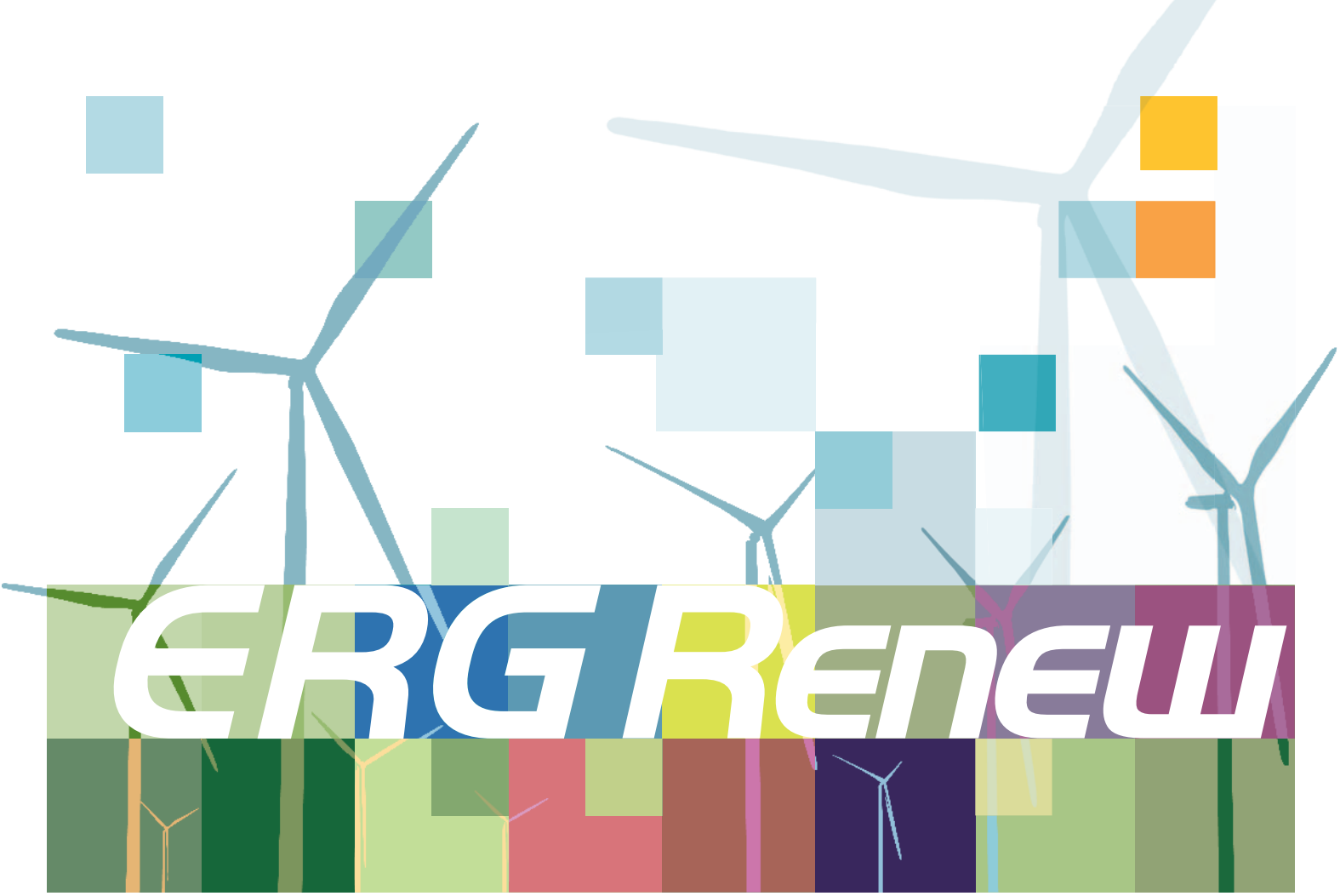

REPORTS AND FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2012

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CORPORATE BODIES

BOARD OF DIRECTORS

CHAIRMAN
ALESSANDRO GARRONE

DEPUTY CHAIRMAN
VITTORIO GARRONE

CEO
MASSIMO DERCHI

DIRECTORS
ITALO GIORGIO ALFIERI
LUCA BETTONTE
GIORGIO CORAGGIOSO
PAOLO LUIGI MERLI

BOARD OF STATUTORY AUDITORS

CHAIRMAN
LELIO FORNABAIO

STANDING AUDITORS
MARIO LAMPRATI
GIOACCHINO MESSINA

INDEPENDENT AUDITORS

RECONTA ERNST & YOUNG S.P.A.

REPORTS ON OPERATIONS

AS AT 31 DECEMBER 2012

FOREWORD

The Consolidated Financial Statements as at and for the year ended 31 December 2012 were prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).
This document has been audited by the company Reconta Ernst & Young S.p.A. in accordance with the procedure set forth by CONSOB regulations.
The consolidated financial statements as at 31 December 2012 show a profit of EUR 31 million at adjusted replacement cost, versus a loss of EUR 6 million at adjusted replacement cost for the year 2011.

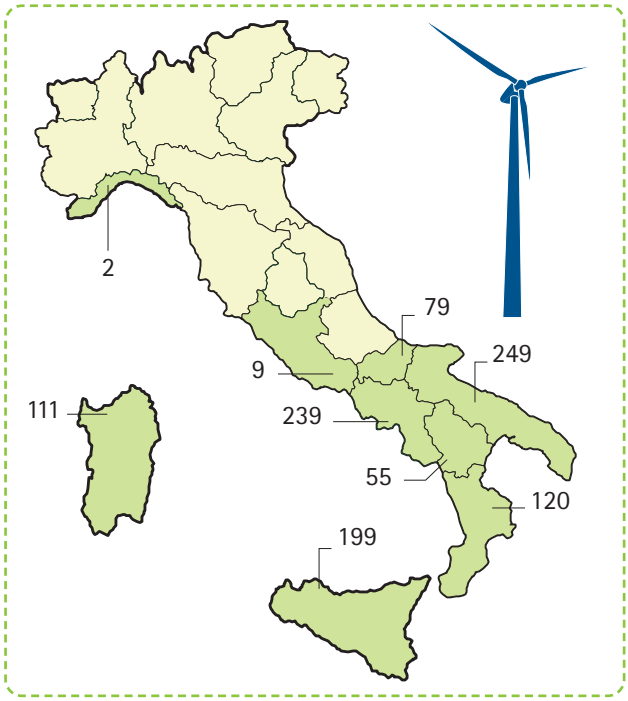
RESULTS AT ADJUSTED REPLACEMENT COSTS

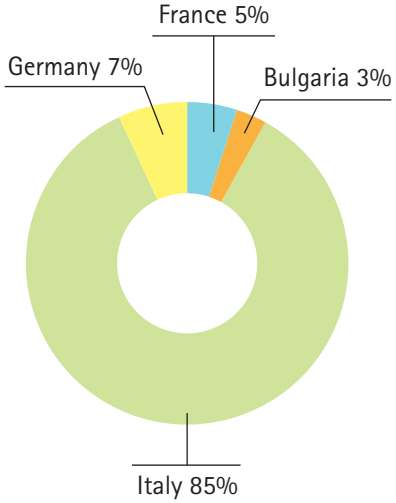
To enhance understandability of business performance, the operating results are also shown at their adjusted replacement cost, which take into account, for ERG Renew's share, the results at replacement costs of the LUKERG Renew GmbH joint venture (50%) whose contribution in the income statement not at adjusted replacement cost is represented in the valuation of the equity investments with the equity method.
Net financial indebtedness is at adjusted values and it takes into account, for ERG Renew's share, the net financial position of the LUKERG Renew GmbH joint venture (50%), net of the related intra-group items.

ACQUISITION OF IP MAESTRALE

On 13 February 2013, ERG closed with International Power Consolidated Holding Ltd. (100% GDF SUEZ) the acquisition, through the subsidiary ERG Renew, of 80% of the capital of IP Maestrale Investments Ltd.
On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.
Thanks to the acquisition, ERG Renew increased its installed capacity by 636 MW, of which 550 MW in Italy and 86 MW in Germany, reaching a total of approximately 1,232 MW, of which approximately 1,062 MW in Italy, positioning itself as the first wind power operator in Italy and among the top ten in Europe. The value of the acquisition, in terms of enterprise value, was EUR 859 million, i.e. approximately EUR 1.35 million per installed MW. The price for the equity at the closing of the transaction was EUR 28.2 million for 80% of the share capital of IP Maestrale. The agreements include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the date of closing. The wind farms are already fully financed with non recourse Project Financing with maturity in December 2022, disbursed by a group of primary Italian and international banks. The acquired company had an EBITDA of approximately EUR 120 million in 2012.
The Italian wind farms are located in Sicily (161 MW), Sardinia (111 MW), Campania (95 MW), Puglia (91 MW), Basilicata (55 MW), Molise (37 MW) whereas the five wind farms (86 MW) in Germany are located in the central-northern part of the country. The high quality assets have an output of nearly 2,000 hours/year, higher than the national average.
Since the transaction was closed on 13 February 2013, it does not affect these Financial Statements.
The consolidation of ERG Wind Investments and of its subsidiaries shall take place from the first quarter of 2013.

GEOGRAPHICAL PRESENCE
Total installed capacity (1,232 MW) [1]





1 Includes LUKERG Renew 50% for Eastern Europe and IP Maestrale
2 Under construction

Source: ERG

LUKERG RENEW JOINT VENTURE

The investee is consolidated at equity starting from 1 July 2012, in consideration of the start of its operations as a result of the acquisition of the wind farms in Bulgaria.

- **ACQUISITION OF WIND FARMS IN BULGARIA**

  In **June 2012** LUKERG Bulgaria GmbH, an investee of the LUKERG Renew GmbH joint venture, executed the deed of acquisition of all shares in the Bulgarian companies Wind Park Kavarna East EOOD, Wind Park Kavarna West EOOD and K&S Energy EOOD and of the eight equity investments held by the latter company, globally owning **wind farms already operating in Bulgaria**, in the Dobrich region, with an installed capacity of approximately 40 MW. The enterprise value of the acquisition is approximately EUR 52 million. Of the financial resources needed for the acquisition, approximately EUR 33.7 million were obtained with Project Financing and the remainder with a loan by the two lending shareholders.

  To this end, in 2012 ERG Renew paid EUR 7.2 million to LUKERG Renew and EUR 9.1 million to LUKERG Bulgaria GmbH, recognised in these Financial Statements among non-current financial Assets.

- **CONSTRUCTION OF WIND FARMS IN ROMANIA**

  On **17 December 2012**, LUKERG Renew closed the acquisition from Inergia S.p.A. (Santarelli Group) of 100% of the capital of Land Power S.r.l., a Romanian company owning the authorisations required for **the construction of a wind farm in Romania**, in the Tulcea region, with a planned capacity of 84 MW and an estimated electricity generation of 200 GWh when fully operational.

  LUKERG Renew expects to start construction work on the wind farm in the first quarter of 2013 and to start operations in the first six months of 2014. The total estimated investment for the construction of the park is approximately EUR 135 million. LUKERG Renew intends to finance the project through long-term non recourse Project Financing with the European Bank for Reconstruction and Development, which is carrying out due diligence on the project.

  To this end, in December 2012 ERG Renew paid EUR 2 million to Land Power, recognised in these Financial Statements among non-current financial Assets.

PROFILE OF THE ERG RENEW GROUP

ERG is active in the generation of electricity from renewable sources with 596 MW of wind power in operation at 31 December 2012, of which 64 MW in France and 20 MW in Bulgaria, deriving from the recent acquisition, through LUKERG Renew, an equal-share joint venture between ERG Renew and LUKOIL, of the Tcherga wind farm, with gross capacity of 40 MW.

Total wind capacity in Italy, with the recent commissioning of the Amaroni wind farm (22.5 MW), has reached 512 MW, with annual output exceeding 1 TWh.

As a result of the recent agreement reached with GDF-Suez, in 2013 total capacity will grow considerably, thanks to the acquisition of 80% of IP Maestrale, with an installed capacity of 636 MW, of which 550 MW in Italy and 86 MW in Germany. As a consequence of this agreement, ERG Renew has become the first wind power operator in Italy and one of the top ten in Europe. Additionally, in 2013 significant growth investments will be made, in particular through the construction of new farms in Italy and in Romania.

In detail:

- **WIND SECTOR IN ITALY**: carries out activities for the production of electrical energy from wind sources. There are currently 14 operational plants: San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37,5 MW), Pian dei Corsi and Baltera (1.6 MW), Ascoli Satriano (61.8 MW), Rotello (42 MW), Fossa del lupo (97.5 MW), Ginestra (32 MW), Bisaccia (23.6 MW), Lacedonia (18 MW), Foiano (70.2 MW), Amaroni (22.5 MW) for total installed operating capacity of 511.7 MW.

- **WIND SECTOR IN FRANCE**: carries out activities for the production of electrical energy from wind sources via the subsidiary ERG Eolienne France S.a.s. There are currently 6 plants in operation, with a total installed capacity of 64.4 MW.

- **WIND SECTOR IN BULGARIA**: through the LUKERG Renew GmbH joint venture (50% ERG Renew), it is active in the generation of electricity from wind power sources through wind farms already operating in Bulgaria, in the Dobrich region, with installed capacity of approximately 40 MW.

Wind farms consist of wind turbines capable of transforming the kinetic energy of wind into mechanical energy which, in turn, is used to generate electricity. Aside from the availability of the plants, the performance expected from each wind farm is obviously influenced by the wind speed profile of the site on which the wind farm is located.
Economic results are also influenced by the sale price of electricity, which can also vary according to the geographical areas where the farms are located, by the value of "green certificates", and in general by the incentive systems for renewable sources, which differ from country to country.

STRATEGY

ERG Renew's strategy aims at continuing the path to growth in the industry, with the goal of consolidating the company's position as the foremost operator in the domestic market and accelerating growth abroad.
In recent years, pursuit of this strategy has enabled ERG Renew significantly to increase its installed capacity, from approximately 200 MW in 2009 to over 1,200 MW today, including the recent acquisition of IP Maestrale.
In Italy, ERG Renew will focus on the integration of Maestrale and on obtaining synergies while pursuing better operating efficiency. Additionally, the strategy in Italy will be to pursue selective growth in consideration of asset quality and of the outcomes of auctions.
Outside Italy, where approximately 15% of installed capacity is located, in addition to the capacity already in operation in France (64 MW) and Germany, deriving from the acquisition of IP Maestrale (86 MW), ERG's strategy is aimed at accelerating the path to growth and geographic diversification of its asset portfolio, mainly through the investments carried out by LUKERG in Eastern Europe, in particular in Bulgaria and Romania.
The size achieved and the integration of IP Maestrale into ERG Renew will also allow to obtain significant synergies in asset management and in selling the generated electricity.

PERFORMANCE HIGHLIGHTS

(EUR MILLION)		2012	2011
MAIN INCOME STATEMENT DATA			
OPERATING REVENUES		177	114
ADJUSTED EBITDA		**137**	**69**
NET OPERATING INCOME		71	19
EBIT AT ADJUSTED REPLACEMENT COST		**75**	**22**
NET INCOME		28	1
OF WHICH GROUP NET INCOME		28	1
GROUP NET INCOME AT REPLACEMENT COST		**31**	**(6)**
EBITDA MARGIN %		**77%**	**61%**
MAIN FINANCIAL DATA			
NET INVESTED CAPITAL		1,013	1,004
SHAREHOLDERS' EQUITY		550	534
TOTAL NET FINANCIAL INDEBTEDNESS		463	470
OF WHICH NON-RECOURSE PROJECT FINANCING		520	446
FINANCIAL LEVERAGE		46%	47%
OPERATING DATA			
INSTALLED CAPACITY OF WIND FARMS AT PERIOD END	MW	596	548
ELECTRICITY PRODUCTION FROM WIND FARMS	MILLIONS OF KWH	1,222	740
CAPITAL EXPENDITURES	EUR MILLION	39	53
ELECTRICITY PRODUCTION IN ITALY	MILLIONS OF KWH	1,072	627
ELECTRICITY PRODUCTION IN FRANCE	MILLIONS OF KWH	128	113
ELECTRICITY PRODUCTION IN BULGARIA	MILLIONS OF KWH	22	N.A.
MARKET INDICATORS			
ELECTRICITY REFERENCE PRICE	EUR/MWH	75.48	72.23
"GREEN CERTIFICATES" SALE PRICE (ITALY)	EUR/MWH	80.34	82.12
FEED IN TARIFF (FRANCE)	EUR/MWH	89.36	86.98
FEED IN TARIFF (BULGARIA)	EUR/MWH	94.43	N.A.

PERFORMANCE HIGHLIGHTS BY SEGMENT

(THOUSANDS OF EURO)	2012	2011
ADJUSTED OPERATING REVENUES		
WIND SECTOR: ITALY	162,568	97,748
WIND SECTOR: FRANCE	11,448	9,841
WIND SECTOR: BULGARIA	2,067	–
TOTAL WIND	**176,083**	**107,589**
WATER SERVICES	–	5,375
HOLDING DIVISION	957	744
TOTAL	**177,040**	**113,708**
ADJUSTED EBITDA		
WIND SECTOR: ITALY	136,648	76,361
WIND SECTOR: FRANCE	8,283	6,914
WIND SECTOR: BULGARIA (50%)	1,299	–
TOTAL WIND	**146,230**	**83,275**
WATER SERVICES	–	969
HOLDING DIVISION	(9,142)	(14,941)
TOTAL	**137,088**	**69,303**
OPERATING MARGIN AT ADJUSTED REPLACEMENT COST		
WIND SECTOR: ITALY	83,457	36,783
WIND SECTOR: FRANCE	1,096	(271)
WIND SECTOR: BULGARIA	11	–
TOTAL WIND	**84,563**	**36,512**
WATER SERVICES	–	606
HOLDING DIVISION	(9,873)	(15,091)
TOTAL	**74,690**	**22,027**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
WIND SECTOR: ITALY	38,368	52,806
WIND SECTOR: FRANCE	4	84
WIND SECTOR: BULGARIA	–	–
TOTAL WIND	**38,372**	**52,890**
WATER SERVICES	–	64
HOLDING DIVISION	1,006	520
TOTAL	**39,378**	**53,474**

COMMENTS ON THE YEAR'S PERFORMANCE

In the year 2012, revenues were equal to EUR 177 million, a significant increase with respect to 2011, mainly as a consequence of the full contribution of ERG Eolica Campania S.p.A. acquired in 2011, of the full contribution of the ERG Eolica Fossa del Lupo and ERG Eolica Ginestra wind farms, of the commissioning of the ERG Eolica Amaroni wind farm and of the greater electricity output of the other operating wind farms.

The **gross operating margin (EBITDA)** was EUR 137 million, compared with EUR 69 million in 2011. The change is a result of the following factors:

- WIND SECTOR IN ITALY: contribution of EUR 137 million compared to the EUR 76 million reported in 2011 as a result of the increase in energy generation due to the full contribution of the ERG Eolica Campania, Fossa del Lupo and Ginestra wind farms and to the contribution of ERG Eolica Amaroni, commissioned in the last quarter of 2012, and to generalised better wind conditions.

- WIND SECTOR IN FRANCE: positive contribution by EUR 8.3 million, up compared to 2011 (EUR 6.9 million), substantially due to better wind conditions in the period.

- WIND SECTOR IN BULGARIA: positive contribution by EUR 1.3 million in the second half of 2012.

- HOLDING DIVISION: negative by EUR 9.1 million compared to the EUR 14.9 million of 2011. The values of the previous year included significant personnel costs and accessory charges associated with the study of extraordinary operations

EBIT at adjusted replacement cost was EUR 75 million (+ EUR 53 million than in 2011) after amortization and depreciation of EUR 61 million, higher than in 2011 (EUR 47 million) as a result of the new ERG Eolica Campania wind farms acquired in 2011 and those of ERG Eolica Ginestra and ERG Eolica Fossa del Lupo which became fully operational in 2012.

Group net income at adjusted replacement cost was EUR 31 million (EUR -6 million in 2011), mainly as a result of the increased electricity output in the period, already commented above.

Group net income was EUR 28 million (EUR 1 million in 2011), mainly as a result of the increased electricity output in the period, already commented above. The result takes into account non-recurring items relating to the EUR 3.5 million write-down (EUR 2.1 net of the tax effect) of the ERG Eolica Ginestra wind farms.

In 2012, the **Group capital expenditures** were equal to EUR 39 million (EUR 53 million in 2011) and primarily referred to the construction of the Amaroni wind farm; work on it had started at the end of 2011 and it was commissioned in the last quarter of 2012.

Net financial debt of EUR 463 million, slightly lower than at 31 December 2011, reflects the collection of the 2011 "green certificates" (EUR 58 million), partly offset by the capital expenditures of the period, which mainly relate to the Amaroni wind farm.

SIGNIFICANT EVENTS DURING THE YEAR

ACQUISITION OF IP MAESTRALE

On **5 December 2012**, ERG reached an agreement with International Power Consolidated Holding Ltd. (100% GDF SUEZ) for **the acquisition of 80% of the capital of IP Maestrale Investments Ltd**, a major operator in Italy in the sector of renewable energy from wind power with an installed capacity of 636 MW, of which 550 MW in Italy and 86 MW in Germany.
The acquisition was subsequently closed on **13 February 2013** through the subsidiary ERG Renew. On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.
Thanks to the acquisition, ERG Renew increased its installed capacity by 636 MW, reaching a total of approximately 1,232 MW, of which approximately 1,062 MW in Italy, positioning itself as the first wind power operator in Italy and among the top ten in Europe.
The enterprise value of the acquisition was EUR 859 million, i.e. approximately EUR 1.35 million per installed MW. The price for the equity at the closing of the transaction was EUR 28.2 million for 80% of the share capital of IP Maestrale. The agreements include a put and call option on the remaining 20% of the capital, which may be exercised no sooner than three years from the closing. The wind farms are already fully financed with non recourse Project Financing with maturity in December 2022, disbursed by a group of primary Italian and international banks. The acquired company has an expected 2012 EBITDA of approximately EUR 120 million. The Italian wind farms are located in Sicily (161 MW), Sardinia (111 MW), Campania (95 MW), Puglia (91 MW), Basilicata (55 MW), Molise (37 MW) whereas the five wind farms in Germany (86 MW) are located in the central-northern part of the country. The high quality assets have an output of nearly 2,000 hours/year, well above the national average.

LUKERG RENEW

On **2 February 2012**, LUKERG Renew, the joint venture between ERG Renew and LUKOIL-Ecoenergo, undersigned an agreement with Raiffeisen Energy & Environment, a company of the Austrian banking group Raiffeisen, for **the purchase of 100% of a wind farm in Bulgaria**, in the region of Dobrich, with an installed capacity of 40 MW, operational since 2009.
The enterprise value of the acquisition was approximately EUR 52 million (ERG's share is EUR 26 million).
The closing of the transaction, approved by the Bulgarian Antitrust Authority, was completed in June 2012. At the same time of the closing, a Project Financing agreement was also executed, for the partial coverage of the transaction, for EUR 33.7 million with Raiffeisen Bank International as Mandated Lead Arranger (MLA).
The operation allows LUKERG Renew, just a few months from its inception, to enter the Bulgarian wind market with a significant market share.

On **17 December 2012,** LUKERG Renew closed the acquisition from Inergia S.p.A. (Santarelli Group) of 100% of the capital of Land Power S.r.l., a Romanian company owning the authorisations required for **the construction of a wind farm in Romania**, in the Tulcea region, with a planned capacity of 84 MW and an estimated electricity generation of 200 GWh when fully operational.
LUKERG Renew is to start construction work on the wind farm by the end of the first quarter of 2013 in order to start operations in the first six months of 2014. The total estimated investment for the construction of the park is approximately EUR 135 million. LUKERG Renew intends to finance the project through long-term non recourse Project Financing with the European Bank for Reconstruction and Development, which is carrying out due diligence on the project.

