

## **ERG Renew**

Interim Management Statement at 30 September 2009



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## CORPORATE BODIES

### Board of Directors \*

<b>Chairman</b>		Raffaele Tognacca
<b>Deputy Chairman</b>		Vittorio Garrone
<b>Chief Executive Officer</b>		Francesco Del Balzo
<b>Directors</b>	Independent	Italo Giorgio Alfieri Luca Bettonte
	Independent	Lorenzo Caprio Pietro Giordano
	Independent	Giorgio Mazzanti
	Independent	Ernesto Monti

### Board of Statutory Auditors \*\*

<b>President</b>	Lelio Fornabaio
<b>Standing statutory auditors</b>	Francesco Gatti Andrea Manzitti

### Manager responsible for financial reporting (Law 262/05)

**Luca Giorgerini**

### External auditor

**Deloitte & Touche S.p.A.**

\* Appointed on 21 April 2009 and in office until shareholder approval of FY2011 annual financial statements

\*\* In office until shareholder approval of FY2010 annual financial statements

## Foreword

The Interim Management Statement at 30 September 2009, which has not been subjected to a legal audit, has been prepared in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRSs) and on the basis of the requirements contained in Paragraph 5 of Article 154-ter of the Italian Consolidated Finance Act, applying Directive 2004/109/EC (the Transparency Directive).

Consolidation and accounting policies are the same as those indicated in the 2008 Annual Consolidated Financial Report, to which reference should be made. It should also be noted that preparation of the quarterly Interim Management Statement requires management to make estimates and assumptions that affect the amounts of revenues, costs, and assets & liabilities and disclosure concerning contingent assets and liabilities as at the interim date of reference. If in future these estimates and assumptions, which are based on the best current evaluation made by management, should differ from actual circumstances, they will be modified appropriately in the period when the circumstances happen to change.

It is also pointed out that some assessment processes – in particular the more complex ones, such as calculation of any impairment of non-current assets – are generally performed in full only when annual financial statements are prepared, i.e. when all and any information needed is available, except in cases where there are impairment indicators such as to require immediate assessment of any impairment of value. Similarly, quantification of the green certificate value based on the new regulatory requirements requires estimation during the year of green certificates' average market price in FY2009.

As already indicated in the Report on Operations in the 2008 Consolidated Annual Financial Report, on 9 March 2009 the Board of Directors of ERG Renew approved the new 2009-2012 Business Plan. The new plan envisages total investments by the end of 2012 of approximately Euro 300 million (of which Euro 93 million in 2009) for total installed capacity of 372 MW (of which 199.3 MW already installed). In view of considerable domestic and regional regulatory uncertainty, as well as the crisis of financial markets already mentioned, which today makes it difficult and costly to gather financial resources – and in order to give investments visibility and certainty – the plan is based on the development of wind-farm projects for which site work can effectively be initiated.

We highlight the fact that, following postponement of the planned cash capital increase, approved in 2008, caused by the critical conditions of financial markets, 2009 investments, totalling Euro 93 million, will be underpinned by injections of equity, use of bank borrowing, and support from the parent company ERG S.p.A. During February 2009 the latter formally and irrevocably committed to supporting ERG Renew in the investments planned for 2009 up to the amount of Euro 70 million. The relevant agreement was signed on 29 April and already used by the Company to the extent of Euro 12.1 million during the second and third quarters of 2009.

## Business description

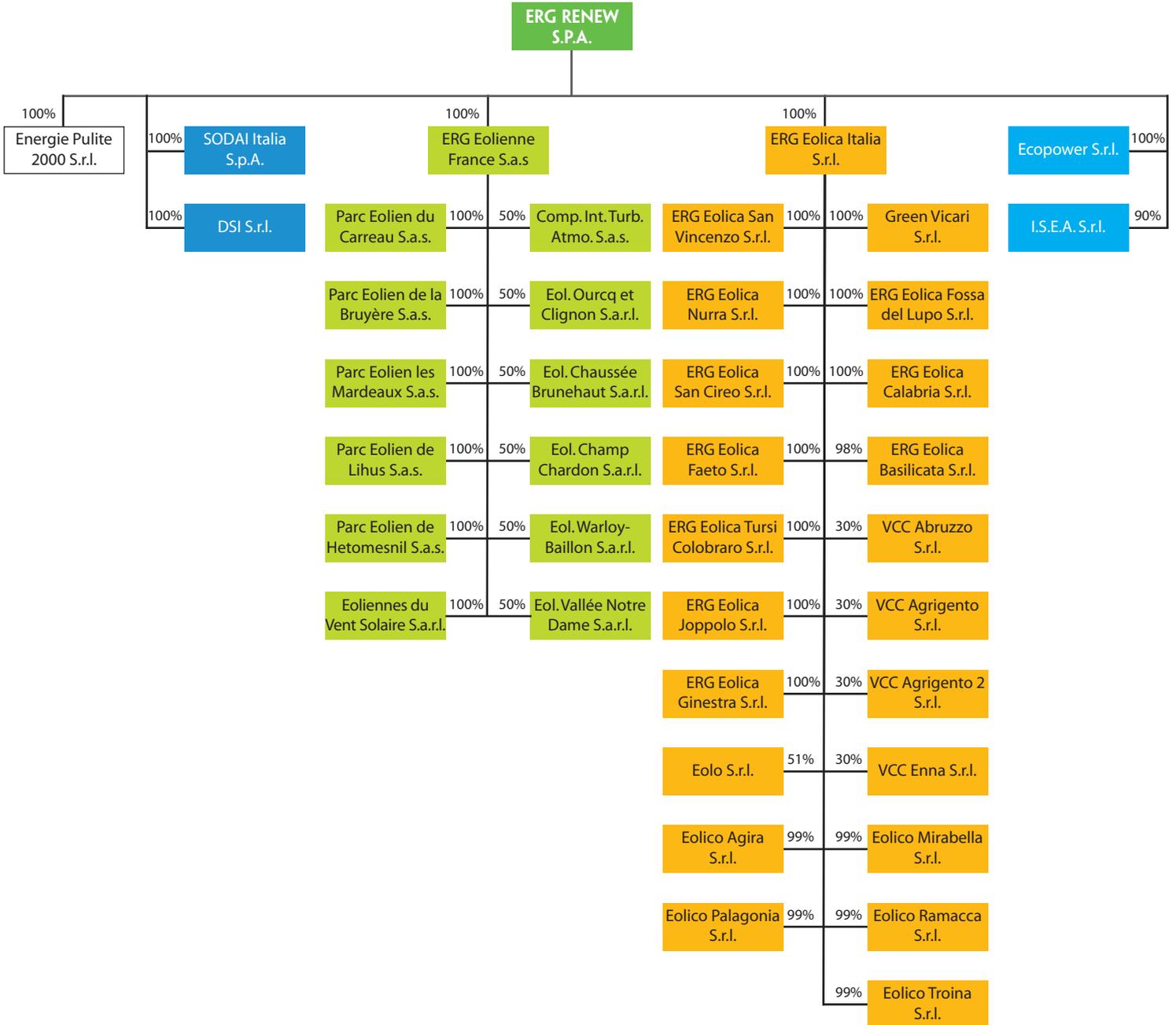
The ERG Renew Group of the first nine months of 2009 is very different to that of the same period in 2008 following completion of the extraordinary operation of partial demerger of ERG Power & Gas as regards the renewable-source energy business to ERG Renew, effective 1 October 2008. This in fact consolidated the Group's presence in the wind power sector and helped to develop the new sector of hydroelectric power stations (mini-hydro). The contents of this extraordinary operation have been represented in detail in the Report on Operations in the 2008 Consolidated Annual Financial Report as well as in the Prospectus and subsequent supplement prepared pursuant to the CONSOB (Italian securities & exchange commission) Regulation, all of which are available on the company's site [www.ergrenew.it](http://www.ergrenew.it).

