



# ANNUAL REPORT

AS AT 31 DECEMBER 2015





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## Report on Operations

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## CORPORATE BODIES

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### BOARD OF DIRECTORS

Chairman  
ALESSANDRO GARRONE

Deputy Chairman  
VITTORIO GARRONE

Chief Executive Officer  
MASSIMO DERCHI

Directors  
ITALO GIORGIO ALFIERI  
LUCA BETTONTE  
PAOLO LUIGI MERLI  
DAVIDE MAREGHETTI

### BOARD OF STATUTORY AUDITORS

Chairman  
LELIO FORNABAIO

Standing Auditors  
GIOACCHINO MESSINA  
MICHELE RUTIGLIANO

### INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

## FOREWORD

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The Consolidated Financial Statements as at and for the year ended 31 December 2015 were prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

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

### NEW SCOPE:

- Acquisition of wind farms in France

On **27 July 2015** ERG Renew finalised the closing of the acquisition from Macquarie European Infrastructure Fund, managed by the Macquarie Group, 100% of the capital of four French companies which directly or indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. The wind farms have an annual average expected production of around 150 GWh, equal to over 2,300 equivalent hours. These financial statements represent the impacts of consolidation of the new French companies starting from 1 July 2015: the acquisition resulted in an increase in net invested capital of around EUR 70 million and an increase in debt of the same amount. The contribution to the EBITDA for 2015 was equal to approximately EUR 4.6 million.

- LUKERG Renew Split

At the end of 2015 the **winding up of the joint venture** LUKERG Renew GmbH (50% ERG Renew) was finalised, with the acquisition by ERG Renew S.p.A. of the wind farms in Bulgaria and the Gebeleisis wind farm in Romania, whose statements of financial position were therefore consolidated line-by-line as at 31 December 2015.

The closing was carried out on 23 December 2015. Therefore the adjusted income statement for 2015 still reflects the full contribution of the income statement results of the Joint Venture LUKERG Renew.

- Organic development in Poland

In 2015 ERG Renew was involved in the construction of three wind farms in Poland for a total installed capacity of 82 MW at the end of 2015. Specifically, the first wind farm of 42 MW became operational in July 2015, providing a contribution of EUR 4 million to EBITDA. The remaining 40 MW became operational at the end of 2015 and, therefore, will contribute to the Group's income statement results starting from 2016.



## RESULTS AT ADJUSTED REPLACEMENT COSTS

To enhance understandability of business performance, the income statement results are also shown at their adjusted replacement cost, excluding non-recurring items<sup>1</sup> and including the contribution, for ERG Renew's share, to the income statement results at replacement costs of the LUKERG Renew GmbH joint venture (50%) whose contribution in the income statement not at adjusted replacement cost is represented by the valuation of said equity investment at equity up to 31 December 2015.

The consolidated financial statements as at 31 December 2015 show a profit of EUR 46 million at adjusted replacement cost, an increase compared to the year 2014 when it was EUR 5 million.

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<sup>1</sup> Non-recurring items include significant income components of an unusual nature.

## PROFILE OF THE ERG RENEW GROUP

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**ERG Renew** operates in the sector of electricity generation from wind sources, with installed power of 1,506 MW as at 31 December 2015. ERG Renew is the number one wind power operator in Italy and one of the top ten in Europe.

The wind farms are mainly concentrated in Italy (1,087 MW), but with a significant, growing presence also outside of Italy (420 MW at the end of 2015), specifically in France (128 MW), Germany (86 MW), Poland (82 MW fully developed by ERG during 2015), as well as in Romania and Bulgaria (70 MW and 54 MW following the winding up of the joint venture). These data do not yet include the additional power deriving from the recent acquisitions, finalised at the beginning of 2016, of an additional 124 MW in France and 82 MW in Germany.

Through ERG Renew O&M the company substantially completed the insourcing of the management and maintenance of all the wind farms in Italy.

## STRATEGY

**ERG Renew's** strategy aims at pursuing growth in the sector of the ERG Group's generation from **wind sources**, with the goal of strengthening its leadership in the domestic market due to the continuous pursuit of the utmost operational efficiency through the direct management of operations by O&M and of technical services, and at accelerating the geographical diversification of its portfolio, with a weight of capacity outside of Italy which should increase from 28% at the end of 2015 to 44% in 2018. ERG Renew's growth strategy aims at changing from a growth model based mainly on M&A operations to an organic growth model, with more than 200 MW in France, Germany, Poland and the UK.



# PERFORMANCE HIGHLIGHTS

(EUR million)		2015	2014
<b>MAIN INCOME STATEMENT DATA</b>			
Operating revenues		345	349
Adjusted EBITDA		254	267
EBIT		113	127
EBIT at adjusted replacement cost		123	134
Net income		45	42
of which Group net income		45	42
Group net income at replacement cost		46	41
EBITDA Margin %		74%	76%
<b>MAIN FINANCIAL DATA</b>			
Net invested capital		1,827	1,701
Shareholders' Equity		679	636
Total net financial indebtedness		1,148	1,065
of which non-recourse Project Financing		1,135	1,120
Adjusted net financial indebtedness		1,148	1,145
Financial leverage		63%	63%
<b>OPERATING DATA</b>			
Installed capacity of wind farms at period end	MW	1,506	1,341
Electricity production from wind farms	Millions of kWh	2,614	2,580
Capital expenditures	EUR million	95	38
Electricity production in Italy	Millions of kWh	1,910	2,051
Electricity production in Germany	Millions of kWh	156	144
Electricity production in France	Millions of kWh	206	122
Electricity production in Bulgaria	Millions of kWh	74	67
Electricity production in Romania	Millions of kWh	201	196
Electricity production in Poland	Millions of kWh	68	n.a.
<b>MARKET INDICATORS</b>			
Electricity reference price	EUR/MWh	52.3	52.1
Green Certificates sale price (Italy)	EUR/MWh	100.1	97.4
Feed In Tariff (Germany)	EUR/MWh	96.2	96.0
Feed In Tariff (France)	EUR/MWh	90.4	91.1
Feed In Tariff (Bulgaria)	EUR/MWh	80.3	94.9
EE Price Poland	EUR/MWh	37.1	n.a.
CO Price Poland	EUR/MWh	26.0	n.a.
EE Price Romania	EUR/MWh	29.7	25.0
GC Price Romania	EUR/MWh	29.5	29.3



## PERFORMANCE HIGHLIGHTS BY SEGMENT

(Thousands of Euro)	2015	2014
<b>ADJUSTED OPERATING REVENUES</b>		
Wind sector: Italy	281,481	296,901
Wind sector: France	18,706	11,139
Wind sector: Bulgaria/Romania	23,764	21,617
Wind sector: Germany	15,123	13,850
Wind sector: Poland	4,387	3
<b>Total Wind Sector</b>	<b>343,461</b>	<b>343,510</b>
Holding Division	<b>1,445</b>	<b>5,738</b>
<b>Total</b>	<b>344,906</b>	<b>349,248</b>
<b>ADJUSTED EBITDA</b>		
Wind sector: Italy	233,741	248,639
Wind sector: France	13,298	7,762
Wind sector: Bulgaria/Romania	11,899	13,997
Wind sector: Germany	12,098	12,246
Wind sector: Poland	3,543	(31)
<b>Total Wind Sector</b>	<b>274,579</b>	<b>282,612</b>
Holding Division	<b>(20,757)</b>	<b>(15,461)</b>
<b>Total</b>	<b>253,822</b>	<b>267,151</b>
<b>OPERATING INCOME AT ADJUSTED REPLACEMENT COST</b>		
Wind sector: Italy	129,312	139,298
Wind sector: France	3,753	555
Wind sector: Bulgaria/Romania	4,063	6,131
Wind sector: Germany	5,162	3,803
Wind sector: Poland	2,719	(40)
<b>Total Wind Sector</b>	<b>145,009</b>	<b>149,746</b>
Holding Division	<b>(22,127)</b>	<b>(16,016)</b>
<b>Total</b>	<b>122,882</b>	<b>133,730</b>
<b>CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS</b>		
Wind sector: Italy	6,961	13,302
Wind sector: France	–	28
Wind sector: Bulgaria/Romania	–	1,824
Wind sector: Germany	–	–
Wind sector: Poland	87,486	21,545
<b>Total Wind Sector</b>	<b>94,447</b>	<b>36,699</b>
Holding Division	<b>797</b>	<b>801</b>
<b>Total</b>	<b>95,244</b>	<b>37,500</b>

## COMMENTS ON THE YEAR'S PERFORMANCE

**Consolidated revenues** in 2015 came to EUR 345 million, slightly lower than those in the same period of 2014. This was mainly due to the new production of the new wind farms in France (63 MW since July 2015) and in Poland (42 MW since July 2015, while the additional 40 MW had no impact, as it relates to the end of December 2015), which partly offset the lower revenues in Italy due to lower production (-7%), sold at a slightly higher price (+1%).

The **gross operating margin (EBITDA)** was EUR 254 million, compared with EUR 267 million in 2014. The change is a result of the following factors:

- **Wind sector - Italy:** contribution of EUR 233.7 million compared to EUR 248.6 million reported in 2014, attributable to lower revenues in Italy due to lower production (-7%), sold at a slightly higher price (+1%).
- **Wind Sector - France:** positive contribution of EUR 13.3 million, a significant increase on 2014 (EUR 7.8 million), due to the change in the scope of consolidation through the acquisition of the new French wind farms (63 MW since July 2015);
- **Wind sector - Bulgaria/Romania:** positive contribution of EUR 11.9 million, decreasing on 2014 (EUR 14.0 million) mainly due to the effect of the scenario in Romania, which resulted in excess supply and a consequent decrease in the price of green certificates;
- **Wind Sector - Germany:** positive contribution of EUR 12.1 million, substantially in line with 2014;
- **Wind Sector - Poland:** positive contribution of EUR 3.5 million, attributable to the start of operations of the wind farm EW Orneta 2 SP. Z O.O. (42 MW since July 2015);
- **Holding:** negative contribution of EUR 20.8 million compared to EUR 15.5 million in 2014, mainly attributable to ancillary costs and charges for extraordinary operations concluded during the period.

**EBIT at adjusted replacement cost** was EUR 123 million, down EUR 11 million compared to the previous year (EUR 134 million in 2014) after amortisation and depreciation of EUR 131 million, lower than in 2014 thanks to smaller operating margins.

**Group net income at adjusted replacement cost** was EUR 46 million, higher than in 2014 (EUR 41 million).

**Group net income** amounted to EUR 45 million (EUR 42 million in 2014), mainly due to lower amortisation, depreciation and write-downs for the period and lower income taxes, primarily as a result of the ruling of unconstitutionality of the additional Robin Tax, whose rate (6.5%) is not longer applied (since 1 January 2015), the positive impact of the ACE (Aid to Economic Growth) and the IRAP tax credit pursuant to Law 190/2014.

In 2015, the **Group's capital expenditures** amounted to EUR 95 million (EUR 38 million in 2014), mostly referred to the development and construction of the wind farms acquired in Poland.

The **net financial indebtedness** amounted to EUR 1,148 million, substantially in line with the adjusted net financial indebtedness as at 31 December 2014 (thus, including the share pertaining to LUKERG Renew). During the period operating cash flows were offset by investments linked to the development of wind farms in Poland and the acquisition of French wind farms.

## SIGNIFICANT EVENTS DURING THE YEAR

### FOREIGN WIND SECTOR

23  
January  
2015

ERG Renew reached an agreement for the acquisition from the PAI Group (PAI Polish Alternative Investments RES) of 100% of the capital of Hydro Inwestycje, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydłowo and Stupsk, with a planned capacity of 14 MW and an estimated electricity output, once fully operational, of over 36 GWh per year, equal to approximately 2,600 equivalent hours and approximately 30 kt of avoided CO<sub>2</sub> emissions. The closing was held on 19 February 2015. ERG Renew completed the construction work in the fourth quarter of 2015 and the wind farm became operational at the end of December 2015.

12  
March  
2015

ERG Renew acquired from the PAI (Polish Alternative Investments) Group 100% of the capital of a Polish company (SPV) owning the authorisations required for the construction of a wind farm in Poland, in the municipality of Slupia, with a planned capacity of 26 MW and an estimated electricity generation of over 62 GWh per year when fully operational, equal to approximately 2,600 equivalent hours and to approximately 52 kt of CO<sub>2</sub> emissions avoided. The total estimated investment for the construction of the wind farm is approximately EUR 39 million, already inclusive of the price recognised in terms of enterprise value of the company, i.e.

approximately EUR 3.6 million. ERG Renew completed the construction work at the end of 2015 and the wind farm became operational in the first few days of 2016.

17  
June  
2015

ERG Renew signed an agreement for the acquisition from Macquarie European Infrastructure Fund, managed by the Macquarie Group, 100% of the capital of four French companies which directly or indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. The wind farms have an annual average expected production of around 150 GWh, equal to over 2,300 equivalent hours. The value of the acquisition, in terms of enterprise value, was around EUR 72 million. The closing was held on **27 July**. As a result of this acquisition, ERG Renew consolidated its position in the French wind power market, doubling its installed power from 64 MW to 127 MW. This is also a further step in the Company's geographical diversification and internationalisation strategy.

25  
June  
2015

The two shareholders of LUKERG Renew, a 50-50 joint venture between ERG Renew and LUKOIL, created in 2011 to make investments in the wind power sector in Bulgaria and Romania, mutually decided to wind up the joint venture and consequently divide up its assets, at the end of a three-year period of strong growth. According to the agreement, ERG Renew will be assigned the Bulgarian wind farms

of Tcherga (40 MW), Hrabrovo (14 MW) and the Gebeleisis wind farm in Romania (70 MW) for a total of 124 MW, while LUKOIL will obtain ownership of only the wind farm of Topolog (84 MW). As a result, ERG Renew will increase its total installed power by 20 MW compared to the power assigned it as part of the joint venture (104 MW). The value of the operation, in terms of enterprise value, is approx. EUR 27 million, mainly represented by non recourse Project Financing.

The closing occurred on **23 December 2015**, with ERG Renew S.p.A. acquiring ownership of 50% of the shares from the shareholder OOO LUKOIL – Ecoenergo, held in the company LUKERG Renew GmbH. The sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the equity investment held in Land Power S.A., a Romanian company and the acquisition by LUKERG Bulgaria GmbH of the minority interest in Corni Eolian S.A., also a Romanian company, were also finalised on the same date.

Therefore, ERG Renew S.p.A. was the sole shareholder of LUKERG Renew GmbH (which, in turn, controls 100% of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries, as well as Corni Eolian S.A.)

On the same date LUKERG Renew GmbH changed its company name to ERG Wind GmbH and LUKERG Bulgaria GmbH changed its name to ERG Wind Bulgaria GmbH (registrations at the competent Austrian Companies' Register finalised on 20 January 2015 and date 21 January 2015, respectively).

July  
2015

The wind farm in Radziejów in Poland became fully operational, with a capacity of 42 MW and electricity generation of over 100 GWh per year when fully operational, equal to approximately 2,400 equivalent hours.

15  
October  
2015

ERG Renew signed an agreement to purchase from a fund managed by Impax Asset Management Group eleven wind farms in France, with installed capacity of 124 MW, six wind farms in Germany, with installed capacity of 82 MW, for a total of 206 MW, and two companies, CSO Energy Sarl and CSO Energy GmbH, which provide technical, operational and commercial support to wind energy operators in France, Germany and Poland, both captive and third parties, for a total of approximately 800 MW. The wind farms, which became operational between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an annual average expected production of around 410 GWh. The closing was held on **2 February 2016** (see [Significant events after the closing of the year](#)).

04  
November  
2015

EW Orneta 2 SP. Z O.O. (100% ERG Renew), owner of the wind farm located in the municipality of Radziejów in Poland, signed a Project Financing loan agreement. The plant started up operations at the beginning of the third quarter 2015, with an installed capacity of 42 MW.

The financing, totalling 177.5 million Zloty (around EUR 42 million) and with a duration of 14 years, was executed by the Mandated Lead Arrangers ING Bank, ING Bank Slaski and Bank Pekao (part of the UniCredit Group). ING Bank Slaski also acted as Agent Bank and Bank Pekao acted as Account Bank.

## REGULATORY FRAMEWORK

The most significant legal provisions that characterised the energy industry in 2015 are described below.

### GENERAL

In February 2015 the European Commission published its **"Energy Union Strategy"**, which aims to guarantee Europe and its citizens safe, sustainable energy at affordable prices. Specific measures relate to five key areas, including energy security, energy efficiency and decarbonisation. The "package" is divided into three documents:

- a framework strategy for the Energy Union, which specifies the objectives of the Energy Union and concrete measures that will be adopted to achieve it;
- a document outlining the vision of the EU for the new Paris global agreement on climate;
- a document describing the measures necessary to achieve the objective of interconnection of 10% of installed electricity by 2020.

At the beginning of November 2015, the Commission published its first Interim Report on the progress achieved by the EU toward full implementation of this initiative.

### Climate-Energy Package – ETS Reform

In February 2015 the Environmental Commission of the European Parliament adopted the report on the **ETS Market Stability Reserve (MSR)**, a measure aimed at re-stabilising the prices of CO<sub>2</sub> quotas, mitigating excess structural supply of the quotas on the market.

Based on automated mechanisms, the MSR, will receive or free up a pre-set number of quotas, whose size depends on the performance of demand. The proposal contains the essential guidelines that will form the basis for the adoption of an amendment to the ETS Directive.

In mid-September, the European Union Energy Council formally adopted the decision to establish the MSR in 2018, so that it will become operational on 1 January 2019.

In February 2015 the European Commission published its **"Energy Union Strategy"**, which aims to guarantee Europe and its citizens safe, sustainable energy at affordable prices. Specific measures relate to five key areas, including energy security, energy efficiency and decarbonisation. The "package" is divided into three documents:

- a framework strategy for the Energy Union, which specifies the objectives of the Energy Union and concrete measures that will be adopted to achieve it;
- a document outlining the vision of the EU for the new Paris global agreement on climate;
- a document describing the measures necessary to achieve the objective of interconnection of 10% of installed electricity by 2020.

At the beginning of November 2015, the Commission published its first Interim Report on the progress achieved by the EU toward full implementation of this initiative.

During the summer, the European Commission presented an additional “package” of climate and energy proposals, mainly regarding (i) a new design of a European Electricity Market and (ii) proposed structural reform of the ETS in the period following 2020, to support the energy transition and the final goal of the climate objectives in 2030.

## Paris Agreement on Climate Change

On 12 December, 195 representatives from as many countries formally adopted the text of the Paris Agreement on Climate Change. Though within the context of a process that is still firmly based on the will of individual parties and in the absence of a true framework of control and penalties, the Agreement establishes the following principles:

- it affects each signatory country, making the overall objectives the responsibility of all the parties to the agreement, contrary to what was established in Kyoto;
- it institutionalises a process of revision of the data and national objectives every 5 years;
- it recognises the need to keep the average increase of the temperature of the earth “well below” 2 degrees, making all efforts to keep it at 1.5 degrees;
- it anticipates the need for further efforts to limit global warming to within these values, recognising that the voluntary national programmes signed by the parties to the United Nations Conference are not sufficient.

At follow up meetings the refinement of the agreement reached will be discussed, starting with the definition of the methods for recognising financial transfers to developing countries for emission reduction and mitigation of environmental risk, the recognition of “loss and damages” of the countries most exposed to the consequences of climate change, and the role of the markets in the global strategy of decarbonisation.

## Environmental Issues - Efficiency - Safety

At the end of May 2015, **Law no. 68 of 22 May 2015 on environmental crimes** was published, which introduces four new offences into the criminal code: the offences of environmental pollution, environmental disaster, trafficking and abandonment of highly radioactive material and the obstruction of controls.

The other provisions of the measure include the doubling of the statute of limitations for environmental crimes, with the intention of limiting impunity due to exceeding the statute of limitation, the provision of confiscation of property and the reclamation of the places involved, as well as the reduction of the penalty by two-thirds in the event of voluntary settlement.

At the end of June 2015 the Presidency of the Council of Ministers published a decree for the adoption by the Italian Regional Authorities of a simplified, standardised model for the application for Single Environmental Authorisation, targeted to SMEs and plants not subject to Integrated Environmental Authorisation.

## WIND

### Italy

The Renewable Energy Sources sector has already been the subject of focused measures, in addition to the inter-disciplinary measures already discussed in the previous paragraph.

#### GSE Tariffs Ministerial Decree

With regard to the "GSE Tariffs Ministerial Decree", in May 2015 the GSE (Electricity Services Operator) published **"Operating Methods for the Approval of Rates to Cover the Costs Incurred by the GSE to Support Renewable Energy and Energy Efficiency"**.

ERG Renew submitted an extraordinary appeal to the Head of State for the annulment of said Decree.

#### Resolution 22/2015 on the withdrawal price of 2014 "green certificates"

With **Resolution 22/2015**, the Authority for Electricity, Gas and Water established that the sale price of electricity for 2014 amounted to 55.10 EUR/MWh. Following this update, the GSE announced the withdrawal prices of the "green certificates" issued for 2014 production, equal to EUR 97.42.

As part of the new **"Application Procedure for the Issuing, Management and Withdrawal of GSE green certificates"**, the algorithm for calculating the **extension of the incentive period** was published, relating to the periods of total or partial inactivity of the wind power plant, decided by the operator of the national transmission grid (Terna) pursuant to Article 11, paragraph 8 of Ministerial Decree 18/12/2008.

Also with regard to "green certificates", at the end of October 2015, the GSE announced the **timing for the issue of incentives for plants holding "green certificates"** which from 2016 will be converted into incentive tariffs (FIP). From 1 January 2016, incentives for the conversion of green certificates will be determined on a monthly basis, and **will be disbursed by the GSE on a quarterly basis** by the second quarter following the relevant quarter, in line with the current timing **for withdrawal** of green certificates.

The GSE will provide operators with the **monthly certification of production incentives**, the related economic value of the incentive and the date of disbursement by the GSE.

As regards **accounting for electricity subject to incentives**, regulated by Resolution 595/2014/R/eel, the GSE established several criteria for the placement and on requirements for energy metres, to be adopted from January 2016 on medium and high voltage power plants with power greater than 20 kW. ERG Renew already adjusted its plants to these regulations.

Specifically, for the **wind power sector**, the **Sicily Region** issued a law on the protection of areas with greater landscape - environmental vulnerability, which places some limits to the construction of **new wind power plants** with power greater than 200 kW. The rules implementing the measure will be issued in the first half of 2016.



## France

The French National Assembly promulgated the “Energy Transition Law” on 17 August 2015. This law defines the objectives for energy transition towards decarbonisation and, among its qualifying points, sets out a commitment to reduce greenhouse gas emissions by 40% by 2030 compared to 1990, a 30% reduction in fossil fuel consumption by 2030 compared to 2012, an increase in the share of renewable energy as a proportion of total consumption to 32% by 2030 (40% as regards the production of electricity), the reduction of total consumption by 50% compared to 2012 and the reduction of the nuclear share of energy production to 50% by 2025 (compared to the current approximately 75%).

## Germany

At the end of 2014, the Commission concluded that the 2012 version of the German Renewable Energies Law (EEG) constituted state aid, while also being in line with the EU Guidelines on State Aid for environmental protection and energy, adopted in April 2014. A dispute is pending with the European Court of Justice against the decision to include EEG among state aid.

## Bulgaria

On 2 March 2015 an amendment was approved to the legislation in force, which prevents new plants from accessing the incentive system. This measure, which has no retroactive effects, is justified by having achieved the 2020 objectives already in 2013.

In July 2015 the Bulgarian Parliament approved a series of amendments to energy and renewables laws. The two most significant provisions concern the introduction of:

- maximum thresholds for incentives in terms of hours of operation per year, beyond which energy is purchased without a premium;
- a fee of 5% of revenues relating to plants fuelled by renewable sources to finance the development and adaptation of the national grid.

## Poland

On 11 March 2015 the Polish President signed the Law on the promotion of renewable energy sources, which came into force 30 days following its publication (with the exception of the measures relating to the new incentive system, which will come into force on 1 January 2016).

The text amends the current system of Certificates of Origin and introduces a “Contracts for Differences” (CFD) incentive system based on auctions for new entrants (from 2016).

Voluntary transition to a CFD incentive system, awarded through specific auctions, is provided for existing plants.

The new regulations comply with the EU Guidelines on State Aid adopted in April 2014.



## Romania

On 4 May 2015 the European Commission Competition DG approved the amendments to the law on renewables adopted by the Romanian Parliament in 2014.

The Commission emphasised that the Romanian “green certificates” scheme involves state aid, which is judged, however, as compatible with existing legislation and, in particular, with the European Community Guidelines on State Aid adopted in April 2014.

## IMPACTS ON THE GROUP

With reference to the above, no further impacts on the businesses of the Group were noted for 2015, beyond those detailed in the comments on individual events or, below, in the chapters dedicated to the businesses.

## REFERENCE MARKET<sup>(1)</sup>

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

Wind farms consist of wind turbines capable of transforming the kinetic energy of wind into mechanical energy which, in turn, is used to generate electricity. Aside from the availability of the plants, the performance expected from each wind farm is obviously influenced by the wind speed profile of the site on which the wind farm is located.

Business performance is also influenced by the sale price of electricity, which can also vary in relation to the geographic areas where the plants are located, by the value of "green certificates", and in general, by the incentive systems for renewable energy sources, which differ from country to country.

	YEAR	
	2015	2014
<b>Renewable Sources Market - Italy <sup>(2)</sup> (GWh)</b>		
Production from renewable sources <sup>(3)</sup>	89,832	102,068
of which:		
Hydroelectric	44,751	59,575
Geothermal	5,541	5,566
Wind	14,966	15,089
Solar	23,299	21,838
<b>Sale prices (EUR/MWh)</b>		
PUN (Italy) <sup>(4)</sup>	52.3	52.1
Green certificates	100.1	97.4
EE Price Centre-South area	50.9	48.9
EE Price South area	49.4	47.4
EE Price Sicily	57.5	80.9
EE Price Sardinia	51.1	52.2
Average unit energy sale value for ERG in Italy <sup>(5)</sup>	147.8	146.4
Feed In Tariff (Germany) <sup>(6)</sup>	96.2	96.0
Feed In Tariff (France) <sup>(6)</sup>	90.4	91.1
Feed In Tariff (Bulgaria) <sup>(6)</sup>	80.3	94.9
EE Price Poland	37.1	n.a.
CO Price Poland	26.0	n.a.
EE Price Romania <sup>(7)</sup>	29.7	25.0
GC Price Romania <sup>(8)</sup>	29.5	29.3

(1) estimated output for December

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

(3) sources considered: hydroelectric, geothermal, wind power and photovoltaic

(4) Single National Price – Source: GME S.p.A.

(5) the average value in Italy does not consider the Feed in Tariff of 123.8 EUR/MWh recognised to the plant in Palazzo S. Gervasio

(6) the values of the Feed in Tariff abroad refer to the prices obtained by ERG Renew plants.

(7) the EE Price Romania refers to the price set by the company with bilateral contracts in 2015 (for comparative purposes, in the absence of similar bilateral contracts, the market price is shown)

(8) price referred to the unit value of the green certificate (the number of green certificates recognised and the timeline are discussed in the section describing the scenario in Romania)

## MARKET SCENARIO IN ITALY

In 2015, 33% of (net) domestic electricity generation was obtained from renewable sources, down compared to 38% in 2014 mainly due to reduced availability of water. In particular, of this output, 17% originated from hydroelectric power, 9% from photovoltaic, 5% from wind power, and 2% from geothermal power.

Compared to the previous year, growth was recorded by photovoltaic (+13%) and geothermal (+4%), while hydroelectric production reported a sharp drop (-25%) as well as wind power (-3%).

## TARIFF SCENARIO

### Italy

The incentive system in Italy prescribes, for on-shore wind farms in operation before the end of 2012<sup>2</sup>, the continuation of the green certificates system until 2015 and the subsequent conversion, for the residual period of entitlement to incentives, to a premium feed-in tariff paid on a monthly basis and calculated according to a similar formula by the last working day of the second quarter following the quarter in question. In detail, GSE established that payment of the incentive that replaces green certificates shall be made for the first quarter 2016 by 30 September 2016, while for the second quarter 2016 it shall be made by 31 December 2016.

Green certificates for production in 2015 will be withdrawn on a quarterly basis, according to the following timing:

- by 30 September 2015 with payment on 31 October for production in the first quarter 2015;
- by 31 December 2015, with payment by 31 January 2016 for the second quarter 2015;
- by 31 March 2016, with payment by 30 April 2016 for the third quarter 2015;
- by 30 June 2016, with payment by 31 July 2016 for the fourth quarter 2015.

With regard to the value of the withdrawal price of 2015 green certificates and 2016 incentives, for purposes of their definition, the Authority issued Resolution 29/2016/R/EFR of 28 January 2016 announcing that the average annual value of the sale price of electricity for the purposes of the incentive, recorded in 2015, came to 51.69 EUR/MWh. Therefore, the withdrawal price of 2015 Green Certificates and 2016 incentives, equal to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity for the previous year<sup>3</sup>, came to 100.08 EUR/MWh<sup>4</sup>.

Wind farms with more than 5 MW capacity built from 2013 onwards (starting operations after April 2013) instead shall gain access to the incentives by participating in a Dutch auction<sup>5</sup>. As a result of the first auction, 442 MW were assigned for on-shore wind power (the total amount allocated for 2013 was 500 MW), whilst the second auction, completed on 10 June 2013, led to the assignment of the entire amount available for 2014, i.e. 399.9 MW versus a

<sup>2</sup> There is a transitional period until 30 April 2013, for plants already authorised no later than 11 July 2012.

<sup>3</sup> Electricity sale price defined by the Italian Authority for Electricity and Gas implementing Article 13, paragraph 3, of Italian Legislative Decree no. 387 of 29 December 2003.

<sup>4</sup> Note that for green certificates in the first and second quarter 2015 the price of EUR 96.00/GC was used as an advance payment, save for adjustments based on the determination of the withdrawal price.

<sup>5</sup> Base price of 127 EUR/MWh.

capacity demand of 1,086 MW<sup>6</sup>. With the third auction, relating to the amount for 2015, which was completed on 26 June 2014, the entire amount available for onshore wind power, i.e. approximately 356 MW, was assigned once again (capacity demand greatly exceeded the available amount, at approximately 1,261 MW). To date, the ministerial decree that will govern access to new incentives has not been published.

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

### Dispatching charges

Concerning the revision of the electricity imbalance payments for generating units powered by non programmable renewable sources, following the decision of the Italian Council of State no. 2936 of 9 June 2014, the imbalance costs for the years 2013 and 2014 were definitively eliminated<sup>7</sup>. No later than 31 December 2014, Terna provided for any balances due.

Following DCO 302/2014, the Authority for Electricity, Gas and Water issued its Resolution no. 522/2014/R/EEL, which reintroduces imbalance payments from 2015 onwards, completely eliminating the deductibles provided by the cancelled Resolution 281/12/R/EEL and providing new calculation schemes, differentiated according to technology. Said resolution established that, for the prior period, specifically, for January 2013 - December 2014, as a result of the cancellation of Resolution 281/2012 by the Council of State, the regulations prior to the cancelled resolution shall be restored (i.e. the restoration of Article 40, paragraphs 40.4 and 40.5 of Resolution 111/06 - the version prior to Resolution 281/2012). Therefore, the GSE paid all wind power plants that were under dedicated collection rules (RID) during 2013: (i) the imbalance payments attributable to the imbalances due to activities on the Intraday Market (IM) carried out by the GSE in the period 1 January 2013 - 8 February 2013 (given that the GSE had limited operations in that period); (ii) the value of participation in the IM, which is the difference between the hourly area prices of the Day-Ahead Market and the Intraday Market for the volume of electricity traded by the GSE on the IM.

In April the Authority published a consultation document (DCO 163/2015) on the possible revision of the mechanism for calculating imbalance prices in the context of providing dispatching services. To date, the mechanism for calculating imbalance prices has not been changed.

### Incentive-Spreading Decree

In October 2014 the "incentive-spreading" implementing Decree was approved (implementing the "Destination Italy" Law no. 9 of 21 February 2014), addressed to producers of electricity from renewable sources other than photovoltaic,

<sup>6</sup> As a result of the decision by the Regional Administrative Court of 14 February 2014, 66 MW were reinstated, after they had been excluded from the second auction (after the end of the period for submitting auction bids) because they belonged to the transitional period. Consequently, said capacity was subtracted from the 2015 amount.

<sup>7</sup> Years for which Resolution no. 111/2006 continues to be in force.

owners of plants that benefit from incentives in the form of green certificates, all-encompassing tariffs, or premium tariffs. Participation is voluntary and it provides on one hand a reduction in the incentive, and on the other hand a 7-year extension of the incentive period. Plants that do not participate in the modulation will not benefit from incentives in case of intervention of any kind for a period of 10 years from the end of the incentive period. The option could be exercised within 90 days from the publication of the decree in the Official Journal of Italy. In this regard, ERG, in the absence of a clear regulatory framework about the level and procedures for accessing new incentives, has decided not to opt for the extension of the incentive period.

### Stability Law no. 208/2015

With the approval of Stability Law no. 208/2015, a new framework for determining the land registry income of real estate units used for production was implemented, with effect from 1 January 2016. Specifically, Article 1, paragraphs 21-24 of the 2016 Stability Law envisages that the power plants of the ERG Group are no longer subject to wind turbine (rotors and nacelles) estimates.

Article 1, paragraph 91 of the Stability Law provides an important tax concession to promote investments in production, thanks to acceleration of the amortisation process of the asset in question for tax purposes. This is the so-called "super-amortisation/depreciation" of 140% which applies to all capital goods acquired from 15 October 2015 to 31 December 2016.

### Germany

The incentive system for wind power in Germany is of the feed-in tariff/feed-in premium type. Based on the new EEG<sup>8</sup> 2014 (which confirms the desire to grow for the future), the tariff for new on-shore wind power plants amounts to 89 EUR/MWh for 20 years (constant)<sup>9</sup>. This value is decreased by 0.4% for each quarter following 1 January 2016. Existing plants also have the option of choosing an alternative incentive system, of the feed-in premium type (mandatory for new plants). If this option is selected, electricity is sold directly on the market and the Operator receives, on a monthly basis, a premium equal to the difference between the basic value of the feed-in tariff and the average monthly market price of electricity, to which is added a management premium (amounting to 4 EUR/MWh for 2015 - including the remote control bonus), decreasing over the years, which represents an approximation of the charges tied to the management of the sale of electricity on the market.

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

The tariffs for ERG Wind farms vary between 87 and 89 EUR/MWh (constant in terms of face value). The Sallgast and

<sup>8</sup> Erneuerbare Energien Gesetz, reform of German law on renewables.

<sup>9</sup> The incentive period is actually divided into two stages: the first of 5 years and the second of 15. The tariff for the first 5 years is confirmed for the remaining 15 years where production does not exceed 80% of the reference production and the incentive is gradually reduced as the production increases.

Brunsbuttel wind farms moved to the direct market system in 2014, while the remaining 3 wind farms continued to use the fixed-tariff system. All the German wind farms of ERG Wind (with the exception of the Gembeck wind farm, 4 WTG) benefited from that bonus (SDL) of 7 EUR/MWh in 2015.

For new plants built from 2017 onwards, a feed-in premium is envisaged (through contracts for differences – CFD), awarded through competitive discount bidding.

## France

The incentive system for on-shore wind power is of the feed-in tariff type. The incentive for existing plants is recognised for 15 years and it is updated annually according to a formula tied to the index of hourly labour cost and to the index of the production prices of industrial products<sup>10</sup>. For the first 10 years of operation, the initial tariff, which depends on the year of execution of the contract, is revised on a yearly basis, whilst for the following 5 years the value to be indexed decreases if the yearly hours of operation exceed 2,400. For 2006 the value of the initial tariff was 82 EUR/MWh. To define the starting value for new plants in subsequent years, the tariff is reduced by 2% from the previous year, starting from 2008, and it is updated to take into account changes in the aforementioned indices. The value thus determined, for each plant, is then updated annually, according to the scheme described above. Following the appeal before the Council of State against the 2008 decree for the alleged incompatibility with EC rules on state aid, the 2008 decree itself was repealed on 28 May 2014 (by virtue of the failure to notify the European Commission before its implementation), and a new decree was issued on 17 June 2014, which confirms the same incentive system (for existing facilities as well). The decree had previously been definitively approved by the European Commission's General Directorate for competition, which found the text compatible with current State aid regulations.

## Energy Transition Law

Regarding the approach for the future, the Energy Transition Law was promulgated on 17 August 2015. This law defines the objectives for energy transition and, among its qualifying points, sets out a commitment to reduce greenhouse gas emissions by 40% by 2030 compared to 1990, a 30% reduction in fossil fuel consumption by 2030 compared to 2012, an increase in the share of renewable energy as a proportion of total consumption to 32% by 2030 (40% as regards the production of the ERG Group), the reduction of total consumption by 50% compared to 2012 and the reduction of the nuclear share of energy production to 50% by 2025 (compared to the current approximately 75%).

## Bulgaria

For on-shore wind farms, current regulations prescribe a feed-in tariff (FIT) in brackets based on hours of operation, which is constant in nominal terms. In particular, for Tcherga, as a wind farm existing as at 3 May 2011, the incentive

<sup>10</sup> The indicators considered are ICHTrevTS ("indice du coût horaire du travail (tous salariés) dans les industries mécaniques et électriques", or index of hourly cost of labour (all personnel) in mechanical and electrical industries") and the FM0ABE0000 ("indice de prix de production de l'industrie française pour l'ensemble de l'industrie", or index of production prices of French industry for the industry as a whole).

is recognised for the first 15 years of operation; the value of the tariff is 188.29 BGN/MWh (approximately 96.3 EUR/MWh) below 2,250 annual hours of operation and 172.95 BGN/MWh (approximately 88.4 EUR/MWh) above 2,250 annual hours of operations. For Hrabrovo, as a wind farm commissioned after this date and no later than June 2012, the incentive is recognised for the first 12 years of operation; the value of the tariff is 191 BGN/MWh (approximately 97.7 EUR/MWh) below 2,250 annual hours of operation and 173.1 BGN/MWh (approximately 88.5 EUR/MWh) above 2,250 annual hours of operation<sup>11</sup>.

With regard to those tariffs initially provided for, in July 2015 annual operational thresholds were introduced, above which the energy produced is purchased at a significantly lower price, instead of at the FIT.

On 2 March 2015 an amendment was approved to the legislation which does not permit new plants to access the incentive system. This measure, which has no retroactive effects, is justified by having achieved the 2020 objectives already in 2013.

### Access to the transmission and distribution grids and fees on revenues

In September 2012, a charge for accessing transmission and distribution networks was introduced by the local Regulatory Authority for renewable source producers in operation since March 2010. This value, based on a detailed analysis of the real operating costs of the grids, applicable since 13 March 2014, was equal to approximately 1.3 EUR/MWh up to July 2015 and then increased to approximately 3.7 EUR/MWh. A fee of 5% of revenues relating to plants fuelled by renewable sources was also introduced in July 2015.

### Electricity Trading

Starting from June 2014, the responsibility for balancing also for non-programmable renewable sources was also introduced.

### Romania

Incentives for renewable energy in Romania are provided through green certificates for the first 15 years of operation. The obligation to supply a certain annual quantity of green energy in the grid (or to purchase an equal quantity of green certificates) is on the final consumption of electricity. For wind farms commissioned before 2014, 2 green certificates are provided for each MWh generated until 2017 and 1 green certificate from 2018 onwards, and the unit price of the green certificates ranges between a cap (55 EUR/MWh in 2010 currency) and a floor (27 EUR/MWh in 2010 currency) – defined in EUR – and indexed to inflation on an annual basis. Green certificates are valid for one year and, based on the regulations currently in force, are recognised on the lower value of the energy provided for and the energy actually generated. Romanian Law no. 23/2014, amending and incorporating the previous Emergency Ordinance of March

<sup>11</sup> In addition, a further threshold of yearly hours of operation was introduced, the value of which depends on the annual production of the plant, above which the average market price of electricity is recognised instead of the tariff. However, this provision is not applicable to all plants. In the case of LUKERG Renew, it only applies to the Hrabrovo plant (14 MW).



2013, was ratified by the Romanian President, after a few vicissitudes, in March 2014<sup>12</sup>. The law was approved by the European Commission - DG Competition in May 2015.

The Law introduced certain amendments to the incentive system; in particular, for existing wind farms, 1 Green Certificate is to be retained in the 1 July 2013-31 March 2017 time interval. Retained Green Certificates will progressively be "released" from 1 January 2018 onwards and in any case no later than 31 December 2020, with procedures yet to be defined. In the meantime, the Government, following the indications of the ANRE, changed the maximum annual percentage of electricity generation from renewable sources that can benefit from incentives in 2015, from 16%, as prescribed by the previous regulations, to 11.9%. Based on the changes introduced by the new law, the ANRE has the task of defining this mandatory percentage on an annual basis.

Wind farms that became operational after 1 January 2014 are instead subjected to the reduction in the number of GCs ("over-compensation"), as prescribed by the Governmental Decision that endorsed the decision of the Regulator (ANRE). As a result of said decision, the wind farms in question have access to 1.5 GC for each MWh until 2017 and 0.75 GC for each MWh generated from 2018 onwards.

With regard to the wind farms owned by LUKERG Renew in Romania, the Gebeleisis wind farm (70 MW; ERG's share: 35 MW) accesses the incentive scheme whereby 2 GC are recognised through 2017, one of which will be retained until 31 March 2017 whilst the Topolog wind farm (84 MW when fully operational; ERG's share: 42 MW), which started commercial operations in 2014 and is subject to the "overcompensation" scheme whereby 1.5 GC is recognised through 2017, and subsequently 0.75 GC will be recognised for each generated MWh.

In October 2014 the Directorate-General for Competition of the European Commission approved the exemption for energy-intensive industries from the law-mandated obligation to purchase green certificates. The related decree came into force in January 2015.

Following the regulatory changes (which were negative for wind power), specifically regarding the lowering of the mandatory percentage, the GC market shows excess supply and, as a result the price has dropped to the floor (equal to approximately 29.4 EUR/MWh) and the liquidity of the spot market has declined drastically.

## Poland

The system of incentives in Poland for plants in operation by June 2016 is based on Certificates of Origin (CO) for the first 15 years of operation. An annual mandatory percentage is provided for and the new law on promoting renewable sources, signed on 11 May by the President of Poland (subsequently amended in December 2015), introduced a number of measures to reduce the current excess supply CO (which do not expire). Specifically, starting in 2016 the incentives for "non-dedicated" co-combustion plants will be halved and the incentives for hydroelectric plants with capacity exceeding 5 MW will be eliminated. The annual mandatory percentages come to 14% and 15% for 2015 and

<sup>12</sup> Decree no. 270/2014 approving Law 23/2014, which approves the Emergency Ordinance no. 57/2013, amending and supplementing Law no. 220/2008 for the Green Certificate incentive system.

2016, respectively (as per the previous law), while starting from 2017 this value will be increased to 20%, with the option for the Ministry to revise it downwards annually.

The Substitution Fee, an alternative to Certificates of Origin for obligated parties, which effectively constitutes a cap for CO prices, was set at 300.03 PLN/MWh and will remain constant in nominal terms for the next few years. The new law also introduces a Dutch auction scheme, with quotas on production, for the award of incentives in the form of Contracts for Differences (CFD) for 15 years (value adjusted to inflation annually). That system is optional for plants that have had access to COs (for the remaining period of entitlement to incentives), while it is mandatory for plants becoming operational in or after July 2016 (initially the law set out that incentive system from January 2016, but the amendments of December 2015 postponed its adoption by six months).

## HIGHLIGHTS OF ADJUSTED PERFORMANCE ITEMS

To enhance the understandability of the performance of the Wind Energy sector, the results of this business are shown at their adjusted replacement cost, which reflects ERG's share (50%) of the consolidated results of the LUKERG Renew joint venture for 2015. Following the winding up of the joint venture, the financial data include the contribution of the activities in Romania and Bulgaria, consolidated line-by-line starting from 31 December 2015.

### INCOME STATEMENT DATA (EUR million)

	2015	2014
<b>Revenues from ordinary operations</b>	<b>345</b>	<b>349</b>
<b>EBITDA at adjusted replacement cost <sup>(1)</sup></b>	<b>254</b>	<b>267</b>
Amortisation, depreciation and write-downs <sup>(1)</sup>	(131)	(133)
<b>EBIT at adjusted replacement cost <sup>(1)</sup></b>	<b>123</b>	<b>134</b>
Capital expenditures on tangible and intangible fixed assets	95	38

### MAIN FINANCIAL DATA <sup>(2)</sup>

<b>Net invested capital</b>	<b>1,827</b>	<b>1,701</b>
Shareholders' Equity	679	636
Total net financial indebtedness	1,148	1,065
<i>of which non-recourse Project Financing <sup>(3)</sup></i>	1,135	1,120
<b>EBITDA Margin % <sup>(4)</sup></b>	<b>74%</b>	<b>76%</b>

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

(2) figures from the ERG Renew Consolidated Financial Statements

(3) including cash and cash equivalents

(4) EBITDA at adjusted replacement cost over revenues from ordinary operations

## BUSINESS SEGMENTS

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

<b>ADJUSTED EBITDA</b> (Thousands of Euro)	<b>2015</b>	<b>2014</b>
Wind sector: Italy	233,741	248,639
Wind sector: France	13,298	7,762
Wind sector: Bulgaria/Romania	11,899	13,997
Wind sector: Germany	12,098	12,246
Wind sector: Poland	3,543	(31)
<b>Total Wind Sector</b>	<b>274,579</b>	<b>282,612</b>
Holding Division	<b>(20,757)</b>	<b>(15,461)</b>
<b>Total</b>	<b>253,822</b>	<b>267,151</b>

Consolidated revenues in **2015** were slightly lower than those in the same period of 2014. This was mainly due to the new production of the new wind farms in France (63 MW since July 2015) and in Poland (42 MW since July 2015, while the additional 40 MW had no impact, as it relates to the end of December 2015), which partly offset the lower revenues in Italy due to lower production (-7%), sold at a slightly higher price (+1%).

As regards the increase in sales prices, for ERG Renew in Italy, the average sale price of electricity was 47.7 EUR/MWh, decreasing by 3% on the value of 49.0 EUR/MWh in 2014. That value is lower than the Single National Price (52.3 EUR/MWh), as a result of the specific geographic distribution of ERG's wind farms, concentrated in the South of Italy and the profile of production timing. Overall, the average unit revenue from ERG Renew production in Italy, considering the sale value of energy and of the green certificates, was 147.8 EUR/MWh, up from the value of 146.4 EUR/MWh of 2014. That increase is linked to the value of green certificates, i.e. 100.1 EUR/MW, higher than the value of 97.4 EUR/MWh in 2014.

The average unit revenue of wind farms abroad in 2015 was approximately 84.2 EUR/MWh, down compared to 87.5 EUR/MWh recorded last year, mainly due to the change in the tariff scenario and the markets in Bulgaria and Romania, described above.

EBITDA at adjusted replacement cost for 2015 came to a total of EUR **254 million**, down compared to the values recorded in the same period of the previous year. More specifically, the decrease in results recorded by the Italian wind farms due to lower production and the presence in 2014 of positive adjustments relating to prior year imbalance costs was partially offset by the better results of foreign wind farms compared to 2014, mainly due to the contribution from the new wind farms in France and Poland.

The EBITDA margin came to a total of 74%, slightly down on 76% recorded in 2014. Note that in 2014, that profitability indicator was positively impacted by the decision of the Italian Council of State on imbalance costs, while the 2015 figure, though amounting to a high absolute value, was also affected by the increase in production abroad, with sales prices and profitability lower than those recorded in Italy.

<b>INSTALLED POWER (MW)</b>	<b>YEAR</b>	
	<b>2015</b>	<b>2014</b>
<b>Italy</b>	<b>1,087</b>	<b>1,087</b>
of which		
Campania	239	239
Calabria	120	120
Puglia	249	249
Molise	79	79
Basilicata	89	89
Sicily	198	198
Sardinia	111	111
Other	2	2
<b>Abroad</b>	<b>420</b>	<b>254</b>
of which		
Germany	86	86
France	128	64
Poland	82	n.a.
Bulgaria (50%)	54	27
Romania (50%)	70	77
<b>Total installed power at the end of the period <sup>(1)</sup></b>	<b>1,506</b>	<b>1,341</b>

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

Installed power as at 31 December came to 1,506 MW, up by 165 MW compared to the figure as at 31 December 2014, as a result of the acquisition of six wind farms for an additional 63 MW in France and the increase of 42 MW in Poland due to completion of the wind farm in Radziejow (which provide their contribution in terms of production and income statement results from the third quarter of 2015), as well as the additional increase of 40 MW in Poland at the end of the year, as a result of the completion of the wind farms in Szydlowo (14 MW) and Slupia (26 MW) and the changes that occurred from the end of December 2015 in Bulgaria (+27 MW) and Romania (-7 MW) concurrent with the operation that resulted in the winding up of the joint venture with LUKOIL.

GENERATION (GWh)	YEAR	
	2015	2014
<b>Italy</b>	<b>1,910</b>	<b>2,051</b>
of which		
<i>Campania</i>	414	453
<i>Calabria</i>	240	249
<i>Puglia</i>	472	502
<i>Molise</i>	155	163
<i>Basilicata</i>	164	173
<i>Sicily</i>	274	313
<i>Sardinia</i>	192	198
<i>Other</i>	–	–
<b>Abroad</b>	<b>705</b>	<b>529</b>
of which		
<i>Germany</i>	156	144
<i>France</i>	206	122
<i>Poland</i>	68	n.a.
<i>Bulgaria (50%)</i>	74	67
<i>Romania (50%)</i>	201	196
<b>Total wind farm output</b>	<b>2,614</b>	<b>2,580</b>

In 2015, ERG Renew's electricity generation amounted to 2,614 GWh, higher than in 2014 (2,580 GWh), with output decreasing by around 7% in Italy (from 2,051 GWh to 1,910 GWh) and growing by 33% abroad (from 529 GWh to 705 GWh).

The decrease in production in Italy (-141 GWh) is linked to wind conditions that were overall worse than in 2014, specifically in Sicily, Campania and Puglia, where ERG Renew has approximately 60% of its installed capacity.

As regards the foreign market, the increase of 175 GWh is attributable both to the new wind farms in France and in Poland, and the general growth in production in all countries.

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

LOAD FACTOR %	YEAR	
	2015	2014
<b>Italy</b>	<b>20%</b>	<b>22%</b>
of which		
<i>Campania</i>	20%	22%
<i>Calabria</i>	23%	24%
<i>Puglia</i>	22%	23%
<i>Molise</i>	22%	23%
<i>Basilicata</i>	21%	22%
<i>Sicily</i>	16%	18%
<i>Sardinia</i>	20%	20%
<i>Other</i>	<i>n.a.</i>	<i>n.a.</i>
<b>Abroad</b>	<b>26%</b>	<b>24%</b>
of which		
<i>Germany</i>	21%	19%
<i>France</i>	24%	22%
<i>Poland</i>	37%	<i>n.a.</i>
<i>Bulgaria (50%)</i>	31%	28%
<i>Romania (50%)</i>	30%	29%
<b>Load factor<sup>(1)</sup></b>	<b>21%</b>	<b>22%</b>

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

In **2015** the total load factor, amounting to 21%, was slightly lower than that in 2014, as a result of a load factor decreasing from 22% to 20% in Italy, partially mitigated by the increase from 24% to 26% abroad, primarily due to the excellent results in all countries and, particularly, in Poland and Bulgaria.