EQUITY INVESTMENTS

On **1 January 2012** the absorption of ERG Eolica Italia S.r.l. by the parent company ERG Renew S.p.A. took effect for accounting purposes.

On **22 February 2012**, a capital contribution of Euro 50 thousand was made in Eolico Troina S.r.l., of which Euro 25 thousand to cover the equity investment write-down provision and Euro 25 thousand on the carrying value of the equity investment.

On **27 March 2012**, the 2% minority interest in ERG Eolica Basilicata was purchased for Euro 1 thousand; the equity investment in the company is now 100%.

On **12 June 2012**, Euro 100 thousand was paid by way of price adjustment for the purchase of the subsidiary ERG Eolica Amaroni. This amount increased the value of the equity investment held by ERG Renew S.p.A.

On **1 August 2012** the absorption of ERG Eolica Solare Italia S.r.l. by the parent company ERG Renew S.p.A. took effect; for accounting purposes, it was effective from 1 January 2012 onwards.

On **13 September 2012**, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in Eolo to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale is subordinated to the obtainment, by the purchaser, of the financial support needed to take over the extant intra-group loan. To date, this condition precedent has not been fulfilled.

On **30 November 2012**, the absorption of the companies ERG Eolica Tursi Colobraro S.r.l. and ERG Eolica Nurra S.r.l. by the parent company ERG Renew S.p.A. became valid, with effects for accounting purposes from 1 January 2012.

OTHER SIGNIFICANT EVENTS

On **16 February 2012, ERG Eolica Fossa del Lupo S.r.l. (100% ERG Renew) undersigned a Project Financing contract** for its wind farm located in the province of Catanzaro, which gradually started up operations in 2011 and which retains an installed capacity of 97.5 MW. The funds were subsequently disbursed on 12 March 2012.
The contract, totalling EUR 126 million and with a duration of 14 years, was undersigned by ING Bank as the Mandate Lead Arranger (MLA) and documentation bank, and by Crédit Agricole CIB as the MLA and technical bank as well as by Centrobanca as the MLA, modelling bank and agent bank.

REGULATORY FRAMEWORK

The following were the most significant legal provisions that characterised the energy industry in 2012:

GENERAL

- **Growth Law of 7 August 2012, implementing the so-called Law Decree no. 83 of 22 June 2012, "Urgent measures for the growth of the country"** containing environmental provisions of interest with respect to waste, clean-ups, authorisations, certified work start report (Scia), emissions of volatile organic compounds and "industrial areas undergoing complex crisis".
  The other issues of interest tied to the energy field are the intention of instituting a "green label" to safeguard EC petroleum products, more flexibility on periodic checks and small modifications to storage and/or refining plants, a provision on the selection and remuneration of the flexibility services provided by electricity generation plants.

- **Law no. 27 of 24 March 2012** "Conversion into law, with amendments, of Law Decree no. 1 of 24 January 2012, bearing urgent provisions for competition, infrastructure development and competitiveness" containing initiatives in the field of energy.

- **Implementation of Law no. 27 of 24 March 2012 on the disbursement of the contribution for the operation of the AGCM** which introduced a new way to fund the Authority (which from 2013 onwards will replace the previous ones), establishing a mandatory annual contribution to be paid by large corporations (i.e. those with revenues exceeding EUR 50 million).

- **AEEG Resolution 394/2012** regulating the reorganisation of supervisory provisions on the timely compliance with the prohibition to pass on the tax surcharge per Article 81, Paragraph 18, of Law Decree no. 112 of 25 June 2008, converted with amendments into Law no. 133 of 6 August 2008 ("Robin Tax").

- **Ministerial Decree of 7 August 2012** relating to the use of receivables deriving from the repeal of the provincial surcharge on the excise duties on electricity per Article 6, of Law Decree no. 511 of 28 November 1988, converted, with amendments, by Law no. 20 of 27 January 1989, for the portion due to the Italian Treasury.

RENEWABLE ENERGIES – ITALY

- **Ministerial Decree of 6 July 2012 by the Ministry of Economic Development** establishing the new incentives for the generation of electricity from plants powered by renewable sources, other than photovoltaic, with no less than 1 kW of power.

- **Procedures for the Application of the Ministerial Decree of 6 July 2012, issued by the GSE on 24 August 2012**, which describe the different steps for accessing to and managing incentives. In particular, the following are specified: regulations for inscription in the Registers, Auction Procedures and Registers for rework, the request to grant the feed-in tariff, the procedures for calculating and disbursing the incentives (including the procedures for recognising the premiums), checks and inspections on plants.

- **AEEG Resolution 281/2012** which prescribes, even for plants powered by non-programmable renewable sources, the obligation from 1 January 2013 to contribute to the coverage of imbalance costs. Specifically, it establishes that from 1 January 2013 the same procedures shall be adopted for the determination of the imbalance costs as are current today for programmable generating units not authorised for the dispatching services market and that, in case of units under dedicated collection rules (RID), the aforesaid costs shall be attributed by the GSE to the producers themselves, in accordance with the "Technical Rules" published for the purpose.

- **AEEG Resolution 493/2012** approving the procedures for attributing the imbalance amounts and the amounts to cover the related administrative costs to producers subject to dedicated collection and all-inclusive fixed fee rules.

RENEWABLE ENERGIES – ABROAD

- **Regulatory framework in France**
  The inter-ministerial decree of 17 November 2008 set the conditions for the purchase of electricity from wind power source. The incentives system for renewable sources in France is of the feed-in tariff type. The incentive for on-shore wind power, for existing wind farms, is paid for 15 years and it is revised on a yearly basis using a formula tied to the hourly cost of labour index and to the index of industrial product manufacturing prices. 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 2400. For 2006, the value of the initial tariff was 82 EUR/MWh. To define the starting value for new wind farms in subsequent years, the tariff is reduced by 2% from the previous year, from 2008 onwards, and it is revised to take into account the trends in the aforementioned indexes. The value thus determined, for each wind farm, is then revised on a yearly basis, as described above.

- **Regulatory framework in Bulgaria**
  The Energy from Renewable Sources Act, published in State Gazette no. 35 of 3 May 2011 and subsequently amended on 10 April 2012, defined the current regulatory framework for the system of incentives for plants powered by renewable sources in Bulgaria. For wind farms, a feed-in tariff in brackets is prescribed on the basis of the hours of operation; it is constant in nominal terms. Specifically, for wind farms existing as at 3 May 2011, the incentive is recognised for the first 15 years of operation; the value of the tariff is equal to the one applicable at the time the law entered into force, i.e. 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 operation.
  In September 2012, a charge for accessing transmission and distribution grids was introduced for producers from renewable sources. In particular, on 14 September, the local regulatory Authority (SEWRC – State Energy and Water Regulatory Commission) promulgated its Decision no. 33, prescribing that said charge shall be applied from 18 September 2012 onwards to all renewable source plants in operation since March 2010. Said charge was temporarily set to 10% of the feed-in tariff for wind power generators and in the next few months the final value is expected to be promulgated; it shall be based on a detailed analysis of the real operating costs of the grids.
  Appeals by major Operators, also through the industry Associations, have been filed and are currently being considered.

- **Regulatory framework in Romania**
  The new incentive system for renewable sources was defined by Law 134/2012, promulgated in State Gazette no. 505 of 23 July 2012, which amended and completed Law 220/2008 on renewable sources. 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 gross consumption of electricity. The law defines the maximum annual portion of renewable sources for which incentives can be provided (rising from 12% in 2012 to 20% in 2020) and the portion of "green certificates" is defined on an annual basis accordingly. For wind power, 2 "green certificates" are provided for each MWh generated through 2017 and 1 green certificate from 2018 onwards; therefore, total revenues for a wind power project, for the first 15 years of operation, consist of the sum of the revenues from the sale of "green certificates" and the sale of electricity. The unit price of "green certificates" varies between a cap (55 EUR/MWh in 2010 terms) and a floor (27 EUR/MWh in 2010 terms), defined in Euro and indexed according to annual inflation.

IMPACTS ON THE GROUP

With reference to the above, there are no additional impacts on the Group's businesses for 2012 compared to any impacts already indicated in the comments to individual occurrences.

REFERENCE MARKET

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

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

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

	2012	2011
RENEWABLE SOURCES MARKET ITALY (GWH) (2)		
PRODUCTION FROM RENEWABLE SOURCES (3)	80,002	72,960
INCLUDING:		
HYDROELECTRIC	43,322	47,202
GEOTHERMAL	5,238	5,315
WIND	13,119	9,775
SOLAR	18,323	10,668
FRENCH RENEWABLE ENERGY SOURCES MARKET (GWH) (2)		
PRODUCTION FROM RENEWABLE SOURCES (4)	75,205	61,795
OF WHICH WIND	13,406	11,624
SALES PRICES (EUR/MWH)		
PUN (ITALY) (5)	75.48	72.23
"GREEN CERTIFICATES"	80.34	82.12
EE PRICE CENTRE-SOUTH AREA	73.16	70.86
EE PRICE SOUTH AREA	70.34	69.04
EE PRICE SICILY	95.28	93.11
AVERAGE UNIT ENERGY SALE VALUE FOR ERG RENEW IN ITALY	150.60	153.50
FEED IN TARIFF (FRANCE)	89.36	86.98
FEED IN TARIFF (BULGARIA)	94.43	N.A.

(1) production estimated for the month of December
(2) source: Terna S.p.A. Monthly report on the electrical system. Estimated data, subject to revision
(3) sources taken into account: hydroelectric, geothermal electric, wind and photovoltaic
(4) sources taken into account: hydroelectric and wind
(5) Prezzo Unico Nazionale (Single National Price)

MARKET SCENARIO IN ITALY

In Italy, in 2012, renewable sources generated 28% of (net) domestic electricity output, up from 25% in 2011; 15% of it was generated from hydroelectric sources, 5% from wind, 6% from photovoltaic sources and the remaining 2% from geothermal electric sources. Compared to the same period of the previous year, generation from hydroelectric sources contracted (-8%); on the other hand, wind power generation increased markedly (+34%), partly thanks to good wind conditions, as did photovoltaic generation, which rose by 72%, driven by the extremely strong growth in installed capacity in 2011. Generation from geothermal electric sources was substantially stable.

BUSINESS SEGMENTS

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

	2012	2011
ADJUSTED EBITDA		
WIND SECTOR: ITALY	136,648	76,361
WIND SECTOR: FRANCE	8,283	6,914
WIND SECTOR: BULGARIA (50%)	1,299	–
TOTAL WIND	**146,230**	**83,275**
WATER SERVICES	–	969
HOLDING DIVISION	(9,142)	(14,941)
TOTAL	**137,088**	**69,303**

The EBITDA for the period grew strongly, to EUR 137 million, essentially doubled relative to the EUR 69 million recorded in 2011, mainly thanks to the increased generation which partially offset the slight decrease in unit revenues.
Lastly, it should be pointed out that the result also reflects the effect of the reduction in unit costs per generated MW, thanks on one hand to effective cost containment actions and on the other hand to the positive effects deriving from the larger size of the company.

	2012	2011
INSTALLED POWER (MW)		
ITALY	**512**	**483**
INCLUDING		
CAMPANIA	*144*	*140*
CALABRIA	*120*	*98*
PUGLIA	*158*	*158*
MOLISE	*42*	*40*
SICILY	*38*	*38*
OTHERS	*11*	*11*
FRANCE	**64**	**64**
BULGARIA (50%)	**20**	**N.A.**
TOTAL INSTALLED POWER AT THE END OF THE PERIOD (1)	**596**	**548**

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

Installed power at the end of the period rose from 548 MW at the end of 2011 to 596 MW at the end of 2012, with growth concentrated in Calabria, thanks to the 2012 commissioning of the new, 22.5 MW Amaroni wind farm, and in Bulgaria with the acquisition through LUKERG Renew of the Tcherga wind farm (total power 40 MW, 50% of which is owned by ERG).

The following table shows the load factors of wind farms for the main geographical areas; this figure, estimated taking into account the actual start of operations of the wind farms within the individual years, provides a measure of the various wind farms' level of generation in relative terms, and it is influenced not only by the characteristics of the wind farms and by

wind conditions in the period in question, but also by the level of availability of the wind farms and by any limitations on energy transport grids.

	2012	2011
LOAD FACTOR (%)		
ITALY	**25%**	**20%**
INCLUDING		
CAMPANIA	*24%*	*18%*
CALABRIA	*24%*	*15%*
PUGLIA	*27%*	*21%*
MOLISE	*29%*	*25%*
SICILY	*21%*	*18%*
OTHERS	*16%*	*18%*
FRANCE	**23%**	**20%**
BULGARIA (50%)	**25%**	**N.A.**
LOAD FACTOR (1)	**25%**	**20%**

(1) actual generation relative to maximum theoretical generation (calculated taking into account the actual start of operations of each individual wind farm)

With regard to the Ginestra wind farm, it should be pointed out that, of the 8 MW remaining for completion of the wind farm, authorised for 40 MW, 6 MW are already installed and operating and 2 MW are yet to be installed; the time misalignment of the start of operations of these wind turbines depends on precautionary requirements set forth by the competent authorities for landscape protection purposes.

WIND SECTOR: ITALY

ERG Renew operates in the sector of electricity production in Italy through various subsidiaries. There are currently 14 operational plants: San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW), Pian de Corsi Baltera (1.6 MW), Ascoli Satriano (61.8 MW), Rotello (42 MW), Fossa del lupo (97.5 MW), Ginestra (32 MW), Bisaccia (23.6 MW), Lacedonia (18 MW), Foiano (70.2 MW), Amaroni (22.5 MW) for total installed operational power equal to 511.7 MW.

Aside from the availability of the plants, the performance expected from each wind farm is obviously influenced by the wind speed profile of the site on which the wind farm is located. The economic performance is also influenced by electricity selling prices and by the price of "green certificates" while net profitability is also influenced by trends in interest rates.

PERFORMANCE HIGHLIGHTS

	2012	2011
ECONOMIC RESULTS (THOUSANDS OF EURO)		
OPERATING REVENUES	**162,568**	**97,748**
GROSS OPERATING MARGIN (EBITDA)	**136,648**	**76,361**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(53,191)	(39,578)
EBIT AT ADJUSTED REPLACEMENT COST	**83,457**	**36,783**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	38,368	52,806
OPERATING DATA (THOUSANDS OF MWH)		
PRODUCTION	**1,072,173**	**626,614**
INCLUDING		
SAN CIREO	74,171	57,858
SAN VINCENZO	87,908	68,274
FAETO	41,540	39,838
VITICUSO	13,002	15,176
VICARI	68,584	58,410
PIAN DEI CORSI BALTERA	1,551	1,239
ROTELLO	103,121	86,215
ASCOLI SATRIANO	165,169	129,218
GINESTRA	45,175	18,478
FOSSA DEL LUPO	204,497	71,732
BISACCIA	47,457	15,411
LACEDONIA	34,483	10,655
FOIANO	177,357	54,109
AMARONI	8,157	–
INSTALLED POWER AT THE END OF THE PERIOD	512	483

Consolidated revenues in 2012 exceed those of 2011 due to the full contribution of the wind farms (Bisaccia, Lacedonia and Foiano) belonging to ERG Eolica Campania, acquired in August 2011, as well as the competed commissioning of the Fossa del Lupo and Ginestra wind farms and the initial commissioning of the Amaroni wind farm.

For ERG Renew, the average sale price of electricity was 70.3 EUR/MWh, lower than the value of 71.4 EUR/MWh in 2011, and lower than the Single National Price (75.5 EUR/MWh), also in consideration of the specific geographic distribution of ERG's wind farms, concentrated in the South of Italy. The estimated value of "green certificates", i.e. 80.3 EUR/MWh, declined relative to the 82.1 EUR/MWh estimated in 2011. Overall, therefore, the average unit revenue from

Renew's output in Italy, considering the sale price of electricity and the price of "green certificates", amounted to 150.6 EUR/MWh, in decline relative to 153.5 EUR/MWh in 2011.
In 2012, the production of electrical energy in Italy was equal to 1.072 GWh compared to the 627 GWh of 2011. This increase was primarily linked to the full contribution of the Fossa del Lupo wind farm, commissioned in 2011, which generated 205 GWh in the period. It is also tied to the contribution from the Ginestra wind farm (45 GWh), which became operational in 2011, and to the full contribution of ERG Eolica Campania, acquired in August 2011 (259 GWh). Additionally, in the last quarter of 2012 the ERG Eolica Amaroni wind farm started operations and generated 8 GWh. Lastly, wind conditions were highly satisfactory and sharply better than in 2011.
The EBITDA for the period thus grew strongly, to EUR 137 million, compared to the EUR 76 million recorded in 2011, mainly thanks to the increased generation which amply offset the slight decrease in unit revenues.
Lastly, it should be pointed out that the excellent result also reflects the effect of the reduction in unit costs per generated MW, thanks on one hand to effective cost containment actions and on the other hand to the positive effects deriving from the larger size of the company.

WIND SECTOR: FRANCE

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

PERFORMANCE HIGHLIGHTS

	2012	2011
ECONOMIC RESULTS (THOUSANDS OF EURO)		
OPERATING REVENUES	**11,448**	**9,841**
GROSS OPERATING MARGIN (EBITDA)	**8,283**	**6,914**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(7,187)	(7,185)
EBIT AT ADJUSTED REPLACEMENT COST	**1,096**	**(271)**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	4	84
OPERATING DATA (THOUSANDS OF MWH)		
PRODUCTION	**128,115**	**113,150**
INCLUDING		
HETOMESNIL	21,933	21,672
LE MARDEAUX	22,737	18,632
LE CARREAU	22,773	19,079
LIHUS	21,541	20,933
LA BRUYÈRE	25,188	20,602
PLOGASTEL	13,942	12,232
INSTALLED POWER AT THE END OF THE PERIOD	64	64
VALUATION OF FEED IN TARIFF (EUR/MWH)	**89.36**	**86.98**

Wind farms in France generated 128 GWh, i.e. 15 GWh more than in the same period of 2011, thanks to better wind conditions.

Revenues of the wind business in France for 2012, amounting to EUR 11.5 million, were in line with those of 2011, in the presence of greater production (+13.2%) thanks to better wind conditions and an increase in the sales price of electrical energy from 86.98 EUR/MWh in 2011 to 89.36 EUR/MWh in 2012. This price – which was originally contracted with the EDF operator at 82 EUR/MWh, including both the price of sold electrical energy as well as the incentive that is valid for ten years and for an additional five years according to the productive performance of the farms – is indexed on an annual basis.

WIND SECTOR: BULGARIA

LUKERG Renew is a joint venture between ERG Renew and LUKOIL-Ecoenergo, incorporated in 2011 to operate jointly in the renewable energies market in Eastern European Countries and in Russia.

This joint venture has the goal of initially operating in Bulgaria and Romania, and subsequently in the Ukraine and Russia, both systematically and by searching for acquisition opportunities. At the end of the first half of 2012, LUKERG Bulgaria GmbH, an investee of the LUKERG Renew GmbH joint venture, acquired two wind farms (Kavarna and Longman) that were already operating in Bulgaria, in the Dobrich region, with total installed capacity of approximately 40 MW.

The following data refer to 100% of the consolidated figures of the joint venture, which has been operating since 1 July 2012.

PERFORMANCE HIGHLIGHTS

	2012	2011
ECONOMIC RESULTS (THOUSANDS OF EURO)		
OPERATING REVENUES	**4,134**	**N.A.**
GROSS OPERATING MARGIN (EBITDA)	**2,598**	**N.A.**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(2,576)	N.A.
EBIT AT ADJUSTED REPLACEMENT COST	**22**	**N.A.**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	–	N.A.
OPERATING DATA (THOUSANDS OF MWH)		
PRODUCTION	**21,883**	**N.A.**
INCLUDING		
KAVARNA	17,316	N.A.
LONG MAN	4,566	N.A.
INSTALLED POWER AT THE END OF THE PERIOD	40	N.A.
VALUATION OF FEED IN TARIFF (EUR/MWH)	**94.43**	**N.A.**

The results of the wind power business in Bulgaria in the second half of 2012 are satisfactory, thanks to good wind conditions which offset most of the aforementioned temporary charge for access to transmission and distribution grid, introduced from 18 September 2012 onwards.

CAPITAL EXPENDITURES

During 2012, the ERG Group invested a total of EUR 39 million (EUR 53 million in 2011), related mainly to tangible fixed assets (EUR 48 million in 2011) and referred almost exclusively to assets in Italy.
In 2012, the construction of the Amaroni wind farm (22.5 MW) continued and was completed; the project was acquired in September 2011, it started operations by the end of 2012 and it is now fully operational. Additionally, final work for the commissioning of Fossa del Lupo, which started operating in 2011, was completed. In June 2012, LUKERG Renew (50% ERG Renew) closed the acquisition of the Bulgarian wind farm of Tcherga (40 MW in operation); this acquisition, with an enterprise value of approximately EUR 26 million (ERG share), is not included in the amounts indicated in the table with the investments of the period, since it is an acquisition of equity investments carried out by the LUKERG Renew joint venture.

INSTALLED CAPACITY

The Group's net installed capacity at 31 December 2012 was equal to 590 MW and is almost entirely provided by wind farms (about 1 MW by the new photovoltaic plant installed at the industrial site of ISAB Energy at Priolo Gargallo). The increase by 43 MW relative to 31 December 2011 is the consequence of the commissioning of the Amaroni wind farm, with an installed capacity of 22.5 MW, and of the acquisition of the wind farm in Bulgaria, where ERG's share of installed capacity is 20 MW.

RISKS AND UNCERTAINTIES

The ERG Group started implementing an integrated risk management model, based on a systematic approach aimed at identifying priority risks, assessing their potential negative effects and determining appropriate mitigating actions to be undertaken.
The main risks identified, monitored and managed by ERG Renew are the following:

- market risk;
- liquidity risk;
- risk of industrial accidents;
- regulatory risk;
- credit risk;
- risk connected to weather events;
- risk related to Project Financing contracts.

MARKET RISK

Market risk consists of fluctuations in exchange and interest rates and in prices, in particular on the volatility of electricity. ERG Renew and its subsidiaries are exposed to interest rate risk given that currently effective financial debt requires the payment of financial charges that are primarily determined on the basis of variable interest rates that are, for the most part, linked to Euribor. In order to reduce the impact of the abovementioned risk, ERG Renew currently is a party to Interest Rate Swaps with long-term expiration dates in order to maintain the interest rate within a pre-determined range of values. In relation to Project Financing in force with the subsidiaries of ERG Renew, the quota subject to hedging varies from 50% to 100%.

LIQUIDITY RISK

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

Risk management 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.

ERG Renew maintains access to a broad range of financing sources at competitive costs, in spite of the external environment where the credit market remains rigid and the spreads in the applied interest rates are still under tension.

RISK OF INDUSTRIAL ACCIDENTS

The risk of industrial accidents consists of possible damages to the wind farms linked to fires and other unexpected and dangerous factors. Accidents of a certain relevance could have negative effects on the overall situation of the Group, which mitigates these risks through adequate plant management policies aimed at pursuing levels of safety and operating excellence in line with best industrial practices.

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

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

REGULATORY RISK

Regulatory risk consists of changes in local, national and international rules that may impact on the business where ERG Renew is active. Such rules pertain, inter alia, to the marketing of electricity and "green certificates", technical-operational requirements in the construction, commissioning and operation of wind farms, and environmental protection. The constant evolution of this reference regulatory environment may impact on ERG Renew's results.

