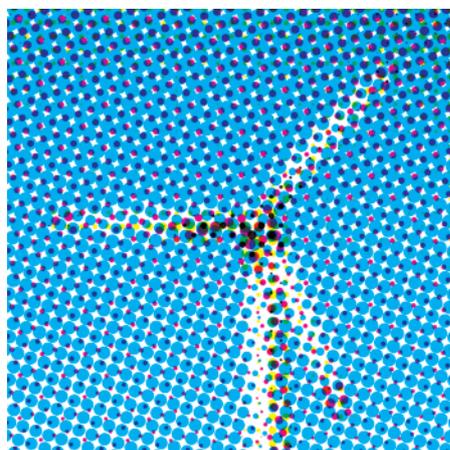
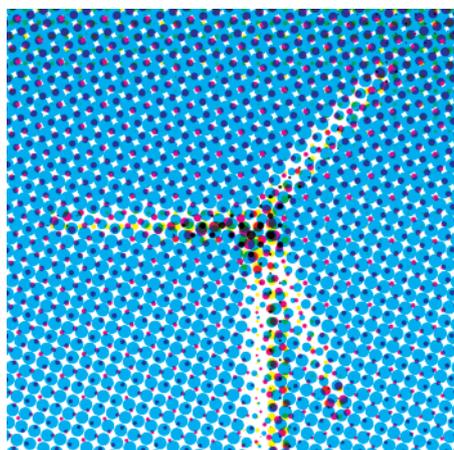
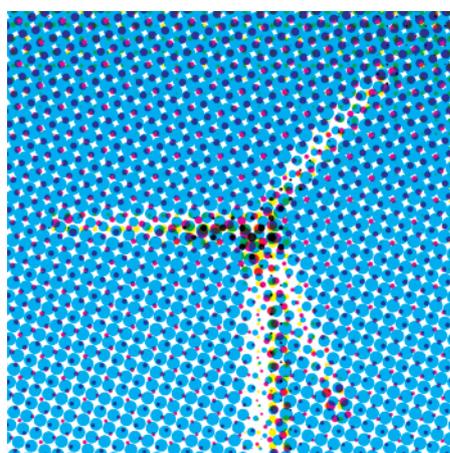
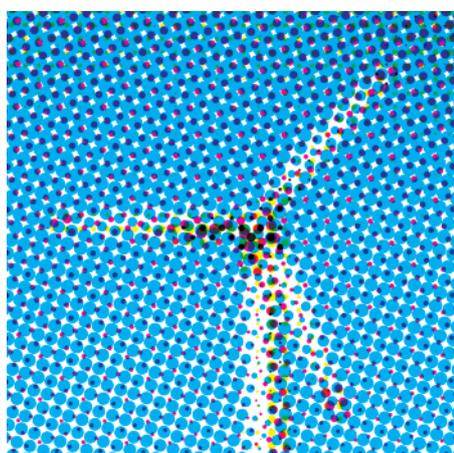


**ERG RENEW** S.P.A.  
HALF-YEAR FINANCIAL REPORT  
AT 30 JUNE 2010



# INDEX

## INTERIM REPORT ON OPERATIONS

---

Corporate bodies	page	3
Foreword	page	4
Business description	page	6
ERG Renew stock market performance	page	8
Performance highlights	page	9
Divisional performance highlights	page	10
Comment on half-year results	page	11
Events during the period	page	13
Regulatory framework	page	15
Business divisions	page	17
Investments	page	21
Financial reporting overview	page	22
Events after end of reporting period	page	26
Business outlook	page	27
Ongoing risks and disputes	page	28

## CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

---

ERG Renew consolidated statement of financial position	page	30
ERG Renew consolidated income statement	page	31
ERG Renew consolidated statement of other comprehensive income components	page	32
Statement of changes in consolidated shareholders' equity	page	33
Consolidated statement of cash flows	page	34
Explanatory notes to condensed consolidated half-year financial statements	page	35

## CERTIFICATIONS AND REPORTS

---

Certification of the 'Manager Responsible'	page	61
Auditors' Report	page	62

*This document has been translated into English for the convenience of international readers. The original Italian document should be considered the authoritative version.*

# CORPORATE BODIES

## BOARD OF DIRECTORS

---

CHAIRMAN

**PIETRO GIORDANO**

DEPUTY CHAIRMAN

**VITTORIO GARRONE**

CHIEF EXECUTIVE OFFICER  
**FRANCESCO DEL BALZO**

DIRECTORS

**ITALO GIORGIO ALFIERI**  
(Independent)

**LUCA BETTONTE**

**LORENZO CAPRIO**  
(Independent)

**GIORGIO MAZZANTI**  
(Independent)

**ERNESTO MONTI**  
(Independent)

**PIETRO MUTI**

## BOARD OF STATUTORY AUDITORS

---

CHAIRMAN

**LELIO FORNABAIO**

STANDING AUDITORS

**FRANCESCO GATTI**

**ANDREA MANZITTI**

**MANAGER RESPONSIBLE FOR  
PREPARING FINANCIAL  
INFORMATION (LAW 262/05)**

---

**LUCA GIORGERINI**

**EXTERNAL AUDITOR**

---

**DELOITTE & TOUCHE S.P.A.**

# FOREWORD

The Half-Year Financial Report at 30 June 2010, which has been subjected to a legal audit, has been prepared in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRSs) and on the basis of the requirements contained in Paragraph 5 of Article 154-ter of the Italian Consolidated Finance Law, applying Directive 2004/109/EC (the Transparency Directive).

Consolidation and accounting policies are the same as those indicated in the 2009 Annual Consolidated Financial Report, to which reference should be made. It should also be noted that preparation of the Half-Year Financial Report requires management to make estimates and assumptions that affect the amounts of the half-year financial report's revenues, costs, and assets & liabilities and disclosure concerning contingent assets and liabilities as at the interim date of reference. If in future these estimates and assumptions, which are based on the best current evaluation made by management, should differ from actual circumstances, they will be modified appropriately in the period when the circumstances happen to change.

It is also pointed out that some assessment processes – in particular the more complex ones, such as calculation of any impairment of non-current assets – are generally performed in full only when annual financial statements are prepared, i.e. when all and any information needed is available, except in cases where there are impairment indicators such as to require immediate assessment of any impairment of value. Similarly, quantification of the value of green certificates based on the new regulatory requirements requires estimation during the year of green certificates' average market price in FY2010.

As already indicated in the Report on Operations in the 2009 Consolidated Annual Financial Report, on 2 March 2010, the Board of Directors of ERG Renew approved the new 2010-2013 Business Plan. The new plan envisages investments totalling approximately Euro 254 million by the end of 2013 (of which Euro 121 million in 2010) for an overall installed capacity of 428 MW at the end of 2013 (of which 208.5 MW already installed). Considering the high degree of regulatory uncertainty at national and regional level – heightened during the half-year by the enactment of Decree Law 78 of 31 May 2010 (so-called 2010 Financial Manoeuvre), the prospective effects of which on the valuation of green certificates are discussed in greater detail in the following "Regulatory Framework" section – and in order to give investments visibility and certainty, the plan is based on the development of wind farm projects for which site work can effectively be initiated. Investments carried out up to 30 June 2010 are in keeping with the said long-term investment plan.

We highlight the fact that, following postponement of the planned cash capital increase, approved in 2008, caused by the critical conditions of financial markets, 2010 investments, totalling Euro 121 million, will be backed by the parent company ERG S.p.A. During the month of January 2010 the latter formally and irrevocably renewed its commitment, already assumed in 2009, to also support ERG Renew's investments planned during 2010, increasing the credit line signed in May 2009 from the original amount of Euro 140 million to Euro 231 million.

It should furthermore be noted that in June 2010 ERG Renew reached an agreement with IVPC S.a.s., leading Italian operator in the sector of power generation from wind energy sources, for the purchase of a 100% equity interest in IVPC Power 5 S.r.l., whose name, following the closing completed by subholding company ERG Eolica Italia Srl, on 23 July 2010, was changed to ERG Eolica Adriatica Srl. The company owns two wind farms, including one in Molise (40 MW) which became commercially operational in January 2010, and one in Puglia (62 MW) which started commercial operation in June 2010, adding an overall installed capacity of 102 MW to the 208 MW already in production, while with respect to the figure envisaged in the 2010-2013 business plan, estimated installed capacity at the end of 2013 increases from 428 MW to 530 MW.

The acquisition price of the equity investment was Euro 69.5 million.

The acquisition was financially possible due to the support provided by the parent company ERG S.p.A., the latter having increased the credit line available to ERG Renew from the original amount of Euro 231 million to Euro 311 million, applying to such extension a different pricing and expiry date, also subordinating same in case of insolvency to the prior satisfaction of third-party lenders.

For further considerations, reference should be made to the Information Document drawn up in accordance with Articles 71 and 71-bis of the Regulations adopted by way of CONSOB resolution 11971 dated 24 May 1999, as subsequently amended and supplemented, filed on 28 July 2010 and published by Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the company's website [www.ergrenew.it](http://www.ergrenew.it).

Finally, as previously announced by the Company, we report that the hydroelectric power plant business has been discontinued. During the months of June and July the entire investment held by ERG Renew respectively in Ecopower Srl (100%) and I.S.E.A. Srl (90%) was sold to a leading sector operator. Insofar as concerns the latter, the result for the first six months of 2010, still consistently consolidated, has been separately reclassified in both the income statement and the statement of financial position under discontinued operations.

As more clearly illustrated in the section "Comment on half-year results", we report that:

- **EBIT** in 1H10 was positive by Euro 3.2 million, with a notable improvement over 1H09 when it was negative by Euro 0.8 million.  
This result – which reflects an increase in depreciation over 1H09 due to the Faeto and Vicari wind farms and the San Vincenzo upgrade being operational for the full 2010 half year and the coming on stream of the Plogastel wind farm in April 2010 – was favourably affected by the growth in revenues on the part of the Italian and French wind business and the water services business, primarily in connection with the increase in volumes treated, together with a significant reduction in the costs and expenses of the Holding company.
- In 1H10 the **Group's net result** was positive by Euro 5.6 million, with a notable improvement over the negative result of Euro 6 million in 1H09. This result reflects (i) financial expenses of Euro 4.8 million (Euro 5.8 million in 1H09), mainly associated with the decline in the reference Interest rates, (ii) a loss of Euro 0.3 million (Euro 0.4 million in 1H09) relating to the 50% stake held by ERG Eolienne France S.a.s. in C.I.T.A. S.a.s., which is booked at equity (the investee company performs development work in the wind business in France), (iii) positive taxes of Euro 6.7 million (positive taxes of Euro 1.4 million in 1H09) resulting from benefits available to the subsidiary ERG Eolica Ginestra under the so-called "Tremonti ter" tax relief, and (iv) a positive result of Euro 0.9 million from discontinued operations (loss of Euro 0.2 million in 1H09) connected with the half-year result posted by discontinued operations in the mini-hydro business (including capital losses from disposal amounting to Euro 0.4 million) which offset the tax earn-out of Euro 1.6 million associated with the settlement of the arbitration award with ACEA.

# ERG RENEW GROUP BUSINESS DESCRIPTION

The ERG Renew Group is active in the following businesses:

● **WIND - ITALY:** via its subsidiary ERG Eolica Italia S.r.l., ERG Renew generates electricity from wind sources. There are currently 6 wind farms in operation: San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticoso (9 MW), Green Vicari (37,5 MW) and Pian de Corsi Baltera (1.6 MW) with installed capacity in operation totalling 144.1 MW. The Group has a further 130 MW authorised, for which site work has already started: this concerns the Ginestra (40 MW) and Fossa del Lupo (90 MW) wind farms, both at an advanced stage of construction. Taking into account the recent acquisition of two new wind farms pertaining to the company ERG Eolica Adriatica, with a total capacity of 102 MW, completed in July 2010 and described in the Foreword, there are now 8 wind farms in operation with an overall installed capacity of 246 MW. For further considerations, reference should be made to the Information Document drawn up in accordance with Articles 71 and 71-bis of the Regulations adopted by way of CONSOB resolution 11971 dated 24 May 1999, as subsequently amended and supplemented, filed on 28 July 2010 and published by Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the company's website [www.ergrenew.it](http://www.ergrenew.it).

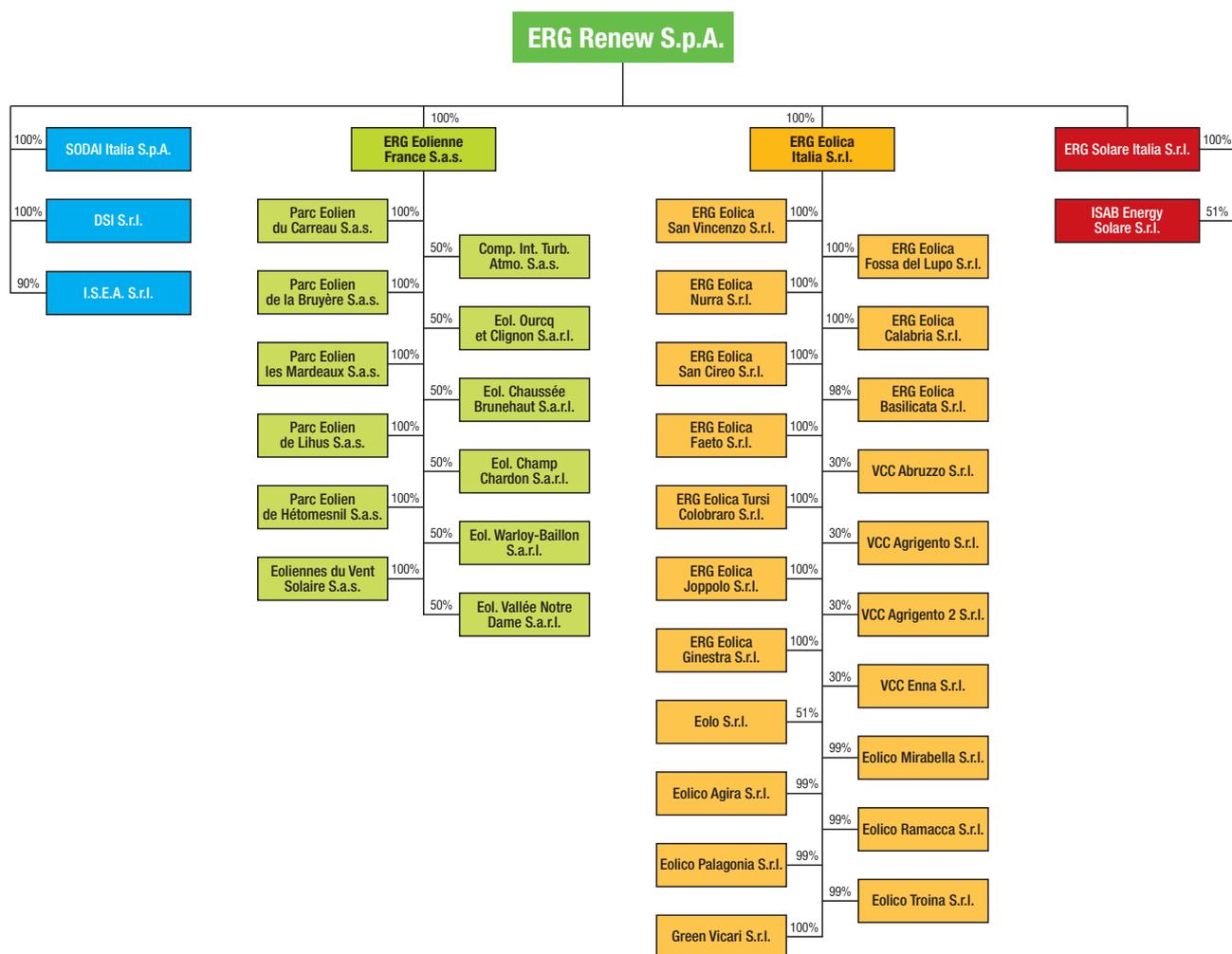
● **WIND - FRANCE:** via its subsidiary ERG Eolienne France S.a.s., ERG Renew generates electricity from wind sources. There are currently 6 facilities with a total installed capacity of 64.4 MW, including 9.2 MW pertaining to the Plogastel wind farm, which came into commercial operation at the end of April 2010. During 2008, ERG Eolienne France S.a.s. also completed two major transactions whereby it purchased from the French Group GSEF a 50% stake in Cita Wind and in five project companies. At the same time, ERG Eolienne France also executed a memorandum of understanding for the future acquisition of the company Eoliennes de Greneville, set up to build a wind farm south of Paris with capacity of 20 MW.

● **PHOTOVOLTAICS:** ERG Renew plans to diversify its presence in the field of renewable energy by also focusing on photovoltaics. ERG Renew is participating in a new generation solar power (so-called organic photovoltaics) research and development project, in partnership with Permasteelisa, Dyesol and some Italian universities. The Consortium set up for such purpose is profitably continuing its research activity. More specifically, specifications have been defined for the product which is to be developed. Activities have also commenced to prepare for planning the pilot line, with a view to moving on to the realisation phase during the first half of 2011. Moreover, the Company is installing a traditional plant at ISAB Energy's Sicilian industrial site in Priolo Gargallo (Syracuse) with a capacity of 1 MW.

● **HYDROELECTRIC POWER PLANTS:** as already mentioned in the Foreword, in keeping with the announcement previously given by the Company, the business in question has been discontinued since it was no longer considered 'core'. During the months of June and July the entire investment held by ERG Renew respectively in Ecopower S.r.l. (100%) and I.S.E.A. S.r.l. (90%) was sold for amounts leading to the recording of capital losses on disposal of Euro 0.4 million.

● **WATER SERVICES:** via its subsidiaries SODAI Italia S.p.A. and DSI S.r.l., ERG Renew performs treatment of industrial waste. While SODAI Italia S.p.A. operates via purification platforms adjacent to 20 workshops of Trenitalia, DSI S.r.l. treats solid and liquid waste for non-captive customers and for those of SODAI Italia. As already announced several times, the ERG Renew Group intends to terminate its activity in the segment because it is not considered core, proceeding with disposal of the related equity investments by the end of FY2010.

# ERG RENEW AT 30 JUNE 2010



# ERG RENEW STOCK MARKET PERFORMANCE

On 30 June 2010 the reference price of ERG Renew stock was Euro 0.80, +23% compared to the 2009 year-end price. This compared with performances of -21.4% in the European sector index (Dow Jones Utilities Index) and -18% in the FTSE MIB index.

Below we show some data concerning the prices and trading volume of ERG Renew stock during the first half of 2010.

SHARE PRICE	EURO
REFERENCE PRICE ON 30/06/2010	0.80
HIGH (2/02/2010) <sup>(1)</sup>	1.02
LOW (4/01/2010)	0.65
AVERAGE	0.81

(1) The lowest and highest prices recorded during the day's trading and therefore not the same as official and reference prices on the same date.

DAILY VOLUME TRADED	NO. OF SHARES
HIGHEST DAILY VOLUME (26/01/2010)	7,429,302
LOWEST DAILY VOLUME (15/06/2010)	18,428
AVERAGE VOLUME	541,827

Market capitalisation at 30 June 2010 was Euro 106.1 million (Euro 86.2 million at the end of 2009).