## LUKERG RENEW

During 2015, ERG Renew was active in Bulgaria and Romania through LUKERG Renew, a joint venture between ERG Renew and LUKOIL-Ecoenergo incorporated in 2011 to operate jointly in the renewable energies market Romania, Bulgaria, Ukraine and Russia. Over the last three years, LUKERG Renew invested approximately EUR 300 million, realising 208 MW, of which:

- 54 MW in Bulgaria: Tcherga (40 MW) and Hrabrovo (14 MW);
- 154 MW in Romania: Gebeleisis (70 MW) and Topolog (84 MW).

As regards Bulgaria, the Tchergera wind farm (40 MW) has been fully operational since December 2009 and is located in the Dobrich region. The Hrabrovo wind farm (14 MW) is located in the Dobrich region and has been fully operational since March 2012.

In Romania, the Gebeleisis wind farm (70 MW) is located in the Galati region and has been fully operational since February 2013. The Topolog wind farm (84 MW) is located in the Tulcea region, its construction was completed at the end of 2013 and it has been fully operational since December 2013.

With these acquisitions and with the commissioning of Topolog, LUKERG Renew thus reached an installed power of over 200 MW, becoming one of the foremost players in both markets where it is active.

Note that on **25 June 2015**, at the end of a three-year period of strong growth, the two shareholders announced the decision to wind up the joint venture, with the consequent division of its assets.

Based on the agreement, which was closed on **23 December**, LUKOIL was assigned only the Topolog wind farm (84 MW), while ERG Renew acquired the remaining wind farms for a total of 124 MW (thus increasing its installed power by 20 MW compared to its current share of 104 MW), broken down as follows:

- 54 MW in Bulgaria: Tchergera (40 MW) and Hrabrovo (14 MW);
- 70 MW in Romania: Gebeleisis (70 MW).

As the winding up of the joint venture with the concurrent acquisition of the wind farms in Bulgaria and Romania (Gebeleisis), was finalised in the last few days of 2015, the income statement results of 2015 reflect the full contribution for the entire year of the scope prior to the winding up of the joint venture.

The following figures refer 100% of the consolidated financial statements of the joint venture (pre-winding up).

(Thousands of Euro)	YEAR	
	2015	2014
<b>EBITDA at replacement cost</b>	<b>23,797</b>	<b>27,993</b>
Depreciation and write-downs	(15,671)	(15,732)
<b>EBIT at replacement cost</b>	<b>8,126</b>	<b>12,261</b>
Capital expenditures on tangible and intangible fixed assets	–	3,648

EBITDA in **2015** came to approximately EUR 24 million, lower than the values recorded in 2014 (EUR 28 million). The lower sales prices recorded in Bulgaria and in Romania as a result of the change tariff and market context were only partially offset by increased production.

## CAPITAL EXPENDITURES

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Capital expenditures in 2015, amounting to **EUR 95 million**, mainly refer to the new wind farms in Poland for a total of 82 MW, all realised directly by ERG Renew, whose contribution in terms of production and income statement results started in July 2015 (42 MW) and from 2016 (40 MW).

Specifically, the Radziejow wind farm, comprised of 21 Vestas V90 wind turbines of 2 MW, for a total installed power of 42 MW, became operational in mid-2015.

Moreover, the Szydłowo wind farm, comprised of seven Vestas V100 wind turbines of 2MW, for a total of 14 MW, became operational at the end of December 2015 and the Slupia wind farm di Slupia, whose design changed from 12 to 13 wind turbines during the year, following the extension of its authorisations, equipped with Vestas V90 machines for a total power of 26 MW, was completed at the end of 2015 and launched in the first few days 2016.

Progress was also made on the planned Health, Safety and Environment projects.

Note that the figure does not include two investments indicated as changes to the scope of consolidation: the significant investment made in France through the acquisition in July 2015 of the already operational wind farms for 63.4 MW, for an asset value of approximately EUR 70 million, nor the value of the investments made in December 2015 in Bulgaria and Romania to obtain full ownership of the wind farms, for a total of 124 MW (+20 MW compared to its previous share, equal to 104 MW) equal to EUR 27 million.

## INSTALLED CAPACITY

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The Group's net installed capacity at 31 December 2015 was equal to 1,506 MW, almost entirely provided by wind farms.



## RISKS AND UNCERTAINTIES

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Risk management is an integral and fundamental part of the strategies of each organisation: it is the process through which companies handle the risks linked to their businesses for the purpose of obtaining long-lasting benefits over time and, thus, guarantee the sustainability of their businesses. The basis of good risk management consists in identifying and managing risks in a way that allows for the understanding of the possible positive and negative aspects of all factors which may influence an organisation.

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

The process involves the definition of a risk management model that takes account of the characteristics of the Group and the businesses /sectors in which it operates. The risk management model is not static, rather, it is periodically updated to take account of the evolutions of the scenarios in which the ERG Renew Group operates.

The methodology adopted features a periodic assessment of the main risks the Group is subject to, both current and future. The purpose of the assessment, which involves the risk owners, is to determine which risks are the most significant, verify whether the management strategies and controls set up to mitigate them are adequate, and possibly identify action plans to strengthen the internal control and risk management system.

Moreover, back in 2014 the Group adopted a "Risk Management Policy" which identifies the risks that the Group's business is exposed to, assigns the related responsibilities (Risk Owners), defines the rules for their correct management as well as monitoring and reporting activities.

The main risks identified, monitored and managed by ERG Renew are the following:

- market risk (exchange rate, interest rate and commodity price risk);
- regulatory risk;
- new investment risk;
- human capital risk;
- liquidity risk;
- credit risk;
- default and covenant-related risk ;
- volume risk;
- business interruption risk;
- Health, Safety and Environment (HSE) risk;
- Information & Communication Technology risk.

## Market risk

Market risk includes three types of risk: exchange rate, interest rate risk and price risk. In particular:

### Exchange rate risk

The currency exchange rate risk is the risk connected with fluctuations of the exchange rate of various currencies versus the EUR reference currency. Specifically, such fluctuations can have considerable impacts:

- on income, as a result of the different significance of costs and revenues denominated in a foreign currency compared to the time when the price conditions were defined (economic risk);
- on income, as a result of the conversion of trade or financial receivables/payables denominated in a foreign currency (transaction risk);
- on the consolidated financial statements (income and shareholders' equity) by effect of the conversion of assets and liabilities of companies that prepare their financial statements in another currency (translation risk).

ERG Renew has adopted a prudential strategy of exposure to the exchange rate risk, reducing the possible economic impacts tied to the volatility of exchange rates on the financial market.

Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of exchange rates on the financial market and it is monitored by the Risk Committee.

Transactions in derivatives having speculative purposes are not allowed in the ERG Renew Group, and this rule is set out in the Group Risk Policy.

The strategies for mitigating such risks are implemented in accordance with company policies.

### Interest rate risk

The interest rate risk identifies the change in the level of interest rates that may entail a change in the value of financial positions and of their level of cost. In this sense, changes in market interest rates can have such negative impacts on the level of financial expenses as to compromise the Group's financial stability and its capital adequacy.

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

The interest rate risk management policy pursued the goal of limiting that volatility by identifying a balanced mix of fixed-rate and floating rate loans and using hedging derivatives that limit the effects of fluctuations in interest rates. For risk analysis, an internal model has been developed that determines the exposure to risk, assessing the impact that interest rate fluctuations have on forecast cash flows.

Consistently with its market risk management policies, ERG Renew uses contracts such as interest rate swaps.

Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of interest rates and it is monitored by the Risk Committee.

Transactions in derivatives having speculative purposes are not allowed in the ERG Renew Group.

The strategies for mitigating such risks are implemented in accordance with company policies.

### Commodity price risk

The price risk is identified as the possibility that fluctuations in the price of purchases and sales may cause significant changes in Group EBITDA, determining such an impact on the income as to compromise the achievement of the objectives defined in the strategic plan. In exercising its activity, ERG Renew is exposed to the risk of oscillations in the prices of electricity.

Exposure to the electricity price risk derives essentially from the activity of selling on spot markets (Exchange) the electricity generated and not contractualised by means of "forward" agreements (physical bilateral agreements). Energy Management minimises the potential impact deriving from fluctuations in the sale and purchase price of electricity on open position through specific hedging of the long and short positions deriving from its own activities as a producer and supplier of electricity, all in compliance with the approved P@R (Profit@Risk) limits. Derivative financial instruments are managed to pursue the goal of stabilising cash flows generated by the portfolio of assets and outstanding contracts, contributing to ensuring the Group's economic and financial equilibrium.

Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of prices on the financial market and it is monitored by the Risk Committee.

Transactions in derivatives having speculative purposes are not allowed in the ERG Renew Group, as regulated in the Group Risk Policy.

The strategies for mitigating such risks are implemented in accordance with company policies.

### Regulatory risk

This is the risk tied to the evolution of the local, national and/or international regulatory framework. This evolution, in consideration of the high level of regulation of the business areas in which ERG Renew operates, may cause negative economic impacts on active and/or potential business areas.

In relation to these risk factors, the ERG Renew Group has adopted a regulatory risk monitoring and management policy in order to prevent and/or mitigate as much as possible the effects on the various business segments, through controls structured over numerous levels, which involve cooperative dialogue with institutions and government and regulatory sector bodies, through active participation in trade associations and work groups set up at those entities, as well as examining the regulatory changes and measures of sector Authorities.

For this purpose, the Group has established specific Organisational Units dedicated to the continuous monitoring of the evolution of national and international regulations.

It is not possible to rule out future changes in the regulatory policies adopted by the European Union or at domestic level which could have unforeseen repercussions on the reference regulatory framework and, as a result, on the ERG Renew Group's business and results.

### New Investment Risk

This risk refers to the set of uncertain events originating from various factors, for example, scenario-related (micro/macro-economic, political, regulatory, business), technical, operational, financial or organisational, which may impact

the decision of a new investment and its success, for which it is not possible to develop a certain forecast of the performance over the life of the project, with resulting economic or equity losses, or deterioration of the Group's image.

The ERG Group has defined a specific structured process to select investments. Depending on the amount and characteristics of the operation, investments must pass a series of consecutive levels of examination and approval by the Investment Committee, Strategic Committee and the Board of Directors before they can be implemented, also on the basis of internal and external support studies, benchmark analyses, legal-regulatory analyses, sustainability and financial valuation models.

The Group manages possible risks linked to new investments by assessing potential associated risks (technical, stakeholder-related, scenario, etc.) for all Material projects.

The ERG Group monitors and manages risk using analyses and instruments to support the formal assessment and approval process for Investment Projects, the most important of which are shown below:

- technical, legal, commercial, economic and organisational feasibility analyses;
- (comprehensive) assessment of risk/uncertainty drivers, which may influence the project, with the related mitigation plan;
- calculation of the economics of the project, using the necessary forecast and final probabilistic models;
- estimates of the project contingency (cost/time);
- ex post assessment of the performance of the investment (re-appraisal).

The strategies for mitigating such risks are implemented in accordance with company policies.

## Human Capital Risk

This risk is defined as the risk that the human capital of the ERG Group, defined as the set of skills, knowledge, education, information and technical ability that give rise to the human ability to create value for the company could be quantitatively or qualitatively inadequate to the evolution of the business' strategic needs.

As human capital is a key factor in its business model, the ERG Group monitors and manages such risk through the Human Capital Committee and specific Human Capital organisational units that guarantee the planning process for Human Capital, its promotion and constant alignment to the business objectives and defined strategies and the development of ERG's managerial culture, through:

- an innovative model for managing skills, measured by a "return on human capital" index
- processes and tools to develop and train personnel;
- succession plans, career plans and internal mobility plans for personnel;
- recruiting and selection processes;
- processes to analyse potential, develop managerial behaviour and develop talents;
- analysis of training needs of human resources and the related corrective measures;
- institutional and managerial training plans.

In addition, the Human Capital Committee, defines and monitors the main programs and activities for human resource development and supports the Executive Vice President and the CEO in decisions relating to personnel management and those regarding the variable remuneration and medium/long-term incentive systems, as well as for proposals to be submitted to the Nominations and Remuneration Committee.

The strategies for mitigating such risks are implemented in accordance with company policies.

## Liquidity risk

It is the risk deriving from the lack of financial resources to fulfil both short and medium/long term commercial and financial commitments. This type of risk considers the possibility that the entity is unable to fulfil payment commitments because of difficulty in obtaining funds (funding liquidity risk), in liquidating assets on the market (asset liquidity risk), or because of inadequate management of the entity's own liquidity.

The consequence may consist of a deterioration of the entity's image with stakeholders, of the downgrading of the company's financial rating<sup>13</sup> and of consequent difficulties in accessing credit, of a negative impact on the profit in terms of increased costs, interest expenses and/or higher taxes or, as an extreme consequence, of an insolvency situation that jeopardises the entity's viability as a going concern.

Risk management tends to define, within the planning process, a financial structure that, consistently with the business objectives and with the limits defined by the Board of Directors, assures an adequate level of liquidity for ERG Renew, minimising the related opportunity cost and maintaining a balance in terms of duration and composition of the debt. Today, ERG Renew, thanks to its inclusion in the ERG Group, assures adequate coverage of its financial requirements through cash flow generation and the availability of diversified financing sources, as well as by guaranteeing the maintenance of a liquidity buffer sufficient to cover any unexpected commitments.

Specifically, ERG Renew manages the liquidity risk through the systematic generation of cash by its own activities and implementing specific structured processes for planning and monitoring a financial structure that is balanced in terms of duration and composition.

Risk mitigation strategies are implemented in accordance with company policies.

## Credit risk

Credit risk consists of the deterioration in the creditworthiness of a counterparty with respect to which there is such an exposure as to cause an unpredictable change in the value of the credit position, with negative consequences for the Group's economic and financial stability; in addition to the possibility of default, reference is also made to the possibility of deterioration of a counterparty's credit rating.

ERG Renew manages credit risk with the objective of optimising the risk profile in pursuing commercial and business targets, through structured processes in which specific Organisational Units and the Credit Committee assess

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<sup>13</sup> ERG Renew has never requested the assignment of a rating by international agencies, since so far it has not deemed it necessary to do so. However, the term "rating" is extended, in this case, to the judgement and assessment of the analysts (sell/hold/buy) and of credit institutions.

the creditworthiness, constantly monitor the total exposure level for each individual counterparty and define and implement any corrective actions.

Moreover, within the sale processes, the Group assigns to each counterparty a specific level of credit that can never be exceeded or, alternatively, it carries out sale transactions upon presentation of a suitable guarantee (e.g. letter of credit). Risk mitigation strategies are implemented in accordance with company policies.

### Default and covenant-related risk

This risk pertains to the possibility that stipulated loan agreements contain provisions that, upon the occurrence of certain events, entitle the counterparties to demand that the debtor immediately repay the amounts loaned, consequently engendering a liquidity risk.

ERG Renew, to finance its own development initiatives, makes use of medium/long term debt and mainly through Project Financing operations, i.e. long-term loan techniques in which repayment of the loan is guaranteed by the projected cash flows from the operations of the work built with the project.

We are not currently aware of any situation of breach of financial covenants or default of the companies in the ERG Renew Group.

### Volume risk

Output volumes are subject to variability, both because of the natural variability of renewable energy sources, and because of possible unavailability of the plants.

The risk tied to the natural variability in the availability of wind power sources, which are known to vary according to the weather conditions of the sites where the plants are located, is mitigated through the geographic diversification of the generating plants.

The risk tied to possible malfunctions of the plants, or to adverse accidental events that temporarily compromise their functionality, is mitigated by ERG Renew relying on the best prevention and protection strategies, including preventive and predictive maintenance techniques, and applying the best practices in this field. The residual risk is managed through specific insurance agreements, directed at hedging a broad range of operational risks, including losses of revenue as a result of lost output.

In particular, wind farms are managed through IT applications (SCADA systems), allowing, for all wind farms located in Italy, to carry out, directly from remote locations, complex operations, e.g. starting, resetting or shutting down the WTGs. Remote control over such operations enables to limit generation losses caused by outages.

Additionally, ERG Renew manages said risk also through:

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

Risk mitigation strategies are implemented in accordance with company policies.

## Business Interruption Risk

This expression identifies the risk connected to the occurrence of natural, accidental or catastrophic events (i.e. earthquakes, floods, seaquakes, fires, etc.), in the course of the performance of business activities, with negative consequences for the Group in terms of revenues or of preservation of corporate assets, such as to place routine operations in severely critical conditions or to undermine the Group's stability and balance in a significant and durable manner.

Insofar as the risks of unavailability of plants are inherent in the business and cannot be completely eliminated, in relation to the risks of accident, the Group puts in place preventive mitigation strategies designed to reduce their probability of occurrence and action strategies to attenuate any impacts. Specifically, ERG Renew mitigates these risks through appropriate plant management policies aimed at pursuing high levels of safety and operating excellence, in line with the best industrial practices.

The safeguarding of Group plants and infrastructures envisages adopting and constantly updating - in line with sector best practice - scheduled maintenance procedures, both ordinary and preventive, aimed at identifying and preventing potential critical situations, also based on specific engineering analyses conducted by highly specialised technical staff.

This also includes periodic inspections of plants and the use of instruments for control and remote control of technical parameters for monitoring and promptly detecting any defects as well as, where the implementation of redundancy in components necessary to ensure continuity of production processes. The continuous provision of specific training courses for technical staff is also guaranteed.

The gradual adoption of advanced software and sensors to allow for an even greater predictive approach than in the past to plan and execute maintenance works is also planned. The gradual adoption of these measures is also envisaged in cases of acquisition of new production sites to favour alignment with Group standards and best practice in this area.

As regards production processes, particular attention is paid to the prevention and control of the related risks, through the implementation of risk assessments, business impact analyses and a business continuity management activity, with the aim of ensuring the operational continuity of industrial production plants.

To cover risks of natural disaster or catastrophic events, the ERG Renew Group uses the insurance market to transfer its own industrial risk, risk in relation to third parties and to cover residual risk, thereby providing a high level of protection for its facilities, even in the event of an interruption of activity. The contractual conditions that characterise such insurance policies have been revised in line with the operating methods of the plants and the conditions of the energy market.

Risk mitigation strategies are implemented in accordance with company policies.

## Health, Safety and Environment (HSE) risk

The HSE Risk is mainly tied to the operation of industrial assets having an impact on environmental and workers' health and safety issues.

Health risks are those with potential impact and impairment of the biological equilibrium of personnel tasked with performing operations or work processes, as a result of emission into the environment of environmental risk factors, of a chemical, physical and biological nature.

Safety risks are connected with the occurrence of accidents or injuries, or of damages or (more or less severe) physical disablements suffered by the persons assigned to the various work activities.

ERG Renew, which is extensively committed to mitigating these risks, has adopted principles and behaviours defined specific health, safety and environment guidelines that require compliance, by all the Group's Companies, with all current laws and regulations, the pursuit of specific performance targets, the continuous training of personnel and the certification of specific integrated HSE managements systems, in line with the top best practice of reference.

Moreover, ERG Renew adopts safety standards and operating practices having high quality and reliability in order to assure regulatory compliance, continuous improvement of environmental performance and the effectiveness of the actions taken in terms of prevention and containment of potential environmental impacts.

In particular, all Companies of the ERG Renew Group are provided with a certified Integrated Management system (ISO 9001, ISO 14001 and OHSAS 18001).

Moreover, the Group pursues the goal of zero injuries, through a structured oversight of health and safety issues and the development of numerous programmes for prevention and for spreading a "safety culture", directed both at the Group's own personnel and to suppliers and vendors. Care for people is also expressed through initiatives directed at personal development, performance assessment at all levels and sharing best practices.

The adoption of the best available technologies, the application of ever more rigorous and stringent operating practices in terms of pollution prevention and reduction and the correct management of the waste produced enable the ERG Group efficiently to manage its industrial activities and the correlated environmental issues.

Health, safety and environmental strategies are implemented in accordance with company policies and they are set out in the Document entitled "Rules of conduct with regard to Health, Safety and Environment".

## Information & Communication Technology risk

The IT risk is identified as the inadequacy of the set of technical and organisational measurements aimed at assuring the protection of the integrity, availability, confidentiality of the automated information and of the resources used to acquire, store, process and communicate said information. The growing use of technological solutions in the management of business processes and means of communication and the ever increasing spread and penetration of cyber crime have significantly increased the exposure of information to threats and risks related to loss of confidentiality, integrity and availability of confidential data.

In particular, the following risks tied to the IT systems are identified:

- risk of vulnerability of the IT systems: this risk identifies the possibility that the architecture/Framework of the IT systems may be vulnerable to internal/external attacks or exposed to accidental events because of defects in their



design, implementation, configuration and/or operating management, as well as the lack of awareness of the risks arising from IT attacks among company staff;

- risk of technological disaster: this risk identifies the possibility that the technological infrastructures serving corporate operations may be dramatically compromised by accidental events;

The ERG Group's activities are managed using IT systems that support the main corporate processes, both operational and administrative and commercial. The inadequacy, fragmentation of existing platforms or the failure to update such IT systems to meet the needs of the business, their possible unavailability, inadequate management of aspects regarding integrity and confidentiality of the information, the lack of a continuous campaign to raise awareness of company staff and specific training for technical staff in particular, are potential risk factors that the Group mitigates using specific control measures, in line with the ISO 27001:2013 standard and the Cobit 5 Model.

The current process of integration and consolidation of IT systems within the Group, designed based on the changes in the company structure in previous years, will yield considerable benefits and a consequent reduction in associated ICT risks thanks to an approach based on risk management. The development and streamlining of the overall set of IT systems used by the Group are then pursued further through the design and implementation of a strategic ICT security plan at ERG Group level, aimed at ensuring adequate oversight of security in the following areas: Security Control, Security Policies, Risk Management, Security Awareness & Training, Supplier & Third Parties Management, Compliance, Information Protection Management, Business Continuity & Disaster Recovery, Incident Management, Threat & Vulnerability Management, Identity Management & Access Control, Network Security, System Security and Application Security.

To mitigate the potential risks of interruption of business activities on processes regarded as strategic, the Group has a Disaster Recovery system in place which ensures continuity of services and data through an alternate Data Center, whose efficiency is subject to regular checks.

Furthermore, in light of the importance of daily activities conducted on the Electricity Exchange, specific attention is paid to supervision of the market interface systems. These systems are subject to specific management and maintenance procedures designed to protect their stability.

Within the scope of data management, IT security risk is identified in the possibility that the Group may not have implemented suitable security measures to protect the confidentiality, integrity and availability of the information managed through the support of electronic / IT systems (databases, company applications, individual and shared folders, company sites exposed to Internet, corporate intranet, electronic mail system, etc.).

The ERG Renew Group pursues the objective of a constant protection of corporate information and mitigates the risk of failure to protect said information through the implementation and activation of processes and systems for the protection, preservation and recovery of the information available on the IT systems. For this purpose, the ERG Renew



Group classifies the information that, within the scope of the corporate processes, is contained and managed through software applications and electronic documents.

In addition, the confidentiality and security of information are subject to specific oversight measures by the Group through tools that segregate the access to information, as well as specific contractual agreements with third parties who may have access to information. To further improve the current oversight, the Segregation of Duties between the model of organisational roles and the model of technical roles is guaranteed and implemented in the systems. The Group also carried out periodic internal and external vulnerability assessments. Risk mitigation strategies are implemented in accordance with company policies.

# HUMAN RESOURCES

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## Organisation

At 31 December 2015, ERG Renew S.p.A. and its subsidiaries had a total number of 219 employees, a slight increase on the figure at the end of 2014 as a result of entries (32, of which 12 intercompany) and exits (25, of which 15 intercompany), substantially identical and specifically connected with the following situations:

- the targeted strengthening of the technical skills required for the insourcing of operations & maintenance processes, which resulted in the hiring of 8 wind turbine operators;
- the set up of the first local operating oversight units in France and Poland, where a total of 3 people were hired, mainly dedicated to business development and asset management processes;
- the launch of re-skilling and professional relocation processes for some resources less exposed to change management or job rotation schemes in previous years, concurrent with the changes in the scope of the business at Group level (exit from refining and business supply & trading in particular);
- other cases of transfer to and from other Group companies as part of the complete roll-out of the new Group organisational structure - **Fast Steering** - launched in 2014, and the Group processes of professional development and optimisation of the workforce;
- limited physiological turnover.

Considering the individual companies in the Renewables BU, the size of the workforces were as follows as at 31 December 2015:

- ERG Renew S.p.A. 59 employees, with an increase of 12;
- Green Vicari S.r.l. 0 employees, with a reduction of 2;
- ERG Wind Investments Ltd., ERG Wind Holdings S.r.l. and subsidiaries 10 resources, with a decrease of 18;
- ERG Renew Operations & Maintenance S.r.l. 143 employees, with an increase of 8;
- ERG Eolienne France: 2 employees;
- Hydro Inwestycje SP. Z O.O. (Poland): 1 employee.

The average age of the Group's personnel is approximately 39, in line with the previous year, and in terms of education levels, the percentage of employees holding high school diplomas or university degrees amounted to approximately 86%, substantially unchanged from the previous year.

## HEALTH, SAFETY AND ENVIRONMENT

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

To achieve the objectives set out in the HSEQ Policy, ERG Renew has implemented and maintains its own Integrated Quality, Environment and Safety Management System (SGI), compliant with the standards UNI EN ISO 9001:2008, UNI EN ISO 14001:2006 and BS OHSAS 18001:2011 and extended to all subsidiaries that generate electricity from wind power (excluding companies included in the LUKERG scope of consolidation). In November 2014, the Certifying Body carried out the audit for the confirmation of the SGI. In the same period, a specific SGI was also implemented for ERG Renew Operations & Maintenance S.r.l., focusing on O&M activities on wind farms, and the Certification Body audited the SGI in November.

## TREASURY SHARES OR OWNED SHARES OR QUOTAS OF PARENT COMPANIES

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In compliance with the provisions of Article 2428, paragraph 2, point 3, of the Italian Civil Code, it should be noted that, as of 31 December 2015, the company did not possess treasury shares or shares of parent companies.

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

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

## RELATED PARTIES

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

## RESEARCH AND DEVELOPMENT ACTIVITIES

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On **9 June 2015** ERG Renew S.p.A. sold to Permasteelisa S.p.A. its equity investment of 24.95% held in Dyepower Consortium, a company consolidated at cost which conducts research and development in the organic photovoltaic field.

As at 31 December 2015, no research and development activities were underway.

# FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS

### Reclassified Income Statement

	YEAR	
(Thousands of Euro)	2015	2014
Revenues from ordinary operations	321,142	327,631
Other revenues and income	8,543	10,949
<b>Total revenues</b>	<b>329,685</b>	<b>338,580</b>
Costs for purchases	(3,876)	(2,382)
Costs for services and other operating costs	(76,413)	(69,168)
Labour costs	(13,741)	(14,310)
<b>Gross operating margin (EBITDA)</b>	<b>235,655</b>	<b>252,720</b>
Amortisation, depreciation and write-downs of fixed assets	(123,104)	(125,555)
<b>EBIT</b>	<b>112,551</b>	<b>127,165</b>
Net financial income (expenses)	(52,614)	(57,234)
Net income (loss) from equity investments	(4,055)	(1,255)
<b>Profit (loss) before taxes</b>	<b>55,882</b>	<b>68,676</b>
Income taxes	(11,106)	(26,397)
<b>Net profit (loss) from continuing operations</b>	<b>44,776</b>	<b>42,279</b>
Net income from discontinued operations	–	–
<b>Net profit (loss) for the period</b>	<b>44,776</b>	<b>42,279</b>
Minority interests	–	–
<b>Group's net profit (loss)</b>	<b>44,776</b>	<b>42,279</b>

### Revenues from ordinary operations

Consolidated revenues in **2015** were slightly lower than those in the same period of 2014. This was mainly due to the new production of the new wind farms in France (63 MW since July 2015) and in Poland (42 MW since July 2015, while the additional 40 MW had no impact, as it relates to the end of December 2015), which partly offset the lower revenues in Italy due to lower production (-7%), sold at a slightly higher price (+1%). As regards the increase in sales prices, for ERG Renew in Italy, the average sale price of electricity was 47.7 EUR/MWh, decreasing by 3% on the value of 49.0 EUR/MWh in 2014. That value is lower than the Single National Price (52.3 EUR/MWh), as a result of the specific geographic distribution of ERG's wind farms, concentrated in the South of Italy and the profile of production timing. Overall, the average unit revenue from ERG Renew production in Italy, considering the sale value of energy and of the green certificates, was 147.8 EUR/MWh, up from the value of 146.4 EUR/MWh of 2014. That increase is linked to the value of green certificates, i.e. 100.1 EUR/MW, higher than the value of 97.4 EUR/MWh in 2014.

The average unit revenue of wind farms abroad in 2015 was approximately 84.2 EUR/MWh, down compared to 87.5 EUR/MWh recorded last year, mainly due to the change in the tariff scenario and Bulgaria and Romania, described above.

### Other revenues and income

This item mainly includes the penalties for insurance reimbursements obtained for damages from claims, charged to the suppliers of the maintenance contracts as a result of the unavailability of the facilities, as provided contractually, in addition to the positive impact of the termination of positions with regard to certain municipalities.

### Costs for services and other operating costs

Service costs include operating expenses for the upkeep and routine maintenance of industrial sites, insurance costs, municipal royalties and other expense categories and minor charges directly related to operating activities for wind energy production. The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.

### Labour costs

The decrease is tied to the continuation of the Group's new organisational set-up, as described above in the section entitled "Human resources".

### Depreciation and write-downs

The value of amortisation and depreciation was in line with the comparison period.

The comparison with 2014 reflects the combined effect of higher amortisation and depreciation in 2015 due to the acquisitions of the French wind farms and the entry into operation of a wind farm in Poland, more than offset lower depreciation of electronic components due to the end of their useful life and lower write-downs of fixed assets. Specifically, note that in 2014 the item reflected impairment losses of approximately EUR 6 million relating to main component type spare parts.

### Net financial income (expenses)

Net financial expenses in 2015 totalled EUR 52 million (EUR 57 million in 2014).

The decrease in net financial expenses compared to 2014 is mainly attributable to the reduction in market interest rates and the lower volume as a result of the repayments during the period.

### Income taxes

Income taxes in 2015 were negative by EUR 11 million (EUR 26 million in 2014) and comprise EUR 26 million in current taxes (EUR 31 million in 2014).

The tax rate, obtained as the ratio of taxes to profit before taxes, came to 20% (38% in 2014). The decrease in mainly

attributable to the ruling of unconstitutionality of the additional Robin Tax, whose rate (6.5%) is not longer applied since 1 January 2015, the positive impact of the ACE (Aid to Economic Growth) for EUR 10 million and the IRAP tax credit pursuant to Law 190/2014 (EUR 0.8 million).

It is also noted that, as reported previously, Law no. 208 of 28 December 2015 (2016 Stability Law) reduced the IRES tax rate from 27.5% to 24% starting from 1 January 2017.

Thus, an adjustment was made to deferred tax assets, calculated on items of income which shall take effect for tax purposes from 1 January 2017.

Thus it is noted that the rate used to calculate deferred tax assets is the nominal IRES rate of 27.5% for those income items that will be recognised for tax purposes by 31 December 2016, and 24% for items which will result in tax changes starting from 1 January 2017, with the addition, when prescribed, of the IRAP rate (3.9%).

The positive impact regarding the calculation of the adjustment of the IRES tax rate (24% starting from 2017) amounted to EUR 1.5 million. The item was considered as a non-recurring item.

## Statement of Financial Position

(Thousands of Euro)	31/12/2015	31/12/2014
Tangible fixed assets	1,253,421	1,049,837
Intangible fixed assets	473,661	453,395
Financial fixed assets	35,037	98,257
<b>Fixed Assets</b>	<b>1,762,119</b>	<b>1,601,489</b>
Inventories	12,405	9,801
Trade receivables	159,449	185,484
Trade payables	(32,738)	(19,554)
<b>Working capital</b>	<b>139,116</b>	<b>175,731</b>
Severance indemnities	(2,451)	(2,587)
Other assets	209,361	185,922
Other liabilities	(281,377)	(259,597)
<b>Net Invested Capital</b>	<b>1,826,768</b>	<b>1,700,958</b>
<b>Shareholders' Equity</b>	<b>679,116</b>	<b>635,764</b>
Quota of the Parent Company	679,116	635,764
Minority interests	—	—
<b>Net Financial Indebtedness</b>	<b>1,147,652</b>	<b>1,065,194</b>
<b>Shareholders' equity and financial debt</b>	<b>1,826,768</b>	<b>1,700,958</b>

Net invested capital as of 31 December 2015 was EUR 1,827 million, a significant increase compared to 2014.

Financial leverage, which represents the ratio of total net financial indebtedness and net invested capital, was 63% (63% at 31 December 2014).



## Fixed Assets

Fixed assets (EUR 1,762 million) include tangible, intangible and financial assets and refer mainly to wind-powered generating plants and authorisations for their operation. The increase on 31 December 2014 was mainly attributable to the expansion of the scope of consolidation following the acquisition of the new French wind farms and the development of wind farms in Poland, partly offset by amortisation, depreciation and write-downs for the period.

## Net working capital

Net working capital includes inventories of spare parts, receivables accrued on environmental certificates (green certificates) and receivables for sales of the ERG Group, invoiced but not yet collected during the period.

Trade payables mainly include payables to suppliers for the development of wind farms in Poland and to third party suppliers for maintenance of Italian wind farms.

The decrease relative to 2014 reflects the lower receivables for green certificates tied to different collection times compared to the previous year and greater investments made in the period for development of wind farms in Poland.

## Other assets

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

## Other liabilities

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

## Consolidated Net Financial Position

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

(Thousands of Euro)	31/12/2015	31/12/2014
Cash and cash equivalents	145,930	126,578
Bank account overdrafts	(1)	(1,604)
Restricted bank and postal deposits	–	2,548
<b>Short-term net financial indebtedness</b>	<b>145,929</b>	<b>127,522</b>
Financial receivables due from Group companies	131	98,203
Financial receivables due from others	4,248	1,546
<b>Financial assets</b>	<b>4,379</b>	<b>99,749</b>
<b>Total current financial assets</b>	<b>150,308</b>	<b>227,271</b>
Payables due to Group companies	(13,815)	(234)
Payables due to banks	(116,963)	(137,584)
Derivative payables	(3,895)	(1,844)
<b>Total current financial liabilities</b>	<b>(134,673)</b>	<b>(139,662)</b>
Payables due to parent companies	–	–
Payables due to banks	(1,018,112)	(982,853)
Derivative payables	(145,175)	(169,950)
<b>Total non-current financial liabilities</b>	<b>(1,163,287)</b>	<b>(1,152,803)</b>
<b>NET FINANCIAL POSITION</b>	<b>(1,147,652)</b>	<b>(1,065,194)</b>

The net financial position amounts to EUR 1,148 million.

**Current financial assets** include EUR 145.9 million related to liquidity mostly tied up with Project Financing (EUR 135.8 million).

**Current financial liabilities**, amounting to EUR 134.7 million, are primarily represented by:

- Financial payables due to third parties, amounting to EUR 117.0 million as the short-term portion of the non-recourse payable relating to the Project Financing of the wind business;
- Financial payables to the parent company ERG S.p.A, equal to EUR 13.8 million within a financial relationship of cash pooling;

**Non-current financial liabilities**, amounting to EUR 1,163.2 million, are primarily represented by:

- EUR 1,018.1 million as the medium to long-term portion of the non-recourse payable relating to the Project Financing of the wind business;
- EUR 145.1 million for derivative instruments whose contracts are undersigned by wind companies in order to hedge against the interest rate risk on Project Financing.

The change in net financial indebtedness is broken down as follows:

(EUR million)	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>		
EBIT	112.6	127.2
Depreciation and write-downs	123.1	125.6
Interest	(52.6)	(57.2)
<b>Cash flow from current operations</b>	<b>183.0</b>	<b>195.5</b>
<b>Change in operating assets and liabilities</b>	<b>16.4</b>	<b>(0.1)</b>
<b>TOTAL</b>	<b>199.4</b>	<b>195.4</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES (B)</b>		
Net capital expenditures on tangible fixed assets	(101.9)	(27.5)
Net capital expenditures on intangible fixed assets	(1.6)	(6.0)
Net capital expenditures on financial fixed assets	4.3	18.0
<b>TOTAL</b>	<b>(99.3)</b>	<b>(15.6)</b>
<b>CASH FLOWS FROM SHAREHOLDERS' EQUITY (C)</b>		
Capital increase	—	50.0
Dividends	—	—
Other changes in shareholders' equity	(1.4)	(45.6)
<b>TOTAL</b>	<b>(1.4)</b>	<b>4.4</b>
<b>CASH FLOWS IN THE PERIOD (A+B+C)</b>	<b>98.8</b>	<b>184.2</b>
<b>FINANCIAL INDEBTEDNESS AT THE START OF THE PERIOD</b>	<b>1,065.2</b>	<b>1,248.9</b>
<b>CASH FLOWS IN THE PERIOD</b>	<b>(98.8)</b>	<b>(184.2)</b>
<b>CHANGE IN SCOPE OF CONSOLIDATION</b>	<b>181.2</b>	<b>0.8</b>
<b>FINANCIAL INDEBTEDNESS AT THE END OF THE PERIOD</b>	<b>1,147.7</b>	<b>1,065.2</b>

The **net financial indebtedness** amounted to EUR 1,148 million, an increase of approximately EUR 82 million on the reported net financial indebtedness as at 31 December 2014 (thus, not including the share pertaining to LUKERG Renew). During the period operating cash flows were more than offset by investments linked to the development of wind farms in Poland and the acquisition of French wind farms, as well as by the line-by-line consolidation of the wind farms in Bulgaria and Romania, following the winding up of the joint venture LUKERG Renew.

## ERG RENEW S.P.A. FINANCIAL STATEMENTS

The separate year-end financial statements of ERG Renew S.p.A. as of 31 December 2015 have been drawn up on the basis of the Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

### Income Statement

(Thousands of Euro)	YEAR	
	2015	2014
Revenues from ordinary operations	119,307	21,661
Other revenues and income	2,053	1,619
<b>Total revenues</b>	<b>121,360</b>	<b>23,280</b>
Costs for purchases	(105,066)	(5,029)
Costs for services and other operating costs	(18,053)	(16,561)
Labour costs	(6,195)	(5,276)
<b>Gross operating margin (EBITDA)</b>	<b>(7,954)</b>	<b>(3,586)</b>
Amortisation, depreciation and write-downs of fixed assets	(1,370)	(555)
<b>EBIT</b>	<b>(9,324)</b>	<b>(4,141)</b>
Net financial income (expenses)	8,107	8,566
Net income (loss) from equity investments	39,558	15,464
<b>Profit (loss) before taxes</b>	<b>38,341</b>	<b>19,889</b>
Income taxes	5,810	3,634
<b>Profit (loss) for the period</b>	<b>44,151</b>	<b>23,523</b>

### Revenues from ordinary operations and other revenues and income

“Revenues from sales and services” refer mainly to revenues from sales by the ERG Group to the affiliate ERG Power Generation S.p.A. (EUR 87,380 thousand), in line with the new contractual structure between the companies in the ERG Group relating to the supply of electricity to the National Grid Operator.

The item also includes revenues relating to technical and administrative service agreements, stipulated with the subsidiaries, charged back at market values.

Lastly, the item refers (EUR 24,187 thousand), to the valuation of the green certificates, acquired from Group companies during the year, to be withdrawn by the National Grid Operator in 2016.

### Costs for purchases

The item includes costs for purchases of electricity from subsidiaries (EUR 35,016 thousand) and from the parent company ERG S.p.A. (EUR 46,078 thousand relating to the 1st half of 2015), as part of the new contractual structure between the companies in the ERG Group relating to the supply of electricity to the National Grid Operator.

The item also includes the purchase of green certificates from subsidiaries (EUR 23,902 thousand), which shall be withdrawn by the National Grid Operator in 2016.

### Costs for services and other operating costs

The item includes consultancy services and services received from third parties, compensation to Directors and Statutory Auditors and costs for services provided by Group companies, mainly related to the administrative services of the parent company ERG S.p.A. (EUR 4,074 thousand) and of the affiliate ERG Services S.p.A. (EUR 6,246 thousand). The increase on the previous period is attributable to accessory expenses relating to extraordinary operations occurred in 2015.

### Labour costs

The increase in the item is connected mainly to the continuation of the Group's new organisational set-up.

### Net financial income (expenses)

Net financial income in 2015 totalled EUR 8.1 million.

Financial income comprises the interest income accrued during the year on loans issued to subsidiaries, to jointly controlled entities and to the parent company ERG S.p.A.

Financial expenses comprise the interest expenses accrued during the year on loans issued by the parent company ERG S.p.A.

### Net income (loss) from equity investments

Income from equity investments comprises mainly the dividends distributed by the subsidiaries in 2015, totalling EUR 34 million, the write-back of the equity investment in ERG Eolienne France for EUR 10 million, and the write-down of the equity investment in ERG Wind GmbH, amounting to EUR 4 million.

### Income taxes

The item includes the balance of taxes deriving from the impact of deferred tax assets.

## Statement of Financial Position

(Thousands of Euro)	31/12/2015	31/12/2014
Intangible fixed assets	1,687	2,223
Tangible fixed assets	1,019	1,505
Equity investment and other financial fixed assets	527,935	389,900
<b>Fixed Assets</b>	<b>530,641</b>	<b>393,628</b>
Trade receivables	47,535	24,124
Trade payables	(14,993)	(8,403)
<b>Net working capital</b>	<b>32,542</b>	<b>15,721</b>
Severance indemnities	(594)	(494)
Other assets	34,825	27,325
Other liabilities	(2,577)	(12,586)
<b>Net invested capital</b>	<b>594,837</b>	<b>423,594</b>
Shareholders' Equity	679,484	636,511
Net financial indebtedness	(84,647)	(212,917)
<b>Shareholders' equity and financial debt</b>	<b>594,837</b>	<b>423,594</b>

As at 31 December 2015, net invested capital amounted to approximately EUR 595 million, an increase of approximately EUR 171 million compared to 2014 mainly as a consequence of the increase in fixed assets, as commented below.

### Fixed Assets

Fixed assets consist mainly of financial fixed assets. The significant increase on the previous year derives mainly from the acquisitions during 2015 and the disbursements of credit lines to the subsidiaries for the purpose of developing wind farms in Poland and the operation of new wind farms in France.

### Net working capital

Net working capital consists of trade receivables and payables mostly with respect to Group companies and third parties. Trade receivables refer mainly to the receivable due from Gestore dei Servizi Energetici (G.S.E.) for electricity and green certificates purchased by Group companies and to receivables for sales of electricity to affiliates.

### Other assets

They mainly comprise receivables due from tax authorities and other receivables from Group companies. The item also includes deferred tax assets, prepaid expenses and other asset paid as advances for the purpose of potential development of wind farms abroad.

### Other liabilities

They mainly comprise short-term tax payables, payables to Group companies and other payables. The item also includes the other provisions for risks and future liabilities.

## Net Financial Position

(Thousands of Euro)	31/12/2015	31/12/2014
Cash and cash equivalents	137	235
Bank account overdrafts	–	(1,604)
Restricted bank and postal deposits	–	2,548
<b>Total current financial assets</b>	<b>137</b>	<b>1,179</b>
Payables due to Group companies	(35,456)	(12,978)
Payables due to banks	–	–
Derivative payables and due to acquisition of equity investments	(3,171)	(1,844)
<b>Total current financial liabilities</b>	<b>(38,627)</b>	<b>(14,822)</b>
Financial receivables due from Group companies	123,137	216,264
Financial receivables due from parent company	–	–
Financial receivables from jointly controlled entities	–	8,682
Financial receivables due from others	–	1,614
<b>Total current financial assets</b>	<b>123,137</b>	<b>226,560</b>
<b>NET FINANCIAL POSITION</b>	<b>84,647</b>	<b>212,917</b>

Financial receivables include receivables relating to the centralised treasury in relation to subsidiaries. The decrease on 2014 is mainly attributable to the financial position in relation to the parent company ERG S.p.A., which changed from a receivable (EUR 89 million) to a payable (EUR 13 million) as a result of purchases made during the period.

## ALTERNATIVE PERFORMANCE INDICATORS

To enhance understandability of business performance, the operating results are also shown at their adjusted replacement cost, which take into account, for ERG Renew's share, the results at replacement costs of the LUKERG Renew GmbH joint venture (50%) whose contribution in the income statement not at adjusted replacement cost is represented in the valuation of the equity investments with the equity method. Results at adjusted replacement cost are indicators that are not defined in the International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance.

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

The Gross Operating Margin (EBITDA) corresponds to net income adjusted by taxes, the result of disposals of assets or the result of discontinued activities, financial proceeds and charges as well as the amortization/depreciation of intangible and tangible fixed assets and the write-down of non-current assets.

The Gross Operating Margin (EBITDA) is a measure which is utilized by the Group in order to monitor and assess operational trends and is not defined as an accounting measure within the realm of IFRS principles; as a result, it must not be considered an alternative measure with respect to interim financial statement results for evaluating operational performance.

	YEAR	
<b>EBITDA</b>	<b>2015</b>	<b>2014</b>
<b>Gross operating margin (EBITDA)</b>	<b>235.7</b>	<b>252.7</b>
<i>Exclusion of non-recurring items</i>		
Ancillary charges on non-recurring transactions	6.3	0.4
<b>EBITDA at replacement cost</b>	<b>241.9</b>	<b>253.2</b>
<i>LUKERG Renew 50% contribution at replacement cost</i>	<i>11.9</i>	<i>14.0</i>
<b>EBITDA at adjusted replacement cost</b>	<b>253.8</b>	<b>267.2</b>

	YEAR	
<b>DEPRECIATION AND WRITE-DOWNS</b>	<b>2015</b>	<b>2014</b>
<b>Depreciation and write-downs</b>	<b>(123.1)</b>	<b>(125.6)</b>
<i>Exclusion of non-recurring items</i>	<i>-</i>	<i>-</i>
<i>Italy</i>		
<b>Amortisation and depreciation at replacement cost</b>	<b>(123.1)</b>	<b>(125.6)</b>
<i>LUKERG Renew 50% contribution at replacement cost</i>	<i>(7.8)</i>	<i>(7.9)</i>
<b>Amortisation and depreciation at adjusted replacement cost</b>	<b>(130.9)</b>	<b>(133.4)</b>



<b>EBIT</b>	<b>YEAR</b>	
	<b>2015</b>	<b>2014</b>
<b>EBIT at replacement cost</b>	<b>118.8</b>	<b>127.6</b>
<i>LUKERG Renew 50% contribution at replacement cost</i>	<i>4.1</i>	<i>6.1</i>
<b>EBIT at adjusted replacement cost</b>	<b>122.9</b>	<b>133.7</b>

<b>GROUP NET INCOME</b>	<b>YEAR</b>	
	<b>2015</b>	<b>2014</b>
<b>Group net income</b>	<b>44.8</b>	<b>42.3</b>
<i>Exclusion of non-recurring items</i>		
<i>Exclusion of ancillary charges on non-recurring transactions</i>	<i>6.2</i>	<i>0.3</i>
<i>Exclusion of the impact of tax adjustment</i>	<i>(4.6)</i>	<i>(1.2)</i>
<b>Group net income at replacement cost</b>	<b>46.4</b>	<b>41.4</b>



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

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### ISAB Energy Solare S.r.l.

The Company, a subsidiary of ERG Renew S.p.A., is active in the renewable energy segment, and specifically in the generation of electricity from solar power. The company owns a photovoltaic plant at the industrial site of ISAB Energy S.r.l. in Priolo Gargallo (SR) for the generation of electricity with an installed power of 968 kW, which started commercial operations in 2011.

The company closed the year ended 31 December 2015 breaking even.

### LUKERG Renew GmbH

For further details, please refer to the chapter "**Wind Sector: Bulgaria and Romania**".

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

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

This activity comprises, inter alia:

- the definition of business strategies and of the corporate governance systems and shareholding composition;
- the determination of shared general policies with respect to human resources, accounting, budgeting, taxes, finance, risk management, communication, institutional relations, health safety and environment.

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

- Board of Directors' meeting of 21 January 2015:
  - point 1: New transaction in the renewable energy sector; inherent and consequent resolutions
- Board of Directors' meeting of 20 February 2015:
  - point 1: Winding up of the joint venture with LUKOIL, LUKERG Renew GmbH
- Board of Directors' meeting of 9 March 2015:
  - point 7: National Tax Consolidation – exercise of the option for the three-year period 2015-2017; inherent and consequent resolutions
  - point 8: New transaction in the renewable energy sector; inherent and consequent resolutions
- Board of Directors' meeting of 11 May 2015:
  - point 3: Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries
  - point 4: Update on the winding up of the joint venture with LUKOIL, LUKERG Renew GmbH; inherent and consequent resolutions
  - point 5: Remuneration of directors vested with specific powers
- Board of Directors' meeting of 15 June 2015:
  - point 1: Consensual termination of the auditing assignment; inherent and consequent resolutions
  - point 2: New transaction in the renewable energy sector in France; inherent and consequent resolutions

- point 3: New transaction in the renewable energy sector in the United Kingdom; inherent and consequent resolutions
- Board of Directors' meeting of 4 August 2015:
  - point 3: Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries
- Board of Directors' meeting of 13 October 2015:
  - point 1: New transaction in the renewable energy sector; inherent and consequent resolutions
- Board of Directors' meeting of 10 November 2015:
  - point 3: Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries
- Board of Directors' meeting of 14 December 2015:
  - point 1: Review and approval of the 2015-2018 Four-Year Plan; inherent and consequent resolutions
  - point 2: Review and approval of the 2016 investment budget
  - point 3: Schedule of the meetings of the corporate bodies for 2016
  - point 4: New transactions in the renewable energy sector in Poland; inherent and consequent resolutions
  - point 5: Sale of 100% of the share capital held in ERG Eolica Lucana S.r.l.; inherent and consequent resolutions

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

Name of company that exercises management and coordination activity	ERG S.p.A.
Registered office	via De Marini 1 - 16149 Genoa
Share capital	15,032
Total Shareholders' Equity	1,427,707
Total assets	2,371,105
Net income from equity investments	58,777
Other operating income	12,416
Net income	46,051

## PRIVACY

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Also in 2015 ERG Renew invested adequate resources and competencies in compliance on the matter of privacy. The internal regulatory system and the system for appointments and mandates were systematically updated, aligning them with external regulatory and internal organisational developments, in order to guarantee compliance with the provisions of the Privacy Code (Legislative Decree 196/2003) and the Measures issued by the Personal Data Protection Authority.

## SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

02  
February  
2016

ERG Renew finalised an agreement to purchase from a fund managed by Impax Asset Management Group eleven wind farms in France, with installed capacity of 124 MW, and six wind farms in Germany, with installed capacity of 82 MW, for a total of 206 MW. The wind farms, which became operational between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an annual average expected production of around 410 GWh. The operation also includes two companies, a French company and a German company, that provide technical, operational and commercial support, by a team of twenty-eight professionals, to wind power operators in France, Germany and Poland, both captive and third parties, for a total of around 800 MW (of which 206 MW acquired and another 83 MW owned by ERG Renew in Germany). The acquisition value, in terms of enterprise value, was around EUR 297 million, equal to a multiple of around EUR 1.4 million per MW. The wind farms are already fully financed with limited recourse Project Financing. In 2016 the expected gross operating margin (EBITDA) will be around EUR 30 million. The closing took place on 2 February 2016 and the total consideration for the equity amounted to around EUR 128 million.

29  
February  
2016

ERG Renew acquired from TCI Renewables ("TCI") 100% of the capital of Brockaghboy Windfarm Ltd ("BWF"), a UK company owning the authorisations required for the construction of a wind

farm in Northern Ireland, in Londonderry County, with a planned capacity of around 45 MW and an estimated electricity generation of approximately 150 GWh per year when fully operational, equal to approximately 3,300 equivalent hours and to approximately 71 kt of CO<sub>2</sub> emissions avoided. ERG Renew expects to start construction work on the wind farm in the second quarter of 2016 and complete the construction at the end of the first quarter of 2017.

The total estimated investment for the construction of the wind farm is approximately GDP 60 million (around EUR 80 million), already inclusive of the initial price recognised for the purchase of the company.

The project fulfils the conditions for accreditation under the incentive mechanisms in force (NIRO) set out in the bill being examined by the Parliament of the United Kingdom. Based on the agreements, after construction and on obtaining accreditation for the incentives (NIRO), BWF may be sold to third parties.

ERG Renew will have the right to submit a supplementary bid to TCI to retain definitive ownership. If the bid is not accepted and only if higher bids are received and accepted from third parties will BWF be sold, and subsequently, the capital gain will be calculated and allocated based on the contractually agreed mechanisms.

With this operation, ERG Renew enters the wind power market of the United Kingdom, as envisaged in the ERG 2015-18 Strategic Plan, through an innovative, flexible contractual structure that promotes the industrial competencies acquired by ERG Renew and optimises the creation of value.

## BUSINESS OUTLOOK

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ERG Renew is continuing with its strategy of international development, as a result of which, at the beginning of 2016 it already reached 0.6 GW of installed power abroad, equal to 37% of the total 1.7 GW installed, enabling the Group to become the ninth largest on-shore wind power operator in France and the eighth largest in Europe.

FY 2016 will specifically benefit from the full contribution the three new wind farms in Poland, whose construction has been completed, for a total installed power of 82 MW (these were progressively completed by ERG over 2015), as well as the acquisition of an additional six wind farms in France with installed power of 63 MW (which resulted in the doubling of installed capacity doubled the installed power in the country from 64 MW to 128 MW from July 2015) and the increase of 20 MW in installed capacity in Bulgaria and Romania (following the winding up of the joint venture LUKERG Renew at the end of the 2015 and the subsequent planned split of the assets between the two shareholders ERG and LUKOIL).

Also note the acquisition at the beginning of 2016 of eleven wind farms in France (124 MW) and six in Germany (82 MW), with total installed capacity of 206 MW, which will further increase our presence in these countries which consider renewable energy essential to their energy policies, as well as the acquisition of two companies specialising in asset management, which will contribute to both the achievement of synergies and to the development of ERG's presence as an industrial operator in these two countries. These assets will be consolidated starting from 1 January 2016.

Lastly, activities aimed at further growth of the company continue, through the assessment of new investment opportunities, particularly abroad.

The 2016 results, though with the background of energy prices decreasing sharply compared to 2015, are expected to grow, also due to the full contribution of the new wind farms built or purchased abroad.



Board of Directors' proposal

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## BOARD OF DIRECTORS' PROPOSAL

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Dear Shareholders,

We conclude our report inviting you to:

- approve the Financial Statements for your Company as of and for the year ended 31 December 2015, which closed with a profit of EUR 44,150,155.81;
- resolve on the allocation of profits.

Genoa, 16 March 2016

on behalf of the Board of Directors

The Chairman

Alessandro Garrone





## Consolidated Financial Statements

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)	Notes	31/12/2015	31/12/2014
Intangible assets	1	347,734	327,910
Goodwill	2	125,927	125,486
Property, plant and equipment	3	1,253,421	1,049,837
Equity investments	4	870	4,732
<i>valued using the equity method</i>		–	3,875
<i>other equity investments</i>		870	857
Other non-current financial assets	5	34,167	93,525
<i>of which with related parties</i>	38	331	60,239
Deferred tax assets	6	107,797	114,781
Other non-current assets	7	33,907	31,713
<b>Non-current assets</b>		<b>1,903,823</b>	<b>1,747,984</b>
Inventories	8	12,405	9,801
Trade receivables	9	159,449	185,484
<i>of which with related parties</i>	38	12,687	31,292
Other current receivables and assets	10	67,657	39,431
<i>of which with related parties</i>	38	10,961	1,290
Current financial assets	11	3,828	100,502
<i>of which with related parties</i>	38	130	98,203
Cash and cash equivalents	12	145,930	129,126
<b>Current assets</b>		<b>389,269</b>	<b>464,344</b>
<b>Assets held for sale</b>		<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>		<b>2,293,092</b>	<b>2,212,328</b>
Group Shareholders' Equity	13	679,116	635,764
Minority interests		–	–
<b>Shareholders' Equity</b>		<b>679,116</b>	<b>635,764</b>
Severance indemnities	14	2,451	2,587
Deferred tax liabilities	15	145,493	149,846
Provisions for non-current liabilities and charges	16	36,828	17,408
Non-current financial liabilities	17	1,163,287	1,152,803
<i>of which with related parties</i>	38	–	–
Other non-current liabilities	18	30,433	37,773
<i>of which with related parties</i>	38	–	–
<b>Non-current liabilities</b>		<b>1,378,492</b>	<b>1,360,417</b>
Provisions for current liabilities and charges	19	33,183	22,581
Trade payables	20	32,738	19,554
<i>of which with related parties</i>	38	924	3,200
Current financial liabilities	21	134,123	142,019
<i>of which with related parties</i>	38	13,815	234
Other current liabilities	23	35,440	31,993
<i>of which with related parties</i>	38	19,869	9,137
<b>Current liabilities</b>		<b>235,484</b>	<b>216,147</b>
<b>Liabilities held for sale</b>		<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>2,293,092</b>	<b>2,212,328</b>

# CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	Notes	Year 2015	Year 2014
Revenues from ordinary operations	27	366,934	327,631
<i>of which with related parties</i>	38	137,531	93,473
Other revenues and income	28	8,543	10,949
<i>of which with related parties</i>	38	4	315
Changes in product inventories		–	–
Changes in raw material inventories	29	2,605	2,567
Costs for purchases	30	(52,273)	(4,949)
<i>of which with related parties</i>	38	(46,080)	–
Costs for services and other costs	31	(76,413)	(69,168)
<i>of which with related parties</i>	38	(10,831)	(9,408)
<i>of which non-recurring items</i>	37	(6,268)	(316)
Labour costs	32	(13,741)	(14,310)
<i>of which non-recurring items</i>	37	–	(119)
<b>GROSS OPERATING MARGIN (EBITDA) FROM CONTINUING OPERATIONS</b>		<b>235,655</b>	<b>252,720</b>
Amortisation, depreciation and write-downs of fixed assets	33	(123,104)	(125,555)
<b>Net income (loss) from sale of business unit</b>		<b>–</b>	<b>–</b>
Financial income	34	22,875	24,766
<i>of which with related parties</i>	38	2,820	3,467
Financial Expenses	34	(75,489)	(82,000)
<i>of which with related parties</i>	38	(101)	(534)
<b>Net financial income (expenses)</b>	<b>34</b>	<b>(52,614)</b>	<b>(57,234)</b>
Net income (loss) from equity investments valued at equity		(3,520)	(727)
Other net income (loss) from equity investments		(535)	(531)
<i>of which non-recurring items</i>	37	(315)	–
<b>Net income (loss) from equity investments</b>	<b>35</b>	<b>(4,055)</b>	<b>(1,257)</b>
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>55,882</b>	<b>68,675</b>
Income taxes	36	(11,106)	(26,396)
<i>of which non-recurring items</i>	37	4,968	1,321
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>44,776</b>	<b>42,279</b>
Net income (loss) from sold assets and liabilities		–	–
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>44,776</b>	<b>42,279</b>
Minority interests		–	–
<b>GROUP'S NET PROFIT (LOSS)</b>		<b>44,776</b>	<b>42,279</b>
<b>Earnings per share</b>			
Not diluted		0.448	0.423

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Thousands of Euro)	2015	2014
<b>Net profit (loss) for the period</b>	<b>44,776</b>	<b>42,279</b>
<b>Changes that will not be reclassified in the income statement</b>		
Actuarial change in provisions for severance indemnities	(39)	(190)
Income taxes referred to the actuarial change in provisions for severance indemnities	11	52
	<b>(28)</b>	<b>(138)</b>
<b>Changes that will be reclassified in the income statement</b>		
Changes in cash flow hedge reserve	3,666	(59,714)
Income taxes referred to the changes in cash flow hedge reserve	(791)	14,638
	<b>2,875</b>	<b>(45,076)</b>
<b>Other components of comprehensive net profit (loss)</b>	<b>2,847</b>	<b>(45,214)</b>
<b>Comprehensive net profit (loss)</b>	<b>47,623</b>	<b>(2,935)</b>
Minority interests	—	—
<b>Group comprehensive net profit (loss)</b>	<b>47,623</b>	<b>(2,935)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES (A):</b>		
Net profit (loss) for the period	44,776	42,279
Amortisation/Depreciation and Write-downs on fixed assets	123,104	124,650
- Net change in provisions for liabilities and charges	28,570	11,175
- Net change in deferred tax assets (liabilities)	(8,742)	(28,638)
- Write-down of receivables and green certificates	-	-
- Gains/losses from realisation of non-current assets	-	161
- Portion of the results of equity investments valued using the equity method	3,875	904
- Write-down of equity investments	-	531
- Change in employees' severance indemnities	(136)	539
- Sale of business units and ancillary and related charges	-	-
<b>Cash flow from current operations</b>	<b>191,447</b>	<b>151,601</b>
<b>Change in other operating assets and liabilities:</b>		
- Change in inventories	(2,604)	(1,798)
- Change in trade receivables	41,797	34,967
- Change in trade payables	10,813	1,386
- Net change in other receivables/payables and other assets and liabilities	(35,958)	12,292
	<b>14,048</b>	<b>46,847</b>
<b>Total</b>	<b>205,495</b>	<b>198,448</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (B):</b>		
Acquisitions of intangible assets and goodwill	(2,340)	(6,012)
Acquisitions of property, plant and equipment	(92,904)	(29,737)
Acquisitions of equity investments and other non-current financial assets	(819)	(133)
Net changes in other increases/decreases in fixed assets	(10,284)	-
Disposals of intangible assets and goodwill	-	256
Disposals of property, plant and equipment and related gains/losses	2,196	3,100
Disposals of equity investments and other non-current financial assets	1,200	530
Disposals of business units	-	-
<b>Total</b>	<b>(102,951)</b>	<b>(31,996)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES (C):</b>		
New non-current loans	39,126	40,648
Repayments of non-current loans	(116,746)	(120,405)
Net change in loans to Group companies that are not consolidated on a line-by-line basis	8,684	13,956
Net change in other non-current financial assets/liabilities	69,979	38,670
Net change in current financial liabilities due to banks	40,990	43,618
Net change in other current financial assets/liabilities	54,714	(131,207)
Increases/repayments of share capital	-	-
Purchase of treasury shares	-	-
Dividends paid to minority shareholders	-	-
Capital increase	-	50,000
Other changes in equity	(1,424)	(45,612)
<b>Total</b>	<b>95,323</b>	<b>(110,332)</b>
<b>CHANGE IN SCOPE OF CONSOLIDATION (D)</b>	<b>(181,063)</b>	<b>(816)</b>
<b>NET CASH FLOW IN THE PERIOD (A+B+C+D)</b>	<b>16,804</b>	<b>55,304</b>
<b>CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR</b>	<b>129,126</b>	<b>73,822</b>
<b>NET CASH FLOW IN THE PERIOD</b>	<b>16,804</b>	<b>55,304</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>145,930</b>	<b>129,126</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserves	Profit (loss) for the period	Total	Minority interests	Total Shareholders' Equity
<b>BALANCE AT 31.12.2013</b>	<b>100,000</b>	<b>469,123</b>	<b>19,974</b>	<b>589,097</b>	<b>–</b>	<b>589,098</b>
Allocation of 2013 profit (loss)	–	19,974	(19,974)	–	–	–
Capital increase (Inclusion of UniCredit)	7,692	42,308	–	50,000	–	50,000
Distribution of dividends	–	–	–	–	–	–
Other changes	–	(398)	–	(398)	–	(398)
Profit (loss) for 2014	–	–	42,279	42,279	–	42,279
Actuarial change in provisions for severance indemnities	–	(138)	–	(138)	–	(138)
Changes in cash flow hedge reserve	–	(45,076)	–	(45,076)	–	(45,076)
<b>Comprehensive net profit (loss)</b>	<b>–</b>	<b>(45,214)</b>	<b>42,279</b>	<b>(2,935)</b>	<b>–</b>	<b>(2,935)</b>
<b>BALANCE AT 31.12.2014</b>	<b>107,692</b>	<b>485,793</b>	<b>42,279</b>	<b>635,764</b>	<b>–</b>	<b>635,764</b>
Allocation of 2014 profit (loss)	–	42,279	(42,279)	–	–	–
Distribution of dividends	–	–	–	–	–	–
Other changes	–	(2,651)	–	(2,651)	–	(2,651)
Profit (loss) for 2015	–	–	44,776	44,776	–	44,776
Actuarial change in provisions for severance indemnities	–	(36)	–	(36)	–	(36)
Changes in cash flow hedge reserve	–	2,875	–	2,875	–	2,875
Changes in translation reserve	–	(1,612)	–	(1,612)	–	(1,612)
<b>Comprehensive net profit (loss)</b>	<b>–</b>	<b>1,227</b>	<b>44,776</b>	<b>46,003</b>	<b>–</b>	<b>46,003</b>
<b>BALANCE AT 31.12.2015</b>	<b>107,692</b>	<b>526,648</b>	<b>44,776</b>	<b>679,116</b>	<b>–</b>	<b>679,116</b>

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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"ERG Renew" means ERG Renew S.p.A. and the entities included in the scope of consolidation.

## NATURE OF THE GROUP

ERG Renew operates in the sector of electricity generation using renewable sources (wind).

## PREPARATION PRINCIPLES

The Consolidated Financial Statements as of and for the year ended 31 December 2015 were prepared, without any waiver, in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international accounting standards that have undergone interpretation (International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

The Consolidated Financial Statements, expressed in thousands of Euro, prepared according to the general principle of cost, with the exception of financial assets available for sale, of financial assets held for trading, and of derivatives which are measured at fair value. The Consolidated Financial Statements at 31 December 2015 have been audited by Deloitte & Touche S.p.A. in accordance with the procedure set forth by CONSOB regulations.

## CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERG Renew presents its income statement by nature, a format deemed more representative than presentation by function. The selected format is consistent with the internal and management reporting methods.

With reference to the statement of financial position, the presentation format adopted distinguishes assets and liabilities as current and non-current, as allowed by IAS 1. The statement of cash flows is structured according to the indirect method. In addition, as required by CONSOB Resolution no. 15519 of 27 July 2006, the income and charges deriving from non-recurring operations or from events that are unusual in the normal course of business have been reported separately in the Income Statement. These items are commented in a dedicated note.

Applying the aforesaid Consob Resolution, moreover, the amounts pertaining to related-party positions and transactions have been reported separately in the Statement of Financial Position and in the Income Statement. These items are commented in a dedicated note.



## EVALUATION CRITERIA AND CONSOLIDATION PRINCIPLES

### Evaluation criteria

The main criteria adopted for the preparation of the consolidated Financial Statements as at 31 December 2015 are described below; they were unchanged from the previous year, except as described in the sub-section “**IFRS Accounting standards, amendments and interpretations applied as from 1 January 2015**”.

### Intangible assets

Intangible assets are recognised among the assets, as prescribed by IAS 38 – Intangible Assets, when they are identifiable, their use is likely to generate future economic benefits and their cost can be measured reliably.

These assets are recognised at the cost of acquisition or production, inclusive of all ancillary charges ascribable to them, and amortised on a straight line basis in relation to their useful life. Useful life is reviewed once a year and any changes, where necessary, are applied prospectively.

In general, intangible assets are amortised in a maximum period of 5 years with the exception of authorisations and land rights relating to wind farms, amortised in relation to the contractual period of validity.

There are no intangible assets with undefined useful life or development costs.

Research costs are expensed directly in the Income Statement in the period in which they are incurred.

The other intangible assets recognised as a result of the acquisition of an entity are recognised separately from goodwill if their current value can be reliably measured.

Concessions and licences mainly include authorisations for wind farms, amortised according to the residual duration. Costs relating to wind farms for which, at the end of the reporting period, it is not reasonably possible to forecast a future development, have been directly expensed in the Income Statement.

In particular, the regulatory scenario concerning investments for the construction and start-up of wind installations indicates an unforeseen fragmentation of regulatory responsibility and a profound procedural uncertainty. There is in fact a lack of uniformity in terms of local rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy. Consequently, there is a burdensome increase in the activities required to obtain construction permits and protraction of the time necessary to complete bureaucratic approval processes. The Group has therefore decided to capitalise development costs only when the approval process has been successfully completed.

It is estimated that intangible assets have a limited and finite useful life; they are therefore amortised on a straight-line basis as follows:

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

## Business combinations

Business combinations are recognised according to the “acquisition method”. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer to former shareholders of the acquiree, the liabilities incurred by the acquirer for those parties, and the equity interests issued by the acquirer. Acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

Goodwill is recognised at the date that control over an acquired entity is obtained and is measured as the difference between the aggregate of:

- the consideration transferred, the amount of any non-controlling interest in the acquiree measured in compliance with the rules set out in IFRS 3 (i.e. fair value of the pro-rata amount of net assets attributable to the non-controlling interests), in a business combination achieved in stages, the acquisition-date fair value of the acquirer’s previously-held interest,
- the net value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed measured at fair value.

If the fair value of the identifiable net assets acquired exceeds the consideration transferred, the difference arising, after verifying that the fair value of the assets and liabilities acquired is correct, is posted to the income statement at the acquisition date. The gain is attributed to the acquirer.

In a business combination achieved in stages, the acquirer’s previously held equity interest in the acquiree is revalued at the acquisition-date fair value and any gains or losses are posted to the income statement. If the changes in value attributable to the previously-held equity interest were posted under Other Comprehensive Income Components in previous years, that amount is recorded in the income statement in line with the treatment for cases where the equity interest was directly sold previously.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, this shall be reported using provisional amounts. The adjustments to the provisional amounts recognised at the acquisition date shall be recorded retroactively, in order to reflect the new information acquired regarding the facts and circumstances existing at the acquisition date which, if known, would have influenced the measurement of the amounts recognised at that date. The measurement period has a duration of 12 months from the acquisition date.

If the consideration transferred contains a contingent consideration component, at the acquisition date the fair value of the contingent consideration is recognised as an integral part of the consideration transferred in exchange for the acquiree.

The goodwill acquired in a business combination is not amortised but subjected annually – or more frequently if specific events or changes in circumstances indicate the occurrence of impairment – to impairment tests according

to the methods set out in IAS 36 Impairment of Assets.

For the purpose of impairment testing, at the acquisition date, goodwill is allocated to each cash-generating unit of the acquirer, or to groups of CGUs, which are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units or groups of units.

If the recoverable value of the unit (or group of units) to which the goodwill is allocated is less than its carrying amount, impairment shall be recognised according to this order: first, as a reduction of the carrying amount of the CGU's goodwill and, thus, to the other assets in the unit (or group of units) in proportion to the carrying amount of each asset that comprises the unit (or group of units).

If the goodwill has been allocated to a cash-generating unit and said unit is sold or transferred, the goodwill is included in the carrying amount of the assets when gains or losses arise from the sale.

### Property, plant and equipment

Property, plant and equipment are recognised at the cost of acquisition or production.

Expansion, upgrade and transformation costs, as well as maintenance costs are capitalised only if they increase the future economic benefits of the asset to which they refer.

Costs relating to cyclical maintenance are recognised among assets as a distinct component of the main asset in the year in which they are incurred and are included in the depreciation process considering an appropriate useful life.

The cost of the assets, in the presence of current obligations, includes costs for the dismantlement and removal of the assets and the restoration of the site, to be incurred upon abandoning the structures, recognised as matching entries to a specific provision. These costs are recognised starting from the date when they can be reliably estimated for those assets in which a future disposal is foreseeable and the time when it will take place can be estimated.

The capitalised cost is allocated in the income statement through the depreciation process.

Depreciation is calculated on a straight line basis on the estimated useful life. When the tangible assets consist of multiple significant components having different useful lives, depreciation is carried out for each component. The value to be depreciated is represented by the carrying amount minus the presumable residual value, if it is significant and it can be reasonably determined.

Land is not subject to depreciation, even if they are acquired jointly with a building. Assets that can be donated free of charge are depreciation in the shorter period between the estimated life of the asset and the duration of the concession.

There are no significant financial lease transactions as defined by IAS 17.

The depreciation rates applied are as follows:

	%*
Land	not depreciated
Land rights and other civil engineering works (included in the item "Land")	3.5
Buildings	2.5 - 5
Electrical works	5
Civil engineering works	5
Plant and machinery	5 - 10
Industrial and commercial equipment	5 - 10
Other capital goods	12 - 15 - 10
Expenses for environmental restoration	3 - 7

\* average rates

With regard to wind turbines, the rates are determined taking into account the different useful lives of each component (Component Analysis) of the wind farm.

Lastly, it is noted that property, plant and equipment also includes main component type spare parts, amortised over the useful life of the plants.

## Impairment of assets (impairment test)

At least once a year, the Group tests the recoverability of the carrying amount of intangible assets and of property, plant and equipment, in order to determine whether there is any indication that these assets may have undergone an impairment. If such an indication exists, the recoverable amount of the asset must be estimated to determine the impairment, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset is the greater figure between the current amount net of sale costs and its value in use, determined as the current value of estimated future cash flows.

An impairment is recognised if the recoverable amount is lower than the carrying amount. When, subsequently, an impairment on an asset, other than goodwill, is no longer applicable or is reduced, the carrying amount of the asset or of the cash generating unit is increased up to the new estimate of the recoverable amount without exceeding the value that would have been determined if no impairment loss had been recognised.

## Equity Investments

### Jointly controlled companies

These are entities on whose activities the Group has joint control, as defined by IFRS 11 - Joint Arrangements. The consolidated financial statements include the Group's share of the income or loss of jointly controlled companies, accounted for with the equity method, starting from the date on which joint control begins until the time when it ceases.

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

### Associate entities

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

### Financial assets

In accordance with IAS 39, financial assets shall be classified in the following categories:

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

All financial assets are initially recognised at fair value, plus - in the case of assets other than FVTPL assets - ancillary costs. At the time of execution, an assessment is made as to whether or not a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value, whenever analysis shows that the economic characteristics and risks of same are not closely related to those of the host contract. The Group classifies its financial assets after initial recognition and, when appropriate and allowed, reviews this classification at the close of each financial year.

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

This category comprises:

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

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

As at 31 December 2015, there were no financial assets designated at FVTPL.

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

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

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

As at 31 December 2015, the Group held no investments classified as HTM.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Fair value**

In the case of securities widely traded in regulated markets, fair value is determined in reference to stock market prices recorded at close of trading at the end of the reporting period.

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

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

**Amortised cost method**

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

**Impairment of financial assets**

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

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

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

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

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

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

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

## Cash and cash equivalents

Cash and cash equivalents are recognised, depending on their nature, at nominal value.

In accordance with IAS 7, the definition of cash equivalents includes cash at hand and bank/postal deposits repayable on demand and short-term investments readily convertible into an amount of cash. It also includes short-term investments whose repayment value is predetermined at the initial acquisition/recognition date.

## Financial liabilities

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

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

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs. After initial recognition, loans are measured at amortised cost using the effective interest rate method.

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

Financial liabilities at FVTPL include "Held-for-trading liabilities".

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

As at 31 December 2015, there were no financial liabilities designated at FVTPL.

## Derecognition of financial assets and liabilities

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

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

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

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



## Derivative instruments and hedge transactions

Derivative instruments are initially recognised at fair value at the date when they are stipulated. Subsequently, their fair value is periodically re-measured.

They are recorded as assets when the fair value is positive and as liabilities when it is negative.

ERG Renew carries out transactions with derivative instruments in order to hedge the risk deriving from fluctuations in commodity prices and rates.

Derivatives are classified, in accordance with IAS 39, as hedging instruments when the relationship between the derivative and the hedged asset is formally documented and the effectiveness of the hedge, verified both preventively and periodically, is high.

When hedging derivatives hedge the risk of change in fair value of the underlying hedged asset (fair value hedge), they are recognised at fair value with the effects allocated in the income statement; consistently, the hedging derivatives are adequate to reflect fair value changes associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the underlying hedged asset (cash flow hedge), the effective portion of the changes in the fair value of the derivatives is initially recognised in the shareholders' equity and subsequently allocated in the income statement consistently with the economic effects of the hedged transaction.

Changes in the fair value of the derivatives that do not meet the formal requirements to be considered for IAS/IFRS purposes are recognised in the Income Statement.

## Inventories

Inventories, pertaining to spare parts, are recorded at the lesser amount between the cost determined with the weighted average cost method and the market value (replacement cost).

## Foreign currency transactions

These are recorded at the exchange rate in force at the transaction date. Monetary assets and liabilities in foreign currency are converted at the exchange rate in force at the reporting date. Non-monetary items are maintained at the exchange rate prevailing at the transaction date, except in case of a persistently unfavourable trend in the exchange rate. Exchange rate differences generated on derecognition of items at rates differing from those at which they had been translated at the time of their initial recognition and those relating to monetary items at year-end are posted in the income statement under financial income and expenses.

## Provisions for liabilities and charges

ERG Renew recognises provisions for liabilities and charges when:

- there is a current, legal or implicit obligation to third parties;
- it is likely that the Group will have to use its own resources to fulfil the obligation;
- the amount of the obligation itself can be reliably estimated.

Estimate changes are reflected in the income statement of the period when the change took place.

When the financial effect of time is significant and the payment dates of the obligations can be estimated, the provision is discounted using a discount rate that reflects the current valuation of the cost of money in relation to time. The increase in the provisions connected with the passage of time is allocated in the income statement under Financial income (expenses).

When the liability pertains to tangible assets (e.g. dismantlement and restoration of sites), the provision is recognised as a matching entry to the asset to which it refers and the allocation to the income statement takes place through the depreciation process.

The notes to the financial statements illustrate the significant contingent liabilities represented by:

- possible (but not probable) obligations deriving from past events, whose existence will be confirmed only at the occurrence or non-occurrence of one or more future events not totally under the entity's control;
- current obligations deriving from past events whose amount cannot be reliably estimated or whose fulfilment may not be onerous.

## Employee benefits

Up to 31 December 2006, the Provision for Employees' Severance Indemnities of Italian companies was considered a defined-benefit plan. The governance of said provision was changed by Law no. 296 of 27 December 2006 ("2007 Financial Act") and subsequent decrees and regulations issued in the initial months of 2007. In light of these amendments, and specifically with regard to companies with at least 50 employees, this instrument shall now be considered a defined-benefit plan exclusively with regard to the portions accrued prior to 1 January 2007 and not yet settled at the reporting date. Following that date, this provision is treated as a defined-contribution plan.

The liability related to the defined-benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, estimating the amount of the future benefits that employees accrued at the reference date and recognising it on an accrual basis over the period of accrual of the right; the liability is evaluated by independent actuaries.

Actuarial income and losses relating to defined-benefit plans deriving from changes in the actuarial assumptions used or from changes in plan conditions are recognised pro-rata to the income statement for the remaining average period of service of employees participating in the plan, if and within the limits in which their net value not recognised at the end of the previous year exceeds 10% of the liability pertaining to the plan or 10% of the fair value of plan assets, whichever is higher.

## Revenue recognition

Revenues from sales and services are recognised at the time of the actual transfer of the significant risks and benefits of ownership, coinciding with the moment of delivery or in accordance with the different contractual specifications, or upon completion of the service.

The allocations of revenues relating to partially rendered services are recognised for the accrued consideration,

provided that their stage of completion can be determined reliably and there are no significant uncertainties with regard to the amount and existence of the revenue and of the related costs; otherwise, they are recognised within the limits of the recoverable costs incurred.

If the payment delay does not fall within normal commercial terms, the financial component that will be attributed as income in the period of the delay will be separated from the revenues. Exchanges between assets or services of similar nature and value, inasmuch as they are not representative of sale transactions, do not determine the recognition of revenues and costs.

Revenues relating to green certificates are recognised in reference to the output of the period and they are measured in accordance with the legal provisions of Electricity Authority resolutions applicable during the period, while also taking account of the equalisation regulations in force for the time being.

Capital grants are recognised at the time when there is a formal disbursing resolution or any restriction to their collection has been removed and they are recognised in the income statement in relation to the duration of the investments, with the aim of offsetting the economic-technical depreciation of the plants.

## Dividends

Dividends are recognised when, as a result of the passing of the resolution by the shareholders' meeting, the entitlement of shareholders to receive their payment is established.

## Financial income and expenses

They are recognised in the income statement on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities using the effective interest rate.

## Income taxes

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

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

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

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

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

With regard to deferred tax assets relating to fiscal losses that can be carried forward, please refer to the next section. Deferred taxes are calculated based on the tax rates that are expected in the periods in which the taxable timing differences will be recovered.

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

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

The new provisions had already been enforced starting in 2011 and, as clarified by circular 53/E 2011 by the Italian Internal Revenue Agency, also with effect on the tax losses generated prior to 2011 and still being carried forward according to previous regulations.

### Adjustment of the IRES rate

Law no. 208 of 28 December 2015 (2016 Stability Law) reduced the IRES tax rate from 27.5% to 24% starting from 1 January 2017.

Thus, an adjustment was made to deferred tax assets, calculated on items of income which shall take effect for tax purposes from 1 January 2017.

Thus it is noted that the rate used to calculate deferred tax assets and liabilities is the nominal IRES rate of 27.5% for those income items that will be recognised for tax purposes by 31 December 2016, and 24% for items which will result in tax changes starting from 1 January 2017, with the addition, when prescribed, of the IRAP rate (3.9%).

The impact of the adjustment of the rate of deferred tax assets and liabilities was accounted for in the income statement under "taxes" and the net impact was found to be positive by EUR 1.5 million.

The aforesaid impacts were isolated as a non-recurring item.

## EARNINGS PER SHARE

Earnings per share (EPS) are 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.

For the purposes of calculating diluting earnings per share, the weighted average number of ordinary shares outstanding is modified assuming the conversion of all potential shares that entail a dilutive effect.

## ENVIRONMENTAL CERTIFICATES

**Green certificates** from renewable sources are recognised on an accrual basis in view of the actual generation of energy from said sources.

They are measured at a price equal to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity recorded in the previous year and announced by the Italian Authority for Electric Energy and Gas (AEEG), no later than 31 January of each year.

In this regard, reference is made to the legislative decree of 3 March 2011, implementing Directive 2009/28/EC on the promotion of the use of energy from renewable sources.

Said Decree prescribes that for plants already in operation, or for those that will start operations by 31 December 2012, the National Grid Operator (GSE) will continue to withdraw the Green Certificates issued for generation from renewable sources until 2015, as purchaser of last resort, at a price equal to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity recorded in the previous year and announced by the Italian Authority for Electric Energy and Gas (AEEG), no later than 31 January of each year, in accordance with Article 13, Paragraph 3, of Italian Law Decree 387 dated 29 December 2003. Additionally, on 6 July 2012 the Italian Inter-ministerial Decree to provide incentives to renewable source of electricity other than photovoltaic was promulgated. Incentives prescribed for plants existing or completed by the end of 2012 (with a transitional period through 30 April 2013, for plants authorised as at 31 December 2012), have no significant discontinuities (the calculation formula was confirmed). Until 2015, the green certificates system shall remain in force; it will be converted, for the residual period of entitlement to incentives, with the release of a feed-in tariff disbursed on a monthly basis and calculated according to the same formula. Additionally, the timing for the collection of the green certificates by the GSE (in accordance with Article 25, Paragraph 4, of Italian Legislative Decree no. 28 of 28 March 2011) for the Green Certificates released for production from renewable sources in the years from 2011 to 2015 was defined.

The same Ministerial Decree defined, implementing Legislative Decree no. 28/2011, the new incentive mechanism for plants authorised and commissioned after 31 December 2012; this mechanism entails the payment of a feed-in tariff to be determined with a Dutch auction scheme starting from the base value set, by source and by size of plant, by the same decree: in particular, for on-shore wind farms with more than 5 MW of power, the minimum price was set to 127 EUR/MWh, for a duration of the incentive (useful life) of twenty years.

In relation to the obligation to deliver the green certificates from non renewable sources to the GSE, said green certificates are recognised on an accrual basis. If the quantity of green certificates purchased before the end of the year of accrual is lower than the quantity necessary for compliance with the law's obligation, the company recognises the cost still to be incurred for not yet purchased securities, as a matching entry to the liability to the GSE.

Instead, if at the end of the year, the quantity of green certificates purchased before the end of the year of accrual is higher than the quantity necessary for compliance with the law's obligation, the company recognises a prepayment equal to the costs to be adjusted, inasmuch as it will be accrued in the following year.

They are valued at the price of purchase.

In relation to green certificates, it is important to note Romania, where incentives for energy from renewable sources

are provided through green certificates for the first 15 years of operation. The obligation to supply a certain annual quantity of green energy in the grid (or to purchase an equal quantity of green certificates) is on the final consumption of electricity. For wind farms commissioned before 2014, 2 green certificates are provided for each MWh generated until 2017 and 1 green certificate from 2018 onwards, and the unit price of the green certificates ranges between a cap (55 EUR/MWh in 2010 currency) and a floor (27 EUR/MWh in 2010 currency) – defined in EUR – and indexed to inflation on an annual basis. Green certificates are valid for one year and, based on the regulations currently in force, are recognised on the lower value of the energy provided for and the energy actually generated. Romanian Law no. 23/2014, amending and incorporating the previous Emergency Ordinance of March 2013, was ratified by the Romanian President, after a few vicissitudes, in March 2014<sup>1</sup>. The law was approved by the European Commission - DG Competition in May 2015. The Law introduced certain amendments to the incentive system; in particular, for existing wind farms, 1 Green Certificate is to be retained in the 1 July 2013-31 March 2017 time interval. Retained Green Certificates will progressively be “released” from 1 January 2018 onwards and in any case no later than 31 December 2020, with procedures yet to be defined.

## USE OF ESTIMATES – RISKS AND UNCERTAINTIES

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

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

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

- the estimate of revenues from ordinary operations pertaining to the Power Business (with specific regard to that set out in the following chapter);
- provisions for bad debts, for inventory obsolescence and asset amortisation, depreciation and write-downs;
- the definition of the useful life of the fixed assets and the correlated amortisation and depreciation;
- allocations to provisions for environmental risks and for liabilities related to legal and fiscal disputes; in particular, the valuation processes pertain both to the determination of the degree of probability of occurrence of the conditions that can entail a financial outlay, and the quantification of the related amount;
- deferred tax assets, whose recognition is supported by the Group's prospective taxability resulting from the expected profitability of the business plans and from the forecast renewal of tax consolidation;
- the impairment test procedure for intangible assets, property plant and equipment and other equity investments, described in particular in the paragraph entitled Impairment test, implies - in estimating value in use - utilisation

<sup>1</sup> Decree no. 270/2014 approving Law 23/2014, which approves the Emergency Ordinance no. 57/2013, amending and supplementing Law no. 220/2008 for the Green Certificate incentive system.

of the investee companies' Business Plans, based on a combination of assumptions and hypotheses made by the Boards of Directors of investee companies concerning future events and actions, which may not necessarily occur. Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction.

A risk of uncertainty is also noted relating to the previously-mentioned green certificates in Romania, with specific regard to the actual collection of those accrued on production up to 2017, which will be assigned during the time period from 2018 to 2020. The estimates and assumptions are revised periodically and the effects of each change are recognised in the income statement in the period when the change took place.

## IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION BUT NOT YET APPLICABLE EXCEPT BY EARLY ADOPTION.

- amendments to IAS 19 - "Defined Benefit Plans: Employee Contributions".
- document "Annual Improvements to IFRSs: 2010-2012 Cycle", whose main amendments pertain to:
  - **IFRS 2** Share Based Payments - Definition of vesting condition.
  - **IFRS 3** Business Combinations - Accounting for contingent consideration.
  - **IFRS 8** Operating segments - Aggregation of operating segments.
  - **IFRS 8** Operating segments - Reconciliation of total of the reportable segments' assets to the entity's assets.
  - **IFRS 13** Fair Value Measurement - Short-term receivables and payables.
  - **IAS 16** Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization.
  - **IAS 24** Related Parties Disclosures - Key management personnel.
- amendment to **IFRS 11 "Joint Arrangements – Accounting for acquisitions of interests in joint operations"**
- amendment to **IAS 16 Property, Plant and Equipment** and **IAS 41 Agriculture - Bearer Plants**.
- amendments to **IAS 16 Property, plant and Equipment** and **IAS 38 Intangibles Assets – Clarification of acceptable methods of depreciation and amortisation**.
- document **Annual Improvements to IFRSs: 2012-2014 Cycle**, which introduces amendments to the following standards:
  - **IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations.
  - **IFRS 7** - Financial Instruments: Disclosure.
  - **IAS 19**– Employee Benefits.
  - **IAS 34** – Interim Financial Reporting.
- amendments to **IAS 1 - "Disclosure Initiative**.

The Group did not implement early application of the above standards.

## ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

As at the date of these Financial Statements the competent bodies of the European Union have not completed the endorsement process required for adoption of the amendments and of the standards described below.

- **IFRS 14** – Regulatory Deferral Accounts.
- Amendments to **IFRS 11**: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to **IAS 16** and **IAS 38**: Clarification of Acceptable Methods of Depreciation and Amortisation.
- **IFRS 15** Revenue from Contracts with Customers.
- **IFRS 9** - Financial Instruments.
- Amendments to **IAS 27**: Equity Method in Separate Financial Statement.
- Amendments to **IFRS 10** and **IAS 28**: Sales or Contributions of Assets between an Investor and its Associate or Joint Venture.

## CONSOLIDATION PRINCIPLES

### Scope of consolidation

The consolidated Financial Statements comprise the line-by-line consolidation of the data of ERG Renew S.p.A., Parent Company, and of the investees over which it directly or indirectly has control. Said control exists when the Group has the power to determine the financial and operating policies of an entity in order to obtain benefits. Subsidiaries are consolidated starting from the date when control was actually obtained by the Group and they cease to be consolidated from the date when control is transferred outside the Group.

Associate companies, over which ERG Renew S.p.A. has significant influence, or entities in which it exercises joint control over financial and operating policies, are measured with the equity method. The Group's share of profit or loss is recorded in the consolidated Financial Statements from the date when significant influence started and until the date on which it ceases. If the Group's share of the associate company's losses exceeds the book value of the equity investment in the financial statements, after zeroing the value of the equity investment, provisions are allocated for the Group's share of the loss to the extent to which the Group has legal or implicit obligations, to the investee company, to cover losses or, otherwise, to make payments on its behalf or in relation to its business.

### Equity investments in entities included in the scope of consolidation

The financial statements of the subsidiaries, used for consolidation purposes, are prepared as at 31 December 2015 according to the same standards as the Group's.

All financial statements of the entities consolidated with the line-by-line method are expressed in Euro.

In the preparation of the Consolidated Financial Statements, the assets, liabilities, costs and revenues of the consolidated entities are taken line by line in their total amount, attributing to minority shareholders, in dedicated statement of financial position and income statement items, their portion of equity and of income or loss for the year.



The minority shareholders' share of equity is determined on the basis of the current values attributed to assets and liabilities at the date when control was taken, excluding any goodwill that may be referred to them.

The carrying amount of equity investments is eliminated vis à vis the corresponding fraction of equity of the investee companies, attributing to individual assets and liabilities their current value at the date of acquisition of control. Any residual difference, if positive, is recorded under the "Goodwill" asset item; if it is negative, it is recorded in the income statement, as prescribed by IFRS 3 (Business Combinations).

### Intra-group transactions

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

### Translation of financial statements in currencies other than the Euro

The consolidated financial statements of ERG Renew are prepared in Euro, which is the functional currency of the Parent Company ERG Renew S.p.A. and of all companies included in the consolidation area, with the exception of:

- the Polish companies EW Orneta 2 SP. Z.O.O., Hydro Inwestycje SP. Z.O.O. and Blachy Pruszyński Energia SP Z.O.O.;
- the Romanian company Corni Eolian SA, directly controlled by ERG Wind GmbH;
- the Bulgarian companies directly controlled by ERG Wind Bulgaria GmbH, in turn directly controlled by ERG Wind GmbH.

For the financial statements of the companies measured according to the equity method, expressed in currencies other than the currency of representation (Euro), the exchange rate at the end of the year was applied to individual statement of financial position items, whilst the average exchange rate was used for the income statement.

The exchange rate differences originated from the translation of the initial balance sheet items at exchange rates prevailing at the end of the year, compared to those prevailing at the end of the previous year, are allocated directly to consolidated shareholders' equity.

Exchange rate differences deriving from a monetary element that is part of a net investment in a foreign operation are initially recognised under other comprehensive income components and reclassified from shareholders' equity to profit (loss) for the period on sale of the net investment.

A monetary element for which settlement is not planned or likely to occur in the foreseeable future is, in substance, a part of the net investment in a foreign operation.

### List of Group companies

The companies consolidated line-by-line, those measured at equity and those measured at cost are listed below.

List of subsidiaries consolidated **line-by-line**:

	Registered office	Direct share	Group share	Share capital (1) (2)	Shareholders' equity (1) (2)
<b>ERG Renew S.p.A.</b>					
Blachy Pruszyński-Energy SPZ.O.O.	Rzgów (Poland)	100%	100%	3,000	2,655
ERG Eolica Adriatica S.r.l.	Genoa	100%	100%	10	45,188
ERG Eolica Amaroni S.r.l.	Catanzaro	100%	100%	10	1,827
ERG Eolica Basilicata S.r.l.	Genoa	100%	100%	38	4,120
ERG Eolica Calabria S.r.l.	Catanzaro	100%	100%	10	154
ERG Eolica Campania S.p.A.	Genoa	100%	100%	120	31,644
ERG Eolica Faeto S.r.l.	Genoa	100%	100%	10	7,345
ERG Eolica Fossa del Lupo S.r.l.	Catanzaro	100%	100%	50	20,589
ERG Eolica Ginestra S.r.l.	Genoa	100%	100%	10	1,250
ERG Eolica S. Ciro S.r.l.	Genoa	100%	100%	3,500	19,430
ERG Eolica S. Vincenzo S.r.l.	Genoa	100%	100%	3,500	18,663
ERG Eolica Tirreno S.r.l.	Camporeale	100%	100%	10	26
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	21,625	20,572
ERG Renew Operations & Maintenance S.r.l.	Genoa	100%	100%	10	4,676
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	1,097	(7,329)
ERG Wind GmbH	Vienna (Austria)	100%	100%	20,508	16,211
ERG Wind Investments Ltd. (3)	Gibraltar	80%	80%	-	177,124
EW Orneta 2 Z.O.O. (4)	Szczecin (Poland)	100%	100%	(558)	50
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	100	1,766
Green Vicari S.r.l.	Camporeale	100%	100%	119	13,054
Hydro Inwestycje SPZ.O.O.	Warsaw (Poland)	100%	100%	5	(54)
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	100	3,242
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	80	2,186
<b>ERG Eolienne France S.a.s.</b>					
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	37	(2,797)
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	1,114	(750)
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	1,114	(504)
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	1,060	(309)
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	861	1,533
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	1,097	(1,464)
<b>ERG Wind France 1 S.a.s.</b>					
ERG Wind France 2 E.u.r.l.	Paris (France)	100%	100%	1	(11)
Cepe Pays De Montbeliard S.n.c.	Paris (France)	100%	100%	365	(3,530)
Cepe de Murat S.n.c.	Paris (France)	100%	100%	444	2,919
Cepe de Saint Florentin S.n.c.	Paris (France)	100%	100%	251	(4,242)
<b>ERG Wind GmbH</b>					
Corni Eolian SA	Costanza (Romania)	100%	100%	152,000	177,358
ERG Wind Bulgaria GmbH	Vienna (Austria)	100%	100%	35	4,822
<b>ERG Wind Bulgaria GmbH</b>					
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	4,379	4,371
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	3,179	2,936
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	3,024	3,461
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	3,051	3,547
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	4,113	4,425
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	4,113	4,221
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	1,520	1,591
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	3,034	2,582
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	3,057	2,834
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	2,955	3,797
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	3,059	2,804
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	3,023	2,611
Wind Park Kavana East EOOD	Sofia (Bulgaria)	100%	100%	505	595
Wind Park Kavana West EOOD	Sofia (Bulgaria)	100%	100%	175	458
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	2,157	2,304

(1) data referred to the last approved financial statements

(2) data expressed in thousands of Euro with the exception of the Polish companies Blachy Pruszyński SP Z.O.O., EW Orneta 2 SP Z.O.O. and Hydro Inwestycje SP Z.O.O. whose data are expressed in thousands of Zloty, the Romanian company Corni Eolian, whose data are expressed in thousands of Leu and the Bulgarian companies controlled by ERG Wind Bulgaria GmbH, whose data are expressed in thousands of Lev

(3) the agreements entered into with the seller include a put and call option on the remaining 20% of the capital, on the basis of which the acquisition of the shares attributable to the minority shareholders was assumed to be certain, with the consequent attraction of the related minority interests in the Group's shareholders' equity

(4) in December 2015 ERG Renew carried out a share capital increase of EW Orneta 2 SP Z.O.O. equal to EUR 7,500 thousand

	Registered office	Direct share	Group share	Share capital <sup>(1)</sup>	Shareholders' equity <sup>(1)</sup>
<b>ERG Wind Investments Ltd.</b>					
ERG Wind Holdings (Italy) S.r.l.	Genoa	100%	80%	212	883,700
ERG Wind MEI 2-14-1 Ltd.	London (UK)	100%	80%	–	(1,315)
ERG Wind MEI 2-14-2 Ltd.	London (UK)	100%	80%	–	160
<b>ERG Wind Holdings (Italy) S.r.l.</b>					
ERG Wind Sardegna S.r.l.	Genoa	100%	80%	77	38,604
ERG Wind Sicilia 6 S.r.l.	Genoa	100%	80%	77	29,678
ERG Wind 4 S.r.l.	Genoa	100%	80%	6,633	57,445
ERG Wind Energy S.r.l.	Genoa	100%	80%	1,000	82,116
ERG Wind Leasing 4 S.r.l.	Genoa	100%	80%	10	270
<b>ERG Wind Sardegna S.r.l.</b>					
ERG Wind Sicilia 2 S.r.l.	Genoa	100%	80%	77	39,251
ERG Wind Sicilia 4 S.r.l.	Genoa	100%	80%	77	12,335
ERG Wind Sicilia 5 S.r.l.	Genoa	100%	80%	77	18,024
ERG Wind 2000 S.r.l.	Genoa	100%	80%	77	25,167
<b>ERG Wind Sicilia 6 S.r.l.</b>					
ERG Wind 6 S.r.l.	Genoa	100%	80%	77	47,630
ERG Wind Sicilia 3 S.r.l.	Genoa	100%	80%	77	29,035
<b>ERG Wind MEI 2-14-1 Ltd.</b>					
ERG Wind MEG 1 LLP <sup>(2)</sup>	London (UK)	80%	80%	33,168	22,402
ERG Wind MEG 2 LLP <sup>(2)</sup>	London (UK)	80%	80%	28,010	19,174
ERG Wind MEG 3 LLP <sup>(2)</sup>	London (UK)	80%	80%	33,585	24,330
ERG Wind MEG 4 LLP <sup>(2)</sup>	London (UK)	80%	80%	29,721	21,414

(1) data referred to the last approved financial statements, in thousands of Euro

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

List of subsidiaries consolidated at cost:

Company	Registered office	Direct share	Group share	Share capital <sup>(1)</sup>	Shareholders' equity <sup>(1)</sup>	Book value as at 31.12.2015
(Thousands of Euro)						
<b>ERG Renew S.p.A.</b>						
Longburn Wind Farm Ltd.	Seebeck House (UK)	50%	50%	–	–	174
Sandy Knove Wind Farm Ltd.	Seebeck House (UK)	50%	50%	–	–	174
<b>Joint Venture<sup>(2)</sup></b>						<b>348</b>
<b>TOTAL</b>						<b>348</b>

(1) figures referred to 2015

(2) companies measured at cost as they are non-operational

Company	Registered office	Direct share	Group share	Share capital <sup>(1)</sup>	Shareholders' equity <sup>(1)</sup>	Book value as at 31.12.2015
(Thousands of Euro)						
<b>ERG Renew S.p.A.</b>						
ISAB Energy Solare S.r.l.	Genoa	100%	100%	100	186	123
ERG Eolica Lucana	Genoa	100%	100%	10	9	375
Eolico Troina S.r.l. in liquidation	Palermo	99%	99%	20	250	25
<b>Subsidiaries</b>						<b>523</b>
<b>TOTAL</b>						<b>523</b>

(1) figures referred to 2015

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

On **19 January 2015** closing was held on the agreement through which ERG Renew acquired from the PAI Group (PAI Polish Alternative Investments RES) 100% of the capital of Hydro Inwestycje, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydłowo and Stupsk, with a planned capacity of 14 MW.

On **12 March 2015** ERG Renew acquired from the PAI Group (PAI Polish Alternative Investments RES) 100% of the capital of Blachy Pruszyński-Energy, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Słupia, with a planned capacity of 24 MW.

On **9 June 2015** ERG Renew S.p.A. sold to Permasteelisa S.p.A. its equity investment of 24.95% held in Dyepower Consortium, a company consolidated at cost.

On **19 June 2015** ERG Renew acquired 50% of the units of the UK-based companies Longburn Wind Farm Limited and Sandy Knowe Wind Farm Limited, which are developing two wind power projects located in Scotland, with capacities of 60 MW and 49 MW, respectively, whose authorisation is expected in the first half of 2016. These companies are not yet operational. It is noted that ERG Renew obtained a set of guarantees and indemnities to cover aspects of risk relating to the target companies and the development projects.

Under said agreements, ERG Renew incurred EUR 5.0 million in charges for construction and to obtain licences relating to the wind farms in question, which were suspended under current assets pending the finalisation of the authorisation procedures.

On **27 July 2015** ERG Renew S.p.A acquired from Macquarie European Infrastructure Fund, managed by the Macquarie Group, 100% of the capital of four French companies which directly or indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. The wind farms have an annual average expected production of around 150 GWh, equal to over 2,300 equivalent hours.

