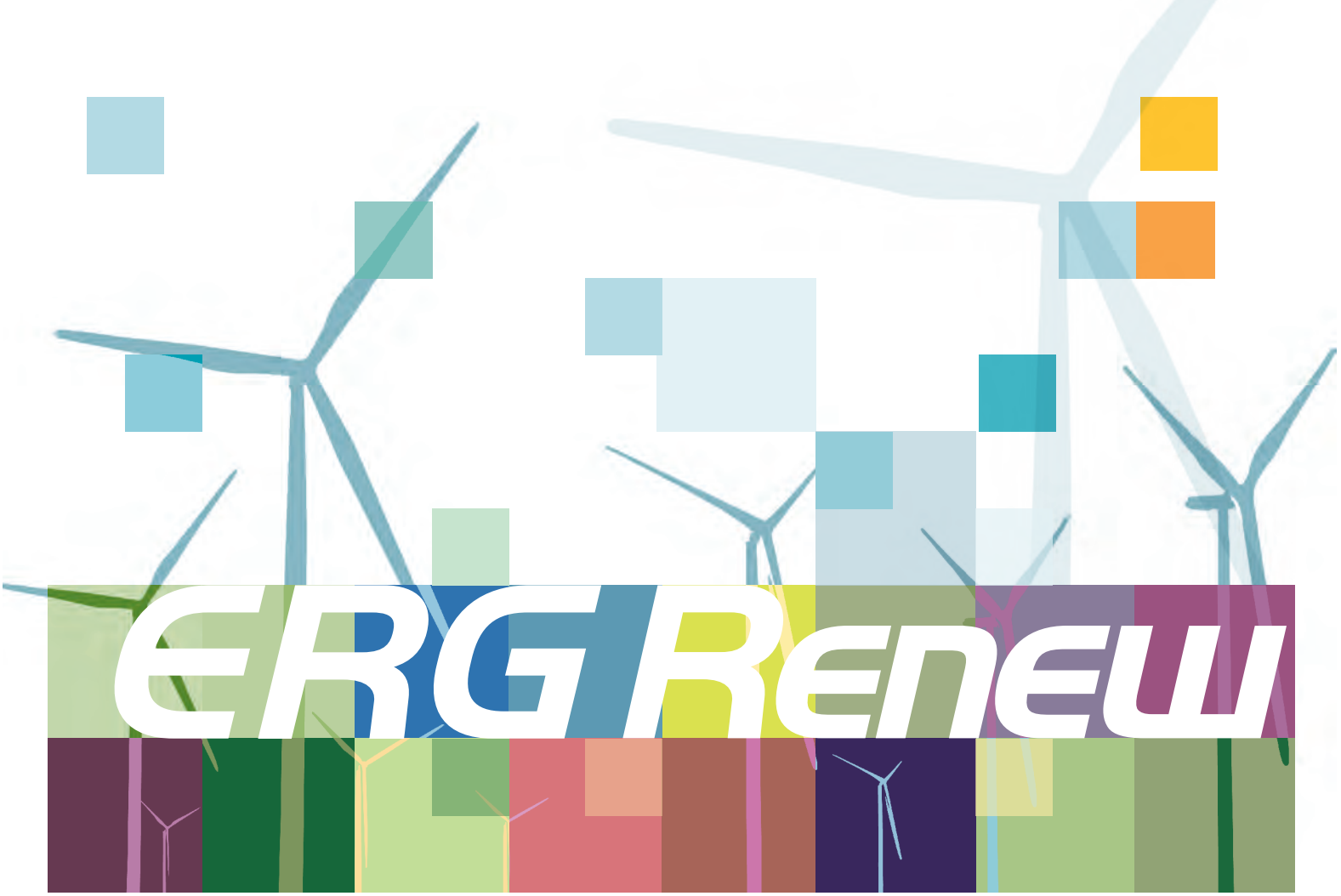

ANNUAL REPORT

AS AT 31 DECEMBER

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CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN

ALESSANDRO GARRONE

DEPUTY CHAIRMAN

VITTORIO GARRONE

CEO

MASSIMO DERCHI

DIRECTORS

ITALO GIORGIO ALFIERI
LUCA BETTONTE
GIORGIO CORAGGIOSO
PAOLO LUIGI MERLI
CESARE BUZZI FERRARIS (1)

BOARD OF STATUTORY AUDITORS

CHAIRMAN

LELIO FORNABAIO

STANDING AUDITORS

GIOACCHINO MESSINA
MICHELE RUTIGLIANO (2)

INDEPENDENT AUDITORS

RECONTA ERNST & YOUNG S.P.A.

(1) appointed by the Shareholders' Meeting of 16 January 2014
(2) appointed by the Shareholders' Meeting of 16 January 2014 to replace Mario Lamprati

REPORT ON OPERATIONS

AS AT 31 DECEMBER 2013

FOREWORD

The Consolidated Financial Statements as at and for the year ended 31 December 2013 were 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 Reconta Ernst & Young S.p.A. in accordance with the procedure set forth by CONSOB regulations.

RESULTS AT ADJUSTED REPLACEMENT COSTS

To enhance understandability of business performance, the operating results are also shown at their adjusted replacement cost, which take into account, for ERG Renew's share, the results at replacement costs of the LUKERG Renew GmbH Joint Venture (50%) whose contribution in the income statement not at adjusted replacement cost is represented in the valuation of the equity investments with the equity method.
Net financial indebtedness is at adjusted values and it takes into account, for ERG Renew's share, the net financial position of the LUKERG Renew GmbH Joint Venture (50%), net of the related Intra-group items.
The Consolidated Financial Statements as at 31 December 2013 show a profit of Euro 30 million at adjusted replacement cost, in line with the profit of 2012, i.e. Euro 31 million.

ACQUISITION OF IP MAESTRALE

On **13 February 2013**, ERG Renew closed with International Power Consolidated Holding Ltd. (100% GDF SUEZ) the acquisition of 80% of the capital of IP Maestrale Investments Ltd.
On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.
Thanks to the acquisition, ERG Renew increased its installed capacity by 636 MW, of which 550 MW in Italy and 86 MW in Germany, reaching a total of approximately 1,340 MW, of which approximately 1,087 MW in Italy, positioning itself as the first wind power operator in Italy and among the top ten in Europe.
The value of the acquisition, in terms of enterprise value, was Euro 859 million, i.e. approximately Euro 1.35 million per installed MW. The price for the equity at the closing of the transaction was Euro 28.2 million for 80% of the share capital of IP Maestrale. The agreements include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. The wind farms are already fully financed with non recourse Project Financing with maturity in December 2022, disbursed by a group of primary Italian and international banks. The acquired company had an EBITDA of approximately Euro 120 million in 2013.
In July, on the basis of the existing agreements, a price adjustment of approximately Euro 12.4 million in favour of the ERG Renew Group, pertaining to 100% of the equity investment, was agreed and settled.
The Italian wind farms are located in Sicily (161 MW), Sardinia (111 MW), Campania (95 MW), Puglia (91 MW), Basilicata (55 MW), Molise (37 MW) whereas the five wind farms (86 MW) in Germany are located in the central-northern part of the country. The high quality assets have an output of nearly 2,000 hours/year, higher than the national average.
This Report reflects the impacts of the consolidation of ERG Wind Investments and of its subsidiaries.

ACQUISITION OF GEBELEISIS WIND FARM IN ROMANIA AND HRABROVO WIND FARM IN BULGARIA

On **20 June 2013** LUKERG Renew, a Joint Venture between ERG Renew (100% ERG) and LUKOIL -Ecoenergo, entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria.

The Gebeleisis wind farm, located in the Galati region (Romania), has been fully operational since February 2013 and has a total installed capacity of 70 MW (35 WTG Vestas V90-2 MW) and expected average annual generation exceeding 165 GWh. The enterprise value of the acquisition was Euro 109.2 million (approximately Euro 1.56 million per MW).

The Hrabrovo wind farm, located in the Dobrich region (Bulgaria), has been fully operational since March 2012, and has a total installed capacity of 14 MW (7 WTG Vestas V90-2 MW) and expected average annual generation exceeding 34 GWh. The enterprise value of the acquisition was Euro 17.6 million (approximately Euro 1.26 million per MW).

The transaction strengthens the strategic partnership between ERG Renew and Vestas and enables ERG to impart a significant acceleration to the attainment of the growth targets in Eastern Europe, set forth by the business plan to 2015. Moreover, as a result of these acquisitions and of the construction of the wind farm in Romania, ERG Renew's installed capacity abroad will reach approximately 20% of the entire portfolio.

With regard to the Gebeleisis wind farm, the transaction was closed on **28 June 2013**, whilst for the Hrabrovo wind farm the closing took place on **5 September 2013**.

The adjusted financial debt of the ERG Renew Group at 31 December 2013 reflects the impact of the aforesaid transactions, amounting to Euro 63 million.

The generation of electricity from the two new wind farms will avoid approximately 77 thousand tonnes of atmospheric CO_2 emissions per year.

ERG RENEW OPERATIONS & MAINTENANCE

On **31 October 2013,** ERG Renew closed with I.V.P.C. Service, an indirect subsidiary of Maluni, the acquisition of the entire capital of the company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind. On the same date, the Shareholders' Meeting of the company voted to change its name to ERG Renew Operations & Maintenance and to move the registered office to Genoa.

As a result of the transaction, 136 persons joined the ERG Group; they are mainly technical personnel, highly specialised in the maintenance and operation of wind farms, and they are added to the 42 persons acquired through the investment in ERG Wind (formerly IP Maestrale), further strengthening the structures of ERG Renew in Southern Italy, where the majority of the facilities is concentrated.

Although the Enterprise Value of the transaction, i.e. approximately Euro 10 million, is low, it nonetheless has great strategic significance because it enables significantly to increase the competencies of ERG Renew, necessary to manage in a direct, integrated manner the operations of the wind business, in a sector with mature infrastructure.

Through ERG Renew O&M, significant benefits are expected in terms of cost optimisation and improvement to the efficiency of the operations of ERG Wind's farms, which may then be progressively extended also to ERG Renew's other wind farms, in Italy and abroad.

INCLUSION OF UNICREDIT AMONG ERG RENEW SHAREHOLDERS

On **19 December 2013,** ERG Renew informed the market of the entry of UniCredit among the shareholders of ERG Renew, through the acquisition of a minority interest equal to 7.14% of the share capital, through a reserved capital increase, for a price of Euro 50 million. The transaction enables ERG Renew to obtain new capital in support of its growth plans involving renewable energies in Italy and abroad and to count among its shareholders a major European financial institution, with significant presence in Eastern Europe markets.

UniCredit has been recognised the typical governance prerogatives of a minority investor, which will be reflected in the Articles of Association of ERG Renew: among them is the right to appoint a member of the Board of Directors.

The agreement provides for a four-year lock-up period starting from the closing of the transaction, without prejudice to the possibility of listing ERG Renew, and the recognition to UniCredit of the right to sell the equity investment to ERG if the listing does not take place or if no agreement is reached on strategic transactions.

On 16 January 2014, the Shareholders' Meeting of ERG Renew resolved to carry out a reserved capital increase, for a total amount of Euro 50 million, simultaneously subscribed and released by UniCredit, corresponding to a minority interest in ERG Renew equal to 7.14% of the share capital.

PROFILE OF THE ERG RENEW GROUP

ERG Renew is active in the generation of electricity from renewable energy sources, with 1,340 MW of wind power installed at 31 December 2013, of which 587 already present at the end of 2012, to which were added, during the year, 636 MW deriving from the acquisition of IP Maestrale and 42 MW (ERG share) acquired through the LUKERG Renew Joint Venture (84 MW gross capacity). As a consequence of these transactions, ERG Renew has become the first wind power operator in Italy and one of the top ten in Europe.
To these assets were added, at the end of 2013, the new wind farms built during the year in Italy (34 MW) and in Romania through LUKERG Renew (82 MW of which ERG's share is 41 MW), which will provide their full contribution from 2014 onwards.
The wind farms are mainly concentrated in Italy (1,087 MW), but with a significant presence also in Germany (86 MW), in France (64 MW), and through LUKERG Renew in Romania (ERG's share: 76 MW) and in Bulgaria (ERG's share: 27 MW).
Moreover, since October 2013, through the acquisition of ERG Renew O&M, the Company in-sourced the operation and maintenance activities of approximately half of the wind farms in Italy, with the target of extending this activity to the other Italian wind farms as well in the future.

STRATEGY

ERG Renew's strategy aims at continuing the path to growth in the industry, with the goal of consolidating the company's position as the foremost operator in the domestic market and accelerating growth abroad. In recent years, ERG Renew has significantly increased its installed capacity, from approximately 200 MW in 2009 to over 1,300 MW today, with growth achieved both through the acquisition of assets and through the construction of new facilities.
In particular, outside Italy, where approximately 20% of installed capacity is located, ERG's strategy is aimed at accelerating the path to growth and geographic diversification of its asset portfolio, both through the investments carried out by LUKERG in Eastern Europe (103 MW is ERG Renew's share of installed power at the end of 2013 in Romania and Bulgaria), and through the assessment of potential new investments in other countries.
The size reached, the integration of IP Maestrale in ERG Renew and the in-sourcing of O&M activities will make it possible to achieve significant benefits in the management of assets, both in terms of efficiency and cost control and of operating performance.

PERFORMANCE HIGHLIGHTS

(EUR MILLION)		2013	2012
MAIN INCOME STATEMENT DATA			
OPERATING REVENUES		338	177
ADJUSTED EBITDA		**245**	**137**
NET OPERATING INCOME		109	71
EBIT AT ADJUSTED REPLACEMENT COST		**122**	**75**
NET INCOME		20	28
OF WHICH GROUP NET INCOME		*20*	*28*
GROUP NET INCOME AT REPLACEMENT COST		**30**	**31**
EBITDA MARGIN %		**72%**	**77%**
MAIN FINANCIAL DATA			
NET INVESTED CAPITAL		1,838	1,013
SHAREHOLDERS' EQUITY		589	550
TOTAL NET FINANCIAL INDEBTEDNESS		1,249	463
OF WHICH NON-RECOURSE PROJECT FINANCING		*1,157*	*520*
FINANCIAL LEVERAGE		68%	46%
OPERATING DATA			
INSTALLED CAPACITY OF WIND FARMS AT PERIOD END	MW	1,340	596
ELECTRICITY PRODUCTION FROM WIND FARMS	MILLIONS OF KWH	2,403	1,222
CAPITAL EXPENDITURES	EUR MILLION	97	39
ELECTRICITY PRODUCTION IN ITALY	MILLIONS OF KWH	2,010	1,072
ELECTRICITY PRODUCTION IN GERMANY	MILLIONS OF KWH	155	N.A.
ELECTRICITY PRODUCTION IN FRANCE	MILLIONS OF KWH	127	128
ELECTRICITY PRODUCTION IN BULGARIA	MILLIONS OF KWH	57	22
ELECTRICITY PRODUCTION IN ROMANIA	MILLIONS OF KWH	54	22
MARKET INDICATORS			
ELECTRICITY REFERENCE PRICE	EUR/MWH	62.99	75.48
GREEN CERTIFICATES SALE PRICE (ITALY)	EUR/MWH	89.28	80.34
FEED IN TARIFF (GERMANY)	EUR/MWH	94.61	N.A.
FEED IN TARIFF (FRANCE)	EUR/MWH	90.42	89.36
FEED IN TARIFF (BULGARIA)	EUR/MWH	94.76	94.43
EE PRICE ROMANIA	EUR/MWH	33.50	N.A.
GC PRICE ROMANIA	EUR/MWH	42.10	N.A.

PERFORMANCE HIGHLIGHTS BY SEGMENT

(THOUSANDS OF EURO)	2013	2012
ADJUSTED OPERATING REVENUES		
WIND SECTOR: ITALY	300,668	162,568
WIND SECTOR: FRANCE	11,483	11,448
WIND SECTOR: BULGARIA/ROMANIA	10,220	2,067
WIND SECTOR: GERMANY	14,902	N.A.
TOTAL WIND	**337,273**	**176,083**
HOLDING DIVISION	1,163	957
TOTAL	**338,436**	**177,040**
ADJUSTED EBITDA		
WIND SECTOR: ITALY	230,475	136,648
WIND SECTOR: FRANCE	8,147	8,283
WIND SECTOR: BULGARIA/ROMANIA	6,636	1,299
WIND SECTOR: GERMANY	11,324	N.A.
TOTAL WIND	**256,582**	**146,230**
HOLDING DIVISION	(11,285)	(9,142)
TOTAL	**245,297**	**137,088**
OPERATING INCOME AT ADJUSTED REPLACEMENT COST		
WIND SECTOR: ITALY	124,572	83,457
WIND SECTOR: FRANCE	818	1,096
WIND SECTOR: BULGARIA/ROMANIA	3,059	11
WIND SECTOR: GERMANY	5,894	N.A.
TOTAL WIND	**134,343**	**84,563**
HOLDING DIVISION	(12,049)	(9,873)
TOTAL	**122,294**	**74,690**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
WIND SECTOR: ITALY	44,361	38,368
WIND SECTOR: FRANCE	196	4
WIND SECTOR: BULGARIA/ROMANIA	51,948	–
WIND SECTOR: GERMANY	–	N.A.
TOTAL WIND	**96,505**	**38,372**
HOLDING DIVISION	546	1,006
TOTAL	**97,051**	**39,378**

COMMENTS ON THE YEAR'S PERFORMANCE

In 2013, **revenues** amounted to Euro 338 million, a significant increase with respect to 2012, mostly as a consequence of the acquisition of ERG Wind and of the full contribution of ERG Eolica Amaroni.

The **gross operating margin** (EBITDA) was Euro 245 million, compared with Euro 137 million in 2012. The change is a result of the following factors:

- WIND SECTOR – ITALY: contribution of Euro 230.5 million compared to Euro 136.6 million reported in 2012 as a result of the increase in output, which substantially doubled, even in the presence of less favourable wind condition, as a consequence of the greater installed power;
- WIND SECTOR – FRANCE: positive contribution of Euro 8.1 million in line with 2012 (Euro 8.3 million);
- WIND SECTOR – BULGARIA/ROMANIA: positive contribution by Euro 6.6 million, up from 2012 (Euro 1.3 million) mostly as a result of the acquisition of the Gebeleisis wind farm, in June 2013, and of the acquisition of the Hrabrovo wind farm, in September 2013;
- WIND SECTOR – GERMANY: positive contribution of Euro 11.3 million as a result of the acquisition of ERG Wind's farms;
- HOLDING DIVISION: negative by Euro 11.3 million compared to the Euro 9.1 million of 2012.

EBIT at adjusted replacement cost was Euro 122 million (+ Euro 47 million compared to 2012) after amortisation and depreciation of Euro 123 million, higher than in 2012 mainly as a result of the acquisition of ERG Wind.

Group net income at adjusted replacement cost was Euro 30 million (Euro 31 million in 2012).

Group net income was Euro 20 million (Euro 28 million in 2012), mainly as a result of the better operating performance, more than offset by the higher amortisation and by the higher financial expenses tied mainly to the acquisition of ERG Wind.

In 2013, the **Group's capital expenditures** amounted to Euro 97 million (Euro 39 million in 2012), mostly referred to the construction of the Basilicata wind farm and Land Power.

Net financial indebtedness of Euro 1,249 million, up compared to 31 December 2012 (Euro 463 million in 2012), mainly as a result of the acquisition of ERG Wind.

SIGNIFICANT EVENTS DURING THE YEAR

INCLUSION OF UNICREDIT AMONG ERG RENEW SHAREHOLDERS

On **19 December 2013**, the ERG Group informed the market of the entry of UniCredit among the shareholders of ERG Renew, through the acquisition of a minority interest equal to 7.14% of the share capital, through a reserved capital increase, for a price of Euro 50 million. The transaction enables ERG Renew to obtain new capital in support of its growth plans involving renewable energies in Italy and abroad and to count among its shareholders a major European financial institution, with significant presence in Eastern Europe markets.
UniCredit has been recognised the typical governance prerogatives of a minority investor, which will be reflected in the Articles of Association of ERG Renew: among them is the right to appoint a member of the Board of Directors.
The agreement provides for a four-year lock-up period starting from the closing of the transaction, without prejudice to the possibility of listing ERG Renew, and the recognition to UniCredit of the right to sell the equity investment to ERG if the listing does not take place or if no agreement is reached on strategic transactions.

On **16 January 2014**, the Shareholders' Meeting of ERG Renew resolved to carry out a reserved capital increase, for a total amount of Euro 50 million, simultaneously subscribed and released by UniCredit, corresponding to a minority interest in ERG Renew equal to 7.14% of the share capital.

ACQUISITION OF IP MAESTRALE (CURRENTLY ERG WIND)

On **13 February 2013**, an agreement was executed with International Power Consolidated Holding Ltd. (100% GDF SUEZ), for the acquisition of 80% of the capital of IP Maestrale Investments Ltd., a major operator in Italy in the sector of renewable energy from wind power with an installed capacity of 636 MW, of which 550 MW in Italy and 86 MW in Germany. On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.
Thanks to the acquisition, the ERG Renew Group increased its installed capacity by 636 MW, reaching a total of approximately 1,232 MW, of which approximately 1,062 MW in Italy, positioning itself as the first wind power operator in Italy and among the top ten in Europe.
The enterprise value of the acquisition was Euro 859 million, i.e. approximately Euro 1.35 million per installed MW. The price for the equity at the closing of the transaction was Euro 28.2 million for 80% of the share capital of IP Maestrale. The agreements include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. The wind farms are already fully financed with non recourse Project Financing with maturity in December 2022, disbursed by a group of primary Italian and international banks. The Italian wind farms are located in Sicily (161 MW), Sardinia (111 MW), Campania (95 MW), Puglia (91 MW), Basilicata (55 MW), Molise (37 MW) whereas the five wind farms in Germany (86 MW) are located in the central-northern part of the country. The high quality assets have an output of nearly 2,000 hours/year, above the national average.
In July, a price adjustment of approximately Euro 12.4 million in favour of the ERG Renew Group, pertaining to 100% of the equity investment, was agreed and settled.

LUKERG RENEW

On **20 June 2013** LUKERG Renew, a Joint Venture between ERG Renew (100% ERG) and LUKOIL -Ecoenergo, entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria. The Gebeleisis wind farm, located in the Galati region (Romania), has been fully operational since February 2013 and has a total installed capacity of 70 MW (35 WTG Vestas V90-2 MW) and expected average annual generation exceeding 165 GWh. The enterprise value of the acquisition was Euro 109.2 million (approximately Euro 1.56 million per MW). The Hrabrovo wind farm, located in the Dobrich region (Bulgaria), has been fully operational since March 2012, and has a total installed capacity of 14 MW (7 WTG Vestas V90-2 MW) and expected average annual generation exceeding 34 GWh. The enterprise value of the acquisition was Euro 17.6 million (approximately Euro 1.26 million per MW). The transaction strengthens the strategic partnership between ERG Renew and Vestas and enables ERG to impart a significant acceleration to the attainment of the growth targets in Eastern Europe, set forth by the business plan to 2015. Moreover, as a result of these acquisitions and of the construction of the wind farm in Romania, ERG Renew's installed capacity abroad will reach approximately 20% of the entire portfolio.

On **28 June 2013**, LUKERG Renew closed the acquisition from Vestas of the Gebeleisis wind farm in Romania. On **5 September 2013**, LUKERG Renew closed the acquisition from Vestas of the Hrabrovo wind farm in Bulgaria 14 MW fully operational since March 2012, within the scope of the June 2013 agreements, as more thoroughly commented in the Foreword. As a result of the closing of the two transactions, the adjusted consolidated results of the second half of 2013 will benefit from the contribution of the two wind farms. The generation of electricity from the two new wind farms will avoid approximately 77 thousand tonnes of atmospheric CO_2 emissions per year.

On **7 October 2013**, LUKERG Renew, through its subsidiary LUKERG Bulgaria, executed the Project Financing agreement with Raiffeisen Bank International in the capacity of Mandated Lead Arranger (MLA) for the partial coverage of the acquisition of its own Hrabrovo wind farm in Bulgaria with an installed capacity of 14 MW. The loan, totalling Euro 10.6 million and with a maturity of 5 years, was integrated within the Project Financing stipulated in June 2012 with Raiffeisen Bank International for the acquisition of a wind farm in Bulgaria with an installed capacity of 40 MW.

EQUITY INVESTMENTS

On **26 July 2013**, an agreement was reached with Maluni for the acquisition of the entire capital of a company established specifically for the operation and maintenance of the Italian wind farms of ERG Wind.

On **31 October 2013**, ERG Renew completed the acquisition of the entire share capital of the company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind. On the same date, the company took the name of ERG Renew Operations & Maintenance, with its registered office in Genoa.

Thus, 136 persons joined the ERG Group; they are mainly technical personnel, highly specialised in the maintenance and operation of wind farms, and they are added to the 42 persons acquired through the investment in ERG Wind. This transaction further strengthened the personnel of ERG Renew in Southern Italy, where most of the wind farms are concentrated.

The consideration in terms of Enterprise Value was approximately Euro 10 million. The closing, subordinated to the acceptance by the lending banks of ERG Wind, took place on 31 October 2013.

OTHER SIGNIFICANT EVENTS

On **15 January 2013**, ERG Renew won the auction that enabled it to benefit from the twenty-year incentives for the project of a 34 MW wind farm at the municipality of Palazzo San Gervasio (PZ), with bidding discount of 2.5%.

On **22 March 2013**, ERG Eolica Amaroni S.r.l. (100% ERG Renew) executed a Project Financing agreement for its wind farm located in the province of Catanzaro, which started up operations in the second half of 2012 and which has an installed capacity of 22.5 MW.

The agreement, totalling Euro 35 million and with a duration of 14 years, was undersigned by the Mandated Lead Arrangers (MLA) ING Bank and Crédit Agricole which also acts as agent bank and Cariparma Crédit Agricole as account bank.

REGULATORY FRAMEWORK

The following were the most significant legal provisions that characterised the energy industry in 2013:

GENERAL

National Energy Strategy (Strategia Energetica Nazionale, SEN)

The SEN, approved with the Ministry Decree of 8 March 2013, sets out the national energy guidelines and the related targets to 2020, specifically providing:

- promoting energy efficiency (with the target of a 24% reduction in primary energy consumption);
- transforming Italy into the Southern European Hub of the gas market (with an expected decrease of Euro 7-8 per MWh in the price of natural gas);
- increasing electricity generation from renewable sources to approximately 120-130 TWh per year;
- developing infrastructures and market instruments aimed at aligning Italian electricity prices to the European average; restructuring refining and the fuel distribution network;
- developing the national production of hydrocarbons;
- generally streamlining the institutional governance of the energy system (expanding the State's exclusive competence in these matters).

Publication, in view of the European Council meeting of 20-21 March 2014, of the Communication from the Commission on climate/energy strategy for 2030.

On 22 January 2014, following the public consultation started with the publication of the Green Paper of 27 March 2013, the European Commission published a series of documents that detail its general proposal for climate and energy policy through 2030. The Commission's "package" consists of the following documents:

- the actual Communication on the 2030 Framework (hereafter the "Communication");
- the Impact Assessment of the Communication ;
- a legislative proposal for the establishment of a strategic reserve of emission allowances within the Emission Trading Scheme (ETS) System.

This first package is also accompanied by:

- the Study on drivers of energy prices and costs in Europe, prepared by the Directorate-General for Energy (DG Energy) of the Commission;
- the Study on the macroeconomic impacts of the evolution of the energy market.

The Communication is not a proposed Directive or a document that binds the member States. On the contrary, it is a general planning document, whose main purpose is to orient discussions about climate policy after 2020, which Heads of State and Government will initiate on the occasion of the European Council meeting in Brussels on 20 and 21 March 2014.

The main contents of the Communication are:

1. Binding reduction of the emission of greenhouse gases: 40% compared to the emission level in 1990:
   a. increase in the annual linear emission reduction factor in the industries included in the ETS system from the current 1.74% to 2.2% To be implemented in any case after 2020;
   b. the emissions of industries not included in the ETS shall instead be reduced by 30% compared to the 2005 level.

2. Reform of the ETS: establish a market stability reserve from the start of the next trading period, in 2021. The reserve scheme is included among the systems for the dynamic management of demand and it should, at least in its intentions, enhance the ability of the ETS to respond to systemic shocks on the demand or supply side;
3. new "community" target at 27% for the share of Renewable Energies relative to gross energy consumption in 2030. The target remains binding only at Union-wide level and not for individual member States;
4. no decision is predicted with regard to a possible target for energy efficiency. This issue will be given a central role on the occasion of the revision of the directive covering the matter, expected to be concluded by the end of the year. National energy plans shall contain "adequate" initiatives to promote efficiency.

Italian Law no. 98 of 9 August 2013, converting Italian Law Decree no. 69 of 21 June 2013 bearing "Urgent provisions for restarting the economy" (Decreto del Fare, the "To-Do Decree")

In the electricity-energy sector, the following main measures were introduced:

– the revision of the method for setting CIP 6 rates, which today are pegged to gas market prices. In 2013, the weight of the wholesale spot market price of natural gas is set gradually to increase in the indexation formula applied to determine the value of the avoided cost of fuel (CEC) component, which will reach 100% from 2014 onwards;
– on the IRES surtax front ("Robin Tax") for producers of energy from renewable sources, the Decree prescribes that the enforcement thresholds shall be lowered to Euro 3 million for revenues and Euro 300 thousand for taxable income.

The environmental provisions pertain specifically to updates to the definition of "by-product" and to the use of excavation soils and rocks for small constructions sites and for works not subject to *VIA* (Environmental Impact Assessment) or *AIA* (Integrated Environmental Authorisation). The law also defines the conditions under which pumped groundwater are considered similar to industrial waste water and therefore regulated by Part III of Italian Legislative Decree no. 152/06 (Water Discharges), allowing for their treatment at existing industrial facilities.

RENEWABLE ENERGIES

Imbalance costs of non programmable renewable sources.

The TAR of Lombardy repealed resolutions 281/2012 and 493/2012 whereby the Authority had introduced the imbalance payments for plants powered by non programmable renewable sources (FERNP).

The Authority appealed before the State Council against the decision of the Regional Administrative Court of Lombardy, with petition for suspension, which was rejected on 11 September 2013.

Notwithstanding these court decisions, the Authority intervened with its Resolution 462/2013, establishing, de facto, the reintroduction of the imbalance payments for FERNP producers at the actual imbalance portion that exceeds 20% of the programme starting from the productions of October 2013.

Administrative Decree no. 215 of 12 June 2013 - Region of Sicily.

The Region of Sicily, with its Administrative Decree no. 215 of 12 June 2013, established on its territory the Regional Register of Renewable Energy Sources, wherein all plants for the generation of energy from renewable sources, present in the region, must register no later than 31 December 2013, or be subject to the voiding of the authorisation.

Approval by the Plenary Session of the Romanian Parliament of the new Law reforming the renewable energies incentive system

In December 2013, the Law reforming the renewable energies incentive/regulation system, approved by the plenary session of the Romanian Parliament, was sent to the President of the Republic of Romania for promulgation. With regard to wind power, inter alia, the emphasis is as follows:

- the retention of a Green Certificate (CV) from 1 January 2014 through 31 December 2016 for wind farms that started operations before 1 January 2014. The Green Certificates thus retained will then be released from 1 January 2018 and in any case no later than 31 December 2020. Consequently, wind power producers already in operation may market 1 Green Certificate for each MWh generated (instead of 2) until the end of 2016. From 2018 onwards, in addition to the incentive provided for the output of the current year, the previously retained Green Certificates will progressively be made available. Currently, the enforcement procedures are uncertain;
- wind farms that became operational after 1 January 2014 will instead only be subjected to the reduction in the number of CVs, as prescribed by the Governmental Decision that endorsed the decision of the regulator, ANRE. As a result of said decision, the wind farms in question will have access to 1.5 CV for each MWh;
- lastly, for each year from 2014 onwards ANRE will calculate the mandatory amount of CVs to be acquired on the basis of an analysis of overall demand and of the estimated output from renewable sources.

However, in January 2014 the Romanian President did not ratify the bill approved by the Parliament, thus returning it to the Chambers, arguing that the European Commission had not been notified of the amendments to the incentive system made by the law and consequently there was a potential violation of EU principles.

Approval by the Plenary Session of the Bulgarian Parliament of an amendment reforming the renewable energies incentive system

In September 2012, a charge for accessing transmission and distribution networks was introduced by the local Regulatory Authority for renewable source producers in operation since March 2010. The outcome of the appeal by Operators and industry Association against the related resolution, which defined said charge temporarily to 10% of the feed-in tariff for wind power producers, was favourable. It is foreseeable that in upcoming months the definitive value will be defined; it will in any case have to be based on a detailed analysis of the real cost of operation of the networks. At the end of 2013, the Bulgarian Parliament approved, within the scope of the 2014 Budget Law, an amendment to the renewable energies incentives law, whereby from January 2014 onwards a fee amounting to 20% of revenues was imposed on sun- and wind-powered generating plants. Subsequently, however, the Bulgarian President submitted to the Constitutional Court the matter of the constitutionality of the measures to regulate incentives adopted by the Parliament, and requested a verification as to whether the principles of free market competitions were violated.

The European Commission announced the start of an inquiry on the compatibility of the German EEG-surcharge with EU law

On 17 December 2013, the EU Commission – Directorate General for Competition announced the official start of an investigation on the compatibility with EU rules on competition and state aid of the partial exemption of energy-intensive companies from financing the cost of renewable energies in Germany (the "EEG-surcharge").

The Directorate-General for Competition of the European Commission has launched a public consultation on the guidelines for State Aid in the energy and environmental fields for 2014-2020

The public Consultation pertains to the latest draft of the document published on the website of the Commission. The draft is ambitious and it intends actively to support convergence in the design of renewable energy incentive systems among the various member States of the European Union. The guidelines address, inter alia, also the definition of the criteria that would make the introduction of capacity remuneration systems admissible from the viewpoint of competition rights.

IMPACTS ON THE GROUP

With reference to the above, no further impacts on the businesses of the Group were noted for 2013, beyond those detailed in the comments on individual events or, below, in the chapters dedicated to the businesses.

REFERENCE MARKET [1]

ERG Renew's results depend mostly on the wind power business.

Wind farms consist of wind turbines capable of transforming the kinetic energy of wind into mechanical energy which, in turn, is used to generate electricity. 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.

Economic results are also influenced by the sale price of electricity, which can also vary according to the geographical areas where the farms are located, by the value of Green Certificates, and in general by the incentive systems for renewable sources, which differ from country to country.

	2013	2012
RENEWABLE SOURCES MARKET ITALY (GWH) [2]		
PRODUCTION FROM RENEWABLE SOURCES [3]	94,852	80,477
OF WHICH:		
HYDROELECTRIC	*52,515*	*43,260*
GEOTHERMAL	*5,305*	*5,251*
WIND	*14,886*	*13,333*
SOLAR	*22,146*	*18,633*
SALES PRICES (EUR/MWH)		
PUN (ITALY) [4]	62.99	75.48
GREEN CERTIFICATES	89.28	80.34
EE PRICE CENTRE-SOUTH AREA	59.26	73.16
EE PRICE SOUTH AREA	57.22	70.34
EE PRICE SICILY	92.00	95.28
EE PRICE SARDINIA	61.50	81.70
AVERAGE UNIT ENERGY SALE VALUE FOR ERG IN ITALY	148.08	150.60
FEED IN TARIFF (GERMANY) [5]	94.61	N.A.
FEED IN TARIFF (FRANCE) [5]	90.42	89.36
FEED IN TARIFF (BULGARIA) [5]	94.76	94.43
EE PRICE ROMANIA	33.50	N.A.
GC PRICE ROMANIA [6]	42.10	N.A.

(1) estimated output 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, geothermal electric, wind and photovoltaic
(4) Prezzo Unico Nazionale (Single National Price) - Source GME S.p.A.
(5) Feed in Tariffs abroad refer to the prices obtained by ERG Renew wind farms
(6) Price referred to the unit value of the Green Certificate (the number of GC recognised and the times are described in the Romania scenario section)

MARKET SCENARIO IN ITALY

In Italy, in 2013, renewable sources generated more than 34% of (net) domestic electricity output, up markedly from 28% in 2012. Of said output from renewable sources, 19% was generated from hydroelectric sources, 5% from wind, 8% from photovoltaic sources and the remaining 2% from geothermal electric sources; compared to the previous year, there was a marked increase in hydroelectric output (+21%), in photovoltaic (+19%) and, to a lesser extent, in wind (+12%).

TARIFF SCENARIO

Italy

The incentive system in Italy prescribes, for on-shore wind farms in operation before the end of 2012[1] the continuation of the Green Certificates system until 2015 and the subsequent conversion, for the residual period of entitlement to incentives, to a premium feed-in tariff paid on a monthly basis and calculated according to a similar formula. With regard to the timeline for the Italian National Grid Operator's withdrawal of the Green Certificates, for electricity generated in the first quarter of 2013 withdrawal shall take place no later than 31 December 2013 and payment shall be in January 2014, whereas for electricity generated in the second quarter of 2013 withdrawal shall be no later than 31 March 2014, for electricity generated in the third quarter of 2013 withdrawal shall be no later than 30 June 2014 and for electricity generated in the fourth quarter it shall be no later than 30 September 2014. The price for the withdrawal of the Green Certificates is equal to 78% of the difference between 180 EUR/MWh and the average annual sale price of electricity in the previous year[2]. The reference price of 2013 Green Certificates is valid throughout the calendar year of generation, irrespective of the half-year or quarter in which they are withdrawn. On 3 December 2013, the GSE announced that, while awaiting definition of the aforesaid value, for the purposes of the withdrawal of Green Certificates in the first quarter of 2013 the price of 80.34 EUR/MWh will be used, subject to subsequent adjustment.

Plants with more than 5 MW capacity built from 2013 onwards, instead, gain access to the incentives by participating in a Dutch auction[3]. The first auction led, for on-shore wind power generation, to the allocation of 442 MW (the total lot for 2013 amounted to 500 MW) and the second auction, completed on 10 June 2013, led to the allocation of 399.9 MW (the total lot for 2014 was 399.9 MW and required capacity was 1,086 MW).

Starting from 2013, moreover, for all entities accessing the incentive schemes for the generation of electricity from plants powered by renewable sources (with the exclusion of photovoltaic plants and of plants allowed for Inter-ministerial Price Committee Order 6/92), a contribution of Euro 0.5 is provided for each MWh of subsidised energy, to be paid to the Italian National Grid Operator (GSE).

The situation involving the eventual revision of regulations on the electricity dispatching service for generating units powered by non programmable renewable sources is not yet stable, as Resolution 281/2012/R/EFR, which defined the new rules, applicable for 2013, was repealed by the decision of the Regional Administrative Court of Lombardy. The Italian Authority for Electricity and Gas filed an appeal before the Council of State and the appeal was rejected in the course of the preliminary hearing. The decision on the merits of the case is expected after 11 March 2014.

Germany

The incentive system for wind power in Germany is of the feed-in tariff type. For plants connected to the grid before 2012, the tariff amounts to 89 EUR/MWh for 20 years (constant). The latest version of the law also introduced, for all plants (both existing and newly built), the possibility of choosing an alternative incentive system, of the feed-in premium type. If this option is selected, electricity would be sold directly on the market and the Operator would receive, on a monthly basis, a premium equal to the difference between the basic value of the feed-in tariff and the average monthly market price of electricity, to which would be added a management premium (amounting to 12 EUR/MWh for 2012), decreasing over the years, which represents a proxy of the charges tied to the management of the sale of electricity on the market.

1 There is a transitory period until 30 April 2013, for plants already authorised no later than 11 July 2012.

2 Electricity sale price defined by the Italian Authority for Electricity and Gas implementing Article 13, Paragraph 3, of Italian Legislative Decree no. 387 of 29 December 2003, recorded the previous year and announced by the Authority itself.

3 Base price, for 2013, of 127 EUR/MWh.

The 2009 version of the same law introduced a System Service Bonus, i.e. 7 EUR/MWh for work carried out no later than 2010, recognised if technological enhancements are made to the plant (to improve its performance related to voltage and frequency regulation), for the first 5 years from the completion of the work.

