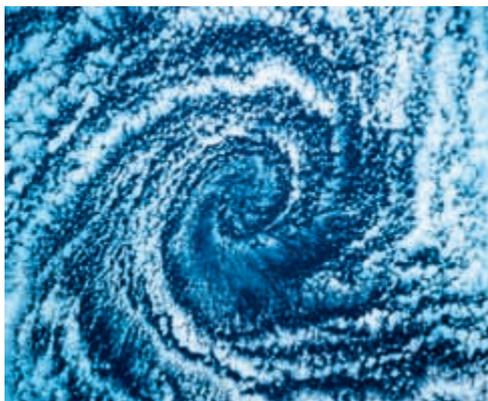


ERG RENEW S.P.A.

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008



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ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

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CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN

GIUSEPPE GATTI

DEPUTY CHAIRMAN

SALVATORE RUSSO

CHIEF EXECUTIVE OFFICER

RAFFAELE TOGNACCA

DIRECTORS

LUCA BETTONTE

GIANCARLO CIMOLI

(independent)

ALESSANDRO GARRONE

VITTORIO GARRONE

PIETRO GIORDANO

GIORGIO MAZZANTI

(independent)

ERNESTO MONTI

(independent)

PAOLO PANELLA

GENERAL MANAGER

FRANCESCO DEL BALZO

BOARD OF STATUTORY AUDITORS

CHAIRMAN

LELIO FORNABAIO

STANDING AUDITORS

FRANCESCO GATTI

ANDREA MANZITTI

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

LUCA GIORGERINI

EXTERNAL AUDITORS

DELOITTE & TOUCHE S.P.A.



**ERG RENEW S.P.A.
2008 MANAGEMENT REPORT
AT 31 DECEMBER 2008**



INTRODUCTION

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

The Consolidated Financial Statements for the year ended 31 December 2008 have been prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

This document has been audited by Deloitte & Touche S.p.A. in accordance with the procedures specified by CONSOB (the Italian Stock Exchange Regulator) regulations. The results of this audit will be made public as soon as they become available.

The Consolidated Financial Statements for the year ended 31 December 2008 report a net loss of Euro 24.4 million compared to a profit of Euro 2.3 million in the financial year (FY) 2007, after having posted Euro 13 million of write-downs of non-current assets (Euro 0.6 million in 2007), Euro 4.8 million of provisions for liabilities and charges (Euro 1.2 million in 2007), and Euro 3.7 million of bad debt provisions.

As indicated in the Supplement to the Disclosure Document concerning the partial demerger of ERG Power & Gas, the financial market crisis caused a postponement of the cash capital increase and consequent review of the Business Plan in terms of modulation of the investment programme over the plan time frame (2008-2011). During January and February 2009 – also following significant slowdowns experienced in the procedures to obtain official approvals for the development of wind farms, to be expected also in the future – the business-plan revision process was stepped up, culminating in approval of a new 2009-2012 Business Plan (on the same date as the approval of this re-

port), which envisages overall investments of approximately Euro 300 million (including Euro 93 million in 2009) by the end of 2012 for a total installed capacity of 372 MW (of which 199.3 MW already installed); bearing in mind the high degree of regulatory uncertainty at national and regional level, together with the above mentioned financial market crisis, making it difficult and costly to obtain financial resources, this plan is based on the development of wind farm projects that are *cantierabili*, namely where commencement of works has already been approved, in order to enhance the visibility and certainty of investments.

It should be pointed out that, following postponement of the planned cash capital increase caused by the critical situation on the financial markets, 2009 investments, totalling Euro 93 million, will be underpinned by equity injections, use of bank borrowing, and support from the parent company ERG S.p.A. In February 2009 the latter formally and irrevocably committed to supporting ERG Renew in the investments planned for 2009 up to the amount of Euro 70 million.

As better described in the following section “Comments on results for the year” and in the “Use of estimates” section of the Explanatory Notes, the above mentioned business-plan revision gave rise – as part of the normal procedures for estimating the recoverable value of non-current and current assets – to the write-down of intangible assets by Euro 7.2 million, of financial assets by Euro 5.8 million, and of receivables by Euro 3.7 million, as well as to the need to allocate Euro 2.8 million to the provision for liabilities and charges.

The section “Comments on results for the year” also explains the Euro 6.8 million adverse effect on the year’s net result caused by further provisioning for liabilities and charges relating to disposal of the Steel and Waste-to-Energy/Waste Management businesses, consulting costs connected with the extraordinary operation as regards the partial demerger of ERG Power & Gas and the

cash capital increase operation (subsequently postponed), as well as overhead costs relating to the consolidation of staffing levels to support the investment plan and the plan for integration with the parent company ERG S.p.A.

Lastly, in the section of the Explanatory Notes concerning "Non-recurring events and operations," we report on some non-recurring events that penalised 2008 profitability and make it possible to complete the picture as regards the main components of the FY2008 loss.

BUSINESS DESCRIPTION

FY2008 featured completion of the extraordinary operation of partial demerger of ERG Power & Gas as regards the renewable-source energy business to ERG Renew, which consolidated the Group's presence in the wind-power sector and helped to develop the new sector of hydroelectric power stations.

More specifically, in October 2007 ERG Power & Gas (a company wholly owned by ERG S.p.A.) and Acciona Eolica CESA (of the Acciona Group) mutually agreed to dissolve their joint venture in the wind-power generation sector. As a result of this decision, ERG CESA Eolica (a company 50/50 controlled by ERG Power & Gas and by Acciona Eolica CESA) ceased to exist following the total merger that took effect on 1 February 2008. Its assets were totally split into two compendia of equal economic value, assigned to two beneficiary companies respectively fully owned by ERG Power & Gas and by Acciona Eolica CESA.

The controlling shareholder ERG S.p.A. had long disclosed that the ERG Group's strategic objectives also included concentration of activities concerning production of electricity from renewable sources in just one company. As part of this strategy, in the early months of 2008 ERG S.p.A. advised its intention to propose to its subsidiary ERG Renew an operation designed to integrate in the latter the activities in the renewable-energy sector managed via ERG Power & Gas, with the aim of completing the relevant transactions by the end of 2008.

The operation consequently defined between ERG Power & Gas and ERG Renew was the partial demerger of ERG Power & Gas (the demerged company) in favour of ERG

Renew (the beneficiary company) pursuant to Articles 2506 et seq. of the Italian Civil Code.

Via the demerger, ERG Power & Gas assigned part of its assets, consisting of equity interests in the renewable-energy sector, to ERG Renew, while the latter assigned its own newly issued shares to ERG S.p.A., the sole shareholder of ERG Power & Gas.

The demerger was completed on the basis of statutory year-end accounts at 31 December 2007, as required by Article 2501-quater, second paragraph, of the Italian Civil Code, and approved at the shareholder meetings of ERG Power & Gas and ERG Renew on 30 June 2008.

The asset items assigned included, in particular, the equity interests owned by ERG Power & Gas in the companies ERG Eolica S.r.l. (100%), Eolica Agira S.r.l. (99%), Eolica Mirabella S.r.l. (99%), Eolica Palagonia S.r.l. (99%), Eolica Ramacca S.r.l. (99%), Eolica Troina S.r.l. (99%), Ecopower S.r.l. (100%) and I.S.E.A. S.r.l. (100%). While the latter two companies are active in hydropower generation, the others are active in wind-power generation. ERG Eolica S.r.l. in turn owns 100% stakes in the companies ERG Eolica Calabria S.r.l., ERG Fossa del Lupo S.r.l. and Green Vicari S.r.l., as well as 98% of the company ERG Eolica Basilicata and 30% respectively of the companies VCC Agrigento S.r.l., VCC Agrigento 2 S.r.l., VCC Abruzzo S.r.l. and VCC Enna S.r.l.

Following the demerger, ERG Renew's book equity increased from Euro 129,750,542.42 to Euro 154,211,603.42. This increase took place via the issue of 37,789,734 ERG Renew shares to service the demerger.

In exchange for assignment of part of the ERG Power & Gas assets, newly issued ERG

Renew shares were assigned to ERG S.p.A., sole shareholder of the demerged company ERG Power & Gas, based on the exchange ratio established by the Boards of Directors of ERG Power & Gas and ERG Renew as being 37,789,734 shares.

As a result of the demerger the ownership structure of ERG Power & Gas remained unchanged, whereas that of ERG Renew changed, with an increase of the equity interest owned by the controlling shareholder ERG S.p.A. to 77.4%.

For further, in-depth details, readers should refer to the specifically prepared Disclosure Document and subsequent Supplement, both available on the company's website www.ergrenew.it

ERG Renew is thus active in the following businesses:

● **WIND - ITALY:** via its subsidiaries ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.), ERG Renew generates electricity from wind sources. There are currently five wind farms in operation – Troia San Vincenzo (38 MW), Troia San Cireo (30 MW), Viticuso (9 MW), Green Vicari (37.5 MW) and Pian dei Corsi Baltera (1.6 MW) – with a total installed capacity of 116.1 MW. Considering also the Faeto wind farm (24 MW) and the 4 MW expansion of the Troia San Vincenzo wind farm, both already built and waiting to start production, total installed capacity is 144.1 MW. The power relating to the Green Vicari and Pian dei Corsi Baltera wind farms is a consequence of the process of partial demerger of ERG Power & Gas S.p.A., whose wind-power and hydropower assets were contributed to ERG Renew effective 1 October 2008, by virtue of the aforementioned ERG Power & Gas S.p.A. partial demerger operation. In addition, the Group also has 140 MW authorised, for which site work is scheduled to start by the end of the first half of 2009.

● **WIND - FRANCE:** in November 2007 ERG Renew entered the French market via acquisition of five wind farms for a total installed capacity of 55.2 MW. The French wind farms are controlled by ERG Eolienne France S.a.s. (formerly EnerFrance S.a.s.). During the last quarter of 2008, the latter company also finalised two important deals. On 10 October 2008 it finalised the purchase from the French group GSEF of a 50% equity interest

in CITA Wind and five project companies. CITA Wind, a company active in the development of wind farms in Northern France, currently has projects for 288 MW in its portfolio, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development. ERG Eolienne France has accorded GSEF a price of about Euro 2.9 million, inclusive of 50% of development costs relating to 2008. The agreement also envisages an increase in ERG Eolienne France's initial stake in the project companies from 50% to 90% once they have obtained official authorisations, with payment of a further amount in Euro/MW that will be commensurate with the plants' future output capacity. On the other hand, on 12 November, ERG Eolienne France signed an agreement with the company VSB Energies Nouvelles for acquisition of 100% of Eoliennes du Vent Solaire, the company which owns all the rights and official approvals for construction of the 9.2 MW Plogastel wind farm, located in Brittany. For this acquisition, ERG Eolienne France accorded the price of Euro 0.6 million. At the same time, ERG Eolienne France also executed a memorandum of understanding for the future acquisition of the company Eoliennes de Grenevel, set up to build a wind farm south of Paris with capacity of 20 MW. The total cost of this acquisition, for which a down payment of Euro 2.4 million has been accorded, will be Euro 5.3 million.

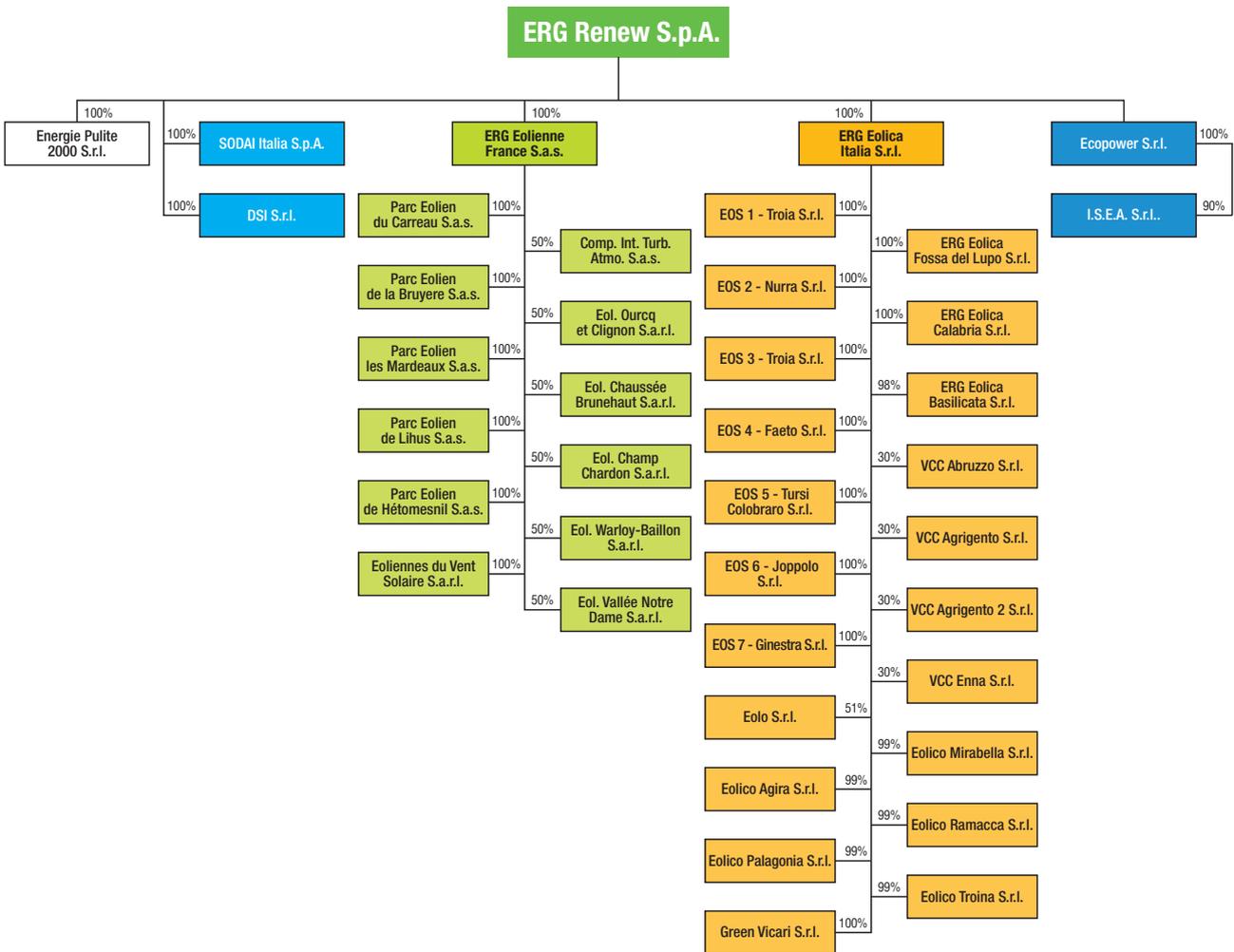
● **HYDROELECTRIC POWER PLANTS:** via its subsidiaries I.S.E.A. S.r.l. and Ecopower S.r.l., which entered the scope of consolidation as a result of the operation, already described, of partial demerger of ERG Power & Gas, ERG Renew is active in power generation using hydroelectric power plants, with installed capacity totalling 2.2 MW. I.S.E.A. has five hydroelectric power plants with a total of 1.8 MW in operation located in the municipalities of Terdobbiate - Gaggiotta (Novara), Confienza (Pavia), Cassolnovo - Molino del Conte (Pavia), Cilavegna - Biraghetta (Pavia) and Langosco - Santa Maria di Bagnolo (Pavia). Ecopower has one hydroelectric power plant in operation with a capacity of 0.4 MW located in the municipality of Novara - Sant'Agabio and another five currently being refurbished for a total of 0.8 MW located in the municipalities of Galliate - Montereaggio (Novara), Galliate - Spe-

ranza (Novara), Trecate - San Martino (Novara), Trecate - San Pietro (Novara) and Roventino – Lumi (Novara).

● **WATER SERVICES:** through its subsidiaries SODAI Italia S.p.A. and DSI S.r.l., ERG Renew operates in the treatment of industrial waste. While SODAI Italia S.p.A. operates via purification platforms adjacent to

20 Trenitalia workshops, DSI S.r.l. treats solid and liquid waste on behalf of third-party customers and SODAI Italia. As already announced on more than one occasion, the ERG Renew Group intends to terminate its activity in the segment because it is not considered core, proceeding with monetisation of the related equity investments by the end of 2009.

ERG RENEW AS AT 31 DECEMBER 2008



ERG RENEW STOCK MARKET PERFORMANCE

On 30 December 2008, the reference price of ERG Renew stock was Euro 0.65, with a decrease of -78.8% compared to the price at the end of 2007, as compared with a 34.87% decrease in the European sector index (Stoxx Utilities Index) and a decrease of 48.7% in the Italian MIBtel index.

Below we show some data concerning the prices and trading volume of ERG Renew stock during FY2008.

DAILY VOLUME TRADED NO. OF SHARES

| | |
|-----------------------------------|---------|
| HIGHEST DAILY VOLUME (29/02/2008) | 563,573 |
| LOWEST DAILY VOLUME (08/08/2008) | 5,633 |
| AVERAGE VOLUME | 88,199 |

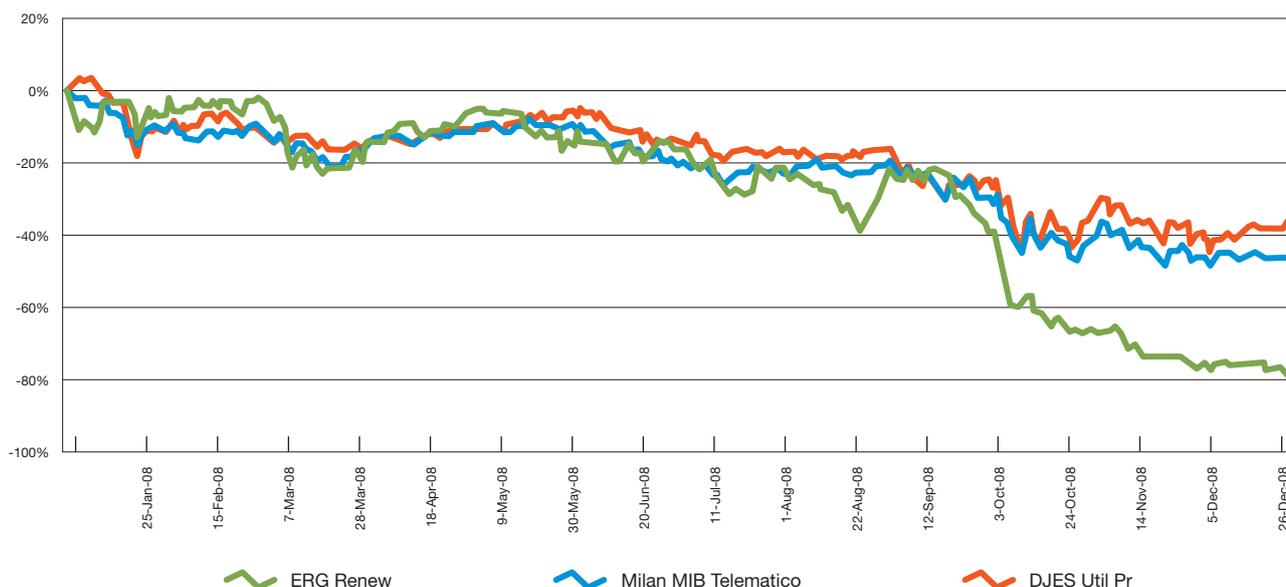
At 30 December 2008, market capitalisation amounted to Euro 86.2 million (compared to Euro 290.3 million at the end of 2007).

SHARE PRICE EURO

| | |
|----------------------------------|------|
| REFERENCE PRICE ON 31/12/08 | 0.65 |
| HIGH (25/02/2008) ⁽¹⁾ | 3.05 |
| LOW (30/12/2008) ⁽¹⁾ | 0.64 |
| AVERAGE PRICE | 2.12 |

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

ERG RENEW SHARE PRICE PERFORMANCE VS. STOXX UTILITIES INDEX AND MIBTEL



OPERATING AND FINANCIAL HIGHLIGHTS

| | | 2008 | 2007 |
|---|----------------|----------|---------|
| MAIN ECONOMIC DATA (THOUSAND EURO) | | | |
| OPERATING REVENUES | | 43,439 | 37,023 |
| EBITDA ⁽¹⁾ | | 9,932 | 18,398 |
| ADJUSTED EBITDA ⁽²⁾ | | 16,425 | 20,803 |
| EBIT | | (16,626) | 8,577 |
| NET PROFIT (LOSS) | | (24,327) | 2,125 |
| <i>OF WHICH MINORITY INTERESTS</i> | | (83) | (140) |
| GROUP NET PROFIT (LOSS) | | (24,410) | 2,265 |
| MAIN BALANCE SHEET AND FINANCIAL DATA (MILLION EURO) | | | |
| NET INVESTED CAPITAL | | 389.2 | 255.9 |
| SHAREHOLDERS' EQUITY | | 135.0 | 144.3 |
| NET FINANCIAL DEBT | | 254.3 | 111.6 |
| <i>OF WHICH NON-RECOURSE PROJECT FINANCING</i> | | 171.3 | 127.3 |
| FINANCIAL LEVERAGE | | 65.3% | 43.6% |
| INVESTMENTS | | 41.7 | 33.8 |
| OPERATIONAL DATA | | | |
| INSTALLED WIND CAPACITY | MW | 199.3 | 132.2 |
| <i>INSTALLED CAPACITY IN ITALY</i> | MW | 144.1 | 77 |
| <i>INSTALLED CAPACITY IN FRANCE</i> | MW | 55.2 | 55.2 |
| SALE OF ELECTRICITY FROM WIND SOURCES | MWH | 258,839 | 177,983 |
| <i>SALE OF ELECTRICITY IN ITALY</i> | MWH | 144,115 | 153,897 |
| <i>SALE OF ELECTRICITY IN FRANCE</i> | MWH | 114,724 | 24,086 |
| INSTALLED HYDROELECTRIC CAPACITY | MW | 2.2 | – |
| SALE OF ELECTRICITY FROM HYDROELECTRIC SOURCES | MWH | 4,245 | – |
| LIQUID WASTE TREATED | M ³ | 375,046 | 352,219 |
| SOLID WASTE TREATED | TONS | 14,717 | 11,709 |
| ELECTRICITY / GREEN CERTIFICATE PRICES | | | |
| ELECTRICITY SELLING PRICES IN ITALY | EURO/MWH | 85.86 | 82.30 |
| GREEN CERTIFICATES 2008 | EURO/MWH | 98.00 | 0.00 |
| GREEN CERTIFICATES 2007 | EURO/MWH | 98.00 | 98.00 |
| GREEN CERTIFICATES 2006 | EURO/MWH | 98.00 | 115.00 |
| ELECTRICITY SELLING PRICES IN FRANCE * | EURO/MWH | 83.80 | 82.61 |

* INCLUSIVE OF INCENTIVE

(1) "EBITDA" 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" corresponds to EBITDA as defined above, adjusted for allocations to the bad debt provision and the provision for liabilities and charges, amounting respectively to Euro 3.7 million and Euro 2.8 million

HIGHLIGHTS BY DIVISION

| (THOUSAND EURO) | 2008 | 2007 |
|---|-----------------|----------------|
| OPERATING REVENUES | | |
| WIND - ITALY | 25,217 | 28,981 |
| WIND - FRANCE | 9,672 | 1,993 |
| TOTAL WIND | 34,889 | 30,974 |
| HYDROELECTRIC POWER PLANTS | 33 | - |
| WATER SERVICES | 6,962 | 6,049 |
| HOLDING DIVISION | 1,555 | - |
| TOTAL | 43,439 | 37,023 |
| EBITDA | | |
| WIND - ITALY | 13,289 | 22,712 |
| WIND - FRANCE | 7,859 | 1,641 |
| TOTAL WIND | 21,148 | 24,353 |
| HYDROELECTRIC POWER PLANTS | (85) | - |
| WATER SERVICES | (119) | 32 |
| HOLDING DIVISION | (11,012) | (5,987) |
| TOTAL | 9,932 | 18,398 |
| ADJUSTED EBITDA | | |
| WIND - ITALY | 19,782 | 23,917 |
| WIND - FRANCE | 7,859 | 1,641 |
| TOTAL WIND | 27,641 | 25,558 |
| HYDROELECTRIC POWER PLANTS | (85) | - |
| WATER SERVICES | (119) | 32 |
| HOLDING DIVISION | (11,012) | (4,787) |
| TOTAL | 16,425 | 20,803 |
| EBIT | | |
| WIND - ITALY | (3,747) | 15,059 |
| WIND - FRANCE | 871 | 482 |
| TOTAL WIND | (2,876) | 15,541 |
| HYDROELECTRIC POWER PLANTS | (192) | - |
| WATER SERVICES | (510) | (772) |
| HOLDING DIVISION | (13,048) | (6,192) |
| TOTAL | (16,626) | 8,577 |
| TANGIBLE AND INTANGIBLE FIXED ASSETS | | |
| WIND - ITALY | 237,583 | 118,960 |
| WIND - FRANCE | 82,263 | 89,146 |
| TOTAL WIND | 319,846 | 208,106 |
| HYDROELECTRIC POWER PLANTS | 7,155 | - |
| WATER SERVICES | 20,092 | 20,353 |
| HOLDING DIVISION | 1,116 | 985 |
| TOTAL | 348,209 | 229,444 |
| INVESTMENTS | | |
| WIND - ITALY | 41,181 | 33,750 |
| WIND - FRANCE | - | - |
| TOTAL WIND | 41,181 | 33,750 |
| HYDROELECTRIC POWER PLANTS | - | - |
| WATER SERVICES | 355 | 100 |
| HOLDING DIVISION | 186 | - |
| TOTAL | 41,722 | 33,850 |

COMMENTS ON RESULTS FOR THE YEAR

The 2008 financial statements feature write-downs of intangible assets of the Wind - Italy business totalling Euro 7.2 million, which were virtually absent in FY2007 (Euro 0.1 million). As stated earlier in the Introduction and detailed in the "Use of estimates" section of the Explanatory Notes to the Financial Statements, the present scenario concerning official approvals for wind plants shows major fragmentation of regulatory responsibility with a consequent increase of activities and protraction of the time taken by approval processes. On top of this there is a general non-uniformity of rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy, based on an approach nullified by the proliferation of local rules. In the light of this, the Company has decided that development costs relating to new wind farms – which until 30 September 2008 were capitalised right from the start of the approval process – as from the fourth quarter of 2008 (4Q08) will be capitalised, due to the uncertainty arising as to their capacity to generate future economic benefits, only when approval is obtained.

This led to the decision to effect a write-down of Euro 7.2 million, mostly concerning, besides the costs capitalised for projects whose potential development, in view of the aforesaid uncertainties, is not contemplated in the time span referred to in the new 2009-2012 Business Plan, the costs capitalised for wind farm projects relating to subsidiaries and orders whose approval processes are deemed to feature timing impossible to estimate with any certainty at the present time (orders totalling Euro 2.7 million pertaining to ERG Eolica Italia, already existing as at 31 December 2007).

Moreover, the non-development or delayed development of wind farms made it necessary to write down various types of receivables vis-à-vis promoters amounting to Euro 3.7 million, collection of which is considered to be problematic.

Revision of the investment plan envisaged in the new 2009-2012 Business Plan also gave rise to the need to provision Euro 2.8 million for liabilities and charges. This pro-

visioning concerns the risk that a reservation fee may not be recovered from a wind turbine supplier. In fact, during 2008, a framework agreement was signed for the supply of 50 wind turbines, against which the counterparty was accorded a reservation fee of Euro 5.2 million. In June an initial order was issued, relating to the EOS 7 - Ginestra wind farm, for 20 of the 50 wind turbines covered by the framework agreement and for which the supplier proportionally refunded Euro 2.1 million of the reservation fee. Since, however, based on the new investment plan envisaged by the new 2009-2012 Business Plan, the Company does not expect to order the remaining 30 wind turbines according to the dates originally agreed, set in the first half of 2009, the remaining Euro 3.1 million of the reservation fee, albeit net of a 10% deductible amount, may not be refunded by the said supplier, as contemplated in the agreement and based on the present status of negotiations with the supplier, in case of a cancellation of the scheduled orders.

In addition, within the scope of normal estimation processes, an allocation of Euro 2 million has been made to the miscellaneous risk provision for contingent liabilities relating to disposal of the Waste-to-Energy/Waste Management and Steel businesses.

Lastly, the decision to consider the investment in Ansaldo Fuel Cells S.r.l. no longer strategic caused a Euro 5.8 million write-down of carrying value in order to align it with presumed realisable value.

FY2008 **revenues** amounted to Euro 43.4 million, with a growth of 17.3% over the previous year. Growth was driven by (i) full-year consolidation of the new French wind farms, which, having been acquired on 30 October 2007, were only consolidated for the months of November and December in FY2007 accounts; (ii) consolidation in 4Q08 of revenues relating to the Vicari and Pian dei Corsi Baltera wind farms and to the hydro-electric power plants, all forming part of the demerged business unit transferred to the ERG Renew Group effective 1 October 2008; (iii) higher output of the Viticuso wind farm, which during the year increased its installed

capacity from 3.5 MW to 9 MW; (iv) the increase in the selling price of electricity produced by the Italian wind farms, which grew by 5.2%; (v) the larger volume treated by the water services company; and (vi) revenues produced by the holding division, not present in 2007, relating to services supplied to the parent company and affiliated companies. This positive performance was partly offset by (i) lower output of Italian wind farms (-6.3%) with the exception, as mentioned, of the Viticuso wind farm; (ii) as a non-recurring item, a negative adjustment of Euro 2.4 million to FY2007 electricity revenues.

The combination of the above factors led to a growth in wind business revenues – which totalled Euro 34.9 million – up by 12.6% over 2007, while the revenues of the water services business – amounting to Euro 7 million – showed a growth of 15.1% over the previous year.

In FY2008, **EBITDA net of non-recurring items** was down to Euro 10 million compared to Euro 18.4 million recorded in FY2007. If adjusted for the allocations made to the provisions for liabilities and bad debts totalling Euro 6.5 million, as mentioned above, the decrease is 21%, instead of 46%, with an adjusted EBITDA of Euro 16.4 million compared to Euro 20.8 million in 2007.

The reported result net of non-recurring items reflected the following factors:

● **WIND - ITALY:** a contribution of Euro 13.3 million compared to Euro 22.7 million reported in FY2007. Besides the factors already described for revenues, the downturn in EBITDA also reflected (i) bad debt provisioning of Euro 3.7 million; (ii) provisioning of Euro 2.8 million for liabilities and charges to cover the risk that a reservation fee may not be recovered from a wind turbine supplier. In fact, during 2008, a framework agreement was signed for the supply of 50 wind turbines, against which the counterparty was accorded a reservation fee of Euro 5.2 million. In June an initial order was issued, relating to the EOS 7 - Ginestra wind farm, for 20 of the 50 wind turbines covered by the framework agreement and for which the supplier proportionally refunded Euro 2.1 million of the reservation fee. Since, however, based on the new investment plan en-

visaged by the new 2009-2012 Business Plan, the Company does not expect to order the remaining 30 wind turbines according to the dates originally agreed, set in the first half of 2009, the remaining Euro 3.1 million of the reservation fee, albeit net of a 10% deductible amount, may not be refunded by the said supplier, as contemplated in the agreement and based on the present status of negotiations with the supplier, in case of a cancellation of the scheduled orders; (iii) the final loss on the sale of 2006 green certificates, which, having been valued at 2007 year-end at Euro 98/MWh, were sold via bilateral agreements at an overall average price of Euro 81.1/MWh.

● **WIND - FRANCE:** a contribution of Euro 7.9 million. In 2007 the contribution was Euro 1.6 million for the reasons already described concerning revenues.

● **HYDROELECTRIC POWER PLANTS:** a negative contribution of Euro -0.1 million and relating solely to 4Q08 as it is a business unit forming part of the compendium relating to renewable energy sources demerged by ERG Power & Gas, as already described.

● **WATER SERVICES:** a negative contribution of Euro -0.1 million, down compared to the break-even result reported in 2007. While DSI S.r.l. contributed negatively with Euro -0.1 million, down compared to the positive result of Euro 0.1 million reported in 2007 because of a fire that irreparably damaged some assets, SODAI Italia S.p.A. contributed with EBITDA at breakeven compared to the negative result of Euro -0.1 million reported in 2007.

● **HOLDING DIVISION:** a negative contribution of Euro -11 million, worse than 2007 when it was negative by Euro -6 million. The net deterioration of Euro -5 million was mainly due to (i) technical, legal and financial consulting expenses of Euro 1.3 million, also partly relating to ERG Renew's capital increase following the demerger of ERG Power & Gas renewables in the company's favour and to the paid capital increase which the Board of Directors, at its meeting on 25 September 2008, decided to suspend; (ii) staff-related costs of Euro 1.3 million, ascribable both to exit incentives and to the increase

in costs for new hires necessary for the business plan's investments over the next few years, as well as non-recurring costs incurred for the transfer of personnel from the Milan office to the new Genoa office; (iii) costs of Euro 1.9 million connected with integration of the ERG Renew Group with the parent company's group and relating to all staff services received from both the parent company ERG S.p.A. and affiliated company ERG Power & Gas; and (iv) additional costs of Euro 0.3 million due to maintaining, for the first six months of 2008, both the Milan office, until the natural expiry of the rental contract, and the new office in Genoa.

FY2008 **EBIT** was negative by Euro -16.6 million, after amortisation and depreciation amounting to Euro 17.4 million and write-downs and provisions totalling Euro 9.2 million, the latter as already commented at the beginning of this chapter.

In FY2008 the **Group's net loss** amounted to Euro -24.4 million compared to a net profit of Euro 2.3 million reported in FY2007, after a Euro 5.8 million write-down of the 5.36% equity interest owned by ERG Renew in Ansaldo Fuel Cells S.p.A., a company performing research and development work in the production, conservation, transfer and utilisation of energy generated using systems exploiting the hydrogen chain. Euro 0.8 million of the write-down related to the capital increase executed during the third quarter of 2008 (3Q08) to cover losses accrued by the investee company in FY2007. The further write-down of Euro 5 million, net of which the investment's value is virtually equal to the relevant share of equity, was due to the strategic choice made by the company during the year, based on which the research and development activity of

Ansaldo Fuel Cells S.p.A. is no longer considered core. These equity-investment related expenses are shown net of the income of Euro 0.8 million arising from the settlement agreement signed with Trenitalia concerning definitive quantification of the value of the purchase option on 49% of SODAI Italia.

In FY2008 **investments** amounted to Euro 41.7 million (Euro 33.8 million in 2007), almost exclusively attributable to the wind business and, more specifically, to the wind farms pertaining to the companies EOS 4 - Faeto (28 MW), EOS 7 - Ginestra (40 MW), EOS 1 - Troia San Vincenzo (capacity increase of 4 MW) and Green Vicari (37.5 MW).

Net financial debt as at 31 December 2008 amounted to Euro 254.3 million, with an increase of Euro 142.7 million over 31 December 2007, when it amounted to Euro 111.6 million. The increase in debt was mainly due to project-financing loans granted in connection with the wind business, as well as to the consolidation of debt relating to the demerged renewables unit of ERG Power & Gas contributed to ERG Renew with effect from 1 October 2008.

As at 31 December 2008 **net invested capital** totalled Euro 389.2 million, with an increase of Euro 133.3 million compared to the figure of Euro 255.9 million as at 31 December 2007. Euro 120 million of the increase was ascribable to the increase in non-current assets and Euro 13.3 million to the increase in working capital. These increases were due to consolidation of the demerged ERG Power & Gas unit as already mentioned and investments in the wind business.

SIGNIFICANT EVENTS DURING THE YEAR

WIND - ITALY

In **FEBRUARY** installation of the Vestas wind turbines commenced at the Faeto wind farm.

Again in **FEBRUARY**, the new electricity connection line of the Viticuso (Frosinone) wind farm came into operation.

On **17 APRIL**, the hearing took place before the Basilicata Regional Administrative Tribunal (TAR) concerning the appeal filed by the promoter against the Basilicata regional government for the suspension of works at the Tursi Colobraro wind farm. The TAR will rule once the question of the constitutional legitimacy of the regional law concerned, raised during the proceedings, has been solved. In any case, based on the evolution of the dispute's status, directors do not believe there is any risk of preclusion of the normal continuation of the project in question, even though it is not presently possible to estimate the timing as regards the resumption of site work and completion of the wind farm.

On **9 MAY** ERG Renew and Repower Systems AG signed a framework agreement for the supply of 2-MW wind turbines, for a total of up to 80 units, of which 30 are covered by an option. By way of this agreement, ERG Renew ensured the supply for an overall capacity of 160 MW. The wind turbines will be dedicated to ERG Renew's Italian projects, with the possibility of allocating 12 of the 30 optional units to the French market. Upon signature of this agreement the sum of Euro 5.2 million was paid to the counterparty as a reservation fee, which will be refunded based on the activation of contracts for the supply of wind turbines (as at the date of this report, the counterparty has already refunded Euro 2.1 million).

Under the framework agreement signed on 9 May, on **30 JUNE** EOS 7 - Ginestra and Repower Systems AG executed a contract for the supply of 20 wind turbines of 2 MW

each, to be installed at the Ginestra wind farm (40 MW).

On **24 JULY** the quotaholders' meetings of EOS 7 - Ginestra S.r.l. and its wholly owned subsidiary WWEH 2 S.r.l. resolved the merger by incorporation of the latter into the former.

On **25 SEPTEMBER** ERG Renew's Board of Directors resolved to sell to its subsidiary ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.) the 51% equity interest owned in the company Eolo S.r.l.

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

17 OCTOBER marked the start of the effects of merger by incorporation of WWEH 2 S.r.l. into its subsidiary EOS 7 - Ginestra S.r.l.

On **6 NOVEMBER** the quotaholders' meetings of ERG Eolica Italia S.r.l. and ERG Eolica S.r.l. resolved the merger by incorporation of the latter into the former.

On **11 DECEMBER** ERG Renew's Board of Directors resolved the sale to its subsidiary ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.) of the 99% equity interests owned in the companies Eolico Agira S.r.l., Eolico Mirabella S.r.l., Eolico Palagonia S.r.l., Eolico Ramacca S.r.l. and Eolico Troina S.r.l.

31 DECEMBER marked the start of the effects of merger by incorporation of ERG Eolica S.r.l. into ERG Eolica Italia S.r.l.

WIND - FRANCE

On **10 OCTOBER** 2008 ERG Renew, through its subsidiary ERG Eolienne France S.a.s. (formerly EnerFrance S.a.s.), signed an agreement with the French group GSEF to purchase a 50% equity interest in CITA Wind and in five project companies. CITA Wind, a company active in the development of wind farms in

Northern France, currently has projects for 288 MW in its portfolio, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development. ERG Eolienne France has accorded GSEF a price of about Euro 2.9 million, inclusive of 50% of development costs relating to 2008. The agreement also envisages an increase in ERG Eolienne France's initial equity interest in the project companies from 50% to 90% once they have obtained official authorisations, with payment of a further amount in Euro/MW that will be commensurate with the plants' future output capacity.

On the other hand, on **12 NOVEMBER**, ERG Renew, through its subsidiary ERG Eolienne France (formerly EnerFrance S.a.s.) signed an agreement with the company VSB Energies Nouvelles for acquisition of 100% of Eoliennes du Vent Solaire, the company which owns all the rights and official approvals for construction of the 9.2 MW Plogastel wind farm, located in Brittany. For this acquisition ERG Eolienne France accorded the price of Euro 0.6 million. At the same time, ERG Eolienne France also executed a memorandum of understanding for the future acquisition of the company Eoliennes de Grenevel, set up to build a wind farm south of Paris with capacity of 20 MW. The total cost of this acquisition, for which a down payment of Euro 2.4 million has been accorded, will be Euro 5.3 million.

On **19 NOVEMBER** the Shareholders' Meeting of EnerFrance S.a.s. approved the change of corporate name to ERG Eolienne France S.a.s.

WATER SERVICES

After numerous extensions, on **8 JANUARY** the Latium (Lazio) Region – Institutional Department, President's Office Regional Operations Directorate – informed the company DSI S.r.l. that (i) it had taken over, transferring it from the Commissioner for the Latium waste emergency, the procedure for obtaining Integrated Environmental Authorisation, (ii) the procedure had been properly initiated following submittal of the related documentation, and (iii) it had appointed a Person Responsible for the procedure. The first session of the Services Con-

ference took place on 11 February 2008 and was dedicated to preliminary fact-finding aspects.

On **23 APRIL** the Latium Region extended until 31 January 2009 DSI S.r.l.'s Integrated Environmental Authorisation, which expired on 30 April 2008. Additionally, in the same ruling the Latium Region pointed out that it considered the date of 31 January 2009 a reasonable date for ensuring reorganisation of its facilities and completion of the preparatory technical and administrative procedures necessary for renewal of the definitive authorisation requested.

Moreover – as mentioned already in this section – on 30 January 2009 DSI S.r.l. obtained from the Latium Region the Integrated Environmental Authorisation, which is valid for six years.

On **27 NOVEMBER** DSI S.r.l.'s solid waste crushing plant was irreparably damaged by fire.

HOLDING DIVISION

On **22 JANUARY**, following the resignation of director Giulio Antonello, the Board of Directors of ERG Renew S.p.A. co-opted Giorgio Mazzanti.

On **14 MARCH**, as part of the process of integration in ERG Renew of the ERG Power & Gas renewable-energy assets, the Board of Directors proceeded with some organisational changes designed to implement integrated management of the sector's assets. In keeping with this process, directors Salvatore Russo and Paolo Panella resigned from their office as Managing Directors, thus relinquishing the powers vested in them. The Board of Directors then appointed Raffaele Tognacca as Chief Executive Officer of ERG Renew S.p.A.

Moreover, in order to better adapt the internal organisation to the new business requirements, the Board of Directors appointed Francesco Del Balzo as General Manager.

The Board of Directors also proposed to the Shareholders' Meeting to increase the number of Board members from nine to eleven, appointing two new directors with specific proven professional qualities.

On **22 APRIL** the ERG Renew Shareholders' Meeting confirmed as directors Raffaele Tognacca and Giorgio Mazzanti, co-opted by the Board of Directors respectively on 21 September 2007 and 22 January 2008. Moreover, the number of Board members was increased, with appointment of two new directors, namely Luca Bettonte and Vittorio Garrone. The Shareholders' Meeting also appointed the new Board of Statutory Auditors, establishing its term of office as being three financial years, and therefore until shareholder approval of the 2010 Annual Financial Statements. Lelio Fornabaio (Chairman), Andrea Manzitti and Francesco Gatti were appointed as standing auditors. Carlo Ravazzin and Stefano Brunello were appointed as alternate auditors.

On **12 MAY** ERG Renew's Board of Directors approved the integration into the company of ERG Power & Gas's renewable-energy activities, to be achieved via partial demerger of ERG Power & Gas S.p.A. (the demerged company) in favour of ERG Renew (the beneficiary). In exchange for assignment of the demerged compendium, the operation envisages a capital increase for ERG Renew with the assignment of 37,789,734 newly issued shares to ERG, the sole shareholder of ERG Power & Gas. Following this transaction, ERG will control 77.4% of ERG Renew's capital.

As a result of integration, ERG Renew will be assigned the following equity interests forming the demerged compendium:

- as regards the wind segment, 100% of ERG Eolica, whose assets derive from the demerger of ERG CESA Eolica and other companies owned by the latter, and other equity interests owned by ERG Power & Gas;
- as regards the segment of power generation using mini-hydro plants, 100% of Ecopower and 90% of I.S.E.A.

Overall, these companies have an installed capacity of 43 MW (including 39 MW of wind power), 100 MW under construction (100% wind power), with supply of the relevant turbines assured by an ongoing agreement with Nordex, signed on 21 June 2007, and 22 MW under development (including 18 MW of wind power) for a total of 165 MW (including 157 MW of wind power).

Unicredit assisted ERG Renew in the capacity of financial advisor, issuing a fairness opinion on the demerger's exchange ratio. In addition, as per best practice in the case of related-party transactions, ERG Renew, on the initiative and recommendation of the Internal Control Committee, asked for a further opinion on the financial fairness of the demerger's conditions, which was issued by Studio Bernoni.

On **30 JUNE** the Shareholders' Meeting approved the plan for partial demerger of ERG Power & Gas in favour of ERG Renew, with consequent assignment of 37,789,734 newly issued shares to ERG S.p.A., sole shareholder of the demerged company. Following this extraordinary operation which took effect on 1 October 2008, ERG Renew's share capital increased from Euro 94,876,941 to Euro 132,666,675. The demerged compendium includes (i) the 100% equity interest in the company ERG Eolica S.r.l., which in turn owns equity interests in the companies ERG Eolica Calabria S.r.l. (100%), ERG Eolica Fossa del Lupo S.r.l. (100%), Green Vicari S.r.l. (100%), ERG Eolica Basilicata S.r.l. (98%), VCC Abruzzo S.r.l. (30%), VCC Agrigento S.r.l. (30%), VCC Agrigento 2 S.r.l. (30%) and VCC Enna S.r.l. (30%); (ii) the 99% equity interests in the companies Eolica Agira S.r.l., Eolica Mirabella S.r.l., Eolica Palagonia S.r.l., Eolica Ramacca S.r.l., and Eolica Troina S.r.l.; (iii) the 100% equity interest in the company Ecopower S.r.l. active in the hydroelectric segment; and (iv) the 90% interest in the company I.S.E.A. active in the hydroelectric segment.

During the same Shareholders' Meeting it was also resolved to delegate power to the Board of Directors to execute a capital increase of up to Euro 200 million inclusive of share premium, if any, to be offered as an option to shareholders. ERG Renew gave a mandate for this operation to Unicredit Group and BNP Paribas as joint bookrunners. Underlying this capital increase is the need for capital resources to finance the projects totalling Euro 880 million featured in the 2008-2011 Business Plan approved on 12 May, which will enable ERG Renew to achieve total installed capacity of some 700 MW between Italy and France by the end of 2011.

However, we remind readers that, at the time of approving these 2008 financial statements, the Board of Directors also approved the new 2009-2012 Business Plan, which envisages investments totalling some Euro 300 million and total installed capacity of 372 MW.

Lastly, the aforesaid Shareholders' Meeting also resolved the change of corporate name from Enertad S.p.A. to ERG Renew S.p.A.

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

On **25 SEPTEMBER**, when approving the Supplement to the Disclosure Document, published on 19 June 2008, concerning the plan for the demerger of ERG Power & Gas renewable-energy assets in favour of ERG Renew, the company's Board of Directors decided to postpone the scheduled capital increase, for which it had been delegated powers for a period of five years by the Shareholders' Meeting on 30 June 2008, mainly because of the critical conditions

currently characterising the financial markets.

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

On **1 OCTOBER** the demerger of the ERG Power & Gas renewable energy sources in favour of ERG Renew came into effect, with issuance by the latter of 37,789,734 new ordinary shares deriving from the capital increase following the operation. The demerger was approved by the respective Shareholders' Meetings of ERG Renew and ERG Power & Gas on 30 June. By virtue of this issue, ERG S.p.A. holds 102,667,267 shares, corresponding to 77.387% of ERG Renew's share capital consisting of 132,666,675 shares with a par value of Euro 1.00 each.

On **16 OCTOBER** ERG Renew and Trenitalia signed a settlement agreement concerning the exercise of the put option held by Trenitalia on 49% of SODAI Italia S.p.A., for the amount of Euro 17.5 million, which Trenitalia had exercised on 22 May 2007. ERG Renew had challenged the validity of this exercise, on the grounds that the required contractual conditions did not exist, and had consequently initiated arbitration proceedings as contractually envisaged. The settlement agreement provided for the transfer of Trenitalia's stake to ERG Renew for an amount reduced to Euro 16.7 million from the Euro 17.5 million already recognised in previous years' financial statements in accordance with IASs, with compensation for legal and arbitration expenses.

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 following regulations have to be supplemented by all the regulations that local authorities, regions, provinces and municipalities 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 enter into the national electric system, 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 energy 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 plant qualification) and for the issuing of green certificates.

Ministerial Decree of 24 October 2005.

With the provisions laid down by Article 11, paragraph 1, the GSE (Italian national grid

operator) adopted the technical procedures for qualification as RES 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 the Gazzetta Ufficiale (Italian Official Journal) 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 electricity produced from renewable energy sources.

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.

BUSINESS DIVISIONS

WIND - ITALY

In Italy ERG Renew operates in the production of electricity from wind via its subsidiary ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.). There are currently five plants in operation, namely Troia San Vincenzo (38 MW), Troia San Cireo (30 MW), Viticuso (9 MW), Green Vicari (37.5 MW) and Pian dei Corsi Baltera (1.6 MW) with total installed operational capacity of 116.1 MW. Wind farms consist of wind turbines, capable of transforming wind's kinetic energy into me-

chanical energy, which in turn is used to produce electricity. While plant availability remains the basic factor, the results of each wind farm are obviously affected by the anemological (wind) characteristics of the site where the wind farm is located.

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

ELECTRICITY SELLING PRICES AND VALUE OF GREEN CERTIFICATES

| | | 2008 | 2007 |
|---|----------|-------|--------|
| ELECTRICITY / GREEN CERTIFICATE PRICES | | | |
| ELECTRICITY SELLING PRICES IN ITALY | EURO/MWH | 85.86 | 82.30 |
| GREEN CERTIFICATES 2008 | EURO/MWH | 98.00 | 0.00 |
| GREEN CERTIFICATES 2007 | EURO/MWH | 98.00 | 98.00 |
| GREEN CERTIFICATES 2006 | EURO/MWH | 98.00 | 115.00 |
| ELECTRICITY SELLING PRICES IN FRANCE * | EURO/MWH | 83.80 | 82.61 |

* INCLUSIVE OF INCENTIVE

As regards the considerations made concerning valuation of green certificates, in view of the present and expected trend of the related market and of the electricity market, readers should refer to the ex-

planatory notes in the next subsection "Summary of results" and to the Explanatory Notes to the Financial Statements.

SUMMARY OF RESULTS

| | | 2008 | 2007 |
|---|--|----------------|----------------|
| ECONOMIC RESULTS (THOUSAND EURO) | | | |
| OPERATING REVENUES | | 25,217 | 28,981 |
| EBITDA | | 13,289 | 22,712 |
| ADJUSTED EBITDA | | 19,782 | 23,917 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | | (17,036) | (7,653) |
| EBIT | | (3,747) | 15,059 |
| INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS | | 41,181 | 33,750 |
| OPERATIONAL DATA (MWH) | | | |
| PRODUCTION OUTPUT | | 144,115 | 153,897 |
| OF WHICH | | | |
| TROIA SAN VINCENZO | | 68,308 | 80,002 |
| TROIA SAN CIREO | | 58,531 | 64,046 |
| VITICUSO | | 13,082 | 9,849 |
| VICARI | | 3,610 | - |
| PIAN DEI CORSI BALTERA | | 584 | - |

In FY2008 the operating **revenues** of the Wind - Italy business decreased by 13% compared to FY2007, going down from Euro 29 to 25.2 million. This decrease of Euro 3.8 million was due, in the first place to a 6.3% decrease in electricity produced, which went down from 153,897 MWh in 2007 to 144,115 MWh in 2008. This in turn was mainly due to adverse weather conditions, as well as work by Terna on upgrading of the national transmission grid in the Apulia region, which impacted output of the Troia San Vincenzo and Troia San Cireo wind farms. In the second place it was due to non-recurrent negative adjustment of Euro 2.4 million on electricity sales relating to 2007 and accruing as a result of Resolution 48/08 of the AEEG (Italian Electricity and Gas Authority). In February 2005 the Authority had in fact established that the selling price of electricity for generators using renewable energy sources would have consisted solely of component a) as indicated in Article 30, letter a), of its Consolidated Text (Testo Integrato). Following this, the Ministerial Decree of 24 October 2005 then belied the AEEG, according producers of electricity from renewable sources a selling price also comprising components b) and c) envisaged by the Consolidated Text. The AEEG appealed against this firstly to the Regional Administrative Tribunal of the Latium Region and then, after an adverse ruling, to the Council of State, which, with its ruling 44/08 of January 2008 – which was published and became operational only in June 2008 – instead ruled in favour of the AEEG. Since, however, in the meantime the AEEG, in compliance with the provisions laid down in Ministerial Decree of 24 October 2005, had accorded producers the full selling price, it then requested – following the Council of State's ruling – reimbursement of the higher price accorded. Lastly, there was a negative adjustment of Euro 0.4 million relating to production in the first half of 2008. In effect, while the tariff applied up to the end of 2007 was the one corresponding to the zone average, as from FY2008 the tariff applied is the one recorded nationally on an hourly basis.

The downturn in revenues as explained above was only partly offset by (i) the positive contribution of the Viticuso wind farm, which, thanks to upgrading of the trans-

mission line completed in the early months of FY2008 – which increased the wind farm's capacity from 3.5 MW to 9 MW – permitted a 33.2% increase in electricity output over 2007; (ii) the positive contribution of 4,194 MWh relating to the Vicari and Pian dei Corsi Baltera wind farms – which entered ERG Renew's consolidation scope effective 1 October 2008 as they formed part of ERG Power & Gas's demerged renewables unit; and (iii) the 4.3% growth in the electricity selling price, which increased from Euro 82.30/MWh in FY2007 to Euro 85.86/MWh in FY2008. This price also reflects the price applied to electricity sold by the Vicari wind farm, located in Sicily where the electricity price is tangibly higher than the SNP (Single National Price). If we were to neutralise this latter contribution – and considering that the related production consolidated for the purposes of these financial statements is solely that sold in 4Q08 – the selling price of electricity would have grown by 3.8%, rising from Euro 82.30/MWh to Euro 85.41/MWh.

Separate considerations need to be made, however, as regards calculating the value of green certificates. While, on the one hand, they do not show any change in price since, as for FY2007, we have once again applied the price of Euro 98/MWh, on the other hand, the reasoning underlying this choice is very different to that applied when preparing the FY2007 financial statements. This was due to the Ministerial Decree of 18 December 2008 – enacted by the Ministry for Economic Development in agreement with the Ministry for the Environment and Territorial and Marine Protection and published in the Gazzetta Ufficiale on 12 January 2009 – which regulates the transition from the old incentivisation mechanism to the new one established by the 2008 Finance Law.

In effect, while in the case of the FY2007 financial statements, green certificates were valued according to their expected price in the year when, by law, they were to be sold to the GSE (namely by the end of March of the third financial year after that of production), the above Ministerial Decree – also in order not to penalise investments underway – rules that green certificates pertaining to production matured and maturing up to end of 2010 will, at their holders'

request, be purchased 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 in the three-year period prior to the year when the application is filed. The GSE will purchase these green certificates on or before 30 June.

As a consequence of the foregoing, the green certificates relating to the years 2006, 2007 and 2008 held by the company as at 31 December 2008 will form the object of an application for purchase to be sent to the GSE during the current month of March 2009. This purchase will take place by 30 June 2009. The price at which the company will sell its green certificates to the GSE will be Euro 98/MWh because, as communicated by the GSE on 3 February 2009, this is the average price of the three-year period 2006-2008, namely, as regulated by the Decree, the three-year period prior to the year when the purchase application is filed.

FY2008 **EBITDA** for the Wind - Italy business was Euro 13.3 million, down by 58.5% compared to FY2007 when it amounted to Euro 22.7 million. The decrease was mainly due to (i) the reasons already described concerning operating revenues; (ii) Euro 2.8 million of provisioning for liabilities and charges to cover the risk that a reservation fee may not be recovered from a wind turbine supplier. In fact, during 2008, a framework agreement was signed for the supply of 50 wind turbines, against which the counterparty was accorded a reservation fee of Euro 5.2 million. In June an initial order was issued, relating to the EOS 7 - Ginestra wind farm, for 20 of the 50 wind turbines covered by the framework agreement and for which the supplier proportionally refunded Euro 2.1 million of the reservation fee. Since, however, based on the new investment plan envisaged by the new 2009-2012 Business Plan, the Company does not expect to order the remaining 30 wind turbines according to the dates originally agreed, set in the first half of 2009, the remaining Euro 3.1 million of the reservation fee, albeit net of a 10% deductible amount, may not be refunded

by the said supplier, as contemplated in the agreement and based on the present status of negotiations with the supplier, in case of a cancellation of the scheduled orders; (iii) bad debt provisioning of Euro 3.7 million relating to some amounts receivable from promoters of wind farms that are no longer included in the new 2009-2012 Business Plan and for which the company considers collection may be difficult; and (iv) write-downs amounting to Euro 0.5 million suffered during the year – before enactment of the Ministerial Decree mentioned above – following the sale of 2006 green certificates, which, valued at Euro 98/MWh at the end of 2007, were sold via bilateral agreements at an overall average price significantly lower than the carrying price.

It should also be noted that, by neutralising the negative non-recurring component as regards the allocations totalling Euro 6.5 million to the provision for liabilities and charges and the bad debt provision – details of which have been provided – EBITDA for the Wind - Italy business amounts to Euro 19.8 million, with a decrease of 17.3% compared to FY2007.

Amortisation and depreciation for the Wind - Italy business in FY2008 came to Euro 9.8 million, up by Euro 2.2 million compared to FY2007, when they amounted to Euro 7.6 million. This increase – which related almost exclusively to depreciation of tangible assets – was due to the Vicari wind park, which started production during the year.

Write-downs for the Wind - Italy business totalled Euro 7.2 million whereas they were virtually absent in FY2007 (Euro 0.1 million). The reasons have already been discussed earlier on.

In FY2008 **EBIT** of the Wind - Italy business was negative by Euro 3.7 million, much lower than in FY2007, when it was positive by Euro 15.1 million. The reasons are those already given for revenues, EBITDA, amortisation and depreciation, and write-downs.

WIND - FRANCE

SUMMARY OF RESULTS

| | 2008 | 2007 |
|---|---------|---------|
| ECONOMIC RESULTS (THOUSAND EURO) | | |
| REVENUES FROM ORDINARY OPERATIONS | 9,672 | 1,993 |
| EBITDA | 7,859 | 1,641 |
| ADJUSTED EBITDA | 7,859 | 1,641 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | (6,988) | (1,159) |
| EBIT | 871 | 482 |
| INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS | - | - |
| OPERATIONAL DATA (MWH) | | |
| PRODUCTION OUTPUT | 114,724 | 24,086 |
| OF WHICH | | |
| HETOMESNIL | 23,191 | 4,691 |
| LE MARDEAUX | 21,933 | 4,920 |
| LE CARREAU | 22,216 | 4,814 |
| LIHUS | 23,452 | 4,356 |
| LA BRUYÉRE | 23,932 | 5,305 |

FY2008 **revenues** of the Wind - France business, amounting to Euro 9.7 million, related to production of 114,724 MWh by the five French wind farms acquired on 31 October 2007 – which makes comparison with FY2007 pointless, as it featured only two months of consolidation. In addition, we point out that 2008 electricity production, even although it refers to a whole year, was not consistent with the anemological characteristics of the sites where the wind farms are located because of adverse weather conditions.

French regulations concerning the production of electricity from wind energy establish a price for sale of such electricity to the operator EDF of Euro 82/MWh, inclusive of both the price of the electricity sold and the incentive, as contractually established at the start of the wind farms' activity, valid for ten years and indexed to the inflation rate each year. For a further five years the tariff varies according to the wind farms' production performance.

For 2008 the selling price was Euro 83.80/MWh, up by 1.44% compared to the price applied in 2007, which was Euro 82.61/MWh.

The contribution of the Wind - France business to consolidated FY2008 **EBITDA** was Euro 7.9 million. The same result referring to consolidation of just November and December in 2007 was Euro 1.6 million.

Amortisation and depreciation amounted to Euro 7 million and, as already mentioned several times, is not comparable with that of 2007 (Euro 1.2 million), because it referred only to the months of November and December.

EBIT of the Wind - France business in FY2008 totalled Euro 0.9 million (Euro 0.4 million in 2007).

HYDROELECTRIC POWER PLANTS

SUMMARY OF RESULTS

| | 2008 | 2007 |
|---|-------|------|
| ECONOMIC RESULTS (THOUSAND EURO) | | |
| REVENUES FROM ORDINARY OPERATIONS | 33 | – |
| EBITDA | (85) | – |
| ADJUSTED EBITDA | (85) | – |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | (107) | – |
| EBIT | (192) | – |
| INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS | – | – |
| OPERATIONAL DATA (MWH) | | |
| PRODUCTION OUTPUT | 4,245 | – |
| OF WHICH | | |
| I.S.E.A. PLANTS | 4,245 | – |
| ECOPOWER PLANTS | – | – |

FY2008 operating **revenues** for the hydroelectric power plants – consolidated as from 1 October 2008 following contribution to ERG Renew of ERG Power & Gas's demerged renewables unit – amounted to Euro 0.03 million, based on electricity output of 4,245 MWh. The hydroelectric power plants operate using irrigation canals and their activity is therefore subject to periods and limits dictated by the canal operator. These revenues were produced almost exclusively between March and September, namely the period featuring the so-called "summer flow" during which the flow reaches maximum potential. Throughout this period there is no occurrence of the so-called "dry-outs", which are instead performed between September and March, namely the period fea-

turing the so-called "winter flow" during which the flow is minimum. Dry-outs can continue up to a maximum of 60 days for routine maintenance. Contrary to this assumed timing, however, the 2008 "winter flow" period featured much longer "dry-outs" for extraordinary maintenance work, which precluded full production by the plants.

EBITDA of the hydroelectric power plant business was negative by Euro 0.1 million.

Amortisation and depreciation amounted to Euro 0.1 million.

EBIT of the hydroelectric power plant business was negative by Euro 0.2 million.

WATER SERVICES

SUMMARY OF RESULTS

| | 2008 | 2007 |
|---|--------------|--------------|
| ECONOMIC RESULTS (THOUSAND EURO) | | |
| REVENUES FROM ORDINARY OPERATIONS | 6,962 | 6,049 |
| EBITDA | (119) | 32 |
| ADJUSTED EBITDA | (119) | 32 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | (391) | (804) |
| EBIT | (510) | (772) |
| INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS | 355 | 100 |
| OPERATIONAL DATA | | |
| WASTE TREATED | | |
| SODAI - WASTE TREATED (M ³) | 358,910 | 337,186 |
| DSI - LIQUID WASTE TREATED (M ³) | 16,136 | 15,033 |
| DSI - SOLID WASTE TREATED (TONS) | 14,717 | 11,709 |

In FY2008 the operating **revenues** of the Water Services business amounted to Euro 7 million, up by 15.1% compared to FY2007, when they amounted to Euro 6 million. The increase was due above all to the subsidiary SODAI Italia S.p.A., whose revenues grew by 10.7% as a result of the larger volume of liquid waste treated, up from 337,186 cubic metres in 2007 to 358,910 cubic metres in 2008, with an increase of 6.4%. This was thanks to the copious rainfall, particularly during the fourth quarter of 2008. A contributor to revenue growth was also the positive trend of revenues generated by DSI S.r.l., which rose from Euro 2.3 million in 2007 to Euro 2.9 million in 2008, with an increase of 22%. The latter was due to both the growth in volume treated (+7.3% liquid waste and +25.7% solid waste) and the growth in the price applied to solid waste, which increased by 5%.

FY2008 **EBITDA** for the Water Services business was negative by Euro 0.1 million, decreasing compared to the breakeven featured in FY2007. In fact while, on the one hand, SODAI Italia S.p.A.'s EBITDA, which reflected some non-recurring items relating to personnel (Euro 0.1 million) achieved substantial breakeven compared to negative EBITDA of Euro 0.1 million reported in the previous financial year, on the other hand, DSI S.r.l.'s EBITDA made a negative

contribution following the fire at the end of November that destroyed its solid-waste crushers and compactors. The seriousness of the loss event made it impossible to salvage, even partly, the tangible assets involved, whose residual value of Euro 0.3 million was written off, causing a non-recurring cost. The effects of the insurance indemnity claim have not been recognised in FY2008 financial statements as the indemnity has not yet been definitively quantified.

