hedge future cash flows relating to contractual obligations of the Group’s Companies and expected future operations are recorded directly in equity. If the contractual obligations or the expected future operations that are hedged result in the recognition of an asset or liability, when the asset or liability is recorded, the associated gains or losses which were recorded directly in equity are included in the initial measurement of the acquisition cost or the book value of the asset or liability.

For cash flow hedges which do not result in the recognition of an asset or liability, the amounts

recorded directly in equity will be recognized in the Income Statement in the same period in which the contractual obligation or the expected operation impacts the Income Statement, for example, when an expected sale actually takes place.

Changes in the fair value of the derivative instruments that do not qualify as hedges are recognized in the Income Statement for the period when they arise.

The hedge accounting method is abandoned when the hedging instrument has matured, is sold, expires, or is exercised, or no longer qualifies as a hedge. In this case, the accumulated gains or losses of the hedging instrument directly recorded in equity are maintained until the expected operation occurs. If it is expected that the hedged operation will not occur, the accumulated gains or losses recorded directly in equity are transferred to the Income Statement for the period.

Put options on unlisted equity interests exercisable by third parties vis-a-vis the Group are recorded at the present value of the overall amount paid for the option and are measured as a component of the investment's purchase cost.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are recorded when the Group has a current legal or implied obligation deriving from a past event, if an outlay of resources to fulfill the obligation is likely and the amount of the obligation can be reliably estimated. The provisions are made at the end of the reporting period, based on Management's best estimate of the costs required to fulfill the obligation, and are discounted to present value when the effect is significant.

EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing the net profit for the period attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period concerned.

USE OF ESTIMATES

Preparation of the consolidated financial statements in accordance with International Accounting Standards requires estimates and assumptions to be made that affect the values of assets and liabilities shown in the financial statements and the information provided concerning potential assets and liabilities at the end of the reporting period. If in future these estimates and assumptions, which are based on Management's best evaluation, should differ from actual circumstances, they will be appropriately modified during the period in which the circumstances change.

In particular, the most complex estimations concern the calculation of possible impairments of non-current assets and provisions for risks and charges.

Recoverability of the value of non-current assets

The procedure for determining the impairment of non-current assets, described under the accounting policy "Impairment", in estimating value in use, implies utilisation of the subsidiary companies' Business Plans. The latter are based on a combination of assumptions and hypotheses made by the Boards of Directors of investee companies concerning future events and actions, which may not necessarily occur.

The total value of non-current assets shown in the consolidated financial statements, prior to testing in order to ascertain the recoverability of same, amounts to Euro 1,023 million; more specifically, of this amount around Euro 1,019 million concerns the wind sector and around Euro 10 million refers to the holding division.

- **Wind sector**

With reference to the wind sector, Euro 236 million of the non-current assets concerns intangible assets, Euro 702 million concerns property, plant and equipment, Euro 67 million refers to prepaid and fiscal assets and Euro 8 million refers to other receivables. In particular, the nature of the said assets can be further detailed as follows:

- approximately Euro 196 million concerns licenses pertaining to the wind Italy sector;
- approximately Euro 14 million concerns licenses pertaining to the wind France sector;
- approximately Euro 6 million concerns other intangible assets with finite useful life pertaining to the wind Italy sector;
- approximately Euro 20 million concerns goodwill;
- approximately Euro 702 million concerns property, plant and equipment;
- approximately Euro 67 million concerns prepaid and fiscal assets;
- approximately Euro 8 million concerns other receivables.

Intangible assets

Exogenous and endogenous events that occurred during FY2011 were viewed by the Directors as indicators of a potential impairment of certain intangible assets in the wind sector; given this situation, therefore, in accordance with IAS 36, specific impairment tests were developed to assess the extent of possible write-downs to be reflected in the Company's consolidated financial statements.

For the year 2011, these indicators are represented by the worsening of the discount rate of reference (WACC) and by the expected decline of profitability for wind farms.

The assignment of this test was entrusted, in January 2012, to an independent expert who conducted the analysis by using the "Twenty-year forecast of cash flows" drafted by the management of ERG Renew S.p.A.

The Group therefore proceeded with estimating the recoverable value of the abovementioned assets. On the basis of IAS 36, the recoverable amount of an asset or of a cash-generating unit is the greater value between its fair value net of sales costs and its usage value.

In particular, and in reference to authorizations and preliminary contracts:

- the cash-generating units (CGU) relative to the individual wind farms for which the capital gains were allocated have been identified;
- in order to determine the recoverable value, intended as the value in use, the present value of operating cash flows associated with the CGU for the first twenty years of operation of the wind farms was estimated;
- the expected variation was determined as regards sale prices and the trend in direct costs during the period assumed for the calculation based on past experience, adjusted for future market expectations;
- for the purpose of discounting the cash flows, a discount rate was used corresponding to the WACC for the sector (6.9% for Italy and 6.10% for France);
- no terminal value was assumed beyond the precise forecast period, in accordance with the methodology used during the phase of allocation of the acquisition price.

With regard to the value of goodwill, two Cash Generating Units (CGU's) were identified in relation to the wind farms on which the goodwill is allocated, i.e. those of ERG Eolica Adriatica and ERG Eolica Campania.

In order to determine the recoverable value, intended as the value in use, the present value of operating cash flows associated with the CGU for the first twenty years of the wind farms was estimated.

For the purpose of discounting the cash flows, a discount rate was used corresponding to the WACC for the sector (6.9% for Italy and 6.1% for France).

For each wind farm included within the CGU, a terminal value was also estimated, determined as a perpetual annuity with a growth rate (g) equal to zero. The terminal value which was obtained in this manner was prudently discounted by 50%.

The management of the Group considers the assumptions which were adopted to be reasonable and, on the basis of the abovementioned assumptions, no write-down was calculated.

Sensitivity analysis

The result of the impairment test is due to information which is currently available as well as reasonable estimates on the variables of level of winds, energy prices and interest rates.

The Group took account of the aforesaid uncertainties in its elaboration and definition of the basic assumptions used to determine the recoverable value of the capital gains allocated to the "Renewables" sector and also prepared sensitivity analyses regarding the recoverable value of the various CGU's: this analysis assumed that the overall revenues of sales of energy (or the remuneration of energy and its production) could increase or decrease for values estimated at 5% with respect to the values estimated for the Plan.

In the case of a 5% decrease in revenues, extended over the duration of the plan, the value of goodwill would be written down by circa 11 million and that of the authorizations and preliminary contracts would be written down by the amount of Euro 2 million.

Finally, it should be noted that an increase of 0.5% in the discounting rate would also involve a write-down of the goodwill allocated to the "Renewable" CGU's by Euro 9 million.

The sensitivity analyses referred to above confirm the sensitivity of the non-current asset recoverability assessments to a change in the above mentioned variables; in view of this, the Directors will systematically monitor the trend in the aforesaid exogenous and non-controllable variables in order to make adjustments, if necessary, to the estimated recoverability of the book values of non-current assets in the consolidated financial statements.

● **Hydro sector**

The companies which are part of the hydro business – DSI S.r.l. and SODAI S.p.A. – were sold during the course of the fourth quarter 2011, as described in more detail in the paragraph "Extraordinary operations".

● **Photovoltaic sector**

Lastly, a write-down of Euro 82 thousand was recorded as regards the investment in ISAB Energy Solare S.r.l., a company 51% owned and carried at equity; this company operates in the research, promotion and implementation of industrial plants for the production of energy from solar sources via photovoltaic conversion.

Recoverability of prepaid taxes

With regard to considerations on the recoverability of prepaid taxes, refer to the previous paragraph "Taxes" of the "Summary of the most significant accounting principles".

Provisions for bad debts and discounting of receivables

With reference to estimation of the credit recovery risk and assessment of collection times for same for the purpose of discounting the receivables that are non-interest bearing, the Directors rely on communications received from the operating functions in charge of

negotiation with the counterparties concerned as well as, in case of assistance from outside legal advisors, on the communications received from same on the status of disputes.

With regard to receivables due from promoters of the Nurra wind farm, events occurred during the course of 2011 which gave rise to uncertainty regarding the outcome of the authorization procedures for the said wind farm, leading to the write-down of a receivable relating to the deposits paid – owing to the incapacity of promoters to reimburse them – by the amount of Euro 1 million; the receivable in question was therefore completely written down and, on 31 December 2011, the balance was equal to zero.

On the other hand, as regards the original receivable of Euro 4.2 million relating to the Tursi Colobraro project, expectations as regards the deferred collection of same led to discounting for the total amount of Euro 1.3 million starting from FY2008.

Due to the uncertainty regarding the trend in authorization procedures, it cannot be ruled out that the realization of the above mentioned receivables may take place for amounts other than those estimated for the purpose of drawing up the financial statements as at 31 December 2011. This uncertainty is applicable also as regards other receivables for which non-recovery estimates have been made based on the status of disputes or insolvency proceedings and for which the bad debt provision at 31 December 2011 is deemed adequate.

Allocations to provisions for risks and charges

With regard to estimation of the risk of contingent liabilities arising from litigation, the Directors rely on the communications received on the progress of recovery procedures and litigations communicated by the legal advisors who represent the Group in the disputes. These estimates are determined taking into account the progressive evolution of the disputes and in consideration of minimum thresholds payable.

In particular, during FY2009 there was a major development in the ongoing arbitration proceedings with ACEA S.p.A., initiated as contractually provided to settle numerous disputes that have arisen between the Company and ACEA S.p.A. concerning the sale of the “Waste to Energy” e “Waste Management” businesses, which, on 20 January 2010 led to an award subject to appeal by the parties according to the terms provided by law. The board's final assessment substantially accepted the arguments presented by ERG Renew and, consequently, it is believed that the provision allocated in prior years for a total amount of Euro 5.4 million to cover the liabilities deriving to the Group as a result of the arbitrators' decisions – such provision having been reclassified as at 31 December 2010 from “Provisions for risks and charges” to “Bad Debt Provision” – can be considered sufficient. In particular, in partial execution of the aforesaid arbitration award, ERG Renew S.p.A. repurchased from ACEA S.p.A. the receivables assigned within the scope of the sale of the above mentioned businesses; from a financial standpoint, the disbursement for the said repurchase was offset against revenues in the form of a “tax earn-out” of Euro 1.6 million. This “tax earn-out” was regulated by the original sale agreement entered into between ACEA S.p.A. and ERG Renew S.p.A.; the aforesaid arbitration award confirmed the obligation for ACEA S.p.A. to pay the price increase and, following the agreements reached with ACEA S.p.A., the tax earn-out was settled between the parties in July 2010 and financially offset against the receivables repurchase transaction.

The risk of uncertainty insofar as concerns these specific estimative processes is particularly significant and, therefore, it cannot be excluded that the provision for liabilities to date – considered by the Directors to be appropriate – may prove insufficient upon the final outcome of pending litigations.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2011

On 4 November 2009 the IASB issued a revised version of **IAS 24 – Related party disclosures** which simplifies the nature of information required in the case of transactions with State-controlled related parties and clarifies the definition of related parties. The adoption of this amendment did not produce any effect from the perspective of a valuation of financial statement items and had limited effects on reporting relations with related parties within the current annual financial statements.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED BY THE GROUP IN ADVANCE

On 12 May 2011, IASB issued the following new principles which will be applicable as of 1 January 2013. It should be noted that, as of the date of these financial statements, the competent bodies of the European Union have not yet reached a conclusion regarding the homologation process required for application of the amendments.

- **IFRS 10 – Consolidated Financial Statements**

This principle replaces SIC-12 Consolidation – Special Purpose Entities and certain parts of IAS 17 – Consolidated and Separate Financial Statements, and which will change its name to IAS 27 – Separate Financial Statements and which regulate the accounting of equity investments in separate financial statements.

The new IFRS 10 principle identifies the concept of control as the determining factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company, thereby supplying a guide in order to determine the existence of control in cases of difficult interpretation.

- **IFRS 11 – Joint Arrangements**

This principle replaces IAS 31 – Interests in Joint Ventures as well as SIC-13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

The new principle supplies criteria for identifying joint interest agreements based on the rights and obligations deriving from agreements rather than from their legal form and establishes the equity method as the only method for booking equity investments in jointly controlled entities within the consolidated financial statements.

- **IFRS 12 – Disclosure of Interests in Other Entities**

The objective of this principle is to illustrate the additional information which must be disclosed in relation to equity investments (subsidiaries, joint venture agreements, associated companies, special purpose entities and other non-consolidated vehicle companies).

- **IFRS 13 – Fair value measurement**

This principle illustrates the modalities for determining fair value for the purposes of the financial statements and applies to all principles which require or allow for a fair value measurement or the presentation of information based on the fair value.

The IASB also issued the following amendments whose ratification process on the part of the EU was not yet completed on the date of these financial statements.

- On 7 October 2010 the IASB published standard **IFRS 7 – Financial instruments: Additional Information.**

The amendments were issued in order to enhance the understanding of transfer

transactions of financial assets, including the understanding of potential effects deriving from any form of risk still retained by the company having transferred such assets. Moreover, the amendments call for additional disclosures in the event that a disproportionate amount of such transactions is set up at the end of a reporting period. These amendments will be applicable for the accounting periods starting after 1 July 2011.

- On 20 December 2010, IASB issued a minor amendment to **IFRS 1 – First adoption of the International Financial Reporting Standard (IFRS)** in order to eliminate the reference to the date of 1 January 2004 within it which was described as the date of transition to the IFRS, and in order to supply guidelines for presenting the financial statements in agreement with the IFRS after a period of hyperinflation. These amendments were applicable prospectively as of 1 July 2011.
- On 20 December 2010, IASB issued a minor amendment to **IAS 12 – Income taxes** which requires that the company values deferred taxes deriving from operations in light of the relative modalities for recovery through continual use or through sales. Following this amendment, SIC 21 - Income Taxes - Recovery of Revalued Non-Depreciable Assets will no longer be applicable. The amendment will be applicable as of 1 January 2012.
- On 16 June 2011, IASB issued an amendment to **IAS 1 – Presentation of financial statements** which requires that the company separately specify the “Other comprehensive income statement items” which could subsequently be re-classified to the income statement. The amendment will be applicable for years starting after or as of 1 January 2012.
- On 16 June 2011, IASB issued an amendment to **IAS 19 – Employee benefits** which eliminates the option of deferring the recognition of actuarial income and losses with the corridor method, requesting the reporting of the deficit or surplus of the fund within the statement of financial position as well as the recognition of cost items linked to the services and the net financial charges in the income statement in addition to the recognition of actuarial profits and losses which derive from the re-measurement of liabilities and assets under Other comprehensive income/(losses). In addition, the return on the assets included under net financial charges must be calculated on the basis of the discount rate of liabilities and no longer on the basis of the expected return of the asset. The amendment, finally, introduces new additional information to supply within the notes to the financial statements. The amendment will be applicable for years starting after or as of 1 January 2013.
- On 16 December 2011, the IASB issued certain amendments to **IAS 32 – Financial instruments: Presentation in financial statements**, in order to clarify the application of certain criteria for the compensation of financial assets and liabilities present within IAS 32. The amendments will be applicable in a retrospective manner for the years starting after or as of 1 January 2014.
- On 16 December 2011, the IASB issued certain amendments to **IFRS 7 – Financial instruments: disclosures**. The amendment will require information on the effects, or potential effects, of contracts for the compensation of financial assets and liabilities on the financial situation. These amendments will be applicable for the years starting after or as of 1 January 2013 and the intermediate periods after this date. The information must be supplied in a retroactive manner.

At the moment, we believe that the adoption of these amendments will not entail significant effects on the Group's financial statements.

NON-RECURRING EVENTS AND OPERATIONS

FY2011 featured a number of non-recurring events, analysed in these explanatory notes, the effects of which on the consolidated financial statements are set out below:

DESCRIPTION	SHAREHOLDERS' EQUITY		RESULT		DEBT	CASH FLOWS
	AMOUNT	%	AMOUNT	%	AMOUNT	AMOUNT
VALUE IN FINANCIAL STATEMENTS	534,124	100	1,089	100	(469,798)	(18,855)
WRITE-DOWN OF HYDRO BUSINESS	(3,324)	(0,6)	(3,324)	(305,2)	2,156	2,156
ADVANCES ON PAST LOSSES	10,847	2,0	10,847	996,1	–	–
TOTAL NON-RECURRING OPERATIONS	7,523	1,4	7,523	690,8	2,156	2,156
TAX EFFECT	–	–	–	–	–	–
GROSS NOTIONAL VALUE IN FINANCIAL STATEMENTS	526,601		(6,434)		(471,954)	(21,011)

The write-down of the hydro business is relative to the transfer of the sale of the companies DSI S.r.l. and SODAI Italia S.p.A., as described in the subsequent paragraph "Extraordinary operations".

The positive effect relative to prepaid taxes on past losses is the consequence of the Law Decree which modified Article 84 of the Consolidated Income Tax Act relative to the carrying forward of fiscal losses, eliminating the temporal limit of 5 years required for the purposes of reportability of past fiscal losses (which therefore become reportable for an unlimited time period), as previously described in detail within the paragraph "Use of estimates".

Finally, for the purposes of complete information, it should be noted how – within the realm of the ordinary estimation processes described in the previous paragraph "Use of estimates" – the consolidated income statement of the year 2011 includes allocations to provisions for risks and charges totalling Euro 0.9 million (Euro 2.7 million in 2010).