France

The incentive system for on-shore wind power is of the feed-in tariff type. The incentive for existing plants is recognised for 15 years and it is updated annually according to a formula tied to the index of hourly labour cost and to the index of the production prices of industrial products[4]. For the first 10 years of operation the initial tariff, depending on the year of stipulation of the agreement, is updated annually, whilst for the subsequent 5 years the value to be indexed is decreasing if annual hours of operation exceed 2,400. For 2006, the initial tariff value was 82 EUR/MWh. To define the starting value for new wind farms in subsequent years, the tariff is reduced by 2% from the previous year, from 2008 onwards, and it is revised to take into account the trends in the aforementioned indexes. The value thus determined, for each plant, is then updated annually, according to the scheme described above.

Bulgaria

For on-shore wind farms, current regulations prescribe a feed-in tariff in brackets based on hours of operation, which is constant in nominal terms. In particular, for wind farms existing as at 3 May 2011, the incentive is recognised for the first 15 years of operation; the value of the tariff is 188.29 BGN/MWh (approximately 96.3 EUR/MWh) below 2,250 annual hours of operation and 172.95 BGN/MWh (approximately 88.4 EUR/MWh) above 2,250 annual hours of operations. In particular, for wind farms commissioned after this date and no later than June 2012, the incentive is recognised for the first 12 years of operation; the value of the tariff is 191 BGN/MWh (approximately 97.7 Euro /MWh) below 2,250 annual hours of operation and 173.1 BGN/MWh (approximately 88.5 Euro /MWh) above 2,250 annual hours of operation.

In September 2012, a charge for accessing transmission and distribution networks was introduced by the local Regulatory Authority for renewable source producers in operation since March 2010. The outcome of the appeal by Operators and industry Association against the related resolution, which defined said charge temporarily to 10% of the feed-in tariff for wind power producers, was favourable. It is foreseeable that in upcoming months the definitive value will be defined; it will in any case have to be based on a detailed analysis of the real cost of operation of the networks. At the end of 2013, the Bulgarian Parliament approved, within the scope of the 2014 Budget Law, an amendment to the renewable energies incentives law, whereby from January 2014 onwards a fee amounting to 20% of revenues was imposed on sun- and wind-powered generating plants. Subsequently, however, the Bulgarian President submitted to the Constitutional Court the matter of the constitutionality of the measures to regulate incentives adopted by the Parliament, and requested a verification as to whether the principles of free market competitions were violated.

Romania

Incentives for renewable energy in Romania are provided through Green Certificates for the first 15 years of operation. The obligation to supply a certain annual quantity of green energy in the grid (or to purchase an equal quantity of Green Certificates) is on the final gross consumption of electricity. The law defines the maximum annual portion of renewable sources

4 The indicators considered are ICHTTS ("indice du coût horaire du travail (tous salariés) dans les industries mécaniques et électriques", or index of hourly cost of labour (all personnel) in mechanical and electrical industries") and the PPEI ("indice des prix à la production de l'industrie et des services aux entreprises pour l'ensemble de l'industrie (marché français))", or index of production prices of industry and services to enterprises for the industry as a whole (French market)

for which incentives can be provided (rising from 12% in 2012 to 20% in 2020) and the portion of Green Certificates is defined on an annual basis accordingly. For wind power, 2 Green Certificates are provided for each MWh generated until 2017 and 1 Green Certificate from 2018 onwards, and the unit price of the Green Certificates ranges between a cap (55 Euro /MWh in 2010 currency) and a floor (27 Euro /MWh in 2010 currency) – defined in Euro – and indexed to inflation on an annual basis. The emergency ordinance, published in the Romanian Official Journal on 24 June, introduced certain amendments to the incentive system; in particular, for wind power, 1 Green Certificate is to be retained in the 1 July 2013-31 March 2017 time interval. Retained Green Certificates will progressively be "released" from 1 January 2018 onwards and in any case no later than 31 December 2020, with procedures yet to be defined. Over the next few months, the bill is expected to be approved by Parliament (in January 2014 the Romanian President did not ratify the bill approved by the Parliament, thus returning it to the Chambers, arguing that the European Commission had not been notified of the amendments to the incentive system made by the law and consequently there was a potential violation of EU principles), subject to possible amendments.

HIGHLIGHTS OF ADJUSTED PERFORMANCE ITEMS

To enhance the understandability of the performance of Renewable Energy Sources, the results of this business are shown at their adjusted replacement cost, which reflects ERG's share (50%) of the consolidated results of the LUKERG Renew Joint Venture.

	2013	2012
ECONOMIC RESULTS		
REVENUES FROM ORDINARY OPERATIONS	**339**	**177**
EBITDA AT REPLACEMENT COST (1)	**245**	**137**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (1)	(123)	(66)
EBIT AT REPLACEMENT COST (1)	**122**	**71**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	97	39
MAIN FINANCIAL DATA (2)		
NET INVESTED CAPITAL	**1,838**	**1,013**
SHAREHOLDERS' EQUITY	589	550
TOTAL NET FINANCIAL INDEBTEDNESS	1,249	463
OF WHICH NON-RECOURSE PROJECT FINANCING (3)	*1,157*	*520*
EBITDA MARGIN % (4)	**72%**	**77%**

(1) not including non-recurring items indicated in the section "Alternative performance indicators," to which reference should be made for further details
(2) figures from the ERG Renew Consolidated Financial Statements
(3) including cash and cash equivalents
(4) EBITDA at adjusted replacement cost over revenues from ordinary operations

BUSINESS SEGMENTS

The breakdown of the EBITDA by the different geographic segments of the Renewables business was a follows:

ADJUSTED EBITDA	2013	2012
WIND SECTOR: ITALY	230,475	136,648
WIND SECTOR: FRANCE	8,147	8,283
WIND SECTOR: BULGARIA/ROMANIA	6,636	1,299
WIND SECTOR: GERMANY	11,324	N.A.
TOTAL WIND	**256,582**	**146,230**
HOLDING DIVISION	(11,285)	(9,142)
TOTAL	**245,297**	**137,088**

Consolidated revenues in 2013 were significantly higher than those of 2012 in light of the strong increase in output deriving mainly from the growth in installed power, more than doubled as a result of the acquisition of ERG Wind, even though average sale revenues were slightly lower.

For ERG Renew, the average sale price of electricity in Italy amounted to 58.8 EUR/MWh, significantly lower than the value of 70.3 EUR/MWh recorded in 2012, and lower than the Single National Price (63.0 EUR/MWh). This decrease is in line with the general decline in energy prices, whilst the difference compared to the Single National Price derives from the specific geographic breakdown of ERG plants, concentrated in the South of Italy. On the other hand, the estimated value of Green Certificates, i.e. 89.3 EUR/MWh, grew markedly compared to the 80.3 EUR/MWh estimated in 2012, in light of the incentive system which partly sterilises the changes in the price of electricity. Overall, therefore, the average unit revenue from ERG Renew production in Italy, considering the sale value of energy and of the Green Certificates, was 148.1 EUR/MWh, down from the value of 150.6 EUR/MWh of 2012.
In terms of revenues abroad, average unit revenue in 2013 was approximately 92.2 EUR/MWh, slightly higher than 90.1 EUR/MWh recorded in the previous year; this increase is mainly due to the different production perimeter which in 2013 also included the wind farms in Germany and in Romania, with average revenues, respectively, of 94.6 EUR/MWh and 96.5 EUR/MWh, as well as the wind farms in France (90.4 EUR/MWh) and in Bulgaria (94.8 EUR/MWh).

The EBITDA in 2013 amounted to Euro 245 million, up very strongly from the previous year's Euro 137 million; the improvement of this result, in spite of slightly lower average prices, is mainly tied to the increased output which substantially doubled, even in the presence of less favourable wind conditions, as a result of the greater installed power.

The EBITDA margin was 72%, in decline from 77% in 2012; this figure, compared to the previous year, was affected both by the change in perimeter, with lower unit revenues than those in Italy from the assets in Germany, Romania and Bulgaria, not present in 2012, and by the lower average unit revenues in Italy, as well as by the inclusion, in 2013, of the "imbalance costs".
A further factor penalising the EBITDA margin, tied to the prevalently fixed nature of production costs, derived from the lower producibility of the wind farms as a result of the particularly weak wind conditions recorded in Italy in the second half of the year.
This margin indicator, instead, benefited from the positive effect deriving from the effective cost containment actions, thanks also to the efficiency deriving from the larger size of the company, as well as to specific processes for the revision of company processes and cost budgets in "zero based" terms.

INSTALLED POWER (MW)	2013	2012
ITALY	**1,087**	**512**
OF WHICH		
CAMPANIA	*239*	*144*
CALABRIA	*120*	*120*
PUGLIA	*249*	*158*
MOLISE	*79*	*42*
BASILICATA	*89*	*N.A.*
SICILY	*198*	*38*
SARDINIA	*111*	*N.A.*
OTHERS	*2*	*11*
GERMANY	**86**	**N.A.**
FRANCE	**64**	**64**
BULGARIA (50%)	**27**	**20**
ROMANIA (50%)	**76**	**N.A.**
TOTAL INSTALLED POWER AT THE END OF THE PERIOD (1)	**1,340**	**596**

(1) power of wind farms in operation at the end of the period

Operating power grew from 596 MW at the end of 2012 to 1,340 MW at 31 December 2013 as a result of the acquisition of ERG Wind, with installed power of 636 MW, of which 550 MW in Italy and 86 MW in Germany. In addition to consolidating the company's presence in Southern Italian regions, the acquisition has enabled greatly to increase capacity in Sicily and to have a strong presence in Sardinia as well, thus making the portfolio in Italy more balanced among the various areas with high wind power potential.

The figure also includes the increased power in Romania (ERG's share: 35 MW) and in Bulgaria (ERG's share: 7 MW), thanks to the acquisition, through the LUKERG Renew Joint Venture, of the wind farms of Gebeleisis and Hrabrovo, for a total gross power of 84 MW, whereas it no longer includes a wind farm in Lazio, with 9 MW of power, sold in 2013.

Lastly, total installed power at the end of 2013 includes the new wind farms built in 2013 at Palazzo San Gervasio in Basilicata (34 MW) and in the Tulcea region in Romania through LUKERG Renew (82 MW, of which ERG's share is 41 MW); construction of these wind farms was completed at the end of 2013, with the first output produced, in the commissioning stage, already in December. The new farms will fully contribute to ERG Renew's result from early 2014 onwards.

GENERATION (GWH)	2013	2012
ITALY	**2,010**	**1,072**
OF WHICH		
CAMPANIA	*437*	*304*
CALABRIA	*246*	*213*
PUGLIA	*497*	*369*
MOLISE	*164*	*103*
BASILICATA	*103*	*N.A.*
SICILY	*336*	*69*
SARDINIA	*220*	*N.A.*
OTHERS	*7*	*15*
GERMANY	**155**	**N.A.**
FRANCE	**127**	**128**
BULGARIA (50%)	**57**	**N.A.**
ROMANIA (50%)	**54**	**22**
TOTAL WIND FARM OUTPUT	**2,403**	**1,222**

In 2013, electricity generation by ERG Renew amounted to 2,403 GWh, nearly doubled compared to 1,222 GWh in the same period of 2012; in particular, wind power generation in Italy amounted to 2,010 GWh, versus 1,072 GWh in 2012, whilst generation abroad amounted to 393 GWh, i.e. approximately 20% of the total, compared to 150 GWh in 2012 (approximately 14%).

This increase is mainly linked to the contribution from ERG Wind, with total production of 1,154 GWh during the period, of which 999 GWh in Italy and 155 GWh in Germany.

Wind conditions were worse than in 2012 and than the historical average, both in Italy, especially in the second half that was particularly weak, and in Germany. Wind strength was substantially in line with expectations in France, while wind conditions in Bulgaria and Romania were satisfactory.

The following table shows wind farm load factor by main geographic area; the figure, estimated taking into account the actual start of operations of the wind farms in individual years, provides a measure of the level of generation of the various farms in relative terms, and it is influenced not only by the characteristics of the farm and the wind conditions in the period considered, but also by the level of availability of the plants and any limitations on the energy transport networks.

LOAD FACTOR (%)	2013	2012
ITALY	**22%**	**25%**
OF WHICH		
CAMPANIA	*21%*	*24%*
CALABRIA	*23%*	*24%*
PUGLIA	*23%*	*27%*
MOLISE	*24%*	*29%*
BASILICATA	*21%*	*N.A.*
SICILY	*19%*	*21%*
SARDINIA	*23%*	*N.A.*
OTHERS	*13%*	*16%*
GERMANY	**21%**	**N.A.**
FRANCE	**23%**	**23%**
BULGARIA (50%)	**29%**	**25%**
ROMANIA (50%)	**31%**	**N.A.**
LOAD FACTOR (1)	**22%**	**25%**

(1) actual production in relation to maximum theoretical production (calculated taking into account the actual date of initial operation of each individual wind farm)

The load factor in 2013, i.e. 22%, was significantly lower than in 2012, mainly because of the weak wind conditions in Italy and in Germany, only partly offset by the excellent output levels in Bulgaria and Romania. In particular, wind conditions in Italy in 2013 were far weaker and lower than the historical average in all regions in the second part of the year, both in the third quarter and, especially, in the fourth quarter.

LUKERG RENEW

LUKERG Renew is a Joint Venture between ERG Renew and LUKOIL-Ecoenergo, incorporated in 2011 to operate jointly in the renewable energies market in Eastern European Countries and in Russia.
This Joint Venture has the goal of initially operating in Bulgaria and Romania, and subsequently in the Ukraine and Russia, both systematically and by searching for acquisition opportunities.

- At the end of the **first half of 2012** LUKERG Bulgaria GmbH, a subsidiary of the Joint Venture LUKERG Renew GmbH, acquired two wind farms (Kavarna and Longman) that were already operational in Bulgaria, in the Dobrich region, with total installed capacity of approximately 40 MW.
- At the **end of 2012**, LUKERG Renew acquired 100% of Land Power S.r.l., a Romanian company, owner of the land and authorisations for an 84 MW wind farm in Topolog, in the Tulcea region (Romania); construction of the wind farm started in April 2013 and was completed in January 2014.
- In **June 2013**, LUKERG Renew entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria.

The Gebeleisis wind farm is in the region of Galati (Romania), it has been fully operational since February 2013 and it has a total installed capacity of 70 MW (35 WTG Vestas V90-2 MW). The acquisition was closed on 28 June 2013.
The Hrabrovo wind farm is in the region of Dobrich (Bulgaria), it has been fully operational since March 2012 and it has a total installed capacity of 14 MW (7 WTG Vestas V90-2 MW). The acquisition was closed on 5 September 2013 through the subsidiary LUKERG Bulgaria.
With these acquisitions and with the commissioning of Topolog, LUKERG Renew thus reached an installed power of over 200 MW, becoming one of the foremost players in both markets where it is active.
The following figures refer to 100% of the consolidated figures of the Joint Venture.

	2013	2012
EBITDA AT REPLACEMENT COST (1)	**13,271**	**2,598**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (1)	(7,153)	(2,576)
EBIT AT REPLACEMENT COST (1)	**6,118**	**22**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	103,896	–

(1) not including non-recurring items indicated in the section "Alternative performance indicators," to which reference should be made for further details

The EBITDA for 2013 amounts to approximately Euro 13 million, up compared to 2012, mainly as a result of the increased output deriving from the greater installed power.
The capital expenditures of 2013 refer mainly to the construction of the Topolog wind farm, completed in January 2014.
The net financial position of LUKERG Renew at 31 December 2013 amounted to Euro 270 million, an increase compared to Euro 68 million at 31 December 2012, as a result of the investments and of the acquisitions of the period. The medium/long-term portion amounts to Euro 185 million, of which approximately Euro 37 million relate to project finance and Euro 148 million to shareholder loans.

CAPITAL EXPENDITURES

During 2013, the ERG Group invested a total of Euro 97 million (Euro 39 million in 2012), related mainly to tangible fixed assets and referred mostly to assets in Italy and Romania.
In March, work started on the construction of a wind farm in Basilicata, in Palazzo San Gervasio (PZ), with planned capacity of 34 MW; construction of the wind farm was completed in December, ahead of schedule, and the wind farm has been fully operational since the start of 2014.
Work also started in March for the construction of a wind farm in Romania, in the Tulcea region, with total capacity of 82 MW (ERG share: 41 MW) and estimated electricity output, when fully operational, of over 200 GWh per year; the project was acquired at the end of 2012 by the LUKERG Renew Joint Venture from Inergia S.p.A. (Santarelli Group). For this project, too, construction work proceeded very speedily and it was substantially completed in December, ahead of the initial schedule, with fully operational status reached in early 2014.
In 2013, ERG Renew's installed capacity further increased, thanks in part to the acquisition, through LUKERG Renew, of a further 84 MW (ERG share: 42 MW) already operational in Romania (70 MW) and Bulgaria (14 MW). The outlays for these capital expenditures, with a total forecast Enterprise Value of approximately Euro 63 million (ERG share) are not included among the amounts shown in the table of capital expenditures in the period, as they involve purchases of equity investments carried out by the LUKERG Renew Joint Venture.

INSTALLED CAPACITY

The Group's net installed capacity at 31 December 2013 amounted to 1,340 MW, almost entirely provided by wind farms (approximately 1 MW by the new photovoltaic plant installed at the industrial site of ISAB Energy at Priolo Gargallo). The increase by 750 MW compared to 31 December 2012 was brought about by the acquisition of ERG Wind and of Palazzo San Gervasio.

RISKS AND UNCERTAINTIES

The ERG Group started implementing an integrated risk management model, based on a systematic approach to identify the foremost risks and to assess their potential negative effects and appropriate mitigation actions to be taken. The model is defined according to international standards and best practices and it is an integral part of the Internal Control and Risk Management System.
The main risks identified, monitored and managed by ERG Renew are the following:

- interest rate risk;
- liquidity risk:
- risk of industrial accidents;
- regulatory risk;
- credit risk;
- risk connected to weather events;
- risk relating to medium and long term loan agreements.

INTEREST RATE RISK

The interest rate risk identifies the change in interest rates that may cause fluctuations in the financial expenses of the ERG Group.

The ERG Group uses different forms of financing to cover the requirements of its industrial activities, in particular with regard to the thermoelectric and renewable energies businesses. Any changes in interest rates can cause unfavourable changes in the cost of financing.

Consistently with its market risk management policies, the ERG Group uses derivative financial instruments to hedge interest rate fluctuations. In particular, interest rate risk is hedged by using contracts such as Interest Rate Swaps.

Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of the rates on the financial market and it is monitored by the Risk Committee. Transactions in derivatives having speculative purposes are not allowed in the ERG Group.

LIQUIDITY RISK

Liquidity risk consists of the inability to meet payment obligations because of difficulties in obtaining funds or liquidating assets on the market. The consequence is a negative impact on income if the company is forced to incur additional costs to meet its obligations or, as an extreme consequence, an insolvency situation that jeopardizes the viability of the company. Today, the Company – given its strength from belonging to the ERG Group – guarantees adequate coverage of its financial requirements by means of its cash flow generation, its own equity and the availability of lines of credit provided by various counterparties.

Risk management aims to define, within the planning process, a financial structure that, consistently with the business objectives and with the limits defined by the Board of Directors, assures an adequate level of liquidity for ERG Renew, minimising the related opportunity cost and maintaining a balance in terms of duration and composition of the debt.

RISK OF INDUSTRIAL ACCIDENTS

The risk of industrial accidents consists of possible damages to the wind farms linked to fires and other unexpected and dangerous factors. Accidents of a certain magnitude could have a negative impact on the operations, equity and financial position of the Group, which mitigates such risks through suitable plant management policies aimed at achieving high levels of safety and operating excellence in line with best industrial practices.

ERG Renew also uses the insurance market to transfer its industrial and third party liabilities, assuring a high protection profile for its own facilities.

With regard to production processes, particular attention is paid to the prevention and control of the risks connected to them.

REGULATORY RISK

The regulatory risk consists of changes in local, national and international regulations which may affect the different businesses where ERG Renew is active. Such regulations pertain, inter alia, to the marketing of electricity and Green Certificates, the incentive schemes in force in the European countries where the Group is active, technical-operational requirements in the construction, commissioning and operation of wind farms, and environmental protection. The constant evolution of this reference regulatory environment may affect the business performance of ERG Renew.

In this regard, constant monitoring is carried out and a constructive dialogue with international, national and local Institutions is maintained with the aim of promptly evaluating the regulatory changes that have taken place and at operating to minimise their economic impact.

CREDIT RISK

Credit risk consists of the possibility of default by a counterparty and/or the deterioration of its credit rating.

In view of the current activity carried out by the Company, it is not deemed to be exposed to credit risk.

RISK CONNECTED TO WEATHER EVENTS

The risks connected to weather events entail the Company's exposure to the volatility of production with reference to the generation of energy from renewable sources. The characteristics of the energy sources used in the renewable energy business cause production to be characterised by high variability, connected to the climatic conditions of the sites where the wind farms are located. In particular, since the generation of electricity from wind power is tied to "non programmable" climate factors and it is characterised during the year by seasonal phenomena, ERG Renew, in order to manage such risks, is diversifying the geographic positioning of the wind farm to minimise their impacts.

Additionally, the Company manages said risk also through:

- the performance of wind strength analyses when assessing new initiatives, which may be selected solely if they assure, on a historical or forecast basis, output values accepted by the Investment Committee;
- the development of maintenance plans aimed at assuring the highest possible availability of the wind farms during high wind strength periods.

RISK RELATING TO MEDIUM AND LONG TERM LOAN AGREEMENTS

The ERG Group uses medium and long term borrowing (mainly, Project Financing) as a system for financing its development initiatives.

These loan agreements contain certain limitations to the use of financial resources and they prescribed that, if the covenants are not fulfilled and no remedy is provided within the set deadlines, the lending institutions shall be entailed, inter alia, to declare the acceleration clause as having come into effect on the borrowing and to terminate the agreement, with the consequent obligation to repay the loan immediately within the set date and with possible prejudicial effects on the Company's economic and financial results. The Company periodically monitors compliance with the agreed indicators and clauses.

HUMAN RESOURCES

Organisation

At 31 December 2013, the number of employees of ERG Renew S.p.A. and its subsidiaries reached 203, a marked increased compared to the end of the previous year as a result of the entry of 181 persons, mostly employees of companies acquired from International Power - Maestrale and from IVPC, and of the simultaneous departure of 14 persons due to the streamlining of activities.

In particular, the numbers of employees were:

- ERG Renew S.p.A. 32 persons, no change;
- Green Vicari S.r.l. 4 persons, no change;
- ERG Wind Investments Ltd., ERG Wind Holdings S.r.l. and subsidiaries 31 persons. The aforesaid companies were acquired in the first half of the year from International Power - Maestrale;
- ERG Renew Operations & Maintenance 136 persons. This company was acquired in the second half of the year from IVPC.

The average age of personnel is slightly above 38 years, in line with the previous year, and in terms of education levels, the percentage of employees holding high school diplomas or university degrees amounted to approximately 85%, in decline compared to 97% for the previous year, as a result of the entry of personnel employed in operations & maintenance activities, characterised by a different educational mix.

HEALTH, SAFETY AND ENVIRONMENT

ERG Renew S.p.A. considers designing, promoting, supporting and implementing its ASSQ Policy in a consistent, sustainable manner to be a priority goal. The Quality of the services offered, the protection of the Environment, the Health and Safety of the company's personnel and of third party workers are primary values in ERG Renew's corporate culture, in line with the very nature of the company. These values, therefore, are a significant commitment in relations with the outside community and in the operation of the plants for the generation of energy from renewable sources owned by the company itself and by ERG Renew Group companies.

To achieve the objectives set out in the ASSQ Policy, during 2013 ERG Renew decided to extend to all subsidiaries (excepting the companies in the LUKERG scope of consolidation) the Integrated Quality, Environment and Safety Management System (SGI), compliant with the standards UNI EN ISO 9001:2008, UNI EN ISO 14001:2006 and BS OHSAS 18001:2011 and consequently to obtain a certification that specifically provides the list of all certified companies. At the same time, the subject of the certification was expanded to include the generation of electricity from a renewable source.

The certification audit was carried out in December 2013.

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 2013, 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.

TRANSACTIONS WITH RELATED PARTIES

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

RESEARCH AND DEVELOPMENT ACTIVITIES

ERG Renew directly carries out research and development activities in the so-called organic photovoltaic sector through its participation in the Dyepower Consortium where it holds a 24.95% share, along with the company Permasteelisa and the Universities of Ferrara, Turin and Rome Tor Vergata.

FINANCIAL STATEMENTS

ECONOMIC AND FINANCIAL PERFORMANCE

RECLASSIFIED INCOME STATEMENT

(THOUSANDS OF EURO)	YEAR 2013	YEAR 2012
REVENUES FROM ORDINARY OPERATIONS	328,216	174,973
OTHER REVENUES AND INCOME	5,054	2,606
TOTAL REVENUES	**333,270**	**177,579**
COSTS FOR PURCHASES	(4,063)	(422)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(90,135)	(37,578)
LABOUR COSTS	(10,606)	(3,790)
GROSS OPERATING MARGIN (EBITDA)	**228,466**	**135,789**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(119,426)	(64,610)
OPERATING INCOME	**109,040**	**71,179**
NET FINANCIAL INCOME (EXPENSES)	(59,700)	(23,807)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(971)	(1,733)
PROFIT (LOSS) BEFORE TAXES	**48,369**	**45,639**
INCOME TAXES	(28,395)	(17,235)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**19,974**	**28,404**
NET INCOME FROM DISCONTINUED OPERATIONS	–	–
NET PROFIT (LOSS) FOR THE PERIOD	**19,974**	**28,404**
MINORITY INTERESTS	–	(89)
GROUP'S NET PROFIT (LOSS)	**19,974**	**28,315**

REVENUES FROM ORDINARY OPERATIONS

Consolidated revenues in 2013 exceed those of 2012 thanks mainly to the acquisition of the ERG Wind farms and to the full contribution by Amaroni.

With regard to sale prices, the Group's average sale price of electricity declined, from 70.3 EUR/MWh to 58.8 EUR/MWh. The estimated value of Green Certificates, i.e. 89.3 EUR/MWh, grew markedly compared to 80.3 EUR/MWh estimated in 2012.

Overall, therefore, the average unit revenue from ERG Renew's output in Italy, considering the sale price of electricity and the price of Green Certificates, amounted to 148.1 EUR/MWh, in decline relative to 150.6 EUR/MWh in 2012.

OTHER REVENUES AND INCOME

These primarily include contributions for operating expenses, indemnities and expense recoveries. "Indemnities" includes insurance reimbursement obtained for damages from accidents to the facilities of the company ERG Eolica San Cireo and Green Vicari.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

Service costs mainly include 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 item was affected by the increase in costs relating to ERG Wind (Euro 40.1 million in 2013), mainly represented by maintenance costs, rents paid and other services rendered by third parties.

LABOUR COSTS

The increase is linked to the increase in the number of employees as a result of the acquisitions carried out in 2013, in particular of the companies of the ERG Wind Group and of ERG Renew Operations & Maintenance.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The increase in amortisation/depreciation is due to the acquisition of the ERG Wind farms and to the full contribution of the facilities commissioned in 2013 (Amaroni, Euro 2 million).

The item also reflects Euro 4.3 million of write-downs applied mostly to ERG Wind in 2013.

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses in 2013 totalled Euro 60 million (Euro 24 million in 2012). The increase is mainly due to the acquisition of ERG Wind, whose value for 2013 is Euro 36.8 million.

INCOME TAXES

Income taxes in 2013 were negative by Euro 28 million (Euro 17 million in 2012) and comprise Euro 34 million in current taxes (Euro 20 million in 2012).

Compared to the previous years, "Current taxes" increased by Euro 14 million. This effect derives from the positive results recorded by the companies in 2013.

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
TANGIBLE FIXED ASSETS	1,128,492	689,379
INTANGIBLE FIXED ASSETS	466,190	225,998
FINANCIAL FIXED ASSETS	116,776	17,169
FIXED ASSETS	**1,711,458**	**932,546**
INVENTORIES	8,003	–
TRADE RECEIVABLES	220,612	106,023
TRADE PAYABLES	(18,168)	(13,597)
WORKING CAPITAL	**210,447**	**92,426**
SEVERANCE INDEMNITIES	(2,048)	(308)
OTHER ASSETS	192,155	85,296
OTHER LIABILITIES	(274,044)	(96,911)
NET INVESTED CAPITAL	**1,837,968**	**1,013,049**
SHAREHOLDERS' EQUITY	**589,097**	**549,726**
QUOTA OF THE PARENT COMPANY	589,097	548,898
MINORITY INTERESTS	–	828
NET FINANCIAL INDEBTEDNESS	**1,248,871**	**463,323**
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**1,837,968**	**1,013,049**

Net invested capital as of 31 December 2013 was Euro 1,838 million, substantially in line with the amount of 2012.
Financial leverage, which represents the ratio of total net financial indebtedness and net invested capital, was 68.0% (45.7% at 31 December 2012).

FIXED ASSETS

Fixed assets (Euro 1.711 million) include tangible, intangible and financial assets and refer mainly to wind-powered generating plants and authorisations for their operation. The increase compared to 31 December 2013 is mainly due to the acquisition of wind farms of ERG Wind.

NET WORKING CAPITAL

Net working capital includes trade receivables and payables.
The increase relative to 2012 reflects the increased receivables for Green Certificates tied to the greater generation of wind-powered energy as a consequence of the greater installed capacity.

OTHER ASSETS

They mostly consist of deferred tax assets related to tax losses from previous years and to the fair value of derivatives at the end of the year.

OTHER LIABILITIES

They mainly refer to the deferred tax liabilities calculated on the differences between statutory financial statement values and the related values for tax purposes, to the estimated taxes accrued during the period, to provisions for liabilities and charges and to VAT payables.

CONSOLIDATED NET FINANCIAL POSITION

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

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
CASH AND CASH EQUIVALENTS	71,577	91,336
BANK ACCOUNT OVERDRAFTS	(243)	(347)
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,265
SHORT-TERM NET FINANCIAL INDEBTEDNESS	**73,882**	**95,254**
FINANCIAL RECEIVABLES DUE FROM OTHERS	–	23,841
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	43,473	3,071
FINANCIAL RECEIVABLES DUE FROM OTHERS	154	200
FINANCIAL ASSETS	**43,627**	**27,112**
TOTAL CURRENT FINANCIAL ASSETS	**117,509**	**122,366**
PAYABLES DUE TO OTHER LENDERS	(10)	(52)
PAYABLES DUE TO PARENT COMPANIES	(74,332)	–
PAYABLES DUE TO COMPANIES OF THE GROUP	(237)	(242)
PAYABLES DUE TO BANKS	(96,067)	(52,181)
DERIVATIVES PAYABLES	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(172,490)**	**(54,319)**
PAYABLES DUE TO PARENT COMPANIES	–	–
PAYABLES DUE TO BANKS	(1,062,610)	(472,925)
DERIVATIVES PAYABLES	(131,280)	(58,445)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(1,193,890)**	**(531,370)**
NET FINANCIAL POSITION	**(1,248,871)**	**(463,323)**

The net financial position amounts to Euro 1,249 million. The significant increase is mainly due to the acquisition of ERG Wind.

Current financial assets, amounting to Euro 117.5 million, were primarily represented by liquidity totalling Euro 71.6 million which was primarily relative to the wind business and therefore availability almost entirely tied up with Project Financing and Euro 2.5 million tied up as a guarantee for the issue of bank guarantees.

Current financial liabilities, amounting to Euro 172.5 million, are primarily represented by:

- financial payables due to third parties amounted to Euro 96.1 million, including Euro 94 million as a short-term quota of a no-recourse payable relating to the Project Financing of the wind business and Euro 1.6 million as a short-term quota relating to a medium to long-term credit lines ascribable to the parent company ERG Renew;
- financial payables due to parent companies, amounting to Euro 74.3 million, refers mainly to the balance of the Centralised Financial Management Agreement, stipulated with ERG S.p.A. at the end of 2011, which provides for a maximum debt exposure of Euro 100 million;
- a derivatives payable of Euro 1.8 million, relating 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, amounting to Euro 1,193.9 million, are primarily represented by:

- Euro 1,062.6 million as the medium to long-term portion of the no-recourse payable relating to the Project Financing of the wind business;
- Euro 131.3 million for derivative instruments whose contracts are undersigned by wind companies in order to hedge against the interest rate risk on Project Financing.

The breakdown of changes in net financial indebtedness is as follows:

(EUR MILLION)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES (A)		
EBIT	109.0	71.2
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	119.4	64.6
INTEREST	(59.7)	(23.8)
OTHER CHANGES	(0.9)	(1.0)
CASH FLOWS FROM ORDINARY OPERATIONS	**168.8**	**112.0**
CHANGES IN OPERATING ASSETS AND LIABILITIES	**(58.7)**	**(39.1)**
TOTAL	**110.0**	**72.9**
CASH FLOWS FROM INVESTING ACTIVITIES (B)		
NET CAPITAL EXPENDITURES ON TANGIBLE FIXED ASSETS	(40.6)	(38.0)
NET CAPITAL EXPENDITURES ON INTANGIBLE FIXED ASSETS	(2.6)	(0.3)
NET CAPITAL EXPENDITURES ON FINANCIAL FIXED ASSETS	(67.7)	(15.3)
TOTAL	**(110.8)**	**(53.6)**
CASH FLOW FROM SHAREHOLDERS' EQUITY (C)		
CAPITAL INCREASE	–	–
DIVIDENDS	–	(0.1)
OTHER CHANGES IN SHAREHOLDERS' EQUITY	19.4	(12.7)
TOTAL	**19.4**	**(12.8)**
CASH FLOW IN THE PERIOD (A+B+C)	**18.6**	**6.5**
FINANCIAL DEBT AT THE START OF THE PERIOD	**463.3**	**469.8**
CASH FLOW IN THE PERIOD	**(18.6)**	**(6.5)**
CHANGE IN SCOPE OF CONSOLIDATION	**804.1**	**–**
FINANCIAL DEBT AT THE END OF THE PERIOD	**1,248.9**	**463.3**

The increase in debt by Euro 785.6 million compared to 31 December 2012 refers mostly to the change in scope of consolidation (acquisition of ERG Wind Group, ERG Renew Operations & Maintenance and sale of Eolo), partly offset by the cash flow in the period.

For a detailed analysis of capital expenditures effected, please refer to the specific section.

ALTERNATIVE PERFORMANCE INDICATORS

To enhance understandability of business performance, the operating results are also shown at their adjusted replacement cost, which take into account, for ERG Renew's share, the results at replacement costs of the LUKERG Renew GmbH Joint Venture (50%) whose contribution in the income statement not at adjusted replacement cost is represented in the valuation of the equity investments with the equity method.

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.

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.

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 amortisation/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. Since 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.

Gross operating margin (EBITDA)

	2013	2012
GROSS OPERATING MARGIN (EBITDA)	**228.5**	**135.8**
EXCLUSION OF NON-RECURRING ITEMS:		
ANCILLARY CHARGES - ERG WIND ACQUISITION	10.2	–
EBITDA AT REPLACEMENT COST	**238.7**	**135.8**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	*6.6*	*1.3*
EBITDA AT ADJUSTED REPLACEMENT COST	**245.3**	**137.1**

Amortisation, depreciation and write-downs

	2013	2012
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	**(119.4)**	**(64.6)**
EXCLUSION OF NON-RECURRING ITEMS:		
ITALY		
- WRITE-DOWNS OF GINESTRA WIND FARM	–	*3.5*
DEPRECIATION AT REPLACEMENT COST	**(119.4)**	**(61.1)**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	*(3.6)*	*(1.3)*
DEPRECIATION AT ADJUSTED REPLACEMENT COST	**(123.0)**	**(62.4)**

Net operating income

	2013	2012
EBIT AT REPLACEMENT COST	**119.2**	**74.7**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	*3.1*	*–*
EBIT AT ADJUSTED REPLACEMENT COST	**122.3**	**74.7**

Group net income

	2013	2012
GROUP NET INCOME	**20.0**	**28.3**
EXCLUSION OF NON-RECURRING ITEMS:		
- EXCLUSION OF ANCILLARY CHARGES - ERG WIND ACQUISITION	*9.9*	*–*
- EXCLUSION OF NON-RECURRING ITEMS "WRITE-DOWN OF GINESTRA WIND FARM"	*–*	*2.1*
- EXCLUSION OF "BULGARIA BUSINESS COMBINATION ANCILLARY COSTS"	*–*	*0.9*
GROUP NET INCOME AT REPLACEMENT COST	**29.9**	**31.3**

ERG RENEW S.P.A. FINANCIAL STATEMENTS

The separate year-end financial statements of ERG Renew S.p.A. as at 31 December 2013 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

(THOUSANDS OF EURO)	YEAR 2013	YEAR 2012
REVENUES FROM ORDINARY OPERATIONS	13,313	4,248
OTHER REVENUES AND INCOME	698	347
TOTAL REVENUES	**14,011**	**4,595**
COSTS FOR PURCHASES	(7,741)	(75)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(13,635)	(10,109)
LABOUR COSTS	(4,392)	(3,548)
GROSS OPERATING MARGIN (EBITDA)	**(11,757)**	**(9,137)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(763)	(731)
OPERATING INCOME	**(12,520)**	**(9,868)**
NET FINANCIAL INCOME (EXPENSES)	6,531	6,303
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	47,615	(2,010)
PROFIT (LOSS) BEFORE TAXES	**41,626**	**(5,575)**
INCOME TAXES	3,614	5,689
PROFIT (LOSS) FOR THE PERIOD	**45,240**	**113**

REVENUES FROM ORDINARY OPERATIONS AND OTHER REVENUES AND INCOME

"Revenues from sales and services" refer mainly to the technical and administrative service agreements, stipulated with the subsidiaries, charged back at market values.
The item also includes the revenues deriving from the service agreement stipulated with the parent company ERG S.p.A. for the performance of certain activities, necessary to assure the correct forecast of the output of wind farms and to fulfil disclosure obligations with respect to the grid operators.
Lastly, the item refers (Euro 7,956 thousand), to the valuation of the Green Certificates, partly accrued by the company and referred to the year's output, and partly acquired from Group companies during the year, to be withdrawn by the National Grid Operator in 2014.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

This item includes costs tied to extraordinary transactions, in particular to the acquisition of the companies ERG Wind Investments and ERG Renew Operations & Maintenance.

LABOUR COSTS

The increase in the item relates mostly to bonuses for special projects, amounting to Euro 0.4 million.

NET FINANCIAL INCOME (EXPENSES)

Net financial income in 2013 totalled Euro 6.5 million, an improvement compared to the previous year, mainly in view of the new loans issued to jointly controlled companies during the year.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

Income from equity investment comprises mainly the dividends distributed by the subsidiaries in 2013, totalling Euro 49.3 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

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
INTANGIBLE FIXED ASSETS	1,806	1,673
TANGIBLE FIXED ASSETS	1,674	2,027
EQUITY INVESTMENT AND OTHER FINANCIAL FIXED ASSETS	361,689	253,954
FIXED ASSETS	**365,169**	**257,654**
TRADE RECEIVABLES	21,586	12,468
TRADE PAYABLES	(3,987)	(3,435)
NET WORKING CAPITAL	**17,599**	**9,033**
SEVERANCE INDEMNITIES	(380)	(304)
OTHER ASSETS	25,358	34,711
OTHER LIABILITIES	(15,151)	(15,338)
NET INVESTED CAPITAL	**392,595**	**285,756**
SHAREHOLDERS' EQUITY	562,084	516,830
NET FINANCIAL INDEBTEDNESS	(169,579)	(231,074)
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**392,505**	**285,756**

As at 31 December 2013, net invested capital amounted to approximately Euro 392 million, an increase of approximately Euro 107 million compared to 2012 mainly as a consequence of the increase in fixed assets, as commented below.