Amortisation and depreciation for the Water Services business in FY2008 amounted to Euro 0.4 million, down by 9.5% compared to the previous year. This was due to non-depreciation in December of the DSI plants irreparably damaged by the above mentioned fire, whose residual value was written off. On the other hand, in 2008 there were no write-downs, which in the previous financial year had instead amounted to Euro 0.4 million.

FY2008 **EBIT** for the Water Services business was negative by Euro 0.5 million, improving compared to the negative FY2007 result of Euro 0.8 million.

As regards SODAI Italia S.p.A. – which, we recall, since October 2008 is 100% owned by ERG Renew (previously 51% ERG Renew and

49% Trenitalia) - we point out that the regular impairment test also performed as at 31 December 2008 confirmed consistency with carrying value. More specifically, the Directors underline that this consistency is justified both by the contract in place with Trenitalia and by development of the Melfi San Nicola platform, which in June 2006 successfully passed Environmental Assessment procedures. This development depends on the outcome of an administrative appeal filed with the Basilicata Regional Administrative Tribunal. The appeal aims to ascertain the existence of elements harming the subsidiary's interests in the current Provincial Waste Management Plan, which does not consider the project presented by the subsidiary for development of the Melfi San Nicola platform. On 11 November 2008 the company delivered a circumstantiated memorandum to the Basilicata Region's Territory and Environment Department with the request to proceed with issue of the

plant's Integrated Environmental Authorisation, activating the procedure still suspended. On 3 December 2008 the company served on the Basilicata Region, the Province of Potenza, the Prime Minister's Office and the Environment Minister a warning and invitation to complete the platform's authorisation procedure. The Directors confirm the reasonableness of the assumptions underlying the business plan, which is fundamental for medium-term development of the company's business, based on exploitation of the Melfi San Nicola platform, albeit in the uncertainty concerning the outcome of the appeal mentioned above. Failure to obtain authorisation to construct and operate the aforementioned platform might make it necessary to write down tangible and intangible assets. Directors will systematically monitor the emergence of any such necessity at each interim and annual balance sheet date.

HOLDING DIVISION

| | 2008 | 2007 |
|---|----------|---------|
| ECONOMIC RESULTS (THOUSAND EURO) | | |
| REVENUES FROM ORDINARY OPERATIONS | 1,555 | - |
| EBITDA | (11,012) | (4,787) |
| ADJUSTED EBITDA | (11,012) | (5,987) |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | (2,036) | (205) |
| EBIT | (13,048) | (6,192) |
| INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS | 186 | - |

The Holding division's FY2008 **revenues** amounted to Euro 1.5 million and consisted of services rendered to the parent company and to affiliated companies. These revenues were not present in FY2007.

In FY2008 **EBITDA** was negative by Euro 11 million, further deteriorating by Euro 5 million compared to FY2007, when it was negative by Euro 6 million. This clear deterioration was mainly due to (i) technical, legal and financial consulting expenses of Euro 1.3 million, also partly relating to ERG Renew's capital increase following the merger of ERG Power & Gas renewables in

the company's favour and to the paid capital increase which the Board of Directors, at its meeting on 25 September 2008, decided to suspend; (ii) staff-related costs of Euro 1.3 million, ascribable both to exit incentives and to the increase in costs for new hires necessary for the business plan's investments over the next few years, as well as non-recurring costs incurred for the transfer of personnel from the Milan office to the new Genoa office; (iii) costs of Euro 1.9 million connected with integration of the ERG Renew Group with the parent company's group and relating to all staff services received from both the parent company ERG

S.p.A. and affiliated company ERG Power & Gas; and (iv) additional costs of Euro 0.3 million due to maintaining, for the first six months of 2008, both the Milan office, until natural expiry of the rental contract, and the new office in Genoa.

At **EBIT** level, in FY2008 the holding division reported a negative result of Euro 13 mil-

lion, further deteriorating by Euro 6.9 million compared to FY2007 for the reasons already described concerning EBITDA, and also because of an allocation of Euro 2 million made to the miscellaneous risk provision for contingent liabilities relating to disposal of the Waste-to-Energy/Waste Management and Steel businesses.

INVESTMENTS

Investments made by the Group in 2008 totalled Euro 41.7 million (Euro 33.8 million in

2007). The following table shows the breakdown of investments by business division:

| | 2008 | 2007 |
|------------------------------------|---------------|---------------|
| INVESTMENTS (THOUSAND EURO) | | |
| WIND - ITALY | 41,181 | 33,750 |
| WIND - FRANCE | - | - |
| TOTAL WIND | 41,181 | 33,750 |
| HYDROELECTRIC POWER PLANTS | - | - |
| WATER SERVICES | 355 | 100 |
| HOLDING DIVISION | 186 | - |
| TOTAL | 41,722 | 33,850 |

Investments related almost exclusively to the Wind - Italy business. More specifically: (i) investments continued for construction of the Faeto wind farm, which is scheduled to start production by the end of the first quarter of 2009 (1Q09); (ii) investments continued for the Ginestra wind farm, where the site

ready for works should be open by the end of 1Q09; (iii) investments continued for expansion of the Troia San Vincenzo wind farm; and (iv) construction was completed of the Green Vicari wind farm, where production came fully on-stream during 2008.

RISK MANAGEMENT DISCLOSURE

In performing its business activity, the Company encounters risks respectively arising from external factors relating to the macro-economic reference scenario or to the sector where the Group operates, from strategic management choices made that expose

it to specific risk and from internal risks of normal operational management.

The main risks to which the Group is exposed are summarised below.

Risk relating to ERG Renew profitability

ERG Renew's future profitability is significantly affected by the trend in scenario variables beyond the Company's control, including the windiness of wind farms, which affects expected electricity output, and the assumptions concerning the price of electricity sold and the value of green certificates.

Risk relating to ERG Renew's market

ERG Renew, which creates plants to produce electricity, operates in a segment heavily dependent on major structural investments. Such activities require the delivery and assembly of components, such as the wind farms' wind turbines, that only a very limited number of suppliers are able to supply. Any interruption of commercial relations with some of these suppliers may cause the company difficulties in procurement of key components, also for operation and maintenance purposes, or an increase in the costs and time needed to obtain such components from other suppliers.

Moreover, in a scenario featuring rapid growth of demand for components, due to market development, and growing competition between operators due to suppliers' limited production capacity, there is a risk that certain suppliers may no longer be able to meet ERG Renew's demand or, again, that the price of such components may increase considerably. This means that, if the company were to deem it appropriate to sign prior framework agreements with wind turbine manufacturers even before being certain of their final destination in order to shorten lead times, the company would expose itself to the risk of failure to recover the so-called reservation fees accorded to wind turbine suppliers in the event that the related orders are not issued as contractually regulated, since the fees would be withheld by the manufacturers as penalties.

These possibilities may therefore have implications for ERG Renew as regards construction of plants for which supply has not yet been secured or on their construction according to the timing estimated by the company, with adverse consequences on economic and financial results.

Risk relating to wind farm approval process

The creation of wind farms requires nu-

merous authorisations or permits to be issued by the relevant public authorities. More specifically, the approval process is particularly complex and, assuming availability of the site and the absence of any particular no-go factors, it is generally completed in a period of between one and three years. ERG Renew, therefore, cannot guarantee the favourable outcome of approval processes for farms in development.

Furthermore, failure to obtain the necessary authorisations or permits, or their subsequent repeal or cancellation may, respectively, delay or interrupt the construction and start-up of plants or cause an interruption or suspension of wind farms already operational – also because of the administrative dispute necessarily deriving from such circumstances.

Some Italian regions (i.e. Basilicata and Calabria) have established, via regional laws or administrative measures, moratoriums designed to suspend procedures to obtain the authorisations necessary to create wind farms, pending approval, by the competent authorities, of the Regional Energy and Environment Plan or of the Regional Landscape Plan, thus suspending all pending approval processes.

It cannot be excluded that other Italian regional governments may adopt similar moratorium measures. In such an event, these measures could delay approval processes for the construction of new wind farms and hinder expansion of ERG Renew's power generation business, with a consequent negative impact on the balance sheet and on economic and financial results.

Since the Company believes that the above risk has become more acute in the early months of 2009, it has deemed it appropriate for development costs relating to new wind farms – which until 30 September 2008 were capitalised right from the start of the approval process – because of the uncertainty emerging as to their ability to generate future economic benefits, to be capitalised, as from 4Q08, only as from the time when approval is obtained.

Risk relating to project-financing contracts

The ERG Renew Group produces electricity from renewable energy sources via plants whose construction is prevalently financed by means of non-recourse project financ-

ing contracts, which are based solely on the repayment capacity of the vehicle financed. These financing contracts envisage some restrictions on use of financial resources, both during plants' construction and during their operation. In addition, these contracts envisage that – in the case of failure to comply with the above limitations or with certain financial indicators, or if particularly serious events, facts or circumstances occur (such as insolvency, unpaid debt positions, specific contractual defaults or repeal of approvals) and if the matter is not remedied by within the established timeframe – the financing institutions have the right, inter alia, to apply the acceleration clause and to terminate the contract, with consequent obligation of total repayment by the deadline established and with possible prejudicial effects on the Group's economic and financial results.

Loans are also assisted by the usual pledges and guarantees in favour of the financing institutions, which include pledging of equity interests in the operating vehicles, attachment of mortgages to buildings and special lien to plants, pledging of current accounts, and assignment as collateral of receivables stemming from the grants received. In addition, we also specify that, pursuant to the financing contracts, the cash balances present in companies owning wind farms financed by means of project financing are subject to restriction.

Interest rate risk

The Group is exposed to interest rate risk due to the fact that its existing financial debt envisages the payment of financial charges calculated primarily on the basis of variable interest rates, prevalently linked to the Euribor.

In order to reduce the impact of this risk, ERG Renew has long-term interest rate swap contracts in place designed to maintain its interest rates within pre-established ranges. As regards the project financing arrangements in place at ERG Renew's subsidiaries, the portion hedged varies from 50% to 100%.

There cannot, however, be any certainty that the policies for managing interest rate risk set up by ERG Renew and its subsidiaries will be sufficient to prevent – totally or partly – any negative effects on the Group's results. In addition, any increase in interest rates may cause an increase in the costs relating to debt financing or refinancing, with an adverse effect on Group results.

Risk relating to operating leverage

A significant percentage of the costs borne by ERG Renew consists of overhead costs not affected by the quantity of electricity sold or green certificates assigned. Although ERG Renew is constantly committed to controlling costs, possible impacts of any reduction in electricity selling prices and green certificate prices cannot be excluded.

SUMMARY OF FINANCIAL STATEMENTS

RECLASSIFIED INCOME STATEMENT

| (THOUSAND EURO) | 2008 | 2007 |
|---|-----------------|---------------|
| OPERATING REVENUES | 43,439 | 37,023 |
| OTHER REVENUES AND INCOME | 1,056 | 833 |
| TOTAL REVENUES | 44,495 | 37,856 |
| PURCHASE OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS | (404) | (453) |
| SERVICES | (18,620) | (10,862) |
| PERSONNEL EXPENSES | (7,097) | (4,914) |
| OTHER OPERATING EXPENSES | (8,442) | (3,229) |
| EBITDA | 9,932 | 18,398 |
| AMORTISATION AND DEPRECIATION | (17,386) | (9,255) |
| WRITE-DOWNS | (9,171) | (566) |
| EBIT | (16,625) | 8,577 |
| NET FINANCIAL INCOME (EXPENSES) | (8,219) | (3,084) |
| NET INCOME (LOSS) FROM EQUITY INVESTMENTS | (5,840) | – |
| PROFIT BEFORE TAXES | (30,684) | 5,493 |
| INCOME TAXES | 6,357 | (3,368) |
| MINORITY INTERESTS | (83) | 140 |
| PROFIT (LOSS) FROM DISCONTINUED OPERATIONS | – | – |
| GROUP NET PROFIT (LOSS) | (24,410) | 2,265 |

The operating components contributing to EBIT have already been commented in the above section “Comments on results for the year”.

NET FINANCIAL INCOME (EXPENSES)

FY2008 net financial expenses totalled Euro 8.2 million, up by Euro 5.1 million compared to FY2007. This increase was due to (i) full-year consolidation of finance expenses stemming from project financing of the French wind farms which, as they were acquired in October 2007, were consolidated only for the last two months of the year; (ii) project financing loans mostly paid out during the year for construction of the Faeto wind farm; (iii) consolidation of ERG Power & Gas’s demerged renewables unit, which has project financing funding in place paid out for construction of the Vicari wind farm, as well as loans granted by associate company ERG Power & Gas; and (iv) write-down of a financial receivable which, in view of its medium/long-term repayment plan, was

deemed appropriate to discount to present value.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

Net losses on equity investments in FY2008 totalled Euro 5.8 million, whereas there were none in FY2007. They related almost exclusively to the write-down of the 5.36% equity interest owned by ERG Renew in Ansaldo Fuel Cells S.p.A., a company performing research and development work in the production, conservation, transfer and utilisation of energy generated using systems exploiting the hydrogen chain. While Euro 0.8 million of the write-down related to the capital increase executed during 3Q08 to cover losses accrued by the investee company in FY2007, the further write-down of Euro 5 million, net of which the investment’s value is virtually equal to the relevant share of equity, was due to the strategic choice made by the company during the year, based on which the research and development activity of Ansaldo Fuel Cells S.p.A. is

no longer considered core. Moreover, we point out that the regular impairment test performed by a premier auditing company has confirmed that, considering the entire time span underlying the business plan approved by the Ansaldo Fuel Cells Board of Directors, the differential between the equity pertaining to ERG Renew and the investment's carrying value is justified. Notwithstanding this, ERG Renew, for the reason mentioned above, has written down the investment to its estimated realisation value in case of sale.

INCOME TAXES

Income taxes – which show a positive balance of Euro 6.4 million – related to Euro 4.8 million of positive deferred taxation basically resulting from write-downs and provisions carried out, plus Euro 2.2 million of benefit deriving from tax consolidation adding up to a total of Euro 7 million, partly eroded by regional tax on production (IRAP) amounting to Euro 0.6 million.

RECLASSIFIED BALANCE SHEET

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|--|----------------|----------------|
| FIXED ASSETS | 353,674 | 233,709 |
| PROPERTY, PLANT AND EQUIPMENT | 257,895 | 164,361 |
| INTANGIBLE ASSETS | 90,314 | 65,083 |
| FINANCIAL ASSETS | 5,465 | 4,265 |
| NET WORKING CAPITAL | 35,947 | 22,631 |
| INVENTORY | – | – |
| TRADE RECEIVABLES | 11,730 | 9,360 |
| OTHER ASSETS | 73,476 | 50,064 |
| TRADE PAYABLES | (18,594) | (14,564) |
| PROVISION FOR LIABILITIES AND CHARGES | (6,183) | (4,169) |
| OTHER LIABILITIES | (24,482) | (18,060) |
| STAFF LEAVING INDEMNITIES | (378) | (425) |
| NET INVESTED CAPITAL | 389,243 | 255,915 |
| SHAREHOLDERS' EQUITY | 134,984 | 144,264 |
| PARENT COMPANY | 134,745 | 144,137 |
| MINORITY INTEREST | 239 | 127 |
| NET FINANCIAL DEBT | 254,259 | 111,651 |
| SHAREHOLDERS' EQUITY AND FINANCIAL DEBT | 389,243 | 255,915 |

At 31 December 2008, net invested capital amounted to Euro 389.2 million, up by Euro 133.3 million compared to 31 December 2007. Financial leverage – expressed as the ratio of total net financial debt to net invested capital – was 65.3% (compared to 43.6% at 31 December 2007).

FIXED ASSETS

Fixed assets include tangible, intangible and

financial assets. The increase of Euro 120 million compared to 31 December 2007 was due primarily to consolidation of the demerged ERG Power & Gas unit, as already mentioned, and, secondly, to the year's investments in the Wind business.

NET WORKING CAPITAL

Net working capital increased by Euro 13.3 million, rising from Euro 22.6 million at 31

December 2007 to Euro 35.9 million at 31 December 2008.

This increase was mainly due to the increase of Euro 23.4 million in the item "Other assets" due to the recording of the receivable for green certificates matured during the year. This increase was partly offset by an increase in "Other liabilities" owing to the increase in deferred tax liabilities. The increase in working capital is clearly also due to the consolidation of the demerged ERG Power & Gas unit, as already mentioned.

CONSOLIDATED NET FINANCIAL POSITION

With reference to the Net Financial Position defined as per the CONSOB recommendations contained in Resolution 6064293 of July 2006, readers should refer to the corresponding section of the Explanatory Notes to the Financial Statements.

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

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|---|------------------|------------------|
| CURRENT FINANCIAL ASSETS | 41,322 | 79,741 |
| PARENT COMPANIES | – | – |
| GROUP COMPANIES | – | – |
| THIRD PARTIES | 12,250 | 12,600 |
| CASH AND CASH EQUIVALENTS | 24,809 | 60,437 |
| PLEGGED CASH AND CASH EQUIVALENTS | 4,170 | 4,170 |
| RECEIVABLES FROM DERIVATIVES | 93 | 2,534 |
| CURRENT FINANCIAL LIABILITIES | (124,588) | (40,340) |
| PARENT COMPANIES | (226) | (62) |
| ASSOCIATE COMPANIES | (64,581) | – |
| THIRD PARTIES | (55,622) | (22,778) |
| DERIVATIVES | (4,159) | (17,500) |
| CURRENT NET FINANCIAL POSITION | (83,266) | 39,401 |
| NON-CURRENT FINANCIAL ASSETS | 2,086 | 414 |
| ASSOCIATE COMPANIES | 1,568 | – |
| THIRD PARTIES | 518 | 414 |
| NON-CURRENT FINANCIAL LIABILITIES | (173,079) | (151,466) |
| THIRD PARTIES | (171,957) | (151,466) |
| OTHER LENDERS | (1,122) | – |
| DERIVATIVES | – | – |
| NON-CURRENT NET FINANCIAL POSITION | (170,993) | (151,052) |
| NET FINANCIAL POSITION | (254,259) | (111,651) |

At 31 December 2008, the consolidated net financial position featured a net debt of Euro 254.3 million, up by Euro 142.6 million compared to 31 December 2007. This increase was due above all to the payout of project financing for the construction of the Faeto wind farm and, secondly, to the consolidation, as from 1 October 2008, of the demerged ERG & Power Gas renewables unit. Lastly, it was due to the use of the remain-

ing liquid assets received from the sale of the "Steel" and "Waste-to-Energy/Waste Management" businesses to purchase 49% of subsidiary SODAI Italia S.p.A.

Current financial assets amounting to Euro 41.3 million consisted mainly of:

- Cash and cash equivalents of Euro 29 million, of which (i) Euro 18.9 million pertaining to the Wind business and there-

fore almost all restricted under project financing; (ii) Euro 7.3 million relating to the parent company ERG Renew. These funds came primarily from the redemption of one of the three capital redemption insurance policies taken out to obtain the contractual suretyships required to guarantee acquisition of 49% of the subsidiary SODAI Italia S.p.A. from shareholder Trenitalia. Since, as better detailed below, the put option reserved for Trenitalia, the value of which, contractually regulated, was initially disputed by ERG Renew, formed the object of a settlement agreement during the last quarter of 2008, the company subsequently proceeded to redeem the insurance policies taken out as collateral for the suretyship granted to cover the payment obligation regarding the exercise price of such option; and (iii) Euro 2.3 million relating to the water service companies.

- Third party receivables of Euro 12.2 million relating to the residual amount of the capital redemption insurance policies taken out to obtain the contractual suretyships envisaged as guarantee of acquisition of 49% of the subsidiary SODAI Italia S.p.A. from shareholder Trenitalia, which exercised its put option in May 2007 and whose right – initially considered non-existent by ERG Renew – formed the object of a settlement agreement between the parties on 16 October 2008. Following this transaction, the company proceeded to apply for redemption of the policies in question, which were only partially cashed in prior to the end of FY2008, while the balance was paid at the end of January 2009.

Current financial liabilities, which amounted to Euro 124.6 million, mainly consisted of:

- Financial payables of Euro 64.6 million due to associate companies relating to consolidation of the demerged ERG Power & Gas renewables unit. The debt consists mainly of the loan paid out by ERG Power & Gas to the company ERG Eolica S.r.l. (now merged by incorporation into ERG Eolica Italia S.r.l.) and earmarked for the construction of the Green Vicari wind farm.
- Third party financial payables of Euro 55.6 million, including Euro 37 million

for the current portion of non-recourse debt relating to project financing of the Wind business, Euro 15.3 million for ERG Renew S.p.A. current account overdrafts and Euro 3.1 million for the current portion of two medium/long-term lines of credit pertaining to the parent company ERG Renew.

- Payables for derivatives totalling Euro 4.2 million, relating primarily to interest rate swaps set up by the wind companies to hedge interest rate risk connected with project financing and, secondly, to the Euro 1.8 million put option granted in October 2003 to the company Gepafin S.p.A. 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 assets, which amounted to Euro 2.1 million, consisted of Euro 1.6 million of amounts receivable from associate companies, more specifically from the French subsidiaries and associates, and Euro 0.5 million for a capital redemption insurance policy taken out to guarantee a suretyship policy for the EOS 1 - Troia (San Vincenzo) subsidiary for the benefit of some owners of plots of land on which the wind farm's wind turbines are located.

Non-current financial liabilities, totalling Euro 173.1 million, consisted of Euro 134.1 million for the non-current portion of non-recourse debt relating to project financing of the wind business, Euro 37.9 million for medium/long-term loans paid out to the parent company ERG Renew and Euro 1.1 million for leasing instalments relating to some plants pertaining to the hydroelectric business.

The ERG Renew Group's derivative transactions outstanding at 31 December 2008 referred to a total notional value of Euro 142.8 million, up by Euro 29.2 million compared to Euro 113.6 million outstanding at 31 December 2007. This increase concerned the new project financing loans relating to the Faeto and Vicari wind farms.

| HEDGING INSTRUMENTS (THOUSAND EURO) | NOTIONAL AT 31/12/2008 | NOTIONAL AT 31/12/2007 |
|--------------------------------------|------------------------|------------------------|
| INTEREST RATE SWAP (IRS) | 88,005 | 96,801 |
| RELATING TO "WIND" | 80,005 | 88,801 |
| RELATING TO MEDIUM/LONG - TERM LOANS | 8,000 | 8,000 |
| INTEREST RATE CAP | 54,839 | 16,840 |
| RELATING TO "WIND" | 54,839 | – |
| RELATING TO MEDIUM/LONG - TERM LOANS | – | 16,840 |
| TOTAL | 142,844 | 113,641 |

As regards current and non-current financial liabilities, it should be noted that, due to the non-sale of green certificates and equalisation on 2007 electricity prices discussed earlier, the subsidiaries EOS 1 - Troia San Vincenzo and EOS 3 - Troia San Cireo, holders of a project financing line totalling Euro 51.5 million (of which Euro 10.1 million falling due by the end of FY2009), temporarily breached the financial covenants contractually agreed with the granting institutions. On 25 September, the granting institutions signed an agreement with the two subsidiaries amending some provisions of their respective project financing contracts which, by definitively overcoming the aforementioned breaches of the financial covenants, also assures EOS 1 - Troia San Vincenzo and EOS 3 - Troia San Cireo greater flexibility in the selling policy for green certificates still held, matured in the years 2006, 2007 and 2008, in order to better exploit market conditions. More specifically, it was ruled out that failure to sell green certificates matured in the years 2006, 2007 and 2008 by the original due dates (i.e. respectively by the end of May 2007, 2008 and 2009) might constitute any form of non-performance of the obligations taken on by virtue of the project financing contracts. In addition, the possibility was introduced of finding the liquidity necessary to pay the instalments falling due on 31 December 2008, 30 June and 31 December 2009, also via the use of existing liquidity and/or possible financial support from the sub-holding company EOS Eolica Italia S.r.l., if necessary, with involvement of ERG Renew if the sub-holding company was unable to handle these commitments. The amendment agreement also permitted, despite the non-performance, to continue classifying as non-current the Euro 41.4 million portion of debt.

However, the problem described above lost a large part of its significance on 18 December 2008. On such date the Ministry for Economic Development in agreement with the Ministry for the Environment and Territorial and Marine Protection enacted the Ministerial Decree (published in the Gazzetta Ufficiale on 12 January 2009) regulating the transition from the old incentivisation mechanism to the new one established by the 2008 Finance Law.

In effect, while in the case of FY2007 financial statements and interim and half-yearly reports, green certificates were valued according to their expected price in the year when, by law, they were to be sold to the GSE (namely by the end of March of the third financial year after that of production), the above Ministerial Decree – also in order not to penalise investments underway – rules that green certificates pertaining to production matured and maturing up to end of 2010 will, at their holders' request, be acquired by the GSE by the end of June in the year after the one concerned.

This purchase, the application for which must be sent 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 in the three-year period prior to the year when the application is filed. The GSE will purchase these green certificates on or before 30 June.

As a consequence of the foregoing, the green certificates relating to the years 2006, 2007 and 2008 held by the company as at 31 December 2008 will form the object of an application for purchase to be sent to the GSE during the current month of March 2009. This purchase will take place by 30 June 2009.

The proceeds from the sale of green certificates amounting to around Euro 30 million will therefore enable EOS 1 - Troia San Vin-

cenzo and EOS 3 - Troia San Cireo to return within the framework of the financial covenants contractually agreed with the granting institutions.

At 31 December 2008, no other cases of non-compliance with financial covenants were present in the ERG Renew Group's debt.

RESEARCH AND DEVELOPMENT ACTIVITY

The ERG Renew Group does not directly perform research and development activity. As at 31 December 2008, the Group, via ERG Renew S.p.A. owned a 5.36% equity interest in the company Ansaldo Fuel Cells S.p.A. (AFCO), which performs research and development activities concerning the production, conservation, transfer and utilisation

of energy generated using systems exploiting the hydrogen chain.

As already described in relation to the results of the Holding division, the latter no longer considers this business strategic and has decided to write down the carrying value of this equity investment.

HEALTH, SAFETY AND ENVIRONMENT

In keeping with the mission of the Group and the parent company, during 2008 follow-up inspections were carried out as envisaged by the UNI EN ISO 9001 and UNI EN ISO 14001 certifications held by the companies ERG Eolica Italia, EOS 1 - Troia San Vincenzo and EOS 3 - Troia San Cireo, which

they achieved in 2007, as well as the UNI EN ISO 14001 certification held by DSI, achieved in June 2007. In addition, on 22 July 2008 DSI obtained renewal of its UNI EN ISO 9001 certification, originally achieved in December 2005.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

WIND - ITALY

On **29 JANUARY 2009**, the hearing took place before the Constitutional Court, which was to have ruled on the constitutional legitimacy of Regional Law no.9 of 26 April 2007 concerning rules for the energy sector. The proceedings had been initiated by the Basilicata Regional Administrative Tribunal (TAR) following an appeal filed by the promoter of the Tursi Colobrarò wind farm opposing the suspension of works at the Tursi Colobrarò wind farm imposed by the Basilicata regional authorities. The Constitutional Court has postponed its ruling to the end of April 2009.

In the meantime the Basilicata Region has newly regulated the subject, scheduling publication, by the end of July 2009, of the new Energy Plan, which it is reasonable to assume will set a cap on the MW installable in the region's territory. In this situation, on the one hand there is the risk of the Constitutional Court's ruling once again being postponed and, on the other hand, the risk of the Tursi Colobrarò wind farm not being included in the aforesaid MW cap. The uncertainties arising from the above mentioned situation have impacted the estimation processes with regard to the recoverability of development costs, as already amply described.

On **4 MARCH** the Board of Directors of subsidiary ERG Eolica Italia, following the economic impact arising from the write-downs of capitalised costs pertaining to some wind projects which may cause partial or total erosion of shareholders' equity as regards some subsidiaries, resolved to execute, where necessary, the recapitalisation of same. ERG Renew has also committed to supporting its subsidiary ERG Eolica Italia in such actions, including, if required, by assigning receivables claimed from its indirect subsidiaries.

WATER SERVICES

On **30 JANUARY 2009** DSI S.r.l. obtained from the Latium Region's authorities Integrated Environmental Authorisation, valid for six years.

HOLDING DIVISION

On **23 JANUARY 2009** the Company collected the entire amount, inclusive of interest, relating to the life policies taken out with the insurance company Generali Vita S.p.A. to guarantee the suretyship policy issued to Trenitalia, which in turn guaranteed payment of the put option on 49% of SO-DAI Italia. The said option was exercised for the amount of Euro 16.7 million in accordance with the settlement agreement as commented above.

On **30 JANUARY 2009** the company Gepafin, shareholder with a 0.27% stake in Ansaldo Fuel Cells S.p.A. exercised its put option vis-à-vis ERG Renew, as regulated by the agreement signed in 2003 and supplemented in 2005. ERG Renew considers the put option right on the shares of Ansaldo Fuel Cells S.p.A. to be non-existent and has accordingly notified Gepafin that it will not buy the shares covered by the option.

BUSINESS OUTLOOK

Given the continuing uncertainty of financial markets, the company decided to undertake in-depth analysis of the assumptions underlying the 2008-2011 Business Plan – for which investments planned in FY2009 suffered slowdown stopping at Euro 41.7 million as opposed to the Euro 115 million envisaged – to assess the need of possible adjustments. In February 2009 this analysis culminated in the development of a new 2009-2012 Business Plan (approved on the same date as this report). The new plan envisages total investments by the end of 2012 of approximately Euro 300 million (of which, Euro 93 million in 2009) for total installed capacity of 372 MW (including 199.3 MW already installed). The said plan, in view of the high degree of regulatory uncertainty at national and regional level, together with the above mentioned financial market crisis, making it difficult and costly to obtain financial resources, is based on the development of wind farm projects that are *cantierabili*, namely where commencement of works has already been approved, in order to en-

hance the visibility and certainty of investments.

Investments in 2009, totalling Euro 93 million, will be underpinned by equity injections, use of bank borrowing, and support from the parent company ERG S.p.A. In February 2009 the latter formally committed to supporting ERG Renew in the investments planned for 2009 up to the amount of Euro 70 million.

The choice of financing approach will be identified after in-depth analysis of the assumptions underlying the plan and after improvement of financial market conditions, by virtue of which the company intends to go ahead with the capital increase resolved by shareholders on 30 June 2008, delegating powers in this respect to the Board of Directors for a period of five years.

WIND

The first quarter of the year (1Q09) will feature the start of commissioning of the Faeto

wind farm, which therefore implies operational start-up as from April 2009.

By the end of the current financial year, the work site will be set up for the EOS 7 - Ginestra wind farm (40 MW), whose wind turbines – purchased on 30 June 2008 via execution of the related supply contract with Repower Systems AG – will be delivered starting in April 2009. The work site of the Fossa del Lupo wind farm (100 MW) will also be set up.

Due to possible continuation of upgrading work by Terna on the national transmission grid in the Apulia region, production by the wind farms of EOS 1 - Troia San Vincenzo and EOS 3 - Troia San Ciro may be penalised.

WATER SERVICES

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

DSI's processing of solid waste, suspended following the fire that occurred on 27 November 2008, will start up again in July 2009, following installation of the new crusher. On the other hand, storage of solid waste will continue as normal.

HOLDING DIVISION

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

The Directors call attention to the possibility that events, presently unknown, 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 consolidated financial statements.

We report that ERG Renew is a party to proceedings of a fiscal nature initiated in February 2009 in France in connection with the sale of its wholly-owned subsidiary EnerFrance SA, which included the "Steel" business. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew considers the

provision for liabilities allocated up to 31 December 2008 to be adequate.

We report that the company SAO S.p.A., until 4 July 2006 indirectly controlled by ERG Renew, is a party to proceedings of a fiscal nature. ERG Renew is involved due to the contractual guarantee granted to Acea, which at present indirectly controls 100% of SAO, in connection with liabilities that arose subsequent to the sale closing but pertaining to the pre-sale period, as well as under a tax consolidation agreement existing at the time with all the companies then sold to Acea. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew considers the requests to be unfounded and, therefore, has not made any provision.

ERG RENEW S.P.A. OPERATIONAL AND FINANCIAL PERFORMANCE

We start by saying that the ERG Renew S.p.A. 2008 financial statements have been drawn

up on the basis of international accounting standards (IASs/IFRSs).

| (THOUSAND EURO) | 2008 | 2007 |
|----------------------------------|----------|---------|
| MAIN DATA | | |
| REVENUES FROM SALES AND SERVICES | 2,292 | 702 |
| NET PROFIT (LOSS) | (15,359) | (3,604) |
| NET FINANCIAL POSITION | 48,292 | 53,894 |

For ERG Renew S.p.A. FY2008 closed with **revenues from sales and services** of Euro 2.3 million, up by Euro 1.6 million compared to FY2007. This increase was due to technical and staff services supplied until 30 September 2008 to the companies forming part of the renewables business controlled by affiliated company ERG Power & Gas, which, effective 1 October 2008, were contributed to ERG Renew via partial demerger of ERG Power & Gas. This has been adequately commented at the beginning of this report.

Net profit (loss) amounted to a negative Euro 15.4 million, showing a further drop of Euro 11.8 million compared to FY2007, which closed with a loss of Euro 3.6 million. The causes of this deterioration have already been detailed in the comments in previous sections concerning the Holding division.

The **net financial position** showed a positive balance of Euro 48.3 million, with a decrease of Euro 5.6 million compared to the balance at 31 December 2007.

BOARD COMMITTEES

During FY2008 the Internal Control Committee met on 22 January, 5 March, 22 April, 12 May and 5 August. The Nominations and Remuneration Committee met on 5 March, 14 March, 26 June and 5 August.

CORPORATE GOVERNANCE CODE

The company has adopted the new Corporate Governance Code as recommended by

Borsa Italiana in March 2006. Its application took place during FY2007.

We point out that the "2008 Annual Corporate Governance Report", drawn up in accordance with the principles and guidelines of the new Corporate Governance Code, is attached hereto.

It should also be noted that the Annual Corporate Governance Report and a copy of the Codes currently in force are available to anyone requesting same, also at the company's registered offices and on the website www.ergrenew.it.

SHAREHOLDINGS OWNED BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS, AND STRATEGICALLY ACCOUNTABLE MANAGERS

The members of the Board of Directors and Board of Statutory Auditors, and strategically accountable managers, as well as their spouses not legally separated and underage children, directly or through controlled companies, trust companies or interposed persons, as appears from the register of shareholders, communications received and other information acquired from the members of the Board of Directors, the General Managers and strategically accountable Managers, do not own shares of the issuer or shares or holdings in its subsidiaries.

TRANSACTIONS WITH PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

ERG Renew has dealings with the parent and affiliated companies, which provide it with services concerning:

- cash management;
- provision of administration, legal, personnel management and organisational services;
- property rental;
- management of communal services;
- purchase and re-billing of utilities.

During the course of 2008 ERG Renew was charged a total amount of Euro 1.9 million in connection with the merger between the ERG Renew Group and that of the parent company, relating to all staff services received from both the parent company ERG S.p.A. and affiliated company ERG Power & Gas.

Reference should be made to the notes of the separate financial statements for a detailed quantitative analysis of these transactions in absolute terms and relative to the total assets and liabilities and total costs and revenues indicated in the separate financial statements.

MANAGEMENT AND COORDINATION BY ERG S.P.A.

Our company is subject to management and coordination by ERG S.p.A., the scope of which is currently represented by the definition of business strategies, the indication of strategic guidelines for organisational aspects and personnel policies at a macro level; strategic finance management; management of communication policies and institutional relations; centralised management of corporate compliance; legal support for the most significant transactions; definition of common policies for internal audit and corporate security.

Below we indicate the agenda items resolved by the ERG Renew Board of Directors in relation to the management and coordination activities performed by the parent company:

- Board meeting of 12 May 2008:
 - Agenda item 4: Review and approval

of: (i) operation for partial demerger of ERG Power & Gas with Enertad as the beneficiary, with assignment to the latter of the equity interests owned by ERG Power & Gas in the sector of electricity production from renewable sources; (ii) the demerger plan, drawn up pursuant to Article 2506 bis of the Italian Civil Code; (iii) the Directors' Report, drawn up pursuant to Article 2501 quinquies of the Italian Civil Code and Article 70 of CONSOB Issuers' Regulation 11971/1998 – resolutions related and consequent thereto.

- Agenda item 5: Proposal of delegation of powers to the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase share capital by a maximum of Euro 200 million – resolutions related and consequent thereto.
- Board meeting of 10 June 2008:
 - Agenda item 2: Modification of the company's macro organisational structure – resolutions related and consequent thereto.
- Board meeting of 26 June 2008:
 - Agenda item 2: Emolument payable to the Chairman of the Board of Directors – resolutions related and consequent thereto.
- Board meeting of 10 November 2008:
 - Agenda item 1: Review and approval of Interim Management Report as at 30 September 2008 – resolutions related and consequent thereto.
- Board meeting of 11 December 2008:
 - Agenda item 1: 2009 Investment Budget.
 - Agenda item 5: Any other business: Restructuring of equity investments after demerger of ERG Power & Gas: target model – resolutions related and consequent thereto.

The following table shows the main figures of the parent company ERG S.p.A.:

| (THOUSAND EURO) | 2008 |
|------------------------------------|-----------|
| ERG S.P.A. – MAIN DATA | |
| SHARE CAPITAL | 15,032 |
| TOTAL SHAREHOLDERS' EQUITY | 109,714 |
| TOTAL ASSETS | 1,030,235 |
| NET INCOME FROM EQUITY INVESTMENTS | 111,559 |
| OTHER OPERATING INCOME | 32,501 |
| NET PROFIT (LOSS) | 66,632 |

MANAGEMENT AND COORDINATION BY ERG RENEW

ERG Renew subjects its subsidiary and associate companies to management and coordination. With these companies it has financial dealings regulated by normal market conditions. It supplies them with technical services concerning the development, design, construction and operation of wind farms and hydroelectric plants. Reference should be made to the explanatory notes of the separate financial statements for a detailed quantitative analysis of these transactions in absolute terms and relative to the total assets and liabilities and total costs and revenues indicated in the separate financial statements.

TREASURY SHARES AND PARENT-COMPANY SHARES OR QUOTAS OWNED

In compliance with Article 2428, paragraph 2, point 3 of the Italian Civil Code, it is hereby specified that, as at 31 December 2008, the Company did not own any treasury shares or shares in its parent companies.

TREASURY SHARES AND PARENT-COMPANY SHARES OR QUOTAS PURCHASED OR SOLD DURING THE YEAR

In compliance with Article 2428, paragraph 2, point 4 of the Italian Civil Code, it is hereby specified that during the year the company did not acquire or sell any treasury shares or shares in its parent companies.

PRIVACY PROTECTION

In accordance with the Consolidated Law on Personal Data Protection, the Company initiated a review of the security standards imposed by the aforesaid regulation on the gathering and handling of personal data pertaining to employees, customers and suppliers. In compliance with the regulations in force for the current financial year, the company has therefore prepared the so-called "Security Policy Document", identifying and applying the necessary implementations to the security system adopted by the company to ensure proper protection and preservation of personal data.

BOARD OF DIRECTORS' PROPOSAL

Dear Shareholders,

Your company's financial statements for the year ended 31 December 2008, prepared in accordance with international accounting standards (ISAs/IFRSs), show a loss of Euro 15,361,057 that we propose be carried forward in the Retained Earnings reserve.

If you agree with this, we invite you to approve the Management Report and the Financial Statements consisting of the balance sheet and income statement and the explanatory notes thereto.

Genoa, 9 March 2009

On behalf of the Board of Directors
The Chairman
Giuseppe Gatti



GLOSSARY

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

An independent authority set up pursuant to Law 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 S.p.A. (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

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, with an increase in the incentivised period 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 the two subsidiaries AU (Acquirente Unico) and GME (Gestore del Mercato Elettrico).

MAXIMUM FLOW

In the case of ERG Renew, whose hydroelectric power plants use irrigation canals, this is the flow enjoyed by the power plants during the summer period (March-September).

MW (MILLION WATTS)

Unit of measurement of a plant's electricity production capacity.

WASTE MANAGEMENT

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

WASTE TO ENERGY

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

WIND ENERGY

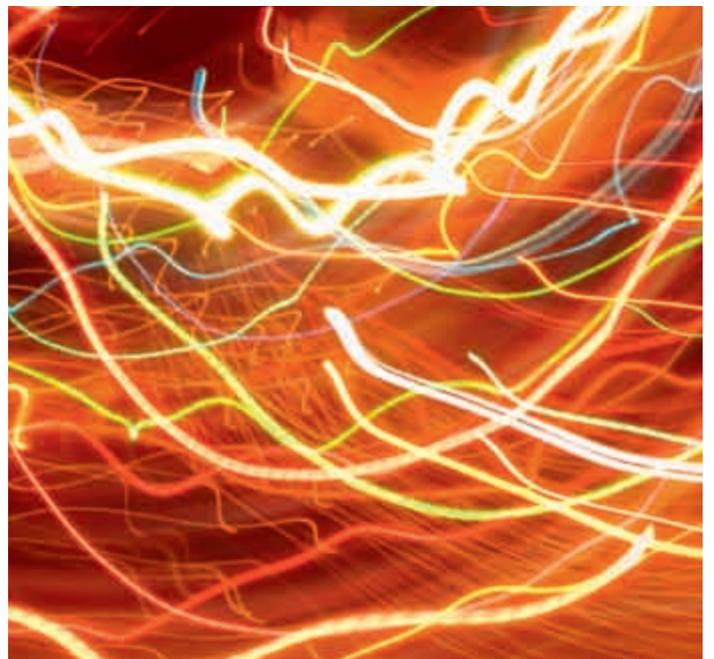
Energy generated from wind.

WIND TURBINE

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

WINTER FLOW

In the hydroelectric sector this is the flow enjoyed by power plants during the winter period (September-March). In our specific case, since ERG Renew's hydroelectric power plants use irrigation canals, during the winter period the flow is minimum.



ERG RENEW S.P.A. CONSOLIDATED BALANCE SHEET

| (THOUSAND EURO) | NOTES | 31/12/2008 | 31/12/2007 |
|---|-------|----------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | (1) | 257,895 | 164,361 |
| INTANGIBLE FIXED ASSETS | (2) | 90,314 | 65,083 |
| OTHER EQUITY INVESTMENTS | (3) | 5,465 | 4,263 |
| FINANCIAL ASSETS | (4) | 518 | 414 |
| OTHER RECEIVABLES | (5) | 7,881 | 10,348 |
| DEFERRED TAX ASSETS | (6) | 10,973 | 3,936 |
| NON-CURRENT ASSETS | | 373,046 | 248,405 |
| TRADE RECEIVABLES | (7) | 11,730 | 9,360 |
| OTHER FINANCIAL RECEIVABLES | (8) | 12,250 | 12,600 |
| OTHER RECEIVABLES | (9) | 38,851 | 28,164 |
| TAX ASSETS | (10) | 16,982 | 7,135 |
| EQUITY INVESTMENTS AVAILABLE FOR SALE | (11) | 2 | 2 |
| RECEIVABLES FROM DERIVATIVES | (18) | 93 | 2,534 |
| CASH AND CASH EQUIVALENTS | (12) | 28,979 | 64,608 |
| CURRENT ASSETS | | 108,887 | 124,403 |
| ASSETS HELD FOR SALE | | - | - |
| TOTAL ASSETS | | 481,933 | 372,808 |
| GROUP SHAREHOLDERS' EQUITY | | 134,745 | 144,137 |
| MINORITY INTERESTS | | 239 | 127 |
| SHAREHOLDERS' EQUITY | (13) | 134,984 | 144,264 |
| STAFF LEAVING INDEMNITIES | (14) | 378 | 425 |
| PROVISIONS FOR LIABILITIES AND CHARGES | (16) | 6,183 | 4,169 |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | (17) | 173,079 | 151,465 |
| DEFERRED TAX LIABILITIES | (19) | 16,973 | 13,426 |
| NON-CURRENT LIABILITIES | | 196,613 | 169,485 |
| FINANCIAL PAYABLES - CURRENT PORTION | (17) | 120,430 | 22,839 |
| PAYABLES FROM DERIVATIVES | (18) | 4,159 | 17,500 |
| TRADE PAYABLES | (20) | 18,606 | 14,564 |
| OTHER PAYABLES | (21) | 6,015 | 3,269 |
| TAX LIABILITIES | (22) | 1,126 | 887 |
| CURRENT LIABILITIES | | 150,336 | 59,059 |
| LIABILITIES HELD FOR SALE | | - | - |
| TOTAL LIABILITIES | | 481,933 | 372,808 |

Translated from the original version in Italian.

ERG RENEW S.P.A. CONSOLIDATED INCOME STATEMENT

| (THOUSAND EURO) | NOTES | 2008 | 2007 |
|--|-------------|-----------------|---------------|
| OPERATING REVENUES | | 43,439 | 37,023 |
| OTHER REVENUES AND INCOME | | 1,056 | 833 |
| PRODUCTION VALUE | (24) | 44,495 | 37,856 |
| PRODUCTION COSTS | | | |
| PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS | (25) | (404) | (453) |
| SERVICES | (26) | (18,621) | (10,862) |
| PERSONNEL EXPENSES | (27) | (7,097) | (4,914) |
| OTHER OPERATING EXPENSES | (28) | (8,442) | (2,029) |
| AMORTISATION AND DEPRECIATION | (29) | (17,386) | (9,255) |
| WRITE-DOWNS AND PROVISIONS | (30) | (9,171) | (1,766) |
| EBIT | | (16,626) | 8,577 |
| NET FINANCIAL INCOME AND EXPENSES | (31) | (8,219) | (3,084) |
| INCOME (LOSS) FROM EQUITY INVESTMENTS | (32) | (5,840) | — |
| PROFIT BEFORE TAXES | | (30,685) | 5,493 |
| INCOME TAXES | (33) | 6,358 | (3,368) |
| NET PROFIT (LOSS) FROM CONTINUING OPERATIONS | | (24,327) | 2,125 |
| NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS | | — | — |
| NET PROFIT (LOSS) FOR THE PERIOD | | (24,327) | 2,125 |
| MINORITY INTERESTS | | (83) | 140 |
| GROUP NET PROFIT (LOSS) | | (24,410) | 2,265 |
| EARNING PER SHARE | | | |
| NOT DILUTED | | (0.234) | 0.024 |

Translated from the original version in Italian.

CONSOLIDATED CASH FLOW STATEMENT

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|---|-----------------|-----------------|
| OPERATING ACTIVITIES | | |
| EBIT | (16,626) | 8,577 |
| ADJUSTMENTS FOR : | | |
| DEPRECIATION OF TANGIBLE FIXED ASSETS | 15,196 | 8,800 |
| WRITE-DOWN OF TANGIBLE FIXED ASSETS | 835 | 534 |
| WRITE-DOWN OF OTHER EQUITY INVESTMENTS AND RECEIVABLES | 12,363 | - |
| AMORTISATION OF INTANGIBLE FIXED ASSETS | 2,189 | 455 |
| WRITE-DOWN OF INTANGIBLE FIXED ASSETS | 6,356 | 65 |
| CAPITAL (GAIN) / LOSS ON SALE OF FIXED ASSETS | (5) | (22) |
| PROVISIONS FOR STAFF INCENTIVE PLANS | 182 | 509 |
| PROVISIONS / (UTILISATION OF PROVISIONS) | 1,961 | 377 |
| TOTAL ADJUSTMENTS | 39,077 | 10,718 |
| CHANGES IN WORKING CAPITAL | | |
| (INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES | (13,857) | (1,562) |
| INCREASE / (DECREASE) IN TRADE AND OTHER PAYABLES | (11,990) | (4,394) |
| TOTAL CHANGE IN WORKING CAPITAL | (25,847) | (5,956) |
| CASH FLOW GENERATED FROM OPERATING ACTIVITIES | (3,396) | 13,339 |
| INCOME TAXES PAID | (69) | (925) |
| INTEREST PAID | (11,134) | (6,545) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (14,599) | 5,869 |
| INVESTING ACTIVITIES | | |
| INTEREST RECEIVED | 4,195 | 2,974 |
| PAYMENTS FOR THE PURCHASE OF FINANCIAL ASSETS | 246 | (1,853) |
| (PURCHASE) / SALE OF EQUITY INVESTMENTS IN SUBSIDIARIES PORTION OF PAYMENT MADE USING CASH OR CASH EQUIVALENTS | - | (29,976) |
| CASH OR CASH EQUIVALENTS OF EQUITY INVESTMENTS ACQUIRED THROUGH DEMERGER | 6,137 | 5,467 |
| TOTAL EFFECT OF (PURCHASE)/SALE OF EQUITY INVESTMENTS IN SUBSIDIARIES ⁽¹⁾ | 6,137 | (24,509) |
| EQUITY INVESTMENTS ACQUIRED IN OTHER COMPANIES | (5,164) | - |
| TANGIBLE AND INTANGIBLE ASSET INVESTMENTS | (35,903) | (21,915) |
| RECEIPT FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS | 208 | 164 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (30,281) | (45,139) |
| FINANCING ACTIVITIES | | |
| REPAYMENT OF LOANS | (13,716) | (11,426) |
| NEW LOANS RECEIVED | 30,298 | 64,464 |
| SETTLEMENT OF THIRD-PARTY PUT OPTIONS | (16,700) | - |
| REPAYMENT OF FINANCIAL RECEIVABLES FROM PARENT COMPANIES | - | 2,759 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (118) | 55,797 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (44,998) | 16,527 |
| NET FINANCIAL DEBT AT THE BEGINNING OF THE YEAR | 58,674 | 42,147 |
| NET FINANCIAL DEBT AT YEAR-END | 13,676 | 58,674 |
| COMPRISING: | | |
| BANK AND POSTAL ACCOUNTS | 28,975 | 64,600 |
| CASH AND NOTES ON HAND | 4 | 7 |
| BANK OVERDRAFTS | (15,303) | (5,933) |
| OF WHICH RESTRICTED CASH AND LIQUID ASSETS | 4,170 | 4,170 |

(1) THE BREAKDOWN OF ASSETS AND LIABILITIES ACQUIRED THROUGH THE DEMERGER IS INCLUDED IN THE NOTE "SCOPE OF CONSOLIDATION"

CONSOLIDATED NET FINANCIAL POSITION

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|--|------------------|------------------|
| CASH AND CASH EQUIVALENTS | 24,809 | 60,437 |
| CURRENT ACCOUNT OVERDRAFTS | (15,303) | (5,933) |
| RESTRICTED BANK AND POSTAL DEPOSITS | 4,170 | 4,170 |
| SHORT-TERM NET FINANCIAL DEBT | 13,676 | 58,674 |
| FINANCIAL RECEIVABLES DUE FROM OTHERS | 12,250 | 12,600 |
| RECEIVABLES FROM DERIVATIVES | 93 | 2,534 |
| FINANCIAL ASSETS | 12,343 | 15,134 |
| TOTAL CURRENT FINANCIAL ASSETS | 26,019 | 73,808 |
| PAYABLES DUE TO OTHER LENDERS | (226) | (62) |
| PAYABLES DUE TO AFFILIATE COMPANIES | (64,581) | – |
| BANK PAYABLES | (40,319) | (16,845) |
| PAYABLES FROM DERIVATIVES | (4,159) | (17,500) |
| TOTAL CURRENT FINANCIAL LIABILITIES | (109,285) | (34,407) |
| RECEIVABLES DUE FROM OTHERS | 518 | 414 |
| RECEIVABLES DUE FROM SUBSIDIARIES | 1,568 | – |
| TOTAL NON-CURRENT FINANCIAL ASSETS | 2,086 | 414 |
| PAYABLES DUE TO OTHER LENDERS | (1,122) | – |
| BANK PAYABLES | (171,957) | (151,466) |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | (173,079) | (151,466) |
| NET FINANCIAL POSITION | (254,259) | (111,651) |

Translated from the original version 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 |
|---|---------------|---------------|----------------|------------------------------|----------------------------|--------------------|----------------------------|
| BALANCE AT 31/12/2006 | 94,877 | 1,388 | 49,644 | (4,461) | 141,448 | 267 | 141,715 |
| ALLOCATION OF 2006 PROFIT (LOSS) | - | - | (4,461) | 4,461 | - | - | - |
| CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES | - | - | (85) | - | (85) | - | (85) |
| PERSONNEL EXPENSES FOR INCENTIVE PLANS | - | - | 509 | - | 509 | - | 509 |
| PROFIT (LOSS) FOR THE PERIOD | - | - | - | 2,265 | 2,265 | (140) | 2,125 |
| BALANCE AT 31/12/2007 | 94,877 | 1,388 | 45,607 | 2,265 | 144,137 | 127 | 144,264 |

| | SHARE CAPITAL | LEGAL RESERVE | OTHER RESERVES | PROFIT (LOSS) FOR THE PERIOD | GROUP SHAREHOLDERS' EQUITY | MINORITY INTERESTS | TOTAL SHAREHOLDERS' EQUITY |
|--|----------------|---------------|----------------|------------------------------|----------------------------|--------------------|----------------------------|
| BALANCE AT 31/12/2007 | 94,877 | 1,388 | 45,607 | 2,265 | 144,137 | 127 | 144,264 |
| ALLOCATION OF 2007 PROFIT (LOSS) | - | - | 2,265 | (2,265) | - | - | - |
| <i>EFFECT OF DEMERGER TRANSACTION:</i> | | | | | | | |
| - SHARE CAPITAL INCREASE TO SERVICE DEMERGED COMPENDIUM | 37,790 | - | - | - | 37,790 | - | 37,790 |
| - IMPACT OF APPLICATION OF THE "PRINCIPLE OF ACCOUNTING CONTINUITY" FOR RECORDING THE DEMERGER EFFECTS | - | - | (19,194) | - | (19,194) | 29 | (19,165) |
| - ANCILLARY COSTS FOR CAPITAL INCREASE | - | - | (559) | - | (559) | - | (559) |
| CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES | - | - | (3,201) | - | (3,201) | - | (3,201) |
| PERSONNEL EXPENSES FOR INCENTIVE PLANS | - | - | 182 | - | 182 | - | 182 |
| PROFIT (LOSS) FOR THE YEAR | - | - | - | (24,410) | (24,410) | 83 | (24,327) |
| BALANCE AT 31/12/2008 | 132,667 | 1,388 | 25,100 | (24,410) | 134,745 | 239 | 134,984 |

STATEMENT OF TOTAL CONSOLIDATED PROFITS AND LOSSES RECORDED IN FY2008

| | 2008 | 2007 |
|---|-----------------|--------------|
| PROFIT (LOSS) TAKEN DIRECTLY TO CASH FLOW HEDGE RESERVE | (3,201) | (85) |
| PROFIT (LOSS) RECORDED DIRECTLY FOR INCENTIVE PLANS | 182 | 509 |
| PROFIT (LOSS) RECORDED DIRECTLY FOR SHARE CAPITAL INCREASE | (559) | - |
| PROFIT (LOSS) TAKEN DIRECTLY TO GROUP SHAREHOLDERS' EQUITY | (3,578) | 424 |
| GROUP NET PROFIT (LOSS) | (24,410) | 2,265 |
| GROUP PROFIT (LOSS) RECORDED IN THE YEAR | (27,988) | 2,689 |

EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

ERG Renew S.p.A. (the Company) is a joint stock company, incorporated in Italy and registered with the Milan Companies' Register, and is listed on the Milan electronic share market. The Group operates in the sector of electricity production using renewable sources (wind) and in water services. The main activities of the Company and its subsidiaries (the Group) are described in Note 34 under the "Other information" section of these explanatory notes. These financial statements are expressed in Euro as this is the currency in which the majority of the Group's transactions are denominated.

SUMMARY OF PRINCIPAL ACCOUNTING STANDARDS

The consolidated financial statements have been prepared in accordance with the requirements of the National Commission for Companies and the Stock Exchange (CONSOB) Issuers' Regulations and comply with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002, and the documents of the International Financial Interpretations Committee (IFRIC). In particular, in the preparation of the consolidated financial statements, all IAS/IFRS standards applicable to accounting aspects significant for the Group were applied without exception.

In order to confirm the going concern requirement, the Group performed an analysis of the financial resources available and future cash flows envisaged in the new 2009-2012 Business Plan. From this analysis it emerged, as more particularly specified in the Management Report and in the explanatory note "Information on risks", that there are no significant uncertainties, as defined by IAS 1, paragraphs 23-24, with regard to the company's capacity to operate as a going concern. The Consolidated Financial Statements as at 31 December 2008 have been audited by Deloitte & Touche S.p.A. in accordance with the approach envisaged by CONSOB regulations. The financial statements have been prepared on the basis of the historical cost criterion, except for the revaluation of some financial instruments.

As regards the layout of the financial statements, the ERG Renew Group presents the balance sheet showing a distinction between current and non-current assets and liabilities, while the income statement features classification of revenues and costs according to their nature, a format considered more representative than the so-called classification "by function". The statement of shareholders' equity includes all recorded changes in shareholders' equity. The cash flow statement has been prepared using the "indirect" method. Amounts are reported in thousands of Euro. With reference to CONSOB Resolution 15519 of 27 July 2006, due to the insignificance of the amounts concerned, the income and charges deriving from non-recurring operations or from unusual events in the normal course of business have not been reported separately in the income statement. These accounts are commented, however, in the present section in the paragraph "Non-recurring events and operations". Again in reference to the above mentioned CONSOB Resolution, the amounts pertaining to related-party positions and transactions have not been reported separately in the balance sheet and income statement. These items are commented in Note 38 "Related-party transactions".

Regarding the disclosure required pursuant to IAS 14, we point out that the primary segmentation is by business activity while secondary segmentation is by geographical area. The main accounting policies adopted are shown below.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of the Parent Company and the companies controlled by same (the subsidiaries), and are prepared as at 31 December each year. Control is obtained when an entity has the power to determine the financial and operational policies of another entity so as to obtain benefits from its activities. More specifically, the control of the Parent Company derives from the legal majority ownership of shares and voting rights in the subsidiaries.

The financial statements consolidated at year-end are those prepared by the respective Boards of Directors, which approved them prior to approval of the consolidated financial statements by the Board of Directors of the Parent Company. The economic results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the effective date of acquisition until the effective date of sale. If necessary, adjustments are made to subsidiaries' financial statements in order to align accounting policies with those used by the Group. Subsidiaries' financial statements are consolidated using the line-by-line consolidation method, recording the full amounts of assets, liabilities, costs and revenues of the individual companies, and eliminating the book value of the equity investments held by the Company against the related shareholders' equity.

Minority interests in the net assets of subsidiaries consolidated are identified separately from Group shareholders' equity. This minority interest is calculated based on the percentage held in the fair value of the assets and liabilities recorded at the original acquisition date and in the changes in shareholders' equity after this date. Unrealised gains and losses, when they are not insignificant, deriving from infragroup operations between consolidated companies are eliminated, as are all significantly sized items giving rise to payables and receivables and to costs and revenues between Group companies.

BUSINESS COMBINATIONS

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

OTHER EQUITY INVESTMENTS

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

GOODWILL

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

REVENUE RECOGNITION

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

Sale of goods and services

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

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

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

The Ministerial Decree of 18 December 2008 enacted by the Ministry for Economic Development in agreement with the Minister for the Environment and Territorial and Marine Protection, and published in the Gazzetta Ufficiale (Italian Official Journal) on 12 January 2009, regulated the transition from the old incentivisation mechanism to the new one established by the 2008 Consolidated Law on Finance. The above Ministerial Decree establishes that green certificates accrued and accruing up to end of 2010 will, at their holders' request, be acquired by the GSE by the end of June in the year after the one concerned. This purchase, the application for which must be sent 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. For comparative purposes, reference is made to the comments contained in the annual report and financial statements for the period ended 31 December 2007 as regards the previous methods for calculating the value of green certificates pertaining to 2007.

The average purchase price of green certificates is systematically recalculated when interim reports and the next year's annual report are prepared, based on the market trend.

Revenues from water services are determined in accordance with the accrual principle, based on the services effectively provided and the tariffs established contractually or by the relevant authorities.

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

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

PUBLIC GRANTS

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

LEASING

Lease agreements are classified as finance leases when the terms of the agreement are such that they substantially transfer all of the risks and rewards of ownership to the lessee. All other lease transactions are considered operating leases.

The assets covered by finance lease agreements are recorded as Group assets at their fair value at the acquisition date, or, if lower, at the present value of the minimum lease payments owed. The corresponding liability to the lessor is included in the balance sheet under liabilities for finance leases. Lease payments are divided between a capital portion and an interest portion in order to apply a constant interest rate to the residual liability. The financial charges are charged directly to the income statement, unless they are attributed to specific assets, in which case they are capitalised in accordance with the general Group policies on financial charges.

The costs for lease instalments arising from operating leases are recorded in the income statement on a straight-line basis according to the contract's duration.

EMPLOYEE BENEFITS

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

Staff leaving indemnities constitute a defined benefit plan valued based on actuarial criteria, which means that the amount accrued must be projected to the future to estimate the amount to be paid at the time of termination of employment and then discounted to present value, using the projected unit credit method, to take account of the period of time that will pass before payment actually takes place. The Group constantly monitors the staff leaving indemnity liability, calculated in accordance with the above mentioned criteria, and at the same time calculates the liability to personnel in compliance with the rules laid down by Article 2120 of the Italian Civil Code.

In view of the scarce significance of the outright value of this balance sheet item and the difference in the liability calculated according to the two methods, the Group has recorded the staff leaving indemnity provisions by allocating the liability legally accrued at year-end pursuant to Article 2120 of the Italian Civil Code.

SHARE-BASED PAYMENTS (STOCK OPTIONS)

Since FY2005 the Group has accorded additional benefits to some members of senior management through stock option plans, used to provide incentives and maintain management loyalty. The total fair value of stock options on grant date is recorded in the income statement as a cost. Changes in fair value after grant date do not affect the initial value. The remuneration cost, corresponding to the options' fair value, is recognised under personnel expenses on a straight-line basis over the period between the grant date and vesting date, and directly offset in equity.

FINANCIAL EXPENSES

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

All other financial expenses are charged to the income statement when they are incurred.

INCOME TAXES

Income taxes for the year represent the total of current and deferred taxes.

Current taxes are based on the year's taxable result in compliance with current regulations and, for participating companies, within the domestic tax consolidation system. Taxable income differs from the result reported in the income statement as it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes accounts that will never be taxable or deductible. The liability for current income taxes is calculated using the tax rates current or enacted as at balance sheet date.

Deferred taxes are the taxes that are expected to be paid or recovered on the temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal value resulting from calculation of the taxable income, recorded in accordance with the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets are recognised to the extent that the existence of future taxable results such as to enable the use of the deductible temporary differences is considered probable.

The amount of deferred tax assets is reviewed at each balance sheet date and reduced when the existence of sufficient taxable income to permit the recovery of all or part of these assets is no longer likely.

Deferred taxes are calculated based on the tax rates that are expected to be in force at the time of realisation of the asset or settlement of the liability. Deferred taxes are charged directly to the income statement with the exception of those relating to items taken directly to equity, in which case related deferred taxes are also recognised in equity.

Deferred tax assets and liabilities are compensated when they refer to income taxes owed to the same tax authority and the Group intends to pay the amount on a net basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, including directly allocated ancillary costs and those necessary to bring the asset to the condition appropriate for the use for which it was acquired, net of related depreciation provision and any cumulative impairment of value. During the year in question and in previous years, no revaluations were performed, either voluntarily and/or in accordance with monetary revaluation laws.