## ERG RENEW PERFORMANCE VS. DOW JONES UTILITIES INDEX AND FTSE MIB INDEX



# PERFORMANCE HIGHLIGHTS

FY 2009	MAIN ECONOMIC DATA (THOUSAND EURO)	1 <sup>ST</sup> HALF		
		2010	2009	
49,915	OPERATING REVENUES	29,316	23,021	
23,018	EBITDA <sup>(1)</sup>	15,088	9,002	
23,018	ADJUSTED EBITDA <sup>(2)</sup>	15,088	9,002	
(12,888)	EBIT	3,158	(808)	
(2,181)	RESULT DISCONTINUED OPERATIONS	898	(208)	
(27,766)	NET PROFIT (LOSS)	5,697	(5,834)	
(186)	OF WHICH MINORITY INTEREST	(87)	(146)	
(27,952)	GROUP NET PROFIT (LOSS)	5,610	(5,980)	
<b>MAIN BALANCE SHEET AND FINANCIAL DATA (MILLION EURO)</b>				
398.1	NET INVESTED CAPITAL	459.2	373.1	
107.3	SHAREHOLDERS' EQUITY	112.0	129.0	
291.0	NET FINANCIAL DEBT	347.1	244.1	
182.6	OF WHICH NON-RECOURSE PROJECT FINANCING	175.1	187.6	
73.1%	FINANCIAL LEVERAGE	75.6%	65.4%	
88.5	INVESTMENTS	38.9	15.9	
<b>OPERATIONAL DATA</b>				
199.3	INSTALLED WIND CAPACITY	MW	208.5	199.3
144.1	CAPACITY INSTALLED IN ITALY	MW	144.1	144.1
55.2	CAPACITY INSTALLED IN FRANCE	MW	64.4	55.2
317,202	UNIT SALES OF ELECTRICITY FROM WIND SOURCES	MWH	189,936	149,774
209,602	UNIT SALES OF ELECTRICITY IN ITALY	MWH	126,221	100,332
107,600	UNIT SALES OF ELECTRICITY IN FRANCE	MWH	63,715	49,442
410,343	LIQUID WASTE TREATED	M <sup>3</sup>	216,369	208,455
5,102	SOLID WASTE TREATED	TONS	3,787	2,870
<b>ELECTRICITY/GREEN CERTIFICATE PRICES</b>				
66.42	ELECTRICITY SELLING PRICES IN ITALY	EURO/MWH	66.78	69.27
N/A	GREEN CERTIFICATES 2010	EURO/MWH	86.18	N/A
88.37	GREEN CERTIFICATES 2009	EURO/MWH	N/A	86.22
85.68	ELECTRICITY SELLING PRICES IN FRANCE <sup>(3)</sup>	EURO/MWH	84.82	86.00

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

(2) Adjusted EBITDA<sup>o</sup> corresponds to EBITDA as defined above adjusted for non-recurring items, if any

(3) Inclusive of incentive

# DIVISIONAL PERFORMANCE HIGHLIGHTS

FY 2009	OPERATING REVENUES ( THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
33,527	WIND ITALY	19,716	15,477
9,335	WIND FRANCE	5,248	4,376
<b>42,862</b>	<b>TOTAL WIND</b>	<b>24,964</b>	<b>19,853</b>
6,820	WATER SERVICES	4,144	3,159
233	HOLDING DIVISION	208	9
<b>49,915</b>	<b>TOTAL</b>	<b>29,316</b>	<b>23,021</b>
	<b>EBITDA</b>		
25,292	WIND ITALY	14,098	11,716
6,640	WIND FRANCE	3,881	3,136
<b>31,932</b>	<b>TOTAL WIND</b>	<b>17,979</b>	<b>14,852</b>
1,060	WATER SERVICES	721	427
(9,974)	HOLDING DIVISION	(3,612)	(6,277)
<b>23,018</b>	<b>TOTAL</b>	<b>15,088</b>	<b>9,002</b>
	<b>ADJUSTED EBITDA</b>		
25,292	WIND ITALY	14,098	11,716
6,640	WIND FRANCE	3,881	3,136
<b>31,932</b>	<b>TOTAL WIND</b>	<b>17,979</b>	<b>14,852</b>
1,060	WATER SERVICES	721	427
(9,974)	HOLDING DIVISION	(3,612)	(6,277)
<b>23,018</b>	<b>TOTAL</b>	<b>15,088</b>	<b>9,002</b>
	<b>EBIT</b>		
10,040	WIND ITALY	6,135	5,641
(351)	WIND FRANCE	232	(356)
<b>9,689</b>	<b>TOTAL WIND</b>	<b>6,367</b>	<b>5,285</b>
(12,501)	WATER SERVICES	458	232
(10,076)	HOLDING DIVISION	(3,667)	(6,325)
<b>(12,888)</b>	<b>TOTAL</b>	<b>3,158</b>	<b>(808)</b>
	<b>TANGIBLE AND INTANGIBLE FIXED ASSETS</b>		
300,143	WIND ITALY	325,036	246,091
84,905	WIND FRANCE	82,326	80,245
<b>385,048</b>	<b>TOTAL WIND</b>	<b>407,362</b>	<b>326,336</b>
8,359	WATER SERVICES	8,325	20,611
1,309	HOLDING DIVISION	1,504	1,244
<b>394,716</b>	<b>TOTAL</b>	<b>417,191</b>	<b>348,191</b>
	<b>INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS</b>		
77,711	WIND ITALY	37,376	14,587
8,572	WIND FRANCE	1,070	314
<b>86,283</b>	<b>TOTAL WIND</b>	<b>38,446</b>	<b>14,901</b>
1,940	WATER SERVICES	245	773
295	HOLDING DIVISION	250	176
<b>88,518</b>	<b>TOTAL</b>	<b>38,941</b>	<b>15,850</b>

# COMMENT ON HALF-YEAR RESULTS

**Revenues** in the first half of 2010 (1H10) totalled Euro 29.3 million, up by 27.3% over the first half of 2009 (1H09). The increase was due to (i) the contribution of the Faeto wind farm (24 MW) which came on stream in April 2009, (ii) consolidation of the entire installed capacity as regards the Vicari wind farm which in the first half of 2009 was only partially operational (iii) the contribution for the full six months of the 4 MW upgrade pertaining to the San Vincenzo wind farm which came on stream in February 2009 increasing its installed capacity from 38 MW to 42 MW, (iv) the overall growth in output of the Italian wind farms (+25.8%) and the French wind farms (+28.9%) with respect to 1H09 and (v) the 31.2% increase in revenues for the water services business with respect to 1H10, also benefiting from the full operation of the new solid waste crushing plant which in 2008 was destroyed by fire. This positive trend was partly offset by a downturn in the average electricity selling prices for the output of the Italian wind farms (-3.59%) and the French wind farms (-1.37%). On the other hand, there was virtually no change in the price value assigned to green certificates matured in 1H10 (86.18 Euro/MWh) compared to 86.22 Euro/MWh in 1H09.

1H10 **EBITDA** amounted to Euro 15.1 million, with an increase of 67.6% compared to Euro 9 million reported in 1H09.

The trend in EBITDA reflects the following factors:

- **WIND - ITALY:** a positive contribution of Euro 14.1 million compared to Euro 11.7 million reported in 1H09. The growth in EBITDA (+20.3%) is due to the reasons already highlighted with regard to revenues.
- **WIND - FRANCE:** a positive contribution of Euro 3.9 million, with an increase of Euro 0.7 million over Euro 3.2 million reported in 1H09 (+23.8%) for the reasons already highlighted with regard to revenues.
- **WATER SERVICES:** a positive contribution of Euro 0.7 million, with an increase compared to Euro 0.3 million reported in 1H09; this is primarily due to the growth in volumes of liquid waste treated by the company DSI which were up by 179% over 1H09 for the reasons already described with regard to revenues.
- **HOLDING DIVISION:** a negative contribution of Euro 3.6 million, albeit with a notable improvement compared to the negative result of Euro 6.3 million in 1H09. The upturn was ascribable above all to the reduction in legal advisory costs, to the lower charges from the parent company and affiliates for the provision of staff services, to the lower insurance brokerage fees. These savings, which will be consolidated from now until the end of the financial period, will amount to at least Euro 1 million.

**EBIT** in 1H10 was positive by Euro 3.2 million, with a notable improvement over 1H09 when it was negative by Euro 0.8 million. The result reflects depreciation and amortisation totalling Euro 11.9 million, up by Euro 2.1 million compared to the figure for the corresponding period of 2009 following the coming on stream of the Faeto wind farm which in 2009 was only consolidated starting from the second quarter and the depreciation of the 4 MW upgrade at the San Vincenzo farm and the new Plogastel wind farm which came on stream respectively in February and in April 2010.

In 1H10 the **GROUP'S NET RESULT** was positive by Euro 5.6 million, with a notable improvement over the negative result of Euro 6 million in 1H09. This result reflects (i) financial expenses of Euro 4.8 million (Euro 5.8 million in 1H09), (ii) a loss of Euro 0.3 million (Euro 0.4 million in 1H09) relating to the 50% stake held by ERG Eolienne France S.a.s. in C.I.T.A. S.a.s., which is booked at equity (the investee company performs development work in the wind business in France), (iii) positive taxes of Euro 6.7 million (positive taxes of Euro 1.4 million in 1H09) resulting from benefits available to the subsidiary ERG Eolica Ginestra under the so-called "Tremonti ter" tax relief, and (iv) a result from discontinued operations which was positive by Euro 0.8 million ascribable, on the one hand, to the recognition and payment of a tax earn-out in the amount of Euro 1.6 million accrued in favour of ERG Renew up to 31 December 2008 on the sale of the investment in TAD Energia Ambiente S.p.A. (waste to energy/waste management) by ACEA S.p.A. in July 2006 following the utilisation of part of the prior years' tax losses generated by TAD Energia Ambiente S.p.A. and its subsidiaries during the financial years preceding the sale closing; and, on the other hand, these proceeds were partially penalised by the result from ordinary operations of the hydroelectric power plant business which, being subject to sale, was thus reclassified.

1H10 **INVESTMENTS**, amounting to Euro 38.9 million (Euro 15.9 million in 1H09), were exclusively attributable to the wind business and, more specifically, to the wind farms owned by the companies ERG Eolica Ginestra (40 MW) and ERG Eolica Fossa del Lupo (90 MW). As mentioned, these are in keeping with the long-term investment plan.

**NET FINANCIAL DEBT** at 30 June 2010 amounted to Euro 347.1 million, up by Euro 56.1 million compared to 31 December 2009, when it amounted to Euro 291 million. The increase in debt is the net combined effect of, on the one hand, the financial settlement in January 2010 of investments carried out during the close of the 2009 accounting period and investments made in 1H10 and, on the other, the amount received on 30 June 2010 in connection with the GSE's repurchase of green certificates pertaining to 2009 as per Ministerial Decree dated 18 December 2008.

At 30 June 2010, **NET INVESTED CAPITAL** totalled Euro 459.2 million, up by Euro 61.1 million compared to 31 December 2009, when it amounted to Euro 398.3 million; the rise is ascribable to the increase in fixed assets (Euro 17.4 million) and to the growth in net working capital (Euro 43.7 million), almost exclusively associated with the decrease in the item "Trade payables", which at the end of 2009 were affected by an investment peak, with financial settlement, as contractually provided, carried out during the first few weeks of 2010.

# EVENTS DURING THE PERIOD

## WIND - ITALY

On **26 JANUARY** ERG Eolica Ginestra executed the project finance loan agreement for the construction of its wind farm. Unicredit Mediocredito Centrale is Loan Arranger and co-arrangers are Barclays Bank and Centrobanca.

On **22 JUNE** the Board of Directors of ERG Renew approved the acquisition of a 100% equity interest in the company IVPC Power 5 S.r.l., owner of 2 wind farms, one in Molise (40 MW), which became commercially operational in January 2010, end one in Puglia (62 MW), which started commercial operation in June 2010, with an overall installed capacity of 102 MW. The transaction closing was completed by the subholding company ERG Eolica Italia on 23 July. The acquisition was financially possible due to the backing provided by the Parent company ERG S.p.A., the latter having increased the credit line in favour of ERG Renew from the original amount of Euro 231 million to Euro 311 million, applying to such extension a different pricing and expiry date, also subordinating same in case of insolvency to the prior satisfaction of third-party lenders. For further considerations, reference should be made to the Information Document drawn up in accordance with Articles 71 and 71-*bis* of the Regulations adopted by way of CONSOB resolution 11971 dated 24 May 1999, as subsequently amended and supplemented, filed on 28 July 2010 and published by Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the company's website [www.ergrenew.it](http://www.ergrenew.it).

## WIND - FRANCE

The Plogastel wind farm, which has an installed capacity of 9.2 MW, entered into commercial operation ahead of schedule on **28 APRIL**.

## PHOTOVOLTAICS

On **29 JUNE** the Quotaholders' Meeting of investee company Energie Pulite 2000 S.r.l. passed a resolution to change both the company's name, to ERG Solare Italia S.r.l., and the articles of association. The company will become the subholding company for the photovoltaics business, with concentration under same of all future projects concerning the business in question.

## HYDROELECTRIC POWER PLANTS

On **30 JUNE** ERG Renew signed an agreement with a leading sector operator for the sale of the equity interests held in Ecopower S.r.l and I.S.E.A. S.r.l., thereby carrying out the anticipated and previously announced disposal of what is no longer considered a core business. The closing for the sale of Ecopower was completed on the same date, while the sale of I.S.E.A. was completed on 30 July.

## WATER SERVICES

On **24 FEBRUARY** the Board of Directors of investee company SODAI Italia approved the new business plan, which is based on its ongoing contract with Trenitalia.

## HOLDING DIVISION

On **12 JANUARY** the Company's Board of Directors approved the 2010 investment budget for the amount of Euro 121 million. The budget's financial sustainability was guaranteed by an irrevocable commitment assumed on 8 January 2010 by the parent company ERG S.p.A. up to the amount of Euro 169 million and also intended to cover possible funding requirements connected with ordinary and current operations.

On **14 JANUARY** the Company executed with the parent company ERG S.p.A. an extension to the line of credit signed between the parties on 25 May 2009, increasing the original amount of Euro 140 million to Euro 231 million; the aim is to support ERG Renew also during 2010 with regard to potential financial cover for investments planned during the year as well as any funding requirements to cover ordinary and current operations.

On **21 JANUARY** a decision was issued by the Board of Arbitration appointed, as contractually provided, to settle various disputes that have arisen between the Company and ACEA S.p.A. with regard to the sale to the latter of the "waste to energy/waste management" business in July 2006. The effects produced, which are not retroactively applicable, are recognised – where appropriate – in this Interim Management Report.

On **16 FEBRUARY** a new company was created under the name of ISAB Energy Solare S.r.l., owned 51% by ERG Renew and 49% by Princemark Ltd (a company belonging to the English group International Power), for the purpose of constructing a photovoltaic plant at the Priolo Gargallo (Syracuse) industrial site in Sicily, with a capacity equal to approximately 1 MW.

On **2 MARCH** the Board of Directors approved the 2010-2013 business plan, which provides for investments totalling Euro 254 million and an installed capacity of 429 MW by the end of 2013. During the course of the meeting Raffaele Tognacca tendered his resignation as Chairman and Director of ERG Renew; the Board of Directors co-opted Pietro Muti to replace the resigning Director and appointed Pietro Giordano as Chairman of the Board.

On **12 APRIL** the ERG Renew S.p.A. Shareholders' Meeting approved the 2009 financial statements and noted the consolidated financial statements at 31 December 2009. The Shareholders' Meeting appointed Pietro Giordano as Chairman of the Board of Directors and Pietro Muti as Director of the Company, to replace the resigning Raffaele Tognacca. Both of these Executive Directors will remain in office until the Board's natural expiry, which will coincide with the approval of the Annual Financial Statements for the year 2011. Lastly, the Board of Directors appointed Vittorio Garrone as Executive Director entrusted with the task of supervising the functionality of the Internal Control system.

# REGULATORY FRAMEWORK

Below we indicate and comment on the Italian legislator's main moves concerning the production of electricity from renewable energy sources. It remains understood that the regulations indicated below have to be supplemented by all the regulations that local entities, and regional, provincial and municipal authorities have enacted on the subject, which means that the approval process differs from region to region.

**Legislative Decree 79 of 16 March 1999:** Article 11 introduced the obligation, for producers and importers of electricity generated using non-renewable sources, to inject into the national electric grid, starting from 2002, a minimum portion of electricity generated using plants fuelled by renewable sources that came on-stream after 1 April 1999. Generators and importers subject to this obligation can meet same by injecting into the grid electricity produced using renewable energy sources or by buying from other producers green certificates pertaining to the year in which the obligation must be fulfilled.

**Legislative Decree 387/03:** this is the legislative decree whereby Italy transposed European Directive 2001/77/EC into Italian law. It aims to promote electricity produced from renewable sources on the internal energy market and incorporates the definition of renewable sources. The Minister of Production Activities, in agreement with the Minister for the Environment and Territorial and Marine Protection, in compliance with the requirements of Article 20, paragraph 8, of Legislative Decree 387/03, on 24 October 2005 issued the decree concerning "Update of rules for the incentivisation of electricity produced from renewable sources pursuant to Article 11, paragraph 5 of Legislative Decree 79 of 16 March 1999". In abrogating the Ministerial Decrees of 11 November 1999 and 18 March 2002, this legislative decree laid down new rules for the qualification of renewable-energy source plants (RES-E plant qualification) and for the issuing of green certificates.

**Ministerial Decree of 24 October 2005:** with the provisions laid down by Article 11, first paragraph, the *GSE* (Italian national grid operator) adopted the technical procedures for qualification as RES-E plants (Italian acronym *IAFR* – plants fed by renewable sources) and for the issuing of green certificates, submitting them for approval by the Minister for Economic Development and the Minister for the Environment and Territorial and Marine Protection. These procedures were approved by way of Decree dated 21 December 2007, which was published, together with the procedures, in *Gazzetta Ufficiale* (Italian Official Journal) no.16 of 19/1/2008, ordinary supplement.

**2007 Finance Law:** Article 1, paragraph 1117 of Law 296 of 27 December 2006 established that, starting from 1 January 2007, government funding and incentives for the promotion of renewable energy sources can be granted solely for the production of electricity using renewable energy sources, as defined by Directive 2001/77/EC.

**Law 222 of 29 November 2007** (so-called Accompaniment to the 2008 Finance Law, Article 26, paragraph 4-bis) and the **2008 Finance Law** (Law 244 of 24 December 2007) introduce further important changes concerning the incentivisation of energy produced by renewable source facilities.