EXTRAORDINARY OPERATIONS

The extraordinary operations which occurred during the course of 2011, and which modified the scope of consolidation of the ERG Renew Group, are summarized below:

- On 5 August 2011, ERG Eolica Italia S.r.l., a subholding of ERG Renew S.p.A., stipulated a closing agreement for the purchase of 100% of IVPC Power 3 S.p.A. (today ERG Eolica Campania S.p.A.), the owner of five wind farms which have been operational as of 2008 in the provinces of Avellino and Benevento, and with a total installed capacity of circa 112 MW. The value of the acquisition, in terms of enterprise value, was approximately 2.1 million Euro per MW. ERG recognized a compensation for the equity to the seller totalling Euro 100 million in addition to the reimbursement of an intragroup loan (Euro 33 million as of 31 December 2010).
- On 13 September 2011, ERG Eolica Italia S.r.l. acquired 100% of the share capital of Amaroni Energia S.r.l., the owner of a fully authorized wind project of 22.5 MW within the Commune of Amaroni (CZ).
- In the last part of 2011, ERG Renew S.p.A. sold the equity investments in DSI Servizi Industriali S.r.l. (sold on 16 November 2011) and SODAI Italia S.p.A. (sold on 2 December 2011), companies operating in the sector for treatment of industrial waste products, thereby collecting an amount totalling 5.0 million Euro and booking an overall write-down of Euro 3.3 million within the income statement. While SODAI Italia S.p.A. operates through purification platforms near 20 workshops of Trenitalia, DSI S.r.l. implements activities relative to the treatment of solid and liquid wastes on behalf of third parties and SODAI Italia S.p.A. As previously stated, the Group sold the abovementioned assets in the sector since they were not considered core businesses.

The table below summarizes the effects of the abovementioned operations on the financial situation of the Group:

	ACQUISITION OF ERG EOLICA CAMPANIA	ACQUISITION OF ERG EOLICA AMARONI	SALE OF ASSETS HYDRO SERVICES	CHANGE IN THE SCOPE OF CONSOLIDATION
INTANGIBLE ASSETS	126,233	2,519	(169)	128,583
TANGIBLE ASSETS	126,199	2,845	(7,489)	121,555
NON-CURRENT ASSETS	252,432	5,364	(7,658)	250,138
TRADE RECEIVABLES	15,031	–	(3,176)	11,855
TRADE PAYABLES	(1,729)	(247)	1,815	(161)
NET WORKING CAPITAL	13,302	(247)	(1,361)	11,694
SEVERANCE INDEMNITIES	–	–	489	489
OTHER ASSETS	8,841	351	(1,129)	8,063
OTHER LIABILITIES	(45,293)	(1,957)	1,301	(45,949)
NET INVESTED CAPITAL	229,282	3,511	(8,358)	224,435
GROUP SHAREHOLDERS' EQUITY	–	–	(3,324)	(3,324)
MEDIUM TO LONG-TERM NET FINANCIAL DEBT	98,330	–	–	98,330
SHORT-TERM NET FINANCIAL DEBT	130,952	3,511	(5,034)	129,429
EQUITY AND FINANCIAL PAYABLES	229,282	3,511	(8,358)	224,435

Details of the business combination of ERG Eolica Campania S.p.A. is reported below.

Acquisition of ERG Eolica Campania S.p.A.

On 5 August 2011, ERG stipulated a closing agreement for the purchase of 100% of IVPC Power 3 S.p.A., the owner of five wind farms which have been operational as of 2008 in the provinces of Avellino and Benevento, and with a total installed capacity of circa 112 MW.

The value of the acquisition, in terms of enterprise value, was circa Euro 2.1 million per MW. ERG recognized a compensation for the equity to the seller totalling Euro 100 million in addition to the reimbursement of an intragroup loan (Euro 33 million as of 31 December 2010).

The acquisition was booked on the basis of the provisions of IFRS 3 on business combinations; on the basis of this principle, and for the purposes of a correct booking of the operation, it is necessary:

- to determine the overall cost of the acquisition;
- to allocate, on the date of the acquisition, the cost of the business combination to the acquired assets and the assumed liabilities, including those which were not booked before the acquisition;
- book the goodwill acquired in the business combination.

The overall cost of the acquisition was equal to approximately Euro 100 million.

Details of assets and liabilities acquired at their book value and at their re-determined value, in accordance with the provisions of IFRS 3 ("Purchase Price Method") in order to take into account their fair value, are provided below.

	BOOK VALUE	ADJUSTMENT TO ACQUISITION SITUATION	ACQUISITION OF EQUITY INVESTMENT	IMPACT ON CONSOLIDATED STATEMENTS
INTANGIBLE ASSETS	2,091	124,142	–	126,233
TANGIBLE ASSETS	126,199	–	–	126,199
NON-CURRENT ASSETS	128,290	124,142	–	252,432
TRADE RECEIVABLES	15,031	–	–	15,031
TRADE PAYABLES	(1,729)	–	–	(1,729)
NET WORKING CAPITAL	13,302	–	–	13,302
OTHER ASSETS	8,841	–	–	8,841
OTHER LIABILITIES	(1,756)	(43,537)	–	(45,293)
NET INVESTED CAPITAL	148,677	80,605	–	229,282
GROUP SHAREHOLDERS' EQUITY	19,499	80,605	(100,104)	–
MEDIUM TO LONG-TERM NET FINANCIAL DEBT	98,330	–	–	98,330
SHORT-TERM NET FINANCIAL DEBT	30,848	–	100,104	130,952
EQUITY AND FINANCIAL PAYABLES	148,677	80,605	–	229,282

In determining the fair value of the assets and liabilities acquired, the main differences identified refer to the measurement of intangible assets and in particular the agreements and authorizations for operational wind farms for the production of electricity at incentivised tariffs. The measurement of such assets was implemented by using the support of models prepared during the investment opportunity evaluation phase and led to the recording of higher values for intangible assets of approximately Euro 113 million, gross of the correlated fiscal effect entered under adjustments of other liabilities. These greater value correspond to the overall present value of cash flows expected from the use of acquired contracts and authorizations.

The difference between the overall cost of the acquisition (100 million) and the net value of these acquired assets and liabilities (89 million) was residually classified as goodwill for an amount equal to 11 million.

In accordance with the provisions of IFRS 3, the valuation of assets and liabilities at the time of preparation of these consolidated financial statements must be considered provisional and may eventually be subject to modifications in the twelve months following the date of acquisition.

During the period between the date of acquisition (5 August 2011) and the close of the company's accounting period, the acquired company contributed to the Income Statement of the Group with revenues of Euro 13 thousand and an operating margin of Euro 7 million. If the acquisition had taken place at the beginning of the current year, the total revenues of the Group would have been higher by Euro 19 million and the operating margin by Euro 10 million.

ERG Eolica Adriatica 2010 – Formulation of the Purchase Price Allocation

As previously described, the Group – on 23 July 2010, through its subsidiary ERG Eolica Italia – had completed the acquisition of ERG Eolica Adriatica S.r.l. (previously IVPC Power 5 S.r.l.), a company owning two wind parks which were operational in Molise and Puglia for an acquisition price of Euro 71 million.

In the 2010 financial statements, and in accordance with IFRS 3, the allocations relative to the Purchase Price Allocation procedure were implemented in a provisional manner given that the determination and identification of the identifiable present values of assets and liabilities of ERG Eolica Adriatica S.r.l. was still underway. In particular, the greater price was allocated to Licenses for circa 60 million, gross of the fiscal effect booked under “deferred taxes” for 19 million. For more details, refer to the 2010 consolidated financial statements of ERG Renew S.p.A.

For the purposes of this Report, and in light of the audits implemented with the support of updated financial valuation models, the greater paid price was definitively allocated to Licenses for approximately 47 million, gross of the deferred fiscal effect booked under “deferred taxes” for 15 million and residually booked for 8 million under goodwill. Goodwill values the capacity of the company to continue its activities over an indefinite time period which is therefore not bound by the duration of the licenses which are currently assigned to ERG Eolica Adriatica S.r.l.

It should be noted that this valuation derives from an updating of the criteria utilized for the provisional allocation of the purchase price of the company and that the effects deriving from its retroactive application are not, moreover, significant.

COMPARABILITY OF FINANCIAL STATEMENTS

For the purposes of comparing the consolidated financial statements of 31 December 2011 with those of 31 December 2010, the following re-classifications were applied as of 31 December 2010:

- reclassification from the item short-term “Other receivables” to the item “Trade receivables” for Euro 34,775 thousand relative to receivables for green certificates which became necessary in order to uniform the abovementioned classification with the reporting modalities of the other companies of the ERG Group;
- a reclassification from the item “Trade receivables” to the item medium to long-term “Tax assets” for Euro 1,256 thousand relative to receivables due from the tax authorities and acquired by ACEA following the execution of the arbitration ruling described in the paragraph “Use of estimates”.

The aforesaid reclassifications did not determine any effect on the year's result or on shareholders' equity at 31 December 2010 as reported in the Consolidated Annual Financial Statements approved by the Corporate Bodies.

SCOPE OF CONSOLIDATION

The following table shows the group companies that are consolidated on a line-by-line basis:

COMPANY (THOUSAND EURO)	REGISTERED OFFICE	SHARE CAPITAL	% OWNERSHIP	DIRECT PARENT COMPANY
ERG RENEW S.P.A.	GENOA	100,000	–	PARENT COMPANY
<i>WIND SECTOR:</i>				
EOLIENNES DU VENT SOLAIRE S.A.S.	PARIS	37	100	ERG EOLIENNE FRANCE S.A.S.
EOLO S.R.L.	ATINA (FR)	20	51	ERG EOLICA ITALIA S.R.L.
ERG EOLICA ADRIATICA S.R.L.	GENOA	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA AMARONI S.R.L.	CATANZARO	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA BASILICATA S.R.L.	GENOA	38	98	ERG EOLICA ITALIA S.R.L.
ERG EOLICA CALABRIA S.R.L.	CATANZARO	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA CAMPANIA S.P.A.	GENOA	120	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA FAETO S.R.L.	GENOA	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	50	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA GINESTRA S.R.L.	GENOA	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA ITALIA S.R.L.	GENOA	30,000	100	ERG RENEW S.P.A.
ERG EOLICA TIRRENO S.R.L.	PALERMO	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA NURRA S.R.L.	GENOA	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA SAN CIREO S.R.L.	GENOA	3,500	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA SAN VINCENZO S.R.L.	GENOA	3,500	100	ERG EOLICA ITALIA S.R.L.
ERG EOLICA TURSÌ COLOBRARO S.R.L.	GENOA	10	100	ERG EOLICA ITALIA S.R.L.
ERG EOLIENNE FRANCE S.A.S.	PARIS	50	100	ERG RENEW S.P.A.
GREEN VICARI S.R.L.	PALERMO	119	100	ERG EOLICA ITALIA S.R.L.
PARC EOLIEN DE LIHUS S.A.S.	PARIS	1,114	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE HETOMESNIL S.A.S.	PARIS	1,114	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE LA BRUYÈRE S.A.S.	PARIS	1,060	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DU CARREAU S.A.S.	PARIS	861	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN LES MARDEAUX S.A.S.	PARIS	1,097	100	ERG EOLIENNE FRANCE S.A.S.
<i>OTHER:</i>				
ERG SOLARE ITALIA S.R.L.	GENOA	120	100	ERG RENEW S.P.A.

The scope of consolidation at 31 December 2011 showed changes with respect to 31 December 2010 following both the transaction for the sale of the subsidiaries DSI S.r.l. and SODAI S.p.A., operating in the hydro sector and sold during the course of the fourth quarter of 2011, both for the acquisition of the subsidiaries ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. which respectively took place on 5 August 2011 and 13 September 2011. Both of these operations are described in detail in the preceding paragraph, "Extraordinary Operations".

In addition, and during the course of 2011, the following operations with respect to subsidiary companies consolidated with the equity or cost method should be noted:

- On **8 March 2011**, ERG Renew S.p.A. sold its equity investment in ISAB Energy Solare S.r.l., equal to 51% of the share capital, to its subsidiary ERG Solare Italia S.r.l.
- On **1 April 2011**, the merger by incorporation of certain non-operational wind companies (Eolico Agira S.r.l., Eolico Mirabella S.r.l., Eolico Palagonia S.r.l. and Eolico Ramacca S.r.l.) into Eolico Troina S.r.l. became effective.
- On **30 April 2011**, ERG Renew S.p.A. did not undersign the share capital increase for the coverage of losses of the company Ansaldo Fuel Cells S.p.A. and thereby was no longer a shareholder.
- On **15 July 2011**, the company LUKERG Renew GmbH was founded following an agreement between ERG Renew S.p.A. and LUKOIL-Ecoenergo, with a registered office in

Vienna. This joint venture will initially concentrate its activities in Bulgaria and Romania, and subsequently in the Ukraine and Russia, and will be developed systematically as well as through the search for acquisition opportunities in the sector of renewable energies, particularly that from wind sources.

- On **29 June 2011**, ERG Eolica Italia S.p.A. did not undersign the share capital increase for the coverage of losses of the non-operational companies operative VCC Abruzzo S.r.l., VCC Agrigento S.r.l., VCC Agrigento 2 S.r.l., VCC Enna S.r.l. and thereby was no longer a shareholder.
- On **29 November 2011**, ERG Eolienne France S.a.s. sold the following equity investments – equal to 50% of the share capital:
 - C.I.T.A. S.a.s.
 - Eoliennes de la Chaussee Brunehaut S.a.r.l.
 - Eoliennes de la Vallee Notre Dame S.a.r.l.
 - Eoliennes de l'Ourcq et du Clignon S.a.r.l.
 - Eoliennes de Warloy-Baillon S.a.r.l.
 - Eoliennes du Champ Chardon S.a.r.l.
 to the French company JMB Energie S.a.s. (company operational in the renewable energy sector), collecting in 2012 an amount equal to Euro 730 thousand and realizing a capital loss of Euro 0.1 thousand in the consolidated statements.
- On **2 December 2011**, ERG Renew S.p.A. sold its equity investment in Utilità Progetti e Sviluppo S.r.l., equal to 3.34% of the share capital, for Euro 84 thousand.

The impact of the above mentioned changes in the scope of consolidation, where relevant for the purposes of comparing the financial data for 2010 and 2011, is commented in the explanatory notes.

MANAGEMENT AND COORDINATION BY ERG S.P.A.

ERG Renew S.p.A. is subject to management and coordination by ERG S.p.A., a company operational in the sector for the refinement and distribution of oil products as well as in the sector for the production and marketing of electrical energy, vapor and gas. The key data of the most recently approved financial statements are shown below. The data refer to financial statements for the year ended on 31 December 2010 (amounts in thousands of Euro):

NAME OF COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITY	ERG S.P.A.
REGISTERED OFFICE	VIA DE MARINI 1 - 16149 GENOVA
SHARE CAPITAL	15,032
TOTAL SHAREHOLDERS' EQUITY	1,657,333
TOTAL ASSETS	3,544,827
NET INCOME FROM EQUITY INVESTMENTS	543,321
OTHER OPERATING INCOME	4,888,713
NET PROFIT (LOSS)	398,131

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

1 – PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, the related depreciation provisions, and changes in same during the year, are shown in the following table:

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	34,909	430,190	2,933	189,574	657,606
DEPRECIATION AND WRITE-DOWNS	(5,429)	(78,833)	(1,781)	(1,236)	(87,279)
BALANCE AT 12/31/2010	29,480	351,357	1,152	188,338	570,327
MOVEMENTS DURING PERIOD:					
CHANGES IN SCOPE OF CONSOLIDATION	(2,036)	120,880	218	2,493	121,555
ACQUISITIONS	1	108	36	48,052	48,197
DISPOSALS AND DIVESTMENTS	–	(178)	(18)	(3,736)	(3,932)
RECLASSIFICATIONS	(1)	2,090	(3)	3,293	5,379
CAPITALIZATIONS	5,272	193,870	36	(199,178)	–
DEPRECIATION	(1,721)	(37,747)	(269)	–	(39,737)
INCREASES FOR ENVIRONMENTAL RESTORATION	–	–	1,025	–	1,025
HISTORICAL COST	37,084	773,039	3,108	39,262	852,493
DEPRECIATION AND WRITE-DOWNS	(6,089)	(142,659)	(931)	–	(149,679)
BALANCE AT 12/31/2011	30,995	630,380	2,177	39,262	702,814

The item “Change in scope of consolidation” comprises Euro 129,044 thousand for property, plant and equipment pertaining to ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. – respectively acquired on 5 August 2011 and 13 September 2011 – and decreased by Euro 7,489 thousand for property, plant and equipment pertaining to the companies DSI S.r.l. and SODAI S.p.A., which were sold during the financial year under review (see section “Extraordinary operations”).

The item “Acquisitions” refers to: *i*) investments of Euro 47,776 thousand in wind power installations; *ii*) investments of Euro 64 thousand in water services equipment; *iii*) other investments amounting to Euro 357 thousand.

The item “Disposals and divestments” primarily concerns the sale, at book value, of the electrical substations of ERG Eolica Adriatica S.r.l., according to the provisions of agreements signed on 220 July 2011, based on which the assets subject to sale were assigned to form an integral part of the National Transmission Grid.

The reclassifications refer *i*) to a homogenization of the reporting of new tangible and intangible assets acquired during the course of 2011 through the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. (paragraph “Extraordinary operations”) and *ii*) to a greater reporting of investments implemented during the course of the previous year.

Depreciation for the year was calculated by adopting the same estimates of residual useful life used to draw up the Consolidated Financial Statements at 31 December 2010.

“Tangible assets under construction” primarily refer to investments in the wind sector and, specifically, the wind farms owned by ERG Eolica Ginestra S.r.l. (Euro 30 million) and ERG Eolica Amaroni S.r.l. (Euro 8 million).

The item “Land and buildings” and “Plant and equipment” primarily refer to investments in the wind sector, in particular “Land and buildings” are relative to excavation works, roadworks and land rights incurred prior to the start-up of the wind farms; investments in “Plant and equipment” refer to wind turbines and related electrical works.