ERG Renew is thus active in the following businesses:

- **Wind - Italy:** via its subsidiaries ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.), ERG Renew generates electricity from wind sources. There are currently 6 wind farms in operation – San Vincenzo (42 MW), San Cireo (30 MW), Faeto (24 MW), Viticuso (9 MW), Green Vicari (37.5 MW) and Pian de Corsi Baltera (1.6 MW) with installed capacity in operation totalling 144.1 MW. The capacity relating to the Green Vicari and Pian de Corsi Baltera wind farms is a consequence of the process of partial demerger of ERG Power & Gas S.p.A., whose wind-power and hydropower assets were contributed to ERG Renew effective 1 October 2008. In addition, the Group also has 140 MW authorised and for which site work has already started. This relates to the Ginestra wind farm (40 MW), due to start operation by the end of FY2010, and to the Fossa del Lupo wind farm (100 MW), which will gradually come on-stream between June 2010 and June 2011.
- **Wind - France:** in November 2007 ERG Renew entered the French market via acquisition of 5 wind farms for total installed capacity of 55.2 MW. The French wind farms are controlled by ERG Eolienne France (formerly Enerfrance S.a.s.). During the last quarter of 2008, the latter company also finalised two important deals. On 10 October 2008 it finalised the purchase from the French group GSEF of a 50% equity interest in CITA Wind and five project companies. CITA Wind, a company active in the development of wind farms in Northern France, currently has projects for 288 MW in its portfolio, of which 168 MW at an advanced stage of development and 120 MW at a preliminary stage of development. On 12 November 2008, ERG Eolienne France instead signed an agreement with the company VSB Energies Nouvelles for acquisition of 100% of Eoliennes du Vent Solaire, a company owning all the rights and official approvals for construction of the 9.2-MW Plogastel wind farm, located in Brittany and for which site preparation started during the first quarter of 2009, with the first wind turbines due to be installed by the end of the current FY. At the same time, ERG Eolienne France S.a.s. also signed a memorandum of understanding for the future acquisition of the company Eoliennes de Greneville, set up to build a wind farm south of Paris with capacity of 20 MW.

- **Mini-hydroelectric plants:** via its subsidiaries I.S.E.A. S.r.l. and Ecopower S.r.l., which entered the scope of consolidation as a result of the operation, already described, of partial demerger of ERG Power & Gas, ERG Renew is active in power generation using mini-hydroelectric plants, with installed capacity totalling 2.2 MW. I.S.E.A. has 5 mini-hydroelectric plants for a total of 1.8 MW in operation located in the municipalities of Terdobbiate - Gaggiotta (Novara), Confienza (Pavia), Cassolnovo - Molino del Conte (Pavia), Cilavegna - Biraghetta (Pavia) and Langosco - Santa Maria di Bagnolo (Pavia). The Ecopower company has one mini-hydroelectric plant in operation with capacity of 0.4 MW located in the municipality of Novara - Sant'Agabio and another 5 currently being refurbished for a total of 0.8 MW located in the municipalities of Galliate - Montereaggio (Novara), Galliate - Speranza (Novara), Trecate - San Martino (Novara), Trecate - San Pietro (Novara) and Romentino - Lumi (Novara).
- **Water services:** via its subsidiaries SODAI Italia S.p.A. and DSI S.r.l., ERG Renew performs treatment of industrial waste. While SODAI Italia S.p.A. operates via purification platforms adjacent to 20 workshops of Trenitalia [part of the Italian state railway group], DSI S.r.l. treats solid and liquid waste for non-captive customers and for those of SODAI Italia. As already announced several times, the ERG Renew Group intends to terminate its activity in the segment because it is not considered core, proceeding with disposal of the related equity investments by the end of FY2010. Today the Company has one negotiation underway, which at present is still in the preliminary phase.

## ERG Renew at 30 september 2009



## ERG Renew stock market performance

On 30 September 2009, the reference price of ERG Renew stock was Euro 0.85, with an increase of +31% vs. the price at the end of 2008. This compared with performance of the European sector index (Stoxx Utilities Index) of -1% and of the Italian MIBtel index of +21%.

Below we show some data concerning the prices and trading volume of ERG Renew stock during the first nine months of 2009.

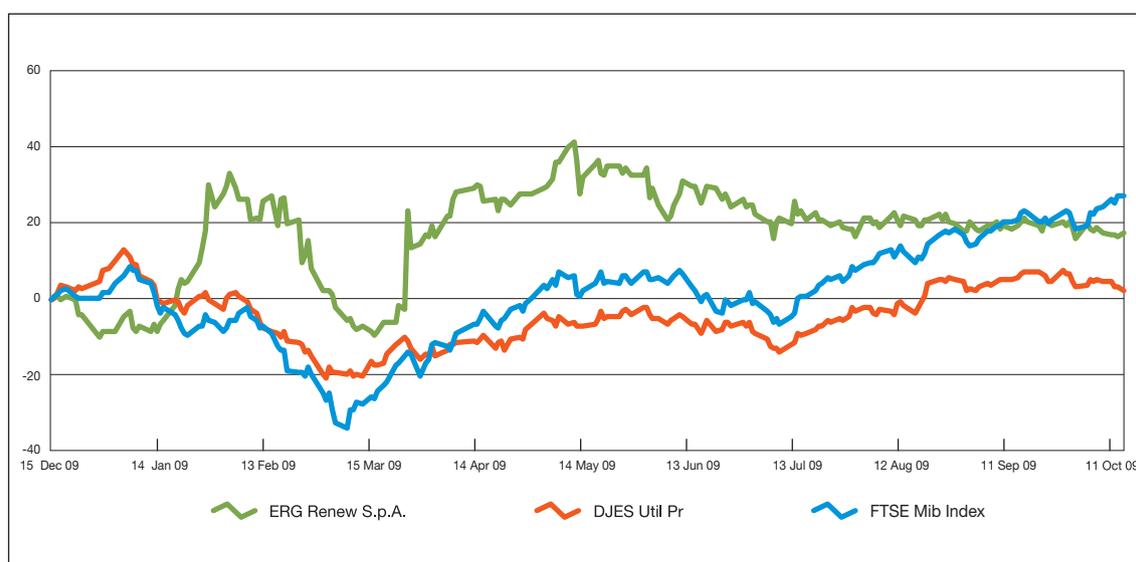
Share price	Euro
Reference price on 30.9.09	0.85
High (12.5.09) <sup>(1)</sup>	1.05
Low (12.3.09)	0.64
Average	0.85

<sup>(1)</sup> These are the highest and lowest prices recorded during the day's trading and therefore are not the same as official and reference prices occurring on the same date.

Volume traded	No. of shares
Highest (29.1.09)	441,715
Lowest (10.7.09)	2,937
Average	99,780

As at 30 September 2009, market capitalisation amounted to Euro 112.8 million (vs. Euro 86.2 million at the end of 2008).

## ERG Renew performance vs. Stoxx Utilities Index and MIBtel index



## Performance overview

Third Quarter		First 9 Months	
2009	2008	2009	2008
<b>Main economic data ('thousand Euro)</b>			
10,670	9,968	34,056	31,225
5,144	3,852	14,187	10,777
5,144	3,852	14,187	10,777
(2,052)	119	(3,032)	(410)
(4,333)	(2,087)	(10,167)	(4,581)
6	(60)	152	(98)
(4,339)	(2,027)	(10,319)	(4,483)
<b>Main balance sheet and financial data (million Euro)</b>			
–	–	382.4	389.2
–	–	124.6	135.0
–	–	257.8	254.3
–	–	186.6	171.3
–	–	67.4%	65.3%
11.4	13.9	27.4	32.1
* data for 2008 refer to 31.12.08			
<b>Operational data</b>			
199,3	132,2	MW	199,3
144,1	77	MW	144,1
55,2	55,2	MW	55,2
57,922	55,587	MWh	207,696
38,495	30,859	MWh	138,827
19,427	24,728	MWh	68,869
2.2	2.2	MW	2.2
1,720	–	MWh	4,668
92,002	78,139	cubic m.	300,457
1,315	3,666	tons	4,185
<b>Electricity/green certificate prices</b>			
69.22	98.19	Euro/MWh	69.25
88.16	0.00	Euro/MWh	88.16
n/a	91.00	Euro/MWh	n/a
n/a	85.00	Euro/MWh	n/a
n/a	78.00	Euro/MWh	n/a
86.05	83.90	Euro/MWh	86.02
(*) inclusive of incentive			

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

<sup>(2)</sup> Recurrent EBITDA<sup>®</sup> corresponds to EBITDA as defined above, adjusted for any non-recurring items.