As a result of this acquisition, ERG Renew will consolidate its position in the French wind power market, doubling its installed power from 64 MW to 127 MW. This is also a further step in the Group's geographical diversification and internationalisation strategy.

On **15 October 2015** ERG Renew signed an agreement to purchase from a fund managed by Impax Asset Management Group eleven wind farms in France, with installed capacity of 124 MW, and six wind farms in Germany, with installed capacity of 82 MW, for a total of 206 MW. The wind farms, which became operational between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an annual average expected production of around 410 GWh.

The operation also includes two companies, a French company and a German company, that provide technical, operational and commercial support, by a team of twenty-eight professionals, to wind power operators in France, Germany and Poland, both captive and third parties, for a total of around 800 MW (of which 206 MW acquired and another 83 MW owned by ERG Renew in Germany).

The acquisition value, in terms of enterprise value, was around EUR 297 million, equal to a multiple of around EUR 1.4 million per MW. The wind farms are already fully financed with limited recourse Project Financing. In 2016 the expected gross operating margin (EBITDA) will be around 30 EUR million.

The total consideration for the equity amounted to EUR 128 million. The closing took place on **2 February 2016** and, therefore, the transaction had no impacts on these Consolidated Financial Statements.

On **25 June 2015**, at the end of a three-year period of strong growth, the two shareholders of LUKERG Renew S.p.A., a 50-50 joint venture between ERG Renew S.p.A. and LUKOIL, created in 2011 to make investments in the wind power sector in Bulgaria and Romania, announced their mutual decision to wind up the joint venture and consequently divide up its assets.

According to the agreement, ERG is assigned the Bulgarian wind farms of Tchergera (40 MW), Hrabrovo (14 MW) and the Gebeleisis wind farm in Romania (70 MW) for a total of 124 MW, while LUKOIL acquires exclusive ownership of only the wind farm of Topolog (84 MW). As a result, ERG will increase its total installed power by 20 MW compared to the power assigned it as part of the joint venture (104 MW).

On **23 December 2015** the winding up of the joint venture (**ERG Wind GmbH Operation**) was concluded, with ERG Renew S.p.A. acquiring ownership of 50% of the shares from the shareholder OOO LUKOIL – Ecoenergo, held in the company LUKERG Renew GmbH. The sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the equity investment held in Land Power S.A., a Romanian company and the acquisition by LUKERG Bulgaria GmbH of the minority interest in Corni Eolian S.A., also a Romanian company, were also finalised on the same date. Therefore, as at 31 December 2015 ERG Renew S.p.A. was the sole shareholder of LUKERG Renew GmbH (which, in turn, controls 100% of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries, as well as Corni Eolian S.A.). Also on 23 December 2015 LUKERG Renew GmbH changed its company name to ERG Wind GmbH and LUKERG Bulgaria GmbH changed its name to ERG Wind Bulgaria GmbH.

With regard to the existence of restrictions and guarantees on the equity investments held by the Group, please refer to the comments in **Note 25 – Covenants and negative pledges**.

# SCOPE OF CONSOLIDATION AS AT 31 DECEMBER 2015



## CHANGE IN SCOPE OF CONSOLIDATION

The table on the following page summarises the main transactions on the Group's equity investments that changed the scope of consolidation and the effects of said transactions on the Group's statement of financial position.

	CHANGE IN SCOPE OF CONSOLIDATION				
	Hydro Inwestycje SP. Z.O.O.	Blachy Pruszyński Energia SP. Z.O.O.	Società da Macquarie European Infrastructure Fund	ERG Wind GmbH Operation	TOTAL
(Thousands of Euro )					
Intangible assets	1,833	2,622	22,539	10,868	37,862
Goodwill	–	–	–	441	441
Property, plant and equipment	552	2,442	56,257	145,892	205,143
Equity Investments	–	–	–	(476)	(476)
Other financial assets	–	–	144	(59,108)	(58,964)
Deferred tax assets	–	–	9,590	–	9,590
Other non-current assets	–	–	–	3,166	3,166
<b>Non-current assets</b>	<b>2,385</b>	<b>5,064</b>	<b>88,530</b>	<b>100,783</b>	<b>196,762</b>
Inventories	–	–	–	–	–
Trade receivables	–	2	802	14,958	15,762
Other current receivables and assets	109	391	872	4,037	5,409
Current financial assets *	–	–	–	–	–
Cash and cash equivalents*	–	–	5,659	9,677	15,336
<b>Current assets</b>	<b>109</b>	<b>393</b>	<b>7,333</b>	<b>28,672</b>	<b>36,507</b>
<b>TOTAL ASSETS</b>	<b>2,494</b>	<b>5,457</b>	<b>95,863</b>	<b>129,455</b>	<b>233,269</b>
<b>Shareholders' Equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(316)</b>	<b>(316)</b>
Severance indemnities	–	–	–	–	–
Deferred tax liabilities	348	498	17,701	–	18,547
Provisions for non-current liabilities and charges	–	–	352	1,579	1,931
Non-current financial liabilities*	–	–	–	76,777	76,777
Other non-current liabilities	–	–	20	–	20
<b>Non-current liabilities</b>	<b>348</b>	<b>498</b>	<b>18,073</b>	<b>78,356</b>	<b>97,275</b>
Provisions for current liabilities and charges	–	–	1,100	9,596	10,696
Trade payables	219	72	540	1,540	2,371
Current financial liabilities*	1,916	4,873	75,997	36,836	119,622
Other current liabilities	11	14	153	3,443	3,621
<b>Current liabilities</b>	<b>2,146</b>	<b>4,959</b>	<b>77,790</b>	<b>51,415</b>	<b>136,310</b>
<b>TOTAL LIABILITIES</b>	<b>2,494</b>	<b>5,457</b>	<b>95,863</b>	<b>129,455</b>	<b>233,269</b>
<b>*Impact on Net Financial Position</b>	<b>1,916</b>	<b>4,873</b>	<b>70,338</b>	<b>103,936</b>	<b>181,063</b>

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

The acquisitions were recognised according to the provisions of IFRS 3 on business combinations; on the basis of this



standard, and for the purposes of a correct reporting of the operation, it is necessary:

- to determine the acquisition date and the date of acquisition of control;
- to determine the total consideration of the acquisition;
- to recognise and measure the identifiable assets acquired, the identifiable liabilities assumed and any non-controlling interest;
- to recognise and measure the goodwill or gain from a bargain purchase;
- to define the measurement period and determine the elements included in the business combination, comprising the costs relating to the acquisition.

### Acquisition of Hydro Inwestycje SP. Z.O.O.

On **23 January 2015** ERG Renew reached an agreement for the acquisition from the PAI Group (PAI Polish Alternative Investments RES) of 100% of the capital of Hydro Inwestycje, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydłowo and Stupsk, with a planned capacity of 14 MW and an estimated electricity output, once fully operational, of over 36 GWh per year, equal to approximately 2,600 equivalent hours and approximately 30 kt of avoided CO<sub>2</sub> emissions. ERG Renew expects to start construction work on the wind farm in the second quarter of 2015 to begin operations at the end of the year.

The closing was held on **19 February 2015**.

ERG Renew completed the construction work in the fourth quarter of 2015 and the wind farm became operational at the end of December 2015.

### Determination of the total consideration of the acquisition

The consideration of the acquisition amounted to EUR 1.9 million, of which EUR 1.5 million for the acquisition of 100% of the share capital of the target company and EUR 0.4 million to repay the loans outstanding at the date of acquisition of control of the target company. Costs incurred to finalise the transaction came to EUR 0.2 million. These were not included in the consideration paid and, as a result, they were recorded in the income statement for the year under costs for services and other costs.

### Measurement of the assets and liabilities of the business combination at the acquisition date and purchase price allocation

The acquisition was recorded in a provisional manner. The current values of the assets acquired were determined based on the best estimate available at the date of preparing the consolidated financial statements relating to the current year. These are shown in the table below.

(Thousands of Euro)	Asset Acquisition	Purchase Price Allocation <sup>(1)</sup>	Total impact of the transaction
Intangible assets	2	1,831	1,833
Goodwill	–	–	–
Property, plant and equipment	552 <b>A</b>	–	552
Equity Investments	–	–	–
Other financial assets	–	–	–
Deferred tax assets	–	–	–
Other non-current assets	–	–	–
<b>Non-current assets</b>	<b>554</b>	<b>1,831</b>	<b>2,385</b>
Inventories	–	–	–
Trade receivables	–	–	–
Other current receivables and assets	109	–	109
Current financial assets *	–	–	–
Cash and cash equivalents*	–	–	–
<b>Current assets</b>	<b>109</b>	<b>–</b>	<b>109</b>
<b>TOTAL ASSETS</b>	<b>663</b>	<b>1,831</b>	<b>2,494</b>
<b>Shareholders' Equity</b>	<b>(23)</b>	<b>23</b>	<b>–</b>
Severance indemnities	–	–	–
Deferred tax liabilities	–	348	348
Provisions for non-current liabilities and charges	–	–	–
Non-current financial liabilities*	–	–	–
Other non-current liabilities	–	–	–
<b>Non-current liabilities</b>	<b>–</b>	<b>348</b>	<b>348</b>
Provisions for current liabilities and charges	–	–	–
Trade payables	219	–	219
Current financial liabilities*	456 <b>B</b>	1,460	1,916
Other current liabilities	11	–	11
<b>Current liabilities</b>	<b>686</b>	<b>1,460</b>	<b>2,146</b>
<b>TOTAL LIABILITIES</b>	<b>663</b>	<b>1,831</b>	<b>2,494</b>
<b>*Impact on Net Financial Position</b>	<b>456</b>	<b>1,460</b>	<b>1,916</b>

(1) provisional allocation

In the **Asset Acquisition** column:

- A** The value of property, plant and equipment acquired refers to assets under construction,
- B** The value of current financial liabilities relates to the payables due to shareholders outstanding at the time of acquisition. The fair value at the acquisition date is close to the face value. Note that the short-term classification is due to the repayment of the Project Financing and shareholder loans by ERG Renew S.p.A. at the closing of the transaction.

The **Purchase Price Allocation** column includes:

- under Intangible assets, the capital gain not deductible for tax purposes arising on recording the acquisition. That capital gain was allocated to concessions and was determined using measurement methods based on discounting the operating cash flows expected over the duration of the concessions;
- under deferred tax liabilities, the value of deferred tax liabilities recognised against the allocation in the above point;
- under current financial liabilities, the value of the consideration for the acquisition of 100% of the share capital of the target company.

### Impacts of the acquisition on Group results

The wind farm came on stream at the end of December 2015. Therefore, its contribution to the Group's income statement was insignificant.

### Acquisition of Blachy Pruszyński Energia SP. Z.O.O.

On **12 March 2015**, ERG Renew acquired from the PAI (Polish Alternative Investments) Group 100% of the capital of a Polish company (SPV) owning the authorisations required for the construction of a wind farm in Poland, in the municipality of Słupia, with a planned capacity of 24 MW and an estimated electricity generation of over 62 GWh per year when fully operational, equal to approximately 2,600 equivalent hours and to approximately 52 kt of CO<sub>2</sub> emissions avoided.

ERG Renew started construction work on the wind farm in the second half of 2015 and to start operations at the end of the year. ERG Renew completed the construction work at the end of 2015 and the wind farm became operational in the first few days of 2016.

### Determination of the total consideration of the acquisition

The consideration of the acquisition amounted to EUR 4.9 million, of which EUR 2.9 million for the acquisition of 100% of the share capital of the target company and EUR 2.0 million to repay the loans outstanding at the date of acquisition of control of the target company. Costs incurred to finalise the transaction, equal to EUR 0.9 million, were not included in the consideration paid and were recorded in the income statement for the year under costs for services and other costs.

### Measurement of the assets and liabilities of the business combination at the acquisition date and purchase price allocation

The acquisition was recorded in a provisional manner. The current values of the assets acquired were determined based on the best estimate available at the date of preparing the consolidated financial statements relating to the current year. These are shown in the table below.

(Thousands of Euro)	Asset Acquisition	Purchase Price Allocation <sup>(1)</sup>	Total Impact of the transaction
Intangible assets	–	2,622	2,622
Goodwill	–	–	–
Property, plant and equipment	2,442 <b>A</b>	–	2,442
Equity Investments	–	–	–
Other financial assets	–	–	–
Deferred tax assets	–	–	–
Other non-current assets	–	–	–
<b>Non-current assets</b>	<b>2,442</b>	<b>2,622</b>	<b>5,064</b>
Inventories	–	–	–
Trade receivables	2	–	2
Other current receivables and assets	391	–	391
Current financial assets *	–	–	–
Cash and cash equivalents*	–	–	–
<b>Current assets</b>	<b>393</b>	<b>–</b>	<b>393</b>
<b>TOTAL ASSETS</b>	<b>2,835</b>	<b>2,622</b>	<b>5,457</b>
<b>Shareholders' Equity</b>	<b>731</b>	<b>(731)</b>	<b>–</b>
Severance indemnities	–	–	–
Deferred tax liabilities	–	498	498
Provisions for non-current liabilities and charges	–	–	–
Non-current financial liabilities*	–	–	–
Other non-current liabilities	–	–	–
<b>Non-current liabilities</b>	<b>–</b>	<b>498</b>	<b>498</b>
Provisions for current liabilities and charges	–	–	–
Trade payables	72	–	72
Current financial liabilities*	2,018 <b>B</b>	2,855	4,873
Other current liabilities	14	–	14
<b>Current liabilities</b>	<b>2,104</b>	<b>2,855</b>	<b>4,959</b>
<b>TOTAL LIABILITIES</b>	<b>2,835</b>	<b>2,622</b>	<b>5,457</b>
<b>*Impact on Net Financial Position</b>	<b>2,018</b>	<b>2,855</b>	<b>4,873</b>

(1) provisional allocation

In the **Asset Acquisition** column:

- A** the value of property, plant and equipment acquired refers to the operational wind farms owned by the target companies, for which it is assumed that the historical cost of the assets is approximate to their fair value;
- B** the value of current financial liabilities relates to the payables due to shareholders outstanding at the time of acquisition. The fair value at the acquisition date is close to the face value. Note that the short-term classification is due to the repayment of the Project Financing and shareholder loans by ERG Renew S.p.A. at the closing of the transaction.

The **Purchase Price Allocation** column includes:

- under Intangible assets, the capital gain not deductible for tax purposes arising on recording the acquisition. That capital gain was allocated to concessions and was determined using measurement methods based on discounting the operating cash flows expected over the duration of the concessions;
- under deferred tax liabilities, the value of deferred tax liabilities recognised against the allocation in the above point;
- under current financial liabilities, the value of the consideration for the acquisition of 100% of the share capital of the target company.

### Impacts of the acquisition on Group results

The wind farm came on stream at the beginning of 2016. Therefore, its contribution to the Group's income statement was insignificant.

### Acquisition of companies from Macquarie European Infrastructure Fund

On **27 July 2015** ERG Renew finalised the closing of the transaction concerning the acquisition from Macquarie European Infrastructure Fund, managed by the Macquarie Group, 100% of the capital of four French companies which directly or indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. The wind farms have an annual average expected production of around 150 GWh, equal to over 2,300 equivalent hours. The value of the acquisition, in terms of enterprise value, was around EUR 70 million. As a result of this acquisition, ERG Renew will consolidate its position in the French wind power market, doubling its installed power from 64 MW to 127 MW. This is also a further step in the Group's geographical diversification and internationalisation strategy.

The acquisition resulted in an increase in net invested capital of around 70 million and an increase in debt of the same amount. The contribution to the EBITDA for 2015 was equal to approximately EUR 4.6 million.

These financial statements represent the impacts of consolidation of the new French companies starting from 1 July 2015, considering the effects on the income statement for the time period from the closing date to the date of actual accounting consolidation as insignificant.

### Determination of the total consideration of the acquisition

The consideration of the acquisition amounted to EUR 76 million, of which EUR 15 million for the acquisition of 100% of the share capital of the target company and EUR 61 million to repay the loans outstanding at the date of acquisition of control of the target company. Costs incurred to finalise the transaction, equal to EUR 1.5 million, were not included in the consideration paid and were recorded in the income statement for the year under costs for services and other costs.

## Measurement of the assets and liabilities of the business combination at the acquisition date and purchase price allocation

The acquisition was recorded in a provisional manner. The current values of the assets acquired were determined based on the best estimate available at the date of preparing the consolidated financial statements relating to the current year. These are shown in the table below.

(Thousands of Euro)	Asset Acquisition		Purchase Price Allocation <sup>(1)</sup>	Total Impact of the transaction
Intangible assets	–		22,539	22,539
Goodwill	–		–	–
Property, plant and equipment	56,257	<b>A</b>	–	56,257
Equity Investments	–		–	–
Other financial assets	144	<b>B</b>	–	144
Deferred tax assets	9,590	<b>C</b>	–	9,590
Other non-current assets	–		–	–
<b>Non-current assets</b>	<b>65,991</b>		<b>22,539</b>	<b>88,530</b>
Inventories	–		–	–
Trade receivables	802	<b>D</b>	–	802
Other current receivables and assets	872	<b>E</b>	–	872
Current financial assets*	–		–	–
Cash and cash equivalents*	5,659		–	5,659
<b>Current assets</b>	<b>7,333</b>		<b>–</b>	<b>7,333</b>
<b>TOTAL ASSETS</b>	<b>73,324</b>		<b>22,539</b>	<b>95,863</b>
<b>Shareholders' Equity</b>	<b>691</b>		<b>(691)</b>	<b>–</b>
Severance indemnities	–		–	–
Deferred tax liabilities	10,296	<b>F</b>	7,405	17,701
Provisions for non-current liabilities and charges	352	<b>G</b>	–	352
Non-current financial liabilities*	–		–	–
Other non-current liabilities	20		–	20
<b>Non-current liabilities</b>	<b>10,668</b>		<b>7,405</b>	<b>18,073</b>
Provisions for current liabilities and charges	–		1,100	1,100
Trade payables	540	<b>H</b>	–	540
Current financial liabilities*	61,272	<b>I</b>	14,725	75,997
Other current liabilities	153		–	153
<b>Current liabilities</b>	<b>61,965</b>		<b>15,825</b>	<b>77,790</b>
<b>TOTAL LIABILITIES</b>	<b>73,324</b>		<b>22,539</b>	<b>95,863</b>
<b>*Impact on Net Financial Position</b>	<b>55,613</b>		<b>14,725</b>	<b>70,338</b>

(1) provisional allocation

In the **Asset Acquisition** column:

**A** the value of property, plant and equipment acquired refers to the operational wind farms owned by the target companies, for which it is assumed that the historical cost of the assets is approximate to their fair value;

- B** the value of other financial assets relates to cautionary deposits and the fair value at the acquisition date is close to the face value;
- C** the value of deferred tax assets relates to credits for deferred tax assets on prior year losses of the target companies that can be carried forward to future years for a total amount of EUR 29 million. At the acquisition date, the Management of the Group measured the recoverability of those deferred tax assets based on the expected taxable profit (loss) and, as a result, recognised the deferred tax assets on prior year losses on initial recognition of the assets acquired;
- D** the value of trade receivables refers to the sale of electricity and the fair value at the acquisition date is close to their face value. At the acquisition date, the best estimate of the contractual cash flow that will not be recovered is included in the initial recognition value of said receivables;
- E** other current receivables and assets are represented by portions of charges deferred to subsequent periods and receivables due from the tax authorities. The fair value at the acquisition date is close to the face value;
- F** deferred tax liabilities are posted against the reversal of accelerated amortisation and depreciation recorded in the financial statements of the target companies drawn up according to local GAAP;
- G** provisions for non-current liabilities and charges relate to liabilities due to investee companies and plant dismantlement costs;
- H** trade payables relate mainly to maintenance services from third party suppliers, whose fair value is close to their face value;
- I** current financial liabilities relate to the payables for Project Financing and due to shareholders outstanding at the time of acquisition. The fair value at the acquisition date is close to the face value. Note that the short-term classification is due to the repayment of the Project Financing and shareholder loans by ERG Renew S.p.A. in the days following the closing of the transaction.

The **Purchase Price Allocation** column includes:

- under Intangible assets, the capital gain not deductible for tax purposes arising on recording the acquisition. That capital gain was allocated to concessions and was determined using measurement methods based on discounting the operating cash flows expected over the duration of the concessions;
- under deferred tax liabilities, the value of deferred tax liabilities recognised against the allocation in the above point;
- under provisions for non-current liabilities and charges, tax liabilities not posted in the individual financial statements of the target companies, referring to prior year taxes;
- under current financial liabilities, the value of the consideration for the acquisition of 100% of the share capital of the target company.

### Impacts of the acquisition on Group results

The contribution of the business combination on the Group's results from the date of first consolidation (1 July 2015) to the ending date of the year was as follows:

(Values in millions of Euro)	
Total revenues	6,457
EBITDA	4,623
EBIT	2,253
Net income	(307)

The Management of the Group deems that these "pro-forma" results express a reasonable estimate of the performance that can be achieved by the acquired companies and thus, may represent a reference for comparison for future years.

### ERG Wind GmbH Operation (winding up of the joint venture LUKERG Renew GmbH)

- On **25 June 2015**, at the end of a three-year period of strong growth, the two shareholders of LUKERG Renew S.p.A., a 50-50 joint venture between ERG Renew S.p.A. and LUKOIL, created in 2011 to make investments in the wind power sector in Bulgaria and Romania, announced their mutual decision to wind up the joint venture and consequently divide up its assets. According to the agreement, ERG Renew S.p.A. will be assigned the Bulgarian wind farms of Tcherga (40 MW), Hrabrovo (14 MW) and the Gebeleisis wind farm in Romania (70 MW) for a total of 124 MW, while LUKOIL will obtain ownership of only the wind farm of Topolog (84 MW). As a result, ERG Renew S.p.A. will increase its total installed power by 20 MW compared to the power assigned it as part of the joint venture (104 MW).
- On **23 December 2015** the winding up of the joint venture was concluded, with ERG Renew S.p.A. acquiring ownership of 50% of the shares from the shareholder OOO LUKOIL – Ecoenergo, held in the company LUKERG Renew GmbH.
- The sale by LUKERG Renew of the equity investment held in Land Power S.A., a Romanian company was also finalised on the same date.

As at 31 December 2015 ERG Renew S.p.A. was the sole shareholder of LUKERG Renew GmbH, which, in turn, controls 100% of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries, as well as Corni Eolian S.A. (Romania). On 23 December 2015 LUKERG Renew GmbH changed its company name to ERG Wind GmbH and LUKERG Bulgaria GmbH changed its name to ERG Wind Bulgaria GmbH.

### Summary of the transaction

The agreements signed by ERG and LUKOIL to wind up the 50-50 joint venture LUKERG provided for:

- a) the purchase of 100% of LUKERG Renew GmbH by ERG Renew S.p.A. and, thus, of 100% of all the subsidiaries by LUKERG Renew S.p.A.;
- b) the purchase of the financial relationships (shareholder loan) of LUKOIL vis-a-vis LUKERG Holding, LUKERG Bulgaria, Corni and Hrabovo by ERG Renew S.p.A.



- c) the sale to LUKOIL of 100% of Land Power as well as the financial relationships (shareholder loan) that it claimed from Land Power.

### Determination of the total consideration of the acquisition

The joint venture was wound up through the acquisition of control by ERG Renew of the Austrian holding company LUKERG Renew and the sale to LUKOIL of 100% of the equity of the investee Land Power, which heads the Romanian project in Topolog.

The transaction is accounted for as a business combination on LUKERG by ERG Renew because, by acquiring the 50% held by the other partner, ERG Renew obtained control over LUKERG and, as a result, recorded the acquisition in accordance with the provisions of IFRS 3.

The recording of the acquisition also involves the recording and measurement of any goodwill or gains deriving from a bargain purchase. Furthermore, as the combination is considered as achieved in stages, it is necessary to re-measure the equity interest previously held (50% of the joint venture in LUKERG held by ERG Renew). Any resulting difference between the book value and the fair value is recorded in the income statement.

The winding up of the business combination is then finalised with the subsequent sale to LUKOIL of 100% of the equity investment in Land Power.

The net consideration for the transaction (Quota Price for the share exchange and reciprocal repayment of the Shareholder Loans) amounts to an adjustment in favour of LUKOIL of around EUR 5.0 million. The net adjustment that ERG shall pay to LUKOIL can be broken down as follows.

(Values in millions of Euro)

Net cash out to settle the LUKOIL Shareholder Loan	(45)
Net cash in to settle the ERG Shareholder Loan	25
<b>Total net cash out</b>	<b>(20)</b>
Cash out for LUKERG Renew quota price	(10)
Cash in for Land Power quota price	25
<b>Total net cash in</b>	<b>15</b>

The consideration paid gives rise to a difference which, based on the estimated future operating cash flows, is not considered recoverable. Therefore, this difference, equal to EUR 5.0 million, is recorded in the income statement as a cost under the row Loss from equity investments.

The total net impact of the business combination on the income statement for the year amounts to EUR -0.3 million and includes the effect of the fair value measurement of the pre-existing equity interest held in LUKERG Renew, equal to EUR +4.7 million.

### Effects of the winding up of the joint venture

Following on from the agreements winding up the joint venture, and based on the valuations conducted to support the adjustment paid to LUKOIL, the effects of the consolidation of the joint venture and the concurrent sale of the Land Power equity investment to LUKOIL are illustrated below:

(Thousands of Euro)	Asset Acquisition	Purchase Price Allocation <sup>(1)</sup>	Intercompany amounts due to the Renew Group prior to line-by-line consolidation <sup>(2)</sup>	Total Impact LUKERG Renew GmbH
Intangible assets	923	9,945	–	10,868
Goodwill	441	–	–	441
Property, plant and equipment	145,892	–	–	145,892
Equity Investments	(476)	–	–	(476)
Other financial assets	–	–	(59,108)	(59,108)
Deferred tax assets	2,388	(2,388)	–	–
Other non-current assets	1,303	1,863	–	3,166
<b>Non-current assets</b>	<b>150,471</b>	<b>9,420</b>	<b>(59,108)</b>	<b>100,783</b>
Inventories	–	–	–	–
Trade receivables	14,958	–	–	14,958
Other current receivables and assets	3,512	525	–	4,037
Current financial assets *	–	–	–	–
Cash and cash equivalents*	9,677	–	–	9,677
<b>Current assets</b>	<b>28,147</b>	<b>525</b>	<b>–</b>	<b>28,672</b>
		–	–	
<b>TOTAL ASSETS</b>	<b>178,618</b>	<b>9,945</b>	<b>(59,108)</b>	<b>129,455</b>
<b>Shareholders' Equity</b>	<b>9,988</b>	<b>(10,304)</b>	<b>–</b>	<b>(316)</b>
Severance indemnities	–	–	–	–
Deferred tax liabilities	–	–	–	–
Provisions for non-current liabilities and charges	1,579	–	–	1,579
Non-current financial liabilities*	91,827	(15,050)	–	76,777
Other non-current liabilities	–	–	–	–
<b>Non-current liabilities</b>	<b>93,406</b>	<b>(15,050)</b>	<b>–</b>	<b>78,356</b>
Provisions for current liabilities and charges	591	9,005	–	9,596
Trade payables	1,540	–	–	1,540
Current financial liabilities*	70,644	25,300	(59,108)	36,836
Other current liabilities	2,449	994	–	3,443
<b>Current liabilities</b>	<b>75,224</b>	<b>35,299</b>	<b>(59,108)</b>	<b>51,415</b>
		–	–	
<b>TOTAL LIABILITIES</b>	<b>178,618</b>	<b>9,945</b>	<b>(59,108)</b>	<b>129,455</b>
		–	–	
<b>*Impact on Net Financial Position</b>	<b>152,794</b>	<b>10,250</b>	<b>(59,108)</b>	<b>103,936</b>

(1) provisional allocation

(2) netting of intercompany items to/from LUKERG Renew GmbH, consolidated at equity (portion pertaining to the Group - 50%) up to the time of winding up the joint venture

## Joint Ventures

### Longburn Wind Farm Ltd. and Sandy Knove Wind Farm Ltd.

UK company in which ERG Renew S.p.A. acquired 50% of units on 19 June 2015. The purpose of the acquisition of the two companies, which are not yet operational, is to develop two wind power projects located in Scotland, with capacities of 60 MW and 49 MW, respectively, whose authorisation is expected in the first half of 2016.

## IFRS 12

The standard IFRS 12 "Disclosure of Interests in Other Entities" includes all the disclosure provisions previously included in IAS 27 pertaining to Consolidated financial statements, as well as all the disclosure provisions of IAS 31 and of IAS 28 pertaining to an entity's equity investments in subsidiaries, jointly controlled entities, associated entities and special purpose entities and it specifies new disclosure cases.

The purpose of the standard is to require an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

## Significant valuations and assumptions

The companies designated as subsidiaries in the sub-section **List of Group Companies** are entities in which the ERG Renew Group has the majority of exercisable votes and exercises a dominating influence in the ordinary shareholders' meeting.

Entities designated as jointly controlled entities in the sub-section **List of Group Companies** are entities on whose activities the Group has joint control, as defined by IAS 28 - Investments in Associates and Joint Ventures.

### Investments in subsidiaries

For the disclosure on the composition of the Group, please refer to the **Scope of Consolidation**.

With regard to the nature and the measure of restriction to the Group's capability to access or use assets and to extinguish liabilities, please refer to **Note 25 – Covenants and negative pledges**.

The consequences of the changes in equity investments in subsidiaries that took place in 2015 are illustrated in the sub-section **Change in the scope of consolidation**.

With regard to the provisions that can limit the distribution of dividends or other capital distributions, within the scope of the Project Financing agreements, the distribution of the available shares of equity to Shareholders is subject to the verification of the conditions prescribed by the Project Financing agreement which require the attainment of determined financial coverage indicators and the absence of default conditions. For the details of the constraints and of the accounting values of the assets and liabilities to which these restrictions are applied, by individual entity, please refer to **Note 25 – Covenants and negative pledges**.

### Investments in joint arrangements and associated entities

For the purposes of the disclosure pertaining to the nature, measure and economic-financial effects of the Group's interests in joint arrangements and in associated entities, please refer to the sub-sections **List of Group Companies** and **Joint Ventures**.

## IMPAIRMENT TEST

This section provides the description of the impairment tests on the Group's main assets, as required by IAS 36. In particular, to determine the recoverable amount of productive plant with finite useful life, the value in use calculated on an estimate of the cash flows over the useful life of the assets is taken into consideration. Note that the methodology indicated, updated and applied starting from the financial statements for the year ended as at 31 December 2014, introduces a method for calculating terminal value that is more stable over time and which standardises the criterion of terminal value of the CGU being analysed.

With regard to equity investments, which by their nature have indefinite useful life, their specific features were taken into account: therefore, reference is made to the respective sub-sections for the related clarifications on the adopted method.

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

- acquisition of the entire share capital of five French entities, owners of as many wind farms located in France. The transaction was completed through the effective transfer of the equity investments from Theta Energy to EnerFrance S.a.s. (now ERG Eolienne France), a wholly owned company, specifically incorporated as a sub holding in the wind power business for the assets located in France.
- acquisition of ERG Eolica Adriatica S.r.l. (formerly, IVPC Power 5 S.r.l.), a company owning two wind farms operating in Molise and Puglia, for an acquisition price of EUR 71 million;
- acquisition of 100% of ERG Eolica Campania (formerly, IVPC Power 3 S.p.A.), the owner of five wind farms operating since 2008 in the provinces of Avellino and Benevento, with a total installed capacity of approximately 112 MW;
- establishment of the LUKERG Renew S.p.A. joint venture (now ERG Wind GmbH, a 100%-owned subsidiary), which in 2012 and in 2013 purchased wind farms operating in Bulgaria and in Romania, in addition to further authorisations for wind farms to be developed in Romania. That joint venture was wound up on 23 December 2015, as described in the sub-section **Winding up of the joint venture – LUKERG Renew GmbH**;
- acquisition of 80% of the capital of IP Maestrale Investments Ltd, a major operator in Italy in the sector of renewable energy from wind power;
- acquisition of 100% of the capital of ERG Renew S.p.A. Operations & Maintenance S.r.l., company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind.

With regard to acquisitions in 2015, for which reference is made to the section "Change in scope of consolidation", it is noted that, with the exception of the value adjustment of the assets attributable to the "Corni" wind farm included in the scope of consolidation of the investee LUKERG Renew, the values of the identifiable net assets and of goodwill recorded on initial recognition were not subject to impairment testing, as they derived from recent transactions.

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

When drafting the 2010 financial statements, the capital gains relating to the acquisitions of the French companies had been partially impaired.

The residual value of the higher amounts<sup>2</sup> allocated within the purchase price allocation before the 2015 impairment test was equal to:

- approximately EUR 213 million to higher value of the authorisations and preliminary agreements for the operating wind farms, of which EUR 126 million referred to the wind farms of the ERG Wind Group;
- approximately EUR 125 million allocated among the different Business Combinations:
  - EUR 96 million referred to ERG Wind (Italy and Germany);
  - EUR 19 million referred to ERG Eolica Campania and ERG Eolica Adriatica (Italy);
  - EUR 10 million referred to ERG Renew S.p.A. Operations & Maintenance (Italy).

In consideration of the recorded goodwill values, for the 2015 financial statements their recoverable value was tested and the measurement models used in the previous tests of the amounts associated with the business combinations discussed above were updated.

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

The recoverable amount of the cash-generating units (also referred to as "CGUs") is verified by determining the value in use. The principal assumptions used to calculate the value in use concern the discount rate, the growth rate and the expected variation in the selling prices of electricity and the trend in direct costs during the period assumed for calculation purposes. The Group therefore adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the CGUs. The growth rates used are based on growth forecasts pertaining to the relevant industrial sector of the Group, without changes to the market share of the Group. Changes in the sale prices and in direct costs are based on past experience and on future market expectations.

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<sup>2</sup> Values relating to business combinations in prior years. Not including the allocations relating to transactions concluded in 2015, as they were not subject to impairment testing, as illustrated in greater detail in the previous sub-section.

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

#### **“ERG Eolica Campania and ERG Eolica Adriatica” (Italy) Business combination**

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

In order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the CGU for the remaining years of operation of the wind farms was estimated with respect to the original definition of an assumed useful life of twenty years. The terminal value is estimated as an extension of the explicit period for ten years.

For the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (4.5%).

#### **“EnerFrance” (France) Business combination**

With reference to values attributable to Authorisations:

- the cash-generating units (CGU) relating to the individual wind farms for which the capital gains were allocated have been identified;
- in order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the CGU for the remaining years of operation of the wind farms was estimated with respect to the original definition of an assumed useful life of twenty years;
- the expected variation was determined as regards sale prices and the trend in direct costs during the period assumed for the calculation based on past experience, adjusted for future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;
- for the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (3.7%).

#### **“ERG Wind GmbH” Business Combination (Bulgaria and Romania)**

With reference to values attributable to Authorisations:

- the cash-generating units (CGU) relating to the individual wind farms for which the capital gains were allocated have been identified;
- in order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the CGU for the remaining years of operation of the wind farms was estimated with respect to the original definition of an assumed useful life of twenty years;
- the expected variation was determined as regards sale prices and the trend in direct costs during the period assumed for the calculation based on past experience, adjusted for future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;

- for the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (6.5% for Bulgaria and 5.9% for Romania).

#### **“ERG Wind” Business combination (Italy and Germany)**

With reference to values attributable to Authorisations:

- two Cash Generating Units (CGUs) were identified, consistently with the method used upon determining the purchase price, coinciding with the CGU that comprises the wind farms situated in Italy and with the CGU that includes the wind farms situated in Germany, on which were also allocated the capital gains identified upon recording the acquisition;
- in particular, within the Italy CGU the capital gains were allocated with reference to each point of sale of the energy to the national grid, grouping the related wind farms connected to the same point of sale;
- in order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the CGU for the remaining years of operation of the wind farms was estimated with respect to the original definition of an assumed useful life of twenty years;
- the expected variation was determined as regards sale prices and the trend in direct costs during the period assumed for the calculation based on past experience, adjusted for future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;
- for the purpose of discounting the cash flows, the discount rate used was equal to the WACC for the industry (4.5% for Italy and 3.6% for Germany).

The goodwill acquired in the “ERG Wind” business combination was allocated, at the date of acquisition, to the cash generating unit from which benefits connected with the combination are expected; consequently, the same Cash Generating Units were identified for the determination of the recoverable amount of the Authorisations and of the preliminary agreements. In order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the CGU for the remaining years of operation of the wind farms was estimated with respect to the original definition of an assumed useful life of twenty years. For the purpose of discounting the cash flows, the discount rate used was equal to the WACC for the industry (4.5% for Italy and 3.6% for Germany).

The terminal value is estimated as an extension of the explicit period for ten years.

#### **“ERG Renew S.p.A. Operations & Maintenance” Business Combination**

With reference to the value of Goodwill, a Cash Generating Unit (CGU) connected with the same company was identified.

In order to determine the recoverable value, i.e. the value in use, the present value of operating cash flows associated with the O&M contracts with the other companies of the Group was estimated.

For the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (4.5%).

The terminal value is estimated as an extension of the explicit period for ten years.

The Management of the Group considers the assumptions, adopted for the identification of the recoverable value of property, plant and equipment, of the intangible assets and of the goodwill connected with the "Renewable Energies" sector to be reasonable and, on the basis of the aforementioned assumptions, no write-down was calculated for any of the identified CGUs.

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

### Sensitivity analysis

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

The Group took account of the aforesaid uncertainties in its elaboration and definition of the basic assumptions used to determine the recoverable value of the capital gains allocated to the "Renewables" sector and it also carried out a sensitivity analysis regarding the recoverable value of the various CGUs. That analysis assumed a drop in the price of electricity in the period 2016-2021 with a realignment of values from 2022: the lower sales prices of electricity will significantly impact the wind farms in Italy and in Poland, while there will be no effects for the plants in France and Germany, which benefit from an incentivised tariff similar to a feed-in tariff, whose residual duration is greater than six years. Lastly, it is noted that there will be no impacts on Bulgaria or Romania as the test, drawn up and illustrated in the previous sub-sections, already included more prudent assumptions concerning the reference scenario.

Under those assumptions, the total enterprise values will decrease by around EUR 41 million (EUR 33 million for Italy and EUR 8 million for Poland) without, however, resulting in a write-down of goodwill or the intangibles subject to impairment.

Lastly, it should be noted that an increase of 0.5% in the discount rate would not have involved any write-down of the goodwill or of the intangibles allocated to the "Renewable" CGUs.

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



## ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

### NOTE 1 - INTANGIBLE ASSETS

	Concessions and licences	Other intangible assets	Assets under construction	Total
<b>Historical cost</b>	382,671	5,271	5,224	<b>393,166</b>
Depreciation	(63,127)	(2,129)	–	<b>(65,256)</b>
<b>BALANCE AT 31/12/2014</b>	<b>319,544</b>	<b>3,142</b>	<b>5,224</b>	<b>327,910</b>
<b>Changes during the period:</b>				
Change in scope of consolidation	37,860	–	–	<b>37,860</b>
Acquisitions	–	703	1,637	<b>2,340</b>
Capitalizations/Reclassifications	–	60	(58)	<b>2</b>
Disposals and divestments	–	–	–	<b>–</b>
Depreciation	(18,893)	(796)	–	<b>(19,689)</b>
Write-downs	(604)	(122)	–	<b>(726)</b>
Other changes	6,742	37	(6,740)	<b>39</b>
<b>Historical cost</b>	<b>426,230</b>	<b>6,269</b>	<b>63</b>	<b>432,562</b>
Depreciation	(81,581)	(3,247)	–	<b>(84,828)</b>
<b>BALANCE AT 31/12/2015</b>	<b>344,649</b>	<b>3,022</b>	<b>63</b>	<b>347,734</b>

The change in the scope of consolidation refers to:

- the acquisition of the Polish companies Hydro Inwestycje SP.Z O.O and Blachy-Puzynski – Energia SP.Z O.O. for an amount of EUR 4,455 thousand;
- the acquisition of the French companies acquired by Macquarie European Infrastructure Fund for an amount of EUR 22,539 thousand;
- the step acquisition of the joint venture LUKERG Renew GmbH with the resulting line-by-line consolidation of the intangibles relating to the operations in Bulgaria and Romania, equal to EUR 10,868 thousand.

For additional details, please refer to the comments already provided in the sub-section **Scope of consolidation**.

Concessions and licences mainly include authorisations for wind farms, amortised according to the residual duration.

Assets under construction included the preliminary agreements for wind farms to be built in Poland, posted under concessions in the current year.

Other intangible assets referred to software licences and formation costs.

At least once a year, at the time of drawing up the Consolidated Financial Statements, the Group tests intangible assets for impairment. For additional details, please refer to the comments already provided in the sub-section

#### Impairment test.

The write-downs of EUR 726 thousand related to the wind farms in Pian dei Corsi and Baltera.

## NOTE 2 - GOODWILL

Goodwill, equal to EUR 125,927 thousand, (EUR 125,486 as at 31 December 2014) represents the higher value of the acquisition cost, relative to the value of the shareholders' equity of the acquired entities measured at replacement cost at the date of acquisition according to the acquisition price allocation method prescribed by IFRS 3.

The item is not amortised in the Income Statement and it is subject to an impairment test on an annual basis or more frequently if there are indications, during the year, that this asset may have undergone an impairment.

The aforementioned amount was subjected to impairment test as at 31 December 2015.

For additional details, please refer to the comments already provided in the **Impairment test** section.

## NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Other assets	Assets under construction	Total
<b>Historical cost</b>	<b>46,934</b>	<b>1,739,495</b>	<b>8,811</b>	<b>29,529</b>	<b>1,824,769</b>
Depreciation and write-downs	(12,776)	(757,220)	(4,936)	–	(774,932)
<b>BALANCE AT 31/12/2014</b>	<b>34,158</b>	<b>982,275</b>	<b>3,875</b>	<b>29,529</b>	<b>1,049,837</b>
<b>Changes during the period:</b>					
Change in scope of consolidation	12,678	189,429	61	2,975	<b>205,143</b>
Acquisitions	6	4,581	469	87,848	<b>92,904</b>
Increases	–	8,466	–	759	<b>9,225</b>
Capitalizations/Reclassifications	223	66,117	138	(66,401)	<b>77</b>
Disposals and divestments	(19)	(2,088)	(32)	(57)	<b>(2,196)</b>
Depreciation	(2,850)	(97,870)	(1,421)	–	<b>(102,141)</b>
Write-downs	–	(382)	–	–	<b>(382)</b>
Other changes	864	(310)	7	395	<b>956</b>
<b>Historical cost</b>	<b>64,612</b>	<b>2,085,861</b>	<b>9,354</b>	<b>55,048</b>	<b>2,214,875</b>
Depreciation and write-downs	(19,552)	(935,643)	(6,259)	–	<b>(961,454)</b>
<b>BALANCE AT 31/12/2015</b>	<b>45,060</b>	<b>1,150,218</b>	<b>3,095</b>	<b>55,048</b>	<b>1,253,421</b>

For additional clarity, the changes in the period relating to reclassifications, disposals and divestments are posted net of accumulated depreciation.

The **change in the scope of consolidation** refers to:

- the acquisition of the Polish companies Hydro Inwestycje SP.Z.O.O. and Blachy-Puzynski – Energia SP.Z.O.O. for EUR 2,994 thousand;
- the acquisition of the French companies acquired by Macquarie European Infrastructure Fund for an amount of EUR 56,257 thousand;
- the step acquisition of the joint venture LUKERG Renew GmbH with the resulting line-by-line consolidation of the property, plant and equipment relating to the plants in Bulgaria and Romania, equal to EUR 145,892 thousand.

The acquisitions mainly refer to the investments in the wind farms in Poland, specifically the EW Orneta 2 Z.O.O. wind farm for EUR 37,247 thousand and the Hydro Inwestycje SP.Z.O.O. and Blachy-Puzynski – Energia SP.Z.O.O. wind farms for EUR 48,652 thousand. It is also noted that the acquisitions include the value of capitalised interest, equal to EUR 858 thousand.

For a more detailed analysis of the acquisitions, please refer to the **Investments** section in the **Report on Operations**. Reclassifications are for the purpose of assuring consistency of representation of property, plant and equipment and of intangible assets.

The increases mainly refer to costs for the dismantlement and removal of the assets from the wind farms (EUR 8,326 thousand).

Disposals and divestments refer mainly to ERG Eolica Adriatica and ERG Eolica Campania with respect to the replacement of plant components.

Depreciation for the year was calculated adopting the same estimates of residual useful life used to draw up the consolidated financial statements at 31 December 2014.

“Property, plant and equipment under construction” mainly refers to the recently-acquired Polish companies Hydro Inwestycje SP.Z.O.O. and Blachy-Puzynski – Energia SP.Z.O.O. and the EW Orneta 2 S.P.Z.O.O. wind farm.

The items “Land and buildings” and “Plant and equipment” primarily refer to investments in the wind sector; in particular:

- “Land and buildings” relate to excavation works, roadworks and land rights incurred prior to the start-up of the wind farms;
- investments in “Plant and equipment” refer to wind turbines and related electrical works.

With regard to the existence of restrictions on the assets held by the group, please refer to the comments in **Note 25**

– **Covenants and negative pledges.**

## NOTE 4 – EQUITY INVESTMENTS

	Equity Investments				Total
	Subsidiaries	Joint venture	Associate entities	Other companies	
<b>BALANCE AT 31.12.2014</b>	<b>458</b>	<b>3,875</b>	<b>400</b>	<b>–</b>	<b>4,732</b>
<b>Changes during the period:</b>					
Acquisitions/capital increases	65	348	–	–	<b>413</b>
Write-downs/use of provisions for loss coverage	–	–	–	–	<b>–</b>
Disposals and divestments	–	–	–	(400)	<b>(400)</b>
Valuation of entities using the equity method	–	(3,875)	–	–	<b>(3,875)</b>
<b>BALANCE AT 31.12.2015</b>	<b>523</b>	<b>348</b>	<b>400</b>	<b>(400)</b>	<b>870</b>

**Acquisitions/capital increases** mainly refer to the acquisition of 50% of the units of the UK-based companies Longburn Wind Farm Limited and Sandy Knowe Wind Farm Limited on 19 June 2015.

**Disposals and divestments** refer to the sale of the equity investment held in the Dyepower Consortium.

As regards the **valuation of companies at equity**, note that at the end of 2015 the winding up of the joint venture LUKERG Renew GmbH was finalised, with the acquisition by ERG Renew S.p.A. of the wind farms in Bulgaria and the Gebeleisis wind farm in Romania, whose statements of financial position were therefore consolidated line-by-line as at 31 December 2015.

For further details, please refer to the sub-section **List of Group companies**.

The breakdown of the item “Equity investments” held as at 31 December 2015 is shown below:

	Measured at Equity	Measured at cost	Total
<b>Equity investments:</b>			
- in non consolidated subsidiaries	–	523	<b>523</b>
- in joint ventures	–	348	<b>348</b>
- in associate entities	–	–	<b>–</b>
- in other entities	–	–	<b>–</b>
<b>Total</b>	<b>–</b>	<b>870</b>	<b>870</b>

The details of the equity investments have already been represented in the tables that illustrate the scope of consolidation.

## NOTE 5 - OTHER NON-CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables due from LUKERG Renew G.m.b.H.	–	59,108
Financial receivables from subsidiaries not consolidated line-by-line	331	1,131
Other financial receivables	33,836	33,286
<b>Total</b>	<b>34,167</b>	<b>93,525</b>

"Other non-current financial assets", equal to EUR 34,167 thousand (EUR 93,525 thousand as at 31 December 2014) are mainly comprised of receivables for contributions per Italian Law no. 488/92 relating to wind farms acquired within the scope of the ERG Wind transaction, which are restricted within the dedicated Justice Fund established by Article 61, Paragraph 23, of Italian Law Decree no. 112/2008 converted by Italian Law no. 133/2008) and awaiting judgement with the Court of Avellino, amounting to EUR 32 million. While awaiting the definitive decision, the Ministry of Economic Development revoked the contributions per Italian Law no. 488/92 previously assigned to the beneficiary companies, with decrees notified respectively on 29 October and 3 November 2014. An extraordinary appeal was filed in a timely manner against the revocation decrees, requesting the precautionary suspension of the effectiveness of the challenged provisions and the decision is now awaited both with regard to the precautionary request and on the merits of the appeal. While awaiting that appeal, on 27 July 2015 payment notices were served on the companies for which the ERG Wind companies filed objections before the Court of Genoa, submitting an additional request for precautionary suspension. The request was accepted, suspending the effectiveness of the payment orders, through the filing of suitable bank guarantees by the appellant companies.

It should be specified that in view of the aforesaid receivables, a liability of equal amount was allocated and already recognised in the 2013 Financial Statements within the definition of the purchase price allocation as a potential adjustment to the purchase price of the ERG Wind Group (Note 18).

Furthermore, financial receivables from subsidiaries not consolidated line-by-line include a financial receivable due from ISAB Energy Solare S.r.l.

The decrease during the period is linked to the effects of the winding up of the joint venture LUKERG Renew GmbH and the line-by-line consolidation of the net assets assigned to ERG with the consequent netting of intercompany financial relationships.

## NOTE 6 - DEFERRED TAX ASSETS

Deferred tax assets are allocated, when their future recovery is likely, on the temporary differences, subject to advance taxation, between the value of the assets and liabilities for statutory purposes and their value for tax purposes and on the tax losses that can be carried forward.

The rate used to calculate deferred tax liabilities is the nominal IRES rate (27.5%) with the addition, when prescribed, of the IRAP rate (3.90% - 5.12%).

Deferred tax assets at 31 December 2015, amounting to EUR 107,797 thousand (EUR 114,781 thousand at 31 December 2014), are recognised mainly in view of amortisation and depreciation, allocations to provisions for liabilities and charges, non-deductible interest expenses, derivatives and tax losses and they are deemed recoverable also in view of the forecast taxable income in the medium term and the ACE (Aid to Economic Growth) excess accrued and not yet used. The previously illustrated impact of the IRES tax rate (24% starting from 2017) had a negative impact of EUR 10.3 million. The item was managed as a non-recurring item.

Lastly, no deferred tax assets were recorded in relation to excess interest payable that can be carried forward amounting to approximately EUR 46 million referred to the ERG Wind Group, acquired in 2013.

## NOTE 7 - OTHER NON-CURRENT ASSETS

Other non-current assets, amounting to EUR 33,907 thousand (EUR 31,713 thousand at 31 December 2014) mainly include the portion still to be collected (EUR 22 million) of the receivables for contributions under Italian Law 488/92 relating to wind farms acquired within the ERG Wind transaction. It should be specified that in view of the aforesaid receivables, a liability of equal amount was allocated and already recognised in the 2013 Financial Statements within the definition of the purchase price allocation as a potential adjustment to the purchase price of the ERG Wind Group (**Note 18**).

These also include tax receivables relating to VAT credits.