By way of **Ministerial Decree dated 18 December 2008** (which abrogates Ministerial Decree dated 24 October 2005), the Minister for Economic Development, in agreement with the Minister for the Environment and Territorial and Marine Protection, implemented the items endorsed by the 2008 Finance Law and established the procedures for implementation of the new incentive mechanisms. This Ministerial Decree, also in order not to penalise investments underway, rules that green certificates pertaining to productions matured and maturing up to the end of 2010

will, at their holders' request, be acquired by the *GSE*. This purchase, the application for which must be sent on or before 31 March of the year after the one to which certificates refer, will take place at a price equal to the market average during the three-year period prior to the year when the application is filed. The *GSE* will purchase the green certificates on or before 30 June. Therefore, the current 2010 financial year is the last competence period concerned with the said Ministerial Decree, the effects of which will naturally expire with the *GSE*'s purchase of the relative Green Certificates on or before 30 June 2011.

**Law Decree 78 of 31 May 2010 (so-called 2010 Financial Manoeuvre):** Article 45 of the decree provided for suppression of the *GSE*'s obligation to purchase the Green Certificates that are not sold by the expiry of their three-year validity. If the said decree had been converted in its present version, it would definitely have represented a heavily disturbing factor as regards the trend in the expected prices of Green Certificates and, as a result, in the consolidated revenues and results of the Issuer.

The parliamentary procedure for the conversion into law of Legislative Decree 78/2010 has instead positively surpassed the stage of approval by both the Senate and the Chamber with an amendment providing for reintroduction of the *GSE*'s obligation to repurchase the unsold Green Certificates starting from the 2011 competence period, on or before the expiry of the normal three-year validity of such certificates (2014), at the average price recorded in the year prior to that of expiry (2013). All this is subject to a commitment on the part of the *GSE* to reduce by 30% with respect to what will be incurred in 2010, already as from 2011, the overall economic burden arising from the purchase of the Green Certificates and requiring the *GSE* to achieve at least 80% of the said objective by decreasing the volumes of unsold Green Certificates. In order to provide the *GSE* with suitable levers for achieving the foregoing, the Ministry for Economic Development is required to issue no later than 31 December 2010 an appropriate decree setting out the operating procedures for the *GSE*.

# BUSINESS DIVISIONS

## WIND - ITALY

In Italy ERG Renew operates in the generation of wind power via its subsidiary ERG Eolica Italia Srl. There are currently 6 plants in operation, namely San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW) and Pian de Corsi Baltera (1.6 MW) with an overall installed operational capacity of 144.1 MW. Considering the recent acquisition of two new wind farms belonging to ERG Eolica Adriatica with a total capacity of 102 MW, completed in July 2010 and described in the Foreword, there are now 8 farms in operation with a total installed capacity of 246 MW. Subject to plant availability, the results expected from each wind farm are obviously affected by the anemological (wind) characteristics of the site where the wind farm is located.

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

### ELECTRICITY AND GREEN CERTIFICATE SELLING PRICES

FY 2009	ELECTRICITY/GREEN CERTIFICATE PRICES		1 <sup>ST</sup> HALF	
			2010	2009
66.42	ELECTRICITY SELLING PRICES IN ITALY	EURO/MWH	66.78	69.27
N/A	GREEN CERTIFICATES 2010	EURO/MWH	86.18	N/A
88.37	GREEN CERTIFICATES 2009	EURO/MWH	N/A	86.22

Reference should be made to the explanatory notes in the next section "Summary of results" for the considerations made concerning the valuation of green certificates, in view of the (present and expected) trend of the related market and of the electricity market.

### SUMMARY OF RESULTS

FY 2009	ECONOMIC RESULTS (THOUSAND EURO)		1 <sup>ST</sup> HALF	
			2010	2009
<b>33,527</b>	<b>OPERATING REVENUES</b>		<b>19,716</b>	<b>15,477</b>
<b>25,292</b>	<b>EBITDA</b>		<b>14,098</b>	<b>11,716</b>
<b>25,292</b>	<b>ADJUSTED EBITDA</b>		<b>14,098</b>	<b>11,716</b>
(15,252)	AMORTISATION, DEPRECIATION AND WRITE-DOWNS		(7,963)	(6,075)
<b>10,040</b>	<b>EBIT</b>		<b>6,135</b>	<b>5,641</b>
77,711	INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS		37,376	14,587
<b>OPERATIONAL DATA (MWH)</b>				
<b>209,602</b>	<b>PRODUCTION OUTPUT (MWH)</b>		<b>126,221</b>	<b>100,332</b>
	OF WHICH			
57,697	SAN VINCENZO		31,957	28,411
49,610	SAN CIREO		27,349	24,613
26,445	FAETO		20,046	6,461
15,234	VITICUSO		7,702	8,045
59,363	VICARI		38,709	32,078
1,253	PIAN DE CORSI BALTERA		458	724

In 1H10, the operating **REVENUES** of the Wind Italy business increased by 27.4% over 1H09, from Euro 15.5 to Euro 19.7 million. The increase of Euro 4.2 million was due to the 25.8% growth in electricity output, up from 100,332 MWh in 1H09 to 126,221 MWh in 1H10, following (i) the increase in windiness which enabled a higher output for the San Vincenzo and San Cireo wind farms, (ii) the consolidation for the full six months of the Faeto wind farm, which came on stream in April 2009, (iii) the consolidation of the entire installed capacity as regards the Vicari wind farm which in 1H09 was only partially operational, (iv) the consolidation for the full six months of the additional 4 MW upgrade at the San Vincenzo wind farm which came on stream in February 2009: this wind farm has therefore increased its installed capacity from 38 MW to 42 MW.

These important contributions to the growth in output and revenues were once again negatively impacted by the restrictions on output at the San Vincenzo and San Cireo wind farms, the new Faeto wind farm and, to a marginal extent, the new Vicari wind farm, due to the upgrade interventions on the national transmission grid in Puglia and in Sicily. Moreover, in this connection, the Italian Electricity and Gas Authority (*AEEG*) is expected to publish some interpretative notes regarding *AEEG* resolution 5/2010, issued to replace *AEEG* resolution 330/2007, which identifies a new algorithm for calculating the indemnity that will have to be paid to operators to compensate for the lower electricity output imposed. Pending the operational adoption of *AEEG* resolution 5/2010, the expected indemnities pertaining to the first six months of 2010 have been calculated, on the basis of *AEEG* resolution 330/2007, at Euro 0.35 million.

Besides this, the growth in revenues commented above was also penalised by the decline in the electricity selling prices, which averaged 66.78 Euro/MWh, down by 3.59% compared to 1H09 when the average selling price was 69.27 Euro/MWh. On the other hand, there was substantially no change in the expected price used to calculate the value of green certificates maturing in 1H10, estimated at 86,18 Euro/MWh, compared to 86,22 Euro/MWh for 1H09.

In accordance with Ministerial Decree dated 18 December 2008, the green certificates maturing in 2010 will be subject to purchase request to be sent to the *GSE* in March 2011 or, alternatively, to bilateral agreements in cases where the selling price meets expectations. In the event of purchase by the *GSE*, this will take place at a price equal to the average market price of green certificates for the three-year period 2008-2010, in other words, as regulated by the said decree, as weighted average price for the three years prior to the year in which purchase is requested.

In 1H10, the Wind Italy business posted **EBITDA** of Euro 14.1 million, up by 20.3% compared to Euro 11.7 million recorded in 1H09. The increase is due to the reasons already explained with regard to operating revenues and reflects provisioning of Euro 0.5 million for liabilities in connection with potential interventions to recover some areas of the Vicari wind farm damaged by the particularly adverse weather conditions that occurred in recent months, as well as charges of around Euro 0.7 million for consultancy services.

**AMORTISATION AND DEPRECIATION** for the Wind Italy business in 1H10 amounted to Euro 8 million, up by Euro 1.9 million over Euro 6.1 million recorded for 1H09. This increase, which almost exclusively concerned the depreciation of tangible assets, stems from the consolidation of the Faeto wind farm starting from April 2009, together with the 4 MW upgrade of the San Vincenzo wind farm.

In 1H10, **EBIT** of the Wind Italy business was positive by Euro 6.1 million, with an increase over Euro 5.6 million recorded for 1H09. The reasons are those already described in connection with operating revenues and EBITDA.

## WIND - FRANCE

In France, ERG Renew operates in the sector of wind power generation via its subsidiary ERG Eolienne France S.a.s. There are currently 6 facilities with a total installed capacity of 64.4 MW, including 9.2 MW pertaining to the Plogastel wind farm, which came into commercial operation at the end of April 2010.

### SUMMARY OF RESULTS

FY 2009	ECONOMIC RESULTS (THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
9,335	REVENUES FROM ORDINARY OPERATIONS	5,248	4,376
6,640	EBITDA	3,881	3,136
6,640	ADJUSTED EBITDA	3,881	3,136
(6,991)	AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(3,649)	(3,492)
(351)	EBIT	232	(356)
8,572	INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	1,070	314
<b>OPERATIONAL DATA (MWH)</b>			
107,600	PRODUCTION OUTPUT (MWH)	63,715	49,442
	OF WHICH		
21,399	HETOMESNIL	11,319	9,719
21,249	LE MARDEAUX	12,375	10,223
21,337	LE CARREAU	11,826	9,828
19,943	LIHUS	11,150	8,673
23,672	LA BRUYÈRE	13,221	10,999
-	PLOGASTEL	3,824	-

In 1H10 the **REVENUES** of the Wind France business, which amounted to Euro 5.2 million, were up by 19.9% over Euro 4.4 million recorded for 1H09. This increase was entirely due to the 28.9% growth in electricity output, up from 49,442 MWh in 1H09 to 63,715 MWh in 1H10, the positive trend in which was favoured by the coming on stream last April of the new Plogastel wind farm, with an installed capacity of 9 MW. Moreover, the benefits of the improved wind conditions were partly penalised by the drop of 1.4% in the electricity selling price, down from 86 Euro/MWh in 1H09 to 84.82 Euro/MWh in 1H10.

This price - originally contractually established with the operator EDF at 82 Euro/MWh, including both the price of the electricity sold and the incentive portion, valid for ten years and for another five years according to the production performance of the wind farms - is indexed on an annual basis. The decrease compared to 1H09 is the result of a deflationary phenomenon.

The contribution of the Wind France business to 1H10 consolidated **EBITDA** amounted to Euro 3.9 million, with an increase of 23.8% compared to Euro 3.1 million for 1H09: the reasons are the same as those already described with regard to operating revenues.

**AMORTISATION AND DEPRECIATION** in 1H10 amounted to Euro 3.6 million, up by Euro 0.2 million over 1H09, as a result of the Plogastel wind farm, depreciation of which commenced from its coming on stream last April.

In 1H10 **EBIT** for the Wind France business was positive by Euro 0.2 million, with an improvement of Euro 0.6 million compared to 1H09, when it was negative by Euro 0.4 million.

## WATER SERVICES

### SUMMARY OF RESULTS

FY 2009	ECONOMIC RESULTS (THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
6,820	REVENUES FROM ORDINARY OPERATIONS	4,144	3,159
1,060	EBITDA	721	427
1,060	ADJUSTED EBITDA	721	427
(13,561)	AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(263)	(195)
(12,501)	EBIT	458	232
1,940	INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	245	773
<b>OPERATIONAL DATA</b>			
<b>WASTE TREATED</b>			
374,047	SODAI ITALIA - WASTE TREATED (M <sup>3</sup> )	194,314	200,557
36,296	DSI SERVIZI INDUSTRIALI - LIQUID WASTE TREATED (M <sup>3</sup> )	22,055	7,898
5,102	DSI SERVIZI INDUSTRIALI - SOLID WASTE TREATED (TONS)	3,787	2,870

In 1H10 the operating **revenues** of the Water Services business totalled Euro 4.1 million, up by 31.2% over Euro 3.2 million posted for 1H09. This increase is attributable to (i) SODAI Italia, whose 1H10 featured above all a decline (-3.1%) in the quantities of waste treated, down from 200,557 m<sup>3</sup> in 1H09 to 194,314 m<sup>3</sup> in 1H10, albeit with a growth in revenues (+12.4%) due to the new categories of service supplied to Trenitalia, (ii) DSI, whose 1H10 featured a significant rise in the quantities of both liquid waste treated (+179.2%) and solid waste treated (+32%) - also benefiting from full operation of the new solid waste crushing plant which in 2008 was destroyed by fire - and whose revenues however, whilst on the one hand they featured an increase in tariffs as regards solid waste (+8.9%), on the other hand, saw a decline in the tariffs for the treatment of liquid waste (-16.6%).

In 1H10, **EBITDA** for the Water Services business was positive by Euro 0.7 million, with an improvement on the positive result of Euro 0.4 million posted for 1H09, for the reasons already described in relation to revenues.

**Amortisation and depreciation** for the Water Services business in 1H10 amounted to Euro 0.3 million, with an increase over the corresponding period a year earlier following the investments carried out by DSI for the construction of a new crushing plant, to replace the one destroyed by fire in December 2008, and additional works.

1H10 **EBIT** for the Water Services business was positive by Euro 0.5 million, with a clear improvement compared to the positive result of Euro 0.2 million for 1H09.

## HOLDING DIVISION

FY 2009	ECONOMIC RESULTS (THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
233	REVENUES FROM ORDINARY OPERATIONS	208	9
(9,974)	EBITDA	(3,612)	(6,277)
(9,974)	ADJUSTED EBITDA	(3,612)	(6,277)
(102)	AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(55)	(48)
(10,076)	EBIT	(3,667)	(6,325)
295	INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	250	176

In 1H10, the Holding division's **REVENUES** amounted to Euro 0.2 million and consisted of services provided to affiliated companies.

In 1H10 the Holding Division posted negative **EBITDA** of Euro 3.6 million, with a notable improvement compared to 1H09 when the result was negative by Euro 6.3 million. This improvement was mainly ascribable to the reduction in legal advisory costs, the lower charges by the parent company and affiliates for the provision of staff services, the lower insurance brokerage fees. These savings, which will be consolidated from now until the end of the financial period, will amount to at least Euro 1 million.

At **EBIT** level, in 1H10 the parent company posted a negative result of Euro 3.7 million, with an improvement of Euro 2.6 million compared to the negative result of Euro 6.3 million posted in 1H09, for the reasons already mentioned in relation to EBITDA.

## INVESTMENTS

Investments made by the group in 1H10 totalled Euro 38.9 million (Euro 15.8 million in 1H09). The following table shows the investment breakdown by business division:

FY 2009	INVESTMENTI (THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
77,711	WIND ITALY	37,376	14,587
8,572	WIND FRANCE	1,070	314
86,283	TOTAL WIND	38,446	14,901
1,940	WATER SERVICES	245	773
295	HOLDING DIVISION	250	176
<b>88,518</b>	<b>TOTAL</b>	<b>38,941</b>	<b>15,850</b>

Investments, which almost exclusively concerned the Wind Italy business, were principally ascribable to (i) Euro 19.4 million relating to the Fossa del Lupo wind farm, which will come into operation by lots between the end of the current financial period and June 2011, (ii) Euro 17.7 million relating to the Ginestra wind farm, which is scheduled to come on stream between the end of 2010 and the first quarter of 2011, and (iii) Euro 1.1 million concerning the French Plogastel wind farm, which came on stream during the month of April.

# FINANCIAL REPORTING OVERVIEW

## RECLASSIFIED INCOME STATEMENT

FY 2009	(THOUSAND EURO)	1 <sup>ST</sup> HALF	
		2010	2009
49.915	OPERATING REVENUES	29.316	23.021
4.560	OTHER REVENUES AND INCOME	1.673	1.783
<b>54.475</b>	<b>TOTAL REVENUES</b>	<b>30.989</b>	<b>24.804</b>
(591)	PURCHASE OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE	(285)	(265)
(21.772)	SERVICES	(11.269)	(11.183)
(5.891)	PERSONNEL COSTS	(2.722)	(3.090)
(3.203)	OTHER OPERATING COSTS	(1.625)	(1.264)
<b>23.018</b>	<b>EBITDA</b>	<b>15.088</b>	<b>9.002</b>
(22.784)	AMORTISATION AND DEPRECIATION	(11.930)	(9.810)
(13.121)	WRITE-DOWNS	-	-
<b>(12.887)</b>	<b>EBIT</b>	<b>3.158</b>	<b>(808)</b>
(11.292)	NET FINANCIAL INCOME (EXPENSE)	(4.793)	(5.803)
(3.876)	INCOME (LOSS) FROM EQUITY INVESTMENTS	(314)	(386)
<b>(28.055)</b>	<b>PROFIT BEFORE TAXES</b>	<b>(1.949)</b>	<b>(6.997)</b>
2.470	INCOME TAXES	6.748	1.371
(186)	MINORITY INTERESTS	(87)	(146)
<b>(2.181)</b>	<b>RESULT FROM DISCONTINUED OPERATIONS</b>	<b>898</b>	<b>(208)</b>
<b>(27.952)</b>	<b>GROUP NET PROFIT (LOSS)</b>	<b>5.610</b>	<b>(5.980)</b>

The operating components contributing to EBIT have already been discussed in the previous section "Comments on the period results".

### NET FINANCIAL INCOME (EXPENSE)

Net financial expense in 1H10 amounted to Euro 4.8 million, down by Euro 1 million compared to 1H09. This decrease, despite a net growth in net financial debt as at 30 June 2010, is due to the significant decline in the reference interest rates.

### NET INCOME (LOSS) FROM EQUITY INVESTMENTS

The net loss from equity investments in 1H10 amounted to Euro 0.3 million, with a decrease of approximately Euro 0.1 million compared to 1H09. This loss is ascribable to the valuation of the 50% stake in the French company CITA Wind, booked at equity, whose loss for the period is associated with the actual operating expenses pertaining to the operational start-up phase.

### INCOME TAXES

Income Taxes pertaining to 1H10 were positive by Euro 6.7 million. This figure, net of Euro 1.6 million for current *IRES* (corporate tax) and Euro 0.5 million for current *IRAP* (Italian tax on regional production activities), mainly benefits from effects totalling Euro 7.1 million deriving from the so-called "*Tremonti ter*" tax relief, which concerned the investments incurred for the Ginestra wind farm, and the calculation of the period's fiscal losses from tax consolidation, amounting to Euro 1.4 million.

## RESULT FROM DISCONTINUED OPERATIONS

Following the agreement signed on 30 June 2010 regarding the sale of equity investments held in the companies Ecopower and I.S.E.A., the former completed with relative closing on the same date and the latter on 30 July 2010, the result relating to the hydroelectric power Plant business was removed from ordinary operations and reclassified under this item. This result component, amounting to Euro 0.7 million and ascribable to the net result generated by I.S.E.A. during the half year and to the capital losses generated at the time of sale with respect to book value (Euro 0.4 million), has been more than adequately offset by the recognition and payment of a tax earn-out in the amount of Euro 1.6 million accrued by ERG Renew up to 31 December 2008 on the sale of the investment in TAD Energia Ambiente S.p.A. (waste to energy/waste management) by ACEA S.p.A. in July 2006 and matured following the utilisation of part of the prior years' tax losses generated by TAD Energia Ambiente S.p.A. and its subsidiaries during the financial years preceding the sale closing.