## Divisional performance highlights

Third Quarter			First 9 Months	
2009	2008	(thousand Euro)	2009	2008
<b>Operating revenues</b>				
7,174	5,920	Wind Italy	22,651	17,425
1,664	2,082	Wind France	6,040	7,248
<b>8,838</b>	<b>8,002</b>	<b>Total Wind</b>	<b>28,691</b>	<b>24,673</b>
163	–	Mini-hydroelectric plants	528	–
1,670	1,571	Water Services	4,829	5,166
(1)	395	Holding	8	1,386
<b>10,670</b>	<b>9,968</b>	<b>Total</b>	<b>34,056</b>	<b>31,225</b>
<b>EBITDA</b>				
6,146	5,047	Wind Italy	17,862	12,183
1,085	1,711	Wind France	4,221	6,070
<b>7,231</b>	<b>6,758</b>	<b>Total Wind</b>	<b>22,083</b>	<b>18,253</b>
75	–	Mini-hydroelectric plants	116	–
141	(43)	Water Services	568	64
(2,303)	(2,864)	Holding	(8,580)	(7,540)
<b>5,144</b>	<b>3,852</b>	<b>Total</b>	<b>14,187</b>	<b>10,777</b>
<b>Recurrent EBITDA</b>				
6,146	5,047	Wind Italy	17,862	12,183
1,085	1,711	Wind France	4,221	6,070
<b>7,231</b>	<b>6,758</b>	<b>Total Wind</b>	<b>22,083</b>	<b>18,253</b>
75	–	Mini-hydroelectric plants	116	–
141	(43)	Water Services	568	64
(2,303)	(2,864)	Holding	(8,580)	(7,540)
<b>5,144</b>	<b>3,852</b>	<b>Total</b>	<b>14,187</b>	<b>10,777</b>
<b>EBIT</b>				
991	3,178	Wind Italy	6,632	6,588
(664)	(34)	Wind France	(1,020)	831
<b>327</b>	<b>3,144</b>	<b>Total Wind</b>	<b>5,612</b>	<b>7,419</b>
(32)	–	Mini-hydroelectric plants	(204)	–
1	(152)	Water Services	233	(261)
(2,348)	(2,874)	Holding	(8,673)	(7,568)
<b>(2,052)</b>	<b>119</b>	<b>Total</b>	<b>(3,032)</b>	<b>(410)</b>
<b>Investments in tangible and intangible fixed assets</b>				
9,137	13,747	Wind Italy	23,724	31,883
1,678	–	Wind France	1,992	–
<b>10,815</b>	<b>13,747</b>	<b>Total Wind</b>	<b>25,716</b>	<b>31,883</b>
21	–	Mini-hydroelectric plants	149	–
524	84	Water Services	1,297	118
28	121	Holding	204	146
<b>11,367</b>	<b>13,952</b>	<b>Total</b>	<b>27,366</b>	<b>32,147</b>

## Comment on the period's results

**Revenues** in the **third quarter** of 2009 (3Q09) totalled Euro 10.7 million, with a 7% increase over the third quarter of 2008 (3Q08) when they amounted to Euro 10 million. This increase was solely due to higher production and sale of electricity in the Wind Italy business following – in the first place – integration of the Green Vicari wind farm mentioned and described in the Foreword and – secondly – the start of production by the Faeto wind farm. This positive effect was largely eroded by (i) lower output by the San Vincenzo and San Cireo wind farms because of upgrading work by Terna on the national transmission grid in the Apulia region; (ii) low wind flow at the French wind farms, the effect of which was only partly offset by the increase of local electricity selling prices; (iii) a lower electricity selling price in Italy, down from Euro 98.19/MWh in 3Q08 to Euro 69.22/MWh in 3Q09; and (iv) the lower value attributed to green certificates, down from Euro 91/MWh in 3Q08 to Euro 88.16/MWh in 3Q09.

**Revenues** in the **first nine months** of 2009 (9M09) totalled Euro 34.1 million, with a 9.1% increase over the first nine months of 2008 (9M08) when they amounted to Euro 31.2 million. This increase was solely due to higher production and sale of electricity in the Wind Italy business following – in the first place – integration of the Green Vicari wind farm mentioned and described in the Foreword and – secondly – the start of production by the Faeto wind farm. This positive effect was largely eroded by (i) lower output by the San Vincenzo and San Cireo wind farms because of upgrading work by Terna on the national transmission grid in the Apulia region; (ii) low wind flow at the French wind farms, the effect of which was only partly offset by the increase of local electricity selling prices; (iii) a lower electricity selling price in Italy, down from Euro 85.16/MWh in 9M08 to Euro 69.25/MWh in 9M09; and (iv) the lower value attributed to green certificates, down from Euro 91/MWh in 9M08 to Euro 88.16/MWh in 9M09.

**3Q09 EBITDA** amounted to Euro 5.1 million vs. Euro 3.9 million reported in 3Q08, with an increase of 33.5% YoY.

This EBITDA trend reflected the following factors

- **Wind - Italy:** a contribution of Euro 6.1 million vs. Euro 5 million reported in 3Q08 for the reasons already highlighted for revenues, as well as because of the non-recurrent income of Euro 1.1 million booked in the item "Other revenues". The latter related to the transaction settlement agreed between the company ERG Eolica San Cireo and the contractor for the wind farm's electrical work. Ample disclosure of the dispute, which arose in 2007, has always been given in annual reports.
- **Wind - France:** a contribution of Euro 1.1 million vs. Euro 1.7 million reported in 3Q08 for the reasons already highlighted for revenues.
- **Mini-hydroelectric plants:** a contribution of Euro 0.1 million. The business unit forms part of the compendium relating to renewable energy sources demerged by ERG Power & Gas, as already disclosed in the Business Description section.

- **Water services:** a positive contribution of Euro 0.15 million, with an increase of Euro 0.2 million vs. 3Q08. While DSI S.r.l. was unable to contribute because of a fire that irreparably damaged some assets, SODAI Italia S.p.A. contributed with positive EBITDA of Euro 0.13 million vs. negative EBITDA of Euro -0.1 million reported in 3Q08.
- **Holding:** a negative contribution of Euro -2.3 million, better than in 3Q08 when it was negative by Euro -2.9 million. The figure for 2008 resulted from higher non-recurring costs due to the capital increase following demerger of ERG Power & Gas's renewables branch to ERG Renew and to the paid capital increase that the Company's Board of Directors had decided upon during June 2008.

**9M09 EBITDA** amounted to Euro 14.2 million vs. Euro 10.8 million reported in 9M08, with an increase of 31.6% YoY.

This EBITDA trend reflected the following factors

- **Wind - Italy:** a contribution of Euro 17.9 million vs. Euro 12.2 million reported in 9M08 for the reasons already highlighted for revenues and for 3Q09 EBITDA.
- **Wind - France:** a contribution of Euro 4.2 million vs. Euro 6.1 million reported in 9M08 for the reasons already highlighted for revenues.
- **Mini-hydroelectric plants:** a contribution of Euro 0.1 million. The business unit forms part of the compendium relating to renewable energy sources demerged by ERG Power & Gas, as already disclosed in the Business Description section.
- **Water services:** a positive contribution of Euro 0.6 million, with an increase of Euro 0.5 million vs. 9M08. DSI S.r.l. contributed only marginally with Euro 0.05 million because of a fire that irreparably damaged some assets and of risk provision of Euro 0.2 million for legal disputes underway. The result also reflects, as non-recurrent income booked among "Other revenues", insurance compensation of Euro 0.5 million for the asset destroyed by the claim event mentioned above. SODAI Italia S.p.A. contributed with positive EBITDA of Euro 0.5 million vs. negative EBITDA of Euro -0.2 million reported in 9M08.
- **Holding:** a negative contribution of Euro -8.6 million, Euro 1 million worse than in 9M08. This further deterioration was mainly due to (i) higher legal and technical advisory costs, mainly relating to development of the wind business abroad and in Italy, as well as to the arbitration proceedings underway with ACEA S.p.A. concerning the 2006 sale of the waste-to-energy/waste management business in 2006, and (ii) higher costs for rents and staff services by the parent company and affiliates. We point out that the presence in the income statement of costs relating to development of the Wind business is consistent with the decision taken by the Company when preparing 2008 year-end financial statements. By virtue of this decision, in view of the marked fragmentation of regulatory responsibility – with a consequent increase in the work and protraction of time needed to carry out approval procedures – development costs will now be capitalised only as from receipt of official approval.

**3Q09 EBIT** was negative by Euro -2.1 million (vs. Euro -0.1 million in 3Q08), after amortisation & depreciation totalling Euro 7.2 million (vs. Euro 3.7 million in 3Q08).

**9M09 EBIT** was negative by Euro -3 million (vs. Euro -0.4 million in 9M08), after amortisation & depreciation totalling Euro 17.3 million (vs. Euro 11.2 million in 9M8).

In **3Q09** the **Group's bottom-line result** (i.e. the result attributable to the operating parent company's shareholders) was negative by Euro -4.3 million as opposed to a loss of Euro -2 million reported in 3Q08. The result reflected (i) financial expense of Euro 3.1 million, relating to higher debt due to consolidation of the demerged division of ERG Power & Gas and to project financing of the Faeto wind park; (ii) losses of Euro 0.2 million relating to investments in associates, concerning the 50% owned by ERG Eolienne France in CITA S.a.s., which is booked at equity (the investee company performs development work in the wind business in France), and (iii) positive taxes of Euro 1 million.