The items “Land and buildings” and “Plant and equipment” include investments totalling Euro 876 thousand relating to the industrial site of Arzene (Pordenone) which were non-operational at the end of the reporting period. The book value at 31 December 2011 is in line with market value.

In FY2011 interest amounting to Euro 3,941 thousand was capitalized on loans connected with investments. The total amount of financial charges capitalized during previous years in respect of special purpose loans for the period prior to the coming into operation of the fixed assets amounted to Euro 10,467 thousand.

At 31 December 2011, the net book value of Property, plant and equipment included Euro 541,728 thousand for assets pledged as guarantees to third parties in relation to project financing contracts entered into by the group companies operating in the wind sector.

Finally, and at least once a year, at the time of drawing up the consolidated financial statements, the Group tests tangible assets for impairment.

If property, plant and equipment had been booked net of the related capital grants paid by public entities and indemnities as per Note 18 “Other payables” – Non-current liabilities” and Note 21 “Other payables – Current liabilities” in accordance with the IFRS amendments issued by the IASB in 2008, the effect on the Financial Statements at 31 December 2011 would have been as follows:

DESCRIPTION	NET BOOK VALUE	GRANTS AND INDEMNITIES	VALUE NET OF GRANT
LAND AND BUILDINGS	30,995	–	30,995
PLANT AND EQUIPMENT	630,380	(4,063)	626,317
OTHER ASSETS	2,177	–	2,177
ASSETS UNDER CONSTRUCTION	39,262	–	39,262
TOTAL	702,814	(4,063)	698,751

2 – INTANGIBLE ASSETS

The breakdown of intangible assets, related amortisation provisions and changes during the year is shown in the following table:

	AUTHORIZATIONS, LICENCES AND TRADEMARKS	GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	132,570	15,082	5,755	14,973	168,380
AMORTISATION AND WRITE-DOWNS	(28,501)	(14,206)	(942)	(6,287)	(49,936)
BALANCE AT 12/31/2010	104,069	876	4,813	8,686	118,444
MOVEMENTS DURING PERIOD					
CHANGE IN SCOPE OF CONSOLIDATION	115,410	11,084	2,089	–	128,583
ACQUISITIONS	–	–	–	5,277	5,277
TRANSFERS AND DISPOSALS	–	–	(12)	(244)	(256)
RECLASSIFICATIONS	(608)	–	(6,202)	1,431	(5,379)
CAPITALIZATIONS	10,170	–	3,079	(13,249)	–
AMORTISATION	(7,276)	–	(263)	–	(7,539)
CHANGE IN PURCHASE PRICE ALLOCATION	(11,271)	8,155	–	–	(3,116)
HISTORICAL COST	227,029	20,115	4,677	1,901	253,722
AMORTISATION AND WRITE-DOWNS	(16,535)	–	(1,173)	–	(17,708)
BALANCE AT 12/31/2011	210,494	20,115	3,504	1,901	236,014

The item “Change in scope of consolidation” comprises Euro 128,468 thousand for intangible assets pertaining to ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. – respectively acquired on 5 August 2011 and 13 September 2011 – and decreased by Euro 169 thousand for intangible assets pertaining to the companies DSI S.r.l. and SODAI S.p.A., which were sold during the financial year under review (see section “Extraordinary operations”).

The item “Acquisitions” almost entirely refers to investments in the wind sector.

The reclassifications refer *i)* to a homogenization of the reporting of new tangible and intangible assets acquired during the course of 2011 through the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. (paragraph “Extraordinary operations”) and *ii)* to a greater reporting of investments implemented during the course of the previous year.

The item “Change in Purchase Price Allocation” refers to the differing allocation to the Purchase Price Allocation of ERG Eolica Adriatica S.r.l. – acquired during the course of the previous year – which occurred in 2011 and was described in detail in the paragraph “Extraordinary operations”.

“Authorizations, licences and trademarks” almost entirely concern the concessions for wind farms acquired either directly or together with the related business units.

Development costs, industrial patents and trademarks are measured at cost. Costs relating to wind farms which, at the end of the reporting period, had not been identified as future developments have been directly expensed in the Income Statement.

In particular, the regulatory scenario concerning investments for the construction and start-up of wind installations indicates an unforeseen fragmentation of regulatory responsibility and a profound procedural uncertainty. There is in fact a lack of uniformity in terms of local rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy. There is consequently a heavy increase in the activities required to obtain construction

permits and protraction of the time necessary to complete bureaucratic approval processes. The Group has therefore decided to capitalize development costs only when the approval process has been successfully completed.

It is estimated that intangible assets, with the exception of goodwill, have a limited and finite useful life; they are therefore amortized on a straight-line basis as follows:

- development costs: five years. In particular, development costs are amortised when the expected revenues arise against the cost capitalized;
- industrial patents and intellectual property rights: five years;
- authorizations, licences and trademarks: concessions are amortised on a straight-line basis over the residual duration of the concessions to which they refer.

At least once a year, at the time of drawing up the consolidated financial statements, the Group verifies the recoverability of intangible assets.

3 – EQUITY INVESTMENTS

The reported balance includes:

	OTHER EQUITY INVESTMENTS
BALANCE AT 12/31/2010	1,472
MOVEMENTS DURING PERIOD:	
CHANGE IN SCOPE OF CONSOLIDATION	
ACQUISITIONS/INCORPORATIONS/CAPITAL INCREASES	386
DISPOSALS	(847)
WRITE-DOWNS	(460)
BALANCE AT 12/31/2011	551

The detail of companies included in “Other equity investments” is shown below:

	REGISTERED OFFICE	%	BOOK VALUE
OTHER COMPANIES			
DYEPower CONSORTIUM	ROMA	24.70	535
EOLICO TROINA S.R.L.	PALERMO	99.00	–
ISAB ENERGY SOLARE S.R.L.	SIRACUSA	51.00	–
LUKERG RENEW GMBH	VIENNA	50.00	18
TOTAL			551

The item “Acquisitions/Incorporations/Capital increases” includes, in particular:

- the founding, on 15 July 2011, of the company LUKERG Renew GMBH (paragraph “Scope of Consolidation”);
- the increase of ERG Renew S.p.A.’s equity investment in the DyePower Consortium through a payment to a consortium fund of 343 thousand Euro which were necessary for the ordinary implementation of activities of the Consortium itself.

The item “Disposals” refers to the sale of the special purpose entities CITA WIND (paragraph “Scope of Consolidation”).

The item "Write-downs" includes the equity valuation of the companies CITA S.a.s. (first nine months of 2011), ISAB Energy Solare S.r.l. (joint venture) and LUKERG Renew GmbH (joint venture) in addition to the total write-down of the subsidiary Eolica Troina S.r.l. (117 thousand Euro).

4 – FINANCIAL ASSETS

The amount of Euro 725 thousand – which did not change during the current year – refers to an annual-premium capital redemption insurance policy taken out with RAS S.p.A. and held as a secured pledge to RAS S.p.A., for the issue by same of a surety policy in favour of subsidiary ERG Eolica San Vincenzo S.r.l., for the benefit of owners of land on which the subsidiary company's wind farm is located.

5 – OTHER RECEIVABLES – NON-CURRENT ASSETS

The reported balance includes:

	12/31/2011	12/31/2010
RECEIVABLE DUE FROM THE MUNICIPALITY OF FAETO	180	270
RECEIVABLE DUE FROM THE MUNICIPALITY OF GINESTRA	320	400
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	612	1,734
OTHER ADVANCES	5,730	8,040
OTHER RECEIVABLES	2,272	958
NURRA CONSORTIUM DEPOSIT	–	1,000
ADVANCE PAID BY ERG EOLIENNE FRANCE	–	2,400
NON-INTEREST BEARING LOAN– UPS S.R.L.	–	50
TOTAL	9,114	14,852

The receivables due from the Faeto and Ginestra communes refer to an advance on the annual payments for commission on the future revenue streams generated by the wind farms located in the communes themselves.

Financial receivables due from Group companies entirely refer to an interest-bearing loan based on the Euribor plus 200 basis points granted by ERG Renew S.p.A. to the subsidiary company ISAB Energy Solare S.r.l. (Note 3) against future financial commitments versus the latter; during the course of 2011, the subsidiary reimbursed part of the abovementioned loan for Euro 1,122 thousand following the attainment of a financing loan from Mediocredito Italiano.

The amount of these other advances refers to the receivable due from ERG Eolica Italia S.r.l. to Nordex as part of a framework supply agreements for wind turbines that was partly utilized during the course of 2011 in connection with the acquisition of blades for the site of the newly acquired company ERG Eolica Amaroni S.r.l.

This item also includes the receivable relative to the initiative of Tursi Colobraro for an original amount of Euro 4.2 million, reported net of the discount of Euro 1.3 million (refer to the paragraph "Use of Estimates" for commentary on the recoverability of this receivable).

Other receivables entirely refer to deferred charges on payable rents and utility costs; the increase in the period is essentially due to the increase in activities of the wind sector.

The amount of Euro 1,000 thousand as of 31 December 2010 refers to the residual amount of a deposit paid by the company ERG Eolica Nurra S.r.l. to the Reclamation Consortium of Nurra under the lease of business unit agreement signed on 9 June 2004. This amount was completely written down on 31 December 2011, as noted in the paragraph "Use of Estimates".

The advance of Euro 2,400 thousand as of 31 December 2010 was paid by the French Subholding company ERG Eolienne France S.a.s. against the future acquisition of Greneville wind farm located in the area south of Paris. The advance was returned to the parent company during the course of 2011 following the conclusion, without an outcome, of the project in question.

6 – TAX ASSETS – NON-CURRENT ASSETS

The balance of Euro 8,945 thousand reported for non-current tax assets, as was the case at 31 December 2010, consists entirely of the VAT credit claimed by the Group's companies, posted under non-current assets to take account of the effective conditions for settlement of such receivable.

7 – DEFERRED TAX ASSETS

The breakdown of deferred tax assets and changes during the year are shown in the following table:

	12/31/2011		12/31/2010	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
DEPREC., AMORT., ADVANCES AND NON-DEDUCTIBLE PAYABLE INTEREST	81,607	22,442	23,782	6,540
LOSS CARRYFORWARDS	132,330	35,597	82,463	24,824
<i>OF WHICH CHANGE IN SCOPE OF CONSOLIDATION</i>	3,564	1,119	41,051	12,890
OTHER DIFFERENCES	15,548	4,509	5,334	1,547
BALANCE AT END OF PERIOD	229,485	62,548	111,579	32,911

At the end of the reporting period, as shown in the above table, the Group had deferred tax assets on prior year losses amounting to Euro 31,686 thousand, as resulting from domestic tax consolidation applied by the Group, also including the contribution of ERG Eolica Campania S.r.l. acquired during FY2011; the Group also has Euro 2,792 thousand in taxes relating to prior year losses, subject to unlimited carryforward, pertaining to the French operating companies acquired during FY2007. Reference is made to the section "Use of estimates" for considerations regarding the estimative process for determining the presumed recoverability of deferred tax assets.

CURRENT ASSETS

8 – TRADE RECEIVABLES

The reported balance includes:

	12/31/2011	12/31/2010
RECEIVABLES DUE FROM THIRD PARTIES	18,128	18,239
RECEIVABLES DUE FOR GREEN CERTIFICATES	58,606	34,775
TRADE RECEIVABLES DUE FROM PARENT COMPANIES	417	140
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	3	51
TRADE RECEIVABLES DUE FROM SUBSIDIARIES	449	–
TOTAL	77,603	53,205

The Group considers that the book value of trade receivables, net of the related bad debt provision, approximates their presumed realisable value.

The overall growth in “Receivables due for green certificates” is ascribable, with compensatory effects, to the following events:

- i) reduction due to the payment of green certificates pertaining to FY2010 in connection with Group production. This payment was made in accordance with the provisions set forth by Ministerial Decree dated 18 December 2008, issued by the Ministry for Economic Development, in agreement with the Ministry for the Environment and Territorial Protection, repealed with Legislative Decree no.28/2011 of 3 March 2011 described above; this Decree decreed that green certificates pertaining to productions matured and maturing up to the end of 2011 will, at their holders’ request, be purchased by the GSE on or before 30 June. More specifically, following the request to the GSE in March 2011 on the part of the subsidiaries, on 30 June 2011 the purchase of same was made by the GSE with simultaneous payment of the amount of Euro 34,826 thousand valued, as regulated by the aforesaid Decree, at the average market price for the three years 2008-2010, namely the three-year period preceding the financial period during which the holder submitted the purchase request. The difference between the amount assessed as at 31 December 2010 and the amount actually received in 2011, corresponding to Euro 51 thousand, reflects the differential between the sum estimated and that actually received from the GSE;
- ii) increase resulting from the valorization of green certificates matured by the Group in FY2011 referring to the output of the following wind farms: Troia San Vincenzo (Foggia), Troia San Cireo (Foggia), Viticuso Vallerotonda (Frosinone), Pian dei Corsi e Baltera (Savona), Vicari (Palermo), Faeto (Foggia), Ascoli Satriano (Foggia), Rotello (Campobasso), Baselice (BN), Bisaccia (AV), Foiano di Val Fortore (BN), Lacedonia (AV), Molinara (BN) – the latter five in reference to the company ERG Eolica Campania S.p.A. acquired on 5 August 2011 – for a total number of 711,284 green certificates. The per unit value assigned to the green certificates amounted to 82.12 Euro/MWh as estimated under the aforesaid Decree (for a regulatory update in this connection reference is made to the section “Use of estimates”). The consolidation of ERG Eolica Campania S.p.A. accounted for Euro 14 million.

Trade receivables due from third parties pertaining to the company ERG Eolica Campania S.p.A. acquired during FY2011 – as mentioned in the section “Extraordinary operations” – amount to Euro 15 million.

The item trade receivables also includes the reimbursements from Terna, in connection with the reduction in output imposed by same, pursuant to Resolution ARG/elt 5/10 (Euro 235 thousand).

A breakdown of counterparties as regards the trade receivables due from parent companies and Group companies at 31 December 2011 and a description of the nature of these transactions are given in Note 37 “Related-party transactions”.

9 – OTHER RECEIVABLES – CURRENT ASSETS

The reported balance is broken down as follows:

	12/31/2011	12/31/2010
ADVANCES	398	1,172
OTHER SUNDRY RECEIVABLES	3,774	6,025
ACCRUED INCOME AND PREPAID EXPENSES	2,602	2,095
TOTAL	6,774	9,292

The increase in the item “Advances” is connected with loans granted during the year to land owners in order to have land of interest to the Group released from encumbrances; these loans were recovered by offsetting against the rental fees payable for the land in question.

Other sundry receivables

	12/31/2011	12/31/2010
CAUTIONARY DEPOSITS	70	1,360
OTHER RECEIVABLES DUE FROM PARENT COMPANIES	739	3,698
OTHER SUNDRY RECEIVABLES	2,965	967
TOTAL	3,774	6,025

The change in cautionary deposits is primarily attributable to the reimbursement of Euro 1 million for advances paid within the realm of a wind project located in Poland and expired in June 2011.

Other receivables include *i*) an amount equal to Euro 730 thousand relative to the sale of special purpose entities CITA Wind, as previously described in the paragraph “Scope of Consolidation” and *ii*) receivables due from the communes in which the wind farms are located, particularly of the companies ERG Eolica Adriatica S.r.l. and ERG Eolica Campania S.p.A. (Euro 1.2 million). The remaining sundry receivables relate to individually negligible amounts shown net of a bad debt provision of Euro 118 thousand.

The breakdown by counterparty of the other receivables due from parent companies and a description of the nature of such transactions are given in Note 37 “Related-party transactions”.

Accrued income and deferred charges

	12/31/2011	12/31/2010
UTILITIES	423	580
INSURANCE	1,091	607
OTHER ACCRUED INCOME AND DEFERRED CHARGES	1,088	908
TOTAL	2,602	2,095

The increase in “Accrued income and deferred charges” essentially refers to accrued income and deferred charges pertaining to the company ERG Eolica Campania S.p.A. acquired during 2011 as mentioned in the section “Extraordinary operations”.

10 – TAX ASSETS – CURRENT ASSETS

The reported balance includes:

	12/31/2011	12/31/2010
VAT RECEIVABLES	14,368	12,520
OTHER SUNDRY TAX RECEIVABLES	815	1,574
TOTAL	15,183	14,094

The VAT receivable refers to the VAT credit position pertaining to the companies not included in the Group VAT procedure, as well as a VAT receivable of Euro 3 million, relating to subsidiary company ERG Eolica Campania S.p.A. acquired during 2011 (see section “Extraordinary operations”).

Regarding ERG Eolica Adriatica S.r.l.'s VAT receivable, on 26 June 2009 a request was submitted for reimbursement of Euro 4.7 million; in November 2010, a notification of payment was obtained from the Fiscal Revenues Agency and, during the course of 2011, the receivable was collected.

11 – AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The financial statement balance as of 31 December 2010 exclusively comprises the 3.34% stake in Utilità Progetti e Sviluppo S.r.l., and which was sold during the course of the current year, as described in the paragraph “Scope of Consolidation”.

12 – CASH AND CASH EQUIVALENTS

The reported balance includes:

	12/31/2011	12/31/2010
BANK AND POSTAL DEPOSITS	53,216	70,650
RESTRICTED BANK AND POSTAL DEPOSITS	4,170	4,170
CASH AND NOTES ON HAND	2	3
TOTAL	57,388	74,823

Reference is made to the Consolidated Statement of Cash Flows and to Nota 23 “Net financial position” for details of the change in the item under review.

The item principally relates to the credit balances on bank current accounts, the book value of which represents the nominal value. It also includes Euro 47,582 thousand of cash and cash equivalents relating to the wind companies that have project financing contracts in place.