## NOTE 8 - INVENTORIES.

Closing inventories include the following categories:

	31.12.2015	31.12.2014
Raw, ancillary and consumable materials	12,405	9,801
Finished products and goods	–	–
<b>Total</b>	<b>12,405</b>	<b>9,801</b>

Inventories of materials mainly refer to spare parts primarily used in ordinary maintenance of wind farms. These are recorded at the lesser amount between the cost determined with the weighted average cost method and the market value (replacement cost).

## NOTE 9 - TRADE RECEIVABLES

	31.12.2015	31.12.2014
Receivables from customers	11,174	12,304
Receivables due for green certificates (Italy and Abroad)	138,916	145,242
Receivables due from Group companies that are not consolidated on a line-by-line basis	12,773	31,352
Bad debt provision	(3,414)	(3,414)
<b>Total</b>	<b>159,449</b>	<b>185,484</b>

The overall decrease in “Trade receivables” is mainly attributable to lower production during the year in question, linked to wind conditions that were overall worse than those of 2014.

The item “Trade receivables due for green certificates” includes the increase resulting from the valorisation of green certificates matured by the Group in FY2015, both in Italy and abroad, offset by the reduction due to the collection of green certificates pertaining to 2014 and the first quarter of 2015. This collection took place, in accordance with the inter-ministerial Decree per the section Revenue recognition, in the months of March, April, July and October 2015.

During the year, the Group accrued a total number of green certificates of 1,819,584; in accordance with Article 20 of Italian Ministerial Decree of 6 July 2012, the green certificates produced in the first quarter of 2015 were sold and collected from the GSE in the last quarter of 2015. In addition, in December the green certificates produced in the

second quarter of the year were invoiced for an amount, including VAT, of EUR 45,648 thousand, collected in January 2016.

The residual green certificates accrued since July are valued at EUR 100.08, as estimated under the aforementioned Decree.

The item "Trade receivables due from Group companies" includes the receivables relating to the sale of electricity generated by the operating subsidiaries.

Note that following the cease of energy dispatching by ERG S.p.A. in the first quarter of 2015, the electricity supply agreements in place between ERG S.p.A. and its subsidiaries were transferred to ERG Renew S.p.A.

Following said transfer, as of 1 July 2015, the subsidiaries supply electricity directly to ERG Renew S.p.A.

For information about receivables from related parties, please refer to **Note 38 – Related parties**.

The changes in the bad debt provision were as follows:

	31.12.2015	Allocations	Utilisations	31.12.2014
Bad debt provision	3,414	–	–	3,414
<b>Total</b>	<b>3,414</b>	<b>–</b>	<b>–</b>	<b>3,414</b>

The Group assesses the existence of factual evidence of impairment at the individual significant position level. The aforesaid analyses are validated at the level of each individual entity by the Credit Committee which meets periodically to analyse the situation of past-due receivables and of the critical issues for their collection.

The bad debt provision is deemed adequate to address the risk of potential non-collectability on past-due receivables.

The table below breaks down trade receivables outstanding at the end of the year:

	31.12.2015	31.12.2014
<b>Receivables not past due</b>	153,890	183,733
<b>Receivables past due:</b>		
within 30 days	3,010	224
within 60 days	1,466	47
within 90 days	29	11
more than 90 days	1,053	1,467
<b>Total</b>	<b>159,449</b>	<b>185,482</b>

## NOTE 10 - OTHER RECEIVABLES AND CURRENT ASSETS

	31.12.2015	31.12.2014
Tax receivables	33,602	18,220
Group VAT receivables due from the parent company ERG S.p.A.	8,867	–
Sundry receivables	25,188	21,215
<b>Total</b>	<b>67,657</b>	<b>39,435</b>

Tax receivables relate mainly to VAT receivables both for Italian companies and foreign companies, and to receivables for advances on income taxes. Note that on 1 January 2015 the companies in the ERG Wind Group applied the ERG S.p.A. Group VAT procedure. Therefore, in 2015 there was a Group VAT receivable due from the parent company ERG S.p.A. equal to around EUR 9 million.

“Sundry receivables” mainly include portions of costs deferred to subsequent periods, incurred by ERG Renew S.p.A. for the potential development of wind farms abroad, equal to around EUR 8 million. The item also includes receivables by way of indemnification of the liability tied to interest and write-backs on the contributions per Italian Law no. 488/1992 relating to wind farms acquired within the ERG Wind transactions and revoked by the Ministry of Economic Development as better commented in Note 19, to which reference is made for additional details.

## NOTE 11 - CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables due from Group companies not consolidated on a line-by-line basis	131	98,203
Other short-term financial receivables	3,697	2,299
<b>Total</b>	<b>3,828</b>	<b>100,502</b>

Current financial assets amounting to approximately EUR 3,828 thousand (EUR 100,502 thousand at 31 December 2014) refer mainly to financial receivables of ERG Renew S.p.A. for the potential development of wind farms abroad (United Kingdom, Poland and France).

Financial receivables due from Group Companies refer to the financial receivable due from ISAB Energy Solare S.r.l. The significant decrease on 31 December 2014 is due to the change in the scope of consolidation, with the winding up of the joint venture LUKERG Renew and 100%-ownership of ERG Wind GmbH.

## NOTE 12 - CASH AND CASH EQUIVALENTS

	31.12.2015	31.12.2014
Bank and postal accounts	143,741	129,123
Cash equivalent securities	–	–
Cash and notes on hand	2,189	3
<b>Total</b>	<b>145,930</b>	<b>129,126</b>

“Bank and postal accounts” consist mainly of short-term deposits at the banks of which the Group is a customer and of the balance on the accounts according to the utilisation restrictions provided by the related Project Financing



agreements. With regard to the restricted cash, please refer to the comments in **Note 25 – Covenants and Negative Pledges**.

At 31 December 2015, the cash subject to the various restrictions prescribed by the Project Financing agreements amounts approximately to EUR 136 million.

## NOTE 13 - GROUP SHAREHOLDERS' EQUITY

### Share capital

The share capital at 31 December 2015, fully paid-in, is divided into 100,000,000 ordinary share without indication of par value and 7,692,308 special Category A shares, also without face value.

As at 31 December 2015 the Shareholder Register of the Company shows the following situation:

- ERG S.p.A. owns a number of shares equal to 92.86%;
- Unicredit S.p.A. owns a number of shares equal to 7.14%.

### Other Reserves

The other reserves consist mainly of undivided earnings, of paid-in capital in excess of par and of the cash flow hedge reserve.

## NOTE 14 - SEVERANCE INDEMNITIES

The item, amounting to EUR 2,451 thousand (EUR 2,587 thousand at 31 December 2014), includes the estimated liability relating to the employee severance pay to be paid to employees at the time their employment was terminated.

The main assumptions used in determining the actuarial value of the liability related to the severance indemnities are illustrated below. The discount rate was determined on the basis of a panel of corporate securities with maturity of 10 years or more with AA rating.

Discount rate	2.0%
Inflation rate	1.5%
Average turnover rate	3.0%
Average rate of increase in compensation	1.5%
Average age	37

The changes in 2015 were as follows:

	<b>31.12.2015</b>
<b>BALANCE AT THE START OF THE PERIOD</b>	<b>2,587</b>
Change in scope of consolidation	–
Increases during the period	608
Decreases during the period	(744)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>2,451</b>

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

(Thousands of Euro)	2015
Change in discount rate +0.5%: lower liability	(142)
Change in discount rate -0.5%: higher liability	158

## NOTE 15 - DEFERRED TAX LIABILITIES

Deferred tax liabilities are allocated on the basis of the temporary differences, subject to deferred taxation, deriving from the adjustments made to the individual financial statements of the consolidated entities applying the Group's homogeneous accounting standards and on the temporary differences between the value of the assets and liabilities for statutory purposes and their values for tax purposes.

The rate used to calculate deferred tax liabilities is the nominal IRES rate (27.5%) with the addition, when prescribed, of the IRAP rate (3.50% - 5.12%).

Deferred tax liabilities at 31 December 2015 amounting to EUR 145,493 thousand (EUR 149,846 thousand at 31 December 2014), are allocated mainly on the tax amortisation and depreciation exceeding economic-technical amortisation and depreciation and on the capital gains on business combinations.

The previously illustrated impact of the IRES tax rate (24% starting from 2017) had a positive impact of EUR 11.8 million. The item was managed as a non-recurring item.

## NOTE 16 - PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

	31.12.2015	Increases	Decreases	Reclassifications	Change in scope of consolidation	31.12.2014
Provisions for plant dismantlement cost	28,207	8,868	–	–	1,931	17,408
Other provisions	8,621	–	(71)	8,692	–	–
<b>Total</b>	<b>36,828</b>	<b>8,868</b>	<b>(71)</b>	<b>8,692</b>	<b>1,931</b>	<b>17,408</b>

Provisions for non-current liabilities and charges mainly comprise the dismantlement costs of the site on which the wind farms operate, recognised as a matching entry to greater property, plant and equipment.

Increases during the period refer to restoration costs for plants entering into operation during the year, in addition to an adjustment to the estimates used in prior years.

Reclassifications refer mainly to tax liabilities relating to foreign companies acquired in prior years. Considering the uncertain outcome, it was deemed correct to reclassify these from other non-current liabilities to provisions for non-current liabilities and charges.

## NOTE 17 - NON-CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
Medium/long-term Project Financing	1,135,075	1,120,386
- current portion of Project Financing	(116,963)	(137,533)
	<b>1,018,112</b>	<b>982,853</b>
Other medium/long-term financial payables	<b>145,175</b>	<b>169,950</b>
<b>Total</b>	<b>1,163,287</b>	<b>1,152,803</b>

### Medium/long-term Project Financing

The main characteristics of the Project Financing existing as at 31 December 2015 are summarised in the following table:

ASSOCIATED FINANCIAL DEBT							
Company	Wind Farm / Thermoelectric Plant	Net carrying amount of the asset	Carrying value of financial liability	Technical form	Issue/Maturity		Hedge
ERG Wind Investments	Wind farms of ERG Wind Group	588,960	558,925	Project Financing	2008	2022	IRS: average fixed rate 4.46%
ERG Eolica Adriatica	Rotello - Ascoli Satriano (CB/FG)	146,198	127,407	Project Financing	2009	2022	IRS: fixed rate 4.85%
ERG Eolica Fossa del Lupo	Fossa del Lupo (CZ)	126,303	94,620	Project Financing	2012	2025	IRS: fixed rate 2.26%
ERG Eolica Campania	Bisaccia 2 - Foiano - Molinara - Baselice - Lacedonia 2 (AV/BN)	95,235	57,065	Project Financing	2009	2020	IRS: fixed rate 4.37%
ERG Eolica Ginestra	Ginestra (BN)	65,046	33,789	Project Financing	2010	2025	IRS: fixed rate 3.27%
ERG Eolica Amaroni	Amaroni (CZ)	34,961	26,943	Project Financing	2013	2026	IRS: fixed rate 1.68%
Green Vicari	Vicari (PA)	27,133	19,746	Project Financing	2008	2019	IRS: fixed rate 2.235%
ERG Eolica Faeto	Faeto (FG)	20,457	20,386	Project Financing	2007	2021	CAP: maximum limit to variable rate 5%
Eoliennes du Vent Solaire	Plogastel Saint Germaine (France)	5,378	5,744	Project Financing	2011	2025	fixed rate loan
Parc Eolien les Mardeaux	Les Mardeaux (France)	3,213	4,153	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Hetomesnil	Hetomesnil (France)	3,317	3,444	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Lihus	Lihus (France)	3,418	3,290	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de la Bruyere	La Bruyere (France)	3,144	3,060	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien du Carreau	Carreau (France)	2,677	3,019	Project Financing	2005	2019	IRS: average fixed rate 5.39%
ERG Eolica Basilicata	Palazzo San Gervasio (PZ)	41,934	39,573	Project Financing	2010	2031	IRS: fixed rate 2.77%
EW Ornet 2 SP Z.O.O.	Radziejów (Poland)	60,606	40,921	Project Financing	2015	2029	IRS: fixed rate 1.46%
K & S Energy Eood	Kavarna/Hrabovo (Bulgaria)	54,731	31,833	Project Financing	2012/13	2018	IRS: fixed rate 1.16% IRS: fixed rate 1.56%
Corni Eolian SA	Galati County (Romania)	92,377	61,155	Project Financing	2013	2025	IRS: fixed rate 1.644%
<b>Total</b>			<b>1,135,075</b>				

Note that on **4 November 2015** EW Orneta 2 (100% ERG Renew), owner of the wind farm located in the municipality of Radziejow in Poland, signed a Project Financing loan agreement. The plant started up operations at the beginning of the third quarter 2015, with an installed capacity of 42 MW.

The financing, totalling 177.5 million Zloty (around EUR 42 million at today's exchange rate) and with a duration of 14 years, was executed by the Mandated Lead Arrangers ING Bank, ING Bank Slaski and Bank Pekao (part of the UniCredit Group). ING Bank Slaski also acted as Agent Bank and Bank Pekao acted as Account Bank.

As at 31 December 2015 the weighted average interest rate of the mortgages, loans and Project Financing was 1.79% (1.69% as at 31 December 2014). The indicated rate does not take into account interest rate hedging transactions.

The maturity dates of the existing bank debts, broken down by year, are as follows:

	<b>Project Financing</b>
by 31.12.2016	116,963
by 31.12.2017	92,635
by 31.12.2018	142,054
by 31.12.2019	118,804
by 31.12.2020	127,033
beyond 31.12.2020	537,586
<b>Total</b>	<b>1,135,075</b>

	<b>31.12.2015</b>	<b>31.12.2014</b>
<b>Secured by owned tangible fixed assets</b>		
with maturity dates up to December 2026	1,135,075	1,120,386
<b>Secured by bank sureties</b>		
with maturity dates up to December 2015	–	–
<b>Total</b>	<b>1,135,075</b>	<b>1,120,386</b>

In compliance with IAS 39, the accessory expenses incurred to obtain the loans are presented as a reduction of the payable to which they refer, according to the amortised cost method.

With regard to the acquisition of ERG Wind, moreover, applying IFRS 3 the financial liability relating to Project Financing was recognised, at the time of acquisition, at fair value. Said fair value was lower than the nominal value, in consideration of the more advantageous contractual conditions than those proposed by the market at the time of the acquisition.

Please see **Note 25** for a comment on **Covenants** and **negative pledges** relating to bank payables.

### Other medium/long-term financial payables

Medium/long-term financial payables refer to liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 145 million (EUR 170 million as at 31 December 2014), whose breakdown is provided below.

	Issuing bank	Contract	Maturity	Payable for fair value (Thousands of Euro)	
				31.12.2015	31.12.2014
ERG Wind Investment Ltd.	RBS	IRS	31/12/22	(54,873)	(65,303)
ERG Wind Investment Ltd.	BOS	IRS	31/12/22	(41,077)	(48,884)
ERG Eolica Adriatica S.r.l.	BNP Paribas BNL	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Adriatica S.r.l.	ING	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Adriatica S.r.l.	RBS	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Fossa del Lupo S.r.l.	ING	IRS	31/12/25	(2,643)	(3,178)
ERG Eolica Fossa del Lupo S.r.l.	Crédit Agricole	IRS	31/12/25	(2,273)	(2,733)
ERG Eolica Fossa del Lupo S.r.l.	Centrobanca	IRS	31/12/25	(1,744)	(2,098)
ERG Eolica Campania S.p.A.	RBS	IRS	31/05/20	(1,572)	(2,144)
ERG Eolica Ginestra S.r.l.	Unicredit	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Ginestra S.r.l.	Centrobanca	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Ginestra S.r.l.	Barclays	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Amaroni S.r.l.	ING	IRS	31/12/26	(602)	(727)
ERG Eolica Amaroni S.r.l.	Credit Agricole	IRS	31/12/26	(602)	(727)
Green Vicari S.r.l.	BNL	IRS	30/06/19	(319)	(658)
ERG Eolica Faeto S.r.l.	Banco popolare	IRS	31/12/21	(537)	(478)
ERG Eolica Faeto S.r.l.	Unicredit	IRS	31/12/21	(537)	(478)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(179)	(259)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(187)	(271)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(169)	(244)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(176)	(255)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(173)	(250)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(180)	(261)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(181)	(261)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(188)	(273)
Parc Eolien du Carreau S.a.s.	HSH	IRS	30/12/19	(54)	(175)
ERG Eolica Basilicata S.r.l.	BNP Paribas BNL	IRS	30/06/31	(584)	(806)
ERG Eolica Basilicata S.r.l.	Credit Agricole	IRS	30/06/31	(584)	(806)
EW Orneta 2 SP Z.O.O.	ING	IRS	06/08/20	(49)	–
EW Orneta 2 SP Z.O.O.	Bank Pekao	IRS	06/08/20	(49)	–
K & S Energy Eood	Raiffeisen Bank	IRS	06/08/20	(495)	–
K & S Energy Eood	Raiffeisen Bank	IRS	06/08/20	(118)	–
Corni Eolian S.A.	Raiffeisen Bank	IRS	06/08/20	(1,478)	–
Corni Eolian S.A.	ING	IRS	06/08/20	(1,478)	–
<b>Total</b>				<b>(145,179)</b>	<b>(169,948)</b>

## NOTE 18 - OTHER NON-CURRENT LIABILITIES

	31.12.2015	31.12.2014
Consideration for acquisition of ERG Wind Group	9,821	9,821
Payables for prior year taxes from foreign companies	18,594	18,594
Other minor non-current liabilities	2,018	9,358
<b>Total</b>	<b>30,433</b>	<b>37,773</b>

The other non-current liabilities, amounting to EUR 30,433 thousand (EUR 37,773 thousand as at 31 December 2014), mainly comprise the portions of income deferred in subsequent periods, tax liabilities in addition to the estimated potential adjustments amounting to EUR 10 million relating to the price of the acquisition of the ERG Wind Group. These adjustments refer to any price adjustments relating to guarantee clauses safeguarding the ERG Group.

## NOTE 19 - PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

	31.12.2015	Increases	Decreases	Reclassifications	Change in scope of consolidation	31.12.2014
Provisions for interest and revaluation under Italian Law no. 488/1992	15,057	177	–	–	–	14,880
Provisions for legal and tax risks	8,639	599	–	–	1,100	6,940
Provisions for environmental risks	51	–	–	–	–	51
Risk provisions for potential charges - foreign companies	9,005	–	–	–	9,005	–
Other provisions	431	–	(870)	–	591	710
<b>Total</b>	<b>33,183</b>	<b>776</b>	<b>(870)</b>	<b>–</b>	<b>10,696</b>	<b>22,581</b>

Provisions for current liabilities and charges at 31 December 2015 amounted to EUR 33,183 thousand (EUR 22,581 at 31 December 2014) and comprise:

- provisions for charges relating to interest and revaluation under Italian Law no. 488/1992 (EUR 15.1 million) relating to wind farms acquired within the ERG Wind transactions and revoked by the Ministry of Economic Development as better commented in **Note 5**. The risks connected with the revocation of the aforesaid contributions are hedged in the acquisition agreements of ERG Wind by specific indemnification obligations issued by the seller, and therefore the related receivable was allocated in the “Other current assets”.
- the provisions for legal and tax risks (EUR 8.6 million), pertaining to risks regarding pending legal disputes;
- provisions for environmental risks (EUR 0.1 million) relating to costs for reinstating sites;
- risk provisions for potential charges - foreign companies (EUR 9.0 million), pertaining to potential liabilities relating to Romania;
- other provisions for risks and liabilities mainly relate to charges deemed probably in trade dealings and charges deemed probable for land rights from municipalities.

The change in the scope of consolidation includes amounts illustrated in the **Note Change in scope of consolidation**.

## NOTE 20 - TRADE PAYABLES

	31.12.2015	31.12.2014
Payables to suppliers	31,814	13,540
Payables due to Group companies not consolidated on a line-by-line basis	924	6,014
<b>Total</b>	<b>32,738</b>	<b>19,554</b>

These are payables deriving from trade dealings that fall due within the following year. The change in Payables to suppliers compared to 2014 is mainly attributable to trade payables due to suppliers for the development of wind farms in Poland, following the entry of the Polish companies Hydro Inwestycje SP. Z.O.O. and Blachy Pruszyński-Energia SP Z.O.O. into the corporate structure.

## NOTE 21 - CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
<b>Short-term bank liabilities</b>	<b>1</b>	<b>1,604</b>
<b>Other short-term financial liabilities:</b>		
Current portion of medium/long-term bank borrowings	–	–
Short-term Project Financing	116,963	137,533
Other financial payables	17,159	2,882
	<b>134,122</b>	<b>140,415</b>
<b>Total</b>	<b>134,123</b>	<b>142,019</b>

Other financial payables mainly include financial payables due to ERG S.p.A. for EUR 14 million and payables for the acquisition of equity investments in ERG Renew S.p.A. as a result of the extraordinary transactions relating to the acquisition of the Polish companies.

## NOTE 22 - NET FINANCIAL POSITION

(Thousands of Euro)	Notes	31.12.2015	31.12.2014
Medium/long-term bank borrowings	17	–	–
- current portion of mortgages and loans	17, 21	–	–
Medium/long-term financial payables	17	145,175	169,950
<b>Total</b>		<b>145,175</b>	<b>169,950</b>
Medium/long-term Project Financing	17	1,135,075	1,120,386
- current portion of Project Financing	17, 21	(116,963)	(137,533)
<b>Total</b>		<b>1,018,112</b>	<b>982,853</b>
<b>Medium-long term financial indebtedness (medium-long term financial assets)</b>		<b>1,163,287</b>	<b>1,152,803</b>
Short-term bank borrowings	21	1	1,604
Other short-term financial payables	21	17,159	2,882
<b>Total</b>		<b>17,160</b>	<b>4,486</b>
Cash and cash equivalents	12	(10,140)	(10,292)
Securities and other short-term financial receivables	11	(3,828)	(100,502)
<b>Total</b>		<b>(13,968)</b>	<b>(110,794)</b>
Short-term Project Financing	17, 21	116,963	137,533
Cash and cash equivalents restricted to projects	12	(135,790)	(118,834)
<b>Total</b>		<b>(18,827)</b>	<b>18,699</b>
<b>Short-term financial indebtedness/ (medium-long term financial assets)</b>		<b>(15,635)</b>	<b>(87,609)</b>
<b>NET FINANCIAL POSITION</b>		<b>1,147,652</b>	<b>1,065,194</b>

Net financial indebtedness amounted to EUR 1,147 million, up by around EUR 83 million compared to the previous year, mainly as a result of the combined effect of the following events:

- greater financial payables due to the parent company ERG S.p.A. for a total effect of EUR 103 million compared to 2014 (the receivables due from the parent company ERG S.p.A. of EUR 89 million as at 31 December 2014 became financial payables of EUR 14 million as at 31 December 2015);
- incoming cash flows net of capital expenditures;
- improvement (EUR 25 million) compared to the fair value measurement of derivative financial instruments which changed from a total value of EUR 170 million at 31 December 2014 to EUR 145 million at 31 December 2015. For additional details, please refer to **Note 17 – Non-current financial liabilities**.



## NOTE 23 - OTHER CURRENT LIABILITIES

	31.12.2015	31.12.2014
Tax payables	4,989	10,260
Payables due to employees	1,442	1,632
Payables due to social security institutions	989	1,126
Other current liabilities	28,020	18,975
<b>Total</b>	<b>35,440</b>	<b>31,993</b>

"Tax payables" relate mainly to the estimated income tax accrued in the period and to the VAT payable.

The other current liabilities include payables to ERG S.p.A. within the Group's tax and VAT consolidation.

## NOTE 24 – GUARANTEES, COMMITMENTS AND LIABILITIES

	31.12.2015	31.12.2014
Sureties in favour of Group companies not consolidated on a line-by-line basis	16,344	25,431
Sureties in favour of third parties	15,987	8,880
Sureties from the parent company ERG S.p.A.	64,744	46,716
<b>Total</b>	<b>97,075</b>	<b>81,027</b>

Sureties in favour of Group companies refer to guarantees issued in favour of subsidiaries as regards the supply contracts connected with the construction of the wind farms being built.

Sureties in favour of third parties consist of guarantees issued in favour of subsidiaries for Government Agencies or banks in connection with the operations of the wind business, for the Italian Revenue Agency and for the competent VAT offices.

The sureties received from the parent company ERG S.p.A. represent guarantees referred to the operations of the wind business and Parent Company Guarantees for new energy supply agreements.

## NOTE 25 - COVENANTS AND NEGATIVE PLEDGES

### Project Financing of ERG Renew and its subsidiaries

- Loan agreement executed in June 2007 by the company **ERG Eolica Faeto S.r.l.** (formerly Eos 4 Faeto S.r.l.). The guarantees given include a mortgage on buildings, a special lien on assets and a 100% pledge on the company's share capital and restricted current accounts (EUR 6.2 million at 31 December 2015), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
  - Historical Debt Service Coverage Ratio (DSCRS): it is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If lower than 1.10, ERG Eolica Faeto S.r.l. may not distribute dividends to shareholders or repay subordinated debt, without

prior authorisation from the banks. In the event that the value is less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- the Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Faeto S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
- Loan agreement executed in August 2007 by **Green Vicari S.r.l.** The guarantees given include a mortgage on surface rights, special liens on assets and a 100% pledge over the company's share capital, receivables and current accounts (EUR 9.0 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
    - Average Debt Service Coverage Ratio (ADSCR): this is determined at 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow, net of VAT flows, for the two previous half-years and the total base line and subsidised loan principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, Green Vicari S.r.l. may not distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
    - The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that Green Vicari S.r.l. may not provide further guarantees on its assets.
  - Loan relating to the construction of five wind farms in France.  
 The guarantees given include a leasehold mortgage and a 100% pledge on the companies' share capital and restricted current accounts (EUR 5.1 million at 31 December 2015). The loan is subject to the following covenant concerning the distribution of dividends.
    - Historical Debt Service Coverage Ratio (DSCR): it is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, the French companies may not distribute dividends to shareholders, or repay subordinated debt, without prior authorisation from the banks.
    - The Project Financing also provides for a "negative pledge" which protects the creditor's right over the assets

given by the debtor as a guarantee for loan repayment. This means that the French companies cannot provide further guarantees on their assets.

- Loan agreement executed by the company **Eoliennes du Vent Solaire S.a.s.** relating to the construction of a wind farm located in France. The guarantees given include a leasehold mortgage and a 100% pledge on the company's share capital and restricted current accounts (EUR 1.3 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Debt Service Coverage Ratio (DSCR): it is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.15, Eoliennes du Vent Solaire S.a.s. may not distribute dividends to shareholders, or repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eoliennes du Vent Solaire S.a.s. cannot provide further guarantees on its assets.
- Loan agreement executed in January 2010 by **ERG Eolica Ginestra S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 5.6 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective SCRs are less than 1.15, ERG Eolica Ginestra S.r.l. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between net present value, discounted at the weighted average cost of the debt, of the operating cash flows anticipated by the company during the periods between the calculation date and the year in which the debt falls due, and the amount of debt outstanding at

the calculation date. If less than 1.20, ERG Eolica Ginestra S.r.l. may not distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Ginestra S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- Loan contract executed in October 2009 by **ERG Eolica Adriatica S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 9.2 million at 31 December 2015).

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

- Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.20, ERG Eolica Adriatica S.r.l. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
- Balloon Cover Ratio (BLCR): the BLCR is calculated as the ratio between the net present value, discounted at the weighted average cost of the debt, the operating cash flows anticipated by the company during the periods between the last repayment date and the 60 months subsequent thereto and the amount of the last loan instalment (Balloon). If less than 1.50, ERG Eolica Adriatica S.r.l. cannot distribute dividends to share holders, nor repay subordinated debt, without prior authorisation from the banks.
- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Adriatica S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- Loan agreement executed in October 2007 by the company **ERG Eolica Campania S.p.A.** (previously IVPC POWER 3 S.p.A.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 9.4 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:

- Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of

12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Campania S.p.A. may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Campania S.p.A. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
  
- Loan issued in March 2012 to **ERG Eolica Fossa del Lupo S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 4.2 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Fossa del Lupo Srl may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Fossa del Lupo S.r.l. may not provide further guarantees on its assets except in the case of guarantees given to comply with the law.
  
- Loan issued in April 2013 to **ERG Eolica Amaroni S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 2.0 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the

interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are lower than 1.15, ERG Eolica Amaroni Srl may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Amaroni S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
- Loan issued in September 2014 to **ERG Eolica Basilicata S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 4.0 million at 31 December 2015). The loan is also subject to the following covenants and negative pledges:
    - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are lower than 1.15, ERG Eolica Basilicata Srl may not distribute dividends to shareholders or repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
    - The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Basilicata S.r.l. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
  - Loan issued in 2008 to **ERG Wind Investments Ltd.** The loan is subject to the following covenants and negative pledges:
    - Covenants
 

The main financial covenant is the HDSCR (Historical Debt Service Coverage Ratio), which is calculated on a half-yearly basis, with reference to the cash flows generated in the previous 12 months over the payment of the financial debt (principal, interest, fees and swaps) of that period.

A DSCR below 1.05 would be deemed a Project Finance default event. The DSCR must be above 1.15 for dividend distribution.

- Security Package

To guarantee the commitments made in accordance with the loan agreement, guarantee contracts are provided, regulated by the laws of different countries.

The guarantee documents indicated in the loan agreement include, inter alia, pledges on shares, pledges on stock, transfer of receivables (also relating to insurance receivables), pledges on current accounts (EUR 65.0 million at 31 December 2015).

- Loan issued in November 2015 to **EW Orneta 2 SP Z.O.O.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 4.9 million at the exchange rate of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective SCRs are less than 1.20, EW Orneta 2 SP.ZO.O. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between net present value, discounted at the weighted average cost of the debt, of the operating cash flows anticipated by the company during the periods between the calculation date and the year in which the debt falls due, and the amount of debt outstanding at the calculation date. If it is less than 1.15, EW Orneta 2 SP.ZO.O. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that EW Orneta 2 SP.ZO.O. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.
- Loan issued in 2013 to **Corni Eolian S.A.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 4.1 million at the exchange rate of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Combined Debt Service Coverage Ratio (DSCRs): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow,

net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective SCRs are less than 1.20, Corni Eolian S.A. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between net present value, discounted at the weighted average cost of the debt, of the operating cash flows anticipated by the company during the periods between the calculation date and the year in which the debt falls due, and the amount of debt outstanding at the calculation date. If it is less than 1.20, Corni Eolian S.A. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that Corni Eolian S.A. may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- Loan (multiborrower project) issued in April 2012 and September 2013 to **LUKERG Bulgaria**. The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 4.9 million at the exchange rate of 31 December 2015). The loan is also subject to the following covenants and negative pledges:

- Historical and Prospective Combined Debt Service Coverage Ratio (DSCRS): this is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective SCRs are less than 1.20, LUKERG Bulgaria cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.10 and the company does not put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
- The Project Financing provides for a negative pledge which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that LUKERG Bulgaria may not provide further guarantees on its assets except in the case of guarantees given in accordance with the law.



In general, with reference to the covenants specified in this Note, and on the basis of assessments and recalculations carried out by the Group, the Directors deem that there were no breaches of the financial covenants as at 31 December 2015.

## NOTE 26 - CONTINGENT LIABILITIES AND DISPUTES

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

### Holding Division

**ERG Renew S.p.A. v. Enerwind S.r.l.** – Proceedings initiated by Enerwind through a notification of a writ of summons dated 9 November 2011 whereby the plaintiff requested the recognition of a breach on the part of ERG Renew with respect to the obligations assumed with the execution of five development contracts dated 26 September 2006 and therefore the declaration of their termination, sentencing ERG Renew to compensate damages quantified at EUR 41.6 million.

There are valid grounds for arguing the non-jurisdiction of the court and therefore the preclusion of claim of the trial in the company's favour. Even if one examines the reasons of the claimant, it seems reasonable to conclude that the requests on the part of the plaintiff are poorly grounded and the quantification of the damages is exorbitant.

The first appearance hearing was held on 7 March 2012 and after it the Judge issued a decision on the preliminary matters of jurisdiction raised by ERG Renew. Pending the filing of the decision, the Bronte Division was closed and the case file was transferred to the Court of Catania, where it was taken up once again only on 6 February 2015. At the initial hearing at the Court of Catania (on 27 April 2015) the Judge did not fulfil the joint request of the parties to put the case to a decision on the preliminary matters of jurisdiction. Instead, the Judge re-opened the investigation phase, setting the deadlines for the filing of the briefs pursuant to Article 183 of the Italian Code of Civil Procedure.

**ERG Renew S.p.A. v. GEPAFIN S.p.A.** – Proceedings initiated by GEPAFIN S.p.A. in order to have ERG Renew S.p.A. judicially sentenced to purchase the equity interest held by GEPAFIN S.p.A. in Ansaldo Fuel Cells S.p.A., for an overall amount of more than EUR 1.8 million. GEPAFIN S.p.A.'s claim is based on an agreement with EnerTAD executed in 2003, effectively containing a put option having the characteristics described above (commitment on the part of EnerTAD to purchase the shareholding owned by GEPAFIN in Ansaldo Fuel Cells). On the other hand, there are valid legal reasons for claiming that such agreement elapsed by law (as a result of the corporate law reform) prior to exercise of the put option on the part of GEPAFIN, consequently releasing ERG Renew S.p.A. On 17 March 2010, the court confirmed the decision expressed during the hearing on 23 February 2010 and rejected all of GEPAFIN S.p.A.'s preliminary motions, adjourning to the hearing on 11 November 2013 as regards the statement of conclusions. The proceeding ended with decision no. 979/14 of 17 December 2014, which allowed GEPAFIN's request and consequently ordered ERG Renew to pay the price of the put option relating to the shares of Ansaldo Fuel Cells S.p.A., for a total amount of EUR 1,844,199.00, plus interest and expenses. The appeal proceedings were placed on the docket on 15 June 2015 and the Rapporteur must be appointed as well as the date of the initial hearing set. Along with the appeal,

a request for suspension of the effects of the first instance decision was filed, which the Court shall rule on following the initial hearing. The Perugia Court of Appeals, removing the reservation held at the hearing of 19 November 2015, suspended the provisional enforceability of the appealed decision and rejected the defendant's requests under the investigation phase. The case was postponed to the hearing on 12 January 2017, for the statement of conclusions.

**ERG Renew (SAO S.r.l.) – Consorzio unico di Bacino delle provincie di Napoli e Caserta** – Proceeding for the forcible recovery of the receivable of EUR 7.5 million originally claimed by SAO S.r.l. (ACEA group) from the Consortium, which ERG Renew acquired with public deed on 16 July 2010. On 22 May 2014 ERG Renew notified a claim for compliance before the Regional Administrative Court (T.A.R.) of Umbria to obtain the appointment of an acting commissioner to provide for the execution of decision no. 643/11, issued by the Court of Appeal of Perugia and ordering the Consortium to pay a receivable of EUR 7,500,000.00 in favour of ERG Renew. The receivable in question was originally held by SAO S.r.l. (ACEA group) and it was subsequently purchased by ERG Renew by public deed on 16 July 2010.

Following the hearing for discussion of 11 February 2015, the Regional Administrative Court accepted ERG Renew's appeal with a decision filed on 15 June 2015, through which it ordered the Consortium to pay, within 60 days, the amount awarded in the decisions of the Civil Court of Orvieto and the Perugia Court of Appeals in favour of ERG Renew spa, appointing, in the event of default, an acting commissioner in the person of the Prefect of Naples.

The decision was served on the Consortium, and the entity did not spontaneously fulfil its obligations. Thus, the Prefect of Naples was called on, in his role as acting commissioner, to ensure that the amounts due are paid

## Wind

**ERG Eolica Ginestra s.r.l. / Campania Region / Various authorities** – Proceedings filed by ERG Eolica Ginestra in order to obtain the annulment, upon suspension of the effectiveness, of Management Decrees nos. 277/2010 and 333/2010, whereby the Campania Region imposed the partial suspension, for a period of no less than 90 days, of authorisation orders nos. 438/2006, 134/2008 and 416/2009 relating to the construction of the Ginestra degli Schiavoni wind farm. The case ended with the filing of the decision allowing the appeal filed by the company. However, the investigations initiated by the Court of Benevento continue, to ascertain the existence of any environmental offences connected with the construction of 4 wind turbines of the wind farm, temporarily subject to seizure per Article 321 of the Italian Code of Criminal Procedure.

On 28 September 2015 the Court of Benevento issued decision of discharge of sequestration of the four wind turbines sequestered.

## **ERG Renew v. Agricol Società s.r.l. (formerly Parco Eolico di Troia WVEH 3 s.r.l.) Court of Milan**

On 17 October 2012, Agricol Società s.r.l. (hereafter, "AS") served ERG Renew S.p.A. with two payment injunctions amounting to EUR 250 thousand each, in view of the missed payment, by ERG Renew S.p.A., of two sureties of matching amount issued to guarantee contractual commitments made by the subsidiaries ERG Eolica San Ciro S.r.l. and ERG Eolica San Vincenzo S.r.l. At the time of the acquisition of the business units pertaining to the two wind

power projects of Troia San Vincenzo and Troia San Ciro, the two companies had undertaken the obligation, if certain conditions were met, to pay annually to AS, as the seller of the business units constituting the projects, a variable portion of the price, commensurate with the output and revenues of the two wind farms. This commitment had been guaranteed by Enertad S.p.A., currently ERG Renew S.p.A., by handing over to AS the aforementioned sureties for the maximum amount of EUR 250 thousand each. The conditions that would have caused the payment obligations in favour of AS to arise were not met either in 2010 or in 2011; AS was duly and promptly notified of this circumstance. However, AS alleges that the payment in question were due in any case and, therefore, it enforced the two sureties issued by ERG Renew S.p.A. In view of the denied payment by ERG Renew S.p.A., AS initiated legal proceeding, requiring the issue of the two payment injunctions, against which ERG Renew S.p.A. promptly filed appeal respectively on 23 and 26 November 2012. The first appearance hearings of the two appeal proceedings were held on 27 March 2013 and 10 April 2013. With its orders of 17 July 2013, the Judge rejected the requests for provisional execution submitted by the complainant in both proceedings, heard the witnesses' depositions at the hearings of 6 November 2013 and adjourned to the hearing on 24 March 2015 as regards the statement of conclusions.

The deadlines for filing briefs pursuant to Article 183 of the Italian Code of Civil Procedure were also granted. At the hearing on 10 June 2015, the parties stated their conclusions and the case was held for decision. On 28 December 2015 the company was ordered to pay the fees. Note that no appeal will be lodged against the decision.

### ERG Eolica Ginestra

In 2014 ERG Eolica Ginestra S.r.l. was subjected to a tax audit for tax year 2010 for IRES, IRAP and VAT purposes by the Provincial Office of Genoa of the Italian Revenue Agency, which ended with the issue of a Report on Findings served to the Company on 13 November 2014. The Agency claims only that the Company unlawfully benefited from the tax relief regulated by Article 5 of Italian Law Decree no. 78/2009, converted with amendments by Italian Law no. 102/2009 ("Tax reductions for investments in machinery"), known as "Tremonti ter", proposing a return to taxation for 2010 IRES purposes of 50% of the investments for which the Company had benefited from tax relief.

The Company deems that it is able to formulate valid defensive arguments upon appealing against any assessment notice which should be issued as a result of the aforesaid Report on Findings.

On 30 March 2015 ERG Renew S.p.A., as the consolidating company for tax purposes and ERG Eolica Ginestra S.r.l., as a consolidated company, were served an assessment notice for IRES tax purposes for the tax year 2010, confirming the finding issued during the audit, for an amount of around EUR 26 million in lower tax losses.

On 5 June 2015 the company submitted an appeal with the related request for suspension of the tax collection, which was accepted on 16 July 2015.

With decision filed on 14 January 2016 the Provincial Tax Commission of Genoa accepted the appeal submitted by ERG Eolica Ginestra S.r.l. The deadline for the Italian Revenue Agency to submit an appeal has not yet passed.

Considering the above, the Group deems that it is not likely to lose and, therefore, it did not record liabilities in this regard.

### Contributions per Italian Law 488/92 of the ERG Wind Companies

In the period 2001-2005, and thus, prior to the acquisition of the companies of the International Power Maestrale IPM Group by ERG Renew S.p.A., said companies were assigned funds pursuant to Italian Law 488/1992 for a total of EUR 53.6 million.

In relation to the assignment of those contributions, in the first half of 2007 an investigation was launched by the Public Prosecutor's Office at the Court of Avellino regarding the alleged falseness of some of the documents provided with the application.

During 2007 the seizure of the incentives pursuant to Law 488 still to be disbursed (EUR 21.9 million) was ordered, and on 30 September 2008 the Public Prosecutor ordered the preventive seizure of seven wind farms. Subsequently, following the deposit of an amount of EUR 31.6 million by the companies involved, in January 2010 the return of the wind farms subject to preventive seizure was ordered, through seizure of said amount. That amount was then transferred to the Single Guarantee Fund.

In March and April 2014 the recipient companies of the incentives pursuant to Italian Law 488 received from the Ministry of Economic Development the measures through which it announced the start of the procedure for revocation of said incentives.

On 6 February 2015 extraordinary appeals of the companies involved against the Ministry of Economic Development were served, with the concurrent request for precautionary suspension of the enforceability of the measures challenged.

On 27 July 2015 payment notices were served on the companies for which civil proceedings were initiated challenging the notices, which are currently in the investigation phase. During these proceedings, on 18 September 2015 the Civil Judge issued an order for precautionary suspensions of the tax collection notices against the filing of a bank guarantee with a value equal to the entire amount of the notices (EUR 44 million). The decision is expected by the end of the year, at the latest.

In relation to the administrative proceedings, on 7 October 2015 the Council of State ruled by issuing a merely inquisitive measure, without taking any decisions on suspension regarding the decrees for revocation.

Against said lack of a ruling by the Council of State, as well as considering the acceleration in the civil proceedings, on 10 March 2016 the deed of initiation of arbitration against the Seller was filed, taking account of the repeated denial by the Seller of its liability for compensation pursuant to the contract.

The risks connected with the revocation of the aforesaid contributions are hedged in the acquisition agreements of ERG Wind by specific indemnification obligations issued by the seller: in view of the aforesaid agreements, in relation to said receivables, a liability of equal amount was already allocated in the 2013 Financial Statements within the definition of the purchase price allocation as a potential adjustment to the purchase price of the ERG Wind Group (Note 19 - Other non-current liabilities).

Considering the guarantees described, and that set out in the previous years, further allocations in the financial statements are not required.

In view of the above mentioned disputes, the provisions for liabilities and charges shown in the consolidated financial statements at 31 December 2015 are considered sufficient to cover the probable risks quantifiable as at the present date, albeit subject to the uncertainties associated with exposure as regards any litigation proceedings.

### ERG Wind Investments tax audit

On 21 October 2015 the Italian Tax Police - Revenue Special Department – Rome Investigation Group served ERG Wind Investments Limited a final report on findings (hereinafter, "ROF") closing the audit operations that began on 17 June 2015.

Said investigation gave rise to several findings of insignificant amounts, as well as the following findings: (i) failure to apply withholdings on spreads relating to Interest Rate Swaps paid to foreign counterparties in the tax periods 2010-2013, as these were classified as interest, for EUR 8.7 million, (ii) undue deductions in the tax periods 2010-2013 of interest expense on up-stream loans from foreign subsidiaries to ERG Wind Investments Limited, as this was not supported by valid economic reasons (abuse of rights pursuant to Article 10-bis of Italian Law no. 212/2000) with resulting higher taxes of EUR 8.8 million and (iii) the failure to apply, in the tax periods 2010-2013, withholdings on interest paid to non-resident parties as part of outstanding Project Financing for EUR 14 million.

With regard to said ROF, on 28 December 2015, the following were received: (i) an assessment notice only for the tax period 2010, for the alleged failure to apply withholdings on IRS spreads paid to foreign counterparties for EUR 2.5 million, in addition to a fine of EUR 3 million and interest at 22 December 2015 for EUR 0.4 million, (ii) an additional notice of contention for the case as set out in point (i), separately quantifying the fines for the failure to pay withholdings of EUR 0.8 million, and (iii) a questionnaire regarding the alleged undue deduction of interest expense on up-stream loans from foreign subsidiaries to ERG Wind Investments Limited, as this was not supported by valid economic reasons (abuse of rights pursuant to Article 10-bis of Italian Law no. 212/2000) for the tax periods 2010-2013.

Following the joint consultation launched by Provincial Office I of Rome and the documentation produced, the finding pursuant to the ROF concerning the failure to apply - in the tax periods 2010-2013 - withholdings on interest paid to non-resident parties as part of outstanding Project Financing for EUR 14 million was removed.

On 29 January 2016 the Italian Inland Revenue - Provincial Office I of Rome proposed a tax settlement for the assessment notice, mainly to obtain an extension of the deadlines for submitting an appeal and continue the joint consultation with the Office, as well as defence pleadings against the notice of contention.

Should the tax settlement have a negative outcome, deeming that the Company is capable of formulating valid defence arguments, an appeal will be submitted.

It is also noted that, in relation to the contention in question, ERG Renew S.p.A. activated the guarantees under the Share and Purchase Agreement entered into with Engie (formerly Gaz de France Suez) concurrently with the acquisition of the ERG Wind Group. Engie declared that the contention may be considered a Seller Driven Matter<sup>3</sup> only for the tax periods 2010 and 2011.

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<sup>3</sup> Engie formally recognises its liability based on said Share and Purchase Agreement.

On 25 February 2016 ERG Wind Investments Limited also submitted to the Italian Inland Revenue – Provincial Office I of Rome a brief in reply to the questionnaire regarding the undue deduction of interest expense on up-stream loans from foreign subsidiaries to ERG Wind Investments Limited. Significant dialogue was also initiated with said Provincial Office I of Rome in order to highlight, among other facts, the valid economic reasons underlying said loans, as well as the lack of a real economic advantage, an essential condition for a contestation of abuse of rights pursuant to Article 10-bis of Italian Law no. 212/2000.

In relation to this latter case, the term of 60 days in which the Italian Inland Revenue – Provincial Office I of Rome must complete its assessments is still pending.

### ERG Wind Holdings (Italy) tax audit

On 3 December 2015 the Italian Tax Police - Revenue Special Department – Rome Investigation Group served ERG Wind Holdings (Italy) S.r.l. a final report on findings (hereinafter, "ROF") closing the audit operations that began on 6 August 2014.

Said investigation gave rise to several findings of insignificant amounts as well as the sole finding concerning registration tax regarding the extraordinary transaction implemented in 2012, relating to the contribution by the 16 UK LLPs of the business units comprised of electricity production plants (held through business lease agreements) to ERG Wind Energy S.r.l., subsequently assigned to the two partners (two UK LTDs UK) holding the equity investment in ERG Wind Energy S.r.l.

Said finding, based on the reclassification of the transaction as the sale of a business, would give rise to higher registration tax of around EUR 9.5 million in addition to sanctions.

ERG Wind Holdings (Italy) S.r.l. would be required to jointly pay said registration tax as the merging company of the two UK partners of the 16 UK LLPs (i.e. the two UK LTDs) in 2013.

With regard to said ROF, on 14 December 2015 the Italian Inland Revenue - Provincial Office 3 of Rome served ERG Wind Holdings (Italy) S.r.l. a notice of settlement of the registration tax and imposition of fines.

The higher taxes demanded amount to EUR 9.5 million, plus interest (EUR 0.9 million) and fines (EUR 11.4 million), for a total of EUR 21.8 million.

Deeming that the Company is capable of formulating valid defence arguments, on 10 February 2016 ERG Wind Holdings (Italy) S.r.l. submitted an appeal against said notice of settlement.

The Group deems that it is not likely to lose and, therefore, it did not record liabilities in this regard.

It is also noted that, in relation to the contention in question, ERG Renew S.p.A. activated the guarantees under the Share and Purchase Agreement entered into with Engie (formerly Gaz de France Suez) concurrently with the acquisition of the ERG Wind Group. Engie confirmed that the contention may be considered a Seller Driven Matter<sup>3</sup>.

<sup>3</sup> Engie formally recognises its liability based on said Share and Purchase Agreement.

## INCOME STATEMENT ANALYSIS

### NOTE 27 - REVENUES FROM ORDINARY OPERATIONS

	2015	2014
Revenues from sales	180,823	131,418
Revenues from services	1,914	5,354
Revenues for "Green Certificates"	184,197	190,859
<b>Total</b>	<b>366,934</b>	<b>327,631</b>

**Revenues from sales** relate to the sale of electricity by Group companies.

**Revenues from services** relate mainly to income from transactions in CFD derivatives in relation to ERG Power Generation S.p.A.

**Revenues for Green Certificates** refer to the 2015 output of the operational wind farms of Troia San Vincenzo (FG), Troia San Cireo (FG), Pian dei Corsi and Baltera (SV), Vicari (PA), Faeto (FG) Ascoli Satriano (FG), Rotello (CB), Baselice (BN), Bisaccia (AV), Foiano di Val Fortore (BN), Lacedonia (AV), Molinara (BN), Fossa del Lupo (CZ), Amaroni (CZ), Ginestra (BN) for a total number of 1,196,676 green certificates. The item also includes the green certificates accrued in 2015 by the companies of the ERG Wind Group, totalling 622,908.

The value of the green certificates was calculated at the price of 100 EUR/MWh determined on the basis of the estimated realisable value. With reference to the regulations on green certificates, please refer to the sub-section

#### Preparation Principles.

**Revenues for green certificates** also include the 2015 production of the wind farms in Poland, for around EUR 2 million.

The decrease in revenues recorded by the Italian wind farms due to lower production and the presence in 2014 of positive adjustments relating to prior year imbalance costs was partially offset by the better results of foreign wind farms compared to 2014, mainly due to the contribution from the new wind farms in France and Poland.

### NOTE 28 - OTHER REVENUES AND INCOME

	2015	2014
Indemnities	966	2,139
Expense recoveries	18	33
Capital gains on disposals	105	12
Non-recurring income	2,897	1,723
Other revenues	4,557	7,042
<b>Total</b>	<b>8,543</b>	<b>10,949</b>

“Indemnities” refer mainly to insurance reimbursement obtained for damages from accidents to the facilities of the companies ERG Eolica Adriatica (EUR 329 thousand), ERG Wind 4 (EUR 633 thousand), ERG Wind MEG 2 LLP (EUR 529 thousand) and ERG Wind MEG 4 LLP (EUR 75 thousand).

The other revenues derive mainly from the penalties charged to the suppliers of the maintenance contracts as a result of the unavailability of the facilities, as provided contractually, in addition to the positive impact of the termination of positions with regard to certain municipalities.

## NOTE 29 - CHANGES IN RAW MATERIAL INVENTORIES

Inventories, pertaining to spare parts, are recorded at the lesser amount between the cost determined with the weighted average cost method and the market value.

The change in the period was not significant.

## NOTE 30 - COSTS FOR PURCHASES

Costs for purchases refer to purchases of materials and components relating to the ordinary operations of the wind farms and they amounted to EUR 6,481 thousand (EUR 4,949 thousand in 2014).