Costs include the dismantling and removal of the asset and costs for reinstating the site where the asset is located, if they meet the requirements of IAS 37. The assets consisting of components, of significant amounts, and with different useful lives are considered separately in the calculation of depreciation. Land, both buildable and that appertaining to civil and industrial buildings, is not depreciated as it has an indefinite useful life. The "Land" category

includes excavation and roadworks and land rights incurred prior to the start-up of wind farms. These costs are depreciated over the duration of the concession – i.e. 29 years. Depreciation is calculated on a straight-line basis, based on the assets' estimated useful life, applying the following rates:

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

| | |
|---|-----------|
| Land – not depreciated | |
| Land rights and other civil engineering works (included in the item "Land") | 3.5% |
| Buildings | 2.5% - 5% |
| Electricity works | 5% |
| Plant and equipment | 5% - 10% |
| Industrial and commercial equipment | 10% - 20% |
| Other fixed assets | 15% - 20% |

Plant and equipment under construction for production purposes, or for purposes not yet determined, are recognised at cost, net of write-downs for loss in value. Costs include any professional fees, and for some assets, the financial charges capitalised in compliance with the Group accounting policies. The depreciation of these assets, as for all fixed assets, begins when the assets are available for use. Assets held on the basis of finance lease contracts are depreciated based on the estimate of their useful life as is the case for owned assets or, if shorter, based on the end date of the lease contract. The gains and losses deriving from the sale or disposal of assets are calculated as the difference between sale proceeds and the asset's net book value and are recognised in the income statement for the year.

INTANGIBLE FIXED ASSETS

Research costs are expensed in the income statement in the year in which they are incurred. Development costs relate to planning and construction charges of the wind farms in the phase after the identification of the wind farm with relevant authorisations and until the purchase of the related business division. They principally relate to technical consultancies for the planning and construction phase. Costs relating to wind farms that, as at the date of preparation of the financial statements, have not been identified as future development costs, are directly charged to the income statement.

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

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

Internally generated assets are amortised on a straight-line basis over their useful life. They are reviewed annually and any changes, where possible, are applied to future periods.

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

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying value of its tangible, intangible and financial assets to determine whether there is evidence of these assets having suffered reductions in value. Where such evidence exists, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset individually, the Group makes the estimate of the

recoverable amount of the cash-generating unit to which the asset belongs, this being defined as the legal entity and sector of business activity.

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

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

When there is no longer any reason to maintain a write-down, the carrying value of the asset (or of the cash-generating unit) concerned is increased to the new value deriving from estimation of its recoverable value, but not above the net carrying value the asset would have had if impairment had not been recognised. Reinstatement of value is immediately recognised in the income statement.

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

Trade receivables are stated at their nominal value reduced by appropriate bad debt provision to reflect the estimate of the losses on receivables. The estimate of the amounts considered non-recoverable is made when it is considered likely that the company will be unable to recover the receivable's full amount. Customer trade receivables refer to the amounts invoiced that, at the date of the present document, have still to be collected as well as to the portion of revenues relating to the year but invoiced after year-end.

FINANCIAL ASSETS

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

At subsequent balance sheet dates, the financial assets that the Company has the intention and ability to hold to maturity are recognised at amortised cost, net of write-downs made to reflect impairment.

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

For the financial assets available-for-sale, the gains and losses arising from changes in fair value are directly recognised in equity until the assets are sold or have suffered impairment. In this case, the total gains or losses previously recorded in equity are recognised in the income statement of the period.

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

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

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

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

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

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

This category comprises:

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

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

As at 31 December 2008, no financial asset had been designated at FVTPL.

- Held-to-maturity (HTM) investments

Non-derivative financial assets with fixed or determinable payments are classified as “held-to-maturity (HTM) investments” whenever the Group intends and has the ability to hold them to maturity.

After initial recognition, HTM financial investments are measured at amortised cost, applying the effective interest rate method. Gains and losses are recognised in the income statement when the investment is derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

As at 31 December 2008, the Group held no investments classified as HTM.

- Loans & receivables (L&R)

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

Following initial recognition, these assets are measured at amortised cost using the effective interest rate method, net of the provision for impairment, if any.

Gains and losses are recognised in the income statement when loans and receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

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

- Available-for-sale (AFS) financial assets

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

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

AFS financial assets include equity investments in companies other than subsidiaries and associate companies in which ERG Renew’s direct or indirect ownership percentage is less than 20%.

When fair value cannot be reliably calculated, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included under “Other net income (losses) from equity investments”.

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

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

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

Fair value

In the case of securities widely traded in regulated markets, fair value is determined in reference to quoted market prices at the close of trading on balance sheet date.

For investments for which no active market exists, fair value is determined using measurement techniques based on:

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

Amortised cost method

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

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group verifies whether a financial asset or group of financial assets has suffered an impairment in value.

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

The carrying value of the asset is reduced via use of provision. The impairment amount is recognised in the income statement.

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

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

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

The carrying value of the receivable is reduced via use of specific provision. Impaired receivables are reversed if they are deemed unrecoverable.

CASH AND CASH EQUIVALENTS

This account includes cash' bank current accounts and deposits repayable on demand and other highly liquid short-term financial investments, readily convertible into cash and that do not have a significant risk of a change in value.

FINANCIAL LIABILITIES

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

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

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

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

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

Every gain or loss is recorded in the income statement when the liability is discharged, as well as via the amortisation process. Financial liabilities at FVTPL include "Held-for-trading liabilities". Held-for-trading (HFT) liabilities are those acquired for the purpose of short-term sale and comprise derivatives – including those separated out – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.

As at 31 December 2008, there was no financial liability designated at FVTPL.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

TRADE PAYABLES

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

DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised at cost, and adjusted to fair value at the subsequent balance sheet dates.

Changes in the fair value of derivative instruments designated to hedge future cash flows relating to contractual obligations of the Company and to expected future operations are recorded directly in equity.

If the contractual obligations or the expected future operations that are hedged result in the recognition of an asset or liability, when the asset or liability is recorded, the associated gains or losses which were directly recorded in equity are included in the initial measurement of the acquisition cost or the carrying value of the asset or of the liability.

For cash flow hedges which do not result in the recognition of an asset or of a liability, the amounts that are recorded directly in equity will be recognised in the income statement in the same period in which the contractual obligation or the expected future operation hedged is recognised in the income statement, for example, when an expected sale actually takes place. Changes in the fair value of the derivative instruments that do not qualify as hedges are recognised in the income statement when they arise.

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

accumulated gains or losses recorded directly in equity are transferred to the income statement for the period.

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

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are recorded when the Group has a current legal or constructive obligation that derives from a past event, if an outlay of resources to fulfil the obligation is likely and the amount of the obligation can be reliably estimated. The provisions are made based on management's best estimate of the costs required to fulfil the obligation at balance sheet date and are discounted to present value when the effect is significant.

EARNING PER SHARE

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

USE OF ESTIMATES

The preparation of IFRS-compliant consolidated financial statements requires that estimates and assumptions be made concerning the values of the assets and liabilities in the financial statements and disclosure concerning contingent assets and liabilities as at balance sheet date. 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 in which the circumstances change.

In particular, the most complex estimations are those concerning any impairment of non-current assets, provisions for bad debts, and provisions for liabilities and charges.

Impairment of non-current assets

The procedure for determining impairment of intangible assets (in particular of goodwill) and of tangible fixed assets and other investments, described under the accounting policy "Impairment", implies – in estimating value in use – the utilisation of the investee companies' business plans. The latter are based on a combination of assumptions made by the Boards of Directors of investee companies concerning future events and actions, which may not necessarily occur. Similar estimative processes are required in case of reference to presumable realisation value owing to the uncertainty inherent in each negotiation. More specifically:

- the future profitability projections supporting the carrying value of the intangible and tangible assets relating to the company SODAI Italia S.p.A. are dependent on the positive outcome of an appeal to the Basilicata Regional Administrative Tribunal (TAR) to ascertain the existence in the current Provincial Waste Management Plan of factors harming the company's interest, as the Plan does not consider the project submitted by same for development of the Melfi San Nicola platform. This administrative proceeding, initiated in 2007, did not see any significant developments during 2008, to the point that, on 11 November 2008 the company delivered a circumstantiated memorandum to the Basilicata Region's Territory and Environment Department requesting issuance of the plant's Integrated Environmental Authorisation, activating the procedure still suspended. On 3 December 2008, having received no response, the company found itself obliged to serve on the Basilicata Region, the Province of Potenza, the Prime Minister's Office and the Environment Minister a warning and invitation to complete the platform's authorisation procedure. Despite the uncertainty of the outcome of this appeal, the company's Directors consider the basic assumptions underlying the business plan – which is the fundamental basis for me-

dium-term development of the company's activities based on utilisation of the Melfi San Nicola platform – to be reasonable. Failure to obtain official authorisation for construction and operation of the above mentioned platform could result in the write-down of tangible and intangible assets (in particular of goodwill, whose carrying value is approximately Euro 13 million);

- as a result of the strategic change adopted at the time of approving the 2009-2012 Business Plan, which considered the investment in Ansaldo Fuel Cells S.p.A. to be non-core, the value recognised for same was written down by Euro 5.8 million, bringing it into line with the amount corresponding to the quota of the Parent Company of the carrying value of the investee company's shareholders' equity. The net realisation value was estimated based on the outcome of comparable transactions that took place during the year in reference to minority interests acquired by the reference shareholder similar to that held by the Group. The adequacy as regards the estimate of the write-down carried out is subject to the risk of uncertainty inherent in any asset sale contractual proceeding;
- the present scenario concerning official approvals for wind installations, as mentioned in the Management Report, shows major fragmentation of regulatory responsibility with a consequent increase of activities and protraction of the time taken by the authorisation processes. Added to this there is a general non-uniformity of rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy, based on an approach nullified by the proliferation of local regulations. In the light of this, the Company has decided that development costs relating to new wind farms, which until 30 September 2008 were capitalised right from the start of the approval process, as from the fourth quarter of 2008 – due to the uncertainty arising as to their capacity to generate future economic benefits – are capitalised only when approval is obtained.

Due to the postponement, until authorisation is obtained, of the event giving rise to the reasonable certainty that future profitability would be generated by the scouting activities and feasibility studies for new wind farms, a write-down of Euro 7.2 million was recorded of intangible assets relating to development costs, mostly concerning – besides the costs capitalised for projects whose potential development, in view of the aforesaid uncertainties, is not contemplated during the time span referred to in the new 2009-2012 Business Plan (specifically EOS 2 - Nurra (Euro 1.5 million), EOS 5 - Tursi Colobrarò (Euro 1.5 million), and EOS 6 - Joppolo (Euro 0.9 million) – all of which were already capitalised as at 31 December 2007) – the costs capitalised for wind farm projects relating to subsidiaries and orders whose approval processes are deemed to feature timing impossible to estimate with any certainty at present (orders totalling Euro 2.7 million pertaining to ERG Eolica Italia, already existing as at 31 December 2007). A resumption of development activities at the La Nurra, Tursi Colobrarò and Joppolo wind farms, or the positive conclusion of authorisation procedures, which in any case are not being abandoned, as regards the projects of subsidiaries, will not enable recovery of the value of costs written down during the financial year in which any such authorisation procedure might be completed.

Recoverability of deferred tax assets

The consolidated financial statements as at 31 December 2008 show a deferred tax receivable of Euro 11 million, recognition of which is supported by the Group's prospective taxability arising from expected profitability based on the 2009-2012 Business Plan and by the reasonable expectation of renewal of the tax consolidation procedure which will expire during the plan period. As mentioned in the "Risk management disclosure" section of the Management Report, the Group's future profitability is significantly affected by the trend in scenario variables beyond the Group's control, including the windiness of wind farms, which affects expected electricity output, and the assumptions concerning the price of electricity sold and the value of green certificates starting from the year 2011.

Provisions for bad debts and discounting of receivables

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

negotiation with the counterparties concerned as well as, in case of assistance from outside legal advisors, on the communications received from same on the status of disputes. With reference to the receivables due from promoters of the La Nurra, Joppolo and Tursi Colobrarò wind farms, the uncertainties as to the outcome of the authorisation procedures that caused the write-down of development costs, led to the assumption that the down payments made would not be recovered owing to the incapacity of the promoters to reimburse same in view of the non-development of the wind farm, respectively for Euro 0.5 million as regards the La Nurra project (compared to an overall receivable of Euro 2.5 million) and Euro 3.2 million as regards the Joppolo project (corresponding to the full amount of the receivable claimed from the counterparty). On the other hand, as regards the receivable of Euro 4.2 million relating to the Tursi Colobrarò project, the expectation as regards the deferred collection of same led to discounting estimated at Euro 0.8 million.

Due to the uncertainty regarding the trend in authorisation procedures, it cannot be ruled out that the realisation of the above mentioned receivables may take place for amounts other than those estimated for the purpose of drawing up the financial statements as at 31 December 2008. This uncertainty is applicable also as regards other receivables for which non-recovery estimates have been carried out based on the status of disputes or insolvency proceedings and for which as at 31 December 2008 the bad debt provision is deemed adequate.

Lastly, during the course of 2008, following the revision of the investment programme envisaged by the new 2009-2012 Business Plan, a provision for liabilities and charges of Euro 2.8 million was appropriated in connection with the risk of non-recovery from a wind turbine supplier of the remaining balance (Euro 3.1 million) of a receivable in respect of the reservation fee originally amounting to Euro 5.2 million and paid to same under the framework supply agreement entered into in 2008. The appropriation was decided on the basis of the contractual provisions and the present status of negotiations with the supplier which, however, will continue over the coming months, without excluding the possibility of a more favourable development as regards the recovery of the said receivable.

Provisions for liabilities & charges

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

The trend in the ongoing arbitration proceedings with Acea, regarding the sale of the "Waste-to-Energy" and "Waste Management" businesses and the requests received from the French authorities for taxes (still being quantified) on the capital gain from the sale of the Steel business, in 2008 led to the allocation of Euro 2 million to the provision for liabilities and charges. The provision for liabilities outstanding as at 31 December 2008 to cover liabilities connected with the aforesaid sale transactions therefore amounts to a total of Euro 5.4 million.

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

More specifically, as regards the sale to Acea of the Waste-to-Energy/Waste Management businesses, in addition to the uncertainty inherent in the arbitration proceedings, with reciprocal procedure-dependent requests for compensation between the counterparties, there is the uncertainty of the outcome of tax disputes, guaranteed to Acea by ERG Renew at the time of estimating the requested compensations and managed within the scope of complex tax litigation procedures which have nothing to do with the arbitration proceeding. With reference to the request on the part of the French tax authorities, to date based on clear limits on approximation due to lack of available information, the risk has been estimated based

on the communications of the French tax advisors involved, albeit the status of the procedure is entirely preliminary.

NEW STANDARDS

Listed below are the new accounting standards or interpretations issued by the IASB which will come into effect over the next few years:

- *IFRS 3 Business Combinations*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 8 Operating Segments*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 28 Investments in Associates*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 1 Presentation of Financial Statements*: amendment issued in 2007 and effective starting from 1 January 2009;
- *IAS 23 Borrowing Cost*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 27 Consolidated and Separate Financial Statements*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IAS 39 Eligible Hedged Items*: amendment issued in 2008 and effective starting from 1 July 2009.

NON-RECURRING EVENTS AND OPERATIONS

FY2008 featured a number of non-recurring events – analysed in these notes – the effects of which on consolidated financial statements are shown below:

| DESCRIPTION | SHAREHOLDERS' EQUITY | | PROFIT (LOSS) | | DEBT | | CASH FLOWS | |
|---|----------------------|------------|-----------------|---------------|------------------|---|-----------------|---|
| | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| VALUE IN FINANCIAL STATEMENTS | 134,745 | 100 | (24,410) | 100.0 | (254,259) | | (44,998) | |
| TARIFF EQUALISATION | (2,462) | 1.8 | (2,462) | (10.1) | 2,462 | | 2,462 | |
| CONSULTANCIES CONNECTED WITH EXTRAORDINARY TRANSACTIONS | (1,300) | 1.0 | (1,300) | (5.3) | 1,300 | | 1,300 | |
| EXIT INCENTIVES | (825) | 0.6 | (825) | (3.4) | 825 | | 825 | |
| RENTAL CHARGES - TRANSFER OF BRANCH OFFICE | (300) | 0.2 | (300) | (1.2) | 300 | | 300 | |
| TOTAL NON-RECURRING OPERATIONS | (4,887) | 3.6 | (4,887) | (20.0) | 4,887 | | 4,887 | |
| FISCAL EFFECT | 1,344 | | 1,344 | | | | | |
| GROSS NOTIONAL VALUE IN FINANCIAL STATEMENTS | 138,288 | | (20,867) | | (249,372) | | (40,111) | |

As regards the nature of the transactions identified above as non-recurring, reference is made to Notes 26 and 27. Lastly, for completeness of information, we recall that, within the scope of the ordinary estimative processes described in the above section "Use of estimates", the 2008 consolidated income statement reflects write-downs of non-recurring assets totalling Euro 7.2 million (Euro 0.6 million in 2007), write-downs of equity investments totalling Euro 5.8 million (no write-down in 2007), provisions for liabilities and charges of Euro 2 million (Euro 1.2 million in 2007), and write-downs and receivables discounting charges of Euro 6.7 million (Euro 0.8 million in 2007).

SCOPE OF CONSOLIDATION

The following table shows the Group companies that are consolidated on a line-by-line basis.

| COMPANY (THOUSAND EURO) | REGISTERED OFFICE | SHARE CAPITAL | % OWNERSHIP | DIRECT PARENT COMPANY |
|----------------------------------|----------------------|------------------|----------------|----------------------------|
| ERG RENEW S.P.A. | GENOA | 132,667 | – | OPERATING PARENT COMPANY |
| <i>WIND BUSINESS:</i> | | | | |
| EOLO S.R.L. | GENOA | 20 | 51.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 1 - TROIA S.R.L. | GENOA | 3,500 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 2 - NURRA S.R.L. | GENOA | 10 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 3 - TROIA S.R.L. | GENOA | 3,500 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 4 - FAETO S.R.L. | GENOA | 10 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 5 - TURSI COLOBRARO S.R.L. | GENOA | 10 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 6 - JOPPOLO S.R.L. | GENOA | 10 | 100.00 | ERG EOLICA ITALIA S.R.L. |
| EOS 7 - 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. | GENOA | 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> | | | | |
| ECOPOWER S.R.L. | GENOA | 11 | 100.00 | ERG RENEW S.P.A. |
| ISEA 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>OTHER:</i> | | | | |
| ENERGIE PULITE 2000 S.R.L. | MILAN | 120 | 100.00 | ERG RENEW S.P.A. |

On 1 October 2008 ERG Renew S.p.A. acquired, via partial demerger of ERG Power & Gas S.p.A., the latter's equity interests in companies active in the production of electricity using renewable sources. More specifically, these equity interests can be divided into two groups, based on the type of source used to produce electricity, i.e. wind and water (flowing water).

By means of the above demerger, ERG Power & Gas S.p.A. assigned part of its assets to ERG Renew S.p.A. and the latter, in exchange for the attribution of these assets, assigned all its newly issued shares to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A., based on the ratio established by the Boards of Directors respectively of ERG Power & Gas S.p.A. and ERG Renew S.p.A.

As a result of the demerger, ERG Renew S.p.A., in the face of assignment of the companies in question, increased its share capital from Euro 94,876,941.00 to Euro 132,666,675.00 and the 37,789,734 shares newly issued by ERG Renew S.p.A. to meet the ratio previously described were assigned to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A. The book value of the assets of the demerged companies assigned to ERG Renew S.p.A. was Euro 24,461,061.00.

This partial demerger transaction figured as a business combination involving entities or companies under common control. More specifically, it was a combination in which, in ultimate

analysis, all the entities or companies were controlled by the same party or parties both before and after the business combination (i.e. by ERG S.p.A.), with such control not being of a temporary nature.

The transaction has thus been recognised in the separate year-end financial statements of ERG Renew S.p.A. according to the principle of accounting continuity.

In particular, in application of the accounting continuity principle, accounting recognition policies – coming within the scope of what is indicated by IAS 8.10 and consistently with international practice and the Italian accountancy profession's orientations concerning common-control transactions – envisage that the acquirer (or, in the case in point, the beneficiary company ERG Renew S.p.A.) recognise the assets acquired according to their historical book values calculated on a cost basis. Since the capital increase due to the assignment to ERG Renew S.p.A. exceeded the book values of the equity interests in question, the surplus was reversed, reducing the Company's equity by means of specific debiting of an equity reserve. The difference between book value and the amount of ERG Renew S.p.A.'s capital increase to service the demerger – and consequently the amount of the equity reserve to be recognised in ERG Renew S.p.A.'s balance sheet – was Euro 13,328,673.00.

Going into greater detail, the companies owned by ERG Renew S.p.A. as a result of the demerger operation include, as regards the Wind segment, a 100% equity interest in the subsidiary ERG Eolica S.r.l, which directly holds the equity interests in the project vehicles – consolidated line by line or at equity – set up to develop and construct plants to produce electricity using wind, as listed below:

- 100% equity interest in ERG Eolica Calabria S.r.l.;
- 100% equity interest in ERG Eolica Fossa del Lupo S.r.l.;
- 100% equity interest in Green Vicari S.r.l.;
- 98% equity interest in ERG Eolica Basilicata S.r.l.;
- 30% equity interest in VCC Abruzzo S.r.l.;
- 30% equity interest in VCC Agrigento S.r.l.;
- 30% equity interest in VCC Agrigento 2 S.r.l.;
- 30% equity interest in VCC Enna S.r.l.

The companies demerged also include the following equity interests – measured at cost – in companies active in the wind sector:

- 99% equity interest in Eolico Agira S.r.l.;
- 99% equity interest in Eolico Mirabella S.r.l.;
- 99% equity interest in Eolico Palagonia S.r.l.;
- 99% equity interest in Eolico Ramacca S.r.l.;
- 99% equity interest in Eolico Troina S.r.l.

Lastly, via the above mentioned demerger the following equity interests – consolidated line by line – in companies active in the hydropower segment were transferred:

- 100% equity interest in Ecopower S.r.l.;
- 90% equity interest in I.S.E.A. S.r.l.

The operation permits pursuit of the guidelines identified in the 2008-2011 Business Plan approved by ERG Renew S.p.A. in May 2008 and confirmed in the new business plan being approved on 9 March 2009, and forms part of the strategy of focus on and development of the wind business, in order to substantially enhance ERG Renew S.p.A.'s market share, as well as to increase cash generation and create shareholder value.

The integration in ERG Renew S.p.A. of the renewable energy assets of ERG Power & Gas via the operation described – announced to the market with the press release dated 12 May 2008 – was approved by the Board of Directors on the same date. The acquisition was completed on 1 October 2008 with the effective transfer to ERG Renew S.p.A. of the investee companies involved in the partial demerger. The actual demerger was also approved by the Extraordinary

Shareholders' Meeting held on 30 June 2008. It was the subject of two disclosure documents – dated 30 June 2008 and 12 December 2008 – prepared pursuant to Articles 70 and 71-bis of the Regulation approved by CONSOB with Resolution 11971 of 14 May 1999 as subsequently amended.

The detail as at acquisition date of the acquiree companies' assets and liabilities recognised in ERG Renew S.p.A.'s consolidated financial statements in accordance with IFRSs, is as follows:

| | |
|-----------------------------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | 71,703 |
| INTANGIBLE FIXED ASSETS | 29,408 |
| FINANCIAL FIXED ASSETS | 1,795 |
| FIXED ASSETS | 102,906 |
| NET WORKING CAPITAL | (5,570) |
| OTHER ASSETS | 8,316 |
| OTHER LIABILITIES | (8,800) |
| NET INVESTED CAPITAL | (6,054) |
| TOTAL | 96,852 |
| SHAREHOLDERS' EQUITY | 13,383 |
| MINORITY INTERESTS | 29 |
| NET FINANCIAL DEBT ⁽¹⁾ | 89,577 |
| CASH AND CASH EQUIVALENTS | (6,137) |
| TOTAL | 96,852 |

(1) EURO 54,108 THOUSAND OF THIS AMOUNT REFERS TO ERG GROUP COMPANIES

In the period between acquisition date (1 October 2008) and year-end date, the companies involved in the demerger contributed to the consolidated income statement of ERG Renew S.p.A. with revenues of Euro 1,878 thousand and EBIT of Euro -1,457 thousand. If the acquisition had taken place at the start of FY2008, total consolidated revenues would have been Euro 3,476 thousand higher and EBIT Euro 1,631 thousand lower.

We also report that, during October 2008, the direct subsidiary ERG Eolienne France S.a.s. – formerly EnerFrance S.a.s. – finalised with the French group GSEF the acquisition of a 50% stake in CITA Wind, a company active in the development of wind farms in Northern France, currently with a portfolio of projects for 288 MW, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development, as well as acquisition – once again of a 50% stake – of the five project vehicles owned by the GSEF group, as indicated below:

- Eoliennes de l'Ourcq et du Clignon S.a.r.l.;
- Eoliennes de la Chaussée Brunehaut S.a.r.l.;
- Eoliennes du Champ Chardon S.a.r.l.;
- Eoliennes de Warloy-Baillon S.a.r.l.;
- Eoliennes de la Vallée Notre Dame S.a.r.l.

In November 2008 the same French subholding acquired from VSB Energies Nouvelles, a branch of the German group WSB active in the renewable energy market, 100% of the company Eoliennes du Vent Solaire S.a.s., currently not operational and not consolidated line by line. The company possesses all the rights and approvals for construction of the 9.2 MW Plogastel wind farm, which is scheduled to start operation by the end of 2010.

The company WWEH2 S.r.l., previously owned by indirect subsidiary EOS 7 - Ginestra S.r.l., was

merged by incorporation into the latter on 17 October 2008, in order to create a single legal entity as proprietor of the project for construction of the Ginestra wind farm, with unity of purpose and greater operational simplicity and efficiency.

The equity investment in the directly owned subsidiary SODAI Italia S.p.A. was increased from 51% as at 31 December 2007 to 100% as at 31 December 2008. This followed settlement of the put option existing between ERG Renew S.p.A. and Trenitalia S.p.A., as better described in the note "Receivables and payables from derivatives – minority put options on unlisted equity interests".

In addition, ERG Renew S.p.A., following the present phase of corporate reorganisation designed to concentrate in the segment's subholding company ERG Eolica Italia S.r.l. – formerly EOS Windenergy S.r.l. – ownership of all Italian companies operating in the wind business, resolved to sell to ERG Eolica Italia S.r.l. its entire 51% stake in Eolo S.r.l. for a total price of Euro 3,500 thousand, equal to the carrying value posted in the separate financial statements of ERG Renew S.p.A.

Again as part of this corporate reorganisation, in December 2008 ERG Renew S.p.A. sold to ERG Eolica S.r.l. – at carrying value – the following companies, coming from the demerger mentioned earlier:

- Eolico Agira S.r.l.;
- Eolico Mirabella S.r.l.;
- Eolico Palagonia S.r.l.;
- Eolico Ramacca S.r.l.;
- Eolico Troina S.r.l.

Lastly, we highlight the change occurring as a result of merger by incorporation of ERG Eolica S.r.l. into ERG Eolica Italia S.r.l. – formerly EOS Windenergy S.r.l. – completed during the last quarter of 2008. This merger was designed to rationalise the present corporate structure of ERG Renew S.p.A., concentrating ownership of the Italian companies active in the wind business in just one subholding company. For the purpose of rationalisation, during FY2008, in order to harmonise the corporate names of companies belonging to the ERG S.p.A. Group, the French subholding company EnerFrance S.a.s. changed its corporate name to ERG Eolienne France S.a.s. and the Italian subholding company EOS Windenergy changed its corporate name to ERG Eolica Italia S.r.l.

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 2007 (amounts in thousands of Euro).

| | |
|--|----------------------------------|
| NAME OF COMPANY THAT EXERCISES POWERS OF MANAGEMENT AND COORDINATION | ERG S.P.A. |
| REGISTERED OFFICE | VIA NICOLA PICCINI, 2 - MILAN |
| BUSINESS SECTOR (SUMMARY) | MANAGEMENT OF EQUITY INVESTMENTS |
| SHARE CAPITAL | 15,032 |
| TOTAL SHAREHOLDERS' EQUITY | 109,714 |
| TOTAL ASSETS | 1,030,235 |
| NET INCOME FROM EQUITY INVESTMENTS | 111,559 |
| OTHER OPERATING INCOME | 32,501 |
| NET PROFIT (LOSS) | 66,632 |

BALANCE SHEET ANALYSIS

NON-CURRENT ASSETS

1 - PROPERTY, PLANT AND EQUIPMENT

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

| | LAND AND BUILDINGS | PLANT AND EQUIPMENT | OTHER ASSETS | ASSETS UNDER CONSTRUCTION | TOTAL |
|--|--------------------|---------------------|--------------|---------------------------|----------------|
| HISTORICAL COST | 15,517 | 147,569 | 2,182 | 24,016 | 189,284 |
| DEPRECIATION AND WRITE-DOWNS | (1,378) | (22,555) | (990) | – | (24,923) |
| BALANCE AT 31/12/2007 | 14,139 | 125,014 | 1,192 | 24,016 | 164,361 |
| MOVEMENTS DURING PERIOD: | | | | | |
| CHANGES IN SCOPE OF CONSOLIDATION | 54 | 6,852 | 1,112 | 63,685 | 71,703 |
| ACQUISITIONS | 358 | 422 | 171 | 36,044 | 36,995 |
| DISPOSALS AND DIVESTMENTS | – | – | (203) | – | (203) |
| CAPITALISATION/RECLASSIFICATION | 7,570 | 41,476 | (467) | (48,225) | 354 |
| DEPRECIATION | (787) | (14,184) | (225) | – | (15,196) |
| WRITE-DOWNS | (28) | (197) | – | (610) | (835) |
| OTHER CHANGES IN DEPRECIATION PROVISIONS | 23 | 614 | 79 | – | 716 |
| HISTORICAL COST | 23,499 | 196,319 | 2,795 | 75,520 | 298,133 |
| DEPRECIATION AND WRITE-DOWNS | (2,170) | (36,322) | (1,136) | (610) | (40,238) |
| BALANCE AT 31/12/2008 | 21,329 | 159,997 | 1,659 | 74,910 | 257,895 |

The item “Acquisitions” mainly concerns: (i) investments of Euro 36,660 thousand in wind power installations; (ii) investments of Euro 325 thousand in water services equipment; (iii) other investments totalling Euro 10 thousand. The item “Changes in scope of consolidation” refers to the operating companies acquired during FY2008 by virtue of the demerger operation, as described in the earlier section “Scope of consolidation”.

Property, plant and equipment under construction refer to: (i) investments of Euro 74,551 thousand in the wind sector, mainly for the wind farms owned by EOS 4 - Faeto S.r.l. and ERG Eolica Fossa del Lupo S.r.l., and (ii) investments of Euro 359 thousand in the water services sector.

The items “Land and buildings” and “Plant and equipment” relate to: (i) investments of Euro 173,132 thousand in the wind sector, (ii) investments of Euro 6,897 thousand in the water services sector, and (iii) investments of Euro 1,297 thousand in the mini-hydro sector. In particular, “Land and buildings” in the wind sector relates to excavation and road works and ground rents incurred prior to the start-up of wind farms. Investments in “Plant and equipment” in the wind sector concern the wind turbines and related electrical works.

The items “Land and buildings” and “Plant and equipment” include investments totalling Euro 900 thousand in the industrial site at Arzene (Pordenone), which were non-operational at the balance sheet date. The carrying value as at 31 December 2008 was in line with market value. In FY2008, Euro 2,021 thousand of interest on loans relating to investments were capitalised. The total amount of the financial charges capitalised in previous years relating to loans for the period prior to the entry into service of the fixed assets amounted to Euro 866 thousand; their net book value at 31 December 2008 was Euro 755 thousand.

Net carrying values at 31 December 2008 included Euro 206,944 thousand for assets pledged

as guarantees to third parties in relation to project financing contracts entered into by Group companies operating in the wind sector. Net carrying values at 31 December 2008 included assets held by I.S.E.A. S.r.l. under lease contracts for an amount of Euro 1,324 thousand. The assets scrapped during the year concerned non-significant and entirely immaterial amounts.

Write-downs made in the year related to the companies EOS 5 - Tursi Colobraro S.r.l. (Euro 331 thousand), EOS 6 - Joppolo S.r.l. (Euro 57 thousand), and ERG Eolica Italia S.r.l. (Euro 447 thousand).

During the year, there was no evidence to suggest the need for impairment testing, with the exception of that arising from revision of the Business Plans for ERG Renew S.p.A., as regards the development focus on wind farms that are "cantierabili" (namely where commencement of works has already been approved), and SODAI Italia S.p.A., in connection with the decision to develop above all the Melfi San Nicola site. The outcome of this testing – despite the uncertainties described in the above section "Use of estimates" – whilst it did not lead to recognition of write-downs for SODAI Italia S.p.A., determined the recognition of write-downs in reference to the companies EOS 5 - Tursi Colobraro S.r.l. (Euro 331 thousand), EOS 6 - Joppolo S.r.l. (Euro 57 thousand) and ERG Eolica Italia S.r.l. (Euro 447 thousand).

If property, plant and equipment had been accounted for net of the related equipment grants indicated in Note 21 – as per the IFRS amendments issued by the IASB and described in the section "New accounting standards" – the effect on the balance sheet as at 31 December 2008 would have been as follows:

| DESCRIPTION | NET CARRYING VALUE | GRANT | VALUE NET OF GRANT |
|---------------------------|--------------------|----------------|--------------------|
| LAND AND BUILDINGS | 21,329 | – | 21,329 |
| PLANT AND EQUIPMENT | 159,997 | (3,191) | 156,806 |
| OTHER ASSETS | 1,659 | – | 1,659 |
| ASSETS UNDER CONSTRUCTION | 74,910 | – | 74,910 |
| TOTAL | 257,895 | (3,191) | 254,704 |

2 - INTANGIBLE FIXED ASSETS

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

| | CONCESSIONS, LICENSES AND TRADEMARKS | GOODWILL | OTHER INTANGIBLE ASSETS | ASSETS IN PROGRESS | TOTAL |
|--|--------------------------------------|---------------|-------------------------|--------------------|---------------|
| HISTORICAL COST | 46,529 | 13,239 | 6,204 | – | 65,972 |
| AMORTISATION AND WRITE-DOWNS | (569) | – | (320) | – | (889) |
| BALANCE AT 31/12/2007 | 45,960 | 13,239 | 5,884 | – | 65,083 |
| MOVEMENTS DURING PERIOD: | | | | | |
| CHANGE IN SCOPE OF CONSOLIDATION | 17,176 | 4,791 | 219 | 7,222 | 29,408 |
| ACQUISITIONS | 12 | – | 208 | 4,503 | 4,723 |
| CAPITALISATION/RECLASSIFICATIONS | (356) | – | (900) | 902 | (354) |
| AMORTISATION | (2,045) | – | (145) | – | (2,190) |
| WRITE-DOWNS | – | – | (69) | (6,287) | (6,356) |
| OTHER CHANGES IN AMORTISATION PROVISIONS | – | – | – | – | – |
| HISTORICAL COST | 63,361 | 18,030 | 5,731 | 12,627 | 99,749 |
| AMORTISATION AND WRITE-DOWNS | (2,614) | – | (534) | (6,287) | (9,435) |
| BALANCE AT 31/12/2008 | 60,747 | 18,030 | 5,197 | 6,340 | 90,314 |

Development costs, industrial patents and trademarks are capitalised at cost. Costs relating to wind farms that, as at balance sheet date, had not been identified as future developments have been directly expensed in the income statement. It is estimated that these assets have a finite useful life; they are therefore amortised on a straight-line basis as follows:

- *Development costs*: 5 years. In particular, development costs are amortised when the expected revenues arise against the cost capitalised;
- *Industrial patents and intellectual property rights*: 5 years;
- *Concessions, licences and trademarks*: concessions are amortised on a straight-line basis over the residual duration of the concessions to which they refer. The concessions relating to the wind sector for the installations in Italy and France have an average residual duration of 28 and 20 years respectively.

The present regulatory scenario concerning investments for the construction and start-up of wind plants shows the emergence of fragmentation of regulatory responsibility and profound procedural uncertainty. There is in fact a lack of uniformity in terms of local rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy. There is consequently a heavy increase in the activities needed to obtain construction permits and protraction of the time needed to complete bureaucratic approval processes.

The Group has therefore decided to capitalise development costs only when the approval process has been successfully completed. This decision in turn led to the decision to write off all costs capitalised previously due to the uncertainty that has emerged as to their capacity to generate future economic benefits.

These write-downs totalling Euro 6,356 thousand specifically related to:

- EOS 2 - Nurra S.r.l. = Euro 1,500 thousand;
- ERG Eolica Italia S.r.l. = Euro 2,154 thousand;
- EOS 6 - Joppolo S.r.l. = Euro 877 thousand;
- EOS 5 - Tursi Colobraro S.r.l. = Euro 1,178 thousand;
- ERG Eolica Basilicata S.r.l. = Euro 23 thousand;
- ERG Eolica Calabria S.r.l. = Euro 555 thousand;
- Eolo S.r.l. = Euro 69 thousand.

Increases due to investments of Euro 4,723 thousand nearly all related to cost capitalisation for development of the EOS 7 - Ginestra S.r.l. and ERG Eolica Fossa del Lupo S.r.l. wind farms, for which the Group already has the relevant construction authorisation.

The item "Change in scope of consolidation" relates to the operating companies acquired during FY2008, as described in the earlier "Scope of consolidation" section. Specifically, the breakdown of the increase was substantially as follows:

- Euro 23,198 = concessions and development of the wind farm in Vicari (Palermo) owned by Green Vicari S.r.l.
- Euro 1,200 thousand = concessions and development costs of the wind farm in Pian dei Corsi and Baltera (Savona) owned by ERG Eolica Italia S.r.l.
- Euro 4,791 thousand = goodwill attributable to the mini-hydro segment of the hydroelectric power generation plants owned by the companies I.S.E.A. S.r.l. and Ecopower S.r.l.

Nearly all of the "Concessions, licenses and trademarks" relate to the wind farm concessions acquired either directly or with the respective business units.

The recoverability of goodwill is checked by the Group at least annually. The Group prepares forecasts of operating cash flows deriving from the most recent budgets approved by the Boards of Directors of the consolidated companies, develops the forecasts for the next four years and determines the terminal value based on a medium and long-term growth rate in keeping with that of its specific sector.

During the year, as more particularly described in the section "Use of estimates", no evidence was identified to suggest the need to test the recoverability of the book value of intangible assets other than goodwill and development costs.

The outcome of this test with reference to the goodwill attributable to the activities developed by SODAI Italia S.p.A. did not imply the need to write down for impairment, taking into account the revision of the Business Plan in relation to the decision to develop primarily the Melfi San Nicola site, albeit bearing in mind the uncertainties mentioned in the above section "Use of estimates". More specifically, the Business Plan on which the impairment test was based features a growth in revenues also due to a foreseeable increase in sales prices. We briefly summarise the calculations as regards the economic value of SODAI Italia S.p.A., whose values in terms of equity value, which confirm the lack of necessity for a write-down of goodwill, due to different assumptions for growth levels and WACC are included between a minimum of Euro 23.5 million and a maximum of Euro 29.9 million.

The principal assumptions used to calculate the value in use concern the discount rate, the growth rate, the expected changes in selling prices and the trend in direct costs during the period considered for the calculation. The Group's management has therefore adopted a pre-tax discount rate (WACC of 9.5% and WACC in the previous year of 8.9%) that reflects current market assessments of the value of money and risks specific to the various CGUs.

The growth rates are based on growth forecasts for the industrial sector in which the Group operates. The changes in selling prices and direct cost are based on past experience, the market outlook and expected regulatory changes specific to some Group activities.

3 - OTHER EQUITY INVESTMENTS

The reported balance includes:

| | OTHER EQUITY INVESTMENTS |
|--|--------------------------|
| HISTORICAL COST | 4,263 |
| WRITE-DOWNS | - |
| BALANCE AT 31/12/2007 | 4,263 |
| MOVEMENTS DURING PERIOD: | |
| CHANGE IN SCOPE OF CONSOLIDATION | 1,795 |
| ACQUISITIONS/CAPITAL INCREASES | 5,164 |
| HISTORICAL COST | 11,222 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | (5,757) |
| BALANCE AT 31/12/2008 | 5,465 |

The detail of companies included in "Other equity investments" is as shown below:

| | REGISTERED OFFICE | SHARE CAPITAL | % | SHAREHOLDERS' EQUITY | PROFIT (LOSS) | CARRYING VALUE |
|--|----------------------|------------------|--------|-------------------------|------------------|-------------------|
| OTHER COMPANIES | | | | | | |
| ANSALDO FUEL CELLS S.P.A. ⁽¹⁾ | GENOA | 21,623 | 5.36 | 8,508 | (15,492) | 1,101 |
| CITA WIND S.A.S. | ALFORTVILLE | 37 | 50.00 | (121) | (166) | 2,537 |
| EOLIENNES DU VENT SOLAIRE S.A.S. | PARIS | 37 | 100.00 | 28 | (14) | 32 |
| EOLICO AGIRA S.R.L. | ROME | 20 | 99.00 | 115 | (12) | 168 |
| EOLICO MIRABELLA S.R.L. | ROME | 20 | 99.00 | 89 | (14) | 142 |
| EOLICO PALAGONIA S.R.L. | ROME | 20 | 99.00 | 148 | (13) | 205 |
| EOLICO RAMACCA S.R.L. | ROME | 20 | 99.00 | 394 | (11) | 450 |
| EOLICO TROINA S.R.L. | ROME | 20 | 99.00 | 174 | (10) | 235 |
| VCC AGRIGENTO S.R.L. | L'AQUILA | 12 | 30.00 | 8 | (3) | 254 |
| VCC AGRIGENTO 2 S.R.L. | L'AQUILA | 10 | 30.00 | 6 | (3) | 196 |
| VCC ABRUZZO S.R.L. | L'AQUILA | 10 | 30.00 | 6 | (2) | 30 |
| VCC ENNA S.R.L. | L'AQUILA | 10 | 30.00 | 5 | (3) | 115 |
| TOTAL | | | | | | 5,465 |

(1) THE FIGURES FOR SHAREHOLDERS' EQUITY AND PROFITS/LOSSES REFER TO 31 DECEMBER 2007

The "Change in scope of consolidation" refers to the companies of the demerged compendium. As described earlier, the acquisitions related to the deal finalised in October 2008 with the French group GSF. It also includes the value of a put option of Euro 1,838 thousand at 31 December 2008 recognised in the item "Payables from derivatives", in reference to the Ansaldo Fuel Cells S.p.A. equity interest, subsequently written down as more specifically discussed below.

The item "Write-downs" refers exclusively to the company Ansaldo Fuel Cells S.p.A., a company active in applied development of electricity production using hydrogen fuel cells. More specifically, the amount of Euro 5,757 thousand comprises – beside Euro 757 thousand relating to coverage of the loss made by the company – a further Euro 5 million relating to the strategic decision taken during FY2008, by virtue of which the investment in Ansaldo Fuel Cells S.p.A. is no longer considered core. The amount is reflected in the income statement under "Income (loss) from equity investments". The remaining book value of Euro 1,101 thousand approximates the amount of shareholders' equity pertaining to the Company, which is considered to correspond to the net realisation value estimated based on the outcome of comparable transactions that took place during the year with regard to minority interests acquired by the reference shareholder similar to that held by the Group; the adequacy of the write-down estimate carried out is subject to the risk of uncertainty inherent in any asset sale contractual proceeding.

It is furthermore pointed out that the periodic impairment test performed by a leading auditing firm confirmed that, considering the whole time span underlying the business plan approved by the Board of Directors of Ansaldo Fuel Cells S.p.A., the differential between the share of equity owned and the investee company's carrying value in ERG Renew S.p.A., was justified. Notwithstanding this, the Company, for the reason described above, deemed it appropriate to write down the investment, approximating its carrying value to the value of the equity owned.

The higher carrying value of investee companies with respect to the share of equity pertaining to the Group is based on future profit prospects that confirm the recoverability of same.

4 - FINANCIAL ASSETS

The reported balance includes:

| | 31/12/2008 |
|--------------------------|------------|
| BALANCE AT 31/12/2007 | 414 |
| MOVEMENTS DURING PERIOD: | |
| INCREASES | 104 |
| BALANCE AT 31/12/2008 | 518 |

The amount of Euro 518 thousand relates to an annual-premium capital redemption insurance policy with RAS S.p.A., and held as a secured pledge to RAS S.p.A., for the issue of a surety policy in favour of subsidiary EOS 1 - Troia S.r.l., for the benefit of owners of land on which the company's wind farm is located.

The duration of the contract is from 8 March 2004 to 8 March 2011 and the annual premium is Euro 104 thousand.

5 - OTHER RECEIVABLES

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|---|------------|------------|
| NURRA CONSORTIUM DEPOSIT | 2,000 | 2,500 |
| ADVANCES | 3,813 | 7,348 |
| RECEIVABLE DUE FROM THE FAETO MUNICIPALITY | 450 | 450 |
| NON-INTEREST BEARING LOAN - UPS S.R.L. | 50 | 50 |
| FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES | 1,568 | - |
| TOTAL | 7,881 | 10,348 |

The amount of Euro 2,000 thousand refers to a deposit paid by the company EOS 2 - Nurra S.r.l. to the Reclamation Consortium of Nurra under the lease of business unit agreement signed on 9 June 2004. In view of the recovery risk relating to this receivable, as more specifically described in the section "Use of estimates", the nominal value of Euro 2,500 thousand has been reduced by Euro 500 thousand. When the wind farm comes into operation, this amount will be deducted from the value of the lease agreement.

Advances refer entirely to the wind sector and specifically to advances paid to promoters for the execution of purchase agreements for new wind farms. The decrease in FY2008 refers exclusively to prudential assessment of the possibilities of recovering these receivables and reflects presumable realisation value.

The overall write-down of Euro 3,535 thousand carried out, as more specifically described in the section "Use of estimates", reflects (i) the risk of non-collection of advances paid for various reasons relating to the wind farm under development owned by EOS 6 - Joppolo S.r.l. and (ii) discounting to present value of a receivable relating to the wind farm under development owned by EOS 5 - Tursi Colobraro S.r.l., which features a medium/long-term recovery potential.

The receivable due from the Faeto municipality refers to an advance on the annual payments for commission on the future revenue streams generated by the wind farm located in the municipality.

Financial receivables due from subsidiaries refer to the loans granted to the companies Eoliennes du Vent Solaire S.a.s. and C.I.T.A. S.a.s., the balance of which at 31 December 2008 amounted respectively to Euro 1,315 thousand and Euro 253 thousand. These companies were acquired during FY2008 and are not consolidated line by line. The amounts refer to interest-bearing loans granted after acquisition date and interest is calculated on the basis of the six-month Euribor.

6 - DEFERRED TAX ASSETS

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

| | 31/12/2008 | | 31/12/2007 | |
|--|---------------------------------------|---------------|---------------------------------------|---------------|
| | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT |
| DEPREC., AMORT., PROVIS. & WRITE-DOWNS | 17,575 | 4,833 | 7,222 | 1,986 |
| LOSSES CARRIED FORWARD | 14,510 | 4,208 | 6,851 | 1,884 |
| OTHER DIFFERENCES | 4,981 | 1,589 | 240 | 66 |
| CHANGE IN SCOPE OF CONSOLIDATION | 1,247 | 343 | - | - |
| BALANCE AT END OF PERIOD | 38,313 | 10,973 | 14,313 | 3,936 |

The item "Change in scope of consolidation" refers to the acquisition of the companies in the demerged compendium, as described above.

At the balance sheet date, as shown in the above table, the Group had prior year losses of Euro 10,775 thousand resulting from the domestic tax consolidation applied by the Group, in addition to Euro 3,735 thousand for losses carried forward by the French operating companies acquired during the previous year. Related deferred tax assets have been recognised based on the business plan, which confirms their recoverability with future taxable income in tax consolidation, bearing in mind the reasonable expectation of renewal of the tax consolidation procedure in question.

CURRENT ASSETS

7 - TRADE RECEIVABLES

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|---|---------------|--------------|
| RECEIVABLES DUE FROM THIRD PARTIES | 11,278 | 9,037 |
| TRADE RECEIVABLES DUE FROM PARENT COMPANIES | 140 | – |
| TRADE RECEIVABLES DUE FROM GROUP COMPANIES | 312 | 323 |
| TOTAL | 11,730 | 9,360 |

The Group considers that the carrying value of trade receivables, net of bad debt provision, approximates their realisable value. For receivables for which collection was considered doubtful, a provision of Euro 122 was made. This provision was determined on the basis of historical data relating to bad debts and an evaluation of the current economic situation.

A breakdown of counterparties as regards the trade receivables due from Group companies at 31 December 2008 and a description of the nature of these transactions are given in the section "Related-party transactions".

8 - OTHER FINANCIAL RECEIVABLES

The balance changed as shown below:

| | 31/12/2008 | 31/12/2007 |
|--------------------|---------------|---------------|
| INSURANCE POLICIES | 12,250 | 12,600 |
| TOTAL | 12,250 | 12,600 |

The insurance policy amount of Euro 12,250 thousand relates to two capital redemption insurance policies with maturity exceeding five years, taken out with Società Generali Vita S.p.A., namely

- a single-premium policy of Euro 1,750 thousand with a duration from 3 June 2003 to 3 June 2009;
- an annual-premium policy totalling Euro 10,500 thousand with a duration from 3 June 2003 to 3 June 2009; the annual premium amounts to Euro 1,750 thousand.

These policies, together with the RAS S.p.A. policy, which was present in the balance at 31 December 2007, are held as secured pledges in favour of Assicurazioni Generali S.p.A. and RAS S.p.A., to obtain the surety policies issued in favour of Trenitalia S.p.A. as guarantee for the put option on Trenitalia's 49% equity interest in the company SODAI Italia S.p.A.

As described in the note "Payables from derivatives", the settlement agreement executed with Trenitalia S.p.A. and simultaneous payment of the amount due in relation to the option, made it possible for ERG Renew S.p.A to redeem the RAS S.p.A. insurance policy, with crediting of the relevant net amount in December 2008.

As regards the policies relating to Società Generali Vita S.p.A., we report that the entire amount was credited in January 2009.

9 - OTHER RECEIVABLES

The breakdown of the balance was as follows:

| | 31/12/2008 | 31/12/2007 |
|-------------------------------------|---------------|---------------|
| ADVANCES | 349 | 368 |
| OTHER SUNDRY RECEIVABLES | 36,030 | 25,810 |
| ACCRUED INCOME AND PREPAID EXPENSES | 2,472 | 1,986 |
| TOTAL | 38,851 | 28,164 |

Other sundry receivables

| | 31/12/2008 | 31/12/2007 |
|------------------------------------|---------------|---------------|
| RECEIVABLES FOR GREEN CERTIFICATES | 28,763 | 24,203 |
| CAUTIONARY DEPOSITS | 6,427 | 757 |
| OTHER SUNDRY RECEIVABLES | 840 | 850 |
| TOTAL | 36,030 | 25,810 |

The receivables for green certificates relate to valuation of the green certificates accrued by the Group. They refer to the 2007 and 2008 production of the Troia San Vincenzo (Foggia), Troia San Ciro (Foggia), Viticuso - Vallerotonda (Frosinone), Pian dei Corsi and Baltera (Savona) and Vicari (Palermo) wind farms. The Group (Note 24) has a total of 293,500 green certificates (of which 138,537 relating to 2007 production and 154,963 to 2008 production).

In particular, we call attention to the fact that the item "Cautionary deposits" includes a reservation fee relating to an amount paid in FY2008 to a wind turbine supplier. A framework agreement was signed with the counterparty in 2008 for the supply of 50 wind turbines, against which a reservation fee of Euro 5,225 thousand was paid. In June 2008 a first order was issued for 20 wind turbines for use at the EOS 7 - Ginestra S.r.l. wind farm, for which the supplier proportionally refunded Euro 2,090 thousand of the original reservation fee paid. As is amply described in the Management Report and in the section "Use of estimates", based on the investment programme contained in the 2009-2012 Business Plan, the Group does not intend to order the other 30 wind turbines – according to the timeline originally envisaged – in the first half of 2009. Consequently, the residual nominal amount, also in view of the present status of negotiations, might only be refunded to the extent of Euro 314 thousand. The reduction in the receivable by a total of Euro 2,821 thousand is recognised in the income statement under "Other operating expenses".

As regards the Ministerial Decree of 18 December 2008, in March 2009 an application will be sent to the GSE for them to purchase the green certificates owned by the group as at the time of drawing up this balance sheet. This purchase will take place by 30 June 2009. The company will sell its green certificates to the GSE at the price of Euro 98/MWh which, as communicated by the GSE on 3 February 2009, is the average price for the three-year period 2006-2008.

The increase in "Cautionary deposits" essentially concerns the sum of Euro 4,372 thousand paid by ERG Eolica Italia S.r.l. to the supplier Nordex under a framework agreement for the supply of wind turbines to be used at the wind farm owned by ERG Eolica Fossa del Lupo S.r.l.

Other sundry receivables relate to individually negligible amounts shown net of a write-down of Euro 118 thousand for risk of non-recovery.

Accrued income and prepaid expenses

| | 31/12/2008 | 31/12/2007 |
|---|--------------|--------------|
| INTEREST INCOME | 1,852 | 1,396 |
| INSURANCE | 55 | 145 |
| OTHER ACCRUED INCOME AND PREPAID EXPENSES | 565 | 445 |
| TOTAL | 2,472 | 1,986 |

Accrued interest income almost entirely concerned the Generali life insurance policies held by ERG Renew S.p.A. This interest was fully received, together with the policies' principal amount, in January 2009.

10 - TAX ASSETS

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|-----------------------|---------------|--------------|
| WITHHOLDING TAXES | 1,042 | 751 |
| VAT RECEIVABLES | 15,711 | 5,919 |
| ADVANCE TAX PAYMENTS | 73 | 416 |
| OTHER TAX RECEIVABLES | 156 | 49 |
| TOTAL | 16,982 | 7,135 |

The receivable essentially comprises the Group VAT credit position. The increase largely concerns the VAT receivable as regards the companies forming part of the demerged compendium.

11 - EQUITY INVESTMENTS AVAILABLE FOR SALE

The reported balance includes:

| | EQUITY INVESTMENTS AVAILABLE FOR SALE |
|--|--|
| HISTORICAL COST | 2 |
| WRITE-DOWNS | - |
| BALANCE AT 31/12/2007 | 2 |
| MOVEMENTS DURING PERIOD: | |
| ACQUISITIONS/CAPITAL INCREASES | |
| HISTORICAL COST | 2 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | - |
| BALANCE AT 31/12/2008 | 2 |

| | REGISTERED OFFICE | SHARE CAPITAL | % | SHAREHOLDERS' EQUITY | NET PROFIT (LOSS) | CARRYING VALUE |
|---|----------------------|------------------|------|-------------------------|----------------------|-------------------|
| OTHER COMPANIES | | | | | | |
| UTILITÀ PROGETTI E SVILUPPO S.R.L. ⁽¹⁾ | MILAN | 50 | 3.33 | 4,861 | 1,205 | 2 |

(1) THE FIGURES FOR SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS) REFER TO 31 DECEMBER 2007

12 - CASH AND CASH EQUIVALENTS

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|-------------------------------------|---------------|---------------|
| BANK AND POSTAL DEPOSITS | 24,805 | 60,321 |
| RESTRICTED BANK AND POSTAL DEPOSITS | 4,170 | 4,170 |
| CASH AND NOTES ON HAND | 4 | 117 |
| TOTAL | 28,979 | 64,608 |

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

The total balance at 31 December 2008 included Euro 18,499 thousand of cash and cash equivalents relating to the wind companies that have project financing contracts in place.

“Restricted bank and postal deposits” of Euro 4,170 thousand at 31 December 2008 refer to: (i) Euro 2,550 thousand for a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a suretyship issued by the bank to the Campania region relating to the possible concession of a public subsidy; (ii) Euro 1,620 thousand for a deposit on a restricted account at Banca Monte dei Paschi di Siena as guarantee for a suretyship issued by the bank to the Basilicata region relating to the Tursi-Colobraro wind farm.

SHAREHOLDERS' EQUITY AND LIABILITIES

13 - SHARE CAPITAL AND RESERVES

Share capital consists of 132,666,675 ordinary shares with a par value of Euro 1.00 each, fully subscribed and paid up.

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|-----------------------------------|----------------|----------------|
| SHARE CAPITAL | 132,667 | 94,877 |
| LEGAL RESERVE | 1,388 | 1,388 |
| OTHER RESERVES | 25,100 | 45,607 |
| NET PROFIT (LOSS) FOR THE PERIOD | (24,410) | 2,265 |
| GROUP SHAREHOLDERS' EQUITY | 134,745 | 144,137 |
| MINORITY INTERESTS | 239 | 127 |
| TOTAL | 134,984 | 144,264 |

As described earlier, on 1 October 2008 ERG Renew S.p.A. acquired, via partial demerger of ERG Power & Gas S.p.A., the latter's equity interests in companies active in the production of electricity using renewable sources.

By way of the above demerger, ERG Power & Gas S.p.A. assigned part of its assets to ERG Renew S.p.A. and the latter, in exchange for the attribution of these assets, assigned all its newly issued shares to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A., based on the ratio established by the respective Boards of Directors of ERG Power & Gas S.p.A. and ERG Renew S.p.A.

As a result of the demerger, in exchange for assignment of the companies in question, ERG Renew S.p.A. increased its share capital from Euro 94,876,941.00 to Euro 132,666,675.00 and the 37,789,734 newly issued shares of ERG Renew S.p.A. to meet the ratio previously described were assigned to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A. The book value of the assets of the demerged companies assigned to ERG Renew S.p.A. was Euro 24,461,061.00.

In particular, the accounting recognition criteria, in application of the principle of accounting continuity – coming within the scope of what is indicated by IAS 8.10 and consistently with international practice and the Italian accountancy profession's orientations concerning common-control transactions – envisage that the acquirer (or, in the case in point, the beneficiary company ERG Renew S.p.A.) recognise the assets acquired according to their historical book values calculated on a cost basis. Since the capital increase resulting from the assignment to ERG Renew S.p.A. exceeded the book values of the equity interests in question, the surplus was reversed, reducing the Company's shareholders' equity and specifically debiting an equity reserve. The difference between book value and the amount of ERG Renew S.p.A.'s capital increase to service the demerger – and consequently the amount of the equity reserve to be recognised in ERG Renew S.p.A.'s balance sheet – was Euro 13,326,673.00.

The above demerger transaction involved costs for ERG Renew S.p.A. that were directly related to the transaction. These have been recognised as a direct reduction of shareholders' equity.

For an analysis of the changes in shareholders' equity reference is made to the specific schedule.

The reconciliation of shareholders' equity and net profit (loss) at 31 December 2008 can be summarised as follows:

| | CAPITAL AND RESERVES AT 31/12/2007 | NET PROFIT (LOSS) FOR THE YEAR | TOTAL SHAREHOLDERS' EQUITY AT 31/12/2008 |
|---|--|--------------------------------------|---|
| ERG RENEW S.P.A. SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS) | 153,765 | (15,361) | 138,404 |
| DIFFERENCE BETWEEN SHAREHOLDERS' EQUITY OF THE CONSOLIDATED COMPANIES AND CARRYING VALUES OF THE RELATED EQUITY INVESTMENTS | 5,390 | (1,884) | 3,506 |
| PRO-RATA NET PROFIT (LOSS) OF THE CONSOLIDATED COMPANIES | – | (7,165) | (7,165) |
| GROUP SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS) | 159,155 | (24,410) | 134,745 |

The consolidated shareholders' equity and loss are respectively lower and higher than the corresponding values of the separate financial statements, since in same the losses as regards the equity investments in the wind sector, and ERG Eolica Italia S.p.A. in particular, are deemed to be of a non-permanent nature and therefore do not give rise to write-downs of the investments' book values.

14 - STAFF LEAVING INDEMNITIES

The provision for staff leaving indemnities is accrued to cover the full liability to employees in compliance with current legislation and national and company-level collective labour agreements at the balance sheet date. It is subject to index-linked revaluation.

The details of changes in staff leaving indemnities during the year are illustrated in the following table:

| | |
|---------------------------------|------------|
| BALANCE AT 31/12/2007 | 425 |
| MOVEMENTS DURING PERIOD: | |
| PROVISIONS | 273 |
| UTILISATIONS | (320) |
| BALANCE AT 31/12/2008 | 378 |

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

15 - SHARE-BASED PAYMENTS

The Group has a stock option plan in place for Directors of the parent company holding specific corporate offices and for executives whose roles make them more directly responsible for the Group's economic and operating results.

The exercise of the option rights can take place after three years from the grant date and for a period of no more than five years thereafter. Once the options have expired, the unexercised options lapse and consequently no longer attribute any right to assignees.

The details of the options not yet exercised in FY2008 can be summarised as follows:

| | NUMBER OF OPTIONS IN 2008 | AVERAGE PRICE DURING THE YEAR | PERIOD OF EXERCISE OF THE RIGHT |
|---|------------------------------|-------------------------------------|---------------------------------------|
| TRANCHE I OUTSTANDING | 605,000 | 3.2370 | 2007-2012 |
| TRANCHE II OUTSTANDING | 730,600 | 3.1872 | 2008-2013 |
| TRANCHE III OUTSTANDING | 730,600 | 3.3238 | 2009-2014 |
| OUTSTANDING AT THE BEGINNING OF THE YEAR | 2,066,200 | | |
| CANCELLED DURING THE YEAR | (340,000) | | |
| OUTSTANDING AT THE END OF THE YEAR | 1,726,200 | | |
| EXERCISABLE AT THE END OF THE YEAR | 1,726,200 | | |

The ERG Renew S.p.A. Extraordinary Shareholders' Meeting of 23 December 2004 resolved to grant the Board of Directors the power to carry out paid capital increases in one or more stages for a period of five years from the date of the Shareholders' Meeting resolution for a maximum nominal amount of Euro 3.6 million through the issue of a maximum of 3,600,000 ordinary ERG Renew S.p.A. shares, with normal entitlement, of a par value of Euro 1 each. These shares are to be offered in subscription to Directors holding corporate offices and to the senior managers of ERG Renew S.p.A or subsidiary companies within the meaning of Article 2359 of the Italian Civil Code, whose roles make them more directly responsible for the Group's results, in accordance with the regulation approved by the Board of Directors. The issue price cannot be lower than the nominal value, and will be correspond to the arithmetical average of the official prices of ERG Renew shares recorded on the electronic share market (MTA) managed by Borsa Italiana S.p.A. during the 30 days preceding the assignment of the shares by the Board of Directors.

The ERG Renew S.p.A. Board of Directors, at its meetings on 1 February 2004, 14 June 2006 and 15 December 2006, resolved to execute respectively tranches I, II and III of the stock option plan, assigning the option rights to some beneficiaries identified in accordance with the criteria defined by the Remuneration Committee and already approved. At the same meetings, the Board also established the subscription price, calculated in accordance with the formula contained in the regulation, for the new shares coming from the exercise of option rights.

Cancellations in FY 2008 totalling 340,000 – of which 100,000 relating to the first tranche and 120,000 to the second and third tranches – took place following the resignation of assignee employees during the year.

The fair value of the option is estimated utilising the Black-Scholes model and taking into account the terms and conditions attributed to the option. The Company recorded a cost for remuneration, corresponding to the fair value of the options, totalling Euro 182 thousand (Euro 509 thousand in the previous year), respectively under personnel expenses (Euro 43 thousand compared to Euro 184 thousand in the previous year) and under services (Euro 139 thousand compared to Euro 325 thousand in the previous year) on a straight-line accrual basis over the period between the grant date and the vesting date.

16 - PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown of the total balance reported was as follows:

| | 31/12/2008 | 31/12/2007 | CHANGES | |
|----------------------------------|--------------|--------------|--------------|-------------|
| | | | INCREASES | DECREASES |
| ENVIRONMENTAL RESTORATION | 552 | 552 | - | - |
| OTHER RISKS | 5,625 | 3,617 | 2,028 | (20) |
| CHANGE IN SCOPE OF CONSOLIDATION | 6 | - | 6 | - |
| TOTAL | 6,183 | 4,169 | 2,034 | (20) |

The total amount of provisions for liabilities and charges was appropriated 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 various disputes. It reflects the limitations inherent in the use of estimates, as described in the note "Use of estimates".