In **9M09** the **Group's bottom-line result** (i.e. the result attributable to the operating parent company's shareholders) was negative by Euro -10.3 million as opposed to a loss of Euro -4.5 million reported in 9M08. The result reflected (i) financial expense of Euro 9 million, relating to higher debt due to consolidation of the demerged division of ERG Power & Gas and to project financing of the Faeto wind park; (ii) losses of Euro 0.6 million relating to investments in associates, concerning the 50% owned by ERG Eolienne France in CITA S.a.s., which is booked at equity (the investee company performs development work in the wind business in France), and (iii) positive taxes of Euro 2.4 million.

**9M09** investments amounted to Euro 27.4 million (vs. Euro 32.1 million in 9M08). They were mainly attributable to the Wind business, more specifically: Euro 15 million to the Ginestra wind farm, Euro 3.6 million to the Fossa del Lupo wind farm, Euro 2.2 million to the Faeto wind farm and Euro 1.6 million to the Green Vicari wind farm. The remainder of the 2009 investment budget, amounting to some Euro 66 million, will be completed during the last few months of the year. The majority of investments are concentrated in November and December 2009 due to delivery in those months of wind turbines for the Ginestra and Fossa del Lupo wind farms in Italy and the Plogastel wind farm in France.

As at 30 September 2009 **net financial debt** amounted to Euro 257.8 million, up by Euro 3.5 million vs. 31 December 2008, when it amounted to Euro 254.3 million. This increase of debt was due to the combined effect of (a) cash outlays for investments made and (b) collection of some Euro 30 million of amounts receivable from the GSE for green certificates relating to FYs 2006, 2007 and 2008, which, pursuant to the Ministry Decree of 18 December 2008, were purchased at the price of Euro 98/MWh with cash-in on 30 June.

As at 30 September 2009 **net invested capital** totalled Euro 382.4 million, with a decrease of Euro 6.8 million vs. 31 December 2008, when it amounted to Euro 389.2 million.

## Events during the period

### Water services

On **2 July** the company DSI finalised with the insurer the compensation relating to destruction of the solid-waste crushing and compacting plant.

On **3 August** the Board of Directors of the SODAI company approved the new 2010-2014 business plan which, while confirming the assumptions of the previous plan, supplements them with the effects of a new platform to be created in the Piedmont region.

On **24 August**, the Basilicata regional government formally notified the SODAI Italia company of its refusal to approve development of the Melfi platform. SODAI Italia has filed specific opposition with the Basilicata Regional Administrative Court – with notification now underway – with the aim of cancelling this decision.

## Business divisions

### Wind - Italy

In Italy ERG Renew operates in the production of electricity from wind via its subsidiary ERG Eolica Italia S.r.l. (formerly EOS Windenergy S.r.l.). There are currently 6 plants in operation, i.e. San Vincenzo (42 MW), San Cireo (30 MW), Viticuso (9 MW), Green Vicari (37.5 MW), Faeto (24 MW) and Pian de Corsi Baltera (1.6 MW) with total installed operational capacity of 144.1 MW. Wind farms consist of wind turbines, capable of transforming wind's kinetic energy into mechanical energy, which in turn is used to produce electricity. While plant availability remains the basic factor, the results of each wind farm are obviously affected by the anemological (wind) characteristics of the site where the wind farm is located.

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

## Electricity and green certificate selling prices

Third Quarter		Electricity/green certificate prices		First 9 Months	
2009	2008			2009	2008
69.22	98.19	Electricity selling prices in Italy	Euro/MWh	69.25	85.16
88.16	–	Green certificates 09	Euro/MWh	88.16	–
n/a	91.00	Green certificates 08	Euro/MWh	n/a	91.00
n/a	85.00	Green certificates 07	Euro/MWh	n/a	85.00
n/a	78.00	Green certificates 06	Euro/MWh	n/a	78.00

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

## Summary of results

Third Quarter		Economic results (thousand Euro)	First 9 Months	
2009	2008		2009	2008
<b>7,174</b>	<b>5,920</b>	<b>Operating revenues</b>	<b>22,651</b>	<b>17,425</b>
<b>6,146</b>	<b>5,047</b>	<b>EBITDA</b>	<b>17,862</b>	<b>12,183</b>
<b>6,146</b>	<b>5,047</b>	<b>Recurrent EBITDA</b>	<b>17,862</b>	<b>12,183</b>
(5,155)	(1,869)	Amortisation & depreciation and write-downs	(11,230)	(5,595)
<b>991</b>	<b>3,178</b>	<b>EBIT</b>	<b>6,632</b>	<b>6,588</b>
9,137	13,747	Investments in tangible and intangible assets	23,724	31,883
<b>Operational data</b>				
<b>38,495</b>	<b>30,858</b>	<b>Production output (MWh)</b>	<b>138,827</b>	<b>112,808</b>
of which:				
11,114	15,104	San Vincenzo	39,525	55,964
9,843	13,968	San Cireo	34,457	48,276
8,203	-	Faeto	14,664	-
2,748	1,786	Viticuso	10,792	8,568
6,283	-	Vicari	38,361	-
304	-	Pian de Corsi Baltera	1,028	-

In **3Q09** the operating **revenues** of the Wind Italy business increased by 21.2% vs. 3Q08, rising from Euro 5.9 million to Euro 7.2 million. The Euro 1.3-million increase was due to the 24.7% increase of electricity produced, which rose from 30,858 MWh in 3Q08 to 38,495 MWh in 3Q09. This followed (i) consolidation of the Vicari wind farm, forming part of the demerged branch of ERG Power & Gas involved in the extraordinary operation already mentioned and (ii) start of production by the Faeto wind farm, and (iii) the start of operation of the 4-MW extension of the San Vincenzo wind farm.

These major contributions to the growth of output and revenues were, however, severely eroded by the lower production of the wind farms of San Vincenzo (-26.4%) and San Cireo (-29.5%) caused by upgrading work being carried out by Terna on the national transmission grid in the Apulia region. As regards this, we point out that, pursuant to the Electricity & Gas Authority's resolution no 330/2007, for the lower electricity production imposed by Terna, the companies ERG Eolica San Vincenzo and ERG Eolica San Cireo were accorded a total amount of Euro of Euro 0.2 million, of which Euro 0.1 million relating to 3Q09 and Euro 0.1 million to 2Q09, in addition to the amount already reported in the half-year report.

Besides this, the revenue increase discussed above was also dampened by the downturn in electricity prices and in the prices used to value green certificates accrued. In effect, while electricity selling prices averaged Euro 69.22/MWh, down by -29.5% vs. 3Q08, green certificates were quantified at Euro 88.16/MWh, down by -3.1% vs. Euro 91/MWh used in 3Q08.

As regards the latter, their value has been estimated on the basis of the rules of the Ministry Decree of 18 December 2008 – enacted by the Economic Development Ministry in concert with the Environment and Territorial & Sea Protection Ministry and published in the Italian Official Gazette on 12 January 2009 – which regulates the transition from the old incentivization mechanism to the new one established by the 2008 National Budget Act. In fact this decree –

also in order not to penalise investments already underway – rules that green certificates accrued and accruing up to end of 2010 will, at their holders' request, be acquired by the GSE (Grid Operator). This purchase, the application for which must be sent by and not later than 31 March of the year after the one to which certificates refer, will take place at a price equal to the market average in the 3-year period prior to the year when the application is filed. The GSE will purchase these green certificates by and not later than 30 June.

In **9M09** the operating **revenues** of the Wind Italy business increased by 30% vs. 9M08, rising from Euro 17.4 million to Euro 22.7 million. The Euro 5.3-million increase was due to the 23.1% increase of electricity produced, which rose from 112,808 MWh in 9M08 to 138,827 MWh in 9M09. This followed (i) consolidation of the Vicari wind farm, forming part of the demerged branch of ERG Power & Gas involved in the extraordinary operation already mentioned and (ii) start of production by the Faeto wind farm. These major contributions to the growth of output and revenues were, however, severely eroded by the lower production of the wind farms of San Vincenzo (-29.4%) and San Cireo (-28.6%) caused by upgrading work being carried out by Terna on the national transmission grid in the Apulia region. As regards this, we point out that, pursuant to the Electricity & Gas Authority's resolution no 330/2007, for the lower electricity production imposed by Terna, the companies ERG Eolica San Vincenzo and ERG Eolica San Cireo were accorded, a total amount of Euro 0.7 million, of which Euro 0.1 million relating to FY2008.

Besides this, the revenue increase discussed above was also dampened by the downturn in electricity prices and in the prices used to value green certificates accrued. In effect, while electricity selling prices averaged Euro 69.25/MWh, down by -18.7% vs. 9M08, green certificates were quantified at Euro 88.16/MWh, down by -3.1% vs. Euro 91/MWh used in 9M08.