“Restricted bank and postal deposits” amounting to Euro 4,170 thousand at 31 December 2011 refer to: *i)* Euro 2,550 thousand for a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a suretyship issued by the bank to the Campania region in connection with the potential concession of a public grant; *ii)* Euro 1,620 thousand for a deposit on a restricted account at Banca Monte dei Paschi di Siena as guarantee for a suretyship issued by the bank to the Basilicata region in connection with the Tursi-Colobraro wind farm.

SHAREHOLDERS' EQUITY AND LIABILITIES

13 – SHAREHOLDERS' EQUITY

Share capital consists of 100,000,000 ordinary shares with a nominal value of Euro 1.00 each, fully subscribed and paid up.

It should be noted that, on 7 June 2011 and following the completion of the public offering initiated by ERG S.p.A., the listing of ERG Renew S.p.A. shares has been removed from the electronic equity market. Following this offer, ERG Renew S.p.A. is 100% controlled by ERG S.p.A.

The reported balance includes:

	12/31/2011	12/31/2010
SHARE CAPITAL	100,000	132,667
LEGAL RESERVE	–	1,388
CASH FLOW HEDGE RESERVE	(11,018)	43
OTHER RESERVES	437,072	63,873
LOSS CARRIED FORWARD	–	(88,867)
LOSS FOR THE YEAR	7,225	(15,853)
GROUP SHAREHOLDERS' EQUITY	533,279	93,251
MINORITY INTERESTS	845	654
TOTAL	534,124	93,905

The breakdown of changes in shareholders' equity is provided in the specific schedule, to which reference is made.

In particular, the shareholders' meeting of ERG Renew S.p.A., on 20 December 2011, deliberated – in accordance with Article 2446 of the Italian Civil Code and on the basis of the financial situation of ERG Renew S.p.A. on 30 September 2011 – to cover the losses, including part of the loss of the year as of 30 September 2011 totalling Euro 6,136 thousand, through the use of all the reserves of ERG Renew S.p.A. and a decrease in the relative share capital to the value of Euro 100 million.

On the same date, the Board of Directors of the single shareholder ERG S.p.A., having noted the coverage of the abovementioned losses and highlighting the need to support the financial requirements of ERG Renew S.p.A., deliberated in favor of its recapitalization through a capital contribution of Euro 450 million.

The reconciliation of the parent company and Group shareholders' equity and net profit (loss) at 31 December 2011 can be summarized as follows:

	SHAREHOLDERS' EQUITY AT 12/31/2010	OTHER COMPONENTS TAKEN DIRECTLY TO SH. EQUITY	NET PROFIT (LOSS) FOR THE YEAR	SHAREHOLDERS' EQUITY AT 12/31/2011
ERG RENEW S.P.A. SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	98,268	443,864	(9,811)	532,321
EFFECTS OF CONSOLIDATION ENTRIES	(5,017)	(11,061)	(14,603)	(30,681)
PRO-RATA NET PROFIT (LOSS) OF THE CONSOLIDATED COMPANIES	–	–	31,639	31,639
GROUP SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	93,251	432,803	7,225	533,279

Cash flow hedge reserve

The Group has derivatives transactions in place (Note 17) as mentioned in the section "Summary of principal accounting standards"; the change in the fair value of "effective" instruments is recorded in this shareholders' equity reserve.

14 – EMPLOYEES' SEVERANCE INDEMNITIES

The provision is set aside to cover the liability accrued in favour of employees in compliance with current legislation and national and company-level collective labour agreements. It is subject to index-linked revaluation.

The details of changes in employees' severance indemnities during the year are illustrated in the following table:

BALANCE AT 12/31/2010	615
MOVEMENTS DURING PERIOD:	
CHANGE IN SCOPE OF CONSOLIDATION	(489)
PROVISIONS	261
UTILISATIONS	(120)
BALANCE AT 12/31/2011	267

Given the scarce significance both of the outright amount of the reported item and of the difference compared to the liability calculated using the "Projected Unit Credit Method" (PUCM), the Group has provisioned the legal liability accrued at the end of the period for employees' severance indemnities in accordance with Article 2120 of the Italian Civil Code.

The item "Change in the scope of consolidation" refers to the sale of the companies DSI S.r.l. and SODAI S.p.A. during the course of the fourth quarter of 2011 (paragraph "Extraordinary operations").

15 – PROVISIONS FOR RISKS AND CHARGES

The breakdown of the total balance reported was as follows:

	12/31/2011	12/31/2010	INCREASES	CHANGES DECREASES	OTHER
ENVIRONMENTAL ENHANCEMENT, RESTORATION	2,561	1,102	1,124	–	335
OTHER RISKS	1,248	2,477	1,242	(2,691)	220
CHANGE IN SCOPE OF CONSOLIDATION	81	555	–	–	(474)
TOTAL	3,890	4,134	2,366	(2,691)	81

The total amount of provisions for liabilities and charges was appropriated to cover the risk of adverse outcomes relating to various litigation proceedings involving Group companies, taking into account the assessments of the lawyers assisting the Group in the respective disputes. It reflects the limitations inherent in the use of estimates, as described in the section "Accounting principles, valuation criteria and use of estimates".

These provisions, as mentioned in the section "Use of estimates", are set aside to cover the outcome of disputes directly concerning the Group or indirectly concerning same as a result of guarantees issued and are considered sufficient to meet the aforesaid risks.

The “Change in the scope of consolidation” refers to the net balance of provisions for risks/liabilities acquired and sold through the extraordinary operations of 2011 (paragraph “Extraordinary operations”).

Below we give details of the legal and fiscal proceedings and disputes currently involving the Group's companies.

Holding

ERG Renew S.p.A. v. Enerwind S.r.l. – Proceedings initiated by Enerwind through a notification of a writ of summons dated 9 November 2011 and with which the plaintiff requested the recognition of a default on the part of ERG Renew with respect to the obligations assumed with the undersigning of five development contracts dated 26 September 2006 and for the effect declared through their cancellation, with a sentencing of ERG Renew to compensate damages quantified to equal Euro 42 million.

There are valid grounds for arguing the non-jurisdiction of the court and therefore the preclusion of claim of the trial in the company's favor. Even if one examines the reasons of the claimant, it seems reasonable to assume that the requests on the part of the plaintiff are not well justified and the quantification of the damages is exorbitant.

The company will appear in court by proposing a counterclaim with respect to Enerwind which aims to obtain the return of the compensation paid to the latter on the basis of the five development contracts, and totalling overall circa Euro 800 thousand. The sentence is expected for the month of September 2012.

ERG Renew S.p.A. v. GEPAFIN S.p.A. – Proceedings filed by GEPAFIN S.p.A. in order to have ERG Renew S.p.A. judicially sentenced to purchase the equity interest held by GEPAFIN S.p.A. in Ansaldo Fuel Cells S.p.A., for an overall amount of more than Euro 1.8 million. GEPAFIN S.p.A.'s claim is based on an agreement with EnerTAD S.p.A. executed in 2003, effectively containing a put option having the characteristics described above (commitment on the part of EnerTAD S.p.A. to purchase the shareholding owned by GEPAFIN in Ansaldo Fuel Cells). On the other hand, there are valid legal reasons for claiming that such agreement elapsed by law (as a result of the corporate law reform) prior to exercise of the put option on the part of GEPAFIN, consequently releasing ERG Renew S.p.A. On 17 March 2010 the court having jurisdiction confirmed the decision expressed during the hearing on 23 February 2010 and rejected all GEPAFIN S.p.A.'s preliminary motions, adjourning to the hearing on 18 October 2012 as regards the statement of conclusions.

ERG Renew v. ACEA S.p.A. - Following the issue of the arbitration ruling of 27 January 2010 relative to the dispute in question, the buyback of the trade receivables guaranteed by ERG Renew in the stock sales contract of ARIA S.p.A. was planned (previously TAD Energia Ambiente S.p.A.) of 17 May 2006. The buyback of the receivables was implemented by means of deeds stipulated on 16 July 2010 while the activities to identify the operational lines in order to continue the previously initiated credit recovery actions, and initiate those not yet started, are underway (paragraph “Use of estimates”). With regard to the above, the appeals sentence of the Court of Appeals of Perugia was filed in the month of December 2011, approving the compensation request of ERG Renew S.p.A. with respect to Consorzio Napoli for a total of Euro 4.2 million. The attorney entrusted with representing ERG Renew S.p.A. proceeded with notifying the counterparty with the executive copies of the sentence.

ERG Renew v. Sari Group S.r.l. (subsequently Waste Italia S.p.A, today Unendo S.p.A.) – Following the issue of the arbitration ruling of 30 January 2009, substantially in favor of ERG Renew S.p.A., Unendo S.p.A. (previously Waste Italia S.p.A.) was sentenced to pay an indemnity to ERG Renew S.p.A. Unendo paid the ordered sum but, at the same time, initiated legal actions against the

injunction. On the hearing of 7 June 2011, the trial was deferred for admission of the facts in the hearing of 6 June 2013.

It should also be noted that the company SAO S.p.A., which was an indirect subsidiary of ERG Renew up until 4 July 2006, is a party within proceedings of fiscal nature. ERG Renew S.p.A. became involved following the contractual guarantees recognized to ACEA S.p.A., the current indirect parent company owning 100% of SAO S.p.A., in relation to liabilities which arose following the closing of the sale and which accrued previously as well as conjunction with a fiscal consolidation contract in effect at the time with all the companies that were then sold to ACEA S.p.A. On the basis of assessments implemented with the support of its own fiscal consultants and external attorneys, ERG Renew S.p.A. believes the claims to be groundless and therefore did not proceed with any allocation.

Wind

Green Vicari S.r.l. / Brulli Energia S.r.l. – Court of Palermo. By way of summons dated 16 September 2010 Brulli Energia S.r.l. sued Green Vicari S.r.l. to obtain compensation for damages calculated by the plaintiff at around Euro 2 million. In the month of August 2011, the Parties agreed to a settlement through which Green Vicari recognized a part of the damages claimed by Brulli Energia and the latter committed to reconstructing the electrical substation – manager side – to claim for the plant of Vicari. In this way, and following the completion of the works, a stable connection will be guaranteed for the wind plant with the National Transmission Grid in the place of the current temporary connection.

The agreement provides for the recognition of compensation on the part of Green Vicari in several installments in accordance with the progress of reconstruction works for the substation. The agreement has so far been implemented in a timely manner by both parties. The deeds for mutual waiver of the dispute – which will be presumably registered in court within the first quarter of 2012 – are being completed.

ERG Eolica Italia S.r.l. (also as ERG Eolica S.r.l.'s amalgamating entity) v. CESP Calabria S.r.l. Court of Castrovillari – Proceedings filed by CESP Calabria S.r.l. to obtain compensation for alleged damages totalling Euro 21 million incurred as a result of contractual non-performance. In addition to ERG Eolica, the summons also concerned companies belonging to the Acciona group, such companies, in the case of conviction, being jointly liable together with ERG Eolica. At the hearing on 16 April 2010 the judge reserved the right to evaluate the preliminary and prejudicial objections submitted by the defendants. The next hearing will be scheduled, if necessary, to make a decision, in the event that the aforesaid objections are rejected. The proceedings filed by CESP Calabria are based on a rather well-constructed legal assumption. CESP in fact accuses ERG CESA Eolica S.p.A. of contractual non-performance, even though it never entered into any legal agreement with such company. The alleged contractual link between the companies would, in fact, be indirect, since CESP entered into an agreement with TISOL S.r.l. and TISOL S.r.l., in turn, concluded with ERG CESA Eolica S.p.A. an agreement with substantially similar contents. CESP S.p.A. did not receive any payment from TISOL S.r.l. for services rendered under the agreement and is now asking ERG Eolica Italia and Acciona for payment (as assigns of ERG Cesa Eolica S.p.A.). TISOL S.r.l. also appeared in court by way of act of spontaneous intervention *ad adiuvandum* in favor of ERG Eolica Italia S.r.l. and Acciona. On the hearing of 14 April 2011, the trial was deferred for admission of the facts to 10 May 2012.

ERG Eolica Ginestra S.r.l. / Campania Region / Various authorities – Campania TAR, Naples – Proceedings filed by ERG Eolica Ginestra in order to obtain the annulment, upon suspension of the effectiveness, of Management Decrees nos. 277/2010 and 333/2010, whereby the Campania Region imposed the partial suspension, for a period of no less than 90 days, of authorization orders nos. 438/2006, 134/2008 and 416/2009 relating to the construction of

the Ginestra degli Schiavoni wind farm. The two decrees concerned with the act of appeal justified the suspension by the need to ascertain the existence of woodlands which might be subject to protection only as regards the areas concerned with the installation of 5 of the turbines making up the wind farm.

The Campania TAR discussed the precautionary appeal submitted by ERG Eolica Ginestra to council chamber on 1 July 2010 and, on such occasion, accepted the request for temporary suspension of effectiveness of the Decrees. The scheduling of the hearing to discuss the merits is pending. As things stand, the Company can duly proceed with works for the construction of the 5 wind turbines concerned with the challenged Decrees. Subsequently, on 26 July 2010, the Court of Benevento provided ordered the preventive seizure, in accordance with Article 321 of the Code of Penal Procedure, of the areas where 4 of the 5 wind turbines were installed and, on 20 September 2010, the Court of Review confirmed the provision. The TAR (Regional Administrative Court) set the hearing for 26 January 2011 in addition to ordering an supplementary investigations of the administrations summoned in court. In compliance with this requested investigation, the Ministry of Cultural Affairs – by means of the competent superintendency – registered new documents relative to the completed administrative process which the company decided to impugn by means of a relative appeal for additional grounds. The administrative judge initially set 23 June 2011 as the date for the merit hearing, deferred to 27 October 2011; following its outcome, TAR Campania issued a sentence approving the appeal presented by the company.

In view of the above mentioned disputes, the provisions for liabilities and charges shown in the consolidated financial statements at 31 December 2011 are considered sufficient to cover the probable risks quantifiable as at the present date, albeit subject to the uncertainties associated with exposure as regards any litigation proceedings.

16 – FINANCIAL LIABILITIES

The following is a breakdown of financial liabilities, net of the current portion:

	12/31/2011	12/31/2010
PROJECT FINANCING	370,340	359,916
LOAN FROM BANCA POPOLARE DI MILANO	4,800	8,000
LOAN FROM BANCA NATIXIS	–	11,500
PAYABLES DUE TO ACQUISITION OF EQUITY INVESTMENTS	–	4,840
TOTAL	375,140	384,256
NON-CURRENT PORTION OF FINANCIAL PAYABLES DUE TO PARENT COMPANIES	1,494	284,431
TOTAL	376,634	668,687

The repayment schedule for the above mentioned non-current loans received from Banca Natixis and Banca Popolare di Milano, which carry interest rates in line with those of the market, is as follows:

	LOANS AND FINANCING
BY 2013	3,200
BEYOND 2013	1,600
TOTAL	4,800

The agreement entered into by ERG Renew S.p.A. with Banca Natixis in August 2007 concerns a medium/long-term loan disbursed on 26 October 2007 to purchase the companies of the ERG Eolienne France S.a.s. group. The agreement provides for the repayment schedule detailed below:

	DATE	AMOUNT
REPAYMENT INSTALMENT	02/02/2012	4,500
REPAYMENT INSTALMENT	08/02/2012	7,000

After 2 August 2012, ERG Renew S.p.A. can ask Banca Natixis to extend the duration of the residual loan amount of Euro 7,000 thousand for another 24 months. Early repayment is possible for a minimum sum of Euro 5,000 thousand.

The loan is unsecured and requires compliance with the following covenants:

- Net Debt / Equity: less than 1.8;
- Interest Cover Ratio (Interest expense/Consolidated EBITDA): above 3.5 until 31 December 2009 and 4.0 thereafter.

During the first six months of 2009 the loan was restructured, increasing the guarantees offered to the bank, with the intervention of ERG S.p.A., and the economic conditions were revised, excluding the exceeding of covenant threshold values as potential cause of default.

The agreement entered into by ERG Renew S.p.A. in March 2007 with Banca Popolare di Milano is a medium/long-term loan replacing a credit line for the same amount, again with Banca Popolare di Milano. The agreement provides for a repayment plan based on six-monthly instalments of Euro 1,600 thousand starting on 30 October 2009, with the last instalment on 30 April 2014.

The loan is unsecured and does not require any compliance with covenants. Early repayment is possible for a minimum amount of Euro 5,000 thousand starting from the twenty-fourth month after the date of execution of the loan agreement.

“Payables due to acquisition of equity investments” as of 31 December 2010 concern the balance still outstanding for the acquisition of ERG Eolica Adriatica S.r.l. (acquired in July 2010); the amount was completely liquidated by ERG Eolica Italia S.r.l. during the course of this year.

“Non-current portion of financial payables due to parent companies” refers to the utilization of a credit line granted by ERG S.p.A. to ERG Renew S.p.A. on 25 May 2009. More specifically, ERG S.p.A. committed to supporting ERG Renew S.p.A., during FY2009 and up to the amount of Euro 140 million, with financial backing for investments planned in 2009 in addition to any funding required to cover the ordinary and current operations of the Company and the Group during the same period.

The aforesaid line of credit includes a first tranche - line A (6-month EURIBOR plus a spread of 2%) for the amount of Euro 70 million – intended to finance 2009 investments and ERG Renew S.p.A.'s ordinary and current operations, and a second tranche – line B (6-month EURIBOR plus a spread of 1% up until 31 December 2009, 6-month EURIBOR plus a spread of 2% up to maturity on 31 December 2011) for an additional Euro 70 million – intended to permit the former subsidiaries of ERG Power & Gas S.p.A. (currently incorporated in ERG S.p.A.) to repay their financial debts vis-a-vis the latter.

With effect from 1 January 2010 ERG S.p.A. has confirmed, for FY2010, the financial support required for ERG Renew S.p.A. to implement 2010 investment plans and cover operational needs, raising the financing amount, under a single line of credit, up to a maximum of Euro 231 million.