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

CREDIT RISK

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

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

RISK CONNECTED TO WEATHER EVENTS

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

RISK RELATING TO PROJECT FINANCING CONTRACTS

The Company generates electricity from renewable sources through plants whose construction is financed, in part, through Project Financing agreements.

These financing contracts include certain limitations on the use of financial resources both during the construction phase of the plants as well as during their management phase. In addition, they require that, in the case of failed compliance with the covenants, and if a remedy is not provided within established deadlines, financial institutions will retain, inter alia, the right to declare that the company has been subjected to the acceleration clause and the contract is terminated, with the consequent obligation to provide full reimbursement within the established deadline and with potentially damaging effects on the economic/financial results of the Company. The Company periodically monitors fulfilment of the agreed indicators and clauses.

HEALTH, SAFETY AND ENVIRONMENT

ERG Renew S.p.A. considers designing, promoting, supporting and implementing its ASSQ Policy in a consistent, sustainable manner to be a priority goal. The Quality of the services offered, the protection of the Environment, the Health and Safety of the company's personnel and of third party workers are primary values in ERG Renew's corporate culture, in line with the very nature of the company. These values, therefore, are a significant commitment in relations with the outside community and in the operation of the plants for the generation of energy from renewable sources owned by the company itself and by ERG Renew Group companies.
To achieve the objectives set out in the ASSQ Policy, during 2012 ERG Renew decided to implement a new 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 to merge together the two formerly separate Safety and Quality/ Environment Systems.
Within the scope of this project, procedures to regulate business processes were issued, and the Manual of the Quality and Environment Management System (MSGQA) was integrated with the manual of the Safety Management System (MSGS) of ERG Renew, revised according to the BS OHSAS 18001:2011 Standard, devising a new Integrated Management System for ERG Renew (SGI). In this way, the shift was made from different systems to a single ASSQ management system at the parent company level and involving all subsidiaries.
The coexistence of shared fundamental principles, such as prevention and continuous improvement, make these systems mutually consistent and compatible and allow to obtain the following advantages:

- optimisation of the shared elements and requirements obtainable from comparing different standards;
- organisational simplification, exploiting potential synergies and the optimal allocation of resources;
- reduction of the different systems' documentation;
- better, more effective communication;
- joint audits and management reviews with possible identification of any divergence between objectives.

In 2012, ERG Renew thus started the process to certify the new integrated Environment/ Health and Safety/ Quality management system in accordance with the standards ISO 9001:2008, ISO 14001:2006 and OHSAS 18001:2011. The certification process with the certification agency Moody - Intertek was completed in July with the obtainment of the 18001:2011 certification and confirmation of the ISO 9001:2008, ISO 14001:2006 certifications.
With regard to the certifications of the Integrated Quality-Environment Management System, in 2012 the confirmation audits were carried out for ERG Eolica San Vincenzo S.r.l. and ERG Eolica San Cireo S.r.l. with reference to the aforementioned standards, whilst the renewal audit was carried out for ERG Eolica Faeto S.r.l.

TREASURY SHARES OR OWNED SHARES OR QUOTAS OF PARENT COMPANIES

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

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

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

TRANSACTIONS WITH RELATED PARTIES

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

R&D ACTIVITIES

ERG Renew directly implements R&D activities in the so-called organic photovoltaic sector through its participation in the Dyepower Consortium where it retains a 24.95% shareholding along with the companies Permasteelisa and Dysol Italia and the Universities of Ferrara, Torino and Roma Tor Vergata.

FINANCIAL STATEMENTS

ECONOMIC AND FINANCIAL PERFORMANCE

RECLASSIFIED INCOME STATEMENT

(THOUSANDS OF EURO)	YEAR 2012	YEAR 2011
REVENUES FROM ORDINARY OPERATIONS	174,973	108,333
OTHER REVENUES AND INCOME	2,606	955
TOTAL REVENUES	**177,579**	**109,288**
COSTS FOR PURCHASES	(422)	(351)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(37,578)	(34,816)
LABOUR COSTS	(3,790)	(5,787)
GROSS OPERATING MARGIN (EBITDA)	**135,789**	**68,334**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(64,610)	(46,913)
OPERATING INCOME	**71,179**	**21,421**
NET FINANCIAL INCOME (EXPENSES)	(23,807)	(31,675)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(1,733)	136
PROFIT (LOSS) BEFORE TAXES	**45,639**	**(10,118)**
INCOME TAXES	(17,235)	14,891
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**28,404**	**4,773**
NET INCOME FROM DISCONTINUED OPERATIONS	–	(3,411)
NET PROFIT (LOSS) FOR THE PERIOD	**28,404**	**1,362**
MINORITY INTERESTS	(89)	(273)
GROUP'S NET PROFIT (LOSS)	**28,315**	**1,089**

REVENUES FROM ORDINARY OPERATIONS

Consolidated revenues in 2012 exceed those of 2011 thanks to the full contribution of the wind farms belonging to ERG Eolica Campania, acquired in August 2011, as well as the competed commissioning of the Fossa del Lupo and Ginestra wind farms and the initial commissioning of the Amaroni wind farm at the end of 2012.

With regard to sale prices, the Group's average sale price of electricity declined, from 71.4 EUR/MWh to 70.3 EUR/MWh. The estimated value of "green certificates", i.e. 80.3 EUR/MWh, declined relative to the 82.1 EUR/MWh estimated in 2011.

Overall, therefore, the average unit revenue from Renew's output in Italy, considering the sale price of electricity and the price of "green certificates", amounted to 150.6 EUR/MWh, in decline relative to 153.5 EUR/MWh in 2011.

OTHER REVENUES AND INCOME

These primarily include contributions for operating expenses, indemnities and expense recoveries. In particular, the amount of 2012 includes EUR 1.5 million relating to revenues for the enforcement of penalties due to the technical unavailability of the plants.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

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

production. The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.
The amount in 2011 included ancillary costs referred to the extraordinary transactions carried out during the year.

LABOUR COSTS

The decrease in this item is tied to the higher severance indemnities in 2011 totalling approximately EUR 1.7 million, ascertained at the end of the year.

AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

The increase in amortization/depreciation is due to the full contribution of the wind farms commissioned in 2011 (Fossa del Lupo and Ginestra), and of ER Eolica Campania, acquired in August 2011.
The item also reflects EUR 3.5 million of write-downs applied to the Ginestra wind farm in 2012.

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses in 2012 totalled EUR 24 million, a decrease of approximately EUR 8 million compared to the previous year, mainly because of the repayment of the line of credit issued by the parent company ERG S.p.A. at the end of 2011.

INCOME TAXES

Income taxes in 2012 were negative by EUR 19 million (EUR +15 million in 2011) and comprise EUR 20 million in current taxes (EUR 7 million in 2011).
Compared to the previous years, "Current taxes" increased by EUR 13 million. This effect derives from the positive results recorded by the company in 2012.
The taxes for the previous year were affected by Italian Law no. 111/2011 bearing Urgent provisions for the financial stabilization of the Country (2011 Corrective Budget) which changed the rules for the carrying forward of fiscal losses, and by the changes made to the Robin Tax regulations as a result of Italian Law no. 138/2011 bearing Urgent provisions for the financial stabilization of the country and the economic development of the Country (EUR +14 million).

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)	12/31/2012	12/31/2011
TANGIBLE FIXED ASSETS	689,379	702,814
INTANGIBLE FIXED ASSETS	225,998	236,014
FINANCIAL FIXED ASSETS	17,169	1,889
FIXED ASSETS	**932,546**	**940,717**
TRADE RECEIVABLES	106,023	77,603
TRADE PAYABLES	(13,597)	(23,188)
WORKING CAPITAL	**92,426**	**54,415**
SEVERANCE INDEMNITIES	(308)	(267)
OTHER ASSETS	85,296	101,533
OTHER LIABILITIES	(96,911)	(92,476)
NET INVESTED CAPITAL	**1,013,049**	**1,003,922**
SHAREHOLDERS' EQUITY	**549,726**	**534,124**
QUOTA OF THE PARENT COMPANY	548,898	533,279
MINORITY INTERESTS	828	845
NET FINANCIAL INDEBTEDNESS	**463,323**	**469,798**
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**1,013,049**	**1,003,922**

Net invested capital as of 31 December 2012 was EUR 1,013 million, substantially in line with the amount of 2011.
Financial leverage, which represents the ratio of total net financial indebtedness and net invested capital, was 45.6% (46.8% at 31 December 2011).

FIXED ASSETS

Fixed assets (EUR 933 million), substantially in line with the previous year, includes tangible, intangible and financial assets and refers mainly to wind-powered generating plants and authorisations for their operation.

NET WORKING CAPITAL

Net working capital includes trade receivables and payables.
The increase relative to 2011 reflects the increased receivables for "green certificates" tied to the greater generation of wind-powered energy.

OTHER ASSETS

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

OTHER LIABILITIES

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

CONSOLIDATED NET FINANCIAL POSITION

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

(THOUSANDS OF EURO)	12/31/2012	12/31/2011
CASH AND CASH EQUIVALENTS	91,336	53,218
BANK ACCOUNT OVERDRAFTS	(347)	(16,320)
TIME BANK AND POSTAL DEPOSITS	4,265	4,170
SHORT-TERM NET FINANCIAL INDEBTEDNESS	**95,254**	**41,068**
FINANCIAL RECEIVABLES DUE FROM OTHERS	23,841	419
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	3,071	–
FINANCIAL RECEIVABLES DUE FROM OTHERS	200	–
FINANCIAL ASSETS	**27,112**	**419**
TOTAL CURRENT FINANCIAL ASSETS	**122,366**	**41,487**
PAYABLES DUE TO OTHER FINANCERS	(52)	(52)
PAYABLES DUE TO COMPANIES OF THE GROUP	(242)	(198)
PAYABLES DUE TO BANKS	(52,181)	(90,479)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(54,319)**	**(92,573)**
PAYABLES DUE TO PARENT COMPANIES	–	(1,494)
PAYABLES DUE TO BANKS	(472,925)	(375,140)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(58,445)	(42,078)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(531,370)**	**(418,712)**
NET FINANCIAL POSITION	**(463,323)**	**(469,798)**

The **net financial position** amounts to EUR 463 million, substantially in line with the amount of 31 December 2011.

Current financial assets, amounting to EUR 122.4 million, were primarily represented by liquidity totalling EUR 91.3 million which was primarily relative to the wind business and therefore availability almost entirely tied up with Project Financing and EUR 4.3 million tied up as a guarantee for the issue of bank guarantees.

Current financial liabilities, amounting to EUR 54.3 million, are primarily represented by:

- financial payables due to third parties amounted to EUR 52.1 million, including EUR 49 million as a short-term quota of a no–recourse payable relating to the Project Financing of the wind business and EUR 3.2 million as a short-term quota relating to a medium to long-term credit lines ascribable to the parent company ERG Renew;
- a payable for derivative instruments equal to EUR 1.8 million and relative to the put option of equal amount granted in October 2003 to the company Gepafin S.p.A. on the 0.27% held by the latter in Ansaldo Fuel Cells S.p.A., and whose exercise due date on 29 January 2009 was punctually met. Moreover, for purposes of disclosure, it should be noted that ERG Renew considered the option right to be non-existent and contested the exercise of this option by the counterparty.

Non-current financial liabilities, amounting to EUR 531.4 million, are primarily represented by:

- EUR 472.9 million, including EUR 471.3 million as a medium to long-term quota of the no-recourse payable relating to the Project Financing of the wind business and EUR 1.6 million as the medium to long-term quota of a credit line ascribable to the parent company ERG Renew;
- EUR 58.4 million for derivative instruments whose contracts are undersigned by wind companies in order to hedge against the interest rate risk on Project Financing;
- EUR 1.5 million due to the parent company ERG S.p.A.

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

Gross operating margin (EBITDA)

	2012	2011
GROSS OPERATING MARGIN (EBITDA) FROM CONTINUING OPERATIONS	**–**	**68.3**
CONTRIBUTION FROM 'DISCONTINUED OPERATIONS'	*–*	*1.0*
GROSS OPERATING MARGIN (EBITDA)	**135.8**	**69.3**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	*1.3*	*–*
EBITDA AT ADJUSTED REPLACEMENT COST	**137.1**	**69.3**

Amortization, depreciation and write-downs

	2012	2011
DEPRECIATION OF 'CONTINUING' OPERATIONS	**–**	**(46.9)**
CONTRIBUTION FROM 'DISCONTINUED OPERATIONS'	*–*	*(3,7)*
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	**(64.6)**	**(50.6)**
EXCLUSION OF NON-ORDINARY ITEMS		
ITALY		
- WRITE-DOWNS OF GINESTRA WIND FARM	*3.5*	*–*
- WRITE-DOWNS OF WATER SERVICES	*–*	*3,.3*
DEPRECIATION AT REPLACEMENT COST	**(61.1)**	**(47.3)**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	*(1.3)*	*–*
DEPRECIATION AT ADJUSTED REPLACEMENT COST	**(62.4)**	**(47.3)**

Net operating income

	2012	2011
EBIT AT ADJUSTED REPLACEMENT COST	**74.7**	**22.0**
50% CONTRIBUTION OF LUKERG RENEW AT REPLACEMENT COST	–	–
EBIT AT ADJUSTED REPLACEMENT COST	**74.7**	**22.0**

Group net income

	2012	2011
GROUP NET INCOME	**28.3**	**1.1**
EXCLUSION OF NON-ORDINARY ITEMS:		
- EXCLUSION OF NON-ORDINARY ITEMS "WRITE-DOWN OF GINESTRA WIND FARM"	*2.1*	–
- EXCLUSION OF NON-ORDINARY ITEMS "WRITE-DOWN OF WATER SERVICES"	–	*3.3*
- EXCLUSION OF NON-ORDINARY ITEMS "TAX LOSSES FROM PREVIOUS YEARS"	–	*(10.8)*
- EXCLUSION OF "BULGARIA BUSINESS COMBINATION ANCILLARY COSTS"	*0.9*	–
GROUP NET INCOME AT REPLACEMENT COST	**31.3**	**(6.5)**

ERG RENEW S.P.A. FINANCIAL STATEMENTS

The separate year-end financial statements of ERG Renew S.p.A. as of 31 December 2012 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 2012	YEAR 2011
REVENUES FROM ORDINARY OPERATIONS	4,248	3,757
OTHER REVENUES AND INCOME	347	45
TOTAL REVENUES	**4,595**	**3,802**
COSTS FOR PURCHASES	(75)	(86)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(10,109)	(13,060)
LABOUR COSTS	(3,548)	(5,544)
GROSS OPERATING MARGIN (EBITDA)	**(9,137)**	**(14,888)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(731)	(150)
OPERATING INCOME	**(9,868)**	**(15,038)**
NET FINANCIAL INCOME (EXPENSES)	6,303	(1,088)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(2,010)	(3,472)
PROFIT (LOSS) BEFORE TAXES	**(5,575)**	**(19,598)**
INCOME TAXES	5,689	3,651
PROFIT (LOSS) FOR THE PERIOD	**113**	**(15,947)**

REVENUES FROM ORDINARY OPERATIONS AND OTHER REVENUES AND INCOME

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

COSTS FOR SERVICES AND OTHER OPERATING COSTS

The decrease in costs for services and other operating costs is mainly due to the lower consulting costs. It should be recalled that in 2011 this item included costs tied to the extraordinary transactions, in particular to the acquisition of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l.

LABOUR COSTS

The decrease in this item refers to voluntary redundancy incentives totalling approximately EUR 1.7 million and ascertained during 2011.

NET FINANCIAL INCOME (EXPENSES)

Net financial income in 2012 totalled EUR 6 million, an improvement compared to the expenses of the previous year, mainly because of the repayment of the line of credit issued by the parent company ERG S.p.A. at the end of 2011.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

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

INCOME TAXES

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

STATEMENT OF FINANCIAL POSITION

(THOUSANDS OF EURO)	12/31/2012	12/31/2011
TANGIBLE FIXED ASSETS	1,673	681
INTANGIBLE FIXED ASSETS	2,027	398
EQUITY INVESTMENT AND OTHER FINANCIAL FIXED ASSETS	253,954	51,571
FIXED ASSETS	**257,654**	**52,650**
TRADE RECEIVABLES	12,468	12,170
TRADE PAYABLES	(3,435)	(6,446)
NET WORKING CAPITAL	**9,033**	**5,724**
SEVERANCE INDEMNITIES	(304)	(265)
OTHER ASSETS	34,711	10,855
OTHER LIABILITIES	(15,338)	(12,565)
NET INVESTED CAPITAL	**285,756**	**56,399**
SHAREHOLDERS' EQUITY	516,830	532,321
NET FINANCIAL INDEBTEDNESS	(231,074)	(475,922)
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**285,756**	**56,399**

As of 31 December 2012, net invested capital amounted to approximately EUR 286 million, an increase of approximately EUR 229 million compared to 2011 as a consequence of the absorption of ERG Eolica Italia into the Company, as commented in the Notes to the separate financial statements.

FIXED ASSETS

Fixed assets consist mainly of financial fixed assets. The marked increase from the previous year derives mainly from the absorption of the subsidiary ERG Eolica Italia S.r.l.

NET WORKING CAPITAL

Net working capital consists of trade receivables and payables mostly with respect to Group companies and third parties.

OTHER ASSETS

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

OTHER LIABILITIES

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

NET FINANCIAL POSITION

(THOUSANDS OF EURO)	12/31/2012	12/31/2011
CASH AND CASH EQUIVALENTS	1,127	713
BANK ACCOUNT OVERDRAFTS	(346)	(16,320)
TIME BANK AND POSTAL DEPOSITS	4,264	4,170
TOTAL CURRENT FINANCIAL ASSETS	**5,045**	**(11,437)**
PAYABLES DUE TO OTHER FINANCERS	–	–
PAYABLES DUE TO COMPANIES OF THE GROUP	(772)	(1,192)
PAYABLES DUE TO BANKS	(3,200)	(14,880)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(5,816)**	**(17,916)**
FINANCIAL RECEIVABLES DUE TO COMPANIES OF THE GROUP	206,534	511,569
TOTAL NON-CURRENT FINANCIAL ASSETS	**206,534**	**511,569**
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANY	23,841	–
FINANCIAL RECEIVABLES FROM JOINTLY CONTROLLED ENTITIES	3.070	–
TOTAL NON-CURRENT FINANCIAL ASSETS	**26.911**	**–**
PAYABLES DUE TO OTHER FINANCERS	–	–
PAYABLES DUE TO PARENT COMPANIES	–	(1.494)
PAYABLES DUE TO BANKS	(1.600)	(4.800)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(1.600)**	**(6.294)**
NET FINANCIAL POSITION	**231.074**	**475.922**

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

ISAB ENERGY SOLARE S.R.L.

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

The company closed the year ended 31 December 2012 with a profit of less than EUR 0.1 million.

LUKERG RENEW GMBH

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

MANAGEMENT AND COORDINATION BY ERG S.P.A.

ERG Renew S.p.A. is subject to management and coordination by ERG S.p.A.
As a result of the extraordinary transactions carried out during the year, currently the direct and indirect subsidiaries subject to management and coordination as outlined above are: ERG Eolica Adriatica S.r.l., ERG Eolica Amaroni S.r.l., ERG Eolica Basilicata S.r.l., ERG Eolica Calabria S.r.l., ERG Eolica Campania S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Ginestra S.r.l., ERG Eolica San Cireo S.r.l., ERG Eolica San Vincenzo S.r.l., ERG Eolica Tirreno S.r.l., Green Vicari S.r.l., Eolico Troina S.r.l., Eolo S.r.l.

This activity comprises, inter alia:

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

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

- Board of Directors' meeting of 16 April 2012:
  - Remuneration of the Chairman;
  - agreement in the renewable energy sector.
- Board of Directors' meeting of 8 May 2012:
  - Quarterly forecast on the performance of the annual investment budget of ERG Renew S.p.A. and its operational subsidiaries;
  - Remuneration of directors vested with specific powers.
- Board of Directors' meeting of 3 August 2012:
  - 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 September 2012:
  - Review and approval of the Planned Absorption of the companies ERG Eolica Nurra S.r.l. and ERG Eolica Tursi Colobraro S.r.l. by the parent company ERG Renew S.p.A.; inherent and consequent resolutions;
  - Sale of the equity investment held by ERG Renew S.p.A. in Eolo S.r.l.
- Board of Directors' meeting of 8 November 2012:
  - 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 December 2012:
  - Extraordinary transaction in the renewable energy sector;
  - 2013 Investments budget for 2013;
  - Schedule of the meetings of the corporate bodies for 2013.

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	1,615,182
TOTAL ASSETS	3,092,985
NET INCOME FROM EQUITY INVESTMENTS	98,614
OTHER OPERATING INCOME	6,125,661
NET INCOME	19,928

PRIVACY – SECURITY POLICY DOCUMENT

In 2012, the ERG Group invested adequate resources to maintain high levels of enforcement of the Privacy Code (Legislative Decree 196/2003) and of the Instructions issued by the Authority for the protection of personal data, promoting and upgrading, in particular, its security policies in order to assure an adequate level of protection of the personal data subject to processing.

SIGNIFICANT EVENTS AFTER THE CLOSING OF THE YEAR

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

On **13 February 2013**, ERG closed with International Power Consolidated Holding Ltd. (100% GDF SUEZ) the acquisition, through the subsidiary ERG Renew, of 80% of the capital of IP Maestrale Investments Ltd.
On the same date, the Shareholders' Meeting of IP Maestrale voted to change the name of the company to ERG Wind Investments Ltd.

BUSINESS OUTLOOK

2013 is a particularly important year for ERG Renew, which as a result of the aforementioned acquisition of IP Maestrale will see a very marked growth in installed capacity and generation, becoming the foremost wind power operator in Italy.
One of the company's main objectives in 2013 was to continue integrating the new assets, trying fully to exploit the benefits deriving from the increased dimensions, both in terms of synergies and in terms of new potential capabilities.
With regard to development, in 2013 construction will continue on the new wind farm of Palazzo San Gervasio, with 34 MW of authorised capacity; the Company has obtained entitlement to the incentives with the lower discount on price as a result of its participation in the auctions prescribed by the new regulations. The wind farm is expected to start operating in 2014.
Activities abroad, on one hand, will benefit from the new wind farms in Germany (86 MW) belonging to IP Maestrale, and on the other hand they will focus on further developments in Eastern Europe through the LUKERG joint venture. In this regard, in 2013 work will continue on the construction of an 84 MW wind farm in Romania, whose project was recently acquired by Inergia, and expected to be completed and placed in operation at the start of 2014.
In light of the above, further strong growth in revenues and income is expected for 2013, compared to the excellent levels already obtained in 2012.

BOARD OF DIRECTORS' PROPOSAL

Distinguished Shareholders,

we hereby conclude our report and call upon you to approve the financial statements for your company as of and for the year ended 31 December 2012, which closed with a profit of EUR 113,439 and which we propose to book under the reserve "profit (loss) carried forward".

Genoa, 5 March 2013

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

CONSOLIDATED FINANCIAL STATEMENTS OF ERG RENEW S.P.A.