## RECLASSIFIED BALANCE SHEET

31/12/2009	(THOUSAND EURO)	30/06/2010	30/06/2009
<b>401,908</b>	<b>CAPITAL ASSETS</b>	<b>418,982</b>	<b>360,314</b>
325,541	TANGIBLE ASSETS	347,136	265,340
74,405	INTANGIBLE ASSETS	70,055	89,921
1,962	FINANCIAL ASSETS	1,791	5,053
<b>(3,124)</b>	<b>WORKING CAPITAL</b>	<b>40,692</b>	<b>13,195</b>
-	INVENTORIES	-	-
11,048	TRADE RECEIVABLES	16,016	8,399
72,520	OTHER ASSETS	73,012	55,932
-	ASSETS HELD FOR SALE	4,615	-
(52,430)	TRADE PAYABLES	(19,552)	(20,779)
(7,930)	PROVISION FOR LIABILITIES AND CHARGES	(7,448)	(6,738)
(26,332)	OTHER LIABILITIES	(25,823)	(23,619)
-	LIABILITIES HELD FOR SALE	(128)	-
<b>(489)</b>	<b>EMPLOYEE LEAVING INDEMNITY</b>	<b>(524)</b>	<b>(425)</b>
<b>398,295</b>	<b>NET INVESTED CAPITAL</b>	<b>459,150</b>	<b>373,084</b>
<b>107,258</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>112,021</b>	<b>129,014</b>
106,823	PARENT COMPANY	111,455	128,627
435	MINORITY INTEREST	566	387
<b>291,037</b>	<b>NET FINANCIAL DEBT</b>	<b>347,129</b>	<b>244,070</b>
<b>398,295</b>	<b>SHAREHOLDERS' EQUITY AND FINANCIAL DEBT</b>	<b>459,150</b>	<b>373,084</b>

At 30 June 2010, net invested capital amounted to Euro 459.1 million, with an increase of Euro 61 million compared to 31 December 2009. Financial leverage, expressed as the ratio of total net financial debt to net invested capital - was 75.6% (73.1% at 31 December 2009).

### CAPITAL ASSETS

Capital assets include tangible, intangible and financial assets. The increase of Euro 17.4 million compared to 31 December 2009 is ascribable to the investments carried out during the half year in the wind business.

## WORKING CAPITAL

Net working capital rose by Euro 43.7 million, going from a negative balance of Euro 3.1 million at 31 December 2009 to a positive balance of Euro 40.5 million at 30 June 2010.

This increase is almost entirely ascribable to the Euro 32.9 million decline in the item "Trade payables" which, at the close of the 2009 financial year, were affected by an investment peak, financial settlement of which, as contractually agreed, took place in the first few weeks of 2010.

## CONSOLIDATED NET FINANCIAL POSITION

From an operational standpoint, the consolidated Net Financial Position is detailed as follows:

31/12/2009	(THOUSAND EURO)	30/06/2010	30/06/2009
<b>58,381</b>	<b>CURRENT FINANCIAL ASSETS</b>	<b>58,411</b>	<b>81,602</b>
–	PARENT COMPANIES	–	–
–	GROUP COMPANIES	–	–
17	THIRD PARTIES	–	–
53,995	CASH AND CASH EQUIVALENTS	54,152	77,199
4,170	CASH AND CASH EQUIVALENTS UNDER LIEN	4,170	4,170
199	RECEIVABLES FROM DERIVATIVE INSTRUMENTS	89	233
<b>(60,022)</b>	<b>CURRENT FINANCIAL LIABILITIES</b>	<b>(54,334)</b>	<b>(68,960)</b>
(237)	PARENT COMPANIES	(489)	(232)
(240)	ASSOCIATE COMPANIES	–	–
(54,183)	THIRD PARTIES	(47,067)	(63,262)
(5,362)	DERIVATIVE INSTRUMENTS	(6,778)	(5,466)
<b>(1,641)</b>	<b>CURRENT FINANCIAL POSITION</b>	<b>4,077</b>	<b>12,642</b>
–	<b>NON-CURRENT FINANCIAL ASSETS</b>	–	<b>1,342</b>
–	ASSOCIATE COMPANIES	–	824
–	THIRD PARTIES	–	518
<b>(289,396)</b>	<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>(351,206)</b>	<b>(258,054)</b>
(118,802)	PARENT COMPANIES	(174,393)	(76,638)
–	GROUP COMPANIES	–	–
(169,647)	THIRD PARTIES	(175,958)	(180,381)
(947)	OTHER LENDERS	(855)	(1,035)
–	DERIVATIVE INSTRUMENTS	–	–
<b>(289,396)</b>	<b>NON-CURRENT NET FINANCIAL POSITION</b>	<b>(351,206)</b>	<b>(256,712)</b>
<b>(291,037)</b>	<b>NET FINANCIAL POSITION</b>	<b>(347,129)</b>	<b>(244,070)</b>

At 30 June 2009, the consolidated net financial position featured a net debt of Euro 347.1 million, with an increase of Euro 56.1 million compared to the net debt at 31 December 2009. The growth in net debt is the net combined effect of, on the one hand, the financial settlement of investments carried out during the close of the 2009 accounting period and investments made in 1H10 and, on the other, the amount received on 30 June 2010 in connection with the GSE's repurchase of green certificates pertaining to 2009 as per Ministerial Decree dated 18 December 2008.

**Current financial assets**, amounting to Euro 58.4 million, concerned above all cash and cash equivalents of Euro 58.3 million, including Euro 54.2 million primarily connected with the wind business, the availability of which was therefore restricted under project financings and Euro 4.2 million restricted as collateral for the issue of suretyships.

**Current financial liabilities**, amounting to Euro 54.3 million, mainly comprised:

- Non-captive financial payables of Euro 47.1 million, of which Euro 23.3 million as short-term portion of the non-recourse debt relating to the wind business project financing, Euro 9.2 million as short-term portion of two medium/long-term credit lines pertaining to the parent company ERG Renew and Euro 14.5 million in current account overdrafts;
- Derivatives payable of Euro 6.8 million primarily concerning the derivative instruments entered into up by the wind companies to cover the interest-rate risk on project financings and, secondly, the put option of Euro 1.8 million granted to Gepafin S.p.A. in October 2003 on its 0.27% stake in Ansaldo Fuel Cells S.p.A., in respect of which the exercise deadline of 29 January 2009 was punctually met. Moreover, by way of information, we point out that ERG Renew considers the option right to be non-existent and has notified the counterparty of its objection to the exercise.

**Non-current financial liabilities**, amounting to Euro 351.1 million, mainly comprised:

- Euro 174.4 million as balance utilised under the credit line made available by ERG S.p.A. from February 2009, up to the amount of Euro 231 million, in order, firstly, to bring back under ERG Renew the outstanding debt of some of the former ERG Power & Gas subsidiaries vis-à-vis the latter; secondly, to provide financial support for the investments carried out by ERG Renew during 2009 and in 1H10; lastly, to cover the funding requirements arising from ERG Renew's ordinary and current operations;
- Euro 176 million, including Euro 151.8 million as medium/long-term portion of the non-recourse debt relating to the wind business project financing and Euro 24.1 million as medium/long-term portion of two credit lines pertaining to the parent company ERG Renew.

# EVENTS AFTER END OF REPORTING PERIOD

## WIND - ITALY

On **23 JULY**, following the resolution adopted by ERG Renew's Board of Directors on 22 June, ERG Eolica Italia, subholding company for the wind business in Italy, completed the closing for the acquisition of 100% of the share capital of IVPC Power 5 Srl, owner of 2 wind farms, one in Molise (40 MW) commercially operational since January 2010 and one in Puglia (62 MW) which started commercial operation during the month of June 2010, with an overall installed capacity of 102 MW. On the same date, the Quotaholders' Meeting of the new investee company changed the company's name to ERG Eolica Adriatica and moved its registered office to Genoa. The acquisition was financially possible due to the backing provided by the parent company ERG S.p.A., the latter having increased the credit line in favour of ERG Renew from the original amount of Euro 231 million to Euro 311 million, applying to such extension a different pricing and expiry date, also subordinating same in case of insolvency to the prior satisfaction of third-party lenders.

For further considerations, reference should be made to the Information Document drawn up in accordance with Articles 71 and 71-bis of the Regulations adopted by way of CONSOB resolution 11971 dated 24 May 1999, as subsequently amended and supplemented, filed on 28 July 2010 and published by Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the company's website [www.ergrenew.it](http://www.ergrenew.it).

On **26 JULY 2010**, the areas where 4 of the 20 wind turbines which are to make up the Ginestra wind farm, currently under construction, are being installed have been placed under preventive sequestration by the Benevento Judicial Authority. The order refers to alleged environmental torts arising from the execution of works in woodland, in the claimed absence of authorisation. Again in this case, the Company, considering its actions to be entirely correct, has requested and obtained for 20 September next the hearing to re-examine the order. Moreover, we report that the above areas were already concerned with a regional temporary suspension order regarding the Single Authorisation which, following the appeal to the Campania Regional Administrative Tribunal (TAR), was provisionally suspended.

## HYDROELECTRIC POWER PLANTS

On **30 JULY**, following the agreement signed on 30 June with a leading sector operator concerning the sale of the equity investments held in Ecopower Srl and I.S.E.A. Srl, ERG Renew completed the closing for the sale of the investment in I.S.E.A. Srl. The sale of the investment in Ecopower had already been completed on 30 June, at the time of signing the agreement. As a result of this last action, the Company has fulfilled its anticipated and previously announced disposal of the hydroelectric power plant business, which is no longer considered core.

## PHOTOVOLTAICS

On **23 JULY** ERG Renew increased, from 12.4% to 24.7%, its stake in the Dyepower Consortium, set up to perform research and development activities in the field of so-called organic photovoltaics.

## HOLDING DIVISION

On **12 JULY** it was announced that ERG Renew and Lukoil had signed a Memorandum of Understanding with a view to setting the basic terms and conditions for a cooperation in the market of renewable energy sources, particularly in the wind energy sector. Above all, the two companies will be evaluating business opportunities in the Eastern European countries and Russia.

On **16 JULY** an agreement was finalised with ACEA S.p.A. for the repurchase of past due trade receivables claimed by TAD Energia Ambiente and its subsidiaries vis-à-vis third parties. This was in compliance with the agreement signed in May 2006 which provided for all trade receivables past due as at 31 December 2005 and not paid during the 24 months following the date of the closing (4 July 2006) to be repurchased by ERG Renew. We report that, in respect of these receivables, which amount to approximately Euro 8 million, as from the 2006 financial year the Company set up a provision for liabilities which currently stands at around Euro 5.5 million; the Company considers there is reasonable certainty that the net amount will be received. Moreover, ACEA has recognised a tax earn-out in favour of ERG Renew, accrued as contractually envisaged up to 31 December 2008 and amounting to Euro 1.6 million.

## BUSINESS OUTLOOK

ERG Renew will continue to carry out the actions required to implement the new 2010-2013 business plan approved by the Board of Directors Meeting on 2 March 2010. Whilst, on the one hand, the Plan provides for investments totalling Euro 254 million and an installed capacity of 428 MW by the end of 2013, of which 199.3 MW already installed, on the other, it is worth remembering that, as already pointed out on several occasions, following the acquisition of a new investee company owner of two wind farms with overall 102 MW in operation, the anticipated installed capacity at the end of 2013 amounts to 530 MW.

Investments in 2010, totalling Euro 121 million, are financed through bank borrowing and backing from the parent company ERG S.p.A.; in January 2010, the latter formally renewed its commitment to support ERG Renew also as regards its investments planned during 2010 up to the overall amount of Euro 169 million, increasing the credit line set up in 2009 from the original amount of Euro 140 million to Euro 231 million. It is worth remembering that in June 2010 this credit line was further increased to Euro 311 million in order to support the Company's acquisition of the two above mentioned wind farms, which have a total capacity of 102 MW; this extension features a different pricing and expiry date, and is also subordinated in case of insolvency to the prior satisfaction of third-party lenders.

### WIND - ITALY

Construction of the Ginestra wind farm (40 MW) will be completed between the end of the current 2010 financial year and the first quarter of 2011.

Construction of the Fossa del Lupo wind farm (90 MW) is proceeding behind schedule, with a delay that is expected to be reabsorbed by the close of the current year.

Output pertaining to the San Vincenzo, San Cireo and Faeto wind farms may be penalised, in any case in line with the restrictions suffered during the first half of 2010, by a possible continuation of the congestion on the National Transmission Grid in Puglia. To a marginal extent, the phenomenon could also affect the Vicari wind farm, in Sicily.

## WIND - FRANCE

Authorisation for the construction of the Greneville wind farm, which was originally expected by the first few months of the current 2010 financial year, is considered obtainable by the coming month of December.

## PHOTOVOLTAICS

The new generation solar power (so-called organic photovoltaics) research and development operation, in partnership with Permasteelisa, Dyesol and some Italian universities, will continue its research activity. More specifically, activities to prepare for planning the pilot line have been completed, with a view to proceeding to the realisation phase during the first half of 2011.

During the second half of 2010 construction work will continue at the ISAB Energy industrial site in Priolo Gargallo (Syracuse) on the approximately 1 MW photovoltaic plant, which is expected to come on stream between the end of the current 2010 financial year and the first quarter of 2011.

## WATER SERVICES

As already mentioned, the companies SODAI Italia and DSI, which are no longer considered 'core', will be sold during the current financial year.

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

# ONGOING RISKS AND DISPUTES

ERG Renew is a party to civil and administrative proceedings and legal actions in connection with its normal course of business. However, on the basis of information currently available and considering the risk provisions that have been appropriated, such proceedings and actions are not expected to give rise to significant negative effects on the condensed consolidated half-year financial statements.

# CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT 30 JUNE 2010

*Translated from the original version issued in Italian.*

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

(THOUSAND EURO)	NOTES	30/06/2010	31/12/2009	30/06/2009
PROPERTY, PLANT AND EQUIPMENT	1	347,136	325,541	265,340
INTANGIBLE FIXED ASSETS	2	70,055	74,405	89,921
OTHER EQUITY INVESTMENTS	3	1,791	1,962	5,053
FINANCIAL ASSETS		725	622	518
OTHER RECEIVABLES	4	11,233	9,248	9,438
TAX ASSETS	5	8,997	14,032	14,192
DEFERRED TAX ASSETS	6	20,962	13,773	12,492
<b>NON-CURRENT ASSETS</b>		<b>460,899</b>	<b>439,583</b>	<b>396,954</b>
TRADE RECEIVABLES	7	16,016	11,048	8,399
OTHER RECEIVABLES	8	21,969	28,655	18,734
TAX ASSETS	5	9,124	5,506	1,821
AVAILABLE-FOR-SALE EQUITY INVESTMENTS		2	2	2
RECEIVABLES FROM DERIVATIVES	13	89	199	233
CASH AND CASH EQUIVALENTS	13	58,237	58,165	81,369
<b>CURRENT ASSETS</b>		<b>105,437</b>	<b>103,575</b>	<b>110,558</b>
<b>ASSETS HELD FOR SALE</b>	9	<b>4,615</b>	-	-
<b>TOTAL ASSETS</b>		<b>570,951</b>	<b>543,158</b>	<b>507,512</b>
GROUP SHAREHOLDERS' EQUITY		111,455	106,823	128,627
MINORITY INTERESTS		566	435	387
<b>SHAREHOLDERS' EQUITY</b>		<b>112,021</b>	<b>107,258</b>	<b>129,014</b>
STAFF LEAVING INDEMNITIES		524	489	425
PROVISIONS FOR LIABILITIES AND CHARGES	10	7,448	7,930	6,738
FINANCIAL PAYABLES NET OF CURRENT PORTION	13	175,958	170,594	181,416
FINANCIAL PAYABLES DUE TO PARENT COMPANIES NET OF CURRENT PORTION	11	174,393	118,802	76,398
OTHER PAYABLES		4,276	4,495	2,390
DEFERRED TAX LIABILITIES	6	15,893	16,268	16,615
<b>NON-CURRENT LIABILITIES</b>		<b>378,492</b>	<b>318,578</b>	<b>283,982</b>
FINANCIAL PAYABLES - CURRENT PORTION	13	47,375	54,660	63,734
PAYABLES FROM DERIVATIVES	13	6,778	5,362	5,466
TRADE PAYABLES	12	19,552	52,430	20,779
OTHER PAYABLES		4,574	4,236	3,753
TAX LIABILITIES		1,080	634	784
<b>CURRENT LIABILITIES</b>		<b>79,359</b>	<b>117,322</b>	<b>94,516</b>
<b>LIABILITIES HELD FOR SALE</b>	9	<b>1,079</b>	-	-
<b>TOTAL LIABILITIES</b>		<b>570,951</b>	<b>543,158</b>	<b>507,512</b>

Translated from the original version issued in Italian.

# ERG RENEW S.P.A. CONSOLIDATED INCOME STATEMENT

(THOUSAND EURO)	NOTES	1H 2010	1H 2009	FY 2009
OPERATING REVENUES	14	29,316	23,021	49,915
OTHER REVENUES AND INCOME	14	1,673	1,783	4,560
<b>PRODUCTION VALUE</b>		<b>30,989</b>	<b>24,804</b>	<b>54,475</b>
<b>PRODUCTION COSTS</b>				
RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS FOR RESALE		(285)	(265)	(591)
SERVICES	15	(11,269)	(11,183)	(21,772)
PERSONNEL EXPENSES	16	(2,722)	(3,090)	(5,891)
OTHER OPERATING EXPENSES	17	(1,625)	(1,264)	(3,203)
AMORTISATION AND DEPRECIATION	18	(11,930)	(9,810)	(22,784)
WRITE-DOWNS AND PROVISIONS		–	–	(13,121)
<b>EBIT</b>		<b>3,158</b>	<b>(808)</b>	<b>(12,887)</b>
NET FINANCIAL INCOME AND EXPENSES	19	(4,793)	(5,803)	(11,292)
INCOME (LOSS) FROM EQUITY INVESTMENTS	20	(314)	(386)	(3,876)
<b>PROFIT BEFORE TAXES</b>		<b>(1,949)</b>	<b>(6,997)</b>	<b>(28,055)</b>
INCOME TAXES	6	6,748	1,371	2,470
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>4,799</b>	<b>(5,626)</b>	<b>(25,585)</b>
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	21	898	(208)	(2,181)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>5,697</b>	<b>(5,834)</b>	<b>(27,766)</b>
MINORITY INTERESTS		(87)	(146)	(186)
<b>GROUP NET PROFIT (LOSS)</b>		<b>5,610</b>	<b>(5,980)</b>	<b>(27,952)</b>
<b>EARNINGS PER SHARE</b>				
NOT DILUTED		0.042	(0.057)	(0.211)

Translated from the original version issued in Italian.

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

(THOUSAND EURO)	1H 2010	1H 2009	FY 2009
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>5,697</b>	<b>(5,834)</b>	<b>(27,766)</b>
CHANGES IN CASH FLOW HEDGE RESERVE	(1,375)	(427)	(249)
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME COMPONENTS	441	145	75
<b>OTHER COMPONENTS OF COMPREHENSIVE NET PROFIT (LOSS)</b>	<b>(934)</b>	<b>(282)</b>	<b>(174)</b>
<b>COMPREHENSIVE NET PROFIT (LOSS)</b>	<b>4,763</b>	<b>(6,116)</b>	<b>(27,940)</b>
MINORITY INTERESTS	(87)	(146)	(186)
<b>GROUP COMPREHENSIVE NET PROFIT (LOSS)</b>	<b>4,676</b>	<b>(6,262)</b>	<b>(28,126)</b>

Translated from the original version issued in Italian.