This credit line, originally available until 31 December 2010 and subsequently extended to 31 December 2011, has been further extended until 31 December 2012, with the possibility for additional extensions to be agreed in writing between the parties. The rate was based on 6-month EURIBOR plus a spread of 2%.

In order to cover investments planned during FY2011 the parent company ERG S.p.A., in February 2011, formally committed to irrevocably renewing its financial support for ERG Renew, already undertaken in 2009 and 2010, increasing the credit line from Euro 231 million to 307 million.

Following the subsequent acquisition of the company ERG Eolica Adriatica S.r.l. (see section "Extraordinary Operations"), ERG S.p.A. raised the aforesaid credit line in favour of ERG Renew S.p.A. up to the overall amount of Euro 311 million, by granting ERG Renew an additional "Installment B" up to a maximum amount of Euro 80 million to be used exclusively for the acquisition of a 100% equity interest in the company in question as well as accessory costs, if any, related to the acquisition. This "Installment B" will mature on 31 December 2015 with repayment in a lump sum on maturity, subject to ERG's option to request early redemption thereof in the event of share capital increase transactions within ERG Renew, and spread of 300 basis points with respect to Euribor. The Loan was subsequently granted by ERG Renew to ERG Eolica Italia at the same terms and conditions with an increase of 5 basis points in the spread.

Finally, during the course of 2011, the acquisitions of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. – and for which ERG S.p.A. granted ERG Renew S.p.A. an additional "Installment C" of up to 145 million Euro to allocate for the acquisition of 100% of the shares of the companies in question and any potential accessory purchase costs. This "Installment C" will mature on 31 December 2015 with repayment in a lump sum on maturity, subject to ERG's option to request early redemption thereof in the event of share capital increase transactions within ERG Renew, and a spread of 300 basis points with respect to Euribor. The Loan was subsequently granted by ERG Renew to ERG Eolica Italia at the same terms and conditions, with an increase of 5 basis points in the spread.

During the course of the month of December 2011, ERG Renew S.p.A. reimbursed, for an amount totalling Euro 450 million, the debit line described above which was overall utilized up to the same period for an amount, net of accrued interest, of circa 452 million Euro. Following this reimbursement, the overall balance as of 31 December 2011 of the debt amounted to Euro 1,494 thousand. In addition, on 20 December 2011, the Board of Directors of the sole shareholder, ERG S.p.A., deliberated in favor of the undersigning – in favor of ERG Renew S.p.A., of a Centralized Financial Management Agreement with the consequent activation of an intragroup bank account up to a maximum debt exposure of Euro 100 million. The Agreement has an annual duration, with expiration on 31 December 2012, and is considered tacitly renewed each year. Payable interest based on the 6-month Euribor, increases by a spread of 300 basis points, will accrue with respect to the debtor balances relative to ERG S.p.A. while receivable interest based on the 1-week Euribor, increases by a spread of 100 basis points, will accrued with respect to the credit balances relative to ERG S.p.A.

Debt positions relating to project financing are described – for both the current and non-current portions – in the following sub-section "Project Financing".

The breakdown of the current portion of financial payables

Is detailed below:

	12/31/2011	12/31/2010
PAYABLES DUE TO OTHER LENDERS	52	237
PAYABLES DUE TO OTHER GROUP COMPANIES	198	353
CURRENT ACCOUNT OVERDRAFTS	16,320	14,901
LOAN FROM BANCA POPOLARE DI MILANO	3,200	3,200
LOAN FROM BANCA NATIXIS	11,500	6,000
PROJECT FINANCING	75,779	33,503
TOTAL	107,049	58,194

Payables due to other lenders include the amount of Euro 52 thousand payable to the company ATE S.r.l., quotaholder of the company Eolo S.r.l. in which the Group holds a 51% interest.

The breakdown of payables due to Group companies, together with the nature of such transactions, are described in Note 37 "Related-party transactions".

Current account overdrafts, amounting to Euro 16,320 thousand, represent the Group's financial debt repayable at sight; the average interest rate for the year was 3.70% and the book value corresponds to the nominal value.

The amounts relating to the two outstanding loans (with Banca Popolare di Milano and Banca Natixis) concern the repayment instalments due respectively on 30 April 2011 and 30 October 2011 (Banca Popolare di Milano – for a total amount of Euro 3,200 thousand) and on 2 February 2011 and 2 August 2011 (Banca Natixis – for a total amount of Euro 11,500 thousand).

Debt positions relating to project financing are described – for both the current and non-current portions – in the following sub-section "Project Financing".

Project Financing

As at 31 December 2011 the Group had in place the following project financing contracts, with interest rates in keeping with those of the market. This financing was granted in connection with the construction of wind farms:

- a contract executed in 2005 by ERG Eolica San Vincenzo S.r.l. (previously Eos 1 Troia S.r.l.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (Euro 1 million at 31 December 2011), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges;
 - Debt Service Coverage Ratio (DSCR): this is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, plus the sum of the interest, commissions, and costs paid or payable in relation to the credit lines. If less than 1.30, ERG Eolica San Vincenzo S.r.l. can not distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - Average Debt Service Coverage Ratio (ADSCR): this is determined at 30 June and 31

- December of each year and is calculated as the average of the DSCRs relating to subsequent periods up to maturity of the loan. In the event that the value is lower than 1.05 and the company fails to put in place any of the remedies contractually provided, the bank may request termination of the loan agreement and enforcement of the guarantees;
- the Project Financing provides for a “negative pledge” which protects the creditor’s right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica San Vincenzo S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
- A contract executed in 2005 by ERG Eolica San Cireo S.r.l. (previously Eos 3 Troia S.r.l.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company’s share capital and restricted current accounts (Euro 5 million at 31 December 2011), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
 - Debt Service Coverage Ratio (DSCR): this is determined at 30 June and 31 December of each year and is calculated as the ratio between the project’s cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, plus the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.30, ERG Eolica San Cireo S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - the Project Financing provides for a “negative pledge” which protects the creditor’s right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica San Cireo S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
 - A contract executed in June 2007 by ERG Eolica Faeto S.r.l. (previously Eos 4 Faeto S.r.l.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company’s share capital and restricted current accounts (Euro 6 million at 31 December 2011), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
 - Historical Debt Service Coverage Ratio (DSCR): this is determined as the ratio between the project’s cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, ERG Eolica Faeto S.r.l. can not distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - the Project Financing provides for a “negative pledge” which protects the creditor’s right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Faeto S.r.l. can not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- A contract executed in August 2007 by Green Vicari S.r.l. The guarantees given include a mortgage on surface rights, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (Euro 8 million at 31 December 2011), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
 - Average Debt Service Coverage Ratio (ADSCR): this is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow, net of VAT flows, for the two previous half-years and the total base line and subsidised loan principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, Green Vicari S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
As of 31 December 2011, the covenant was not complied with: As a result, in application of that specified by IAS 1, we proceeded with also classifying the medium to long-term quota of the abovementioned financing under current liabilities.
It should be noted that, as of the date of preparation of the financial statements, the attainment of the formal documentation relative to the suspension of application of the abovementioned covenant was being completed as of 31 December 2011, in accordance with previous years;
 - the Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that Green Vicari S.r.l. cannot provide further guarantees on its assets.

- Financing relative to the construction of five wind farms in France.
The guarantees given include a leasehold mortgage and a 100% pledge over the company's share capital and restricted current accounts (Euro 1 million at 31 December 2011). The loan is subject to the following covenant concerning the distribution of dividends:
 - Historical Debt Service Coverage Ratio (DSCR): this is determined as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, the French companies can not distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks;
 - the Project Financing also provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that the French companies cannot provide further guarantees on their assets.

- A contract executed by the company Eoliennes du Vent Solaire S.a.s. relative to the construction of a wind farm located in France. The guarantees given include a leasehold mortgage and a 100% pledge on the company's share capital and restricted current accounts (Euro 1 million at 31 December 2011). The loan is also subject to the following covenants and negative pledges:
 - Debt Service Coverage Ratio (DSCR): this is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable

as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.15, Eoliennes du Vent Solaire S.a.s. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;

- the Project Financing provides for a “negative pledge” which protects the creditor’s right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eoliennes du Vent Solaire S.a.s. cannot provide further guarantees on its assets.
-
- A contract executed in January 2010 by the company ERG Eolica Ginestra S.r.l. The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company’s share capital and restricted current accounts (Euro 1 million at 31 December 2011). The loan is also subject to the following covenants and negative pledges:
 - Historical and Prospective Debt Service Coverage Ratio (DSCR): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project’s cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Ginestra S.r.l. can not distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between net present value, discounted at the weighted average cost of the debt, of the operating cash flows anticipated by the company during the periods between the calculation date and the year in which the debt falls due, and the amount of debt outstanding at the calculation date. If less than 1.20, ERG Eolica Ginestra S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - the Project Financing provides for a “negative pledge” which protects the creditor’s right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Ginestra S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
-
- A contract executed in October 2009 by ERG Eolica Adriatica S.r.l. The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company’s share capital and restricted current accounts (Euro 13 million at 31 December 2011).

The loan base line is subject to the following covenants and negative pledges:

 - Historical and Prospective Debt Service Coverage Ratio (DSCR): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project’s cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by

the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.20, ERG Eolica Adriatica S.r.l. can not distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;

- Balloon Coverage Ratio (BLCR): the BLCR is calculated as the ratio between the net present value, discounted at the weighted average cost of the debt, the operating cash flows anticipated by the company during the periods between the last repayment date and the 60 months subsequent thereto and the amount of the last loan instalment (Balloon). If less than 1.50, ERG Eolica Adriatica S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks;
 - the Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Adriatica S.r.l. can not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
- A contract executed in October 2007 by the company ERG Eolica Campania (previously IVPC POWER 3 S.p.A.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (Euro 13 million at 31 December 2011). The loan is also subject to the following covenants and negative pledges:
 - Historical and Prospective Debt Service Coverage Ratio (DSCR): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Campania S.p.A. can not distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees;
 - the Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Campania S.p.A. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

Without prejudice to that specified for the project financing of Green Vicari, and in general in reference to the covenants specified in this Note, and on the basis of assessments and recalculations carried out by the Group's Management, the Directors consider that the Group will not receive notification from the bank corporations regarding breaches of the financial covenants as at 31 December 2011.

17 – DERIVATIVES PAYABLES AND RECEIVABLES

Payables and receivables from derivatives are reported in the financial statements as follows:

	12/31/2011	12/31/2010
DERIVATIVES RECEIVABLES	1	172
TOTAL	1	172

	12/31/2011	12/31/2010
DERIVATIVES PAYABLES	42,078	28,190
PAYABLES FOR PUT OPTIONS	1,844	1,844
TOTAL	43,922	30,034

Payables and receivables from derivatives

The table below shows the derivatives outstanding as at 31 December 2011 relative to ERG Renew S.p.A. and its subsidiaries:

CONTRACTING COMPANY	ISSUING BANK	CONTRACT	FAIR VALUE	MATURITY
ERG EOLICA FAETO S.R.L.	EFIBANCA	CAP	1	12/31/2013
ERG EOLICA FAETO S.R.L.	MCC	CAP	1	12/31/2013
ERG RENEW S.P.A.	B. POP. DI MILANO	CAP	-	10/30/2012
TOTAL DERIVATIVES RECEIVABLES			1	
ERG EOLICA SAN CIREO S.R.L.	EFIBANCA	IRS	(259)	12/31/2014
ERG EOLICA SAN CIREO S.R.L.	BBVA	IRS	(259)	12/31/2014
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	(327)	12/30/2019
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	(356)	12/30/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	(319)	12/30/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	(302)	12/30/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH NORDBANK	IRS	(342)	12/30/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH NORDBANK	IRS	(370)	12/30/2019
PARC EOLIEN DU CARREAU S.A.S.	HSH NORDBANK	IRS	(453)	12/30/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	(339)	12/30/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	(367)	12/30/2019
GREEN VICARI S.R.L.	BNP PARIBAS BNL	IRS	(718)	12/30/2019
ERG EOLICA ADRIATICA S.R.L.	BNP PARIBAS BNL	IRS	(10,638)	06/15/2022
ERG EOLICA ADRIATICA S.R.L.	ING	IRS	(10,638)	06/15/2022
ERG EOLICA ADRIATICA S.R.L.	RBS	IRS	(10,638)	06/15/2022
ERG EOLICA GINESTRA S.R.L.	UNICREDIT	IRS	(968)	06/30/2025
ERG EOLICA GINESTRA S.R.L.	CENTROBANCA	IRS	(968)	06/30/2025
ERG EOLICA GINESTRA S.R.L.	BARCLAYS	IRS	(968)	06/30/2025
ERG EOLICA CAMPANIA S.P.A.	RBS	IRS	(2,849)	05/31/2020
TOTAL DERIVATIVES PAYABLES			(42,078)	

During 2011 the Group entered into the following new derivatives contracts:

ERG Eolica Campania S.p.A. – issuing banks Royal Bank of Scotland (RBS):

- an interest rate swap contracts entered into for hedging purposes, having a total initial notional value of Euro 28 million, which, with effect from 30 September 2009, will replace the variable rate utilized in the project finance with a fixed rate;
- on 30 November 2011, a restructuring was negotiated with the issuing bank which, after keeping the capital, rate and contractual period fixed, modified the dates of calculation of interest from 30 November to 30 May of each year to 31 December and 30 June of each year, in accordance with the amortization schedule of the Project Financing.

ISAB Energy Solare S.r.l. (a company valued at equity with joint control) – issuing bank Intesa Sanpaolo:

- an IRS contract, having a total initial notional value of Euro 3.6 million which, with effect from 31 December 2011, replaces the variable rate with a fixed rate.

Moreover, summarised below are the main features of the derivatives contracts already in place as at 31 December 2010:

ERG Eolica San Cireo S.r.l. – issuing bank Efibanca and BBVA:

- two IRS contracts, having a total initial notional value of Euro 16 million and relative to the first batch of investments in the wind farm, which replaces the variable rate with a fixed rate utilized in the project finance.

ERG Renew S.p.A. – issuing bank Banca Popolare di Milano:

- a CAP contract, having a total initial notional value of Euro 7.2 million and maturity in 30 October 2012, which, with effect from 30 October 2009, determines the maximum limit of 5% as the rate of reference of the financing.

ERG Eolica-Faeto S.r.l. – issuing bank Efibanca e MCC:

- two CAP contracts, having a total initial notional value of Euro 4.8 million and relative to the first batch of investments in the wind farm, which, effective as of 31 December 2007, determines the maximum limit of 5% of the variable rate utilized in the project finance (Euribor 6 months).

French companies – issuing bank HSH Norbank:

- eight IRS contracts, having a total initial notional value of Euro 23.3 million and effective as of 29 December 2006, which replaces the variable rate with a fixed rate;
- one IRS contract, having a total initial notional value of Euro 9.7 million and effective as of 30 June 2006, which replaces the variable rate with a fixed rate.

ERG Eolica Adriatica - issuing banks BNP Paribas, ING BANK N.V. and The Royal Bank of Scotland Plc:

- three interest rate swap contracts entered into for hedging purposes, having a total initial notional value of Euro 179.5 million, which, with effect from 30 September 2009, regulate the variable Euribor differential with a fixed rate contractually determined;
- three interest rate swap contracts entered into for hedging purposes, having a total initial notional value of Euro 7 million, which, with effect from 26 February 2010, regulate the variable Euribor differential with a fixed rate contractually determined. The three abovementioned contracts were closed during the course of 2011 at the time of the reimbursement of the relative underlying assets.

ERG Eolica Ginestra S.r.l. – issuing bank Unicredit, Centro Banca, Barclays:

- three IRS contracts, having a total notional value of Euro 38 million, which replace the variable rate used in the project financing with a fixed rate.

Green Vicari S.r.l. – issuing bank Unicredit:

- an IRS contract, having an initial notional value of Euro 35.3 million, which, with effect from 31 December 2010, replaces the variable rate with a fixed rate. This contract replaced the previous CAP contract which, with effect from 31 December 2008, set a maximum limit of 4.75% on the loan's benchmark rate.

The fair value of these contracts as at 1 January 2011 and 31 December 2011 is included in the net financial position under “E – Current financial receivables” (positive portion) and under “G – Current portion of non-current debt” (negative portion).

All the Group's derivatives outstanding at 31 December 2011 can be classified as level two; the relative fair value is determined via evaluation techniques based on variables that are directly (or indirectly) observable on the market.

In order to determine the market value of derivatives, ERG Renew S.p.A. utilises various measurement and evaluation models, a summary of which is given in the following table:

TYPE	INSTRUMENT	PRICING MODEL	CALCULATION TOOL	MARKET DATA USED	DATA PROVIDER	IFRS7 HIERARCHY
INTEREST RATE DERIVATIVES	INTEREST RATE SWAP	DISCOUNTED CASH FLOW	– MS EXCEL – FINCAD XL	– DEPOSIT RATES (EURIBOR) – RATES SWAP	– REUTERS	LEVEL 2
INTEREST RATE DERIVATIVES	INTEREST RATE OPTION (CAO, COLLAR)	BLACK & SCHOLES	– MS EXCEL – FINCAD XL	– DEPOSIT RATES (EURIBOR) – RATES SWAP – IMPLIED VOLATILITY SHORT-TERM RATES	– REUTERS – ICAP (VIA REUTERS)	LEVEL 2

The net income posted to the year's Income Statement in connection with the adjustment of fair value at 31 December 2010 to fair value at 31 December 2011 amounted to Euro 4,533 thousand.