AS AT 31 DECEMBER 2012

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

(THOUSANDS OF EURO)	NOTES	12/31/2012	12/31/2011
PROPERTY, PLANT AND EQUIPMENT	1	683,657	702,814
INTANGIBLE ASSETS	2	225,378	236,014
EQUITY INVESTMENTS	3	955	551
FINANCIAL ASSETS	4	19,762	1,337
DERIVATIVES RECEIVABLES	16	–	1
OTHER RECEIVABLES	5	8,318	8,502
TAX ASSETS	6	4,794	8,945
DEFERRED TAX ASSETS	7	56,167	62,548
NON-CURRENT ASSETS		**999,031**	**1,020,712**
TRADE RECEIVABLES	8	104,873	77,603
OTHER RECEIVABLES	9	35,317	6,774
TAX ASSETS	10	10,070	15,183
CASH AND CASH EQUIVALENTS	11	94,072	57,388
CURRENT ASSETS		**244,332**	**156,948**
ASSETS HELD FOR SALE	31	**9,164**	**–**
TOTAL ASSETS		**1,252,527**	**1,177,660**
GROUP SHAREHOLDERS' EQUITY	12	548,898	533,279
MINORITY INTERESTS	12	828	845
SHAREHOLDERS' EQUITY		**549,726**	**534,124**
EMPLOYEES' SEVERANCE INDEMNITIES	13	308	267
PROVISIONS FOR LIABILITIES AND CHARGES	14	9,190	3,890
FINANCIAL PAYABLES NET OF CURRENT PORTION	15	472,925	375,140
NON-CURRENT PORTION OF FINANCIAL PAYABLES DUE TO PARENT COMPANIES	15	–	1,494
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	16	58,445	42,078
OTHER PAYABLES	17	2,785	3,621
DEFERRED INCOME TAXES	18	69,704	73,540
NON-CURRENT LIABILITIES		**613,357**	**500,030**
CURRENT PORTION OF FINANCIAL PAYABLES	15	52,770	107,049
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	16	1,844	1,844
TRADE PAYABLES	19	13,439	23,188
OTHER PAYABLES	20	8,951	9,380
TAX LIABILITIES	21	5,580	2,045
CURRENT LIABILITIES		**82,584**	**143,506**
LIABILITIES HELD FOR SALE	31	**6,860**	**–**
TOTAL LIABILITIES		**1,252,527**	**1,177,660**

ERG RENEW S.P.A. CONSOLIDATED INCOME STATEMENT

(THOUSANDS OF EURO)	NOTES	2012	2011
OPERATING REVENUES	23	174,973	108,333
OTHER REVENUES AND INCOME	23	2,606	955
TOTAL REVENUES		**177,579**	**109,288**
COST OF PRODUCTION			
RAW, ANCILLARY AND CONSUMABLE MATERIALS AND GOODS		(422)	(351)
COSTS FOR SERVICES	24	(32,512)	(30,118)
PERSONNEL EXPENSES	25	(3,790)	(5,787)
OTHER OPERATING EXPENSES	26	(5,066)	(4,698)
AMORTISATION/DEPRECIATION	27	(60,506)	(46,913)
WRITE-DOWNS AND PROVISIONS	27	(4,104)	–
EBIT		**71,179**	**21,421**
NET FINANCIAL INCOME (EXPENSES)	28	(23,807)	(31,675)
INCOME (LOSS) FROM EQUITY INVESTMENTS	29	(1,733)	136
RESULT BEFORE TAXES		**45,639**	**(10,118)**
INCOME TAXES	30	(17,235)	14,891
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**28,404**	**4,773**
NET INCOME FROM DISCONTINUED OPERATIONS	31	–	(3,411)
NET RESULT OF THE PERIOD		**28,404**	**1,362**
MINORITY INTERESTS		(89)	(273)
GROUP NET PROFIT (LOSS)		**28,315**	**1,089**
EARNINGS PER SHARE			
NOT DILUTED		0.215	0.008

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

(THOUSANDS OF EURO)	2012	2011
NET RESULT OF THE PERIOD	**28,404**	**1,362**
CHANGES IN CASH FLOW HEDGE RESERVE	(18,748)	(16,365)
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME COMPONENTS	6,040	5,304
OTHER COMPONENTS OF COMPREHENSIVE NET PROFIT (LOSS)	**(12,708)**	**(11,061)**
COMPREHENSIVE NET PROFIT (LOSS)	**15,696**	**(9,699)**
MINORITY INTERESTS	(89)	(273)
GROUP COMPREHENSIVE NET PROFIT (LOSS)	**15,607**	**(9,972)**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	PROFIT (LOSS) FOR THE PERIOD	GROUP SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 12/31/2010	**132,667**	**1,388**	**(24,951)**	**(15,853)**	**93,251**	**654**	**93,905**
ALLOCATION OF 2010 PROFIT (LOSS)	–	–	(15,853)	15,853	–	–	–
COVERAGE OF LOSSES	(32,667)	(1,388)	27,919	6,136	–	–	–
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–	450,000	–	450,000	–	450,000
OTHER CHANGES	–	–	–	–	–	(82)	(82)
2011 PROFIT (LOSS)	–	–	–	*1,089*	*1,089*	*273*	*1,362*
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	–	–	*(11,061)*	–	*(11,061)*	–	*(11,061)*
COMPREHENSIVE NET PROFIT (LOSS)	–	–	(11,061)	1,089	(9,972)	273	(9,699)
BALANCE AT 12/31/2011	**100,000**	**–**	**426,054**	**7,225**	**533,279**	**845**	**534,124**
ALLOCATION OF 2011 PROFIT (LOSS)	–	–	7,225	(7,225)	–	–	–
COVERAGE OF LOSSES	–	–	–	–	–	–	–
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	–	–	–	–	–	–
OTHER CHANGES	–	–	12	–	12	(106)	(94)
2012 PROFIT (LOSS)	–	–	–	*28,315*	*28,315*	*89*	*28,404*
CHANGE IN THE FAIR VALUE OF HEDGING DERIVATIVES	–	–	*(12,708)*	–	*(12,708)*	–	*(12,708)*
COMPREHENSIVE NET PROFIT (LOSS)	–	–	(12,708)	28,315	15,607	89	15,696
BALANCE AT 12/31/2012	**100,000**	**–**	**420,583**	**28,315**	**548,898**	**828**	**549,726**

CONSOLIDATED STATEMENT OF CASH FLOWS[1]

(THOUSANDS OF EURO)	2012	2011
OPERATING ACTIVITIES		
EBIT	71,179	21,421
ADJUSTMENTS FOR:		
DEPRECIATION OF TANGIBLE FIXED ASSETS	50,186	39,377
WRITE-DOWN FOR VALUE LOSSES OF TANGIBLE FIXED ASSETS	4,104	–
WRITE-DOWN OF OTHER EQUITY INVESTMENTS AND RECEIVABLES	18	179
AMORTISATION OF INTANGIBLE FIXED ASSETS	10,320	7,536
CAPITAL GAIN ON SALE OF FIXED ASSETS	(1)	(283)
PROVISIONS FOR LIABILITIES AND CHARGES	1,862	(184)
TOTAL ADJUSTMENTS	**66,489**	**46,625**
CHANGES IN WORKING CAPITAL		
(INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	(22,266)	(14,221)
(DECREASE) IN TRADE AND OTHER PAYABLES	(13,172)	9,204
TOTAL CHANGE IN WORKING CAPITAL	**(35,438)**	**(5,017)**
CHANGE IN SCOPE OF CONSOLIDATION	–	26,192
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	**102,230**	**89,221**
INCOME TAXES PAID	(3,582)	(1,993)
INTEREST PAID	(25,476)	(35,823)
NET CASH FLOW FROM OPERATING ACTIVITIES	**73,172**	**51,405**
INVESTING ACTIVITIES		
INTEREST RECEIVED	1,752	727
RECEIVED DIVIDENDS	–	33
DIVIDENDS PAID TO MINORITY SHAREHOLDERS	(98)	–
(PURCHASES) OF EQUITY INTERESTS IN SUBSIDIARIES	–	(88,366)
PORTION OF PRICE PAID USING CASH OR CASH EQUIVALENTS	–	*(102,107)*
CASH OR CASH EQUIVALENTS OF EQUITY INTERESTS ACQUIRED THROUGH DEMERGER	–	*13,741*
SALES OF EQUITY INTERESTS IN SUBSIDIARIES	–	2,156
PORTION OF PRICE RECEIVED IN CASH OR CASH EQUIVALENTS	–	*4,955*
CASH OR CASH EQUIVALENTS OF EQUITY INTERESTS SOLD	–	*(2,799)*
EQUITY INTERESTS SOLD IN OTHER COMPANIES	–	815
EQUITY INTERESTS ACQUIRED/SHARE CAPITAL INCREASES IN OTHER COMPANIES	(421)	(386)
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS	(39,480)	(53,474)
PAYMENTS FOR FUTURE CAPITAL INCREASES	–	450,000
PROCEEDS FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS	1,942	3,810
CHANGE IN SCOPE OF CONSOLIDATION	–	(250,138)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(36,305)**	**65,177**
FINANCING ACTIVITIES		
REPAYMENT OF LOANS TO THIRD PARTIES	(60,278)	(69,939)
NEW LOANS RECEIVED FROM THIRD PARTIES	120,534	–
NEW LOANS RECEIVED FROM PARENT COMPANIES	–	167,063
NEW LOANS TO PARENT COMPANIES	(23,841)	–
NEW LOANS TO JOINTLY CONTROLLED COMPANIES	(17,601)	–
REPAYMENT OF LOANS RECEIVED FROM PARENT COMPANIES	(1,494)	(450,000)
REPAYMENT OF LOANS RECEIVED FROM JOINT VENTURES	–	1,122
CHANGE IN SCOPE OF CONSOLIDATION	–	216,317
NET CASH FLOW FROM FINANCING ACTIVITIES	**17,320**	**(135,437)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**54,186**	**(18,855)**
NET FINANCIAL DEBT AT THE BEGINNING OF THE YEAR	**41,068**	**59,923**
NET FINANCIAL DEBT AT YEAR-END	**95,254**	**41,068**
COMPRISING		
BANK AND POSTAL ACCOUNTS	95,600	57,386
CASH AND NOTES ON HAND	1	2
BANK OVERDRAFTS	(347)	(16,320)
OF WHICH CASH AND CASH EQUIVALENTS NOT FREELY AVAILABLE	**4,265**	**4,170**

(1) The cash flow statement also includes the cash flows for assets and liabilities held for sale

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

ERG Renew S.p.A. is a joint stock company, incorporated in Italy and registered with the Genoa Register of Companies. The Group operates in the sector of electricity production using renewable sources (wind). The main activities of the Company and its subsidiaries (the Group) are described in Note 32 under the "Other information" section of these explanatory notes.
These financial statements are expressed in Euro as this is the currency in which the majority of the Group's transactions are denominated.

PREPARATION PRINCIPLES

The consolidated Financial Statements as of and for the year ended 31 December 2012 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 2012 have been audited by Reconta Ernst & Young 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 balance sheet, the presentation format adopted distinguishes assets and liabilities as current and non current, as allowed by IAS 1.
The statement of cash flows is structured according to the indirect method.

CONSOLIDATION PRINCIPLES AND EVALUATION CRITERIA

SCOPE OF CONSOLIDATION

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

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

EQUITY INVESTMENTS IN ENTITIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The financial statements of the subsidiaries, used for consolidation purposes, are prepared as at 31 December 2012 according to the same standards as the Group's.
All financial statements of the entities consolidated with the line-by-line method are expressed in Euro.
In the preparation of the consolidated financial statements, the assets, liabilities, costs and revenues of the consolidated entities are taken line by line in their total amount, attributing to minority shareholders, in dedicated balance sheet and income statement items, their portion of equity and of income or loss for the year. The minority shareholders' share of equity is determined on the basis of the current values attributed to assets and liabilities at the date when control was taken, excluding any goodwill that may be referred to them.
The book value of equity investments is eliminated vis à vis the corresponding fraction of equity of the investee companies, attributing to individual assets and liabilities their current value at the date of acquisition of control. Any residual difference, if positive, is recorded under the "Goodwill" asset item; if it is negative, it is recorded in the income statement, as prescribed by IFRS 3 (Business Combinations).

INTRA-GROUP TRANSACTIONS

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

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost, including directly allocated ancillary costs and those necessary to bring the asset to the condition appropriate for the use for which it was acquired, net of related depreciation provision and cumulative impairments, if any.
During the year in question and in previous years, no revaluations were performed, either voluntarily and/or in accordance with monetary revaluation laws.
Costs include dismantling and removal of the asset and costs for reinstating the site where the asset is located, whenever the requirements of IAS 37 are met. Assets comprising components, of significant amount, and with different useful lives are considered separately in the calculation of depreciation. Land, whether without buildings or adjacent to civil and industrial

buildings, is not depreciated as it has an indefinite useful life. The "Land" category includes excavation and road works and land rights incurred prior to the start-up of wind farms. These costs are depreciated over the duration of the concession. Depreciation is calculated on a straight-line basis, according to the assets' estimated useful life, by applying the following rates:

Wind turbines - depreciation is calculated taking into account the different useful lives of each component (so-called Component Analysis) of the wind farm.
Land - not depreciated
Land rights and other civil engineering works (included in the item "Land") 3.5%
Buildings 2.5% - 5%
Electrical works 5%
Plant and machinery 5% - 10% - 20% - 30%
Industrial and commercial equipment 10% - 20%
Other capital goods 12% - 15% - 20%
Expenses for environmental restoration 4.36%

The rates for the plants were determined by taking into account the economic use of the plant itself; in the case of certain facilities, this involves depreciation over 20 years while for others a shorter period is used (12 years).
Plant and machinery under construction for production purposes, or for purposes not yet determined, are recognised at cost, net of write-downs for loss in value. Costs include professional fees, if any, and for some assets, the financial charges capitalised in accordance with the Group's accounting policies. Depreciation of these assets, as for all fixed assets, commences from the moment when the assets are available for use. Assets held under finance lease contracts are depreciated according to the estimate of their useful life as with owned assets or, if shorter, based on the end date of the lease contract. The gains and losses deriving from the sale or disposal of assets are calculated as the difference between sale proceeds and the asset's net book value and are recognised in the Income Statement for the year.

INTANGIBLE ASSETS

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

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

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

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

BUSINESS COMBINATIONS

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

EQUITY INVESTMENTS

Jointly controlled entities

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

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

Associate entities

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

GOODWILL

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and asset disposal groups) classified as held for sale are measured at their previous carrying value or market value, whichever is lower, net of their selling costs. Non-current assets (and asset disposal groups) are classified as held for sale when it is expected that their carrying value will be recovered via a disposal transaction instead of via their utilisation in the company's business operations. This condition is applicable only when the sale is highly

probable, the asset (or group of assets) is available for immediate sale in its current conditions and Management has made a commitment to sell, for a sale that should take place within 12 months following the date of classification under this item.

REVENUE RECOGNITION

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

Sale of goods and services

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

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

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

"Green certificates"

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

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

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

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

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

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

In particular, the “green certificates” produced in the first half of 2012 shall be collected no later than 31 March 2013, while those produced in the second half of 2012 shall be collected no later than 30 September 2013.

Interest income is recognised in accordance with the accrual principle, based on the amount financed and the effective interest rate applicable.
Dividends are recorded when the entitlement of shareholders to receive payment of same is established.

PUBLIC GRANTS

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

EMPLOYEE BENEFITS

The benefits guaranteed to employees paid out upon termination of employment or thereafter, through defined benefit plans (such as: employees' severance indemnities and additional months of salary) or other long-term benefits are recognised in the period when the right accrues. These provisions and benefits are not financed.
Employees' severance indemnities constitute a defined benefit plan valued based on actuarial criteria, which means that the amount accrued must be projected to the future to estimate the amount to be paid at the time of termination of employment and then discounted to present value, using the "projected unit credit method", to take account of the period of time that will pass before payment actually takes place. The Group constantly monitors the employees' severance indemnity liability, calculated in accordance with the above mentioned criteria, and at the same time calculates the liability to personnel in compliance with the rules laid down by Article 2120 of the Italian Civil Code.
In view of the scarce significance of the outright value of this statement of financial position (balance sheet) component and the difference in the liability calculated according to the two methods, the Group has recorded the employees' severance indemnity provisions by allocating the liability legally accrued at year-end pursuant to Article 2120 of the Italian civil code.

FINANCIAL EXPENSES

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

INCOME TAXES

Current taxes are allocated on the basis of a forecast of the charge pertaining to the year while also taking into account the effects relative to adherence to the "fiscal consolidation” of a majority of the companies of the Group.
Income taxes are charged directly to the Income Statement with the exception of those directly debited or credited to a shareholders’ equity reserve and whose fiscal effect is also recognized directly within shareholders’ equity.
In addition, and in relation to the accruals principle, deferred tax assets and liabilities have also been allocated within the consolidated financial statements for timing differences

associated with adjustments applied to the financial statements of consolidated companies – in order to have the latter comply with the homogeneous accounting principles of the Group – as well as for the timing differences which arose between the statutory results and the relative taxable income amounts.
Allocations for taxes which could be generated from the transfer of net income not distributed from subsidiaries are only implemented in the case that there is a real intention to transfer this income.
Deferred tax assets (or prepaid taxes) are only booked within the financial statements if their future recovery is probable.
With regard to deferred tax assets relative to fiscal losses that can be carried forward, refer to the next paragraph.
Deferred taxes are calculated based on the tax rates that are expected in the periods in which the taxable timing differences will be recovered.
Deferred tax assets and liabilities are classified under non-current assets and liabilities.
On 15 July 2011, Italian Law no. 111/2011 was passed; it converted Italian Law Decree no. 98/2011 bearing Urgent provisions for the financial stabilization of the Country (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax Act pertaining to the carrying forward of tax losses, eliminating the 5-year time limit prescribed for the purposes of determining whether prior years' tax losses can be carried forward (such losses, therefore, con be carried forward without limitation) and introducing a quantitative limit to the utilization of prior years' tax losses, i.e. 80% of the income produced in the following years. The aforesaid quantitative limit of 80% does not apply to tax losses generated in the first three years from incorporation, provided that they refer to a new productive activity.
The new provisions had already been enforced starting in 2011 and, as clarified by circular 54/E 2011 by the Italian Internal Revenue Agency, also with effect on the tax losses generated prior to 2011 and still being carried forward according to previous regulations.

On 14 September 2011, Law no. 148/2011, a conversion of Law Decree no. 98/2011 containing Urgent provisions for the financial stabilization and the economic development of the Country, was approved. The Law introduced the following changes pertaining to the IRES rate surcharge (Robin Tax):

- temporary increase of the IRES rate surcharge from 6.5% to 10.5% for 2011, 2012 and 2013;
- broadened range of energy industry operators to which the additional tax is applicable; specifically, the additional tax is also applicable to the renewable energy segment (i.e. wind, photovoltaic, etc.);
- change of the limits to the application of the additional tax; it will be applicable only if, in the previous tax period, revenues exceeded EUR 10 million (previously, the limit was EUR 25 million), and taxable income exceeded EUR 1 million.

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

IMPAIRMENT

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

The recoverable amount is the net selling price or value in use, whichever is higher. In measuring the value in use, the estimated future cash flows are discounted to their present value at a pre-tax rate that reflects the market's current assessment of the time value of money and the risks specific to the asset.
In particular, the recoverable amount of the cash-generating units (which normally coincide with the legal entity to which the fixed assets refer) is verified by determining the value in use. The principal assumptions used to calculate the value in use concern the discount rate, the growth rate, the expected variation in the selling prices of electricity and "green certificates", or the wastewater disposal service performed, and the trend in direct costs during the period assumed for calculation purposes. The Group's Management therefore adopted an after-tax discount rate that reflects the market's current assessment of the cost of money and the specific risk associated with the different cash-generating units. The growth rates used are based on growth forecasts pertaining to the relevant industrial sector of the legal entity. The variations in selling prices as regards the wastewater disposal service and direct costs are based on past experience, future market expectations and foreseeable changes in the specific regulatory situation of some of the Group's assets (with special reference to the anticipated trend in the price of electricity and "green certificates"). The Group prepares operating cash flow forecasts derived from the latest four-year plans approved and determines the terminal value on the basis of a medium and long-term growth rate in keeping with that of the specific sector in question. At least once a year, at the time of preparing the consolidated financial statements, the Group also verifies the recoverability of the goodwill.
Similar estimation processes are necessary in case of reference to the presumed realisable value due to the uncertainty inherent in each transaction.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than its carrying value, the carrying value of the asset is reduced to the lower recoverable value. A loss in value is immediately recognised in the Income Statement.
When there is no longer any reason to maintain a write-down, the carrying value of the asset (or cash-generating unit) is increased to the new value deriving from estimation of its recoverable value, albeit without exceeding the net carrying value the asset would have had if it had not been written down for impairment. Reinstatement of value is immediately recognised in the Income Statement.
For the details of the 2012 impairment tests, please refer to the chapter **2012 Impairment tests.**

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

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

FINANCIAL ASSETS

Financial assets are recognised at the trading date at cost corresponding to the nominal value, including transaction costs.
At the end of subsequent reporting periods, the financial assets that the Group companies have the intention and ability to hold to maturity are recognised at amortised cost, net of write-downs made to reflect impairment.

Financial assets other than those held to maturity are classified among those available for sale, and are measured at the original nominal value corresponding to the realisable value.
For available-for-sale financial assets, the gains and losses arising from changes in fair value are directly recognised in equity until the assets are sold or have suffered impairment; in such case, the total gains or losses previously recorded in equity are recognised in the Income Statement for the period.

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

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

All financial assets are initially recognised at fair value, plus – in the case of assets other than FVTPL assets – ancillary costs.
At the time of execution, an assessment is made as to whether or not a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value, whenever analysis shows that the economic characteristics and risks of same are not closely related to those of the host contract.

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

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

This category comprises:

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

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments. Gains and losses on assets held for trading are taken to the Income Statement.
As at 31 December 2012, 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 2012, 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 envisages the following measurement methods: Fair value and the amortised cost method:

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS
At the end of each reporting period, the Group verifies whether a financial asset or group of financial assets has suffered an impairment in value.
If there is objective evidence that a loan or receivable posted at amortised cost has suffered impairment, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future estimated cash flows discounted at the asset's original effective interest rate.
The carrying value of the asset is reduced by using a provision. The impairment amount is recognised in the Income Statement.

The Group assesses the existence of factual evidence of impairment at an individual level.
If the amount of impairment subsequently decreases and this reduction can objectively be attributed to an event occurring after recognition of impairment, the value previously reduced can be reinstated. Any subsequent write-backs of value are recognised in the Income Statement, to the extent that the asset's carrying value does not exceed the amortised cost as at write-back date.
As regards trade receivables, a provision for impairment is made when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that the Group will be unable to recover all amounts owed according to the original conditions.
The carrying value of the receivable is reduced by using a specific provision. Impaired receivables are written off if they are deemed unrecoverable.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

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

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

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

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.
After initial recognition, loans are measured at amortised cost using the effective interest rate method.
Every gain or loss is recorded in the Income Statement when the liability is discharged, as well as via the amortisation process.
Financial liabilities at FVTPL include "Held-for-trading liabilities".
"Held-for-trading (HFT) liabilities " are those acquired for the purpose of short-term sale and comprise derivatives – including those separated out – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the Income Statement.
As at 31 December 2012, there were no financial liabilities designated at FVTPL.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

In cases where the Group has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of

the asset, the asset is recognised in Group accounts to the extent of the Group's residual involvement in such asset.
A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or fulfilled.