## NOTE 31 - COSTS FOR SERVICES AND OTHER COSTS

	2015	2014
Costs for services	55,526	46,903
Lease and rent expenses	10,670	10,916
Write-down of receivables	–	–
Provisions for liabilities and charges	1,079	1,033
Taxes and duties	6,897	6,269
Other operating costs	2,241	4,047
<b>Total</b>	<b>76,413</b>	<b>69,168</b>

The breakdown of the costs for services is as follows:

	2015	2014
Commercial, distribution and transport costs	78	23
Royalties and land rights	6,408	6,820
Maintenance and repairs	11,778	7,063
Utilities	1,382	1,570
Insurance	3,744	3,731
Consultancy services	12,029	7,754
Advertising and promotions	45	34
Other services	20,062	19,908
<b>Total</b>	<b>55,526</b>	<b>46,903</b>



- **Maintenance and repairs** mainly comprise the expenses for the ordinary maintenance of the electricity generating plants. The increase is related to the change in the scope of consolidation, with specific reference to the French companies acquired from Macquarie European Infrastructure Fund and the Polish companies acquired from PAI Polish Alternative Investments RES.
- The increase in **consultancy** services compared to 2014 is due to the higher expenses incurred with reference to the extraordinary transactions completed during the period.
- **Other services** include the compensation to Directors and Statutory Auditors, costs for charge back of services by Group companies settled by intercompany agreements (administration, logistics and IT services from ERG Services, financial and legal services from ERG SpA), the costs relating to plant security, banking and general expenses.

**Taxes and duties** refer mainly to the costs pertaining to the green certificates of thermoelectric generating plants, the consolidated municipal tax (IMU and TASI) and other taxes.

**Other operating costs** include charges incurred for third party suppliers of maintenance services based on the qualitative performance of the production of the Italian wind farms.

## NOTE 32 - LABOUR COSTS

	2015	2014
Salaries and wages	9,687	9,655
Social security expenses	3,095	3,159
Severance indemnities	610	634
Other costs	349	862
<b>Total</b>	<b>13,741</b>	<b>14,310</b>

The increase in labour costs is essentially referred to the changes in the composition of the work force, commented below.

The other costs include supplementary severance indemnities.

The composition of the work force of ERG Renew is shown below (average number of employees in the period):

	2015	2014
Executives	8	10
Managers	34	31
Office workers	52	55
Blue collar – Intermediate workers	115	118
<b>Total</b>	<b>209</b>	<b>213</b>

The average workforce is substantially in line with the previous year.

At 31 December 2015, the total number of employees was 209.

## NOTE 33 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

	2015	2014
Amortisation of intangible fixed assets	19,686	18,907
Depreciation of tangible fixed assets	102,145	100,868
Write-down of fixed assets	1,273	5,780
<b>Total</b>	<b>123,104</b>	<b>125,555</b>

The value of amortisation and depreciation was in line with the comparison period.

The decrease on 2014 was the combined effect of higher amortisation and depreciation due to the expansion of the change in the scope of consolidation following the acquisitions of the French wind farms and the entry into operation of the EW Orneta wind farm, more than offset by lower write-downs of fixed assets and lower depreciation of electronic components due to the end of their useful life.

Write-downs refer to materials found to be obsolescent or with slow turnover and they are functional to an alignment to estimated realisable values.

## NOTE 34 - NET FINANCIAL INCOME (EXPENSES)

	2015	2014
<b>Income:</b>		
Gains on exchange rates	215	2
Bank interest income	163	419
Other financial income	22,497	24,345
	<b>22,875</b>	<b>24,766</b>
<b>Expenses:</b>		
Losses on exchange rates	(184)	(3)
Short-term bank interest expenses	(39)	(26)
Interest expenses on Project Financing	(18,246)	(22,284)
Other financial expenses	(57,020)	(59,687)
	<b>(75,489)</b>	<b>(82,000)</b>
<b>Total</b>	<b>(52,614)</b>	<b>(57,234)</b>

The decrease in net financial expenses compared to 2014 is mainly attributable to the reduction in market interest rates and the lower volume as a result of the repayments during the period.

"Other financial income" and "Other financial expenses" refer mainly to the results of the derivatives; the other financial expenses also include the effect on the income statement of the fair value measurement of the loan pertaining to ERG Wind Investments Ltd, adjusted downwards by EUR 159 million at the time of acquisition because it had originally been stipulated at more advantageous conditions than those proposed by the market at the time of acquisition.

## NOTE 35 - NET INCOME (LOSS) FROM EQUITY INVESTMENTS

Net income (loss) from equity investments amounting to EUR -4 million (EUR -1.3 million at 31 December 2014) refer in particular to the result of the joint venture LUKERG Renew GmbH (EUR -3.5 million) whose income statement values were consolidated at equity in 2015.

## NOT 36 - INCOME TAXES

	2015	2014
Current income taxes	25,943	32,611
Taxes from previous years	(961)	(1,408)
Deferred tax assets and liabilities	(13,876)	(4,807)
<b>Total</b>	<b>11,106</b>	<b>26,396</b>

The provisions for the income taxes of the period were calculated taking into account the expected taxable income to be applied to the revenues of the companies of the energy and oil sector.

"Deferred tax assets and liabilities" originate from the temporary differences deriving from the adjustments made to the financial statements of the consolidated entities applying the Group's homogeneous accounting standards, from the temporary differences between the value of the assets and liabilities for statutory purposes and their values for tax purposes and from tax losses that can be carried forward.

In addition, deferred taxes amounting to EUR 16 million, calculated on the fair value of the derivatives accounted for according to the cash flow hedge rule, are allocated directly to the income statement.

It is also noted that, as reported previously, Law no. 208 of 28 December 2015 (2016 Stability Law) reduced the IRES tax rate from 27.5% to 24% starting from 1 January 2017.

Thus, an adjustment was made to deferred tax assets, calculated on items of income which shall take effect for tax purposes from 1 January 2017.

Thus it is noted that the rate used to calculate deferred tax assets is the nominal IRES rate of 27.5% for those income items that will be recognised for tax purposes by 31 December 2016, and 24% for items which will result in tax changes starting from 1 January 2017, with the addition, when prescribed, of the IRAP rate (3.9%).

The positive impact regarding the calculation of the adjustment of the IRES tax rate (24% starting from 2017) amounted to EUR 1.5 million. The item was considered as a non-recurring item.



## Reconciliation between the tax liability in the financial statements and the theoretical tax liability

<b>IRES (corporation tax)</b>	
Profit (loss) before taxes	55,882
Theoretical IRES taxation at 27.5%	15,368
Impact of consolidation adjustments that are not relevant to the calculation of taxes	4,587
Impact of permanent tax changes	(15,323)
<b>Current, deferred and prepaid IRES</b>	<b>4,632</b>
<b>IRAP</b>	
EBIT	112,551
Write-down of receivables	–
<b>Total</b>	<b>112,551</b>
Theoretical IRAP taxation at 3.5%	3,939
IRAP rate increased for some companies	3,395
Impact of permanent tax changes and of consolidation adjustments that are not relevant to the calculation of taxes	100
<b>Current, deferred and prepaid IRAP</b>	<b>7,435</b>
<b>Total theoretical taxes</b>	<b>19,307</b>
<b>Total IRES and IRAP per financial statements</b>	<b>12,067</b>
<b>Taxes from previous year</b>	<b>(961)</b>
<b>Substitute taxes</b>	<b>–</b>
<b>TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS</b>	<b>11,106</b>

The impacts of the consolidation adjustments mainly refer to the deferred tax liabilities calculated on the forecast future dividends and the theoretical calculation of consolidation adjustments.

## NOTE 37 - NON-RECURRING ITEMS

(Thousands of Euro )	2015	2014
Revenues from ordinary operations	–	–
Other revenues	–	–
Costs for purchases	–	–
Change in inventories	–	–
Costs for services and other costs	1) (6,268)	4) (316)
Labour costs	–	5) (119)
Amortisation, depreciation and write-downs of fixed assets	–	–
Net financial income (expenses)	–	–
Net income (loss) from equity investments	2) (315)	–
Income taxes	3) 4,968	6) 1,321
Minority interests	–	–
<b>Group's net profit (ongoing operations)</b>	<b>(1,616)</b>	<b>886</b>

## In 2015

- 1) costs for services and other costs refer to accessory expenses for extraordinary transactions;
- 2) charges relate to the negative effect of the extraordinary transaction for the purpose of winding up the joint venture LUKERG Renew;
- 3) the item includes the tax effects on the item illustrated above, in addition to the delta of the IRES tax rate on deferred tax assets and liabilities on items that will be recognised for tax purposes starting from 1 January 2017.

## In 2014

- 4) costs for services and other costs refer to accessory expenses for extraordinary transactions;
- 5) the cost of labour relates to payments to employees for extraordinary transactions concluded during the year;
- 6) the item includes the tax effects as per the previous items, in addition to the effect of the previous items, in addition to the effect of the derecognition of deferred tax assets and liabilities following the stated unconstitutionality of the Robin Tax (IRES rate of 6.5%).

## NOTE 38 - RELATED PARTIES

### Statement of financial position

	Non-current financial assets	Trade receivables	Other current receivables and assets	Current financial assets	Non-current financial liabilities	Other non-current liabilities	Trade payables	Current financial liabilities	Other current liabilities
ERG Eolica Lucana S.r.l.	–	12	–	52	–	–	–	–	–
ERG Power Generation S.p.A.	–	12,234	–	–	–	–	51	–	–
ERG S.p.A.	–	434	10,961	–	–	–	873	13,815	19,869
ERG Services S.p.A.	–	2	–	–	–	–	–	–	–
ISAB Energy Solare S.r.l.	331	5	–	78	–	–	–	–	–
<b>Total</b>	<b>331</b>	<b>12,687</b>	<b>10,961</b>	<b>130</b>	<b>–</b>	<b>–</b>	<b>924</b>	<b>13,815</b>	<b>19,869</b>
<i>% of total item</i>	<i>1%</i>	<i>8%</i>	<i>16%</i>	<i>3%</i>	<i>0%</i>	<i>0%</i>	<i>3%</i>	<i>10%</i>	<i>56%</i>

### Income Statement

	Revenues from ordinary operations	Other revenues and income	Costs for purchases	Costs for services and other costs	Financial income	Financial expenses
ERG Eolica Lucana S.r.l.	–	4	–	–	2	–
ERG Power Generation S.p.A.	88,819	–	–	(440)	–	–
ERG S.p.A.	48,712	–	(46,078)	(4,145)	565	(101)
ERG Services S.p.A.	–	–	–	(6,246)	–	–
ISAB Energy Solare S.r.l.	–	–	–	–	29	–
LUKERG Renew GmbH	–	–	–	–	2,224	–
TotalErg S.p.A.	–	–	(2)	–	–	–
<b>Total</b>	<b>137,531</b>	<b>4</b>	<b>(46,080)</b>	<b>(10,831)</b>	<b>2,820</b>	<b>(101)</b>
<i>% of total item</i>	<i>37%</i>	<i>0%</i>	<i>88%</i>	<i>14%</i>	<i>12%</i>	<i>0%</i>

Transactions with subsidiaries excluded from the scope of consolidation, with associated companies and joint ventures pertain essentially to the exchange of goods, the performance of services, the collection and use of financial means. All transactions are included in ordinary operations and are settled at arm's length conditions.

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

### Statement of Financial Position

(Euro)	31.12.2014
Intangible assets	315,762
Goodwill	–
Property, plant and equipment	2,776,369
Equity Investments	1,074,059,241
Other financial assets	119,592,754
<i>of which with related parties</i>	118,669,885
Deferred tax assets	18,126,303
Other non-current assets	4,607,321
<b>Non-current assets</b>	<b>1,219,477,751</b>
Inventories	–
Trade receivables	74,825,952
<i>of which with related parties</i>	63,295,091
Other current receivables and assets	112,057,006
<i>of which with related parties</i>	77,990,748
Current financial assets	142,620,609
<i>of which with related parties</i>	138,019,483
Cash and cash equivalents	822,124,226
<b>Current assets</b>	<b>1,151,627,792</b>
<b>Assets held for sale</b>	<b>–</b>
<i>of which with related parties</i>	–
<b>TOTAL ASSETS</b>	<b>2,371,105,543</b>
<b>Shareholders' Equity</b>	<b>1,427,706,861</b>
Severance indemnities	310,183
Deferred tax liabilities	1,842,952
Provisions for non-current liabilities and charges	83,638,515
Non-current financial liabilities	–
Other non-current liabilities	7,603,481
<i>of which with related parties</i>	–
<b>Non-current liabilities</b>	<b>93,395,130</b>
Provisions for current liabilities and charges	35,886,579
Trade payables	85,181,942
<i>of which with related parties</i>	34,463,135
Current financial liabilities	624,121,916
<i>of which with related parties</i>	551,718,943
Other current liabilities	104,813,115
<i>of which with related parties</i>	98,822,449
<b>Current liabilities</b>	<b>850,003,551</b>
<b>Liabilities held for sale</b>	<b>–</b>
<i>of which with related parties</i>	–
<b>TOTAL LIABILITIES</b>	<b>2,371,105,543</b>

## Income Statement

(Euro)	2014
Revenues from ordinary operations	122,252,195
<i>of which with related parties</i>	63,320,139
<i>of which non-recurring items</i>	–
Other revenues and income	12,415,682
<i>of which with related parties</i>	3,630,231
<i>of which non-recurring items</i>	8,059,000
Changes in product inventories	–
Changes in raw material inventories	–
Costs for purchases	(103,109,395)
<i>of which with related parties</i>	(88,106,992)
Costs for services and other costs	(56,998,562)
<i>of which with related parties</i>	(15,761,063)
<i>of which non-recurring items</i>	(18,311,000)
Labour costs	(15,314,409)
<i>of which non-recurring items</i>	(2,840,000)
<b>EBITDA</b>	<b>(40,754,489)</b>
<b>Depreciation and write-downs of fixed assets</b>	<b>(274,833)</b>
<b>Net income (loss) from sale of business unit</b>	
<i>of which non-recurring items</i>	–
Financial income	25,661,631
<i>of which with related parties</i>	8,120,118
Financial Expenses	(10,832,622)
<i>of which with related parties</i>	(1,386,669)
<b>Net financial income (expenses)</b>	<b>14,829,009</b>
<i>of which non-recurring items</i>	
Net income (loss) from equity investments	58,776,533
<i>of which non-recurring items</i>	
Other net income (loss) from equity investments	–
<b>Net income (loss) from equity investments</b>	<b>58,776,533</b>
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>32,576,220</b>
<b>Income taxes</b>	<b>8,425,163</b>
<i>of which non-recurring items</i>	3,168,721
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>41,001,383</b>
Net profit (loss) from assets held for sale	5,049,106
<i>of which with related parties</i>	–
<i>of which non-recurring items</i>	–
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>46,050,489</b>



## NOTE 39 - BUSINESS SEGMENT REPORTING

Business segment reporting is in accordance with the requirements of IFRS 8 - Operating segments. The disclosure consists of breakdown by geographical area.

In order to enhance understandability of the performance of the wind business, the financial results are also shown at adjusted replacement cost, excluding inventory gains (losses) and non-recurring items, and including the contribution, for the portion attributable to ERG, of the results of the joint venture LUKERG Renew.

Results at adjusted replacement cost are indicators that are not defined in the International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance.

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

### Data at adjusted replacement costs

(Millions of Euro)

Year 2015	Italy	France	Germany	Poland	Bulgaria/ Romania	Total
<b>Revenues from ordinary operations</b>	<b>283</b>	<b>19</b>	<b>15</b>	<b>4</b>	<b>24</b>	<b>345</b>
Gross operating margin (EBITDA)	213	13	12	4	12	254
Depreciation and write-downs	(106)	(10)	(7)	(1)	(8)	(131)
EBIT	107	4	5	3	4	123
<b>Investments in fixed assets <sup>(1)</sup></b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>87</b>	<b>–</b>	<b>95</b>

(1) = relating to intangible and tangible assets

Year 2014	Italy	France	Germany	Poland	Bulgaria/ Romania	Total
<b>Revenues from ordinary operations</b>	<b>303</b>	<b>11</b>	<b>14</b>	<b>–</b>	<b>22</b>	<b>349</b>
Gross operating margin (EBITDA)	233	8	12	(0)	14	267
Depreciation and write-downs	(110)	(7)	(8)	(0)	(8)	133
EBIT	123	1	4	(0)	6	134
<b>Investments in fixed assets <sup>(1)</sup></b>	<b>14</b>	<b>–</b>	<b>–</b>	<b>22</b>	<b>2</b>	<b>37</b>

(1) = relating to intangible and tangible assets

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

For the details and reconciliation items, please refer to the section **Alternative performance indicators** in the **Report on Operations**.

## NOTE 40 – FINANCIAL INSTRUMENTS

### 31.12.2015

	FVTPL <sup>(1)</sup>	L&R <sup>(2)</sup>	AFS <sup>(3)</sup>	Other liabilities	Hedging derivatives	Total	of which non-current	Fair value
Equity interests in other companies	–	–	870	–	–	870	–	–
Financial receivables	–	37,995	–	–	–	37,995	34,167	–
Derivative instruments	–	–	–	–	–	–	–	–
Trade receivables	–	159,449	–	–	–	159,449	85,975	–
Financial securities in working capital	–	–	–	–	–	–	–	–
Other receivables	–	38,802	–	–	–	38,802	24,955	–
Cash and cash equivalents	–	145,930	–	–	–	145,930	–	145,930
<b>Total assets</b>	<b>–</b>	<b>382,176</b>	<b>870</b>	<b>–</b>	<b>–</b>	<b>383,046</b>	<b>145,097</b>	<b>145,930</b>
Loans and financing	–	–	–	–	–	–	–	–
Non-recourse Project Financing	–	–	–	1,135,075	–	1,135,075	1,018,112	1,018,112
Short-term bank borrowings	–	–	–	1	–	1	–	–
Financial payables	–	–	–	17,159	–	17,159	–	–
Derivative instruments	–	–	–	–	145,175	145,175	145,175	145,175
Trade payables	–	–	–	32,738	–	32,738	–	–
Other payables	–	–	–	54,655	–	54,655	28,605	28,605
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,239,628</b>	<b>145,175</b>	<b>1,384,803</b>	<b>1,191,892</b>	<b>1,191,892</b>

### 31.12.2014

	FVTPL <sup>(1)</sup>	L&R <sup>(2)</sup>	AFS <sup>(3)</sup>	Other liabilities	Hedging derivatives	Total	of which non-current	Fair value
Equity interests in other companies	–	–	857	–	–	857	–	–
Financial receivables	–	159,127	33,286	–	–	192,413	34,167	–
Derivative instruments	–	–	–	–	1,614	1,614	–	–
Trade receivables	–	185,484	–	–	–	185,484	85,975	–
Financial securities in working capital	–	–	–	–	–	–	–	–
Other receivables	–	39,457	–	–	–	39,457	24,955	–
Cash and cash equivalents	–	129,126	–	–	–	129,126	–	145,930
<b>Total assets</b>	<b>–</b>	<b>513,194</b>	<b>34,143</b>	<b>–</b>	<b>1,614</b>	<b>548,951</b>	<b>145,097</b>	<b>145,930</b>
Loans and financing	–	–	–	–	–	–	–	–
Non-recourse Project Financing	–	–	–	1,120,386	–	1,120,386	1,018,112	–
Short-term bank borrowings	–	–	–	1,604	–	1,604	–	–
Financial payables	–	–	–	2,882	–	2,882	–	17,159
Derivative instruments	–	–	–	–	169,948	169,948	145,175	–
Trade payables	–	–	–	19,554	–	19,554	–	–
Other payables	–	–	–	52,356	–	52,356	28,605	–
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,196,782</b>	<b>169,948</b>	<b>1,366,730</b>	<b>1,191,892</b>	<b>17,159</b>

(1) FVTPL: fair value through profit or loss

(2) L&R: Loans and receivables

(3) AFS: Available for sale financial investments

The following table shows an analysis of derivative financial instruments measured at fair value, grouped in Levels from 1 to 3 based on the degree of observability of the fair value:

- level 1, the fair value is determined by prices quoted on active markets;
- level 2, the fair value is determined via evaluation techniques based on variables that are directly (or indirectly) observable on the market;
- level 3, the fair value is determined via evaluation techniques based on significant variables that are not observable on the market.

	Level 1	Level 2	Level 3
<b>Financial assets</b>			
- FVTPL	–	–	–
- AFS	–	–	–
- Hedging derivatives	–		–
<b>Total</b>	–	–	–
<b>Financial liabilities</b>			
- FVTPL	–	–	–
- Hedging derivatives	–	145,175	–
<b>Total</b>	–	<b>145,175</b>	–

The Group has no financial instrument that can be classified in levels 1 and 3.

Financial instruments classified in level 1 are futures on petroleum products, whose value is quoted on a daily basis.

Derivative financial instruments are classified in level 2; in order to determine the market value of these instruments, ERG utilises various measurement and evaluation models, a summary of which is given in the following table:

Type	Instrument	Pricing model	Market data used	Data provider	IFRS 7 hierarchy
<b>Interest Rate derivatives</b>	Interest Rate Swap	Discounted Cash Flow	- Deposit rates (Euribor) - Swap rates	- Reuters	Level 2
	Interest Rate Option (Cap, Collar)	Black & Scholes	- Deposit rates (Euribor) - Swap rates - Implied volatility short-term rates	- Reuters - ICAP (via Reuters)	Level 2
<b>Exchange rate derivatives</b>	FX Forward	Discounted Cash Flow	- Zero coupon curves of the reference currencies - ECB spot exchange rates	- Reuters	Level 2
	FX Option	- Black & Scholes - Edgeworth Expansion - Monte Carlo Simulation	- Zero coupon curves of the reference currencies - ECB spot exchange rates - Implied volatility of exchange rates	- Reuters	Level 2
<b>Commodity derivatives</b>	Commodity Swap	Discounted Cash Flow	- Official spot prices of reference commodities	- Platt's (Sarus)	Level 2
	- Crude oils		- Forward prices quoted on OTC markets	- Reuters	
	- Petroleum products		- Derivative forward prices (i.e. linear regression) from OTC prices		
	- Crack spread		- Zero coupon curves on EUR and US Dollar		
	- Gas formulas		- ECB spot exchange rates		
	Commodity Future	Quoted instrument	- Official settlement prices - Source: ICE	- Reuters	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- Forward PUN quoted on OTC market - Zero coupon curve on the EUR	- TFS - Reuters	Level 2

## NOTE 41 - RISK DISCLOSURE

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

- **credit risk**, i.e. the possibility of default by a counterparty or potential deterioration of its assigned credit rating;
- **market risk**, deriving from exposure to interest rate fluctuations and from changes in the purchase price of commodities (commodity price volatility risk);
- **liquidity risk**, i.e. the risk that the financial resources available are insufficient to meet payment obligations.

The ERG Renew Group attributes great importance to the identification and measurement of risks and to the connected control systems, as a means of guaranteeing efficient management of the risks undertaken. Consistently with this objective, an advanced Risk Management system has been adopted that assures, in compliance with existing policies on the matter, the identification, measurement and control of the degree of exposure to individual risks at centralised level for the entire Group.

The Risk Finance function assures consistency with the assigned limits and provides adequate support with its own analyses, both to individual subsidiaries and to the Risk Committee and the Top Management of the Parent Company, for strategic decisions.

### Credit risk

Exposure to credit risk, inherent in the probability that a given counterparty will not be able to fulfil its contractual obligations, is managed by means of appropriate analysis and evaluation, assigning each counterparty an internal rating (Internal Based Rating, summary index evaluating their creditworthiness). The rating classes provide an estimation of the probability of default of a specific counterparty, on which the degree of creditworthiness assigned depends, which is accurately monitored and must not be overrun. The choice of counterparties both for the industrial business and financial negotiations underlies the decisions of the Credit Committee, whose choices are supported by creditworthiness analyses.

Concentration risk, both by customer and by segment, is continuously monitored, though no warning situations have ever occurred.

The tables below provide information on the exposure of the ERG Renew Group to credit risk at the end of the year, by classifying receivables not past due (see **Note 9**) based on the creditworthiness corresponding to the internal ratings assigned.

	2015	2014
AAA rating	–	–
AA+ / AA- rating	–	–
A+ / A- rating	–	–
BBB+ / BBB- rating	109,868	123,373
BB+ / BB- rating	–	–
B+ / B- rating	–	–
CCC- rating	–	–
Receivables from Group companies	11,664	22,334
Not assigned	32,358	39,778
<b>Total</b>	<b>153,890</b>	<b>185,484</b>

### Market risk

This risk comprises interest rate risk and commodity price risk. The management of these risks is regulated by the guidelines indicated in the Group's Policy and by internal procedures within the Finance area.

### Interest rate risk

This risk identifies the change in future interest rate trends that may cause higher costs for the Group. The interest rate risk is hedged by using derivative contracts such as Interest Rate Swaps and Interest Rate Options (plain vanilla). The following table shows the impact on the profit before taxes (because of changes in the fair value of financial assets and liabilities) and on the Group's shareholders' equity (due to changes in the fair value of cash flow hedge derivatives) of a +/-1% change in the interest rate, all other variables remaining equal.

#### Impact on the income statement

(EUR million)	2015	2014
Shock up (+1% change in interest rate)	(18.6)	0.8
Shock down (-1% change in interest rate)	(19.6)	–

#### Impact on Shareholders' Equity

(EUR million)	2015	2014
Shock up (+1% change in interest rate)	58.6	50.9
Shock down (-1% change in interest rate)	(19.7)	(5.4)

### Commodity risk

The commodity price risk consists of unexpected fluctuations in the prices of raw materials, of the procurement of services, of finished products and of the services placed on the market for sale.

Concerning the management of the price risk tied to purchase and sale activity, internal policies call for hedging the flat price (price risk tied to possible different price accrual periods between each individual purchase and its corresponding resale).

The objective defined in the Risk Finance policy is to attain the trade margin at the risk of market price fluctuation. To attain the trade margin, to hedge the flat price the Group uses derivative instruments such as Futures and Commodity Swaps with underlying crude oils and petroleum products.

### Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. Today, the ERG Renew Group guarantees adequate coverage of its financial requirements by means of its cash flow generation and the availability of lines of credit provided by various counterparties.

The following tables summarise the Group's financial liabilities as at 31 December 2015 based on contractual payments not discounted to present value.

#### 31.12.2015

(Thousands of Euro)	Debt maturity breakdown				
	On request	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years
Loans and financing	–	–	–	–	–
Non-recourse Project Financing	–	182	139,436	557,976	706,040
Short-term bank borrowings	–	–	–	–	–
Derivative instruments	–	–	34,026	93,549	18,782
Financial payables	–	–	–	–	–
Trade payables	20,015	12,138	560	–	25
<b>Total liabilities</b>	<b>20,015</b>	<b>12,320</b>	<b>174,021</b>	<b>651,525</b>	<b>724,847</b>

#### 31.12.2014

(Thousands of Euro)	Debt maturity breakdown				
	On request	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years
Loans and financing	–	–	–	–	–
Non-recourse Project Financing	–	179	205,613	673,214	876,050
Short-term bank borrowings	1,604	–	–	–	–
Derivative instruments	–	–	34,703	80,943	20,041
Financial payables	–	–	2,882	–	–
Trade payables	9,848	5,065	4,596	–	45
<b>Total liabilities</b>	<b>11,452</b>	<b>5,243</b>	<b>247,794</b>	<b>754,157</b>	<b>896,136</b>

### Derivative instruments used

The main types of derivative instruments adopted in the management of financial risks, solely for hedging purposes, are as follows:

#### Interest Rate derivatives

Interest Rate Swap instruments to bring fixed and floating rate loans to the risk profile deemed most appropriate. In IRS derivatives, the counterparties, with reference to a defined notional value and at pre-set times, swap interest flows calculated in relation to fixed rates or to floating rate parameters agreed beforehand.

### Summary of the derivative instruments used

The derivatives entered into by ERG Renew and aimed at addressing exposure to the commodity price, exchange rate and interest rate risk at 31 December 2015 are as follows:

Type	Hedged risk	Reference notional value	Fair Value at 31.12.2015
(Thousands of Euro)			
<b>Cash Flow Hedge instruments</b>			
<b>A</b> Interest Rate Swap and Interest Rate Cap	Economic interest rate risk	919 EUR million	(145,179)
<b>Total Cash Flow Hedge instruments</b>			<b>(145,179)</b>
<b>TOTAL DERIVATIVES OF THE ERG GROUP</b>			<b>(145,179)</b>

### Cash Flow Hedge instruments

#### A Interest Rate Swap and Interest Rate Cap and Collar

Transactions hedging the "interest rate" economic risk tied to changes in interest rates on loans.

## NOTE 42 - COMPENSATION FOR AUDIT SERVICES

In accordance with Article 149-duodecies of the Issuers' Regulations, the expenses accrued in 2015 in relation to the services provided by the auditing firm Deloitte & Touche S.p.A., main independent auditor of the ERG Group, and the companies belonging to its network, are shown below.

Type of service	Party providing the service	Recipient	2015 fees
((Thousands of Euro))			
<b>Auditing</b>	Parent Company's auditor	Parent company	56
<b>Tax advisory services</b>	Network of the Parent Company's auditor	Parent company	11
<b>Other services</b>	Parent Company's auditor	Parent company	56
	Network of the Parent Company's auditor	Parent company	10
<b>Auditing</b>	Parent Company's auditor	Subsidiaries	293
	Network of the Parent Company's auditor	Subsidiaries	46
<b>Other services</b>	Parent Company's auditor	Subsidiaries	160
	Network of the Parent Company's auditor	Subsidiaries	165
<b>Total</b>			<b>797</b>

The auditing services include the full auditing of the annual separate financial statements and consolidated financial statements, and the limited audit of the Half-Yearly Report.

Services other than auditing mainly refer to the following: EUR 45 thousand for services provided by Deloitte & Touche to the parent company relating to the voluntarily agreed verification requested on quarterly data of the subsidiaries; EUR 160 thousand for services provided by Deloitte & Touche to the subsidiaries relating to auditing the (annual and half-yearly) reporting packages; and EUR 165 thousand for services provided by companies in the Deloitte & Touche network for auditing of the reporting packages of foreign subsidiaries.



## NOTE 43 - OTHER INFORMATION

A dedicated section of the **Report on Operations** provides disclosure on significant events after the end of the period.

## NOTE 44 - PUBLICATION DATE OF FINANCIAL STATEMENTS

On 16 March 2016, the Board of Directors of ERG Renew S.p.A. authorised the publication of the Financial Statements, reserving the right to make formal additions and changes by the date of filing, to be carried out pursuant to Article 2429 of the Italian Civil Code.

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

Genoa, 16 March 2016

On behalf of the Board of Directors

The Chairman

Alessandro Garrone





Separate  
Financial Statements

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# STATEMENT OF FINANCIAL POSITION

(Euro)	Notes	31/12/2015	31/12/2014
Intangible assets	1	1,686,719	2,222,854
Property, plant and equipment	2	1,019,364	1,504,822
Equity Investments	3	331,871,663	296,591,921
Other financial assets	4	196,059,591	93,497,012
<i>of which with related parties</i>	30	188,677,102	86,211,305
Deferred tax assets	5	9,983,364	3,594,678
Other non-current assets	6	3,958,639	4,629,339
<b>Non-current assets</b>		<b>544,579,340</b>	<b>402,040,625</b>
Trade receivables	7	47,535,357	24,125,145
<i>of which with related parties</i>	30	23,170,841	23,930,042
Other current receivables and assets	8	20,884,735	19,100,753
<i>of which with related parties</i>	30	34,117	6,910,142
Current financial assets	9	123,136,864	226,559,447
<i>of which with related parties</i>	30	120,123,735	224,945,883
Cash and cash equivalents	10	137,434	2,594,289
<b>Current assets</b>		<b>191,694,390</b>	<b>272,379,633</b>
<b>TOTAL ASSETS</b>		<b>736,273,730</b>	<b>674,420,258</b>
<b>Shareholders' Equity</b>	11	<b>679,484,882</b>	<b>636,512,037</b>
Severance indemnities	12	593,565	494,341
Deferred tax liabilities	13	–	438,134
Provisions for non-current liabilities and charges	14	218,000	9,675,000
Other non-current liabilities	15	189,870	594,547
<b>Non-current liabilities</b>		<b>1,001,435</b>	<b>11,202,021</b>
Provisions for current liabilities and charges		–	–
Trade payables	16	14,993,627	8,402,981
<i>of which with related parties</i>	30	11,746,269	5,972,956
Current financial liabilities	17	38,626,916	16,425,759
<i>of which with related parties</i>	30	35,456,199	12,977,544
Other current liabilities	18	2,166,870	1,877,460
<i>of which with related parties</i>	30	–	–
<b>Current liabilities</b>		<b>55,787,413</b>	<b>26,706,200</b>
<b>TOTAL LIABILITIES</b>		<b>736,273,730</b>	<b>674,420,258</b>

# INCOME STATEMENT

(Euro)	Notes	2015	2014
Revenues from ordinary operations	21	119,306,823	21,661,748
<i>of which with related parties</i>	30	119,306,823	16,611,251
Other revenues and income	22	2,052,879	1,619,223
<i>of which with related parties</i>	30	1,650,135	1,346,111
Costs for purchases	23	(105,065,159)	(5,028,380)
<i>of which with related parties</i>	30	(104,997,469)	(4,970,755)
Costs for services and other costs	24	(18,050,539)	(16,560,454)
<i>of which with related parties</i>	30	(10,838,447)	(9,418,351)
Labour costs	25	(6,195,483)	(5,276,765)
<b>EBITDA</b>		<b>(7,951,479)</b>	<b>(3,584,628)</b>
<b>Amortisation, depreciation and write-downs of fixed assets</b>	26	<b>(1,370,341)</b>	<b>(553,867)</b>
Financial income	27	8,382,224	9,077,674
<i>of which with related parties</i>	30	8,218,006	8,946,570
Financial Expenses	27	(277,947)	(513,109)
<i>of which with related parties</i>	30	(244,679)	(485,741)
<b>Net financial income (expenses)</b>	27	<b>8,104,277</b>	<b>8,564,566</b>
Net income (loss) from equity investments	28	39,557,910	15,463,747
Other net income (loss) from equity investments		–	–
<b>Net income (loss) from equity investments</b>		<b>39,557,910</b>	<b>15,463,747</b>
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>38,340,367</b>	<b>19,889,818</b>
<b>Income taxes</b>	29	<b>5,809,789</b>	<b>3,633,647</b>
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>44,150,156</b>	<b>23,523,465</b>
Net profit (loss) from assets held for sale		–	–
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>44,150,156</b>	<b>23,523,465</b>

## OTHER COMPREHENSIVE INCOME COMPONENTS

(Euro)	2015	2014
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>44,150,156</b>	<b>23,523,465</b>
Changes in cash flow hedge reserve	(1,491,538)	1,491,538
Income taxes referred to the changes in cash flow hedge reserve	321,704	(321,704)
<b>Other components of comprehensive net profit (loss)</b>	<b>(1,169,834)</b>	<b>1,169,834</b>
Actuarial change in provisions for severance indemnities	(9,839)	(39,912)
Income taxes referred to the actuarial change in provisions for severance indemnities	2,361	10,976
<b>Other components of comprehensive net profit (loss)</b>	<b>(7,478)</b>	<b>(28,936)</b>
<b>Group comprehensive net profit (loss)</b>	<b>42,972,844</b>	<b>24,664,363</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)	Share capital	Legal reserve	Other reserves	Ret. earnings (losses carried forward)	Profit (loss) for the period	Total shareholders' equity
<b>BALANCE AT 31.12.2012</b>	100,000	–	426,528	(9,812)	113	516,830
Allocation of 2012 profit (loss)	–	–	–	113	(113)	–
Reserve for discounting provisions for severance indemnities	–	–	–	–	–	–
Coverage of losses	–	–	–	–	–	–
Net profit (loss) for the period	–	–	–	–	45,240	45,240
Actuarial change in provisions for severance indemnities	–	–	14	–	–	14
<b>Comprehensive net profit (loss)</b>	–	–	14	–	45,240	45,254
<b>BALANCE AT 31.12.2013</b>	100,000	–	426,542	(9,698)	45,240	562,084
Allocation of 2013 profit (loss)	–	–	–	45,240	(45,240)	–
Share capital increase	7,692	–	–	–	–	7,692
Share premium reserve	–	–	42,308	–	–	42,308
Other reserves	–	–	(237)	–	–	(237)
Net profit (loss) for the period	–	–	–	–	23,523	23,523
Actuarial change in provisions for severance indemnities	–	–	(29)	–	–	(29)
Changes in cash flow hedge reserve	–	–	1,170	–	–	1,170
<b>Comprehensive net profit (loss)</b>	–	–	1,141	–	23,523	24,664
<b>BALANCE AT 31.12.2014</b>	107,692	–	469,754	35,542	23,523	636,512
Allocation of 2014 profit (loss)	–	3,444	–	20,080	(23,523)	–
Share capital increase	–	–	–	–	–	–
Share premium reserve	–	–	–	–	–	–
Other reserves	–	–	–	–	–	–
Net profit (loss) for the period	–	–	–	–	44,150	44,150
Actuarial change in provisions for severance indemnities	–	–	(7)	–	–	(7)
Changes in cash flow hedge reserve	–	–	(1,170)	–	–	(1,170)
<b>Comprehensive net profit (loss)</b>	–	–	(1,177)	–	44,150	42,973
<b>BALANCE AT 31.12.2015</b>	107,692	3,444	468,577	55,621	44,150	679,485

# STATEMENT OF CASH FLOWS

(Thousands of Euro)	31.12.2015	31.12.2014
<b>Operating activities</b>		
EBIT	(9,324)	(4,141)
Adjustments for:		
depreciation of tangible fixed assets	145	267
amortisation of intangible fixed assets	499	288
write-down of intangible assets	726	–
income (loss) from equity investments	4,094	11,369
allocations to provisions	100	231
<b>Total adjustments</b>	<b>5,564</b>	<b>12,155</b>
Changes in working capital		
(increase) / decrease in trade and other receivables and payables	(18,626)	25,726
(increase) / decrease in trade and other receivables and payables to/from Group companies	758	(10,558)
Change in working capital	(17,868)	15,168
<b>Cash flow generated from operating activities</b>	<b>(21,628)</b>	<b>23,182</b>
Interest paid	(278)	(511)
<b>Net cash flow from operating activities</b>	<b>(21,906)</b>	<b>22,671</b>
<b>Investing activities</b>		
Interest received	8,384	9,076
Received dividends	29,615	27,000
Sales of equity interests in subsidiaries		
Sales of equity investments in jointly controlled entities and in other companies	400	–
Equity interests acquired/share capital increases in other companies and subsidiaries	(39,775)	(39,441)
Investments in tangible and intangible assets	(797)	(801)
Payments for future capital increases	–	–
<b>Net cash flow from investing activities</b>	<b>(2,174)</b>	<b>(4,166)</b>
<b>Financing activities</b>		
New loans received from parent companies	13,815	–
Repayment of loans received from parent companies	–	60,301
Increase in financial receivables due from subsidiaries	(102,466)	(20,337)
New loans to parent companies	–	–
(Increases)/Repayments in financial receivables due from subsidiaries	–	94,996
(Increases)/Repayments in financial receivables due from jointly controlled entities	104,822	(100,871)
Increases/(Repayments) in financial receivables due from subsidiaries	8,663	12,456
Increases/ (Repayments) of financial payables due from parent company	–	(74,332)
Repayment of loans from third parties	(1,604)	(1,764)
Increase in other financial payables	–	1,533
Share capital increase	–	7,692
<b>Net cash flow from financing activities</b>	<b>23,230</b>	<b>(20,326)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(853)</b>	<b>(1,821)</b>
<b>Net cash flow / (Net financial debt) at the beginning of the year</b>	<b>990</b>	<b>2,811</b>
<b>Net cash flow / (Net financial debt) at the end of the year</b>	<b>137</b>	<b>990</b>
<b>Comprising</b>		
bank and postal accounts	137	2,594
bank overdrafts	–	(1,604)
<b>Of which cash and cash equivalents not freely available</b>	<b>–</b>	<b>2,548</b>

## EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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### GENERAL

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

As regards the layout of the financial statements, the Company, consistently with the presentation adopted for the consolidated financial statements, presents the statement of financial position showing a distinction between current and non-current assets and liabilities, while the Income Statement features classification of revenues and costs according to their nature. The statement of shareholders' equity includes all recorded changes in shareholders' equity. The Statement of Comprehensive Income, as required by the revised version of IAS 1, shows the income components recognised in equity. Lastly, the Statement of Cash Flows has been prepared using the "indirect" method.

For additional clarity, it was decided to indicate in the notes all the amounts rounded to thousands of Euro. As a result, in some tables, the total amounts may slightly deviate from the sum of the amounts comprising them.

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

For comparison purposes, for every item in the Statement of Financial Position and of the Income Statement, the figures of the financial statements as at 31 December 2014 are shown.

The Separate Financial Statements at 31 December 2015 have been audited by Deloitte & Touche S.p.A. in accordance with the procedure set forth by CONSOB regulations.

The main accounting policies adopted are shown below.



## SUMMARY OF PRINCIPAL ACCOUNTING STANDARDS

### Intangible assets

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

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

Patents, concessions, licences and trademarks are initially recognised at purchase cost and are amortised on a straight-line basis over their expected useful life, as defined in the note on assets. No revaluations were carried out during the year in question or in previous years, either voluntarily and/or in accordance with monetary revaluation laws. Equally, interest on special purpose loans was not capitalised.

### Property, plant and equipment

Tangible assets are recognised at cost, including directly allocated ancillary costs and those necessary to bring the asset to the condition appropriate for the use for which it was acquired, net of related depreciation provision and cumulative impairments, if any. During the year in question and in previous years, no revaluations were performed, either voluntarily and/or in accordance with monetary revaluation laws. Equally, interest on special purpose loans was not capitalised.

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

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

- Plant and machinery 20%;
- Equipment 20%;
- Other tangible assets 12% - 20%.

Depreciation of these assets, as for all fixed assets, commences from the moment when the assets are available for use. Assets held under finance lease agreements are depreciated according to the estimate of their useful life as with owned assets or, if shorter, based on the end date of the lease contract. The gains and losses deriving from the sale or disposal of tangible assets are calculated as the difference between sale proceeds and the asset's net book value and are recognised in the Income Statement for the year.

### Equity Investments

Equity investments in subsidiaries are recorded at cost, adjusted in the presence of impairments. Therefore, the positive difference, emerging upon acquisition, between the purchase cost and the company's portion of the shareholders' equity at replacement cost of the investee is included in the carrying value of the equity investment. Any write-downs of this positive difference are not reinstated in subsequent periods, even if the conditions that led to

the impairment no longer apply. If the Company's share of the investee's losses exceeds the book value of the equity investment, the value of the equity investment is zeroed and the share of additional losses is recognised as a provision among liabilities if the Company is liable for them.

The other equity investments, constituting non-current financial assets that are not held for trading, are recorded at cost less write-downs due to impairment, if any.

## Impairment

At the end of each reporting period, the Company reviews the carrying value of its tangible and intangible assets and equity investments, to determine whether there is evidence that these assets have suffered impairment losses. Where such evidence exists, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset individually, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs, identified as the assets' legal entity and operating segment.

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

In particular, the recoverable amount of the cash-generating units (which normally coincide with the legal entity to which the fixed assets refer) is verified by determining the value in use. The principal assumptions used to calculate the value in use concern the discount rate, the growth rate, the expected change in the selling prices of electricity and green certificates, and the trend in direct costs during the period assumed for calculation purposes. The Group's Management therefore adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the different cash-generating units. The growth rates used are based on growth forecasts pertaining to the relevant industrial sector of the legal entity. Changes in selling prices and direct costs are based on past experience, future market expectations and foreseeable changes in the specific regulatory situation of some of the Company's assets (with special reference to the anticipated trend in the price of electricity and green certificates). Reference is made to the section "Use of estimates - Recoverability of the carrying value of non-current assets" for considerations on the assumptions adopted in relation to the forecast data used for the impairment test. Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction.

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

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

## Financial instruments

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

### Financial assets

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

At the end of subsequent reporting periods, the financial assets that the Company 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.

In accordance with IAS 39, financial assets shall be classified in the following categories:

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

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

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

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

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

This category comprises:

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

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments.

Gains and losses on assets held for trading are taken to the Income Statement.

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

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

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

As at 31 December 2015, the Company held no investments classified as HTM.

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

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

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

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

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

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

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

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

AFS financial investments include equity investments in companies other than subsidiaries and associates in which the Company’s direct or indirect ownership percentage is less than 20%.

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

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

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

IAS 39 also prescribes the following measurement methods:

- fair value;
- amortised cost method.

**Fair value**

In the case of securities widely traded in regulated markets, fair value is determined in reference to stock market prices recorded at close of trading at the end of the reporting period.

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

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

**Amortised cost method**

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

**Financial liabilities**

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

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

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

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

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

Financial liabilities at FVTPL include "Held-for-trading liabilities".

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

**Impairment of financial assets**

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

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

asset's original effective interest rate calculated at the date of initial recognition.

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

ERG Renew S.p.A. assesses the existence of objective evidence of impairment at an individual level.

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

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

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

## Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired;
- ERG Renew S.p.A. retains the right to receive cash flows from the asset, but has taken on a contractual obligation to pay them in their entirety and without delays to a third party;
- ERG Renew S.p.A. has transferred the right to receive cash flows from the asset and has transferred substantially all risks and rewards of ownership of the financial asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control thereof.

In cases where the company has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in the accounts of ERG Renew S.p.A. to the extent of the its residual involvement in such asset. A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or fulfilled.

## Trade and other receivables

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

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

## Cash and cash equivalents

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

## Employee benefits

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

In view of the scarce significance of the absolute value of the item "Employees' severance indemnities" and the difference in the liability calculated according to the actuarial projected Unit Method and the liability calculated in accordance with Article 2120 of the Italian Civil Code, the Company has recorded the employees' severance indemnity provisions by allocating the liability legally accrued at year-end pursuant to Article 2120 of the Italian Civil Code.

## Provisions for liabilities and charges

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

## Trade payables

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

## Derivative instruments

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

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

For cash flow hedges which do not result in the recognition of an asset or liability, the amounts recorded directly in equity will be recognised in the Income Statement in the same period in which the contractual obligation or the expected operation impacts the Income Statement, for example, when an expected sale actually takes place.

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

The hedge accounting method is abandoned when the hedging instrument has matured, is sold, expires, or is

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

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

## Revenue recognition

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

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

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

## Financial expenses

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

## Income taxes

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

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

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



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

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

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

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

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

## USE OF ESTIMATES

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

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

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

- provisions for bad debts, for inventory obsolescence, asset amortisation, depreciation and write-downs;
- deferred tax assets, whose recognition is supported by the Group's prospective taxability resulting from the expected profitability of the business plans and from the forecast renewal of tax consolidation;
- the impairment test procedure for intangible assets, property plant and equipment and other equity investments, described in particular in the paragraph entitled Impairment test, implies - in estimating value in use - utilisation of the investee companies' Business Plans, based on a combination of assumptions and hypotheses made by the Boards of Directors of investee companies concerning future events and actions, which may not necessarily occur. Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction;
- allocations to provisions for environmental risks and for liabilities related to legal and fiscal disputes, for which it is deemed likely that a financial outlay will take place, and the amount of the resulting losses can be estimated reasonably. With regard to estimation of the risk of contingent liabilities arising from litigation, the Directors rely on the communications received on the progress of recovery procedures and litigations communicated by the legal advisors who represent the Company in the disputes. These estimates are determined taking into account the progressive evolution of the disputes and in consideration of minimum thresholds payable.

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

## ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS FROM 1 JANUARY 2015

The following Accounting Standards, amendments and interpretations were applied by the Group for the first time starting from 1 January 2015.

On 20 May 2013, the interpretation **IFRIC 21 - Levies** was published, providing clarification about the time when a liability connected with levies (other than income taxes) imposed by a government must be recognised. The standard addresses both liabilities for levies that fall within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, and those for levies whose timing and amount are certain. The interpretation applies retroactively for years starting on or after 17 June 2014, at the latest.

On 12 December 2013, the IASB issued **Annual Improvements to IFRSs: 2011-2013 Cycle** which incorporates the amendments to several standards within the annual process for their improvement. The main amendments pertain to:

- **IFRS 3 Business Combinations - Scope of exception for joint ventures.** The amendment clarifies that the scope of application of the standard excludes the accounting for the formation of all types of joint arrangements, as defined by IFRS 11;
- **IFRS 13 Fair Value Measurement - Scope of portfolio exception.** The amendment clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of IAS 39, regardless of whether they meet the definition of financial assets and liabilities as defined in IAS 32;
- **IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40.** The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and, to determine whether the purchase of a property falls within the scope of IFRS 3 or IAS 40, reference must be made to the specific indications provided by IFRS 3 or IAS 40, respectively.

There are no significant effects on this Annual Financial Report with reference to the adoption of the aforesaid standards.

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

On 21 November 2013 the IASB published an amendment to **IAS 19 - Defined Benefit Plans: Employee Contributions**, which proposes recognising contributions (relating only to services provided by employees during the period) from employees or third parties to defined benefit plans as a reduction in service cost in the period in which the contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011), where it is deemed that said contributions should be interpreted as part of post-employment benefits rather than short-term benefits and, therefore, that said contribution must be spread over the employees' years of service. The amendment applies starting from the financial years beginning on or after 1 February 2015, at the latest.

On 12 December 2013, the **Annual Improvements to IFRSs: 2010-2012 Cycle** was published, which incorporates the amendments to several standards within the annual process for their improvement. The main amendments pertain to:

- **IFRS 2 Share Based Payments - Definition of vesting condition.** Some changes were made to the definitions of “vesting condition” and of “market condition” and the additional definitions of “performance condition” and “service condition” were added (they had previously been included in the definition of “vesting condition”);
- **IFRS 3 Business Combinations - Accounting for contingent consideration.** The amendment clarifies that a variable price component (contingent consideration) in a business combination classified as a financial asset or liability (different from that set out for those classified as equity instruments) must be re-measured at fair value at the end of each reporting period and changes in fair value must be presented in the income statement or as other comprehensive income depending on the requirements of IAS 39 (or IFRS 9);
- **IFRS 8 Operating segments - Aggregation of operating segments.** The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the aggregated operating segments and the economic indicators considered in determining whether these operating segments have similar economic characteristics to the extent that they may be aggregated;
- **IFRS 8 Operating segments - Reconciliation of total of the reportable segments’ assets to the entity’s assets.** The amendments clarify that an entity shall only provide reconciliations of the total of the overall reportable segments’ assets to the entity’s assets if the segment assets are reported reviewed by the highest operational decision-making level of the entity;
- **IFRS 13 Fair Value Measurement - Short-term receivables and payables.** The basis of conclusions of this standard were amended, to clarify that issuing IFRS 13 and amending IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables without discounting if the effect of not discounting is immaterial;
- **IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization.** The amendments eliminated inconsistencies in the recognition of accumulated depreciation/amortisation when a tangible or intangible asset is subject to revaluation: The requirements set out in the amendments clarify that when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount and the accumulated depreciation/amortisation is equal to the difference between the gross carrying amount and the carrying amount net of the recognised impairments;
- **IAS 24 Related Parties Disclosures - Key management personnel.** The amendment clarifies that if the services of key management personnel are performed by an entity (and not by a natural person), said entity shall, in any case, be considered a related party.