Minority put options on unlisted interests

The balance equal to 1,844 thousand Euro concerns the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A. granted by ERG Renew S.p.A. to Gepafin S.p.A. with expiry on 29 January 2009. Gepafin S.p.A. has notified exercise of its put option. ERG Renew S.p.A., considering this right on the shares of Ansaldo Fuel Cells S.p.A. to be invalid, has informed Gepafin S.p.A. that it will not purchase the shares concerned with the option. The related payable, currently still outstanding, is however recognised in the financial statements. The value of the option is Euro 1,844 thousand, which was the maximum exercise value as at 31 December 2011.

18 – OTHER PAYABLES – NON-CURRENT LIABILITIES

The balance shown under “Other payables” - non-current portion as at 31 December 2011 and 31 December 2010, concerns the non-current portion of deferred income pertaining to capital grants received by the companies Green Vicari S.r.l. and Eolo S.r.l. These liabilities have been classified as non-current in order to take account of the effective terms for settlement of same.

19 – DEFERRED TAXES

The following table shows the breakdown of deferred taxes and changes during the year:

	12/31/2011		12/31/2010	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
AMORTISATION/DEPRECIATION	11,388	2,186	10,664	2,047
CAPITAL GAINS ON BUSINESS COMBINATIONS	185,842	70,990	98,820	27,837
<i>OF WHICH CHANGE IN SCOPE OF CONSOLIDATION</i>	<i>115,425</i>	<i>44,044</i>	<i>60,089</i>	<i>18,867</i>
OTHER DIFFERENCES	1,304	364	1,254	350
BALANCE AT END OF PERIOD	198,534	73,540	110,738	30,234

The item “Change in scope of consolidation” refers to the tax effect of capital gains on business combinations arising in connection with the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. which were during the course of 2011 (see section “Extraordinary transactions”).

20 – TRADE PAYABLES

The reported balance includes:

	12/31/2011	12/31/2010
TRADE PAYABLES	20,245	13,799
COMMERCIAL PAYABLES DUE TO PARENT COMPANIES	2,943	402
COMMERCIAL PAYABLES DUE TO GROUP COMPANIES	–	20
TOTAL	23,188	14,221

The book value of trade payables approximates their fair value.

The details of the counterparties involved in payables due to parent and group companies and the nature of these transactions is described in Note 37 “Related-party transactions”.

21 – OTHER PAYABLES – CURRENT LIABILITIES

The reported balance includes:

	12/31/2011	12/31/2010
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	282	310
PAYABLES DUE TO EMPLOYEES	2,000	587
PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS	234	291
PAYABLES DUE TO PUBLIC ENTITIES	4,157	1,572
PAYABLES FOR WATER DISCHARGE (SEWERAGE CONTRIBUTIONS)	–	393
OTHER PAYABLES DUE TO PARENT COMPANIES	545	181
OTHER SUNDRY PAYABLES	1,495	930
ACCRUED EXPENSES AND DEFERRED INCOME	667	1,120
TOTAL	9,380	5,384

The increase in payables due to personnel in the period is primarily due to payables for severance indemnities equal to approximately Euro 1.5 million.

The growth in the item payables due to public entities concerns above all the consolidation of ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. (paragraph "Extraordinary operations") as well as the increase in activities in the wind sector.

The item "Other payables" includes various amounts individually considered non-significant.

Accrued liabilities and deferred income

	12/31/2011	12/31/2010
EQUIPMENT GRANTS	442	440
OTHER ACCRUED LIABILITIES AND DEFERRED INCOME	225	680
TOTAL	667	1,120

The item "Equipment grants" refers to the current portion of the balance remaining of grants received (Euro 4,063 thousand), which will be credited to the Income Statement in subsequent financial years (Note 18 "Other payables – non-current liabilities").

22 – TAX LIABILITIES

	12/31/2011	12/31/2010
CURRENT INCOME TAXES	1,588	1,109
WITHHOLDING TAXES	191	230
OTHER TAX LIABILITIES	266	116
TOTAL	2,045	1,455

This item mainly includes current tax payables accrued to 31 December 2011, as well as taxes withheld as withholding agent, paid in January 2012, and other minor tax liabilities.

23 – NET FINANCIAL POSITION

A breakdown of the Group's consolidated net financial position is set out below:

(THOUSAND EURO)	12/31/2011	12/31/2010
CASH AND CASH EQUIVALENTS	53,218	70,653
CURRENT ACCOUNT OVERDRAFTS	(16,320)	(14,900)
RESTRICTED BANK AND POSTAL ACCOUNTS	4,170	4,170
SHORT-TERM NET FINANCIAL POSITION	41,068	59,923
FINANCIAL RECEIVABLES DUE FROM OTHERS	419	49
FINANCIAL ASSETS	419	49
TOTAL CURRENT FINANCIAL ASSETS	41,487	59,972
PAYABLES DUE TO OTHER LENDERS	(52)	(237)
PAYABLES DUE TO GROUP COMPANIES	(198)	(353)
BANK PAYABLES	(90,479)	(42,703)
DERIVATIVES PAYABLES	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	(92,573)	(45,137)
PAYABLES DUE TO OTHER LENDERS	–	(4,840)
PAYABLES DUE TO PARENT COMPANIES	(1,494)	(284,431)
BANK PAYABLES	(375,140)	(379,416)
DERIVATIVES PAYABLES	(42,078)	(28,190)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	(418,712)	(696,877)
NET FINANCIAL POSITION	(469,798)	(682,042)

The trend in net financial position is commented on in the Report on Operations and in the Statement of Cash Flows.

The net financial position was equal to Euro 470 million, a decrease of Euro 212 million compared to 31 December 2010 following the positive effect of the recapitalization of ERG Renew S.p.A. which was implemented by the sole shareholder ERG S.p.A. (Euro 450 million) and by the cash flows from ordinary operations which were in part compensated by the acquisition of ERG Eolica Campania and by the investments implemented in the period.

It should be noted that, as specified in Note 16, the covenant of the project financing of the wind farm of Vicari was not respected as of 31 December 2011: as a result, in application of that specified by IAS 1, we proceeded with re-classifying the medium to long-term quota of the abovementioned financing, equal to approximately 36 million, under current liabilities.

The said Group net financial position is set out in accordance with CONSOB recommendations contained in Circular 6064293 of July 2006:

DESCRIPTION	12/31/2011	12/31/2010
A CASH	57,388	74,823
B OTHER LIQUID ASSETS	-	-
C SECURITIES HELD FOR TRADING	-	-
D CASH AND CASH EQUIVALENTS (A) + (B) + (C)	57,388	74,823
E CURRENT FINANCIAL RECEIVABLES	419	49
F CURRENT BANK PAYABLES	16,320	14,900
G CURRENT PORTION OF NON-CURRENT DEBT	92,573	45,137
H OTHER CURRENT FINANCIAL PAYABLES	-	-
I CURRENT FINANCIAL DEBT (F)+(G)+(H)	108,893	60,037
J NET CURRENT FINANCIAL DEBT (I)-(E)-(D)	51,086	(14,835)
K NON-CURRENT FINANCIAL RECEIVABLES	-	-
L NON-CURRENT BANK PAYABLES	375,140	379,416
M BONDS ISSUED	-	-
N OTHER NON-CURRENT PAYABLES	43,572	317,461
O NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)	418,712	696,877
P NET FINANCIAL DEBT (J)-(K)+(O)	469,798	682,042
RECONCILIATION WITH THE STATEMENT OF CASH FLOWS AND STATEMENT OF FINANCIAL POSITION:		
(1) CASH AND CASH EQUIVALENTS	57,388	74,823
(2) BANK PAYABLES	16,320	14,900

INCOME STATEMENT ANALYSIS

In accordance with IFRS 5, the comparative Income Statement for FY10 shows, under the item "Net profit (loss) from discontinued operations", the costs and revenues, income and charges pertaining to the companies sold as part of the disposal operation commented in the above section "Extraordinary operations" which, in the FY2010 annual consolidated Income Statement, were classified, according to their nature, under costs and revenues, income and charges from ongoing operations.

Moreover, the FY2011 economic result pertaining to the sold companies has been classified, again in accordance with the provisions set forth by IFRS 5, under the item "Net profit (loss) from discontinued operations" (Note 33).

24 – TOTAL REVENUES

The value shown in the financial statements can be broken down as follows:

	2011	2010
OPERATING REVENUES	108,333	64,326
OTHER REVENUES AND INCOME	955	1,578
TOTAL	109,288	65,904

Operating revenues

	2011	2010
REVENUES FROM SALES AND SERVICES	56,893	34,596
REVENUES FOR GREEN CERTIFICATES	50,625	29,219
OTHER OPERATING REVENUES	815	511
TOTAL OPERATING REVENUES	108,333	64,326

ERG Eolica Campania S.p.A. contributed the amount of Euro 13 million to group revenues; ERG Eolica Amaroni S.r.l., given that it is not yet operational, did not significantly contribute to Group revenues.

Revenues from sales and services include the amount of Euro 2,024 thousand paid by Terna to subsidiaries ERG Eolica San Cireo S.r.l., ERG Eolica San Vincenzo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Adriatica S.r.l. and ERG Eolica Campania S.p.A. in connection with the reduction in electricity output owing to problems on the national transmission grid in Puglia and Sicily.

Reference is made to the Report on Operations for a more complete analysis of the trend in revenues from sales and services.

The item "Revenues from green certificates" represents the valorization of green certificates matured by the Group in FY2011 referring to the output of the following wind farms: Troia San Vincenzo (Foggia), Troia San Cireo (Foggia), Vitucuso Vallerotonda (Frosinone), Pian dei Corsi e Baltera (Savona), Vicari (Palermo), Faeto (Foggia), Ascoli Satriano (Foggia), Rotello (Campobasso), Baseliçe (BN), Bisaccia (AV), Foiano di Val Fortore (BN), Lacedonia (AV), Molinara (BN) – the latter five in reference to the company ERG Eolica Campania S.p.A. acquired on 5 August 2011 – for a total number of 615,214 green certificates. The per unit value assigned to the green certificates, as estimated under the aforesaid Decree, is 82.12 Euro/MWh, as more clearly analyzed in the Report on Operations and in the previous paragraph "Use of estimates".

Other revenues and income

The reported amount is broken down as follows:

	2011	2010
OPERATING SUBSIDIES	387	387
INDEMNITIES	49	859
OTHER INCOME FROM PARENT COMPANIES	106	–
OTHER INCOME	413	332
TOTAL	955	1,578

It should be noted that indemnities for 2010 concern insurance reimbursements for the damages incurred by some French wind farms and by ERG Eolica San Ciro and ERG Eolica San Vincenzo, settlement of which took place during the year 2010.

A breakdown of the amounts relating to transactions with Group companies is summarised in Note 37 “Related-party transactions”.

25 – SERVICES

The reported amount is broken down as follows:

	2011	2010
SERVICES	14,144	10,859
UTILITIES	916	321
SUNDRY COSTS	9,657	5,395
USE OF THIRD PARTY GOODS	5,401	3,315
TOTAL	30,118	19,890

The increase in the items “Services” and “Use of third party goods” essentially concerns the growth in the wind business, the charges pertaining to ERG Eolica Campania S.p.A. (Euro 2.5 million) acquired during the current financial year and the rise in technical, legal and financial advisory costs.

The item “Services” includes advisory costs, amounting to Euro 5.1 million relative to the acquisition of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. (see section “Extraordinary operations”) and other extraordinary operations being conducted and evaluated by the Company.

“Sundry costs” mainly concern operating expenses for the upkeep and routine maintenance of the industrial sites, insurance costs, municipal commission and other expense categories and minor charges directly related to operating activities. The overall increase in the aforesaid costs is essentially due to the above mentioned growth in the wind sector business.

26 – PERSONNEL EXPENSES

The reported amount is broken down as follows:

	2011	2010
SALARIES AND WAGES	2,805	2,082
SOCIAL SECURITY EXPENSES	833	588
EMPLOYEES' SEVERANCE INDEMNITIES	182	143
OTHER COSTS	1,967	256
TOTAL	5,787	3,069

The increase in personnel expenses mainly refers to severance indemnities totalling approximately Euro 1.7 million which were ascertained during the course of this year.

27 – OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

	2011	2010
INDIRECT TAXES	1,584	1,353
OTHER PROVISIONS	929	2,726
WRITE-DOWNS OF RECEIVABLES	1,000	1,000
OTHER OPERATING EXPENSES	1,185	1,243
TOTAL	4,698	6,322

The decrease in "Other operating expenses" is essentially due to the allocation implemented during the course of 2010 by the company Green Vicari S.r.l. for 2,100 thousand Euro to a provision for risks which became necessary to cover the risk of extraordinary maintenance interventions at the owned wind farms; during the course of 2011, an additional allocation of 600 thousand Euro became necessary.

In addition, the receivable due from promoters of the wind farm in Nurra was written down by an additional million Euro.

Additional information concerning the aforesaid amounts is provided in the section "Use of estimates".

28 – AMORTIZATION AND DEPRECIATION

The reported amount is broken down as follows:

	2011	2010
AMORTISATION OF INTANGIBLE FIXED ASSETS	7,536	4,344
DEPRECIATION OF TANGIBLE FIXED ASSETS	39,377	25,113
TOTAL	46,913	29,457

The growth in depreciation over FY2010 reflects the effect of depreciation for eight and three months of 2011, respectively, as regards the wind farms of ERG Eolica Fossa del Lupo S.r.l. and ERG Eolica Ginestra S.r.l., in addition to the impact of the change in scope of consolidation (Euro 5 million – "Extraordinary operations").

29 – WRITE-DOWNS AND PROVISIONS

The 2010 balance of 19.5 million refers to write-downs of fixed assets which occurred following the outcomes of impairment tests implemented during the course of the previous year; for more details, refer to the Explanatory Notes of the Consolidated Financial Statements of ERG Renew S.p.A. of 31 December 2010.

30 – NET FINANCIAL INCOME (EXPENSES)

The reported balance includes:

	2011	2010
FINANCIAL INCOME	5,445	3,206
FINANCIAL EXPENSES	(37,120)	(18,537)
TOTAL	(31,675)	(15,331)

Financial income

	2011	2010
INTEREST AND COMMISSION FROM BANKS	5,207	3,142
INTEREST AND COMMISSION FROM OTHERS	149	64
INTEREST FROM GROUP COMPANIES	89	–
TOTAL	5,445	3,206

The item “Interest and commission from banks” primarily refers to the company ERG Eolica Adriatica (Euro 4.2 million), and concerns the income from valuation of the ineffective portion of derivatives (Note 17 “Derivatives receivables and payables”).

Financial expenses

	2011	2010
INTEREST PAYABLE TO OTHERS	23,294	10,871
INTEREST PAYABLE TO GROUP COMPANIES	13,796	6,351
WRITE-DOWN OF FINANCIAL RECEIVABLE DUE FROM A GROUP COMPANY	–	1,267
BANK CHARGES AND COMMISSION	30	48
TOTAL	37,120	18,537

The increase in interest payable to others is, in particular, due to *i)* the full contribution, in 2011, of ERG Eolica Adriatica S.r.l. during the course of 2011 (greater payable interest of 9.3 million Euro with respect to 2010), *ii)* the interest payable on the wind farms of ERG Eolica Fossa del Lupo S.r.l. and ERG Eolica Ginestra S.r.l. which became operational during the course of 2011 (1.9 million Euro), and *iii)* the five-month contribution, in 2011, of ERG Eolica Campania S.p.A. which was acquired on 5 August 2011 (1.1 million Euro).

The significant rise in interest payable to Group companies is connected with the increase in debt vis-à-vis the parent company ERG S.p.A. during the course of 2011 as a result of the credit line described in Note 16.

Details of all financial income and expenses vis-à-vis Group companies are provided in Note 37 “Related-party transactions”.

It should be noted that the “Write-down of financial receivables due from a Group company” in 2010, amounting to Euro 1,267 thousand, refers to the loan granted to the company C.I.T.A. S.a.s.

which was written down as at 31 December 2010; the company in question was then sold in 2011, as described in the paragraph "Extraordinary Operations".

31 – INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes:

	2011	2010
VALUATION USING THE EQUITY METHOD	(37)	(674)
WRITE-DOWN OF "OTHER EQUITY INVESTMENTS"	(142)	–
DIVIDENDS FROM OTHER COMPANIES	33	–
OTHER INCOME	282	–
TOTAL	136	(674)

The item "Valuation using the equity method" includes the valuation at equity of the companies ISAB Energy Solare S.r.l. and LUKERG Renew GmbH.

The "Write-down of other companies" includes the write-down of the subsidiary Eolico Troina S.r.l., as described in note 3 "Equity investments". "Dividends from other companies" refer to dividends distributed from Utilità Progetti e Sviluppo S.r.l. to ERG Renew S.p.A. during the course of 2011.

32 – INCOME TAXES

Italian income taxes are calculated on estimated taxable income for the year, according to the rates currently prevailing, based on present regulations and the domestic tax consolidation system. Taxes for other jurisdictions are calculated according to the tax rates applicable in the countries concerned.

The reported amount is broken down as follows:

	2011	2010
CURRENT INCOME TAXES	(6,701)	(1,229)
PRIOR YEAR TAX ADJUSTMENTS	481	99
DEFERRED INCOME TAXES	21,111	12,034
TOTAL	14,891	10,904

Refer to the section "Use of estimates" for information on the increase in deferred tax assets booked in the income statement.