TRADE PAYABLES

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

DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised at cost, and adjusted to fair value at the end of subsequent reporting periods.
Changes in the fair value of derivative instruments designated to hedge future cash flows relating to contractual obligations of the Group's Companies and expected future operations are recorded directly in equity. If the contractual obligations or the expected future operations that are hedged result in the recognition of an asset or liability, when the asset or liability is recorded, the associated gains or losses which were recorded directly in equity are included in the initial measurement of the acquisition cost or the carrying value of the asset or liability. For cash flow hedges which do not result in the recognition of an asset or liability, the amounts recorded directly in equity will be recognised in the Income Statement in the same period in which the contractual obligation or the expected operation impacts the Income Statement, for example, when an expected sale actually takes place.
Changes in the fair value of the derivative instruments that do not qualify as hedges are recognised in the Income Statement for the period when they arise.
The hedge accounting method is abandoned when the hedging instrument has matured, is sold, expires, or is exercised, or no longer qualifies as a hedge. In this case, the accumulated gains or losses of the hedging instrument directly recorded in equity are maintained until the expected operation occurs. If it is expected that the hedged operation will not occur, the accumulated gains or losses recorded directly in equity are transferred to the Income Statement for the period.
Put options on unlisted equity interests exercisable by third parties vis-à-vis the Group are recorded at the present value of the overall amount paid for the option and are measured as a component of the investment's purchase cost.

PROVISIONS FOR LIABILITIES AND CHARGES

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

EARNINGS PER SHARE

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

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

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

and, therefore, it is possible that in subsequent years the current amounts may differ as a result of changes in the subjective evaluations applied.

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

- provisions for bad debts, for inventory obsolescence, asset amortisation, depreciation and write-downs, tax-related risks;
- deferred tax assets, whose recognition is supported by the Group's prospective taxability resulting from the expected profitability of the business plans and from the forecast renewal of tax consolidation;
- the impairment test procedure for intangible assets, property plant and equipment and other equity investments, described in particular in the 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.

  In particular, during FY2009 there was a major development in the arbitration proceedings with ACEA S.p.A., pertaining to numerous disputes concerning the sale of the "Waste to Energy" and "Waste Management" businesses, which, on 20 January 2010, led to an award subject to appeal by the parties according to the terms provided by law. The board's final assessment substantially accepted the arguments presented by ERG Renew. In particular, in partial execution of the aforesaid arbitration award, ERG Renew S.p.A. repurchased from ACEA S.p.A. the receivables assigned within the scope of the sale of the above mentioned businesses; to cover said receivables, which at 31 December 2012 amounted to EUR 8.5 million, there is an existing provision of EUR 7.5 million, increased by EUR 1.0 million in 2012 in view of the hypothesised recoverability of the receivables in question.

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 PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2012

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

The amendments were issued in order to enhance the understanding of transfer transactions of financial assets, including the understanding of potential effects deriving from any form of risk still retained by the company having transferred such assets. Moreover, the amendments call for additional disclosures in the event that a disproportionate amount of such transactions is set up at the end of a reporting period. The adoption of this amendment did not produce any effect from the perspective of a valuation of financial statement items and had limited effects on reporting relations with related parties within this annual Financial Report.

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

On 12 November 2009, IASB issued the following new principle which will be applicable as of 1 January 2015. It should be noted that, as of the date of this Report, the competent bodies of the European Union had not yet reached a conclusion regarding the endorsement process required for the application of the amendment.

- **IFRS 9 – Financial instruments**
  The amendments pertain to the criteria for the recognition and measurement of financial assets and their classification in the financial statements. In particular, the new provisions establish, inter alia, a model for the classification and measurement of financial assets based exclusively on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. Moreover, the new provisions prescribe that equity investments other than those in subsidiaries, jointly controlled entities or associates shall be measured at fair value through profit or loss. If said equity investments are not held for trading, changes in fair value may be recognised in the statement of comprehensive income, maintaining in the income statement solely the effects connected with dividend distribution; at the time the equity investment is sold, the amounts recognised in the statement of comprehensive income shall not be allocated in the income statement. Moreover, on 28 October 2010 the IASB complemented the provisions of the IFRS 9 to include the criteria for the recognition and measurement of financial liabilities. In particular, the new provisions require, inter alia, that if a financial liability is measured at fair value through profit or loss, the changes in fair value connected to changes in the issuer's credit risk ("own credit risk" shall be recognised in the statement of comprehensive income; said component shall be allocated to the income statement to assure symmetric representation with other items connected with the liability, avoiding accounting mismatches. The provisions of IFRS 9 are effective starting from financial years beginning on or after 1 January 2015.

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

- On 17 May 2012, the IASB issued certain amendments to **IAS 1 – Presentation of Financial Statements**. The amendments clarify that if additional comparative information is provided, it shall be presented in accordance with IAS/IFRS. They further clarify that if an entity changes an accounting principle or makes a retrospective adjustment/reclassification, that entity shall present a balance sheet also at the start of the comparative period ("third statement of financial position" in the financial statements), whilst the explanatory notes need not contain comparative disclosures for said "third statement of financial position", aside from the involved items. The amendments will be applicable for financial years starting on or after 1 January 2013, with early adoption permitted.

- On 17 May 2012, the IASB issued an amendment to **IAS 16 - Property, Plant and Equipment**, clarifying that servicing equipment must be classified under Property, plant and equipment if it is used for more than one year, under inventory if it is not. The amendment will be applicable for financial years starting on or after 1 January 2013, with early adoption permitted.

- On 17 May 2012, the IASB issued an amendment to **IAS 32 – Financial Instruments: Presentation** to clarify that direct taxes on distributions to owners of equity instruments and on transaction costs on equity instruments follow the rules of IAS 12. The amendment will be applicable for financial years starting on or after 1 January 2013, with early adoption permitted.

- On 17 May 2012, the IASB issued an amendment to **IAS 34 – Interim Financial Reporting**, to clarify that total reportable segment assets shall be reported only if this information is regularly provided to the chief operating decision maker of the entity and there was a material change in total segment assets relative to what was reported in the last annual financial statements. The amendment will be applicable for financial years starting on or after 1 January 2013, with early adoption permitted.

- Transition guidance (**IFRS 10, IFRS 11, IFRS 12**): on 28 June 2012, the IASB issued the document "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" providing certain clarifications and simplifications with reference to the transition requirements for the standards IFRS 10, IFRS 11 and IFRS 12. The provisions shall be effective starting from the financial years beginning on or after 1 January 2013.

- Investment entities (**IFRS 10; IFRS 12 and IAS 27**): on 31 October 2012, the IASB issued the document "Investment Entities" which regulates the activities carried out by particular types of entities qualified as investment entities. The IASB identifies as investment entities those entities that invest with the sole purpose of obtaining an increase in the investment capital or income from the investment or both. The provisions shall be effective starting from financial years beginning on or after 1 January 2013.

The IASB also issued the **following amendments** whose endorsement process on the part of the EU had been completed by the date of this Report, but which were not adopted early by the Group:

- **IFRS 10 – Consolidated Financial Statements**: the standard supersedes SIC-12 Consolidation – Special Purpose Entities and certain parts of IAS 27 - Consolidated and Separate Financial Statements, which shall change title to IAS 27 - Separate Financial Statements and which shall regulate the accounting treatment of equity investments in the separate financial statements.
  The new IFRS 10 principle identifies the concept of control as the determining factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company, thereby supplying a guide in order to determine the existence of control in cases of difficult interpretation.

- **IFRS 11 – Joint Arrangements**: the standard supersedes IAS 31 – Interests in Joint Ventures and SIC-13 – Interests in joint ventures – Non-monetary Contributions by Venturers.
  The new principle provides criteria for identifying joint interest agreements based on the rights and obligations deriving from agreements rather than from their legal form and establishes the equity method as the only method for booking equity investments in jointly controlled entities within the consolidated financial statements.

- **IFRS 12 – Disclosure of Interests in Other Entities**: the objective of this standard is to illustrate the additional information which must be disclosed in relation to equity investments (subsidiaries, joint venture agreements, associated companies, special purpose entities and other non-consolidated vehicle companies).

- **IFRS 13 – Fair value measurement:** this principle illustrates the modalities for determining fair value for the purposes of the financial statements and applies to all principles which require or allow for a fair value measurement or the presentation of information based on the fair value.

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

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

- On 20 December 2010, IASB issued a minor amendment to **IAS 12 – Income taxes** which requires that the company valuates deferred taxes deriving from operations in light of the relative modalities for recovery through continual use or through sales. Following this amendment, SIC 21 - Income Taxes - Recovery of Revalued Non-Depreciable Assets will no longer be applicable.

- On 16 December 2011, the IASB issued certain amendments to **IAS 32 – Financial instruments: Presentation in financial statements**, in order to clarify the application of certain criteria for the compensation of financial assets and liabilities present within IAS 32. The amendments will be applicable in a retrospective manner for the years starting after or as of 1 January 2014.

- On 16 December 2011, the IASB issued certain amendments to **IFRS 7 – Financial instruments: Disclosures**. The amendment will require information on the effects, or potential effects, of contracts for the compensation of financial assets and liabilities on the financial situation. These amendments will be applicable for the years starting after or as of 1 January 2013 and the intermediate periods after this date. The information must be supplied in a retroactive manner.

- On 16 June 2011, IASB issued an amendment to **IAS 1 – Presentation of financial statements** which requires that the company separately specify the "Other comprehensive income statement items" which could subsequently be re-classified to the income statement. The amendment will be applicable for years starting on or after 1 January 2012

- On 16 June 2011, IASB issued an amendment to **IAS 19 – Employee benefits** which eliminates the option of deferring the recognition of actuarial income and losses with the corridor method, requesting the reporting of the deficit or surplus of the fund within the statement of financial position as well as the recognition of cost items linked to the services and the net financial charges in the income statement in addition to the recognition of actuarial profits and losses which derive from the re-measurement of liabilities and assets under Other comprehensive income/(losses). In addition, the return on the assets included under net financial charges must be calculated on the basis of the discount rate of liabilities and no longer on the basis of the expected return of the asset. The amendment, finally, introduces new additional information to supply within the notes to the financial statements. The amendment will be applicable for years starting after or as of 1 January 2013.

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

ENVIRONMENTAL RESTORATION PROVISIONS

In relation to the provisions of IAS 16 and IAS 37 and to the related interpretation document IFRIC 1 with respect to the recognition of expenses for the restoration of the site where the wind farms operate, the recoded provisions were adjusted to EUR 6.2 million with matching entry as higher tangible fixed assets. Said recognition derives from an analysis conducted on the basis of the most recent evidence of construction and removal of a wind farm and from the consequent revision of the estimates used in previous years. The impact on the income statement is not significant.

IMPAIRMENT TEST 2012

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

- acquisition of the 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 (see Chapter entitled "ERG Eolica Adriatica 2010");
- acquisition of 100% of ERG Eolica Campania (formerly, IVPC Power 3 S.p.A.), the owner of five wind farms operating since 2008 in the provinces of Avellino and Benevento, and with a total installed capacity of approximately 112 MW, for a total cost of EUR 100 million (see Chapter entitled "ERG Eolica Campania");
- setting up the LUKERG Renew joint venture, which in 2012 purchased wind farms operating in Bulgaria and authorisation for wind farms to be developed in Romania.

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.
The residual value of these assets before the 2012 impairment test was equal to:

- approximately EUR 110 million to higher value of the authorisations and preliminary agreements for the operating wind farms and for wind farms to be built in the future;
- approximately EUR 20 million to goodwill.

In consideration of the recorded goodwill values, for the 2012 financial statements their recoverable value was tested and the measurement models used in the previous tests of the intangibles associated with the business combinations discussed above were updated.
The Group therefore proceeded with estimating the recoverable value of the abovementioned assets. On the basis of IAS 36, the recoverable amount of an asset or of a cash-generating unit is the greater value between its fair value net of sales costs and its usage value.

Cash flows were discounted using a prudential estimate of the discount rate, including the various risk factors connected to the industry in the cost of equity (ke). Specifically, the risk free rate was identified as the average return of the ten-year government bonds of the reference country.

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

- the cash-generating units (CGU) relative to the individual wind farms for which the capital gains were allocated have been identified;
- in order to determine the recoverable value, intended as the value in use, the present value of operating cash flows associated with the CGU for the first twenty years of operation of the wind farms was estimated;

- the expected variation was determined as regards sale prices and the trend in direct costs during the period assumed for the calculation based on past experience, adjusted for future market expectations;
- for the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (6.3% for Italy, 5.50 for France, 8.2 for Bulgaria and 7.6% for Romania);
- no terminal value was assumed beyond the precise forecast period, in accordance with the methodology used during the phase of allocation of the acquisition price.

With regard to the value of **Goodwill**, two Cash Generating Units (CGU's) were identified in relation to the wind farms on which the goodwill is allocated, i.e. those of ERG Eolica Adriatica and ERG Eolica Campania.
In order to determine the recoverable value, intended as the value in use, the present value of operating cash flows associated with the CGU for the first twenty years of the wind farms was estimated.
For the purpose of discounting the cash flows, the discount rate used is the WACC for the industry (6.3% for Italy).
For each wind farm included within the CGU, a terminal value was also estimated, determined as a perpetual annuity with a growth rate (g) equal to zero. The terminal value which was obtained in this manner was prudently discounted by 50%.
The management of the Group considers the assumptions which were adopted to be reasonable and, on the basis of the abovementioned assumptions, no write-down was calculated.
Lastly, in these Financial Statements tangible fixed assets pertaining to the Ginestra wind farm were written down by approximately EUR 3.5 million, as their recoverable value was found to lower than the carrying value by the same amount.

- **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 prepared a sensitivity analysis regarding the recoverable value of the various CGU's: this analysis assumed that the overall revenues of sales of energy (i.e. the remuneration of energy and its production) could increase or decrease by an estimated amount of 5% with respect to the values estimated for the Plan. In the case of a 5% decrease in revenues, extended over the duration of the plan, the value of Goodwill would be written down by approximately EUR 8.
  Finally, it should be noted that an increase of 0.5% in the discounting rate would also involve a write-down of the goodwill allocated to the "Renewable" CGU's by EUR 5 million.
  The sensitivity analyses listed above confirm the sensitivity of the non-current asset recoverability assessments to a change in the above mentioned variables; in view of this, the Directors will systematically monitor the trend in the aforesaid external, non-controllable variables in order to make adjustments, if necessary, to the estimated recoverability of the carrying values of non-current assets in the consolidated financial statements.

SCOPE OF CONSOLIDATION

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

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

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

- On **1 January 2012** the absorption of ERG Eolica Italia S.r.l. by the parent company ERG Renew S.p.A. took effect for accounting purposes.

- On **22 February 2012**, a capital contribution of Euro 50 thousand was made in Eolico Troina S.r.l., of which Euro 25 thousand to cover the equity investment write-down provision and Euro 25 thousand on the carrying value of the equity investment.

- On **27 March 2012**, the 2% minority interest in ERG Eolica Basilicata was purchased for Euro 1 thousand; the equity investment in the company is now 100%.

- On **12 June 2012**, Euro 100 thousand were paid by way of price adjustment for the purchase of the subsidiary ERG Eolica Amaroni. This amount increased the value of the equity investment held by ERG Renew S.p.A.

- On **1 August 2012** the absorption of ERG Eolica Solare Italia S.r.l. by the parent company ERG Renew S.p.A. took effect; for accounting purposes, it was effective from 1 January 2012 onwards.

- On **13 September 2012**, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in Eolo to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale is subordinated to the obtainment, by the purchaser, of the financial support needed to take over the extant intra-group loan. To date, this condition precedent has not been fulfilled.

- On **30 November 2012**, the absorption of the companies ERG Eolica Tursi Colobraro S.r.l. and ERG Eolica Nurra S.r.l. by the parent company ERG Renew S.p.A. became valid, with effects for accounting purposes from 1 January 2012.

LUKERG RENEW JOINT VENTURE

The investee is consolidated at equity starting from 1 July 2012, in consideration of the start of its operations as a result of the acquisition of the wind farms in Bulgaria.

ACQUISITION OF WIND FARMS IN BULGARIA

In **June 2012** LUKERG Bulgaria GmbH, an investee of the LUKERG Renew GmbH joint venture, executed the deed of acquisition of all shares in the Bulgarian companies Wind Park Kavarna East EOOD, Wind Park Kavarna West EOOD and K&S Energy EOOD and of the eight equity investments held by the latter company, globally owning **wind farms already operating in Bulgaria**, in the Dobrich region, with an installed capacity of approximately 40MW. The enterprise value of the acquisition is approximately EUR 52 million. Of the financial resources needed for the acquisition, approximately EUR 33.7 million were obtained with Project Financing and the remainder with a loan by the two lending shareholders.
To this end, in 2012 ERG Renew paid EUR 7.2 million to LUKERG Renew and EUR 9.1 million to LUKERG Bulgaria GmbH, recognised in these Financial Statements among non-current financial Assets.

CONSTRUCTION OF WIND FARMS IN ROMANIA

On **17 December 2012**, LUKERG Renew closed the acquisition from Inergia S.p.A. (Santarelli group) of 100% of the capital of Land Power S.r.l., a Romanian company owning the authorisations required for **the construction of a wind farm in Romania**, in the Tulcea region, with a planned capacity of 84 MW and an estimated electricity generation of 200 GWh when fully operational.
LUKERG Renew expects to start construction work on the wind farm in the first quarter of 2013 and to start operations in the first six months of 2014. The total estimated investment for the construction of the park is approximately EUR 135 million. LUKERG Renew intends to finance the project through long-term non recourse Project Financing with the European Bank for Reconstruction and Development, which is carrying out due diligence on the project.
To this end, in December 2012 ERG Renew paid EUR 2 million to Land Power, recognised in these Financial Statements among non-current financial Assets.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

1 – PROPERTY, PLANT AND EQUIPMENT

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

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**37,084**	**773,039**	**3,108**	**39,262**	**852,493**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(6,089)	(142,659)	(931)	–	(149,679)
BALANCE AT 12/31/2011	**30,995**	**630,380**	**2,177**	**39,262**	**702,814**
MOVEMENTS DURING PERIOD:					
ACQUISITIONS	84	38,392	153	205	38,834
TRANSFERS AND DISPOSALS	(342)	(1,371)	–	(229)	(1,942)
RECLASSIFICATIONS	2,453	(2,452)	(1)	342	342
CAPITALIZATIONS	398	27,526	6	(27,930)	–
AMORTISATION/DEPRECIATION	(1,773)	(48,027)	(386)	–	(50,186)
WRITE-DOWNS	–	(3,874)	–	(230)	(4,104)
INCREASES FOR ENVIRONMENTAL RESTORATION	–	–	3,621	–	3,621
ASSETS HELD FOR SALE	(1,035)	(4,675)	(12)	–	(5,722)
HISTORICAL COST	**38,642**	**830,459**	**6,875**	**11,650**	**887,626**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(7,862)	(194,560)	(1,317)	(230)	(203,969)
BALANCE AT 12/31/2012	**30,780**	**635,899**	**5,558**	**11,420**	**683,657**

"Acquisitions" refers mostly to EUR 38 million of investments for wind farms, of which EUR 31 million pertain to the investee ERG Eolica Amaroni which in 2012 completed construction of the wind farm that started commercial operations in the fourth quarter of 2012.
Reclassifications are for the purpose of assuring consistency of representation of property, plant and equipment and of intangible assets.
Depreciation for the year was calculated adopting the same estimates of residual useful life used to draw up the consolidated financial statements at 31 December 2012.
For "write-downs", please refer to Note 27 "Amortisation/Depreciation, Write-downs and Provisions".
For "Increases for environmental restoration" please refer to the same paragraph within the Chapter entitled "Consolidation principles and evaluation criteria".
"Tangible assets under construction" primarily refer to investments in the wind sector and, specifically, the wind farms owned by ERG Eolica Ginestra S.r.l. (EUR 10,9 million). Please refer to Note 14 "Provisions for liabilities and charges".
The items "Land and buildings" and "Plant and equipment" primarily refer to investments in the wind sector; in particular, "Land and buildings" relate to excavation works, roadworks and land rights incurred prior to the start-up of the wind farms; investments in "Plant and equipment" refer to wind turbines and related electrical works.
The items "Land and buildings" and "Plant and equipment" include investments totalling Euro 876 thousand relating to the industrial site of Arzene (Pordenone) which were non-operational at the end of the reporting period. The carrying value at 31 December 2012 is in line with market value.

In FY2012, interest amounting to Euro 432 thousand was capitalized on loans connected with investments. The total amount of financial charges capitalized during previous years in respect of special purpose loans for the period prior to the coming into operation of the fixed assets amounted to Euro 14,408 thousand.
At 31 December 2012, the net carrying value of Property, plant and equipment included Euro 622,309 thousand for assets pledged as guarantees to third parties in relation to Project Financing contracts entered into by the group companies operating in the wind sector.
Lastly, at least once a year, at the time of drawing up the consolidated financial statements, the Group tests tangible assets for impairment. If property, plant and equipment had been accounted for net of the related capital grants paid by public entities and indemnities as per Note 17 "Other payables" – Non-current liabilities" and Note 20 "Other payables – Current liabilities" in accordance with the IFRS amendments issued by the IASB in 2008, the effect on the financial statements at 31 December 2012 would have been as follows:

DESCRIPTION	NET BOOK VALUE	GRANTS AND INDEMNITIES	VALUE NET OF GRANT
LAND AND BUILDINGS	30,780	–	30,780
PLANT AND EQUIPMENT	635,899	(3,112)	632,787
OTHER ASSETS	5,558	–	5,558
ASSETS UNDER CONSTRUCTION	11,420	–	11,420
TOTAL	**683,657**	**(3,112)**	**680,545**

2 – INTANGIBLE FIXED ASSETS

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

	AUTHORIZATIONS LICENCES AND TRADEMARKS	GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**227,029**	**20,115**	**4,677**	**1,901**	**253,722**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(16,535)	–	(1,173)	–	(17,708)
BALANCE AT 12/31/2011	**210,494**	**20,115**	**3,504**	**1,901**	**236,014**
MOVEMENTS DURING PERIOD					
ACQUISITIONS	100	–	–	546	646
TRANSFERS AND DISPOSALS	–	–	–	–	–
RECLASSIFICATIONS	19	–	187	(548)	(342)
CAPITALIZATIONS	1,355	–	89	(1,444)	–
AMORTISATION/DEPRECIATION	(10,038)	–	(282)	–	(10,320)
ASSETS HELD FOR SALE	–	(620)	–	–	(620)
HISTORICAL COST	**228,503**	**19,495**	**4,953**	**455**	**253,406**
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS	(26,573)	–	(1,455)	–	(28,028)
BALANCE AT 12/31/2012	**201,930**	**19,495**	**3,498**	**455**	**225,378**

The item "Acquisitions" almost entirely refers to investments in the corporate sector.
"Concessions, licences and trademarks" almost entirely concern the concessions for wind farms acquired either directly or together with the related business units.
Development costs, industrial patents and trademarks are measured at cost. Costs relating to wind farms which, at the end of the reporting period, had not been identified as future developments have been directly expensed in the Income Statement.

In particular, the regulatory scenario concerning investments for the construction and start-up of wind installations indicates an unforeseen fragmentation of regulatory responsibility and a profound procedural uncertainty. There is in fact a lack of uniformity in terms of local rules, albeit with an approval model apparently established in a unitary manner for the whole of Italy. There is consequently a heavy increase in the activities required to obtain construction permits and protraction of the time necessary to complete bureaucratic approval processes. The Group has therefore decided to capitalise development costs only when the approval process has been successfully completed.
It is estimated that intangible assets, with the exception of goodwill, have a limited and finite useful life; they are therefore amortised on a straight-line basis as follows:

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

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

3 – EQUITY INVESTMENTS

The reported balance includes:

	EQUITY INVESTMENTS
BALANCE AT 12/31/2011	**551**
MOVEMENTS DURING PERIOD	
CHANGE IN SCOPE OF CONSOLIDATION	–
ACQUISITIONS/INCORPORATIONS/CAPITAL INCREASES	421
DISPOSALS	–
WRITE-DOWNS	(18)
BALANCE AT 12/31/2012	**955**

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

	REGISTERED	%	BOOK VALUE
CONSORZIO DYEPOWER	ROMA	24.95%	930
EOLICO TROINA S.R.L.	PALERMO	99.00	25
ISAB ENERGY SOLARE S.R.L.	SIRACUSA	51.00	–
LUKERG RENEW GMBH	VIENNA	50.00	–
TOTAL			**955**

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

- the increase in the equity investment in the Dyepower Consortium as a result of the acquisition of 0.25% of Dyesol Italia S.r.l. for Euro 45 thousand, in addition to two payments to a consortium fund of Euro 350 thousand, necessary for the ordinary operations of the Consortium;
- the capital contribution to the investee ERG Eolica Troina S.r.l., i.e. Euro 25 thousand.