The amendments apply starting from the financial years beginning on or after 1 February 2015, at the latest.

On 6 May 2014 the IASB issued an amendment to **IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations** relating to accounting for acquisitions of interests in joint operations in which the

activity constitutes a business in accordance with IFRS 3. The amendments require, for such cases, the application of the principles in IFRS 3 on the recognition of the effects of a business combination.

The amendments shall apply from 1 January 2016 onwards, but early adoption is allowed.

On 30 June 2014, the IAS issued several amendments to **IAS 16 Property, Plant and Equipment** and **IAS 41 Agriculture - Bearer Plants**. The amendments require that bearer plants, i.e. fruit trees which give rise to annual harvests (for example, grape vines or hazelnut plants) must be recorded according to the requirements of IAS 16 (rather than those of IAS 41). This means that these assets must be measured at cost instead of at the fair value net of costs to sell (it is possible to use the revaluation method proposed by IAS 16). The changes proposed are limited to trees used to seasonally produce fruit, not to be sold as living plants or subject to harvest as agricultural products. Those trees fall under the scope of IAS 16 also during their phase of biological maturity, meaning until they can no longer generate agricultural products.

On 12 May 2014, the IASB issued several amendments to **IAS 16 Property, plant and Equipment** and **IAS 38 Intangible Assets – Clarification of acceptable methods of depreciation and amortisation**. The amendments to IAS 16 establish that a depreciation method that is based on revenue is not appropriate because, according to the amendment, revenues generated by an asset which include the use of the asset subject to depreciation generally reflect factors other than only the consumption of the economic benefits of the asset, a requirements which, conversely, is necessary for depreciation. Amendments to IAS 38 introduce a rebuttable presumption that a revenue-based amortisation method is generally considered inappropriate for the same reasons established by the amendments introduced to IAS 16. In the case of intangible assets, this presumption can be overcome, but only in limited, specific circumstances.

On 25 September 2014, the IASB issued **Annual Improvements to IFRSs: 2012-2014 Cycle**. The amendments introduced by this document must be applied starting from the financial years beginning on or after 1 January 2016. The document introduces amendments to the following standards:

- **IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations**. The amendment to the standard introduces specific guidelines in the case where an entity reclassifies an asset (or a disposal group) from the category held-for-sale to the category held-for-distribution (or vice versa), or when the requirements for classifying an asset at held-for-distribution no longer apply. The amendments state that (i) for said reclassifications, the same classification and measurement criteria shall apply; (ii) assets that no longer meet the criteria for classification set out for held-for-distribution assets shall be treated in the same manner as an asset that ceases to be classified as held-for-sale;
- **IFRS 7 - Financial Instruments: Disclosure**. The amendments govern the introduction of further guidelines to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of applying the disclosure requirements in relation to the transferred assets. It is also clarified that the disclosure on

the netting of financial assets and liabilities is not usually explicitly required for interim reports, unless the disclosure is significant;

- **IAS 19 – Employee Benefits.** The document introduces amendments to IAS 19 in order to clarify that high quality corporate bonds used to determine the discount rates of post-employment benefits should be in the same currency as that used to pay the benefits. The amendments specify that the scope of the high quality corporate bonds market to be considered should be the level of currency and not the level of the country of the entity subject to reporting;
- **IAS 34 – Interim Financial Reporting.** The document introduces amendments to clarify the requirements that must be met where the disclosure required is presented in the interim financial report, but outside the interim financial statements. The amendment specifies that said disclosure shall be incorporated by cross-reference from the interim financial statements to other parties of the interim financial report and that said document shall be available to readers of the financial statements with the same methods and time frames as the interim financial statements.

On 18 December 2014, the IASB issued the amendment to **IAS 1 - Disclosure Initiative**. The purpose of the amendments is to provide clarification with regard to elements of disclosure which could be perceived as impediments to a clear, understandable preparation of the financial statements. The following amendments were made:

- **Materiality and aggregation:** it is clarified that an entity shall not obscure information by aggregating or disaggregating it and that the considerations on materiality shall apply to the financial statements, explanatory notes and specific requests for disclosure of the IFRS. The document specifies that the disclosures specifically requested by the IFRS must be provided only if the information is material;
- **Statement of Financial Position and Statement of Comprehensive Income:** it is clarified that the list of items specified by IAS 1 for these statements may be disaggregated or aggregated depending on the case. Guidelines are also provided on the use of subtotals within tables;
- **Presentation of items of Other Comprehensive Income ("OCI"):** it is clarified that the share of OCI of associates and joint ventures accounted for at equity shall be presented aggregated into a single item, which, in turn, shall be broken down depending on whether they may be reclassified subsequently to profit and loss;
- **Explanatory notes:** it is clarified that entities enjoy flexibility in defining the structure of the explanatory notes and guidelines are provided on how to systematically order the notes, for example:
  - i. Giving prominence to the items that are most relevant to an understanding of the entity's financial performance and financial position (e.g. grouping together information about particular activities);
  - ii. Grouping together items measures using the same criteria (e.g. assets measured at fair value);
  - iii. Following the order of the items in the statements.

On 12 August 2014, the IASB issued the amendment to **IAS 27 - Equity Method in Separate Financial Statements**. The document introduces the option for an entity to use the equity method to account for investments in subsidiaries, jointly-controlled companies and associates in the separate financial statements. As a result, following the introduction

of the amendment, an entity may recognise said equity investments in their separate financial statements either:

- at cost; or
- according to the provisions of IFRS 9 (or IAS 39); or
- using the equity method.

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

## JOINT VENTURE ERG WIND GMBH (FORMERLY LUKERG RENEW GMBH)

On **25 June 2015**, the two shareholders of LUKERG Renew, a 50-50 joint venture between ERG Renew and LUKOIL, created in 2011 to make investments in the wind power sector in Bulgaria and Romania, mutually decided to wind up the joint venture and consequently divide up its assets, at the end of a three-year period of strong growth. According to the agreement, ERG Renew was assigned the Bulgarian wind farms of Tchergera (40 MW), Hrabrovo (14 MW) and the Gebeleisis wind farm in Romania (70 MW) for a total of 124 MW, while LUKOIL obtained ownership of only the wind farm of Topolog (84 MW). As a result, ERG Renew increased its total installed power by 20 MW compared to the power assigned it as part of the joint venture (104 MW).

On **23 December 2015** the winding up of the joint venture with LUKOIL to develop wind energy in Eastern Europe was concluded, with ERG Renew S.p.A. acquiring ownership of 50% of the shares from the shareholder OOO LUKOIL – Ecoenergo, held in the company LUKERG Renew GmbH.

The striking off of the Austrian Companies' Register was finalised on 5 January 2016.

On **23 December 2015**, the sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the equity investment held in Land Power S.A., a Romanian company (registrations finalised with the competent Romanian Companies' Register on 11 January 2016 and 6 January 2016, respectively) was finalised, as well as the acquisition by LUKERG Bulgaria GmbH of the minority interest in Corni Eolian S.A., also a Romanian company (registration with the competent Romanian Companies' Register finalised on 11 January 2016).

Therefore, ERG Renew S.p.A. was the sole shareholder of LUKERG Renew GmbH (which, in turn, controls 100% of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries, as well as Corni Eolian S.A.)

On the same date LUKERG Renew GmbH changed its company name to ERG Wind GmbH and LUKERG Bulgaria GmbH changed its name to ERG Wind Bulgaria GmbH.

## IMPAIRMENT TEST ON EQUITY INVESTMENTS

For the 2015 financial statements, as in previous years, the carrying values of the equity investments in subsidiaries and in joint ventures were tested.

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

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

### Subsidiaries

The estimate of the recoverable value is based on the following assumptions: discount rates (defined in 4.5% for wind farms in Italy, 3.7% for wind farms in France, 3.6% in Germany), growth rate, expected change in selling prices and the trend in direct costs during the period assumed for calculation purposes.

For additional details on the calculation of the equity values of the Cash Generating Units, please refer to the Consolidated Financial Statements.

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

Specifically, it is worth noting the test on ERG Eolienne France, whose results highlight the consolidation of the write-back values of the company, written down in 2010: therefore, the value of the equity investment was written back for an amount of around EUR 10 million, with a positive impact on the income statement.

### ERG Wind GmbH

With reference to the value of the equity investment in LUKERG Renew, the impairment test carried out by the company confirmed the amounts recorded in equity in the consolidated financial statements, amounting to around EUR 10 million. Therefore, in these Financial Statements the carrying amount of the equity investment was aligned to the amount recorded in the Consolidated Financial Statements, recognising an impairment loss with a negative impact of approximately EUR 4 million on the income statement.

# ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

## NOTE 1 - INTANGIBLE ASSETS

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

	Authorisations, licences and trademarks	Other intangible assets	Assets under construction	Total
<b>Historical cost</b>	1,306	2,855	54	4,215
Depreciation and write-downs	(639)	(1,354)	–	(1,993)
<b>BALANCE AT 31.12.2014</b>	<b>667</b>	<b>1,501</b>	<b>54</b>	<b>2,223</b>
<b>Changes during the period:</b>				
Acquisitions	–	651	38	689
Reclassifications	–	–	–	–
Capitalizations	–	43	(43)	–
Depreciation	(63)	(436)	–	(499)
Write-downs	(604)	(122)	–	(726)
<b>Historical cost</b>	1,306	3,549	49	4,904
Depreciation and write-downs	(1,306)	(1,912)	–	(3,218)
<b>BALANCE AT 31.12.2015</b>	<b>–</b>	<b>1,637</b>	<b>49</b>	<b>1,687</b>



## NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings	Plant and machinery	Other assets	Assets under construction	Total
<b>Historical cost</b>	825	828	1,327	88	3,068
Depreciation and write-downs	(250)	(279)	(1,034)	–	(1,563)
<b>BALANCE AT 31.12.2014</b>	<b>575</b>	<b>549</b>	<b>293</b>	<b>88</b>	<b>1,505</b>
<b>Changes during the period:</b>					
Acquisitions	–	–	9	99	108
Reclassifications	–	–	–	–	–
Capitalizations	–	–	–	–	–
Disposals	–	(442)	(8)	–	(450)
Depreciation	–	(56)	(89)	–	(145)
Write-downs	–	–	–	–	–
<b>Historical cost</b>	<b>825</b>	<b>94</b>	<b>1,234</b>	<b>187</b>	<b>2,340</b>
Depreciation and write-downs	(250)	(43)	(1,028)	–	(1,321)
<b>BALANCE AT 31.12.2015</b>	<b>575</b>	<b>51</b>	<b>206</b>	<b>187</b>	<b>1,019</b>

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

## NOTE 3 - EQUITY INVESTMENTS

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

	31.12.2014	Acquisitions/ Incorporations/ Capital increases	Sales/ write- downs	Reclassi- fications	Write-backs	31.12.2015
<b>Subsidiaries</b>						
Eolico Troina S.r.l. in liquidation	25	–	–	–	–	25
ERG Eolica Adriatica S.r.l.	69,817	–	–	–	–	69,817
ERG Eolica San Vincenzo S.r.l.	10,171	–	–	–	–	10,171
ERG Eolica San Ciro S.r.l.	10,550	–	–	–	–	10,550
ERG Eolica Faeto S.r.l.	5,322	–	–	–	–	5,322
ERG Eolica Tirreno S.r.l.	192	50	(216)	–	–	26
ERG Eolica Ginestra S.r.l.	3,335	–	–	–	–	3,335
ERG Eolica Basilicata S.r.l.	210	–	–	–	–	210
ERG Eolica Calabria S.r.l.	181	–	(28)	–	–	153
ERG Eolica Fossa del Lupo S.r.l.	13,707	–	–	–	–	13,707
Green Vicari S.r.l.	18,571	–	–	–	–	18,571
ERG Eolica Campania S.p.A.	100,104	–	–	–	–	100,104
ERG Eolica Amaroni S.r.l.	2,103	–	–	–	–	2,103
ERG Eolienne France S.a.s.	33,000	–	–	–	526	33,526
ERG Wind Investments Limited	14,531	–	–	–	–	14,531
ERG Eolica Lucana S.r.l.	310	65	–	–	–	375
ERG Renew Operations & Maintenance S.r.l.	9,860	–	–	–	–	9,860
ISAB Energy Solare S.r.l.	–	–	–	–	–	–
EW Ormeta 2 SP.ZO.O	328	7,500	–	–	–	7,828
Hydro Inweststycje SP. Z O.O.	–	1,551	–	–	–	1,551
Blachy Pruszyński Energia SP. Z O.O.	–	3,005	–	–	–	3,005
ERG Wind France 1 S.a.s.	–	855	–	–	–	855
Ferme Eolienne de Teterchen S.a.s.	–	3,820	–	–	–	3,820
Parc Eolien du Bois de L'Arche S.a.s.	–	7,185	–	–	–	7,185
Parc Eolien du Bois Bigot S.a.s.	–	4,394	–	–	–	4,394
ERG Wind GmbH	–	10,474	(3,851)	3,875	–	10,498
<b>Total subsidiaries</b>	<b>292,317</b>	<b>38,899</b>	<b>(4,095)</b>	<b>3,875</b>	<b>526</b>	<b>331,522</b>
<b>Jointly controlled companies</b>						
LUKERG Renew GmbH	3,875	–	–	(3,875)	–	–
Longburn Wind Farm Limited	–	175	–	–	–	175
Sandy Knowe Wind Farm Limited	–	175	–	–	–	175
<b>Total jointly controlled companies</b>	<b>3,875</b>	<b>350</b>	<b>–</b>	<b>(3,875)</b>	<b>–</b>	<b>350</b>
<b>Other companies</b>						
Consortium Dyepower	400	–	(400)	–	–	–
<b>Total other companies</b>	<b>400</b>	<b>–</b>	<b>(400)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>296,591</b>	<b>39,249</b>	<b>(4,495)</b>	<b>–</b>	<b>526</b>	<b>331,872</b>

In 2015, the following transactions were carried out on the equity investments held directly by ERG Renew S.p.A.:

- on **19 February 2015**, the acquisition of the Polish company Hydro Inwestycje SP.Z O.O. was completed for an acquisition value of EUR 1,461 thousand. All legal and advisory costs incurred during the year, pertaining to the aforesaid project, were allocated to the carrying amount of the equity investment, amounting to EUR 90 thousand;
- on **12 March 2015**, the acquisition of the Polish company Blachy SP.Z O.O. was completed for an acquisition value of EUR 2,855 thousand. All legal and advisory costs incurred during the year, pertaining to the aforesaid project, were allocated to the carrying amount of the equity investment, amounting to EUR 150 thousand;
- on **19 June 2015** ERG Renew S.p.A. acquired 50% of the units of the UK-based companies Longburn Wind Farm Limited (EUR 175 thousand) and Sandy Knowe Wind Farm Limited (EUR 175 thousand) , which are developing two wind power projects located in Scotland;
- on **27 July 2015** the deeds of acquisition of the French companies Parc Eolien du Bois de l'Arche S.a.s., Parc Eolien du bois Bigot S.a.s., Ferme Eolienne de Teterchen S.a.s. and ERG Wind France 1 S.a.s. were signed, for an acquisition value of EUR 14,724 thousand (EUR 6,783 thousand, EUR 4,018 thousand, EUR 3,444 thousand and EUR 479 thousand, respectively). All legal and advisory costs incurred during the year, pertaining to the aforesaid projects, were allocated to the carrying amount of the equity investments, amounting to a total of EUR 1,530 thousand (Parc Eolien du Bois de l'Arche S.a.s. for EUR 402 thousand, Parc Eolien du Bois Bigot S.a.s., Ferme Eolienne de Teterchen S.a.s. and ERG Wind France 1 S.a.s. for EUR 376 thousand each);
- on **15 December 2015** a share capital increase was carried out for the subsidiary EW Orneta 2 SP. Z O.O. for an amount of EUR 7,500 thousand;
- on **23 December 2015** the winding up of the joint venture with LUKOIL to develop wind energy in Eastern Europe was concluded, with ERG Renew S.p.A. acquiring ownership of 50% of the shares from the shareholder OOO LUKOIL – Ecoenergo, held in the company LUKERG Renew GmbH. The acquisition value amounted to EUR 10,250 thousand and all legal and advisory costs incurred during the year, pertaining to the project, were allocated to the carrying amount of the equity investment, amounting to EUR 224 thousand;
- on **30 December 2015**, the financial receivable from ERG Eolica Lucana S.r.l., amounting to EUR 65 thousand, entirely allocated to increase the carrying amount of the equity investment itself, was waived;
- on **30 December 2015**, the financial receivable from ERG Eolica Tirreno S.r.l., amounting to EUR 50 thousand, entirely allocated to increase the carrying amount of the equity investment itself, was waived; moreover, the write-down of EUR 216 thousand was carried out, to align it to the shareholders' equity of the company at 31 December 2015;
- on **31 December 2015**, the write-down of the equity investment in ERG Eolica Calabria S.r.l. for an amount of EUR 28 thousand was carried out, to align it to the shareholders' equity of the company;
- on **31 December 2015**, based on the results of the impairment test, which confirmed its future profitability, the directors decided to write-back the write-down of the equity investment in ERG Eolienne France S.a.s. made in 2010 for an amount of EUR 9,457 thousand;
- on **31 December 2015**, following the impairment test, the equity investment in the subsidiary ERG Wind GbmH (formerly LUKERG Renew GmbH) was written down for an amount of EUR 3,851 thousand.

The equity investment in **other companies** referred solely to the **Dyepower Consortium**, in which it owns an interest of 24.95%. During 2014, the Company's Board of Directors resolved to leave the Dyepower Consortium, through the sale of the Company's own equity investment to the industrial consortium Permasteelisa S.p.A. The sale was finalised on **5 June 2015**, at the recognition value of the equity investment.

The subsidiaries and associates directly owned at the date of approval of the Company's financial statements can be reported in detail as follows:

	Registered office	Share capital Euro/000	% ownership directly
<b>Subsidiaries</b>			
Eolico Troina in liquidazione S.r.l.	Palermo	20	99
ERG Eolica Adriatica S.r.l.	Genoa	10	100
ERG Eolica Amaroni S.r.l.	Catanzaro	10	100
ERG Eolica Basilicata S.r.l.	Genoa	38	100
ERG Eolica Calabria S.r.l.	Catanzaro	10	100
ERG Eolica Campania S.p.A.	Genoa	120	100
ERG Eolica Faeto S.r.l.	Genoa	10	100
ERG Eolica Fossa del Lupo S.r.l.	Catanzaro	50	100
ERG Eolica Ginestra S.r.l.	Genoa	10	100
ERG Eolica Lucana S.r.l.	Genoa	10	100
ERG Eolica San Ciro S.r.l.	Genoa	3,500	100
ERG Eolica San Vincenzo S.r.l.	Genoa	3,500	100
ERG Eolica Tirreno S.r.l.	Palermo	10	100
ERG Renew Operations & Maintenance S.r.l.	Genoa	10	100
ERG Wind Investments Limited	Gibilterra	–	80
Green Vicari S.r.l.	Palermo	119	100
ISAB Energy Solare S.r.l.	Syracuse	100	100
EW Orneta 2 SP. Z O.O.	Szczecin	12	100
Hydro Inweststycje SP. Z O.O.	Varsavia	5 K/PLN	100
Blachy Pruszyński Energia SP. Z O.O.	Rzgow	3,000 K/PLN	100
ERG Wind France 1 S.a.s.	Paris	1,096	100
Ferme Eolienne de Teterchen S.a.s.	Paris	100	100
Parc Eolien du Bois de L'Arche S.a.s.	Paris	100	100
Parc Eolien du Bois Bigot S.a.s.	Paris	80	100
ERG Wind GmbH	Vienna	20,058	100
ERG Eolienne France S.a.s.	Paris	21,625	100

As regards indirectly held companies, refer to the Notes to the Consolidated Financial Statements.

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

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

(Thousands of Euro)	Assets	Liabilities	Shareholders' Equity	Production value
ERG Eolica Adriatica S.r.l.	180,847	135,659	45,188	9,630
ERG Eolica Amaroni S.r.l.	41,884	40,057	1,827	2,111
ERG Eolica Basilicata S.r.l.	49,315	45,195	4,120	3,012
ERG Eolica Calabria S.r.l.	159	6	153	-
ERG Eolica Campania S.p.A.	124,452	92,808	31,644	10,321
ERG Eolica Faeto S.r.l.	30,703	23,358	7,345	1,794
ERG Eolica Fossa del Lupo S.r.l.	147,835	127,247	20,588	8,591
ERG Eolica Ginestra S.r.l.	77,463	76,213	1,250	1,936
ERG Eolica San Ciro S.r.l.	22,208	2,778	19,430	2,603
ERG Eolica San Vincenzo S.r.l.	22,022	3,359	18,663	2,780
ERG Eolica Tirreno S.r.l.	537	511	26	-
ERG Renew Operations & Maintenance S.r.l.	13,571	8,895	4,676	23,116
ERG Wind Investments Limited	1,194,840	1,017,715	177,125	3
Green Vicari S.r.l.	41,295	28,241	13,054	2,769
EW Orneta 2 SP. Z O.O.	70,802	63,923	6,879	3,802
Hydro Inweststycje SP. Z O.O.	23,425	23,576	(151)	4
Blachy Pruszyński Energia SP. Z O.O.	10,072	9,819	253	60
ERG Wind France 1 S.a.s.	1,186	8,515	(7,329)	74
Ferme Eolienne de Teterchen S.a.s.	6,087	4,321	1,766	1,416
Parc Eolien du Bois de L'Arche S.a.s.	9,874	6,632	3,242	2,136
Parc Eolien du Bois Bigot S.a.s.	7,547	5,361	2,186	1,417
ERG Wind GmbH	44,632	33,824	10,808	101
ERG Eolienne France S.a.s.	49,987	41,988	7,999	12,249

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

## NOTE 4 - OTHER NON-CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables due from Group companies	188,677	86,211
Other financial receivables	7,382	7,286
<b>Total</b>	<b>196,059</b>	<b>93,497</b>

"Financial receivables due from Group companies", amounting to EUR 188,677 thousand (EUR 86,211 thousand as at 31 December 2014), fully consist of loans from subsidiaries of the Group.

The loans granted by ERG Renew S.p.A. to the companies headed by ERG Wind GmbH (formerly LUKERG Renew GmbH), for a total of EUR 61.9 million as at 31 December 2015, break down as follows:

- interest-bearing loan stipulated on **6 June 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points, granted to **ERG Wind Bulgaria GmbH** (formerly LUKERG Bulgaria GmbH) for a total of EUR 19.1 million at 31 December 2015. The receivable decreased on the EUR 9.3 million as at 31 December 2014, due to the repayment of EUR 250 thousand in June 2015. On 23 December 2015, the financial position vis-a-vis ERG Wind Bulgaria GmbH increased by an additional EUR 9.9 million. Following the winding up of the joint venture with LUKOIL, ERG Renew S.p.A. acquired the receivable due to OOO LUKOIL from LUKERG Bulgaria GmbH. The maturity according to the agreement is 30 June 2019;
- interest-bearing loan stipulated on **10 December 2012** at a rate equal to the 6-month Euro Libor plus 400 basis points (of which EUR 20 million granted in 2013 for the acquisition of 100% of the Gebeleisis wind farm in Romania), granted to **ERG Wind GmbH** (formerly LUKERG Renew GmbH) for a total of EUR 33.4 million as at 31 December 2015. The original amount of EUR 25.5 million was repaid during 2013 for EUR 6.4 million. In 2014, an additional loan of EUR 8 million was granted and EUR 4.7 million was reclassified at short term. On 23 December 2015, following the split of the joint venture with LUKOIL, that position increased by EUR 29.7 million and EUR 18.7 million was repaid. The maturity according to the agreement is 30 June 2019;
- interest-bearing loan stipulated on **28 June 2013** at a rate equal to the 6-month Euro Libor plus 250 basis points, granted to **Corni Eolian S.A.** for a total of EUR 8.4 million at 31 December 2015. The original amount granted was EUR 35 million, repaid in 2014 for EUR 30.5 million, after obtaining Project Financing on 2 April 2014, and reclassified to short-term for EUR 1 million. On 23 December 2015, following the split of the joint venture with LUKOIL, an additional amount of EUR 4.8 million was granted;
- interest-bearing loan stipulated on **5 September 2013** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted to the companies that own the Hrabrovo wind farm in Bulgaria (**Mark 1 Eood, Mark 2 Eood, Globo Energy Eood, Bulgaria 4 Eood**) for EUR 1 million at 31 December 2015. The amount originally granted as part of the acquisition of the wind farm, came to EUR 6.4 million. EUR 5.9 million of the loan was repaid by the companies in 2013 following the corresponding issue of the Project Financing. On 23 December 2015, following the split of the joint venture with LUKOIL, that position increased by EUR 532 million. The maturity according to the agreement is 20 September 2026;
- interest-bearing loan stipulated on **19 December 2012** at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to **Land Power** for a total of Euro 23.5 million at 31 December 2014. On 23 December 2015, following the split of the joint venture with LUKOIL, the loan was fully repaid.

The loans granted by ERG Renew S.p.A. to the Polish subsidiaries for a total of EUR 67.5 million, break down as follows:

- interest-bearing loan stipulated on **22 July 2014** at a rate equal to the 12-month Euribor plus 305 basis points, granted to **EW Orneta 2 SP. Z O.O.** for a total of EUR 19.4 million at 31 December 2015. The original amount granted, EUR 25.9 million, was increased further during 2015 for EUR 43.8 million, and EUR 50.3 million was repaid, mainly after the disbursement of Project Financing on 19 November;

- interest-bearing loan stipulated on **19 February 2015** at a rate equal to the 12-month Euribor plus 305 basis points, granted to **Hydro Inwestycje SP.Z O.O.** for a total of EUR 15.9 million at 31 December 2015;
- interest-bearing loan stipulated on **21 April 2015** at a rate equal to the 12-month Euribor plus 305 basis points, granted to **Blachy SP.Z O.O.** for a total of EUR 32.2 million at 31 December 2015.

The loans granted by ERG Renew S.p.A. to the French subsidiaries for a total of EUR 59.7 million, break down as follows:

- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **Parc Eolien du Bois de l'Arche S.a.s.** for a total of EUR 7.7 million at 31 December 2015;
- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **Parc Eolien du Bois Bigot S.a.s.** for a total of EUR 5.7 million at 31 December 2015;
- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **Ferme Eolienne de Teterchen S.a.s.** for a total of EUR 4.7 million at 31 December 2015;
- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **CEPE de Murat S.n.c.** for a total of EUR 12.2 million at 31 December 2015;
- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **CEPE de Saint Florentin S.n.c.** for a total of EUR 14.9 million at 31 December 2015;
- interest-bearing loan stipulated on **3 November 2015** at a rate equal to the rate set by the French Tax Authority (2.15% as at 31 December 2015), granted to **CEPE Pays de Montbeliard S.n.c.**, for EUR 14.4 million at 31 December 2015.

Lastly, the amount also includes the interest-bearing loan at a rate equal to the Euribor plus 200 basis points granted to **ISAB Energy Solare S.r.l.**, against future financial commitments, amounting to EUR 1.1 million. EUR 800 thousand of the loan was repaid during 2015.

"Other financial receivables", amounting to EUR 7,382 thousand, refer mainly to a put and call option provided within the agreements for the acquisition of ERG Wind, on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. In view of the terms of the option and of the method for calculating the exercise price, the acquisition of the third parties' shares was assumed to be certain, with the consequent attraction of the minority interest in the Group shareholders' equity and the recognition of the corresponding equity investment, i.e. EUR 7,382 thousand.

## NOTE 5 - DEFERRED TAX ASSETS

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

	31.12.2015		31.12.2014	
	Amount of timing differences	Tax effect	Amount of timing differences	Tax effect
Risk provisions and write-down provisions	10,113	2,971	9,386	2,737
Maintenance expenses	14	4	51	11
Other IRES changes	36	19	32	8
Tax losses	–	–	–	–
ACE	30,603	8,416	3,049	839
Rate delta	–	(1,426)	–	–
<b>Balance at end of period</b>	<b>40,766</b>	<b>9,984</b>	<b>12,518</b>	<b>3,595</b>

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

## NOTE 6 - OTHER NON-CURRENT ASSETS

	31.12.2015	31.12.2014
Medium/long-term receivables from others	2,703	3,373
Medium/long-term receivables from Tax Authorities	1,256	1,256
<b>Total</b>	<b>3,959</b>	<b>4,629</b>

This item “Medium/long-term receivables from others” includes the receivable relating to the initiative of Tursi Colobrarò for an original amount of EUR 4.2 million, reported net of the discount of EUR 1.3 million. On 9 April 2013, the decision that concluded the arbitration proceeding was filed, granting ERG Renew S.p.A.’s requests and ordering the companies of the D’Amato Group to return all amounts paid by ERG Renew S.p.A. in relation to the Tursi project. On 9 April 2015 the D’Amato Group transferred its debt relating to the Tursi project to PLT Energia S.p.A. which, through private agreement, undertook to pay off the debt due to ERG Renew S.p.A. by 9 September 2017. To guarantee this commitment, the company issued a bank guarantee for a maximum amount of EUR 2,400 thousand.

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



## NOTE 7 - TRADE RECEIVABLES

	31.12.2015	31.12.2014
Trade receivables due from customers	20,194	3,608
Trade receivables due from Group companies	23,171	23,929
Receivables due for Green Certificates	7,584	1
Bad debt provision	(3,414)	(3,414)
<b>Total</b>	<b>47,535</b>	<b>24,125</b>

The item "Trade receivables due from customers" includes the residual amount of receivables due from third parties, equal to EUR 3.6 million, deriving from the repurchase from ACEA S.p.A. of the receivables relating to the "Waste to Energy" and "Waste Management" businesses. These payables are almost fully covered by a bad debt provision of EUR 3.4 million.

The item also includes the receivable due from Gestore dei Servizi Elettrici S.p.A., equal to EUR 16.6 million, for the sale of green certificates relating to the second quarter of 2015, acquired in November 2015 by the subsidiary ERG Wind Energy S.r.l.

The item "Receivables due for Green Certificates" includes the valorisation of green certificates relating to the second quarter of 2015, acquired in November 2015 by the subsidiary ERG Wind Energy S.r.l. in addition to the valorisation of the adjustment that will be recognised by Gestore dei Servizi Elettrici S.p.A. on the green certificates relating to the second quarter 2015, invoiced in December 2015 at a unit price of EUR 96.00/MWh.

The Company deems that the carrying value of trade receivables at 31/12/2015 approximates their presumed realisable value.

The details of the counterparties involved in "payables due to group companies" and the nature of these transactions is described in Note 30 "Related Parties".

## NOTE 8 - OTHER RECEIVABLES AND CURRENT ASSETS

	31.12.2015	31.12.2014
Other receivables due from Group companies	34	6,910
Tax receivables	691	261
Sundry receivables	11,954	11,281
Accrued income and prepaid expenses	8,206	649
<b>Total</b>	<b>20,885</b>	<b>19,101</b>

The item "Other receivables due from Group companies" entirely refers to the receivable due from ERG S.p.A. for IRES (Corporation Tax) assigned. Note that ERG Renew S.p.A. and its subsidiaries ERG Eolica Campania S.p.A., ERG Eolica Amaroni S.r.l. and Green Vicari S.r.l. have participated in the Tax Consolidation of ERG S.p.A. since 1 January 2015.

Sundry receivables comprise EUR 11,200 thousand from Gaz de France referred to the recovery of the revaluation amounts and interest on the disbursements of Italian Law no. 488.

The item "accrued income and prepaid expenses" mainly includes prepaid expenses regarding the costs for development of wind energy projects abroad. Specifically, these were costs for the UK companies, of which 50% of the units were acquired in June 2015, which are developing two wind power projects in Scotland (EUR 4,972 thousand), in addition to legal and advisory costs incurred during the year for the development of French and German wind farms (EUR 2,734 thousand).

## NOTE 9 - CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables due from Group companies	120,124	224,946
Other short-term financial receivables	3,013	1,614
<b>Total</b>	<b>123,137</b>	<b>226,559</b>

The item "Financial receivables due from Group Companies" refers to:

- receivables related to the investees' giro accounts amounting to EUR 112,921 thousand; In March 2015 the subsidiary ERG Eolica Adriatica S.r.l. fully extinguished the payable due to ERG Renew S.p.A., equal to EUR 2,946 thousand;
- the loans granted by ERG Renew S.p.A. to the companies headed by ERG Wind GmbH (formerly LUKERG Renew GmbH), which break down as follows:
  - the interest-bearing loan stipulated on 5 December 2011 at a rate equal to the 1-month Euribor plus 250 basis points, granted by ERG Renew to **ERG Wind GmbH** (formerly LUKERG Renew GmbH) for an amount of EUR 740 thousand as at 31 December 2015;
  - the short-term portion, equal to EUR 1,000 thousand, of the interest-bearing loan stipulated on 28 June 2013 at a rate equal to the 1-month Euro Libor plus 250 basis points, granted by ERG Renew to **Corni Eolian S.A.**, as described in the sub-section "Other non-current financial assets";
  - the interest-bearing loan stipulated on 18 December 2015 at a rate equal to the 1-month Euribor plus 305 basis points, granted by ERG Renew to **Corni Eolian S.A.** for an amount of EUR 499 thousand as at 31 December 2015;
- receivables for interest accrued on loans granted to subsidiaries amounting to a total of EUR 4,964 thousand.

The processes for assessing the recoverability of receivables (described in the accounting standard "Impairment of financial assets") did not determine any need for write-downs. The details of the counterparties involved in financial receivables due from subsidiaries are described in Note 30 "Related Parties".

The item "Other short-term financial receivables" includes the financial receivable of EUR 1,506 thousand due to the German company Wind 1019 GmbH, as a 20% advance on the value of a French project that has not yet been authorised. The item also comprises advances for projects in Poland, for EUR 968 thousand, in addition to the financial advance for the exercise of the call option on a UK project, for an amount of Euro 539 thousand.

## NOTE 10 - CASH AND CASH EQUIVALENTS

The reported balance includes:

	31.12.2015	31.12.2014
Bank and postal accounts	137	46
Restricted bank and postal deposits	–	2,548
<b>Total</b>	<b>137</b>	<b>2,594</b>

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

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

As regards the amount of restricted bank and postal deposits in the previous year, note that in April 2015 Banca Popolare Emilia e Romagna decided to release the restricted account (amounting to EUR 2,548 thousand), which was required as guarantee for a surety issued by the bank to the Campania region in connection with the potential concession of a government grant.

## NOTE 11 - SHAREHOLDERS' EQUITY

Share capital, fully subscribed and paid up, consists of 100,000,000 ordinary shares and of 7,692,308 category A special shares.

The reported balance includes:

	31.12.2015	31.12.2014
Share capital	107,692	107,692
Legal reserve	3,444	–
Share premium reserve	42,308	42,308
Cash flow hedge reserve	–	1,170
Other reserves	434,137	434,145
IAS transaction reserve and retained earnings (losses carried forward)	47,753	27,674
Profit (loss) for the period	44,150	23,523
<b>Equity</b>	<b>679,485</b>	<b>636,512</b>

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

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

	Balance at 31.12.2015	Availability for use	Available amount	Portion subject to tax on distribution
Share capital	107,692		–	–
Legal reserve	3,444	B	–	–
Share premium reserve	42,308	A, B,C	42,308	–
Other reserves	434,137	A, B,C	434,137	–
IAS transaction reserve and retained earnings (losses carried forward)	47,753	A, B,C	47,753	–
Profit (loss) for the period	44,150	A, B, C	44,150	–
<b>Total</b>	<b>679,485</b>		<b>568,349</b>	<b>–</b>

Key:

A - for share capital increase

B - for coverage of losses

C - for distribution to Shareholders

## NOTE 12 - SEVERANCE INDEMNITIES

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

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

	31.12.2015	31.12.2014
<b>OPENING BALANCE</b>	<b>494</b>	<b>380</b>
<b>Changes during the period:</b>		
Allocation / increases	687	349
Decreases for contribution payments, terminations, advance payments	(587)	(235)
<b>CLOSING BALANCE</b>	<b>594</b>	<b>494</b>

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

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

	2015
Discount rate	2.0%
Inflation rate	1.5%
Average turnover rate	3.0%
Average rate of increase in compensation	1.5%
Average age	40

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

(Thousands of Euro )	2015
Change in discount rate +0.5%: lower liability	(31)
Change in discount rate -0.5%: higher liability	35

## NOTE 13 - DEFERRED TAX LIABILITIES

Deferred tax liabilities include the tax effect on the fair value measurement of the CFD derivative.

## NOTE 14 - PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

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

The decrease of EUR 9.5 million in provisions for expenses on equity investments refers to the write-back of the impairment loss on the equity investment ERG Eolienne France S.a.s., as described in Note 3 "Equity Investments".

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

### ERG Renew S.p.A. - Enerwind S.r.l.

Proceedings initiated by Enerwind through a notification of a writ of summons dated 9 November 2011, whereby the plaintiff requested the recognition of a breach on the part of ERG Renew with respect to the obligations assumed with the execution of five development contracts dated 26 September 2006 and for the effect declared through their termination, ordering ERG Renew to compensate damages quantified at equal EUR 41.6 million. There are valid grounds for arguing the non-jurisdiction of the court and therefore the preclusion of claim of the trial in the company's favour. Even if one examines the reasons of the claimant, it seems reasonable to conclude that the requests on the part of the plaintiff are poorly grounded and the quantification of the damages is exorbitant. The first appearance hearing was held on 7 March 2012 and after it the Judge issued a decision on the preliminary matters of jurisdiction raised by ERG Renew. Pending the filing of the decision, the Bronte Division was closed and the case file was transferred to the Court of Catania, where it was taken up once again only on 6 February 2015. At the initial hearing at the Court of Catania (on 27 April 2015) the Judge did not fulfil the joint request of the parties to put the case to a decision on the preliminary matters of jurisdiction. Instead, the Judge re-opened the investigation phase, setting the deadlines for the filing of the briefs pursuant to Article 183 of the Italian Code of Civil Procedure and adjourning to the hearing on 18 January 2016.

### ERG Renew S.p.A. - GEPAFIN S.p.A.

Proceedings filed by GEPAFIN S.p.A. in order to have ERG Renew S.p.A. judicially sentenced to purchase the equity interest held by GEPAFIN S.p.A. in Ansaldo Fuel Cells S.p.A., for an overall amount of more than EUR 1.8 million.

GEPAFIN S.p.A.'s claim is based on an agreement with EnerTAD executed in 2003, effectively containing a put option having the characteristics described above (commitment on the part of EnerTAD to purchase the shareholding owned by GEPAFIN in Ansaldo Fuel Cells). On the other hand, there are valid legal reasons for claiming that such agreement elapsed by law (as a result of the corporate law reform) prior to exercise of the put option on the part of GEPAFIN, consequently releasing ERG Renew S.p.A. The appeal proceedings were placed on the docket on 15 June 2015 and the Rapporteur must be appointed as well as the date of the initial hearing set. Along with the appeal, a request for suspension of the effects of the first instance decision was filed, which the Court shall rule on following the initial hearing. The Perugia Court of Appeals, removing the reservation held at the hearing of 19 November 2015, suspended the provisional enforceability of the appealed decision and rejected the defendant's requests under the investigation phase. The case was postponed to the hearing on 12 January 2017, for the statement of conclusions.

### ERG Renew (SAO S.r.l.) – Consorzio unico di Bacino delle provincie di Napoli e Caserta

Proceeding for the forcible recovery of the receivable of EUR 7.5 million originally claimed by SAO S.r.l. (ACEA group) from the Consortium, which ERG Renew acquired with public deed on 16 July 2010. On 21 November 2012, ERG Renew served the writ of seizure of a current account in the Consortium's name. According to the notice received from the seized third party, a receivable of approximately EUR 4,000 was found to exist; said receivable was seized. On 22 May 2014, ERG Renew notified a claim for compliance before the Regional Administrative Court (T.A.R.) of Umbria to obtain the appointment of a commissioner to provide for the execution of the decision against the Consortium. Following the hearing for discussion of 11 February 2015, the Regional Administrative Court accepted ERG Renew's appeal with a decision filed on 15 June 2015, through which it ordered the Consortium to pay, within 60 days, the amount awarded in the decisions of the Civil Court of Orvieto and the Perugia Court of Appeals in favour of ERG Renew S.p.A., appointing, in the event of default, an acting commissioner in the person of the Prefect of Naples. The decision was served on the Consortium, and the entity did not spontaneously fulfil its obligations. Thus, the Prefect of Naples was called on, in his role as acting commissioner, to ensure that the amounts due are paid.

### ERG Renew S.p.A. - Fonteverde società di energia rinnovabili a r.l.

With writ of summons dated 30 April 2013, ERG Renew S.p.A. sued Fonteverde società di energia rinnovabili a r.l. in order to obtain from the latter the repayment of twice the amounts paid by way of deposit within the scope of the agreement for the sale of a business unit relating to the wind farm project of Joppolo (VV), i.e. EUR 5,000,000, in addition to reimbursement of expenses recognised to Fonteverde for the development activities on the project, i.e. EUR 700,000. In 2004, ERG Renew had stipulated with Fonteverde a conditional agreement for the acquisition - by transfer of a business unit - of the Joppolo wind farm project; the agreement was repeatedly extended while awaiting the fulfilment of the conditions for the transfer of said project. Said conditions ultimately failed to materialise for causes that ERG Renew deems to be due to Fonteverde and consequently ERG Renew initiated the aforesaid action for restitution. The proceeding is pending. Fonteverde appeared before the court with a brief filed on 30 September

2013, in which it also proposed a counterclaim against ERG to obtain compensation for damages quantified at EUR 60,051,186. Based on currently available elements, the counterclaim by Fonteverde appears altogether frivolous. At the conclusion of the court-appointed expert witness evaluation ordered by the judge, a hearing was held on 3 February 2015 to formulate the parties' observations on the court-appointed expert witness evaluation itself (the hearing was subsequently adjourned to 15 March for the same purpose) and the case was adjourned to 25 March 2015 and then to 17 April 2015. That hearing did not take place due to the known events that occurred at the Court of Milan. Thus, the case file is being assigned to another judge who, after taking up the case, will schedule the new calendar of hearings. The proceedings were assigned to another judge who set deadlines for closing briefs. On 11 January 2016 ERG Renew filed its closing brief.

#### **ERG Renew S.p.A. - Agricol Società S.r.l. (già Parco Eolico di Troia WVEH 3 S.r.l.)**

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

The deadlines for filing briefs pursuant to Article 183 of the Italian Code of Civil Procedure were also granted. At the hearing on 10 June 2015, the parties stated their conclusions and the case was held for decision. On 28 December 2015 the company was ordered to pay the fees. Note that no appeal will be lodged against the decision.

In view of the aforementioned disputes, the provisions for liabilities and charges shown in the financial statements at 31 December 2015 are considered sufficient to cover the probable risks quantifiable as at the present date and disclosure was provided for risks deemed possible.

## NOTE 15 - OTHER NON-CURRENT LIABILITIES

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

## NOTE 16 - TRADE PAYABLES

	31.12.2015	31.12.2014
Payables to suppliers	3,247	2,430
Trade payables due to subsidiaries	10,838	3
Trade payables due to parent companies	860	2,772
Trade payables due to other Group companies	48	3,198
<b>Total</b>	<b>14,993</b>	<b>8,403</b>

The item "payables to suppliers" mainly refers to purchases of a commercial nature and to other types of services connected with operations. The carrying value of trade payables approximates their fair value.

"Trade payables due to subsidiaries" mainly comprise EUR 10,071 thousand referring to the purchase of electricity produced by subsidiaries in November and December 2015. Note that in the first half of 2015, ERG Renew S.p.A. purchased electricity from its subsidiary ERG S.p.A. based on the "electricity supply agreement" dated 2 January 2015. In July 2015, ERG Renew S.p.A. began to purchase electricity directly from the subsidiaries. In June 2015 ERG S.p.A. reached an agreement with ERG Renew S.p.A. pursuant to which ERG S.p.A. assigned ERG Renew S.p.A. the electricity supply agreement in place with the subsidiaries and all rights and obligations related thereto.

"Trade payables due to parent companies" for the previous year mainly comprised EUR 2,627 thousand for the payable due to the parent company ERG S.p.A. for the service agreement for 2014, invoiced in December 2014. The payable due to the parent company ERG S.p.A. for the service agreement for 2015 was fully paid as at 31 December 2015.

"Trade payables due to other Group companies" for the previous year mainly comprised EUR 2,749 thousand for the payable due to the affiliate ERG Services S.p.A. for the service agreement relating to the fourth quarter 2014, invoiced in December 2014, and the adjustment to said agreement for 2014. In 2015, the payable due to the affiliate ERG Service S.p.A. for the service agreement for 2015 was fully paid as at 31 December 2015.

The details of the counterparties involved in payables due to subsidiaries, parent companies and other Group companies and the nature of these transactions are described in Note 30 "Related Parties".



## NOTE 17 - CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
<b>Short-term bank liabilities</b>	–	<b>1,604</b>
<b>Other short-term financial liabilities</b>		
Financial payables due to Group companies	35,456	12,978
Other financial payables	3,171	1,844
<b>Total other short-term financial liabilities</b>	<b>38,627</b>	<b>14,822</b>
<b>TOTAL</b>	<b>38,627</b>	<b>16,426</b>

Short-term bank liabilities for the previous year, amounting to Euro 1,604 thousand, represented the Company's financial debt repayable at sight.

"Financial payables due to Group companies" also comprise the payables to subsidiaries, amounting to EUR 21,641 thousand.

The item also includes EUR 13,815 thousand for the receivable relating to the Centralised Financial Management Agreement stipulated with ERG S.p.A. at the end of 2011, which provides for a maximum debt exposure of EUR 100 million. The Agreement has an annual duration (first expiration on 31 December 2012), and is considered tacitly renewed each year. Payable interest based on the 6-month Euribor, increased by a spread of 300 basis points accrue with respect to the debit balances relative to ERG S.p.A. while receivable interest based on the 1-week Euribor, increased by a spread of 100 basis points, will accrue with respect to the credit balances relative to ERG S.p.A.

The details of the counterparties are described in Note 30 "Related Parties".

The item "other financial payables" includes the amount of EUR 1,844 thousand relating to the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A. granted by ERG Renew S.p.A. to Gepafin S.p.A. with expiry on 29 January 2009. Gepafin S.p.A. 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, informed Gepafin S.p.A. that it will not purchase the shares concerned with the option. The related payable, currently still outstanding, is however recognised in the financial statements. The value of the option is EUR 1,844 thousand, which was the maximum exercise value at 31 December 2015.

In 2015, the Company did not enter into any new derivative contracts to manage the risk of interest rate fluctuations.

## NOTE 18 - OTHER CURRENT LIABILITIES

	31.12.2015	31.12.2014
Tax payables	246	498
Payables due to employees	899	811
Payables due to social security institutions	512	432
Other payables due to Group companies	306	–
Other current liabilities	205	136
<b>Total</b>	<b>2,168</b>	<b>1,877</b>

“Tax payables” include payables for taxes, in addition to the payable for the amounts withheld as withholding agent, paid in January 2015.

The item “other payables due to Group companies” entirely refers to the payable due to the parent company ERG S.p.A. for VAT assigned in December 2015.

## NOTE 19 - MEMORANDUM ACCOUNT

The total value of overall commitments of the Company at the end of the reporting period amounted to EUR 27,175 thousand. The breakdown was as follows:

- EUR 2,548 thousand referred to the guarantee issued in favour of the subsidiary ERG Eolica Ginestra S.r.l. in favour of the Campania Region for the creation of a wind farm;
- EUR 2,843 thousand referred to guarantees issued in favour of subsidiaries for Government Agencies for the restoration of the wind farms area at the end of the concession for the electricity generation activity;
- EUR 2,711 thousand referred to the guarantee issued in favour of the subsidiary ERG Eolienne France S.a.S. in favour of a pool of banks disbursing Project Financing;
- EUR 4,146 thousand referred to the guarantees issued in favour of the subsidiary ERG Eolica Amaroni S.r.l., based on current regulations, in favour of the Italian Revenue Agency and the competent VAT offices;
- EUR 147 thousand referred to the guarantee issued in favour of the subsidiary ERG Eolica Basilicata S.r.l. in favour of Enel Distribuzione S.p.A. for the creation of the connection plant;
- EUR 100 thousand referred to the guarantee issued in favour of the subsidiary ERG Wind 4 S.r.l. in favour of the Provincial Administration of Potenza for damages deriving from the maintenance of conduit pipes;
- EUR 50 thousand referred to the guarantee issued in favour of Terna for the electricity dispatching contract;
- EUR 9,500 thousand referred to contractual guarantees issued in favour of the subsidiaries ERG Eolica San Vincenzo S.r.l. and ERG Eolica San Cireo S.r.l. in favour of the D’Amato Group to pay for goodwill;
- EUR 5,129 thousand referred to guarantees received from the parent company ERG S.p.A. mainly for Group VAT.

## NOTE 20 - NET FINANCIAL POSITION

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

(Thousands of Euro)	31.12.2015	31.12.2014
Cash and cash equivalents	137	46
Bank account overdrafts	–	(1,604)
Restricted bank and postal deposits	–	2,548
<b>Short-term net financial indebtedness</b>	<b>137</b>	<b>990</b>
Financial payables due to Group companies	(35,456)	(12,978)
Payables due to banks	–	–
Derivative payables	(3,171)	(1,844)
<b>Total current financial liabilities</b>	<b>(38,627)</b>	<b>(14,822)</b>
Financial receivables due from Group companies	120,124	126,843
Financial receivables due from parent company	–	89,421
Financial receivables from jointly controlled entities	–	8,682
Other financial receivables	3,013	1,614
<b>Total current financial assets</b>	<b>123,137</b>	<b>226,560</b>
Payables due to banks	–	–
Payables due to parent companies	–	–
<b>Total non-current financial liabilities</b>	<b>–</b>	<b>–</b>
<b>Net Financial Position</b>	<b>84,647</b>	<b>212,728</b>

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

The Company's net financial position is set out as follows, in accordance with CONSOB recommendations contained in Notice no. 6064293 of July 2006:

Description		31.12.2015	31.12.2014
A Cash	(1)	137	2,594
B Other cash equivalents	(1)	–	–
C Securities held for trading	(1)	–	–
<b>D Cash and cash equivalents (A)+(B)+(C)</b>		<b>137</b>	<b>2,594</b>
<b>E Current financial receivables</b>		<b>123,137</b>	<b>226,560</b>
F Current bank payables	(2)	–	1,604
G Current portion of non-current debt		–	–
H Other current financial payables		38,627	14,822
<b>I Current financial debt (F)+(G)+(H)</b>		<b>38,627</b>	<b>16,426</b>
<b>J Net current financial debt (I)-(E)-(D)</b>		<b>(84,647)</b>	<b>(212,728)</b>
<b>K Non-current financial receivables</b>		<b>–</b>	<b>–</b>
L Non-current bank payables		–	–
M Bonds issued		–	–
N Other non-current payables		–	–
<b>O Non-current financial debt (L)+(M)+(N)</b>		<b>–</b>	<b>–</b>
<b>P Net financial debt (J)-(K)+(O)</b>		<b>(84,647)</b>	<b>(212,728)</b>
<b>Reconciliation with the statement of cash flows and statement of financial position:</b>			
(1) Cash and cash equivalents		137	2,594
(2) Bank payables		–	1,604

## ANALYSIS OF THE INCOME STATEMENT

### NOTE 21 - REVENUES FROM ORDINARY OPERATIONS

The reported amount is broken down as follows:

	2015	2014
Revenues from sales	87,386	23
Revenues from services	7,734	16,611
Revenues for "green certificates"	24,187	5,027
<b>Total</b>	<b>119,307</b>	<b>21,661</b>

"Revenues from sales" comprise EUR 87,380 thousand in revenues from the sale of electricity by ERG Renew S.p.A. to the affiliate ERG Power Generation S.p.A., based on the "electricity supply agreement" stipulated on 7 April 2015.