FIXED ASSETS

Fixed assets consist mainly of financial fixed assets. The marked increase from the previous year derives mostly from the acquisition of the equity investments in ERG Wind Investments and ERG Renew Operations & Maintenance (Euro 42.7 million) in addition to the disbursements made during the year to jointly controlled companies (Euro 68.9 million).

NET WORKING CAPITAL

Net working capital consists mainly of trade receivables and payables mostly with respect to 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

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
CASH AND CASH EQUIVALENTS	498	1,127
BANK ACCOUNT OVERDRAFTS	(235)	(346)
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,264
TOTAL CURRENT FINANCIAL ASSETS	**2,811**	**5,045**
PAYABLES DUE TO GROUP COMPANIES	(74,854)	(772)
PAYABLES DUE TO BANKS	(1,600)	(3,200)
DERIVATIVES PAYABLES	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(78,298)**	**(5,816)**
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	201,503	206,534
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANY	–	23,841
FINANCIAL RECEIVABLES FROM JOINTLY CONTROLLED ENTITIES	43,473	3,070
TOTAL CURRENT FINANCIAL ASSETS	**244,976**	**233,445**
PAYABLES DUE TO BANKS	–	(1,600)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**–**	**(1,600)**
NET FINANCIAL POSITION	**169,489**	**231,074**

NOTES ON THE RESULTS OF THE MAIN NON-CONSOLIDATED INVESTEE COMPANIES

ISAB ENERGY SOLARE S.R.L.

The Company, a Joint Venture between ERG Renew S.p.A. (51%) and Princemark Limited (49%), carries out its activities in the sector of renewable energy sources, and in particular it operates in the generation 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 generation of electrical energy with installed power of 968 kW; it became operational during the course of 2011.

The company broke even in the year ended 31 December 2013.

LUKERG RENEW GMBH

For further details, please refer to the section Wind Sector: Bulgaria and Romania.

MANAGEMENT AND COORDINATION BY ERG S.P.A.

ERG Renew S.p.A. is subject to management and coordination by ERG S.p.A.

This activity comprises, inter alia:

- the definition of business strategies and of the corporate governance system as well as the ownership structure;
- determination of general shared policies pertaining to human resources, accounting, budgeting, taxation, finance, risk management, communications, institutional relation, health safety and environment.

In particular, the following decisions were made within the scope of management and coordination activities on the part of ERG Renew S.p.A.:

- Board of Directors' Meeting of 9 May 2013:
  - quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries;
  - remuneration of directors vested with specific powers.

- Board of Directors' Meeting of 9 July 2013:
  - acquisition of service companies in the wind sector.

- Board of Directors' Meeting of 5 August 2013:
  - quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries;
  - sale of the equity investment held by ERG Renew S.p.A. in Eolo S.r.l.;
  - centralised Financial Management Agreement with investees.

- Board of Directors' meeting of 11 November 2013:
  - quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries;
  - centralised Financial Management Agreement with investee.

- Board of Directors' meeting of 18 December 2013:
  - capital expenditures budget for 2014;
  - acquisition of minority interest in ISAB Energy Solare S.r.l.;
  - possible entry of a minority shareholder in the Company's share capital;
  - disclosure about possible changes to the organisation of the ERG Group and any inherent and consequent resolutions;
  - schedule of the meetings of the corporate bodies for 2014.

The following are the highlights from the most recent approved financial statements of the parent company ERG S.p.A.:

NAME OF COMPANY THAT EXERCISES MANAGEMENT AND COORDINATION ACTIVITY	ERG S.P.A.
REGISTERED OFFICE	VIA DE MARINI 1 - 16149 GENOA
SHARE CAPITAL	15,032
TOTAL SHAREHOLDERS' EQUITY	1,551,592
TOTAL ASSETS	2,939,678
NET INCOME FROM EQUITY INVESTMENTS	114,833
OTHER OPERATING INCOME	7,378,979
NET INCOME	21,499

PRIVACY – SECURITY POLICY DOCUMENT

In 2013, the ERG Group invested adequate resources to maintain high levels of enforcement of the Privacy Code (Italian Legislative Decree 196/2003) and of the Instructions issued by the Authority for the protection of personal data, promoting and upgrading, in particular, its security policies in order to assure an adequate level of protection of the personal data subject to processing.

SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

On **9 January 2014** LUKERG Renew, a Joint Venture of ERG Renew and LUKOIL- Ecoenergo, completed the construction and commissioning of the wind farm in Topolog-Dorobantu in Romania, in the Tulcea region. The wind farm was connected to the national electricity grid last November, and turbine testing work is currently being carried out.
The new wind farm, consisting of 41 Vestas V90 wind turbine generators, each rated at 2 MW, has an installed capacity of 82 MW, which will increase by a further 2 MW in upcoming months, as soon as construction work is completed on the last turbine, authorised last December. When it becomes fully operational, the wind farm will generate over 200 GWh of electricity per year, for savings of approximately 85 kt of CO_2 emissions.
With the construction of the wind farm, LUKERG Renew significantly enhances its presence in the Romanian wind power market and positions itself among the foremost operators in the sector, with installed capacity of 150 MW.

On **16 January 2014**, the Shareholders' Meeting of ERG Renew resolved to carry out a reserved capital increase, for a total amount of Euro 50 million, simultaneously subscribed and released by UniCredit, corresponding to a minority interest in ERG Renew equal to 7.14% of the share capital. On the same date, a representative of UniCredit was appointed to the Board of Directors in accordance with the shareholders' agreements.

On **20 January 2014**, ERG Renew announced the full commissioning of the wind farm of Palazzo San Gervasio (PZ), accomplished ahead of schedule.
The new wind farm, consisting of 17 Vestas V100 wind turbine generators rated at 2 MW each, has an installed capacity of 34 MW and an output of over 72 GWh of electricity per year, with savings of approximately 30 kt of CO_2 emissions.
With the construction of the wind farm, ERG Renew strengthened its leadership position in the Italian wind power marked, with total installed capacity of 1,087 MW in Italy and 1,340 MW throughout Europe.

BUSINESS OUTLOOK

2013 was a particularly important year for ERG Renew as a result of the aforementioned acquisition of IP Maestrale (now ERG Wind) whereby ERG Renew has become the leading operator in the wind power business in Italy.
Abroad, through LUKERG Renew, the acquisition of two wind farms in Romania and Bulgaria was completed; their total installed power is 84 MW (of which ERG's share is 42 MW).
Moreover, since October 2013, through the acquisition of ERG Renew O&M, the company started to carry out the operations and maintenance activities of approximately half of the Italian wind farms internally, with the goal of extending this activity to the other parks in 2014 thus aiming to achieve major benefits in terms of operating efficiency, cost containment and technical availability.
At the end of 2013, construction work was completed on the new wind farm of Palazzo San Gervasio, with 34 MW of power, for which the company has obtained entitlement to the incentives as a result of participation in the auctions prescribed by the new regulations, and on a new wind farm in Romania, built through the LUKERG Renew, with total power of 82 MW (of which ERG's share is 41 MW).
Both wind farms have been fully operational since January 2014, and they will contribute to ERG Renew's results throughout 2014.
Lastly, in 2014 activities aimed at further developing the company will continue, through the assessment of potential new investment opportunities, particularly abroad.
The full contribution of the new wind farms to electricity generation, associated with the expected operating synergies, should entail further revenue and income growth is expected for 2014, compared with 2013.

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 2013, which closed with a profit of Euro 45,240,206 and which we propose to allocate to the reserve "retained earnings".

Genoa, 6 March 2014

on behalf of the Board of Directors
The Chairman
Alessandro Garrone

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

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

(THOUSANDS OF EURO)	NOTES	31/12/2013	31/12/2012
PROPERTY, PLANT AND EQUIPMENT	1	1,128,492	683,657
INTANGIBLE ASSETS	2	466,190	225,378
EQUITY INVESTMENTS	3	8,165	955
FINANCIAL ASSETS	4	108,289	19,762
DERIVATIVES RECEIVABLES	17	322	–
OTHER RECEIVABLES	5	27,171	8,318
TAX ASSETS	6	28,906	4,794
DEFERRED TAX ASSETS	7	100,382	56,167
NON-CURRENT ASSETS		**1,867,917**	**999,031**
INVENTORIES	8	8,003	–
TRADE RECEIVABLES	9	220,612	104,873
OTHER RECEIVABLES	10	53,579	35,317
TAX ASSETS	11	8,654	10,070
CASH AND CASH EQUIVALENTS	12	74,125	94,072
CURRENT ASSETS		**364,973**	**244,332**
ASSETS HELD FOR SALE	34	**–**	**9,164**
TOTAL ASSETS		**2,232,890**	**1,252,527**
GROUP SHAREHOLDERS' EQUITY	13	589,097	548,898
MINORITY INTERESTS	13	–	828
SHAREHOLDERS' EQUITY		**589,097**	**549,726**
EMPLOYEES' SEVERANCE INDEMNITIES	14	2,048	308
PROVISIONS FOR LIABILITIES AND CHARGES	15	28,814	9,190
FINANCIAL PAYABLES NET OF CURRENT PORTION	16	1,062,610	472,925
DERIVATIVES PAYABLES	17	131,280	58,445
OTHER PAYABLES	18	38,776	2,785
DEFERRED INCOME TAXES	19	164,085	69,704
NON-CURRENT LIABILITIES		**1,427,613**	**613,357**
CURRENT PORTION OF FINANCIAL PAYABLES	16	96,557	52,770
CURRENT PORTION OF FINANCIAL PAYABLES DUE TO PARENT COMPANIES	16	74,332	–
DERIVATIVES PAYABLES	17	1,844	1,844
TRADE PAYABLES	20	18,168	13,439
OTHER PAYABLES	21	17,775	8,951
TAX LIABILITIES	22	7,504	5,580
CURRENT LIABILITIES		**216,180**	**82,584**
LIABILITIES HELD FOR SALE	34	**–**	**6,860**
TOTAL LIABILITIES		**2,232,890**	**1,252,527**

ERG RENEW S.P.A.
CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EURO)	NOTES	2013	2012
OPERATING REVENUES	24	327,335	174,973
OTHER REVENUES AND INCOME	24	4,998	2,606
PRODUCTION VALUE		**332,333**	**177,579**
COST OF PRODUCTION			
RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	25	(3,270)	(422)
CHANGE IN INVENTORIES	26	(793)	–
COSTS FOR SERVICES	27	(72,350)	(32,512)
PERSONNEL EXPENSES	28	(10,606)	(3,790)
OTHER OPERATING EXPENSES	29	(17,379)	(5,066)
AMORTISATION/DEPRECIATION	30	(114,629)	(60,506)
WRITE-DOWNS AND PROVISIONS	30	(4,345)	(4,104)
EBIT		**108,961**	**71,179**
NET FINANCIAL INCOME (EXPENSES)	31	(59,641)	(23,807)
INCOME (LOSS) FROM EQUITY INVESTMENTS	32	(971)	(1,733)
PROFIT (LOSS) BEFORE TAXES		**48,349**	**45,639**
INCOME TAXES	33	(28,386)	(17,235)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**19,963**	**28,404**
NET INCOME FROM DISCONTINUED OPERATIONS	34	11	–
NET PROFIT (LOSS) FOR THE PERIOD		**19,974**	**28,404**
MINORITY INTERESTS		–	(89)
GROUP NET PROFIT (LOSS)		**19,974**	**28,315**
EARNINGS PER SHARE			
NOT DILUTED		0.200	0.215

OTHER COMPREHENSIVE INCOME (LOSSES)

(THOUSANDS OF EURO)	2013	2012
NET PROFIT (LOSS) FOR THE PERIOD	**19,974**	**28,404**
CHANGES THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		
ACTUARIAL CHANGE IN PROVISIONS FOR SEVERANCE INDEMNITIES	255	–
INCOME TAXES REFERRED TO THE ACTUARIAL CHANGE IN PROVISIONS FOR SEVERANCE INDEMNITIES	(87)	–
	167	**–**
CHANGES THAT WILL BE RECLASSIFIED IN THE INCOME STATEMENT		
CHANGES IN CASH FLOW HEDGE RESERVE	28,978	(18,748)
INCOME TAXES REFERRED TO CHANGES IN CASH FLOW HEDGE RESERVE	(8,807)	6,040
	20,171	**(12,708)**
OTHER COMPONENTS OF COMPREHENSIVE NET PROFIT (LOSS)	**20,339**	**(12,708)**
COMPREHENSIVE NET PROFIT (LOSS)	**40,313**	**15,696**
MINORITY INTERESTS	–	(89)
GROUP COMPREHENSIVE NET PROFIT (LOSS)	**40,313**	**15,607**

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 31/12/2011	**100,000**	**–**	**426,054**	**7,225**	**533,279**	**845**	**534,124**
ALLOCATION OF 2011 PROFIT (LOSS)	–	–	7,225	(7,225)	–	–	–
COVERAGE OF LOSSES	–	–	–	–	–	–	–
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–	–	–	–	–	–
OTHER CHANGES	–	–	12	–	12	(106)	(94)
2012 PROFIT (LOSS)	–	–	–	*28,315*	*28,315*	*89*	*28,404*
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	–	–	*(12,708)*	–	*(12,708)*	–	*(12,708)*
COMPREHENSIVE NET PROFIT (LOSS)	–	–	(12,708)	28,315	15,607	89	15,696
BALANCE AT 31/12/2012	**100,000**	**–**	**420,583**	**28,315**	**548,898**	**828**	**549,726**
ALLOCATION OF 2012 PROFIT (LOSS)	–	–	28,315	(28,315)	–	–	–
COVERAGE OF LOSSES	–	–	–	–	–	–	–
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–	–	–	–	–	–
OTHER CHANGES	–	–	54	–	54	(828)	(774)
2013 PROFIT (LOSS)	–	–	–	*19,974*	*19,974*	–	*19,974*
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	–	–	*20,171*	–	*20,171*	–	*20,171*
COMPREHENSIVE NET PROFIT (LOSS)	–	–	20,171	19,974	40,145	–	40,145
BALANCE AT 31/12/2013	**100,000**	**–**	**469,123**	**19,974**	**589,097**	**–**	**589,097**

CONSOLIDATED STATEMENT OF CASH FLOWS (1)

(THOUSANDS OF EURO)	2013	2012
OPERATING ACTIVITIES		
EBIT	108,961	71,179
ADJUSTMENTS FOR:		
DEPRECIATION OF TANGIBLE FIXED ASSETS	96,367	50,186
IMPAIRMENTS OF TANGIBLE FIXED ASSETS	4,345	4,104
WRITE-DOWN OF OTHER EQUITY INVESTMENTS AND RECEIVABLES	–	18
AMORTISATION OF INTANGIBLE FIXED ASSETS	18,714	10,320
CAPITAL GAIN ON SALE OF FIXED ASSETS	572	(1)
NET CHANGE IN PROVISIONS FOR LIABILITIES AND CHARGES AND PROVISIONS FOR SEVERANCE INDEMNITIES	6,483	1,862
TOTAL ADJUSTMENTS	**126,481**	**66,489**
CHANGES IN WORKING CAPITAL		
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	(24,346)	(22,266)
(DECREASE)/INCREASE IN TRADE AND OTHER PAYABLES	(19,111)	(13,172)
TOTAL CHANGE IN WORKING CAPITAL	**(43,457)**	**(35,438)**
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	**191,985**	**102,230**
INCOME TAXES PAID	(35,712)	(3,582)
INTEREST PAID	(85,290)	(25,476)
NET CASH FLOW FROM OPERATING ACTIVITIES	**70,983**	**73,172**
INVESTING ACTIVITIES		
INTEREST RECEIVED	3,453	1,752
DIVIDENDS PAID TO MINORITY SHAREHOLDERS	–	(98)
EQUITY INTERESTS ACQUIRED/SHARE CAPITAL INCREASES IN OTHER COMPANIES	(10,578)	(421)
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	(45,141)	(39,480)
PROCEEDS FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS	592	1,942
NET CASH FLOW FROM INVESTING ACTIVITIES	**(46,398)**	**(36,305)**
FINANCING ACTIVITIES		
REPAYMENT OF LOANS TO THIRD PARTIES	(69,443)	(60,278)
NEW LOANS RECEIVED FROM THIRD PARTIES	33,112	120,534
NEW LOANS RECEIVED FROM PARENT COMPANIES	74,332	–
NEW LOANS TO PARENT COMPANIES	–	(25,335)
REPAYMENT OF LOANS FROM PARENT COMPANIES	23,841	–
NEW LOANS TO JOINTLY CONTROLLED ENTITIES	(98,635)	(17,601)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(36,793)**	**17,320**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**95,254**	**54,186**
CHANGE IN SCOPE OF CONSOLIDATION	**(9,164)**	**–**
NET CASH FLOW IN THE PERIOD	**(12,208)**	**41,068**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**73,882**	**95,254**
COMPRISING		
BANK AND POSTAL ACCOUNTS	74,124	95,600
CASH AND NOTES ON HAND	1	1
BANK OVERDRAFTS	(243)	(347)
OF WHICH CASH AND CASH EQUIVALENTS NOT FREELY AVAILABLE	**2,548**	**4,265**

(1) In 2012, the statement also included the cash flows for assets and liabilities held for sale

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

ERG Renew S.p.A. is a joint stock company incorporated in Italy and registered with the Genoa Register of Companies. 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 35 under the "Other information" section of these explanatory notes.

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

PREPARATION PRINCIPLES

The Consolidated Financial Statements as of and for the year ended 31 December 2013 were prepared, without any waiver, in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international accounting standards that have undergone interpretation (International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).
The Consolidated Financial Statements, expressed in thousands of Euro, prepared according to the general principle of cost, with the exception of financial assets available for sale, of financial assets held for trading, and of derivatives, which are measured at fair value.
The Consolidated Financial Statements at 31 December 2013 have been audited by Reconta Ernst & Young S.p.A. in accordance with the procedures set forth by CONSOB regulations.

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERG Renew presents its income statement by nature, a format deemed more representative than presentation by function. The selected format is consistent with the internal and management reporting methods.
With reference to the balance sheet, the presentation format adopted distinguishes assets and liabilities as current and non current, as allowed by IAS 1.
The statement of cash flows is structured according to the indirect method.

CONSOLIDATION PRINCIPLES AND EVALUATION CRITERIA

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements comprise the line-by-line consolidation of the data of ERG Renew S.p.A., Parent Company, and of the investees over which it directly or indirectly has control. Said control exists when the Group has the power to determine the financial and operating policies of an entity in order to obtain benefits. Subsidiaries are consolidated starting from the date when control was actually obtained by the Group and they cease to be consolidated from the date when control is transferred outside the Group.
Associate companies, over which ERG Renew S.p.A. has significant influence, or entities in which it exercises joint control over financial and operating policies, are evaluated according to the equity method. The Group's share of profit or loss is recorded in the Consolidated Financial Statements from the date when significant influence started and until the date on which it ceases.

If the Group's share of the associate company's losses exceeds the book value of the equity investment in the financial statements, after zeroing the value of the equity investment, provisions are allocated for the Group's share of the loss to the extent to which the Group has legal or implicit obligations, to the investee company, to cover losses or, otherwise, to make payments on its behalf or in relation to its business.
No companies were consolidated with the proportional method.

EQUITY INVESTMENTS IN ENTITIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The financial statements of the subsidiaries, used for consolidation purposes, are prepared as at 31 December 2013 according to the same standards as the Group's.
All financial statements of the entities consolidated with the line-by-line method are expressed in Euro.
In the preparation of the Consolidated Financial Statements, the assets, liabilities, costs and revenues of the consolidated entities are taken line by line in their total amount, attributing to minority shareholders, in dedicated balance sheet and income statement items, their portion of equity and of income or loss for the year. The minority shareholders' share of equity is determined on the basis of the current values attributed to assets and liabilities at the date when control was taken, excluding any goodwill that may be referred to them.
The book value of equity investments is eliminated vis à vis the corresponding fraction of shareholders' equity of the investee companies, attributing to individual assets and liabilities their current value at the date of acquisition of control. Any residual difference, if positive, is recorded under the "Goodwill" asset item; if it is negative, it is recorded in the income statement, as prescribed by IFRS 3 (Business Combinations).

INTRA-GROUP TRANSACTIONS

Application of the "line-by-line" method, to eliminate the influence of all Intra-group transactions on the consolidated balance sheet and income statement, determines for the companies included in the scope of consolidation the elimination of their mutual payables and receivables, of the costs and revenues and of the profits, if significant, originated from sales of products and assets.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The Consolidated Financial Statements of ERG Renew are prepared in Euro, which is the functional currency of the Parent Company ERG Renew S.p.A. and of all companies included in the consolidation area.
For the financial statements of the companies measured according to the equity method, expressed in currencies other than the currency of representation (Euro), the exchange rate at the end of the year was applied to individual balance sheet items.
The exchange rate differences originated from the translation of the initial balance sheet items at exchange rates prevailing at the end of the year, compared to those prevailing at the end of the previous year, are allocated directly to consolidated shareholders' equity.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised 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%
Civil engineering works 5%
Plant and machinery 5% - 10%
Industrial and commercial equipment 5% - 10%
Other capital goods 12% - 15% - 20%
Expenses for environmental restoration 3% - 7%

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 (approximately 12 years).
Plant and machinery under construction for production purposes, or for purposes not yet determined, are recognised at cost, net of write-downs for loss in value. Costs include professional fees, if any, and for some assets, the financial charges capitalised 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 recognised 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 authorisations 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.

EQUITY INVESTMENTS

Jointly controlled entities

These are entities on whose activities the Group has joint control, as defined by IAS 31– Interests in Joint Ventures. The Consolidated Financial Statements include the Group's share of the income or loss of jointly controlled companies, accounted for with the equity method, starting from the date on which joint control begins until the time when it ceases.

If the Group's share of the Joint Venture's losses exceeds the book value of the equity investment in the financial statements, the value of the interest is zeroed and the Group's share of additional losses is not recognised, except if, and to the extent to which, the Group is liable for them.

Associate entities

These are entities in which the Group has significant influence, but not control or joint control, over financial and operating policies, as defined by IAS 28 – Investments in Associates. The Consolidated Financial Statements include the Group's share of the income or loss of associate entities, accounted for with the equity method, starting from the date on which significant influence begins until the time when it ceases. If the Group's share of the associate's losses exceeds the book value of the equity investment in the financial statements, the value of the interest is zeroed and the Group's share of additional losses is not recognised, except if, and to the extent to which, the Group is liable for them.

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 Operator (*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.

Green Certificates

Green Certificates from renewable sources are recognised on an accrual basis in view of the actual production of energy from said sources.

They are measured 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 this regard, reference is made to the legislative decree of 3 March 2011, 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.

Additionally, on 10 July 2012 the Italian Inter-ministerial Decree to provide incentives to renewable source of electricity other than photovoltaic was promulgated.

Incentives prescribed for plants existing or completed by the end of the current year (with a transitory period through 30 April 2013, for plants authorised to date), have no significant discontinuities (the calculation formula was confirmed). Until 2015, the Green Certificates system shall remain in force; it will be converted, for the residual period of entitlement to incentives, with the release of a premium feed-in tariff disbursed on a monthly basis and calculated according to the same formula. Additionally, the timing for the collection of the Green Certificates by the GSE (in accordance with Article 25, Paragraph 4, of the Italian Legislative Decree published in the Italian Official Journal no. 71 of 28 March 2011) for the Green Certificates released for production from renewable sources in the years from 2011 to 2015. In particular, the Green Certificates produced in the first half of 2012 were withdrawn in March 2013 and

collected in the second quarter of 2013, while those produced in the second half of 2012 shall be withdrawn no later than 30 September 2013 and collected in the fourth quarter of 2013.

Interest income is recognised 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 section.
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.
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, con 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 had already been enforced 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.

On 14 September 2011, Law no. 148/2011, a conversion of Law Decree no. 138/2011 containing *Urgent provisions for the financial stabilization and the economic development of the Country*, was approved. 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 Euro 10 million (previously, the limit was Euro 25 million), and taxable income exceeded Euro 1 million.

The actual effect of the changes introduced has entailed, starting in 2011, higher current taxes for the Group, both in terms of higher tax rates and of a greater number of Group companies subject to the Robin Tax surcharge.

IMPAIRMENT

At the end of each reporting period, the Group reviews the carrying value of its tangible, intangible and financial 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 realisable 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 carrying 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.

For the details of the 2013 impairment tests, please refer to the chapter **Impairment test 2013.**

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 recognised at the trading date at cost corresponding to the nominal value, including transaction 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 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): *Fair value through profit or loss*;
- Held-to-maturity (HTM) investments: *Held-to-maturity investments*;
- Loans and receivables (L&R): *Loans and receivables*;
- Available-for-sale (AFS) financial investments: *Available for sale financial investments*.

All financial assets are initially recognised at fair value, plus – in the case of assets other than FVTPL assets – ancillary costs.
At the time of execution, 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 2013, 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 2013, 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 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 prescribes the following measurement methods: fair value and 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 amortised 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 recognised 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 recognised in the Income Statement, to the extent that the asset's carrying value does not exceed the amortised 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): *Fair value through profit or loss*;
- 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 2013, 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 thereof.

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 recognised 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 carrying 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 recognised 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 recognised 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-à-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 LIABILITIES AND CHARGES

Provisions for liabilities 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 fulfil 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 fulfil 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 – RISKS AND UNCERTAINTIES

Preparation of the financial statements in accordance with IFRS requires ERG to make estimates and assumptions that affect the values of assets and liabilities shown in the financial statements and the information provided concerning potential assets and liabilities. To obtain these estimates, available information had to be used and subjective evaluations had to be adopted.

By their nature, the estimates and assumptions used can change from year to year and, therefore, it is possible that in subsequent years the current amounts may differ as a result of changes in the subjective evaluations applied.

The main estimates requiring a greater use of subjective evaluations are used, inter alia, for:

- provisions for bad debts, for inventory obsolescence, asset amortisation, depreciation and write-downs, tax-related risks;
- deferred tax assets, whose recognition is supported by the Group's prospective taxability resulting from the expected profitability of the business plans and from the forecast renewal of tax consolidation;
- the impairment test procedure for intangible assets, property plant and equipment and other equity investments, described in particular in the section entitled **Impairment test**, implies – in estimating value in use – utilisation of the investee companies' Business Plans, 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. Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction;
- allocations to provisions for environmental risks and for liabilities related to legal and fiscal disputes, for which it is deemed likely that a financial outlay will take place, and the amount of the resulting losses can be estimated reasonably. 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 Company in the disputes. These estimates are determined taking into account the progressive evolution of the disputes and in consideration of minimum thresholds payable.

The estimates and assumptions are revised periodically and the effects of each change are recognised in the income statement in the period when the change took place.

ENVIRONMENTAL RESTORATION PROVISIONS

In relation to the provisions of IAS 16 and IAS 37 and to the related interpretation document IFRIC 1 with respect to the recognition of expenses for the restoration of the site where the wind farms operate, in 2012 and in 2013 the related provisions were adjusted to Euro 16.1 million at 31 December 2013, initially recorded with matching entry as related tangible fixed assets. Said recognition derives from an analysis conducted on the basis of the most recent evidence of construction and removal of a wind farm and from the consequent revision of the estimates used in previous years. The impact on the income statement is not significant.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2013

The following Accounting Standards, amendments and interpretations were applied by the Group for the first time starting from 1 January 2013:

- **IFRS 13 – Fair value measurement**: explains how to measure fair value for financial reporting and it applies to all standards that require or permit fair value measurements or disclosures about fair value measurements.

- 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.

- 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 on or after 1 July 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.

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

- **Investment entities (IFRS 10; IFRS 12 and IAS 27)**
  On 31 October 2012, the IASB issued the document "Investment Entities" which regulates the activities carried out by particular types of entities qualified as investment entities. The IASB identifies as investment entities those entities that invest with the sole purpose of obtaining an increase in the investment capital or income from the investment or both. The provisions shall be effective starting from the financial years beginning on or after 1 January 2014.

- On 29 May 2013, the IASB published the amendment to **IAS 36 Recoverable Amount Disclosures for Non-Financial Assets**, restricts the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) and expressly requires disclosure on the discount rate used to determine an impairment loss (or a reversal) when the recoverable amount (based on fair value less cost to sell) is determined using the present value method.

- **Transition guidance (IFRS 10, IFRS 11, IFRS 12)**, on 28 June 2012, the IASB issued the document "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities" providing certain clarifications and simplifications with reference to the transition requirements for the standards IFRS 10, IFRS 11 and IFRS 12.

- **IFRS 10 - Consolidated Financial Statements**: the standard supersedes SIC-12 Consolidation – Special Purpose Entities and certain parts of IAS 27 – Consolidated and Separate Financial Statements, which shall change title to IAS 27 – Separate Financial Statements and which shall regulate the accounting treatment of equity investments in the separate financial statements. The new IFRS 10 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 providing guidance in order to determine the existence of control in cases of difficult interpretation.

- **IFRS 11 – Joint Arrangements**: the standard supersedes IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly controlled entities – Non-monetary Contributions by Venturers. The new standard provides criteria for identifying joint interest agreements based on the rights

and obligations deriving from agreements rather than on 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 standard 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).

- **IAS 27 - Consolidated and separate financial statements**: the purpose of the amendment to IAS 27 is to provide the rules to enforce in accounting for equity investments in subsidiaries, joint ventures and associates in the preparation of the Separate Financial Statements. The amendment, then, maintains unchanged the provisions for the separate Financial Statements, replacing the parts relating to the Statutory Financial Statements with the prescriptions of the new IFRS 10, to which reference is made herein for additional details.

- **IAS 28 – Investments in associates and joint venture**s: the amendment to IAS 28 (as amended in 2011) outlines how to apply the equity method to investments in associates and joint ventures.

- 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 shall be applicable in a retrospective manner for annual periods beginning on or after 1 January 2014.

- **IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting**: the amendment introduces the possibility of continuing hedge accounting for derivatives designated as hedges, which are required to be novated to a central counterparty as a result of laws or regulations.
  The IASB also issued the following amendments, whose endorsement process on the part of the EU was not yet completed at the date of this Report.

- **IFRS 9 – Financial instruments**: the amendments pertain to the criteria for the recognition and measurement of financial assets and their classification in the financial statements. In particular, the new provisions establish, inter alia, a model for the classification and measurement of financial assets based exclusively on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. Moreover, the new provisions prescribe that equity investments other than those in subsidiaries, jointly controlled entities or associates shall be measured at fair value through profit or loss. If said equity investments are not held for trading, changes in fair value may be recognised in the statement of comprehensive income, maintaining in the income statement solely the effects connected with dividend distribution; at the time the equity investment is sold, the amounts recognised in the statement of comprehensive income shall not be allocated in the income statement. Moreover, on 28 October 2010 the IASB complemented the provisions of the IFRS 9 to include the criteria for the recognition and measurement of financial liabilities. In particular, the new provisions require, inter alia, that if a financial liability is measured at fair value through profit or loss, the changes in fair value connected to changes in the issuer's credit risk ("own credit risk") shall be recognised in the statement of comprehensive income; said component shall be allocated to the Income Statement to assure symmetric representation with other items connected with the liability, avoiding accounting mismatches. On 19 November 2013, the IASB further changed the amendment, including the new hedge accounting model and

allowing the adoption of the fair value treatment of credit rating changes on FVTPL liabilities. The provisions of IFRS 9, based on this change, no longer have an explicit effective date: hence, the date of 1 January 2015 is removed.

- **IAS 19 – Defined Benefit Plans**: **Employee Contributions**: the amendment clarifies that contributions to defined benefit plans for employees and for third parties that are linked to a service rendered shall be attributed to the periods when the service is rendered.

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

IMPAIRMENT TEST

This section provides the description of the impairment tests on the Group's main assets, as required by IAS 36. In particular, to determine the recoverable amount of productive plant with finite useful life, the value in use calculated on an estimate of the cash flows over the useful life of the assets is taken into consideration. With regard to equity investments, which by their nature have indefinite useful life, their specific features were taken into account: therefore, reference is made to the respective section for the related clarifications on the adopted method.

IMPAIRMENT TEST: RENEWABLE ENERGIES BUSINESS

Through the years, the Group has carried out a series of acquisitions in the Renewable Energies business. Briefly, the main ones involved:

- acquisition of the EnerTAD Group (now called ERG Renew), starting from 2006 with successive increases in the equity investment, which ended with the acquisition of 100% of ERG Renew completed through the Takeover Bid;
- acquisition of the entire share capital of five French entities, owners of as many wind farms located in France. The transaction was completed through the effective transfer of the equity investments from Theta Energy to EnerFrance S.a.s. (currently ERG Eolienne France), a wholly owned company, specifically incorporated as a sub holding in the wind power business for the assets located in France;
- acquisition of ERG Eolica Adriatica S.r.l. (formerly, IVPC Power 5 S.r.l.), a company owning two wind farms operating in Molise and Puglia, for an acquisition price of Euro 71 million;
- acquisition of 100% of ERG Eolica Campania (formerly, IVPC Power 3 S.p.A.), the owner of five wind farms operating since 2008 in the provinces of Avellino and Benevento, and with a total installed capacity of approximately 112 MW, for a total cost of Euro 100 million;
- establishment of the LUKERG Renew Joint Venture, which in 2012 and in 2013 purchased wind farms operating in Bulgaria and in Romania, in addition to further authorisations for wind farms to be developed in Romania (please see the section **Joint Ventures – LUKERG Renew GmbH**);
- acquisition of 80% of the capital of IP Maestrale Investments Ltd., a major operator in Italy in the sector of renewable energy from wind power (see the section **Acquisition of IP Maestrale (currently ERG Wind)**;
- acquisition of 100% of the capital of ERG Renew Operations & Maintenance S.r.l., company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind (see the section **Acquisition of ERG Renew Operations & Maintenance S.r.l.)**.

The acquisitions were recognised in accordance with the provisions of IFRS 3 on business combinations, allocating the cost of the business combination to the acquired assets and the assumed liabilities, including those which were not booked before the acquisition.

As a result of the impairment tests in the 2008, 2009 and 2010 financial statements, the values relating to the EnerTAD acquisition had been partially impaired. When drafting the 2010 financial statements, the capital gains relating to the acquisitions of the French companies had been partially impaired.

The residual value of these assets before the 2013 impairment test amounted to:

- approximately Euro 3 million to higher value of the plant of operating wind farms;
- approximately Euro 231 million to higher value of the authorisations and preliminary agreements for the operating wind farms, of which Euro 98 million referred to the wind farms of the ERG Wind Group;
- approximately Euro 125 million allocated among the different Business Combination:
  - Euro 96 million referred to ERG Wind (Italy and Germany);
  - Euro 19 million referred to ERG Eolica Campania and ERG Eolica Adriatica (Italy);
  - Euro 10 million referred to ERG Renew Operations & Maintenance (Italy).

In consideration of the recorded goodwill values, for the 2013 financial statements their recoverable value was tested and the measurement models used in the previous tests of the intangibles associated with the business combinations discussed above were updated.

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.

The recoverable amount of the cash-generating units (also referred to as "CGU") 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 and the expected variation in the selling prices of electricity 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 CGUs. The growth rates used are based on growth forecasts pertaining to the relevant industrial sector of the Group, without changes to the market share of the Group. Changes in the sale prices and in direct costs are based on past experience and on future market expectations. The assumptions reflected in the plans relating to feed-in tariffs are based on the reference regulations of the different Countries and on their different duration for individual wind farms.

In determining the discount rate, the Beta and Debt / Equity financial parameters were considered; they were derived from panels of comparable companies in order to consider both the market risk of companies operating in the same industry, and a market financial structure. With regard, instead, to the cost of equity (ke), it reflects the return rate of risk-free assets and it is identified as the average return of the ten-year government bonds of the reference country.

"EnerTAD" (Italy) Business combination combination

With reference to the amounts related to Authorizations and preliminary contracts:

- the cash-generating units (CGU) relating 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 CGUs 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, the discount rate used is the WACC for the industry (6.58%);
- 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.

"ERG Eolica Campania and ERG Eolica Adriatica" (Italy) Business combination

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 operation of the wind farms was estimated.

For the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (6.58%);

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

"EnerFrance" (France) Business combination

With reference to the amounts related to Authorizations and preliminary contracts:

- the cash-generating units (CGU) relating 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, the discount rate used is the WACC for the industry (5.13%);
- 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.

"LUKERG Renew" (Bulgaria and Romania) Business combination

With reference to the value of the equity investment in LUKERG Renew:

- the cash-generating units (CGU) relating 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;
- or the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (7.86% for Bulgaria and 8.46% for Romania);
- for each wind farm included within the CGU, a terminal value was also estimated, determined as a perpetual annuity with a growth rate (g) of zero. The terminal value, which was obtained in this manner, was prudentially reduced by 50%.

"ERG Wind" Business combination (Italy and Germany)

With reference to the amounts related to Authorizations and preliminary contracts:

- two Cash Generating Units (CGUs) were provisionally identified, consistently with the method used upon determining the purchase price, coinciding with the CGU that comprises the wind farms situated in Italy and with the CGU that includes the wind farms situated in Germany, on which were also allocated the capital gains identified upon recording the acquisition;
- in particular, within the Italy CGU the capital gains were allocated with reference to each point of sale of the energy to the national grid, grouping the related wind farms connected to the same point of sale;
- 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, the discount rate used is the WACC for the industry (6.58% for Italy and 5.09% for Germany);
- 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.

The goodwill acquired in the "ERG Wind" business combination was allocated, at the date of acquisition, to the cash generating unit from which benefits connected with the combination are expected; consequently, the same Cash Generating Units were identified for the determination of the recoverable amount of the Authorisations and of the preliminary agreements.

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.

For the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (6.35% for Italy and 5.09% for Germany).

Concerning the terminal value, consistently with the method used to determine the acquisition price, an extension from twenty to twenty-five years of the explicit forecast period was considered, assuming the increase of the maintenance costs in support of the extension.

Lastly, with reference to the company ERG Renew Operations & Maintenance S.r.l., dedicated to the operation and maintenance of the wind farms of ERG Wind, no impairment test was carried out, because the acquisition of the company took place in the final part of the year (see the section **Acquisition of ERG Renew Operations & Maintenance**).

The management of the Group considers the assumptions, which were adopted for the identification of the recoverable value of property, plant and equipment, of the tangible assets and of the goodwill connected with the "Renewable Energies" sector to be reasonable and, on the basis of the abovementioned assumptions, no write-down was calculated.

Lastly, the value in use of the different CGUs that characterise and compose the "Renewable Energies" is determined according to measurement parameters that are independent of a logic of negotiation; it is based, instead, on industry parameters that, as such, lead to a value definition that takes on a distinct meaning from the concept of "price".

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 wind strength, energy prices and interest rates.

The Group took account of the aforesaid uncertainties in processing and defining the basic assumptions used to determine the recoverable value of the capital gains allocated to the "Renewables" sector and it also performed a sensitivity analysis regarding the recoverable value of the various CGU's: this analysis assumed that the overall revenues from sales of energy (i.e. the remuneration of energy and its production) could increase or decrease by an estimated amount of 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 approximately Euro 8 million with reference to the "ERG Eolica Adriatica" Business Unit and the value of the Assets would be written down by approximately Euro 6 million with reference to the "EnerTAD" Business Unit. Lastly, an increase of 0.5% in the discounting rate would also have involves a write-down of the goodwill allocated to the "Renewable" CGU's by Euro 6 million.

The above analyses 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 carrying values of non-current assets in the Consolidated Financial Statements.