# 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
<b>BALANCE AT 31/12/2008</b>	<b>132,667</b>	<b>1,388</b>	<b>25,100</b>	<b>(24,410)</b>	<b>134,745</b>	<b>239</b>	<b>134,984</b>
ALLOCATION OF 2008 PROFIT (LOSS)	-	-	(24,410)	24,410	-	-	-
PERSONNEL EXPENSES FOR INCENTIVE PLAN	-	-	144	-	144	-	144
OTHER CHANGES	-	-	-	-	-	2	2
2009 FIRST-HALF PROFIT (LOSS)	-	-	-	(5,980)	(5,980)	146	(5,834)
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	-	-	(282)	-	(282)	-	(282)
COMPREHENSIVE NET PROFIT (LOSS)	-	-	(282)	(5,980)	(6,262)	146	(6,116)
<b>BALANCE AT 30/06/2009</b>	<b>132,667</b>	<b>1,388</b>	<b>552</b>	<b>(5,980)</b>	<b>128,627</b>	<b>387</b>	<b>129,014</b>
<b>BALANCE AT 31/12/2009</b>	<b>132,667</b>	<b>1,388</b>	<b>720</b>	<b>(27,952)</b>	<b>106,823</b>	<b>435</b>	<b>107,258</b>
ALLOCATION OF 2009 PROFIT (LOSS)	-	-	(27,952)	27,952	-	-	-
PERSONNEL EXPENSES FOR INCENTIVE PLAN	-	-	-	-	-	-	-
OTHER CHANGES	-	-	(44)	-	(44)	(44)	-
2010 FIRST-HALF PROFIT (LOSS)	-	-	-	5,610	5,610	87	5,697
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	-	-	(934)	-	(934)	-	(934)
COMPREHENSIVE NET PROFIT (LOSS)	-	-	(934)	(5,610)	4,676	87	4,763
<b>BALANCE AT 30/06/2010</b>	<b>132,667</b>	<b>1,388</b>	<b>(27,232)</b>	<b>(5,610)</b>	<b>111,455</b>	<b>566</b>	<b>112,021</b>

Translated from the original version issued in Italian.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(THOUSAND EURO)	NOTES	30/06/2010	30/06/2009
<b>OPERATING ACTIVITIES</b>			
EBIT		3,158	(808)
ADJUSTMENTS FOR :			
DEPRECIATION OF TANGIBLE FIXED ASSETS	18	10,584	8,575
WRITE-DOWN OF TANGIBLE FIXED ASSETS		-	36
WRITE-DOWN OF EQUITY INVESTMENTS AND RECEIVABLES		-	386
AMORTISATION OF INTANGIBLE FIXED ASSETS	18	1,346	1,235
CAPITAL (GAIN)/LOSS ON SALE OF FIXED ASSETS		(5)	-
PROVISIONS FOR STAFF INCENTIVE PLANS		-	144
PROVISIONS		(441)	602
EFFECT OF DISCONTINUED OPERATIONS	21	680	208
<b>TOTAL ADJUSTMENTS</b>		<b>12,164</b>	<b>11,186</b>
CHANGES IN WORKING CAPITAL			
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES		(2,608)	20,593
DECREASE IN TRADE AND OTHER PAYABLES		(30,766)	(4,904)
<b>TOTAL CHANGE IN WORKING CAPITAL</b>		<b>(33,374)</b>	<b>15,689</b>
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>		<b>(18,052)</b>	<b>26,067</b>
INCOME TAXES PAID			
		-	(32)
INTEREST PAID			
		(2,548)	(5,490)
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>		<b>(20,600)</b>	<b>20,545</b>
<b>INVESTING ACTIVITIES</b>			
INTEREST RECEIVED			
		74	487
DISPOSAL PRICE OF FINANCIAL ASSETS			
		(103)	12,250
SALE OF EQUITY INTERESTS IN SUBSIDIARIES:			
PORTION OF PAYMENT MADE WITH CASH OR CASH EQUIVALENTS			
		200	-
CASH OR CASH EQUIVALENTS OF SOLD EQUITY INTERESTS			
		(13)	-
TOTAL IMPACT OF SALE OF EQUITY INTERESTS IN SUBSIDIARIES			
		187	-
PURCHASE OF EQUITY INTERESTS IN OTHER COMPANIES			
		(143)	(6)
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS			
		(38,960)	(9,846)
PROCEEDS FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS			
		4,542	25
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(34,403)</b>	<b>2,910</b>
<b>FINANCING ACTIVITIES</b>			
REPAYMENT OF LOANS			
		(17,789)	(9,354)
REPAYMENT OF LOANS RECEIVED FROM AFFILIATED COMPANIES			
		-	(64,581)
REPAYMENT OF LOANS GRANTED TO SUBSIDIARIES			
		399	-
NEW LOANS RECEIVED			
		5,751	26,686
NEW LOANS FROM PARENT COMPANIES			
		55,591	76,398
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>43,952</b>	<b>29,149</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(11,051)</b>	<b>52,604</b>
<b>CASH AND CASH EQUIVALENTS/(NET FINANCIAL DEBT) AT THE BEGINNING OF THE PERIOD</b>		<b>54,841</b>	<b>13,676</b>
<b>CASH AND CASH EQUIVALENTS/(NET FINANCIAL DEBT) AT THE END OF THE PERIOD</b>		<b>43,790</b>	<b>66,280</b>
COMPRISING			
BANK AND POSTAL ACCOUNTS			
		57,692	81,362
CASH AND NOTES ON HAND			
		630	7
BANK OVERDRAFTS			
		(14,532)	(15,089)
OF WHICH RESTRICTED CASH AND CASH EQUIVALENTS		4,170	4,170

Translated from the original version issued in Italian.

# EXPLANATORY NOTES TO CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

## GENERAL

ERG Renew S.p.A. (the Company) is a joint stock company incorporated in Italy at the Milan Companies' Register and is listed on the Milan electronic share market. As described in the "Business Description" section of the Interim Report on Operations for the half year, the Group is active in the sector of electricity generation using renewable sources and in water services, and is launching operations in the photovoltaics sector; the parent company also provides corporate services to affiliated companies and to the holding company.

These condensed half-year consolidated financial statements at 30 June 2009 have been prepared pursuant to Article 154-ter of the Consolidated Law on Finance as amended by Legislative Decree no. 195 of 6 November 2007, which incorporated EU Directive 2004/109/EC (also called the "Transparency Directive") and with a view to providing information on the Company's financial position and economic results. They have been drawn up in compliance with international standards (IASs/IFRSs) and, in particular, with IAS 34, as better detailed in the following section "Accounting standards and policies and use of estimates".

## ACCOUNTING STANDARDS AND POLICIES AND USE OF ESTIMATES

Accounting standards and policies and the use of estimates have not changed with respect to those adopted for the preparation of the consolidated financial statements at 31 December 2009, to which reference should be made for a detailed statement of such standards.

It should also be noted that the preparation of interim financial statements requires management to make estimates and assumptions that affect the values of revenues, costs, and assets and liabilities shown in the half-year report and the information provided concerning potential assets and liabilities as at 30 June 2010. If in future these estimates and assumptions, which are based on Management's best current evaluation, should differ from actual circumstances, they will be appropriately modified in the period in which the circumstances change.

Moreover, it should be noted that some assessment processes – in particular the more complex ones, such as the calculation of potential impairments of non-current assets – are generally performed in full only during the preparation of annual financial statements, when any and all necessary information is available, except in cases where impairment indicators suggest the need for an immediate assessment of possible impairments.

With reference to the estimation of credit recovery risk and the risk of contingent liabilities from litigation, the Directors – as was the case during the preparation of the annual consolidated financial statements – rely on the communications received concerning the progress of recovery procedures and litigation provided by the legal advisors who represent the Group in the disputes. These estimates are determined taking into account the progressive evolution of the disputes, and in consideration of minimum thresholds payable.

As regards the estimation process for calculating the unitary value of green certificates introduced by the new regulations enacted in December 2008, the Directors based this on actual trading data in the first half of the year (in terms of the volumes and prices traded) and on trading expectations for the second half (with special reference to the volumes traded), which are therefore subject to the uncertainty typical of any future event.

*Translated from the original version issued in Italian.*

Article 45 of Decree Law no. 78 of 31 May 2010 (so-called 2010 Financial Manoeuvre) envisaged the suppression of the GSE's obligation to purchase the Green Certificates that are not sold by the expiry of their three-year validity. The parliamentary procedure for the conversion into law of Legislative Decree 78/2010 has successfully surpassed the stage of approval by both the Senate and the Chamber with an amendment providing for reintroduction of the GSE's obligation to repurchase the unsold Green Certificates starting from the 2011 competence period, on or before the expiry of the normal three-year validity of such certificates (2014), at the average price recorded in the year prior to that of expiry (2013). All this is subject to a commitment on the part of the GSE to reduce by 30%, already starting from 2011, the overall economic burden arising from the purchase of the Green Certificates and requiring the GSE to achieve at least 80% of the said objective by decreasing the volumes of unsold Green Certificates. In order to provide the GSE with suitable levers for achieving the foregoing, the Ministry for Economic Development is required to issue no later than 31 December 2010 an appropriate decree setting out the operating procedures for the GSE.

In this context, which subordinates the definition of operating procedures for the purchase and valuation of green certificates on the part of the GSE – on which the effects on the profitability of wind investments and the recoverability of their carrying value under balance sheet assets depends – to the aforesaid enactment by 31 December 2010 of the Decree of the Ministry of Economic Development, it is not currently considered possible or necessary to develop impairment tests for the tangible and intangible wind assets that might take account of any impact expected from the aforesaid regulatory trend. The Directors will monitor the regulatory trend so as to be able to promptly identify the moment in which to develop impairment tests based on reasonably supportable assumptions.

## **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2010.**

### ● IFRS 3 – Business combinations

The new IFRS 3 rules establish, inter alia, the recognition in the income statement of transaction costs associated with business combinations, the recognition in the income statement of changes in potential payments (so-called Contingent consideration), as well as the option to recognise the full amount of goodwill arising from the transaction, therefore also considering the portion attributable to minority interests (so-called full goodwill method). The new rules also modify the present criterion as regards the recognition of acquisitions in successive stages, providing for the difference between fair value as at the date of acquiring the control of net assets previously held and the related carrying value to be charged to the income statement.

### ● IAS 27 – Consolidated and separate financial statements

The new version of IAS 27 provides for, inter alia, the effects arising from the acquisition (sale) of investment quotas following the assumption of control (without forfeiting control) to be recognised in equity. Moreover, the new provisions establish that in case of sale of part of the investment quotas held with corresponding loss of control, the investment maintained is adjusted to the related fair value and the revaluation forms part of the capital gain (capital loss) arising from the sale transaction.

Lastly, the amendment to IAS 27 requires all losses attributable to minority shareholders to be allocated to minority interests, even if they exceed their share of the investee's capital. The new rules are prospectively applied as from 1 January 2010.

### ● IFRS 5 – Non-current assets held for sale and discontinued operations

If a company is engaged in a disposal plan that involves the loss of control of an investee company, all assets and liabilities of the subsidiary must be reclassified as assets held for sale, even if after the sale the company will continue to maintain a minority stake in the subsidiary. The amendment is prospectively applied as from 1 January 2010.

- **IFRS 8 – Operating segments**

This amendment, applicable as from 1 January 2010, requires companies to provide the total value of assets for each segment subject to disclosure, wherever such value is periodically reported to the entity's chief operating decision-maker. This information was previously required even without such stipulation.

- **IAS 36 – Impairment of assets**

This amendment, prospectively applicable as from 1 January 2010, requires the size of each operating unit or group of operating units over which the goodwill is allocated for impairment test purposes not to exceed an operating segment as defined in paragraph 5 of IFRS 8, prior to the combination permitted under paragraph 12 of the said IFRS on the basis of analogous economic characteristics or other elements of similarity.

## **AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED BY THE GROUP IN ADVANCE**

On 6 May 2010 the IASB issued the latest series of "Improvements to IFRS" relating to the period 2008-2010, intended to introduce minor amendments to prevailing accounting standards. Amendments which may have an impact on the Group concern the following:

- **fair value measurement of minority interests in the case of business combinations:** at the present time, in accordance with the new IFRS 3, the possibility exists to measure all components of minority interests at fair value or in proportion to the minority interest's quota of the acquiree's identifiable net assets. This option has been limited to just the components representing instruments that normally assign to minority shareholders rights equal to ordinary shares and in particular to obtain a proportionate share of net assets in case of liquidation. All other components relating to minority interests (such as, for example, preference shares or warrants issued by the acquired company in favour of third parties) should, on a compulsory basis, be measured at fair value, subject to any different measurement criterion prescribed by IFRSs;
- **stock option plans acquired or voluntarily replaced following business combinations:** this document explains that the stock option plans acquired as a result of a business combination must be (re)valued as at the date of acquisition in accordance with IFRS 2. It is also specified that the current requisite of IFRS 2 requiring the acquired stock option plan valuation following a business combination to be allocated between the amount of the acquisition cost and the amount of the future services to be rendered applies to all allotments regardless of whether or not they are voluntarily replaced as a result of the combination;
- **significant events and transactions to be indicated in the interim report drawn up in accordance with IAS 34:** emphasis is given to the standard according to which information concerning significant events and transactions to be indicated in the interim report must appear as an update with respect to the corresponding information contained in the annual financial report; moreover, indication is given of the circumstances where it is compulsory to provide in the interim report information regarding financial instruments and their fair value.

The amendments are expected to be effective for financial years starting from 1 January 2011.

## NON-RECURRING EVENTS AND OPERATIONS

1H10 featured the non-recurring event analysed in these explanatory notes, the effects of which on the condensed half-year consolidated financial statements are shown below:

DESCRIPTION	SHAREHOLDERS' EQUITY		RESULT		DEBT	CASH FLOWS
	AMOUNT	%	AMOUNT	%	AMOUNT	AMOUNT
<b>VALUE IN FINANCIAL STATEMENTS</b>	<b>112,021</b>	<b>100</b>	<b>5,610</b>	<b>100</b>	<b>(347,129)</b>	<b>(11,051)</b>
ACEA SALE EARN-OUT	1,617	1.4	1,617	28.8	-	-
<b>TOTAL NON-RECURRING OPERATIONS</b>	<b>1,617</b>	<b>1.4</b>	<b>1,617</b>	<b>28.8</b>	<b>-</b>	<b>-</b>
FISCAL EFFECT	508		508			
<b>GROSS NOTIONAL VALUE IN FINANCIAL STATEMENTS</b>	<b>110,912</b>		<b>4,501</b>		<b>(347,129)</b>	<b>(11,051)</b>

The nature of the transaction referred to above is described in Note 21 "Net profit (loss) from discontinued operations".

## EXTRAORDINARY TRANSACTIONS

During the months of June and July 2010 the Group sold its entire equity investment in the mini-hydro sector companies to Scotta Energia Automazione S.r.l., which operates in the field of renewable energy sources, with particular regard to hydroelectric power.

This sale was carried out as provided in the 2010-2013 Business Plan, which identified the aforesaid sector as being non-core. In particular, the following companies were sold:

- Ecopower S.r.l. wholly-owned by ERG Renew S.p.A.
- I.S.E.A. S.r.l. in which ERG Renew S.p.A. held an equity interest of 90%

The sale price paid to ERG Renew S.p.A. for the quotas held in Ecopower S.r.l. amounted to Euro 200 thousand, plus payment for financial receivables claimed by ERG Renew S.p.A., at the time of sale, vis-à-vis its subsidiary. The aforesaid amount was paid by bank transfer on 30 June 2010. The net capital gain realised as a result of the above mentioned sale is described in Note 21 "Net profit (loss) from discontinued operations".

The sale price paid to ERG Renew S.p.A. for the quotas held in I.S.E.A. S.r.l. amounted to Euro 2,350 thousand, plus payment for financial receivables claimed by ERG Renew S.p.A., at the time of sale, vis-à-vis its subsidiary. The aforesaid amount was paid by bank transfer on 30 July 2010.

The assets and liabilities pertaining to I.S.E.A. S.r.l., which were sold subsequent to the close of this Half-Year Financial Report, in accordance with IFRS 5 are shown under the items "Assets held for sale" and "Liabilities held for sale" and described in detail in the corresponding Note 9; moreover, the result for the period pertaining to the said company is shown under "Net profit (loss) from discontinued operations" (Note 21), together with the effect of the write-down to realisation value of the discontinued assets (Euro 456 thousand).

To allow identification of the impact on consolidated assets and liabilities at 30 June 2009 and 31 December 2009 of the assets and liabilities pertaining to I.S.E.A. S.r.l. and Ecopower S.r.l. – since the said companies have not been reclassified under IFRS 5 – the following table

shows the breakdown of the total assets and liabilities of the sold companies I.S.E.A. S.r.l. and ECOPOWER S.r.l. included, respectively, in the Half-Year Financial Report at 30 June 2009 and the Consolidated Annual Financial Statements at 31 December 2009:

	<b>TOTAL 30/06/2009</b>	<b>TOTAL 31/12/2009</b>
TANGIBLE ASSETS	2,168	2,037
INTANGIBLE ASSETS	4,902	3,193
TAX ASSETS	55	–
<b>NON-CURRENT ASSETS</b>	<b>7,125</b>	<b>5,230</b>
TRADE RECEIVABLES	318	144
OTHER RECEIVABLES	42	54
TAX ASSETS	122	188
CASH AND CASH EQUIVALENTS	98	99
<b>CURRENT ASSETS</b>	<b>580</b>	<b>485</b>
<b>TOTAL ASSETS</b>	<b>7,705</b>	<b>5,715</b>
GROUP SHAREHOLDERS' EQUITY	4,952	2,997
MINORITY INTERESTS	(5)	(14)
<b>SHAREHOLDERS' EQUITY</b>	<b>4,947</b>	<b>2,983</b>
PROVISIONS FOR LIABILITIES AND CHARGES	6	6
NON-CURRENT PORTION OF FINANCIAL PAYABLES	1,035	947
<b>NON-CURRENT LIABILITIES</b>	<b>1,041</b>	<b>953</b>
CURRENT PORTION OF FINANCIAL PAYABLES	1,367	1,474
TRADE PAYABLES	292	226
OTHER PAYABLES	58	72
TAX LIABILITIES	–	7
<b>CURRENT LIABILITIES</b>	<b>1,717</b>	<b>1,779</b>
<b>TOTAL LIABILITIES</b>	<b>7,705</b>	<b>5,715</b>

## COMPARABILITY OF FINANCIAL STATEMENTS

For the purpose of comparing the consolidated financial statements at 30 June 2010 with those at 31 December 2009 and 30 June 2009, a reclassification has been made as at 31 December 2009 and 30 June 2009 of the current liability item "Other payables" to the corresponding item of non-current liabilities, in order to show, according to the expiry of same within one year or beyond one year, the deferred income pertaining to the contributions of capital received by Green Vicari S.r.l. and Eolo S.r.l. The reclassifications amount to respectively Euro 4,495 thousand at 31 December 2009 and Euro 2,390 thousand at 30 June 2009 and did not determine any effect on the year's result or on Shareholders' Equity at 31 December 2009 and 30 June 2009 as shown in the Consolidated Annual Financial Statements and in the Half-Year Financial Report approved by the Corporate Bodies.