In particular, the provision for other risks includes an amount of Euro 5,435 thousand, which increased by Euro 2,000 thousand in the year, recorded against contingent liabilities resulting from contractual agreements related to the extraordinary disposals of equity investments in the previous year. This was determined based on the considerations more specifically described in the section "Use of estimates".

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

WIND

The company EOS 3 - Troia S.r.l. has initiated arbitration proceedings against the power line contractor because of a faulty installation due to a radical and irreparable flaw in the original design, requesting compensation for damages incurred due to the numerous breakdowns, estimated at over Euro 17.6 million. The Arbitration proceedings are expected to be concluded during the second half of 2009, subject to the Arbitration Board's decision to carry out further technical investigations. At the same time, EOS 3 - Troia S.r.l. enforced the guarantee issued by the contractor, but was summonsed by the latter with a view to ascertaining the invalidity of such enforcement. EOS 3 - Troia S.r.l. appeared on 12 November 2008, presenting, inter alia, a counterclaim for the contractor's application to be declared inadmissible, since it referred to a matter already subjected to arbitration proceedings. Lastly, pending between the said parties at the Court of Milan is a motion for Preventive Expert Testimonial brought by the contractor on 1 December 2007 regarding the same technical points raised during arbitration. On 6 December 2007, the court having jurisdiction accepted the contractor's petition and appointed the Court Technical Expert, conferring upon same the technical task of determining the cause of the recurrent breakdowns in the contracted work and verifying the possible errors in the design of the power line and the status of the work. The assessment operations were concluded in November 2008, but the Court Technical Expert formally requested an extension of a further 6 months to draw up the relative report.

ERG CESA Eolica (subsequently demerged into ERG Eolica S.r.l. and now ERG Eolica Italia S.r.l.) has been summonsed to appear before the Court of Rome for alleged contractual non-performance of obligations arising from an agreement under private seal executed on 24 July 2003. The counterparty requests termination of this contract due to the fault of ERG Eolica Italia S.r.l. and assessment of pre-contractual liability. In addition, the counterparty asks for assessment of pecuniary and non-pecuniary damages, with a general sentencing to provide compensation to be quantified in separate proceedings. ERG Eolica Italia S.r.l. has filed a petition requesting rejection of the claim and compensation for damages for imprudent litigation.

Together with other parties, ERG Eolica S.r.l. (now ERG Eolica Italia S.r.l.) has initiated proceedings before the Council of State to request the annulment, upon suspension, of ruling 1290/2008 of the Apulia TAR (Regional Administrative Tribunal), since this cancelled resolution 11/2007 whereby the municipality of Ugento approved the framework convention for construction of wind farms. The hearing to discuss the merits of the case has not yet been set.

On 27 November 2008 an arbitration procedure was started in which ERG Eolica S.r.l. (now ERG Eolica Italia S.r.l.) is summonsed to answer for alleged breach of a partnership agreement executed for the construction of a wind farm in Mussomeli (province of Caltanissetta, Sicily). The claimants demand termination for non-performance of the agreement and consequent compensation for pecuniary damages, quantified as being Euro 12,831,250.00. Appointment of the third arbitrator and scheduling of the first hearing is pending.

On 10 November 2008 ERG Eolica Basilicata S.r.l. initiated proceedings before the Basilicata TAR to obtain annulment, upon suspension, of the enforceability of the Basilicata Regional Council's resolution 977 dated 18 June 2008, whereby the application for approval of construction of a wind farm in the municipality of Palazzo San Gervasio (Potenza) was rejected. The petition objects that rejection was flawed by breach and false application of Article 3 of Basilicata Regional Law 9 of 26 April 2007, by breach and false application of Article 5 of Law 10 of 9 January 1991, as well as, alternatively, by invalidity of the Basilicata 2001 Regional Energy Plan and unconstitutionality of Regional Law 9/2007. At the hearing to discuss the precautionary petition dated 28 January 2009 the Basilicata TAR rejected our precautionary petition. The scheduling of the hearing on the merits is pending.

A wind farm developer has sued ERG Eolica Italia S.r.l. to obtain payment of Euro 21,000,000 for the development of wind farms in the Calabria region in relation to the step-transaction connection with a development contract that ERG CESA Eolica S.r.l. (subsequently demerged into ERG Eolica S.r.l., now ERG Eolica Italia S.r.l.) allegedly signed with another developer. ERG Eolica Italia S.r.l. appeared in court on 18 February 2008.

WATER SERVICES

In November 2005, the Court of Rome rejected a company's application for provisional enforcement of a court order against DSI S.r.l. for the payment of Euro 343,631.74, an amount already included under trade payables, for waste disposal services carried out in a period prior to ERG Renew's entry into DSI S.r.l.

DSI S.r.l. immediately filed its opposition of the court order and the case is still pending.

In March 2006, the company initiated arbitration proceedings to enforce responsibility deriving from the breach of contractual guarantees given by the counterparty in the contract signed in October 2003 concerning the sale to ERG Renew S.p.A. of 100% of the capital of DSI S.r.l., ERG Renew S.p.A. quantified the damages incurred as Euro 1,034,456.65, reserving the right to quantify any further damages "en route". On 30 January 2009 the arbitration ruling concerning this dispute was issued. It substantially recognised ERG Renew S.p.A.'s rights arising from acquisition of DSI S.r.l., recalculating the amounts owed as compensation based on the results of preliminary investigations. The counterparty was thus ordered to pay ERG Renew S.p.A. the total amount of Euro 327,554.48 plus ancillary taxes, as well as legal interest as from 29 March 2006 up to the date of payment. In view of the evidence of non-payment of the balance of the selling price by ERG Renew S.p.A., the latter, as had been expected, was ordered to pay the counterparty the sum of Euro 96,191.98, plus legal interest and monetary revaluation as from 9 December 2003 up to the date of payment, by offsetting against the higher sums owed by the counterparty to ERG Renew S.p.A. Lastly, the counterparty was also ordered to pay ERG Renew S.p.A. two thirds of the latter's defence costs.

In December 2006 SODAI Italia S.p.A. filed an administrative appeal with the Basilicata Regional Administrative Tribunal (TAR) with the aim of ascertaining the existence of elements harming the subsidiary's interests in the current Provincial Waste Management Plan, which

does not consider the project presented by the subsidiary for development of the platform concerned. On 11 November 2008 the company delivered a circumstantiated memorandum to the Basilicata Region's Territory and Environment Department with the request to proceed with issue of the plant's Integrated Environmental Authorisation, activating the procedure still suspended. On 3 December 2008 the company served on the Basilicata Region, the Province of Potenza, the Prime Minister's Office, and the Environment Minister a warning and invitation to complete the platform's authorisation procedure.

HOLDING DIVISION

We report that ERG Renew S.p.A. is a party to proceedings of a fiscal nature initiated in February 2009 in France in connection with the sale of its wholly-owned subsidiary EnerFrance SA, which included the "Steel" business. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew S.p.A. considers the provision for liabilities allocated up to 31 December 2008 to be adequate.

We report that the company SAO S.p.A., until 4 July 2006 indirectly controlled by ERG Renew S.p.A., is a party to proceedings of a fiscal nature. ERG Renew S.p.A. is involved due to the contractual guarantee granted to Acea, which at present indirectly controls 100% of SAO S.p.A., in connection with liabilities that arose subsequent to the sale closing but pertaining to the pre-sale period, as well as under a tax consolidation agreement existing at the time with all the companies then sold to Acea. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew S.p.A. considers the requests to be unfounded and, therefore, has not made any provision.

On 24 February 2004, ERG Renew S.p.A. had sold to Fin.Ind.Int. S.A. its 33% equity interest in the company Eurosviluppo Industriale S.p.A. The sale and purchase agreement also provided that, if the buyer, which already owned a further 33% equity interest, were to sell its stake in Eurosviluppo Industriale S.p.A. to third parties by 31 December 2004 or, alternatively, if the latter were to sell its 99% stake in the company Eurosviluppo Elettrica S.p.A., the price would be increased by an amount to be determined in accordance with the terms of the contract. Despite the fact that the above conditions materialised, the company Fin.Ind.Int. S.A. did not proceed with payment of the agreed amount. Given this, having exhausted all attempts to urge compliance and, applying the provisions of the sales contract, with a petition dated 29 August 2006 and another petition dated 23 January 2007, ERG Renew S.p.A. asked the Chairman of the Milan Court to appoint the sole arbitrator to make a decision on the dispute that had arisen with the company Fin.Ind.Int. S.A. On 1 October 2008, the Court of Milan appointed the sole arbitrator. It should nevertheless be noted that, regarding the contractual recognition of this further sum for ERG Renew S.p.A., the company, as a prudential measure, has not recorded this as an asset.

As regards sale of the "Steel" business, completed in May 2006, we report that ERG Renew S.p.A., under the contractual conditions, guaranteed the buyer compensation for contingent liabilities, if any, up to a maximum amount of 30% of the sale price and, as better detailed in the Disclosure Document prepared in accordance with CONSOB regulations, emerging in the two years following closing. This deadline expired on 31 May 2008. The exceptions to this are any indemnities relating to tax, employment, and environmental regulations, for which the warranty features longer expiry times.

On the other hand, as regards the sale of the Waste-to-Energy/Waste Management business to Acea S.p.A. in May 2006 and the guarantee given to the latter by ERG Renew S.p.A. concerning compensation for damages or claims by third parties, which cannot exceed 80% of the amount paid for equity, we report that Acea has initiated arbitration proceedings to obtain recognition of some costs relating to the pre-sale period. In appointing its own arbitrator, ERG Renew claimed non-payment of some contingent assets pertaining to it, recognition of two years of tax earn-out of the six contractually envisaged, stemming from

assignment of some Euro 15 million of prior year losses relating to TAD Energia Ambiente and its subsidiaries, as well as payment of some trade receivables, once again vis-à-vis TAD Energia Ambiente and its subsidiaries, which were already subject to enforcement orders.

In addition, it is envisaged that ERG Renew guarantee the book value of TAD Energia Ambiente past-due trade receivables as at 17 May 2006, the date of the deed of sale of the investment, originally amounting to Euro 12.9 million net of the related bad debt provision and not collected in the two financial years following completion of sale of TAD Energia Ambiente. For the time being, ERG Renew S.p.A. has not considered the request to repurchase the receivables legitimate, firstly because it lacks details concerning the receivables and, secondly, because the careful and timely management of credit recovery activities – as was instead contractually required – has not been demonstrated. On 19 February 2009, the Arbitration Board decided to appoint a Court Technical Expert to determine the contingent items mentioned in the arbitration case documents.

In view of the disputes mentioned, the provisions for liabilities and charges shown in the consolidated financial statements at 31 December 2008 are considered sufficient for the probable risks quantifiable as at the present date.

17 - FINANCIAL LIABILITIES

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

| | 31/12/2008 | 31/12/2007 |
|------------------------------------|----------------|----------------|
| LOAN FROM BANCA POPOLARE DI MILANO | 14,400 | 16,000 |
| LOAN FROM NATIXIS | 23,500 | 25,000 |
| FINANCE LEASE CHARGES | 1,122 | – |
| PROJECT FINANCING | 134,057 | 110,465 |
| TOTAL | 173,079 | 151,465 |

The repayment schedule for the above mentioned non-current loans received from Natixis and Banca Popolare di Milano is as follows:

| | MORTGAGES AND LOANS |
|--------------|---------------------|
| BY 2010 | 9,200 |
| BY 2011 | 9,200 |
| BY 2012 | 14,700 |
| BY 2013 | 3,200 |
| BEYOND 2013 | 1,600 |
| TOTAL | 37,900 |

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

| | DATE | AMOUNT |
|--------------------------|------------|--------|
| I REPAYMENT INSTALMENT | 02/08/2009 | 1,500 |
| II REPAYMENT INSTALMENT | 02/02/2010 | 3,000 |
| III REPAYMENT INSTALMENT | 02/08/2010 | 3,000 |
| IV REPAYMENT INSTALMENT | 02/02/2011 | 3,000 |
| V REPAYMENT INSTALMENT | 02/08/2011 | 3,000 |
| VI REPAYMENT INSTALMENT | 02/02/2012 | 4,500 |
| VII REPAYMENT INSTALMENT | 02/08/2012 | 7,000 |

After 2 August 2011 the Company can ask Natixis to extend the duration of the residual loan of Euro 7,000 thousand for another 24 months. Early repayment is possible for a minimum amount of Euro 5,000 thousand.

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

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

The rate of interest is equal to Euribor alternatively at 1, 3 or 6 months +0.75%. If the loan is extended, the interest surcharge will be 1%.

The agreement entered into by ERG Renew S.p.A. with Banca Popolare di Milano in March 2007 concerns a medium/long-term loan that replaces a short-term credit line for the same amount, again with Banca Popolare di Milano.

The agreement provides for a repayment plan of 6-monthly instalments of Euro 1,600 thousand starting on 30 October 2009, with the last instalment on 30 April 2014, and a rate of interest equal to 3-month Euribor +0.75%.

The loan is unsecured and does not require any compliance with covenants. Early repayment is possible for a minimum amount of Euro 5,000 thousand as from the 24th month after the date of execution of the loan contract.

Amounts payable for finance lease contracts amounted to Euro 1,286 thousand of which Euro 164 thousand payable within 12 months and Euro 1,122 thousand payable after more than 12 months. The entire amount relates to three finance lease contracts of ISEA S.r.l., set up to purchase plant and equipment necessary to carry out production of electricity.

Debt positions relating to project financing are described – for both the current and non-current portions – in the later sub-section “Project financing”.

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

| | 31/12/2008 | 31/12/2007 |
|---------------------------------------|----------------|---------------|
| BANK PAYABLES | | |
| PAYABLES DUE TO OTHER LENDERS | 226 | 62 |
| PAYABLES DUE TO OTHER GROUP COMPANIES | 64,581 | - |
| CURRENT ACCOUNT OVERDRAFTS | 15,303 | 5,933 |
| LOAN FROM BANCA POPOLARE DI MILANO | 1,600 | - |
| LOAN FROM NATIXIS | 1,500 | - |
| PROJECT FINANCING | 37,220 | 16,844 |
| TOTAL | 120,430 | 22,839 |

The amount of Euro 226 thousand consisted of (a) Euro 62 thousand payable to MACO S.r.l., a shareholder of Eolo S.r.l., in which the Group owns a 51% interest and (b) Euro 164 thousand relating to the short-term portion of the amount payable for finance lease contracts.

The amount payable to other Group companies consisted entirely of the loan agreement between ERG Power & Gas S.p.A. and the following companies of the ERG Renew Group:

- ERG Eolica Italia S.r.l. = Euro 45,730 thousand;
- I.S.E.A. S.r.l. = Euro 1,164 thousand;
- Green Vicari S.r.l. = Euro 240 thousand;
- ERG Eolica Fossa del Lupo S.r.l. = Euro 16,707 thousand;
- ERG Eolica Calabria S.r.l. = Euro 740 thousand.

This loan agreement envisages an interest rate equal to 6-month Euribor + 1%. The due date is 31 December 2009.

Current account overdrafts, totalling Euro 5,803 thousand, and operating lines of credit, totalling Euro 9,500 thousand constitute the Group's financial liabilities repayable on demand. The average rate of interest in FY2008 was 7.81% for overdrafts and 5.51% for operating lines of credit. The carrying value corresponds to the nominal value.

The values shown for the two loans in place (with Banca Popolare di Milano and Natixis) respectively relate to the repayment instalments due on 30 October 2009 (Banca Popolare di Milano – Euro 1,600 thousand) and on 2 August 2009 (Natixis – Euro 1,500 thousand).

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

Project financing

As at 31 December 2008, the Group had the following project financing contracts in place:

- A contract executed in 2005 by EOS 1 – Troia S.r.l, of which the balance at 31 December 2008 was Euro 22,972 thousand. The loan provides for a base credit line of Euro 36 million. The first repayment instalment of Euro 1,857 thousand was paid on 30 June 2006; the last instalment is due on 31 December 2013. The interest rate is 5.3% up to acceptance of the final inspection certificate and thereafter will be 5.05%. The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge on the company's share capital as well as a comfort letter from ERG Renew S.p.A.

The project financing is also subject to the following covenants:

Debt Service Coverage Ratio (DSCR) of no less than 1.30: if EOS 1 - Troia S.r.l. exceeds this limit, the company cannot distribute dividends to shareholders, nor repay subordinated debt without prior authorisation from the banks.

The DSCR is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and (i) repayment of the base line principal amount due as per the repayment schedule and (ii) the sum of the interest, commissions, and costs paid or payable in relation to the credit line. At 31 December 2008 the covenants have been met, whereas they had not been met in reference to the observation date of 30 June 2008. As regards the specific negotiations underway following such temporary non-compliance which, however, did not have any impact on the Group's financial position, reference is made to the Management Report.

The contract also provides for a “negative pledge” which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that EOS 1 - Troia S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- A contract executed in 2005 by EOS 3 - Troia S.r.l, of which the balance at 31 December 2008 was Euro 27,289 thousand. The loan provides for a base credit line of Euro 34 million for installed capacity of 30 MW, which can be increased to Euro 43 million for a further 10 MW. The first repayment was scheduled on 30 June 2007; the last instalment is due on 31 December 2014. The interest rate is equal to 6-month Euribor +1.60% until acceptance of the final inspection certificate and thereafter will be 6-month Euribor +1.45%. The guarantees given include a mortgage on buildings, a special lien on assets and a 100% pledge on the company's share capital as well as a comfort letter from ERG Renew S.p.A.

The project financing is also subject to the following covenants:

Debt Service Coverage Ratio (DSCR) of no less than 1.30: if EOS 3 - Troia S.r.l. exceeds this limit, the company cannot distribute dividends to shareholders, nor repay subordinated debt without prior authorisation from the banks.

The DSCR is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and (i) repayment of the base line principal amount as per the repayment schedule, (ii) the sum of the interest, commissions, and costs paid or payable in relation to the credit line, and (iii) the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. At 31 December 2008 the covenants had been met, whereas they had not been met in reference to the observation date of 30 June 2008. As regards the specific negotiations underway following such temporary non-compliance which, however, did not have any impact on the Group's financial position, reference is made to the Management Report.

The contract also provides for a "negative pledge" which protects the right of the creditor over the assets given by the debtor as a guarantee for loan repayment. This means that EOS 3 - Troia S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- A contract executed on 13 June 2007 by EOS 4 - Faeto S.r.l., of which the balance at 31 December 2008 was Euro 36,560 thousand relating to construction of a wind farm located in the municipality of Faeto in the province of Foggia. The loan provides for a base credit line of Euro 37.9 million for installed capacity of 24 MW. The first repayment was scheduled on 31 December 2008; the last instalment is due on 31 December 2020. The interest rate is equal to 6-month Euribor +0.90% until conclusion of the period of utilisation, after which the spread will be 0.90-1.10% in relation to the value of the Historical DSCR. The guarantees given include a mortgage on buildings, a special lien on assets and a 100% pledge on the company's share capital as well as a comfort letter from ERG Renew S.p.A.

The project financing is also subject to the following covenants:

Historical Debt Service Coverage Ratio (DSCR) of no less than 1.10: if EOS 4 - Faeto S.r.l. exceeds this limit, the company cannot distribute dividends to shareholders, nor repay subordinated debt without prior authorisation from the banks.

The DSCR is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and (i) repayment of the base line principal amount as per the repayment schedule, (ii) the sum of the interest, commissions, and costs paid or payable in relation to the credit line, and (iii) the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. At 31 December 2008 covenants had been met.

The contract also provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that EOS 4 - Faeto S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- A contract executed on 1 August 2007 by Green Vicari S.r.l., of which the balance at 31 December 2008 was Euro 36,006 thousand, relating to construction of a wind farm located in the municipality of Vicari in the province of Palermo. The loan provides for a base credit line of Euro 52.8 million for installed capacity of 37.5 MW. The first repayment is scheduled on 30 June 2009; the last instalment is due on 30 June 2019. The interest rate is equal to 6-month Euribor plus a spread of a minimum of 1.2% and maximum of 1.5%. The guarantees given include a mortgage on buildings, special liens on assets and a 100% pledge on the company's share capital as well as a comfort letter from ERG Renew S.p.A.

The project financing is also subject to the following covenants:

Historical Debt Service Coverage Ratio (DSCR) of no less than 1.10: if Green Vicari S.r.l. exceeds this limit, the company cannot distribute dividends to shareholders, nor repay subordinated debt without prior authorisation from the banks.

The DSCR is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and (i) repayment of the base line principal amount as per the repayment schedule, (ii) the sum of the interest, commissions, and costs paid or payable in relation to the credit line, and (iii) the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. At 31 December 2008 covenants had been met.

The contract also provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that Green Vicari S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- The French operating companies have a single project financing project in place relating to construction of the five wind farms located in France. The balance as at 31 December 2008 was split as follows between the companies:

| COMPANY | BALANCE AT 31/12/2008 |
|----------------------------------|-----------------------|
| PARC EOLIEN DE LIHUS S.A.S. | 9,717 |
| PARC EOLIEN DE HETOMESNIL S.A.S. | 9,728 |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | 9,782 |
| PARC EOLIEN DU CARREAU S.A.S. | 8,404 |
| PARC EOLIEN LES MARDEAUX S.A.S. | 10,819 |
| TOTAL | 48,450 |

The contract provides for a base credit line of Euro 56.7 million for total installed capacity of 55.2 MW. The first repayment took place on 30 June 2007; last instalment falls due on 30 December 2019. The rate is 6-month Euribor +1.45%. The guarantees given include a mortgage on buildings and a pledge over 100% of the company's share capital.

The project financing is not subject to financial covenants as regards dividend distribution.

The contract also provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that the French companies cannot provide further guarantees on their assets.

18 - PAYABLES AND RECEIVABLES FROM DERIVATIVES

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

| | 31/12/2008 |
|------------------------------|------------|
| RECEIVABLES FROM DERIVATIVES | 93 |
| TOTAL | 93 |

| | 31/12/2008 |
|---------------------------|--------------|
| PAYABLES FROM DERIVATIVES | 2,321 |
| PAYABLES FOR PUT OPTIONS | 1,838 |
| TOTAL | 4,159 |

Payables and receivables from derivatives

The table below shows the outstanding derivatives in place for Group companies as at 31 December 2008:

| COMPANY | ISSUING BANK | CONTRACT | NOTIONAL VALUE | MATURITY |
|----------------------------------|-------------------|----------|----------------|------------|
| EOS 3 - TROIA S.R.L. | EFIBANCA | IRS | 13,125 | 31/12/2014 |
| EOS 3 - TROIA S.R.L. | BBVA | IRS | 13,125 | 31/12/2014 |
| ERG RENEW S.P.A. | B. POP. DI MILANO | IRS | 8,000 | 30/10/2009 |
| ERG RENEW S.P.A. | B. POP. DI MILANO | CAP | 7,200 | 30/10/2012 |
| EOS 4 - FAETO S.R.L. | EFIBANCA | CAP | 7,445 | 31/12/2013 |
| EOS 4 - FAETO S.R.L. | MCC | CAP | 7,445 | 31/12/2013 |
| PARC EOLIEN DE LIHUS S.A.S. | HSH NORDBANK | IRS | 5,095 | 30/12/2019 |
| PARC EOLIEN DE LIHUS S.A.S. | HSH NORDBANK | IRS | 5,095 | 30/12/2019 |
| PARC EOLIEN DE HETOMESNIL S.A.S. | HSH NORDBANK | IRS | 4,972 | 30/12/2019 |
| PARC EOLIEN DE HETOMESNIL S.A.S. | HSH NORDBANK | IRS | 4,972 | 30/12/2019 |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | HSH NORDBANK | IRS | 5,328 | 30/12/2019 |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | HSH NORDBANK | IRS | 5,328 | 30/12/2019 |
| PARC EOLIEN DU CARREAU S.A.S. | HSH NORDBANK | IRS | 8,149 | 30/12/2019 |
| PARC EOLIEN LES MARDEAUX S.A.S. | HSH NORDBANK | IRS | 5,284 | 30/12/2019 |
| PARC EOLIEN LES MARDEAUX S.A.S. | HSH NORDBANK | IRS | 5,284 | 30/12/2019 |
| GREEN VICARI S.R.L. | BNP PARIBAS BNL | CAP | 20,787 | 31/12/2014 |
| TOTAL | | | 126,634 | |

Below we summarise the main features of each individual contract:

EOS 3 - Troia S.r.l. – issuing banks Efibanca and BBVA:

- the contracts, with a notional value of Euro 16 million, relate to the first lot of the investment in the wind farm and replace the variable rate used in project financing (Euribor at 6 months) with a fixed rate (3.30%).

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

- an IRS contract, for a notional amount of Euro 8 million maturing on 30 October 2009, which replaces the variable rate (Euribor at 3 months) with a fixed rate (4.37%);
- a CAP contract, with an initial notional amount of Euro 7.2 million and maturity on 30 October 2012, which from 30 October 2009 will result in a maximum limit equal to 5% of the loan's benchmark rate. Given the start date of this contract, the change in fair value has been recognised in the income statement.

EOS 4 - Faeto S.r.l. – issuing banks Efibanca and MCC:

- two contracts with an initial notional value of Euro 4.8 million, each relating to the first lot of the investment in the wind farm, which, with effect from 31 December 2007, will result in a maximum limit of 5% of the variable rate used in project financing (Euribor at 6 months). Given the start date of this contract, the fair value change occurring in the year has been recognised in the income statement.

French companies – issuing bank HSH Nordbank:

- eight IRS contracts, for a total initial notional value of Euro 23.3 million with effective date on 29 December 2006, which replace the variable rate (Euribor at 6 months +1.45%) with a fixed rate (5.68%);
- an IRS contract, for a total initial notional value of Euro 9.7 million with effective date on 30 June 2006, which replaces the variable rate (Euribor at 6 months +1.45%) with a fixed rate (5.39%).

Green Vicari S.r.l. – issuing bank BNP Paribas BNL:

- a CAP contract, with an initial notional amount of Euro 11.7 million and maturity on 31 December 2014, which from 31 December, 2009 will result in a maximum limit equal to 4.75% of the loan's benchmark rate. Given the start date of this contract, the change in fair value has been recognised in the income statement.

Fair value at 1 January 2008 was included in net financial position under item "D – Current financial receivables" whereas, as regards fair value at 31 December 2008, the positive portion is included under item "K – Non-current financial receivables" and the negative portion under item "G – Current portion of non-current debt".

| COMPANY | ISSUING BANK | INITIAL FAIR VALUE | CHANGE IN THE YEAR | FAIR VALUE AT 31/12/2008 | TAKEN TO SHAREHOLDERS' EQUITY | CHARGED TO INCOME STATEMENT |
|----------------------------------|-------------------|--------------------|--------------------|--------------------------|-------------------------------|-----------------------------|
| EOS 4 - FAETO S.R.L. | EFIBANCA | 85 | – | 47 | (38) | – |
| EOS 4 - FAETO S.R.L. | MCC | 84 | – | 46 | (38) | – |
| | TOTAL | | 169 | – | 93 | (76) |
| EOS 3 - TROIA S.R.L. | EFIBANCA | 613 | – | (106) | (719) | – |
| EOS 3 - TROIA S.R.L. | BBVA | 613 | – | (106) | (719) | – |
| ERG RENEW S.P.A. | B. POP. DI MILANO | 25 | – | (73) | (98) | – |
| ERG RENEW S.P.A. | B. POP. DI MILANO | 30 | – | 13 | – | (17) |
| PARC EOLIEN DE LIHUS S.A.S. | HSH NORDBANK | 125 | – | (202) | (327) | – |
| PARC EOLIEN DE LIHUS S.A.S. | HSH NORDBANK | 68 | – | (248) | (316) | – |
| PARC EOLIEN DE HETOMESNIL S.A.S. | HSH NORDBANK | 122 | – | (197) | (319) | – |
| PARC EOLIEN DE HETOMESNIL S.A.S. | HSH NORDBANK | 66 | – | (242) | (308) | – |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | HSH NORDBANK | 130 | – | (211) | (341) | – |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | HSH NORDBANK | 71 | – | (260) | (331) | – |
| PARC EOLIEN DU CARREAU S.A.S. | HSH NORDBANK | 303 | – | (221) | (524) | – |
| PARC EOLIEN LES MARDEAUX S.A.S. | HSH NORDBANK | 129 | – | (209) | (338) | – |
| PARC EOLIEN LES MARDEAUX S.A.S. | HSH NORDBANK | 70 | – | (259) | (329) | – |
| GREEN VICARI S.R.L. | BNP PARIBAS BNL | – | 16 | – | – | (16) |
| GREEN VICARI S.R.L. | BNP PARIBAS BNL | – | 194 | – | – | (194) |
| TOTAL | | 2,365 | 210 | (2,321) | (4,669) | (227) |

The change occurring in hedging derivatives in FY2008 relates to acquisition of the outstanding contract previously executed by Green Vicari S.r.l., which was acquired on 1 October 2008 as described earlier.

Minority put options on unlisted equity interests:

The following table details minority put options on unlisted equity interests:

| | 31/12/2008 | 31/12/2007 |
|---|--------------|---------------|
| PUT OPTION ON SODAI ITALIA S.P.A. | – | 17,500 |
| PUT OPTION ON ANSALDO FUEL CELLS S.P.A. | 1,838 | – |
| TOTAL | 1,838 | 17,500 |

As described in the note “Other financial receivables”, at the end of the previous FY a put option existed that had been granted by the Company to Trenitalia S.p.A. for the sale of 49% of the share capital of SODAI Italia S.p.A. In accordance with IAS/IFRS standards, the value of the option exercisable by minority interests for the sale of shares held in non-listed subsidiaries was valued as a component of the investment’s acquisition cost and verified within the scope of existence check activities.

On 16 October 2008 the parties reached an agreement as to the validity of the option described above, establishing the obligation for ERG Renew S.p.A. to pay the counterparty the exercise price, reduced from Euro 17,500 thousand to Euro 16,700 thousand. This led to consequent recognition in ERG Renew S.p.A.’s income statement of Euro 800 thousand in financial income (as described in the note “Financial income and expenses”). On the same date, Trenitalia S.p.A. returned to ERG Renew S.p.A. the surety policies issued by the latter as guarantee for the price of the said put option (see details given in the note “Other financial receivables”).

We also report the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A., granted by ERG Renew S.p.A. to Gepafin S.p.A. and due to expire on 29 January 2009. Gepafin S.p.A. has notified exercise of its put option. ERG Renew S.p.A., considering this right on the shares of Ansaldo Fuel Cells S.p.A. to be invalid, has informed Gepafin S.p.A. that it will not acquire the shares concerned with the option. The related payable, currently still outstanding, is however recognised in the balance sheet. The value of the option is Euro 1,838 thousand, which was the maximum exercise value as at 31 December 2008.

19 - DEFERRED TAX LIABILITIES

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

| | 31/12/2008 | | 31/12/2007 | |
|--|---------------------------------------|---------------|---------------------------------------|---------------|
| | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT |
| DEPRECIATION | 5,738 | 1,578 | 7,687 | 2,114 |
| CAPITAL GAINS ON BUSINESS COMBINATIONS | 32,952 | 9,556 | 34,697 | 10,062 |
| OTHER DIFFERENCES | 3,324 | 934 | 4,448 | 1,250 |
| CHANGE IN SCOPE OF CONSOLIDATION | 17,836 | 4,905 | – | – |
| BALANCE AT END OF PERIOD | 59,850 | 16,973 | 46,832 | 13,426 |

“Change in scope of consolidation” refers to acquisition of the companies in the demerged compendium, which took place during the year.

20 - TRADE PAYABLES

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|----------------------------------|---------------|---------------|
| TRADE PAYABLES | 15,316 | 14,469 |
| PAYABLES DUE TO PARENT COMPANIES | 200 | 73 |
| PAYABLES DUE TO GROUP COMPANIES | 3,090 | 22 |
| TOTAL | 18,606 | 14,564 |

The amounts refer principally to purchases of a commercial nature and other categories of costs relating to operating activities. The carrying value of trade payables approximates their fair value.

The details of the counterparties involved in payables to parent and group companies and the nature of these transactions is described in the section "Related-party transactions".

21 - OTHER PAYABLES

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|--|--------------|--------------|
| PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS | 497 | 272 |
| OTHER SUNDRY PAYABLES | 2,727 | 1,926 |
| ACCRUED EXPENSES AND DEFERRED INCOME | 2,791 | 1,071 |
| TOTAL | 6,015 | 3,269 |

The increase is substantially attributable to the companies originating from the aforementioned demerger transaction.

Other sundry payables

| | 31/12/2008 | 31/12/2007 |
|---|--------------|--------------|
| PAYABLES DUE TO EMPLOYEES | 346 | 105 |
| PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS | 230 | 170 |
| PAYABLES DUE TO PUBLIC ENTITIES | 92 | 303 |
| PAYABLES DUE TO EMPLOYEES FOR ACCRUED VACATION DAYS | 162 | 306 |
| PAYABLES FOR WATER DISCHARGE (SEWERAGE CONTRIBUTIONS) | 354 | 281 |
| OTHER PAYABLES | 1,543 | 761 |
| TOTAL | 2,727 | 1,926 |

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

Accrued expenses and deferred income

| | 31/12/2008 | 31/12/2007 |
|--|--------------|--------------|
| EQUIPMENT GRANTS | 2,779 | 1,068 |
| OTHER ACCRUED EXPENSES AND DEFERRED INCOME | 12 | 3 |
| TOTAL | 2,791 | 1,071 |

Equipment grants are the remainder of grants received amounting to Euro 3,191 thousand that will be charged to the income statement in subsequent financial years. The increase during the period was substantially due to the change in scope of consolidation and, specifically, to Green Vicari S.r.l., a company forming part of the demerged compendium.

22 - TAX LIABILITIES

This item principally includes the amount payable for current taxes accruing as at 31 December 2008, as well as taxes withheld as withholding agent, paid in January 2009, and other minor tax liabilities.

| | 31/12/2008 | 31/12/2007 |
|-----------------------|--------------|------------|
| CURRENT INCOME TAXES | 163 | 601 |
| WITHHOLDING TAXES | 540 | 151 |
| OTHER TAX LIABILITIES | 423 | 135 |
| TOTAL | 1,126 | 887 |

23 - NET FINANCIAL POSITION

The Group's net financial position, set out pursuant to the CONSOB recommendations contained in circular no. 6064293 of July 2006, is illustrated below:

| DESCRIPTION | | 31/12/2008 | 31/12/2007 | CHANGES |
|---|---------|----------------|-----------------|-----------------|
| A CASH | (1) | 28,979 | 64,608 | (35,629) |
| B DERIVATIVES CONTRACTS INCLUDED IN CASH AND CASH EQUIVALENTS | (1) | - | - | - |
| C CASH AND CASH EQUIVALENTS (A)+(B) | | 28,979 | 64,608 | (35,629) |
| D CURRENT FINANCIAL RECEIVABLES | | 12,343 | 15,134 | (2,791) |
| E CURRENT BANK PAYABLES | (1) (2) | 15,303 | 5,933 | 9,370 |
| F DERIVATIVE CONTRACTS INCLUDED IN BANK PAYABLES | (1) (2) | - | - | - |
| G CURRENT PORTION OF NON-CURRENT DEBT | | 109,285 | 34,408 | 74,877 |
| H OTHER CURRENT FINANCIAL PAYABLES | | - | - | - |
| I CURRENT FINANCIAL DEBT (E)+(F)+(G)+(H) | | 124,588 | 40,341 | 84,247 |
| J NET CURRENT FINANCIAL DEBT (I)-(C)-(D) | | 83,266 | (39,401) | 122,667 |
| K NON-CURRENT FINANCIAL RECEIVABLES | | 2,086 | 414 | 1,672 |
| L NON-CURRENT BANK PAYABLES | | 173,079 | 151,466 | 21,613 |
| M BONDS ISSUED | | - | - | - |
| N OTHER NON-CURRENT PAYABLES | | - | - | - |
| O NON-CURRENT FINANCIAL DEBT (L)+(M)+(N) | | 173,079 | 151,466 | 21,613 |
| P NET FINANCIAL DEBT (J)-(K)+(O) | | 254,259 | 111,651 | 142,608 |
| RECONCILIATION WITH THE CASH FLOW STATEMENT AND BALANCE SHEET: | | | | |
| (1) CASH AND CASH EQUIVALENTS | | 28,979 | 58,675 | (11,986) |
| (2) BANK PAYABLES | | 15,303 | 5,933 | 422 |

INCOME STATEMENT ANALYSIS

24 - PRODUCTION VALUE

The carrying value of this item is broken down as follows:

| | 2008 | 2007 |
|---------------------------|---------------|---------------|
| OPERATING REVENUES | 43,439 | 37,023 |
| OTHER REVENUES AND INCOME | 1,056 | 833 |
| TOTAL | 44,495 | 37,856 |

Operating revenues

| | 2008 | 2007 |
|----------------------------------|---------------|---------------|
| REVENUES FROM SALES AND SERVICES | 29,558 | 22,034 |
| TARIFF EQUALISATION | (2,462) | - |
| OTHER OPERATING REVENUES | 16,343 | 14,989 |
| TOTAL | 43,439 | 37,023 |

The breakdown of operating revenues by Group business division was as follows:

| | 2008 | 2007 |
|---|---------------|---------------|
| WIND - SALE OF ENERGY | 22,563 | 15,985 |
| WIND - SALE OF ENERGY, TARIFF EQUALISATION | (2,462) | - |
| WATER SERVICES | 6,962 | 6,049 |
| MINI-HYDRO | 33 | - |
| TOTAL REVENUES FROM SALES AND SERVICES | 27,096 | 22,034 |
| WIND - GREEN CERTIFICATES | 15,082 | 14,989 |
| OTHER | 1,261 | - |
| TOTAL OTHER OPERATING REVENUES | 16,343 | 14,989 |
| TOTAL OPERATING REVENUES | 43,439 | 37,023 |

Green certificates are a form of incentivisation for the production of electricity from renewable energy sources. Based on the provisions of Article 5 of Ministerial Decree dated 11/11/1999, the production of electricity from renewable energy sources by plants coming into operation or repowered as from 1 April 1999 gives entitlement to certification of production using renewable energy sources (namely green certificates). With Ministerial Decree dated 18 December 2008, the Ministry for Economic Development implemented the provisions of the 2008 Consolidated Law on Finance and established the procedures for implementation of the new incentivisation mechanisms. The Ministerial Decree establishes that green certificates accrued and accruing for production 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 3-year period prior to the year when the application is filed. On 3 February 2009 the GSE communicated the average market price for the 3-year period 2006-2008. This price is Euro 98/MWh and has been used to quantify the value of the green certificates still owned by the Group at 31 December 2008.

Tariff equalisation of Euro 2,462 thousand refers to a modification of the selling price of

electricity produced and sold during 2007. This was introduced by resolution 48/2008 of the Electricity and Gas Authority (AEEG), which abrogated Article 1 of the previous resolution 318/2006. For a fuller analysis of the evolution in revenues from sales and services, reference is made to the Management Report. In FY2008 the Group, via its subsidiaries EOS 1 - Troia S.r.l., EOS 3 - Troia S.r.l., Eolo S.r.l., Green Vicari S.r.l. and ERG Eolica Italia S.r.l., accrued 154,963 certificates sellable on the electricity market. The green certificates accrued during the financial year, together with those produced in the previous year and still owned by the Group as at annual balance sheet date, total 293,500 and will be sold on the market managed by the GME (electricity market operator) in accordance with current regulations.

Other revenues and income

This item is broken down as follows:

| | 2008 | 2007 |
|---------------------|--------------|------------|
| OPERATING SUBSIDIES | 261 | 145 |
| CAPITAL GAINS | 1 | 30 |
| OTHER INCOME | 794 | 658 |
| TOTAL | 1,056 | 833 |

Other income mostly concerns amounts charged back to the companies ERG S.p.A. and ERG Power & Gas S.p.A.

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

The reported amount is broken down as follows:

| | 2008 | 2007 |
|--|------------|------------|
| PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS | 404 | 453 |
| TOTAL | 404 | 453 |

26 - SERVICES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|-------------------------|---------------|---------------|
| SERVICES | 10,321 | 6,918 |
| UTILITIES | 415 | 318 |
| SUNDRY COSTS | 5,410 | 1,927 |
| RENT, LEASE AND SIMILAR | 2,475 | 1,699 |
| TOTAL | 18,621 | 10,862 |

The increase in the item "Services" was substantially due to the increased activity of the wind business and to the growth of Euro 1,303 thousand in technical, legal and financial consultancy costs in relation to the ERG Renew S.p.A. share capital increase. For a breakdown of the impact of non-recurring events on the Group's performance indicators, reference is made to the section "Non-recurring events and operations".

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. We also report that the item "Rent, lease and similar" includes charges relating to the transfer of head office, amounting to Euro 300 thousand.

27 - PERSONNEL EXPENSES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|---------------------------|--------------|--------------|
| SALARIES AND WAGES | 4,250 | 3,687 |
| SOCIAL SECURITY EXPENSES | 1,251 | 1,039 |
| STAFF LEAVING INDEMNITIES | 273 | 166 |
| OTHER COSTS | 1,323 | 22 |
| TOTAL | 7,097 | 4,914 |

The slight increase in personnel expenses was due to a minimum increase in the average number of staff employed by the Group in FY2008. "Other costs" mostly comprised Euro 825 thousand paid in FY2008 as exit incentives, and contractual indemnities totalling Euro 244 thousand paid for transfers.

28 - OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|----------------------------|--------------|--------------|
| INDIRECT TAXES | 816 | 713 |
| CAPITAL LOSSES | - | 8 |
| WRITE-DOWNS OF RECEIVABLES | 6,723 | 838 |
| BAD DEBT EXPENSES | 541 | 371 |
| OTHER OPERATING CHARGES | 342 | 99 |
| TOTAL | 8,422 | 2,029 |

Write-downs, which totalled Euro 6,723 thousand, were split as follows:

- Euro 2,821 thousand refers to the write-down of the reservation fee paid by ERG Renew S.p.A. to Repower System AG as part of the framework agreement concerning the supply of 50 wind turbines for wind farms under construction. For a fuller description, readers are referred to the comment made in the note "Other receivables".
- Euro 3,672 thousand refers to write-downs of advances paid to promoters for conclusion of contracts to buy new wind farms. This write-down was necessary in order to reflect presumable realisation value. For greater detail reference is made to the note "Other receivables".
- Euro 230 thousand refers to the write-down of the salvage value of tangible assets owned by DSI S.r.l., which were partly destroyed by a fire that occurred in November 2008. Following the aforesaid accident a notice was sent to the broker Willis S.p.A. activating the existing insurance cover and operations began with the surveyor appointed by the insurance companies. However, during the month of December it was impossible to carry on any production activity and this heavily impacted the year's economic results, which until then had been positive, showing a definite improvement with respect to the previous period and in line with forecasts.

Bad debt expenses, totalling Euro 541 thousand, almost entirely concern losses made as a result of the sales of green certificates relating to 2006, completed during the year.

29 - AMORTISATION AND DEPRECIATION

The reported amount is broken down as follows:

| | 2008 | 2007 |
|---|---------------|--------------|
| AMORTISATION OF INTANGIBLE FIXED ASSETS | 2,190 | 455 |
| DEPRECIATION OF TANGIBLE FIXED ASSETS | 15,196 | 8,800 |
| TOTAL | 17,386 | 9,255 |

The increase in FY2008 was mainly due to the coming into operation of new wind farms.

30 - WRITE-DOWNS AND PROVISIONS

The breakdown of this total was as follows:

| | 2008 | 2007 |
|--------------------------------|--------------|--------------|
| WRITE-DOWNS OF FIXED ASSETS | 7,191 | 599 |
| NET PROVISIONS FOR LIABILITIES | 1,980 | 1,167 |
| TOTAL | 9,171 | 1,766 |

Write-downs during the period concern: (i) Euro 69 thousand for write-downs of costs previously capitalised regarding which the conditions for capitalisation ceased to exist during the course of the year, and (ii) Euro 7,122 thousand for write-downs of development costs relating to the following companies: ERG Eolica Italia S.r.l. (Euro 2,599 thousand), EOS 6 - Joppolo S.r.l. (Euro 934 thousand), EOS 2 - Nurra S.r.l. (Euro 1,500 thousand), ERG Eolica Calabria S.r.l. (Euro 556 thousand), ERG Eolica Basilicata S.r.l. (Euro 23 thousand), and EOS 5 - Tursi Colobraro S.r.l. (Euro 1,510 thousand).

The reasons for these write-downs are commented at length in the section "Use of estimates".

Reference is made to the comment in Note 16 "Provisions for liabilities and charges" for the nature of the provisions of Euro 1,980 thousand reported in the above table net of release of provisions surplus to the requirements originating them.

31 - FINANCIAL INCOME AND EXPENSES

The reported amount includes:

| | 2008 | 2007 |
|--------------------|----------------|----------------|
| FINANCIAL INCOME | 4,195 | 3,579 |
| FINANCIAL EXPENSES | (12,414) | (6,663) |
| TOTAL | (8,219) | (3,084) |

Financial income

| | 2008 | 2007 |
|---|--------------|--------------|
| INTERESTS AND COMMISSIONS FROM BANKS | 2,412 | 2,390 |
| INTERESTS AND COMMISSIONS FROM OTHERS | 983 | 1,189 |
| INCOME FROM SETTLEMENT AGREEMENT WITH TRENITALIA S.P.A. | 800 | – |
| TOTAL | 4,195 | 3,579 |

As described in the note “Receivables and payables from derivatives – minority put options on unlisted equity interests”, at the end of the previous financial year a put option existed vis-à-vis ERG Renew S.p.A. that had been granted to Trenitalia S.p.A. for the sale of 49% of the share capital of SODAI Italia S.p.A. On 16 October 2008 the parties reached an agreement on the validity of the above mentioned put option, establishing the obligation for ERG Renew S.p.A. to pay the counterparty the exercise price reduced from Euro 17,500 thousand to Euro 16,700 thousand, with consequent recognition in ERG Renew S.p.A.’s income statement of Euro 800 thousand as financial income.

Financial expenses

| | 2008 | 2007 |
|-------------------------------------|-----------------|----------------|
| INTEREST PAYABLE TO OTHERS | (11,489) | (5,906) |
| INTEREST PAYABLE TO GROUP COMPANIES | (925) | – |
| LOSSES ON FINANCIAL RECEIVABLES | – | (757) |
| TOTAL | (12,414) | (6,663) |

The major growth in financial expenses was substantially due to the increase in financial liabilities relating both to project financing and to the financial liabilities as regards the companies of the demerged compendium.

32 - INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported amount includes:

| | 2008 | 2007 |
|--|--------------|----------|
| VALUATION USING THE EQUITY METHOD | 83 | – |
| WRITE-DOWN OF EQUITY INVESTMENT IN ANSALDO FUEL CELLS S.P.A. | 5,757 | – |
| TOTAL | 5,840 | – |

The write-down of the investment in Ansaldo Fuel Cells S.p.A. was due to a strategic decision taken during FY2008, by virtue of which the investment in Ansaldo Fuel Cells S.p.A. is no longer considered core. For greater detail reference is made to the note “Other equity investments” and to the section “Use of estimates”.

33 - INCOME TAXES

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

The reported amount is broken down as follows:

| | 2008 | 2007 |
|----------------------------|--------------|----------------|
| CURRENT INCOME TAXES | (673) | (542) |
| PRIOR YEAR TAX ADJUSTMENTS | – | (12) |
| DEFERRED INCOME TAXES | 7,031 | (2,814) |
| TOTAL | 6,358 | (3,368) |

The reconciliation between the tax liability reported in the consolidated financial statements and the theoretical tax liability, based on the theoretical tax rates prevailing in Italy, is as shown below:

| | TAXABLE AMOUNT | TAX |
|--|----------------|--------------|
| IRES (CORPORATION TAX) | | |
| PROFIT BEFORE TAXES | (30,685) | – |
| THEORETICAL IRES TAXATION AT 27.5% | | – |
| IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES | | – |
| CURRENT IRES | | – |
| DEFERRED IRES | | 7,031 |
| CURRENT AND DEFERRED IRES | | 7,031 |
| IRAP (REGIONAL TAX) | | |
| EBIT | (16,626) | – |
| PERSONNEL EXPENSES AND WRITE-DOWNS OF RECEIVABLES | 19,460 | – |
| TOTAL | 2,834 | – |
| THEORETICAL IRAP TAXATION AT 3.9% | | 111 |
| IRAP RATE INCREASED FOR SOME COMPANIES | | – |
| IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES | | 562 |
| CURRENT AND DEFERRED IRAP | | 673 |
| TOTAL THEORETICAL TAXES | | 111 |
| TOTAL IRES AND IRAP PER FINANCIAL STATEMENTS | | 6,358 |
| TAX FROM PREVIOUS YEARS | | – |
| TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS | | 6,358 |

OTHER INFORMATION

34 - INFORMATION BY BUSINESS DIVISION AND GEOGRAPHICAL AREA

The Group is active in the production of electricity from renewal sources (wind) and water services.

For management control purposes the Group is currently organised in two operating areas. These divisions form the basis on which the Group reports business segment information according to its primary reporting format. Specifically:

- Wind: electricity generation using wind.
- Water services: management of aqueducts, sewer networks, and plants for the purification and treatment of civil and industrial waste waters.
- Mini-hydro: electricity generation using water (flowing water) as a source.

Business segment reporting - FY2008

| INCOME STATEMENT | WIND | WATER SERVICES | MINI-HYDRO | NOT ALLOCATED | TOTAL |
|---------------------------------------|----------|----------------|------------|---------------|----------|
| OPERATING REVENUES | 34,889 | 6,962 | 33 | 1,555 | 43,439 |
| PRODUCTION VALUE | 35,823 | 6,987 | 33 | 1,652 | 44,495 |
| DIVISIONAL COSTS | (38,699) | (7,498) | (224) | (14,700) | (61,121) |
| DIVISIONAL EBIT | (2,876) | (511) | (191) | (13,048) | (16,626) |
| FINANCIAL INCOME AND EXPENSES | (11,138) | 106 | (38) | 2,851 | (8,219) |
| INCOME (LOSS) FROM EQUITY INVESTMENTS | – | – | – | (5,840) | (5,840) |
| PROFIT BEFORE TAXES | (14,014) | (405) | (229) | (16,037) | (30,685) |

| BALANCE SHEET | WIND | WATER SERVICES | MINI-HYDRO | NOT ALLOCATED | TOTAL |
|-------------------|---------|----------------|------------|---------------|---------|
| TOTAL ASSETS | 414,318 | 25,316 | 7,772 | 34,527 | 481,933 |
| TOTAL LIABILITIES | 273,966 | 3,168 | 2,595 | 67,220 | 346,949 |

| OTHER INFORMATION | WIND | WATER SERVICES | MINI-HYDRO | NOT ALLOCATED | TOTAL |
|---|--------|----------------|------------|---------------|--------|
| INCREASES IN FIXED ASSETS | 41,177 | 355 | – | 186 | 41,718 |
| AMORTISATION OF INTANGIBLE ASSETS | 2,153 | 7 | – | 30 | 2,190 |
| DEPRECIATION OF TANGIBLE ASSETS | 14,680 | 384 | 106 | 26 | 15,196 |
| OTHER (SIGNIFICANT) COSTS WITHOUT FINANCIAL DISBURSEMENTS | 6,493 | 230 | – | 7,840 | 14,563 |
| PERSONNEL (NO. OF EMPLOYEES) | 26 | 36 | 1 | 9 | 72 |

Business segment reporting - FY2007

| INCOME STATEMENT | WIND | WATER SERVICES | NOT ALLOCATED | TOTAL |
|-------------------------------|---------------|----------------|----------------|---------------|
| OPERATING REVENUES | 30,974 | 6,049 | – | 37,023 |
| PRODUCTION VALUE | 31,395 | 6,102 | 359 | 37,856 |
| DIVISIONAL COSTS | 15,855 | 6,874 | 6,550 | 29,279 |
| DIVISIONAL EBIT | 15,540 | (772) | (6,191) | 8,577 |
| FINANCIAL INCOME AND EXPENSES | (5,003) | 48 | 1,871 | (3,084) |
| PROFIT BEFORE TAXES | | | | 5,493 |

| BALANCE SHEET | WIND | WATER SERVICES | NOT ALLOCATED | TOTAL |
|--------------------------|----------------|----------------|---------------|----------------|
| TOTAL ASSETS | 273,746 | 26,544 | 72,518 | 372,808 |
| TOTAL LIABILITIES | 155,103 | 3,410 | 70,031 | 228,544 |

| OTHER INFORMATION | WIND | WATER SERVICES | NOT ALLOCATED | TOTAL |
|---|--------|----------------|---------------|--------|
| INCREASES IN FIXED ASSETS | 33,750 | 100 | – | 33,850 |
| AMORTISATION OF INTANGIBLE ASSETS | 409 | 4 | 43 | 456 |
| DEPRECIATION OF TANGIBLE ASSETS | 8,339 | 428 | 32 | 8,799 |
| OTHER (SIGNIFICANT) COSTS WITHOUT FINANCIAL DISBURSEMENTS | 905 | 372 | 1,328 | 2,605 |
| PERSONNEL (NO. OF EMPLOYEES) | 34 | 32 | 6 | 72 |

The operating performance of the business divisions is commented in detail in the Management Report, to which readers should refer.

35 - SECONDARY SEGMENTATION – INFORMATION BY GEOGRAPHICAL AREA

The Group's business is located in the following areas:

- Italy
- France

The breakdown shown below provides an analysis of the Group's operating revenues in the various markets, regardless of asset origin, whereas the carrying value of assets and increases in fixed assets is divided according to their geographical location.

Secondary segmentation - FY2008

| OTHER INFORMATION | ITALY | FRANCE | TOTAL |
|---------------------------|---------|---------|---------|
| OPERATING REVENUES | 33,767 | 9,672 | 43,439 |
| CARRYING VALUE OF ASSETS | 360,656 | 121,277 | 481,933 |
| INCREASES IN FIXED ASSETS | 41,718 | – | 41,718 |

Secondary segmentation - FY2007

| OTHER INFORMATION | ITALY | FRANCE | TOTAL |
|---------------------------|---------|--------|---------|
| OPERATING REVENUES | 35,030 | 1,993 | 37,023 |
| CARRYING VALUE OF ASSETS | 276,793 | 96,015 | 372,808 |
| INCREASES IN FIXED ASSETS | 33,850 | – | 33,850 |

36 - EARNING PER SHARE

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

| (EURO) | 31/12/2008 | 31/12/2007 |
|--|------------|------------|
| NET PROFIT (LOSS) | | |
| NET PROFIT (LOSS) USED TO CALCULATE BASIC EARNINGS PER SHARE | (24,410) | 2,265 |

| (EURO) | 31/12/2008 | 31/12/2007 |
|---|-------------|------------|
| NUMBER OF SHARES | | |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE | 104,324,375 | 94,876,941 |

37 - PROFESSIONAL SERVICES OF THE AUDITING COMPANY DELOITTE & TOUCHE S.P.A.

In accordance with Article 149-duodecies of the Issuers' Regulations, set out below are the detail and nature of services provided during the year to Group companies by the auditing firm Deloitte & Touche S.p.A., as shown in the following table:

| | DELOITTE & TOUCHE S.P.A. | OTHER COMPANIES BELONGING TO THE DELOITTE NETWORK |
|---|--------------------------|---|
| AUDITING SERVICES | 248 | 10 |
| SERVICES OTHER THAN AUDITING FOR THE ISSUE OF CERTIFICATION | 237 | 49 |
| OTHER SERVICES | 15 | 61 |
| TOTAL FEES | 500 | 120 |

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

"Services other than auditing for the issue of certification" performed both by Deloitte & Touche S.p.A. and by other companies belonging to the Deloitte Network concerned auditing activities carried out in connection with the publication of documents and prospectuses consequent to the aforementioned demerger transaction.

"Other services" performed by the other companies belonging to the Deloitte Network refer to the activities carried out to support the acquisitions of the French operating companies which took place during the year.

38 - RELATED-PARTY TRANSACTIONS

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

The Group receives from the parent company ERG S.p.A. and affiliated company ERG Power & Gas S.p.A. services regulated by service contracts above all as regards administrative, financial and organisational activities, institutional and international relations, assistance with extraordinary operations, corporate affairs and planning and control as well as charges for the use of the computer system and office rental. These activities, covered by service contracts,

are performed in a coordinated manner with the organisation of the ERG Renew Group, which in any case maintains its own contractual autonomy vis-à-vis its suppliers, and can be itemised as follows:

- Administration and Fiscal provides for the operational coordination of balance sheet activities, fiscal policies as well as activities intended to implement and activate the Group administrative processes for the correct application of accounting policies and supports the ERG Renew Group in the protection of its assets;
- Finance intended as support for treasury analysis and reporting operations as well as activities concerning the handling of relations with the banking and financial system, also for the granting of possible public subsidies for new investments;
- Risk Management supports and assists top management in defining risk management policies in observance of risk-related Group policies, and supports the corporate functions in their identification, prevention, reduction and hedging of critical risks for the business in relation to the Group's tangible and intangible assets using, where necessary, the consultancy and intermediation of the insurance broker or specialised consultants and defines and implements guidelines for the identification, handling and periodic review of all categories of risk associated with the Group's industrial and financial activities;
- Audit monitors the controls exercised by management in order to assess the adequacy of the control systems put in place and the results obtained by way of their application. It verifies and evaluates the correct application of corporate policies, procedures and book-keeping with a view to furnishing useful suggestions for carrying out management control activities;
- Corporate Security supports the company's Management in protecting its tangible/intangible assets against internal/external risks or attacks of an intentional nature, analysing the areas of exposure and defining appropriate security management strategies and policies;
- Planning develops the medium and long-term scenarios (and relative sensitivity), supporting the Businesses' Forecasting, Budgeting and Planning operations; it also develops and evaluates, in collaboration with the functions concerned, strategic studies and projects (for example, Italian and international market analyses, support for identification of new business opportunities, studies and projects with regard to technological innovation in the sector of renewable energy sources); it also collaborates with the functions concerned for the definition and maintaining of asset evaluation methodologies and tools, and provides the required support for the evaluation of specific initiatives, monitoring the consistency of same with respect to the Group business model;
- Merger & Acquisition provides support for the evaluation and development of new business opportunities, also researching and analysing potential partnerships, and guarantees an activity of support for the competent functions in the analysis of technical, economic, financial pre-feasibility; in the subsequent phases of opportunity development, it also provides support with definition and optimisation of the "business model" in close coordination with the competent divisions. It provides support for the management of tenders during the "due diligence" phase (coordination of the project team and advisors, handling of relations with the counterparty), and for the finalisation of project documentation, in close coordination with top management and with the individual divisions concerned;
- Institutional and International Relations promotes and implements all reasonable initiatives designed to minimise risks and remove the causes that might jeopardise the health and safety of own employees as well as the local community in the area where operations are carried out; it develops a relationship of constructive cooperation, imbued with utmost transparency and trust, both within its own organisation and with the external community and the Institutions in the handling of issues relating to Health, Safety and the Environment;
- Communications realises and implements the Group's editorial line (in paper and electronic format). It performs advisory activities and direct operational management of institutional communications events;
- Personnel promotes the definition and ensures implementation of personnel policies in keeping with the Group's strategic vision and encourages the involvement and participation of employees at all levels for the achievement of corporate objectives; it supports the rea-

lisation of organisational analyses aimed at optimising activities and staff; it provides support for the management and development of payroll programmes in accordance with legal, contractual and corporate requirements;

- Information Systems provides support for the development, management and maintenance of the corporate information system (comprising the processing, automation, control and telecommunications systems) in line with the most state-of-the-art information technologies; it ensures the methodological development and technical realisation of the information system, ensuring its management with a view to achieving the most suitable working conditions according to the skills available and the required service levels.

As compensation for the activities performed, for execution of the assignment on a continuous basis the Group pays the amounts determined based on the standard average staff cost increased for accessory charges, general expenses, lump-sum reimbursement of costs incurred in carrying out the assignment and remuneration for services supplied. However, at the end of the year, in order to determine the changes to be made, if any, as an adjustment to the aforesaid fees estimated for 2008 and subsequent years in case of renewal, the ERG Group companies are required to furnish a schedule summarising the services performed. For activities performed in carrying out non-recurring specific tasks, as from time to time assigned, a sum will be paid upon completion as analytically calculated based on the time dedicated in terms of hours only as regards the head of the staff function concerned, valued at standard cost, plus reimbursement of expenses specifically incurred to perform the assignment. Moreover, during the current year the Group performed technical services for affiliated company ERG Power & Gas S.p.A. posting revenues of Euro 927 thousand; the Group also charged back to the parent company ERG S.p.A. costs of Euro 378 thousand relating to the secondment of personnel in 2008.

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

BALANCE SHEET DATA

2008

| | TRADE | | FINANCIAL | | OTHER | |
|----------------------------------|-------------|--------------|--------------|---------------|-------------|----------|
| | RECEIVABLES | PAYABLES | RECEIVABLES | PAYABLES | RECEIVABLES | PAYABLES |
| PARENT COMPANIES | | | | | | |
| ERG S.P.A. | 140 | 200 | - | - | - | - |
| TOTAL PARENT COMPANIES | 140 | 200 | - | - | - | - |
| SUBSIDIARIES | | | | | | |
| CITA S.A.S. | - | - | 253 | - | - | - |
| EOLIENNES DU VENT SOLAIRE S.A.S. | - | - | 1,315 | - | - | - |
| TOTAL SUBSIDIARIES | - | - | 1,568 | - | - | - |
| GROUP COMPANIES | | | | | | |
| ERG PETROLI S.P.A. | - | 51 | - | - | - | - |
| ERG POWER & GAS S.P.A. | 311 | 3,018 | - | 64,581 | - | - |
| ERGMED S.P.A. | - | 21 | - | - | - | - |
| ISAB ENERGY S.R.L. | 1 | - | - | - | - | - |
| TOTAL GROUP COMPANIES | 312 | 3,090 | - | 64,581 | - | - |

As regards financial receivables due from subsidiaries, reference is made to the note "Other receivables". Regarding financial payables due to Group companies, reference is made to Note 17 "Financial liabilities". With regard to MACO S.r.l., owner of a 49% stake in Eolo S.r.l., the Group has posted a trade receivable of Euro 116 thousand and a financial liability of Euro 62 thousand, as described in Note 17 "Financial liabilities".

2007

| | TRADE | | FINANCIAL | | OTHER | |
|-------------------------------|-------------|-----------|-------------|----------|-------------|----------|
| | RECEIVABLES | PAYABLES | RECEIVABLES | PAYABLES | RECEIVABLES | PAYABLES |
| PARENT COMPANIES | | | | | | |
| ERG S.P.A. | - | 73 | - | - | - | - |
| TOTAL PARENT COMPANIES | - | 73 | - | - | - | - |
| GROUP COMPANIES | | | | | | |
| ERG POWER & GAS S.P.A. | 323 | 22 | - | - | - | - |
| TOTAL GROUP COMPANIES | 323 | 22 | - | - | - | - |

INCOME STATEMENT DATA

Economic transactions are carried out at going market rates. In FY2008 these services related mainly to administration and HR management services.

2008

| | REVENUES FROM SALES AND SERVICES | COST OF PURCHASES | COSTS FOR SERVICES | OTHER OPERATING EXPENSES | FINANCIAL INCOME | FINANCIAL EXPENSES |
|-------------------------------|--|----------------------|-----------------------|--------------------------------|---------------------|-----------------------|
| PARENT COMPANIES | | | | | | |
| ERG S.P.A. | 378 | - | 901 | - | - | - |
| TOTAL PARENT COMPANIES | 378 | - | 901 | - | - | - |
| GROUP COMPANIES | | | | | | |
| ERG PETROLI S.P.A. | - | 39 | 137 | - | - | - |
| ERG POWER & GAS S.P.A. | 927 | - | 1.572 | - | - | 925 |
| ISAB ENERGY S.R.L. | 3 | - | - | - | - | - |
| TOTAL GROUP COMPANIES | 930 | 39 | 1,709 | - | - | 925 |

During the year MACO S.r.l., owner of a 49% stake in Eolo S.r.l., supplied services for Euro 701 thousand, which were capitalised by the Group.