As regards the latter's value, reference should be made to the regulatory trend discussed above in relation to 3Q09 revenues. By virtue of this, already as of 30 June 2009, the companies ERG Eolica San Vincenzo, ERG Eolica San Cireo, Eolo, Green Vicari, and Pian dei Corsi Baltera had collected from the GSE nearly all the amounts receivable for green certificates relating to FYs 2006, 2007, and 2008, for which a formal purchase application had been filed on 18 March 2009.

From the above it follows that (a) the green certificates accrued during 9M09 and that will accrue in the fourth quarter of the current financial year (3Q09) will form the subject of an application for purchase sent to the GSE during March 2010 and (b) this purchase will take place at the average market price of the 3-year period 2007-2009, i.e. the 3-year period prior to the year when the purchase application is filed, as regulated by the decree. Given this, as the 2007 and 2008 average market prices are already known – and have been used to calculate the purchase price of 2006-2008 green certificates – and as the market price in these first nine months of 2009 has featured a downturn tangibly distancing it from the original Euro 98/MWh, the Company believes that, as at the date of this Interim Management Statement, a price of Euro 88.16/MWh is prudential and is a realistic estimate of the benchmark price at which the GSE will purchase green certificates in 2010.

In **3Q09** Wind Italy **EBITDA** amounted to Euro 6.1 million, up by 21.8% vs. 3Q08 when it amounted to Euro 5 million. The increase was primarily due to the reasons already described for operating revenues. Secondly, it was due to non-recurring income of Euro 1.1 million, booked in the item "Other revenues". This related to the transaction agreed between the company ERA Eolica San Cireo and the contractor for electrical work at the wind farm in question. This dispute, which arose in 2007 has already been fully disclosed in annual reports.

In **9M09** Wind Italy **EBITDA** amounted to Euro 17.9 million, up by 46.6% vs. 9M08 when it amounted to Euro 12.2 million. The increase was primarily due to the reasons already described for operating revenues and to the item discussed concerning 3Q09

**Amortisation & depreciation** for the Wind Italy business in **3Q09** amounted to Euro 5.2 million, up by Euro 3.3 million vs. 3Q08, when they amounted to Euro 1.9 million. The increase was mainly due to consolidation of the Vicari and Faeto wind farms.

**Amortisation & depreciation** for the Wind Italy business in **9M09** amounted to Euro 11.2 million, up by Euro 5.6 million vs. 9M08, when it amounted to Euro 5.6 million. The increase was mainly due to consolidation of the Vicari and Faeto wind farms.

In **3Q09 EBIT** of the Wind business in Italy was positive by Euro 1 million, down by Euro 2.2 million vs. 3Q08 when it amounted to Euro 3.2 million. The reasons are those already discussed for revenues, EBITDA and amortisation & depreciation.

In **9M09 EBIT** of the Wind business in Italy was positive by Euro 6.6 million, in line with 9M08 performance.

## Wind - France

### Summary of results

Third Quarter			First 9 Months	
2009	2008	Economic results (thousand Euro)	2009	2008
1,664	2,082	Revenues from ordinary operations	6,040	7,248
1,085	1,711	EBITDA	4,221	6,070
1,085	1,711	Recurrent EBITDA	4,221	6,070
(1,749)	(1,745)	Amortisation & depreciation and write-downs	(5,241)	(5,239)
<b>(664)</b>	<b>(34)</b>	<b>EBIT</b>	<b>(1,020)</b>	<b>831</b>
1,678	-	Investments in tangible and intangible assets	1,992	-
		<b>Operational data</b>		
<b>19,427</b>	<b>24,728</b>	<b>Production output (MWh)</b>	<b>68,869</b>	<b>86,376</b>
		of which:		
4,078	4,739	Hetomesnil	13,797	17,163
3,733	4,907	Le Mardeaux	13,956	16,528
3,627	5,023	Le Carreau	13,455	17,309
3,855	4,920	Lihus	12,528	17,547
4,134	5,139	La Bruyere	15,133	17,829

In **3Q09** the **revenues** of the Wind France business, which totalled Euro 1.7 million, were down by -20.1% vs. 3Q08, when they amounted to Euro 2.1 million. This downturn was mainly due to the severe lack of wind flow, which led to a decrease of -21.4% in electricity output, which went down from 24,728 MWh in 3Q08 to 19,427 MWh in 3Q09. It was also due to the plant stoppage during the quarter for technical work on some wind turbines. The top line thus decreased notwithstanding an increase in the selling price of electricity, which rose from Euro 83.90/MWh in 3Q08 to Euro 86.05/MWh in 3Q09. This price stems from the price of Euro 82/MWh contractually established with the operator EDF at the start of the wind farms' activity and inclusive both of the price of electricity sold and of the incentive. It is valid for 10 years and indexed to the inflation rate each year. For a further five years the tariff varies according to the wind farms' production performance.

In **9M09** the **revenues** of the Wind France business, which totalled Euro 6 million, were down by -16.7% vs. 9M08, when they amounted to Euro 7.2 million. This downturn was mainly due to the severe lack of wind flow, which led to a decrease of -20.3% in electricity output, which went down from 86,376 MWh in 9M08 to 68,869 MWh in 9M09. It was also due to the plant stoppage during the quarter for technical work on some wind turbines. The top line thus decreased notwithstanding an increase in the selling price of electricity, which rose from Euro 83.90/MWh in 9M08 to Euro 86.02/MWh in 9M09. This price stems from the price of Euro 82/MWh contractually established with the operator EDF at the start of the wind farms' activity and inclusive both of the price of electricity sold and of the incentive. It is valid for 10 years and indexed to the inflation rate each year. For a further five years the tariff varies according to the wind farms' production performance.

The **3Q09** contribution to consolidated **EBITDA** of the Wind France business was Euro 1.1 million, down by -36.6% vs. 3Q08, when it amounted to Euro 1.7 million.

The **9M09** contribution to consolidated **EBITDA** of the Wind France business was Euro 4.2 million, down by -30.5% vs. 9M08, when it amounted to Euro 16.1 million.

**3Q09 amortisation & depreciation** totalled Euro 1.7 million, in line with that of 3Q08.

**9M09 amortisation & depreciation** totalled Euro 5.2 million, in line with that of 9M08.

In **3Q09 EBIT** for the Wind France business was negative by Euro -0.7 million, further deteriorating vs. the loss of Euro -0.05 million reported in 3Q08 for the reasons already described above.

In **9M09 EBIT** for the Wind France business was negative by Euro 1 million, down by Euro 1.8 million vs. the positive 9M08 result of Euro 0.8 million for the reasons already described above.

## Mini-hydroelectric plants

### Summary of results

Third Quarter			First 9 Months	
2009	2008	Economic results (thousand Euro)	2009	2008
163	-	Revenues from ordinary operations	528	-
75	-	EBITDA	116	-
75	-	Recurrent EBITDA	116	-
(107)	-	Amortisation & depreciation and write-downs	(320)	-
(32)	-	EBIT	(204)	-
21	-	Investments in tangible and intangible assets	149	-
		Operational data		
1,720	-	Production output (MWh)	4,668	-
		of which:		
1,644	-	I.S.E.A. plants	4,518	-
76	-	Ecopower plants	150	-

**3Q09** operating **revenues** for the mini-hydroelectric (mini-hydro) business – consolidated as from 1 October 2008 following contribution to ERG Renew of ERG Power & Gas’s demerged renewables unit – amounted to Euro 0.2 million, based on electricity output of 1,720 MWh. The mini-hydroelectric plants operate using canals utilised for irrigation. Given this, their activity is subject to periods and limits dictated by the canal operator. Revenues are produced almost exclusively between March and September, i.e. the period featuring the so-called “summer flow” which features maximum flow. During this period there is no occurrence of the so-called “dry-outs”, which are instead performed between September and March, i.e. the period featuring the so-called “winter flow”, which features minimum flow. Dry-outs can last no longer than 60 days for routine maintenance.

**9M09** operating **revenues** for the mini-hydroelectric (mini-hydro) business amounted to Euro 0.5 million, based on electricity output of 4,668 MWh.

**EBITDA** for the mini-hydro business in **3Q09** was Euro 0.08 million, while **EBIT** was negative by Euro -0.05 million following **amortisation & depreciation** of Euro 0.1 million.

**EBITDA** for the mini-hydro business in **9M09** was Euro 0.1 million, while **EBIT** was negative by Euro -0.2 million following **amortisation & depreciation** of Euro 0.3 million.