## MANAGEMENT AND COORDINATION BY ERG S.P.A.

ERG Renew S.p.A. is subject to management and coordination by ERG S.p.A. The key data of the last set of the latter's annual financial statements approved by shareholders are shown below. The data refer to financial statements for the year ended on 31 December 2009 (amounts in thousands of Euro).

(THOUSAND EURO)

NAME OF COMPANY THAT EXERCISES POWERS OF MANAGEMENT AND COORDINATION	ERG S.P.A.
REGISTERED OFFICE	VIA NICOLA PICCININI, 2 - MILANO
BUSINESS SECTOR (SUMMARY)	MANAGEMENT OF EQUITY INVESTMENTS
SHARE CAPITAL	15,032
TOTAL SHAREHOLDERS' EQUITY	869,109
TOTAL ASSETS	1,940,630
NET INCOME FROM EQUITY INVESTMENTS	744,204
OTHER OPERATING INCOME	30,649
NET PROFIT (LOSS)	698,257

## SCOPE OF CONSOLIDATION

The following table shows the Group companies consolidated on a line-by-line basis as at 30 June 2010:

COMPANY	REGISTERED OFFICE	SHARE CAPITAL	% OWNERSHIP	DIRECT PARENT COMPANY
<i>(THOUSAND EURO)</i>				
ERG RENEW S.P.A.	GENOA	132,667	–	CAPOGRUPPO
<i>WIND BUSINESS:</i>				
EOLIENNES DU VENT SOLAIRE	PARIS	37	100.00	ERG EOLIENNE FRANCE S.A.S.
EOLO S.R.L.	FROSINONE	20	51.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA SAN VINCENZO S.R.L.	GENOA	3,500	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA NURRA S.R.L.	GENOA	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA SAN CIREO S.R.L.	GENOA	3,500	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA FAETO S.R.L.	GENOA	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA TURSÌ COLOBRARO S.R.L.	GENOA	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA JOPPOLO S.R.L.	GENOA	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA GINESTRA S.R.L.	GENOA	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA BASILICATA S.R.L.	GENOA	38	98.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA CALABRIA S.R.L.	CATANZARO	10	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	50	100.00	ERG EOLICA ITALIA S.R.L.
ERG EOLICA ITALIA S.R.L.	GENOA	30,000	100.00	ERG RENEW S.P.A.
ERG EOLIENNE FRANCE S.A.S.	PARIS	50	100.00	ERG RENEW S.P.A.
GREEN VICARI S.R.L.	PALERMO	119	100.00	ERG EOLICA ITALIA S.R.L.
PARC EOLIEN DE LIHUS S.A.S.	PARIS	1,114	100.00	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE HETOMESNIL S.A.S.	PARIS	1,114	100.00	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DE LA BRUYÈRE S.A.S.	PARIS	1,060	100.00	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN DU CARREAU S.A.S.	PARIS	861	100.00	ERG EOLIENNE FRANCE S.A.S.
PARC EOLIEN LES MARDEAUX S.A.S.	PARIS	1,097	100.00	ERG EOLIENNE FRANCE S.A.S.
<i>MINI-HYDRO BUSINESS:</i>				
I.S.E.A. S.R.L.	GENOA	51	90.00	ERG RENEW S.P.A.
<i>WATER SERVICES BUSINESS:</i>				
DSI SERVIZI INDUSTRIALI S.R.L.	FROSINONE	100	100.00	ERG RENEW S.P.A.
SODAI ITALIA S.P.A.	MILAN	15,615	100.00	ERG RENEW S.P.A.
<i>PHOTOVOLTAICS BUSINESS:</i>				
ERG SOLARE ITALIA S.R.L.	GENOA	120	100.00	ERG RENEW S.P.A.

The scope of consolidation at 30 June 2010 has changed with respect to 31 December 2009 following the sale of investee company Ecopower S.r.l., active in the mini-hydro business, which took place on 30 June 2010, as described in the above section “Extraordinary transactions”.

We also report that the company Energie Pulite S.r.l., as from 29 June 2010, has changed its name to ERG Solare Italia S.r.l. The aforesaid company is now the subholding company for the ERG Renew Group photovoltaics business and the investee companies operating in the sector in question will subsequently be transferred under same.

# ANALYSIS OF SIGNIFICANT BALANCE SHEET CHANGES

While for the content of balance sheet items reference should be made to the explanatory notes to consolidated annual financial statements as at 31 December 2009, below – as envisaged by IAS 34 – we comment on the nature of the main changes occurring in 1H10.

## 1. PROPERTY PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, of the relative depreciation provisions, and of changes in same during 1H10, is shown in the following table:

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>HISTORICAL COST</b>	<b>33,344</b>	<b>232,824</b>	<b>3,084</b>	<b>117,712</b>	<b>386,964</b>
DEPRECIATION AND WRITE-DOWNS	(3,668)	(55,002)	(1,521)	(1,232)	(61,423)
<b>BALANCE AT 31/12/2009</b>	<b>29,676</b>	<b>177,822</b>	<b>1,563</b>	<b>116,480</b>	<b>325,541</b>
<b>ASSETS HELD FOR SALE</b>	<b>-</b>	<b>(863)</b>	<b>(804)</b>	<b>(19)</b>	<b>(1,686)</b>
<b>MOVEMENTS DURING THE PERIOD:</b>					
ACQUISITIONS	176	1,182	92	37,280	38,730
CAPITALISATIONS/RECLASSIFICATIONS	1,197	8,072	67	(9,336)	-
CHANGE IN SCOPE OF CONSOLIDATION	-	(33)	(2)	(127)	(162)
DISPOSALS AND DIVESTMENTS	(2)	(37)	(7)	(4,450)	(4,496)
DEPRECIATION AND WRITE-DOWNS	(782)	(9,689)	(113)	-	(10,584)
IMPACT OF DISCONTINUED OPERATIONS	-	(132)	(75)	-	(207)
<b>HISTORICAL COST</b>	<b>34,715</b>	<b>241,013</b>	<b>2,355</b>	<b>141,060</b>	<b>419,143</b>
DEPRECIATION AND WRITE-DOWNS	(4,450)	(64,691)	(1,634)	(1,232)	(72,007)
<b>BALANCE AT 30/06/2010</b>	<b>30,265</b>	<b>176,322</b>	<b>721</b>	<b>139,828</b>	<b>347,136</b>

“Assets held for sale” include the assets pertaining to subsidiary I.S.E.A. S.r.l. as at 30 June 2010 reclassified under the corresponding Balance Sheet item following the sale described in the above section “Extraordinary transactions”.

The item acquisitions refers almost entirely to the wind business with the exception of Euro 234 thousand pertaining to the water services business.

More specifically, the investments relating to the wind business mainly concerned the following companies:

- ERG Eolica Ginestra S.r.l. (17,748 thousand Euro);
- ERG Eolica Fossa del Lupo S.r.l. (19,419 thousand Euro);
- Eoliennes du Vent Solaire S.a.s. (1,070 thousand Euro).

The item “Change in scope of consolidation” refers to the assets of the company Ecopower S.r.l. sold during 1H10 as described in the above section “Extraordinary transactions”.

The item “Disposals and divestments” concerns above all the sale to Terna, at carrying value, of Eolica Faeto S.r.l.’s electric substation, as per the agreement signed on 26 May 2010, based on which the assets concerned with sale were destined to become an integral part of the National Electricity Grid.

Depreciation during the period was calculated using the same estimates of residual useful life used to draw up the consolidated financial statements at 31 December 2009.

At 30 June 2010 the net book value of Tangible assets includes that of assets pledged as collateral to third parties (Euro 190,072 thousand) in connection with project financing contracts agreed by Group companies operating in the wind sector.

Lastly, the Group checks tangible assets' recoverability at least once a year, when the consolidated financial statements are prepared. While referring readers to the section "Accounting standards and policies and use of estimates" for considerations concerning the recoverability of tangible assets' carrying value based on the regulatory trend introduced by way of the amendment to Article 45 of Decree Law 78 of 31 May 2010 (so-called 2010 Financial Manoeuvre), we confirm that no specific indicators activating the impairment process emerged during 1H10.

We also report that assets under construction include 15 wind turbines owned by the company Fossa del Lupo S.r.l. currently under construction and located at the relative production site.

## 2. INTANGIBLE FIXED ASSETS

The breakdown of intangible assets, of the relative amortisation provisions, and of changes in same during 1H10, is shown in the following table:

	CONCESSIONS LICENCES AND TRADEMARKS	GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS IN PROGRESS	TOTAL
<b>HISTORICAL COST</b>	<b>63,555</b>	<b>18,030</b>	<b>5,875</b>	<b>13,268</b>	<b>100,728</b>
AMORTISATION AND WRITE-DOWNS	(5,092)	(14,206)	(738)	(6,287)	(26,323)
<b>BALANCE AT 31/12/2009</b>	<b>58,463</b>	<b>3,824</b>	<b>5,137</b>	<b>6,981</b>	<b>74,405</b>
<b>ASSETS HELD FOR SALE</b>	<b>-</b>	<b>(2,490)</b>	<b>-</b>	<b>-</b>	<b>(2,490)</b>
<b>MOVEMENTS DURING THE PERIOD:</b>					
ACQUISITIONS	-	-	15	215	230
CAPITALISATION/RECLASSIFICATIONS	600	-	96	(696)	-
CHANGE IN SCOPE OF CONSOLIDATION	-	-	(248)	-	(248)
DISPOSALS AND DIVESTMENTS	-	-	-	(40)	(40)
AMORTISATION AND WRITE-DOWNS	(1,245)	-	(101)	-	(1,346)
IMPACT OF DISCONTINUED OPERATIONS	-	(456)	-	-	(456)
<b>HISTORICAL COST</b>	<b>64,155</b>	<b>15,084</b>	<b>5,738</b>	<b>12,747</b>	<b>97,724</b>
AMORTISATION AND WRITE-DOWNS	(6,337)	(14,206)	(839)	(6,287)	(27,669)
<b>BALANCE AT 30/06/2010</b>	<b>57,818</b>	<b>878</b>	<b>4,899</b>	<b>6,460</b>	<b>70,055</b>

The item "Assets held for sale" includes the goodwill pertaining to subsidiary I.S.E.A. S.r.l. as at 30 June 2010, reclassified under the corresponding Balance Sheet item following the sale described in the above section "Extraordinary transactions".

Moreover, as described in the above section "Extraordinary transactions", the "Net profit (loss) from discontinued operations" (Note 21) shows the write-down of Euro 456 thousand recorded to bring the carrying value of the sold operation into line with its realisable value.

The item "Change in scope of consolidation" refers to assets pertaining to the company Ecopower S.r.l. sold in 1H10, as described in the above section "Extraordinary transactions".

The costs relating to wind farms which, at the time of drawing up the half-year report, have not been identified as for future development are charged directly to the income statement. The Group checks the recoverability of intangible assets at least once a year, when the consolidated financial statements are prepared. While referring readers to the section "Accounting standards and policies and use of estimates" for considerations concerning the

recoverability of intangible assets' carrying value based on the regulatory trend introduced by way of the amendment to Article 45 of Decree Law 78 of 31 May 2010 (so-called 2010 Financial Manoeuvre), we confirm that no specific indicators activating the impairment process emerged during the half year, with the exception of that indicating the lower realisable value of intangible assets pertaining to I.S.E.A. S.r.l. with consequent recording of the above mentioned write-down.

### 3. EQUITY INVESTMENTS

The reported balance is broken down as follows:

<b>OTHER EQUITY INVESTMENTS</b>	
<b>HISTORICAL COST</b>	<b>11,346</b>
WRITE-DOWNS	(9,384)
<b>BALANCE AT 31/12/2009</b>	<b>1,962</b>
<b>MOVEMENTS DURING THE PERIOD:</b>	
ACQUISITIONS/CAPITAL INCREASES	143
VALUATION USING THE EQUITY METHOD	(314)
<b>HISTORICAL METHOD</b>	<b>11,489</b>
AMORTISATION AND WRITE-DOWNS	(9,698)
<b>BALANCE AT 30/06/2010</b>	<b>1,791</b>

The breakdown of companies included in "Other equity investments" is as follows:

	<b>REGISTERED OFFICE</b>	<b>%</b>	<b>CARRYING VALUE</b>
<b>OTHER COMPANIES</b>			
ANSALDO FUEL CELLS S.P.A.	GENOA	5.36	-
CITA WIND S.A.S.	ALFORTVILLE (FROSINONE)	50.00	1,501
CONSORZIO DYEPOWER	ROME	12.40	150
EOLICO AGIRA S.R.L.	ROME	99.00	20
EOLICO MIRABELLA S.R.L.	ROME	99.00	12
EOLICO PALAGONIA S.R.L.	ROME	99.00	20
EOLICO RAMACCA S.R.L.	ROME	99.00	20
EOLICO TROINA S.R.L.	ROME	99.00	20
ISAB ENERGY SOLARE S.R.L.	SYRACUSE	51.00	48
VCC AGRIGENTO S.R.L.	L'AQUILA	30.00	-
VCC AGRIGENTO 2 S.R.L.	L'AQUILA	30.00	-
VCC ABRUZZO S.R.L.	L'AQUILA	30.00	-
VCC ENNA S.R.L.	L'AQUILA	30.00	-
<b>TOTAL</b>			<b>1,791</b>

The item "Acquisitions/capital increases" includes the incorporation, which took place in 1H10, of the company ISAB Energy Solare S.r.l., in which ERG Renew S.p.A. holds a 51% equity interest; the company's object is to research, promote, construct, develop, operate and maintain industrial facilities for power generation from solar sources through photovoltaic conversion.

In 1H09, for the amount of Euro 150 thousand, ERG Renew S.p.A. subscribed a 12.4% equity interest in the DyePower Consortium. This Consortium, a non-profit organisation, aims to promote, plan and perform research and development in the sector of organic/hybrid photovoltaics, specifically in relation to “dye-sensitized” solar cells on glass and other non-metallic rigid products. DyePower 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. The ERG Renew Group’s overall financial commitment with regard to the Consortium amounts to Euro 2.5 million.

The higher initial carrying value of the equity interest in CITA Wind S.a.s. by approximately Euro 2.6 million – equal to Euro 1.5 million at 30 June 2010 - with respect to the share of financial deficit pertaining to the Group (this arose during the half-year and in previous periods following the charge to the income statement of development costs incurred by the investee company) is ascribable to the future income prospects of the investee, which is currently operating in start-up phase for the implementation of wind projects in France. The aforesaid company was acquired during the course of 2008 and has not been consolidated on a line-by-line basis. The Directors systematically monitor the investee company’s performance in order to allow them, where necessary, to promptly record any impairment as and when endogenous or exogenous indicators show the existence of same.

The companies CITA Wind S.a.s. and ISAB Energy Solare S.r.l. were measured using the equity method (Note 20).

#### **4. OTHER RECEIVABLES – NON-CURRENT ASSETS**

The increase of Euro 1,734 thousand essentially concerns an interest-bearing loan based on the Euribor plus 200 basis points granted by ERG Renew S.p.A. to the new company ISAB Energy Solare S.r.l. (Note 3) to cover future financial commitments with regard to the Joint Venture.

#### **5. NON-CURRENT AND CURRENT TAX ASSETS**

This item refers to VAT receivables; the amounts stated under the item “Tax assets” shown under non-current and current assets, on the whole do not show any significant variation. Moreover, as a result of the assumptions concerning the operations of the wind farms, with respect to 31 December 2009, a higher tax asset has been posted to the current section to correctly take account of the effective conditions for settlement of the VAT receivable.

#### **6. DEFERRED TAX ASSETS AND LIABILITIES**

The changes in the amounts relating to deferred tax assets and liabilities during the course of this half year are significant only as regards deferred tax assets which increased by around Euro 7 million, almost entirely ascribable to the quantification of the effects of the so-called “*Tremonti Ter*” rules (Decree Law 78/2009 converted with amendments into Law 102/2009), in relation to the company ERG Eolica Ginestra S.r.l., for which the conditions for application have matured during the second quarter of 2010; the quantification of the benefit has been carried out in prudent application of the aforesaid rules and taking into account the prospects for potential recovery of same against future taxable incomes. Lastly, Euro 0.7 million of tax losses activated during the half year are able to be carried forward under the tax consolidation agreement

#### **7. TRADE RECEIVABLES**

The change in trade receivables mainly derives from the following events: i) the sale to Terna, at carrying value, of the ERG Eolica Faeto S.r.l. electric substation, as set forth by the agreement signed on 26 May 2010, based on which the assets subject to sale were destined to form an integral part of the National Electricity Grid; the aforesaid receivable was paid on 7 July 2010; ii) the receivable due from the company ACEA arising from the recognition of an

increase in the price for the sale of TAD Energia Ambiente, which took place during the 2006 financial year, as described in Note 21 "Net profit (loss) from discontinued operations"; the aforesaid receivable shows as having been paid in July 2010, as a result of the agreements reached with ACEA following the arbitration award issued on 20 January 2010.

## **8. OTHER RECEIVABLES – CURRENT ASSETS**

The overall reduction in other current receivables is ascribable, with compensatory effects, to the events described below:

- i) reduction in other current receivables due to the payment of green certificates pertaining to the year 2009 in relation to the Group's production – with the exception of the receivables in favour of Eolo S.r.l. amounting to Euro 1,178 thousand. This payment was made in accordance with the provisions set forth by Ministerial Decree dated 18 December 2008, enacted by the Ministry of Economic Development in agreement with the Ministry for the Environment and Territorial and Marine Protection. The decree established that green certificates for production accrued and accruing through to the end of 2010 would, at the holders' request, be acquired by the GSE on or before 30 June. More specifically, following the request made to the GSE by the subsidiaries in March 2009, on 30 June 2010 same were purchased by the GSE, with simultaneous payment of the total amount of Euro 17,281 thousand, valued, as regulated by the aforesaid Decree, at the average market price for the three years 2007-2009, namely the three-year period previous to the financial year in which the holder requested purchase;
- ii) increase in other current receivables following the valuation of green certificates accrued by the Group during 1H10 with reference to the production of the Troia San Vincenzo (Foggia), Troia San Cireo (Foggia), Viticuso – Vallerotonda (Frosinone), Pian dei Corsi e Baltera (Savona), Vicari (Palermo) and Faeto (Foggia) wind farms for a total of 125,275 green certificates. The per unit valuation of the green certificates – which is close to the price communicated by the GSE in February 2010 for the purchase of unsold green certificates for production pertaining to the years 2007, 2008 and 2009 in accordance with MD of 18 December 2008, Article 15 paragraph 1 – is equal to 86.18 Euro/MWh as estimated under the aforesaid Decree (for regulatory updates in this connection, reference should be made to the section "Accounting standards and policies and use of estimates").