The reconciliation between the tax liability reported in the Consolidated Financial Statements and the theoretical tax liability, based on the theoretical tax rates prevailing in Italy, is as shown below:

	TAXABLE AMOUNT	TAX
IRES (CORPORATION TAX)		
PROFIT BEFORE TAXES	(10,118)	
THEORETICAL IRES TAXATION AT 27.5%		-
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(4,262)
CURRENT IRES		(4,262)
DEFERRED IRES		21,111
CURRENT AND DEFERRED IRES		16,849
IRAP (REGIONAL TAX)		
EBIT	21,421	
PERSONNEL EXPENSES AND WRITE-DOWNS	5,787	
TOTAL	27,208	
THEORETICAL IRAP TAXATION AT 4.97%		(1,061)
IRAP RATE INCREASED FOR SOME COMPANIES		-
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(1,378)
CURRENT AND DEFERRED IRAP		(2,439)
TOTAL THEORETICAL TAXES		(1,061)
TOTAL IRES AND IRAP PER FINANCIAL STATEMENTS		14,410
TAXES FROM PREVIOUS YEAR		481
TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS		14,891

33 – NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

The net profit (loss) from discontinued operations can be broken down as follows:

	2011
CAPITAL LOSS FROM SALE OF DSI - SODAI	(3,324)
NET PROFIT (LOSS) FOR THE YEAR DSI - SODAI	330
TOTAL	(2,994)
CAPITAL LOSS FROM SALE OF C.I.T.A.	(116)
NET PROFIT (LOSS) FOR THE YEAR OF C.I.T.A.	(301)
TOTAL	(417)
TOTAL NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(3,411)

The net profit (loss) from discontinued operations detailed above includes the capital losses relating to the sale of companies operating in the hydro sector and of the projects located in France and named CITA Wind (paragraphs “Extraordinary operations” and “Scope of Consolidation”).

The balance for net profit (loss) from discontinued operations in FY2010, corresponding to an overall positive amount of Euro 1,937 thousand, briefly includes, in application of IFRS 5, the costs and revenues, income and charges pertaining to the companies sold as part of the sale transaction commented above and which in the 2010 annual consolidated Income Statement had been classified, according to their nature, under costs and revenues, income and charges from continuing operations.

In addition, the balance of net profit (loss) from discontinued operations in FY2010 includes:

- i)* the capital gains and write-downs of non-current assets relative to sales operations which occurred in the previous year and relative to companies operating in the mini-hydro sector;
- ii)* the recognition, on the part of the company ACEA S.p.A. with respect to ERG Renew S.p.A., of a price increase deriving from the sale of TAD Energia Ambiente which occurred during the course of 2006. Following the agreements with ACEA S.p.A. itself, the earn out was settled between the parties in the month of July 2010 for an amount totalling Euro 1,617 thousand and was considered income of non-recurring nature.

OTHER INFORMATION

34 – INFORMATION BY BUSINESS DIVISION AND GEOGRAPHICAL AREA

Even after the transaction concerning the sale of subsidiaries operating in the mini-hydro sector (see section “Extraordinary operations”), the Group is currently solely active in the sectors of energy generation from renewable sources (wind power).

The Income Statement by business segment and the related financial information have been modified and restated. With the application of IFRS 5, the costs and revenues, income and charges for FY2010 pertaining to the companies sold as part of the extraordinary operation, previously classified, according to their nature, under costs and revenues, income and charges from continuing operations, are now briefly included under “Net profit (loss) from discontinued operations”.

Business segment reporting – 2011

2011	WIND	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	107,689	3,757	111,446
LESS: INTERDIVISIONAL REVENUES	(100)	(3,013)	(3,113)
REVENUES FROM THIRD PARTIES	107,589	744	108,333
EBITDA	83,275	(14,941)	68,334
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(46,763)	(150)	(46,913)
EBIT	36,512	(15,091)	21,421

2011	WIND	WATER SERVICES	NOT ALLOCATED	TOTAL
INVESTMENTS IN FIXED ASSETS ⁽¹⁾	52,890	64	520	53,474

(1) relating to intangible and tangible assets

Business segment reporting – 2010

2010	WIND	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	64,773	4,307	69,080
LESS: INTERDIVISIONAL REVENUES	(958)	(3,796)	(4,754)
REVENUES FROM THIRD PARTIES	63,815	511	64,326
EBITDA	46,417	(9,909)	36,508
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(48,869)	(109)	(48,978)
EBIT	(2,452)	(10,018)	(12,470)

2010	WIND	WATER SERVICES	NOT ALLOCATED	TOTAL
INVESTMENTS IN FIXED ASSETS ⁽¹⁾	88,206	339	409	88,954

(1) relating to intangible and tangible assets

The financial performance of the business lines is described in detail in the Report on Operations, to which reference is made.

35 – EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated using the following data:

	12/31/2011	12/31/2010
NET PROFIT (LOSS)		
NET PROFIT (LOSS) USED TO CALCULATE BASIC EARNINGS PER SHARE	1,089	(15,853)

	12/31/2011	12/31/2010
NUMBER OF SHARES		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE	131,771,698	132,666,675

36 – PROFESSIONAL SERVICES OF THE AUDITING FIRM DELOITTE & TOUCHE S.P.A.

In accordance with Article 149-duodecies of the Issuers' Regulations, the following table shows a detailed breakdown of services provided to Group companies during the year by the auditing firm Deloitte & Touche S.p.A.:

	DELOITTE & TOUCHE S.P.A.	OTHER COMPANIES BELONGING TO THE DELOITTE NETWORK
AUDITING SERVICES	271	69
SERVICES OTHER THAN AUDITING FOR THE ISSUANCE OF CERTIFICATION	18	–
OTHER SERVICES	47	–
TOTAL FEES	336	69

The item "Auditing services" refers to activities regarding certification of the consolidated and separate annual and interim financial reports and accounting control during the year performed by Deloitte & Touche S.p.A. and its French correspondents.

"Services other than auditing for the issuance of certification" performed by Deloitte & Touche S.p.A. refer to auditing activities connected with the review of the separate annual accounts for the purposes set forth in resolution no. 11 dated 18 January 2007 of the Italian Authority for Electricity and Gas (Unbundling).

The item "Other services" mainly refers to other minor services supplied by the companies of the Deloitte Network.

37 – RELATED-PARTY TRANSACTIONS

The transactions taking place during the year between the Parent company and its subsidiaries – which are related parties of such Company – have been eliminated in the Consolidated Financial Statements and are not shown in these notes.

The Group receives from the parent company ERG S.p.A. services regulated by service contracts above all as regards administrative, financial and organisational activities, institutional and international relations, assistance with extraordinary operations, corporate affairs and planning and control as well as charges for the use of the computer system and office rentals. These activities, covered by service contracts, are performed in a coordinated manner with the organisation of the ERG Renew Group, which in any case maintains its own contractual autonomy vis-à-vis its suppliers, and can be itemised as follows:

- Administration and Fiscal provides for the operational coordination of financial reporting activities, fiscal policies as well as activities intended to implement and activate the Group administrative processes for the correct application of accounting policies and supports the ERG Renew Group in the protection of its assets;
- Finance intended as support for treasury analysis and reporting operations as well as activities concerning the handling of relations with the banking and financial system, also for the granting of possible public subsidies for new investments;
- Risk Management supports and assists top management in defining risk management policies in observance of risk-related Group Policies, and supports the corporate functions in their identification, prevention, reduction and hedging of critical risks for the business in relation to the Group's tangible and intangible assets using, where necessary, the consultancy and intermediation of the insurance broker or specialised consultants and defines and implements guidelines for the identification, handling and periodic review of all categories of risk associated with the Group's industrial and financial activities;
- Audit monitors the controls exercised by management in order to assess the adequacy of the control systems put in place and the results obtained by way of their application. It verifies and evaluates the correct application of corporate policies, procedures and bookkeeping with a view to furnishing useful suggestions for carrying out management control activities;
- Corporate Security supports the company's Management in protecting its tangible/intangible assets against internal/external risks or attacks of an intentional nature, analysing the areas of exposure and defining appropriate security management strategies and policies;
- Planning develops the medium and long-term scenarios (and related sensitivities), supporting the Businesses' Forecasting, Budgeting and Planning operations; it also develops and evaluates, in collaboration with the Functions concerned, strategic studies and projects (for example, Italian and international market analyses, support for identification of new business opportunities, studies and projects with regard to technological innovation in the sector of renewable energy sources); it also collaborates with the Departments concerned for the definition and maintaining of asset evaluation methodologies and tools, and provides the required support for the evaluation of specific initiatives, monitoring the consistency of same with respect to the Group business model;
- Merger & Acquisition provides support for the evaluation and development of new business opportunities, also researching and analysing potential partnerships, and guarantees an activity of support for the competent departments as regards technical, economic, financial pre-feasibility analysis; in the subsequent phases of opportunity development, it also provides support with definition and optimisation of the "business model" in close coordination with the competent divisions. It provides support for the

management of tenders during the “due diligence” phase (coordination of the project team and advisors, handling of relations with the counterparty), and for the finalisation of project documentation, in close coordination with top management and with the individual divisions concerned;

- Institutional and International Relations promotes and implements all reasonable initiatives designed to minimise risks and remove the causes that might jeopardise the health and safety of own employees as well as the local community in the area where operations are carried out; it develops a relationship of constructive cooperation, imbued with utmost transparency and trust, both within its own organisation and with the external community and the Institutions in the handling of issues relating to Health, Safety and the Environment;
- Communications realises and implements the Group’s editorial line (in paper and electronic format). It performs advisory activities and direct operational management of institutional communications events;
- Personnel promotes the definition and ensures implementation of personnel policies in keeping with the Group’s strategic vision and encourages the involvement and participation of employees at all levels for the achievement of corporate objectives; it supports the realisation of organisational analyses aimed at optimising activities and staff; it provides support for the management and development of payroll programmes in accordance with legal, contractual and corporate requirements;
- Information Systems provides support for the development, management and maintenance of the corporate information system (comprising the processing, automation, control and telecommunications systems) in line with the most state-of-the-art information technologies; it ensures the methodological development and technical realisation of the information system, ensuring its management with a view to achieving the most suitable working conditions according to the skills available and the required service levels.

As compensation for the activities performed, for execution of the assignment on a continuous basis, the Group pays the amounts determined based on the standard average staff cost increased for accessory charges, general expenses, lump-sum reimbursement of costs incurred in carrying out the assignment and remuneration for services supplied.

As of 31 December 2011, the balance “Non-current portion of financial payables due to parent companies” refers to the utilization of a credit line granted by ERG S.p.A. to ERG Renew S.p.A. on 25 May 2009. More specifically, ERG S.p.A. committed to supporting ERG Renew S.p.A., during FY2009 and up to the amount of Euro 140 million, with financial backing for investments planned in 2009 in addition to any funding required to cover the ordinary and current operations of the Company and the Group during the same period.

The aforesaid line of credit includes a first tranche – line A (6-month EURIBOR plus a spread of 2%) for the amount of Euro 70 million – intended to finance 2009 investments and ERG Renew S.p.A.’s ordinary and current operations, and a second tranche – line B (6-month EURIBOR plus a spread of 1% up until 31 December 2009, 6-month EURIBOR plus a spread of 2% up to maturity on 31 December 2011) for an additional Euro 70 million – intended to permit the former subsidiaries of ERG Power & Gas S.p.A. (currently incorporated in ERG S.p.A.) to repay their financial debts vis-à-vis the latter.

With effect from 1 January 2010 ERG S.p.A. has confirmed, for FY2010, the financial support required for ERG Renew S.p.A. to implement 2010 investment plans and cover operational needs, raising the financing amount, under a single line of credit, up to a maximum of Euro 231 million.

This line of credit, originally available until 31 December 2010 and subsequently extended

until 31 December 2011, has been further extended until 31 December 2012, subject to further possible extensions to be agreed in writing between the parties. The rate is based on 6-month EURIBOR plus a spread of 2%.

In order to cover investments planned during FY2011 the parent company ERG S.p.A., in February 2011, formally committed to irrevocably renewing its financial support for ERG Renew, already undertaken in 2009 and 2010, increasing the credit line from Euro 231 million to 307 million.

Following the subsequent acquisition of the company ERG Eolica Adriatica S.r.l. (see section "Extraordinary operations"), ERG S.p.A. raised the aforesaid credit line in favour of ERG Renew S.p.A. up to the overall amount of Euro 311 million, by granting ERG Renew an additional "Installment B" up to a maximum amount of Euro 80 million to be used exclusively for the acquisition of a 100% equity interest in the company in question as well as accessory costs, if any, related to the acquisition. This "Installment B" will mature on 31 December 2015 with repayment in a lump sum on maturity, subject to ERG's option to request early redemption thereof in the event of share capital increase transactions within ERG Renew, and a spread of 300 basis points with respect to Euribor. The Loan was subsequently granted by ERG Renew to ERG Eolica Italia at the same terms and conditions, with an increase of 5 basis points in the spread.

Finally, during the course of 2011, the acquisitions of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l. – and for which ERG S.p.A. granted ERG Renew S.p.A. an additional "Installment C" of up to Euro 145 million to allocate for the acquisition of 100% of the shares of the companies in question and any potential accessory purchase costs. This "Installment C" will mature on 31 December 2015 with repayment in a lump sum on maturity, subject to ERG's option to request early redemption thereof in the event of share capital increase transactions within ERG Renew, and a spread of 300 basis points with respect to Euribor. The Loan was subsequently granted by ERG Renew to ERG Eolica Italia at the same terms and conditions, with an increase of 5 basis points in the spread.

During the course of the month of December 2011, ERG Renew S.p.A. reimbursed, for an amount totalling Euro 450 million, the debit line described above which was overall utilized up to the same period for an amount, net of accrued interest, of approximately Euro 452 million. Following this reimbursement, the overall balance as of 31 December 2011 of the debt amounted to Euro 1,494 thousand. In addition, on 20 December 2011, the Board of Directors of the sole shareholder, ERG S.p.A., deliberated in favor of the undersigning – in favor of ERG Renew S.p.A., of a Centralized Financial Management Agreement with the consequent activation of an intragroup bank account up to a maximum debt exposure of Euro 100 million. The Agreement has an annual duration, with expiration on 31 December 2012, and is considered tacitly renewed each year. Payable interest based on the 6-month Euribor, increases by a spread of 300 basis points, will accrue with respect to the debtor balances relative to ERG S.p.A. while receivable interest based on the 1-week Euribor, increases by a spread of 100 basis points, will accrued with respect to the credit balances relative to ERG S.p.A.

In addition, the Group – during the current year – debited ERG S.p.A. for costs totalling Euro 440 thousand relative to consulting services associated with the development of new projects.

The detail of the remaining transactions between the Group and other related parties is shown below.

FINANCIAL DATA

2011

	TRADE		FINANCIAL		OTHER	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
PARENT COMPANIES						
ERG S.P.A.	417	2,943	-	1,494	739	545
TOTAL PARENT COMPANIES	417	2,943	-	1,494	739	545
SUBSIDIARIES						
EOLICO TROINA S.R.L.	1	-	-	198	-	-
TOTAL SUBSIDIARIES	1	-	-	198	-	-
JOINTLY CONTROLLED COMPANIES						
ISAB ENERGY SOLARE S.R.L.	47	-	612	-	-	-
LUKERG RENEW GMBH	401	-	-	-	-	-
TOTAL JOINTLY CONTROLLED COMPANIES	448	-	612	-	-	-
GROUP COMPANIES						
ERG OIL SICILIA S.R.L.	3	-	-	-	-	-
TOTAL GROUP COMPANIES	3	-	-	-	-	-

2010

	TRADE		FINANCIAL		OTHER	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
PARENT COMPANIES						
ERG S.P.A.	140	402	-	284,551	3,698	181
TOTAL PARENT COMPANIES	140	402	-	284,551	3,698	181
ASSOCIATE COMPANIES						
EOLICO AGIRA S.R.L.	1	-	-	20	-	-
EOLICO MIRABELLA S.R.L.	-	-	1	-	-	-
EOLICO PALAGONIA S.R.L.	1	-	-	32	-	-
EOLICO RAMACCA S.R.L.	1	-	-	84	-	-
EOLICO TROINA S.R.L.	-	-	-	97	-	-
TOTAL ASSOCIATE COMPANIES	3	-	1	233	-	-
SUBSIDIARIES						
ISAB ENERGY SOLARE S.R.L.	47	-	1,781	-	-	-
TOTAL SUBSIDIARIES	47	-	1,781	-	-	-
GROUP COMPANIES						
ERG NUOVE CENTRALI S.P.A.	1	-	-	-	-	-
ERG OIL SICILIA S.R.L.	-	20	-	-	-	-
TOTAL GROUP COMPANIES	1	20	-	-	-	-

Insofar as concerns financial payables due to Parent and other Group companies reference is made to Note 16 "Financial liabilities".

It should be noted that, in relation to the company ATE S.r.l., owner of a 49% stake in Eolo S.r.l., the Group has recorded a financial payable of Euro 52 thousand as described in Note 16 "Financial liabilities".

PROFIT AND LOSS DATA

Economic transactions are carried out at values in keeping with those of the market. In FY2011 these services related mainly to administration and human resources management services. For the purposes of full disclosure, the economic values reported below do not take into account the reclassifications required by IFRS 5 and therefore also include the amounts specified in the row "Net profit (loss) of discontinued operations".