## Water Services

### Summary of results

Third Quarter			First 9 Months	
2009	2008	Economic results (thousand Euro)	2009	2008
1,670	1,571	Revenues from ordinary operations	4,829	5,166
141	(43)	EBITDA	568	64
141	(43)	Recurrent EBITDA	568	64
(140)	(109)	Amortisation & depreciation and write-downs	(335)	(325)
1	(152)	EBIT	233	(261)
524	84	Investments in tangible and intangible assets	1,297	118
<b>Operational data</b>				
<b>Waste treated</b>				
78,285	73,742	SODAI Italia - waste treated (cubic m.)	278,842	256,341
13,717	4,397	DSI Servizi Industriali - liquid waste treated (cubic m.)	21,615	13,839
1,315	3,666	DSI Servizi Industriali - solid waste treated (tons)	4,185	11,612

In **3Q09** the operating **revenues** of the Water Services business totalled Euro 1.7 million, up by -6.3% vs. 3Q08, when they amounted to Euro 1.6 million. The increase was attributable to the SODAI company, which featured a 6.2% increase vs. 3Q08 in the quantities of liquid treated. This performance made it possible to make up for the revenue downturn of DSI S.r.l., whose revenues were down by -16.5% vs. 3Q08 following a fire in December 2008 that irreparably damaged the plant for crushing and compacting solid waste and consequently led to a sharp decrease in the quantities of solid waste treated.

In **9M09** the operating **revenues** of the Water Services business totalled Euro 4.8 million, down by -6.5% vs. 9M08, when they amounted to Euro 5.2 million. This decrease was attributable to DSI S.r.l., for the reasons already given for 3Q09 revenues. The decrease was not totally offset by the significant increase in the revenues of the SODAI company, whose volumes increased by 8.8% vs. those treated in 9M09.

The Water Services business's **EBITDA** in **3Q09** was positive by Euro 0.15 million, increasing by Euro 0.2 million vs. 3Q08. While DSI S.r.l. was unable to contribute because of a fire that irreparably destroyed some of its fixed assets, SODAI Italia S.p.A. contributed with positive EBITDA of Euro 0.13 million vs. negative EBITDA of Euro -0.1 million reported in 3Q08.

The Water Services business's **EBITDA** in **9M09** was positive by Euro 0.6 million, increasing by Euro 0.5 million vs. 9M08. DSI S.r.l. contributed only marginally with Euro 0.05 million because of a fire that irreparably destroyed some of its fixed assets. The result also reflects, as non-recurrent income booked among "Other revenues", insurance compensation of Euro 0.5 million for the asset destroyed by the claim event mentioned above. SODAI Italia S.p.A. contributed with positive EBITDA of Euro 0.5 million vs. negative EBITDA of Euro -0.2 million reported in 9M08.

**Amortisation & depreciation** for the Water Services business in **3Q09** amounted to Euro 0.15 million, with an increase of Euro 0.05 million vs. 3Q08.

**Amortisation & depreciation** for the Water Services business in **9M09** amounted to Euro 0.3 million, in line with that of 9M08.

**3Q09 EBIT** for the Water Services business was at breakeven, improving over the negative result of Euro -0.2 million in 3Q08.

**9M09 EBIT** for the Water Services business was positive by Euro 0.2 million, increasing by Euro 0.5 million vs. 9M08, when EBIT was negative by Euro -0.3 million.

## Holding

Third Quarter		Economic results (thousand Euro)	First 9 Months	
2009	2008		2009	2008
(1)	395	<b>Revenues from ordinary operations</b>	<b>8</b>	<b>1,386</b>
(2,303)	(2,864)	<b>EBITDA</b>	<b>(8,580)</b>	<b>(7,540)</b>
(2,303)	(2,864)	<b>Recurrent EBITDA</b>	<b>(8,580)</b>	<b>(7,540)</b>
(45)	(10)	Amortisation & depreciation and write-downs	(93)	(28)
(2,348)	(2,874)	<b>EBIT</b>	<b>(8,673)</b>	<b>(7,568)</b>
28	121	Investments in tangible and intangible assets	204	146

In **3Q09** and **9M09** the holding division's **revenues** were totally marginal and not comparable with those of the same periods in 2008, when the Company provided technical services to the companies later involved in the partial demerger of ERG Power & Gas to ERG Renew, as already mentioned.

In **3Q09 EBITDA** was negative by Euro -2.3 million, better than in 3Q08 when it was negative by Euro -2.9 million. The figure for 2008 resulted from higher non-recurring costs due to the capital increase following demerger of ERG Power & Gas's renewables branch to ERG Renew and to the paid capital increase that the Company's Board of Directors had decided upon in June 2008.

In **9M09 EBITDA** was negative by Euro -8.6 million, deteriorating by a further Euro 1 million vs. 9M08. This further deterioration was due to (i) higher legal and technical advisory costs, mainly relating to development of the wind business abroad, as well as to the arbitration proceedings underway with ACEA S.p.A. concerning the 2006 sale of the waste-to-energy/waste management business in 2006, and (ii) higher costs for rents and staff services by the parent company and affiliates. We point out that the presence in the income statement of costs relating to development of the Wind business is consistent with the decision taken by the Company when preparing 2008 year-end financial statements. By virtue of this decision, in view of the marked fragmentation of regulatory responsibility – with a consequent increase in the work and protraction of time needed to carry out approval procedures – development costs will now be capitalised only as from receipt of official approval.

In **3Q09** the holding division's **EBIT** was negative by Euro -2.3 million, improving vs. the negative result of Euro -2.9 million reported in 3Q08.

In **9M09** the holding division's **EBIT** was negative by Euro -8.7 million, with further deterioration vs. 9M08, when it was negative by Euro -7.6 million.

## Investments

Investments made by the group in 9M09 totalled Euro 27.4 million (vs. Euro 32.1 million in 9M08). The following table shows the investment breakdown by business division:

Third Quarter		Investments (thousand Euro)	First 9 Months	
2009	2008		2009	2008
9,137	13,747	Wind Italy	23,724	31,883
1,678	–	Wind France	1,992	–
<b>10,815</b>	<b>13,747</b>	<b>Total Wind</b>	<b>25,716</b>	<b>31,883</b>
21	–	Mini-hydroelectric plants	149	–
524	84	Water Services	1,297	118
28	121	Holding	204	146
<b>11,367</b>	<b>13,952</b>	<b>Total</b>	<b>27,366</b>	<b>32,147</b>

Investments related mainly to the Wind Italy business and, in greater detail, featured (i) Euro 15.1 million relating to the Ginestra wind farm, where site work is already underway; (ii) Euro 3.6 million relating to the Fossa del Lupo wind farm; (iii) Euro 2.2 million relating to the Faeto wind farm, which has already started operation, and (iv) Euro 1.6 million relating to the Green Vicari wind farm. In addition, investments totalling Euro 2 million were made in the Wind France business and, more specifically, in the Plogastel wind farm, where site work started in March this year. Lastly, investments of Euro 1.3 million were made in the Water Services business to rebuild the solid-waste crusher plant destroyed by fire in November 2008.

## Financial reporting overview

### Reclassified Income Statement

Third Quarter		Reclassified Income Statement (thousand Euro)	First 9 Months	
2009	2008		2009	2008
10,670	9,968	Operating revenues	34,056	31,225
1,866	354	Other revenues and income	3,649	932
<b>12,536</b>	<b>10,322</b>	<b>Total revenues</b>	<b>37,705</b>	<b>32,157</b>
(134)	(94)	Cost of purchases	(404)	(221)
(5,210)	(4,534)	Costs for services	(16,712)	(13,070)
(1,271)	(1,539)	Personnel expenses	(4,361)	(4,914)
(777)	(303)	Other operating costs	(2,041)	(3,175)
<b>5,144</b>	<b>3,852</b>	<b>EBITDA</b>	<b>14,187</b>	<b>10,777</b>
(7,196)	(3,733)	Amortisation & depreciation	(17,219)	(11,187)
–	–	Write-downs	–	–
<b>(2,052)</b>	<b>119</b>	<b>EBIT</b>	<b>(3,032)</b>	<b>(410)</b>
(3,114)	(1,715)	Net financial income (expense)	(8,967)	(4,395)
(187)	(757)	Net income (loss) from equity investments	(573)	(757)
<b>(5,353)</b>	<b>(2,353)</b>	<b>Profit before tax</b>	<b>(12,572)</b>	<b>(5,562)</b>
1,020	266	Income taxes	2,405	981
(6)	60	Minority interest	(152)	98
–	–	Profit (loss) of discontinued operations	–	–
<b>(4,339)</b>	<b>(2,027)</b>	<b>Net profit (loss) pertaining to Group</b>	<b>(10,319)</b>	<b>(4,483)</b>

The operating components contributing to EBIT have already been discussed in the previous section “Comments on the period’s results”.