SCOPE OF CONSOLIDATION

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

COMPANY (THOUSANDS OF EURO)	REGISTERED OFFICE	SHARE CAPITAL	GROUP SHARE %	DIRECT SHARE %	PARENT COMPANY
ERG RENEW S.P.A.	GENOA	100.000	–	–	PARENT COMPANY
ERG EOLICA ADRIATICA S.R.L.	GENOA	10	100	100	ERG RENEW S.P.A.
ERG EOLICA AMARONI S.R.L.	CATANZARO	10	100	100	ERG RENEW S.P.A.
ERG EOLICA BASILICATA S.R.L.	GENOA	38	100	100	ERG RENEW S.P.A.
ERG EOLICA CALABRIA S.R.L.	CATANZARO	10	100	100	ERG RENEW S.P.A.
ERG EOLICA CAMPANIA S.P.A.	GENOA	120	100	100	ERG RENEW S.P.A.
ERG EOLICA FAETO S.R.L.	GENOA	10	100	100	ERG RENEW S.P.A.
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	50	100	100	ERG RENEW S.P.A.
ERG EOLICA GINESTRA S.R.L.	GENOA	10	100	100	ERG RENEW S.P.A.
ERG EOLICA TIRRENO S.R.L.	PALERMO	10	100	100	ERG RENEW S.P.A.
ERG EOLICA SAN CIREO S.R.L.	GENOA	3,500	100	100	ERG RENEW S.P.A.
ERG EOLICA SAN VINCENZO S.R.L.	GENOA	3,500	100	100	ERG RENEW S.P.A.
ERG EOLIENNE FRANCE S.A.S.	PARIS	50	100	100	ERG RENEW S.P.A.
GREEN VICARI S.R.L.	PALERMO	119	100	100	ERG RENEW S.P.A.
ERG RENEW OPERATIONS & MAINTENANCE S.R.L.	GENOA	10	100	100	ERG RENEW S.P.A.
ERG WIND INVESTMENTS LTD. (1)	GIBRALTAR	–	80	80	ERG RENEW S.P.A.
EOLIENNES DU VENT SOLAIRE S.A.S.	PARIS	37	100	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE LIHUS S.A.S.	PARIS	1,114	100	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE HETOMESNIL S.A.S.	PARIS	1,114	100	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE LA BRUYERE S.A.S.	PARIS	1,060	100	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DU CARREAU S.A.S.	PARIS	861	100	100	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN LES MARDEAUX S.A.S.	PARIS	1,097	100	100	ERG EOLIENNE FRANCE S.A.S.
ERG WIND HOLDINGS (ITALY) S.R.L.	ROME	212	80	100	ERG WIND INVESTMENTS LTD.
ERG WIND MEI 2-14-1 LTD.	LONDON	–	80	100	ERG WIND INVESTMENTS LTD.
ERG WIND MEI 2-14-2 LTD.	LONDON	–	80	100	ERG WIND INVESTMENTS LTD.
ERG WIND SARDEGNA S.R.L.	ROME	77	80	100	ERG WIND HOLDINGS (ITALY) S.R.L.
ERG WIND SICILIA 6 S.R.L.	ROME	77	80	100	ERG WIND HOLDINGS (ITALY) S.R.L.
ERG WIND 4 S.R.L.	ROME	6,633	80	100	ERG WIND HOLDINGS (ITALY) S.R.L.
ERG WIND LEASING 4 S.R.L.	ROME	10	80	100	ERG WIND HOLDINGS (ITALY) S.R.L.
ERG WIND ENERGY S.R.L.	ROME	1,000	80	80	ERG WIND HOLDINGS (ITALY) S.R.L.
ERG WIND SICILIA 2 S.R.L.	ROME	77	80	100	ERG WIND SARDEGNA S.R.L.
ERG WIND SICILIA 4 S.R.L.	ROME	77	80	100	ERG WIND SARDEGNA S.R.L.
ERG WIND SICILIA 5 S.R.L.	ROME	77	80	100	ERG WIND SARDEGNA S.R.L.
ERG WIND 2000 S.R.L.	ROME	77	80	100	ERG WIND SARDEGNA S.R.L.
ERG WIND 6 S.R.L.	ROME	77	80	100	ERG WIND SICILIA 6 S.R.L.
ERG WIND SICILIA 3 S.R.L.	ROME	77	80	100	ERG WIND SICILIA 6 S.R.L.
ERG WIND MEG 1 LLP (2)	LONDON	33,168	80	80	ERG WIND MEI 2-14-1 LTD.
ERG WIND MEG 2 LLP (2)	LONDON	28,010	80	80	ERG WIND MEI 2-14-1 LTD.
ERG WIND MEG 3 LLP (2)	LONDON	33,586	80	80	ERG WIND MEI 2-14-1 LTD.
ERG WIND MEG 4 LLP (2)	LONDON	29,721	80	80	ERG WIND MEI 2-14-1 LTD.

(1) within the agreements executed with the seller, a put and call option is provided on the remaining 20% of the capital, on the basis of which the acquisition of the shares of the minority shareholder was assumed to be certain, with the consequent attraction of the minority interest in the Group shareholders' equity

(2) the remaining 20% interest is held directly by the company ERG Wind MEI 2-14-2

The main transactions on the Group's equity investments are summarised below.

- **ACQUISITION OF IP MAESTRALE (CURRENTLY ERG WIND)**

  On 13 February 2013, ERG closed with International Power Consolidated Holding Ltd. (100% GDF SUEZ) the acquisition, through the subsidiary ERG Renew, of 80% of the capital of IP Maestrale Investments Ltd., a major operator in Italy in the sector of renewable energy from wind power.

  On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.

  The method used for the first consolidation of the acquired companies, as required by the reference accounting standards, is described below.

  The acquisition was recognised according to the provisions of IFRS 3 on business combinations; on the basis of this standard, and for the purposes of a correct reporting of the operation, it is necessary:

  - to determine the total consideration of the acquisition;
  - to allocate, on the date of the acquisition, the consideration of the business combination to the acquired assets and the assumed liabilities, including those which had not been recognised before the acquisition;
  - recognise any goodwill acquired in the business combination.

  Determination of the total consideration of the acquisition

  The total consideration of the acquisition was amounted to Euro 35 million. In particular, the enterprise value of the acquisition was Euro 859 million, i.e. approximately Euro 1.35 million per installed MW. ERG recognised to the seller a provisional consideration for the equity of the acquired Group of Euro 28.2 million for 80% of the share capital of IP Maestrale. The agreements stipulated with the seller include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. In view of the terms of the option and of the method for calculating the exercise price, the acquisition of the minority shareholders' shares was assumed to be certain, with the consequent attraction of the minority interest in the Group shareholders' equity and the recognition of the corresponding equity investment (for a value of Euro 7 million).

  In July 2013, the parties defined the consideration of the transaction, setting a total amount of Euro 23 million, which determined a positive balance of Euro 12 million in ERG's favour. Moreover, the total consideration of Euro 23 million, described above, refers to consideration exchanged for the acquisition in question, and does not include the amount of any price balances relating to guarantee clauses safeguarding the ERG Group, which instead were considered for the purchases of this purchase price allocation. These balances were recognised as matching entries among other non-current liabilities.

  Lastly, there were ancillary costs (costs for services and other operating costs) tied to the aforesaid acquisition, totalling Euro 11 million, net of the related tax effect, which, in these Financial Statements, were reported in the income statement as prescribed by IFRS 3 and considered among non recurring items.

  Measurement of the assets and liabilities of the ERG Wind Group at the acquisition date

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

(THOUSANDS OF EURO)	ERG WIND GROUP	ADJUSTMENT TO ACQUISITION SITUATION	ADJUSTED ERG WIND GROUP
INTANGIBLE ASSETS	345	150,622 *a)*	150,967
GOODWILL	88,268	(88,268) *b)*	–
PROPERTY, PLANTS AND MACHINERY	504,153	–	504,153
EQUITY INVESTMENTS	2	–	2
OTHER FINANCIAL ASSETS	31,954	–	31,954
DEFERRED TAX ASSETS	52,656	11,845 *c)*	64,501
OTHER NON-CURRENT ASSETS	22,133	–	22,133
NON-CURRENT ASSETS	**699,511**	**74,199**	**773,710**
INVENTORIES	6,395	–	6,395
TRADE RECEIVABLES	75,673	–	75,673
OTHER CURRENT RECEIVABLES AND ASSETS	76,939	(36,648) *d)*	40,291
CURRENT FINANCIAL ASSETS	–	–	–
CASH AND CASH EQUIVALENTS	25,600	–	25,600
CURRENT ASSETS	**184,607**	**(36,648)**	**147,959**
TOTAL ASSETS	**884,118**	**37,551**	**921,669**
SHAREHOLDERS' EQUITY	**(399,818)**	**336,227**	**(63,591)**
SEVERANCE INDEMNITIES	714	–	714
DEFERRED TAX LIABILITIES	19,887	87,054 *e)*	106,941
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	–	–	–
NON-CURRENT FINANCIAL LIABILITIES	904,198	(144,576) *f)*	759,622
OTHER NON-CURRENT LIABILITIES	2,421	–	2,421
NON-CURRENT LIABILITIES	**927,220**	**(57,522)**	**869,698**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	13,048	–	13,048
TRADE PAYABLES	7,333	–	7,333
CURRENT FINANCIAL PAYABLES	250,517	(207,342) *g)*	43,175
OTHER CURRENT LIABILITIES	85,818	(33,812) *d)*	52,006
CURRENT LIABILITIES	**356,716**	**(241,154)**	**115,562**
TOTAL LIABILITIES	**884,118**	**37,551**	**921,669**

In determining the fair value of the assets and liabilities acquired, the main differences identified refer:

a) to the measurement, i.e. Euro 151 million, of the fixed assets and in particular the agreements and authorizations for operational wind farms for the production of electricity at incentivised tariffs. These assets were measured using a point by point method, with reference to each point of sale of the energy to the national grid, grouping the related wind farms connected to the same point of sale;

b) to the reversal of the existing goodwill of the company ERG Wind 4 S.r.l., necessary for the purposes of the subsequent purchase price allocation exercise, as provided by IFRS 3;

c) to the deferred tax assets relating to the entries in question;

d) to the reversal of deferred expenses;

e) to the deferred tax liabilities relating to the entries in question;

f) to the fair value measurement of the financial liability related to the loan, lower than the nominal value by Euro 145 million, because it was originally stipulated at more advantageous conditions than those proposed by the market at the time of the acquisition. Current financial liabilities include the negative fair value of the hedging IRS derivative, i.e. Euro 124 million.

g) to the previous shareholder's waiver of a Euro 207 million loan, already provided in the agreements connected with the sale of the ERG Wind Group to ERG, and subsequently finalised in the first quarter of 2013.

Determination of the residual goodwill

The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities was residually recognised as goodwill:

TOTAL CONSIDERATION OF THE ACQUISITION	**32,904**
ADJUSTED ERG WIND GROUP SHAREHOLDERS' EQUITY	(63,591)
GOODWILL	**96,495**

With regard to the definition of the total consideration of the acquisition, please refer to the preceding sections.

ERG Wind contribution to the Consolidated Financial Statements as at 31 December 2013

The contribution of the ERG Wind Group in the period between the date of first consolidation (1 January 2013) and the ending date of the year was as follows:

TOTAL REVENUES	166,348
GROSS OPERATING MARGIN (EBITDA)	121,270
OPERATING INCOME	64,539
NET INCOME	15,077

The impact of the transaction on the Group's net financial indebtedness at 1 January 2013 amounts to Euro 800 million and it refers to the consideration exchanged for the acquisition (Euro 23 million) and to the net financial position of the acquired companies, including the liability of the fair value of derivatives and the positive effect deriving from the fair value measurement of the loan, as commented above.

(THOUSANDS OF EURO)	ADJUSTED ERG WIND GROUP	ACQUISITION OF EQUITY INVESTMENT	IMPACT ON CONSOLIDATED STATEMENTS
NON-CURRENT FINANCIAL LIABILITIES	759,622	–	759,622
MEDIUM - LONG TERM FINANCIAL DEBT	**759,622**	**–**	**759,622**
CURRENT FINANCIAL PAYABLES	43,175	–	43,175
CASH AND CASH EQUIVALENTS	(25,600)	23,083	(2,517)
SHORT-TERM FINANCIAL DEBT	**17,575**	**23,083**	**40,658**
NET FINANCIAL POSITION	**777,197**	**23,083**	**800,280**

With regard to the impairment tests carried out for IAS 36 purposes, please refer to the section "**Impairment test Renewable Energies business**".

- ACQUISITION OF ERG RENEW OPERATIONS & MAINTENANCE S.R.L.

On 31 October 2013, ERG Renew completed the acquisition of the entire share capital of the company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind.

On the same date, the company took the name of ERG Renew Operations & Maintenance, with its registered office in Genoa. The consideration in terms of Enterprise Value is approximately Euro 10 million. As a result of the transaction, 136 persons joined the Group; they are mainly technical personnel, highly specialised in the maintenance and operation of wind farms.
The difference between the total consideration of the acquisition and the net value of the acquired assets and liabilities – amounting to Euro 9.5 million – was recognised as goodwill. It should be recalled that in accordance with the provisions of IFRS 3, the valuation of assets and liabilities may be subject to modifications in the twelve months following the date of acquisition.
The impacts of the aforesaid acquisition on the 2013 income statement are not significant.

- OTHER TRANSACTIONS

  On **16 May 2013**, the company ERG Eolica Lucana S.r.l. was established. At 31 December 2013, the company was not yet operational.

  On **13 September 2012**, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in Eolo to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale took place on 7 August 2013 with a collection, by ERG Renew, of Euro 1.7 million, and the recognition of a capital gain of Euro 0.4 million in the consolidated income statement.

  On **5 November 2013**, the process was completed, leading to the dissolution and extinction of sixteen non-operational companies included in the ERG Wind Group.

  On **26 November 2013**, as a consequence of a streamlining process of the Group, the cross-border absorption of the companies ERG Wind Finance Ltd., ERG Wind MEI 1-14-1 and ERG Wind MEI 1-14-2 in ERG Wind Holdings (Italy) S.r.l.

With regard to the existing of restrictions and guarantees on the equity investments held by the group, please refer to the comments in Note 16 – **Financial liabilities**.

JOINT VENTURES

LUKERG Renew

The investee – a Joint Venture with LUKOIL Ecoenergo – has been consolidated at equity starting from 1 July 2012, in consideration of the start of its operations as a result of the acquisition, in June 2012, of the wind farms in Bulgaria, in the region of Dobrich, for an installed capacity totalling 40 MW. Moreover, at the end of 2012, LUKERG Renew closed the acquisition from Inergia S.p.A. (Santarelli Group) of 100% of the capital of Land Power S.r.l., a Romanian company owning the authorisations required for the construction of a wind farm in Romania, in the Tulcea region, with a planned capacity of 84 MW and an estimated electricity generation of 200 GWh a year when fully operational. LUKERG Renew started construction work on the wind farm in the first quarter of 2013 and to start operations in the first six months of 2014.

On **28 June 2013,** LUKERG Renew stipulated a closing agreement for the acquisition from Vestas of 100% of the Gebeleisis wind farm in Romania. The wind farm, located in the Galati region, has been fully operational since February 2013 and has a total installed capacity of 70 MW and expected average annual generation exceeding 165 GWh. The enterprise value of the acquisition was Euro 109.2 million.

On **5 September 2013**, LUKERG Renew stipulated a closing agreement for the acquisition from Vestas of the Hrabrovo wind farm in Bulgaria. The Hrabrovo wind farm, located in the Dobrich region (Bulgaria), has been fully operational since March 2012, and has a total installed capacity of 14 MW and expected average annual generation exceeding 34 GWh. The enterprise value of the acquisition was Euro 17.6 million.

The value of the equity investment in LUKERG Renew GmbH was subjected to impairment test, whose details are indicated in the section "**2013 Impairment test**".

ISAB Energy Solare S.r.l.

The Company, a Joint Venture with Princemark Limited (IPM group), carries out its activities in the sector of renewable energy sources, and in particular it operates in 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 generation of electrical energy with 968 kW of installed power; it became operational in June 2011.

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	**38,642**	**830,459**	**6,875**	**11,650**	**887,626**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(7,862)	(194,560)	(1,317)	(230)	(203,969)
BALANCE AT 31/12/2012	**30,780**	**635,899**	**5,558**	**11,420**	**683,657**
CHANGES DURING THE PERIOD:					
CHANGE IN SCOPE OF CONSOLIDATION	4,275	492,619	7,355	210	504,459
ACQUISITIONS	1,316	39,392	216	1,687	42,611
TRANSFERS AND DISPOSALS	–	(292)	(300)	–	(592)
CAPITALISATIONS/RECLASSIFICATIONS	1,029	(398)	355	(1,021)	(35)
AMORTISATION/DEPRECIATION	(1,900)	(93,570)	(897)	–	(96,367)
WRITE-DOWNS	(250)	(4,031)	–	(64)	(4,345)
OTHER CHANGES	–	(896)	–	–	(896)
HISTORICAL COST	**46,116**	**1,722,368**	**17,276**	**12,232**	**1,797,992**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(10,866)	(653,645)	(4,989)	–	(669,500)
BALANCE AT 31/12/2013	**35,250**	**1,068,723**	**12,287**	**12,232**	**1,128,492**

The "Change in scope of consolidation" refers almost entirely to the acquisition of ERG Wind Investments Ltd., as commented above in the section "**Acquisition of IP Maestrale (currently ERG Wind)**".

"Acquisitions" refer mainly to the investments made in the period, tied to the wind farm of ERG Eolica Basilicata.

Reclassifications are for the purpose of assuring consistency of representation of property, plant and equipment and of intangible assets.

Depreciation for the year was calculated adopting the same estimates of residual useful life used to draw up the Consolidated Financial Statements at 31 December 2012.

For "write-downs", please refer to Note 30 "Amortisation/Depreciation, Write-downs and Provisions".

"Other changes" comprise mainly the reclassification to inventories of generic spare parts of the wind turbines, held by certain companies in the Group, which do not have the characteristics outlined by IAS 16 and for this reason are not classified among the property, plant and equipment to which they refer.

"Tangible assets under construction" primarily refer to investments in the wind business and, specifically, the wind farms owned by ERG Eolica Ginestra S.r.l. (Euro 11 million) – for which please refer to Note 15 "Provisions for liabilities and charges".

The items "Land and buildings" and "Plant and equipment" primarily refer to investments in the wind sector, in particular "Land and buildings" relate 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 the related electrical works.

The items "Land and buildings" and "Plant and equipment" also include investments totalling Euro 626 thousand relating to the industrial site of Arzene (Pordenone) which were non-

operational at the end of the reporting period, written down by Euro 250 thousand in 2013 to align them to the market value.

In FY2013, interest amounting to Euro 228 thousand was capitalised 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 14,840 thousand.

At 31 December 2013, the net carrying value of Property, plant and equipment included Euro 1,055,146 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 (see Note 16 - **Financial liabilities**).

Lastly, 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 accounted for 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 2013 would have been as follows:

DESCRIPTION	NET BOOK VALUE	GRANTS AND INDEMNITIES	VALUE NET OF GRANT
LAND AND BUILDINGS	35,250	–	35,250
PLANT AND EQUIPMENT	1,068,723	(2,785)	1,065,938
OTHER ASSETS	12,287	–	12,287
ASSETS UNDER CONSTRUCTION	12,232	–	12,232
TOTAL	**1,128,492**	**(2,785)**	**1,125,707**

2 – INTANGIBLE ASSETS

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

	AUTHORISATIONS LICENCES AND TRADEMARKS	GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**228,503**	**19,495**	**4,953**	**455**	**253,406**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(26,573)	–	(1,455)	–	(28,028)
BALANCE AT 31/12/2012	**201,930**	**19,495**	**3,498**	**455**	**225,378**
CHANGES DURING PERIOD					
CHANGE IN SCOPE OF CONSOLIDATION	150,680	105,993	288	–	256,961
ACQUISITIONS	1,003	–	1,396	131	2,530
RECLASSIFICATIONS/CAPITALISATIONS	(19)	(2)	358	(302)	35
AMORTISATION/DEPRECIATION	(18,252)	–	(462)	–	(18,714)
HISTORICAL COST	**380,151**	**125,486**	**7,267**	**284**	**513,188**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(44,809)	–	(2,189)	–	(46,998)
BALANCE AT 31/12/2013	**335,342**	**125,486**	**5,078**	**284**	**466,190**

The "Change in scope of consolidation" refers almost entirely to the acquisition of ERG Wind Investments Ltd. and of ERG Renew Operations & Maintenance S.r.l., as commented above in the related sections above.

"Concessions, 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 for which, at the end of the reporting period, it is not reasonably possible to forecast a future development 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 capitalise 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 amortised on a straight-line basis as follows:
- development: five years. In particular, development costs are amortised when the expected revenues arise against the cost capitalised;
- industrial patents and intellectual property rights: five years;
- authorisations, 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 tests intangible assets for impairment.

3 – EQUITY INVESTMENTS

The reported balance includes:

	EQUITY INVESTMENTS
BALANCE AT 31/12/2012	**955**
CHANGES DURING PERIOD:	
ACQUISITIONS/INCORPORATIONS/CAPITAL INCREASES	10,578
WRITE-DOWNS	(3,368)
BALANCE AT 31/12/2013	**8,165**

The detail of companies included in "Equity investments" is shown below:

	REGISTERED OFFICE	%	BOOK VALUE
CONSORZIO DYEPOWER	ROME	24.95	931
EOLICO TROINA S.R.L.	PALERMO	99.00	25
ERG EOLICA LUCANA S.R.L.	GENOA	100.00	300
ISAB ENERGY SOLARE S.R.L.	SIRACUSA	51.00	–
LUKERG RENEW GMBH	VIENNA	50.00	6,909
TOTAL			**8,165**

"Acquisitions/incorporations/capital increases" refer to the following events:
- on **28 January 2013** ERG Renew waived its credit from ISAB Energy Solare, amounting to Euro 41 thousand, entirely to increase the carrying value of the equity investment;

- on **16 May 2013**, the company ERG Eolica Lucana S.r.l. was established (value of Euro 10 thousand). Moreover, on **19 December 2013** ERG Renew waived its credit from the same company, amounting to Euro 290 thousand, entirely to increase the carrying value of the equity investment;
- on **11 December 2013** ERG Renew subscribed a share capital increase of the jointly controlled company LUKERG Renew GmbH for an amount of Euro 10,236 thousand.

"Write-downs" include the valuation with the equity method of ISAB Energy Solare S.r.l. and of LUKERG Renew GmbH; the latter is a jointly controlled entity.
LUKERG Renew GmbH and ISAB Energy Solare are recognised according to the equity method; at 31 December 2013, the equity of ISAB Energy Solare was negative by Euro 7 thousand. This value was recognised among the provisions for liabilities and charges (Note 15).

4 – FINANCIAL ASSETS

The reported balance includes:

	31/12/2013	31/12/2012
FINANCIAL RECEIVABLES FROM OTHER GROUP COMPANIES	74,782	16,213
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	–	3,549
OTHER FINANCIAL RECEIVABLES	33,507	–
TOTAL	**108,289**	**19,762**

The item "Financial receivables from other Group companies" refers mainly to:

- interest-bearing loan stipulated on **25 May 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Renew for Euro 3 million (of which Euro 2 million granted in the period for the acquisition of 100% of the Gebeleisis wind farm in Romania); the loan was fully repaid in 2013;
- interest-bearing loan stipulated on **6 June 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Bulgaria for a total amount of Euro 9.3 million, of which Euro 250 thousand were repaid at June 2012; the maturity of the loan agreement is 30 June 2019;
- interest-bearing loan stipulated on **10 December 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Renew for Euro 25.5 million (of which Euro 20 million granted in the period for the acquisition of 100% of the Gebeleisis wind farm in Romania), of which Euro 6.4 million was repaid in 2013; the maturity of the loan agreement is 30 June 2019;
- interest-bearing loan stipulated on **5 September 2013** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted to the companies owning the Hrabrovo wind farm in Bulgaria for a total amount of Euro 6.4 million, within the scope of the acquisition of said wind farm (see the Section **Joint Ventures - LUKERG Renew**). Euro 5.9 million of the loan was repaid by the companies in 2013 following the corresponding issue of the Project financing; the maturity of the loan agreement is 20 September 2026;
- interest-bearing loan stipulated on **19 December 2012** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to Land Power for Euro 52 million at 31 December 2013; the maturity of the loan agreement is 20 September 2023.

The amount also includes the interest-bearing loan at a rate equal to the Euribor plus 200 basis points granted by ERG Renew S.p.A. to ISAB Energy Solare S.r.l., against future financial commitments to the latter amounting to Euro 0.6 million.

It should be recalled that "Financial receivables from subsidiaries" at 31 December 2012 referred to the medium/long-term portion of ERG Renew's financial receivable from the subsidiary Eolo S.r.l. On 13 September 2012, the Board of Directors of ERG Renew had approved the sale of the 51% equity investment held in Eolo S.r.l. to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale was completed in 2013 (section **Scope of consolidation**). In the consolidated Financial Statements at 31 December 2012, the value of assets and liabilities subject to the transaction, hence corresponding to the disposal group prescribed by IFRS 5, were indicated among Assets and Liabilities held for sale.

The "Other financial receivables" are entirely referred to receivables for contributions per Italian Law 488 relating to wind farms acquired within the scope of the ERG Wind transaction – please refer to the section "**Acquisition of IP Maestrale (currently ERG Wind)**", which are restricted at the dedicated Justice Fund established by Article 61, Paragraph 23, of Italian Law Decree no. 112/2008 converted by Italian Law no. 133/2008) and awaiting judgement with the Court of Avellino.

5 – OTHER RECEIVABLES – NON-CURRENT ASSETS

The reported balance includes:

	31/12/2013	31/12/2012
RECEIVABLE DUE FROM THE MUNICIPALITY OF FAETO	135	90
RECEIVABLE DUE FROM THE MUNICIPALITY OF GINESTRA	286	330
OTHER ADVANCES	3,374	5,725
OTHER RECEIVABLES	23,376	2,173
TOTAL	**27,171**	**8,318**

The receivables due from the Faeto and Ginestra municipalities refer to the long term portion of the annual payments for commission on the future revenue streams generated by the wind farm located in those municipalities. "Other advances" refers in part (Euro 3.37 million) to the receivable relating to the Tursi Colobraro initiative (original Euro 4.6 million posted net of the discounting by Euro 1.3 million); moreover, in 2012 the amount included Euro 2.35 million due to the Group by Nordex, within a framework agreement for the supply of wind turbines that was partly utilised during 2011 in connection with the acquisition of blades for the site of the newly acquired company ERG Eolica Amaroni S.r.l., and fully written down in 2013 because it was no longer usable in any project of the Group.
The increase in "Other receivables" relates mainly to the receivables for contributions per Italian Law no. 488 relating to wind farms acquired within the scope of the ERG Wind transactions, as previously commented in the section "**Acquisition of IP Maestrale (currently ERG Wind)**"; the amount also includes deferred charges on payable rents and utility costs.

6 – TAX ASSETS – NON-CURRENT ASSETS

The balance of Euro 28,906 thousand reported for non-current tax assets, as was the case at 31 December 2012, 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. The significant increase compared to last year is due to the acquisition of the companies of the ERG Wind Group that took place during the year.

7 – DEFERRED TAX ASSETS

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

	31/12/2013		31/12/2012	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
DEPREC., AMORT., ADVANCES, NON-DEDUCTIBLE PAYABLE INTEREST, DERIVATIVES	178,336	52,573	94,531	27,850
LOSS CARRYFORWARDS	74,479	15,318	99,001	23,413
OTHER DIFFERENCES	148,955	32,491	24,964	4,904
BALANCE AT END OF PERIOD	**401,770**	**100,382**	**218,495**	**56,167**

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 12.2 million, resulting from the domestic tax consolidation applied by the Group; the Group also has Euro 3.1 million 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.

The significant increase of the total deferred tax receivable is due mainly to the acquisition of the companies of the ERG Wind Group, as described in the previous section "**Acquisition of IP Maestrale (currently ERG Wind)"**.
Lastly, no deferred tax assets were recorded in relation to excess interest payable that can be carried forward amounting to approximately Euro 55 million referred to the ERG Wind Group, acquired in 2013.

CURRENT ASSETS

8 – INVENTORIES

The item, amounting to Euro 8,003 thousand at 31 December 2013, comprises mainly generic spare parts of the wind turbines, held by certain companies in the Group; these spare parts do not have the characteristics outlined by IAS 16 and for this reason are not classified among the property, plant and equipment to which they refer.

9 – TRADE RECEIVABLES

The reported balance includes:

	31/12/2013	31/12/2012
RECEIVABLES DUE FROM THIRD PARTIES	16,831	25,741
RECEIVABLES DUE FOR GREEN CERTIFICATES	185,080	85,979
TRADE RECEIVABLES DUE FROM PARENT COMPANIES	25,276	8
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	628	683
TRADE RECEIVABLES DUE FROM SUBSIDIARIES	22	11
TOTAL	**227,837**	**112,422**
BAD DEBT PROVISION	(7,225)	(7,549)
TOTAL TRADE RECEIVABLES	**220,612**	**104,873**

The Group considers that the carrying value of trade receivables, net of the related bad debt provision, approximates their presumed realisable value. With reference to the bad debt provision, please refer to the section "Use of estimates".

The overall growth in "Receivables for Green Certificates" is due to the following events:

- reduction due to the payment of Green Certificates pertaining to FY2012, amounting to Euro 86,065 thousand, in connection with Group production. Of this collection, in accordance with the inter-ministerial Decree per the section "Consolidation principles and evaluation criteria – Revenue recognition", 50% took place in April 2013 and the remaining 50% in October 2013. The difference between the amount assessed as at 31 December 2012 and the amount actually received in 2013, i.e. Euro 85 thousand, reflects the differential between the estimated amount and what was actually received from the GSE;
- increase consequent to the valuation of the Green Certificates accrued by the Group in 2013, referred to the production of the wind farms, including those acquired in 2013 through the ERG Wind Group. During the year, the Group accrued a total number of Green Certificates of 1,987,331; in the last quarter of the year, 55,000 Green Certificates were sold to third parties, and in December, in accordance with the Italian Ministerial Decree of 18 December 2008, the Green Certificates produced in the first quarter of the year were invoiced, for an amount, including VAT, of Euro 68,062 thousand, collected in January 2014.
  The residual Green Certificates are valued at Euro 89.28, as estimated under the aforesaid Decree (for a regulatory update in this connection, reference is made to the section "Use of estimates").

The item "Trade receivables due from parent companies" includes the receivables from ERG S.p.A. relating to the sale of electricity generated by the subsidiaries.

On 5 March 2013, the Board of Directors of ERG Renew resolved that the companies directly controlled by ERG Renew that generated electricity from renewable sources were to withdraw from the agreement with Gestore dei Servizi Energetici S.p.A. of the so-called "Dedicated Collection", a simplified sale method that consists of the sale of the electricity placed into the network to GSE that remunerates it, paying the producer a price for each kWh collected. The

companies then entered into an agreement with ERG S.p.A. for the consequent sale to it of the entire quantity of electricity generated according to the technical-economic conditions defined in the related sale agreements.
Said agreements also provide for compensation for the imbalance cost, recognised by the individual Producer Companies to ERG S.p.A., fixed and lower than the one expected in the absence of withdrawal from the RID, based on the simulation carried out by the GSE.
The Company shall also provide ERG S.p.A., on the basis of a service agreement, with the information necessary to forecast and plan the hourly generation of electricity of each plant belonging to the Producer Companies.
A breakdown of counterparties as regards the trade receivables due from parent companies and Group companies at 31 December 2013 and a description of the nature of these transactions is given in Note 38 "Related-party transactions".

10 – OTHER RECEIVABLES – CURRENT ASSETS

The reported amount is broken down as follows:

	31/12/2013	31/12/2012
ADVANCES	866	762
OTHER SUNDRY RECEIVABLES	47,148	30,921
ACCRUED INCOME AND PREPAID EXPENSES	5,565	3,634
TOTAL	**53,579**	**35,317**

The item "Advances" is mainly connected with loans granted 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:

	31/12/2013	31/12/2012
OTHER RECEIVABLES DUE FROM PARENT COMPANIES	2,287	24,225
OTHER RECEIVABLES DUE FROM SUBSIDIARIES	2	2,400
OTHER RECEIVABLES FROM OTHER GROUP COMPANIES	43,473	3,124
OTHER SUNDRY RECEIVABLES	1,386	1,172
TOTAL	**47,148**	**30,921**

With regard to the change in "other receivables due from parent companies", please refer to Note 16 "Financial liabilities".
The "Other receivables due from subsidiaries" of 2012 refer to the short term portion of ERG Renew's financial receivable from the subsidiary Eolo S.r.l. For additional information, please refer to Note 4 "Financial assets".
"Other receivables from other Group companies" comprise mainly:

- the short term portion of the interest-bearing loan stipulated on **19 December 2012** at a rate equal to the 1-month Euribor plus 250 basis points, granted by ERG Renew to Land Power (see note 4 "Financial assets");
- interest-bearing loan stipulated on **28 June 2013** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to Corni Eolian for Euro 35 million; the maturity of the loan agreement is 1 March 2014.

Other receivables include receivables due from the municipalities in which the wind farms are located, particularly those of the companies ERG Eolica Adriatica S.r.l. and ERG Eolica Campania S.p.A. (approximately Euro 600 thousand). 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 38 "Related-party transactions".

Accrued income and prepaid expenses:

	31/12/2013	31/12/2012
UTILITIES	1,064	440
INSURANCE	1,642	1,398
OTHER ACCRUED LIABILITIES AND DEFERRED INCOME	2,859	1,796
TOTAL	**5,565**	**3,634**

11 – TAX ASSETS – CURRENT ASSETS

The reported balance includes:

	31/12/2013	31/12/2012
VAT RECEIVABLES	3,817	9,452
TAX ADVANCES	4,837	150
OTHER SUNDRY TAX RECEIVABLES	–	468
TOTAL	**8,654**	**10,070**

The VAT receivable refers to the VAT credit position pertaining to the companies not included in the Group VAT procedure.

12 – CASH AND CASH EQUIVALENTS

The reported balance includes:

	31/12/2013	31/12/2012
BANK AND POSTAL DEPOSITS	71,576	89,806
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,265
CASH AND NOTES ON HAND	1	1
TOTAL	**74,125**	**94,072**

Reference is made to the Consolidated Statement of Cash Flows and to Note 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 carrying value of which represents the nominal value. At 31 December 2013, the cash subject to the various restrictions prescribed by the Project Financing agreements amounts to Euro 64 million (please refer to Note 16 Financial liabilities).
The amount of "Restricted bank and postal deposits", i.e. Euro 2,548 thousand as at 31 December 2013, refers to a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a surety issued by the bank to the Campania region in connection with the potential concession of a public grant.

SHAREHOLDERS' EQUITY AND LIABILITIES

13 – SHAREHOLDERS' EQUITY

Share capital consists of 100,000,000 ordinary shares with a par value of Euro 1.00 each, fully subscribed and paid up.
The reported balance includes:

	31/12/2013	31/12/2012
SHARE CAPITAL	100,000	100,000
CASH FLOW HEDGE RESERVE	(3,548)	(23,726)
OTHER RESERVES	472,671	444,309
NET PROFIT (LOSS)	19,974	28,315
GROUP SHAREHOLDERS' EQUITY	**589,097**	**548,898**
MINORITY INTERESTS	**–**	**828**
TOTAL	**589,097**	**549,726**

The breakdown of changes in shareholders' equity is provided in the specific schedule, to which reference is made.
With reference to the change in minority interests, it should be recalled that on 7 August 2013 the sale of the 51% equity investment held in Eolo to the minority shareholder was completed, as it was deemed not to be strategic in terms of geographic position and technical configuration.
The reconciliation of the Parent company and Group shareholders' equity and net profit (loss) at 31 December 2013 can be summarised as follows:

	SHAREHOLDERS' EQUITY AT 31/12/2012	OTHER COMPONENTS TAKEN DIRECTLY TO SH. EQUITY FOR THE YEAR	NET PROFIT (LOSS)	SHAREHOLDERS' EQUITY AT 31/12/2013
ERG RENEW S.P.A. SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	516,831	13	45,240	562,084
EFFECTS OF CONSOLIDATION ENTRIES	32,067	20,212	(70,084)	(17,805)
PRO-RATA NET PROFIT (LOSS) OF THE CONSOLIDATED COMPANIES	–	–	44,818	44,818
GROUP SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	**548,898**	**20,225**	**19,974**	**589,097**

Cash flow hedge reserve

The Group has derivatives transactions in place (Note 17) as mentioned in the section "Consolidation principles and evaluation criteria"; 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 increase in the provision is almost entirely tied to the acquisitions of the companies, which took place during the year, and in particular of the company ERG Renew Operations & Maintenance, for which please refer to the previous section "**Scope of consolidation**".
The Group determined the liability related to the Provision for employees' severance indemnities on the basis of actuarial assumptions, estimating the amount of the future benefits that employees accrued at the reference date and recognising it on an accrual basis over the

period of accrual of the right; the liability was evaluated by independent actuaries.
The main assumptions used in determining the actuarial value of the liability related to the employees' severance indemnities are illustrated below.

DISCOUNT RATE	3.2%
INFLATION RATE	2.0%
AVERAGE TURNOVER RATE	3.0%
AVERAGE RATE OF INCREASE IN COMPENSATION	2.5%
AVERAGE AGE	36

The following table shows the impact on the liability as a result of a change by +/-0.5% in the discount rate.

THOUSANDS OF EURO	2013
CHANGE IN THE DISCOUNT RATE +0.5%: LOWER LIABILITY	(135)
CHANGE IN THE DISCOUNT RATE -0,5%: HIGHER LIABILITY	149

15 – PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown of the total balance reported was as follows:

			CHANGES	
	31/12/2013	31/12/2012	INCREASES	DECREASES
ENVIRONMENTAL RESTORATION	16,108	6,182	9,926	–
IMBALANCE EXPENSES	5,211	–	5,211	–
OTHER RISKS	7,495	3,008	5,297	(810)
TOTAL	**28,814**	**9,190**	**20,434**	**(810)**

With regard to the increase in the item "Environmental restoration" please refer to the related section.
Starting in 2013, with resolutions 281/2012 and 493/2012, the rules on the electricity dispatching service for production units powered by non programmable renewable sources were revised; the new rules, applicable from 2013 onwards and valid for 2013, transfer to producers from non programmable renewable sources a portion of the imbalance amounts relating to them.
In view of the regulatory uncertainty, as described in the Report on Operations section "Regulatory framework", the companies prudentially allocated to the Risk provisions the amounts calculated on the basis of resolutions 281/2012 and 493/2012.
"Other risks" include provisions for liabilities and charges allocated 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 standards and evaluation criteria".
These provisions, as mentioned in the section "Use of estimates", are set aside to cover the outcome of disputes directly or indirectly concerning the Group as a result of guarantees issued and are considered sufficient to meet the aforesaid risks.
Details of the legal and fiscal proceedings and disputes currently involving the Group's companies are provided below.

HOLDING DIVISION

Details of the legal and fiscal proceedings and disputes currently involving the Company are provided below:

- **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, whereby the plaintiff requested that ERG Renew be held in default with respect to the obligations assumed with the execution of five development contracts dated 26 September 2006, and thereby that the contracts be declared terminated, ordering ERG Renew to compensate damages quantified to equal Euro 41.6 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 favour. Even if one examines the reasons of the claimant, it seems reasonable to conclude that the requests on the part of the plaintiff are not well justified and the quantification of the damages is exorbitant. The first appearance hearing was held on 7 March 2012 and thereafter the Judge issued a decision on the preliminary matters of jurisdiction raised by Eolico Troina and it consequently gave the parties deadlines for filing closing briefs and the related replies, with which both parties have complied. Currently, the filing of the decision is awaited.

- **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 executed in 2003, effectively containing a put option having the characteristics described above (commitment on the part of EnerTAD 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 11 November 2013 as regards the statement of conclusions. The hearing was then adjourned again to 24 January 2014, still for the statement of conclusions.

- **ERG Renew (SAO S.r.l.) – Consorzio unico di Bacino delle provincie di Napoli e Caserta**
  Proceeding for the forcible recovery of the receivable of Euro 7.5 million originally claimed by SAO S.r.l. (ACEA group) from the Consortium, which ERG Renew acquired with public deed on 16 July 2010. On 21 November 2012, ERG Renew served the writ of seizure of a current account in the Consortium's name. According to the notice received from the seized third party, a receivable of approximately Euro 4,000 was found to exist; said receivable was seized. It will therefore be necessary to take further actions for the forcible recovery of the receivable in order to satisfy the position of ERG Renew, including the filing of a claim for compliance before the Regional Administrative Court (TAR) to obtain the appointment of an acting commissioner to provide for the execution of the award against the Consortium. Alternatively, subrogations will be initiated to recover the receivables of the Consortium from the member Municipalities.