2007

| | REVENUES FROM SALES AND SERVICES | OTHER REVENUES AND INCOME | COSTS FOR SERVICES | OTHER OPERATING EXPENSES | FINANCIAL INCOME | FINANCIAL EXPENSES |
|-------------------------------|--|---------------------------------|-----------------------|--------------------------------|---------------------|-----------------------|
| PARENT COMPANIES | | | | | | |
| ERG S.P.A. | - | - | 144 | - | - | - |
| TOTAL PARENT COMPANIES | - | - | 144 | - | - | - |
| TOTAL GROUP COMPANIES | | | | | | |
| ERG POWER & GAS S.P.A. | - | 323 | 22 | - | - | - |
| TOTAL GROUP COMPANIES | - | 323 | 22 | - | - | - |

39 - REMUNERATION OF DIRECTORS AND GENERAL MANAGERS

The remuneration paid during the year to Directors and General Managers is shown in the following table:

| | 31/12/2008 | 31/12/2007 |
|-----------------------|--------------|--------------|
| REMUNERATION | 104 | 189 |
| NON-MONETARY BENEFITS | 178 | 369 |
| OTHER BENEFITS | 1,090 | 745 |
| TOTAL | 1,372 | 1,303 |

The fees paid to directors are established by the Remuneration Committee. Details of such fees are shown in the notes to the separate financial statements of the consolidating company ERG Renew S.p.A., presented together with these consolidated financial statements.

40 - OPERATING LEASE CONTRACTS

During the year, operating lease contracts previously existing in Group companies were concluded.

The amounts of lease payments made during the year were as follows:

| | 31/12/2008 | 31/12/2007 |
|--|------------|------------|
| OPERATING LEASES: LEASE PAYMENTS RECORDED IN THE INCOME STATEMENT | | |
| MINIMUM PAYMENTS | - | 46 |
| TOTAL LEASE PAYMENTS | - | 46 |

41 - COMMITMENTS AND CONTINGENT LIABILITIES

The total value of the overall commitments of Group companies as at balance sheet date amounted to Euro 34,467 thousand. The breakdown was as follows:

- Euro 14,273 thousand principally related to the guarantees issued by Group companies in relation to the supply contracts concerning construction of the wind farms;
- Euro 4,349 thousand related to the guarantees issued by Group companies, based on current regulations, in favour of the Fiscal Revenues Agency (Agenzia delle Entrate) and the competent VAT offices;
- Euro 15,845 thousand related to the guarantees issued by Group companies in favour of various public entities and relating to operating activities in the wind and water services sectors.

42 - INFORMATION ON RISKS

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

FY2008

| | (NOTES) | 31/12/2008 | LOANS & RECEIVABLES | HEDGING DERIVATIVES | H F M |
|---|---------|---------------|------------------------|------------------------|-------|
| ASSETS | | | | | |
| FINANCIAL ASSETS | (4) | 518 | 518 | – | – |
| OTHER RECEIVABLES | (5) | 6,313 | 6,313 | – | – |
| TOTAL NON-CURRENT FINANCIAL ASSETS | | 6,831 | 6,831 | – | – |
| TRADE RECEIVABLES | (7) | 11,730 | 11,730 | – | – |
| OTHER FINANCIAL RECEIVABLES | (8) | 12,250 | 12,250 | – | – |
| RECEIVABLES FROM DERIVATIVES | (18) | 93 | – | 93 | – |
| CASH AND CASH EQUIVALENTS | (12) | 28,979 | 28,979 | – | – |
| TOTAL CURRENT FINANCIAL ASSETS | | 53,052 | 52,959 | 93 | – |
| TOTAL FINANCIAL ASSETS | | 59,883 | 59,790 | 93 | – |

H F M: HELD TO MATURITY

| | (NOTES) | 31/12/2008 | LIABILITIES AT AMORTISED COST | HEDGING DERIVATIVES | H F M |
|--|---------|----------------|-------------------------------------|------------------------|-------|
| LIABILITIES | | | | | |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | (17) | 173,243 | 173,243 | – | – |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | | 173,243 | 173,243 | – | – |
| CURRENT PORTION OF FINANCIAL PAYABLES | (17) | 120,266 | 120,266 | – | – |
| PAYABLES FROM DERIVATIVES | (18) | 4,159 | 1,838 | 2,321 | – |
| TRADE PAYABLES | (20) | 18,606 | 18,606 | – | – |
| TOTAL CURRENT FINANCIAL LIABILITIES | | 143,031 | 140,710 | 2,321 | – |
| TOTAL FINANCIAL LIABILITIES | | 316,274 | 313,953 | 2,321 | – |

H F M: HELD FOR MATURITY

FY2007

| | 31/12/2007 | LOANS & RECEIVABLES | HEDGING DERIVATIVES | H F M |
|---|---------------|------------------------|------------------------|-------|
| ASSETS | | | | |
| FINANCIAL ASSETS | 414 | 414 | - | - |
| OTHER RECEIVABLES | 10,348 | 10,348 | - | - |
| TOTAL NON-CURRENT FINANCIAL ASSETS | 10,762 | 10,762 | - | - |
| TRADE RECEIVABLES | 9,360 | 9,360 | - | - |
| OTHER FINANCIAL RECEIVABLES | 12,600 | 12,600 | - | - |
| RECEIVABLES FROM DERIVATIVES | 2,534 | - | 2,534 | - |
| CASH AND CASH EQUIVALENTS | 64,608 | 64,608 | - | - |
| TOTAL CURRENT FINANCIAL ASSETS | 89,102 | 86,568 | 2,534 | - |
| TOTAL FINANCIAL ASSETS | 99,864 | 97,330 | 2,534 | - |

H F M: HELD FOR MATURITY

| | 31/12/2007 | LIABILITIES AT AMORTISED COST | H F T | H F M |
|--|----------------|-------------------------------------|-------|-------|
| LIABILITIES | | | | |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | 151,465 | 151,465 | - | - |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | 151,465 | 151,465 | - | - |
| CURRENT PORTION OF FINANCIAL PAYABLES | 22,839 | 22,839 | - | - |
| PAYABLES FROM DERIVATIVES | 17,500 | 17,500 | - | - |
| TRADE PAYABLES | 14,564 | 14,564 | - | - |
| TOTAL CURRENT FINANCIAL LIABILITIES | 54,903 | 54,903 | - | - |
| TOTAL FINANCIAL LIABILITIES | 206,368 | 206,368 | - | - |

H F T: HELD FOR TRADING
H F M: HELD FOR MATURITY

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

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

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

As regards exposure to the risk of offences pursuant to Legislative Decree 231/01, the Group's companies have adopted Organisation, Management and Control Models. These identify analytically the corporate activities where offences relating to the above mentioned regulation may occur. Specific operating protocols have been prepared in order to schedule development and implementation of the entity's decisions concerning the offences to be prevented.

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

CREDIT RISK

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

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

The tables below provide information on the Group's exposure to credit risk as at 31 December 2008 and 31 December 2007:

| | 31/12/2008 | PAST DUE AGEING | | | |
|--|---------------|-----------------|------------|---------|-------------------|
| | | 30 DAYS | 60 DAYS | 90 DAYS | MORE THAN 90 DAYS |
| NON-CURRENT FINANCIAL ASSETS NOT PAST DUE | 8,399 | – | – | – | – |
| TRADE RECEIVABLES | 9,651 | – | – | – | – |
| OTHER FINANCIAL RECEIVABLES | 12,250 | – | – | – | – |
| RECEIVABLES FROM DERIVATIVES | 93 | – | – | – | – |
| CASH AND CASH EQUIVALENTS | 28,979 | – | – | – | – |
| TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE | 50,973 | – | – | – | – |
| PAST DUE TRADE RECEIVABLES | 2,201 | 55 | 310 | – | 1,836 |
| BAD DEBT PROVISION | (122) | – | – | – | (122) |
| TOTAL PAST DUE CURRENT FINANCIAL ASSETS | 2,079 | 55 | 310 | – | 1,714 |
| TOTAL FINANCIAL ASSETS | 61,451 | 55 | 310 | – | 1,714 |

Trade receivables that are more than 90 days past due amounting to Euro 1,714 thousand mostly comprise Group receivables vis-à-vis the companies in the Waste business sold to Acea S.p.A. during the previous financial year and currently subject to an arbitration proceeding with the counterparty in question. Although the outcome of this arbitration proceeding remains uncertain, the Directors believe that the conditions exist for recovery of the full amount.

| | 31/12/2007 | PAST DUE AGEING | | | |
|--|---------------|-----------------|------------|-----------|-------------------|
| | | 30 DAYS | 60 DAYS | 90 DAYS | MORE THAN 90 DAYS |
| NON-CURRENT FINANCIAL ASSETS NOT PAST DUE | 10,762 | - | - | - | - |
| TRADE RECEIVABLES | 6,534 | - | - | - | - |
| OTHER FINANCIAL RECEIVABLES | 12,600 | - | - | - | - |
| RECEIVABLES FROM DERIVATIVES | 2,534 | - | - | - | - |
| CASH AND CASH EQUIVALENTS | 64,608 | - | - | - | - |
| TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE | 86,276 | - | - | - | - |
| PAST DUE TRADE RECEIVABLES | 2,935 | 999 | 261 | 35 | 1,640 |
| BAD DEBT PROVISION | (109) | - | - | - | (109) |
| TOTAL PAST DUE CURRENT FINANCIAL ASSETS | 2,826 | 999 | 261 | 35 | 1,531 |
| TOTAL FINANCIAL ASSETS | 99,864 | 999 | 261 | 35 | 1,531 |

MARKET RISK

The Group's liabilities are primarily exposed to financial risks relating to changes in interest rates. In order to manage the risk of fluctuations in interest rates the Group uses derivatives, which mostly come under the contractual category of interest rate swaps. In particular, the Group's policy is to convert part of its variable interest-rate payables to a fixed interest rate in order to normalise financial expenditures. These instruments are designated, if effective, as "cash flow hedges". Reference is made to Note 18 "Payables and receivables from derivatives" for details of the types of instruments utilised, the notional value and the fair value at 31 December 2008.

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

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

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

The Group has therefore defined a strategy to manage the interest rate risk that aims to normalise financial expenditure relating to interest rate movements. In FY2008 the Group's management of derivatives was consistent with the guidelines established in this strategy.

While reference is made to Note 18 for information on outstanding derivative contracts, set out below is an analysis of the impact on the pre-tax result (for the ineffective or trading portion) and on shareholders' equity (for the effective portion of the hedge) of the changes in fair value of the derivatives in the event of interest rate fluctuations of +/-1%, with all other variables remaining the same.

| | 2008 | 2007 |
|--|------|-------|
| IMPACT ON THE INCOME STATEMENT | | |
| SHOCK UP (CHANGE IN INTEREST RATE +1%) | 323 | 1,862 |
| SHOCK DOWN (CHANGE IN INTEREST RATE -1%) | 28 | (199) |

| | 2008 | 2007 |
|--|---------|---------|
| IMPACT ON SHAREHOLDERS' EQUITY | | |
| SHOCK UP (CHANGE IN INTEREST RATE +1%) | 529 | 2,826 |
| SHOCK DOWN (CHANGE IN INTEREST RATE -1%) | (5,551) | (3,851) |

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may not be sufficient to cover all the obligations falling due. As mentioned in the Management Report, following the postponement of the paid capital increase initially resolved, caused by the critical situation on the financial markets, the absorption of liquidity anticipated for the 2009 financial year – mostly connected with the development of investments in the wind power sector (Euro 93 million) as envisaged by the 2009-2012 Business Plan – will be financed by the cash generated from operating activities, by the use of bank borrowing and, should these independent funding sources prove to be insufficient or temporarily unavailable, through support from the parent company ERG S.p.A. In February 2009 the latter formally committed to unconditionally supporting ERG Renew in the investments planned for 2009 up to the requirement of Euro 70 million.

The following tables summarise the Group's financial liabilities as at 31 December 2008 and 31 December 2007 based on contractual payments not discounted to present value:

| | 31/12/2008 | MATURITY | | | | |
|---|----------------|---------------|---------------|---------------|---------------|----------------|
| | | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | BEYOND 5 YEARS |
| NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 188,034 | 31,412 | 33,270 | 37,721 | 25,867 | 59,764 |
| FINANCIAL PAYABLES MATURING DURING THE YEAR | 123,466 | - | - | - | - | - |
| PAYABLES FROM DERIVATIVES | 4,159 | - | - | - | - | - |
| TRADE PAYABLES | 18,606 | - | - | - | - | - |
| TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 146,231 | - | - | - | - | - |
| TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES | - | - | - | - | - | - |
| TOTAL FINANCIAL LIABILITIES | 334,265 | 31,412 | 33,270 | 37,721 | 25,867 | 59,764 |

The financial liabilities not past due shown in the above table, solely for the purpose of IFRS 7 disclosure, also include the portion of interest to be paid in future years and, consequently, not yet included in the financial payable recognised at 31 December 2008. The total amount of interest on the payable not yet matured is Euro 17,990 thousand and was calculated utilising the latest variable interest rate available. We point out that, due to the hedging operations previously reported, the synthetic rate is fixed at the contractual conditions specific to each derivative.

Moreover, the financial liabilities not yet past due include payables connected with project financing contracts totalling Euro 171,277 thousand, to which the cash flows channelled from wind revenues are allocated.

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

| | 31/12/2007 | MATURITY | | | | |
|---|----------------|---------------|---------------|---------------|---------------|----------------|
| | | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | BEYOND 5 YEARS |
| NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 159,949 | 16,588 | 24,061 | 24,631 | 31,030 | 63,639 |
| FINANCIAL PAYABLES MATURING DURING THE YEAR | 24,249 | - | - | - | - | - |
| PAYABLES FROM DERIVATIVES | 17,500 | - | - | - | - | - |
| TRADE PAYABLES | 14,564 | - | - | - | - | - |
| TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 56,313 | - | - | - | - | - |
| TOTAL CURRENT FINANCIAL LIABILITIES PAST DUE | - | - | - | - | - | - |
| TOTAL FINANCIAL LIABILITIES | 216,262 | 16,588 | 24,061 | 24,631 | 31,030 | 63,639 |

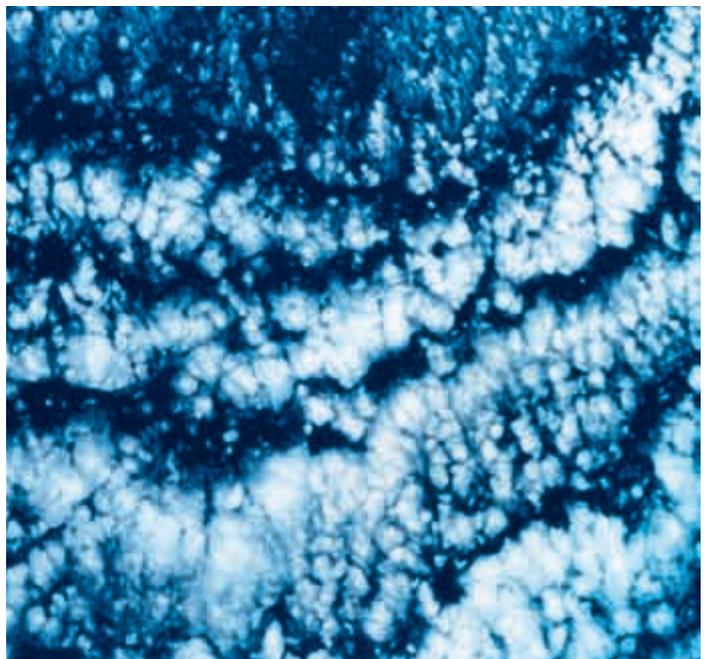
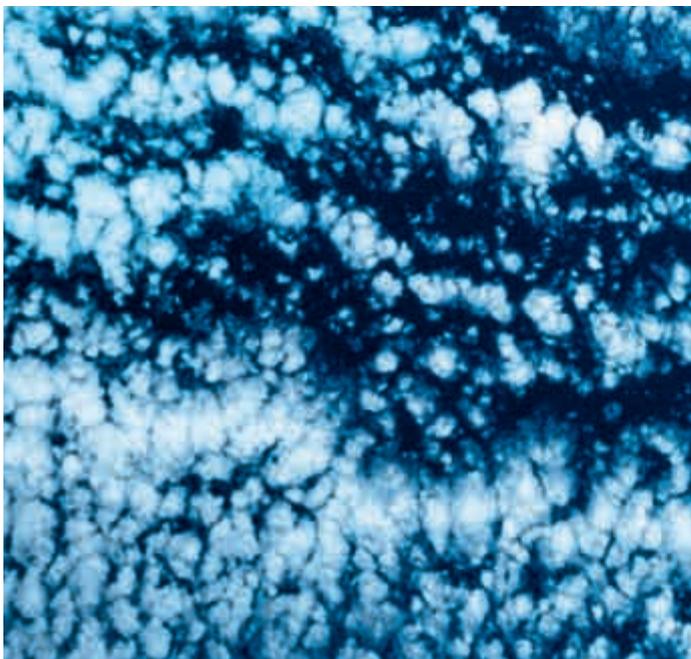
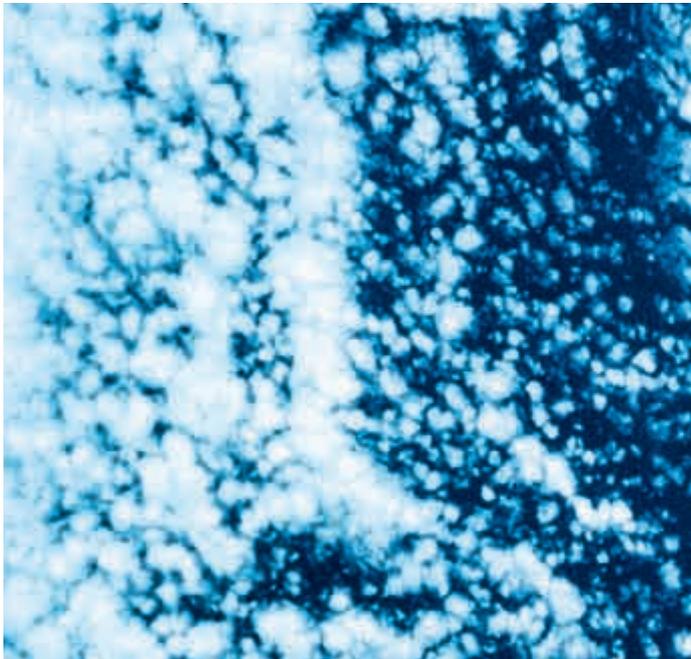
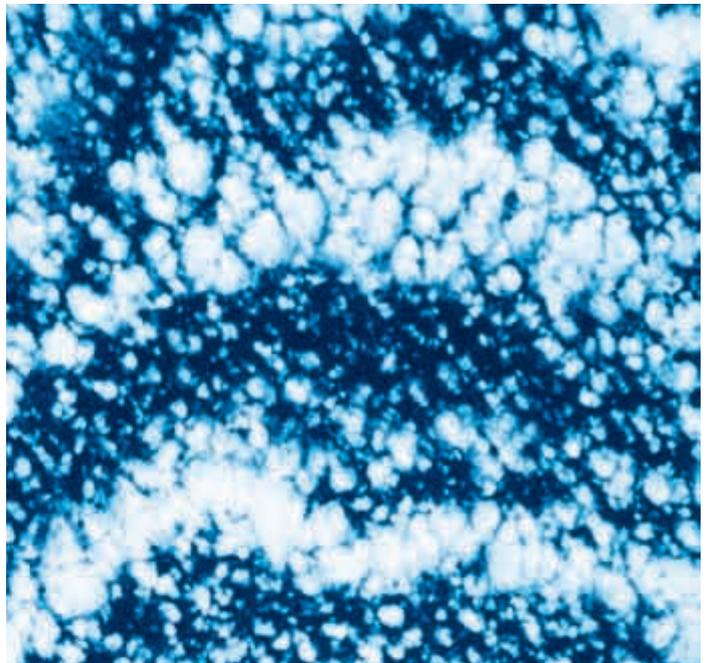
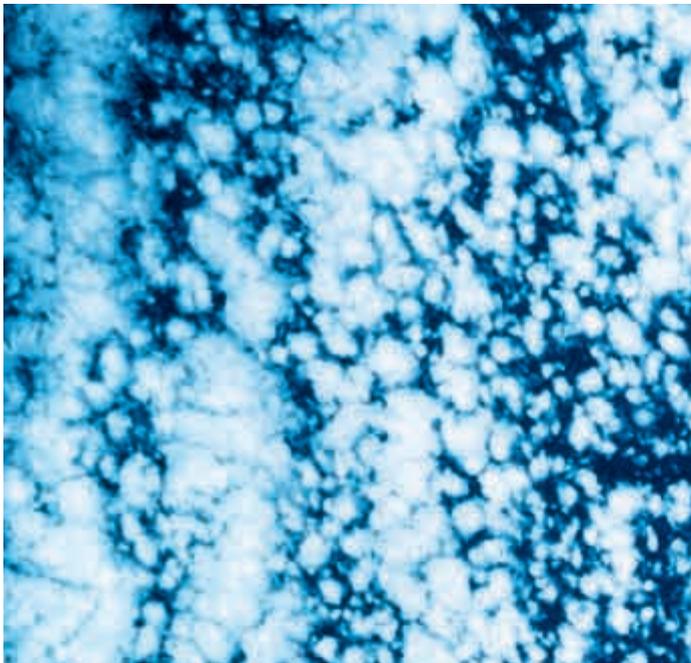
The financial liabilities not past due shown in the above table, solely for the purpose of IFRS 7 disclosure, also include the portion of interest to be paid in future years and, consequently, not yet included in the financial payable recognised at 31 December 2007. The total amount of interest on the payable not yet matured is Euro 9,985 thousand and was calculated utilising the latest variable interest rate available. We point out that, due to the hedging operations previously reported, the synthetic rate is fixed at the contractual conditions specific to each derivative.

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

43 - PUBLICATION DATE OF FINANCIAL STATEMENTS

On 9 March 2009 the Board of Directors of ERG Renew S.p.A. authorised the publication of the Financial Statements, reserving the right to make formal additions and changes by the date of filing, to be carried out pursuant to Article 2429 of the Italian Civil Code.

These financial statements represent in a true and fair manner the balance sheet and financial position of the Group, as well as the year's economic result.



CALLING OF THE ORDINARY SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting is convened on 21 April 2009 at 2.30 p.m., at Via San Luca 2, Genoa, at the offices of the Edoardo Garrone Foundation, in first call, and if required on 22 April 2009 same time and place, in second call, to discuss and resolve on the following

Agenda

1. Review and approval of the Financial Statements for the period ended 31 December 2008: resolutions related and consequent thereto;
2. Appointment of the Board of Directors, having first determined the number of members, and fixing of the relative fee; resolutions related and consequent thereto.

Holders of voting shares are entitled to participate at the meeting, subject to communication by the intermediary responsible for issuing the certification attesting ownership of the shares, in compliance with current legislation, to be received by the Company at least two days prior to the meeting.

All required documentation, including the "Corporate Governance Report" and the "Directors' Report" concerning the matters on the agenda will be made available to the public at the company's registered office and at Borsa Italiana S.p.A. according to the terms and in the manners laid down by current legislation.

Shareholders are entitled to obtain a copy thereof.

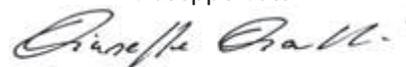
Shareholders are informed that, pursuant to Article 147-ter of Legislative Decree no. 58/98 and Article 16 of the company's Articles of Association, and in accordance with Consob Resolution no. 16779/2009, those who either individually or together with other shareholders represent at least 2.5% of share capital, having the right to vote at the Ordinary Shareholders' Meetings, are entitled to present the lists for appointment of members to the Board of Directors. Shareholders may obtain a copy of the rules and any clarifications required by calling the Group's Corporate Affairs unit, telephone no. +39.010.2401898. The lists, complete with the documentation set forth by the said Article 16 of the Articles of Association must be lodged at the company's registered office at least 15 days prior to the date set for the shareholders' meeting in first call.

Milan, 9 March 2009

for the Board of Directors

The Chairman

Giuseppe Gatti



ERG RENEW S.P.A. BALANCE SHEET

| (THOUSAND EURO) | NOTES | 31/12/2008 | 31/12/2007 |
|---|-------|----------------|----------------|
| PROPERTY, PLANT AND EQUIPMENT | (1) | 43 | 69 |
| INTANGIBLE FIXED ASSETS | (2) | 173 | 17 |
| EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES | (3) | 79,770 | 59,261 |
| FINANCIAL RECEIVABLES FROM SUBSIDIARIES | (4) | 87,950 | 70,422 |
| OTHER EQUITY INVESTMENTS | (5) | 1,101 | 4,263 |
| FINANCIAL ASSETS | (6) | 518 | 414 |
| OTHER RECEIVABLES | | 50 | 50 |
| DEFERRED TAX ASSETS | (7) | 4,040 | 1,962 |
| NON-CURRENT ASSETS | | 173,645 | 136,458 |
| TRADE RECEIVABLES | (8) | 1,213 | 1,215 |
| TRADE RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES | (9) | 7,404 | 6,241 |
| OTHER FINANCIAL RECEIVABLES | (10) | 12,250 | 12,600 |
| OTHER RECEIVABLES | (11) | 5,994 | 7,425 |
| TAX ASSETS | (12) | 2,153 | 2,845 |
| EQUITY INVESTMENTS AVAILABLE FOR SALE | (13) | 2 | 2 |
| RECEIVABLES FROM DERIVATIVES | (20) | - | 55 |
| CASH AND CASH EQUIVALENTS | (14) | 7,310 | 41,893 |
| CURRENT ASSETS | | 36,326 | 72,276 |
| ASSETS HELD FOR SALE | | - | - |
| TOTAL ASSETS | | 209,971 | 208,734 |
| SHAREHOLDERS' EQUITY | (15) | 138,404 | 129,751 |
| TOTAL SHAREHOLDERS' EQUITY | | 138,404 | 129,751 |
| STAFF LEAVING INDEMNITIES | (16) | 106 | 175 |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | (19) | 37,900 | 41,000 |
| NON-CURRENT LIABILITIES | | 38,006 | 41,175 |
| PROVISIONS FOR LIABILITIES AND CHARGES | (18) | 5,435 | 3,435 |
| FINANCIAL PAYABLES - CURRENT PORTION | (19) | 18,403 | 5,933 |
| PAYABLES FROM DERIVATIVES | (20) | 1,899 | 17,500 |
| TRADE PAYABLES | (21) | 2,367 | 1,065 |
| OTHER PAYABLES | (22) | 4,904 | 9,596 |
| TAX LIABILITIES | (23) | 553 | 279 |
| CURRENT LIABILITIES | | 33,561 | 37,808 |
| LIABILITIES HELD FOR SALE | | - | - |
| TOTAL LIABILITIES | | 209,971 | 208,734 |

Translated from the original version in Italian.

ERG RENEW S.P.A. INCOME STATEMENT

| (THOUSAND EURO) | NOTES | 2008 | 2007 |
|--|-------|-----------------|----------------|
| REVENUES FROM SALES AND SERVICES | | 2,292 | 702 |
| OTHER REVENUES AND INCOME | | 97 | 1,054 |
| PRODUCTION VALUE | (25) | 2,389 | 1,756 |
| OPERATING COSTS | | | |
| PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS | (26) | (83) | (45) |
| SERVICES | (27) | (8,275) | (3,467) |
| PERSONNEL EXPENSES | (28) | (4,838) | (2,889) |
| OTHER OPERATING EXPENSES | (29) | (2,950) | (175) |
| AMORTISATION AND DEPRECIATION | (30) | (56) | (70) |
| WRITE-DOWNS AND PROVISIONS | (31) | (2,000) | (1,226) |
| EBIT | | (15,813) | (6,116) |
| NET FINANCIAL INCOME (EXPENSES) VIS-À-VIS THIRD PARTIES | (32) | (235) | (51) |
| NET FINANCIAL INCOME (EXPENSES) VIS-À-VIS SUBSIDIARIES | (33) | 3,095 | 1,969 |
| WRITE-DOWNS OF EQUITY INVESTMENTS | (34) | (5,817) | – |
| PROFIT (LOSS) BEFORE TAXES | | (18,770) | (4,198) |
| INCOME TAXES | (35) | 3,409 | 594 |
| NET PROFIT (LOSS) FOR THE PERIOD | | (15,361) | (3,604) |

ERG RENEW S.P.A. CASH FLOW STATEMENT

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|--|-----------------|----------------|
| OPERATING ACTIVITIES | | |
| EBIT | (15,813) | (6,116) |
| ADJUSTMENTS FOR: | | |
| DEPRECIATION OF TANGIBLE FIXED ASSETS | 26 | 32 |
| AMORTISATION OF INTANGIBLE FIXED ASSETS | 30 | 38 |
| WRITE-DOWN OF FIXED ASSETS | - | 26 |
| WRITE-DOWN OF EQUITY INVESTMENTS AND RECEIVABLES | 8,578 | - |
| PROVISIONS FOR STAFF INCENTIVE PLANS | 182 | 509 |
| PROVISIONS | 1,931 | 370 |
| TOTAL ADJUSTMENTS | 10,747 | 975 |
| CHANGES IN WORKING CAPITAL | | |
| DECREASE IN TRADE AND OTHER RECEIVABLES AND PAYABLES | 3,630 | 4,899 |
| INCREASE IN TRADE AND OTHER RECEIVABLES AND PAYABLES - SUBSIDIARIES | (2,185) | (970) |
| TOTAL CHANGE IN WORKING CAPITAL | 1,445 | 3,929 |
| CASH FLOW GENERATED FROM OPERATING ACTIVITIES | (3,621) | (1,212) |
| INTEREST PAID | (2,730) | (1,758) |
| NET CASH FLOW USED IN OPERATING ACTIVITIES | (6,351) | (2,970) |
| INVESTING ACTIVITIES | | |
| INTEREST RECEIVED | 2,138 | 1,857 |
| (PURCHASE)/SALE OF FINANCIAL ASSETS | 246 | (1,853) |
| EQUITY INVESTMENTS ACQUIRED/SHARE CAPITAL INCREASES IN OTHER COMPANIES | (4,247) | (526) |
| DISPOSAL OF EQUITY INVESTMENTS | 3,500 | - |
| TANGIBLE AND INTANGIBLE ASSET INVESTMENTS | (186) | (2) |
| RECEIPT FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS | - | 1 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | 1,451 | (523) |
| FINANCING ACTIVITIES | | |
| NEW LOANS RECEIVED | - | 41,000 |
| REPAYMENT OF FINANCIAL RECEIVABLES FROM PARENT COMPANIES | - | 2,759 |
| INCREASE OF FINANCIAL RECEIVABLES FROM SUBSIDIARIES | (23,547) | (36,912) |
| INCREASE OF FINANCIAL PAYABLES TO SUBSIDIARIES | 1,194 | - |
| SETTLEMENT OF MINORITY PUT OPTIONS | (16,700) | - |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (39,053) | 6,847 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (43,953) | 3,354 |
| NET LIQUIDITY (NET FINANCIAL DEBT) AT BEGINNING OF YEAR | 35,960 | 32,606 |
| NET LIQUIDITY (NET FINANCIAL DEBT) AT YEAR-END | (7,993) | 35,960 |
| COMPRISING: | | |
| BANK AND POSTAL ACCOUNTS | 7,310 | 41,890 |
| CASH AND NOTES ON HAND | - | 3 |
| BANK OVERDRAFTS | (15,303) | (5,933) |
| OF WHICH RESTRICTED CASH AND CASH EQUIVALENTS | 4,170 | 4,170 |
| TRANSACTIONS THAT DO NOT PRODUCE EFFECTS ON LIQUIDITY | | |
| DEMERGER EFFECT - INCREASE IN SHAREHOLDERS' EQUITY | 24,465 | - |
| DEMERGER EFFECT - ACQUISITION OF EQUITY INVESTMENTS | (24,465) | - |

Translated from the original version in Italian.

ERG RENEW S.P.A. NET FINANCIAL POSITION

| (THOUSAND EURO) | 31/12/2008 | 31/12/2007 |
|--|-----------------|-----------------|
| CASH AND CASH EQUIVALENTS | 3,140 | 37,723 |
| CURRENT ACCOUNT OVERDRAFTS | (15,303) | (5,933) |
| RESTRICTED BANK AND POSTAL DEPOSITS | 4,170 | 4,170 |
| NET LIQUIDITY (NET FINANCIAL DEBT) | (7,993) | 35,960 |
| FINANCIAL RECEIVABLES DUE FROM OTHERS | 12,250 | 12,600 |
| RECEIVABLES FROM DERIVATIVES | – | 55 |
| FINANCIAL ASSETS | 12,250 | 12,655 |
| TOTAL CURRENT FINANCIAL ASSETS | 4,257 | 48,615 |
| FINANCIAL PAYABLES TO SUBSIDIARIES | (1,534) | (7,057) |
| BANK PAYABLES | (3,100) | – |
| PAYABLES FROM DERIVATIVES | (1,899) | (17,500) |
| TOTAL CURRENT FINANCIAL LIABILITIES | (6,533) | (24,557) |
| RECEIVABLES DUE FROM OTHERS | 518 | 414 |
| FINANCIAL RECEIVABLES FROM SUBSIDIARIES | 87,950 | 70,422 |
| TOTAL NON-CURRENT FINANCIAL ASSETS | 88,468 | 70,836 |
| BANK PAYABLES | (37,900) | (41,000) |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | (37,900) | (41,000) |
| NET FINANCIAL POSITION | 48,292 | 53,894 |

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

| | SHARE CAPITAL | LEGAL RESERVE | OTHER RESERVES | PROFIT (LOSS) CARRIED FORWARD | PROFIT (LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|--|------------------|------------------|-------------------|--|---------------------------------------|----------------------------------|
| BALANCE AT 31/12/2006 | 94,877 | 1,388 | 71,782 | (32,350) | (2,876) | 132,821 |
| ALLOCATION OF 2006 PROFIT (LOSS) | - | - | - | (2,876) | 2,876 | - |
| CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES | - | - | 25 | - | - | 25 |
| PERSONNEL EXPENSES FOR INCENTIVE PLANS | - | - | 509 | - | - | 509 |
| PROFIT (LOSS) FOR THE PERIOD | - | - | - | - | (3,604) | (3,604) |
| BALANCE AT 31/12/2007 | 94,877 | 1,388 | 72,316 | (35,226) | (3,604) | 129,751 |
| ALLOCATION OF 2007 PROFIT (LOSS) | - | - | - | (3,604) | 3,604 | - |
| CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES | - | - | (74) | - | - | (74) |
| PERSONNEL EXPENSES FOR INCENTIVE PLANS | - | - | 182 | - | - | 182 |
| DEMERGER EFFECT | 37,790 | - | (13,325) | - | - | 24,465 |
| ANCILLARY COSTS FOR CAPITAL INCREASE | - | - | (559) | - | - | (559) |
| NET PROFIT (LOSS) FOR THE PERIOD | - | - | - | - | (15,361) | (15,361) |
| BALANCE AT 31/12/2008 | 132,667 | 1,388 | 58,540 | (38,830) | (15,361) | 138,404 |

STATEMENT OF TOTAL PROFITS AND LOSSES RECOGNISED BY ERG RENEW IN 2008

| | 2008 | 2007 |
|---|-----------------|----------------|
| PROFIT (LOSS) TAKEN DIRECTLY TO CASH FLOW HEDGE RESERVE | (74) | 25 |
| PROFIT (LOSS) RECOGNISED DIRECTLY FOR INCENTIVE PLAN | 182 | 509 |
| PROFIT (LOSS) RECOGNISED DIRECTLY FOR SHARE CAPITAL INCREASE | (559) | - |
| PROFIT (LOSS) TAKEN DIRECTLY TO GROUP SHAREHOLDERS' EQUITY | (451) | 534 |
| NET PROFIT (LOSS) | (15,361) | (3,604) |
| PROFIT (LOSS) RECORDED DURING THE YEAR | (15,812) | (3,070) |

Translated from the original version in Italian.

EXPLANATORY NOTES TO SEPARATE FINANCIAL STATEMENTS

GENERAL

The separate financial statements of ERG Renew S.p.A. ("the Company") have been drawn up in accordance with the requirements of the National Commission for Companies and the Stock Exchange (CONSOB) Issuers' Regulations and comply with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission as per the procedure indicated in Article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002, and the documents of the International Financial Interpretations Committee (IFRIC). In particular, in the preparation of the separate financial statements, all IAS/IFRS standards applicable to accounting aspects significant for the Company were applied, without exception.

In order to confirm the going concern requirement, the Company performed an analysis of the financial resources available and future cash flows envisaged in the new 2009-2012 Business Plan. From this analysis it emerged, as more particularly specified in the Management Report and in the explanatory note "Information on risks," that there are no significant uncertainties, as defined by IAS 1, paragraphs 23-24, with regard to the company's capacity to operate as a going concern.

As regards the presentation of the financial statements, in keeping with the form of presentation adopted in drawing up the consolidated financial statements, the Company presents the balance sheet distinguishing between current and non-current assets and liabilities, while the income statement features classification of revenues and costs according to their nature. The statement of changes in shareholders' equity includes all changes recorded in shareholders' equity. The cash flow statement has been drawn up using the "indirect" method format. Amounts are reported in thousands of Euro.

The Separate Financial Statements as at 31 December 2008 have been audited by Deloitte & Touche S.p.A. in accordance with the procedures set forth by CONSOB regulations.

The main accounting policies adopted are shown below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, including directly allocated ancillary costs and those necessary to bring the asset to the condition appropriate for the use for which it was acquired, net of related depreciation provision and any cumulative impairment of value. During the year in question and in previous years, no revaluations were performed, either voluntarily and/or in accordance with legislation. Similarly, interest charges on special purpose loans have not been capitalised.

If assets comprise components of significant amounts, and with different useful lives, these components are considered separately in calculating depreciation of the asset in question. Depreciation is calculated on a straight-line basis, according to the estimated useful life of assets, by applying the following rates:

Plant and machinery 20%

Other tangible assets 12% - 20%

The depreciation of these assets, as for all tangible assets, begins when the assets are available for use. Assets held under finance lease contracts are depreciated based on their estimated useful life as in the case of owned assets or, if shorter, based on the end date of the lease contract. The gains and losses deriving from the sale or disposal of assets are calculated as the difference between sale proceeds and the asset's net book value and are recognised in the income statement for the year.

Translated from the original version in Italian.

INTANGIBLE FIXED ASSETS

Intangible assets are recorded in assets only if all of the following conditions apply:

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

Patents, concessions, licences and trademarks are initially recognised at purchase cost and are amortised on a straight-line basis over their expected useful life, as defined in the note on assets. No revaluations were performed during the year in question or in previous years, either voluntarily and/or in accordance with monetary revaluation laws. Similarly, interest charges on special purpose loans have not been capitalised.

EQUITY INVESTMENTS

Equity investments in subsidiaries are recognised at cost, adjusted for impairment. The positive difference, arising on purchase, between acquisition cost and the fair value of the applicable portion of the investee company's shareholders' equity is therefore included in the carrying value of the investment. The write-downs, if any, of such positive difference are not reinstated in subsequent periods, even where the reasons for the write-down no longer exist. If the portion of the investee company's losses pertaining to the Company exceeds the carrying value of the investment, the value of the investment is written off and the Company's share of further losses is recorded as a provision under liabilities in cases where it has the obligation to cover such losses.

Other investments, consisting of non-current financial assets not held for trading are recognised at cost less write-downs for impairment, if any.

IMPAIRMENT

At each balance sheet date, the Company reviews the carrying value of its tangible, intangible and financial assets to determine whether there is evidence of these assets having suffered reductions in value. Where such evidence exists, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset individually, the Company makes the estimate of the recoverable amount of the cash-generating unit to which the asset belongs, this being defined as the legal entity and sector of business activity.

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

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

When there is no longer any reason to maintain a write-down, the carrying value of the asset (or of the cash-generating unit) concerned is increased to the new value deriving from estimation of its recoverable value, but not above the net carrying value the asset would have had if impairment had not been recognised. Reinstatement of value is immediately recognised in the income statement.

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

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

At subsequent balance sheet dates, the financial assets that the Company has the intention and ability to hold to maturity are recognised at amortised cost, net of write-downs made to reflect impairment.

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

For the financial assets available-for-sale, the gains and losses arising from changes in fair value are directly recognised in equity until the assets are sold or have suffered impairment. In this case, the total gains or losses previously recorded in equity are recognised in the income statement of the period.

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

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

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

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

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

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

This category comprises:

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

HFT assets are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

Gains and losses on assets held for trading are taken to the income statement.

- Held-to-maturity (HTM) investments

Non-derivative financial assets with fixed or determinable payments are classified as “held-to-maturity (HTM) investments” whenever the Company intends and has the ability to hold them to maturity.

After initial recognition, HTM financial investments are measured at amortised cost, applying the effective interest rate method. Gains and losses are recognised in the income statement when the investment is derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

As at 31 December 2008, the Company held no investments classified as HTM.

- Loans and receivables (L&R)

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

Following initial recognition, these assets are measured at amortised cost using the effective interest rate method, net of the provision for impairment, if any.

Gains and losses are recognised in the income statement when loans and receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

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

- Available-for-sale (AFS) financial assets

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

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

AFS financial assets include equity investments in companies other than subsidiaries and associate companies in which the Company's direct or indirect ownership percentage is less than 20%.

When fair value cannot be reliably calculated, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included in "Other net income (expenses) from equity investments".

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

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

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

Fair value

In the case of securities widely traded in regulated markets, fair value is determined in reference to quoted market prices at the close of trading on balance sheet date.

For investments for which no active market exists, fair value is determined using measurement techniques based on:

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

Amortised cost method

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

FINANCIAL LIABILITIES

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

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

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

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

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

Financial liabilities at FVTPL include "Held-for-trading liabilities".

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

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, ERG Renew S.p.A. verifies whether a financial asset or group of financial assets has suffered an impairment in value.

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

The carrying value of the asset is reduced via use of provision. The impairment amount is recognised in the income statement.

ERG Renew S.p.A. assesses the existence of factual evidence of impairment at an individual level.

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

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

The carrying value of the receivable is reduced via use of specific provision. Impaired receivables are reversed if they are deemed unrecoverable.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

In cases where the Company has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in the accounts of ERG Renew S.p.A. to the extent of its residual involvement in such asset. A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or discharged.

TRADE AND OTHER RECEIVABLES

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

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

CASH AND CASH EQUIVALENTS

This account includes cash' bank current accounts and deposits repayable on demand and other highly liquid short-term financial investments, readily convertible into cash and that do not have a significant risk of a change in value.

EMPLOYEE BENEFITS

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

In view of the scarce significance of the outright value of the balance sheet item "Staff leaving indemnities" and of the difference in the liability calculated based on the "Projected Unit Credit" actuarial method and the method envisaged by Article 2120 of the Italian Civil Code, the Company has recorded staff leaving indemnity provisions by appropriating the legal liability accrued at the end of the year in accordance with Article 2120 of the Italian Civil Code.

SHARE-BASED PAYMENTS (STOCK OPTIONS)

Since FY2005 the Company has accorded additional benefits to some members of senior management through stock option plans, used to provide incentives and maintain management loyalty. The total fair value of stock options on grant date is recorded in the income statement as a cost. Changes in fair value after grant date do not affect the initial value. The remuneration cost, corresponding to the options' fair value, is recognised under personnel expenses on a straight-line basis over the period between the grant date and vesting date, and directly offset in equity.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are recorded when the Company has a legal or constructive obligation that derives from a past event and an outlay of resources to fulfil the obligation is likely and the amount of the obligation can be reliably estimated. The provisions are made based on management's best estimate of the costs required to fulfil the obligation at balance sheet date and are discounted to present value when the effect is significant.

TRADE PAYABLES

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

DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised at cost, and adjusted to fair value at the subsequent balance sheet dates.

Changes in the fair value of derivative instruments designated to hedge future cash flows relating to contractual obligations of the Company and to expected future operations are recorded directly in equity.

If the contractual obligations or the expected future operations that are hedged result in the recognition of an asset or liability, when the asset or liability is recorded, the associated gains or losses which were directly recorded in equity are included in the initial measurement of the acquisition cost or the carrying value of the asset or of the liability.

For cash flow hedges which do not result in the recognition of an asset or of a liability, the amounts that are recorded directly in equity will be recognised in the income statement in the same period in which the contractual obligation or the expected future operation hedged is

recognised in the income statement, for example, when an expected sale actually takes place. Changes in the fair value of the derivative instruments that do not qualify as hedges are recognised in the income statement when they arise.

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

Put options in non-listed shareholdings exercisable by third parties vis-à-vis the Company are recorded at the fair value of the overall amount paid for the option and are measured as a component of the investment's purchase cost.

REVENUE RECOGNITION

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

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

Interest income is recognised by applying the accrual accounting principle, based on the amount lent and the effective interest rate applicable. Dividends are recognised on a cash basis. Dividends received are recognised in the income statement, when the right to receive the payment is established, only insofar as they stem from the distribution of earnings subsequent to acquisition of the investee company. Conversely, if they stem from distribution of the investee company's reserves prior to acquisition, the dividends are posted as a reduction of the investment's cost.

FINANCIAL EXPENSES

Financial expenses are charged to the income statement when they are incurred, based on the accrual accounting principle.

INCOME TAXES

Income taxes for the year represent the total of current and deferred taxes.

Current taxes are based on the year's taxable result in compliance with current regulations and, for participating companies, within the domestic tax consolidation system. Taxable income differs from the result reported in the income statement as it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes accounts that will never be taxable or deductible. The liability for current income taxes is calculated using the tax rates current or enacted as at balance sheet date.

Deferred taxes are the taxes that are expected to be paid or recovered on the temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal value resulting from the calculation of the taxable income, recorded in accordance with the balance sheet liability method.

Deferred tax liabilities are recognised for all temporary taxable differences, whereas deferred tax assets are recognised to the extent that the existence of future taxable results such as to enable the use of the deductible temporary differences is considered probable.

The amount of the deferred tax assets is reviewed at each balance sheet date and reduced when the existence of sufficient taxable income to permit the recovery of all or part of these assets is no longer likely.

Deferred taxes are calculated based on the tax rates that are expected to be in force at the time of realisation of the asset or settlement of the liability. Deferred taxes are charged directly to the income statement with the exception of those relating to items taken directly to equity, in which case related deferred taxes are also recognised in equity.

Deferred tax assets and liabilities are compensated when they refer to income taxes owed to the same tax authority and the Company intends to pay the amount on a net basis.

USE OF ESTIMATES

The preparation of IFRS-compliant separate financial statements requires that estimates and assumptions be made that affect the values of assets and liabilities in the financial statements and the information regarding contingent assets and liabilities as at balance sheet date. 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 in which the circumstances happen to change.

In particular, the most complex estimations are those concerning any impairment of non-current assets, appropriations to cover risks on receivables, and provisions for liability and charges.

Impairment of equity investments

The procedure for determining impairment of equity investments in subsidiaries and associate companies and of tangible assets and other equity investments, as described under the accounting policy "Equity investments" implies – in estimating value in use – utilisation of the investee companies' Business Plans. The latter are based on a combination of assumptions concerning future events and actions by the Boards of Directors of investee companies, which may not necessarily occur. Similar estimative processes are required in case of reference to the presumable realisation value owing to the uncertainty inherent in each negotiation. More specifically:

- the future profitability projections supporting the carrying value of the equity investment in the company SODAI Italia S.p.A. are dependent on the positive outcome of an appeal to the Basilicata Regional Administrative Tribunal (TAR) to ascertain the existence in the Provincial Waste Management Plan of factors harming the company's interest, as the Plan does not consider the project submitted for development of the Melfi San Nicola platform. This administrative proceeding, initiated in 2007, did not see any significant developments during the course of 2008 to the extent that, following the circumstantiated memorandum delivered on 11 November 2008 to the Basilicata Region's Territory and Environment Department with the request to proceed with issue of the plant's Integrated Environmental Authorisation, activating the procedure still suspended, and having received no response, on 3 December 2008 the Company found itself obliged to serve on the Basilicata Region, the Province of Potenza, the Prime Minister's Office and the Environment Ministry a "warning and invitation" to complete the platform's authorisation procedure. Despite the uncertainty of the outcome of this appeal, the investee company's Directors consider the basic assumptions underlying the business plan – which is the fundamental basis for medium-term development of the company's activities based on utilisation of the Melfi San Nicola platform – to be reasonable. Any failure to obtain official authorisation for construction and operation of the above-mentioned platform could make it necessary to write-down the investment's carrying value of Euro 22 million;
- as a result of the strategic change adopted at the time of approving the 2009-2012 Business Plan, which considered the investment in Ansaldo Fuel Cells S.p.A. to be non-core, the value recognised for same was written down by Euro 5.8 million, bringing it into line with the amount corresponding to the applicable portion of the carrying value of the investee

company's shareholders' equity. The net realisation value was estimated based on the outcome of comparable transactions that took place during the year in reference to minority interests acquired by the reference shareholder similar to that held by the Company. The adequacy as regards the estimate of the write-down carried out is subject to the risk of uncertainty inherent in any asset sale contractual proceeding.

Recoverability of deferred tax assets

The consolidated financial statements as at 31 December 2008 show a deferred tax receivable of Euro 4 million, recognition of which is supported by the Group's prospective taxability arising from expected profitability based on the 2009-2012 Business Plan and by the reasonable expectation of renewal of the tax consolidation procedure which will expire during the plan period. As mentioned in the "Risk management disclosure" section of the Management Report, the Group's future profitability is significantly affected by the trend in scenario variables beyond the Group's control, including the windiness of wind farms, which affects expected electricity output, and the assumptions concerning the price of electricity sold and the value of green certificates starting from the year 2011.

Provisions for liabilities and charges

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

The trend in the ongoing arbitration proceedings with Acea, regarding the sale of the "Waste-to-Energy" and "Waste Management" businesses and the requests received from the French authorities for taxes (still being quantified) on the capital gain from the sale of the Steel business, in 2008 led to the allocation of Euro 2 million to the provision for liabilities and charges. The provision for liabilities outstanding as at 31 December 2008 to cover liabilities connected with the aforesaid sale transactions therefore amounts to a total of Euro 5.4 million. The risk of uncertainty insofar as concerns this specific estimative process is particularly significant and, therefore, it cannot be excluded that the provision for liabilities to date – considered by the Directors to be adequate – may prove inadequate upon the final outcome of pending litigations.

More specifically, as regards the sale to Acea of the Waste-to-Energy/Waste Management businesses, in addition to the uncertainty inherent in the arbitration proceedings, with reciprocal procedure-dependent requests for compensation between the counterparties, there is the uncertainty of the outcome of tax disputes, guaranteed to Acea by ERG Renew at the time of estimating the requested compensations and managed within the scope of complex tax litigation procedures which have nothing to do with the arbitration proceeding. With reference to the request on the part of the French tax authorities, to date based on clear limits on approximation due to lack of available information, the risk has been estimated based on the communications of the French tax advisors involved, albeit the status of the procedure is entirely preliminary.

Write-down of receivables

During the course of 2008, following the revision of the investment programme envisaged by the new 2009-2012 Business Plan, a write-down of Euro 2.8 million was carried out in connection with the risk of non-recovery from a wind turbine supplier of the remaining balance (Euro 3.1 million) of a receivable in respect of the reservation fee originally amounting to Euro 5.2 million and paid to same under the framework supply agreement entered into in 2008. The write-down was decided on the basis of the contractual provisions and the present status of negotiations with the supplier which, however, will continue over the coming months, without excluding the possibility of a more favourable development as regards the recovery of the said receivable.

NEW ACCOUNTING STANDARDS

Listed below are the new accounting standards or interpretations issued by the IASB which will come into effect over the next few years:

- *IFRS 3 Business Combinations*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 8 Operating Segments*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 28 Investments in Associates*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IFRS 2 Share-based Payment – Vesting Conditions and Cancellations*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 1 Presentation of Financial Statements*: amendment issued in 2007 and effective starting from 1 January 2009;
- *IAS 23 Borrowing Cost*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*: amendment issued in 2008 and effective starting from 1 January 2009;
- *IAS 27 Consolidated and Separate Financial Statements*: amendment issued in 2008 and effective starting from 1 July 2009;
- *IAS 39 Eligible Hedged Items*: amendment issued in 2008 and effective starting from 1 July 2009.

NON-RECURRING EVENTS AND OPERATIONS

FY2008 featured a number of non-recurring events – analysed in these explanatory notes – the effects of which on the separate financial statements are as shown below:

| DESCRIPTION | SHAREHOLDERS' EQUITY | | PROFIT (LOSS) | | DEBT | | CASH FLOWS | |
|---|----------------------|------------|-----------------|---------------|---------------|---|-----------------|---|
| | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| VALUE IN FINANCIAL STATEMENTS | 138,404 | 100 | (15,361) | 100 | 48,292 | | (43,953) | |
| CONSULTANCIES CONNECTED WITH EXTRAORDINARY TRANSACTIONS | (1,300) | 0.9 | (1,300) | (8.5) | 1,300 | | 1,300 | |
| EXIT INCENTIVES | (825) | 0.6 | (825) | (5.4) | 825 | | 825 | |
| RENTAL CHANGES – TRANSFER OF BRANCH OFFICE | (300) | 0.2 | (300) | (2.0) | 300 | | 300 | |
| TOTAL NON-RECURRING OPERATIONS | (2,425) | 1.8 | (2,425) | (15.8) | 2,425 | | 2,425 | |
| TAX EFFECT | 667 | | 667 | | | | | |
| GROSS NOTIONAL VALUE IN FINANCIAL STATEMENTS | 140,162 | | (13,603) | | 50,717 | | (41,528) | |

As regards the nature of the transactions identified above as non-recurring, reference is made to Notes 27 and 28 of these explanatory notes.

Lastly, for completeness of information, we recall that, within the scope of the ordinary estimative processes described in the above section "Use of estimates", the 2008 income statement reflects write-downs of equity investments totalling Euro 5.8 million (no write-down in 2007), provisions for liabilities and charges of Euro 2 million (Euro 1.2 million in 2007), and write-downs and receivables totalling Euro 2.8 million (no write-down in 2007).

BALANCE SHEET ANALYSIS

NON CURRENT ASSETS

1 - PROPERTY, PLANT AND EQUIPMENT

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

| | PLANT AND MACHINERY | OTHER ASSETS | TOTAL |
|---------------------------------|------------------------|-----------------|------------|
| HISTORICAL COST | 15 | 188 | 203 |
| DEPRECIATION AND WRITE-DOWNS | (8) | (126) | (134) |
| BALANCE AT 31/12/2007 | 7 | 62 | 69 |
| MOVEMENTS DURING PERIOD: | | | |
| DEPRECIATION | (3) | (23) | (26) |
| HISTORICAL COST | 15 | 188 | 203 |
| DEPRECIATION AND WRITE-DOWNS | (11) | (149) | (160) |
| BALANCE AT 31/12/2008 | 4 | 39 | 43 |

No interest was capitalised during the year. The Company does not hold any tangible assets under finance lease contracts.

2 - INTANGIBLE FIXED ASSETS

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

| | CONCESSIONS, LICENSES AND TRADEMARKS | OTHER INTANGIBLE ASSETS | TOTAL |
|---------------------------------|--|-------------------------------|------------|
| HISTORICAL COST | 106 | 317 | 317 |
| AMORTISATION | (106) | (300) | (300) |
| BALANCE AT 31/12/2007 | - | 17 | 17 |
| MOVEMENTS DURING PERIOD: | | | |
| ACQUISITIONS | - | 186 | 186 |
| AMORTISATION | - | (30) | (30) |
| HISTORICAL COST | 106 | 503 | 503 |
| AMORTISATION | (106) | (330) | (330) |
| BALANCE AT 31/12/2008 | - | 173 | 173 |

Acquisitions in FY2008 related to applications software programmes acquired by the Company and are posted at cost calculated in accordance with the relevant accounting policy. These assets are estimated to have a limited, finite life. Given this they are amortised on a straight-line basis over a 5-year period.

3 - EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES

Details of investments in subsidiaries and changes during the year are shown in the following table:

| | 31/12/2007 | ACQUISITIONS | DISPOSALS | OTHER CHANGES | 31/12/2008 |
|--------------------------------|---------------|---------------|----------------|---------------|---------------|
| DSI SERVIZI INDUSTRIALI S.R.L. | 2,124 | – | – | – | 2,124 |
| ECOPOWER S.R.L. | – | 2,107 | – | – | 2,107 |
| ENERGIE PULITE 2000 S.R.L. | 220 | – | – | – | 220 |
| EOLICO AGIRA S.R.L. | – | 167 | (167) | – | – |
| EOLICO MIRABELLA S.R.L. | – | 143 | (143) | – | – |
| EOLICO PALAGONIA S.R.L. | – | 205 | (205) | – | – |
| EOLICO RAMACCA S.R.L. | – | 450 | (450) | – | – |
| EOLICO TROINA S.R.L. | – | 235 | (235) | – | – |
| EOLO S.R.L. | 3,500 | – | (3,500) | – | – |
| ERG EOLICA S.R.L. | – | 18,560 | – | (18,560) | – |
| ERG EOLICA ITALIA S.R.L. | 30,900 | – | – | 18,560 | 49,460 |
| ERG EOLIENNE FRANCE S.A.S. | 526 | – | – | – | 526 |
| I.S.E.A. S.R.L. | – | 3,342 | – | – | 3,342 |
| SODAI ITALIA S.P.A. | 21,991 | – | – | – | 21,991 |
| TOTAL | 59,261 | 25,209 | (4,700) | – | 79,770 |

Acquisitions

On 30 September 2008 ERG Renew S.p.A. acquired, via partial demerger of ERG Power & Gas S.p.A., the latter's equity interests in companies active in the production of electricity using renewable energy sources. More specifically, these equity interests can be divided into two groups, based on the type of source used to generate electricity: wind source and water source (flowing water).

By means of the above demerger, ERG Power & Gas S.p.A. assigned part of its assets to ERG Renew S.p.A. and the latter, in exchange for the attribution of these assets, assigned all of its newly issued shares to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A., based on the ratio established by the Boards of Directors of ERG Power & Gas S.p.A. and ERG Renew S.p.A. This partial demerger transaction had the characteristics of a business combination involving entities or companies under common control. More specifically, it concerned a combination in which all the combining entities or companies are ultimately controlled by the same party or parties both before and after the business combination (namely by ERG S.p.A.), and such control is not transitory.

The transaction has thus been recognised in the separate year-end financial statements of ERG Renew S.p.A. according to the principle of accounting continuity.

In particular, in application of the accounting continuity principle, accounting recognition policies – coming within the scope of what is indicated by IAS 8.10 and consistently with international practice and the Italian accountancy profession's orientations concerning common-control transactions (as indicated in its document OP1) – envisage that the acquirer (or, in the case in point, the beneficiary company ERG Renew S.p.A.) recognise the assets acquired according to their historical book values calculated on a cost basis.

More specifically, the companies owned by ERG Renew S.p.A. as a result of the demerger operation include, as regards the Wind segment, a 100% equity interest in subsidiary ERG Eolica S.r.l, which directly holds the equity interests in the project vehicles set up to develop and construct plants to produce electricity using wind, as listed below:

- 100% equity interest in ERG Eolica Calabria S.r.l.;
- 100% equity interest in ERG Eolica Fossa del Lupo S.r.l.;
- 100% equity interest in Green Vicari S.r.l.;
- 98% equity interest in ERG Eolica Basilicata S.r.l.;

- 30% equity interest in VCC Abruzzo S.r.l.;
- 30% equity interest in VCC Agrigento S.r.l.;
- 30% equity interest in VCC Agrigento 2 S.r.l.;
- 30% equity interest in VCC Enna S.r.l.

The demerged companies also include the following equity interests in companies active in the wind sector:

- 99% equity interest in Eolico Agira S.r.l.;
- 99% equity interest in Eolico Mirabella S.r.l.;
- 99% equity interest in Eolico Palagonia S.r.l.;
- 99% equity interest in Eolico Ramacca S.r.l.;
- 99% equity interest in Eolico Troina S.r.l.

Lastly, via the above mentioned demerger the following equity interests in companies active in the hydropower segment were transferred:

- 100% equity interest in Ecopower S.r.l.;
- Majority equity interest in I.S.E.A. S.r.l.

In addition to the above, we also report that, in 2008, the direct subsidiary ERG Eolienne France S.a.s. – formerly EnerFrance S.a.s. – finalised with the French group GSEF the acquisition of a 50% stake in CITA Wind, a company active in the development of wind farms in Northern France, currently with a portfolio of projects for 288 MW, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development, as well as acquisition of the 5 project vehicles owned by the GSEF Group as indicated below:

- Eoliennes de l'Ourcq et du Clignon S.a.r.l.;
- Eoliennes de la Chaussée Brunehaut S.a.r.l.;
- Eoliennes du Champ Chardon S.a.r.l.;
- Eoliennes de Warloy-Baillon S.a.r.l.;
- Eoliennes de la Vallée Notre Dame S.a.r.l.

Lastly, in November 2008 the French subholding company acquired from VSB Energies Nouvelles, a branch of the German group WSB active in the renewable energy market, 100% of the company Eoliennes du Vent Solaire S.a.s. The company possesses all the rights and approvals for construction of the 9.2 MW Plogastel wind farm, which is scheduled to start operation by the end of 2010.

Disposals

ERG Renew S.p.A., following the present phase of corporate reorganisation designed to concentrate in the segment subholding ERG Eolica Italia S.r.l. – formerly EOS Windenergy S.r.l. – ownership of all Italian companies operating in the wind business, resolved to sell the entire 51% equity interest owned in Eolo S.r.l. to ERG Eolica Italia S.r.l. for a total price of Euro 3,500 thousand, equal to the carrying value posted in the separate financial statements of ERG Renew S.p.A., without recognition of any impact in the income statement.

Again as part of this corporate reorganisation, in December 2008 ERG Renew S.p.A. sold – at carrying value – the following companies, originating from the above mentioned demerger, to ERG Eolica S.r.l.:

- Eolico Agira S.r.l.;
- Eolico Mirabella S.r.l.;
- Eolico Palagonia S.r.l.;
- Eolico Ramacca S.r.l.;
- Eolico Troina S.r.l.

Other changes

Other changes feature the change occurring as a result of merger by incorporation of ERG Eolica S.r.l. in ERG Eolica Italia S.r.l. – formerly EOS Windenergy S.r.l. – completed during the last quarter of 2008. This merger was designed to rationalise the present corporate structure

of ERG Renew S.p.A., concentrating ownership of the Italian companies active in the wind business within just one subholding company.

Lastly, we report that, during FY2008, in order to harmonise the corporate names of companies belonging to the ERG S.p.A. Group, the French subholding company EnerFrance S.a.s. changed its corporate name to ERG Eolienne France S.a.s. and the Italian subholding company EOS Windenergy changed its corporate name to ERG Eolica Italia S.r.l.

The Company checks on an annual basis the carrying value of these equity investments via operating cash flow forecasts based on the most recent budgets approved by the subsidiaries' Boards of Directors and forecasts for the next four years and determines terminal value based on a medium/long-term growth rate of the specific industry sector concerned. These checks excluded the existence of conditions of enduring impairment of the investments' value. For the sake of completeness of information concerning the assumptions on which these forecasts are based, readers should refer to the notes contained in the "Use of estimates" section.

In particular, with reference to the equity interest in SODAI Italia S.p.A., in performing such checks consideration was given to the revision of the Business Plan as regards the decision to develop primarily the Melfi San Nicola site, albeit bearing in mind the uncertainties referred to in the above section "Use of estimates". More specifically, the Business Plan features a growth in revenues also due to a foreseeable increase in sales prices.