#### Net financial income (expense)

Net financial expense in **3Q09** amounted to Euro 3.1 million, with an increase of Euro 1.4 million over 3Q08. This increase was mainly due to consolidation of the demerged renewables branch of ERG Power & Gas, which has underway both (a) the project-financing loan paid out for construction of the Vicari wind farm and (b) the loans paid out by the affiliate company ERG Power & Gas to its ex-subidiaries, now owned by ERG Renew. Effective 29 May 2009 these latter loans were restored to ERG Renew, as its subsidiaries had discharged their debt towards ERG Power & Gas. For details, reference should be made to the comments made concerning the net financial position.

Net financial expense in **9M09** totalled Euro 9 million, with an increase of Euro 4.6 million vs. 9M08. This increase was due to the reasons already outlined concerning expense in 3Q09.

### Net income (loss) from equity investments

In **3Q09** losses on equity investments totalled Euro -0.2 million, decreasing by Euro 0.6 million vs. 3Q08, and related to valuation of the 50% stake in the French company CITA Wind, booked at equity. 3Q08 expense related to the capital increase undertaken in Ansaldo Fuel Cells to cover losses accrued.

In **9M09** losses on equity investments totalled Euro -0.6 million, decreasing by Euro 0.2 million vs. 9M08 for the same reasons given for the 3Q09 trend.

### Income taxes

Income taxes in 9M09 were positive by Euro 2.4 million following recognition of prepaid taxation against the period's loss.

### Reclassified Balance Sheet

30.9.2008	(thousand Euro)	30.9.2009	30.6.2009	31.12.2008
<b>256,492</b>	<b>Capital assets</b>	<b>363,985</b>	<b>360,314</b>	<b>353,674</b>
184,692	Tangible assets	270,105	265,340	257,895
65,718	Intangible assets	89,015	89,921	90,314
6,082	Financial assets	4,865	5,053	5,465
<b>33,087</b>	<b>Working capital</b>	<b>18,850</b>	<b>13,195</b>	<b>35,947</b>
–	Inventories	–	–	–
8,221	Trade receivables	9,520	8,399	11,730
57,543	Other current assets	61,634	55,932	73,476
(9,229)	Trade payables	(18,400)	(20,779)	(18,594)
(4,177)	Provisions for liabilities and charges	(7,080)	(6,738)	(6,183)
(19,271)	Other current liabilities	(26,824)	(23,619)	(24,482)
<b>(392)</b>	<b>Staff leaving indemnities</b>	<b>(453)</b>	<b>(425)</b>	<b>(378)</b>
<b>289,187</b>	<b>Net invested capital</b>	<b>382,382</b>	<b>373,084</b>	<b>389,243</b>
<b>140,064</b>	<b>Shareholders' equity</b>	<b>124,614</b>	<b>129,014</b>	<b>134,984</b>
140,035	Attributable to parent company	124,221	128,627	134,745
29	Attributable to minority interest	393	387	239
<b>149,123</b>	<b>Net financial debt</b>	<b>257,768</b>	<b>244,070</b>	<b>254,259</b>
<b>289,187</b>	<b>Equity and financial liabilities</b>	<b>382,382</b>	<b>373,084</b>	<b>389,243</b>

At 30 September 2009, net invested capital amounted to Euro 382.4 million, down by Euro 6.8 million vs. 31 December 2008. Financial leverage – expressed as the ratio of total net financial debt and net invested capital – was 67.4% (vs. 65.3% at 31 December 2008).

## Capital assets

Fixed assets include tangible, intangible and financial assets. The increase of Euro 10.3 million vs. 31 December 2008 was due to new capitalisations.

## Working capital

Net working capital decreased by Euro 17.1 million, going down from Euro 35.9 million at 31 December 2008 to Euro 18.8 million at 30 September 2009.

This decrease was mainly due to collection of receivables of some Euro 30 million for green certificates relating to FYs 2006, 2007, and 2008 and for which, on 18 March 2009, the companies holding them had applied to the GSE for purchase pursuant to the Ministry Decree of 16 December 2008.

## Consolidated net financial position

From the operational point of view, the consolidated Net Financial Position is detailed as follows:

30.9.2008	(thousand Euro)	30.9.2009	30.6.2009	31.12.2008
<b>62,847</b>	<b>Current financial assets</b>	<b>69,982</b>	<b>81,602</b>	<b>41,322</b>
-	Holding companies	-	-	-
-	Group companies	-	-	-
14,350	Third parties	-	-	12,250
41,727	Cash & cash equivalents	65,576	77,199	24,809
4,170	Cash and equivalent under lien	4,170	4,170	4,170
2,600	Receivables for derivative instruments	236	233	93
<b>(45,479)</b>	<b>Current financial liabilities</b>	<b>(68,314)</b>	<b>(68,728)</b>	<b>(124,588)</b>
(62)	Holding companies	-	-	(226)
-	Associated companies	-	-	(64,581)
(26,100)	Third parties	(62,097)	(63,262)	(55,622)
(19,317)	Derivative instruments	(6,217)	(5,466)	(4,159)
<b>17,368</b>	<b>CURRENT NET FINANCIAL POSITION</b>	<b>(1,668)</b>	<b>(12,874)</b>	<b>(83,266)</b>
<b>414</b>	<b>Non-current financial assets</b>	<b>-</b>	<b>1,342</b>	<b>2,086</b>
-	Associated companies	-	824	1,568
414	Third parties	-	518	518
<b>(166,905)</b>	<b>Non-current financial liabilities</b>	<b>(259,436)</b>	<b>(258,286)</b>	<b>(173,079)</b>
(166,905)	Third parties	(176,380)	(180,381)	(171,957)
-	Other lenders	(83,056)	(77,095)	(1,122)
-	Derivative instruments	-	-	-
<b>(166,491)</b>	<b>NON-CURRENT NET FINANCIAL POSITION</b>	<b>(259,436)</b>	<b>(256,944)</b>	<b>(170,993)</b>
<b>(149,123)</b>	<b>NET FINANCIAL POSITION</b>	<b>(257,768)</b>	<b>(244,070)</b>	<b>(254,259)</b>

At 30 September 2009 the net financial position featured net debt of Euro 257.8 million, up by

Euro 3.5 million vs. debt as at 31 December 2008. This increase of debt was due to the combined effect of (a) cash outlays for investments made and (b) cash-in of some Euro 30 million of amounts receivable from the GSE for green certificates relating to FYs 2006, 2007 and 2008, which, pursuant to the Ministry Decree of 18 December 2008, were purchased at the price of Euro 98/MWh with cash-in taking place on 30 June.

- **Current financial assets**, which amounted to Euro 70 million, mainly consisted of cash & cash equivalents of (i) Euro 63.9 million relating to the wind business – and therefore nearly all restricted in relation to project financing, (2) Euro 1.7 million coming from an ERDF ROP grant paid out to the Vicari wind farm, and (3) Euro 4.2 million restricted as collateral for the issue of suretyships.
  
- **Current financial liabilities**, which amounted to Euro 68.3 million, mainly consisted of:
  - Non-captive financial payables of Euro 62.1 million, of which Euro 40.6 million for the current portion of non-recourse debt relating to project financing of the Wind business, Euro 12.3 million for current account overdrafts of ERG Renew S.p.A., and Euro 9.2 million for the current portion of two medium-/long-term lines of credit pertaining to the operating parent company ERG Renew.
  - Payables for derivative instruments totalling Euro 6.2 million relating above all to interest rate swaps set up by the wind companies to hedge interest rate risk connected with project financing. Secondly, it related to the Euro 1.8-million put option granted in October 2003 to the company Gepafin S.p.A. on its 0.27% stake in Ansaldo Fuel Cells S.p.A., whose exercise deadline of 29 January 2009 was punctually met. By way of information, we point out that ERG Renew considers the option right to be non-existent and has notified its objection to exercise to the counterparty.
  
- **Non-current financial liabilities**, which totalled Euro 259.4 million, consisted of Euro 146.1 million for the medium-/long-term portion of non-recourse debt relating to project financing of the wind business; Euro 30.3 million for medium-/long-term loans paid out to the operating parent company ERG Renew; Euro 1.0 million for leasing instalments relating to some plants in the mini-hydroelectric business; and Euro 82.1 million relating to the financial transaction set up with the ultimate parent company ERG S.p.A.. On 12 May 2009 ERG Renew's Board of Directors resolved to amend the Euro 70-million loan agreement concluded with the parent company on 21 April 2009 and earmarked for support of ERG Renew's 2009 investments and for requirements for ordinary, continuing operations – increasing its amount to Euro 140 million and justifying the increase of a further Euro 70 million with the need to restore to ERG Renew the financial relationships originally existing between the companies forming part of the demerged division of ERG Power & Gas and the latter company. As a result, on 29 May 2009 ERG Renew requested and received payout of some Euro 70 million of the loan made available by the ultimate parent company ERG S.p.A., with which, in turn, it financed its own subsidiaries, which, immediately afterwards cleared their debt vis-à-vis ERG Power & Gas.