## 9. ASSETS HELD FOR SALE AND LIABILITIES HELD FOR SALE

As mentioned in the section “Extraordinary transactions,” the items “Assets held for sale” and “Liabilities held for sale” include the assets and liabilities held, at 30 June 2010, by subsidiary I.S.E.A. S.r.l., which was sold on 30 July 2010, as detailed in the following tables:

	NOTES	30/06/2010
TANGIBLE ASSETS	1	1,686
INTANGIBLE ASSETS	2	2,490
TAX ASSETS		53
DEFERRED TAX ASSETS		99
<b>NON-CURRENT ASSETS</b>		<b>4,328</b>
TRADE RECEIVABLES		136
OTHER RECEIVABLES		41
TAX ASSETS		25
CASH AND CASH EQUIVALENTS	13	85
<b>CURRENT ASSETS</b>		<b>287</b>
<b>TOTAL ASSETS</b>		<b>4,615</b>
PROVISIONS FOR LIABILITIES AND CHARGES	10	6
NON-CURRENT PORTION OF FINANCIAL PAYABLES	13	855
<b>NON-CURRENT LIABILITIES</b>		<b>861</b>
CURRENT PORTION OF FINANCIAL PAYABLES	13	181
TRADE PAYABLES		34
OTHER PAYABLES		2
TAX LIABILITIES		1
<b>CURRENT LIABILITIES</b>		<b>218</b>
<b>TOTAL LIABILITIES</b>		<b>1,079</b>

## 10. PROVISIONS FOR LIABILITIES AND CHARGES

The reported balance can be broken down as follows:

	30/06/2010	31/12/2009	CHANGES	
			INCREASES	DECREASES
ENVIRONMENTAL RESTORATION	1,005	552	500	(47)
PROVISION TO COVER SUBSIDIARIES' LOSSES	–	251	–	(251)
OTHER RISKS	6,443	7,127	144	(828)
<b>TOTAL</b>	<b>7,448</b>	<b>7,930</b>	<b>644</b>	<b>(1,126)</b>

The overall amount of provisions for liabilities and charges is set aside to cover the risk of adverse outcomes relating to various litigation proceedings concerning Group companies, taking into account the assessments of the lawyers assisting the Group in the respective disputes, and is affected by the restrictions on the use of estimates described in the section “Accounting standards and policies and use of estimates”.

In particular, the provisions for liabilities include a provision of Euro 5,435 thousand, unchanged during the period, recorded to cover potential liabilities resulting from contractual agreements associated with the extraordinary transactions for the sale of equity investments that took place during prior years, the value of which, as specified in the section "Accounting standards and policies and use of estimates", is deemed adequate to meet liabilities arising from the arbitration decisions.

Lastly, the sum of Euro 6 thousand has been reclassified from the provisions for sundry liabilities to "Liabilities held for sale" since it concerns the company I.S.E.A. S.r.l., which was sold on 30 July 2010 (section "Extraordinary transactions").

Moreover, the provisions for liabilities and charges include the amount of Euro 760 thousand – of which Euro 500 thousand appropriated in 1H10 - relating to a provision required to cover the risk of extraordinary maintenance interventions at the wind farm owned by subsidiary Green Vicari S.r.l.

As mentioned in the section "Accounting standards and policies and use of estimates", these provisions are recorded to cover the development of disputes directly involving the Group or indirectly involving it as a result of the guarantees given and are considered adequate to cover the aforesaid risks.

No significant changes are reported with respect to the description provided in the Report accompanying the annual Consolidated Financial Statements as regards the legal and tax disputes currently involving the Group's companies.

## **11. NON-CURRENT PORTION OF FINANCIAL PAYABLES TO PARENT COMPANIES**

The balance of Euro 174,393 thousand entirely concerns the utilisation of a credit line granted by ERG S.p.A. to ERG Renew S.p.A. on 25 May 2009. Via this loan agreement, ERG S.p.A. confirmed, for the year 2010, the financial support required by ERG Renew S.p.A. to implement its 2010 investment plan and to cover its operational requirements, increasing the loan amount, under a single credit line, up to a maximum of Euro 231 million.

This credit line, available until 31 December 2010, will remain in place up to the scheduled maturity date of 31 December 2011, subject to extensions to be agreed in writing between the parties. The rate is based on the 6-month EURIBOR plus a spread of 2%.

## **12. TRADE PAYABLES**

The significant variation in trade payables is due above all to the settlement in January 2010 of payables totalling Euro 32.9 million for purchases of tangible assets, made towards the close of the 2009 financial year, for the amount of approximately Euro 42 million, in connection with the ERG Eolica Ginestra S.r.l., ERG Eolica Fossa del Lupo S.r.l. and Eolienne du Vent Solaire S.a.s. wind farms.

### 13. NET FINANCIAL POSITION

The Group's operational consolidated net financial position is broken down as follows:

(THOUSAND EURO)	30/06/2010	31/12/2009	30/06/2009
CASH AND CASH EQUIVALENTS	54.152	53.995	77.199
CURRENT ACCOUNT OVERDRAFTS	(14.532)	(3.324)	(15.089)
RESTRICTED BANK AND POSTAL ACCOUNTS	4.170	4.170	4.170
<b>SHORT-TERM NET FINANCIAL POSITION</b>	<b>43.790</b>	<b>54.841</b>	<b>66.280</b>
FINANCIAL RECEIVABLES DUE FROM OTHERS	-	17	-
RECEIVABLES FOR DERIVATIVES	89	199	233
<b>FINANCIAL ASSETS</b>	<b>89</b>	<b>216</b>	<b>233</b>
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>43.879</b>	<b>55.057</b>	<b>66.513</b>
PAYABLES DUE TO OTHER LENDERS	(489)	(237)	(232)
PAYABLES DUE TO AFFILIATED COMPANIES	-	(240)	(240)
BANK PAYABLES	(32.535)	(50.859)	(48.173)
PAYABLES FOR DERIVATIVES	(6.778)	(5.362)	(5.466)
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>(39.802)</b>	<b>(56.698)</b>	<b>(54.111)</b>
OTHER RECEIVABLES	-	-	518
RECEIVABLES DUE FROM SUBSIDIARIES	-	-	824
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>1.342</b>
PAYABLES DUE TO OTHER LENDERS	(855)	(947)	(1.035)
PAYABLES DUE TO PARENT COMPANIES	(174.393)	(118.802)	(76.398)
BANK PAYABLES	(175.958)	(169.647)	(180.381)
<b>TOTAL NON-CURRENT FINANCIAL LIABILITIES</b>	<b>(351.206)</b>	<b>(289.396)</b>	<b>(257.814)</b>
<b>NET FINANCIAL POSITION</b>	<b>(347.129)</b>	<b>(291.037)</b>	<b>(244.070)</b>

The aforesaid net financial position of the ERG Renew Group includes the assets and liabilities of the company I.S.E.A. S.r.l., sold on 30 July 2010, which, in accordance with IFRS 5, have been synthetically stated under the items "Assets held for sale" and "Liabilities held for sale".

In 1H10 the loan agreement entered into by the company Green Vicari S.r.l. was renegotiated and the repayment date of the 'Anticipation' line was modified from short term to medium/long term, assuming the same terms for repayment provided for the Complementary line.

The trend in net financial position is commented in the Interim Report on Operations and in the statement of cash flows.

The loan agreements provide for compliance with financial covenants; based on the evaluations and recalculations performed by the Group's Management, the Directors consider that the credit institutions will not notify any violations of financial covenants to the Group as at 30 June 2010.

Lastly, as described in the half-year financial report, following the acquisition of a 100% equity interest in IVPC Power 5 S.r.l. (now called ERG Eolica Adriatica S.r.l.), ERG S.p.A. has increased the credit line in favour of ERG Renew from the original amount of Euro 231 million (Note 11) to Euro 311 million; this increase in the credit line, which will impact the net financial debt, in case of insolvency will be subordinated to the prior satisfaction of third-party lenders, and will also feature a change in pricing and expiry date.

This net financial position is shown in the following table according to CONSOB recommendations as set forth in Circular no.6064293 dated July 2006:

DESCRIPTION		30/06/2010	31/12/2009	30/06/2009
A CASH		58,322	58,165	81,369
B OTHER LIQUID ASSETS		-	-	-
C SECURITIES HELD FOR TRADING		-	-	-
B DERIVATIVES INCLUDED IN LIQUID ASSETS		-	-	-
<b>D CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>(1)</b>	<b>58,322</b>	<b>58,165</b>	<b>81,369</b>
<b>E CURRENT FINANCIAL RECEIVABLES</b>		<b>89</b>	<b>216</b>	<b>233</b>
F CURRENT BANK PAYABLES		14,532	3,324	15,089
F DERIVATIVES INCLUDED IN BANK PAYABLES		-	-	-
G CURRENT PORTION OF NON-CURRENT DEBT		39,802	56,698	54,111
H OTHER CURRENT FINANCIAL PAYABLES		-	-	-
<b>I CURRENT FINANCIAL DEBT (F)+(G)+(H)</b>	<b>(2)</b>	<b>54,334</b>	<b>60,022</b>	<b>69,200</b>
<b>J NET CURRENT FINANCIAL DEBT (I)-(E)-(D)</b>		<b>(4,077)</b>	<b>1,641</b>	<b>(12,402)</b>
<b>K NON-CURRENT FINANCIAL RECEIVABLES</b>		-	-	<b>1,342</b>
L NON-CURRENT BANK PAYABLES		175,958	169,647	257,814
M BONDS ISSUED		-	-	-
N OTHER NON-CURRENT PAYABLES	(3)	175,248	119,749	-
<b>O NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)</b>		<b>351,206</b>	<b>289,396</b>	<b>257,814</b>
<b>P NET FINANCIAL DEBT (J)-(K)+(O)</b>		<b>347,129</b>	<b>291,037</b>	<b>244,070</b>

**RECONCILIATION WITH THE STATEMENT OF CASH FLOWS AND STATEMENT OF FINANCIAL POSITION:**

(1) CASH AND CASH EQUIVALENTS – FINANCIAL POSITION	58,322	
LIQUID ASSETS – ASSETS HELD FOR SALE	(85)	NOTE 9
CASH AND CASH EQUIVALENTS – STATEMENT OF FINANCIAL POSITION	58,237	
(2) CURRENT FINANCIAL DEBT – FINANCIAL POSITION	54,334	
CURRENT FINANCIAL DEBT – LIABILITIES HELD FOR SALE	(181)	NOTE 9
CURRENT FINANCIAL DEBT – STATEMENT OF FINANCIAL POSITION	54,153	
(3) OTHER NON-CURRENT PAYABLES – FINANCIAL POSITION	175,248	
NON-CURRENT FINANCIAL DEBT – LIABILITIES HELD FOR SALE	(855)	NOTE 9
OTHER NON-CURRENT PAYABLES – STATEMENT OF FINANCIAL POSITION	174,393	

The amounts stated above provide a breakdown of the reconciliation between ERG Renew S.p.A.'s Group Net Financial Position at 30 June 2010 and the Consolidated Statement of Financial Position which synthetically shows under the items "Assets held for sale" and "Liabilities held for sale" the net financial position of the company I.S.E.A. S.r.l., which was sold on 30 July 2010.

Lastly the following tables set out the derivatives outstanding at 30 June 2010 within the Group's companies and relative details:

	30/06/2010	31/12/2009
RECEIVABLES FROM DERIVATIVES	89	199
<b>TOTAL</b>	<b>89</b>	<b>199</b>

	30/06/2010	31/12/2009
PAYABLES FROM DERIVATIVES	4,934	3,518
PAYABLES FOR PUT OPTIONS	1,844	1,844
<b>TOTAL</b>	<b>6,778</b>	<b>5,362</b>

CONTRACTING COMPANY	ISSUING BANK	CONTRACT	NOTIONAL VALUE	FAIR VALUE	MATURITY
ERG RENEW S.P.A.	B. POP. DI MILANO	CAP	6,400	3	30/10/2012
ERG EOLICA FAETO S.R.L.	EFIBANCA	CAP	9,472	16	31/12/2013
ERG EOLICA FAETO S.R.L.	MCC	CAP	9,454	16	31/12/2013
GREEN VICARI S.R.L.	BNP PARIBAS BNL	CAP	19,107	54	31/12/2014
<b>TOTAL RECEIVABLES FROM DERIVATIVES</b>				<b>89</b>	
ERG EOLICA SAN CIREO S.R.L.	EFIBANCA	IRS	10,063	(445)	31/12/2014
ERG EOLICA SAN CIREO S.R.L.	BBVA	IRS	10,063	(445)	31/12/2014
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	4,400	(414)	30/12/2019
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	4,400	(459)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	4,294	(404)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	4,294	(440)	30/12/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH NORDBANK	IRS	4,601	(433)	30/12/2019
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH NORDBANK	IRS	4,601	(471)	30/12/2019
PARC EOLIEN DU CARREAU S.A.S.	HSH NORDBANK	IRS	6,985	(527)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	4,563	(429)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	4,563	(467)	30/12/2019
<b>TOTAL PAYABLES FROM DERIVATIVES</b>				<b>(4,934)</b>	

The fair value of these contracts at 1 January 2010 and at 30 June 2010 is included in the net financial position under the item "E – Current financial receivables" as regards the positive portion and under the item "G – Current portion of non-current debt" as regards the negative portion.

All the Group's derivatives contracts outstanding at 30 June 2010 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:

<b>TYPE</b>	<b>INSTRUMENT</b>	<b>PRICING MODEL</b>	<b>CALCULATION TOOL</b>	<b>MARKET DATA USED</b>	<b>DATA PROVIDER</b>	<b>IFRS7 HIERARCHY</b>
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 charge posted to the income statement for the half-year in connection with the adjustment of fair value at 31 December 2009 to fair value at 30 June 2010 amounted to Euro 152 thousand.

# ANALYSIS OF SIGNIFICANT INCOME STATEMENT CHANGES

The comparative income statements for 1H09 and for FY09 show, in accordance with IFRS 5, under the item "Net profit (loss) from discontinued operations" the costs and revenues, income and charges pertaining to the companies sold as part of a disposal operation commented above in the section "Extraordinary transactions" which, respectively in the consolidated Income Statement of the Half-Year Financial Report at 30 June 2009 and in the annual consolidated Income Statement for 2009, had been classified, according to their nature, under costs and revenues, income and charges of ongoing operations.

Lastly, the 1H10 economic result pertaining to the sold companies has been classified, again in accordance with the provisions set forth by IFRS 5, under the item "Net profit (loss) from discontinued operations" (Note 21). As a result all the corresponding items shown in the Consolidated Statement of Cash Flows at 30 June 2009 have been restated.

## 14. PRODUCTION VALUE

The reported amount is broken down as follows:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
OPERATING REVENUES	29,316	23,021
OTHER REVENUES AND INCOME	1,673	1,783
<b>TOTAL</b>	<b>30,989</b>	<b>24,804</b>

### Operating revenues:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
REVENUES FROM SALES AND SERVICES	18,520	15,283
OTHER OPERATING REVENUES	10,796	7,738
<b>TOTAL</b>	<b>29,316</b>	<b>23,021</b>

Revenues from sales and services include the amount of Euro 352 thousand paid by Terna to subsidiaries ERG Eolica San Cireo S.r.l., ERG Eolica San Vincenzo S.r.l., Green Vicari S.r.l. and ERG Eolica Faeto S.r.l. for non-withdrawal of electricity output due to problems on the national transmission grid in Puglia and Sicily.

Revenues from sales and services can be broken down between the Group's business divisions as follows:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
WIND – SALE OF ENERGY	14,168	12,115
WATER SERVICES	4,144	3,159
NOT ALLOCATED	208	9
<b>TOTAL REVENUES FROM SALES AND SERVICES</b>	<b>18,520</b>	<b>15,283</b>
WIND – GREEN CERTIFICATES	10,796	7,738
<b>TOTAL OTHER OPERATING REVENUES</b>	<b>10,796</b>	<b>7,738</b>
<b>TOTAL OPERATING REVENUES</b>	<b>29,316</b>	<b>23,021</b>

The trend in revenues by business division is commented in the Half-Year Financial Report to which reference should be made.

## 15. SERVICES

The reported amount is broken down as follows:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
SERVICES	5,103	5,449
UTILITIES	249	222
SUNDRY COSTS	4,239	4,101
RENT, LEASE AND SIMILAR	1,678	1,408
<b>TOTAL</b>	<b>11,269</b>	<b>11,180</b>

“Sundry costs” mainly concern operating costs for the upkeep and routine maintenance of the industrial sites, insurance costs, municipal commissions and other categories of costs and minor charges directly connected with operating activity. The overall increase in these costs was substantially due to the growth of the wind business.

## 16. PERSONNEL EXPENSES

The reported amount is broken down as follows:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
SALARIES AND WAGES	1,840	2,179
SOCIAL SECURITY EXPENSES	587	658
STAFF LEAVING INDEMNITIES	118	125
OTHER COSTS	177	128
<b>TOTAL</b>	<b>2,722</b>	<b>3,090</b>

## 17. OTHER OPERATING EXPENSES

The increase in other operating expenses is essentially ascribable to the amount allocated by the company Green Vicari S.r.l. to a provision for liabilities to cover the risk of extraordinary maintenance interventions at the wind farm owned by same (Note 10).

## 18. AMORTISATION AND DEPRECIATION

The reported balance includes:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
AMORTISATION OF INTANGIBLE FIXED ASSETS	1,346	1,235
DEPRECIATION OF TANGIBLE FIXED ASSETS	10,584	8,575
<b>TOTAL</b>	<b>11,930</b>	<b>9,810</b>

The increase in depreciation compared to 1H09 reflects the coming on stream of the new ERG Eolica Faeto S.r.l. and Eoliennes du Vent Solaire S.a.s. wind farms.

## 19. NET FINANCIAL INCOME AND EXPENSE

The reported balance includes:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
FINANCIAL INCOME	72	906
FINANCIAL EXPENSE	(4,865)	(6,709)
<b>TOTAL</b>	<b>(4,793)</b>	<b>(5,803)</b>

The overall downturn in financial charges derives from the sharp drop in interest rate levels that occurred during 1H10.

### Financial income:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
INTEREST AND COMMISSION FROM BANKS	16	258
INTEREST AND COMMISSION FROM OTHERS	33	634
INTEREST FROM GROUP COMPANIES	23	14
<b>TOTAL</b>	<b>72</b>	<b>906</b>

We point out that the balance of "Interest and commission from others" at 30 June 2009 included proceeds amounting to Euro 338 thousand arising from the arbitration award concerning ERG Renew S.p.A.'s acquisition of 100% of the share capital of DSI S.r.l.

### Financial expense:

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
INTEREST PAYABLE TO OTHERS	2,601	5,415
INTEREST PAYABLE TO GROUP COMPANIES	2,264	1,294
<b>TOTAL</b>	<b>4,865</b>	<b>6,709</b>

The significant growth in interest payable to Group companies stems in particular from the increase in debt vis-à-vis the parent company ERG S.p.A. as a result of the credit line described in Note 11.

Details of all financial income and expenses vis-à-vis Group companies is included in Note 22 "Transactions with related parties".