"Revenues from services" refer mainly to the technical and administrative service agreements, stipulated with the subsidiaries, charged back at market values. The decrease on the previous year is due to the termination of the service agreement stipulated with the parent company ERG S.p.A. for the performance of certain activities, necessary to assure the correct forecast of the output of wind farms and to fulfil disclosure obligations with respect to the grid operators.

"Revenues for green certificates" refer to the valorisation of green certificates relating to the second and third quarters of 2015, acquired in November 2015 by the subsidiary ERG Wind Energy S.r.l.

### NOTE 22 - OTHER REVENUES AND INCOME

	2015	2014
Indemnities	2	2
Expense recoveries	18	24
Non-recurring income	322	245
Other revenues	1,711	1,348
<b>Total</b>	<b>2,053</b>	<b>1,619</b>

"Other revenues" refer to charge-backs to subsidiaries, to the Vestas fleet penalty and for commissions on sureties (EUR 869 thousand), and to personnel seconded at the subsidiary ERG Renew Operations & Maintenance S.r.l. (EUR 781 thousand).

## NOTE 23 - COSTS FOR PURCHASES

	2015	2014
Costs for purchases from subsidiaries	58,918	4,971
Costs for purchases from affiliates	2	–
Costs for purchases from the parent company	46,078	–
Costs for purchases from third parties	68	58
<b>Total</b>	<b>105,065</b>	<b>5,029</b>

Costs for purchases from subsidiaries comprise EUR 35,016 thousand for electricity purchased from subsidiaries in the second half of 2015, as described in the sub-section “trade payables due to subsidiaries”. The item also includes EUR 23,902 thousand in costs for the purchase of green certificates relating to the second and third quarters of 2015, acquired in November 2015 by the subsidiary ERG Wind Energy S.r.l.

Costs for purchases from the parent company comprise EUR 46,078 thousand for electricity purchased from the parent company ERG S.p.A. in the first half of 2015, based on the “electricity supply agreement” stipulated in January 2015.

## NOTE 24 - COSTS FOR SERVICES AND OTHER COSTS

The reported amount is broken down as follows:

	2015	2014
Costs for services	16,698	14,407
Lease and rent expenses	286	347
Write-down of receivables	–	–
Provisions for liabilities and charges	–	–
Taxes and duties	164	26
Other operating costs	903	1,781
<b>Total</b>	<b>18,051</b>	<b>16,561</b>

The breakdown of the costs for services is as follows:

	2015	2014
Maintenance and repairs	3	31
Utilities	29	77
Insurance	405	292
Consultancy services	2,578	2,098
Directors' and statutory auditor's compensation	655	649
Other services	13,028	11,260
<b>Total</b>	<b>16,698</b>	<b>14,407</b>

“Other services” include the services received by Group companies, totalling EUR 11,085 thousand, mainly related to the administrative services of the parent company ERG S.p.A. (EUR 4,074 thousand) and of the affiliate ERG Services S.p.A. (EUR 6,246 thousand).

## NOTE 25 - LABOUR COSTS

The reported amount is broken down as follows:

	2015	2014
Salaries and wages	4,467	3,646
Social security expenses	1,296	1,092
Severance indemnities	290	238
Other costs	142	300
<b>Total</b>	<b>6,195</b>	<b>5,276</b>

The increase relates to the increase in the number of employees of the company as a result of a reorganisation of the ERG Group.

The composition of the work force of ERG Renew is shown below (average number of employees in the period):

	31.12.2015	31.12.2014
Executives	7	5
Office workers	50	42
<b>Total</b>	<b>57</b>	<b>47</b>

## NOTE 26 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

The reported amount is broken down as follows:

	2015	2014
Amortisation of intangible fixed assets	499	288
Depreciation of tangible fixed assets	145	267
Write-downs of fixed assets	726	–
<b>Total</b>	<b>1,369</b>	<b>554</b>

During the year, the concessions for the electricity production service of the wind farms located in Baltera and Pian dei Corsi, acquired in 2006, were written down.

## NOTE 27 - NET FINANCIAL INCOME (EXPENSES)

The reported balance includes:

	2015	2014
<b>Income:</b>		
Gains on exchange rates	33	1
Bank interest income	131	130
From Group companies	8,218	8,946
Other financial income	–	–
	<b>8,382</b>	<b>9,077</b>
<b>Expenses:</b>		
Losses on exchange rates	(18)	(1)
Short-term bank interest expenses	(11)	(26)
From Group companies	(245)	(485)
Other financial expenses	(4)	–
	<b>(278)</b>	<b>(512)</b>
<b>TOTAL</b>	<b>8,104</b>	<b>8,565</b>

Financial income comprises the interest income accrued during the year on loans issued to subsidiaries, to jointly controlled entities and to the parent company ERG S.p.A. Interest rates are described in Note 30 “Related Parties”.

Financial expenses comprise the interest expenses accrued during the year on loans issued by subsidiaries, by jointly controlled entities and by the parent company ERG S.p.A. Interest rates are described in Note 30 “Related Parties”.

## NOTE 28 - NET INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes:

	2015	2014
Impairment loss on equity investments	(4,094)	(11,536)
Provision for risks connected with subsidiaries	–	–
<b>Total loss</b>	<b>(4,094)</b>	<b>(11,536)</b>
Dividends from subsidiaries and other companies	29,615	27,000
Other income	14,037	–
<b>Total income</b>	<b>43,652</b>	<b>27,000</b>
<b>Total net income from equity investments</b>	<b>39,558</b>	<b>15,464</b>

The item “Impairment loss on equity investments” refers to the following equity investments:

- impairment loss of ERG Eolica Tirreno S.r.l (EUR 215 thousand), as described in Note 3 “Equity investments”;
- impairment loss of ERG Eolica Calabria S.r.l (EUR 28 thousand), as described in Note 3 “Equity investments”;
- impairment loss of ERG Wind GmbH (formerly LUKERG Renew GmbH) (EUR 3,851 thousand), as described in Note 3 “Equity investments”.



Dividends from subsidiaries and from other companies refer to the following dividends distributed and paid in 2015.

	2015	2014
ERG Eolica San Vincenzo S.r.l.	2,159	–
ERG Eolica San Ciro S.r.l.	2,760	4,000
ERG Eolica Campania S.r.l.	14,737	7,000
ERG Eolica Adriatica S.r.l.	822	5,000
ERG Eolica Fossa del Lupo S.r.l.	6,000	5,000
ERG Renew Operations & Maintenance S.r.l.	3,137	–
Green Vicari S.r.l.	–	5,000
ERG Eolica Amaroni S.r.l.	–	1,000
<b>Total</b>	<b>29,615</b>	<b>27,000</b>

“Other income” from equity investments in subsidiaries refers to the distribution of reserves by the subsidiary ERG Eolica Adriatica S.r.l., resolved by the Shareholders’ Meeting of 21 April 2015 (EUR 4,054 thousand), in addition to the write-back of the impairment loss of the equity investment in the subsidiary ERG Eolienne France S.a.s., based on the results of the impairment test (EUR 9,983 thousand), as described in Note 3 “Equity Investments”.

## NOTE 29 - INCOME TAXES

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

The reported amount is broken down as follows:

	2015	2014
Current income taxes	–	6,215
Taxes from previous years	358	493
Deferred tax assets and liabilities	5,452	(3,074)
<b>Total</b>	<b>5,810</b>	<b>3,634</b>

## Reconciliation between the tax liability in the financial statements and the theoretical tax liability

	Taxable amount	Tax
<b>IRES (corporation tax)</b>		
Profit before taxes	38,340	
Total	38,340	
Theoretical IRES taxation at 27.5%		10,544
Tax effect of participation in the tax consolidation		–
Permanent changes and difference on prepaid taxes		(15,944)
Tax effect of use of ACE (Aid to Economic Growth) in previous years		(52)
<b>Current and deferred IRES</b>		<b>(5,452)</b>
<b>IRAP</b>		
EBIT	(2,400)	
Labour costs	1,760	
Total	(640)	
Theoretical IRAP taxation at 5.57%		(36)
Changes during the year		–
<b>Current and deferred IRAP</b>		<b>–</b>
<b>Taxes from previous year</b>		<b>(358)</b>
<b>TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS</b>		<b>(5,810)</b>

## NOTE 30 - RELATED PARTIES

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

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

The convention provides for the following interest rates:

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

The Company also stipulated with ERG S.p.A. at the end of 2011, a Centralised Financial Management Agreement, which provides for a maximum debt exposure of EUR 100 million. The Agreement has an annual duration (first expiration on 31 December 2012), and is considered tacitly renewed each year. Payable interest based on the 6-month Euribor, increased by a spread of 300 basis points accrue with respect to the debit balances relative to ERG S.p.A. while receivable interest based on the 1-week Euribor, increased by a spread of 100 basis points, will accrue with respect to the credit balances relative to ERG S.p.A.

The loan issued to the subsidiary ERG Eolienne France S.a.s., disbursed to finalise the acquisition of the French operating wind power companies, was initially not interest-bearing. From 2013 onwards, the agreement has been interest-bearing.

Moreover, since ERG Renew S.p.A. is a part of the wider ERG Group, in turn it receives services regulated by service agreements stipulated with the parent company ERG S.p.A. and with the affiliate ERG Services S.p.A. ERG S.p.A. is assigned strategic steering, management control and oversight of human, financial and relationship capital, while ERG S.p.A. is assigned administrative and accounting, tax and secretarial activities, procurement and management of equity in addition to use of the IT system.

The activities covered by service contracts with ERG S.p.A. can be itemised as follows:

- "Human capital" defines the guidelines and policies for organisational and process development, supports the identification of impacts of the organisational redesign on company processes, systems, internal communication and company culture, coordinates the recruiting processes and defines and implements training and development processes, analysing potential and favouring development of talents;
- "Finance" defines the guidelines for managing financial resources and the related optimisation strategies, provides 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;
- "Public Affairs & Communication" defines the guidelines for selecting and managing relations with institutions, entities and trade associations in order to promote and favour the interests and positions of the Business Units, supports permitting processes at national level in fulfilling the requirements relating to HSE issues, issues press releases and prepares the press review, managing the internal communications processes and tools;
- "General Counsel" defines the guidelines for the General Counsel of the Business Units to manage judicial-legal activities, defines contractual standards and supports the management of disputes and legal issues linked to extraordinary operations.

The activities covered by service contracts with ERG Services S.p.A. can be itemised as follows:

- "Personnel Administration" manages the process of calculating, disbursing and recording employees' salaries and their related contributions, checks attendance and expense reports, and supports company extraordinary operations relating to transfers of personnel;
- "Administrative and Accounting Services" provides for the accounting activities relating to the sales and purchasing cycles, keeping the accounting books, managing assets and inventory. It supervises and coordinates the activities relating to administrative and tax issues of the foreign companies;
- "Financial Reporting" coordinates and draws up the separate financial statements and interim reports, draws up the financial statements for the authorities, manages the chart of accounts, provides support for accounting and financial statement issues, and manages relations of the Company with the auditing firm and the various company control bodies;

- "Tax Services" manages the fulfilment of tax obligations, records and pays taxes for the period, manages the tax consolidation, provides tax support on drawing up contracts, and monitors and manages tax disputes;
- "Asset and facility management" manages the acquisition of property rights, state concessions and the property archive, manages the contractual obligations connected with company properties and projects regarding the offices and other facilities of the group;
- "Procurement Services" carries out and manages purchases under its remit, creates the supplier database, manages the vendor list and manages delegated purchases and related activities;
- "IT Services" 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;
- "Secretarial and Employee Services" provides secretarial services, manages trips and travel, manages the fleet of company cars, the driver service and mobile telephony service.

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

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

#### YEAR 2015 - STATEMENT OF FINANCIAL POSITION - ASSETS

(Thousands of Euro)	Other financial assets	Trade receivables	Other current receivables and assets	Current financial assets
<b>Related parties</b>				
<b>Subsidiaries</b>				
Blachy Pruszyński-Energy SP. Z O.O.	32,160	–	–	289
Cepe de Murat S.n.c.	12,212	–	–	130
Cepe de Saint Florentin S.n.c.	14,942	–	–	144
Cepe Pays de Montbeliard S.n.c.	13,814	–	–	136
ERG Eolica Adriatica S.r.l.	–	654	–	–
ERG Eolica Amaroni S.r.l.	–	195	–	11,132
ERG Eolica Basilicata S.r.l.	–	237	–	3,017
ERG Eolica Calabria S.r.l.	–	6	–	–
ERG Eolica Campania S.p.A.	–	365	–	26,676
ERG Eolica Faeto S.r.l.	–	1,483	–	–
ERG Eolica Fossa del Lupo S.r.l.	–	139	–	26,519
ERG Eolica Ginestra S.r.l.	–	2,495	–	37,411
ERG Eolica Lucana S.r.l.	–	12	–	53
ERG Eolica San Ciro S.r.l.	–	132	–	–
ERG Eolica San Vincenzo S.r.l.	–	84	–	–
ERG Eolica Tirreno S.r.l.	–	511	–	–
ERG Eolienne France S.a.s.	–	1,513	–	6,213
ERG Renew Operations & Maintenance S.r.l.	–	648	–	–
ERG Wind 2000 S.r.l.	–	15	–	–
ERG Wind 4 S.r.l.	–	1	–	–
ERG Wind 6 S.r.l.	–	1	–	–
ERG Wind Energy S.r.l.	–	1	–	–
ERG Wind France 1 S.a.s.	10	–	–	–
ERG Wind France 2 E.u.r.l.	70	–	–	–
ERG Wind GmbH	61,856	160	–	3,464
ERG Wind Holdings S.r.l.	–	1,526	–	–
ERG Wind Investments Ltd.	–	61	–	–
ERG Wind Leasing 4 S.r.l.	–	1	–	–
ERG Wind Sardegna S.r.l.	–	15	–	–
ERG Wind Sicilia 2 S.r.l.	–	15	–	–
ERG Wind Sicilia 3 S.r.l.	–	15	–	–
ERG Wind Sicilia 4 S.r.l.	–	15	–	–
ERG Wind Sicilia 5 S.r.l.	–	15	–	–
ERG Wind Sicilia 6 S.r.l.	–	2	–	–
EW Ormeta 2 SP.ZO.O	19,404	5	–	1,701
Ferme Eolienne de Teterchen S.a.s.	4,647	–	–	44
Green Vicari S.r.l.	–	606	–	2,851
Hydro Inwestycje SP. Z O.O.	15,865	–	–	141
ISAB Energy Solare S.r.l.	331	5	–	78
Parc Eolien du Bois de Bigot S.a.s.	5,661	–	–	53
Parc Eolien du Bois de l'Arche S.a.s.	7,705	–	–	73
<b>Total subsidiaries</b>	<b>188,677</b>	<b>10,933</b>	<b>–</b>	<b>120,125</b>
<b>Parent companies</b>				<b>–</b>
ERG S.p.A.	–	4	34	–
<b>Total parent companies</b>	<b>–</b>	<b>4</b>	<b>34</b>	<b>–</b>
<b>Affiliates</b>				
ERG Power Generation S.p.A.	–	12,234	–	–
ERG Wind GmbH	–	–	–	(1)
<b>Total affiliates</b>	<b>–</b>	<b>12,234</b>	<b>–</b>	<b>(1)</b>
<b>TOTAL GROUP</b>	<b>188,677</b>	<b>23,171</b>	<b>34</b>	<b>120,124</b>

**YEAR 2015 - STATEMENT OF FINANCIAL POSITION - LIABILITIES**

(Thousands of Euro)	Other non-current liabilities	Trade payables	Current financial liabilities	Other current liabilities
<b>Related parties</b>				
<b>Subsidiaries</b>				
ERG Eolica Adriatica S.r.l.	–	1,076	–	–
ERG Eolica Amaroni S.r.l.	–	379	–	–
ERG Eolica Basilicata S.r.l.	–	320	–	–
ERG Eolica Calabria S.r.l.	–	–	–	19
ERG Eolica Campania S.p.A.	–	1,233	–	–
ERG Eolica Faeto S.r.l.	–	235	–	–
ERG Eolica Fossa del Lupo S.r.l.	–	1,503	–	–
ERG Eolica Ginestra S.r.l.	–	304	–	–
ERG Eolica San Ciro S.r.l.	–	241	–	5,773
ERG Eolica San Vincenzo S.r.l.	–	279	–	4,759
ERG Eolica Tirreno S.r.l.	–	–	–	292
ERG Renew Operations & Maintenance S.r.l.	–	214	–	5,758
ERG Wind 4 S.r.l.	–	110	–	–
ERG Wind 6 S.r.l.	–	230	–	–
ERG Wind Energy S.r.l.	–	4,008	–	–
ERG Wind Investments Ltd.	–	3	–	5,040
ERG Wind Sicilia 3 S.r.l.	–	158	–	–
ERG Wind Sicilia 6 S.r.l.	–	245	–	–
Green Vicari S.r.l.	–	300	–	–
<b>Total subsidiaries</b>	<b>–</b>	<b>10,838</b>	<b>–</b>	<b>21,641</b>
<b>Parent companies</b>				
ERG S.p.A.	–	860	306	13,815
<b>Total parent companies</b>	<b>–</b>	<b>860</b>	<b>306</b>	<b>13,815</b>
<b>Affiliates</b>				
ERG Power Generation S.p.A.	–	52	–	–
ERG Services S.p.A.	–	(4)	–	–
<b>Total affiliates</b>	<b>–</b>	<b>48</b>	<b>–</b>	<b>–</b>
<b>TOTAL GROUP</b>	<b>–</b>	<b>11,746</b>	<b>306</b>	<b>35,456</b>

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

## YEAR 2015 - INCOME STATEMENT - INCOME

(Thousands of Euro)	Revenues from ordinary operations	Other revenues and income	Financial income
<b>Related parties</b>			
<b>Subsidiaries</b>			
Blachy Pruszyński-Energy SP. Z O.O.	–	–	289
Cepe de Murat S.n.c.	–	–	130
Cepe de Saint Florentin S.n.c.	–	–	144
Cepe Pays De Montbeliard S.n.c.	–	–	136
ERG Eolica Adriatica S.r.l.	190	213	19
ERG Eolica Amaroni S.r.l.	56	213	257
ERG Eolica Basilicata S.r.l.	150	213	103
ERG Eolica Calabria S.r.l.	–	17	–
ERG Eolica Campania S.p.A.	160	213	829
ERG Eolica Faeto S.r.l.	63	101	–
ERG Eolica Fossa del Lupo S.r.l.	2	213	803
ERG Eolica Ginestra S.r.l.	6	213	661
ERG Eolica Lucana S.r.l.	10	–	2
ERG Eolica San Ciro S.r.l.	23	227	–
ERG Eolica San Vincenzo S.r.l.	4	227	–
ERG Eolica Tirreno S.r.l.	–	17	–
ERG Eolienne France S.a.s.	38	275	193
ERG Renew Operations & Maintenance S.r.l.	783	1,221	–
ERG Wind 2000 S.r.l.	28	1	–
ERG Wind 4 S.r.l.	–	1	–
ERG Wind 6 S.r.l.	–	1	–
ERG Wind Energy S.r.l.	–	1	–
ERG Wind GmbH	–	–	57
ERG Wind Holdings S.r.l.	–	2,501	–
ERG Wind Investments Ltd.	–	200	–
ERG Wind Leasing 4 S.r.l.	–	1	–
ERG Wind Sardegna S.r.l.	28	1	–
ERG Wind Sicilia 2 S.r.l.	28	1	–
ERG Wind Sicilia 3 S.r.l.	28	1	–
ERG Wind Sicilia 4 S.r.l.	28	1	–
ERG Wind Sicilia 5 S.r.l.	13	1	–
ERG Wind Sicilia 6 S.r.l.	–	1	–
EW Orneta 2 SP. Z O.O.	–	7	1,462
Ferme Eolienne de Teterchen S.a.s.	–	–	44
Green Vicari S.r.l.	8	213	61
Hydro Inwestycje SP. Z O.O.	–	–	141
ISAB Energy Solare S.r.l.	4	–	29
Parc Eolien du Bois de Bigot S.a.s.	–	–	53
Parc Eolien du Bois de l'Arche S.a.s.	–	–	73
<b>Total subsidiaries</b>	<b>1,650</b>	<b>6,295</b>	<b>5,486</b>
<b>Parent companies</b>			
ERG S.p.A.	–	1	565
<b>Total parent companies</b>	<b>–</b>	<b>1</b>	<b>565</b>
<b>Affiliates</b>			
ERG Power Generation S.p.A.	87,380	1,438	–
ERG Wind GmbH	–	–	2,167
<b>Total affiliates</b>	<b>87,380</b>	<b>1,438</b>	<b>2,167</b>
<b>TOTAL GROUP</b>	<b>89,030</b>	<b>7,734</b>	<b>8,218</b>

## YEAR 2015 - INCOME STATEMENT - EXPENSES

(Thousands of Euro)	Costs for purchases	Costs for services and other costs	Financial expenses
<b>Related parties</b>			
<b>Subsidiaries</b>			
ERG Eolica Adriatica S.r.l.	4,112	–	–
ERG Eolica Amaroni S.r.l.	975	–	–
ERG Eolica Basilicata S.r.l.	1,158	–	–
ERG Eolica Campania S.p.A.	4,423	–	–
ERG Eolica Faeto S.r.l.	760	–	–
ERG Eolica Fossa del Lupo S.r.l.	3,837	–	–
ERG Eolica Ginestra S.r.l.	833	49	–
ERG Eolica San Ciro S.r.l.	1,158	–	48
ERG Eolica San Vincenzo S.r.l.	1,184	–	28
ERG Renew Operations & Maintenance S.r.l.	–	175	37
ERG Wind 4 S.r.l.	410	–	–
ERG Wind 6 S.r.l.	927	–	–
ERG Wind Energy S.r.l.	37,018	–	–
ERG Wind Holdings S.r.l.	–	4	–
ERG Wind Investments Ltd.	–	26	31
ERG Wind Sicilia 3 S.r.l.	379	–	–
ERG Wind Sicilia 6 S.r.l.	872	–	–
Green Vicari S.r.l.	872	–	–
<b>Total subsidiaries</b>	<b>58,918</b>	<b>254</b>	<b>144</b>
<b>Parent companies</b>			
ERG S.p.A.	46,078	4,145	101
<b>Total parent companies</b>	<b>46,078</b>	<b>4,145</b>	<b>101</b>
<b>Affiliates</b>			
ERG Power Generation S.p.A.	–	440	–
ERG Services S.p.A.	–	6,246	–
ERG Wind GmbH	–	8	–
TotalErg S.p.A.	2	–	–
<b>Total affiliates</b>	<b>2</b>	<b>6,694</b>	<b>–</b>
<b>TOTAL GROUP</b>	<b>104,998</b>	<b>11,093</b>	<b>245</b>



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

#### STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)	31.12.2014
Intangible assets	316
Goodwill	–
Property, plant and equipment	2,776
Equity Investments	1,074,059
Other financial assets	119,593
Deferred tax assets	18,126
Other non-current assets	4,607
<b>Non-current assets</b>	<b>1,219,478</b>
Inventories	–
Trade receivables	74,826
Other current receivables and assets	112,057
Current financial assets	142,621
Cash and cash equivalents	822,124
<b>Current assets</b>	<b>1,151,628</b>
<b>Assets held for sale</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>2,371,106</b>
<b>Shareholders' Equity</b>	<b>1,427,707</b>
Severance indemnities	310
Deferred tax liabilities	1,843
Provisions for non-current liabilities and charges	83,639
Non-current financial liabilities	–
Other non-current liabilities	7,603
<b>Non-current liabilities</b>	<b>93,395</b>
Provisions for current liabilities and charges	35,887
Trade payables	85,182
Current financial liabilities	624,122
Other current liabilities	104,813
<b>Current liabilities</b>	<b>850,004</b>
<b>Liabilities held for sale</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>2,371,106</b>

## INCOME STATEMENT

(Thousands of Euro)	2014
Revenues from ordinary operations	122,252
Other revenues and income	12,416
Changes in product inventories	–
Changes in raw material inventories	–
Costs for purchases	(103,109)
Costs for services and other costs	(56,999)
Labour costs	(15,314)
<b>EBITDA</b>	<b>(40,754)</b>
Depreciation and write-downs of fixed assets	(275)
Net income (loss) from sale of business unit	–
Financial income	25,662
Financial Expenses	(10,833)
Net income (loss) from equity investments	58,777
Other net income (loss) from equity investments	–
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>32,576</b>
Income taxes	8,425
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>41,001</b>
Net profit (loss) from assets held for sale	5,049
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>46,050</b>

## NOTE 31 - COMPENSATION FOR AUDIT SERVICES

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

	Deloitte & Touche S.p.A.	Other companies in the D&T Network
Auditing services	56	–
Other services	56	21
<b>Total fees</b>	<b>112</b>	<b>21</b>

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.

The other services regard agreed upon procedures on accounting data and information, the reporting package and minor assignments granted to companies in the D&T Network.

## NOTE 32 - RISK DISCLOSURE

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

	Notes	31.12.2015	Loans & receivables	Hedging derivatives	HFM
<b>ASSETS</b>					
Other financial assets	4	7,382	7,382	–	–
<b>Total non-current financial assets</b>		<b>7,382</b>	<b>7,382</b>	<b>–</b>	<b>–</b>
Trade receivables	7	24,364	24,364	–	–
Trade receivables due from Group companies	7	23,171	23,171	–	–
Financial assets	9	3,013	3,013	–	–
Financial assets - Group companies	9	120,124	120,124	–	–
Cash and cash equivalents	10	137	137	–	–
<b>Total current financial assets</b>		<b>170,810</b>	<b>170,810</b>	<b>–</b>	<b>–</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>178,192</b>	<b>178,192</b>	<b>–</b>	<b>–</b>

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

	Notes	31.12.2015	Liabilities at amortised cost	Hedging derivatives	HFM
<b>LIABILITIES</b>					
Non-current financial liabilities		–	–	–	–
<b>Total non-current financial liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Current financial liabilities	17	3,171	3,171	–	–
Financial liabilities due to Group companies	17	35,456	35,456	–	–
Trade payables	16	14,993	14,993	–	–
<b>Total current financial liabilities</b>		<b>53,620</b>	<b>53,620</b>	<b>–</b>	<b>–</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>53,620</b>	<b>53,620</b>	<b>–</b>	<b>–</b>

H F M: held for maturity

## FY 2014

	Notes	31.12.2014	Loans & receivables	Hedging derivatives	HFM
<b>ASSETS</b>					
Other financial assets	4	7,286	7,286	–	–
<b>Total non-current financial assets</b>		<b>196,060</b>	<b>196,060</b>	<b>–</b>	<b>–</b>
Trade receivables	7	194	194	–	–
Trade receivables due from Group companies	7	23,929	23,929		
Financial assets	9	1,614	1,614	–	–
Financial assets - Group companies	9	224,946	224,946	–	–
Cash and cash equivalents	10	2,594	2,594	–	–
<b>Total current financial assets</b>		<b>253,276</b>	<b>253,276</b>	<b>–</b>	<b>–</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>449,336</b>	<b>449,336</b>	<b>–</b>	<b>–</b>

	Notes	31.12.2014	Liabilities at amortised cost	Hedging derivatives	HFM
<b>LIABILITIES</b>					
Non-current financial liabilities			–	–	–
<b>Total non-current financial liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Current financial liabilities	17	1,844	1,844	–	–
Financial liabilities due to Group companies	17	12,978	12,978		
Trade payables	16	8,403	8,403	–	–
<b>Total current financial liabilities</b>		<b>23,225</b>	<b>23,225</b>	<b>–</b>	<b>–</b>
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>23,225</b>	<b>23,225</b>	<b>–</b>	<b>–</b>

H F M: held for maturity

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

- credit risk: i.e. the possibility of default by a counterparty or potential deterioration of its assigned credit rating;
- market risk: deriving from exposure to fluctuations in interest rates;
- liquidity risk: i.e. the risk that the financial resources available are insufficient to meet payment obligations;
- operating risk: the risk of potential losses deriving from accidents, malfunctions, plant breakdowns, external events, with personal injuries and environmental damage, as well as inadequate or improperly functioning procedures, human resources and internal management systems.

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

As regards exposure to the risk of offences pursuant to Italian Legislative Decree no. 231/01, the Company has adopted Organisation, Management and Control Models, which identify analytically the corporate activities where offences relating to the above mentioned regulation may occur. Specific operating protocols have been prepared in

order to schedule development and implementation of the entity's decisions concerning the offences to be prevented. The Company has also appointed Supervisory Committees, whose task is to periodically monitor mapping of the areas at risk of offences and carry out systematic checks to ascertain that the operating protocols contemplated in the Models are duly followed.

### Credit risk

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

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

The tables below provide information on the Company's exposure to credit risk as at 31 December 2015 and 31 December 2014:

		Past due ageing			
	31.12.2015	30 days	60 days	90 days	More than 90 days
<b>Non-current financial assets not past due</b>	<b>7,286</b>	–	–	–	–
Trade receivables	24,364				
Cash and cash equivalents	137				
<b>Total current financial assets not past due</b>	<b>24,502</b>	–	–	–	–
Past due trade receivables	3,583	–	–	–	3,583
Bad debt provision	(3,414)	–	–	–	(3,414)
<b>Total past due current financial assets</b>	<b>170</b>	–	–	–	<b>170</b>
<b>Total financial assets</b>	<b>31,957</b>	–	–	–	<b>170</b>

Trade receivables due from Group companies are not subject to IFRS 7 disclosure

Trade receivables more than 90 days past due mainly comprise the receivables acquired in 2010 by the ERG Renew S.p.A. Group from the company ACEA S.p.A. as a result of the partial enforcement of the arbitration award described in detail under Note 9 "Trade receivables".

		Past due ageing			
	31.12.2014	30 days	60 days	90 days	More than 90 days
<b>Non-current financial assets not past due</b>	<b>7,186</b>	–	–	–	–
Trade receivables	195				
Cash and cash equivalents	2,594				
<b>Total current financial assets not past due</b>	<b>2,789</b>	–	–	–	–
Past due trade receivables	3,607	–	–	–	3,607
Bad debt provision	83,414	–	–	–	(3,414)
<b>Total past due current financial assets</b>	<b>193</b>	–	–	–	<b>193</b>
<b>Total financial assets</b>	<b>10,168</b>	–	–	–	<b>193</b>

Trade receivables due from Group companies are not subject to IFRS 7 disclosure

### Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. The parent company ERG S.p.A. has formally given its unconditional commitment to support ERG Renew as regards its planned investments, as described in Note 20 "Financial payables due to Group companies".

The following tables summarise the Company's financial liabilities as at 31 December 2015 and 31 December 2014 based on contractual payments not discounted to present value.

	31.12.2015	Maturity				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Non-current financial liabilities not past due</b>	–	–	–	–	–	–
Financial payables maturing during the year	–	–	–	–	–	–
Payables to suppliers	3,247	3,144	–	–	103	–
<b>Total current financial liabilities not past due</b>	<b>3,247</b>	<b>3,144</b>	–	–	<b>103</b>	–
<b>Total past due current financial liabilities</b>	–	–	–	–	–	–
<b>Total financial liabilities</b>	<b>3,247</b>	<b>3,144</b>	–	–	<b>103</b>	–

	31.12.2014	Maturity				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Non-current financial liabilities not past due</b>	–	–	–	–	–	–
Financial payables maturing during the year	1,604	–	–	1,604	–	–
Payables to suppliers	2,430	–	513	1,842	75	–
<b>Total current financial liabilities not past due</b>	<b>4,034</b>	–	<b>513</b>	<b>3,446</b>	<b>75</b>	–
<b>Total past due current financial liabilities</b>	–	–	–	–	–	–
<b>Total financial liabilities</b>	<b>4,034</b>	–	<b>513</b>	<b>3,446</b>	<b>75</b>	–

## NOTE 33 - PUBLICATION DATE OF FINANCIAL STATEMENTS

On 16 March 2016, the Board of Directors of ERG Renew S.p.A. authorised the publication of the Financial Statements, reserving the right to make formal additions and changes by the date of filing, to be carried out pursuant to Article 2429 of the Italian Civil Code.

These financial statements represent in a true and fair manner the Company's statement of financial position, as well as the economic result for the year.

Genoa, 16 March 2016

On behalf of the Board of Directors

The Chairman

Alessandro Garrone





## Report of the Board of Statutory Auditors

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## REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS OF ERG RENEW S.P.A.

Dear Shareholders,

We carried out the supervision activities required of the Board of Statutory Auditors in the year ended as at 31 December 2015, pursuant to Article 2403 of the Italian Civil Code and Article 149 of Legislative Decree 58/98, as far as applicable, according to the standards of conduct of the Board of Statutory Auditors of companies controlled by companies with shares listed on regulated markets, issued by the Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (Italian National Councils of Certified Public Accountants and Accounting Experts), also taking account of specific applicable regulations.

The Board of Statutory Auditors received adequate information, specifically regarding the most significant operations:

- on 23 January ERG Renew reached an agreement for the acquisition from the PAI Group (PAI Polish Alternative Investments RES) of 100% of the capital of Hydro Inwestycje, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydłowo and Stupsk, with a planned capacity of 14 MW and an estimated electricity output, once fully operational, of over 36 GWh per year, equal to approximately 2,600 equivalent hours and approximately 30 kt of avoided CO<sub>2</sub> emissions. The closing was held on 19 February 2015;
- on 12 March, the Company acquired, also from the PAI (Polish Alternative Investments) Group, 100% of the capital of a Polish SPV owning the authorisations required for the construction of a wind farm in the municipality of Slupia, with a planned capacity of 26 MW and an estimated electricity generation of over 62 GWh per year when fully operational. ERG Renew completed the works at the end of 2015 and the wind farm became operational in the first few days of 2016;
- on 27 July 2015 ERG Renew finalised the closing of the acquisition from Macquarie European Infrastructure Fund, managed by the Macquarie Group, 100% of the capital of four French companies which directly or indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. The wind farms have an annual average expected production of around 150 GWh, equal to over 2,300 equivalent hours.

The value of the acquisition, in terms of enterprise value, was around EUR 72 million. As a result of this acquisition, ERG Renew consolidated its position in the French wind power market, doubling its installed power from 64 MW to 127 MW. This is also a further step in the Company's geographical diversification and internationalisation strategy;



- on 25 June, the two shareholders of LUKERG Renew, a 50-50 joint venture between ERG Renew and LUKOIL, mutually decided to wind up the joint venture and consequently divide up its assets. According to the agreement, ERG Renew will be assigned the Bulgarian wind farms of Tcheraga (40 MW), Hrabrovo (14 MW) and the Gebeleisis wind farm in Romania (70 MW) for a total of 124 MW. The value of the operation, in terms of enterprise value, is circa EUR 27 million, mainly represented by non recourse Project Financing.

The closing was held on 23 December 2015;

- on 15 October ERG Renew signed an agreement to purchase from a fund managed by Impax Asset Management Group eleven wind farms in France, with installed capacity of 124 MW, six wind farms in Germany, with installed capacity of 82 MW, for a total of 206 MW, and two companies, CSO Energy Sarl and CSO Energy GmbH, which provide technical, operational and commercial support to wind energy operators in France, Germany and Poland, both captive and third parties, for a total of approximately 800 MW. The wind farms, which became operational between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an annual average expected production of around 410 GWh. The closing was held on 2 February 2016. The acquisition value, in terms of enterprise value, was around EUR 297 million, equal to a multiple of around EUR 1.4 million per MW. The wind farms are already fully financed with limited recourse Project Financing. The total consideration for the equity was EUR 128 million;
- on 4 November EW Orneta 2 Z.O.O. (100% ERG Renew), owner of the wind farm located in the municipality of Radziejow in Poland, signed a Project Financing loan agreement. The plant started up operations at the beginning of the third quarter 2015, with an installed capacity of 42 MW;
- it is also noted that on 29 February 2016, ERG Renew acquired from TCI Renewables, a UK company, 100% of the capital of an SPV owning the authorisations for the construction of a wind farm in Northern Ireland, with a planned capacity of around 45 MW and generation of approximately 150 GWh per year, equal to approximately 3,300 equivalent hours. The total estimated investment for the construction of the park is approximately GDP 60 million, approximately EUR 80 million.

With regard to the activities carried out in FY 2015, it is noted that:

- we held 6 meetings of the Board of Statutory Auditors and participated in the Shareholders' Meetings and all the meetings of the Board of Directors, monitoring compliance with the Articles of Association and the law and regulations that govern the operation of the Company bodies;
- we obtained information on the overall activities carried out by the Company from the Directors, at least quarterly, and on the transactions with the greatest economic, financial or equity importance, verifying that the actions decided on and carried out complied with the law and the Articles of Association and that they were not manifestly imprudent or reckless, potentially in conflict of interest or conflicting with the resolutions passed by the Shareholders' Meeting or capable of compromising the integrity of the company's capital. Exchanges of information and assessments were carried out periodically with the auditing firm and with the Boards of Statutory Auditors of the main investees, during which nothing of significance arose which would warrant mention;

- we became informed of and monitored, to the extent of our responsibility, the adequacy of the organisational structure of the Company by obtaining information and examining the documentation sent to us by the heads of the company departments and by analysing the results of the work of the auditing firm, also during the meetings planned for the purpose of exchanging data and information;
- we checked the adequacy of the internal control system, structured at Group level and constantly updated in the parent company and in the subsidiaries. On the basis of the information provided to it, the Board of Statutory Auditors acknowledged the positive assessment by the Control and Risk Committee of ERG SpA of the adequacy of the overall internal control system, expressed in its annual report on the activities carried out in 2015. The Board of Statutory Auditors received updates from the Head of Group Auditing regarding the activities concerning ERG Renew and its investees;
- we obtained information on and monitored the adequacy of the administrative and accounting system, as well as on its reliability in terms of the ability to properly represent operating events, by obtaining information from the heads of company departments of the parent company, examining documents and analysing the results of the work carried out by the auditing firm;
- we checked the timeliness with which the parent company was provided both the data required to draw up the Financial Statements and the information required to fulfil the disclosure obligations pursuant to Articles 114 and 115 of Legislative Decree 58/98;
- we oversaw the process of ongoing review of the Organisation and Management Model pursuant to Legislative Decree 231/01 and its circulation within the Company. The Board of Statutory Auditors acknowledged, both in its meetings with the Supervisory Body and in the period reports drawn up by said body on the activities performed, that no significant critical issues were observed for the purpose of the implementation and effectiveness of the organisation, management and control model;
- as provided under Legislative Decree 81/08 regarding health and safety in the workplace, the Company updated the management systems, with specific reference to the overall evaluation and it also recorded specific risks. In particular, all Companies of the ERG Renew Group are provided with a certified Integrated Management system (ISO 9001, ISO 14001 and OHSAS 18001);
- the Security Policy Document was updated in accordance with the provisions of the law.

In addition, with reference to the checks carried out, we can confirm that:

- without prejudice to anything mentioned above, we did not find any operation that was atypical or could be defined as unusual either with respect to third parties or with inter-group companies or related parties, in terms of its nature or extent;
- we found that ordinary transactions had been carried out on an intercompany basis and with related parties, confirming the existence of and compliance with procedures to ensure that these operations were duly documented, settled on an arm's length basis and in line with the best interests of the companies. These transactions were adequately illustrated by the Directors in the Financial Statements and the Report on Operations and the Explanatory Notes

to the Consolidated Financial Statements, to which reference is made. With regard in particular to intercompany service agreements, we agreed with the cost charge back criteria employed;

- no complaints were made by the shareholders in accordance with article 2408 of the Italian Civil Code;
- we did not find any omissions or actions liable to censure or unlawful actions to be reported to the competent bodies or to be mentioned in this Report;
- we issued the opinion required by law regarding the consensual termination of the auditing assignment between ERG Renew and the auditing firm and the justified proposal to grant the auditing assignment to another company pursuant to Article 13 of Legislative Decree 39/2010;
- the company is subject to management and coordination by the parent company, ERG S.p.A.

Note that following the consensual termination of the agreement assigning the auditing to Reconta Ernst & Young S.p.A., on 23 June 2015, the Shareholders' Meeting granted the auditing assignment of ERG Renew and its subsidiaries to Deloitte & Touche S.p.A.

Deloitte & Touche S.p.A. carried out the audit of the Separate Financial Statements and the Consolidated Financial Statements. During the year, we communicated regularly with the Independent Auditors, both through formal meetings attended also by the administrative managers of the company, and through informal contacts.

The costs for audit services of the Separate Financial Statements amounted to a total of EUR 112 thousand, and are broken down in the comment on the item "Compensation for audit services" in the Explanatory Notes to the Financial Statements. Parties related to the auditing firm through continuing working relations and/or companies belonging to its network were assigned work that fell outside the scope of the audit, for EUR 21 thousand.

Based on Article 149-duodecies of the Issuers' Regulation, the costs for audit services for ERG Renew S.p.A. and its subsidiaries amounted to a total of EUR 349 thousand, and are broken down in the comment on the item "Compensation for audit services" in the Explanatory Notes to the Consolidated Financial Statements.

Work that fell outside the scope of the audit was also assigned to Deloitte & Touche S.p.A. for a consideration of EUR 216 thousand.

In 2015, the subsidiaries assigned work that fell outside the scope of the audit to parties related to the auditing firm through continuing working relations and/or companies belonging to its network, for EUR 232 thousand. The need for extra services from the auditing firm and its network related to the due diligence activities carried out as part of the various acquisitions made by the company during the year.

In accordance with the rules set out in articles 10 and 17 of Legislative Decree no. 39 of 27 January 2010, the auditing firm issued confirmation of their independence, and disclosed the non-audit services rendered to the Company, also through entities belonging to its network.

Taking into account the "Transparency report" prepared by Deloitte & Touche S.p.A., the statement of independence issued by the aforesaid company and the work assigned by ERG Renew S.p.A., having acknowledged that no appointments were made that are not permitted under article 160 of Legislative Decree 58/98 and CONSOB

implementing regulations, the Board of Statutory Auditors does not believe that there are any critical aspects with respect to independence.

Concerning the Separate Financial Statements, the following is reported:

- since we did not have to make an analytical audit on the merits of the financial statement content, we inspected the general layout of the separate financial statements and consolidated financial statements, their general compliance with the law with respect to their formation and structure, and we have no particular observations to make to that end;
- we checked compliance with the law relating to the preparation of the Report on Operations. The Report on Operations is consistent with the data and entries shown in the Financial Statements and provides full information on the subsidiaries and on intercompany transactions with related parties;
- the Report also illustrates the following:
  - developments in 2015 of the applicable regulatory framework, with reference to the matters considered to be of greater interest or more directly relevant to the activities carried out directly or indirectly by the Company;
  - the main risks and uncertainties that the Company is exposed to in accordance with Article 2428 of the Italian Civil Code;
  - the Explanatory Notes to the Financial Statements adequately illustrate any changes in the Equity items, indicating the possibility of use and availability for distribution of each item, along with any tax restrictions;
  - the Explanatory Notes to the Financial Statements provide the information prescribed by International Accounting Standards with regard to asset impairment. Compliance of the impairment test with the provisions of IAS Standard 36 was discussed with the Company and the Auditing Firm. The Board of Statutory Auditors acknowledges that it has examined the analyses carried out and the results obtained in the impairment test.
- as far as we are aware, the Directors did not fail to comply with the provisions of the law in accordance with Article 2423, fourth paragraph of the Italian Civil Code;
- the Company has adopted international accounting standards for both the separate financial statements and the consolidated financial statements;
- we checked compliance of the financial statements with the facts and information that we gained knowledge of following the performance of our duties;
- the Financial Statements match the facts and information of which the Board of Statutory Auditors has become aware in the exercise of its oversight and inspection duties;
- in the Report drawn up by the auditing firm in accordance with Articles 156 and 165 of Legislative Decree 58 of 24/2/1998 on 5 April 2016, it stated that "the financial statements comply with the International Financial Reporting Standards adopted by the European Union; they were therefore drawn up clearly and provide a true and fair view of the financial position and operating performance and net profit and cash flow of ERG Renew S.p.A. for the year ended as at 31 December 2015."

In view of the contents of this Report, and considering the information obtained from the auditing firm, the Board of Statutory Auditors does not have any observations to make with respect to approval of the Separate Financial Statements as at 31 December 2015 as drawn up by the Directors.

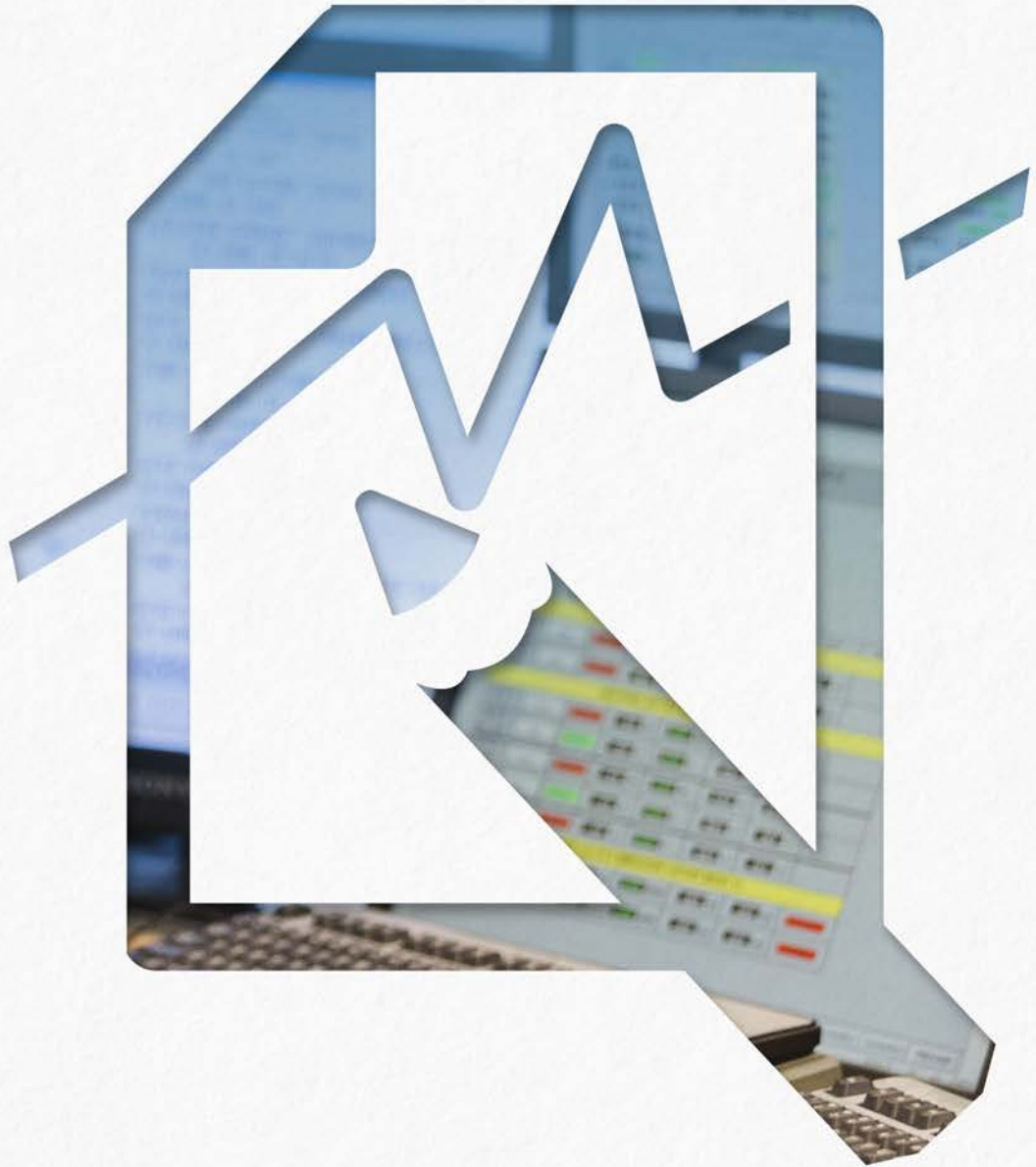
Genoa, 5 April 2016

The Board of Statutory Auditors

Lelio Fornabaio

Gioacchino Messina

Michele Rutigliano



## Indipendent Auditors' Reports

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# INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

Deloitte & Touche S.p.A.  
Mura di Santa Chiara, 1  
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**INDEPENDENT AUDITORS' REPORT  
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010  
AND ART. 165 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998**

**To the Shareholders of  
ERG Renew S.p.A.**

**Report on the Consolidated Financial Statements**

We have audited the accompanying Consolidated Financial Statements of ERG Renew Group, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in Shareholders' equity, the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239  
Partita IVA: IT 03049560166





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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ERG Renew Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other matter*

The Consolidated Financial Statements of ERG Renew Group for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those Consolidated Financial Statements on March 20, 2015.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations with the consolidated financial statements*

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of ERG Renew S.p.A., with the consolidated financial statements of the ERG Renew Group as at December 31, 2015. In our opinion the report on operations is consistent with the consolidated financial statements of the ERG Renew Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Giorgio Barbieri  
Partner

Genoa, Italy  
April 5, 2016

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.**

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**INDEPENDENT AUDITORS' REPORT  
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010  
AND ART. 165 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998**

**To the Shareholders of  
ERG Renew S.p.A.**

**Report on the Separate Financial Statements**

We have audited the accompanying Separate financial statements of ERG Renew S.p.A., which comprise the statement of financial position as at December 31, 2015, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Separate Financial Statements*

The Company's Directors are responsible for the preparation of these separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these Separate Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Separate Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Separate Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Separate Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of Separate Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Separate Financial Statements.

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

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Partita IVA: IT 03049560166



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Separate Financial Statements give a true and fair view of the financial position of ERG Renew S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other matter*

The Separate Financial Statements of ERG Renew S.p.A. for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those Separate Financial Statements on March 20, 2015.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations with the Separate Financial Statements*

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of ERG Renew S.p.A., with the Separate Financial Statements of ERG Renew S.p.A. as at December 31, 2015. In our opinion the report on operations is consistent with the Separate Financial Statements of ERG Renew S.p.A. as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Giorgio Barbieri  
Partner

Genoa, Italy  
April 5, 2016

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



## **ERG RENEW S.P.A.**

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### **ADMINISTRATIVE BOARD**

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71029 Troia (FG)

via Leonida Bissolati, 76 - 00187 Rome

Zona Artigianale I Strada - 96013 Carlentini (SR)

Contrada Fontana latella, 1  
Montefalcone di Val Fortone (BN)

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Company Register Genoa  
and Fiscal Code 00276450632  
VAT 09077420157

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