As a result of these assumptions, the economic value of SODAI Italia S.p.A., in terms of equity value, due to different assumptions with regard to growth levels and WACC, ranges between a minimum of Euro 23.5 million and a maximum of Euro 29.9 million.

The principal assumptions used to calculate the economic value concern the discount rate, the growth rate, the expected changes in selling prices and the trend in direct costs during the period considered for the calculation. The Group's management has therefore adopted a pre-tax discount rate (WACC of 9.5% and WACC in the previous year of 8.9%) that reflects current market assessments of the cost of money and risks specific to the various cash-generating units.

The growth rates used are based on growth forecasts for the industrial sector in which the Group operates. The changes in selling prices and direct costs are based on past experience, the market outlook and foreseeable changes in the regulatory framework.

The subsidiary and associate companies directly or indirectly owned, as at the date of approval of the Company's financial statements, are detailed below:

| | REGISTERED OFFICE | SHARE CAPITAL | % OWNED | | DIRECT PARENT COMPANY |
|---|-------------------|---------------|----------|------------|----------------------------|
| | | | DIRECTLY | INDIRECTLY | |
| CITA S.A.S. | ALFORVILLE | 37 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| DSI SERVIZI INDUSTRIALI S.R.L. | FROSINONE | 100 | 100 | | ERG RENEW S.P.A. |
| ECOPOWER S.R.L. | GENOA | 11 | 100 | | ERG RENEW S.P.A. |
| ENERGIE PULITE 2000 S.R.L. | MILAN | 120 | 100 | | ERG RENEW S.P.A. |
| EOLICO AGIRA S.R.L. | ROME | 20 | | 99 | ERG EOLICA ITALIA S.R.L. |
| EOLICO MIRABELLA S.R.L. | ROME | 20 | | 99 | ERG EOLICA ITALIA S.R.L. |
| EOLICO PALAGONIA S.R.L. | ROME | 20 | | 99 | ERG EOLICA ITALIA S.R.L. |
| EOLICO RAMACCA S.R.L. | ROME | 20 | | 99 | ERG EOLICA ITALIA S.R.L. |
| EOLICO TROINA S.R.L. | ROME | 20 | | 99 | ERG EOLICA ITALIA S.R.L. |
| EOLIENNES DU VENT SOLAIRE S.A.S. | PARIS | 37 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| EOLIENNES DE L'OURCQ ET DU CLIGNON S.A.R.L. | ALFORVILLE | 2 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| EOLIENNES DE LA CHAUSSÉE BRUNEHAUT S.A.R.L. | ALFORVILLE | 2 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| EOLIENNES DU CHAMP CHARDON S.A.R.L. | ALFORVILLE | 2 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| EOLIENNES DE WARLOY-BAILLON S.A.R.L. | ALFORVILLE | 2 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| EOLIENNES DE LA VALLÉE NOTRE DAME S.A.R.L. | ALFORVILLE | 2 | | 50 | ERG EOLIENNE FRANCE S.A.S. |
| EOLO S.R.L. | GENOA | 20 | | 51 | ERG EOLICA ITALIA S.R.L. |
| EOS 1 - TROIA S.R.L. | GENOA | 3,500 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 2 - NURRA S.R.L. | GENOA | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 3 - TROIA S.R.L. | GENOA | 3,500 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 4 - FAETO S.R.L. | GENOA | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 5 - TURSI COLOBRARO S.R.L. | GENOA | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 6 - JOPPOLO S.R.L. | GENOA | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| EOS 7 - GINESTRA S.R.L. | GENOA | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| ERG EOLICA BASILICATA S.R.L. | GENOA | 38 | | 98 | ERG EOLICA ITALIA S.R.L. |
| ERG EOLICA CALABRIA S.R.L. | CATANZARO | 10 | | 100 | ERG EOLICA ITALIA S.R.L. |
| ERG EOLICA FOSSA DEL LUPO S.R.L. | CATANZARO | 50 | | 100 | ERG EOLICA ITALIA S.R.L. |
| ERG EOLICA ITALIA S.R.L. | GENOA | 30,000 | 100 | | ERG RENEW S.P.A. |
| ERG EOLIENNE FRANCE S.A.S. | GENOA | 50 | 100 | | ERG RENEW S.P.A. |
| GREEN VICARI S.R.L. | GENOA | 119 | | 100 | ERG EOLICA ITALIA S.R.L. |
| I.S.E.A. S.R.L. | GENOA | 51 | 90 | | ERG RENEW S.P.A. |
| PARC EOLIEN DE LIHUS S.A.S. | PARIS | 1,114 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| PARC EOLIEN DE HETOMESNIL S.A.S. | PARIS | 1,114 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | PARIS | 1,060 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| PARC EOLIEN DU CARREAU S.A.S. | PARIS | 861 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| PARC EOLIEN LES MARDEAUX S.A.S. | PARIS | 1,097 | | 100 | ERG EOLIENNE FRANCE S.A.S. |
| SODAI ITALIA S.p.A. | MILAN | 15,615 | 100 | | ERG RENEW S.P.A. |
| VCC AGRIGENTO S.R.L. | L'AQUILA | 12 | | 30 | ERG EOLICA ITALIA S.R.L. |
| VCC AGRIGENTO 2 S.R.L. | L'AQUILA | 10 | | 30 | ERG EOLICA ITALIA S.R.L. |
| VCC ABRUZZO S.R.L. | L'AQUILA | 10 | | 30 | ERG EOLICA ITALIA S.R.L. |
| VCC ENNA S.R.L. | L'AQUILA | 10 | | 30 | ERG EOLICA ITALIA S.R.L. |

We report that the company WWEH2 S.r.l., previously owned by indirectly held subsidiary EOS 7 - Ginestra S.r.l., was merged by incorporation in the latter on 17 October 2008. Moreover, the equity investment in directly held subsidiary SODAI Italia S.p.A. was increased from 51% as at 31 December 2007 to 100% as at 31 December 2008. This followed settlement of the put option existing between ERG Renew S.p.A. and Trenitalia S.p.A., which completed the formal transfer of equity ownership, as better described in the note "Receivables and payables from derivatives – minority put options on unlisted equity interests".

The economic and financial data of subsidiaries are set out below:

| | ASSETS | LIABILITIES | SHAREHOLDERS' EQUITY | PRODUCTION VALUE |
|----------------------------------|---------|-------------|----------------------|------------------|
| DSI SERVIZI INDUSTRIALI S.R.L. | 4,710 | 4,286 | 424 | 3,521 |
| ECOPOWER S.R.L. | 337 | 28 | 309 | – |
| ENERGIE PULITE 2000 S.R.L. | 922 | 808 | 114 | – |
| EOLO S.R.L. | 12,181 | 11,711 | 470 | 2,391 |
| EOS 1 - TROIA S.R.L. | 60,587 | 33,462 | 27,125 | 11,269 |
| EOS 2 - NURRA S.R.L. | 2,729 | 4,309 | (1,580) | – |
| EOS 3 - TROIA S.R.L. | 52,328 | 32,611 | 19,717 | 9,708 |
| EOS 4 - FAETO S.R.L. | 50,542 | 39,679 | 10,863 | 86 |
| EOS 5 - TURSÌ COLOBRARO S.R.L. | 722 | 1,768 | (1,046) | – |
| EOS 6 - JOPPOLO S.R.L. | 568 | 1,627 | (1,059) | – |
| EOS 7 - GINESTRA S.R.L. | 20,425 | 19,279 | 1,146 | – |
| ERG EOLICA BASILICATA S.R.L. | 73 | 82 | (9) | – |
| ERG EOLICA CALABRIA S.R.L. | 380 | 750 | (370) | – |
| ERG EOLICA FOSSA DEL LUPO S.R.L. | 29,998 | 17,709 | 12,289 | – |
| ERG EOLICA ITALIA S.R.L. | 106,445 | 75,180 | 31,265 | 1,149 |
| ERG EOLIENNE FRANCE S.A.S. | 34,104 | 34,025 | 79 | – |
| GREEN VICARI S.R.L. | 61,152 | 55,050 | 6,102 | 1,991 |
| I.S.E.A. S.R.L. | 2,757 | 2,598 | 159 | 33 |
| PARC EOLIEN DE LIHUS S.A.S. | 12,271 | 11,851 | 420 | 1,994 |
| PARC EOLIEN DE HETOMESNIL S.A.S. | 12,063 | 11,654 | 409 | 1,972 |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | 12,878 | 12,387 | 491 | 2,002 |
| PARC EOLIEN DU CARREAU S.A.S. | 10,250 | 9,437 | 813 | 1,870 |
| PARC EOLIEN LES MARDEAUX S.A.S. | 12,794 | 12,374 | 420 | 1,834 |
| SODAI ITALIA S.P.A. | 18,442 | 1,807 | 16,635 | 4,201 |

The higher carrying values according to the historical cost criteria compared with the Company's share of equity are based on the subsidiaries' future profitability prospects, which confirm their recoverability albeit taking into account the uncertainties referred to in the section "Use of estimates".

In particular, the present scenario concerning official approvals for wind installations, as mentioned in the Management Report, shows major fragmentation of regulatory responsibility with a consequent increase of activities and protraction of the time taken by the authorisation processes. Added to this there is a general non-uniformity of rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy, based on an approach nullified by the proliferation of local regulations. In the light of this, the Group has decided that development costs relating to new wind farms, which until 30 September 2008 were capitalised right from the start of the approval process, as from the fourth quarter of 2008 – due to the uncertainty arising as to their capacity to generate future economic benefits – are capitalised only when approval is obtained.

The postponement, until authorisation is obtained, of the event giving rise to the reasonable certainty that future profitability would be generated by the scouting activities and feasibility studies for new wind farms, entailed a Euro 7.2 million write-down of intangible assets on the part of the investee companies and a consequent Euro 4.7 million write-down on the part of the subholding company ERG Eolica Italia S.r.l. The significant loss realised by the subholding company was not deemed to be of permanent value, in view of the capital level achieved by the investee with respect to the shareholding's recognition value.

4 - FINANCIAL RECEIVABLES FROM SUBSIDIARIES

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|--|---------------|---------------|
| FINANCIAL RECEIVABLES FROM SUBSIDIARIES, NON-CURRENT PORTION | 87,950 | 70,422 |
| TOTAL | 87,950 | 70,422 |

“Financial receivables from subsidiaries” are classified in the non-current section in order to take account of the effective terms for settlement of current receivables on the part of subsidiaries, which cause them not to be treated as current items. They are mostly settled against share capital operations in the investee company, with a corresponding increase in the carrying value of the investment.

In order to enable subsidiary ERG Eolica Italia S.r.l. to execute waivers of receivables vis-à-vis its investee companies EOS 2 - Nurra S.r.l., EOS 5 - Tursi Colobraro S.r.l. and EOS 6 - Joppolo S.r.l. which, at 31 December 2008, were in a capital deficit situation coming within the case set forth by Articles 2446 and 2447 of the Italian Civil Code, ERG Renew S.p.A. undertook to assign to ERG Eolica Italia S.r.l. its own receivables vis-à-vis EOS 2 - Nurra S.r.l., EOS 5 - Tursi Colobraro S.r.l. and EOS 6 - Joppolo S.r.l., thus becoming a creditor of ERG Eolica Italia S.r.l. without in any way modifying the effective terms for settlement of the receivables.

The increase that occurred in FY2008 refers to loans to the Italian subsidiaries active in the wind business.

The breakdown of counterparties involved in “Financial receivables from subsidiaries” is contained in the section “Related-party transactions”.

5 - OTHER EQUITY INVESTMENTS

The changes occurring in other equity investments are summarised in the following table:

| | OTHER EQUITY INVESTMENTS |
|---------------------------------|--------------------------|
| HISTORICAL COST | 4,263 |
| WRITE-DOWNS | - |
| BALANCE AT 31/12/2007 | 4,263 |
| MOVEMENTS DURING PERIOD: | |
| ACQUISITIONS/CAPITAL INCREASES | 2,595 |
| HISTORICAL COST | 6,858 |
| WRITE-DOWN | (5,757) |
| BALANCE AT 31/12/2008 | 1,101 |

Details of other companies are as follows:

| | REGISTERED OFFICE | SHARE CAPITAL | % HELD DIRECTLY | % HELD INDIRECTLY | HOLDING COMPANY |
|---------------------------------|-------------------|---------------|-----------------|-------------------|------------------|
| OTHER EQUITY INVESTMENTS | | | | | |
| ANSALDO FUEL CELLS S.P.A. | GENOA | 21,623 | 5.36 | | ERG RENEW S.P.A. |

The item "Other equity investments" exclusively concerns Ansaldo Fuel Cells S.p.A., a company operating in application development of technologies for the production of fuel cell energy (hydrogen).

"Write-downs" amounting to Euro 5,757 thousand comprise, besides Euro 757 thousand relating to coverage of the loss made by the company, a further Euro 5 million relating to the strategic decision taken during FY2008, by virtue of which the investment in Ansaldo Fuel Cells S.p.A. is no longer considered core. The amount is reflected in the income statement under "Write-downs of equity investments". The remaining carrying value of Euro 1,101 thousand approximates the value of equity pertaining to the Company, which is considered to correspond to the net realisation value estimated based on the outcome of comparable transactions that took place during the year with regard to minority interests acquired by the reference shareholder similar to that held by the Group; the adequacy of the write-down estimate carried out is subject to the risk of uncertainty inherent in any asset sale contractual proceeding.

It is furthermore pointed out that the periodic impairment test performed by a leading auditing firm confirmed that, considering the whole time span underlying the business plan approved by the Board of Directors of Ansaldo Fuel Cells S.p.A., the differential between the share of equity owned and the investee company's carrying value in ERG Renew S.p.A. was justified. Notwithstanding this, the Company, for the reason described above, deemed it appropriate to write down the investment, approximating its carrying value to the value of the equity owned.

With regard to the said investee company, the overall increase of Euro 2,595 thousand includes:

- the first valuation of a put option on 0.69% granted by ERG Renew S.p.A. in October 2003 to Gepafin S.p.A. and expiring on 29 January 2009. The value of the option – Euro 1,838 thousand as at 31 December 2008 – is recognised in the item "Payables from derivatives" already written down as part of the value adjustment process described above;
- an amount of Euro 757 thousand for reconstitution of share capital after coverage of losses, as established by the resolution of the Extraordinary Shareholders' Meeting on 30 June 2008.

6 - FINANCIAL ASSETS

The reported balance is made up as follows:

| | 31/12/2008 |
|---------------------------------|------------|
| BALANCE AT 31/12/2007 | 414 |
| MOVEMENTS DURING PERIOD: | |
| INCREASES | 104 |
| BALANCE AT 31/12/2008 | 518 |

The amount of Euro 518 thousand relates to an annual-premium capital redemption insurance policy with RAS S.p.A., and held as a secured pledge to RAS S.p.A., for the issue of a surety policy in favour of subsidiary EOS 1 - Troia S.r.l., for the benefit of owners of land on which the company's wind farm is located. The duration of the contract is from 8 March 2004 to 8 March 2011 and the annual premium is Euro 104 thousand.

7 - DEFERRED TAX ASSETS

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

| | 31/12/2008 | | 31/12/2007 | |
|---------------------------------|---------------------------------------|---------------|---------------------------------------|---------------|
| | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT | AMOUNT OF TEMPORARY DIFFERENCES | TAX EFFECT |
| TEMPORARY DIFFERENCES | 8,673 | 2,385 | 5,178 | 1,424 |
| LOSSES CARRIED FORWARD | 6,018 | 1,655 | 1,956 | 538 |
| BALANCE AT END OF PERIOD | 14,691 | 4,040 | 7,135 | 1,962 |

The temporary differences mainly concern the liabilities provision – recaptured for taxation – connected with the extraordinary operations and amortisation of charges relating to the share capital increase, directly recognised as a reduction of shareholders’ equity in accordance with IFRSs. At the balance sheet date, as indicated in the table, the Company carried forward accumulated losses of Euro 6,018 thousand, as appears from the domestic tax consolidation applied by the Group.

Related deferred tax assets of Euro 1,655 have been recognised based on the business plan, which confirms their recoverability by way of future taxable income in tax consolidation, the procedure in question being expected with reasonable certainty to be renewed on expiry.

CURRENT ASSETS

8 - TRADE RECEIVABLES

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|--------------------------------|--------------|--------------|
| RECEIVABLES FROM THIRD PARTIES | 1,213 | 1,215 |
| TOTAL | 1,213 | 1,215 |

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

9 - TRADE RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES

The breakdown of the reported balance is as follows:

| | 31/12/2008 | 31/12/2007 |
|-----------------------------------|--------------|--------------|
| RECEIVABLES FROM PARENT COMPANIES | 140 | – |
| RECEIVABLES FROM SUBSIDIARIES | 7,014 | 5,918 |
| RECEIVABLES FROM GROUP COMPANIES | 250 | 323 |
| TOTAL | 7,404 | 6,241 |

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

The breakdown as at 31 December 2007 and 2008 of the counterparties as regards trade receivables from subsidiaries and group companies and the nature of these transactions are described in the section “Related-party transactions”.

10 - OTHER FINANCIAL RECEIVABLES

The breakdown of the reported balance is as follows:

| | 31/12/2008 | 31/12/2007 |
|--------------------|---------------|---------------|
| INSURANCE POLICIES | 12,250 | 12,600 |
| TOTAL | 12,250 | 12,600 |

Insurance policies amounting to Euro 12,250 thousand relate to two capital redemption insurance policies with a duration of over 5 years, taken out with Società Generali Vita S.p.A., specifically:

- a single-premium policy of Euro 1,750 thousand with a duration from 3 June 2003 to 3 June 2009;
- an annual-premium policy totalling Euro 10,500 thousand with a duration from 3 June 2003 to 3 June 2009; the annual premium amounts to Euro 1,750 thousand.

These policies, together with the RAS policy, which was present in the balance at 31 December 2007, are held as secured pledges in favour of Assicurazioni Generali S.p.A. and RAS S.p.A., to obtain the surety policies issued in favour of Trenitalia S.p.A. as guarantee for the put option on Trenitalia's 49% equity interest in the company SODAI Italia S.p.A.

As described in the note "Payables from derivatives", execution of the settlement agreement with Trenitalia S.p.A., with simultaneous payment of the amount due in relation to the option, made it possible for ERG Renew S.p.A to redeem the RAS insurance policy, with crediting of the relevant net amount in December 2008.

On the other hand, as regards the policies relating to Società Generali Vita S.p.A., we report that the entire amount was credited in January 2009.

11 - OTHER RECEIVABLES

The breakdown of the balance is as follows:

| | 31/12/2008 | 31/12/2007 |
|--------------------------------------|--------------|--------------|
| OTHER RECEIVABLES FROM SUBSIDIARIES | 2,477 | 5,663 |
| GUARANTEE DEPOSITS | 1,040 | 17 |
| SUNDRY RECEIVABLES – RESERVATION FEE | 314 | – |
| OTHER RECEIVABLES | 198 | 166 |
| ACCRUED INCOME AND PREPAID EXPENSES | 1,965 | 1,579 |
| TOTAL | 5,994 | 7,425 |

"Sundry receivables – reservation fees" relates to an amount paid in FY2008 to a wind turbine supplier. A framework agreement was signed with the counterparty in 2008 for the supply of 50 wind turbines, against which a reservation fee of Euro 5,225 thousand was paid. In June 2008 a first order was issued for 20 wind turbines for use at the EOS 7 - Ginestra S.r.l. wind farm, for which the supplier proportionally refunded Euro 2,090 thousand of the original reservation fee paid. As is amply described in the Management Report, based on the investment programme contained in the 2009-2012 Business Plan, the Company does not intend to order the other 30 wind turbines – according to the timeline originally envisaged – in the first half of 2009. Consequently, the residual nominal amount, also in view of the present status of negotiations, might only be refunded to the extent of Euro 314 thousand. Reduction of the receivable by a total of Euro 2,821 thousand is posted in the income statement under "Other operating expenses".

The breakdown as at 31 December 2007 and 2008 of the counterparties involved in other receivables from subsidiaries is provided in the section "Related-party transactions".

The breakdown of accrued income and prepaid expenses is as follows:

| | 31/12/2008 | 31/12/2007 |
|---|--------------|--------------|
| INTEREST RECEIVABLE | 1,833 | 1,396 |
| INSURANCE | 29 | 74 |
| SURETY CHARGES | – | 18 |
| OTHER ACCRUED INCOME AND PREPAID EXPENSES | 103 | 91 |
| TOTAL | 1,965 | 1,579 |

Accrued interest receivable concerns the Generali life insurance policies and was fully paid, together with the policies' principal amount, in January 2009.

12 - TAX ASSETS

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|---|--------------|--------------|
| RECEIVABLES FROM GROUP VAT | 1,051 | 2,188 |
| RECEIVABLES FROM DOMESTIC TAX CONSOLIDATION | 229 | 138 |
| WITHHOLDING TAXES | 799 | 502 |
| OTHER RECEIVABLES | 74 | 17 |
| TOTAL | 2,153 | 2,845 |

The withholding tax amount relates to taxes withheld on interest income arising from the management of residual liquidity generated by the sale of equity investments in FY2006.

13 - EQUITY INVESTMENTS AVAILABLE FOR SALE

Changes in equity investments available for sale are shown in the following table:

| | EQUITY INVESTMENTS AVAILABLE FOR SALE |
|--|--|
| HISTORICAL COST | 2 |
| WRITE-DOWNS | – |
| BALANCE AT 31/12/2007 | 2 |
| MOVEMENTS DURING PERIOD: | |
| ACQUISITIONS/CAPITAL INCREASES | – |
| HISTORICAL COST | 2 |
| AMORTISATION, DEPRECIATION AND WRITE-DOWNS | – |
| BALANCE AT 31/12/2008 | 2 |

The breakdown of equity investments available for sale is shown below:

| | REGISTERED OFFICE | SHARE CAPITAL | % HELD DIRECTLY | INDIRECTLY | DIRECT PARENT COMPANY |
|--|----------------------|------------------|--------------------|------------|--------------------------|
| EQUITY INVESTMENTS AVAILABLE FOR SALE | | | | | |
| UTILITÀ PROGETTI E SVILUPPO S.R.L. | MILAN | 50 | 3.33 | | ERG RENEW S.P.A. |

14 - CASH AND CASH EQUIVALENTS

The reported balance includes:

| | 31/12/2008 | 31/12/2007 |
|-------------------------------------|--------------|---------------|
| BANK AND POSTAL DEPOSITS | 3,140 | 37,720 |
| RESTRICTED BANK AND POSTAL DEPOSITS | 4,170 | 4,170 |
| CASH AND NOTES ON HAND | – | 3 |
| TOTAL | 7,310 | 41,893 |

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

The overall change occurring in cash and cash equivalents is detailed in the cash flow statement, to which reference is made.

“Restricted bank and postal deposits” of Euro 4,170 thousand at 31 December 2008 refer to: (i) Euro 2,550 thousand for a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a suretyship issued by the bank to the Campania region relating to the possible concession of a public subsidy, and (ii) Euro 1,620 thousand for a deposit on a restricted account at Banca Monte dei Paschi di Siena as guarantee for a suretyship issued by the bank to the Basilicata region relating to the Tursi-Colobraro wind farm.

SHAREHOLDERS' EQUITY AND LIABILITIES

15 - SHARE CAPITAL AND RESERVES

Share capital consists of 132,666,675 ordinary shares with a par value of Euro 1.00 each, fully subscribed and paid up.

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|-----------------------------------|----------------|----------------|
| SHARE CAPITAL | 132,667 | 94,877 |
| LEGAL RESERVE | 1,388 | 1,388 |
| SHARE PREMIUM RESERVE | 75,708 | 75,708 |
| OTHER RESERVES | (10,445) | (3,392) |
| PROFIT (LOSS) CARRIED FORWARD | (45,554) | (35,226) |
| PROFIT (LOSS) FOR THE YEAR | (15,361) | (3,604) |
| GROUP SHAREHOLDERS' EQUITY | 138,403 | 129,751 |

As described earlier, on 1 October 2008 ERG Renew S.p.A. acquired, via partial demerger of ERG Power & Gas S.p.A., the latter's equity interests in companies active in the production of electricity using renewable sources.

By means of the above demerger, ERG Power & Gas S.p.A. assigned part of its assets to ERG Renew S.p.A. and the latter, in exchange for the attribution of these assets, assigned all its newly issued shares to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A., based on the ratio established by the Boards of Directors of ERG Power & Gas S.p.A. and ERG Renew S.p.A.

As a result of the demerger, ERG Renew S.p.A., in exchange for assignment of the companies in question, increased its share capital from Euro 94,876,941.00 to Euro 132,666,675.00 and the 37,789,734 newly issued shares of ERG Renew S.p.A. to meet the ratio previously described were assigned to ERG S.p.A., sole shareholder of ERG Power & Gas S.p.A. The book value of the assets of the demerged companies assigned to ERG Renew S.p.A. was Euro 24,461,061.00.

More specifically, in application of the accounting continuity principle, accounting recognition policies – coming within the scope of what is indicated by IAS 8.10 and consistently with international practice and the Italian accountancy profession's orientations concerning common-control transactions (as indicated in its document OP1) – envisage that the acquirer (or, in the case in point, the beneficiary company ERG Renew S.p.A.) recognise the assets acquired according to their historical book values calculated on a cost basis. Since the capital increase due to the assignment to ERG Renew S.p.A. exceeded the book values of the equity interests in question, the surplus was reversed, reducing the Company's shareholders' equity by means of specific debiting of an equity reserve. The difference between book value and the amount of ERG Renew S.p.A.'s capital increase to service the demerger – and consequently the amount of the equity reserve to be recognised in ERG Renew S.p.A.'s balance sheet – was Euro 13,328,673.00. In such connection, reference is made to the two disclosure documents published by the issuer on 30 June 2008 and 12 December 2008, which are available on the issuer's website.

Analysis of the change in shareholders' equity is provided in the specific statement, to which readers are referred.

The following is a breakdown of shareholders' equity reserves:

| | BALANCE AT 31/12/2008 | POSSIBLE USE | PORTION AVAILABLE | PORTION SUBJECT TO TAX DEFERRAL | SUMMARY OF USES IN THE PAST THREE YEARS | |
|--------------------------------------|--------------------------|-----------------|----------------------|---------------------------------------|---|------------------|
| | | | | | TO COVER LOSSES | OTHER REASONS |
| SHARE CAPITAL | 132,667 | | – | 451 | – | – |
| LEGAL RESERVE | 1,388 | A, B | 1,388 | – | – | – |
| SHARE PREMIUM RESERVE | 75,708 | A, B | 75,708 | 1,737 | – | – |
| OTHER RESERVES | (10,444) | | – | 90 | – | – |
| PROFIT (LOSS) CARRIED FORWARD | (45,554) | | – | – | – | – |
| PROFIT (LOSS) FOR THE YEAR | (15,361) | | – | – | – | – |
| TOTAL | 138,404 | | 77,096 | 2,278 | – | – |
| NON-DISTRIBUTABLE PORTION | | | | | | |
| RESIDUAL DISTRIBUTABLE PORTION | | | | | | |
| <i>KEY</i> | | | | | | |
| <i>A: FOR SHARE CAPITAL INCREASE</i> | | | | | | |
| <i>B: TO COVER LOSSES</i> | | | | | | |

We point out that the amounts subject to tax deferral arising from the demerger comprise the following items:

- a portion of share capital amounting to Euro 451 thousand consists of a monetary revaluation reserve under Law 72/1983 stemming from the above mentioned demerger;
- a portion of share premium reserve as detailed below:

| | 31/12/2008 | 31/12/2007 |
|---|--------------|------------|
| MONETARY REVALUATION RESERVE PURSUANT TO LAW 72/1983 | 225 | – |
| MONETARY REVALUATION RESERVE PURSUANT TO LAW 413/1991 | 29 | – |
| REVALUATION RESERVE PURSUANT TO LAW 342/2000 | 1,483 | – |
| TOTAL | 1,737 | – |

- the amount shown under other reserves comprises the following items:

| | 31/12/2008 | 31/12/2007 |
|--------------------------------------|------------|------------|
| RESERVE FOR FURTHER VAT DEDUCTIONS | 31 | – |
| RESERVE FOR ENERGY EFFICIENCY GRANTS | 17 | – |
| RESERVE FOR EQUIPMENT GRANTS | 42 | – |
| TOTAL | 90 | – |

16 - STAFF LEAVING INDEMNITIES

The provision for staff leaving indemnities is accrued to cover the full liability to employees in compliance with current legislation and national and company-level collective labour agreements at the balance sheet date. It is subject to index-linked revaluation.

The details of changes in staff leaving indemnities during the year are illustrated in the following table:

| | |
|---------------------------------|------------|
| BALANCE AT 31/12/2007 | 175 |
| MOVEMENTS DURING PERIOD: | |
| PROVISIONS | 173 |
| DECREASES DUE TO EXITS | (162) |
| PAYMENTS TO EXTERNAL FUNDS | (68) |
| OTHER CHANGES | (12) |
| BALANCE AT 31/12/2008 | 106 |

Given the insignificance both of the outright amount of the reported item and of the difference compared to the liability calculated using the Projected Unit Credit Method (PUCM), the Company has provisioned the legal liability accrued at the end of the period for staff leaving indemnities in accordance with Article 2120 of the Italian Civil Code.

17 - SHARE-BASED PAYMENTS

The Company has a stock option plan in place for Directors holding specific corporate offices and for executives whose roles make them more directly responsible for the Group's economic and operating results. The exercise of the option rights can take place after three years from the grant date and for a period of not more than five years thereafter. Once the options have expired, the unexercised options lapse and consequently no longer attribute any right to assignees.

The details of the options not yet exercised in FY2008 can be summarised as follows:

| | NUMBER OF OPTIONS IN 2008 | AVERAGE PRICE DURING THE YEAR | PERIOD OF EXERCISE OF THE RIGHT |
|---|---------------------------------|-------------------------------------|---------------------------------------|
| TRANCHE I OUTSTANDING | 605,000 | 3.2370 | 2007–2012 |
| TRANCHE II OUTSTANDING | 730,600 | 3.1872 | 2008–2013 |
| TRANCHE III OUTSTANDING | 730,600 | 3.3238 | 2009–2014 |
| OUTSTANDING AT THE BEGINNING OF THE YEAR | 2,066,200 | | |
| CANCELLED DURING THE YEAR | (340,000) | | |
| OUTSTANDING AT THE END OF THE YEAR | 1,726,200 | | |
| EXERCISABLE AT THE END OF THE YEAR | 1,726,200 | | |

Cancellations during the year totalling 340,000 – of which 100,000 relating to the first tranche and 120,000 relating respectively to the second and third tranches – occurred following the resignation of assignee employees during the year.

The ERG Renew S.p.A. Extraordinary Shareholders' Meeting of 23 December 2004 resolved to grant the Board of Directors the power to carry out paid capital increases in one or more

stages for a period of 5 years from the date of the Shareholders' Meeting resolution, for a maximum nominal amount of Euro 3.6 million through the issue of a maximum of 3,600,000 ordinary ERG Renew S.p.A. shares, with normal entitlement, of a par value of Euro 1 each. These shares are to be offered in subscription to Directors holding corporate offices and to senior managers of ERG Renew S.p.A or subsidiary companies, within the meaning of Article 2359 of the Italian Civil Code, whose roles make them more directly responsible for the Group's results, in accordance with the regulation approved by the Board of Directors. The issue price cannot be lower than the nominal value, and will correspond to the arithmetical average of the official prices of ERG Renew shares recorded on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in the 30 days preceding the assignment of the shares by the Board of Directors. The ERG Renew S.p.A. Board of Directors, at its meetings on 1 February 2004, 14 June 2006 and 15 December 2006, resolved to execute respectively tranches I, II and III of the stock option plan, assigning the option rights to some beneficiaries identified in accordance with the criteria defined by the Remuneration Committee and already approved. At the same meetings, the Board also established the subscription price, calculated in accordance with the formula contained in the regulation, for the new shares coming from the exercise of option rights.

Cancellations occurred following the resignations of assignee employees during the year.

The fair value of the option is estimated utilising the Black-Scholes model and taking into account the terms and conditions attributed to the option. The Company recorded a cost for remuneration, corresponding to the fair value of the options, totalling Euro 182 thousand (Euro 509 thousand in the previous year), respectively under personnel expenses (Euro 43 thousand compared to Euro 184 thousand in the previous year) and under services (Euro 139 thousand compared to Euro 325 thousand in the previous year) on a straight-line accrual basis over the period between the grant date and vesting date.

18 - PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown of the total balance reported is as follows:

| | 31/12/2008 | 31/12/2007 | CHANGES | |
|---|--------------|--------------|--------------|-----------|
| | | | INCREASES | DECREASES |
| LIABILITIES ASSOCIATED WITH EXTRAORDINARY | | | | |
| TRANSACTIONS | 5,435 | 3,435 | 2,000 | - |
| TOTAL | 5,435 | 3,435 | 2,000 | - |

The residual amount of Euro 5,435 thousand of the provision for liabilities associated with extraordinary transactions, which increased by Euro 2,000 thousand during the year, is recorded against contingent liabilities resulting from contractual agreements related to extraordinary disposals of equity investments in FY2006. This was determined in reference to the estimative processes described in greater detail in the above section "Use of estimates". The Directors regularly monitor the adequacy of the provision based on developments in the arbitration proceedings in order to immediately reflect changes in estimates not foreseeable at the present time.

Details of legal and tax proceedings and disputes currently involving the Company are provided as follows.

ERG Renew S.p.A. is a party to proceedings of a fiscal nature initiated in February 2009 in France in connection with the sale of its wholly-owned subsidiary EnerFrance SA, which included the "Steel" business. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew S.p.A. considers the provision for liabilities allocated up to 31 December 2008 to be adequate.

We report that the company SAO S.p.A., until 4 July 2006 indirectly controlled by ERG Renew S.p.A., is a party to proceedings of a fiscal nature. ERG Renew S.p.A. is involved due to the contractual guarantee granted to Acea, which at present indirectly controls 100% of SAO S.p.A., in connection with liabilities that arose subsequent to the sale closing but pertaining to the pre-sale period, as well as under a tax consolidation agreement existing at the time with all the companies then sold to Acea. Based on the assessments carried out with the assistance of its outside tax and legal consultants, ERG Renew S.p.A. considers the requests to be unfounded and, therefore, has not made any provision.

On 24 February 2004, ERG Renew S.p.A. had sold to Fin.Ind.Int. S.A. its 33% equity interest in the company Eurosviluppo Industriale S.p.A. The sale and purchase agreement also provided that, if the buyer, which already owned a further 33% equity interest, were to sell its stake in Eurosviluppo Industriale S.p.A. to third parties by 31 December 2004 or, alternatively, if the latter were to sell its 99% stake in the company Eurosviluppo Elettrica S.p.A., the price would be increased by an amount to be determined in accordance with the terms of the contract. Despite the fact that the above conditions materialised, the company Fin.Ind.Int. SA did not proceed with payment of the agreed amount. Given this, having exhausted all attempts to urge compliance and, applying the provisions of the sales contract, with a petition dated 29 August 2006 and another petition dated 23 January 2007, ERG Renew S.p.A. asked the Chairman of the Milan Court to appoint the sole arbitrator to make a decision on the dispute that had arisen with the company Fin.Ind.Int. SA. On 1 October 2008, the Court of Milan appointed the sole arbitrator. It should nevertheless be noted that, regarding the contractual recognition of this further sum for ERG Renew S.p.A., the Company, as a prudential measure, has not recorded this as an asset.

As regards sale of the "Steel" business, completed in May 2006, we report that ERG Renew S.p.A., under the contractual conditions, guaranteed the buyer compensation for contingent liabilities, if any, up to a maximum amount of 30% of the sale price and, as better detailed in the Disclosure Document prepared in accordance with CONSOB regulations, emerging in the two years following closing. This deadline expired on 31 May 2008. The exceptions to this are any indemnities relating to tax, employment, and environmental regulations, for which the warranty features longer expiry times.

On the other hand, as regards the sale of the "Waste-to-Energy/Waste Management" business to Acea S.p.A. in May 2006 and the guarantee given to the latter by ERG Renew S.p.A. concerning compensation for damages or claims by third parties, which cannot exceed 80% of the amount paid for equity, we report that Acea has initiated arbitration proceedings to obtain recognition of some costs relating to the pre-sale period. In appointing its own arbitrator, ERG Renew claimed non-payment of some contingent assets pertaining to it, recognition of two years of tax earn-out of the six contractually envisaged, stemming from assignment of some Euro 15 million of prior year losses relating to TAD Energia Ambiente and its subsidiaries, as well as payment of some trade receivables, once again vis-à-vis TAD Energia Ambiente and its subsidiaries, which were already subject to enforcement orders. In addition, it is envisaged that ERG Renew guarantee the book value of TAD Energia Ambiente past-due trade receivables as at 17 May 2006, the date of the deed of sale of the investment, originally amounting to Euro 12.9 million net of the related bad debt provision and not collected in the two financial years following completion of sale of TAD Energia Ambiente. For the time being, ERG Renew S.p.A. has not considered the request to repurchase the receivables legitimate, firstly because it lacks details concerning the receivables and, secondly, because the careful and timely management of credit recovery activities – as was instead contractually required – has not been demonstrated. On 19 February 2009, the Arbitration Board decided to appoint a Court Technical Expert to determine the contingent items mentioned in the arbitration case documents.

In view of the disputes mentioned, the provisions for liabilities and charges shown in the consolidated financial statements at 31 December 2008 are considered sufficient for the probable risks quantifiable as at the present date.

19 - FINANCIAL LIABILITIES

The breakdown of financial payables, net of the current portion, is as follows:

| | 31/12/2008 | 31/12/2007 |
|------------------------------------|---------------|---------------|
| LOAN FROM BANCA POPOLARE DI MILANO | 14,400 | 16,000 |
| LOAN FROM NATIXIS | 23,500 | 25,000 |
| TOTAL | 37,900 | 41,000 |

The repayment schedule for the above mentioned non-current loans is as follows:

| | MORTGAGES AND LOANS |
|--------------|---------------------|
| BY 2010 | 9,200 |
| BY 2011 | 9,200 |
| BY 2012 | 14,700 |
| BY 2013 | 3,200 |
| BEYOND 2013 | 1,600 |
| TOTAL | 37,900 |

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

| | DATE | AMOUNT |
|--------------------------|------------|--------|
| I REPAYMENT INSTALMENT | 02/08/2009 | 1,500 |
| II REPAYMENT INSTALMENT | 02/02/2010 | 3,000 |
| III REPAYMENT INSTALMENT | 02/08/2010 | 3,000 |
| IV REPAYMENT INSTALMENT | 02/02/2011 | 3,000 |
| V REPAYMENT INSTALMENT | 02/08/2011 | 3,000 |
| VI REPAYMENT INSTALMENT | 02/02/2012 | 4,500 |
| VII REPAYMENT INSTALMENT | 02/08/2012 | 7,000 |

After 2 August 2011 the Company can ask Natixis to extend the duration of the residual loan of Euro 7,000 thousand for another 24 months. Early repayment is possible for a minimum amount of Euro 5,000 thousand.

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

- Net Debt / Equity: less than 1.8;
- Interest Cover Ratio (Interest expense/Consolidated EBITDA): above 3.5 until 31 December 2008 and 4.0 thereafter.

The rate of interest is equal to Euribor alternatively at 1, 3 or 6 months + 0.75%. If the loan is extended, the interest surcharge will be 1%.

The agreement drawn up with Banca Popolare di Milano in March 2007 concerns a medium/long-term loan that replaces a short-term credit line for the same amount, again with Banca Popolare di Milano.

The agreement provides for a repayment plan of 6-monthly instalments of Euro 1,600 thousand starting on 30 October 2009, with the last instalment on 30 April 2014, and a rate of interest equal to 3-month Euribor + 0.75%.

The loan is unsecured and does not require any compliance with covenants. Early repayment is possible for a minimum amount of Euro 5,000 thousand as from the 24th month after the date of execution of the loan agreement.

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

| | 31/12/2008 | 31/12/2007 |
|------------------------------------|---------------|--------------|
| BANK PAYABLES | | |
| LOAN FROM BANCA POPOLARE DI MILANO | 1,600 | – |
| LOAN FROM NATIXIS | 1,500 | – |
| CURRENT ACCOUNT OVERDRAFTS | 15,303 | 5,933 |
| TOTAL | 18,403 | 5,933 |

Current account overdrafts, totalling Euro 5,803 thousand, and operating lines of credit, totalling Euro 9,500 thousand constitute the Company's financial liabilities repayable on demand. The average rate of interest in FY2008 was 7.81% for overdrafts and 5.51% for operating lines of credit. The carrying value corresponds to nominal value. Total credit lines accorded amount to Euro 15,700 thousand.

The values shown for the two loans in place (with Banca Popolare di Milano and Natixis) respectively relate to the repayment instalments due on 30 October 2009 (Banca Popolare di Milano – Euro 1,600 thousand) and on 2 August 2009 (Natixis – Euro 1,500 thousand).

The overall variation in the current portion of financial payables is detailed in the cash flow statement to which reference is made.

20 - PAYABLES AND RECEIVABLES FROM DERIVATIVES

Payables and receivables from derivatives are stated in the balance sheet as follows:

| | 31/12/2008 |
|---------------------------|--------------|
| PAYABLES FROM DERIVATIVES | 61 |
| PAYABLES FROM PUT OPTIONS | 1,838 |
| TOTAL | 1,899 |

Derivative instruments and hedge accounting

As regards the Banca Popolare di Milano loan described in Note 19, ERG Renew S.p.A. has concluded two contracts to manage the risk of interest-rate fluctuation. Specifically:

- an IRS contract, for a notional amount of Euro 8 million maturing on 30 October 2009, which replaces the variable rate (Euribor at 3 months) with a fixed rate (4.37%);
- a CAP contract, with an initial notional amount of Euro 7.2 million and maturity on 30 October 2012, which from 30 October 2009 will result in a maximum limit equal to 5% of the loan's benchmark rate. Given the start date of this contract, the change in fair value has been recognised in the income statement.

The following table shows the derivative instruments in place at 31 December 2008:

| COMPANY | ISSUING BANK | CONTRACT | NOTIONAL | MATURITY |
|------------------|-------------------|----------|---------------|------------|
| ERG RENEW S.P.A. | B. POP. DI MILANO | IRS | 8,000 | 30/10/2009 |
| ERG RENEW S.P.A. | B. POP. DI MILANO | CAP | 7,200 | 30/10/2012 |
| TOTAL | | | 15,200 | |

Fair value on the date of contract signature and as at 31 December 2008, included in the financial position, was as follows:

| COMPANY | ISSUING BANK | INITIAL FAIR VALUE | FAIR VALUE AT 31/12/2008 | TAKEN TO SHAREHOLDERS' EQUITY | CHARGED TO THE INCOME STATEMENT |
|------------------|-------------------|--------------------|--------------------------|-------------------------------|---------------------------------|
| ERG RENEW S.P.A. | B. POP. DI MILANO | 25 | (72) | (97) | – |
| ERG RENEW S.P.A. | B. POP. DI MILANO | 30 | 11 | – | (19) |
| TOTAL | | 55 | (61) | (97) | (19) |

Minority put options on unlisted equity interests

The following table details minority put options on unlisted equity interests:

| | 31/12/2008 | 31/12/2007 |
|---|--------------|---------------|
| PUT OPTION ON SODAI ITALIA S.P.A. | – | 17,500 |
| PUT OPTION ON ANSALDO FUEL CELLS S.P.A. | 1,838 | – |
| TOTAL | 1,838 | 17,500 |

As described in the note “Other financial receivables”, at the end of the previous financial year a put option existed that had been granted by the Company to Trenitalia S.p.A. for the sale of 49% of the share capital of SODAI Italia S.p.A. In accordance with IAS/IFRS standards, the value of the option exercisable by minority shareholders for the sale of shares held in non-listed subsidiaries was calculated as a component of the investment’s acquisition cost and verified within the scope of existence check activities.

On 16 October 2008 the parties reached an agreement as to the validity of the option described above, establishing the obligation for ERG Renew S.p.A. to pay the counterparty the exercise price, reduced from Euro 17,500 thousand to Euro 16,700 thousand. This led to consequent recognition in ERG Renew S.p.A.’s income statement of Euro 800 thousand of financial income (as described in the note “Financial income and expenses”). On the same date, Trenitalia S.p.A. returned to ERG Renew S.p.A. the surety policies issued by the latter as guarantee of the price of the said put option (see details given in the note “Other financial receivables”).

We also report the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A., granted by ERG Renew S.p.A. to Gepafin S.p.A. and due to expire on 29 January 2009. Gepafin S.p.A. has notified exercise of its put option. ERG Renew S.p.A., considering this right on the shares of Ansaldo Fuel Cells S.p.A. to be invalid, has informed Gepafin S.p.A. that it will not acquire the shares concerned with the option. The related payable is however recognised in the balance sheet. The value of the option is Euro 1,838 thousand, which was the maximum exercise value as at 31 December 2008. To date, this amount has not been paid.

21 - TRADE PAYABLES

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|---------------------------------------|--------------|--------------|
| TRADE PAYABLES | 1,811 | 1,025 |
| PAYABLES DUE TO PARENT COMPANIES | 197 | 40 |
| PAYABLES DUE TO OTHER GROUP COMPANIES | 359 | – |
| TOTAL | 2,367 | 1,065 |

The amounts refer principally to purchases of a commercial nature and other categories of costs relating to operating activities. The carrying value of trade payables approximates their fair value.

The details of the counterparties involved in payables to subsidiary and parent companies and the nature of these transactions is described in the section “Related-party transactions”.

22 - OTHER PAYABLES

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|--|--------------|--------------|
| FINANCIAL PAYABLES DUE TO SUBSIDIARIES | 2,335 | 7,057 |
| OTHER PAYABLES DUE TO SUBSIDIARIES | 1,582 | 1,731 |
| PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS | 410 | 175 |
| OTHER SUNDRY PAYABLES | 567 | 633 |
| ACCRUED EXPENSES AND DEFERRED INCOME | 10 | – |
| TOTAL | 4,904 | 9,596 |

Details of the counterparties involved in “Financial payables due to subsidiaries” and “Other payables due to subsidiaries” and the nature of these transactions are described in the section “Related-party transactions”. The decrease in financial payables due to subsidiaries stems from repayments made during the year.

Other sundry payables

| | 31/12/2008 | 31/12/2007 |
|---|------------|------------|
| PAYABLES DUE TO EMPLOYEES | 157 | 21 |
| PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS | 218 | 140 |
| PAYABLES DUE TO EMPLOYEES FOR ACCRUED VACATION DAYS | 67 | 169 |
| OTHER PAYABLES | 125 | 303 |
| TOTAL | 567 | 633 |

23 - TAX LIABILITIES

The reported balance comprises:

| | 31/12/2008 | 31/12/2007 |
|-----------------------|------------|------------|
| WITHHOLDING TAXES | 513 | 223 |
| OTHER TAX LIABILITIES | 40 | 56 |
| TOTAL | 553 | 279 |

The item principally includes the amount payable for taxes withheld in the capacity of withholding agent, which were paid in January 2009, and other minor tax payables.

24 - NET FINANCIAL POSITION

The Company's net financial position, set out pursuant to the CONSOB recommendations contained in circular 6064293 of July 2006, is shown below:

| DESCRIPTION | | 31/12/2008 | 31/12/2007 | CHANGES |
|---|---------|-----------------|-----------------|-----------------|
| A CASH | (1) | 7,310 | 41,893 | (34,583) |
| B DERIVATIVE CONTRACTS INCLUDED IN CASH AND CASH EQUIVALENTS | (1) | – | – | – |
| C CASH AND CASH EQUIVALENTS (A)+(B) | | 7,310 | 41,893 | (34,583) |
| D CURRENT FINANCIAL RECEIVABLES | | 12,250 | 12,655 | (405) |
| E CURRENT BANK PAYABLES | (1) (2) | 15,303 | 5,933 | 9,370 |
| F DERIVATIVE CONTRACTS INCLUDED IN BANK PAYABLES | (1) (2) | – | – | – |
| G CURRENT PORTION OF NON-CURRENT DEBT | | – | – | – |
| H OTHER CURRENT FINANCIAL PAYABLES | | 6,533 | 24,557 | (18,024) |
| I CURRENT FINANCIAL DEBT (E)+(F)+(G)+(H) | | 21,836 | 30,490 | (8,654) |
| J NET CURRENT FINANCIAL DEBT (I) - (C) - (D) | | 2,276 | (24,058) | 26,334 |
| K NON-CURRENT FINANCIAL RECEIVABLES | | 88,468 | 70,836 | 17,632 |
| L NON-CURRENT BANK PAYABLES | | 37,900 | 41,000 | (3,100) |
| M BONDS ISSUED | | – | – | – |
| N OTHER NON-CURRENT PAYABLES | | – | – | – |
| O NON-CURRENT FINANCIAL DEBT (L)+(M)+(N) | | 37,900 | 41,000 | (3,100) |
| P NET FINANCIAL DEBT (J) - (K)+(O) | | (48,292) | (53,894) | 5,602 |
| RECONCILIATION WITH THE CASH FLOW STATEMENT AND BALANCE SHEET: | | | | |
| (1) CASH AND CASH EQUIVALENTS | | 7,310 | 35,960 | (28,650) |
| (2) BANK PAYABLES | | 15,303 | 5,933 | 9,370 |

INCOME STATEMENT ANALYSIS

25 - PRODUCTION VALUE

The reported amount is broken down as follows:

| | 2008 | 2007 |
|-------------------------------------|--------------|--------------|
| REVENUES FROM SALES AND SERVICES | 2,292 | 702 |
| OTHER OPERATING REVENUES AND INCOME | 97 | 1,054 |
| TOTAL | 2,389 | 1,756 |

The breakdown of "Other operating revenues and income" is as follows:

| | 2008 | 2007 |
|--------------------------|-----------|--------------|
| OTHER OPERATING REVENUES | 95 | 933 |
| SUNDRY INCOME | 2 | 86 |
| NON-RECURRING INCOME | - | 35 |
| TOTAL | 97 | 1,054 |

"Revenues from sales and services" and "Other operating revenues and income" refer almost entirely to services rendered to Group companies. Details of the counterparties and the nature of the services are described in the section "Related-party transactions". These services mainly concern administration, personnel management and IT and are charged back in line with market rates.

26 - PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS

The reported amount is broken down as follows:

| | 2008 | 2007 |
|--|-----------|-----------|
| PURCHASES OF RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS | 83 | 45 |
| TOTAL | 83 | 45 |

27 - SERVICES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|-------------------------|--------------|--------------|
| SERVICES | 5,693 | 2,333 |
| UTILITIES | 96 | 14 |
| SUNDRY COSTS | 1,555 | 621 |
| RENT, LEASE AND SIMILAR | 931 | 499 |
| TOTAL | 8,275 | 3,467 |

The increase in "Services" was due above all to higher costs for technical, legal and financial consultancy services (Euro 1,303 thousand) in relation to both ERG Renew S.p.A.'s capital

increase consequent to the aforesaid demerger transaction and the paid capital increase which, on 25 September 2008, the Board of Directors decided to suspend. We also report costs of Euro 1,921 thousand relating to staff services received from parent company ERG S.p.A. and from companies of the ERG Power & Gas S.p.A. Group, essentially connected with integration into the ERG Group. A breakdown of the impact of non-recurring events on the Company's performance indicators is provided in the section "Non-recurring events and operations".

The increase in sundry costs was due to ancillary costs for the extraordinary operations that took place during the year, as well as to the rise in EDP costs. We also report that the costs for rent, lease and similar include charges relating to the transfer of head office, amounting to Euro 300 thousand.

28 - PERSONNEL EXPENSES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|---------------------------|--------------|--------------|
| SALARIES AND WAGES | 2,687 | 2,211 |
| SOCIAL SECURITY EXPENSES | 772 | 587 |
| STAFF LEAVING INDEMNITIES | 173 | 82 |
| OTHER COSTS | 1,206 | 9 |
| TOTAL | 4,838 | 2,889 |

Personnel expenses largely comprised Euro 825 thousand paid in FY2008 as exit incentives, as well as contractual indemnities totalling Euro 244 thousand paid for transfers.

The increase in "Salaries and wages" was due to the growth in the average number of staff employed by the Company in FY2008.

29 - OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

| | 2008 | 2007 |
|---------------------------|--------------|------------|
| INDIRECT TAXES | 20 | 48 |
| NON-RECURRING EXPENSES | - | 31 |
| WRITE-DOWN OF RECEIVABLES | 2,821 | - |
| OTHER OPERATING CHARGES | 109 | 96 |
| TOTAL | 2,950 | 175 |

The item "Write-down of receivables" totalling Euro 2,821 thousand refers to the provision made for write-down of receivables in connection with the reservation fees paid to a wind turbine supplier as indicated in the note "Other receivables" and in the section "Use of estimates".

30 - AMORTISATION AND DEPRECIATION

The reported amount is broken down as follows:

| | 2008 | 2007 |
|---|-----------|-----------|
| AMORTISATION OF INTANGIBLE FIXED ASSETS | 30 | 38 |
| DEPRECIATION OF TANGIBLE FIXED ASSETS | 26 | 32 |
| TOTAL | 56 | 70 |

31 - WRITE-DOWNS AND PROVISIONS

The reported amount is broken down as follows:

| | 2008 | 2007 |
|--|--------------|--------------|
| WRITE-DOWNS | – | 26 |
| PROVISIONS FOR LIABILITIES RELATED TO EXTRAORDINARY OPERATIONS | 2,000 | 1,200 |
| TOTAL | 2,000 | 1,226 |

Regarding the nature of the provisions reported, reference is made to the comment concerning “Provisions for liabilities and charges”

32 - FINANCIAL INCOME AND EXPENSES VIS-À-VIS THIRD PARTIES

The reported total comprises:

| | 2008 | 2007 |
|--------------------|--------------|-------------|
| FINANCIAL INCOME | 2,705 | 2,464 |
| FINANCIAL EXPENSES | (2,940) | (2,515) |
| TOTAL | (235) | (51) |

Financial income

| | 2008 | 2007 |
|---|--------------|--------------|
| INTEREST AND COMMISSION FROM BANKS | 1,101 | 1,857 |
| INTEREST AND COMMISSION FROM OTHERS | 804 | 607 |
| INCOME FROM SETTLEMENT AGREEMENT WITH TRENITALIA S.P.A. | 800 | – |
| TOTAL | 2,705 | 2,464 |

As described in the note “Receivables and payables from derivatives – minority put options on unlisted equity interests”, at the end of the previous financial year a put option existed vis-à-vis ERG Renew S.p.A. that had been granted to Trenitalia S.p.A. for the sale of 49% of the share capital of SODAI Italia S.p.A. On 16 October 2008 the parties reached an agreement regarding the validity of the put option described above, establishing the obligation for ERG Renew S.p.A. to pay the counterparty the exercise price of Euro 17,500 thousand reduced to Euro 16,700 thousand, with consequent recognition in ERG Renew S.p.A.’s income statement of Euro 800 thousand as financial income.

Financial expenses

| | 2008 | 2007 |
|---------------------------------|----------------|----------------|
| INTEREST PAYABLE TO OTHERS | (2,940) | (1,758) |
| LOSSES ON FINANCIAL RECEIVABLES | – | (757) |
| TOTAL | (2,940) | (2,515) |

33 - FINANCIAL INCOME AND EXPENSES VIS-À-VIS SUBSIDIARIES

The reported amount comprises:

| | 2008 | 2007 |
|--------------------|--------------|--------------|
| FINANCIAL INCOME | 3,523 | 2,033 |
| FINANCIAL EXPENSES | (428) | (64) |
| TOTAL | 3,095 | 1,969 |

The reported amount includes the interest income and expense accrued during the year on loans involving subsidiaries. The average interest receivable rate during the year was 5.76%; the average interest payable rate during the year was 5.51%.

The significant increase in the year was due to the growth in loans paid out to subsidiaries.

34 - WRITE-DOWN OF EQUITY INVESTMENTS

The reported amount comprises:

| | 2008 | 2007 |
|---|--------------|----------|
| WRITE-DOWN OF EQUITY INTEREST IN ANSALDO FUEL CELLS S.P.A. | 5,757 | - |
| WRITE-DOWN OF EQUITY INTEREST IN ENERGIE PULITE 2000 S.R.L. | 60 | - |
| TOTAL | 5,817 | - |

The amount shown for the item "Write-down of equity investments" refers to the equity interest in the company Ansaldo Fuel Cells S.p.A. and relates to a strategic decision taken during FY2008, by virtue of which the investment in Ansaldo Fuel Cells S.p.A. is no longer considered core. The reasons and assumptions underlying the write-down's estimative process are described in detail in the note "Other equity investments" and in the section "Use of estimates".

The amount of Euro 60 thousand refers to a capital contribution carried out during the year to cover the losses made by the company Energie Pulite 2000 S.r.l.

35 - INCOME TAXES

Income taxes are calculated on estimated taxable income for the year, according to the rates currently prevailing, based on present regulations and on the domestic tax consolidation system. By virtue of this system, current taxes are positive, reflecting the tax benefit attributed to ERG Renew S.p.A. by the subsidiaries reporting positive taxable amounts.

The reported amount is broken down as follows:

| | 31/12/2008 | 31/12/2007 |
|----------------|--------------|------------|
| CURRENT TAXES | 1,354 | 1,640 |
| DEFERRED TAXES | 2,055 | (1,046) |
| TOTAL | 3,409 | 594 |

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

| | TAXABLE AMOUNT | TAX |
|--|-----------------|--------------|
| IRES (CORPORATION TAX) | | |
| PROFIT BEFORE TAXES | (18,770) | |
| THEORETICAL IRES TAXATION AT 27.5% | | - |
| PREVIOUS YEAR TAX ADJUSTMENTS | | - |
| TAX EFFECT OF PARTICIPATION IN TAX CONSOLIDATION | | 1,354 |
| TEMPORARY CHANGES IN THE YEAR | | 938 |
| VALUATION OF LOSSES CARRIED FORWARD | | 1,117 |
| CURRENT AND DEFERRED IRES | (18,770) | 3,409 |
| IRAP (REGIONAL TAX) | | |
| EBIT | (15,813) | |
| LABOUR COST | 4,838 | |
| TOTAL | (10,975) | - |
| THEORETICAL IRAP TAXATION AT 3.9% | | |
| CHANGES IN THE YEAR | | |
| CURRENT IRAP | (10,975) | - |
| TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS | | 3,409 |

OTHER INFORMATION

36 - RELATED-PARTY TRANSACTIONS

The Company, in its capacity as operating investment holding company exercising management and coordination activities over its subsidiaries, provides strategic, administrative and operational advisory services, thereby ensuring a unitary rather than hetero-directed management of its subsidiaries. These services are provided at normal market conditions.

Moreover, where required, a treasury agreement exists between the Company and its subsidiaries, via which a bi-directional financial relationship is created in the form of an operating current account for the request and provision of funds in relation to specific needs and availability.

The agreement envisages the following interest rates:

- for credit balances: 3-month Euribor + spread of 1.50%;
- for debit balances: 3-month Euribor + spread of 1.75%.

The loan granted to subsidiary ERG Eolienne France S.a.s. to complete the acquisition of the operating French wind companies is interest-free.

Moreover, since it is part of the wider ERG Group, ERG Renew S.p.A. in turn receives services regulated by service contracts above all as regards administrative, financial and organisational activities, institutional and international relations, assistance with extraordinary operations, corporate affairs and planning and control as well as charges for the use of the computer system and office rental. These activities, which are covered by service contracts, can be itemised as follows:

- Administration and Fiscal provides for the operational coordination of balance sheet activities, fiscal policies as well as activities intended to implement and activate the Group administrative processes for the correct application of accounting policies, in addition to supporting ERG Renew S.p.A. in the protection of its assets;
- Finance intended as support for treasury analysis and reporting operations as well as activities concerning the handling of relations with the banking and financial system, also for the granting of possible public subsidies for new investments;
- Risk Management supports and assists top management in defining risk management policies in observance of risk-related Group policies, and supports the corporate functions in their identification, prevention, reduction and hedging of critical risks for the business in relation to tangible and intangible assets using, where necessary, the consultancy and intermediation of the insurance broker or specialised consultants and defines and implements guidelines for the identification, handling and periodic review of all categories of risk associated with the Company's industrial and financial activities;
- Audit monitors the controls exercised by management in order to assess the adequacy of the control systems put in place and the results obtained by way of their application. It verifies and evaluates the correct application of corporate policies, procedures and bookkeeping with a view to furnishing useful suggestions for carrying out management control activities;
- Corporate Security supports the company's Management in protecting its tangible/intangible assets against internal/external risks or attacks of an intentional nature, analysing the areas of exposure and defining appropriate security management strategies and policies;
- Planning develops the medium and long-term scenarios (and relative sensitivity), supporting the Businesses' Forecasting, Budgeting and Planning operations; it also develops and evaluates, in collaboration with the functions concerned, strategic studies and projects (for example, Italian and international market analyses, support for identification of new business opportunities, studies and projects with regard to technological innovation in the sector of renewable energy sources); it also collaborates with the functions concerned for the definition and maintaining of asset evaluation methodologies and tools, and provides the required support for the evaluation of specific initiatives;
- Merger & Acquisition provides support for the evaluation and development of new business opportunities, also researching and analysing potential partnerships, and guarantees an activity of support for the competent functions in the analysis of technical, economic, financial pre-feasibility; in the subsequent phases of opportunity development, it also provides support as regards definition and optimisation of the "business model" in close coordination with the competent divisions. It provides support for the management of tenders during the "due diligence" phase (coordination of the project team and advisors, handling of relations with the counterparty), and for the finalisation of project documentation, in close coordination with top management and with the individual divisions concerned;
- Institutional and International Relations promotes and implements all reasonable initiatives designed to minimise risks and remove the causes that might jeopardise the health and safety of own employees as well as the local community in the area where operations are carried out; it develops a relationship of constructive cooperation, imbued with utmost transparency and trust, both within its own organisation and with the external community and the Institutions in the handling of issues relating to Health, Safety and the Environment;

- Communications realises and implements the Group's editorial line (in paper and electronic format). It performs advisory activities and direct operational management of institutional communications events;
- Personnel promotes the definition and ensures implementation of personnel policies in keeping with the Group's strategic vision and encourages the involvement and participation of employees at all levels for the achievement of corporate objectives; it supports the realisation of organisational analyses aimed at optimising activities and staff; it provides support for the management and development of payroll programmes in accordance with legal, contractual and corporate requirements;
- Information Systems provides support for the development, management and maintenance of the corporate information system (comprising the processing, automation, control and telecommunications systems) in line with the most state-of-the-art information technologies; it ensures the methodological development and technical realisation of the information system, ensuring its management with a view to achieving the most suitable working conditions according to the skills available and the required service levels.

As compensation for the activities performed, for execution of the assignment on a continuous basis the Company pays the amounts determined based on the standard average staff cost increased for accessory charges, general expenses, lump-sum reimbursement of costs incurred in carrying out the assignment and remuneration for services supplied. However, at the end of the year, in order to determine the changes to be made, if any, as an adjustment to the aforesaid fees estimated for 2008 and subsequent years in case of renewal, the ERG Group companies are required to furnish a schedule summarising the services performed. For activities performed in carrying out non-recurring specific tasks, as from time to time assigned, a sum will be paid upon completion as analytically calculated based on the time dedicated in terms of hours only as regards the head of the staff function concerned, valued at standard cost, plus reimbursement of expenses specifically incurred to perform the assignment.

Moreover, during the current year the Company performed technical services for affiliated company ERG Power & Gas S.p.A. posting revenues of Euro 927 thousand; the Group also charged back to the parent company ERG S.p.A. costs of Euro 378 thousand relating to the secondment of personnel in 2008.

ERG Renew S.p.A. performs support activities for its subsidiaries in connection with the development of wind farms up to obtainment of the single authorisation. Once the latter has been obtained, the Company oversees the project management and plant operation side following start-up. Lastly, ERG Renew S.p.A. handles activities pertaining to staff and technological development of the wind farms.