As regards current and non-current financial liabilities, it is first pointed out that, due to the non-sale of green certificates, the subsidiaries ERG Eolica San Vincenzo and ERG Eolica San Ciro, each holders of a project financing line, temporarily breached the financial covenants contractually agreed with the payor banks.

On 25 September 2008, the payor banks signed an agreement with the two subsidiaries amending some provisions of their respective project financing contracts. As it definitively overcame the aforementioned breaches of the financial covenants, the agreement also assured ERG Eolica San Vincenzo and ERG Eolica San Cireo greater flexibility in the selling policy for green certificates still held, maturing in the years 2006, 2007 and 2008, in order to exploit better market conditions.

More specifically, it excluded that non-sale of green certificates maturing in the years 2006, 2007 and 2008 by the original due dates (i.e. respectively by the end of May 2007, 2008 and 2009) constituted any form of non-performance of the obligations taken on by virtue of the project financing contracts. In addition, it introduced the possibility of finding the liquidity necessary to pay the instalments falling due on 30 June and 31 December 2009, also via the use of existing liquidity and/or possible financial support from the sub-holding company ERG Eolica Italia S.r.l., if necessary, with involvement of ERG Renew if the sub-holding company were unable to handle these commitments. The amendment agreement also permitted, albeit in the presence of non-performance, to continue classifying as non-current the medium-long portion of the project-financing loans.

The problem described above has been solved by virtue of the Ministry Decree of 18 December 2008 (published in the Italian Official Gazette on 12 January 2009) enacted by the Economic Development Ministry in concert with the Environment and Territorial & Sea Protection Ministry and that regulates the transition from the old incentivization mechanism to the new one established by the 2008 National Budget Act. In effect, the above Ministry Decree – also in order not to penalise investments underway – rules that green certificates accrued and accruing up to end of 2010 will, at their holders' request, be acquired by the GSE by the end of June in the year after the one concerned. This purchase, the application for which must be sent by and not later than 31 March of the year after the one to which certificates refer, will take place at a price equal to the market average in the 3-year period prior to the year when the application is filed. The GSE will purchase these green certificates by and not later than 30 June.

As a consequence of the above, on 18 March 2009 the companies ERG Eolica San Vincenzo, ERG Eolica San Cireo, Eolo, Green Vicari and Pian dei Corsi Baltera asked the GSE to acquire the green certificates relating to FYs 2006, 2007 and 2008 held by the companies as at 31 December 2008 and on 30 June 2009 these companies collected the related receivables. Given this, cash-in from purchase of the green certificates led to return within the limits of the financial covenants contractually agreed with the payor banks.

Secondly, we represent that, as at 30 June 2009, according to the rules of the Euro 25-million loan agreement concluded in August 2007 with the Nataxis bank, ERG Renew did not meet some of the contractually agreed covenants. On 16 July 2009 Nataxis waived its right to consider non-compliance with financial parameters as a default event because, with the contribution of ERG S.p.A., adequate guarantee had been provided. These amendments to the loan agreement also led to an increase of the spread originally agreed, as well as payment of a waiver fee – not of a significant amount – to the bank.

## Events after end of reporting period

### Wind

On **1 October**, Eoliennes du Vent Solaire, the company heading the Plogastel wind farm (9 MW) now under construction, signed the project financing loan agreement.

## Business outlook

As already stated earlier in the Foreword, the 2009 investments of Euro 93.5 million scheduled in the plan, of which Euro 27.4 million were made during 9M09, will be completed during the last few months of the financial year. The majority of investments are concentrated in November and December 2009 due to delivery in those months of wind turbines for the Ginestra and Fossa del Lupo wind farms in Italy and the Plogastel wind farm in France.

### Wind - Italy

The output of the San Vincenzo and San Ciro wind farms and of the new Faeto wind farm may be penalised by possible protraction of Terna's upgrading work on the national transmission grid in the Apulia region.

Construction will continue of the Ginestra wind farm (40 MW), due to start operation by the end of FY2010, and of the Fossa del Lupo wind farm (100 MW), which will come on-stream by lots, starting in June 2010, to achieve full operation in June 2011.

### Wind - France

Construction – initiated in March this year – will continue of the Plogastel wind farm (9 MW), which is scheduled to start operation in 2010.

## Water Services

SODAI Italia S.p.A. will continue to complete approval processes for expansion of its water purification platforms for the treatment of uniped liquid waste, as well as for a new platform located in the Piedmont region.

DSI's processing of solid waste, suspended following the fire that occurred on 27 November 2008, will start up again by the end of the current FY. This is because, due to extension of the time taken for construction of works preparatory to installation of the new crusher, it was impossible to re-start production activity by the end of July, as had been previously announced.

## Holding

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

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

### **Attestation pursuant to Article 2.6.2, paragraph 15, of the Italian Stock Market Regulation**

Pursuant to the article indicated above, it is herewith declared that the company ERG Renew does not find itself in any of the conditions indicated in Article 37 of CONSOB (Italian securities & exchange commission) resolution 11971/1998 as subsequently amended and supplemented.

Attestation of the Manager responsible for financial reporting as per the requirements of Article 154-bis, paragraph 2, of Italian Legislative Decree 58/1998 (Italian Consolidated Finance Act)

The Manager responsible for the corporate financial reporting of ERG Renew S.p.A., Luca Giorgerini, herewith declares, pursuant to paragraph 2 of Article 154-bis of the Italian Consolidated Finance Act, that financial disclosure contained in this Interim Management Statement, to the best of his knowledge matches documentary evidence, corporate books, and accounting records.

Genoa, 10 November 2009

Manager responsible for financial reporting

(Luca Giorgerini)

A handwritten signature in black ink, appearing to read 'Luca Giorgerini', with a long horizontal flourish extending to the right.

## GLOSSARY

**AEEG (Autorità per l'Energia Elettrica e il Gas) = Italian Electricity & Gas Authority:** an independent authority set up pursuant to Law No. 481 of 14 November 1995 with regulatory and control functions in the electricity and gas sectors. An independent authority is a public administration that takes its decisions based on legislation enacted and its own procedures and regulations with a major degree of autonomy in its judgements and evaluations from the executive body. The regulatory powers in the sector refer to the determination of the tariffs, the quality of the services and the technical-economic conditions of access and interconnection to the grids, in services where the market would be unable to guarantee the best interest of users and consumers due to technical, legal and other restrictions that limit the normal functioning of competition.

**GME (Gestore del mercato elettrico S.p.A.):** this is the company, set up by Gestore della Rete di Trasmissione Nazionale S.p.A. (currently Gestore dei Servizi Elettrici - GSE S.p.A.), that manages the electricity market, in accordance with the criteria of neutrality, transparency and objectivity, in order to promote competition between producers, ensuring, in addition, economic management of adequate availability of power reserves.

**Green Certificates:** certificates that, pursuant to Industry Ministry Decree of 11 November 1999, Article 5, attest the production of electricity from renewable sources required from producers and importers of electricity produced from non-renewable sources for a quantity exceeding 100 GWh/year. Green Certificates are issued by the GSE for the first 8 years of a plant's functioning and, until 31 December 2007, had a value equal to 50 MWh and could be sold or acquired on the Green Certificates market by parties with surpluses or deficits of production from renewable sources. The 2008 National Budget Act establishes that, as from 1 January 2008, each Green Certificate has a value equal to 1 MWh, while increasing the incentivized period from 8 to 15 years.

**GSE (Gestore dei Servizi Elettrici S.p.A.):** it has a central role in the promotion, incentivization and development of renewable sources in Italy. The sole shareholder of the GSE is the Economy & Finance Ministry, which exercises its rights as shareholder together with the Industry Ministry. The GSE is the parent company of the two subsidiaries AU (Single Buyer) and GME (Operator of the Electricity Market).

**Maximum flow:** in the case of ERG Renew, whose mini-hydroelectric plants use irrigation flows, this is the flow they enjoy in the summertime (March-September).

**MW (= 1 million watts):** unit of measurement of a plant's electricity production capacity.

**Wind turbine:** plant capable of transforming the kinetic energy of wind into mechanical energy, which in turn is used to produce electricity.

**Wind energy:** energy produced by wind.

**Winter flow:** in the hydroelectric sector this is the flow enjoyed by hydroelectric plants in the September-March period. In our specific case, due to the fact that ERG Renew's mini-hydroelectric plants use irrigation canals, in the wintertime the flow is minimum.

**Waste management:** all activities relating to the collection, transportation and sorting of waste. This business was sold in 2006.

**Waste to energy:** the process of transformation of waste into energy. This business was sold in 2006.

**ERG Renew S.p.A.**

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