"Write-downs" include the valuation with the equity method of LUKERG Renew GmbH, a jointly controlled entity.
ISAB Energy Solare and LUKERG Renew GmbH are recognised according to the equity method, negative for both companies as at 31 December 2012: these values are recognised among provisions for liabilities and charges (Note 14).

4 – FINANCIAL ASSETS

The reported balance includes:

	12/31/2012	12/31/2011
INSURANCE POLICY - RAS	–	725
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	3,549	–
FINANCIAL RECEIVABLES FROM OTHER GROUP COMPANIES	16,213	612
TOTAL	**19,762**	**1,337**

"Financial receivables from subsidiaries" refer to the medium/long term portion of the ERG Renew's financial receivable from the subsidiary Eolo S.r.l. On 13 September 2012, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in Eolo S.r.l. to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale is subordinated to the obtainment, by the purchaser, of the financial support needed to take over the extant intra-group loan. To date, this condition precedent has not been fulfilled. With reference to the above, Group management, for the purposes of the requirements of IFRS 5, deems the completion of the transaction to be highly likely. Thus, in these consolidated Financial Statements the value of assets and liabilities subject to the transaction, hence corresponding to the disposal group prescribed by IFRS 5, were indicated among Assets and Liabilities held for sale.

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

- Interest-bearing loan stipulated on 25 May 2012 at a rate equal to the 6-month Euribor plus 400 basis points, granted to LUKERG Renew for EUR 1 million; 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 Euribor plus 400 basis points, granted to LUKERG Renew for EUR 5.5 million; the maturity according to the agreement is 31 December 2019;
- Interest-bearing loan stipulated on 6 June 2012 at a rate equal to the 6-month Euribor plus 400 basis points, granted to LUKERG Bulgaria for a total amount of EUR 9.3 million, of which Euro 250 thousand were repaid during the period ; the maturity according to the agreement is 30 June 2019;
- Interest-bearing loan at a rate equal to the Euribor plus 200 basis points granted by ERG Renew S.p.A. to ISAB Energy Solare S.r.l., against future financial commitments to the latter. In 2012, this loan has not undergone any changes.

Compared to the previous year, the amount of Euro 725 thousand recorded at 31 December 2012, referred to an annual-premium capital redemption insurance policy taken out with RAS S.p.A. and held as a secured pledge to RAS S.p.A., for the issue, by that company, of a surety policy in favour of subsidiary ERG Eolica San Vincenzo S.r.l., for the benefit of owners of land on which the subsidiary company's wind farm is located, was collected in 2012.

5 – OTHER RECEIVABLES – NON-CURRENT ASSETS

The reported balance includes:

	12/31/2012	12/31/2011
RECEIVABLE DUE FROM THE MUNICIPALITY OF FAETO	90	180
RECEIVABLE DUE FROM THE MUNICIPALITY OF GINESTRA	330	320
OTHER ADVANCES	5,725	5,730
OTHER RECEIVABLES	2,173	2,272
TOTAL	**8,318**	**8,502**

The receivables due from the Faeto and Ginestra municipalities refer to the long term portion of the annual payments for commission on the future revenue streams generated by the wind farm located in those municipalities.

"Other advances" refers in part (EUR 2.35 million) to the receivable due to the Group by Nordex, within a framework agreement for the supply of wind turbines that was partly utilized during 2011 in connection with the acquisition of blades for the site of the newly acquired company ERG Eolica Amaroni S.r.l., and in part (EUR 3.37 million) to the receivable pertaining to the Tursi Colobraro initiative (original EUR 4.6 million, posted after discounting EUR 1.3 million).

Reference is made to the section "Use of estimates" for considerations concerning the recoverability of these positions.

"Other receivables" entirely refer to deferred charges on payable rents and utility costs.

6 – TAX ASSETS – NON-CURRENT ASSETS

The balance of Euro 4,794 thousand reported for non-current tax assets, as was the case at 31 December 2011, consists entirely of the VAT credit claimed by the Group's companies, posted under non-current assets to take account of the effective conditions for settlement of such receivable. The significant decrease from last year is due in particular to the discharge of the receivable by ERG Eolica Fossa del Lupo and ERG Eolica Adriatica (approximately EUR 9 million), partly offset by the increase in VAT receivables for ERG Eolica Amaroni as a result of the investments made in 2012 (approximately EUR 3 million).

7 – DEFERRED TAX ASSETS

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

	12/31/2012		12/31/2011	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
DEPREC., AMORT., ADVANCES, NON-DEDUCTIBLE PAYABLE INTEREST, DERIVATIVES	94,531	27,850	81,607	22,442
LOSS CARRYFORWARDS	99,001	23,413	132,330	35,597
OF WHICH CHANGE IN SCOPE OF CONSOLIDATION	–	–	*3,564*	*1,119*
OTHER DIFFERENCES	24,964	4,904	15,548	4,509
BALANCE AT END OF PERIOD	**218,495**	**56,167**	**229,485**	**62,548**

At the end of the reporting period, as shown in the above table, the Group had deferred tax assets on prior year losses amounting to EUR 20.6 million, resulting from the domestic tax consolidation applied by the Group; the Group also has EUR 2.8 million in taxes relating to prior year losses, subject to unlimited carryforward, pertaining to the French operating companies acquired during FY2007. Reference is made to the section "Use of estimates" for considerations regarding the estimative process for determining the presumed recoverability of deferred tax assets.
The significant decrease in deferred taxes assets on losses is due to the taxable income recorded by the Companies included in the ERG Renew tax consolidation and by ERG Eolica Adriatica.

CURRENT ASSETS

8 – TRADE RECEIVABLES

The reported balance includes:

	12/31/2012	12/31/2011
RECEIVABLES DUE FROM THIRD PARTIES	25,741	24,677
RECEIVABLES DUE FOR "GREEN CERTIFICATES"	85,979	58,606
TRADE RECEIVABLES DUE FROM PARENT COMPANIES	8	417
TRADE RECEIVABLES DUE FROM GROUP COMPANIES	683	3
TRADE RECEIVABLES DUE FROM SUBSIDIARIES	11	449
TOTAL	**112,422**	**84,152**
BAD DEBT PROVISION	(7.549)	(6.549)
TOTAL TRADE RECEIVABLES	**104,873**	**77,603**

The Group considers that the carrying value of trade receivables, net of the related bad debt provision, approximates their presumed realisable value. Reference is made to the section "Use of estimates". The changes in the Provision in 2012 were as follows:

BALANCE AS AT 31 DECEMBER 2011	**6.549**
ALLOCATION 2012	1,000
UTILISATION 2012	–
BALANCE AS AT 31 DECEMBER 2012	**7,549**

The overall growth in "Receivables for "green certificates" is due to the following events:

- reduction due to the payment of "green certificates" pertaining to FY2010 in connection with Group production. Of this connection, in accordance with the inter-ministerial Decree per the section "Consolidation principles and evaluation criteria - Revenue recognition", 50% took place during the year (August 2012) and the remaining 50% on 31 December 2012. The difference between the amount assessed as at 31 December 2011 and the amount actually received in 2012, corresponding to Euro 107 thousand, reflects the differential between the sum estimated and that actually received from the GSE;
- increase resulting from the valuation of "green certificates" matured by the Group in FY2012 referring to the output of the following wind farms: Troia San Vincenzo (Foggia), Troia San Cireo (Foggia), Viticuso Vallerotonda (Frosinone), Pian dei Corsi Baltera (Savona), Vicari (Palermo), Faeto (Foggia), Ascoli Satriano (Foggia), Rotello (Campobasso), Baselice (BN), Bisaccia (AV), Foiano di Val Fortore (BN), Lacedonia (AV), Molinara (BN), Fossa del Lupo (CZ), Amaroni (CZ) and Ginestra (BN) for a total number of 1,070,192 "green certificates". The per unit value assigned to the "green certificates" amounted to 80.34 EUR/MWh as estimated under the aforesaid Decree (for a regulatory update in this connection reference is made to the section "Use of estimates").

The item trade receivables also includes the reimbursements from Terna, in connection with the reduction in output imposed by same, pursuant to Resolution ARG/elt 5/10 (Euro 1,725 thousand).

A breakdown of counterparties as regards the trade receivables due from parent companies and Group companies at 31 December 2012 and a description of the nature of these transactions are given in Note 35 "Related-party transactions".

9 – OTHER RECEIVABLES – CURRENT ASSETS

The reported amount is broken down as follows:

	12/31/2012	12/31/2011
ADVANCES	762	398
OTHER SUNDRY RECEIVABLES	30,921	3,774
ACCRUED INCOME AND PREPAID EXPENSES	3,634	2,602
TOTAL	**35,317**	**6,774**

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

Other sundry receivables

	12/31/2012	12/31/2011
OTHER RECEIVABLES DUE FROM PARENT COMPANIES	24,225	739
OTHER RECEIVABLES DUE FROM SUBSIDIARIES	2,400	–
OTHER RECEIVABLES FROM OTHER GROUP COMPANIES	3,124	–
OTHER SUNDRY RECEIVABLES	1,172	3,035
TOTAL	**30,921**	**3,774**

"Other receivables from parent companies" refers mainly to the balance of the Centralized 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.
"Other receivables due from subsidiaries" refer to the short term portion of ERG Renew's financial receivable from the subsidiary Eolo S.r.l. For additional information, please refer to Note 4 "Financial assets".
"Other receivables from other Group companies" include mainly an Interest-bearing loan stipulated on 19 December 2012 at a rate equal to the 1-month Euribor plus 250 basis points, granted to by ERG Renew to Land Power for EUR 2 million; the maturity according to the agreement is 10 December 2013.
Other receivables include receivables due from the municipalities in which the wind farms are located, particularly those of the companies ERG Eolica Adriatica S.r.l. and ERG Eolica Campania S.p.A. (EUR 0.8 million). The remaining sundry receivables relate to individually negligible amounts shown net of a bad debt provision of Euro 118 thousand.

The breakdown by counterparty of the other receivables due from parent companies and a description of the nature of such transactions are given in Note 35 "Related-party transactions".

Accrued income and prepaid expenses:

	12/31/2012	12/31/2011
UTILITIES	440	423
INSURANCE	1,398	1,091
OTHER ACCRUED LIABILITIES AND DEFERRED INCOME	1,796	1,088
TOTAL	**3,634**	**2,602**

The increase in "Accrued income and prepaid expenses" refers essentially to the different period of coverage of the invoices for O&M received in 2012 by the Group.

10 – TAX ASSETS – CURRENT ASSETS

The reported balance includes:

	12/31/2012	12/31/2011
VAT RECEIVABLES	9,452	14,368
TAX ADVANCES	150	–
OTHER SUNDRY TAX RECEIVABLES	468	815
TOTAL	**10,070**	**15,183**

The VAT receivable refers to the VAT credit position pertaining to the companies not included in the Group VAT procedure. The significant decrease is due to the VAT debiting that took place in 2012 for ERG Eolica Fossa del Lupo, Green Vicari and ERG Eolica Adriatica.

11 – CASH AND CASH EQUIVALENTS

The reported balance includes:

	12/31/2012	12/31/2011
BANK AND POSTAL DEPOSITS	89,806	53,216
TIME BANK AND POSTAL DEPOSITS	4,265	4,170
CASH AND NOTES ON HAND	1	2
TOTAL	**94,072**	**57,388**

Reference is made to the Consolidated Statement of Cash Flows and to Nota 22 "Net financial position" for details of the change in the item under review.
The item principally relates to the credit balances on bank current accounts, the carrying value of which represents the nominal value. It also includes Euro 87,577 thousand of cash and cash equivalents relating to the wind companies that have Project Financing contracts in place. The significant increase from the previous year derives from the sizeable increase in production as a result of the full contribution of the new wind farms and of the excellent wind conditions of 2012.
The amount of "Restricted bank and postal deposits", i.e. Euro 4,625 thousand as at 31 December 2012, refers: i) Euro 2,549 thousand for a deposit on a restricted account at Banca Popolare Emilia e Romagna as guarantee for a surety issued by the bank to the Campania region in connection with the potential concession of a public grant; ii) Euro 1,716 thousand for a deposit on a restricted account at Banca Monte dei Paschi di Siena as guarantee for a surety issued by the bank to the Basilicata region in connection with the Tursi Colobraro wind farm.

SHAREHOLDERS' EQUITY AND LIABILITIES

12 – SHAREHOLDERS' EQUITY

Share capital consists of 132,666,675 ordinary shares with a par value of EUR 1.00 each, fully subscribed and paid up.
The reported balance includes:

	12/31/2012	12/31/2011
SHARE CAPITAL	100,000	100,000
LEGAL RESERVE	–	–
CASH FLOW HEDGE RESERVE	(23,726)	(11,018)
OTHER RESERVES	444,309	437,072
NET PROFIT (LOSS)	28,315	7,225
GROUP SHAREHOLDERS' EQUITY	**548,898**	**533,279**
MINORITY INTERESTS	**828**	**845**
TOTAL	**549,726**	**534,124**

The breakdown of changes in shareholders' equity is provided in the specific schedule, to which reference is made. The reconciliation of the Parent company and Group shareholders' equity and net profit (loss) at 31 December 2012 can be summarised as follows:

	SHAREHOLDERS' EQUITY AT 12/31/2011	OTHER COMPONENTS TAKEN DIRECTLY TO SH. EQUITY FOR THE YEAR	NET PROFIT (LOSS)	SHAREHOLDERS' EQUITY AT 12/31/2012
ERG RENEW S.P.A. SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	532,321	(15,604)	114	516,831
EFFECTS OF CONSOLIDATION ENTRIES	958	2,908	(4,808)	(942)
PRO-RATA NET PROFIT (LOSS) OF THE CONSOLIDATED COMPANIES	–	–	33,009	33,009
GROUP SHAREHOLDERS' EQUITY AND NET PROFIT (LOSS)	**533,279**	**(12,696)**	**28,315**	**548,898**

Cash flow hedge reserve

The Group has derivatives transactions in place (Note 16) as mentioned in the section "Consolidation principles and evaluation criteria"; the change in the fair value of "effective" instruments is recorded in this shareholders' equity reserve.

13 – EMPLOYEES' SEVERANCE INDEMNITIES

The provision is set aside to cover the liability accrued in favour of employees in compliance with current legislation and national and company-level collective labour agreements. It is subject to index-linked revaluation.
The details of changes in employees' severance indemnities during the year are illustrated in the following table:

BALANCE AT 12/31/2011	**267**
MOVEMENTS DURING PERIOD	
PROVISIONS	183
UTILISATIONS	(142)
BALANCE AT 12/31/2012	**308**

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

14 – PROVISIONS FOR LIABILITIES AND CHARGES

The breakdown of the total balance reported was as follows:

			CHANGES		
	12/31/2012	12/31/2011	INCREASES	INCREASES	OTHERS
ENVIRONMENTAL ENHANCEMENT, RESTORATION	6,182	2,561	3,745	(124)	–
OTHER RISKS	3,008	1,248	1,778	(99)	81
CHANGE IN SCOPE OF CONSOLIDATION	–	81	–	–	(81)
TOTAL	**9,190**	**3,890**	**5,523**	**(223)**	**–**

The total amount of provisions for liabilities and charges was appropriated to cover the risk of adverse outcomes relating to various litigation proceedings involving Group companies, taking into account the assessments of the lawyers assisting the Group in the respective disputes. It reflects the limitations inherent in the use of estimates, as described in the section "Accounting standards and evaluation criteria".
These provisions, as mentioned in the section "Use of estimates", are set aside to cover the outcome of disputes directly or indirectly concerning the Group as a result of guarantees issued and are considered sufficient to meet the aforesaid risks.
With regard to the increase in the item "Environmental restoration" please refer to the related section.
"Other risks" includes the provision as a result of the "Valuation using the equity method" of the companies ISAB Energy Solare S.r.l. and LUKERG Renew GmbH (Euro 2,088 thousand).
Below we give details of the legal and fiscal proceedings and disputes currently involving the Group's companies.

HOLDING DIVISION

Below we give details of the legal and fiscal proceedings and disputes currently involving the Company.

- **ERG Renew S.p.A. v./ Enerwind S.r.l.**
  Proceedings initiated by Enerwind through a notification of a writ of summons dated 9 November 2011 and with which the plaintiff requested the recognition of a default on the part of ERG Renew with respect to the obligations assumed with the undersigning of five development contracts dated 26 September 2006 and for the effect declared through their cancellation, with a sentencing of ERG Renew to compensate damages quantified to equal EUR 43 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 assume that the requests on the part of the plaintiff are not well justified and the quantification of the damages is exorbitant. The first appearance hearing was held on 7 March 2012 and after it the Judge issued a decision on the preliminary matters of jurisdiction raised by Eolico Troina and it consequently gave the parties deadlines for filing closing briefs and the related replies, with which both parties have complied. Currently, the filing of the decision is awaited.

- **ERG Renew v./ACEA**
  Following the issue of the arbitration ruling of 27 January 2010 relative to the dispute in question, the buyback of the trade receivables guaranteed by ERG Renew in the stock sales contract of ARIA S.p.A. was planned (previously Tad Energia Ambiente S.p.A.) of 17 May 2006. The buyback of the receivables was implemented by means of deeds stipulated on 16 July 2010 while the activities to identify the operational lines in order to continue the previously initiated credit recovery actions, and initiate those not yet started, are underway (paragraph "Use of estimates").

- **ERG Renew (SAO S.p.A.)**
  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. ERG Renew is currently awaiting communication from the garnishee Bank as to the existence and size of the receivable.

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

WIND

- **ERG Eolica Italia S.r.l. (also as ERG Eolica S.r.l.'s amalgamating entity) v. CESP Calabria S.r.l.**
  Court of Castrovillari – Proceedings filed by CESP Calabria S.r.l. to obtain compensation for alleged damages totalling EUR 21 million incurred as a result of breach of contract. The case involved ERG Renew S.p.A., as the absorbing company of ERG Eolica Italia S.r.l., in addition to certain companies of the Acciona group, and it ended with the rejection of the request by CESP Calabria S.r.l., which was ordered to pay court costs. The formal judgement was filed on 8 February 2013 and the filing of the justification for the ruling is currently awaited.

- **ERG Eolica Ginestra S.r.l. /Campania Region / Various authorities – Campania TAR, Naples**
  Proceedings filed by ERG Eolica Ginestra in order to obtain the annulment, upon suspension of the effectiveness, of Management Decrees nos. 277/2010 and 333/2010, whereby the Campania Region imposed the partial suspension, for a period of no less than 90 days, of authorisation orders nos. 438/2006, 134/2008 and 416/2009 relating to the construction of the Ginestra degli Schiavoni wind farm. The case ended with the filing of the decision allowing the appeal filed by the company However, the investigations initiated by the Court of Benevento to ascertain the existence of any environmental offences connected with the construction of 4 wind turbines of the wind farm, temporarily subject to seizure per Article 321 of the Italian Code of Criminal Procedure.

- **ERG Renew v. World Wind Energy Holding S.r.l. - Gruppo D'Amato Holding S.r.l.**
  On 24 September 2012, ERG Renew served the aforesaid companies with the deed of appointment of arbitrator to initiate the arbitration procedure prescribed by Article 9 of the preliminary agreement for the purchase of the SPV shares of the Tursi and Colobraro wind power project. ERG Renew claims that World Wind Energy Holding S.r.l., Gruppo D'Amato Holding S.r.l., Parco Eolico di Tursi Colobraro Gruppo D'Amato Holding WWEH 1 S.r.l. failed to fulfil the obligations set out in the aforesaid preliminary agreement and consequently requests termination of the agreement as a result of breach and the repayment of twice the amount of the down payment, i.e. EUR 4.2 million. On 11 December 2012, the arbitration board was formed and the schedule for the procedure was set, requiring the filing of two briefs respectively on 27 December and 7 January. The subsequent hearing of 8 January was postponed to 11 January and then suspended. Currently, the setting of the new date of the hearing is awaited.

- **ERG Renew c/ Agricol Societè S.r.l. (formerly Parco Eolico di Troia WWEH 3 S.r.l.) Court of Milan**
  On 17 October 2012, Agricol Societè S.r.l. (hereafter, "AS") served ERG Renew S.p.A. with two payment injunctions amounting to Euro 250 thousand each, in view of the missed payment, by ERG Renew S.p.A., of two sureties of matching amount issued to guarantee contractual commitments made by the subsidiaries ERG Eolica San Cireo S.r.l. and ERG Eolica San Vincenzo S.r.l. At the time of the acquisition of the business units pertaining to the two wind power projects of Troia San Vincenzo and Troia San Cireo, the two companies had undertaken the obligation, if certain conditions were met, to pay annually to AS, as the seller of the business units constituting the projects, a variable portion of the price, commensurate with the output and revenues of the two wind farms. This commitment had been guaranteed by EnerTAD S.p.A., today ERG Renew S.p.A., by handing over to AS the aforementioned sureties for the maximum amount of Euro 250 thousand each. The conditions that would have caused the payment obligations in favour of AS to arise were not met either in 2010 or in 2011; AS was duly and promptly notified of this circumstance. However, AS alleges that the 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 hearing of the two appeal proceedings were then set of 18 and 23 March 2013. From the substantial point of view, the payment request put forth by AS is not deemed to be supported by valid arguments. However, because of the workings of guarantees on first demand, it is likely that the judge will allow a request for provisional enforcement of the two injunctions. In this case, ERG will bear the burden to initiate actions to recover the amount by dedicate trial proceedings.

In view of the above mentioned disputes, the provisions for liabilities and charges shown in the consolidated financial statements at 31 December 2012 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.

15 – FINANCIAL LIABILITIES

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

	12/31/2012	12/31/2011
PROJECT FINANCING	471,325	370,340
LOAN FROM BANCA POPOLARE DI MILANO	1,600	4,800
	472,925	**375,140**
NON-CURRENT PORTION OF FINANCIAL PAYABLES DUE TO PARENT COMPANIES	**–**	**1,494**
TOTAL	**472,925**	**376,634**

The non-current loan, whose interest rates are aligned with the market, received from Banca Popolare di Milano is a medium/long-term loan, stipulated in March 2007, replacing a credit line for the same amount issued by the same bank. The agreement provides for a repayment plan based on six-monthly instalments of Euro 1,600 thousand starting on 30 October 2009, with the last instalment on 30 April 2014.
The loan is unsecured and does not require any compliance with covenants. Early repayment is possible for a minimum amount of Euro 5,000 thousand starting from the twenty-fourth month after the date of execution of the loan agreement.
The item "Non-current portion of financial payables due to parent companies" as at 31 December 2011 referred to the credit line granted by ERG S.p.A. to ERG Renew S.p.A. More specifically, ERG S.p.A. committed to supporting ERG Renew S.p.A., during FY2009 and up to the amount of EUR 140 million, with financial backing for investments planned in 2009 in addition to any funding required to cover the ordinary and current operations of the Company and the Group during the same period. Said credit line was replaced, at the end of 2011, with a Centralized Financial Management Agreement.
Debt positions relating to Project Financing are described – for both the current and non-current portions – in the following sub-section "Project Financing".