Details of the transactions between the Company and related parties are set out below.

BALANCE SHEET DATA

Trade receivables and payables – current portion

| | TRADE RECEIVABLES | | TRADE PAYABLES | |
|----------------------------------|-------------------|--------------|----------------|------------|
| | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| SUBSIDIARIES | | | | |
| DSI SERVIZI INDUSTRIALI S.R.L. | 743 | 741 | – | – |
| ECOPOWER S.R.L. | 7 | – | – | – |
| ENERGIE PULITE 2000 S.R.L. | 89 | 88 | – | – |
| EOLO S.R.L. | 287 | 245 | – | – |
| EOS 1 - TROIA S.R.L. | 589 | 512 | – | – |
| EOS 2 - NURRA S.R.L. | 69 | 60 | – | – |
| EOS 3 - TROIA S.R.L. | 362 | 293 | – | – |
| EOS 4 - FAETO S.R.L. | 52 | 39 | – | – |
| EOS 5 - TURSI COLOBRARO S.R.L. | 43 | 29 | – | – |
| EOS 6 - JOPPOLO S.R.L. | 43 | 29 | – | – |
| EOS 7 - GINESTRA S.R.L. | 76 | 29 | – | – |
| ERG EOLICA ITALIA S.R.L. | 4,009 | 3,665 | – | – |
| ERG EOLICA FOSSA DEL LUPO S.R.L. | 308 | – | – | – |
| ERG EOLIENNE FRANCE S.A.S. | 259 | 75 | – | – |
| I.S.E.A. S.R.L. | 3 | – | – | – |
| PARC EOLIEN DE LIHUS S.A.S. | 15 | – | – | – |
| PARC EOLIEN DE HETOMESNIL S.A.S. | 15 | – | – | – |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | 15 | – | – | – |
| PARC EOLIEN DU CARREAU S.A.S. | 15 | – | – | – |
| PARC EOLIEN LES MARDEAUX S.A.S. | 15 | – | – | – |
| SODAI ITALIA S.P.A. | – | 95 | – | – |
| WWEH 2 S.R.L. | – | 18 | – | – |
| TOTAL SUBSIDIARIES | 7,014 | 5,918 | – | – |
| PARENT COMPANIES | | | | |
| ERG S.P.A. | 140 | – | 197 | 40 |
| TOTAL PARENT COMPANIES | 140 | – | 197 | 40 |
| GROUP COMPANIES | | | | |
| ERG PETROLI S.P.A. | – | – | 11 | – |
| ERG NUOVE CENTRALI S.P.A. | 1 | – | – | – |
| ERG POWER & GAS S.P.A. | 248 | 323 | 348 | – |
| ISAB ENERGY S.R.L. | 1 | – | – | – |
| TOTAL GROUP COMPANIES | 250 | 323 | 359 | – |

Financial receivables and payables – current portion

| | FINANCIAL RECEIVABLES | | FINANCIAL PAYABLES | |
|---------------------------|-----------------------|------------|--------------------|--------------|
| | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| SUBSIDIARIES | | | | |
| ERG EOLICA ITALIA S.R.L. | – | – | 103 | – |
| SODAI ITALIA S.P.A. | – | – | 2,232 | 1,038 |
| WWEH 2 S.R.L. | – | – | – | 6,019 |
| TOTAL SUBSIDIARIES | – | – | 2,335 | 7,057 |

Financial receivables and payables – non-current portion

| | FINANCIAL RECEIVABLES | | FINANCIAL PAYABLES | |
|--------------------------------|-----------------------|---------------|--------------------|------------|
| | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| SUBSIDIARIES | | | | |
| DSI SERVIZI INDUSTRIALI S.R.L. | 1,590 | 1,441 | – | – |
| ENERGIE PULITE 2000 S.R.L. | 689 | 730 | – | – |
| EOLO S.R.L. | 9,673 | 9,569 | – | – |
| EOS 2 - NURRA S.R.L. | 4,174 | 3,974 | – | – |
| EOS 5 - TURSÌ COLOBRARO S.R.L. | 850 | 827 | – | – |
| EOS 6 - JOPPOLO S.R.L. | 1,346 | 1,255 | – | – |
| EOS 7 - GINESTRA S.R.L. | 17,370 | 14,019 | – | – |
| ERG EOLICA ITALIA S.R.L. | 18,539 | 9,102 | – | – |
| ERG EOLIENNE FRANCE S.A.S. | 33,719 | 29,505 | – | – |
| TOTAL SUBSIDIARIES | 87,950 | 70,422 | – | – |

For the sake of completeness of information, we report that the non-current financial receivables shown above refer to receivables due from subsidiaries, settlement of which takes place against share capital operations in the subsidiaries, making them similar to an equity instrument as opposed to a receivable. These financial assets are therefore assessed as part of the impairment test.

Other receivables and payables – current portion

| | OTHER RECEIVABLES | | OTHER PAYABLES | |
|--------------------------------|-------------------|--------------|----------------|--------------|
| | 31/12/2008 | 31/12/2007 | 31/12/2008 | 31/12/2007 |
| SUBSIDIARIES | | | | |
| DSI SERVIZI INDUSTRIALI S.R.L. | 4 | 5 | 50 | 90 |
| ENERGIE PULITE 2000 S.R.L. | 2 | 2 | 9 | 53 |
| EOLO S.R.L. | 93 | 2 | 44 | 51 |
| ERG EOLICA ITALIA S.R.L. | 4 | 5 | 797 | 511 |
| EOS 1 - TROIA S.R.L. | 1,473 | 4,770 | 265 | 66 |
| EOS 2 - NURRA S.R.L. | – | – | 46 | 109 |
| EOS 3 - TROIA S.R.L. | 796 | 834 | 63 | 34 |
| EOS 4 - FAETO S.R.L. | 2 | 21 | 11 | 143 |
| EOS 5 - TURSÌ COLOBRARO S.R.L. | – | – | 37 | 9 |
| EOS 6 - JOPPOLO S.R.L. | – | – | 6 | 17 |
| EOS 7 - GINESTRA S.R.L. | 43 | – | 1 | 118 |
| SODAI ITALIA S.P.A. | 60 | 24 | 253 | 530 |
| TOTAL SUBSIDIARIES | 2,477 | 5,663 | 1,582 | 1,731 |

INCOME STATEMENT DATA

2008

| | PRODUCTION VALUE | COSTS FOR SERVICES | MISCELLANEOUS COSTS | INTEREST FINANCIAL INCOME | INTEREST OTHER FINANCIAL EXPENSES |
|----------------------------------|---------------------|--------------------|------------------------|---------------------------------|---|
| SUBSIDIARIES | | | | | |
| DSI SERVIZI INDUSTRIALI S.R.L. | 2 | - | - | 99 | - |
| ECOPOWER S.R.L. | 6 | - | - | - | - |
| ENERGIE PULITE 2000 S.R.L. | 1 | - | - | 47 | - |
| EOLO S.R.L. | 36 | - | - | 641 | - |
| ERG EOLICA FOSSA DEL LUPO S.R.L. | 257 | - | - | - | - |
| ERG EOLICA ITALIA S.R.L. | 295 | - | - | 1,207 | 103 |
| ERG EOLIENNE FRANCE S.A.S. | 170 | - | - | - | - |
| EOS 1 - TROIA S.R.L. | 68 | - | - | - | - |
| EOS 2 - NURRA S.R.L. | 7 | - | - | 264 | - |
| EOS 3 - TROIA S.R.L. | 61 | - | - | - | - |
| EOS 4 - FAETO S.R.L. | 43 | - | - | - | - |
| EOS 5 - TURSÌ COLOBRARO S.R.L. | 11 | - | - | 53 | - |
| EOS 6 - JOPPOLO S.R.L. | 11 | - | - | 84 | - |
| EOS 7 - GINESTRA S.R.L. | 24 | - | - | 1,128 | 235 |
| I.S.E.A. S.R.L. | 6 | - | - | - | - |
| PARC EOLIEN DE LIHUS S.A.S. | 15 | - | - | - | - |
| PARC EOLIEN DE HETOMESNIL S.A.S. | 15 | - | - | - | - |
| PARC EOLIEN DE LA BRUYÈRE S.A.S. | 15 | - | - | - | - |
| PARC EOLIEN DU CARREAU S.A.S. | 15 | - | - | - | - |
| PARC EOLIEN LES MARDEAUX S.A.S. | 15 | - | - | - | - |
| SODAI ITALIA S.P.A. | - | - | - | - | 90 |
| TOTAL SUBSIDIARIES | 1,073 | - | - | 3,523 | 428 |
| PARENT COMPANIES | | | | | |
| ERG S.P.A. | 378 | 1,271 | - | - | - |
| TOTAL PARENT COMPANIES | 378 | 1,271 | - | - | - |
| GROUP COMPANIES | | | | | |
| ERG MED S.P.A. | - | 22 | - | - | - |
| ERG NUOVE CENTRALI S.P.A. | 1 | - | - | - | - |
| ERG POWER & GAS S.P.A. | 927 | 1,088 | - | - | - |
| ISAB ENERGY S.R.L. | 3 | - | - | - | - |
| TOTAL GROUP COMPANIES | 931 | 1,110 | - | - | - |

| | PRODUCTION VALUE | COSTS FOR SERVICES SERVICES | MISCELLANEOUS COSTS | INTEREST FINANCIAL INCOME | INTEREST OTHER FINANCIAL EXPENSES |
|--------------------------------|---------------------|--------------------------------|------------------------|---------------------------------|---|
| SUBSIDIARIES | | | | | |
| DSI SERVIZI INDUSTRIALI S.R.L. | 89 | – | – | 101 | – |
| ENERGIE PULITE 2000 S.R.L. | 30 | – | – | 46 | – |
| EOLO S.R.L. | 26 | – | – | 559 | – |
| ENERFRANCE S.A.S. | 75 | – | – | – | – |
| ERG EOLICA ITALIA S.R.L. | 699 | – | – | – | – |
| EOS 1 - TROIA S.R.L. | 112 | – | – | – | – |
| EOS 2 - NURRA S.R.L. | 16 | – | – | 231 | – |
| EOS 3 - TROIA S.R.L. | 80 | – | – | – | – |
| EOS 4 - FAETO S.R.L. | 32 | – | – | 192 | – |
| EOS 5 - TURSÌ COLOBRARO S.R.L. | 25 | – | – | 34 | 1 |
| EOS 6 - JOPPOLO S.R.L. | 25 | – | – | 25 | – |
| EOS 7 - GINESTRA S.R.L. | 24 | – | – | 328 | – |
| SODAI ITALIA S.P.A. | 150 | – | – | 517 | 63 |
| WWEH 2 S.R.L. | 15 | – | – | – | – |
| TOTAL SUBSIDIARIES | 1,398 | – | – | 2,033 | 64 |
| PARENT COMPANIES | | | | | |
| ERG S.P.A. | – | 40 | – | – | – |
| TOTAL PARENT COMPANIES | – | 40 | – | – | – |
| GROUP COMPANIES | | | | | |
| ERG POWER & GAS S.P.A. | 323 | – | – | – | – |
| TOTAL GROUP COMPANIES | 323 | – | – | – | – |

37 - FEES PAID TO DIRECTORS AND GENERAL MANAGERS

The fees paid during the year to Directors and General Managers are as shown in the following table:

| | 31/12/2008 | 31/12/2007 |
|-----------------------|--------------|--------------|
| FEES | 104 | 189 |
| NON-MONETARY BENEFITS | 178 | 369 |
| OTHER BENEFITS | 1,090 | 745 |
| TOTAL | 1,372 | 1,303 |

The Directors' fees are established by the Remuneration Committee.

In compliance with CONSOB Resolution 11971 of May 14, 1999, we list – by name – the remuneration in question received under any title and in any form also from subsidiaries:

| FULL NAME (EURO) | OFFICE HELD | TERM OF OFFICE | REMUNERATION FOR OFFICE HELD | NON-MONETARY BENEFITS | BONUSES AND OTHER INCENTIVES | OTHER FEES ⁽³⁾ |
|---------------------|--------------------------------------|--|------------------------------|-----------------------|------------------------------|---------------------------|
| GIUSEPPE GATTI | CHAIRMAN | APPR. 2008 FIN.STATEMTS | 10,000 | – | 120,000 | – |
| SALVATORE RUSSO | DEPUTY CHAIRMAN | APPR. 2008 FIN.STATEMTS | 10,000 | 108,598 | 252,086 | – |
| SALVATORE TOGNACCA | MANAGING DIRECTOR | APPR. 2008 FIN.STATEMTS ⁽¹⁾ | 10,000 | – | 190,000 | – |
| LUCA BETTONTE | DIRECTOR | APPR. 2008 FIN.STATEMTS ⁽¹⁾ | 6,913 | – | – | – |
| GIANCARLO CIMOLI | DIRECTOR | APPR. 2008 FIN.STATEMTS | 10,000 | – | – | 40,000 |
| ALESSANDRO GARRONE | DIRECTOR | APPR. 2008 FIN.STATEMTS ⁽¹⁾ | 10,000 | – | – | 1,750 |
| VITTORIO GARRONE | DIRECTOR | APPR. 2008 FIN.STATEMTS | 6,913 | – | – | – |
| PIETRO GIORDANO | DIRECTOR | APPR. 2008 FIN.STATEMTS | 10,000 | – | – | 1,750 |
| GIORGIO MAZZANTI | DIRECTOR | APPR. 2008 FIN.STATEMTS | 10,000 | – | – | 16,500 |
| ERNESTO MONTI | DIRECTOR | APPR. 2008 FIN.STATEMTS | 10,000 | – | – | 40,000 |
| PAOLO PANELLA | DIRECTOR | APPR. 2008 FIN.STATEMTS | 10,000 | 69,500 | 212,500 | – |
| LELIO FORNABAIO | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPR. 2010 FIN.STATEMTS | 55,000 | – | – | – |
| ANDREA MANZITTI | STANDING AUDITOR | APPR. 2010 FIN.STATEMTS | 35,000 | – | – | – |
| FRANCESCO GATTI | STANDING AUDITOR | APPR. 2010 FIN.STATEMTS | 35,000 | – | – | – |
| FRANCESCO DEL BALZO | GENERAL MANAGER | – | – | 3,516 | – | 215,266 |
| STRATEGIC MANAGERS | MANAGERS | – ⁽²⁾ | – | 14,575 | – | 439,516 |

(1) REMUNERATION RECEIVED DIRECTLY FROM THEIR RESPECTIVE COMPANIES
(2) INCLUDES 2 (TWO) MANAGERS
(3) INCLUDES INTERNAL CONTROL COMMITTEE AND NOMINATIONS AND REMUNERATION COMMITTEE FEES, AS WELL AS SALARY RECEIVED AS EMPLOYEE FOR THE GENERAL MANAGER AND THE MANAGERS

38 - PROFESSIONAL SERVICES OF THE AUDITING FIRM DELOITTE & TOUCHE S.P.A.

In accordance with Article 149-duodecies of the Issuers' Regulations, in the following table we show the detail and nature of services provided during the year to Group companies by the auditing firm Deloitte & Touche S.p.A.:

| | DELOITTE & TOUCHE S.P.A. | OTHER COMPANIES BELONGING TO THE DELOITTE NETWORK |
|---|--------------------------|---|
| AUDITING SERVICES | 155 | – |
| SERVICES OTHER THAN AUDITING FOR THE ISSUE OF CERTIFICATION | 237 | – |
| OTHER SERVICES | 15 | 61 |
| TOTAL | 407 | 61 |

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

"Services other than auditing for the issue of certification" performed by Deloitte & Touche S.p.A. concern auditing activities carried out in connection with the publication of documents and prospectuses consequent to the aforementioned demerger transaction.

The item "Other services" provided by other companies belonging to the Deloitte Network refers to the activities carried out to support the acquisitions of the French operating companies which took place during the year.

39 - EMPLOYEE HEADCOUNT

| | 31/12/2008 | 31/12/2007 |
|------------------------|------------|------------|
| MANAGERS | 7 | 7 |
| WHITE-COLLAR EMPLOYEES | 31 | 27 |
| TOTAL | 38 | 34 |

40 - COMMITMENTS AND CONTINGENT LIABILITIES

The total value of the Company's commitments as at balance sheet date amounted to Euro 26,904 thousand. The breakdown was as follows:

- Euro 12,500 thousand referring to guarantees issued in favour of Group companies in relation to the supply contracts connected with the realisation of wind farms under construction;
- Euro 4,349 thousand relating to guarantees issued, based on current regulations, to the Fiscal Revenues Agency and the competent VAT offices;
- Euro 7,055 thousand relating to guarantees issued by Group companies to various Public Entities in connection with operating activities in the wind and water services sectors;
- Euro 3,000 thousand referring to guarantees issued in favour of HSH Nordbank AG in relation to ongoing project financing with regard to the French wind farms.

41 - INFORMATION ON RISKS

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

FY2008

| | (NOTES) | 31/12/2008 | LOANS AND RECEIVABLES | HEDGING DERIVATIVES | H F M |
|---|---------|---------------|-----------------------|---------------------|-------|
| ASSETS | | | | | |
| FINANCIAL ASSETS | (6) | 518 | 518 | – | – |
| OTHER RECEIVABLES | | 50 | 50 | – | – |
| TOTAL NON-CURRENT FINANCIAL ASSETS | | 568 | 568 | – | – |
| TRADE RECEIVABLES | (8) | 1,213 | 1,213 | – | – |
| TRADE RECEIVABLES DUE FROM PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES | (9) | 7,404 | 7,404 | – | – |
| OTHER FINANCIAL RECEIVABLES | (10) | 12,250 | 12,250 | – | – |
| CASH AND CASH EQUIVALENTS | (14) | 7,310 | 7,310 | – | – |
| TOTAL CURRENT FINANCIAL ASSETS | | 28,177 | 28,177 | – | – |
| TOTAL FINANCIAL ASSETS | | 28,745 | 28,745 | – | – |

H F M: HELD FOR MATURITY

For the sake of completeness of information, we report that financial receivables from subsidiaries (Note 4) are not included in the IFRS 7 disclosure as they refer to receivables due from subsidiaries, settlement of which takes place against share capital operations in the subsidiaries, making them similar to an equity instrument as opposed to a receivable. These financial assets are therefore not subject to credit risk but are assessed as part of the impairment test.

| | (NOTES) | 31/12/2008 | LIABILITIES AT AMORTISED COST | HEDGING DERIVATIVES | H F M |
|--|---------|---------------|-------------------------------------|------------------------|-------|
| LIABILITIES | | | | | |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | (19) | 37,900 | 37,900 | – | – |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | | 37,900 | 37,900 | – | – |
| CURRENT PORTION OF FINANCIAL PAYABLES | (19) | 18,403 | 18,403 | – | – |
| PAYABLES FROM DERIVATIVES | (20) | 1,899 | 1,838 | 61 | – |
| TRADE PAYABLES | (21) | 2,367 | 2,367 | – | – |
| TOTAL CURRENT FINANCIAL LIABILITIES | | 22,669 | 22,608 | 61 | – |
| TOTAL FINANCIAL LIABILITIES | | 60,569 | 60,508 | 61 | – |

H F M: HELD FOR MATURITY

FY2007

| | | 31/12/2007 | LOANS AND RECEIVABLES | HEDGING DERIVATIVES | H F M |
|--|--|---------------|--------------------------|------------------------|-------|
| ASSETS | | | | | |
| FINANCIAL ASSETS | | 414 | 414 | – | – |
| OTHER RECEIVABLES | | 50 | 50 | – | – |
| TOTAL NON-CURRENT FINANCIAL ASSETS | | 464 | 464 | – | – |
| TRADE RECEIVABLES | | 1,215 | 1,215 | – | – |
| TRADE RECEIVABLES DUE FROM PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES | | 6,241 | 6,241 | – | – |
| OTHER FINANCIAL RECEIVABLES | | 12,600 | 12,600 | – | – |
| RECEIVABLES FROM DERIVATIVES | | 55 | – | 55 | – |
| CASH AND CASH EQUIVALENTS | | 41,893 | 41,893 | – | – |
| TOTAL CURRENT FINANCIAL ASSETS | | 62,004 | 61,949 | 55 | – |
| TOTAL FINANCIAL ASSETS | | 62,468 | 62,413 | 55 | – |

H F M: HELD FOR MATURITY

| | 31/12/2007 | LIABILITIES AT AMORTISED COST | H F T | H F M |
|--|---------------|-------------------------------------|-------|-------|
| LIABILITIES | | | | |
| FINANCIAL PAYABLES NET OF THE CURRENT PORTION | 41,000 | 41,000 | – | – |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | 41,000 | 41,000 | – | – |
| CURRENT PORTION OF FINANCIAL PAYABLES | 5,933 | 5,933 | – | – |
| PAYABLES FROM DERIVATIVES | 17,500 | 17,500 | – | – |
| TRADE PAYABLES | 1,065 | 1,065 | – | – |
| TOTAL CURRENT FINANCIAL LIABILITIES | 24,498 | 24,498 | – | – |
| TOTAL FINANCIAL LIABILITIES | 65,498 | 65,498 | – | – |

H F T: HELD FOR TRADING
H F M: HELD FOR MATURITY

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

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

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

As regards exposure to the risk of offences under Legislative Decree 231/01, the Company has adopted Organisation, Management and Control Models. These Models analytically identify the corporate activities where offences relating to the above mentioned regulation may occur. Specific operating protocols have been prepared in order to schedule the development and implementation of the entity's decisions concerning the offences to be prevented.

The Company has also set up Supervisory Bodies, whose task is to periodically monitor the mapping of areas at risk of offences and carry out systematic checks to ascertain that the operating protocols contemplated in the Models are duly observed.

CREDIT RISK

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

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

The tables below provide information on the Company's exposure to credit risk as at 31 December 2008 and 31 December 2007:

| | 31/12/2008 | PAST DUE AGEING | | | |
|--|---------------|-----------------|---------|---------|-------------------|
| | | 30 DAYS | 60 DAYS | 90 DAYS | MORE THAN 90 DAYS |
| NON-CURRENT FINANCIAL ASSETS NOT PAST DUE | 568 | - | - | - | - |
| TRADE RECEIVABLES | - | - | - | - | - |
| TRADE RECEIVABLES FROM PARENT, SUBSIDIARY, AND ASSOCIATE COMPANIES | 7,404 | - | - | - | - |
| OTHER FINANCIAL RECEIVABLES | 12,250 | - | - | - | - |
| RECEIVABLES FROM DERIVATIVES | - | - | - | - | - |
| CASH AND CASH EQUIVALENTS | 7,310 | - | - | - | - |
| TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE | 26,964 | - | - | - | - |
| PAST DUE TRADE RECEIVABLES | 1,213 | - | - | - | 1,213 |
| BAD DEBT PROVISION | - | - | - | - | - |
| TOTAL PAST DUE CURRENT FINANCIAL ASSETS | 1,213 | - | - | - | 1,213 |
| TOTAL FINANCIAL ASSETS | 28,745 | - | - | - | 1,213 |

Trade receivables that are more than 90 days past due amounting to Euro 1,213 thousand mostly comprise Group receivables vis-à-vis the companies in the Waste business sold to Acea S.p.A. in the previous year and currently subject to an arbitration proceeding with the counterparty. Although the outcome of this arbitration proceeding remains uncertain, the Directors believe that the conditions exist for full recovery of the amount.

| | 31/12/2007 | PAST DUE AGEING | | | |
|---|---------------|-----------------|---------|-----------|-------------------|
| | | 30 DAYS | 60 DAYS | 90 DAYS | MORE THAN 90 DAYS |
| NON-CURRENT FINANCIAL ASSETS NOT PAST DUE | 464 | - | - | - | - |
| TRADE RECEIVABLES | - | - | - | - | - |
| TRADE RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATE COMPANIES | 6,241 | - | - | - | - |
| OTHER FINANCIAL RECEIVABLES | 12,600 | - | - | - | - |
| RECEIVABLES FROM DERIVATIVES | 55 | - | - | - | - |
| CASH AND CASH EQUIVALENTS | 41,893 | - | - | - | - |
| TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE | 60,789 | - | - | - | - |
| PAST DUE TRADE RECEIVABLES | 1,215 | - | - | 35 | 1,180 |
| BAD DEBT PROVISION | - | - | - | - | - |
| TOTAL PAST DUE CURRENT FINANCIAL ASSETS | 1,215 | - | - | 35 | 1,180 |
| TOTAL FINANCIAL ASSETS | 62,468 | - | - | 35 | 1,180 |

MARKET RISK

The Company's liabilities are primarily exposed to financial risks relating to changes in interest rates. In order to manage the risk of fluctuations in interest rates the Company uses derivatives which mostly come under the contractual category of interest rate swaps. In particular, the Company's policy is to convert part of its variable interest-rate payables to a fixed interest rate in order to normalise financial expenditures. These instruments are designated, if effective, as "cash flow hedges". Reference is made to Note 20 "Receivables and payables from derivatives" for details of the types of instruments utilised, the notional value and the fair value at 31 December 2008.

The Company operates directly on the market. The derivative contracts are concluded with primary banks in order to reduce the risk of contractual non-performance. The Company does not use derivative instruments for trading purposes.

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

The Company has therefore defined a strategy to manage the interest rate risk that aims to normalise financial expenditure relating to interest rate movements. In FY2008 the Company's management of derivative instruments was consistent with the guidelines established in this strategy.

While reference is made to Note 20 for information on outstanding derivative contracts, set out below is an analysis of the impact on the pre-tax result (for the ineffective or trading portion) and on shareholders' equity (for the effective portion of the hedge) of the changes in the fair value of the derivatives in the event of interest rate fluctuations of +/-1%, with all the other variables remaining the same.

| | 2008 | 2007 |
|---|------|------|
| EFFECT ON THE INCOME STATEMENT | | |
| SHOCK UP (CHANGE IN INTEREST RATE + 1%) | 27 | 262 |
| SHOCK DOWN (CHANGE IN INTEREST RATE - 1%) | (9) | (30) |

| | 2008 | 2007 |
|---|------|-------|
| EFFECT ON SHAREHOLDERS' EQUITY | | |
| SHOCK UP (CHANGE IN INTEREST RATE + 1%) | 63 | 125 |
| SHOCK DOWN (CHANGE IN INTEREST RATE - 1%) | (55) | (133) |

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may not be sufficient to cover all the obligations falling due. As mentioned in the Management Report, following the postponement of the paid capital increase initially resolved, caused by the critical situation on the financial markets, the absorption of liquidity anticipated for the 2009 financial year - mostly connected with the development of investments in the wind power sector (Euro 93 million) as envisaged by the new 2009-2012 Business Plan - will be financed by the cash generated from operating activities, by the use of bank borrowing and, should these independent funding sources prove to be insufficient or temporarily unavailable, through support from the parent company ERG S.p.A. In February 2009 the latter formally committed to unconditionally supporting ERG Renew in the investments planned for 2009 up to the requirement of Euro 70 million.

The following tables summarise the Company's financial liabilities as at 31 December 2008 and 31 December 2007 based on contractual payments not discounted to present value:

| | 31/12/2008 | MATURITY | | | | |
|---|---------------|--------------|--------------|---------------|--------------|----------------|
| | | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | BEYOND 5 YEARS |
| NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 39,933 | 9,692 | 9,692 | 15,479 | 3,380 | 1,690 |
| FINANCIAL PAYABLES MATURING DURING THE YEAR | 19,548 | – | – | – | – | – |
| PAYABLES FROM DERIVATIVES | 1,899 | – | – | – | – | – |
| TRADE PAYABLES | 2,367 | – | – | – | – | – |
| TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 23,814 | – | – | – | – | – |
| TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES | – | – | – | – | – | – |
| TOTAL FINANCIAL LIABILITIES | 63,747 | 9,692 | 9,692 | 15,479 | 3,380 | 1,690 |

The financial liabilities not past due shown in the above table, solely for the purpose of IFRS 7 disclosure, also include the portion of interest to be paid in future years and, consequently, are not yet included in the financial payable recognised at 31 December 2008. The total amount of interest on the payable not yet matured is Euro 3,177 thousand and was calculated utilising the latest variable interest rate available. We point out that, due to the hedging operations previously reported, the synthetic rate is fixed at the contractual conditions specific to each derivative.

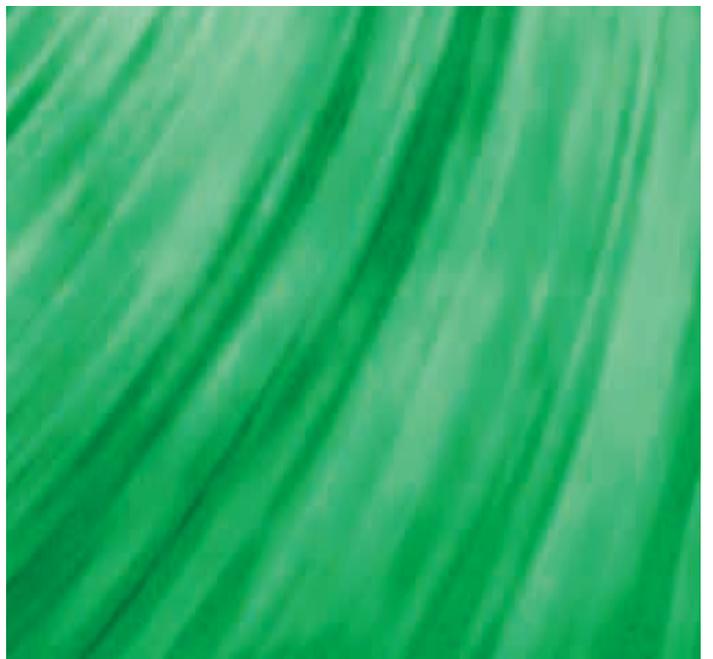
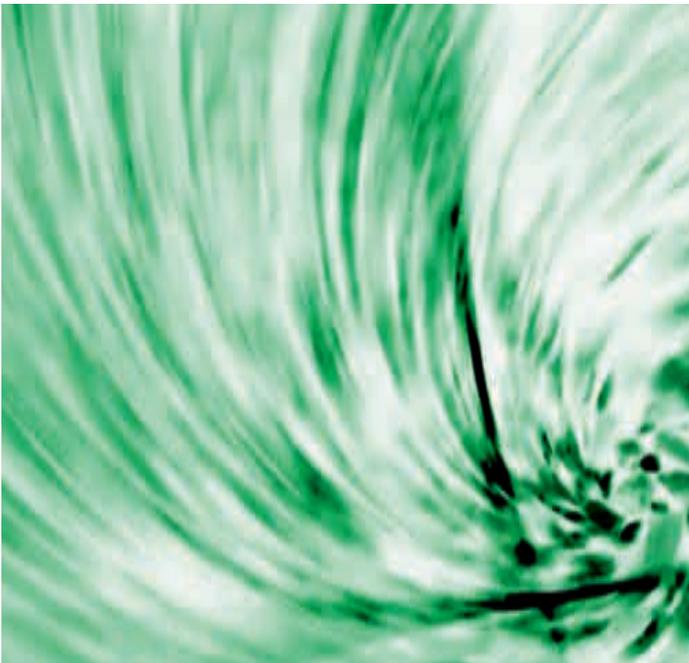
| | 31/12/2007 | MATURITY | | | | |
|---|---------------|--------------|--------------|--------------|---------------|----------------|
| | | 2 YEARS | 3 YEARS | 4 YEARS | 5 YEARS | BEYOND 5 YEARS |
| NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 43,112 | 3,260 | 9,674 | 9,674 | 15,457 | 5,047 |
| FINANCIAL PAYABLES MATURING DURING THE YEAR | 6,363 | – | – | – | – | – |
| PAYABLES FROM DERIVATIVES | 17,500 | – | – | – | – | – |
| TRADE PAYABLES | 1,065 | – | – | – | – | – |
| TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE | 24,928 | – | – | – | – | – |
| TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES | – | – | – | – | – | – |
| TOTAL FINANCIAL LIABILITIES | 68,040 | 3,260 | 9,674 | 9,674 | 15,457 | 5,047 |

Again in this case, the financial liabilities not past due shown in the previous table, solely for the purpose of IFRS 7 disclosure, include the portion of interest to be paid in future years and, consequently, are not yet included in the financial payable recognised at 31 December 2007. The total amount of interest on the payable is Euro 1,569 thousand and was determined utilising the variable interest rate in force at the end of 2006.

42 - PUBLICATION DATE OF FINANCIAL STATEMENTS

On 9 March 2009 the Board of Directors of ERG Renew S.p.A. authorised publication of the Financial Statements, reserving the right to make formal additions and changes by the date of filing, to be carried out pursuant to Article 2429 of the Italian Civil Code.

These financial statements represent in a true and fair manner the balance sheet and financial position of the Company, as well as the year's economic result.



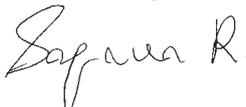
CERTIFICATION OF THE ANNUAL FINANCIAL REPORT PURSUANT TO ARTICLE 81 TER OF CONSOB REGULATION 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Raffaele Tognacca, 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 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 Annual Financial Report during the period 1 January – 31 December 2008.
2. Evaluation of the adequacy of administrative and accounting procedures for the preparation of the Annual Financial Report for the year ended 31 December 2008 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 Consolidated Financial Statements:
 - a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
 - b) correspond to the results shown in the accounting books and records;
 - c) are 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 Management Report contains references to important events that occurred during the financial year and to their impact on the Consolidated Financial Statements, as well as information on significant related-party transactions.

Genoa, 9 March 2009

The Chief Executive Officer

(Raffaele Tognacca)



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



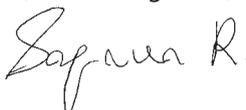
CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81 TER OF CONSOB REGULATION 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Raffaele Tognacca, 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 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 Annual Financial Statements during the 2008 financial period.
2. Evaluation of the adequacy of administrative and accounting procedures for the preparation of the Annual Financial Statements for the year ended 31 December 2008 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 Annual Financial Statements:
 - a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;
 - b) correspond to the results shown in the accounting books and records;
 - c) are able to provide a true and fair view of the financial position and economic results of the issuer;
 - 3.2 the Management Report includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the principal risks and uncertainties, to which it is exposed.

Genoa, 9 March 2009

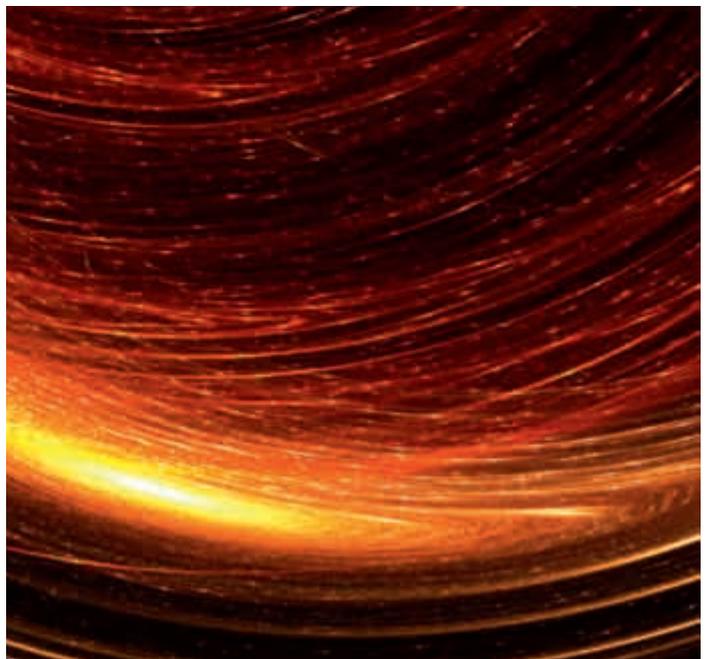
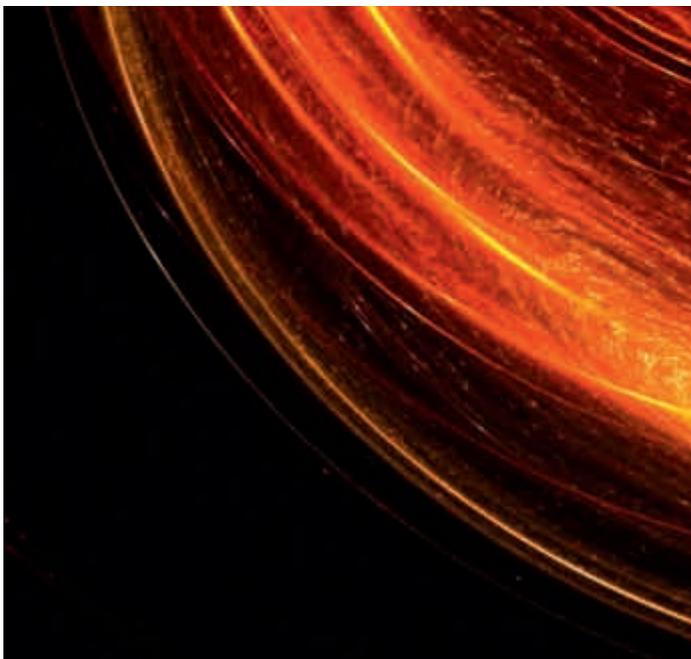
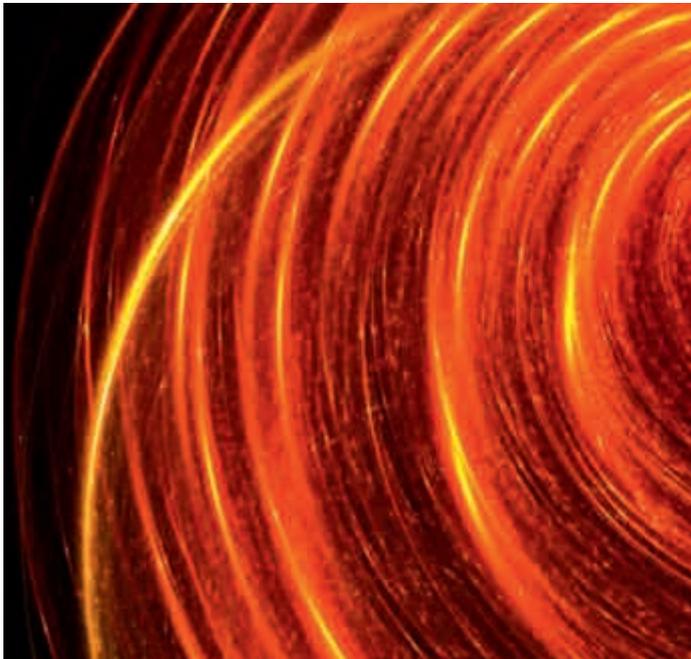
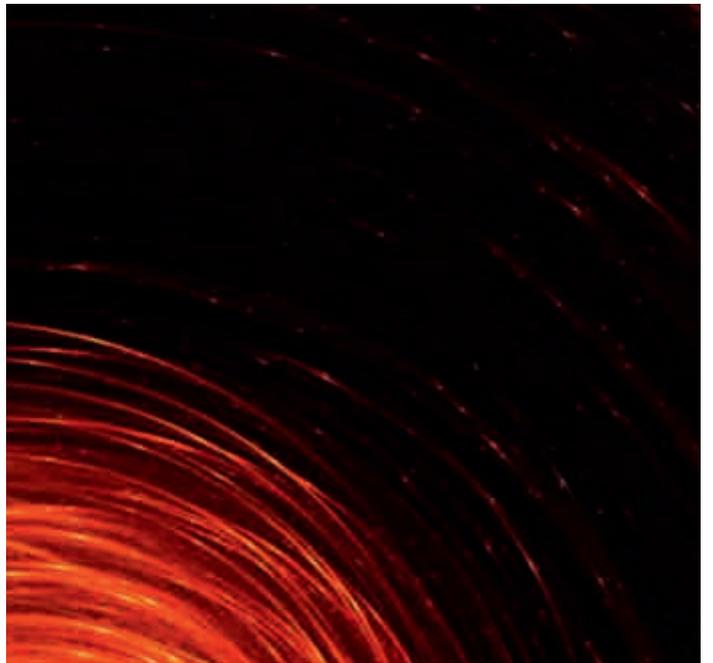
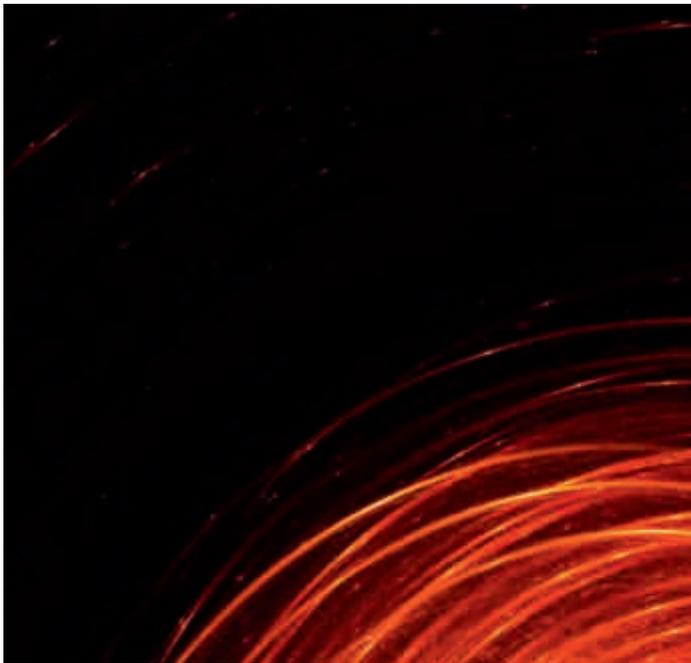
The Chief Executive Officer

(Raffaele Tognacca)



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





REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ERG RENEW S.P.A. AS AT 31 DECEMBER 2008

Dear Shareholders,

The 2008 consolidated financial statements of ERG Renew S.p.A. were drawn up in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Commission.

In accordance with Legislative Decree 58/98 and Article 41 of Legislative Decree no. 127/91, the task of ascertaining that the consolidated financial statements comply with legal provisions and correspond to the accounting records and consolidation entries is assigned to the auditing firm. Our supervisory activity has been carried out in observance of the principles of conduct for Statutory Auditors set by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri (Italian National Councils of Professional and Certified Public Accountants) and particularly concerned:

- supervising the adequacy within the scope of the ERG Renew S.p.A. organisational structure of a person responsible for relations with subsidiary and associate companies;
- reviewing the composition of the Group and the current shareholding quotas, for the purpose of assessing the scope of consolidation;
- supervising the observance of principles of correct administration particularly as regards the most important transactions from an economic, financial and equity standpoint carried out within the framework of group relations, with special reference to transactions in potential conflict of interest.

As a result of our supervisory activity with regard to the consolidated financial statements we certify that:

- the provisions of law concerning the formation and layout of the Financial Statements and Management Report have been observed;
- the Financial Statements, together with the Management Report, have been transmitted within the terms required by law;
- the Financial Statements correspond to the facts and information that have come to the knowledge of the Board of Statutory Auditors during the exercise of its supervisory duties;
- the Chief Executive Officer and the Manager Responsible for preparing the company's financial reports have issued the required certification, in accordance with the Law and regulations;
- the Management Report is consistent with the data and entries shown in the Consolidated Financial Statements and provides full information on the Group's economic-financial performance.

Lastly, the report issued by the auditing firm Deloitte & Touche S.p.A. on 19 March 2008 does not contain any observations or requests for information.

24 March 2009

The Board of Statutory Auditors

Lelio Fornabaio
Francesco Gatti
Andrea Manzitti

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE SEPARATE FINANCIAL STATEMENTS OF ERG RENEW S.P.A. AS AT 31 DECEMBER 2008

Dear Shareholders,

During the financial period ended 31 December 2008 we carried out the supervisory activity assigned to the Board of Statutory Auditors, pursuant to Article 149 of Legislative Decree no. 58/98.

This report is drawn up pursuant to Article 153, first paragraph of Legislative Decree no. 58/98, taking account of CONSOB Communication no. DEM/1025564 of 6 April 2001, and subsequent supplements thereto.

We first of all point out that the Board of Statutory Auditors in its present composition was appointed by the Shareholders' Meeting held on 22 April 2008. Our supervisory activity therefore commenced as from such date.

The 2008 financial year featured the extraordinary transaction for the partial demerger of ERG Power & Gas with regard to its renewables business in favour of ERG Renew, thereby enhancing the ERG Renew Group's presence in the wind power sector and contributing to the development of the new sector of hydroelectric power plants.

Via the demerger, in accordance with Articles 2506 et seq. of the Italian Civil Code, ERG Power & Gas – a wholly-owned subsidiary of ERG S.p.A. – transferred part of its assets, comprising equity investments in the renewable energy sector, to ERG Renew and the latter assigned its newly issued shares to ERG S.p.A.

The demerger, resolved by the Shareholders' Meeting on 30 June 2008, took effect as from 1 October 2008. Against the transfer of part of ERG Power & Gas assets, 37,789,734 new shares in ERG Renew were assigned to ERG S.p.A., based on the exchange ratio established by the Boards of Directors of ERG Power & Gas and ERG Renew, supported by their respective advisors who issued appropriate fairness opinions. The company's Internal Control Committee, whilst expressing its favourable opinion regarding the formal and technical correctness of the transaction – bearing in mind that the said transaction was set up as an intra-group operation outside the scope of typical or usual operations – asked for an independent expert to be appointed, to provide the necessary assistance in assessing the financial fairness and legal and responsibility aspects associated with the transaction.

Mazars & Guérard, in its capacity as expert appointed by the Milan Court pursuant to Articles 2506-ter and 2501-sexies of the Italian Civil Code, issued its fairness opinion regarding the established exchange ratio.

The Board of Directors' resolution on the transaction comes within the scope of management and coordination exercised over the company by the parent company ERG S.p.A. The transaction was recognised for accounting purposes by applying the principle of continuity of the accounting values in keeping with international accounting standards and the guidelines of the Italian accounting profession with regard to transactions "under common control".

Following the outcome of the transaction, the stake held by ERG S.p.A. in the company's share capital increased from 68.38% to 77.4%.

The Management Report – to which reference is made for more detailed information – gives an adequate and exhaustive account on the aforesaid transaction.

We also point out that the Shareholders' Meeting, again on 30 June 2008, authorised the Board of Directors, in accordance with Article 2443 of the Italian Civil Code, to increase the company's share capital up to the amount of Euro 200 million, inclusive of share premium, to be offered as an option to shareholders, over a period of five years. However, the Board of Directors, at its meeting on 25 September 2008, decided to postpone the scheduled capital increase for which it had received authorisation, mainly in view of the critical situation on the financial markets. Lastly, the aforesaid Shareholders' Meeting resolved to change the company's name from Enertad S.p.A. to ERG Renew S.p.A. and to amend some of the Articles of Association.

Regarding the activities performed during the 2008 financial period, we report that:

- we convened the Board of Statutory Auditors on six occasions (two of which concerned the previous Board) and attended meetings of the Shareholders (2), the Board of Directors (12), the Internal Control Committee (5) and the Nominations and Remuneration Committee (4); the frequency and number of meetings of the Board of Directors were sufficient and we are able to confirm that no significant resolutions were passed without the Directors and Statutory Auditors having been appropriately informed beforehand;
- we supervised compliance with the statutory, legislative and regulatory provisions that govern the functioning of the corporate bodies, as well as the observance of principles of correct administration. From our attendance of the Board of Directors' meetings and from the meetings held with delegated parties and the Chief Financial Officer we obtained information – on at least a quarterly basis – regarding the company's general business activity, in the various sectors in which it operates, including through subsidiaries, and the most important transactions from an economic, financial and equity perspective, ascertaining that the actions decided and set up were compliant with the law and the Articles of Association and were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the corporate bodies or such as to compromise the integrity of the company's assets. Information and evaluations were periodically exchanged with the auditing firm, during the course of which no significant aspects emerged that needed to be reported;
- for the part concerning us, we took cognisance of and monitored the adequacy of the company's organisational structure by obtaining information and reviewing the documentation delivered to us by the heads of corporate functions and the auditing firm's representatives, during the meetings arranged with a view to reciprocally exchanging data and information;
- we supervised the adequacy of the internal control system, both during the meetings with the various function heads and with the Person in Charge of Internal Control as appointed by the Board of Directors and identified in the head of the ERG Group Internal Audit Function, and by attending the meetings of the Internal Control Committee. We also noted the positive evaluation on the part of the said Committee as regards the adequacy of the overall internal control system;
- we took cognisance and supervised the adequacy of the administrative-accounting system, and the reliability of same in order to correctly represent management events, by obtaining information from the heads of corporate functions, reviewing documents and analysing the results of the work performed by the Auditing Firm;
- we supervised the adequacy of instructions given to subsidiaries both regarding the information flows required to draw up the Financial Statements and interim reports, and pursuant to Article 114, second paragraph of Legislative Decree no. 58/98;
- we monitored the process of revising the Organisation and Management Model pursuant to Legislative Decree 231/01 and its dissemination within the Company. The new Organisation model approved by the Board of Directors' meeting on 25 September 2008, which came into effect as from 1 November 2008, takes account of the legislative and jurisprudential changes occurring in 2008, not least of which Legislative Decree 81/2008 containing measures concerning the protection of health and safety in the workplace. The supervisory committee currently in office was appointed by the Board of Directors on 10 November 2008 and is chaired by Prof. Paolo Lanzoni. We have not received any report from the Supervisory Committee indicating violations of the model;
- we have noted the formalities in relation to the laws on "Market abuse" and "Internal Dealing", with special reference to the handling of privileged information and the procedure for public disclosure of announcements and information. We point out that the Board of Directors has entrusted the function of person responsible for the management of confidential information to the Chief Executive Officer;
- we also report that the company's Shareholders' Meeting on 30 June 2008 altered the Articles of Association, approving amendments to Article 17, paragraph 5, changing the name of the "Remuneration Committee" (Comitato per la Remunerazione) to "Nominations and Remuneration Committee" (Comitato Nomine e Compensi), and to Article 23, by

adding paragraphs 10 and 11 which introduce to the procedure for appointment of the Board of Statutory Auditors the possibility to vote according to law in the event that no list is presented or only one list of candidates is presented for the election of the Board of Statutory Auditors;

- during its meeting on 22 January 2008, the Board of Directors approved the new “code of conduct regarding transactions with related parties” which, in brief, provides as follows:
 - transactions with related parties set up by either the Company or the subholding companies, including intra-group transactions, those that are typical or usual and those to be concluded on standard terms and conditions, shall be subject to prior approval by the Board;
 - the Internal Control Committee shall express its opinion on the transaction and shall evaluate whether or not the transaction’s nature, value or other characteristics also call for the opinion of one or more independent experts with regard to the economic conditions and formal and/or technical correctness of the transaction;
 - the Board of Directors, for the purpose of adopting the resolution authorising the execution of the transaction, shall receive from the chief executive officer a full report on the nature of the relationship, the terms for carrying out the transaction, the conditions, motivations and risks, and shall also obtain the opinion of the Internal Control Committee.

Furthermore, in reference to the audit activities performed, we confirm that:

- the information concerning the organisational structure and changes made to same during the year are adequately described in the Annual Corporate Governance Report, drawn up according to the principles set forth in the Corporate Governance Code issued in March 2006. We point out that no rules for governing the shareholders’ meeting have hitherto been adopted in view of the composition of the company’s body of shareholders;
- the company has not carried out any atypical or unusual transactions with group companies, related parties or third parties other than those mentioned in the introduction to this report, a description of which has been provided by the Directors in their Management Report;
- the nature of related-party transactions, corresponding to the company’s interest and carried out at market conditions, is both commercial (mostly concerning holding company activities, administrative and financial coordination, strategic consulting) and financial (centralised management of financial resources); the relative information provided by the directors in their report is sufficient. Moreover, since the company is part of the wider ERG Group, it in turn receives from the Parent Company services regulated by specific service contracts above all for administrative, financial and organisational activities, institutional and international relations, assistance with extraordinary transactions, corporate affairs and planning and control, as well as charges for the use of the computer system and office rentals. Based on the review carried out by the Internal Control Committee, all services provided correspond to the company’s interest and are performed at market conditions. The management report sets out full details and the economic effects of these transactions;
- no reports were received pursuant to Article 2408 of the Italian Civil Code and complaints no were received from third parties;
- in the course of our activity, we encountered no omissions, irregularities or reprehensible or, in any case, significant facts that needed to be reported to the control bodies or mentioned in this Report;
- during the year we issued the opinions required of the Board of Statutory Auditors according to law.

The Separate and Consolidated Financial Statements have been audited by Deloitte & Touche S.p.A. During the year regular relations were maintained with the Auditing Firm, both by way of formal meetings also attended by the Company’s administrative heads, and through informal contacts.

The auditing firm, in addition to its review of the Separate Financial Statements, the

Consolidated Financial Statements and the Half-yearly Financial Report, also received engagements for the review performed as part of the publication of documents and prospectuses required as a result of the above mentioned demerger transaction (for a total amount of Euro 237,000), as well as another engagement to review the Reporting Package (Euro 15,000).

In 2008 engagements for the amount of Euro 61,000 were also assigned to companies belonging to the Auditing Firm's Network, in connection with the operations carried out to support the acquisition of the French operating companies.

Insofar as concerns the Separate Financial Statements, we report as follows:

- since we are not required to perform an analytical control of the financial statement contents, we supervised the general layout of the statutory accounts, the overall legal compliance as regards their formation and structure and in such respect we have no particular observations to report;
- we checked the observance of legal provisions relating to the preparation of the Management Report. The latter is consistent with the data and entries shown in the Financial Statements and provides full information on the operations of the Company and its subsidiaries and on intra-group and related-party transactions, as well as on the consistency of the company's organisation with the principles of Corporate Governance, in keeping with the new Corporate Governance Code for listed companies, which has been adopted by ERG Renew;
- insofar as we are aware, the Directors have not departed from legal provisions pursuant to Article 2423, fourth paragraph of the Italian Civil Code and Article 5 of Legislative Decree 38/2005;
- the Company adopts international accounting standards as regards both the separate and the consolidated accounts;
- in accordance with CONSOB resolution 15519/2006 the accounting schedules specifically indicate the effects of related-party transactions on the Balance Sheet and income statement;
- we have verified that the financial statements correspond to the facts and information that have come to our knowledge due to the performance of our tasks;
- the Chief Executive Officer and the Manager Responsible for preparing the company's financial reports have issued the certification required, in accordance with the Law and regulations;
- the Management Report also furnishes an adequate account of the events that have characterised the financial year. More specifically, detailed information is provided on the following circumstances:
 - in view of the present scenario with regard to official approvals for wind power installations, which has become more and more fragmented with consequent increase in the activities and lengthening of the time required to complete authorisation procedures, the Company has decided that development costs relating to wind farms are to be capitalised only once authorisation has been obtained;
 - in March 2009 a new 2009-2012 business plan was approved which envisages overall investments by 2012 of around Euro 300 million (of which Euro 93 million in 2009) for a total installed capacity of 372 MW;
 - in the "Business Outlook" section reference is made to the fact that 2009 investments will be assisted by equity injections, use of bank borrowing and support from the parent company ERG S.p.A., which in February 2009 formally committed to supporting ERG Renew in the investments planned for the coming year up to the amount of Euro 70 million. During 2009, the Directors will evaluate the situation on the financial markets and therefore whether or not to carry out the capital increase as authorised by the Shareholders' Meeting on 30 June 2008;
 - one of the most important legislative interventions with regard to the production of electricity from wind sources concerned the Ministerial Decree of 18 December 2008 whereby the Ministry for Economic Development established a new mechanism for

- determining the value of green certificates, confirming however the valuation of productions accrued and accruing up to the end of 2010;
- during 2008, the Company executed an agreement with Repower Systems AG, one of the leading wind turbine manufacturers, for the supply of 80 2-MW units, 30 of which are covered by an option. By way of this agreement ERG Renew ensured the supply for an overall capacity of 160 MW;
 - in the explanatory note sections “Ongoing risks and disputes” and “Provisions for liabilities and charges” an adequate account is given of pending litigations;
 - the Independent Auditors’ Report dated 19 March 2008 contained no observations or requests for further information;
 - for each member of the control body, annexed hereto are the lists of positions held, as at the date of issuing the report, with the companies referred to in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, in accordance with Article 144 quinquiesdecies of the Issuers’ Regulation (Resolution 11971/1999);
 - with the Shareholders’ Meeting called to approve the financial statements as at 31 December 2008, the mandate conferred upon the Board of Directors by the Shareholders’ Meeting on 15 December 2006 will expire; the Board of Statutory Auditors therefore invites Shareholders to proceed accordingly.

Bearing in mind the contents of this report, also taking account of the information received from the Auditing Firm, the Board of Statutory Auditors has no observations to make regarding the approval of the Statutory Financial Statements for the period ended 31 December 2008, as drawn up by the Directors.

24 March 2009

The Board of Statutory Auditors

Lelio Fornabaio
Francesco Gatti
Andrea Manzitti

**LIST OF OFFICES HELD TO BE ANNEXED TO THE REPORT PREPARED
PURSUANT TO ARTICLE 153 OF THE CONSOLIDATED LAW ON FINANCE
ANNEX 5 BIS - TABLE 4**

DR. LELIO FORNABAIO

UPDATED: 24 MARCH 2009

| COMPANY | NATURE OF OFFICE HELD | EXPIRY OF TERM OF OFFICE |
|---|---|--|
| ARISCOM COMPAGNIA DI ASSICURAZIONE S.P.A. | DIRECTOR | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| LUX VIDE S.P.A. | DIRECTOR | APPROVAL FINANCIAL STATEMENTS 31/12/2008 |
| ERG RENEW S.P.A. | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| FEUDI DI SAN GREGORIO S.P.A. | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| VIGNA OTTIERI S.R.L. | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| PROGESI S.P.A. WITH SOLE SHAREHOLDER | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| QUADRANTE EUROPA TERMINAL GATE S.P.A. | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| NETWORK TERMINALI SICILIANI S.P.A. | CHAIRMAN BOARD OF STATUTORY AUDITORS | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| ERG RAFFINERIE MEDITERRANEE S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| ISAB S.R.L. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| D FINANCE S.P.A. WITH SOLE SHAREHOLDER | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| HDI ASSICURAZIONI S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| IN CHIARO ASSICURAZIONI S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| ADR TEL S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| ANSALDO FUEL CELLS S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| PROMINVESTMENT S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2008 |
| NUMBER OF OFFICES HELD IN LISTED COMPANIES | 1 | ERG RENEW S.P.A. |
| NUMBER OF OFFICES HELD OVERALL | 16 | |

AVV. FRANCESCO GATTI

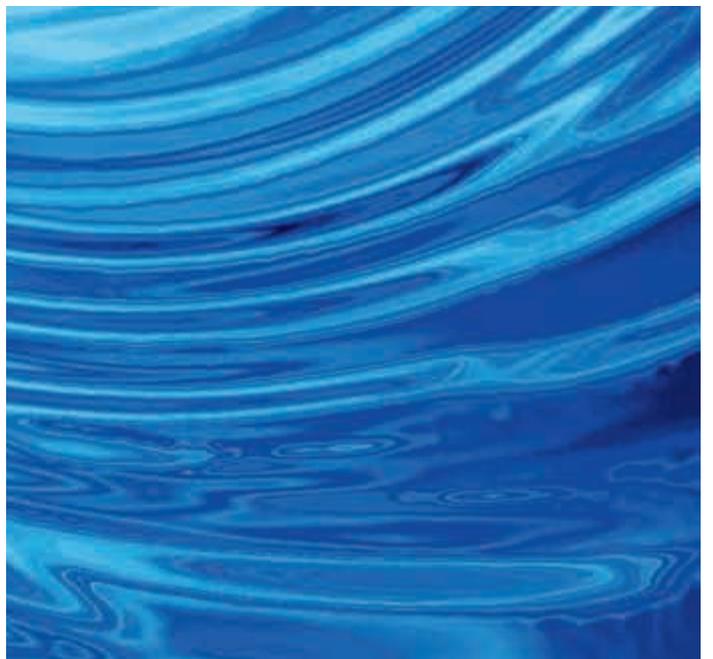
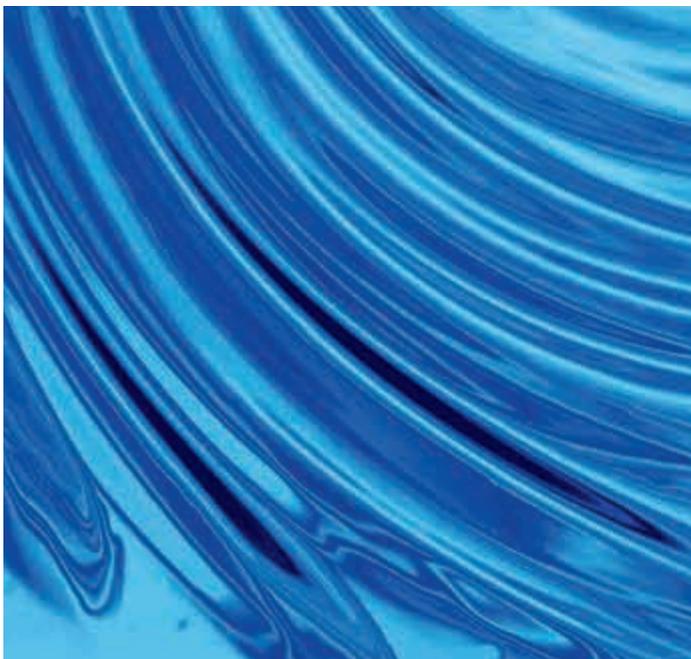
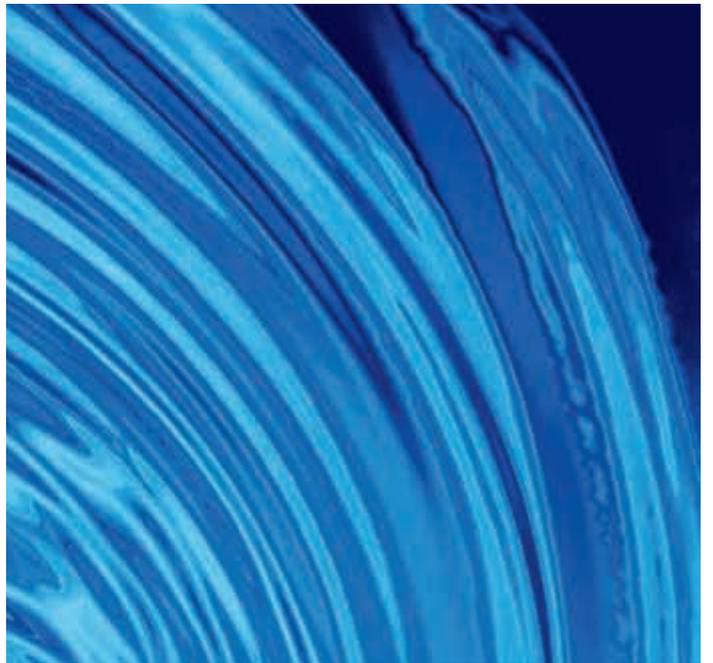
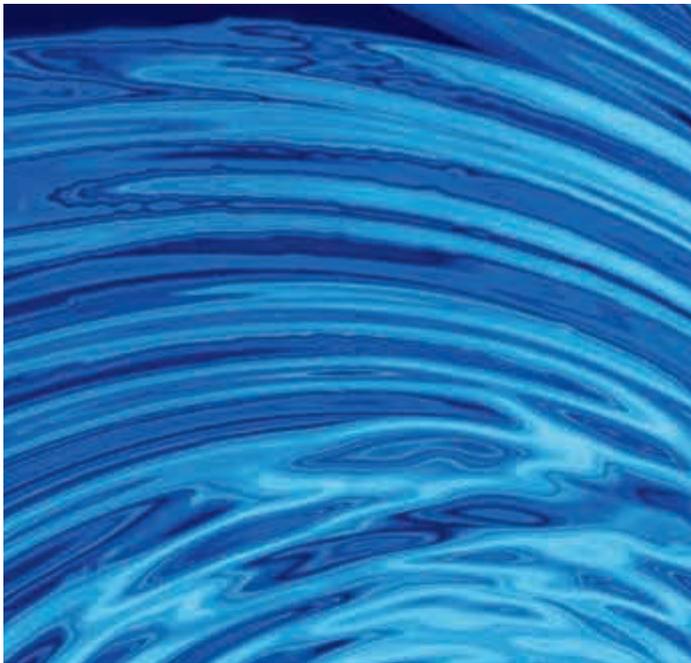
UPDATED: 2 APRIL 2009

| COMPANY | NATURE OF OFFICE HELD | EXPIRY OF TERM OF OFFICE |
|---|-----------------------|--|
| ERG RENEW S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31-12-2010 |
| NUMBER OF OFFICES HELD IN LISTED COMPANIES | 1 | ERG RENEW S.P.A. |
| NUMBER OF OFFICES HELD OVERALL | 1 | |

AVV. ANDREA MANZITTI

UPDATED: 24 MARCH 2009

| COMPANY | NATURE OF OFFICE HELD | EXPIRY OF TERM OF OFFICE |
|---|-----------------------|--|
| FMB SRL | DIRECTOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| ERG RENEW S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| ERG NUOVE CENTRALI S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| AXA ITALIA S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2009 |
| AXA PARTECIPAZIONI S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| QUIXA S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| SIND S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| BNL S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| ABBACUS SIM S.P.A. | STANDING AUDITOR | APPROVAL FINANCIAL STATEMENTS 31/12/2010 |
| NUMBER OF OFFICES HELD IN LISTED COMPANIES | | 2 ERG RENEW S.P.A.; BNL S.P.A. |
| NUMBER OF OFFICES HELD OVERALL | | 9 |



**INDEPENDENT
AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N° 58 OF FEBRUARY 24, 1998

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

1. We have audited the consolidated financial statements of Erg Renew S.p.A. and subsidiaries (the "Erg Renew Group"), which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of Erg Renew S.p.A.'s Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year consolidated financial statements, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on March 21, 2008.