WIND

- **ERG Eolica Ginestra S.r.l. / Campania Region / Various authorities**
  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 authorisation orders nos. 438/2006, 134/2008 and 416/2009 relating to the construction of the Ginestra degli Schiavoni wind farm. The case ended with the filing of the decision allowing the appeal filed by the company. However, the investigations initiated by the Court of Benevento to ascertain the existence of any environmental offences connected with the construction of 4 wind turbines of the wind farm, temporarily subject to seizure per Article 321 of the Italian Code of Civil Procedure. The Directors of the Company will take all necessary actions to assure the full recoverability of existing investments, through the commissioning of the 4 seized wind turbines.

- **ERG Renew c/ Agricol Societè S.r.l. (formerly Parco Eolico di Troia WWEH 3 S.r.l.) Court of Milan**
  On 17 October 2012, Agricol Societè S.r.l. (hereafter, "AS") served ERG Renew S.p.A. with two payment injunctions amounting to Euro 250 thousand each, in view of the missed payment, by ERG Renew S.p.A., of two sureties of matching amount issued to guarantee contractual commitments made by the subsidiaries ERG Eolica San Cireo S.r.l. and ERG Eolica San Vincenzo S.r.l. At the time of the acquisition of the business units pertaining to the two wind power projects of Troia San Vincenzo and Troia San Cireo, the two companies had undertaken the obligation, if certain conditions were met, to pay annually to AS, as the seller of the business units constituting the projects, a variable portion of the price, commensurate with the output and revenues of the two wind farms. This commitment had been guaranteed by EnerTAD S.p.A., today ERG Renew S.p.A., by handing over to AS the aforementioned sureties for the maximum amount of Euro 250 thousand each. The conditions that would have caused the payment obligations in favour of AS to arise were not met either in 2010 or in 2011; AS was duly and promptly notified of this circumstance. However, AS alleges that the payments in question were due in any case and, therefore, it enforced the two sureties issued by ERG Renew S.p.A. In view of the denied payment by ERG Renew S.p.A., AS initiated legal proceeding, requiring the issue of the two payment injunctions, against which ERG Renew S.p.A. promptly filed appeal respectively on 23 and 26 November 2012. The first appearance hearings of the two appeal proceedings were then set to 27 March 2013 and 10 April 2013. With the court orders of 17 July 2013, the Judge rejected the requests for provisional enforcement submitted by the claimant in both proceedings, set witness depositions for the hearings of 6 November 2013 and set the hearings of 24 March 2015 for the statement of conclusions.

In view of the above mentioned disputes, the provisions for liabilities and charges shown in the Consolidated Financial Statements at 31 December 2013 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 payables,** net of the current portion:

	31/12/2013	31/12/2012
PROJECT FINANCING	1,062,610	471,325
LOAN FROM BANCA POPOLARE DI MILANO	–	1,600
TOTAL	**1,062,610**	**472,925**

Debt positions relating to Project Financing, for both the current and non-current portions, and the Loan received from Banca Popolare di Milano are described in the following sub-sections.

The breakdown of the current portion of financial payables is detailed below:

	31/12/2013	31/12/2012
PROJECT FINANCING	94,467	48,981
BANK ACCOUNT OVERDRAFTS	243	347
LOAN FROM BANCA POPOLARE DI MILANO	1,600	3,200
PAYABLES DUE TO OTHER GROUP COMPANIES	237	242
PAYABLES DUE TO OTHER LENDERS	10	–
TOTAL	**96,557**	**52,770**
CURRENT PORTION OF FINANCIAL PAYABLES DUE TO PARENT COMPANIES	74,332	–
TOTAL	**170,889**	**52,770**

Debt positions relating to Project Financing are described – for both the current and non-current portions – in the following sub-section "Project Financing".
Current account overdrafts, amounting to Euro 8,143 thousand, represent the Group's financial debt repayable at sight; the average interest rate for the year was 1.98% and the book value corresponds to the nominal value.
The loan received from Banca Popolare di Milano, whose interest rates are aligned with the market, is a medium/long-term loan, stipulated in March 2007, replacing a short-term credit line for the same amount issued by the same bank. 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.
The current portion of the loan relates to the repayment instalment due on 30 April 2014.
"Current portion of financial payables due to parent companies" refers mainly to the balance of the Centralised Financial Management Agreement, stipulated with ERG S.p.A. at the end of 2011, which provides for a maximum debt exposure of Euro 100 million. The Agreement has an annual duration (first 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 accrue with respect to the debit 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.
The breakdown of payables due to Group companies, together with the nature of such transactions, are described in Note 38 "Related-party transactions".

Project Financing

The main characteristics of the Project Financing existing as at 31 December 2013 are summarised in the following tables:

COMPANY (THOUSANDS OF EURO)	WIND FARM / THERMOELECTRIC PLANT	NET CARRYING VALUE OF THE ASSET	ASSOCIATED FINANCIAL PAYABLE				
			CARRYING VALUE OF FINANCIAL LIABILITY	TYPE	DISBURSEMENT / MATURITY		HEDGE
ERG WIND INVESTMENTS (1)	ERG WIND GROUP WIND FARMS	457,076	779,985	PROJECT FINANCING	2008	2022	IRS: AVERAGE FIXED RATE 4.46%
ERG EOLICA ADRIATICA	ROTELLO - ASCOLI SATRIANO (CB/FG)	165,717	149,467	PROJECT FINANCING	2009	2022	IRS: FIXED RATE 4.85%
ERG EOLICA FOSSA DEL LUPO	FOSSA DEL LUPO (CZ)	141,437	112,190	PROJECT FINANCING	2012	2025	IRS: FIXED RATE 2.26%
ERG EOLICA CAMPANIA	BISACCIA 2 - FOIANO - MOLINARA - BASELICE - LACEDONIA 2 (AV/BN)	109,806	79,474	PROJECT FINANCING	2009	2020	IRS: FIXED RATE 4.37%
ERG EOLICA GINESTRA	GINESTRA (BN)	71,126	36,662	PROJECT FINANCING	2010	2025	IRS: FIXED RATE 3.27%
ERG EOLICA AMARONI (2)	AMARONI (CZ)	38,823	33,112	PROJECT FINANCING	2013	2026	IRS: FIXED RATE 1.68%
GREEN VICARI	VICARI (PA)	34,587	30,528	PROJECT FINANCING	2008	2019	IRS: FIXED RATE 2.235%
ERG EOLICA FAETO	FAETO (FG)	26,435	27,419	PROJECT FINANCING	2007	2021	CAP: MAXIMUM LIMIT TO THE FLOATING RATE 5%
EOLIENNES DU VENT SOLAIRE	PLOGASTEL SAINT GERMANE (FRANCE)	7,092	6,642	PROJECT FINANCING	2011	2025	FIXED RATE LOAN
PARC EOLIEN LES MARDEAUX	LES MARDEAUX (FRANCE)	5,519	6,057	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE HETOMESNIL	HETOMESNIL (FRANCE)	5,499	5,236	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE LIHUS	LIHUS (FRANCE)	5,616	5,126	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE LA BRUYERE	LA BRUYERE (FRANCE)	5,481	4,980	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DU CARREAU	CARREAU (FRANCE)	4,495	4,557	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.39%

(1) With regard to the Project Financing of the ERG Wind Group, please see the details in the following section

(2) Project financing issued in April 2013. Please see the details in the following section

ERG Eolica Amaroni S.r.l. Project Financing

- Loan granted for the construction of the wind farm of the company ERG Eolica Amaroni S.r.l. whose balance at 31 December 2013 was Euro 33 million. The amount loaned was Euro 35.1 million with the final due date in December 2026. In order to hedge against fluctuations in interest rates, ERG Eolica Amaroni has put in place Interest Rate Swap transactions up until 31 December 2026, in keeping with the maturities of the loan repayment plan, changing the variable rate to a fixed rate of 1.68%. The residual nominal value at 31 December 2013 was Euro 23 million.

ERG Wind Investment Group Project Financing

- The borrower of the Project Finance is the company ERG Wind Investments Limited - Italian Branch. All ERG Wind companies are jointly and severally liable to the lending banks and bound by the provisions of the loan agreements.

The Project Finance was executed by all ERG Wind companies in 2008, for a total amount of Euro 1,288 million; the residual payable at 31 December 2013 is Euro 780 million plus the availability of a DSRA Facility (Debit Service Reserve Account Facility) of Euro 80 million to be used in the cases provided by the loan agreement.
The debt is repaid on a weekly basis according to predefined variable instalments, with the final payment on 31 December 2022. At the end of the predefined amortisation plan, a "balloon payment" of Euro 249 million will remain; in the absence of prepayments, it shall be repaid at the time of maturity of the loan, on 31 December 2022, or be refinanced.
However, there is a cash sweep commitment with the lending banks, whereby any distributed dividends shall be matched by a prepayment of the same amount.
The interest on the loan is paid on a half-yearly basis and accrues at a total rate equal to the 6-month Euribor plus a margin that is currently equal to 0.95% and that will be raised to 1.05% from 15 December 2017. On the availability of the DSRA Facility, a Commitment Fee amounting to 40% of the applied margin is paid.
The loan was issued by a pool of banks, among which the main creditor and Agent is The Royalbank of Scotland.
70% of the amount of the debt is hedged by two hedging Interest Rate Swap agreements executed with The RoyalBank of Scotland and Bank of Scotland respectively at the fixed rates of 4.466% and 4.458%. The total residual nominal value at 31 December 2013 was Euro 555 million.

Lastly, we should point out the early extinction, on 30 June 2013, of the Project Financing loan agreement entered into on 28 September 2005 by the company **ERG Eolica San Cireo S.r.l.** with Banco Popolare Soc.Coop. (formerly Efibanca) and Banco Bilbao Vizcaya Argentaria S.A., whose natural maturity would have been 31 December 2014.
This transaction was possible as a result of the availability of cash on the current accounts of the company, which was more than sufficient to cover the aforesaid early extinction, thereby allowing to obtain advantages in both economic and operating terms for the company itself. Simultaneously with the extinction of the loan agreement, the Interest Rate Swap agreements entered into with Banco Popolare Soc.Coop. (formerly Efibanca) and Banco Bilbao Vizcaya Argentaria S.A., on 24 October 2005 were also extinguished; their purpose was to hedge the risk of change in the interest rate. The consequent impact on the income statement of the period was the recognition of Euro 172 thousand in financial expenses.

Covenants and Negative pledges - ERG Renew Group Project Financing

- A contract executed in June 2007 by ERG Eolica Faeto S.r.l. (formerly 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 5 million at 31 December 2013), 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): 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 it is lower than 1.10, ERG Eolica Faeto S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. 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 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. cannot 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, receivables and current accounts (Euro 12 million at 31 December 2013). The loan is also subject to the following covenants and negative pledges:
  - Average Debt Service Coverage Ratio (ADSCR): it is determined at 30 June and 31 December of each year and it 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 it is lower than 1.10, Green Vicari S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. 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 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 Green Vicari S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- Financing relative to the construction of five wind farms 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 2013). The loan is subject to the following covenant concerning the distribution of dividends.
  - Historical Debt Service Coverage Ratio (DSCR): 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 1.10, the French companies cannot 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.** in relation 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 2013). The loan is also subject to the following covenants and negative pledges:
  - Historical Debt Service Coverage Ratio (DSCRS): 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. may not distribute dividends to shareholders or 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. may not provide further guarantees on its assets.

- Loan agreement stipulated in January 2010 by **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 6 million at 31 December 2013). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCRS): 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 lower than 1.15, ERG Eolica Ginestra S.r.l. may not distribute dividends to shareholders or 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 may 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 lower than 1.20, ERG Eolica Ginestra S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value is lower than 1.10 and the company fails to put in place any of the remedies contractually provided, the banks 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 Ginestra S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- A loan 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 7 million at 31 December 2013). The loan base line is subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCRS): 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 principal amount repayable (base line) 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 lower than 1.20, ERG Eolica Adriatica S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the

Historical and/or Prospective DSCRs are lower 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 lower than 1.50, ERG Eolica Adriatica S.r.l. may not distribute dividends to shareholders or 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. may 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** (formerly 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 2013). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCRS): 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 principal amount repayable (base line) 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 lower than 1.15, ERG Eolica Campania S.p.A. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are lower 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.

- Loan issued in March 2012 to **ERG Eolica Fossa del Lupo 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 2013). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCRS): 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 principal amount repayable (base line) 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 lower than 1.15, ERG Eolica Fossa del Lupo S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are lower 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 Fossa del Lupo S.r.l. may not provide further guarantees on its assets except in the case of guarantees given to comply with the law.

- Loan issued in April 2013 to **ERG Eolica Amaroni 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 3 million at 31 December 2013). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCRS): 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 principal amount repayable (base line) 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 lower than 1.15, ERG Eolica Amaroni S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are lower 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 Amaroni S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- Loan issued in 2008 to **ERG Wind Investments Ltd**. The loan is subject to the following covenants and negative pledges:
  - Covenants
    The main financial covenant is the HDSCR (Historical Debit Service Cover Ratio), which is calculated on a half-yearly basis, with reference to the cash flows generated in the previous 12 months over the payment of the financial debt (principal, interest, fees and swaps) of that period.
    A DSCR below 1.05 would be deemed a Project Finance default event. The DSCR must be above 1.15 for dividend distribution.
  - Security Package
    To guarantee the commitments made in accordance with the loan agreement, guarantee contracts are provided, regulated by the laws of different countries.
    The guarantee documents indicated in the loan agreement include, inter alia, pledges on shares, pledges on stock, transfer of receivables (also relating to insurance receivables), pledges on current accounts (Euro 15 million at 31 December 2013).

Failure to comply with the aforesaid covenants for three consecutive times entails the partial early repayment of the loan for an amount equal to the cash not distributed in the three previous periods.

In general, with 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 deem that there were no breaches of the financial covenants as at 31 December 2013.

17 – DERIVATIVES PAYABLES AND RECEIVABLES

Derivatives payables and receivables are reported in the financial statements as follows:

	31/12/2013	31/12/2012
DERIVATIVES RECEIVABLES	322	–
TOTAL	**322**	**–**

	31/12/2013	31/12/2012
DERIVATIVES PAYABLES	131,280	58,445
PAYABLES FOR PUT OPTIONS	1,844	1,844
TOTAL	**133,124**	**60,289**

Derivatives payables and receivables

The table below shows the derivatives outstanding as at 31 December 2013 relative to ERG Renew S.p.A. and its subsidiaries:

CONTRACTING COMPANY	ISSUING BANK	CONTRACT	FAIR VALUE	MATURITY
ERG EOLICA AMARONI S.R.L.	ING	IRS	162	31/12/2026
ERG EOLICA AMARONI S.R.L.	CRÉDIT AGRICOLE	IRS	161	31/12/2026
TOTAL DERIVATIVES RECEIVABLES			**322**	**–**
PARC EOLIEN DE LIHUS S.A.S.	HSH	IRS	(279)	30/12/2019
PARC EOLIEN DE LIHUS S.A.S.	HSH	IRS	(297)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH	IRS	(273)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH	IRS	(288)	30/12/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH	IRS	(292)	30/12/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH	IRS	(309)	30/12/2019
PARC EOLIEN DU CARREAU S.A.S.	HSH	IRS	(286)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH	IRS	(290)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH	IRS	(306)	30/12/2019
GREEN VICARI S.R.L.	BNL	IRS	(830)	30/06/2019
ERG EOLICA ADRIATICA S.R.L.	BNP PARIBAS BNL	IRS	(9,571)	15/06/2022
ERG EOLICA ADRIATICA S.R.L.	ING	IRS	(9,571)	15/06/2022
ERG EOLICA ADRIATICA S.R.L.	RBS	IRS	(9,571)	15/06/2022
ERG EOLICA GINESTRA S.R.L.	UNICREDIT	IRS	(1,102)	30/06/2025
ERG EOLICA GINESTRA S.R.L.	CENTROBANCA	IRS	(1,102)	30/06/2025
ERG EOLICA GINESTRA S.R.L.	BARCLAYS	IRS	(1,102)	30/06/2025
ERG EOLICA CAMPANIA S.P.A.	RBS	IRS	(2,238)	31/05/2020
ERG EOLICA FOSSA DEL LUPO S.R.L.	ING	IRS	(1,056)	31/12/2025
ERG WIND INVESTMENT LTD.	RBS	IRS	(51,958)	31/12/2022
ERG WIND INVESTMENT LTD.	BOS	IRS	(38,862)	31/12/2022
ERG EOLICA FAETO S.R.L.	BANCO POPOLARE	IRS	(45)	31/12/2021
ERG EOLICA FAETO S.R.L.	UNICREDIT	IRS	(45)	31/12/2021
ERG EOLICA FOSSA DEL LUPO S.R.L.	CRÉDIT AGRICOLE	IRS	(910)	31/12/2025
ERG EOLICA FOSSA DEL LUPO S.R.L.	CENTROBANCA	IRS	(697)	31/12/2025
TOTAL DERIVATIVES PAYABLES			**(131,280)**	

During 2013 the Group entered into the following new derivatives contracts:

- ERG Eolica Amaroni S.r.l. – issuing bank – ING BANK – Crédit Agricole
  - two IRS contracts, having a total initial notional value of Euro 23.4 million which, with effect from 30 June 2013, replace the floating rate with a fixed rate;

- ERG Eolica Faeto S.r.l. – issuing bank – Banco Popolare – UniCredit
  - two IRS contracts, executed on 8 December 2013, having a total initial notional value of Euro 16.5 million which, with effect from 31 December 2015, replace the floating rate with a fixed rate;

- ERG Wind Investments Limited (contract acquired during the year together with the entire ERG Wind Group) – issuing bank – The Royal Bank of Scotland – Bank of Scotland
  - two IRS contracts, having a total initial notional value of Euro 787.5 million, hedging 70% of the project finance debt. Starting on 10 March 2008, they have regulated the differential between the 6-month Euribor floating rate and the contractual fixed rates of 4.466% (The Royal Bank of Scotland) and 4.4585% (Bank of Scotland).

In 2013, the IRS contracts of ERG Eolica San Cireo were extinguished as a result of the early extinction of the related Project financing (please refer to Note 16, Financial liabilities), and the CAP contracts of ERG Eolica Faeto were extinguished as well.

Summarised below are the main features of the derivatives contracts already in place as at 31 December 2012:

- French companies – issuing bank HSH Norbank:
  - eight IRS contracts, having a total initial notional value of Euro 23.3 million which, with effect from 29 December 2006, replace the floating rate with a fixed rate;
  - an IRS contract, having an initial notional value of Euro 9.7 million, which, with effect from 30 June 2006, replaces the floating 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.

- ERG Eolica Campania S.p.A. – issuing banks Royal Bank of Scotland (RBS):
  - the IRS contract, with initial notional value of Euro 28 million, with effect from 30 November 2010, replaces the floating rate used in the Project Financing with a fixed rate;
  - on 30 November 2011, a restructuring was negotiated with the issuing bank which, after keeping the principal, interest rate and contractual period fixed, changed the dates of calculation of interest from 30 November and 30 May of each year to 31 December and 30 June of each year, to coincide with the amortisation schedule of the Project Financing.

- ERG Eolica Fossa Del Lupo S.r.l. – issuing bank Centrobanca – ING BANK – Crédit Agricole
  - three IRS contracts, having a total initial notional value of Euro 94.4 million which, with effect from 29 June 2012, replace the floating rate with a fixed rate.

The fair value of these contracts as at 1 January 2013 and 31 December 2013 is included in the net financial position for the negative part under "L - Non current bank payables", whilst for the positive part the value is included among Non current assets - Derivatives receivables.
All the Group's derivatives outstanding at 31 December 2013 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) – SWAP RATES	– REUTERS	LEVEL 2
INTEREST RATE DERIVATIVES	INTEREST RATE OPTION (CAO, COLLAR)	BLACK & SCHOLES	– MS EXCEL – FINCAD XL	– DEPOSIT RATES (EURIBOR) –SWAP RATES – IMPLIED VOLATILITY SHORT-TERM RATES	– REUTERS – ICAP (VIA REUTERS)	LEVEL 2

The net income recognised in the year's Income Statement in connection with the adjustment of fair value at 31 December 2012 to fair value at 31 December 2013 amounted to Euro 23 million.

Minority put options on unlisted interests

The balance equal to Euro 1,844 thousand 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 2013.

18 – OTHER PAYABLES – NON-CURRENT LIABILITIES

The balance shown under "Other payables" - non-current portion, i.e. Euro 38,776 thousand as at 31 December 2013, concerns the non-current portion of deferred income pertaining to capital grants received by the company Green Vicari S.r.l. This liability has been classified as non-current in order to take account of the effective terms for their settlement.

The balance also includes the potential adjustments, estimated to be Euro 10 million, relating to the price for the acquisition of the ERG Wind Group (see the section "**Acquisition of IP Maestrale (currently ERG Wind)**".

19 – DEFERRED TAX LIABILITIES

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

	31/12/2013		31/12/2012	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
AMORTISATION/DEPRECIATION	26,774	6,223	9,259	2,152
CAPITAL GAINS ON BUSINESS COMBINATIONS	318,244	108,489	177,234	67,275
OTHER DIFFERENCES	158,278	49,373	888	277
BALANCE AT END OF PERIOD	**503,296**	**164,085**	**187,381**	**69,704**

The significant increase in deferred tax liabilities is due mainly to the change in the scope of consolidation as a consequence of the acquisition of the companies of the ERG Wind Group and to the deferred tax liabilities relating to the adjustments made in connection with the purchase price allocation, as described in the previous section "**Acquisition of IP Maestrale (currently ERG Wind)**".

20 – TRADE PAYABLES

The reported balance includes:

	31/12/2013	31/12/2012
TRADE PAYABLES	16,658	12,530
TRADE PAYABLES DUE TO PARENT COMPANIES	1,510	909
TOTAL	**18,168**	**13,439**

The carrying 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 38 "Related-party transactions".

21 – OTHER PAYABLES – CURRENT LIABILITIES

The reported balance includes:

	31/12/2013	31/12/2012
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	849	327
PAYABLES DUE TO EMPLOYEES	1,345	707
PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS	125	128
PAYABLES DUE TO PUBLIC ENTITIES	3,911	6,277
OTHER PAYABLES DUE TO PARENT COMPANIES	6,362	264
OTHER SUNDRY PAYABLES	1,921	616
ACCRUED EXPENSES AND DEFERRED INCOME	3,262	632
TOTAL	**17,775**	**8,951**

The increase in "Other payables due to parent companies" refers to payables to ERG S.p.A. deriving from participation in the tax consolidation of ERG S.p.A., starting from 2013, of the companies ERG Eolica San Vincenzo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Fossa del Lupo S.r.l. and ERG Eolica Tirreno S.r.l.
The item "Other payables" includes various amounts, individually considered non-significant.

Accrued expenses and deferred income:

	31/12/2013	31/12/2012
EQUIPMENT GRANTS	327	327
OTHER ACCRUED LIABILITIES AND DEFERRED INCOME	2,935	305
TOTAL	**3,262**	**632**

The item "Equipment grants" refers to the current portion of the balance remaining of grants received (Euro 2,785 thousand), which will be credited to the Income Statement in subsequent financial years (Note 18 Other payables – Non-current liabilities).

22 – TAX LIABILITIES

	31/12/2013	31/12/2012
CURRENT INCOME TAXES	2,364	5,059
VAT PAYABLE	4,520	193
WITHHOLDING TAXES	481	130
OTHER TAX LIABILITIES	139	198
TOTAL	**7,504**	**5,580**

This item mainly includes current tax payables accrued to 31 December 2013, as well as taxes withheld as withholding agent, paid in January 2014, and other tax liabilities.

23 – NET FINANCIAL POSITION

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

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
CASH AND CASH EQUIVALENTS	71,577	91,336
BANK ACCOUNT OVERDRAFTS	(243)	(347)
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,265
SHORT-TERM NET FINANCIAL INDEBTEDNESS	**73,882**	**95,254**
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANIES	–	23,841
FINANCIAL RECEIVABLES FROM OTHER GROUP COMPANIES	43,473	3,071
FINANCIAL RECEIVABLES DUE FROM OTHERS	154	200
FINANCIAL ASSETS	**43,627**	**27,112**
TOTAL CURRENT FINANCIAL ASSETS	**117,509**	**122,366**
PAYABLES DUE TO OTHER LENDERS	(10)	(52)
FINANCIAL PAYABLES DUE TO PARENT COMPANIES	(74,332)	–
PAYABLES DUE TO OTHER GROUP COMPANIES	(237)	(242)
PAYABLES DUE TO BANKS	(96,067)	(52,181)
DERIVATIVES PAYABLES	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(172,490)**	**(54,319)**
PAYABLES DUE TO BANKS	(1,062,610)	(472,925)
DERIVATIVES PAYABLES	(131,280)	(58,445)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(1,193,890)**	**(531,370)**
NET FINANCIAL POSITION	**(1,248,871)**	**(463,323)**

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

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

DESCRIPTION		31/12/2013	31/12/2012
A	CASH	74,125	95,601
B	OTHER CASH EQUIVALENTS	–	–
C	SECURITIES HELD FOR TRADING	–	–
D	**CASH AND CASH EQUIVALENTS (A) + (B) + (C)**	**74,125**	**95,601**
E	**CURRENT FINANCIAL RECEIVABLES**	**43,627**	**27,112**
F	CURRENT BANK PAYABLES	243	347
G	CURRENT PORTION OF NON-CURRENT DEBT	172,490	54,319
H	OTHER CURRENT FINANCIAL PAYABLES	–	–
I	**CURRENT FINANCIAL DEBT (F)+(G)+(H)**	**172,733**	**54,666**
J	**NET CURRENT FINANCIAL DEBT (I)-(E)-(D)**	**54,981**	**(68,047)**
K	NON-CURRENT BANK PAYABLES	1,062,610	472,925
L	BONDS ISSUED	–	–
M	OTHER NON-CURRENT PAYABLES	131,280	58,445
N	**NON-CURRENT FINANCIAL DEBT (K)+(L)+(M)**	**1,193,890**	**531,370**
O	**NET FINANCIAL INDEBTEDNESS (J)+(N)**	**1,248,871**	**463,323**
	RECONCILIATION WITH THE STATEMENT OF CASH FLOWS AND STATEMENT OF FINANCIAL POSITION:		
	(1) CASH AND CASH EQUIVALENTS	74,125	95,601
	(2) BANK PAYABLES	243	347

INCOME STATEMENT ANALYSIS

24 – PRODUCTION VALUE

The reported amount is broken down as follows:

	2013	2012
OPERATING REVENUES	327,335	174,973
OTHER REVENUES AND INCOME	4,998	2,606
TOTAL	**332,333**	**177,579**

Operating revenues:

	2013	2012
REVENUES FROM SALES AND SERVICES	148,107	88,618
REVENUES FOR GREEN CERTIFICATES	177,423	86,087
OTHER OPERATING REVENUES	1,805	269
TOTAL OPERATING REVENUES	**327,335**	**174,973**

"Revenues from sales and services" comprise mainly the revenues deriving from the sale of electricity by Group companies.
The amount also includes Euro 1,777 thousand paid by Terna to the 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., ERG Eolica Campania S.p.A., ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Ginestra S.r.l. and ERG Wind 4 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.
"Revenues for Green Certificates" represents the valuation of the Green Certificates accrued in FY2013 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 (Benevento), Bisaccia (Avellino), Foiano di Val Fortore (Benevento), Lacedonia (Avellino), Molinara (Benevento), Fossa del Lupo (Catanzaro), Amaroni (Catanzaro), Ginestra (Benevento) for a total number of 1,007,109 Green Certificates. The item also includes the Green Certificates accrued in 2013 by the companies of the ERG Wind Group, totalling 980,222.
The per unit value assigned to the Green Certificates, as estimated under the aforesaid Decree, is 89.28 Euro/MWh, as more clearly analysed in the Report on Operations and in the above section "Use of estimates".
The other operating revenues refer mainly to charge-backs for services rendered to companies of the LUKERG Group.

Other revenues and income:
The reported amount is broken down as follows:

	2013	2012
OPERATING SUBSIDIES	287	387
INDEMNITIES	1,494	230
OTHER INCOME FROM GROUP COMPANIES	327	100
OTHER INCOME	2,890	1,889
TOTAL	**4,998**	**2,606**

"Indemnities" refers mainly to the insurance reimbursement obtained for damages from accidents to the plants of the company ERG Eolica San Cireo (Euro 845 thousand) and Green Vicari (Euro 427 thousand).
The item "Other income" includes mainly the recovery of receivable claimed by ERG Eolica San Cireo from the supplier Siemens S.p.A.
The amount also includes the income tied to the penalties charged to the suppliers of the maintenance contracts as a result of the unavailability of the facilities, as provided contractually, in addition to the positive impact of the termination of positions with regard to certain municipalities.
A breakdown of the amounts relating to transactions with Group companies is summarised in Note 38 "Related-party transactions".

25 – PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS

Purchases of raw materials, i.e. Euro 3,270 thousand at 31 December 2013, refer to the ordinary activity of the wind farms and increased during the year as a result of the acquisition of the companies of the ERG Wind Group.

26 – CHANGE IN INVENTORIES

The item, amounting to Euro 793 thousand at 31 December 2013, refers to the change in inventories during the year, already described in the corresponding Note 8.

27 – COSTS FOR SERVICES

The reported amount is broken down as follows:

	2013	2012
SERVICES	24,687	9,996
UTILITIES	1,986	1,011
USE OF THIRD PARTY GOODS	11,189	7,972
SUNDRY COSTS	34,488	13,533
TOTAL	**72,350**	**32,512**

In 2013, "Services" include advisory costs, technical, legal and financial consulting services amounting to Euro 10 million, referred to the extraordinary transactions described in the previous paragraph **Scope of Consolidation**.

The increase in the item "Use of third party goods" essentially concerns the growth in the wind business and in particular the charges pertaining to the companies of the ERG Wind Group (Euro 4.3 million) acquired during the current financial year.

"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, mostly resulting from the acquisition of the ERG Wind Group (**Acquisition of IP Maestrale (currently ERG Wind**).

28 – PERSONNEL EXPENSES

The reported amount is broken down as follows:

	2013	2012
SALARIES AND WAGES	7,259	2,721
SOCIAL SECURITY EXPENSES	2,035	790
SEVERANCE INDEMNITIES	451	183
OTHER COSTS	861	96
TOTAL	**10,606**	**3,790**

The increase in personnel expenses is mainly due to the increase in the number of employees as a result of the acquisitions, in 2013, of the companies of the ERG Wind Group and of ERG Renew Operations & Maintenance (**Scope of Consolidation**).

29 – OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

	2013	2012
INDIRECT TAXES	5,842	3,094
OTHER PROVISIONS	6,025	113
WRITE-DOWNS OF RECEIVABLES	2,352	1,000
OTHER OPERATING EXPENSES	3,160	859
TOTAL	**17,379**	**5,066**

"Other provisions" refer mainly to the imbalance expenses, for which please refer to Note 15 "Provisions for liabilities and charges".
The item "Bad debt provision" for 2013 refers to the position with respect to Nordex, for which please refer to Note 5 "Other receivables – Non-current assets".

30 – AMORTISATION/DEPRECIATION, WRITE-DOWNS AND PROVISIONS

The reported amount is broken down as follows:

	2013	2012
AMORTISATION OF INTANGIBLE FIXED ASSETS	18,714	10,320
DEPRECIATION OF TANGIBLE FIXED ASSETS	95,915	50,186
AMORTISATION/DEPRECIATION	**114,629**	**60,506**
WRITE-DOWNS AND PROVISIONS	4,345	4,104
TOTAL	**118,974**	**64,610**

The increase in amortisation and depreciation compared to 2012 reflects in particular the effect of the change in the scope of consolidation as commented previously (section **Scope of consolidation**).

"Write-downs and provisions" refer to certain components of the turbines that failed during the year. Moreover, in 2012 the same item included in particular the write-down by Euro 3.5 million of tangible fixed assets of the Ginestra wind farm, whose recoverable value was found, as a result of impairment tests, to be lower than the carrying value by the same amount.

31 – NET FINANCIAL INCOME (EXPENSES)

The reported balance includes:

	2013	2012
FINANCIAL PROCEEDS	26,629	5,390
FINANCIAL EXPENSES	(86,270)	(29,197)
TOTAL	**(59,641)**	**(23,807)**

Financial income:

	2013	2012
INTEREST AND COMMISSION FROM BANKS	23,849	3,926
INTEREST AND COMMISSION FROM OTHERS	476	477
INTEREST FROM GROUP COMPANIES	2,304	987
TOTAL	**26,629**	**5,390**

The item "Interest and commission from banks" mostly refers to effect in the Income Statement of the adjustment of the fair value of derivatives at 31 December 2012 compared to the value at 31 December 2013 (Note 17 "Derivatives receivables and payables").

The increase in "Interest from Group companies" is a result of the Centralised Financial Management Agreement executed in December 2011 with the consequent opening of an Intra-group current account. The characteristics of said agreement are provided in Note 16 "Financial liabilities".

Financial expenses:

	2013	2012
INTEREST PAYABLE TO OTHERS	85,519	29,040
INTEREST PAYABLE TO GROUP COMPANIES	577	90
BANK CHARGES AND COMMISSION	174	67
TOTAL	**86,270**	**29,197**

The increase in interest payable to others is due in particular i) to the interest payable for Project Financing and to charges for derivatives owed by ERG Wind Investments, a company of the ERG Wind Group, acquired in 2013; ii) to the effect in the income statement of the fair value measurement of the loan to ERG Wind Investments Ltd., lower than the nominal value by Euro 145 million at the time of the acquisition as described above in the paragraph **Acquisition of IP Maestrale (currently ERG Wind)**, because it had originally stipulated at more advantageous conditions than the ones currently proposed by the market.
Details of all financial income and expenses vis-à-vis Group companies are provided in Note 38 "Related-party transactions".

32 – INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes:

	2013	2012
VALUATION USING THE EQUITY METHOD	(1,383)	(1,733)
OTHER INCOME	412	–
TOTAL	**(971)**	**(1,733)**

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.
"Other income" include the capital gain deriving from the sale of the equity investment in Eolo S.r.l., as described in the section **Scope of consolidation**.

33 – 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:

	2013	2012
CURRENT INCOME TAXES	(32,849)	(19,703)
PRIOR YEAR TAX ADJUSTMENTS	(656)	1,299
DEFERRED INCOME TAXES	5,119	1,169
TOTAL	**(28,386)**	**(17,235)**

Compared to the previous year, "Current taxes" increased by Euro 14 million. This effect derives from the positive results recorded by the companies in 2013.

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	48,349	
THEORETICAL IRES 34%		(16,439)
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(7,661)
CURRENT IRES		**(24,100)**
DEFERRED IRES		4,519
CURRENT AND DEFERRED IRES		**(19,581)**
IRAP (REGIONAL TAX)		
OPERATING INCOME	108,961	
PERSONNEL EXPENSES AND WRITE-DOWNS	14,951	
TOTAL	**123,912**	
THEORETICAL IRAP TAXATION AT 4.97%		(6,158)
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(1,991)
CURRENT AND DEFERRED IRAP		**(8,149)**
TOTAL THEORETICAL TAXES		**(22,597)**
TOTAL IRES AND IRAP PER FINANCIAL STATEMENTS		(27,730)
TAXES FROM PREVIOUS YEAR		(656)
TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS		**(28,386)**

34 – ASSETS AND LIABILITIES HELD FOR SALE AND NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

Net profit (loss) from discontinued operations

On 13 September 2012, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in Eolo S.r.l. to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale took place on 7 August 2013.

Therefore, in these consolidated Financial statements the 2013 contribution of Eolo S.r.l. to the income statement until the date of sale was reported under "Net profit (loss) from discontinued operations".

OTHER INFORMATION

35 – INFORMATION BY BUSINESS DIVISION

Currently, the Group operates solely in the sector of electricity generation using renewable sources (wind).

Business segment reporting – 2013:

YEAR 2013	WIND	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	333,996	3,714	337,710
LESS: INTERDIVISIONAL REVENUES	(7,824)	(2,551)	(10,375)
REVENUES FROM THIRD PARTIES	**326,172**	**1,163**	**327,335**
GROSS OPERATING MARGIN (EBITDA)	**249,415**	**(21,480)**	**227,935**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(118,210)	(764)	(118,974)
NET OPERATING INCOME	**131,205**	**(22,244)**	**108,961**

YEAR 2013	WIND	NOT ALLOCATED	TOTAL
INVESTMENTS IN FIXED ASSETS (1)	**44,595**	**546**	**45,141**

(1) relating to intangible and tangible assets

Business segment reporting – 2012:

YEAR 2012	WIND	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	174,040	4,248	178,288
LESS: INTERDIVISIONAL REVENUES	(24)	(3,291)	(3,315)
REVENUES FROM THIRD PARTIES	**174,016**	**957**	**174,973**
GROSS OPERATING MARGIN (EBITDA)	**144,931**	**(9,142)**	**135,789**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(63,879)	(731)	(64,610)
NET OPERATING INCOME	**81,052**	**(9,873)**	**71,179**

YEAR 2012	WIND	NOT ALLOCATED	TOTAL
INVESTMENTS IN FIXED ASSETS (1)	**38,372**	**1,108**	**39,480**

(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.

36 – EARNINGS PER SHARE

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

	31/12/2013	31/12/2012
NET PROFIT (LOSS)		
NET PROFIT (LOSS) USED TO CALCULATE BASIC EARNINGS PER SHARE	19,974	28,315

	31/12/2013	31/12/2012
NUMBER OF SHARES		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE	100,000,000	100,000,000

37 – PROFESSIONAL SERVICES OF THE INDEPENDENT AUDITORS RECONTA ERNST & YOUNG 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 independent auditors Reconta Ernst & Young S.p.A.:

	RECONTA ERNST & YOUNG S.P.A.	OTHER ENTITIES OF THE RECONTA ERNST & YOUNG NETWORK
AUDITING SERVICES	631	–
OTHER SERVICES	114	29
TOTAL FEES	**745**	**29**

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 Reconta Ernst & Young S.p.A. and its French correspondents.
"Other services" refers to other minor services performed by the companies of the Reconta Network, including those that 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).

38 – 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 rental. 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;
- Management Control 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 Functions 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 functions 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;
- Purchasing provides for the procurement of goods and services to meet the "non business" requirements of the Company ERG Renew, assuring the effectiveness, efficiency, timeliness of the purchasing processes and compliance with the economic/quality/safety objectives of the procurement;
- 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.

Moreover, "Current portion of financial payables due from parent companies", with a balance of Euro 74 million as at 31 December 2013, refers to the balance of the Centralised Financial Management Agreement between ERG Renew S.p.A. and the parent company ERG S.p.A., which provides for a maximum debt exposure of Euro 100 million. The Agreement has an annual duration (first 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 accrue with respect to the debit 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.

Lastly, "Trade receivables due from parent companies", i.e. Euro 25 million at 31 December 2013, includes the receivables from ERG S.p.A. relating to the sale of electricity generated by the subsidiaries.

On 5 March 2013, the Board of Directors of ERG Renew resolved that the companies directly controlled by ERG Renew that generated electricity from renewable sources were to withdraw from the agreement with Gestore dei Servizi Energetici S.p.A. of the so-called "Dedicated Collection", a simplified sale method that consists of the sale of the electricity placed into the network to GSE that remunerates it, paying the producer a price for each kWh collected. The companies then entered into an agreement with ERG S.p.A. for the consequent sale to it of the entire quantity of electricity generated according to the technical-economic conditions defined in the related sale agreements.

Said agreements also provide for compensation for the imbalance cost, recognised by the individual Producer Companies to ERG S.p.A., fixed and lower than the one expected in the absence of withdrawal from the RID, based on the simulation carried out by the GSE.