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

	12/31/2012	12/31/2011
PAYABLES DUE TO OTHER FINANCERS	–	52
PAYABLES DUE TO OTHER GROUP COMPANIES	242	198
BANK ACCOUNT OVERDRAFTS	347	16,320
LOAN FROM BANCA POPOLARE DI MILANO	3,200	3,200
LOAN FROM BANCA NATIXIS	–	11,500
PROJECT FINANCING	48,981	75,779
TOTAL	**52,770**	**107,049**

The breakdown of payables due to Group companies, together with the nature of such transactions, are described in Note 35 "Related-party transactions".
Current account overdrafts, amounting to Euro 347 thousand, represent the Group's financial debt repayable at sight; the average interest rate for the year was 2.57% and the book value corresponds to the nominal value.
The amounts relating to the outstanding loan with Banca Popolare di Milano concern the repayment instalments due on 30 April 2013 and 30 October 2013.

The agreement entered into by ERG Renew S.p.A. with Banca Natixis in August 2007, disbursed on 26 October 2007 to purchase the companies of the ERG Eolienne France S.a.s. group, was fully repaid in the course of 2012.
Debt positions relating to Project Financing are described – for both the current and non-current portions – in the following sub-section "Project Financing".

Project Financing
As at 31 December 2012 the Group had in place the following Project Financing contracts, with interest rates in keeping with those of the market. This financing was granted in connection with the construction of wind farms:

- a contract executed in 2005 by **ERG Eolica San Cireo S.r.l.** (formerly, Eos 3 Troia S.r.l.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 8 million at 31 December 2012), as well as a comfort, as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges.
  - Debt Service Coverage Ratio (DSCR): This is determined at 30 June and 30 December of each year and is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, plus the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.30, ERG Eolica San Cireo S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica San Cireo S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- a contract executed in June 2007 by **ERG Eolica Faeto S.r.l. (**previously Eos 4 Faeto S.r.l.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 7 million at 31 December 2012), as well as a comfort letter from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges.
  - Historical Debt Service Coverage Ratio (DSCR): This is 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, ERG Eolica Faeto S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Faeto S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- a contract executed in August 2007 by **Green Vicari S.r.l.** The guarantees given include a mortgage on surface rights, special liens on assets and a 100% pledge over the company's share capital (EUR 10 million at 31 December 2012), receivables and current accounts. 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 quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that Green Vicari S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- financing relative to the construction of five wind farms in **France**.
  The guarantees given include a leasehold mortgage and a 100% pledge on the company's share capital and restricted current accounts (EUR 2 million at 31 December 2012). The loan is subject to the following covenant concerning the distribution of dividends.
  - Historical Debt Service Coverage Ratio: Historical Debt Service Coverage Ratio (DSCR): This is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.10, the French companies cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation from the banks.
  - The Project Financing also provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that the French companies cannot provide further guarantees on their assets.

- A contract executed by the company **Eoliennes du Vent Solaire S.a.s.** relative to the construction of a wind farm located in France. The guarantees given include a leasehold mortgage and a 100% pledge on the company's share capital and restricted current accounts (EUR 1 million at 31 December 2012).
  The loan is also subject to the following covenants and negative pledges:
  - Debt Service Coverage Ratio (DSCR): This is calculated as the ratio between the project's cash flow for the half-year in progress and the previous half-year, net of VAT flows for repayment of the VAT capital portion, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If less than 1.15, Eoliennes du Vent Solaire S.a.s. cannot distribute dividends to shareholders, nor repay subordinated debt, without prior authorisation

from the banks. In the event that the value is less than 1.10 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eoliennes du Vent Solaire S.a.s. cannot provide further guarantees on its assets.

- a 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 2 million at 31 December 2012). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): This is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Ginestra S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical DSCR is less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees. The first Historical and Prospective Debt Service Coverage Ratio of use for the dividend Distribution purposes shall be calculated on 30 June 2013, as agreed with the Banks with the waiver of 29 May 2012.
  - Loan Life Cover Ratio (LLCR): The LLCR is calculated as the ratio between net present value, discounted at the weighted average cost of the debt, of the operating cash flows anticipated by the company during the periods between the calculation date and the year in which the debt falls due, and the amount of debt outstanding at the calculation date. If less than 1.20, ERG Eolica Ginestra S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value is less than 1.10 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Ginestra S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

The covenants for **ERG Eolica Ginestra S.r.l.** shall be calculated for the first time on 30 June 2013, because the calculation is carried out for the first time 12 months after final testing.

- a loan contract executed in October 2009 by **ERG Eolica Adriatica S.r.l.** The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 22 million at 31 December 2012).

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

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

- Balloon Coverage Ratio (BLCR): The BLCR is calculated as the ratio between the net present value, discounted at the weighted average cost of the debt, the operating cash flows anticipated by the company during the periods between the last repayment date and the 60 months subsequent thereto and the amount of the last loan instalment (Balloon). If less than 1.50, ERG Eolica Adriatica S.r.l. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks.
- The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Adriatica S.r.l. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- a loan agreement executed in October 2007 by the company **ERG Eolica Campania S.p.A.** (formerly IVPC POWER 3 S.p.A.). The guarantees given include a leasehold mortgage, special liens on assets and a 100% pledge over the company's share capital and restricted current accounts (EUR 23 million at 31 December 2012). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): This is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Campania S.p.A. cannot distribute dividends to quotaholders, nor repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.
  - The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica Campania S.p.A. cannot provide further guarantees on its assets except in the case of guarantees given in accordance with the law.

- loan agreement stipulated in March 2012 by **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 13 million at 31 December 2011). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): This is calculated for each period of 12 months preceding and subsequent to each calculation date, as the ratio between the project's cash flow, net of VAT flows, and the total base line principal amount repayable as per the repayment schedule, the sum of the interest, commissions, and costs paid or payable in relation to the credit lines and the sums paid or payable by the company to the hedging banks or by the hedging banks to the company pursuant to hedging contracts. If the Historical and/or Prospective DSCRs are less than 1.15, ERG Eolica Fossa del Lupo S.r.l. may not distribute dividends to quotaholders, nor

repay subordinated debt, without prior authorisation from the banks. In the event that the value of the Historical and/or Prospective DSCRs are less than 1.05 and the company fails to put in place any of the remedies contractually provided, the banks can request termination of the loan agreement and enforcement of the guarantees.

- The Project Financing provides for a "negative pledge" which protects the creditor's right over the assets given by the debtor as a guarantee for loan repayment. This means that ERG Eolica 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.

In the course of 2012, ERG Eolica San Vincenzo extinguished the loan entered into in 2005.

In general, with reference to the covenants specified in this Note, on the basis of the recalculations carried out by the Company and shared with the banks, all financial covenants were fulfilled as at 31 December 2012.

16 – DERIVATIVES PAYABLES AND RECEIVABLES

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

	12/31/2012	12/31/2011
DERIVATIVES RECEIVABLES	–	1
TOTAL	**–**	**1**

	12/31/2012	12/31/2011
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	58,445	42,078
PAYABLES FOR PUT OPTIONS	1,844	1,844
TOTAL	**60,289**	**43,922**

Payables and receivables from derivatives

The table below shows the derivatives outstanding as at 31 December 2012 relative to ERG Renew S.p.A. and its subsidiaries:

CONTRACTING COMPANY	ISSUING BANK	CONTRACT	FAIR VALUE	MATURITY
ERG EOLICA FAETO S.R.L.	EFIBANCA	CAP	–	31/12/2013
ERG EOLICA FAETO S.R.L.	MCC	CAP	–	31/12/2013
ERG RENEW S.P.A.	B. POP. DI MILANO	CAP	–	30/10/2012
TOTAL DERIVATIVES RECEIVABLES			**–**	
ERG EOLICA SAN CIREO S.R.L.	EFIBANCA	IRS	(181)	31/12/2014
ERG EOLICA SAN CIREO S.R.L.	BBVA	IRS	(181)	31/12/2014
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	(415)	30/12/2019
PARC EOLIEN DE LIHUS S.A.S.	HSH NORDBANK	IRS	(439)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	(405)	30/12/2019
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH NORDBANK	IRS	(405)	30/12/2019
PARC EOLIEN DE LA BRUYÈRE S.A.S.	HSH NORDBANK	IRS	(457)	30/12/2019
PARC EOLIEN DE LA BRUYÈRE S.A.S.	HSH NORDBANK	IRS	(412)	30/12/2019
PARC EOLIEN DU CARREAU S.A.S.	HSH NORDBANK	IRS	(470)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	(430)	30/12/2019
PARC EOLIEN LES MARDEAUX S.A.S.	HSH NORDBANK	IRS	(453)	30/12/2019
GREEN VICARI S.R.L.	BNP PARIBAS BNL	IRS	(1,382)	30/06/2019
ERG EOLICA ADRIATICA S.R.L.	BNP PARIBAS BNL	IRS	(12,903)	15/06/2022
ERG EOLICA ADRIATICA S.R.L.	ING	IRS	(12,903)	15/06/2022
ERG EOLICA ADRIATICA S.R.L.	RBS	IRS	(12,903)	15/06/2022
ERG EOLICA GINESTRA S.R.L.	UNICREDIT	IRS	(1,648)	30/06/2025
ERG EOLICA GINESTRA S.R.L.	CENTROBANCA	IRS	(1,648)	30/06/2025
ERG EOLICA GINESTRA S.R.L.	BARCLAYS	IRS	(1,648)	30/06/2025
ERG EOLICA CAMPANIA S.P.A.	RBS	IRS	(3,257)	31/05/2020
ERG EOLICA FOSSA DEL LUPO S.R.L.	ING	IRS	(2,344)	31/12/2025
ERG EOLICA FOSSA DEL LUPO S.R.L.	CRÉDIT AGRICOLE	IRS	(2,015)	31/12/2025
ERG EOLICA FOSSA DEL LUPO S.R.L.	CENTROBANCA	IRS	(1,549)	31/12/2025
TOTAL DERIVATIVES PAYABLES			**(58,445)**	

During 2012 the Group entered into the following new derivatives contracts

- **LUKERG Renew GmbH (jointly controlled entity measured at equity) – Raiffeisen Bank:** an IRS contract, having an initial notional value of EUR 16.6 million, which, with effect from 31 December 2012, replaces the variable rate with a fixed rate.

Also in 2012, the CAP agreement entered into by ERG Renew S.p.A. was extinguished.

Summarised below are the main features of the derivatives contracts already in place as at 31 December 2011:

- ERG Eolica San Cireo S.r.l. – issuing banks Efibanca and BBVA:
  - two IRS contracts, having a notional value of EUR 16 million, relating to the first lot of the investment in the wind farm, which replace the variable rate used in the Project Financing with a fixed rate.
- ERG Eolica-Faeto S.r.l. – issuing banks Efibanca and MCC:
  - two CAP contracts having an initial notional value of EUR 4.8 million, each relating to the first lot of the investment in the wind farm, which, with effect from 31 December 2007, set a maximum limit of 5% as regards the variable rate used in the Project Financing (6-month Euribor).

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

- ERG Eolica Adriatica - issuing banks BNP Paribas, ING BANK N.V. and The Royal Bank of Scotland Plc:
  - three interest rate swap contracts entered into for hedging purposes, having a total initial notional value of EUR 179.5 million, which, with effect from 30 September 2009, regulate the variable Euribor differential with a fixed rate contractually determined;
  - three interest rate swap contracts entered into for hedging purposes, having a total initial notional value of EUR 7 million, which, with effect from 26 February 2010, regulate the variable Euribor differential with a fixed rate contractually determined. The three abovementioned contracts were closed during the course of 2011 at the time of the reimbursement of the relative underlying assets.

- ERG Eolica Ginestra S.r.l. – issuing bank Unicredit, Centro Banca, Barclays:
  - three IRS contracts, having a total notional value of EUR 38 million, which replace the variable rate used in the Project Financing with a fixed rate.

- Green Vicari S.r.l. – issuing bank Unicredit:
  - an IRS contract, having an initial notional value of EUR 35.3 million, which, with effect from 31 December 2010, replaces the variable rate with a fixed rate. This contract replaced the previous CAP contract which, with effect from 31 December 2008, set a maximum limit of 4.75% on the loan's benchmark rate.

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

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

- ISAB Energy Solare S.r.l. (a company valuated at equity with joint control) – issuing bank Intesa Sanpaolo:
  - an IRS contract, having an initial notional value of EUR 3.6 million, which, with effect from 31 December 2011, replaces the variable rate with a fixed rate.

The fair value of these contracts as at 1 January 2012 and 31 December 2012 is included in the net financial position under "E – Current financial receivables" (positive portion) and under "G – Current portion of non-current debt" (negative portion).
All the Group's derivatives outstanding at 31 December 2012 can be classified as level two; the relative fair value is determined via evaluation techniques based on variables that are directly (or indirectly) observable on the market.

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

TYPE	INSTRUMENT	PRICING MODEL	CALCULATION TOOL	MARKET DATA USED	DATA PROVIDER	IFRS 7 HIERARCHY
INTEREST RATE DERIVATIVES	INTEREST RATE SWAP	DISCOUNTED CASH FLOW	– MS EXCEL – FINCAD XL	– DEPOSIT RATES (EURIBOR) – RATES SWAP	– REUTERS	LEVEL 2
INTEREST RATE DERIVATIVES	INTEREST RATE OPTION (CAO, COLLAR)	BLACK & SCHOLES	– MS EXCEL – FINCAD XL	– DEPOSIT RATES (EURIBOR) – SWAP RATES – IMPLIED VOLATILITY SHORT-TERM RATES	– REUTERS – ICAP (VIA REUTERS)	LEVEL 2

The net income posted to the year's Income Statement in connection with the adjustment of fair value at 31 December 2011 to fair value at 31 December 2012 amounted to Euro 2,379 thousand.

Minority put options on unlisted interests:
The balance equal to 1,844 thousands Euro concerns the valuation of a put option on 0.69% of Ansaldo Fuel Cells S.p.A. granted by ERG Renew S.p.A. to Gepafin S.p.A. with expiry on 29 January 2009. Gepafin S.p.A. has notified exercise of its put option. ERG Renew S.p.A., considering this right on the shares of Ansaldo Fuel Cells S.p.A. to be invalid, has informed Gepafin S.p.A. that it will not purchase the shares concerned with the option. The related payable, currently still outstanding, is however recognised in the financial statements. The value of the option is Euro 1,844 thousand, which was the maximum exercise value as at 31 December 2012.

17 – OTHER PAYABLES – NON-CURRENT LIABILITIES

The balance shown under "Other payables" - non-current portion as at 31 December 2012 and 31 December 2011, concerns the non-current portion of deferred income pertaining to capital grants received by the companies Green Vicari S.r.l. and Eolo S.r.l. These liabilities have been classified as non-current in order to take account of the effective terms for settlement of same.

18 – DEFERRED TAX LIABILITIES

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

	12/31/2012		12/31/2011	
	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT	AMOUNT OF TIMING DIFFERENCES	TAX EFFECT
AMORTISATION/DEPRECIATION	9,259	2,152	11,388	2,186
CAPITAL GAINS ON BUSINESS COMBINATIONS	177,234	67,275	185,842	70,990
OF WHICH CHANGE IN SCOPE OF CONSOLIDATION	–	–	*115,425*	*44,044*
OTHER DIFFERENCES	888	277	1,304	364
BALANCE AT END OF PERIOD	**187,381**	**69,704**	**198,534**	**73,540**

19 – TRADE PAYABLES

The reported balance includes:

	12/31/2012	12/31/2011
TRADE PAYABLES	12,530	20,245
COMMERCIAL PAYABLES DUE TO PARENT COMPANIES	909	2,943
TOTAL	**13,439**	**23,188**

The carrying value of trade payables approximates their fair value. As at 31 December 2011, it was mainly due to the costs capitalized in the last quarter of 2011 by ERG Eolica Fossa del Lupo for the full commissioning of the wind farm.
The details of the counterparties involved in payables due to parent and group companies and the nature of these transactions is described in Note 35 "Related-party transactions".

20 – OTHER PAYABLES – CURRENT LIABILITIES

The reported balance includes:

	12/31/2012	12/31/2011
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	327	282
PAYABLES DUE TO EMPLOYEES	707	2,000
PAYABLES DUE TO DIRECTORS AND STATUTORY AUDITORS	128	234
PAYABLES DUE TO PUBLIC ENTITIES	6,277	4,547
OTHER PAYABLES DUE TO PARENT COMPANIES	264	545
OTHER SUNDRY PAYABLES	616	1,105
ACCRUED EXPENSES AND DEFERRED INCOME	632	667
TOTAL	**8,951**	**9,380**

As at 31 December 2011, "Payables due to employees" included mostly the payables for severance indemnities totalling approximately EUR 1.5 million.
The growth in the item payables due to public entities concerns above all the increase in the activities of the wind sector.
The item "Other payables" includes various amounts individually considered non-significant.

Accrued expenses and deferred income:

	12/31/2012	12/31/2011
EQUIPMENT GRANTS	327	442
OTHER ACCRUED LIABILITIES AND DEFERRED INCOME	305	225
TOTAL	**632**	**667**

The item "Equipment grants" refers to the current portion of the balance remaining of grants received (Euro 3,616 thousand), which will be credited to the Income Statement in subsequent financial years (Note 17 Other payables – non-current liabilities).

21 – TAX LIABILITIES

	12/31/2012	12/31/2011
CURRENT INCOME TAXES	5,059	1,588
VAT PAYABLE	193	–
WITHHOLDING TAXES	130	191
OTHER TAX LIABILITIES	198	266
TOTAL	**5,580**	**2,045**

This item mainly includes current tax payables accrued to 31 December 2012, as well as taxes withheld as withholding agent, paid in January 2013, and other minor tax liabilities.
The significant increase of "Current income taxes" from the previous year stems mainly from the payable for the IRES surcharge ("Robin Tax") on companies subject to this tax.

22 – NET FINANCIAL POSITION

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

(THOUSANDS OF EURO)	12/31/2012	12/31/2011
CASH AND CASH EQUIVALENTS	91,336	53,218
BANK ACCOUNT OVERDRAFTS	(347)	(16,320)
TIME BANK AND POSTAL DEPOSITS	4,265	4,170
SHORT-TERM NET FINANCIAL INDEBTEDNESS	**95,254**	**41,068**
FINANCIAL RECEIVABLES DUE FROM PARENT COMPANIES	23,841	–
FINANCIAL RECEIVABLES FROM OTHER GROUP COMPANIES	3,071	–
FINANCIAL RECEIVABLES DUE FROM OTHERS	200	419
FINANCIAL ASSETS	**27,112**	**419**
TOTAL CURRENT FINANCIAL ASSETS	**122,366**	**41,487**
PAYABLES DUE TO OTHER FINANCERS	(52)	(52)
PAYABLES DUE TO COMPANIES OF THE GROUP	(242)	(198)
PAYABLES DUE TO BANKS	(52,181)	(90,479)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(1,844)	(1,844)
TOTAL CURRENT FINANCIAL LIABILITIES	**(54,319)**	**(92,573)**
PAYABLES DUE TO PARENT COMPANIES	–	(1,494)
PAYABLES DUE TO BANKS	(472,925)	(375,140)
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	(58,445)	(42,078)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(531,370)**	**(418,712)**
NET FINANCIAL POSITION	**(463,323)**	**(469,798)**

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

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

DESCRIPTION		12/31/2012	12/31/2011
A	CASH	95,601	57,388
B	OTHER LIQUID ASSETS	–	–
C	SECURITIES HELD FOR TRADING	–	–
D	**CASH AND CASH EQUIVALENTS (A) + (B) + (C)**	**95,601**	**57,388**
E	**CURRENT FINANCIAL RECEIVABLES**	**27,112**	**419**
F	CURRENT BANK PAYABLES	347	16,320
G	CURRENT PORTION OF NON-CURRENT DEBT	54,319	92,573
H	OTHER CURRENT FINANCIAL PAYABLES	–	–
I	**CURRENT FINANCIAL DEBT (F)+(G)+(H)**	**54,666**	**108,893**
J	**NET CURRENT FINANCIAL DEBT (I)-(E)-(D)**	**(68,047)**	**51,086**
K	**NON-CURRENT FINANCIAL RECEIVABLES**	**–**	**–**
L	NON-CURRENT BANK PAYABLES	472,925	375,140
M	BONDS ISSUED	–	–
N	OTHER NON-CURRENT PAYABLES	58,445	43,572
O	**NON-CURRENT FINANCIAL DEBT (L)+(M)+(N)**	**531,370**	**418,712**
P	**NET FINANCIAL DEBT (J)-(K)+(O)**	**463,323**	**469,798**
	RECONCILIATION WITH THE STATEMENT OF CASH FLOWS AND STATEMENT OF FINANCIAL POSITION:		
(1)	CASH AND CASH EQUIVALENTS	95,601	57,388
(2)	BANK PAYABLES	347	16,320

INCOME STATEMENT ANALYSIS

23 – PRODUCTION VALUE

The reported amount is broken down as follows:

	2012	2011
OPERATING REVENUES	174,973	108,333
OTHER REVENUES AND INCOME	2,606	955
TOTAL	**177,579**	**109,288**

Operating revenues

	2012	2011
REVENUES FROM SALES AND SERVICES	88,618	56,893
REVENUES FOR "GREEN CERTIFICATES"	86,087	50,625
OTHER OPERATING REVENUES	269	815
TOTAL OPERATING REVENUES	**174,973**	**108,333**

"Revenues from sales and services" include the amount of Euro 1,725 thousand paid by Terna to the subsidiaries ERG Eolica San Cireo S.r.l., ERG Eolica San Vincenzo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Adriatica S.r.l., ERG Eolica Campania S.p.A., ERG Eolica Fossa del Lupo S.r.l. and ERG Eolica Ginestra S.r.l. in connection with the reduction in electricity output owing to problems on the national transmission grid in Puglia and Sicily.
Reference is made to the Management Report for a more complete analysis of the trend in revenues from sales and services.
"Revenues for "green certificates" represents the valuation of the "green certificates" accrued by the Group in FY2012 referring to the output of the following wind farms: Troia San Vincenzo (Foggia), Troia San Cireo (Foggia), Viticuso Vallerotonda (Frosinone), Pian dei Corsi Baltera (Savona), Vicari (Palermo), Faeto (Foggia), Ascoli Satriano (Foggia), Rotello (Campobasso), 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 1,070,192 "green certificates". The per unit value assigned to the "green certificates", as estimated under the aforesaid Decree, is 80.34 EUR/MWh, as more clearly analysed in the Management Report and in the above section "Use of estimates".

Other revenues and income:

The reported amount is broken down as follows:

	2012	2011
OPERATING SUBSIDIES	387	387
INDEMNITIES	230	49
OTHER INCOME FROM PARENT COMPANIES	–	106
OTHER INCOME FROM GROUP COMPANIES	100	–
OTHER INCOME	1,889	413
TOTAL	**2,606**	**955**

"Indemnities" concern insurance reimbursements for the damages incurred by certain French wind farms, which were settled during the year 2012.

The significant increase in "Other income" is due to the income tied to the penalties charged to the suppliers of the maintenance contracts as a result of the unavailability of the wind farms of ERG Eolica San Vincenzo S.r.l. and ERG Eolica San Cireo S.r.l., as provided contractually.
A breakdown of the amounts relating to transactions with Group companies is summarised in Note 35 "Related-party transactions".