3. In our opinion, the consolidated financial statements present fairly the financial position of Erg Renew Group as of December 31, 2008, and the result of its operations and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.
4. Pursuant to art. 2497 bis, first paragraph, of the Italian Civil Code, the Company has stated that it is subject to direction and coordination by ERG S.p.A. and therefore, has included summary financial data from the latest financial statement of ERG S.p.A. in the explanatory notes. Our opinion on Erg Renew Group consolidated financial statements does not cover this summary financial data.

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

Member of
Deloitte Touche Tohmatsu

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.r.
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560156 - R.E.A. Milano n. 1720239

5. The Directors of Erg Renew S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Management Report with the consolidated financial statements, as required by art. 156, paragraph 4-*bis*, letter d), of the Legislative Decree n° 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report is consistent with the consolidated financial statements of the Erg Renew Group as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
March 19, 2009

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

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

**AUDITORS' REPORT
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N° 58
OF FEBRUARY 24, 1998**

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

1. We have audited the financial statement of Erg Renew S.p.A., which comprise the balance sheet as of December 31, 2008, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and other explanatory notes. This financial statement, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of Erg Renew S.p.A.'s Directors. Our responsibility is to express an opinion on this financial statement based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year financial statement, the balances of which are presented for comparative purposes, reference should be made to our auditors' report issued on March 21, 2008.

3. In our opinion, the financial statement present fairly the financial position of Erg Renew S.p.A. as of December 31, 2008 and the results of its operations and its cash flows for the year the ended in accordance with International Financial Reporting Standards as adopted by the European Union, and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.
4. Pursuant to art. 2497 bis, first paragraph, of the Italian Civil Code, the Company has stated that it is subject to direction and coordination by ERG S.p.A. and therefore, has included summary financial data from the latest financial statement of ERG S.p.A. in the explanatory notes. Our opinion on Erg Renew S.p.A. financial statement does not cover this summary financial data.

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 19.328.220,00 i.v.
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720229

Member of
Deloitte Touche Tohmatsu

5. The Directors of Erg Renew S.p.A. are responsible for the preparation of the Management Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the management report with the financial statement, as required by art. 156, paragraph 4-*bis*, letter d), of Legislative Decree n° 58/98. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Management Report is consistent with the financial statement of the Erg Renew as of December 31, 2008.

DELOITTE & TOUCHE S.p.A.

Signed by
Ernesto Lanzillo
Partner

Milan, Italy
March 19, 2009

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



**CORPORATE
GOVERNANCE
REPORT**

**2008 FINANCIAL YEAR
APPROVED ON 9 MARCH 2009**

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CORPORATE GOVERNANCE REPORT

INTRODUCTION

As part of the transfer of ERG Group wind power generation activities to ERG Renew S.p.A. (referred to hereinafter as “ERG Renew” or the “Company”), it has been decided to reorganise the Company so that management can focus its attention on integrated management of those activities.

Accordingly, the Board of Directors meeting held on 14 March 2008: *i)* resolved to appoint a General Manager, Francesco Del Balzo, who was delegated ordinary administrative authority; *ii)* following resignation on that date of Directors Salvatore Russo and Paolo Panella from their positions as Chief Executive Officers, it appointed Raffaele Tognacca as Chief Executive Officer of the Company; *iii)* it approved the formation of a Strategic Committee to provide advice and support to the Company’s Chief Executive Officer, Board of Directors and subsidiaries and/or affiliates.

To maintain continuity in the management of certain important business activities, Raffaele Tognacca delegated the Deputy Chairman, Salvatore Russo, to assist him with extraordinary transactions and investor and financial analyst relations, and Director Paolo Panella to assist him with operations in the “Water Services” division.

To facilitate the process of integrating ERG Power & Gas S.p.A. renewable energy activities with ERG Renew, the Shareholders’ Meeting of 22 April 2008 resolved as follows on a motion by the shareholder ERG S.p.A.: *i)* to increase the number of seats on the Board of Directors from nine to eleven; *ii)* to appoint Luca Bettonte and Vittoria Garrone to fill the new director seats, in light of their professional qualifications and experience; *iii)* pursuant to Article 2386 Italian Civil Code, to appoint as directors Raffaele Tognacca and Giorgio Mazzanti, who had been co-opted by the Board of Directors at its meetings on 21 September 2007 and 22 January 2008, respectively, to replace the resigned directors Massimo Pezzolo and Giulio Antonello.

On 30 June 2008, the Extraordinary Shareholders’ Meeting *i)* approved the project for partial demerger of ERG Power & Gas in favour of ERG Renew and consequent assignment of 37,789,734 newly issued shares to ERG S.p.A., the sole shareholder of the demerged company; *ii)* pursuant to Article 2443 Italian Civil Code, it resolved to grant the Board of Directors authority to increase the share capital up to Euro 200 million, including any share premium, through rights offers to shareholders for a maximum period of five years; *iii)* resolved to change the company name to “ERG Renew S.p.A.”, thereby reinforcing the identification of the Company with the ERG Group, particularly in reference to the renewable energy sector; *iv)* resolved to change the name of the Compensation Committee to the Nominations and Compensation Committee.

On 25 September the Board of Directors of ERG Renew approved the amendment to the Disclosure Document published on 19 June 2008, regarding the plan for demerger of the renewable energy source assets of ERG Power & Gas in favour of ERG Renew, in view of listing the shares issued to service the demerger pursuant to Article 57(1) of the CONSOB Issuers Regulation 11971/99. The demerger agreement, which was signed on 18 September 2008 and entered at the Milan Trade Register on 22 September, came into force on 1 October 2008.

Finally, the amendment to Article 23 “Statutory Auditors” of the Articles of Association, resolved by the Shareholders’ Meeting on 30 June 2008, and consisting in the addition of the new clauses 10 and 11 after clause 9, envisages that if no list is submitted or just one list of candidates is submitted for election to the Board of Statutory Auditors, the issue will be decided by majority vote.

The share capital of ERG Renew, totalling Euro 132,666,675.00, is 77.387% owned by ERG S.p.A. The Board of Directors three-year term will expire upon approval of the annual financial statements.

CORPORATE GOVERNANCE REPORT

(Disclosure pursuant to Section IA.2.6 of the Instructions to the Regulation of Markets Organised and Operated by Borsa Italiana S.p.A.)

Pursuant to applicable laws and regulations, the Annual Corporate Governance Report provides a detailed description of the Corporate Governance system and actions taken by the Company in accordance with a fair and transparent corporate governance and control system. In particular, this report is focused on providing general information about the Company, including description of its ownership structure pursuant to Article 123 bis TUF (Consolidated Law on Finance), and illustrating the level of application of the recommendations contained in the individual principles and criteria set out in the Corporate Governance Code approved in March 2006 by the Committee on Corporate Governance for Listed Companies of Borsa Italiana S.p.A., and consistently with the best practises applied inside and outside Italy. Accordingly, a table is appended to the end of this report ⁽¹⁾ that shows which of the recommendations contained in the Corporate Governance Code were actually adopted and, consequently, applied by the Company. Furthermore, data and information are provided in table format to ensure synoptic and intuitive disclosure.

The text of the Company Articles of Association, amended in accordance with the Corporate Law Reform pursuant to Legislative Decree 6/2003, as amended by Legislative Decree 37/2004 in co-ordination with Legislative Decree 385/1993 (Consolidated Law on Banking – TUB) and Legislative Decree 58/1998 (Consolidated Law on Finance - TUF), and approved by the Extraordinary Shareholders' Meeting on 29 September 2004, was further amended on 26 June 2007 in order to bring its content in line with Law 262 of 28 December 2005 (Savings Act), and Law 303 of 29 December 2006. Finally, Articles 1, 17 and 23 in the Articles of Association were amended by the Extraordinary Shareholders' Meeting on 30 June 2008.

The current Corporate Governance structure was created through the progressive introduction of rules of conduct that have gradually implemented the most advanced principles of relevance.

This corporate policy has taken material form through:

- the adoption of a Group Compensation Plan designed to align management interests with shareholder interests and reinforce the relationship between managers and the Company in terms of their sensitivity to the value of action and continuity over time;
- the adoption of a Code of Ethics, shared with the ERG Group, as a tool for defining and communicating the Company's duties and responsibilities to its stakeholders and as an essential element of an organisation and management model consistent with the provisions of Legislative Decree 231/2001, as amended;
- the presence of independent directors on the Board of Directors;
- adoption of the Corporate Governance Code for Listed Companies, as most recently amended in 2006 by the Committee on Corporate Governance of Borsa Italiana S.p.A.
- the adoption of a Code of Conduct for Directors of ERG Group companies;
- the definition of Guidelines for identification and execution of significant transactions and other corporate governance documents designed to ensure transparent and prompt management of Market relations;
- amendment of the Company Articles of Association to bring them into line with the statutory amendments introduced by the Corporate Law Reform.

The Company has always focused attention on fair relations between management and shareholders and the objective of creating value through its business operations. This policy has been implemented through:

1) See Table 3 hereunder.

- co-ordinated delegations of authority on the Board of Directors to ensure that management authority and responsibilities are clear and complete, on the one hand, and that the achieved results are monitored and assessed, on the other hand;
- systematic and adequate reports to the Board of Directors on actions taken in the course of exercising management authority and responsibilities;
- adoption of specific procedures to determine the compensation of directors and management.

This report is available in the specific section of the website www.ergrenew.it

ORGANISATION OF COMPANY

Consistently with the Italian legislation governing listed companies, the Company has:

- 1) a Board of Directors that is responsible for ordinary and extraordinary management;
- 2) a Board of Statutory Auditors that is responsible for monitoring: *(i)* compliance with the law and the Articles of Association, *(ii)* compliance with the principles of fair management, and *(iii)* the adequacy of the organisational structure, internal control system and administrative and accounting system of the Company;
- 3) an Internal Control Committee and a Nominations and Compensation Committee that are responsible for: *(i)* proposing candidates on request to the Board of Directors, if it is necessary to replace an independent director pursuant to Article 2386(1) Italian Civil Code; *(ii)* assess, on specific request by the shareholders that intend to submit voting lists, the independence of Board of Director candidates to be proposed to the Company Shareholders' Meeting; *(iii)* provide the Board of Directors with an annual opinion on the size, composition and functions of the Board of Directors, possibly expressing its opinion on the professionals it believes should sit on the Board of Directors; *(iv)* express its opinion on the maximum number of positions as director or statutory auditor at other companies listed on regulated markets, including foreign markets, at financial, bank, insurance or large companies that might be considered compatible with effective performance of the role of Company director;
- 4) a Strategic Committee, delegated with consultative and advisory duties to the Board of Directors of the Company and the subsidiaries, to be implemented through the preparation of evaluations and expression of opinions on definition of business and financial strategies and individual significant transactions. The Strategic Committee maintains appropriate ties with the Committee set up at the parent company, ERG S.p.A., examines the multi-year strategic plans and investment budget of the Company and subsidiary and/or affiliated operating companies before their implementation, and evaluates the strategic appropriateness of major investments, defining any "toll gates," the specific Final Decision Process (FDP) and relevant follow-up.
In regard to significant investments, the Committee also assesses the economic and financial analyses for the individual investment and, if necessary, material aspects of legal, corporate, administrative, tax and financial concern;
- 5) a General Manager delegated with authority for ordinary management of the Company;
- 6) a Shareholders' Meeting, which may resolve at ordinary and extraordinary meetings on, inter alia: *(i)* the appointment and dismissal of members of the Board of Directors and Board of Statutory Auditors, *(ii)* approval of the financial statements and allocation of profits, *(iii)* amendment to the articles of association, *(iv)* purchase and disposal of treasury shares.

An external auditor retained by the Shareholders' Meeting is responsible for auditing the Company accounts and books.

COMPOSITION OF SHARE CAPITAL

The Company share capital, totalling Euro 132,666,675.00, consists entirely of ordinary shares, with a par value of Euro 11.00 each, fully paid in and with voting rights at the Company Ordinary and Extraordinary Shareholders' Meetings.

The Company is listed on the online market operated by Borsa Italiana S.p.A.

According to the register of shareholders and available information, ERG S.p.A. directly controls the Company on the basis of its 77.387% interest in share capital.

The other shareholders owning more than 2% of the share capital at the publication date of this document are:

Generali Investments France S.A.: 5.349%.

At the preparation date of this document, the Company is unaware that any Shareholders Agreements had been made pursuant to Article 122 TUF.

SUBORDINATION TO MANAGEMENT AND CO-ORDINATION BY ANY OTHER COMPANY

At its meetings on 27 February 2007 and 9 November 2007, the Board of Directors took note that ERG S.p.A. manages and co-ordinates ERG Renew pursuant to Article 2497 Italian Civil Code by virtue of its majority stake in the share capital and the activities carried out by the former in favour of the Company.

FUNCTION OF BOARD OF DIRECTORS

Pursuant to Article 17 of the Articles of Association, the Board of Directors has full authority for ordinary and extraordinary management of the Company.

In accordance with Company practise and clauses 1.C.1 et seq. of the Corporate Governance Code, the Company Board of Directors:

- a) examines and approves the strategic, business and financial plans of the issuer and the Group it heads, the issuer's own corporate governance system and the Group's own organisation;
- b) evaluates the adequacy of the organisational, administrative and general accounting system of the issuer and strategic subsidiaries that has been set up by the Chief Executive Officers, particularly in regard to the internal control system and management of conflicts of interest;
- c) grants and revokes delegations of authority to the Chief Executive Officers, defining their limits and terms and conditions for exercise; it also determines the frequency, but no more than once a quarter, with which the delegated officers must report to the board of directors on their activities pursuant to their delegations of authority;
- d) after examining the proposals made by the specific committee and consulting with the board of statutory auditors, determines the compensation of the Chief Executive Officers and the other directors that hold particular positions and, if the shareholders' meeting has not done so, the distribution of the aggregate compensation owed to the board members;
- e) reviews the company's general operating performance, considering in particular the information received from the delegated bodies, while periodically comparing the achieved results with the planned ones;
- f) examines and approves the issuer's and its subsidiaries' transactions in advance, when

these transactions are of material strategic, economic or financial relevance for the issuer, devoting special attention to the situations in which one or more directors have a personal interest or an interest on behalf of third parties and, more in general, transactions with related parties; accordingly, it determines general criteria for identifying significant transactions;

- g) at least once a year, it reviews the size, composition and performance of the board itself and its committees, possibly expressing opinions on the professionals whom it deems should be members of the board;
- h) provides information in the corporate governance report on the terms and conditions for application and, in particular, on the number of board and executive committee (if one exists) meetings held during the year and on the percentage of meetings attended by each director.

On the basis of the information received from the Directors, the Board of Directors takes an annual survey and discloses in the corporate governance report the positions of director or statutory auditor held by the Directors in companies listed on regulated markets, including foreign markets, in financial, bank, insurance or large companies.

The Board of Directors expresses its opinion on the maximum number of Director or Statutory Auditor positions in the companies referred to above that can be considered compatible with holding a Director's seat at the Company.

For this purpose, general criteria differentiated according to the commitment connected with each role (of Director with executive authority, without executive authority or independent) have been identified, including in regard to the nature and size of the companies and, if applicable, their belonging to the issuer's Group.

For current Directors, Article 18 of the Articles of Association authorises a waiver of the ban on competition pursuant to Section 2390 Italian Civil Code. This waiver was subsequently confirmed at the Shareholders' Meeting on 15 December 2006.

The Chief Executive Officers are delegated the duty of promptly informing the members of the Board of Directors about the principal statutory and regulatory changes affecting the Company, its subsidiaries and associates and corporate bodies.

The Board of Directors normally meets at least four times a year. During these meetings, it examines and resolves on operating performance in the various divisions, the final quarterly, half-yearly and annual results, the strategic plan, the budget, the proposals regarding its organisational structure and the proposals regarding material transactions presented by the directors with executive authority. The Board of Directors met 12 times during FY2008.

COMPOSITION OF BOARD OF DIRECTORS

Pursuant to Article 16 of the Articles of Association, the Company is managed by a Board of Directors, which has between five and eleven members who serve for a term of three years. Their term expires on the day of the Shareholders' Meeting called to approve the financial statements for the last financial year. The Directors may be re-elected.

Pursuant to the Articles of Association, the members of the Board of Directors will be selected from lists submitted by Shareholders that, either alone or together with other Shareholders, represent at least 2.5% of the share capital, pursuant to CONSOB Resolution 16779/09.

The Board of Directors is currently comprised by eleven Directors, including five with executive authority and six without executive authority, and three of the latter have independent status. They serve for a three/year-term, which will expire upon approval of the 2008 annual report.

The Directors in office at the approval date of this Report are:

1. Giuseppe Gatti, Chairman of the Board of Directors (executive with delegation of management authority for supervision, policy and control of Institutional and International Relations, Corporate Affairs and Internal Audit), appointed by the Shareholders' Meeting on 16 December 2006;
2. Salvatore Russo, Deputy Chairman appointed by the Shareholders' Meeting of 16 December 2006 (he resigned as Chief Executive Officer effective 14 March 2008);
3. Raffaele Tognacca, Chief Executive Officer (executive with ordinary and extraordinary management authority), co-opted on 21 September 2007 and appointed by the Shareholders' Meeting on 22 April 2008;
4. Luca Bettonte, Director (executive^(*)), appointed by the Shareholders' Meeting on 22 April 2008;
5. Giancarlo Cimoli, Director (independent without executive authority) appointed by the Shareholders' Meeting on 16 December 2006;
6. Alessandro Garrone, Director (executive^(*)), appointed by the Shareholders' Meeting on 16 December 2006;
7. Vittorio Garrone, Director (without executive authority^(*)), appointed by the Shareholders' Meeting on 22 April 2008;
8. Pietro Giordano, Director (executive^(*)), appointed by the Shareholders' Meeting of 16 December 2006;
9. Giorgio Mazzanti, Director (independent without executive authority), co-opted by the Board of Directors on 22 January 2008 and appointed by the Shareholders' Meeting on 22 April 2008;
10. Ernesto Monti, Director (independent without executive authority) appointed by the Shareholders' Meeting on 16 December 2006;
11. Paolo Panella, Director (without executive authority), appointed by the Shareholders' Meeting on 16 December 2006 (he resigned as Chief Executive Officer on 14 March 2008);

As previously mentioned in the introduction, on 14 March 2008 the Board of Directors decided to make certain organisational changes to implement integrated management of the activities of the sector in which the Company operates. As part of this process, the directors Salvatore Russo and Paolo Panella resigned their positions as Chief Executive Officers and, consequently, the authority delegated to them. The Board of Directors then appointed Raffaele Tognacca as Chief Executive Officer of ERG Renew.

Given the composition of the Board of Directors and the distribution of positions and authority in it, it was not deemed necessary to designate a lead independent director.

Furthermore, in light of what is prescribed by, in particular, Article 147-ter, subsection 4 of Legislative Decree 58 of 24 February 1998 – according to which if the board of directors has more than seven members, at least two members must satisfy the requirements to be qualified as independent directors – and the Corporate Governance Code, it is believed that the number and responsibilities of the independent directors – Giancarlo Cimoli, Giorgio Mazzanti and Ernesto Monti – are adequate in terms of the size of the Board of Directors and the Company's activity, while also considering that the directors Salvatore Russo and Paolo Panella cannot be qualified as independent solely because they held the position of Chief Executive Officer until 14 March 2008.

(*) These Directors must be considered as having executive authority pursuant to "application rule" 2.C.1 of the 2006 Corporate Governance Code, insofar as they hold positions at the parent company ERG S.p.A. that also involve the Company due to their importance at the Group.

Following is a list of the principal positions at other companies held by each member of the Board of Directors:

| | |
|---------------------------|---|
| Giuseppe Gatti | <i>ERG S.p.A. – Director ACTELIOS S.p.A. – Director Iride Mercato S.p.A. – Chairman Grandi Reti S.p.A. – Chairman</i> |
| Raffaele Tognacca | <i>ERG Power & Gas S.p.A. – Chief Executive Officer ERG Nuove Centrali S.p.A. – Chairman</i> |
| Alessandro Garrone | <i>ERG S.p.A. – Chief Executive Officer YARPA Investimenti SGR S.p.A. – Director Mutuionline S.p.A. – Director Banca Passadore & C. S.p.A. – Director</i> |
| Pietro Giordano | <i>ERG S.p.A. – Deputy Chairman ERG Petroli S.p.A. – Chairman ERG Power & Gas S.p.A. – Director</i> |
| Ernesto Monti | <i>Astaldi S.p.A. – Chairman Finanziaria Tosinvest S.p.A. – Chairman Unicredit Banca di Roma S.p.A. – Director Alitalia S.p.A. – Director Ariscom S.p.A. – Director</i> |

CHAIRMAN OF THE BOARD OF DIRECTORS

Pursuant to Article 19 of the Articles of Association, the Board of Directors meets at either the registered office of the Company or elsewhere whenever the Chairman or, if he is prevented from acting, the Deputy Chairman deems necessary or when at least three members of the Board so request in writing.

The Board of Directors is called by the Chairman by letter, to be sent at least five whole days before the meeting to each Director and Statutory Auditor and, in urgent cases, by telegram or fax, to be sent at last two days in advance. Nonetheless, the Board of Directors meeting shall be deemed to be valid if all Directors and all current Statutory Auditors attend.

Resolutions are passed by an absolute majority vote of those present, and they shall be confirmed by minutes transcribed in the specific book and signed by the Chairman and Secretary of the meeting.

The Board of Directors meetings may be held by videoconference and/or conference call, on condition that all participants can be identified, they can follow the discussion and speak in real time on the matters discussed. When these conditions are satisfied, the Board of Directors meeting is considered to be held in the place where the Chairman and Secretary of the meeting are located, so that the minutes can be drafted and signed.

The Chairman, Deputy Chairman, Chief Executive Officers and General Managers (if appointed) are the legal representatives of the Company and have several and separate signature authority on behalf of the Company.

The Chairman shall have the members of the Board of Directors be provided with documents and information reasonably in advance of the meeting date (except in urgent situations) so

that the Board members can express themselves on an informed basis in regard to the matters submitted for their examination and approval.

The Chairman co-ordinates the activities of the Board of Directors and manages its meetings.

REPORTS TO THE BOARD OF DIRECTORS

The Chief Executive Officers report (at least once quarterly) to the Board of Directors and, at the same time, to the Board of Statutory Auditors, on their activity in accordance with the delegations of authority granted to them.

Furthermore, they provide adequate disclosures of atypical and unusual transactions, transactions involving potential conflicts of interest and/or transactions with related parties, as defined in the procedure adopted at the Board of Directors meeting of 22 January 2008 and as set out in the CONSOB regulations defining related parties.

INDEPENDENT DIRECTORS

The New Corporate Governance Code envisages that “Independent Directors” normally be individuals to whom the following characteristics (but not limited to these) do not apply:

- a) if, either directly or indirectly, including through subsidiaries, trust companies or intermediaries, the Independent Director controls the issuer or has a significant influence over it, or is party to a Shareholders Agreement through which one or more parties can exercise control or significant influence over the issuer;
- b) if he is, or has been in the previous three financial years, a key person at the issuer, where this is construed to be the chairman of the entity, its legal representative, the chairman of the board of directors, directors with executive authority and executives with strategic responsibilities at the company or entity in question, of one of its subsidiaries with strategic importance or a company subject to joint control with the issuer, or a company or entity that, even together with others through a shareholders agreement, controls the issuer or can exercise significant influence over it;
- c) if, directly or indirectly, he has or has had a significant commercial, financial or professional relationship during the previous financial year:
 - with the issuer, one of its subsidiaries or with any of its key persons;
 - with a party that, either singly or together with others through a shareholders’ agreement, controls the issuer, or – when a company or entity is involved – with its key persons; or he is, or has been in the previous three years, an employee of one of the aforementioned parties;
- d) if he receives, or has received in the previous three financial years, from the issuer or from a subsidiary or parent company, significant compensation in addition to the “fixed” compensation for a director without executive authority of the issuer, including participation in incentive plans tied to company performance, including share based incentive plans;
- e) if he has been a director at the issuer for more than nine years over the last twelve years;
- f) if he holds the position of director with executive authority at another company where a director with executive authority of the issuer is director;
- g) if he is a shareholder or director of a company or entity belonging to the network of the firm retained as the issuer’s independent auditor;
- h) if he is a close relative of a person who is in one of the situations described at the preceding sub-indentents.

Consequently, the Board of Directors has determined, on the basis of the foregoing definitions, recommended by the Committee on Corporate Governance of Listed Companies contained in the Code of March 2006, and on the basis of their professional qualifications and personal

characteristics, that the three directors without executive authority of the Company, Giancarlo Cimoli, Giorgio Mazzanti and Ernesto Monti, are "Independent Directors."

PROCESSING OF CONFIDENTIAL INFORMATION

Proper management of confidential information, particularly in regard to price sensitive information, is assigned to the Chief Executive Officer, Raffaele Tognacca, who was specifically delegated by the Board of Directors to control the publication of documents and information regarding the Company.

The procedure, approved by the Board of Directors, envisages that the aforementioned Chief Executive Officer assume the position of Officer in charge of managing confidential information and external disclosure of "Material Information". The Chief Executive Officer proposed, and the Board of Directors approved, in a resolution dated 25 March 2002, the Internal Regulation for management of confidential information.

At its meeting on 21 March 2007, the Board of Directors approved the "Procedure for management and processing of privileged information and publication of press releases and information" already in force at the ERG Group.

In particular, the key points of this Regulation are:

- the management of confidential information, with a list of the obligations imposed on the directors, but also on top management of the Company, for the processing of confidential information, emphasising (i) both the ban on disclosure to third parties, (ii) the duties and procedures for transmission of documents (with specific rules applying to the following means: fax, e-mail, registered mail or courier) and (iii), furthermore, the processing of confidential information by third parties. Furthermore, the Officer is responsible for having the consultants, auditors and other independent contractors (non-employees) used by the Company sign a confidentiality agreement covering the confidential information regarding the Company that they acquire in the course of performing their duties. Finally, relations with the Investor Relator are regulated;
- the regulation of Material Information and its identification and processing, including the procedures for its publication, particularly price sensitive information: in this last instance, the Officer is obligated to determine on a case-by-case basis whether an act or circumstance can materially impact the price of the listed financial instruments and, therefore, determine whether or not that information must be disclosed;
- the press release in which the Officer must publish the Material Information, the rules governing its contents and the internal procedure for approving the press release;
- the Officer's duties in connection with publication of the press release.

In any event, all Directors are required to maintain confidentiality and carefully manage the documents and information that they acquire in the course of performing their duties, and to comply with the adopted procedure.

In regard to the activities undertaken by the Company pursuant to Legislative Decree 231/2001, as amended, entitled "Regulation of the administrative liability of legal entities, companies and associations, including those that are not legal entities, pursuant to Article 11 of law 300 of 29 September 2000", and to the new rules governing market abuse (Article 9 of Law 62 of 18 April 2005), reference is made to what was reported to the Shareholders' Meeting of 28 April 2007:

- on 10 April 2006, the Company Board of Directors approved the Company "Organisation and Management Model", whose purpose is to create an organised and organic structure of procedures and control activities to prevent commission of criminal offences pursuant to Legislative Decree 231/2001, through the identification of specific activities at risk of criminal offences and their consequent formalisation in procedures. At the same meeting, the Board of Directors also appointed the Supervisory Committee.

The Programme adopted by the Company is consistent with the provisions of the relevant guidelines prepared by business associations and offers shareholders the best assurance of efficient and fair management:

- finally, in reference to the new rules governing market abuse, Article 9 of Law 62 of 18 April 2005, which received Directive 2003/6/CE in our legal system, introduced inter alia the obligation for listed companies and the parties that have controlling relationships with them (parent companies and subsidiaries), to establish, maintain and regularly update the list of persons that, on the basis of their employment or professional activity, or the functions they perform, have access to privileged information regarding the listed issuer or its subsidiaries (hereinafter, the “Register”).

All the activities necessary for establishment and activation of the Register were completed in this regard and consistently with these regulations. In particular, an information system tool designed to manage the Register was created.

The Company adopted a new “Internal Dealing” Code of Conduct to regulate, on a compulsory basis, the disclosure obligations and any limits imposed on the transactions involving shares issued by the Company or other financial instruments connected with them, executed by key persons and persons closely related to them, pursuant to applicable laws and regulations (in particular, Legislative Decree 58 of 24 February 1998 – “Consolidated Law on Finance” – as amended by Law 262 of 28 December 2005; the Regulation for implementation of the Consolidated Law on Finance, concerning the regulation of issuers – “Issuers Regulation” – adopted by CONSOB with Resolution 11971 of 14 May 1999, as amended; and, finally, relevant and consequent CONSOB Regulations).

Finally, as previously mentioned, the Board of Directors resolution of 14 March 2008 confirmed and consequently granted the Chief Executive Officer, Raffaele Tognacca, full authority and power of decisions regarding the purposes and procedures for the processing of personal data, including the security profile. Consequently, the Chief Executive Officer was designated Data Controller pursuant to Article 28 of Legislative Decree 196/2003, as amended. Pursuant to that decree, the Chief Executive Officer designated a Data Processor pursuant to Article 29 of Legislative Decree 196/2003, as amended. The Data Controller and/or Data Processor will also be able to identify and/or confirm the Persons in Charge of Data Processing pursuant to Article 30 of Legislative Decree 196/2003, as amended.

APPOINTMENT OF DIRECTORS

Pursuant to the Articles of Association, the members of the Board of Directors are elected on the basis of lists submitted by the Shareholders, in which the candidates must be listed in order by number. The lists submitted by the Shareholders, complete with the information about the candidates’ personal and professional descriptions, must be filed at the registered office of the Company 15 days before the scheduled date of the Shareholders’ Meeting on the first call, and mention thereof shall be made in the notice of call.

Only those Shareholders that alone or together with other Shareholders represent at least 2.5% of the share capital will be entitled to submit lists, pursuant to Resolution 16779/09, issued by CONSOB or, if a different amount, the shareholding in effect at the date that the list is submitted and that will be indicated in the notice of call for the Shareholders’ Meeting that will elect the Board of Directors.

To certify their ownership of the number of shares required to submit a list, the Shareholders must submit and/or have delivered to the Company registered office a copy of the certificates issued by the respective intermediaries pursuant to law and regulation at the same time that the list is submitted.

Each Shareholder may submit or participate in the submission of just one list and each candidate may appear in just one list, on penalty of ineligibility.

Every list must contain a number of candidates that does not exceed the maximum number of directors envisaged in the first paragraph of this article.

The lists shall indicate which Directors can be qualified as independent pursuant to law. At least one candidate on each list, or two candidates if the Board of Directors has more than seven members, must qualify as an independent director as indicated hereinabove.

All candidates must satisfy the integrity requirements set out for the members of supervisory bodies in applicable laws and regulations, and the professional qualifications required for the position to be assumed.

By the deadline indicated hereinabove, a statement by each candidate must be filed together with the list in which he accepts his candidacy and certifies, under his own responsibility, that he is not ineligible or incompatible, and satisfaction of the requirements prescribed by applicable laws and regulations and the Corporate Governance Code adopted by the Company, and provides any indication to be qualified as independent.

The Shareholders that are related to each other in any way pursuant to applicable laws and regulations may submit just one list.

Certification of the absence of any relation with the list submitted by the majority must be filed for the lists submitted by the minority shareholders by the aforementioned deadline, and before the date of the Shareholders' Meeting.

When awarding votes to the Directors to be elected, the lists that did not receive a percentage of votes that is at least equal to half of the percentage required for submitting them shall not be counted.

All Shareholders entitled to vote may vote for only one list.

The Directors shall be elected as follows:

- a) a number of Directors equal to the number of members to be elected minus one shall be taken from the list that obtained the majority of votes cast by the Shareholders, in the order in which they are listed on that list, without prejudice to what is envisaged for the appointment of independent Directors;
- b) the remaining Director will be taken from the minority list that obtained the highest number of votes;
- c) if just one list is submitted, or if the quorum required by the other lists is not reached, the Directors will be elected from the submitted list or from the list that reached the quorum up to the number of candidates presented on it.

At least one member of the Board of Directors is elected from the minority list that received the highest number of votes.

In any event, the candidate or, if the Board of Directors has more than seven members, at least two candidates, qualifying as independent shall be elected from the list that received the highest number of votes.

An independent Director who, after being elected, ceases to satisfy the prerequisites for independence pursuant to law must immediately notify the Board of Directors of this fact and in any case, he forfeits his position.

The Directors hold office for a term of three years, which expires on the date of the shareholders' meeting called to approve the financial statements for the last financial year of their term.

The Directors may be re-elected.

If one or more seats on the Board fall vacant, the Board of Directors shall fill them pursuant to law. However, if the majority of Directors appointed by the Shareholders' Meeting should leave office before the end of their term, the entire Board of Directors is vacated, and the Shareholders' Meeting must be urgently called by the remaining Directors so that a new Board can be appointed. However, the Board of Directors shall remain in office in order to handle ordinary administrative matters only until the Shareholders' Meeting has resolved to renew it and the majority of new Directors have accepted their appointments.

Pursuant to Article 16 of the Articles of Association, the Shareholders' Meeting shall appoint the Directors and periodically determine the number and duration of their term.

NOMINATIONS AND COMPENSATION COMMITTEE

On 22 January 2008 the Board of Directors, with the favourable opinion of the Board of Statutory Auditors, resolved:

1. to change the name of the Compensation Committee to the Nominations and Compensation Committee;
2. in addition to the responsibilities already assigned to the Compensation Committee, which must be considered confirmed for all intents and purposes – *i)* submission to the Board of Directors of proposals for compensation of the Chief Executive Officers and the other Directors that hold certain positions, *ii)* monitoring of application of the decisions taken by the Board of Directors, *iii)* periodic assessment of the criteria adopted for compensation of directors with strategic responsibilities, *iv)* monitoring of their application according to the information provided by the Chief Executive Officers and making general recommendations to the board of directors as relevant – to delegate the following additional duties to the Nominations and Compensation Committee:
 - when requested by the Board of Directors, propose the candidates as director in the case envisaged in Section 2386(1) Italian Civil Code, if it is necessary to replace an independent director; assess, on specific request by the shareholders that wish to submit lists, the independence of director candidates to be submitted to the Company Shareholders' Meeting;
 - provide the Board of Directors with an annual opinion on the size, composition and performance of the Board of Directors, possibly expressing its opinion on the professionals whose membership on the Board of Directors is deemed appropriate;
 - express its own opinion on the maximum number of director or statutory auditor positions at other companies on listed markets, including foreign markets, in financial, bank, insurance or large companies that might be considered compatible with effective performance of the position of Company Director.

The Nominations and Compensation Committee may use external consultants in the course of performing its duties, at the Company's expense.

The Nominations and Compensation Committee is currently comprised of the following Directors:

| | |
|---------------------------------|--|
| Ernesto Monti (Chairman) | <i>independent/without executive authority</i> |
| Giancarlo Cimoli | <i>independent/without executive authority</i> |
| Giorgio Mazzanti | <i>independent/without executive authority</i> |

On motion by the Nominations and Compensation Committee, after receiving the favourable opinion of the Board of Statutory Auditors, the Board of Directors resolved on 14 March 2008 to grant the Chairman of the Board of Directors and the Chief Executive Officer compensation pursuant to Section 2389(3) Italian Civil Code.

The Board of Directors assigned the Nominations and Compensation Committee the duty of providing an annual opinion on the size, composition and performance of the Board of Directors.

On 4 May 2008, the Nominations and Compensation Committee concluded and submitted its assessment of the Board of Director's performance for the 2008 financial year through the definition of the terms and conditions for making that assessment.

INTERNAL CONTROL SYSTEM

The Internal Control System is the set of processes that monitors the efficiency of corporate transactions, the reliability of financial information, compliance with laws and regulations and the protection of corporate assets.

The Board of Directors is responsible for the Internal Control System. It periodically determines the guidelines for that system and reviews its adequacy and actual performance, ensuring that the principal risks faced by the Company are promptly identified and adequately managed. The Board of Directors publishes its assessments of the fitness of the internal control system in order to effectively monitor the effective risks of the principal activities carried on by the Company and its subsidiaries to monitor the economic and financial situation of the Company and the Group.

The Chief Executive Officer, Raffaele Tognacca, who is the director with executive authority in charge of supervising the performance of the Internal Control System, is delegated to identify the principal risks of the company by subjecting them to examination by the Board of Directors, and implements the guidelines of the Board of Directors through the design, management and monitoring of the internal control system, by appointing one or more internal-control officers and providing them with adequate means.

The head of internal control, Carlo Alfredo De Vita, does not report hierarchically to any manager at the operating units, but reports directly to the Chief Executive Officer and the Board of Statutory Auditors.

An Internal Audit Department has been established at the Company. This department reports directly to the Chairman of the Board of Directors of the parent company ERG S.p.A. The current head of this department is Carlo Alfredo De Vita.

STRATEGIC COMMITTEE

The Strategic Committee shall carry out its activities in co-ordination with the parent company ERG S.p.A., in the ambit of the strategies and policies approved by the Board of Directors, through the definition of strategic business and portfolio guidelines and guidelines and policies for strategic finance and individual, extraordinary finance operations, while monitoring the progress of their implementation over time.

The Strategic Committee is currently comprised of the following Directors:

| | |
|----------------------------------|------------------|
| Giuseppe Gatti (Chairman) | <i>executive</i> |
| Luca Bettonte | <i>executive</i> |
| Vittorio Garrone | <i>executive</i> |
| Pietro Giordano | <i>executive</i> |
| Raffaele Tognacca | <i>executive</i> |

ORGANISATION AND MANAGEMENT MODEL

The Board of Directors adopted the Organisation and Management Model pursuant to Legislative Decree 231/2001, as amended.

The Programme has been periodically updated to comply with subsequent statutory amendments.

EXTERNAL AUDITORS

Deloitte & Touche S.p.A. is the firm retained pursuant to Articles 155 et seq. TUF to audit the Statutory and Consolidated Financial Statements and to audit the statutory and consolidated half-year financial statements and interim report on operations. Its activity covers 100% of the subsidiaries included in the scope of consolidation.

The Shareholders' Meeting retained this firm for the 2006-2011 financial years at its meeting on 28 April 2006.

MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

The Board of Directors has designated the Chief Financial Officer, Luca Giorgerini, as the Manager responsible for financial reporting.

INTERNAL CONTROL COMMITTEE

On 15 December 2006, the Board of Directors determined the duties of the Internal Control Committee. More specifically, the Committee has the duty of:

- a) together with the Manager responsible for financial reporting (when appointed) and the auditors, reviewing the fair use of accounting standards and their uniformity for the purposes of preparing the Consolidated Financial Statements;
- b) at the request of the specifically delegated director with executive authority, expressing opinions on specific aspects regarding identification of principal business risks and the design, realisation and management of the Internal Control System;
- c) examining the work plan prepared by the internal-control officers and the periodic reports that they prepare;
- d) assessing the proposals made by auditing firms to be retained as the external auditor, and the work plan prepared for audit and the results illustrated in the report and any letter of suggestions;
- e) monitoring the effectiveness of the audit process;
- f) performing the other duties that are assigned by the Board of Directors;
- g) reporting to the Board of Directors at least once every six months, when the annual and half-yearly financial reports are approved, in regard to the activity performed and the adequacy of the internal control system.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor delegated by him shall participate at the Committee Meetings and, on invitation by the chairman of the Committee and in regard to the matters to be discussed, the representatives of corporate management.

The Internal Control Committee is currently comprised of the following Directors:

| | |
|------------------------------------|--|
| Giancarlo Cimoli (Chairman) | <i>independent/without executive authority</i> |
| Giorgio Mazzanti | <i>independent/without executive authority</i> |
| Ernesto Monti | <i>independent/without executive authority</i> |

SUPERVISORY COMMITTEE

The Supervisory Committee maintains direct and ongoing relations with the Internal Control Committee, and carries out its activity in the ambit of the parent company. When envisaged, a Supervisory Committee has been appointed at each sub-holding.

On 10 November 2008, the Board of Directors modified the structure of the Supervisory Committee following the new assignment of certain roles to the parent company ERG.

Carlo Alfredo De Vita, the head of the Internal Audit Department and head of internal control, was delegated the responsibilities and resources for compliance pursuant to Legislative Decree 231/01 that were previously assigned to the Corporate Security Department.

The Supervisory Committee currently has the following members:

| | |
|---------------------------------|---|
| Paolo Lanzoni (Chairman) | <i>Independent director of the parent company ERG S.p.A</i> |
| Luigi Bricocoli | <i>Group Corporate Security Officer</i> |
| Carlo Alfredo De Vita | <i>Head of Internal Control and Internal Audit Officer</i> |
| Sebastiano Suraci | <i>Company Human Resources Officer</i> |

TRANSACTIONS WITH RELATED PARTIES

On 22 January 2008 the Board of Directors of ERG Renew approved the new “Guidelines for Transactions with Related Parties.”

In particular, the Board of Directors:

1. approves in advance the transactions with related parties of ERG Renew carried out both by the Company and the operating sub-holding companies, including intercompany transactions, except for transactions whose value is Euro 0.3 million or less, typical or usual transactions, and those that are made at standard conditions;
2. related parties are the ones identified as such in IAS 24;
3. intercompany transactions are those made by the Company or subsidiaries with:
 - a) companies that directly or indirectly, or through trust companies or third parties, are subsidiaries or associated companies of the parent company ERG SpA pursuant to Article 2359 Italian Civil Code and Article 93 of the Consolidated Law on Finance;
 - b) companies that directly or indirectly, or through trust companies or third parties, are subsidiaries of ERG Renew S.p.A. pursuant to Article 2359(1, 2) Italian Civil Code and Article 93 of the Consolidated Law on Finance;
 - c) the companies associated with ERG Renew S.p.A. pursuant to Article 2359(3) Italian Civil Code.
4. typical or usual transactions are the ones defined as such in the “Guidelines for Identifying and Executing Significant Transactions,” i.e. those whose nature or object are not unrelated to the typical activity of both companies involved and do not pose criticalities in regard to their characteristics and time of execution;
5. transactions to be concluded at standard conditions, pursuant to the provisions of the “Guidelines,” are those whose economic conditions are at market values and nonetheless constitute conditions applied to third parties as well;
6. if it is decided to carry out a transaction with a related party, the Chief Executive Officer provides the Internal Control Committee with adequate disclosure on the nature of the correlation, the procedures to carry out the transaction, the economic and other conditions to carry it out, the review process followed, the underlying interest and reasons and any risks for the Company;
7. the Internal Control Committee expresses its opinion on the transaction and assesses whether the nature, value or other characteristics of the operation also require the opinion of one or more independent experts in regard to the economic conditions and formal and/or technical fairness of the transaction. In this case, the Internal Control Committee also chooses the expert or experts, who must have recognised professional expertise and competence, and whose independence and lack of conflicts of interest shall be carefully assessed;
8. in view of approving the resolution for authorisation to carry out the transaction, the Board of Directors receives the opinion of the Internal Control Committee (which may be supplemented by the opinion of the independent expert(s)) from the Chief Executive Officer, as well as adequate disclosure of the nature of the correlation, procedures for carrying out the operation, the economic and other conditions for carrying it out, the review process followed, the underlying interest and reasons and any risks for the Company;

If the relation is established with a Director, or with a party that is related through a Director, the Director involved shall disclose this circumstance and provide any explanations that he might be asked to give, pursuant to Article 2391(1) Italian Civil Code.

The transactions with related parties, including intercompany transactions that are not subject in advance to examination and approval by the Board of Directors, by virtue of their having a value equal to or less than Euro 0.3 million, typical or usual transactions or transactions to be concluded at standard conditions must still be disclosed to the parent company’s board of directors. For these transactions, the Chief Executive Officers of the parent company and the sub-holdings collect and retain adequate information on the nature of the relation, the

operating procedures for carrying out the transaction, the economic and other conditions for carrying it out, the review process applied, the underlying interest and reasons, and any risks to the Company. One or more experts may be designated for these transactions, pursuant to the rules given hereinabove.

In transactions with related parties, the directors that have a potential or indirect interest in the transaction shall promptly and exhaustively inform the Board of Directors as to the existence of the interest and its circumstances.

All transactions with related parties for any amount are the exclusive responsibility of the Board of Directors.

RELATIONS WITH INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS

The Company actively undertakes to establish a dialogue with Shareholders and institutional investors, based on comprehension of their mutual roles.

Although the Shareholders' Meeting represents the best possibility for the Board of Directors to inform shareholders about Company performance and its prospects, ERG Renew S.p.A. believes that the quality and timeliness of such disclosure can also be sought in the continuous flow of information on the website www.ergrenew.it.

According to the respective subject matter handled, this site provides not only historic, documental, and accounting information (especially annual, half-year and quarterly reports), and information regarding significant events, corporate governance of the Company and shareholder pacts, but also information on the product line, its applications and issues of customer interest. Some of this information, particularly that published in press releases, is also available in English.

The Board of Directors has observed that, in reference to Article 11 of the Corporate Governance Code, considering the importance of relations with third parties, and particularly with institutional investors and minority shareholders, an investor relations manager should be appointed to handle relations with institutional investors and the other shareholders. The purpose of doing so is to ensure fairness and transparency, which are definitely appreciated by institutional investors and establish a "bond of trust" with other shareholders. All such relations are obviously subject to the approved procedure governing the processing of confidential information.

On 14 March 2008, the Board of Directors appointed Emanuela Delucchi to replace Michele Massimo Galipò and confirmed Danilo Lodola, on the basis of their technical expertise and experience, to manage relations with institutional investors and the other Shareholders, respectively.

SHAREHOLDERS' MEETINGS

It is standard practice for the Company to provide shareholders with information about the Company and its prospects during Shareholders' Meetings. It obviously does so in compliance with the rules governing price sensitive information. Consequently, it promptly discloses this information to the market when appropriate.

All Directors and Standing Statutory Auditors normally attend the Shareholders' Meetings.

The Board of Directors has not drafted rules for the Shareholders' Meeting that must be submitted to the latter for approval, deeming that the conditions for adopting said rules have not actually materialised. Indeed, past experience with the Shareholders' Meetings has shown that they can be productive and fair without having to subject them to specific rules.

The Shareholders' Meeting may also be called to meet at a location other than the registered office, provided that it be held in Europe pursuant to the terms and conditions established by current law. The Chairman of the Shareholders' Meeting is responsible for confirming the right of Shareholders and proxies to attend the meeting.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in lieu of him, the Deputy Chairman. Shareholders' Meeting resolutions must be confirmed in minutes prepared pursuant to Article 2375 Italian Civil Code, and be signed by the Chairman and the Secretary or notary public.

Pursuant to Article 14 of the Articles of Association, the Ordinary Shareholders' Meeting has a quorum on its first call when at least half of the share capital is represented, excluding non-voting shares from this calculation, and on the second call it has a quorum regardless of the capital represented by the participating Shareholders.

The Ordinary Shareholders' Meeting resolves by absolute majority vote, without counting abstentions from voting when calculating this majority.

The Extraordinary Shareholders' Meeting is regularly convened and resolves with the attendance and majorities established by law.

Shareholders' Meeting resolutions are voted upon pursuant to the terms and conditions established by current law. Voting by mail is not allowed. Corporate officers are elected by acclamation or relative majority vote, pursuant to law.

STATUTORY AUDITORS

Pursuant to Article 23 of the Articles of Association, the nominations for the position of Statutory Auditor submitted to the Shareholders' Meeting, accompanied by detailed information on the personal and professional qualifications of the candidates, shall be filed at the registered office of the Company at least fifteen days before the date scheduled for the Shareholders' Meeting on its first call together with the filing of the candidate lists.

The Statutory Auditors act freely and independently, even of the Shareholders that elected them.

The Statutory Auditors are required to maintain the confidentiality of the documents and information acquired in the course of performing their duties and to comply with the procedure for disclosure of these documents and information outside the Company.

Pursuant to Article 23 of the Articles of Association, the Statutory Auditors are elected on the basis of voting lists. This system ensures that a standing Statutory Auditor will be designated by the minority (unless just one list is submitted), in accordance with the provisions of current laws and regulations.

The Statutory Auditors in office at 31 December 2008, who were appointed by the Shareholders' Meeting on 22 April 2008 for three financial years – 2008, 2009 and 2010 – and specifically until approval of the 2010 annual report, are as follows:

- | | |
|---------------------|--|
| 1. Lelio Fornabaio | <i>Chairman of the Board of Statutory Auditors</i> |
| 2. Francesco Gatti | <i>Standing Auditor</i> |
| 3. Andrea Manzitti | <i>Standing Auditor</i> |
| 4. Stefano Brunello | <i>Alternate Auditor</i> |
| 5. Carlo Ravazzin | <i>Alternate Auditor</i> |

The principal positions held by each member of the Board of Statutory Auditors in other companies listed on Italian or foreign regulated markets, and financial, bank, insurance or large companies are also listed as follows:

Lelio FORNABAIO *ADR TEL S.p.A. – Standing Auditor*
HDI Assicurazioni S.p.A. – Standing Auditor
Ansaldo Fuel Cells S.p.A. – Standing Auditor
InChiaro Assicurazioni S.p.A. – Standing Auditor
Lux Vide Finanziaria per iniziative audiovisive e telematiche S.p.A. – Director
Ariscom Compagnia di assicurazioni S.p.A. – Director
ERG Raffinerie Mediterranee S.p.A. – Standing Auditor
ISAB S.r.l. – Standing Auditor
Feudi di San Giorgio S.p.A. – Chairman of the Board of Statutory Auditors

Andrea MANZITTI *BNL S.p.A. – Standing Auditor*
Axa Italia S.p.A. – Standing Auditor
Quixa S.p.A. – Standing Auditor
AXA Partecipazioni S.p.A. – Standing Auditor
Abbacus Sim S.p.A. – Standing Auditor

Pursuant to applicable laws and regulations, and in particular to Ministry of Justice Regulation no. 162 of 30 March 2000, and Consob memorandum no. 1011407 of 15 February 2001, the Company has specified in its Articles of Association the sectors and matters that are strictly related to its business activity.

Milan, 9 March 2009

The Board of Directors
ERG Renew S.p.A.

NOTES

Taking note of the “Guidelines for Drafting the Annual Corporate Governance Report” issued by Borsa Italiana S.p.A., the Company Board of Directors observes that, in regard to the articles that are not currently envisaged in the “Corporate Governance Code” adopted by ERG Renew and listed hereunder, closer review and possible adoption thereof are deferred until a later time.

Shareholders’ Meetings

The Board of Directors did not find it necessary to take the measures indicated at clause 11.C.5 of the Corporate Governance Code, while reserving the right to accept them at a later time.

STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES

TABLE 1

| BOARD OF DIRECTORS (the current directors are indicated in bold print) | | | | | |
|--|---------------------------|---------------------------------|------------------------------------|--------------------|-------------|
| Position | MEMBERS | WITH EXECUTIVE AUTHORITY | WITHOUT EXECUTIVE AUTHORITY | INDEPENDENT | **** |
| CHAIRMAN | GIUSEPPE GATTI | X | | | 100 |
| DEPUTY CHAIRMAN | SALVATORE RUSSO | | X | | 100 |
| CHIEF EXECUTIVE OFFICER | RAFFAELE TOGNACCA | X | | | 92 |
| DIRECTOR | LUCA BETTONTE | X ⁽⁴⁾ | | | 78 |
| DIRECTOR | GIANCARLO CIMOLI | | X | X | 92 |
| DIRECTOR | ALESSANDRO GARRONE | X ⁽⁴⁾ | | | 83 |
| DIRECTOR | VITTORIO GARRONE | | X | | 100 |
| DIRECTOR | PIETRO GIORDANO | X ⁽⁴⁾ | | | 83 |
| DIRECTOR | GIORGIO MAZZANTI | | X | X | 73 |
| DIRECTOR | ERNESTO MONTI | | X | X | 100 |
| DIRECTOR | PAOLO PANELLA | | X | | 92 |
| ● SUMMARY OF REASONS WHY THE COMMITTEE MIGHT BE ABSENT OR HAVE A COMPOSITION DIFFERENT FROM THAT RECOMMENDED BY THE CODE | | | | | |
| ■ SUMMARY OF REASONS WHY THE COMMITTEE MIGHT BE ABSENT OR HAVE A COMPOSITION DIFFERENT FROM THAT RECOMMENDED BY THE CODE | | | | | |
| ♦ SUMMARY OF REASONS WHY THE COMMITTEE MIGHT BE ABSENT OR HAVE A COMPOSITION DIFFERENT FROM THAT RECOMMENDED BY THE CODE: CURRENTLY NOT ENVISAGED; CLOSER ANALYSIS AND POSSIBLE REVIEW OF THEM IS DEFERRED UNTIL A LATER TIME. | | | | | |
| NUMBER OF MEETINGS HELD DURING REFERENCE YEAR | | | | BOD: 12 | |
| <i>NOTES</i> | | | | | |
| * AN ASTERISK INDICATES WHETHER THE DIRECTOR WAS ELECTED FROM A MINORITY LIST | | | | | |
| ** THIS COLUMN INDICATES THE NUMBER OF POSITIONS AS DIRECTOR OR STATUTORY AUDITOR HELD BY THE SPECIFIC INDIVIDUAL AT OTHER COMPANIES LISTED ON ITALIAN OR FOREIGN REGULATED MARKETS, FINANCIAL, BANK, INSURANCE OR LARGE COMPANIES | | | | | |
| *** AN "X" IN THIS COLUMN INDICATES THAT THE BOD MEMBER BELONGS TO THE COMMITTEE | | | | | |
| **** THIS COLUMN INDICATES THE PERCENTAGE OF ATTENDANCE BY THE DIRECTORS AT THE BOD MEETINGS AND COMMITTEE MEETINGS, RESPECTIVELY | | | | | |

| NUMBER OF OTHER POSTS | INTERNAL CONTROL COMMITTEE ● | | NOMINATION AND COMPENSATION COMMITTEE ■ | | DATE OF RESIGNATION TERMINATION | DATE APPOINTED |
|-----------------------|------------------------------|------|---|------|---------------------------------|----------------|
| | *** | **** | *** | **** | | |
| | | | | | | 15/12/2006 |
| | | | | | | 15/12/2006 |
| | | | | | 22/4/2008 ⁽²⁾ | 14/3/2008 |
| | | | | | | 22/4/2008 |
| | X | 100 | X | 75 | | 15/12/2006 |
| | | | X ⁽¹⁾ | 100 | | 15/12/2006 |
| | | | | | | 22/4/2008 |
| | X ⁽¹⁾ | 50 | | | | 15/12/2006 |
| | X | 100 | X | 100 | 22/4/2008 ⁽³⁾ | 22/1/2008 |
| | X | 100 | X | 100 | | 15/12/2006 |
| | | | | | | 15/12/2006 |

INTERNAL CONTROL COMMITTEE: 5

NOMINATIONS AND COMPENSATION COMMITTEE: 4

(1) THEY RESIGNED ON 5 MARCH 2008

(2) RAFFAELE TOGNACCA WAS CO-OPTED BY THE BOD ON 21 SEPTEMBER 2007, APPOINTED CHIEF EXECUTIVE OFFICER AT THE BOARD OF DIRECTORS MEETING ON 14 MARCH 2008 AND CONFIRMED BY THE SHAREHOLDERS' MEETING OF 22 APRIL 2008

(3) GIORGIO MAZZANTI WAS CO-OPTED BY THE BOD ON 22 JANUARY 2008 AND APPOINTED BY THE SHAREHOLDERS' MEETING ON 22 APRIL 2008

(4) THESE DIRECTORS MUST BE CONSIDERED AS HAVING EXECUTIVE AUTHORITY PURSUANT TO "APPLICATION RULE" 2.C.1 OF THE 2006 CORPORATE GOVERNANCE CODE, INsofar AS THEY HOLD POSITIONS AT THE PARENT COMPANY ERG S.P.A. THAT ALSO INVOLVE THE COMPANY DUE TO THEIR IMPORTANCE AT THE GROUP

BOARD OF STATUTORY AUDITORS

IN OFFICE ON THE DATE OF APPROVAL OF THE 2008 STATUTORY FINANCIAL STATEMENTS

TABLE 2

| POSITION | MEMBERS | PERCENTAGE OF ATTENDANCE AT BOARD OF STATUTORY AUDITORS MEETINGS | NUMBER OF OTHER POSTS** |
|--|--------------------------|--|-------------------------|
| CHAIRMAN *** | LELIO FORNABAIO | 100 | |
| STANDING AUDITOR*** | ANDREA MANZITTI | 100 | |
| STANDING AUDITOR*** | FRANCESCO GATTI | 100 | |
| ALTERNATE AUDITOR*** | CARLO RAVAZZIN | – | |
| ALTERNATE AUDITOR*** | STEFANO BRUNELLO | – | |
| CHAIRMAN | MARCO DE RUVO | 100 | |
| STANDING AUDITOR | ALESSANDRO DELLA FONTANA | 100 | |
| STANDING AUDITOR | TAVORMINA CARLO | 100 | |
| ALTERNATE AUDITOR | GIOACCHINO MESSINA | – | |
| ALTERNATE AUDITOR | MYRTA DE'MOZZI | – | |
| NUMBER OF MEETINGS HELD IN CALENDAR YEAR: 6 | | | |
| INDICATE QUORUM REQUIRED FOR SUBMISSION OF LISTS BY MINORITY SHAREHOLDERS FOR ELECTION OF A STANDING AUDITOR (PURSUANT TO ARTICLE 148 TUF): 2,5% | | | |
| <p>NOTES</p> <p>* THE ASTERISK INDICATES WHETHER THE STATUTORY AUDITOR WAS ELECTED FROM A MINORITY LIST</p> <p>** THIS COLUMN INDICATES THE NUMBER OF POSITIONS AS DIRECTOR OR STATUTORY AUDITOR HELD BY THE SPECIFIC INDIVIDUAL AT OTHER COMPANIES LISTED ON ITALIAN REGULATED MARKETS</p> <p>*** APPOINTED BY THE SHAREHOLDERS' MEETING OF 22 APRIL 2008</p> | | | |

OTHER PROVISIONS OF CORPORATE GOVERNANCE CODE

TABLE 3

| | YES | NO | SUMMARY OF REASONS FOR ANY DEPARTURE FROM THE RECOMMENDATIONS OF THE CODE |
|---|-----|-----------------------|--|
| SYSTEM FOR DELEGATING AUTHORITY AND TRANSACTIONS WITH RELATED PARTIES | | | |
| DID THE BOD DELEGATE AUTHORITY BY DEFINING ITS: | | | |
| A) LIMITS | X | | |
| B) TERMS AND CONDITIONS FOR EXERCISE | X | | |
| C) AND FREQUENCY OF REPORTS | X | | |
| HAS THE BOD RESERVED THE RIGHT TO EXAMINE AND APPROVE TRANSACTIONS OF A PARTICULAR ECONOMIC AND FINANCIAL SIGNIFICANCE (INCLUDING TRANSACTIONS WITH RELATED PARTIES)? | X | | |
| HAS THE BOD DEFINED GUIDELINES AND CRITERIA FOR IDENTIFYING "SIGNIFICANT" TRANSACTIONS? | X | | |
| HAS THE BOD DEFINED SPECIFIC PROCEDURES FOR EXAMINING AND APPROVING TRANSACTIONS WITH RELATED PARTIES? | X | | |
| ARE THE PROCEDURES FOR APPROVAL OF TRANSACTIONS WITH RELATED PARTIES DEFINED IN THE REPORT? | X | | |
| PROCEDURE FOR THE MOST RECENT APPOINTMENT OF DIRECTORS AND STATUTORY AUDITORS | | | |
| WERE THE NAMES OF THE CANDIDATES FOR DIRECTOR SEATS FILED AT LEAST 10 DAYS IN ADVANCE? | X | | |
| WERE THE DIRECTOR SEAT CANDIDATE FILINGS ACCOMPANIED BY DETAILED DISCLOSURES? | X | | |
| WERE THE DIRECTOR SEAT CANDIDATE FILINGS ACCOMPANIED BY AN INDICATION OF THEIR FITNESS TO BE QUALIFIED AS INDEPENDENT? | X | | |
| WERE THE NAMES OF THE CANDIDATES FOR STATUTORY AUDITOR SEATS FILED AT LEAST 10 DAYS IN ADVANCE? | X | | |
| WERE THE STATUTORY AUDITOR CANDIDATE FILINGS ACCOMPANIED BY DETAILED DISCLOSURES? | X | | |
| SHAREHOLDERS' MEETINGS | | | |
| HAS THE COMPANY APPROVED A REGULATION FOR THE SHAREHOLDERS' MEETINGS? | | X | THE COMPANY CURRENTLY DOES NOT DEEM IT NECESSARY TO ADOPT ONE. |
| IS THE REGULATION APPENDED TO THE REPORT (OR IS IT INDICATED WHERE IT CAN BE OBTAINED/DOWNLOADED)? | | X | |
| INTERNAL CONTROL | | | |
| HAS THE COMPANY APPOINTED INTERNAL-CONTROL OFFICERS? | X | | |
| ARE THE INTERNAL-CONTROL OFFICERS EXEMPTED FROM REPORTING TO THE HEADS OF OPERATING UNITS? | X | | |
| ORGANISATIONAL UNIT IN CHARGE OF INTERNAL CONTROL | | INTERNAL AUDIT OFFICE | |
| INVESTOR RELATIONS | | | |
| HAS THE COMPANY APPOINTED AN INVESTOR RELATIONS MANAGER? | X | | |
| ORGANISATIONAL UNIT AND CONTACTS (ADDRESS/TELEPHONE/FAX/E-MAIL) OF MANAGERS | | | I.R. EMANUELA DELUCCHI - VIA DE MARINI 1 GENOVA, TEL. 0102401806, FAX 0102401659, E-MAIL EDELUCCHI@ERG.IT DIREZIONI AFFARI SOCIETARI DANILO LODOLA - VIA DE MARINI 1 GENOVA, TEL 0102401898, FAX 0102401652, E-MAIL DANILO.LODOLA@ENERTAD.IT |

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and Fiscal Code 00276450632

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