The Company shall also provide ERG S.p.A., on the basis of a service agreement, with the information necessary to forecast and plan the hourly generation of electricity of each plant belonging to the Producer Companies.

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

FINANCIAL DATA

Year 2013

	TRADE		FINANCIAL		OTHER	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
PARENT COMPANIES						
ERG S.P.A.	25,276	1,510	–	74,332	2,287	6,362
TOTAL PARENT COMPANIES	**25,276**	**1,510**	**–**	**74,332**	**2,287**	**6,362**
JOINTLY CONTROLLED ENTITIES						
ISAB ENERGY SOLARE S.R.L.	52	–	572	–	–	–
LUKERG RENEW GMBH	506	–	20,561	–	–	–
LUKERG BULGARIA GMBH	–	–	9,100	–	–	–
GLOBO ENERGY EOOD	–	–	161	–	–	–
MARK 1 EOOD	–	–	131	–	–	–
MARK 2 EOOD	–	–	111	–	–	–
WP BULGARIA 4 EOOD	–	–	96	–	–	–
LAND POWER S.R.L	–	–	52,496	–	–	–
CORNI EOLIAN S.A.	–	–	35,014	–	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**558**	**–**	**118,242**	**–**	**–**	**–**
GROUP COMPANIES						
ERG OIL SICILIA S.R.L.	2	–	–	–	–	–
ISAB ENERGY SERVICES S.R.L.	68	–	–	–	–	–
TOTAL GROUP COMPANIES	**70**	**–**	**–**	**–**	**–**	**–**

Year 2012

	TRADE		FINANCIAL		OTHER	
	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES	RECEIVABLES	PAYABLES
PARENT COMPANIES						
ERG S.P.A.	8	909	23,841	–	384	264
TOTAL PARENT COMPANIES	**8**	**909**	**23,841**	**–**	**384**	**264**
SUBSIDIARIES						
EOLICO TROINA S.R.L.	11	–	–	242	–	–
TOTAL SUBSIDIARIES	**11**	**–**	**–**	**242**	**–**	**–**
JOINTLY CONTROLLED ENTITIES						
ISAB ENERGY SOLARE S.R.L.	52	–	627	–	54	–
LUKERG RENEW GMBH	524	–	7,554	–	–	–
LUKERG BULGARIA GMBH	–	–	9,100	–	–	–
LAND POWER S.R.L	53	–	2,002	–	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**629**	**–**	**19,283**	**–**	**54**	**–**
GROUP COMPANIES						
ERG OIL SICILIA S.R.L.	3	–	–	–	–	–
ISAB ENERGY SERVICES S.R.L.	51	–	–	–	–	–
TOTAL GROUP COMPANIES	**54**	**–**	**–**	**–**	**–**	**–**

With reference to financial payables due from Parent Companies and financial receivables from jointly controlled entities at 31 December 2013, please refer to Note 4 "Financial Assets" and Note 16 "Financial liabilities".

PROFIT AND LOSS DATA

Economic transactions are carried out at values in keeping with those of the market. In FY2013 these services related mainly to administration and human resources management services. For the purpose of full disclosure, the FY 2013 economic values reported below do not take into account the reclassifications required by IFRS 5 and therefore also include the amounts specified in the line "Net profit (loss) of discontinued operations".

Year 2013

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	PURCHASING COSTS	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSES
PARENT COMPANIES						
ERG S.P.A.	52,633	66	–	5,231	86	636
TOTAL PARENT COMPANIES	**52,633**	**66**	**–**	**5,231**	**86**	**636**
SUBSIDIARIES						
ERG EOLICA LUCANA S.R.L.	–	190	–	–	–	–
TOTAL SUBSIDIARIES	**–**	**190**	**–**	**–**	**–**	**–**
JOINTLY CONTROLLED ENTITIES						
ISAB ENERGY SOLARE S.R.L.	4	–	–	–	25	–
LUKERG RENEW GMBH	200	29	–	–	771	–
LUKERG BULGARIA GMBH	–	–	–	–	391	–
GLOBO ENERGY EOOD	–	–	–	–	10	–
MARK 1 EOOD	–	–	–	–	10	–
MARK 2 EOOD	–	–	–	–	9	–
WP BULGARIA 4 EOOD	–	–	–	–	5	–
LAND POWER S.R.L.	295	–	–	–	452	–
CORNI EOLIAN S.A.	–	–	–	–	474	–
TOTAL JOINTLY CONTROLLED ENTITIES	**499**	**29**	**–**	**–**	**2,147**	**–**
GROUP COMPANIES						
ISAB ENERGY SERVICES S.R.L.	–	137	–	–	–	–
TOTAL GROUP COMPANIES	**–**	**137**	**–**	**–**	**–**	**–**

Year 2012

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	PURCHASING COSTS	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSES
PARENT COMPANIES						
ERG S.P.A.	8	–	–	3,771	588	86
TOTAL PARENT COMPANIES	**8**	**–**	**–**	**3,771**	**588**	**86**
JOINTLY CONTROLLED ENTITIES						
LUKERG RENEW GMBH	646	–	–	–	329	–
ISAB ENERGY SOLARE S.R.L.	4	100	–	–	70	–
LAND POWER S.R.L.	53	–	–	–	2	–
TOTAL JOINTLY CONTROLLED ENTITIES	**703**	**100**	**–**	**–**	**399**	**–**
SUBSIDIARIES						
EOLICO TROINA S.R.L.	–	–	–	–	–	4
TOTAL SUBSIDIARIES	**–**	**–**	**–**	**–**	**–**	**4**

39 – COMMITMENTS AND CONTINGENT LIABILITIES

The total value of overall commitments of the Group's companies at the end of the reporting period amounted to Euro 131,531 thousand. The breakdown was as follows:

- Euro 68,540 thousand mostly related to the guarantees issued by Group companies as regards the supply contracts connected with construction of the wind farms;
- Euro 14,605 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 24,735 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 23,651 thousand related to guarantees issued by the parent companies ERG S.p.A. in favour of the companies of the Renew Group with banks and public entities.

40 – HEADCOUNT

The Group's average headcount is set out in the following table:

	31/12/2013	31/12/2012
EXECUTIVES	8	3
WHITE-COLLAR WORKERS	83	33
TOTAL	**91**	**36**

At 31 December 2013, the total number of employees was 203.
The marked increase compared to the previous year is the consequence of the extraordinary transactions already commented in the section "**Scope of consolidation**", in particular with reference to the acquisition of ERG Renew Operations & Maintenance, a company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind, whereby 136 persons joined the Group; they are mainly technical personnel, highly specialised in the maintenance and operation of wind farms.

41 – 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. Trade receivables and payables from and to companies of the ERG Group are not included in this disclosure.

FY 2013

	NOTES	31/12/2013	LOANS & RECEIVABLES	HEDGING DERIVATIVES	HTM
ASSETS					
FINANCIAL ASSETS	4	108,289	108,289	–	–
OTHER RECEIVABLES	5	27,171	27,171	–	–
DERIVATIVES RECEIVABLES	17	322	–	322	–
TOTAL NON-CURRENT FINANCIAL ASSETS		**135,782**	**135,460**	**322**	**–**
TRADE RECEIVABLES	9	220,612	220,612	–	–
DERIVATIVES RECEIVABLES	17	–	–	–	–
CASH AND CASH EQUIVALENTS	12	74,125	74,125	–	–
TOTAL CURRENT FINANCIAL ASSETS		**294,737**	**294,737**	**–**	**–**
TOTAL FINANCIAL ASSETS		**430,519**	**430,197**	**322**	**–**

HTM: held to maturity

	NOTES	31/12/2013	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES					
FINANCIAL PAYABLES NET OF THE CURRENT PORTION	16	1,062,610	1,062,610	–	–
DERIVATIVES PAYABLES	17	131,280	–	131,280	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES		**1,193,890**	**1,062,610**	**131,280**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	16	96,557	96,557	–	–
DERIVATIVES PAYABLES	17	1,844	1,844	–	–
TRADE PAYABLES	20	18,168	18,168	–	–
TOTAL CURRENT FINANCIAL LIABILITIES		**116,569**	**116,569**	**–**	**–**
TOTAL FINANCIAL LIABILITIES		**1,310,459**	**1,179,179**	**131,280**	**–**

HTM: held to maturity

FY 2012

	31/12/2012	LOANS & RECEIVABLES	HEDGING DERIVATIVES	HTM
ASSETS				
FINANCIAL ASSETS	19,762	19,762	–	–
OTHER RECEIVABLES	8,318	8,318	–	–
DERIVATIVES RECEIVABLES	–	–	–	–
TOTAL NON-CURRENT FINANCIAL ASSETS	**28,080**	**28,080**	**–**	**–**
TRADE RECEIVABLES	104,171	104,171	–	–
DERIVATIVES RECEIVABLES	–	–	–	–
CASH AND CASH EQUIVALENTS	94,072	94,072	–	–
TOTAL CURRENT FINANCIAL ASSETS	**198,243**	**198,243**	**–**	**–**
TOTAL FINANCIAL ASSETS	**226,323**	**226,323**	**–**	**–**

HTM: held to maturity

	31/12/2012	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES				
FINANCIAL PAYABLES NET OF THE CURRENT PORTION	472,925	472,925	–	–
DERIVATIVES PAYABLES	58,445	–	57,331	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**531,370**	**472,925**	**57,331**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	52,770	52,770	–	–
DERIVATIVES PAYABLES	1,844	1,844	–	–
TRADE PAYABLES	12,530	12,530	–	–
TOTAL CURRENT FINANCIAL LIABILITIES	**67,144**	**67,144**	**–**	**–**
TOTAL FINANCIAL LIABILITIES	**598,514**	**540,069**	**57,331**	**–**

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 its assigned credit rating;
- 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, malfunctions, plant breakdowns, external events, with personal injuries and environmental damage, as well as inadequate or improperly functioning 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 Italian 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 2013 and 31 December 2012:

	31/12/2013	PAST DUE AGEING			
		30 DAYS	60 DAYS	90 DAYS	MORE THAN 90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	**135,782**	**–**	**–**	**–**	**–**
TRADE RECEIVABLES	219,172	–	–	–	–
CASH AND CASH EQUIVALENTS	74,125	–	–	–	–
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	**293,297**	**–**	**–**	**–**	**–**
PAST DUE TRADE RECEIVABLES	8,665	–	–	–	–
BAD DEBT PROVISION	(7,225)	–	–	–	–
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	**1,440**	**64**	**28**	**26**	**1,322**
TOTAL FINANCIAL ASSETS	**430,519**	**64**	**28**	**26**	**1,322**

For a detailed analysis of the trade receivables, please refer to Note 9.

	31/12/2012	PAST DUE AGEING			
		30 DAYS	60 DAYS	90 DAYS	MORE THAN 90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	**28,080**	**–**	**–**	**–**	**–**
TRADE RECEIVABLES	103,649	–	–	–	–
CASH AND CASH EQUIVALENTS	94,072	–	–	–	–
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	**197,721**	**–**	**–**	**–**	**–**
PAST DUE TRADE RECEIVABLES	8,773	–	–	–	–
BAD DEBT PROVISION	(7,549)	–	–	–	–
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	**1,224**	**–**	**–**	**–**	**1,224**
TOTAL FINANCIAL ASSETS	**227,025**	**–**	**–**	**–**	**1,224**

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 2013.

The use of these instruments is centralised 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 normalise financial expenditure relating to interest rate movements. In FY2013 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

	2013	2012
SHOCK UP (CHANGE IN INTEREST RATE **+1%**)	(1,033)	366
SHOCK DOWN (CHANGE IN INTEREST RATE **-1%**)	(1,083)	(494)

Impact on shareholders' equity

	2013	2012
SHOCK UP (CHANGE IN INTEREST RATE **+1%**)	50,068	20,879
SHOCK DOWN (CHANGE IN INTEREST RATE **-1%**)	(52,411)	(20,629)

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 FY2013, as described in Note 16, "Financial Liabilities".

	31/12/2013
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**1,193,890**
FINANCIAL PAYABLES MATURING DURING THE YEAR	96,557
DERIVATIVES PAYABLES	1,844
TRADE PAYABLES	18,168
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**116,569**
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	**1,939**
TOTAL FINANCIAL LIABILITIES	**1,312,398**

The total amount of interest on the payable not yet matured is Euro 22,938 thousand and it was calculated utilising the latest variable interest rate available; due to the transactions involving hedging derivatives previously reported, the synthetic rate is fixed at the specific contractual conditions of each derivative.

Moreover, the financial liabilities not yet past due include payables connected with Project Financing contracts totalling Euro 1,281 million, to which the cash flows channelled from wind revenues are allocated.

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

	31/12/2012
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**531,370**
FINANCIAL PAYABLES MATURING DURING THE YEAR	52,770
DERIVATIVES PAYABLES	1,844
TRADE PAYABLES	12,530
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**67,144**
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	**–**
TOTAL FINANCIAL LIABILITIES	**598,514**

The total amount of interest on the payable not yet matured is Euro 16,062 thousand and it was calculated utilising the latest variable interest rate available; due to the transactions involving hedging derivatives previously reported, the synthetic rate is fixed at the specific contractual conditions of each derivative.

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

42 – PUBLICATION DATE OF FINANCIAL STATEMENTS

On 6 March 2014, the Board of Directors of ERG Renew S.p.A. authorised 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.

Genoa, 6 March 2014

On behalf of the Board of Directors
The Chairman
Alessandro Garrone

SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

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

(EURO)	NOTES	31/12/2013	31/12/2012
PROPERTY, PLANT AND EQUIPMENT	1	1,674,706	2,026,066
INTANGIBLE ASSETS	2	1,805,952	1,672,197
EQUITY INVESTMENTS	3	279,720,347	235,842,170
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	4	74,782,380	16,212,000
FINANCIAL ASSETS	5	7,186,242	–
OTHER RECEIVABLES	6	3,372,945	5,724,945
TAX ASSETS	7	1,256,394	1,256,394
DEFERRED TAX ASSETS	8	6,202,203	6,287,328
NON-CURRENT ASSETS		**376,001,169**	**269,021,100**
TRADE RECEIVABLES	9	8,214,973	1,374,256
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	10	13,371,561	11,093,690
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	11	244,975,270	233,444,480
OTHER RECEIVABLES	12	14,139,295	21,052,817
TAX ASSETS	13	386,917	387,844
CASH AND CASH EQUIVALENTS	14	3,046,042	5,390,783
CURRENT ASSETS		**284,134,058**	**272,743,870**
ASSETS HELD FOR SALE	36	**–**	**1,900,000**
TOTAL ASSETS		**660,135,226**	**543,664,970**
SHAREHOLDERS' EQUITY	15	562,084,498	516,830,112
TOTAL SHAREHOLDERS' EQUITY		**562,084,498**	**516,830,112**
EMPLOYEES' SEVERANCE INDEMNITIES	16	379,825	304,390
PROVISIONS FOR LIABILITIES AND CHARGES	17	9,557,958	9,947,832
FINANCIAL PAYABLES NET OF CURRENT PORTION	18	–	1,600,000
OTHER PAYABLES	19	397,051	152,712
NON-CURRENT LIABILITIES		**10,334,833**	**12,004,934**
CURRENT PORTION OF FINANCIAL PAYABLES	18	1,835,250	3,546,168
CURRENT PORTION OF FINANCIAL PAYABLES DUE TO GROUP COMPANIES	20	74,854,635	770,987
DERIVATIVES PAYABLES	21	1,844,000	1,844,000
TRADE PAYABLES	22	2,671,412	2,562,362
COMMERCIAL PAYABLES DUE TO GROUP COMPANIES	22	1,316,724	874,074
OTHER PAYABLES	23	5,073,806	5,067,152
TAX LIABILITIES	24	120,068	165,182
CURRENT LIABILITIES		**87,715,895**	**14,829,925**
LIABILITIES HELD FOR SALE	36	**–**	**–**
TOTAL LIABILITIES		**660,135,226**	**543,664,970**

ERG RENEW S.P.A. INCOME STATEMENT

(EURO)	NOTES	2013	2012
REVENUES FROM SALES AND SERVICES	26	13,312,506	4,246,673
OTHER OPERATING REVENUES AND INCOME	26	698,851	347,438
PRODUCTION VALUE		**14,011,356**	**4,594,112**
OPERATING EXPENSES			
RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS	27	(7,740,762)	(74,797)
COSTS FOR SERVICES	28	(9,944,675)	(8,145,754)
PERSONNEL EXPENSES	29	(4,392,001)	(3,547,007)
OTHER OPERATING EXPENSES	30	(3,691,074)	(1,962,048)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	31	(762,768)	(731,161)
EBIT		**(12,519,923)**	**(9,866,656)**
FINANCIAL INCOME (EXPENSES) WITH RESPECT TO THIRD PARTIES	32	(58,828)	(432,507)
FINANCIAL INCOME (EXPENSES) WITH RESPECT TO SUBSIDIARIES AND PARENT COMPANIES	33	6,589,360	6,735,190
INCOME (LOSS) FROM EQUITY INVESTMENTS	34	47,615,324	(2,010,827)
PROFIT (LOSS) BEFORE TAXES		**41,625,932**	**(5,574,800)**
INCOME TAXES	35	3,614,274	5,688,239
NET PROFIT (LOSS)		**45,240,206**	**113,439**

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

(THOUSANDS OF EURO)	2013	2012
NET PROFIT (LOSS) FOR THE PERIOD	**45,240**	**113**
CHANGES THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		
ACTUARIAL CHANGE IN PROVISIONS FOR SEVERANCE INDEMNITIES	19	–
	19	**–**
CHANGES THAT WILL BE RECLASSIFIED IN THE INCOME STATEMENT		
CHANGES IN CASH FLOW HEDGE RESERVE	–	–
CHANGE IN AVAILABLE FOR SALE FINANCIAL INVESTMENTS	**–**	**–**
	–	**–**
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME COMPONENTS	(5)	–
OTHER COMPONENTS OF COMPREHENSIVE NET PROFIT (LOSS)	**14**	**–**
COMPREHENSIVE NET PROFIT (LOSS)	**45,254**	**113**
MINORITY INTERESTS	**–**	**–**
GROUP COMPREHENSIVE NET PROFIT (LOSS)	**45,254**	**113**

ERG RENEW S.P.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(THOUSANDS OF EURO)	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS (LOSS CARRIED FORWARD)	PROFIT (LOSS) FOR THE PERIOD	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 31/12/2010	**132,667**	**1,388**	**58,800**	**(76,838)**	**(17,749)**	**98,268**
ALLOCATION OF 2010 PROFIT (LOSS)	–	–	–	(17,749)	17,749	–
COVERAGE OF LOSSES	(32,667)	(1,388)	(66,668)	100,723	–	–
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–	450,000	–	–	450,000
COMPREHENSIVE NET PROFIT (LOSS)	–	–	–	–	(15,947)	(15,947)
BALANCE AT 31/12/2011	**100,000**	**–**	**442,132**	**6,136**	**(15,947)**	**532,321**
ALLOCATION OF 2011 PROFIT (LOSS)	–	–	–	(15,947)	15,947	–
COVERAGE OF LOSSES	–	–	–	–	–	–
2012 MERGER EFFECT	–	–	(15,604)	–	–	(15,604)
COMPREHENSIVE NET PROFIT (LOSS)	–	–	–	–	113	113
BALANCE AT 31/12/2012	**100,000**	**–**	**426,528**	**(9,812)**	**113**	**516,830**
ALLOCATION OF 2012 PROFIT (LOSS)	–	–	–	113	(113)	–
SEVERANCE INDEMNITIES PROVISIONS DISCOUNT RESERVE	–	–	14	–	–	14
COVERAGE OF LOSSES	–	–	–	–	–	–
NET PROFIT (LOSS) FOR THE YEAR	–	–	–	–	45,240	45,240
BALANCE AT 31/12/2013	**100,000**	**–**	**426,543**	**(9,698)**	**45,240**	**562,084**

ERG RENEW S.P.A. STATEMENT OF CASH FLOWS

(THOUSANDS OF EURO)	2013	2012
OPERATING ACTIVITIES		
EBIT	(12,519)	(9,868)
ADJUSTMENTS FOR:		
DEPRECIATION OF TANGIBLE FIXED ASSETS	209	139
AMORTISATION OF INTANGIBLE FIXED ASSETS	304	218
WRITE-DOWNS OF FIXED ASSETS	250	374
INCOME (LOSS) FROM EQUITY INVESTMENTS	1,704	5,822
ALLOCATIONS TO PROVISIONS	(314)	403
TOTAL ADJUSTMENTS	**2,153**	**6,956**
CHANGES IN WORKING CAPITAL		
(INCREASE) / DECREASE IN TRADE RECEIVABLES AND PAYABLES AND IN OTHER RECEIVABLES AND PAYABLES	3,510	1,136
(DECREASE) / INCREASE IN TRADE RECEIVABLES AND PAYABLES AND IN OTHER RECEIVABLES AND PAYABLES FROM SUBSIDIARIES	(2,277)	(1,365)
CHANGE IN WORKING CAPITAL	**1,233**	**(229)**
CHANGE FROM 2012 MERGER	**–**	**(25,001)**
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	**(9,133)**	**(28,142)**
INTEREST PAID	(758)	(614)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(9,891)**	**(28,756)**
INVESTING ACTIVITIES		
INTEREST RECEIVED	7,288	6,917
RECEIVED DIVIDENDS	49,319	4,102
SALES OF EQUITY INTERESTS IN SUBSIDIARIES	1,900	–
SALES OF EQUITY INVESTMENTS IN JOINTLY CONTROLLED ENTITIES AND IN OTHER COMPANIES	–	–
EQUITY INTERESTS ACQUIRED/SHARE CAPITAL INCREASES IN OTHER COMPANIES AND SUBSIDIARIES	(43,878)	(2,661)
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	(546)	(1,007)
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–
CHANGE FROM 2012 MERGER	–	(193,013)
NET CASH FLOW FROM INVESTING ACTIVITIES	**14,083**	**(185,662)**
FINANCING ACTIVITIES		
NEW LOANS RECEIVED FROM PARENT COMPANIES	74,332	–
REPAYMENT OF LOANS RECEIVED FROM PARENT COMPANIES	23,841	(1,494)
INCREASE IN FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES	(40,848)	–
NEW LOANS TO PARENT COMPANIES	–	(23,841)
(INCREASES)/REPAYMENTS IN FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES	43,479	72,826
(INCREASES)/REPAYMENTS IN FINANCIAL RECEIVABLES DUE FROM JOINTLY CONTROLLED ENTITIES	(103,670)	(18,670)
INCREASES/(REPAYMENTS) IN FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES	(249)	–
REPAYMENT OF LOANS FROM THIRD PARTIES	(3,311)	(30,854)
INCREASE IN OTHER FINANCIAL PAYABLES	–	–
CHANGE FROM 2012 MERGER	–	232,933
NET CASH FLOW FROM FINANCING ACTIVITIES	**(6,426)**	**230,900**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(2,234)**	**16,482**
NET CASH FLOW / (NET FINANCIAL DEBT) AT THE BEGINNING OF THE YEAR	**5,045**	**(11,437)**
NET CASH FLOW / (NET FINANCIAL DEBT) AT THE END OF THE YEAR	**2,811**	**5,045**
COMPRISING		
BANK AND POSTAL ACCOUNTS	3,046	5,391
BANK OVERDRAFTS	(235)	(346)
OF WHICH CASH AND CASH EQUIVALENTS NOT FREELY AVAILABLE	**2,548**	**4,264**

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

GENERAL

The Separate Financial Statements of ERG Renew S.p.A (the "Company") 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 separate financial statements, all IAS/IFRS standards applicable to accounting aspects significant for the Company were applied without exception.

As regards the layout of the financial statements, the Company, consistently with the presentation adopted for the Consolidated Financial Statements, 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. 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 equity. Lastly, the Statement of Cash Flows has been prepared using the "indirect" method. Amounts are reported in thousands of Euro.

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

For comparison purposes, for every item in the Statement of Financial Position and of the Income Statement, the figures of the financial statements as at 31 December 2012 are shown.

The Separate Financial Statements at 31 December 2013 have been audited by Reconta Ernst & Young S.p.A. in accordance with the procedure set forth by CONSOB regulations.

The main accounting policies adopted are shown below.

SUMMARY OF PRINCIPAL ACCOUNTING STANDARDS

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised 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. Equally, interest on special purpose loans was not capitalised.

If assets consist of components of significant amount and with different useful lives, such components are considered separately in the calculation of the total depreciation of the assets in question.

Depreciation is calculated on a straight-line basis, according to the assets' estimated useful life, by applying the following rates:

Plant and machinery 20%

Equipment 20%

Other tangible assets 12% - 20%

Depreciation of these assets, as for all tangible assets, commences from the moment when the assets are available for use. Assets held under finance lease agreements 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 tangible assets are calculated as the difference between sale proceeds and the asset's net book value and are recognised in the Income Statement for the year.

INTANGIBLE ASSETS

Intangible assets 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.

Patents rights, 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. Equally, interest on special purpose loans was not capitalised.

EQUITY INVESTMENTS

Equity investments in subsidiaries are recorded at cost, adjusted in the presence of impairments. Therefore, the positive difference, emerging upon acquisition, between the purchase cost and the company's portion of the shareholders' equity at replacement cost of the investee is included in the carrying value of the equity investment. Any write-downs of this positive difference are not reinstated in subsequent periods, even if the conditions that led to the impairment no longer apply. If the Company's share of the investee's losses exceeds the book value of the equity investment, the value of the equity investment is zeroed and the share of additional losses not recognised as a provision among liabilities if the Company is liable for them. The other equity investments, consisting of non-current financial assets that are not held for trading, are recorded at cost less write-downs due to impairment, if any.

IMPAIRMENT

At the end of each reporting period, the Company reviews the carrying value of its tangible and intangible assets and equity investments, to determine whether there is evidence that these assets have suffered impairment losses. 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 Company 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, and the trend in direct costs during the period assumed for calculation purposes. The Company'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 and direct costs are based on past experience, future market expectations and foreseeable changes in the specific regulatory situation of some of the Company's assets (with special reference to the anticipated trend in the price of electricity and Green Certificates). Reference is made to the section "Use of estimates - Recoverability of the carrying value of non-current assets" for considerations on the assumptions, adopted in relation to the forecast data used for the impairment test.

Similar estimation processes are necessary in case of reference to the presumed realisable 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 carrying 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 the value is immediately credited to the Income Statement.

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

Financial assets are recognised 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 Company has 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.

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

- Financial assets at fair value through profit or loss (FVTPL): *Fair value through profit or loss*;
- Held-to-maturity (HTM) investments: *Held-to-maturity investments*;
- Loans & Receivables (L&R): *Loans and receivables*;
- Available-for-sale (AFS) financial investments: *Available for sale financial investments*.

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

At the time of execution, 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 the embedded derivative are not closely related to those of the host contract.

The Company classifies its financial assets after initial recognition and, when appropriate and allowed, revises 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.

- **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 2013, the Company 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 equity.

AFS financial investments include equity investments in companies other than subsidiaries and associates in which the Company'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 also envisages the following measurement methods:

- fair value;
- 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.

FINANCIAL LIABILITIES

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

- financial liabilities at fair value through profit or loss (FVTPL): *Fair value through profit or loss*;
- 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.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, ERG Renew S.p.A. verifies whether a financial asset or group of financial assets has suffered an impairment loss.

If there is objective evidence that a loan or receivable posted at amortised cost has suffered impairment, the amount of the impairment loss is measured as the difference between the asset's carrying value and the present value of future estimated cash flows (excluding future receivable losses, not yet incurred), discounted at the financial asset's original effective interest rate calculated at the date of initial recognition.

The carrying value of the asset shall be reduced by using a provision. The impairment amount shall be recognised in the Income Statement.

ERG Renew S.p.A. 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 recognised in the Income Statement, to the extent that the asset's carrying value does not exceed the amortised 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 ERG Renew S.p.A. 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.

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;
- ERG Renew S.p.A. 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;
- ERG Renew S.p.A. 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 thereof.

In cases where the Company 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 the accounts of ERG Renew S.p.A. to the extent of its residual involvement in that asset. A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or fulfilled.

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 still have to be collected as at the date of this document, as well as to the portion of revenues accrued in the year but invoiced after year-end.

CASH AND CASH EQUIVALENTS

This item includes cash, 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.

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.

In view of the scarce significance of the outright value of the item "Employees' severance indemnities" and the difference in the liability calculated according to the two actuarial projected Unit Method and the liability calculated in accordance with Article 2120 of the Italian Civil Code, the Company 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.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are recorded when the Company has a current legal or implied obligation deriving from a past event, if an outlay of resources to fulfil 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 fulfil the obligation, and are discounted to present value when the effect is significant.

TRADE PAYABLES

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

DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised 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 Company 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 carrying 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 recognised 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 recognised 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-à-vis the Company 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.

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 Company. Depending on the type of transaction, revenues are recognised on the basis of the specific criteria indicated below:

- *sale of goods*: revenues are recorded when the significant risks and rewards of ownership of the assets are transferred to the purchaser;
- *services*: revenues for services are recognised with reference to the stage of completion of activities. If it is not possible to determine the value of revenues reliably, they are recognised up to the costs incurred that it is believed will be recovered.

Interest income is recognised in accordance with the accrual principle, based on the amount financed and the effective interest rate applicable. Dividends are recognised on a cash basis. Received dividends are recognised in the Income Statement, at the time of establishment of the right to collect them, only if they derive from the distribution of earnings subsequent to the acquisition of the investee. If, instead, they derive from the distribution of retained earnings of the investee preceding the acquisition, the dividends are recognised as a reduction from the cost of the equity investment.

FINANCIAL EXPENSES

All other financial expenses are charged to the Income Statement at the time they are incurred, on an accrual basis.

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 section.
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.

USE OF ESTIMATES

Preparation of the financial statements in accordance with IFRS requires ERG to make estimates and assumptions that affect the values of assets and liabilities shown in the financial statements and the information provided concerning potential assets and liabilities. To obtain these estimates, available information had to be used and subjective evaluations had to be adopted. By their nature, the estimates and assumptions used can change from year to year and, therefore, it is possible that in subsequent years the current amounts may differ as a result of changes in the subjective evaluations applied.
The main estimates requiring a greater use of subjective evaluations are used, inter alia, for:

- provisions for bad debts, for inventory obsolescence, asset amortisation, depreciation and write-downs;
- deferred tax assets, whose recognition is supported by the Group's prospective taxability resulting from the expected profitability of the business plans and from the forecast renewal of tax consolidation;
- the impairment test procedure for intangible assets, property plant and equipment and other equity investments, described in particular in the section entitled **Impairment test**, implies – in estimating value in use – utilisation of the investee companies' Business Plans, 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. Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction;
- allocations to provisions for environmental risks and for liabilities related to legal and fiscal disputes, for which it is deemed likely that a financial outlay will take place, and the amount of the resulting losses can be estimated reasonably. 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 Company in the disputes. These estimates are determined taking into account the progressive evolution of the disputes and in consideration of minimum thresholds payable.

The estimates and assumptions are revised periodically and the effects of each change are recognised in the income statement in the period when the change took place.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2013

The following Accounting Standards, amendments and interpretations were applied by the Group for the first time starting from 1 January 2013:

IFRS 13 – Fair value measurement: explains how to measure fair value for financial reporting and it applies to all standards that require or permit fair value measurements or disclosures about fair value measurements.

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.

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 on or after 1 July 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.

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

Investment entities (IFRS 10; IFRS 12 and IAS 27): On 31 October 2012, the IASB issued the document "Investment Entities" which regulates the activities carried out by particular types of entities qualified as investment entities. The IASB identifies as investment entities those entities that invest with the sole purpose of obtaining an increase in the investment capital or income from the investment or both. The provisions shall be effective starting from the financial years beginning on or after 1 January 2014.

On 29 May 2013, the IASB published the amendment to **IAS 36 Recoverable Amount Disclosures for Non-Financial Asset**s, restricts the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) and expressly requires disclosure on the discount rate used to determine an impairment loss (or a reversal) when the recoverable amount (based on fair value less cost to sell) is determined using the present value method.

Transition guidance (IFRS 10, IFRS 11, IFRS 12), on 28 June 2012, the IASB issued the document "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities" providing certain clarifications and simplifications with reference to the transition requirements for the standards IFRS 10, IFRS 11 and IFRS 12.

IFRS 10 - Consolidated Financial Statements: the standard supersedes SIC-12 Consolidation – Special Purpose Entities and certain parts of IAS 27 – Consolidated and Separate Financial Statements, which shall change title to IAS 27 – Separate Financial Statements and which shall regulate the accounting treatment of equity investments in the separate financial statements. The new IFRS 10 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 providing guidance in order to determine the existence of control in cases of difficult interpretation.

IFRS 11 – Joint Arrangements: the standard supersedes IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly controlled entities – Non-monetary Contributions by Venturers. The new standard provides criteria for identifying joint interest agreements based on the rights and obligations deriving from agreements rather than on 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 standard 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).

IAS 27 - Consolidated and Separate Financial Statements: the purpose of the amendment to IAS 27 is to provide the rules to enforce in accounting for equity investments in subsidiaries, joint ventures and associates in the preparation of the Separate Financial Statements. The amendment, then, maintains unchanged the provisions for the separate Financial Statements, replacing the parts relating to the statutory Financial Statements with the prescriptions of the new IFRS 10, to which reference is made herein for additional details.

IAS 28 – Investments in associates and joint ventures: the amendment to IAS 28 (as amended in 2011) outlines how to apply the equity method to investments in associates and joint ventures.

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 shall be applicable in a retrospective manner for annual periods beginning on or after 1 January 2014.

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting: the amendment introduces the possibility of continuing hedge accounting for derivatives designated as hedges, which are required to be novated to a central counterparty as a result of laws or regulations.

The IASB also issued the following **amendments**, whose endorsement process on the part of the EU was not yet completed at the date of this Report.

IFRS 9 – Financial instruments. The amendments pertain to the criteria for the recognition and measurement of financial assets and their classification in the financial statements. In particular, the new provisions establish, inter alia, a model for the classification and measurement of financial assets based exclusively on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. Moreover, the new provisions prescribe that equity investments other than those in subsidiaries, jointly controlled entities or associates shall be measured at fair value through profit or loss. If said equity investments are not held for trading,

changes in fair value may be recognised in the statement of comprehensive income, maintaining in the income statement solely the effects connected with dividend distribution; at the time the equity investment is sold, the amounts recognised in the statement of comprehensive income shall not be allocated in the income statement. Moreover, on 28 October 2010 the IASB complemented the provisions of the IFRS 9 to include the criteria for the recognition and measurement of financial liabilities. In particular, the new provisions require, inter alia, that if a financial liability is measured at fair value through profit or loss, the changes in fair value connected to changes in the issuer's credit risk ("own credit risk") shall be recognised in the statement of comprehensive income; said component shall be allocated to the Income Statement to assure symmetric representation with other items connected with the liability, avoiding accounting mismatches. On 19 November 2013, the IASB further changed the amendment, including the new hedge accounting model and allowing the adoption of the fair value treatment of credit rating changes on FVTPL liabilities.
The provisions of IFRS 9, based on this change, no longer have an explicit effective date: hence, the date of 1 January 2015 is removed.

IAS 19 – Defined Benefit Plans: **Employee Contributions**: the amendment clarifies that contributions to defined benefit plans for employees and for third parties that are linked to a service rendered shall be attributed to the periods when the service is rendered.

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

RECLASSIFICATION OF ITEMS

For the purposes of comparing the financial statements of 31 December 2013 with those of 31 December 2012, the following re-classifications were made among non-current Assets:

- a reclassification, from "Non-current portion of financial receivables due from companies of the Group" to "Current portion of financial receivables due from companies of the Group", for Euro 204,133 thousand, of the receivable balances of the Centralised Financial Management Agreements with subsidiaries;
- a reclassification from "Current portion of other payables" to "Non-current portion of other payables", for Euro 153 thousand, relating to payables to employees for medium-long term compensation;
- a reclassification from "Current portion of other payables" to "Current portion of financial payables to Group companies", for Euro 771 thousand, relating to payables for the subsidiaries' giro accounts.

LUKERG RENEW JOINT VENTURE

On **20 June 2013** LUKERG Renew, a Joint Venture between ERG Renew (100% ERG) and LUKOIL -Ecoenergo, entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria.
The Gebeleisis wind farm, located in the Galati region (Romania), has been fully operational since February 2013 and has a total installed capacity of 70 MW (35 WTG Vestas V90-2 MW) and expected average annual generation exceeding 165 GWh. The enterprise value of the acquisition was Euro 109.2 million (approximately Euro 1.56 million per MW).
The Hrabrovo wind farm, located in the Dobrich region (Bulgaria), has been fully operational since March 2012, and has a total installed capacity of 14 MW (7 WTG Vestas V90-2 MW) and expected average annual generation exceeding 34 GWh. The enterprise value of the acquisition was Euro 17.6 million (approximately Euro 1.26 million per MW).

The transaction strengthens the strategic partnership between ERG Renew and Vestas and enables ERG to impart a significant acceleration to the attainment of the growth targets in Eastern Europe, set forth by the business plan to 2015. Moreover, as a result of these acquisitions and of the construction of the wind farm in Romania, ERG Renew's installed capacity abroad will reach approximately 20% of the entire portfolio.
With regard to the Gebeleisis wind farm, the transaction was closed on **28 June 2013**, whilst for the Hrabrovo wind farm the closing took place on **5 September 2013**.
The generation of electricity from the two new wind farms will avoid approximately 77 thousand tonnes of atmospheric CO_2 emissions per year.

ACQUISITION OF IP MAESTRALE

On **13 February 2013**, ERG Renew closed with International Power Consolidated Holding Ltd. (100% GDF SUEZ) the acquisition of 80% of the capital of IP Maestrale Investments Ltd.
On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.
Thanks to the acquisition, ERG Renew increased its installed capacity by 636 MW, of which 550 MW in Italy and 86 MW in Germany, reaching a total of approximately 1,340 MW, of which approximately 1,087 MW in Italy, positioning itself as the first wind power operator in Italy and among the top ten in Europe.
The value of the acquisition, in terms of enterprise value, was Euro 859 million, i.e. approximately Euro 1.35 million per installed MW. The price for the equity at the closing of the transaction was Euro 28.2 million for 80% of the share capital of IP Maestrale. The agreements include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. The wind farms are already fully financed with non recourse Project Financing with maturity in December 2022, disbursed by a group of primary Italian and international banks. The acquired company had an EBITDA of approximately Euro 120 million in 2012.
In July, on the basis of the existing agreements, a price adjustment of approximately Euro 12.4 million in favour of the ERG Renew Group, pertaining to 100% of the equity investment, was agreed and settled.
The Italian wind farms are located in Sicily (161 MW), Sardinia (111 MW), Campania (95 MW), Puglia (91 MW), Basilicata (55 MW), Molise (37 MW) whereas the five wind farms (86 MW) in Germany are located in the central-northern part of the country. The high quality assets have an output of nearly 2,000 hours/year, higher than the national average.

ERG RENEW OPERATIONS & MAINTENANCE

On **31 October 2013**, ERG Renew closed with I.V.P.C. Service, an indirect subsidiary of Maluni, the acquisition of the entire capital of the company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind. On the same date, the Shareholders' Meeting of the company voted to change its name to ERG Renew Operations & Maintenance and to move the registered office to Genoa.
As a result of the transaction, 136 persons joined the ERG Group; they are mainly technical personnel, highly specialised in the maintenance and operation of wind farms, and they are added to the 42 persons acquired through the investment in ERG Wind (formerly IP Maestrale), further strengthening the structures of ERG Renew in Southern Italy, where the majority of the facilities is concentrated.
Although the Enterprise Value of the transaction, i.e. approximately Euro 10 million, is low, it nonetheless has great strategic significance because it enables significantly to increase the competencies of ERG Renew, necessary to manage in a direct, integrated manner the operations of the wind business, in a sector with mature infrastructure.