## 20. INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes the valuation at equity of the companies C.I.T.A. S.a.s. and ISAB Energy Solare S.r.l.

	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
CITA WIND S.A.S.	311	386
ISAB ENERGY SOLARE S.R.L.	3	-
<b>TOTALE</b>	<b>314</b>	<b>386</b>

## 21. NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

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

	1 <sup>ST</sup> HALF 2010
CAPITAL GAIN ON ECOPOWER SALE	23
NET PROFIT (LOSS) FOR PERIOD - ECOPOWER	(62)
<b>WRITE-DOWN OF NON-CURRENT ASSETS - ECOPOWER</b>	<b>(39)</b>
CAPITAL LOSS ON I.S.E.A. SALE	(456)
NET PROFIT (LOSS) FOR PERIOD - I.S.E.A.	(224)
<b>WRITE-DOWN OF NON-CURRENT ASSETS - I.S.E.A.</b>	<b>(680)</b>
EARN-OUT ON ACEA SALE	1,617
<b>TOTAL</b>	<b>898</b>

The net profit (loss) from discontinued operations detailed above includes the capital gains and losses from non-current assets relating to the disposal of companies active in the mini-hydro business (operation described in the above section "Extraordinary transactions").

Moreover, the net profit (loss) from discontinued operations includes the payment by ACEA S.p.A. to ERG Renew S.p.A., of an increase in the price arising from the sale of TAD Energia Ambiente, which took place during the 2006 financial year. This price increase was governed by the original contract of sale entered into between Acea S.p.A. and ERG Renew S.p.A. in 2006 relating to the sale of the ERG Renew S.p.A. investee companies operating in the waste-to-energy business. The arbitration award issued on 20 January 2010 confirmed that Acea S.p.A. was obliged to pay the additional price. As a result of the agreements reached with Acea following the aforesaid arbitration award, the earn-out was settled between the parties in July 2010 for the amount of Euro 1,617 thousand, considered to be of a non-recurring nature.

Lastly, we report that the balance of net profit (loss) from discontinued operations relating to 1H09, equal to an overall negative amount of Euro 208 thousand, in accordance with IFRS 5, synthetically includes the costs and revenues, income and charges pertaining to the companies sold as part of the disposal operation commented above in the section "Extraordinary transactions" which, respectively in the consolidated Income Statement of the Half-Year Financial Report at 30 June 2009 and in the annual consolidated Income Statement for 2009, had been classified, according to their nature, under costs and revenues, income and charges of ongoing operations.

# OTHER INFORMATION

## 22. RELATED-PARTY TRANSACTIONS

Details of transactions remaining after eliminations due to consolidation are set out below. It should be noted that all transactions with related parties were carried out at market values. The economic values relating to 1H09 have been adjusted and restated to take account of the transaction for the sale of subsidiaries operating in the mini-hydro business, as described above in the section "Extraordinary transactions".

### 1H10

#### Balance sheet data

	RECEIVABLES	TRADE PAYABLES	RECEIVABLES	FINANCIAL PAYABLES	RECEIVABLES	OTHER PAYABLES
<b>PARENT COMPANIES</b>						
ERG S.P.A.	153	696	-	174,393	1,031	181
<b>TOTAL PARENT COMPANIES</b>	<b>153</b>	<b>696</b>	<b>-</b>	<b>174,393</b>	<b>1,031</b>	<b>181</b>
<b>SUBSIDIARIES</b>						
EOLICO AGIRA S.R.L.	3	-	-	24	-	-
EOLICO MIRABELLA S.R.L.	2	-	-	3	-	-
EOLICO PALAGONIA S.R.L.	2	-	-	34	-	-
EOLICO RAMACCA S.R.L.	2	-	-	86	-	-
EOLICO TROINA S.R.L.	2	-	-	99	-	-
ISAB ENERGY SOLARE S.R.L.	-	-	1,734	-	-	-
<b>TOTAL SUBSIDIARIES</b>	<b>11</b>	<b>-</b>	<b>1,734</b>	<b>246</b>	<b>-</b>	<b>-</b>
<b>ASSOCIATE COMPANIES</b>						
C.I.T.A.S.A.S.	-	-	1,106	-	-	-
<b>TOTAL ASSOCIATE COMPANIES</b>	<b>-</b>	<b>-</b>	<b>1,106</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GROUP COMPANIES</b>						
ERG NUOVE CENTRALI S.P.A.	2	-	-	-	-	-
ERG OIL SICILIA S.R.L.	-	21	-	-	-	-
ERG POWER & GAS S.P.A.	143	726	-	-	-	-
<b>TOTAL GROUP COMPANIES</b>	<b>145</b>	<b>747</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Income statement data

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	COST OF PURCHASES	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSE
<b>PARENT COMPANIES</b>						
ERG S.P.A.	202	1	–	1,089	–	2,264
<b>TOTAL PARENT COMPANIES</b>	<b>202</b>	<b>1</b>	<b>–</b>	<b>1,089</b>	<b>–</b>	<b>2,264</b>
<b>SUBSIDIARIES</b>						
EOLICO AGIRA S.R.L.	1	–	–	–	–	–
EOLICO MIRABELLA S.R.L.	1	–	–	–	–	–
EOLICO PALAGONIA S.R.L.	1	–	–	–	–	–
<b>TOTAL SUBSIDIARIES</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>ASSOCIATE COMPANIES</b>						
C.I.T.A. S.A.S.	–	–	–	–	23	–
<b>TOTAL ASSOCIATE COMPANIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23</b>	<b>–</b>
<b>GROUP COMPANIES</b>						
ERG NUOVE CENTRALI S.P.A.	1	–	–	–	–	–
ERG PETROLI S.P.A.	–	–	18	–	–	–
ERG POWER & GAS S.P.A.	–	143	–	576	–	–
<b>TOTAL GROUP COMPANIES</b>	<b>1</b>	<b>143</b>	<b>18</b>	<b>576</b>	<b>–</b>	<b>–</b>

## 1H09:

## Balance sheet data

	RECEIVABLES	TRADE PAYABLES	FINANCIAL RECEIVABLES	FINANCIAL RECEIVABLES	OTHER PAYABLES	OTHER RECEIVABLES
<b>PARENT COMPANIES</b>						
ERG S.P.A.	168	115	–	76,398	990	18
<b>TOTAL PARENT COMPANIES</b>	<b>168</b>	<b>115</b>	<b>–</b>	<b>76,398</b>	<b>990</b>	<b>18</b>
<b>SUBSIDIARIES</b>						
EOLICO AGIRA S.R.L.	3	–	36	–	–	–
EOLICO MIRABELLA S.R.L.	2	–	–	–	–	–
EOLICO PALAGONIA S.R.L.	2	–	41	–	–	–
EOLICO RAMACCA S.R.L.	2	–	–	–	–	–
EOLICO TROINA S.R.L.	2	–	–	–	–	–
<b>TOTAL SUBSIDIARIES</b>	<b>11</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>ASSOCIATE COMPANIES</b>						
C.I.T.A. S.A.S.	–	–	747	–	–	–
<b>TOTAL ASSOCIATE COMPANIES</b>	<b>–</b>	<b>–</b>	<b>747</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>GROUP COMPANIES</b>						
ERG NUOVE CENTRALI S.P.A.	1	–	–	–	–	–
ERG PETROLI S.P.A.	4	25	–	–	–	–
ERG POWER & GAS S.P.A.	229	3,766	–	240	–	–
ERG RAFFINERIE MEDITERRANEE S.P.A.	23	–	–	–	–	–
ISAB ENERGY S.R.L.	3	–	–	–	–	–
<b>TOTAL GROUP COMPANIES</b>	<b>260</b>	<b>3,791</b>	<b>–</b>	<b>240</b>	<b>–</b>	<b>–</b>

## Income Statement data:

	REVENUES FROM SALES AND SERVICES	OTHER REVENUES AND INCOME	COST OF PURCHASES	COSTS FOR SERVICES	FINANCIAL INCOME	FINANCIAL EXPENSE
<b>PARENT COMPANIES</b>						
ERG S.P.A.	–	167	–	1,043	–	261
<b>TOTAL PARENT COMPANIES</b>	<b>–</b>	<b>167</b>	<b>–</b>	<b>1,043</b>	<b>–</b>	<b>261</b>
<b>SUBSIDIARIES</b>						
EOLICO AGIRA S.R.L.	1	–	–	–	–	–
EOLICO MIRABELLA S.R.L.	1	–	–	–	–	–
EOLICO PALAGONIA S.R.L.	1	–	–	–	–	–
EOLICO RAMACCA S.R.L.	1	–	–	–	–	–
EOLICO TROINA S.R.L.	1	–	–	–	–	–
<b>TOTAL SUBSIDIARIES</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>ASSOCIATE COMPANIES</b>						
C.I.T.A. S.A.S.	–	–	–	–	14	–
<b>TOTAL ASSOCIATE COMPANIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>–</b>
<b>GROUP COMPANIES</b>						
ERG NUOVE CENTRALI S.P.A.	1	–	–	–	–	–
ERG PETROLI S.P.A.	–	4	12	50	–	–
ERG POWER & GAS S.P.A.	–	171	–	962	–	1,033
ERG RAFFINERIE MEDITERRANEE S.P.A.	–	23	–	–	–	–
ISAB ENERGY S.R.L.	3	–	–	–	–	–
<b>TOTAL GROUP COMPANIES</b>	<b>4</b>	<b>198</b>	<b>12</b>	<b>1,012</b>	<b>–</b>	<b>1,033</b>

## 23. EARNINGS PER SHARE

Basic earnings per share is calculated using the following data:

THOUSAND EURO	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
<b>NET PROFIT (LOSS)</b>		
NET PROFIT (LOSS) USED TO CALCULATE BASIC EARNINGS PER SHARE	5,610	(5,980)

(EURO)	1 <sup>ST</sup> HALF 2010	1 <sup>ST</sup> HALF 2009
<b>NUMBER OF SHARES</b>		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE	132,666,675	104,324,375

## 24. OPERATING SEGMENT DISCLOSURE

The Group, also as a result of the sale of subsidiaries operating in the mini-hydro business ("Extraordinary transactions" section), is currently active in the production of electricity from renewable sources (wind) and in water services.

For management control purposes the Group is currently organised into two operating areas. These divisions form the basis on which the Group reports business segment information.

More specifically:

- Wind: electricity production using wind.
- Water services: management of water mains, sewer networks, and plant for the purification and treatment of civil and industrial waste water.

The Income Statement by business division and the relative economic data have been adjusted and restated. With the application of IFRS 5, the costs and revenues, income and charges for 1H09 pertaining to the companies sold as part of the extraordinary transaction, previously classified, according to their nature, under the costs and revenues, income and charges of ongoing operations, are now synthetically shown under the item “Net profit (loss) from discontinued operations”.

## OPERATING SEGMENT DISCLOSURE

### 1H10

	WIND	WATER SERVICES	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	25,021	4,543	2,071	31,635
LESS: INTERSEGMENT REVENUES	(57)	(399)	(1,863)	(2,319)
<b>NON-CAPTIVE REVENUES</b>	<b>24,964</b>	<b>4,144</b>	<b>208</b>	<b>29,316</b>
<b>EBITDA</b>	<b>17,979</b>	<b>721</b>	<b>(3,612)</b>	<b>15,088</b>
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(11,612)	(263)	(55)	(11,930)
<b>EBIT</b>	<b>6,367</b>	<b>458</b>	<b>(3,667)</b>	<b>3,158</b>
<b>INVESTMENTS IN FIXED ASSETS <sup>(1)</sup></b>	<b>38,446</b>	<b>245</b>	<b>250</b>	<b>38,941</b>

(1) relating to intangible and tangible assets

### 1H09

	WIND	WATER SERVICES	NOT ALLOCATED	TOTAL
NET REVENUES FROM ORDINARY OPERATIONS	19,992	3,565	1,472	25,029
LESS: INTERSEGMENT REVENUES	(139)	(406)	(1,463)	(2,008)
<b>NON-CAPTIVE REVENUES</b>	<b>19,853</b>	<b>3,159</b>	<b>9</b>	<b>23,021</b>
<b>EBITDA</b>	<b>14,852</b>	<b>427</b>	<b>(6,277)</b>	<b>9,002</b>
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(9,567)	(195)	(48)	(9,810)
<b>EBIT</b>	<b>5,285</b>	<b>232</b>	<b>(6,325)</b>	<b>(808)</b>

### 1H09

	WIND	WATER SERVICES	MINI-HYDRO	NOT ALLOCATED	TOTAL
<b>INVESTMENTS IN FIXED ASSETS <sup>(1)</sup></b>	<b>14,901</b>	<b>773</b>	<b>128</b>	<b>176</b>	<b>15,978</b>

(1) relating to intangible and tangible assets

# CERTIFICATION OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT

*pursuant to Article 81 ter of CONSOB Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented*

1. The undersigned Francesco Del Balzo, Chief Executive Officer of ERG Renew S.p.A., and Luca Giorgerini, Manager responsible for preparing the financial reports of ERG Renew S.p.A., also taking account of the provisions set forth by Article 154 bis, paragraphs 3 and 4, of Legislative Decree no. 58 dated 24 February 1998, certify:
  - the adequacy in relation to the characteristics of the business;
  - the effective application of administrative and accounting procedures for the preparation of the condensed Consolidated Half-Year Financial Report during the first six months of 2010.
2. Evaluation of the adequacy of administrative and accounting procedures for the preparation of the condensed Consolidated Half-Year Financial Report at 30 June 2010 is based on a process established by ERG Renew S.p.A. in accordance with the Internal Control-Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a benchmark framework generally accepted at international level.
3. It is furthermore certified that:
  - 3.1 the condensed Consolidated Half-Year Financial Report:
    - a) has been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
    - b) corresponds to the results shown in the accounting books and records;
    - c) is able to provide a true and fair view of the financial position and economic results of the issuer and the group of companies included in consolidation;
  - 3.2 The Interim Report on Operations contains references to important events that occurred during the first six months of the financial year and to their impact on the condensed Consolidated Half-Year Financial Report, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant related-party transactions.

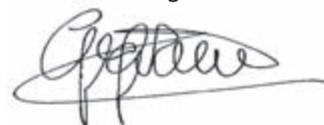
Genoa, 3 August 2010

The  
Chief Executive Officer

(Francesco Del Balzo)



The Manager responsible  
for preparing the Company's  
financial reports  
(Luca Giorgerini)



# AUDITORS' REPORT

**Deloitte.**

Deloitte & Touche S.p.A.  
Via Silvio Pellico, 1/B  
16128 Genova  
Italia  
Tel: +39 010 5317011  
Fax: +39 010 5317022  
www.deloitte.it

## AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010

### To the Shareholders of ERG RENEW S.p.A.

1. We have reviewed the condensed consolidated half-year financial statements, consisting of the consolidated statement of financial position, consolidated income statement, consolidated statement of other components of comprehensive income, statement of changes in consolidated, shareholder's equity, consolidated statement of cash flows and related explanatory notes as of June 30, 2010 of ERG Renew S.p.A. and its subsidiaries (the "ERG Renew Group"). These condensed consolidated half-year financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of ERG Renew S.p.A.'s Directors. Our responsibility is to issue a report on these condensed consolidated half-year financial statements based on our review.
2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-year interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the condensed consolidated half-year financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike our report on the year-end consolidated financial statements, we do not express an audit opinion on the condensed consolidated half-year financial statements.

With regard to the comparative figures related to the prior year's consolidated financial statements and the condensed consolidated half-year financial statements reference should be made to our auditors' reports dated March 11, 2010 and August 6, 2009 respectively. As described in the explanatory notes to the condensed consolidated half-year financial statements, the Directors – with regard to the sale of the mini hydro business, based on the applicable accounting principles IFRS 5 - have reclassified certain comparative data related to the prior year's consolidated financial statements and condensed consolidated half-year financial statements, with respect to the data previously reported and audited or reviewed respectively by us.

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

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.  
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239  
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu

These reclassifications of comparative data and the related disclosures included in the explanatory notes to the condensed consolidated half-year financial statements have been examined by us for the purpose of our review of the condensed consolidated half-year financial statements as of June 30, 2010.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half-year financial statements of the ERG Renew Group as of June 30, 2010 are not presented fairly, in all material respects, in accordance with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by

Ernesto Lanzillo  
Partner

Genoa, Italy  
August 4, 2010

*This report has been translated into the English language solely for the convenience of international readers.*

# GLOSSARY

## **AEEG (AUTORITÀ PER L'ENERGIA ELETTRICA E IL GAS) = ITALIAN ELECTRICITY AND GAS AUTHORITY**

---

An independent authority set up pursuant to Law no. 481 of 14 November 1995 with regulatory and control functions in the electricity and gas sectors. An independent authority is a public administration that takes its decisions based on legislation enacted and its own procedures and regulations with a major degree of autonomy in its judgements and evaluations from the executive body. The regulatory powers in the sector refer to the determination of the tariffs, the quality of the services and the technical-economic conditions of access and interconnection to the grids, in services where the market would be unable to guarantee the best interest of users and consumers due to technical, legal and other restrictions that limit the normal functioning of competition.

## **GME (GESTORE DEL MERCATO ELETTRICO S.P.A.)**

---

This is the company, set up by Gestore della Rete di Trasmissione Nazionale SpA (now Gestore dei Servizi Elettrici - GSE S.p.A.), with the mission of organising and managing transactions in the electricity market, according to criteria of neutrality, transparency, objectivity and competition between producers, also ensuring the economic management of an adequate availability of reserve capacity.

## **GREEN CERTIFICATES (GCS)**

---

Certificates that, pursuant to Article 5 of the Decree of the Ministry of Industry dated 11 November 1999, attest the production of electricity from renewable energy sources as required from producers and importers of electricity generated from non-renewable sources for a quantity exceeding 100 GWh/year. Green Certificates are issued by the GSE for the first eight years of a plant's functioning and, until 31 December 2007, had a value equal to 50 MWh and could be sold or acquired on the Green Certificates Market by parties with a surplus or deficit of production from renewable sources. The 2008 Finance Law establishes that, as from 1 January 2008, each Green Certificate has a value equal to 1 MWh, and the incentivised period is increased from eight to fifteen years.

## **GSE (GESTORE DEI SERVIZI ELETTRICI S.P.A.)**

---

The GSE has a central role in the promotion, incentivisation and development of renewable sources in Italy. The sole shareholder of the GSE is the Ministry of Economy and Finance, which exercises shareholder rights together with the Ministry of Production Activities. The GSE is the parent company of two subsidiaries AU (Acquirente Unico) and GME (Gestore del Mercato Elettrico).

## **MW (MILLION WATTS)**

---

Unit of measurement of a plant's electricity production capacity

### **WASTE TO ENERGY**

---

The process of transforming waste into energy. This business was discontinued in 2006.

### **WASTE MANAGEMENT**

---

All activities relating to the collection, transportation and sorting of waste. This business was discontinued in 2006.

### **WIND ENERGY**

---

Energy generated from wind.

### **WIND TURBINE**

---

Plant capable of transforming the kinetic energy of wind into mechanical energy, which in turn is used to produce electricity.