24 – SERVICES

The reported amount is broken down as follows:

	2012	2011
SERVICES	9,996	14,144
UTILITIES	1,011	916
SUNDRY COSTS	13,533	9,657
USE OF THIRD PARTY GOODS	7,972	5,401
TOTAL	**32,512**	**30,118**

The item "Services" includes advisory costs, amounting to EUR 5.1 million, pertaining to the acquisition of the companies ERG Eolica Campania S.p.A. and ERG Eolica Amaroni S.r.l.
"Sundry costs" mainly concern operating expenses for the upkeep and routine maintenance of the industrial sites, insurance costs, municipal commission and other expense categories and minor charges directly related to operating activities. The overall increase in the aforesaid costs is essentially due to the above mentioned growth in the wind sector business, above all to the full operational availability of ERG Eolica Fossa del Lupo S.r.l. and to the full contribution of ERG Eolica Campania S.p.A.
The increase in the item "Use of third party goods" essentially concerns the growth in the wind business, the charges pertaining to ERG Eolica Campania S.p.A. (EUR 2.5 million) acquired during the current financial year and the rise in technical, legal and financial advisory costs.

25 – PERSONNEL EXPENSES

The reported amount is broken down as follows:

	2012	2011
SALARIES AND WAGES	2,721	2,805
SOCIAL SECURITY EXPENSES	790	833
SEVERANCE INDEMNITIES	183	182
OTHER COSTS	96	1,967
TOTAL	**3,790**	**5,787**

In 2011 personnel expenses included severance indemnities totalling approximately EUR 1.7 million, ascertained at the end of the year.

26 – OTHER OPERATING EXPENSES

The reported amount is broken down as follows:

	2012	2011
INDIRECT TAXES	3,094	1,584
OTHER PROVISIONS	113	929
WRITE-DOWNS OF RECEIVABLES	1,000	1,000
OTHER OPERATING EXPENSES	859	1,185
TOTAL	**5,066**	**4,698**

The increase in "Indirect taxes" refers to the IMU (local property tax) accrued in 2012.
The item "Bad debt provision" for 2012 refers to the position with respect to ACEA, described in the section "Use of estimates".

27 – AMORTISATION/DEPRECIATION, WRITE-DOWNS AND PROVISIONS

The reported amount is broken down as follows:

	2012	2011
AMORTISATION OF INTANGIBLE FIXED ASSETS	10,320	7,536
DEPRECIATION OF TANGIBLE FIXED ASSETS	50,186	39,377
AMORTISATION/DEPRECIATION	**60,506**	**46,913**
WRITE-DOWNS AND PROVISIONS	4,104	–
TOTAL	**64,610**	**46,913**

The growth in depreciation over FY2010 reflects the effect of depreciation for 12 months of the wind farms of ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Ginestra S.r.l. and ERG Eolica Campania S.p.A., the latter acquired in August 2011.
In 2012, "Write-downs and provisions" included:

- the write-down by approximately EUR 3.5 million of tangible fixed assets of the Ginestra wind farm, whose recoverable value was found to lower than the carrying value by the same amount, as commented in the Impairment test chapter;
- the write-down by EUR 0.4 million of the costs capitalized by ERG Renew with respect to the Skyline project;
- the write-down by EUR 0.2 million of tangible fixed assets under construction pertaining to the Faeto wind farm.

28 – NET FINANCIAL INCOME (EXPENSES)

The reported balance includes:

	2012	2011
FINANCIAL PROCEEDS	5,390	5,445
FINANCIAL EXPENSES	(29,197)	(37,120)
TOTAL	**(23,807)**	**(31,675)**

Financial income

	2012	2011
INTEREST AND COMMISSION FROM BANKS	3,926	5,207
INTEREST AND COMMISSION FROM OTHERS	477	149
INTEREST FROM GROUP COMPANIES	987	89
TOTAL	**5,390**	**5,445**

The item "Interest and commission from banks" mostly refers to the income from valuation of the ineffective portion of derivatives (Note 16 "Derivatives receivables and payables").
The increase in "Interest from Group companies" is a result of the Centralized Financial Management Agreement executed in December 2011 with the consequent opening of an intra-group current account. The characteristics of said agreement are provided in Note 4 "Financial assets".

Financial expenses

	2012	2011
INTEREST PAYABLE TO OTHERS	29,040	23,294
INTEREST PAYABLE TO GROUP COMPANIES	90	13,796
BANK CHARGES AND COMMISSION	67	30
TOTAL	**29,197**	**37,120**

The increase in interest payable to others is, in particular, due to i) the full contribution, in 2012, of ERG Eolica Campania S.p.A. (higher payable interest by EUR 1 million compared to 2011), ii) the interest payable on the wind farms of ERG Eolica Fossa del Lupo S.r.l. and ERG Eolica Ginestra S.r.l. which became operational during 2011 (higher payable interest by EUR 4 million compared to 2011).
The significant decrease in interest payable to Group companies is connected to the repayment of the line of credit in favour of the parent company ERG S.p.A. in December 2011.
Details of all financial income and expenses vis-à-vis Group companies are provided in Note 35 "Related-party transactions".

29 – INCOME (LOSS) FROM EQUITY INVESTMENTS

The reported balance includes:

	2012	2011
VALUATION USING THE EQUITY METHOD	(1,733)	(37)
WRITE-DOWN OF "OTHER EQUITY INVESTMENTS"	–	(142)
DIVIDENDS FROM OTHER COMPANIES	–	33
OTHER INCOME	–	282
TOTAL	**(1,733)**	**136**

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

30 – INCOME TAXES

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

The reported amount is broken down as follows:

	2012	2011
CURRENT INCOME TAXES	(19,703)	(6,701)
PRIOR YEAR TAX ADJUSTMENTS	1,299	481
DEFERRED INCOME TAXES	1,169	21,111
TOTAL	**(17,235)**	**14,891**

Compared to the previous years, "Current taxes" increased by EUR 13 million. This effect derives from the positive results recorded by the company in 2012.
In 2011, "Deferred taxes" had been affected in particular by Italian Law no. 111/2011 bearing Urgent provisions for the financial stabilization of the Country (2011 Corrective Budget) which changed the rules for the carrying forward of fiscal losses, and by the changes made to the Robin Tax regulations as a result of Italian Law no. 138/2011 bearing Urgent provisions for the financial stabilization of the country and the economic development of the Country (the total effect for 2011 was EUR 14 million).
Refer to the section "Use of estimates" for information on the increase in deferred tax assets booked in the income statement.

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

	TAXABLE AMOUNT	TAX
IRES (CORPORATION TAX)		
PROFIT BEFORE TAXES	45,639	
THEORETICAL IRES TAXATION AT 27.5%		–
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(14,997)
CURRENT IRES		**(14,997)**
DEFERRED IRES		1,169
CURRENT AND DEFERRED IRES		**(13,828)**
IRAP (REGIONAL TAX)		
OPERATING INCOME	71,179	
PERSONNEL EXPENSES AND WRITE-DOWNS	7,894	
TOTAL	**79,073**	
THEORETICAL IRAP TAXATION AT 3.9%		(3,084)
IRAP RATE INCREASED FOR SOME COMPANIES		–
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		(1,622)
CURRENT AND DEFERRED IRAP		**(4,706)**
TOTAL THEORETICAL TAXES		**(3,084)**
TOTAL IRES AND IRAP PER FINANCIAL STATEMENTS		(18,534)
TAXES FROM PREVIOUS YEAR		1,299
TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS		**(17,235)**

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

Assets and Liabilities held for sale

On 13 September 2012, the Board of Directors of ERG Renew approved the sale of the 51% equity investment held in **Eolo S.r.l.** to the minority shareholder, as it was deemed not to be strategic in terms of geographic position and technical configuration. The aforesaid sale is subordinated to the obtainment, by the purchaser, of the financial support needed to take over the extant intra-group loan. To date, this condition precedent has not been fulfilled.
With reference to the above, Group management, for the purposes of the requirements of IFRS 5, deems the completion of the transaction to be highly likely.
Thus, in these consolidated Financial Statements the value of assets and liabilities subject to the transaction, hence corresponding to the disposal group prescribed by IFRS 5, were indicated among Assets and Liabilities held for sale.

The details of the assets and liabilities held for sale, reclassified in the related balance sheet lines, are provided below.

(THOUSANDS OF EURO)	12/31/2012
PROPERTY, PLANT AND EQUIPMENT	5,722
INTANGIBLE ASSETS	620
OTHER RECEIVABLES	1
DEFERRED TAX ASSETS	76
NON-CURRENT ASSETS	**6,419**
TRADE RECEIVABLES	1,150
OTHER RECEIVABLES	33
TAX ASSETS	33
CASH AND CASH EQUIVALENTS	1,529
CURRENT ASSETS	**2,745**
TOTAL ASSETS	**9,164**
GROUP SHAREHOLDERS' EQUITY	2,304
SHAREHOLDERS' EQUITY	**2,304**
OTHER PAYABLES	391
NON-CURRENT LIABILITIES	**391**
CURRENT PORTION OF FINANCIAL PAYABLES	6,001
TRADE PAYABLES	158
OTHER PAYABLES	220
TAX LIABILITIES	90
CURRENT LIABILITIES	**6,469**
TOTAL LIABILITIES	**9,164**

Net profit (loss) from discontinued operations

The net profit (loss) from discontinued operations in 2011 includes the capital losses relating to the sale of companies operating in the hydro sector and of the projects located in France and called CITA Wind.

OTHER INFORMATION

32 – INFORMATION BY BUSINESS DIVISION

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

Business segment reporting - 2012

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

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

(1) relating to intangible and tangible assets

Business segment reporting - 2011

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

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

(1) relating to intangible and tangible assets

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

33 – EARNINGS PER SHARE

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

	12/31/2012	12/31/2011
NET PROFIT (LOSS)		
NET PROFIT (LOSS) USED TO CALCULATE BASIC EARNINGS PER SHARE	28,315	1,089

	12/31/2012	12/31/2011
NUMBER OF SHARES		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED TO CALCULATE BASIC EARNINGS PER SHARE	131,771,698	131,771,698

34 – PROFESSIONAL SERVICES OF THE AUDITING FIRM RECONTA ERNST & YOUNG S.P.A.

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

	RECONTA ERNST & YOUNG S.P.A.	OTHER ENTITIES OF THE RECONTA ERNST & YOUNG NETWORK
AUDITING SERVICES	225	–
OTHER SERVICES	52	91
TOTAL FEES	**277**	**91**

The item "Auditing services" refers to activities regarding certification of the consolidated and separate annual and interim financial reports and accounting control during the year performed by Reconta Ernst & Young S.p.A. and its French correspondents.
The item "Other services" mainly refers to other minor services supplied by the companies of the Reconta Network.

35 – RELATED-PARTY TRANSACTIONS

The transactions taking place during the year between the Parent company and its subsidiaries – which are related parties of such Company – have been eliminated in the consolidated financial statements and are not shown in these notes.
The Group receives from the parent company ERG S.p.A. services regulated by service contracts above all as regards administrative, financial and organisational activities, institutional and international relations, assistance with extraordinary operations, corporate affairs and planning and control as well as charges for the use of the computer system and office rental. These activities, covered by service contracts, are performed in a coordinated manner with the organisation of the ERG Renew Group, which in any case maintains its own contractual autonomy vis-à-vis its suppliers, and can be itemised as follows:

- Administration and Fiscal provides for the operational coordination of financial reporting activities, fiscal policies as well as activities intended to implement and activate the Group administrative processes for the correct application of accounting policies and supports the ERG Renew Group in the protection of its assets;

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

it provides support for the management and development of payroll programmes in accordance with legal, contractual and corporate requirements;

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

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

"Financial receivables from parent company", with a balance of EUR 24 million as at 31 December 2012, refers to the balance of the Centralized Financial Management Agreement between ERG Renew S.p.A. and the parent company ERG S.p.A., which provides for a maximum debt exposure of 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 detail of the remaining transactions between the Group and other related parties is shown below:

FINANCIAL DATA
Year 2012

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

Year 2011

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

With reference to financial receivables from Parent Companies and other Group companies, reference is made to Note 4 “Financial Assets”. Regarding the company ATE S.r.l., owner of a 49% stake in Eolo S.r.l., the Group has recorded a financial payable of Euro 52 thousand as described in Note 15 “Financial liabilities”.

PROFIT AND LOSS DATA

Economic transactions are carried out at values in keeping with those of the market. In FY2011 these services related mainly to administration and human resources management services. For the purpose of full disclosure, the FY 2011 economic values reported below do not take into account the reclassifications required by IFRS 5 and therefore also include the amounts specified in the line "Net profit (loss) of discontinued operations".

Year 2012

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

Year 2011

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

36 – COMMITMENTS AND CONTINGENT LIABILITIES

The total value of overall commitments of the Group's companies at the end of the reporting period amounted to Euro 53,895 thousand. The breakdown was as follows:

- Euro 16,577 thousand mostly related to the guarantees issued by Group companies as regards the supply contracts connected with construction of the wind farms;
- Euro 2,472 thousand related to the guarantees issued by Group companies, based on current regulations, in favour of the Fiscal Revenues Agency (Agenzia delle Entrate) and the competent VAT offices;
- Euro 31,799 thousand related to the guarantees issued by Group companies in favour of various public entities in connection with operating activities in the water services and wind sectors;
- Euro 3,048 thousand related to guarantees issued in favour of HSH Nordbank AG in connection with ongoing project financings pertaining to the French wind farms and to the ERG Eolica San Vincenzo wind farm.

37 – HEADCOUNT

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

	12/31/2012	12/31/2011
EXECUTIVES	3	7
WHITE-COLLAR WORKERS	33	65
TOTAL	**36**	**72**

The significant change from the previous year is the consequence of the sale of the companies DSI Servizi Industriali S.r.l. and SODAI Italia S.p.A. operating in the hydro sector and sold during the fourth quarter of 2011.

38 – RISK DISCLOSURE

Set out below is the breakdown of financial assets and liabilities as required by IFRS 7 according to the categories envisaged by IAS 39. Trade receivables and payables from and to companies of the ERG Group are not included in this disclosure.

FY2012

	NOTE	12/31/2012	LOANS & RECEIVABLES	HEDGING DERIVATIVES	HTM
ASSETS					
FINANCIAL ASSETS	4	19,762	19,762	–	–
OTHER RECEIVABLES	5	8,318	8,318	–	–
DERIVATIVES RECEIVABLES	16	–	–	–	–
TOTAL NON-CURRENT FINANCIAL ASSETS		**28,080**	**28,080**	**–**	**–**
TRADE RECEIVABLES	8	104,171	104,171	–	–
DERIVATIVES RECEIVABLES	16	–	–	–	–
CASH AND CASH EQUIVALENTS	11	94,072	94,072	–	–
TOTAL CURRENT FINANCIAL ASSETS		**198,243**	**198,243**	**–**	**–**
TOTAL FINANCIAL ASSETS		**226,323**	**226,323**	**–**	**–**

HTM: held to maturity

	NOTE	12/31/2012	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES					
FINANCIAL PAYABLES NET OF THE CURRENT PORTION	15	472,925	472,925	–	–
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	16	58,445	–	57,331	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES		**531,370**	**472,925**	**57,331**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	15	52,770	52,770	–	–
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	16	1,844	1,844	–	–
TRADE PAYABLES	19	12,530	12,530	–	–
TOTAL CURRENT FINANCIAL LIABILITIES		**67,144**	**67,144**	**–**	**–**
TOTAL FINANCIAL LIABILITIES		**598,514**	**540,069**	**57,331**	**–**

HTM: held to maturity

FY2011

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

HTM: held to maturity

	12/31/2011	LIABILITIES AT AMORTISED COST	HEDGING DERIVATIVES	HTM
LIABILITIES				
FINANCIAL PAYABLES NET OF THE CURRENT PORTION	375,140	375,140	–	–
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	42,078	–	40,176	–
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**417,218**	**375,140**	**40,176**	**–**
CURRENT PORTION OF FINANCIAL PAYABLES	107,049	107,049	–	–
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	1,844	1,844	–	–
TRADE PAYABLES	23,188	23,188	–	–
TOTAL CURRENT FINANCIAL LIABILITIES	**132,081**	**132,081**	**–**	**–**
TOTAL FINANCIAL LIABILITIES	**549,299**	**507,221**	**40,176**	**–**

HTM: held to maturity

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

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

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

As regards exposure to the risk of offences pursuant to Legislative Decree no. 231/01, the Group's companies have adopted Organisation, Management and Control Models. These identify analytically the corporate activities where offences relating to the above mentioned regulation may occur. Specific operating protocols have been prepared in order to schedule development and implementation of the entity's decisions concerning the offences to be prevented.
The Group's companies have also set up Supervisory Committees, whose task is to periodically monitor mapping of the areas at risk of offences and carry out systematic checks to ascertain that the operating protocols contemplated in the Models are duly observed.

CREDIT RISK

Exposure to credit risk, inherent in the possibility of default by counterparties or deterioration of the creditworthiness assigned to same, is managed by means of appropriate analysis and evaluation of each individual counterparty.
The credit risk concerning the Group's financial assets features a maximum risk, in case of insolvency of the counterparty, equal to the carrying value of such assets.
The tables below provide information on the Group's exposure to credit risk as at 31 December 2012 and 31 December 2011:

	12/31/2012	PAST DUE AGEING			
		30 DAYS	60 DAYS	90 DAYS	MORE THAN 90 DAYS
NON-CURRENT FINANCIAL ASSETS NOT PAST DUE	**28,080**	**–**	**–**	**–**	**–**
TRADE RECEIVABLES	103,649	–	–	–	–
CASH AND CASH EQUIVALENTS	94,072	–	–	–	–
TOTAL CURRENT FINANCIAL ASSETS NOT PAST DUE	**197,721**	**–**	**–**	**–**	**–**
PAST DUE TRADE RECEIVABLES	8,773	–	–	–	–
BAD DEBT PROVISION	(7,549)	–	–	–	–
TOTAL PAST DUE CURRENT FINANCIAL ASSETS	**1,224**	**–**	**–**	**–**	**1.224**
TOTAL FINANCIAL ASSETS	**227,025**	**–**	**–**	**–**	**1.224**

Trade receivables more than 90 days past due in the amount of Euro 1,224 thousand mainly comprise the receivables acquired by the Group in 2010 by the ERG Renew S.p.A. Group from the company ACEA S.p.A.; the considerations concerning the credit risk connected with these positions are set out in the detailed description provided in the above section "Use of estimates – write-down of receivables".

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

MARKET RISK

The Group's liabilities are primarily exposed to financial risks relating to changes in interest rates. In order to manage the risk of fluctuations in interest rates the Group uses derivatives, which mostly come under the contractual category of interest rate swaps. In particular, the Group's policy is to convert part of its variable interest-rate payables to a fixed interest rate in order to normalise financial expenditures. These instruments, being effective, have been designated as "cash flow hedges". Reference is made to Note 16 "Derivatives receivables and payables" for a breakdown of the categories of instruments used, the reference notional value and the fair value at 31 December 2012.

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

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

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

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

While, as mentioned, reference is made to Note 16 for information on outstanding derivatives contracts, set out below is an analysis of the impact on the pre-tax result (for the ineffective or trading portion) and on shareholders' equity (for the effective portion of the hedge) of the changes in fair value of the derivatives in the event of interest rate fluctuations of +/-1%, with all other variables remaining the same.

Impact on the income Statement

	2012	2011
SHOCK UP (CHANGE IN INTEREST RATE **+1%**)	366	1,174
SHOCK DOWN (CHANGE IN INTEREST RATE **-1%**)	(494)	141

Impact on shareholders' equity

	2012	2011
SHOCK UP (CHANGE IN INTEREST RATE **+1%**)	20,879	2,205
SHOCK DOWN (CHANGE IN INTEREST RATE **-1%**)	(20,629)	(30,273)

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. The parent company ERG S.p.A. has formally given its unconditional commitment to support ERG Renew as regards its investments planned during FY2011, as described in Note 15, "Financial Liabilities".

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

The total amount of interest on the payable not yet matured is Euro 16,062 thousand and it was calculated utilising the latest variable interest rate available; due to the transactions involving hedging derivatives previously reported, the synthetic rate is fixed at the specific contractual conditions of each derivative.
Moreover, the financial liabilities not yet past due include payables connected with Project Financing contracts totalling Euro 520,306 thousand, to which the cash flows channelled from wind revenues are allocated.
The remaining financial liabilities not past due with respect to those indicated above are offset by the current assets analysed in the previous sub-section "Credit risk" with consequent overall financial equilibrium.

	12/31/2011
NON-CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**417,218**
FINANCIAL PAYABLES MATURING DURING THE YEAR	107,049
PAYABLES DUE TO DERIVATIVE INSTRUMENTS	1,844
TRADE PAYABLES	23,188
TOTAL CURRENT FINANCIAL LIABILITIES NOT PAST DUE	**132,081**
TOTAL PAST DUE CURRENT FINANCIAL LIABILITIES	**–**
TOTAL FINANCIAL LIABILITIES	**549,299**

The total amount of interest on the payable not yet matured is Euro 14,931 thousand and it was calculated utilising the latest variable interest rate available; due to the transactions involving hedging derivatives previously reported, the synthetic rate is fixed at the specific contractual conditions of each derivative.

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

39 – PUBLICATION DATE OF FINANCIAL STATEMENTS

On 5 March 2013 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.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ERG RENEW S.P.A. AS AT 31 DECEMBER 2012

Dear Shareholders,

The FY2012 Consolidated Financial Statements of ERG Renew S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission, also including all the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). In accordance with Italian Legislative Decree No. 58/98 and Article 41 of Italian Legislative Decree No. 127/91, the consolidated financial statements have been subject to auditing on the part of the Independent Auditing Firm which has ascertained its regularity and consistency with the accounting records of the parent company and the information provided by the companies included within the scope of consolidation. Our supervisory activity has been carried out in compliance with the standards of behaviour for the Board of Statutory Auditors promulgated by the *Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri* (Italian National Councils of Professional and Certified Public Accountants) and, inter alia, it has concerned the following:

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

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

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

The consolidated financial statements at 31 December 2012 report a net profit of € 28 million, compared to a net profit of EUR 1 million in FY2011.
Finally, the report issued by the independent auditing firm Deloitte & Touche S.p.A. on 19 March 2013 does not contain any observations or requests for information.

Genoa, 19 March 2013

The Board of Statutory Auditors
Lelio Fornabaio
Mario Lamprati
Gioacchino Messina

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010 and art. 165 of Legislative Decree n. 58 dated 24 February 1998

To the Shareholder of ERG Renew S.p.A.

1. We have audited the consolidated financial statements of ERG Renew S.p.A. and its subsidiaries, (the "ERG Renew Group") as of 31 December 2012 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of other comprehensive income components, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of ERG Renew S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report issued by another auditor dated 12 March 2012.

3. In our opinion, the consolidated financial statements of the ERG Renew Group at 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the ERG Renew Group for the year then ended.

4. The Directors of ERG Renew S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Report on Operations with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations is consistent with the consolidated financial statements of the ERG Renew Group at 31 December 2012.

Milano, 19 March 2013

Reconta Ernst & Young S.p.A.

Signed by: Alberto Romeo, Partner

Reconta Ernst & Young S.p.A.
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ERG RENEW S.P.A.

Torre WTC
via De Marini, 1 – 16149 Genoa
Phone +39 010 24011 – Fax 010 2401490

www.ergrenew.it

REGISTER OFFICE

via De Marini, 1 – 16149 Genoa

Share Capital EUR 100,000,000.00 fully paid
R.E.A. Genoa n. 43346
Company Register Genoa
and Fiscal Code 00276450632
VAT 09077420157

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This publication is available in pdf format at www.ergrenew.it
Written by: Direzione Amministrazione e Finanza - lgiorgerini@ergrenew.it
Editing: Comunicazione e Corporate Image - immagine@erg.it
Translation: Agostini Associati - Milan