Through ERG Renew O&M, significant benefits are expected in terms of cost optimisation and improvement to the efficiency of the operations of ERG Wind's farms, which may then be progressively extended also to ERG Renew's other wind farms, in Italy and abroad.

IMPAIRMENT TEST ON EQUITY INVESTMENTS

For the 2013 financial statements, as in previous years, the carrying values of the equity investments in subsidiaries and in joint ventures were tested.

The Company estimated the recoverable value of the aforesaid assets. On the basis of IAS 36, the recoverable amount of an asset or of a cash-generating unit is represented by the greater value between its fair value net of sales costs and its value in use.

In this regard, the test was carried out determining the recoverable value, in terms of value in use; therefore, the value of the equity investments was estimated considering the equity values of the Cash Generating Units, which correspond to the various wind farms and hence to the corresponding equity investments.

In particular:

- the cash-generating units (CGU) relating to the individual wind farms and to the corresponding equity investments;
- 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, the discount rate used is the WACC for the industry (6.3% for Italy, 5.5% for France, 8.2% for Bulgaria and 7.6% for Romania);
- 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.

The impairment tests described above did not uncover any impairment compared to the carrying values.

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	**825**	**1,001**	**1,146**	**265**	**3,237**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	–	(443)	(768)	–	(1,211)
BALANCE AT 31/12/2012	**825**	**558**	**378**	**265**	**2,026**
CHANGES DURING THE PERIOD:					
ACQUISITIONS	–	62	45	1	108
RECLASSIFICATIONS	–	–	–	–	–
CAPITALISATIONS	–	139	47	(186)	–
DISPOSALS	–	–	–	–	–
AMORTISATION/DEPRECIATION	–	(85)	(124)	–	(209)
WRITE-DOWNS	(250)	–	–	–	(250)
HISTORICAL COST	**825**	**1,202**	**1,238**	**80**	**3,345**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(250)	(528)	(892)	–	(1,670)
BALANCE AT 31/12/2013	**575**	**674**	**346**	**80**	**1,675**

The Company does not hold any property, plant and equipment through financial lease agreements.

The write-down for the year refers to the industrial sheds located in the Municipality of Arzene, unused for a few years; the value was adjusted to the expected sale value identified by two appraisals carried out on the buildings.

2 – INTANGIBLE ASSETS

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

	AUTHORISATIONS, LICENCES AND TRADEMARKS	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**1,306**	**1,312**	**455**	**2,967**
AMORTISATION/DEPRECIATION	(513)	(888)	–	(1,295)
BALANCE AT 31/12/2012	**793**	**424**	**455**	**1,672**
CHANGES DURING THE PERIOD:				
ACQUISITIONS	–	438	–	438
RECLASSIFICATIONS	–	–	–	–
CAPITALISATIONS	–	219	(219)	–
AMORTISATION/DEPRECIATION	(63)	(241)	–	(304)
HISTORICAL COST	**1,306**	**1,969**	**236**	**3,511**
AMORTISATION/DEPRECIATION	(576)	(1,129)	–	(1,705)
BALANCE AT 31/12/2013	**730**	**840**	**236**	**1,806**

The increases in the year refer mainly to the SCADA IT system, an application for collecting and processing data about the operation of the wind turbines.

3 – SALES OF EQUITY INTERESTS IN SUBSIDIARIES, ASSOCIATES AND OTHER COMPANIES

The following table shows the breakdown of direct equity investments in subsidiaries and associates and their changes during the year:

	31/12/2012	ACQUISITIONS/ INCORPORATIONS/ CAPITAL INCREASES	DISTRIBUTION OF RESERVES	SALES/ WRITE-DOWNS	31/12/2013
SUBSIDIARIES					
EOLICO TROINA S.R.L.	25	–	–	–	25
EOLO S.R.L.	1,900	–	–	(1,900)	–
ERG EOLICA ADRIATICA S.R.L.	69,817	–	–	–	69,817
ERG EOLICA SAN VINCENZO S.R.L.	10,171	–	–	–	10,171
ERG EOLICA NURRA S.R.L.	–	–	–	–	–
ERG EOLICA SAN CIREO S.R.L.	10,550	–	–	–	10,550
ERG EOLICA FAETO S.R.L.	7,822	–	(2,500)	–	5,322
ERG EOLICA TURSI COLOBRARO S.R.L.	–	–	–	–	–
ERG EOLICA TIRRENO S.R.L.	192	–	–	–	192
ERG EOLICA GINESTRA S.R.L.	1,600	1,500	–	(1,500)	1,600
ERG EOLICA BASILICATA S.R.L.	–	210	–	–	210
ERG EOLICA CALABRIA S.R.L.	181	–	–	–	181
ERG EOLICA FOSSA DEL LUPO S.R.L.	13,707	–	–	–	13,707
GREEN VICARI S.R.L.	18,571	–	–	–	18,571
ERG EOLICA CAMPANIA S.P.A.	100,104	–	–	–	100,104
ERG EOLICA AMARONI S.R.L.	2,103	–	–	–	2,103
ERG WIND INVESTMENTS LIMITED	–	25,731	–	–	25,731
ERG EOLICA LUCANA S.R.L.	–	300	–	–	300
ERG RENEW OPERATIONS & MAINTENANCE S.R.L.	–	9,860	–	–	9,860
TOTAL SUBSIDIARIES	**236,743**	**37,601**	**(2,500)**	**(3,400)**	**268,444**
JOINTLY CONTROLLED ENTITIES					
ISAB ENERGY SOLARE S.R.L.	51	41	–	–	92
LUKERG RENEW GMBH	18	10,236	–	–	10,254
TOTAL JOINTLY CONTROLLED ENTITIES	**69**	**10,277**	**–**	**–**	**10,346**
OTHER COMPANIES					
CONSORZIO DYEPOWER	931	–	–	–	931
TOTAL OTHER COMPANIES	**931**	**–**	**–**	**–**	**931**
TOTAL	**237,742**	**47,878**	**(2,500)**	**(3,400)**	**279,720**
RECLASSIFICATION TO "ASSETS HELD FOR SALE"	(1,900)	–	–	1,900	–
TOTAL EQUITY INVESTMENTS IN CONTINUING OPERATIONS	**235,842**	**47,878**	**(2,500)**	**(1,500)**	**279,720**

In 2013, the following transactions were carried out on the equity investments held directly by ERG Renew S.p.A.:

- on **13 February 2013**, the equity investment in ERG Wind Investments Limited was acquired for Euro 28,386 thousand; on 17 July 2013, a price adjustment of Euro 12,400 thousand was recognised in favour of ERG Renew S.p.A. During the year, ancillary costs relating to the acquisition of the equity investment, amounting to Euro 9,745 thousand, were also incurred;

- on **25 February 2013**, a capital contribution of Euro 500 thousand was made in ERG Eolica Basilicata S.r.l., of which Euro 290 thousand to cover the equity investment write-down provision and Euro 210 thousand to increase the carrying value of the equity investment;
- on **16 May 2013**, the company ERG Eolica Lucana S.r.l. was established; on **19 December 2013** ERG Renew waived its credit, amounting to Euro 290 thousand, entirely to increase the carrying value of the equity investment;
- on **7 August 2013**, the sale of the 51% equity investment in Eolo S.r.l. was finalised;
- on **30 September 2013**, the Shareholders' Meeting of ERG Eolica Faeto S.r.l. approved a distribution of retained earnings amounting to Euro 2,500,000;
- on **31 October 2013**, the acquisition of ERG Renew Operations & Maintenance was completed, with an acquisition value of Euro 10,000 thousand; on 18 December 2013, a positive price adjustment of Euro 298 thousand was recognised in favour of ERG Renew; in addition, ancillary costs of Euro 158 thousand were incurred in relation to the acquisition of the equity investment;
- on **31 December 2013** ERG Renew, in view of the financial situation of the subsidiary ERG Eolica Ginestra, waived part of the financial receivable it claims from said company, amounting to Euro 1,500 thousand, deeming it an advance payment from shareholders for a future capital increase. In these Financial Statements, therefore, the financial receivables due from ERG Eolica Ginestra were reduced, with the offsetting entry of the higher value of the equity investment. The investment was then written down by Euro 1,500 thousand, realigning the carrying amount of the equity investment to the results of the impairment test performed during the year.

Lastly, it should be recalled that ERG Renew S.p.A. holds an equity investment, amounting to 51% of the share capital, in the jointly controlled company ISAB Energy Solare S.r.l. The purpose of this company is the research, promotion, implementation, exploitation, operation and maintenance of industrial plants for the generation of energy from solar sources via photovoltaic conversion. On **28 January 2013**, ERG Renew waived its credit, amounting to Euro 41 thousand, entirely to increase the carrying value of the equity investment.

Moreover, on **11 December 2013** a share capital increase of Euro 10,236 thousand of the jointly controlled company LUKERG Renew GmbH was subscribed.

The equity investment in other companies refers solely to the Dyepower Consortium, in which it owns an interest of 24.95%. This Consortium, a non-profit organisation, aims to promote, plan and perform research and development in the sector of organic/hybrid photovoltaic, specifically in relation to "dye-sensitized" solar cells on glass and other non-metallic rigid products. The Consortium can also provide services to its members in designing, assessing and carrying out research projects in the photovoltaic sector, at both national and international level. In 2013, ERG Renew S.p.A. made further payments to a consortium fund of Euro 1,000 thousand which were necessary for the ordinary performance of activities of the Consortium.

The Subsidiaries and Associates owned, directly or indirectly, at the date of approval of the Company's financial statements can be reported in detail as follows:

	REGISTERED OFFICE	SHARE CAPITAL (THOUSANDS OF EURO)	% OWNERSHIP DIRECTLY	% OWNERSHIP INDIRECTLY	PARENT COMPANY
SUBSIDIARIES					
EOLICO TROINA S.R.L.	PALERMO	20	99		ERG RENEW S.P.A.
ERG EOLICA ADRIATICA S.R.L.	GENOA	10	100		ERG RENEW S.P.A.
ERG EOLICA AMARONI S.R.L.	CATANZARO	10	100		ERG RENEW S.P.A.
ERG EOLICA BASILICATA S.R.L.	GENOA	38	100		ERG RENEW S.P.A.
ERG EOLICA CALABRIA S.R.L.	CATANZARO	10	100		ERG RENEW S.P.A.
ERG EOLICA CAMPANIA S.P.A.	GENOA	120	100		ERG RENEW S.P.A.
ERG EOLICA FAETO S.R.L.	GENOA	10	100		ERG RENEW S.P.A.
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	50	100		ERG RENEW S.P.A.
ERG EOLICA GINESTRA S.R.L.	GENOA	10	100		ERG RENEW S.P.A.
ERG EOLICA LUCANA S.R.L.	GENOA	10	100		ERG RENEW S.P.A.
ERG EOLICA SAN CIREO S.R.L.	GENOA	3,500	100		ERG RENEW S.P.A.
ERG EOLICA SAN VINCENZO S.R.L.	GENOA	3,500	100		ERG RENEW S.P.A.
ERG EOLICA TIRRENO S.R.L.	PALERMO	10	100		ERG RENEW S.P.A.
ERG RENEW OPERATIONS & MAINTENANCE	GENOA	10	100		ERG RENEW S.P.A.
ERG WIND INVESTMENTS LIMITED	GIBRALTAR	–	80		ERG RENEW S.P.A.
GREEN VICARI S.R.L.	PALERMO	119	100		ERG RENEW S.P.A.
ERG EOLIENNE FRANCE S.A.S.	PARIS	50	100		ERG RENEW S.P.A.
ISAB ENERGY SOLARE S.R.L.	SIRACUSA	100	51		ERG RENEW S.P.A.
LUKERG RENEW GMBH	VIENNA	35	50		ERG RENEW S.P.A.
EOLIENNES DU VENT SOLAIRE S.A.S.	PARIS	37		100	ERG EOLIENNE FRANCE S.A.S.
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 BRUYERE 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.

The Separate Financial Statements of the Company reflect the effects brought about by these acquisitions on its financial and income situation, as well as the performance of all investees indirectly controlled by the Company.

The financial figures, from the latest approved financial statements, of directly controlled companies, consolidated line-by-line, are provided below:

(THOUSANDS OF EURO)	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	PRODUCTION VALUE
ERG EOLICA ADRIATICA S.R.L.	215,681	162,591	53,089	33,563
ERG EOLICA AMARONI S.R.L.	51,200	49,838	1,362	7,076
ERG EOLICA BASILICATA S.R.L.	41,926	41,656	269	524
ERG EOLICA CALABRIA S.R.L.	447	267	180	100
ERG EOLICA CAMPANIA S.P.A.	152,287	121,785	30,501	33,955
ERG EOLICA FAETO S.R.L.	37,003	30,822	6,181	6,441
ERG EOLICA FOSSA DEL LUPO S.R.L.	167,620	145,703	21,917	27,891
ERG EOLICA GINESTRA S.R.L.	91,320	90,390	930	6,545
ERG EOLICA SAN CIREO S.R.L.	25,346	4,267	21,078	9,911
ERG EOLICA SAN VINCENZO S.R.L.	28,827	13,145	15,682	10,003
ERG EOLICA TIRRENO S.R.L.	631	612	19	–
ERG RENEW OPERATIONS & MAINTENANCE	4,673	3,643	1,029	2,845
ERG WIND INVESTMENTS LIMITED	1,196,373	1,052,896	143,477	15
GREEN VICARI S.R.L.	56,066	41,104	14,962	12,661
ERG EOLIENNE FRANCE S.A.S.	27,180	38,553	(11,373)	–

The higher carrying values according to the historical cost criteria with respect to the shareholders' equity belonging to the Company are justified by the future income expectations of the investees, which confirm their recoverability even taking into account the uncertainties indicated in the section "Use of estimates – Recoverability of the carrying value of non-current assets".

4 – FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES – NON-CURRENT ASSETS

The balance refers to "Financial receivables from jointly controlled companies", broken down as follows:

	31/12/2013	31/12/2012
LUKERG RENEW	19,125	6,500
BULGARIA	9,600	9,100
LAND POWER	45,486	–
ISAB ENERGY SOLARE	571	612
TOTAL LOANS	**74,782**	**16,212**

In particular:

- interest-bearing loan stipulated on **25 May 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Renew for Euro 3 million (of which Euro 2 million granted in the period for the acquisition of 100% of the Gebeleisis wind farm in Romania); the loan was fully repaid in 2013;
- interest-bearing loan stipulated on **6 June 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Bulgaria for a total amount of Euro 9.3 million, of which Euro 250 thousand were repaid at June 2012; the maturity of the loan agreement is 30 June 2019;
- interest-bearing loan stipulated on **10 December 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to LUKERG Renew for Euro 25.5 million (of which Euro 20 million granted in the period for the acquisition of 100% of the Gebeleisis wind farm in Romania), of which Euro 6.4 million was repaid in 2013; the maturity of the loan agreement is 30 June 2019;
- interest-bearing loan stipulated on **5 September 2013** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted to the companies owning the Hrabrovo wind farm in Bulgaria for a total amount of Euro 6.4 million, within the scope of the acquisition of said wind farm (see the Section **Joint Ventures – LUKERG Renew**). Euro 5.9 million of the loan was repaid by the companies in 2013 following the corresponding issue of the Project financing; the maturity of the loan agreement is 20 September 2026;
- interest-bearing loan stipulated on **19 December 2012** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to Land Power for Euro 52 million at 31 December 2013; the maturity of the loan agreement is 20 September 2023.

The amount also includes the interest-bearing loan at a rate equal to the Euribor plus 200 basis points granted by ERG Renew S.p.A. to ISAB Energy Solare S.r.l., against future financial commitments to the latter amounting to Euro 0.6 million.

5 – FINANCIAL ASSETS – NON-CURRENT ASSETS

The agreements for the acquisition of ERG Wind include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. In view of the terms of the option and of the method for calculating the exercise price, the acquisition of the third parties' shares was assumed to be certain, with the consequent attraction of the minority interest in the Group shareholders' equity and the recognition of the corresponding equity investment, i.e. Euro 7,186 thousand.

6 – OTHER RECEIVABLES – NON-CURRENT ASSETS

The reported balance includes:

	31/12/2013	31/12/2012
OTHER RECEIVABLES	3,373	5,725
TOTAL	**3,373**	**5,725**

This item includes the receivable relating 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. On 9 April 2013, the decision that concluded the arbitration proceeding was filed, granting ERG Renew's requests and ordering the companies of the D'Amato Group to return all amounts paid by ERG Renew in relation to the Tursi project.

The decrease from the previous year refers to the write-down of the receivable claimed by the Group with respect to Nordex, i.e. Euro 2.4 million, within a framework agreement for the supply of wind turbines, because it is no longer usable in any project of the Group (please see the section "Use of estimates" for the considerations on the recoverability of this receivable).

7 – TAX ASSETS – NON-CURRENT ASSETS

The balance of Euro 1,256 thousand relates to a receivable due from the Tax Authorities acquired by ACEA following the enforcement of the arbitration ruling described in the paragraph "Use of estimates".

8 – DEFERRED TAX ASSETS

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

	31/12/2013		31/12/2012	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
PROVISIONS	12,135	3,451	17,836	5,201
MAINTENANCE EXPENSES	71	19	102	28
OTHER IRES CHANGES	22	7	85	23
TAX LOSSES	92	25	21	6
ACE	9,818	2,700	4,019	1,029
BALANCE AT END OF PERIOD	**22,138**	**6,202**	**22,063**	**6,287**

Deferred tax assets were recognised on the basis of the expectation of recoverability with future taxable income of the tax consolidation, taking into account the renewal of the tax consolidation for the 2013-2015 three-year period. Please see the section "Use of estimates" for the considerations on the uncertainties connected with the estimate of the Group's future taxable income.

CURRENT ASSETS

9 – TRADE RECEIVABLES

The reported balance includes:

	31/12/2013	31/12/2012
TRADE RECEIVABLES DUE FROM THIRD PARTIES	586	1,249
RECEIVABLES DUE FOR GREEN CERTIFICATES	7,629	125
TOTAL	**8,215**	**1,374**

On 23 September 2013, a settlement agreement was signed with ACEA S.p.A. to close out the intercompany receivables; in particular, each of the subsidiaries of ACEA liquidated, in full and final settlement, its own part of debt owed to ERG Renew, for a total amount of Euro 831 thousand, while ERG Renew issued credit notes amounting to Euro 316 thousand, with related use of the bad debt provision. At 31 December 2013, the residual amount of receivables due from third parties, deriving from the repurchase from ACEA S.p.A. of the receivables relating to the "Waste to Energy" and "Waste Management" businesses, was equal to Euro 7.3 million, covered by a provision of Euro 7.2 million allocated in view of the assumptions of recoverability of the receivables in question.
The item also includes a significant amount of receivables for Green Certificates, mainly relating to 85,000 certificates purchased from ERG Wind on 12 November 2013, which will be withdrawn by the GSE in 2014.

10 – TRADE RECEIVABLES DUE FROM GROUP COMPANIES

The breakdown of the reported balance is as follows:

	31/12/2013	31/12/2012
RECEIVABLES DUE FROM PARENT COMPANIES	2,242	8
RECEIVABLES DUE FROM SUBSIDIARIES	10,502	10,403
RECEIVABLES DUE FROM OTHER GROUP COMPANIES	627	683
TOTAL	**13,372**	**11,094**

The Company deems that the carrying value of trade receivables approximates their presumed realisable value.

A breakdown of counterparties as regards the trade receivables due from subsidiaries and Group companies at 31 December 2013 and 2012 and a description of the nature of these transactions is provided in Note 37 "Related-party transactions".

11 – FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES

	31/12/2013	31/12/2012
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANY	–	23,841
FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES	201,503	206,533
FINANCIAL RECEIVABLES DUE FROM JOINTLY CONTROLLED COMPANIES	43,473	3,070
TOTAL	**244,975**	**233,444**

The item "Financial receivables due from parent company" referred to the balance of the Centralised Financial Management Agreement; this is a debt position at 31 December 2013, as described in Note 20 "Financial payables due to Group companies".
"Financial receivables due from subsidiaries" refer to the receivables related to the investees' giro accounts.
"Financial receivables from jointly controlled companies" refer to loans granted to the LUKERG Renew GmbH jointly controlled companies. In particular, they mainly comprise:

- the short term portion of the interest-bearing loan stipulated on **19 December 2012** at a rate equal to the 1-month Euribor plus 250 basis points, granted by ERG Renew to Land Power;
- interest-bearing loan stipulated on **28 June 2013** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to Corni Eolian for Euro 35 million; the maturity of the loan agreement is 1 March 2014.

The processes for assessing the recoverability of receivables (described in the accounting standard "Impairment of financial assets") did not determine any need for write-downs. The details of the counterparties involved in receivables due from subsidiaries are described in Note 37 "Related-party transactions".

12 – OTHER RECEIVABLES – CURRENT ASSETS

The reported amount is broken down as follows:

	31/12/2013	31/12/2012
OTHER RECEIVABLES DUE FROM SUBSIDIARIES	13,812	20,592
OTHER RECEIVABLES DUE FROM PARENT COMPANIES	–	79
OTHER RECEIVABLES FROM OTHER GROUP COMPANIES	–	54
CAUTIONARY DEPOSITS	24	24
OTHER SUNDRY RECEIVABLES	32	195
ACCRUED INCOME AND PREPAID EXPENSES	272	109
TOTAL	**14,140**	**21,053**

"Other receivables due from subsidiaries" refers (Euro 7,491 thousand) to the position with respect to the subsidiaries that participate in the tax consolidation of ERG Renew S.p.A. The details of the counterparties involved in other receivables due from subsidiaries are described in Note 37 "Related-party transactions".
This item also comprises (Euro 6,321 thousand) the receivables relating to the payments made on behalf of the subsidiaries in view of the investments carried out.

13 – TAX ASSETS – CURRENT ASSETS

The reported balance includes:

	31/12/2013	31/12/2012
RECEIVABLES FROM TAX AUTHORITIES FOR NATIONAL TAX CONSOLIDATION	318	169
OTHER RECEIVABLES	69	219
TOTAL	**387**	**388**

The receivable from the Tax Authorities for tax consolidation was classified among current assets because it will be used as an offset entry at the time of the payment of the 2013 tax balance as a result of the transfer of said amount to the tax consolidation by the parent company ERG Renew.

14 – CASH AND CASH EQUIVALENTS

The reported balance includes:

	31/12/2013	31/12/2012
BANK AND POSTAL DEPOSITS	498	1,127
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,264
TOTAL	**3,046**	**5,391**

The item principally relates to the credit balances on bank current accounts, the carrying value of which represents the nominal value.

The total change in cash and cash equivalents is broken down in the statement of cash flows, to which reference is made.

The amount of "Restricted bank and postal deposits", i.e. Euro 2,548 thousand, refers to a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a surety issued by the bank to the Campania region in connection with the potential concession of a government grant.

SHAREHOLDERS' EQUITY AND LIABILITIES

15 – SHAREHOLDERS' EQUITY

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

The reported balance includes:

	31/12/2013	31/12/2012
SHARE CAPITAL	100,000	100,000
LEGAL RESERVE	–	–
SHARE PREMIUM ACCOUNT	–	–
OTHER RESERVES	426,543	426,528
RETAINED EARNINGS (LOSS CARRIED FORWARD)	(9,698)	(9,812)
PROFIT (LOSS) FOR THE PERIOD	45,240	113
SHAREHOLDERS' EQUITY	**562,084**	**516,830**

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

The reported amount of equity reserves is broken down as follows:

	BALANCE AT 31/12/2013	AVAILABILITY FOR USE	AVAILABLE AMOUNT	DEFERRED TAX PROVISION	SUMMARY OF USES MADE IN THE THREE PRECEDING YEARS	
					FOR COVERAGE OF LOSSES	FOR OTHER REASONS
SHARE CAPITAL	100,000		–	–	32,667	–
LEGAL RESERVE	–		–	–	1,388	–
SHARE PREMIUM ACCOUNT	–		–	–	75,708	–
OTHER RESERVES	426,543	A, B	–	–	–	–
RETAINED EARNINGS (LOSS CARRIED FORWARD)	(9,698)		–	–	–	–
PROFIT (LOSS) FOR THE PERIOD	45,240	A, B, C	–	–	–	–
TOTAL	**562,084**		**–**	**–**	**109,763**	**–**

Key
A: for share capital increase
B: for coverage of losses
C: for distribution to shareholders

16 – 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 31/12/2012	**304**
CHANGES DURING THE PERIOD:	
PROVISIONS	182
DECREASES FOR CONTRIBUTION PAYMENTS, TERMINATIONS, ADVANCE PAYMENTS	(106)
BALANCE AT 31/12/2013	**380**

The Group determined the liability related to the Provision for employees' severance indemnities on the basis of actuarial assumptions, estimating the amount of the future benefits that employees accrued at the reference date and recognising it on an accrual basis over the period of accrual of the right; the liability was evaluated by independent actuaries.

The main assumptions used in determining the actuarial value of the liability related to the employees' severance indemnities are illustrated below.

DISCOUNT RATE	3.2%
INFLATION RATE	2.0%
AVERAGE TURNOVER RATE	3.0%
AVERAGE RATE OF INCREASE IN COMPENSATION	2.5%
AVERAGE AGE	39

The following table shows the impact on the liability as a result of a change by +/-0.5% in the discount rate.

(THOUSANDS OF EURO)	31/12/2013
CHANGE IN THE DISCOUNT RATE +0.5%: LOWER LIABILITY	(19)
CHANGE IN THE DISCOUNT RATE -0,5%: HIGHER LIABILITY	21

17 – PROVISIONS FOR LIABILITIES AND CHARGES

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

Provisions for liabilities include, as they did at 31 December 2012, an amount of Euro 9.5 million referred to the investee ERG Eolienne France S.a.s. (the holding company that controls the equity investments that own the French wind farms) and allocated in 2010 as a result of the specific impairment test.

Details of the legal and fiscal proceedings and disputes currently involving the Company are provided below.

- **ERG Renew S.p.A. - Enerwind S.r.l.** – Proceedings initiated by Enerwind through a notification of a writ of summons dated 9 November 2011, whereby the plaintiff requested that ERG Renew be held in default with respect to the obligations assumed with the execution of five development contracts dated 26 September 2006, and thereby that the contracts be declared terminated, ordering ERG Renew to compensate damages quantified to equal Euro 41.6 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 favour. Even if one examines the reasons of the claimant, it seems reasonable to conclude that the requests on the part of the plaintiff are not well justified and the quantification of the damages is exorbitant. The first appearance hearing was held on 7 March 2012 and thereafter the Judge issued a decision on the preliminary matters of jurisdiction raised by Eolico Troina and consequently gave the parties deadlines for filing closing briefs and the related replies, with which both parties have complied. Currently, the filing of the decision is awaited.
- **ERG Renew S.p.A. - GEPAFIN S.p.A.** – Proceedings filed by GEPAFIN S.p.A. in order to have ERG Renew S.p.A. judicially ordered 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 executed in 2003, effectively containing a put option having the characteristics described above (commitment on the part of EnerTAD 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 11 November 2013 as regards the statement of conclusions. The hearing was then adjourned again to 24 January 2014, still for the statement of conclusions.
- **ERG Renew (SAO S.r.l.)** – **Consorzio unico di Bacino delle provincie di Napoli e Caserta** Proceeding for the forcible recovery of the receivable of Euro 7.5 million originally claimed by SAO S.r.l. (ACEA group) from the Consortium, which ERG Renew acquired with public deed on 16 July 2010. On 21 November 2012, ERG Renew served the writ of seizure of a current account in the Consortium's name. According to the notice received from the seized third party, a receivable of approximately Euro 4,000 was found to exist; said receivable was seized. It will therefore be necessary to take further actions for the forcible recovery of the receivable in order to satisfy the position of ERG Renew, including the filing of a claim for compliance before the Regional Administrative Court (T.A.R.) to obtain the appointment of an acting commissioner to provide for the execution of the award against the Consortium. Alternatively, subrogations will be initiated to recover the receivables of the Consortium from the member Municipalities.
- **ERG Renew S.p.A. - Fonteverde società di energia rinnovabili a r.l.** – With writ of summons dated 30 April 2013, ERG Renew S.p.A. sued Fonteverde società di energia rinnovabili a r.l. in order to obtain from the latter the repayment of twice the amounts paid by way of deposit within the scope of the agreement for the sale of a business unit relating to the wind farm project of Joppolo (VV), i.e. Euro 5,000,000, in addition to reimbursement of expenses recognised to Fonteverde for the development activities on the project, i.e. Euro 700,000. In 2004, ERG Renew had stipulated with Fonteverde a conditional agreement for the acquisition – by transfer of a business unit – of the Joppolo wind farm project; the agreement was repeatedly extended while awaiting the fulfilment of the conditions for the transfer of said project. Said conditions ultimately failed to materialise for causes that ERG Renew deems to be due to Fonteverde and consequently ERG Renew initiated the aforesaid action for restitution. The proceeding is pending.

In view of the above mentioned disputes, the provisions for liabilities and charges shown in the Consolidated Financial Statements at 31 December 2013 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.

18 – FINANCIAL PAYABLES

The breakdown of financial payables, net of the current portion, is detailed below:

	31/12/2013	31/12/2012
NON-CURRENT PORTION OF LOAN FROM BANCA POPOLARE DI MILANO	–	1,600
TOTAL	**–**	**1,600**

The non-current loan received from Banca Popolare di Milano, whose interest rates are aligned with the market, is a medium/long-term loan, stipulated in March 2007, replacing a short-term credit line for the same amount issued by the same bank. 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.

The breakdown of the current portion of financial payables is detailed below:

	31/12/2013	31/12/2012
LOAN FROM BANCA POPOLARE DI MILANO	1,600	3,200
BANK ACCOUNT OVERDRAFTS	235	346
TOTAL	**1,835**	**3,546**

The amount relating to the outstanding loan with Banca Popolare di Milano concerns the last repayment instalment due on 30 April 2014.

Current account overdrafts, amounting to Euro 235 thousand, represent the Company's financial debt repayable at sight; the average interest rate for the year was 1.98% and the book value corresponds to the nominal value.

19 – OTHER PAYABLES

The item comprises payables to employees for medium-long term compensation.

20 – FINANCIAL PAYABLES DUE TO GROUP COMPANIES

The item refers mainly to the balance of the Centralised Financial Management Agreement, stipulated with ERG S.p.A. at the end of 2011, which provides for a maximum debt exposure of Euro 100 million. The Agreement has an annual duration (first 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 accrue with respect to the debit 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.
The item also comprises the payables to subsidiaries, amounting to Euro 522 thousand.

The details of the counterparties involved in other payables due to subsidiaries are described in Note 37 "Related-party transactions".

21 – DERIVATIVES PAYABLES

Derivative instruments and hedge accounting

In 2013, the Company did not enter into any new derivative contracts to manage the risk of interest rate fluctuations.

Minority put options on unlisted interests

The balance equal to Euro 1,844 thousand 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 2013.

22 – TRADE PAYABLES

The reported balance includes:

	31/12/2013	31/12/2012
TRADE PAYABLES	2,671	2,562
TRADE PAYABLES DUE TO SUBSIDIARIES	11	8
TRADE PAYABLES DUE TO PARENT COMPANIES	1,305	865
TOTAL	**3,988**	**3,436**

The amount mainly refer to purchases of a commercial nature and to other types of services connected with operations. The carrying value of trade payables approximates their fair value. The details of the counterparties involved in payables due to subsidiaries and parent companies and the nature of these transactions is described in Note 37 "Related-party transactions".

23 – OTHER PAYABLES

The reported balance includes:

	31/12/2013	31/12/2012
OTHER PAYABLES DUE TO GROUP COMPANIES	3,991	4,087
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	303	279
OTHER SUNDRY PAYABLES	780	680
ACCRUED EXPENSES AND DEFERRED INCOME	–	21
TOTAL	**5,074**	**5,067**

The details of the counterparties involved in "Financial payables due to Group companies" and "Other payables due to Group companies" and the nature of these transactions is described in Note 37 "Related-party transactions".

"Other payables due to Group companies" refers mainly to the position with respect to the subsidiaries that participate in the tax consolidation.

The breakdown of "Other sundry payables" is as follows:

	31/12/2013	31/12/2012
PAYABLES DUE TO EMPLOYEES	381	354
PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS	73	80
PAYABLES DUE TO EMPLOYEES FOR ACCRUED HOLIDAYS	241	212
OTHER SUNDRY PAYABLES	85	34
TOTAL	**780**	**680**

24 – TAX LIABILITIES

Tax liabilities mainly include payables for taxes withheld as withholding agent, paid in January 2014.

25 – NET FINANCIAL POSITION

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

(THOUSANDS OF EURO)	31/12/2013	31/12/2012
CASH AND CASH EQUIVALENTS	498	1,127
BANK ACCOUNT OVERDRAFTS	(235)	(346)
RESTRICTED BANK AND POSTAL DEPOSITS	2,548	4,264
SHORT-TERM NET FINANCIAL INDEBTEDNESS	**2,811**	**5,045**
FINANCIAL PAYABLES DUE TO GROUP COMPANIES	(74,854)	(772)
PAYABLES DUE TO BANKS	(1,600)	(3,200)
DERIVATIVES PAYABLES	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(78,298)**	**(5,816)**
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	201,503	206,534
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANY	–	23,841
FINANCIAL RECEIVABLES FROM JOINTLY CONTROLLED ENTITIES	43,473	3,070
TOTAL CURRENT FINANCIAL ASSETS	**244,976**	**233,445**
PAYABLES DUE TO BANKS	–	(1,600)
PAYABLES DUE TO PARENT COMPANIES	–	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**–**	**(1,600)**
NET FINANCIAL POSITION	**169,489**	**231,074**

The changes in the aforesaid net financial position are commented in the Report on Operations and in the Statement of Cash Flows.

The Company's net financial position is set out as follows, in accordance with CONSOB recommendations contained in Circular 6064293 of July 2006:

DESCRIPTION		31/12/2013	31/12/2012
A CASH	(1)	3,046	5,391
B OTHER CASH EQUIVALENTS	(1)	–	–
C SECURITIES HELD FOR TRADING	(1)	–	–
D CASH AND CASH EQUIVALENTS (A) + (B) + (C)		**3,046**	**5,391**
E CURRENT FINANCIAL RECEIVABLES		**244,976**	**233,445**
F CURRENT BANK PAYABLES	(2)	235	346
G CURRENT PORTION OF NON-CURRENT DEBT		–	–
H OTHER CURRENT FINANCIAL PAYABLES		78,298	5,816
I CURRENT FINANCIAL DEBT (F)+(G)+(H)		**78,533**	**6,162**
J NET CURRENT FINANCIAL DEBT (I)-(E)-(D)		**(169,489)**	**(232,674)**
K NON-CURRENT FINANCIAL RECEIVABLES		**–**	**–**
L NON-CURRENT BANK PAYABLES		–	1,600
M BONDS ISSUED		–	–
N OTHER NON-CURRENT PAYABLES		–	–
O NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)		–	1,600
P NET FINANCIAL DEBT (J)-(K)+(O)		**(169,489)**	**(231,074)**
RECONCILIATION WITH THE STATEMENT OF CASH FLOWS AND STATEMENT OF FINANCIAL POSITION:			
(1) CASH AND CASH EQUIVALENTS		3,046	5,391
(2) BANK PAYABLES		235	346

INCOME STATEMENT ANALYSIS

26 – PRODUCTION VALUE

The reported amount is broken down as follows:

	2013	2012
REVENUES FROM SALES AND SERVICES	13,313	4,247
OTHER OPERATING REVENUES AND INCOME	698	347
TOTAL	**14,011**	**4,594**

"Revenues from sales and services" refer mainly to the technical and administrative service agreements, stipulated with the subsidiaries, charged back at market values.
The item also includes the revenues deriving from the service agreement stipulated with the parent company ERG S.p.A. for the performance of certain activities, necessary to assure the correct forecast of the output of wind farms and to fulfil disclosure obligations with respect to the grid operators. Lastly, the item refers (Euro 7,956 thousand), to the valuation of the Green Certificates, partly accrued by the company and referred to the year's output, and partly acquired from Group companies during the year, to be withdrawn by the National Grid Operator in 2014.

27 – PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS

The item comprises mainly the purchase of Green Certificates from the subsidiary ERG Wind Energy; said certificates shall be withdrawn by the National Grid Operator in 2014.

28 – COSTS FOR SERVICES

The reported amount is broken down as follows:

	2013	2012
SERVICES	9,186	6,983
SUNDRY COSTS	283	259
USE OF THIRD PARTY GOODS	359	866
UTILITIES	117	38
TOTAL	**9,945**	**8,146**

"Services" comprise the costs for services from Group companies amounting to Euro 4,972 thousand (Euro 3,887 thousand at 31 December 2012), mainly relating to the administrative services agreement with the parent company ERG S.p.A.

29 – PERSONNEL EXPENSES

The reported amount is broken down as follows:

	2013	2012
SALARIES AND WAGES	2,822	2,541
SOCIAL SECURITY EXPENSES	923	742
SEVERANCE INDEMNITIES	182	173
OTHER COSTS	465	91
TOTAL	**4,392**	**3,547**

The increase relates mostly to the disbursement of bonuses for special projects, amounting approximately to Euro 400 thousand.

30 – OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

	2013	2012
INDIRECT TAXES	58	146
NON-RECURRING LIABILITIES	127	–
IMPAIRMENT LOSSES ON RECEIVABLES	2,352	–
OTHER OPERATING EXPENSES	1,154	1,816
TOTAL	**3,691**	**1,962**

The item includes the impairment loss on the receivable from Nordex, i.e. Euro 2,352 thousand, as described in Note 6 "Other receivables".
"Other operating expenses" include an amount of Euro 1,000 thousand which refer to the charge-back of operating expenses by the Dyepower consortium, whose operations are described above in Note 3 "Equity investments in subsidiaries, associates and other companies".

31 – AMORTISATION AND DEPRECIATION

The reported amount is broken down as follows:

	2013	2012
AMORTISATION OF INTANGIBLE FIXED ASSETS	304	218
DEPRECIATION OF TANGIBLE FIXED ASSETS	209	139
WRITE-DOWNS OF FIXED ASSETS	250	374
TOTAL	**763**	**731**

The write-down refers to the Arzene building, as described in Note 1 "Property, plant and equipment".

32 – FINANCIAL INCOME (EXPENSES) WITH RESPECT TO THIRD PARTIES

The reported balance includes:

	2013	2012
FINANCIAL INCOME	122	85
FINANCIAL EXPENSES	(181)	(517)
TOTAL	**(59)**	**(432)**

Details of the financial income and expenses are reported below:

Financial income:

	2013	2012
INTEREST AND COMMISSION FROM BANKS	114	6
INTEREST AND COMMISSION FROM OTHERS	1	79
EXCHANGE RATE DIFFERENCES	7	–
TOTAL	**122**	**85**

Financial expenses:

	2013	2012
INTEREST PAYABLE TO BANKS	(154)	(514)
INTEREST PAYABLE TO OTHERS	(23)	(3)
EXCHANGE RATE DIFFERENCES	(4)	–
TOTAL	**(181)**	**(517)**

33 – FINANCIAL INCOME (EXPENSES) WITH RESPECT TO SUBSIDIARIES AND PARENT COMPANIES

The reported balance includes:

	2013	2012
FINANCIAL INCOME	7,166	6,832
FINANCIAL EXPENSES	(577)	(97)
TOTAL	**6,589**	**6,735**

Financial income comprises the interest receivables accrued during the year on loans issued to subsidiaries. Interest rates are described in Note 37 "Related-party transactions".

34 – INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes:

	2013	2012
CAPITAL LOSS FROM EOLO SALE	(204)	–
PROVISIONS FOR LIABILITIES CONNECTED WITH INVESTEES	(1,500)	(6,113)
TOTAL LOSSES	**(1,704)**	**(6,113)**
DIVIDENDS FROM SUBSIDIARIES AND FROM OTHER COMPANIES	49,319	4,102
OTHERS	–	–
TOTAL INCOME	**49,319**	**4,102**
NET TOTAL INCOME (LOSS) FROM EQUITY INVESTMENTS	**47,615**	**(2,011)**

The provisions for liabilities in 2013 refer to:

- write-down of Eolo S.r.l. (Euro 0.2 million), as described in Note 3 "Equity investments";
- write-down of ERG Eolica Ginestra (Euro 1.5 million), as described in Note 3 "Equity investments":

Dividends from subsidiaries and from other companies refer to the following dividends distributed and paid in 2013.