2011

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	PURCHASING COSTS	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSES
PARENT COMPANIES						
ERG S.P.A.	334	106	-	4,362	-	13,794
TOTAL PARENT COMPANIES	334	106	-	4,362	-	13,794
ASSOCIATE COMPANIES						
C.I.T.A. S.A.S.	-	-	-	-	43	-
TOTAL ASSOCIATE COMPANIES	-	-	-	-	43	-
JOINTLY CONTROLLED COMPANIES						
LUKERG RENEW GMBH	401	-	-	-	-	-
ISAB ENERGY SOLARE S.R.L.	-	-	-	-	46	-
TOTAL JOINTLY CONTROLLED COMPANIES	401	-	-	-	46	-
SUBSIDIARIES						
EOLICO TROINA S.R.L.	4	-	-	-	-	2
TOTAL SUBSIDIARIES	4	-	-	-	-	2
GROUP COMPANIES						
TOTALERG S.P.A.	-	-	30	-	-	-
TOTAL GROUP COMPANIES	-	-	30	-	-	-

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	PURCHASING COSTS	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSES
PARENT COMPANIES						
ERG S.P.A.	345	142	–	3,379	–	6,416
TOTAL PARENT COMPANIES	345	142	–	3,379	–	6,416
ASSOCIATE COMPANIES						
C.I.T.A. S.A.S.	–	–	–	–	40	–
TOTAL ASSOCIATE COMPANIES	–	–	–	–	40	–
JOINTLY CONTROLLED COMPANIES						
ISAB ENERGY SOLARE S.R.L.	50	–	–	–	45	–
TOTAL JOINTLY CONTROLLED COMPANIES	50	–	–	–	45	–
SUBSIDIARIES						
EOLICO AGIRA S.R.L.	2	–	–	–	–	–
EOLICO PALAGONIA S.R.L.	1	–	–	–	–	–
EOLICO RAMACCA S.R.L.	1	–	–	–	–	–
TOTAL SUBSIDIARIES	4	–	–	–	–	–
GROUP COMPANIES						
ERG OIL SICILIA S.R.L.	–	2	–	–	–	–
ERG PETROLI S.P.A.	–	–	28	–	–	–
TOTALERG S.P.A.	–	–	9	–	–	–
TOTAL GROUP COMPANIES	–	2	37	–	–	–

38 – COMMITMENTS AND POTENTIAL LIABILITIES

The total value of overall commitments of the Group's companies at the end of the reporting period amounted to Euro 60,387 thousand. The breakdown was as follows:

- Euro 28,077 thousand mostly related to the guarantees issued by Group companies as regards the supply contracts connected with construction of the wind farms;
- Euro 10,101 thousand related to the guarantees issued by Group companies, based on current regulations, in favour of the Fiscal Revenues Agency (*Agenzia delle Entrate*) and the competent VAT offices;
- Euro 17,264 thousand related to the guarantees issued by Group companies in favour of various public entities in connection with operating activities in the water services and wind sectors;
- Euro 4,945 thousand related to guarantees issued in favour of HSH Nordbank AG in connection with ongoing project financings pertaining to the French wind farms.

39 – NUMBER OF EMPLOYEES

The Group's average number of employees is set out in the following table:

	12/31/2011	12/31/2010
EXECUTIVES	7	6
WHITE-COLLAR WORKERS	65	69
TOTAL	72	75

40 – RISK DISCLOSURE

Set out below is the breakdown of financial assets and liabilities as required by IFRS 7 according to the categories envisaged by IAS 39.

Year 2011

	(NOTES)	12/31/2011	LOANS & RECEIVABLES	HEDGING DERIVATIVES	HTM
ASSETS					
FINANCIAL ASSETS	4	725	725	–	–
OTHER RECEIVABLES	5	9,114	9,114	–	–
DERIVATIVES RECEIVABLES	17	1	–	1	–
TOTAL NON-CURRENT FINANCIAL ASSETS		9,840	9,839	1	–
TRADE RECEIVABLES	8	77,603	77,603	–	–
CASH AND CASH EQUIVALENTS	12	57,388	57,388	–	–
TOTAL CURRENT FINANCIAL ASSETS		134,991	134,991	–	–
TOTAL FINANCIAL ASSETS		144,831	144,830	1	–

HTM: held to maturity

	(NOTES)	12/31/2011	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES					
FINANCIAL PAYABLES NET OF CURRENT PORTION	16	375,140	375,140	–	–
DERIVATIVES PAYABLES	17	42,078	–	40,176	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES		417,218	375,140	40,176	–
CURRENT PORTION OF FINANCIAL PAYABLES	16	107,049	107,049	–	–
DERIVATIVES PAYABLES	17	1,844	1,844	–	–
TRADE PAYABLES	20	23,188	23,188	–	–
TOTAL CURRENT FINANCIAL LIABILITIES		132,081	132,081	–	–
TOTAL FINANCIAL LIABILITIES		549,299	507,221	40,176	–

HTM: held to maturity

Year 2010

	12/31/2010	LOANS & RECEIVABLES	HEDGING DERIVATIVES	HTM
ASSETS				
FINANCIAL ASSETS	725	725	–	–
OTHER RECEIVABLES	14,852	14,852	–	–
DERIVATIVES RECEIVABLES	172	–	172	–
TOTAL NON-CURRENT FINANCIAL ASSETS	15,749	15,577	172	–
TRADE RECEIVABLES	53,205	53,205	–	–
CASH AND CASH EQUIVALENTS	74,823	74,823	–	–
TOTAL CURRENT FINANCIAL ASSETS	128,028	128,028	–	–
TOTAL FINANCIAL ASSETS	143,776	143,605	172	–

HTM: held to maturity

	12/31/2010	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES				
FINANCIAL PAYABLES NET OF THE CURRENT PORTION	384,256	384,256	–	–
DERIVATIVES PAYABLES	28,190	–	26,288	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES	412,446	384,256	26,288	–
CURRENT PORTION OF FINANCIAL PAYABLES	58,194	58,194	–	–
DERIVATIVES PAYABLES	1,844	1,844	–	–
TRADE PAYABLES	14,221	14,221	–	–
TOTAL CURRENT FINANCIAL LIABILITIES	74,259	74,259	–	–
TOTAL FINANCIAL LIABILITIES	486,705	458,515	26,288	–

HTM: held to maturity

The principal risks identified and actively managed by the Group are the following:

- Credit risk: the possibility of default by a counterparty or potential deterioration of the creditworthiness assigned;
- Market risk: deriving from exposure to fluctuations in interest rates;
- Liquidity risk: the risk that the financial resources available are insufficient to meet payment obligations;
- Operating risk: the risk of potential losses deriving from accidents, malfunctioning, plant breakdowns, exogenous events, with personal injuries and environmental damage, as well as inadequacy or improper functioning of procedures, human resources and internal management systems.

The Group attributes great importance to the management of risks and to control systems, as a means of guaranteeing efficient management of the risks undertaken. Consistently with this objective, a risk management system has been adopted with formalised strategies, policies and procedures that assure identification, measurement and control of the degree of exposure to individual risks at centralised level for the entire Group.

As regards exposure to the risk of offences pursuant to Legislative Decree no. 231/01, the

Group's companies have adopted Organisation, Management and Control Models. These identify analytically the corporate activities where offences relating to the above mentioned regulation may occur. Specific operating protocols have been prepared in order to schedule development and implementation of the entity's decisions concerning the offences to be prevented.

The Group's companies have also set up Supervisory Committees, whose task is to periodically monitor mapping of the areas at risk of offences and carry out systematic checks to ascertain that the operating protocols contemplated in the Models are duly observed.

CREDIT RISK

Exposure to credit risk, inherent in the possibility of default by counterparties or deterioration of the creditworthiness assigned to same, is managed by means of appropriate analysis and evaluation of each individual counterparty.

The credit risk concerning the Group's financial assets features a maximum risk, in case of insolvency of the counterparty, equal to the carrying value of such assets.

The tables below provide information on the Group's exposure to credit risk as at 31 December 2011 and 31 December 2010:

	12/31/2011	30 DAYS	PAST DUE AGEING		MORE THAN
			60 DAYS	90 DAYS	90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	9,840	-	-	-	-
TRADE RECEIVABLES	75,093	-	-	-	-
CASH AND CASH EQUIVALENTS	57,388	-	-	-	-
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	132,481	-	-	-	-
PAST DUE TRADE RECEIVABLES	9,059	-	-	-	-
BAD DEBT PROVISION	(6,549)	-	-	-	-
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	2,510	110	3	16	2,381
TOTAL FINANCIAL ASSETS	144,831	110	3	16	2,381

Trade receivables more than 90 days past due in the amount of Euro 2,381 thousand mainly comprise receivables acquired by the ERG Renew S.p.A. Group from the company ACEA S.p.A. following partial execution of the arbitration award; for considerations concerning the credit risk connected with these positions reference is made to the detailed description provided in the above section "Use of estimates – write-down of receivables".

	12/31/2010	30 DAYS	PAST DUE AGEING		MORE THAN
			60 DAYS	90 DAYS	90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	15,749	-	-	-	-
TRADE RECEIVABLES	48,543	-	-	-	-
CASH AND CASH EQUIVALENTS	74,823	-	-	-	-
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	123,366	-	-	-	-
PAST DUE TRADE RECEIVABLES	11,332	-	-	-	-
BAD DEBT PROVISION	(6,670)	-	-	-	-
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	4,662	2	178	104	4,378
TOTAL FINANCIAL ASSETS	143,777	2	178	104	4,378

MARKET RISK

The Group's liabilities are primarily exposed to financial risks relating to changes in interest rates. In order to manage the risk of fluctuations in interest rates the Group uses derivatives, which mostly come under the contractual category of interest rate swaps. In particular, the Group's policy is to convert part of its variable interest-rate payables to a fixed interest rate in order to normalise financial expenditures. These instruments, being effective, have been designated as "cash flow hedges". Reference is made to Note 17 "Derivatives receivables and payables" for a breakdown of the categories of instruments used, the reference notional value and the fair value at 31 December 2011.

The use of these instruments is centralized with the consolidating company ERG Renew S.p.A., which has the task of assessing the financial risks and defining the relevant hedging policies. ERG Renew S.p.A. operates directly on the market on behalf of the subsidiaries, which are then required to execute the contract. The derivative contracts are concluded with primary banks in order to reduce the risk of contractual non-performance. The Group does not use derivative instruments for trading purposes.

Exposure to the risk of interest rate movements has reached a significant level due to the development of project financing initiatives in some investee companies operating in the wind sector.

All the derivatives are measured at fair value, in accordance with IAS 39, corresponding to the Mark to Market value indicated by the reference market, and the fairness of same is verified by means of valuation models and instruments.

The Group has therefore defined a strategy to manage the interest rate risk that aims to normalize financial expenditure relating to interest rate movements. In FY2011 the Group's management of derivatives was consistent with the guidelines established in this strategy.

While, as mentioned, reference is made to Note 17 for information on outstanding derivatives contracts, set out below is an analysis of the impact on the pre-tax result (for the ineffective or trading portion) and on shareholders' equity (for the effective portion of the hedge) of the changes in fair value of the derivatives in the event of interest rate fluctuations of +/-1%, with all other variables remaining the same.

Impact on the Income Statement

	2011	2010
SHOCK UP (CHANGE IN INTEREST RATE +1%)	1,174	5,976
SHOCK DOWN (CHANGE IN INTEREST RATE -1%)	141	1,210

Impact on shareholders' equity

	2011	2010
SHOCK UP (CHANGE IN INTEREST RATE +1%)	2,205	15,468
SHOCK DOWN (CHANGE IN INTEREST RATE -1%)	(30,273)	(14,631)

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. The parent company ERG S.p.A. has formally given its unconditional commitment to support ERG Renew as regards its investments planned during FY2011, as described in Note 16, "Financial Liabilities".

The following tables summarize the Group's financial liabilities as at 31 December 2011 and 31 December 2010 based on contractual payments not discounted to present value.

	12/31/2011	2 YEARS	3 YEARS	MATURITY 4 YEARS	5 YEARS	MORE THAN 5 YEARS
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	417,218	61,092	33,736	28,444	29,877	264,069
FINANCIAL PAYABLES MATURING DURING THE YEAR	107,049	-	-	-	-	-
DERIVATIVES PAYABLES	1,844	-	-	-	-	-
TRADE PAYABLES	23,188	-	-	-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	132,081	-	-	-	-	-
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	549,299	61,092	33,736	28,444	29,877	264,069

The total amount of interest on the payable not yet matured is Euro 14,931 thousand and was calculated by utilizing the latest variable interest rate available. It should be noted that, due to the hedging operations previously reported, the synthetic rate is fixed at the contractual conditions specific to each derivative.

Moreover, the financial liabilities not yet past due include payables connected with project financing contracts totalling Euro 445,927 thousand, to which the cash flows channeled from wind revenues are allocated.

The remaining financial liabilities not past due with respect to those indicated above are offset by the current assets analyzed in the previous sub-section "Credit risk" with consequent overall financial equilibrium.

	12/31/2010	2 YEARS	3 YEARS	MATURITY 4 YEARS	5 YEARS	MORE THAN 5 YEARS
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	412,446	50,181	45,713	34,052	27,401	255,099
FINANCIAL PAYABLES MATURING DURING THE YEAR	58,194	-	-	-	-	-
DERIVATIVES PAYABLES	1,844	-	-	-	-	-
TRADE PAYABLES	14,221	-	-	-	-	-
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	74,259	-	-	-	-	-
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	486,705	50,181	45,713	34,052	27,401	255,099

The total amount of interest on the payable not yet matured is Euro 17,287 thousand and was calculated by utilizing the latest variable interest rate available. It should be noted that, due to the hedging operations previously reported, the synthetic rate is fixed at the contractual conditions specific to each derivative.

Moreover, the financial liabilities not yet past due comprise payables connected with project financing contracts to which the cash flows channeled from wind revenues are allocated.

41 – PUBLICATION DATE OF FINANCIAL STATEMENTS

On 2 March 2012, the Board of Directors of ERG Renew S.p.A. authorized the publication of the Financial Statements, reserving the right to make formal additions and changes by the date of filing, to be carried out pursuant to Article 2429 of the Italian Civil Code.

These Financial Statements represent in a true and fair manner the Group's Statement of financial position, as well as the economic result for the year.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ERG RENEW S.P.A. AS AT 31 DECEMBER 2011

Dear Shareholders,

the FY2011 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, also including all the International Accounting Standards (IASs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

In accordance with Legislative Decree No. 58/98 and Article 41 of Legislative Decree No. 127/91, the Consolidated Financial Statements have been subject to auditing on the part of the Independent Auditing Firm which has ascertained its regularity and correspondence with the accounting records of the parent company and the information provided by the companies included within the scope of consolidation. Our supervisory activity has been carried out in observance of the principles of conduct for the Board of Statutory Auditors issued by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri* (Italian National Councils of Professional and Certified Public Accountants) and, in particular, concerned the following:

- supervising the adequacy – within the scope of the organizational structure of ERG Renew S.p.A. – of a manager responsible for relations with subsidiary and associated companies;
- reviewing the composition of the Group and the current shareholding quotas for the purposes of assessing the scope of consolidation;
- supervising the observance of principles of correct administration, particularly with regard to the most important transactions from an economic and financial and perspective that were carried out within the framework of group relations, and with special reference to transactions in potential conflict of interest.

As a result of our supervisory activity with regard to the Consolidated Financial Statements we hereby certify that:

- the provisions of law concerning the preparation and layout of the Financial Statements and of the Report on Operations have been observed;
- the Financial Statements, together with the Report on Operations, have been transmitted within the terms required by law;
- the Financial Statements correspond to the facts and information that have come to the knowledge of the Board of Statutory Auditors during the exercise of its supervisory duties;
- the Report on Operations is consistent with the data and entries shown in the Consolidated Financial Statements and provides full information on the Group's economic-financial performance.

The Consolidated Financial Statements at 31 December 2011 report a net income of Euro 1 million, compared to a net loss of Euro 15.9 million in FY 2010.
Finally, the report issued by the independent auditing firm Deloitte & Touche S.p.A. on 12 March 2012 does not contain any observations or requests for information.

Genoa, 30 march 2012

The Board of Statutory Auditors
Lelio Fornabaio
Mario Lamprati
Giacchino Messina

INDEPENDENT AUDITORS' REPORT

Deloitte.

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**RELAZIONE DELLA SOCIETÀ DI REVISIONE
AI SENSI DELL'ART. 14 DEL D. LGS. 27.1.2010, N. 39
E DELL'ART. 165 DEL D. LGS. 24.2.1998, N. 58**

**Agli Azionisti di
ERG RENEW S.p.A.**

1. Abbiamo svolto la revisione contabile del bilancio consolidato, costituito dalla situazione patrimoniale-finanziaria, dal conto economico, dalle altre componenti di conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario e dalle relative note illustrative, di ERG Renew S.p.A. e sue controllate ("Gruppo ERG Renew") chiuso al 31 dicembre 2011. La responsabilità della redazione del bilancio consolidato in conformità agli International Financial Reporting Standards adottati dall'Unione Europea compete agli Amministratori di ERG Renew S.p.A. E' nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio consolidato, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Il bilancio consolidato presenta ai fini comparativi i dati dell'esercizio precedente. Come illustrato nelle note illustrative, gli Amministratori - con riferimento alla cessione delle attività del settore idrico ed in applicazione del principio contabile internazionale IFRS 5 - hanno riesposto alcuni dati comparativi relativi all'esercizio precedente, rispetto ai dati precedentemente presentati e da noi assoggettati a revisione contabile, sui quali avevamo emesso la relazione di revisione in 14 marzo 2011. Le modalità di rideterminazione dei dati comparativi e la relativa informativa presentata nelle note illustrative, sono state da noi esaminate ai fini dell'espressione del giudizio sul bilancio consolidato chiuso al 31 dicembre 2011.

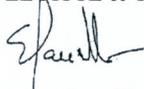
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Member of Deloitte Touche Tohmatsu Limited

3. A nostro giudizio, il bilancio consolidato del Gruppo ERG Renew al 31 dicembre 2011 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa del Gruppo ERG Renew per l'esercizio chiuso a tale data.
4. La responsabilità della redazione della relazione sulla gestione in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli Amministratori di ERG Renew S.p.A. E' di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione n. 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla CONSOB. A nostro giudizio la relazione sulla gestione è coerente con il bilancio consolidato del Gruppo ERG Renew al 31 dicembre 2011.

DELOITTE & TOUCHE S.p.A.



Ernesto Lanzillo
Socio

Genova, 12 marzo 2012

ERG RENEW S.P.A.

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ERG Renew S.p.A. - May 2012

This publication is available in pdf format at www.ergrenew.it

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