	2013	2012
ERG EOLICA SAN VINCENZO S.R.L.	4,115	4,000
ERG EOLICA SAN CIREO S.R.L.	6,500	–
ERG EOLICA CAMPANIA S.P.A.	15,000	–
ERG EOLICA ADRIATICA S.R.L.	21,500	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	2,000	–
EOLO S.R.L.	204	102
TOTAL	**49,319**	**4,102**

35 – INCOME TAXES

Income taxes are calculated on the basis of the percentage of estimated taxable income for the year, according to the regulations currently in force and the domestic tax consolidation system. As a result of said system, current taxes are positive, reflecting the tax benefit attributed to ERG Renew S.p.A. by the subsidiaries that realised positive taxable income.
The reported amount is broken down as follows:

	2013	2012
CURRENT INCOME TAXES	4,291	3,119
PRIOR YEAR TAX ADJUSTMENTS	(560)	1,222
DEFERRED INCOME TAXES	(117)	1,347
TOTAL	**3,614**	**5,688**

The reconciliation between the tax liability reported in the 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	41,626	
TOTAL	**41,626**	
THEORETICAL IRES TAXATION AT 27.5%		(11,447)
PRIOR YEAR TAX ADJUSTMENTS		(560)
TAX EFFECT OF PARTICIPATION IN THE TAX CONSOLIDATION		1,848
PERMANENT CHANGES AND DIFFERENCES ON ADVANCES		12,178
MEASUREMENT OF FUTURE ACE BENEFIT		1,595
CURRENT AND DEFERRED IRES		**3,614**
IRAP (REGIONAL TAX)		
OPERATING INCOME	(12,519)	
PERSONNEL EXPENSES	(4,392)	
TOTAL	**(16,911)**	
THEORETICAL IRAP TAXATION AT 3.9%		–
CHANGES IN THE YEAR		–
CURRENT IRAP (REGIONAL TAX)		**–**
TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS		**3,614**

36 – ASSETS HELD FOR SALE

In the Financial Statements of the previous year, under "Assets held for sale", the value of the equity investment in Eolo S.r.l., i.e. Euro 1.9 million, was indicated. The equity investment was sold on 7 August 2013.

OTHER INFORMATION

37 – RELATED-PARTY TRANSACTIONS

As an operational company holding equity investments, the Company provides strategic, administrative and managerial advisory services, whereby it assures a unified, consistent management of the subsidiaries. The services rendered are provided at market conditions, i.e. at arm's length.

Insofar as it is necessary, a treasury convention is in existence between the Company and its subsidiaries, whereby a two-way financial relationship is established, represented by a giro account into and out of which the demand and supply of funds flow, in relation to specific needs and availability.

The convention provides for the following interest rates:

– for credit balances: 6-month Euribor plus a spread which may vary from 3.00% to 1.5%
– or debit balances: 3- or 6-month Euribor plus a spread which may vary from 0.1% to 1.75%.

The Company also stipulated with ERG S.p.A. at the end of 2011, a Centralised Financial Management Agreement, which provides for a maximum debt exposure of Euro 100 million. The Agreement has an annual duration (first 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 accrue with respect to the debit 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.

The loan issued to the subsidiary ERG Eolienne France S.a.s., disbursed to finalise the acquisition of the French operating wind power companies, is not interest-bearing. Since 2013, the agreement was made to be interest-bearing.

Moreover, since ERG Renew S.p.A. is a part of the wider ERG Group, in turn it receives services regulated by service agreement, mainly for 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 IT system and office rental. The breakdown of the activities covered by the service agreements is 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 administrative processes for the correct application of accounting policies and supports the ERG Renew S.p.A. 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 Company'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;
- Management Control 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 Functions concerned for the definition and maintaining of asset evaluation methodologies and tools, and provides the required support for the evaluation of specific initiatives;

- 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 functions 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 entire Group's editorial line (in paper and electronic format). It performs advisory activities and direct operational management of institutional communications events;
- Purchasing provides for the procurement of goods and services to meet the "non business" requirements of the Company ERG Renew, assuring the effectiveness, efficiency, timeliness of the purchasing processes and compliance with the economic/quality/safety objectives of the procurement;
- 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.

ERG Renew S.p.A. carries out support activities in favour of the subsidiaries, within the scope of the development of wind farms, until the single authorisation is obtained. Once the authorisation is obtained, the company follows the project management and wind farm operation after the activity is underway.

Lastly, ERG Renew S.p.A. carries out staff activities and the technological development of the wind farms.

The detail of the transactions between the Company and related parties is shown below:

FINANCIAL DATA

Trade receivables and payables

	TRADE RECEIVABLES		TRADE PAYABLES	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SUBSIDIARIES				
EOLICO TROINA S.R.L.	5	–	–	–
EOLO S.R.L.	–	31	–	–
ERG EOLICA ADRIATICA S.R.L.	125	252	–	–
ERG EOLICA AMARONI S.R.L.	65	90	–	–
ERG EOLICA BASILICATA S.R.L.	1,185	1,050	–	–
ERG EOLICA CALABRIA S.R.L.	267	251	–	–
ERG EOLICA CAMPANIA S.P.A.	187	68	–	–
ERG EOLICA FAETO S.R.L.	1,202	1,184	–	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	125	90	–	–
ERG EOLICA GINESTRA S.R.L.	2,209	2,216	11	8
ERG EOLICA LUCANA S.R.L.	16	–	–	–
ERG EOLICA SAN CIREO S.R.L.	82	85	–	–
ERG EOLICA SAN VINCENZO S.R.L.	2,886	2,957	–	–
ERG EOLICA TIRRENO S.R.L.	612	593	–	–
ERG EOLIENNE FRANCE S.A.S.	508	445	–	–
ERG RENEW OPERATION & MAINTENANCE S.R.L.	260	–	–	–
ERG WIND	42	–	–	–
GREEN VICARI S.R.L.	353	386	–	–
EOLIENNES DU VENT SOLAIRE S.A.S.	38	124	–	–
PARC EOLIEN DE HETOMESNIL S.A.S.	45	115	–	–
PARC EOLIEN DE LA BRUYERE S.A.S.	45	115	–	–
PARC EOLIEN DE LIHUS S.A.S.	45	115	–	–
PARC EOLIEN DU CARREAU S.A.S.	45	115	–	–
PARC EOLIEN LES MARDEAUX S.A.S.	155	115	–	–
TOTAL SUBSIDIARIES	**10,502**	**10,397**	**11**	**8**
PARENT COMPANIES				
ERG S.P.A.	2,242	8	1,305	865
TOTAL PARENT COMPANIES	**2,242**	**8**	**1,305**	**865**
JOINTLY CONTROLLED ENTITIES				
ISAB ENERGY SOLARE S.R.L.	52	52	–	–
LUKERG RENEW GMBH	506	578	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**558**	**630**	**–**	**–**
GROUP COMPANIES				
ERG OIL SICILIA S.R.L.	2	3	–	–
ISAB ENERGY SERVICES	68	53	–	–
TOTAL GROUP COMPANIES	**70**	**56**	**–**	**–**

Current part of financial receivables and payables

	FINANCIAL RECEIVABLES		FINANCIAL PAYABLES	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SUBSIDIARIES				
EOLICO TROINA S.R.L	–	–	238	241
EOLO S.R.L.	–	5,949	–	–
ERG EOLICA ADRIATICA S.R.L.	2,848	2,761	–	–
ERG EOLICA AMARONI S.R.L.	14,292	39,476	–	–
ERG EOLICA BASILICATA S.R.L.	37,549	–		469
ERG EOLICA CALABRIA S.R.L.	–	–	176	61
ERG EOLICA CAMPANIA S.P.A.	31,939	31,017	–	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	25,968	39,254	–	–
ERG EOLICA GINESTRA S.R.L.	48,729	49,257	–	–
ERG EOLICA LUCANA S.R.L.	2	–		
ERG EOLICA TIRRENO S.R.L.	–	10	109	–
ERG EOLIENNE FRANCE S.A.S.	37,453	36,151	–	–
GREEN VICARI S.R.L.	2,723	2,659	–	–
TOTAL SUBSIDIARIES	**201,503**	**206,534**	**523**	**771**
PARENT COMPANIES				
ERG S.P.A.	–	23,841	74,332	–
TOTAL PARENT COMPANIES	**–**	**23,841**	**74,332**	**–**
JOINTLY CONTROLLED ENTITIES				
ISAB ENERGY SOLARE S.R.L.	13	–	–	–
LUKERG RENEW GMBH	43,460	3,070	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**43,473**	**3,070**	**–**	**–**

Non-current part of financial receivables and payables

	FINANCIAL RECEIVABLES		FINANCIAL PAYABLES	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SUBSIDIARIES				
JOINTLY CONTROLLED ENTITIES				
ISAB ENERGY SOLARE S.R.L.	571	612	–	–
LUKERG RENEW GMBH	74,211	15,600	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**74,782**	**16,212**	**–**	**–**

For complete disclosure, it is pointed out that the non-current financial receivables reported above refer to receivables from subsidiaries, whose settlement, against transactions involving their capital, makes their nature akin to a capital, rather than a credit, instrument. Therefore such financial assets are measured within the scope of the impairment test ("Use of estimates" section).

Current portion of other receivables and other payables

	OTHER RECEIVABLES		OTHER PAYABLES	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SUBSIDIARIES				
EOLO S.R.L.	–	56	–	–
ERG EOLICA AMARONI S.R.L.	488	–	–	1
ERG EOLICA CAMPANIA S.R.L.	4,702	5,772	–	117
ERG EOLICA FAETO S.R.L.	–	153	77	15
ERG EOLICA FOSSA DEL LUPO S.R.L.	–	3,229	67	39
ERG EOLICA GINESTRA S.R.L.	–	210	3,387	3,550
ERG EOLICA ITALIA S.R.L.	–	–	–	–
ERG EOLICA SAN CIREO S.R.L.	1,026	1,691	–	56
ERG EOLICA SAN VINCENZO S.R.L.	6,322	8,305	315	70
ERG EOLICA TIRRENO S.R.L.	–	–	–	85
GREEN VICARI S.R.L.	1,274	1,177	–	155
TOTAL SUBSIDIARIES	**13,812**	**20,593**	**3,846**	**4,088**
PARENT COMPANIES				
ERG S.P.A.	–	79	145	–
TOTAL PARENT COMPANIES	**–**	**79**	**145**	**–**
JOINTLY CONTROLLED ENTITIES				
ISAB ENERGY SOLARE S.R.L.	–	54	–	–
TOTAL JOINTLY CONTROLLED ENTITIES	**–**	**54**	**–**	**–**

PROFIT AND LOSS DATA

YEAR 2013

	VALUE OF PRODUCTION	OTHER REVENUES AND INCOME	COSTS FOR SERVICES	INTEREST / FINANCIAL INCOME	INTEREST / OTHER FINANCIAL EXPENSES
SUBSIDIARIES					
EOLICO TROINA S.R.L.	4	–	–	–	–
EOLIENNES DU VENT SOLAIRE S.A.S.	40	–	–	–	–
ERG EOLICA ADRIATICA S.R.L.	209	–	–	87	–
ERG EOLICA AMARONI S.R.L.	213	–	–	529	–
ERG EOLICA BASILICATA S.R.L.	502	–	–	228	–
ERG EOLICA CALABRIA S.R.L.	17	–	–	–	–
ERG EOLICA CAMPANIA S.P.A.	209	–	–	921	–
ERG EOLICA FAETO S.R.L.	93	–	–	–	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	209	–	–	809	–
ERG EOLICA GINESTRA S.R.L.	205	–	26	973	–
ERG EOLICA LUCANA S.R.L.	16	–	322	71	–
ERG EOLICA SAN CIREO S.R.L.	224	–	–	–	–
ERG EOLICA SAN VINCENZO S.R.L.	224	–	–	–	–
ERG EOLICA TIRRENO S.R.L.	17	–	–	–	–
ERG EOLIENNE FRANCE S.A.S.	65	–	–	1,250	–
ERG RENEW OPERATIONS & MAINTENANCE S.R.L.	21	–	–	–	–
ERG WIND	36	–	7,353	–	–
GREEN VICARI S.R.L.	67	–	–	65	–
PARC EOLIEN DE HETOMESNIL S.A.S.	40	–	–	–	–
PARC EOLIEN DE LA BRUYERE S.A.S.	40	–	–	–	–
PARC EOLIEN DE LIHUS S.A.S.	40	–	–	–	–
PARC EOLIEN DU CARREAU S.A.S.	40	–	–	–	–
PARC EOLIEN LES MARDEAUX S.A.S.	40	–	–	–	–
TOTAL SUBSIDIARIES	**2,571**	**–**	**7,701**	**4,933**	**–**
PARENT COMPANIES					
ERG S.P.A.	2,246	–	4,946	86	576
TOTAL PARENT COMPANIES	**2,246**	**–**	**4,946**	**86**	**576**
JOINTLY CONTROLLED ENTITIES					
ISAB ENERGY SOLARE S.R.L.	4	–	–	25	–
LUKERG	495	–	–	2,122	–
TOTAL JOINTLY CONTROLLED ENTITIES	**499**	**–**	**–**	**2,147**	**–**
GROUP COMPANIES					
ISAB ENERGY SERVICES		137	–	–	–
TOTAL GROUP COMPANIES	**–**	**137**	**–**	**–**	**–**

YEAR 2012

	VALUE OF PRODUCTION	OTHER REVENUES AND INCOME	COSTS FOR SERVICES	INTEREST / FINANCIAL INCOME	INTEREST / OTHER FINANCIAL EXPENSES
SUBSIDIARIES					
EOLO S.R.L.	101	–	–	192	–
ERG EOLICA AMARONI S.R.L.	297	–	–	717	–
ERG EOLICA ADRIATICA S.R.L.	225	–	–	210	–
ERG EOLICA SAN VINCENZO S.R.L.	237	–	–	–	–
ERG EOLICA SAN CIREO S.R.L.	237	–	–	–	–
ERG EOLICA FAETO S.R.L.	105	–	–	–	–
ERG EOLICA TIRRENO S.R.L.	136	–	–	–	–
ERG EOLICA GINESTRA S.R.L.	213	–	–	1,262	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	297	–	–	2,168	–
ERG EOLICA CALABRIA S.R.L.	54	–	–	–	–
ERG EOLICA BASILICATA S.R.L.	710	–	–	–	9
GREEN VICARI S.R.L.	77	–	–	160	–
ERG EOLICA CAMPANIA S.P.A.	304	–	–	1,139	–
ERG EOLIENNE FRANCE S.A.S.	58	–	–	–	–
EOLIENNES DU VENT SOLAIRE S.A.S.	40	–	–	–	–
PARC EOLIEN DE LIHUS S.A.S.	40	–	–	–	–
PARC EOLIEN DE HETOMESNIL S.A.S.	40	–	–	–	–
PARC EOLIEN DE LA BRUYERE S.A.S.	40	–	–	–	–
PARC EOLIEN DU CARREAU S.A.S.	40	–	–	–	–
PARC EOLIEN LES MARDEAUX S.A.S.	40	–	–	–	–
SODAI ITALIA S.P.A.					
TOTAL SUBSIDIARIES	**3,291**	**–**	**–**	**5,848**	**9**
PARENT COMPANIES					
ERG S.P.A.	6	–	3,865	588	87
TOTAL PARENT COMPANIES	**6**	**–**	**3,865**	**588**	**87**
JOINTLY CONTROLLED ENTITIES					
ISAB ENERGY SOLARE S.R.L.	4	–	–	70	–
LUKERG	699	–	–	326	–
TOTAL JOINTLY CONTROLLED ENTITIES	**703**	**–**	**–**	**396**	**–**
GROUP COMPANIES					
ISAB ENERGY SERVICES	–	100	–	–	–
TOTAL GROUP COMPANIES	**–**	**100**	**–**	**–**	**–**

The highlights of the most recent financial statements of ERG S.p.A. listed on the Milan Stock Exchange and audited by Deloitte & Touche, the Company that exercises management and co-ordination activities over ERG Renew S.p.A.:

Statement of Financial Position

(THOUSANDS OF EURO)	31/12/2012
INTANGIBLE ASSETS	3,401
GOODWILL	2,777
PROPERTY, PLANTS AND MACHINERY	13,944
EQUITY INVESTMENTS	1,157,704
OTHER FINANCIAL ASSETS	166,960
DEFERRED TAX ASSETS	31,472
OTHER NON-CURRENT ASSETS	2,740
NON-CURRENT ASSETS	**1,378,998**
INVENTORIES	158,005
TRADE RECEIVABLES	394,877
OTHER CURRENT RECEIVABLES AND ASSETS	109,832
CURRENT FINANCIAL ASSETS	56,973
CASH AND CASH EQUIVALENTS	840,993
CURRENT ASSETS	**1,560,680**
TOTAL ASSETS	**2,939,678**
SHAREHOLDERS' EQUITY	**1,551,592**
SEVERANCE INDEMNITIES	1,225
DEFERRED TAX LIABILITIES	6,011
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	10,648
NON-CURRENT FINANCIAL LIABILITIES	119,685
OTHER NON-CURRENT LIABILITIES	7,670
NON-CURRENT LIABILITIES	**145,239**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	53,763
TRADE PAYABLES	583,009
CURRENT FINANCIAL LIABILITIES	573,207
OTHER CURRENT LIABILITIES	32,868
CURRENT LIABILITIES	**1,242,847**
TOTAL LIABILITIES	**2,939,678**

Income Statement

(THOUSANDS OF EURO)	31/12/2012
REVENUES FROM ORDINARY OPERATIONS	7,357,143
OTHER REVENUES AND INCOME	21,836
CHANGE IN PRODUCT INVENTORIES	(129,963)
CHANGE IN RAW MATERIAL INVENTORIES	25,542
COSTS FOR PURCHASES	(6,824,843)
COSTS FOR SERVICES AND OTHER COSTS	(542,863)
LABOUR COSTS	(34,232)
GROSS OPERATING MARGIN (EBITDA)	**(130,380)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(5,506)
INCOME (EXPENSES) FROM SALE OF BUSINESS UNIT	(1,630)
NET FINANCIAL INCOME (EXPENSES)	(1,097)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	114,833
PROFIT (LOSS) BEFORE TAXES	**(23,780)**
INCOME TAXES	45,279
NET PROFIT (LOSS) FOR THE PERIOD	**21,499**

38 – PROFESSIONAL SERVICES OF THE INDEPENDENT AUDITORS RECONTA ERNST & YOUNG S.P.A.

The following table shows a detailed breakdown of services provided to the Company during the year by the independent auditors Reconta Ernst & Young S.p.A.:

	RECONTA ERNST & YOUNG S.P.A.	OTHER ENTITIES OF THE EY NETWORK
AUDITING SERVICES	279	–
OTHER SERVICES	79	29
TOTAL FEES	**358**	**29**

The item "Auditing services" refers to activities regarding certification of the separate annual and interim financial reports and accounting control during the year performed by Reconta Ernst & Young S.p.A.

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

39 – HEADCOUNT

	31/12/2013	31/12/2012
EXECUTIVES	4	3
WHITE-COLLAR WORKERS	28	29
TOTAL	**32**	**32**

40 – COMMITMENTS AND CONTINGENT LIABILITIES

The total value of overall commitments of the Company at the end of the reporting period amounted to Euro 91,791 thousand. The breakdown was as follows:

- Euro 35,713 thousand related to the guarantees issued in favour of subsidiaries as regards the supply contracts connected with construction of the wind farms;
- Euro 20,188 thousand related to the guarantees issued in favour of subsidiaries for Government Agencies or banks in connection with the operations of the wind business;
- Euro 32,365 thousand related to the guarantees issued in favour of jointly controlled companies as regards the supply contracts connected with construction of the wind farms;
- Euro 2,100 thousand related to the guarantees issued, based on current regulations, in favour of the Italian Revenue Agency (Agenzia delle Entrate) and the competent VAT offices;
- Euro 1,425 thousand related to the guarantees issued in favour of the parent company ERG S.p.A. in connection with the operations of the wind business.

41 – 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.

	(NOTES)	31/12/2013	LOANS & RECEIVABLES	HEDGING DERIVATIVES
ASSETS				
FINANCIAL ASSETS	5	7,186	7,186	–
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	6	74,782	74,782	–
TOTAL NON-CURRENT FINANCIAL ASSETS		**81,969**	**81,969**	**–**
TRADE RECEIVABLES	9	8,215	8,215	–
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	10	13,372	13,372	–
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	11	244,975	244,975	–
CASH AND CASH EQUIVALENTS	14	3,046	3,046	–
TOTAL CURRENT FINANCIAL ASSETS		**269,608**	**269,608**	**–**
TOTAL FINANCIAL ASSETS		**351,576**	**351,576**	**–**

For complete disclosure, it is pointed out that Financial receivables from Subsidiaries (Note 4) are not included in the IFRS 7 disclosure, because they to receivables from subsidiaries, whose settlement, against transactions involving their capital, makes their nature akin to a capital, rather than a credit, instrument. Therefore, such financial assets are not subject to credit risk, but are measured within the scope of the impairment test.

	(NOTES)	31/12/2013	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES
LIABILITIES				
FINANCIAL PAYABLES NET OF CURRENT PORTION	18	–	–	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES		**–**	**–**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	18	1,835	1,835	–
FINANCIAL PAYABLES DUE TO GROUP COMPANIES		74,855	74,855	
DERIVATIVES PAYABLES	19	1,844	1,844	–
TRADE PAYABLES	20	3,988	3,988	–
TOTAL CURRENT FINANCIAL LIABILITIES		**82,522**	**82,522**	**–**
TOTAL FINANCIAL LIABILITIES		**82,522**	**82,522**	**–**

FY 2012

	(NOTES)	31/12/2012	LOANS & RECEIVABLES	HEDGING DERIVATIVES
ASSETS				
FINANCIAL ASSETS	5	–	–	–
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	6	16,212	16,212	–
TOTAL NON-CURRENT FINANCIAL ASSETS		**16,212**	**16,212**	**–**
TRADE RECEIVABLES	9	1,374	1,374	–
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	10	11,094	11,094	
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	11	233,444	233,444	–
CASH AND CASH EQUIVALENTS	14	5,391	5,391	–
TOTAL CURRENT FINANCIAL ASSETS		**251,303**	**251,303**	**–**
TOTAL FINANCIAL ASSETS		**267,515**	**267,515**	**–**

	(NOTES)	31/12/2012	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES
LIABILITIES				
FINANCIAL PAYABLES NET OF CURRENT PORTION	18	1,600	1,600	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES		**1,600**	**1,600**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	18	3,546	3,546	–
FINANCIAL PAYABLES DUE TO GROUP COMPANIES		771	771	
DERIVATIVES PAYABLES	19	1,844	1,844	–
TRADE PAYABLES	20	3,436	3,436	–
TOTAL CURRENT FINANCIAL LIABILITIES		**9,598**	**9,598**	**–**
TOTAL FINANCIAL LIABILITIES		**45,784**	**45,784**	**–**

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

- Credit risk: the possibility of default by a counterparty or potential deterioration of its assigned credit rating;
- 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, malfunctions, plant breakdowns, external events, with personal injuries and environmental damage, as well as inadequate or improperly functioning procedures, human resources and internal management systems.

The Company 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.

As regards exposure to the risk of offences pursuant to Italian Legislative Decree no. 231/01, the Company has adopted Organisation, Management and Control Models, which 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 Company has also appointed 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 a counterparty or deterioration of the creditworthiness assigned to it, is managed by means of appropriate analysis and evaluation of each individual counterparty.

The credit risk concerning the Company'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 Company's exposure to credit risk as at 31 December 2013 and 31 December 2012:

	31/12/2013	PAST DUE AGEING			
		30 DAYS	60 DAYS	90 DAYS	MORE THAN 90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	**7,097**	**–**	**–**	**–**	**–**
TRADE RECEIVABLES	8,047	–	–	–	–
CASH AND CASH EQUIVALENTS	3,136	–	–	–	–
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	**11,183**	**–**	**–**	**–**	**–**
PAST DUE TRADE RECEIVABLES	7,393	–	–	–	7,393
BAD DEBT PROVISION	(7,225)	–	–	–	(7,225)
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	**168**	**–**	**–**	**–**	**168**
TOTAL FINANCIAL ASSETS	**18,447**	**–**	**–**	**–**	**168**

Trade receivables due from Group companies are not covered by the IFRS 7 disclosure

Trade receivables more than 90 days past due mainly comprise the receivables acquired in 2010 by the ERG Renew S.p.A. Group from the company ACEA S.p.A. as a result of the partial enforcement of the arbitration award described in detail under Note 9 "Trade receivables".

	31/12/2012	PAST DUE AGEING			
		30 DAYS	60 DAYS	90 DAYS	MORE THAN 90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	**–**	**–**	**–**	**–**	**–**
TRADE RECEIVABLES	175				
CASH AND CASH EQUIVALENTS	5,391				
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	**5,566**	**–**	**–**	**–**	**–**
PAST DUE TRADE RECEIVABLES	8,748	–	–	–	8,846
BAD DEBT PROVISION	(7,549)	–	–	–	(7,549)
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	**1,199**	**–**	**–**	**–**	**1,199**
TOTAL FINANCIAL ASSETS	**6,765**	**–**	**–**	**–**	**1,199**

Trade receivables due from Group companies are not covered by the IFRS 7 disclosure

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 planned investments, as described in Note 20, "Financial payables due to Group companies".

The following tables summarise the Company's financial liabilities as at 31 December 2013 and 31 December 2012 based on contractual payments not discounted to present value.

		MATURITY				
	31/12/2013	ON DEMAND	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	–	–	–	–	–	–
FINANCIAL PAYABLES MATURING DURING THE YEAR	1,835	–	–	1,835	–	–
TRADE PAYABLES	2,671	373	2,298	–	–	–
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**6,351**	**373**	**2,298**	**1,835**	**–**	**–**
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	–	–	–	–	–	–
TOTAL FINANCIAL LIABILITIES	**6,351**	**373**	**2,298**	**1,835**	**–**	**–**

		MATURITY				
	31/12/2012	ON DEMAND	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	OVER 5 YEARS
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**1,600**	–	–	–	**1,600**	–
FINANCIAL PAYABLES MATURING DURING THE YEAR	3,546			3,546		
TRADE PAYABLES	2,562	564	1,998	–	–	–
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**7,953**	**564**	**1,998**	**3,546**	**–**	**–**
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	–	–	–	–	–	–
TOTAL FINANCIAL LIABILITIES	**9,553**	**564**	**1,998**	**3,546**	**1,600**	**–**

42 – PUBLICATION DATE OF FINANCIAL STATEMENTS

On 6 March 2014, the Board of Directors of ERG Renew S.p.A. authorised 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 Company's Statement of financial position, as well as the income for the year.

Genoa, 6 March 2014

On behalf of the Board of Directors
The Chairman
Alessandro Garrone

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ERG RENEW S.P.A. AS AT 31 DECEMBER 2013

Dear Shareholders,

The FY2013 Consolidated Financial Statements of ERG Renew S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission, also including all the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

In accordance with Italian Legislative Decree No. 58/98 and Article 41 of Italian Legislative Decree No. 127/91, the Consolidated Financial Statements have been subject to auditing on the part of the Independent Auditors 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 compliance with the standards of behaviour for the Board of Statutory Auditors promulgated by the *Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili* (Italian National Councils of Professional and Certified Public Accountants) and, *inter alia*, it has 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 compliance with principles of correct administration, particularly with regard to the most important transactions from an economic and financial 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 match the facts and information of which the Board of Statutory Auditors has become aware in 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 disclosure on the Group's economic and financial performance.

The Consolidated Financial Statements at 31 December 2013 report a net profit of Euro 20.0 million, compared to a net profit of Euro 28.3 million in FY2012.

Lastly, the report issued by the independent auditors Ernst&Young S.p.A. on 20 March 2014 does not contain any qualified opinions or emphasis of matter paragraphs.

24 March 2014

The Board of Statutory Auditors

Lelio Fornabaio
Michele Rutigliano
Gioacchino Messina

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF ERG RENEW S.P.A.

Dear Shareholders,

Board of Statutory Auditors, in accordance with Article 2403 of the Italian Civil Code and with Article 149 of Italian Legislative Decree 58/98 insofar as it is applicable, in compliance with the standards of behaviour for the Board of Statutory Auditors in subsidiaries of companies listed on regulated market, promulgated by the *Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili* (Italian National Councils of Professional and Certified Public Accountants) and taking into account specific applicable regulations.

The Board of Statutory Auditors received adequate information, in particular, about the most significant transactions:

- on 19 December, the ERG Group informed the market of the entry of the UniCredit Bank among the shareholders of ERG Renew S.p.A., through the acquisition of a minority interest equal to 7.14% of the share capital, with a reserved capital increase, for a price of Euro 50 million executed in January 2014, on the basis of the agreements finalised in December 2013. UniCredit has been recognised certain typical governance prerogatives of a minority investor, reflected in the Articles of Association of ERG Renew: among them is the right to appoint a member of the Board of Directors and a member of the Board of Statutory Auditors;
- on 13 February 2013, an agreement was executed with International Power Consolidated Holding Ltd. (100% GDF SUEZ), for the acquisition of 80% of the Capital of IP Maestrale Investment Ltd., a major operator in Italy in the sector of renewable energy from wind power with an installed capacity of 636 MW, of which 550 MW in Italy and 86 MW in Germany. On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investment Ltd. The enterprise value of the acquisition was Euro 859 million. The price for the equity at the closing of the transaction was Euro 28.2 million. In July, a price adjustment of approximately Euro12.4 million in favour of the ERG Renew Group, pertaining to 100% of the equity investment, was agreed and settled;
- on 20 June 2013 LUKERG Renew, a Joint Venture between ERG Renew and LUKOIL, entered into an agreement with Vestas for the acquisition of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria. The agreements were executed on 28 June and 5 September 2013;
- on 26 July 2013, an agreement was reached with Maluni for the acquisition of the entire capital of a company established specifically for the operation and maintenance of the Italian wind farms of ERG Wind (ERG Renew Operations & Maintenance S.r.l.), with the goal of performing internally the activities pertaining to the operation and maintenance of the wind farms in Italy.

With reference to the activities carried out in 2013, we inform you that:

- we held 7 meetings of the Board of Statutory Auditors and we attended the Shareholders' Meetings and all meetings of the Board of Directors, monitoring compliance with the articles of association, laws and regulations that regulate the operation of the Company's bodies;
- we obtained from the Directors, at least once a quarter, information about the overall activity carried out by the Company and about the transactions with major economic and financial relevance, verifying that the actions resolved and carried out complied with the Law and the Articles of Association and were not manifestly imprudent or foolhardy,

in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets. There were periodic exchanges of information and assessments with the Independent Auditors and with the Boards of Statutory Auditors of the main investees, without the emergence of significant aspects to be reported;

- we acquired knowledge and oversaw, within the scope of our authority, the adequacy of the Company's organisational structure by obtaining information and examining the documentation provided to us by the heads of the company functions and analysing the results of the work performed by the Independent Auditors, also in the course of the meetings planned for the purpose of exchanging data and information;
- we oversaw the adequacy of the internal control system, structured at Group level and constantly being upgraded both in the parent company and in the subsidiaries. The Board of Statutory Auditors acknowledged – on the basis of what was reported to it – the positive assessment of the Control and Risk Committee of ERG S.p.A. on the adequacy of the internal control system as a whole, expressed in its annual report on the activity carried out in 2013;
- we acquired knowledge and oversaw the adequacy of the administrative accounting system, as well as its reliability to represent operations correctly, by obtaining information from the heads of the parent company's functions, examining the documents and analysing the results of the work performed by the Independent Auditors;
- we verified the timeliness in providing the parent company with both the data necessary to prepare the Financial Statements and the information required to comply with the disclosure obligations per Articles 114 and 115 of Italian Legislative Decree no. 58/98;
- we followed the process of constant revision of the Organisation and management Model per Italian Legislative Decree no. 231/01 and its implementation within the Company. The Board of Statutory Auditors acknowledged, both in the course of the meetings with the Supervisory Board and in the periodic reports prepared by the aforesaid Board on the activity it carried out, that no significant critical issues emerged for the purposes of the implementation and effectiveness of the organisation, management and control Model;
- as provided by Italian Legislative Decree no. 81/08 for workplace health and safety, the Company upgraded the management system, with particular reference to the global, documented assessment of "specific risks". To achieve the aforementioned objectives, set out in the ASSQ Policy, during 2013 the Company decided to extend to all subsidiaries (excluding the companies in the LUKERG scope of consolidation), the new Integrated Quality, Environment and Safety Management System (SGI), compliant with the standards UNI EN ISO 9001, 14001, and OHSAS 18001, obtaining the related certification;
- the Security Policy Document was updated according to the prescriptions of the law.

Moreover, with reference to the audit activities carried out, we confirm that:

- subject to the above indications, we did not observe any transaction which, by its nature or dimension, had atypical features or could be defined as unusual, either with third parties or with Intra-group companies or with related parties;
- we noted the absence of ordinary Intra-group and related-party transactions, verifying the existence and compliance with procedures capable of assuring that such transactions are duly documented, at arm's length and in the company's best interest; such transactions are adequately illustrated by the directors in the Financial Statements, in the Report on Operations and in the Notes to the Consolidated Financial Statements, to which reference is made herein; with particular regard to the Intra-group service agreements, we endorsed the cost charge-back criteria;
- the shareholders did not submit any reports in accordance with Article 2408 of the Italian Civil Code;

- we did not observe any omissions or reprehensible actions or irregularities to be reported to the competent bodies or to be mentioned in this Report;
- we issued the opinions required by law provisions.
- the company is subject to the management and coordination of the parent company ERG S.p.A.

The Separate Financial Statements and the Consolidated Financial Statements were audited by Reconta Ernst & Young S.p.A. During the year, regular relations were maintained with the Independent Auditors, both by means of formal meetings, attended also by the administrative managers of the company, and by means of informal contacts.
The costs for the auditing services relating to the Separate Financial Statements totalled Euro 358 thousand and they are indicated in detail in the comment to the item "Costs for services" in the Notes to the Financial Statements.
Parties connected to the independent auditors by on-going relations and/or companies belonging to the independent auditors' network were appointed to perform duties other than auditing, for a total amount of Euro 29 thousand.
The total costs for the auditing services for ERG Renew S.p.A. and subsidiaries amounted to Euro 631 thousand and they are indicated in detail in the comment to the item "Costs for services" in the Notes to the Financial Statements.
Moreover, Reconta Ernst & Young S.p.A. was appointed to perform duties other than auditing, for a total amount of Euro 114 thousand.
In 2013, the subsidiaries did not appoint any parties connected to the independent auditors by on-going relations and/or companies belonging to the independent auditors' network to perform duties other than auditing.

In compliance with the provisions of Articles 10 and 17 of Italian Legislative Decree no. 39 of 27 January 2010, the Independent Auditors issued formal confirmation of their independence, with a specific statement provided on 26 February 2014, and disclosed the non-auditing services rendered to the Company, also through entities belonging to their network.
Taking into account the document "Transparency Report" prepared by Ernst & Young S.p.A., the statement of its own independence issued by the aforesaid company and the duties assigned by ERG Renew S.p.A., and acknowledging that no duties forbidden by Article 160 of Italian Legislative Decree no. 58/98 and by the implementing CONSOB regulations were assigned, the Board of Statutory Auditors does not deem that any critical issues concerning independence exist.

Concerning the Separate Financial Statements, we report the following:
- since we are not required to verify line by line the merits of the financial statements, we oversaw the general structure given to the separate financial statements and the Consolidated Financial Statements as well as on their general compliance with the law with regard to their drafting and structure, and in this regard we have no particular observations to report;
- we verified compliance with the provisions of law concerning the preparation and layout of the Report on Operations. Said Report is consistent with the data and entries shown in the Financial Statements and provides full information on the activity of the Company and of the subsidiaries and on Intra-group and related-party transactions.
  The report also illustrates:
  - the changes in the reference regulatory framework in 2013, with regard to the issues deemed to be of major interest and more direct relevance for the activities carried out by the Company, directly or indirectly;
  - the main risks and uncertainties to which the Company is exposed, in accordance with Article 2428 of the Italian Civil Code;

- the Notes to the Financial Statements adequately illustrate the changes to Shareholders' equity items, indicating, for each of them, the availability for use and distribution and any constraints of a fiscal nature;
- the Notes to the Financial Statements provide the disclosure required by International Accounting Standards with regard to asset impairment. The compliance of the impairment test procedure with the prescriptions of IAS 36 and of the Bank of Italy/CONSOB/Isvap joint document no. 4 of 3 March 2010 was discussed with the Company and with the Independent Auditors. The Board of Statutory Auditors acknowledges that it reviewed the analyses carried out and the results obtained in the impairment test;

- to the best of our knowledge, the Directors did not depart from the provisions of the law in accordance with Article 2423, Paragraph 4 of the Italian Civil Code;
- the Company has adopted the international accounting standards both for the separate and for the Consolidated Financial Statements;
- with regard to CONSOB resolution no. 15519/2006, the effects of transactions with related parties on the Statement of Financial Position and on the Income Statement were not expressly indicated in the statements. These effects are reported in the Explanatory Notes to the Financial Statements;
- we have verified that the financial statements match the facts and information of which we are aware as a result of the performance of our duties;
- the financial statements match the facts and information of which the Board of Statutory Auditors has become aware in the exercise of its supervisory duties and its oversight and auditing powers.

On 20 March 2014, the Independent Auditors, in their Report issued in accordance with Articles 156 and 165 of Italian Legislative Decree no. 58 of 24 February 1998, expressed the opinion that "*the financial statements comply with the International Financial Reporting Standards adopted by the European Union; therefore, it has been prepared clearly and it truthfully and fairly represents the financial situation, the income and expenses and the cash flows of ERG Renew S.p.A. for the year ended on that date.*"

* * *

In view of the contents of this Report, taking into account the information obtained from the Independent Auditors, the Board of Statutory Auditors has no observations to formulate with regard to the approval of the Separate Financial Statements as at 31 December 2013 as drafted by the Directors.

24 March 2014

The Board of Statutory Auditors

Lelio Fornabaio
Michele Rutigliano
Gioacchino Messina

INDIPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

Reconta Ernst & Young S.p.A.
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Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010 and art. 165 of Legislative Decree n. 58 dated 24 February 1998

To the Shareholder of
ERG Renew S.p.A.

1. We have audited the consolidated financial statements of ERG Renew S.p.A. and its subsidiaries, (the "ERG Renew Group") as of 31 December 2013 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income components, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of ERG Renew S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated 19 March 2013.
3. In our opinion, the consolidated financial statements of the ERG Renew Group at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the ERG Renew Group for the year then ended.
4. The Directors of ERG Renew S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations is consistent with the consolidated financial statements of the ERG Renew Group at 31 December 2013.

Milano, 20 March 2014

Reconta Ernst & Young S.p.A.
Signed by: Alberto Romeo, Partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
iscritta alla S.O. del Registro delle imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

Building a better working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010 and art. 165 of Legislative Decree n. 58 dated 24 February 1998

To the Shareholders of
ERG Renew S.p.A.

1. We have audited the financial statements of ERG Renew S.p.A. as of 31 December 2013 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of ERG Renew S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 19 March 2013.

3. In our opinion, the financial statements of ERG Renew S.p.A. at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of ERG Renew S.p.A. for the year then ended.

4. The Directors of ERG Renew S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the financial statements of ERG Renew S.p.A. at 31 December 2013.

Milano, 20 March 2014

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Share Capital EUR 107.692.308,00 fully paid

R.E.A. Genoa n. 43346

Company Register Genoa
and Fiscal Code 00276450632

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