

A photograph of two white wind turbines standing in a green field under a clear blue sky. The turbines are positioned on a slight rise, and their long blades are visible against the sky.

Annual Report 2007: Consolidated Results

Genova, March 5th, 2008

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- ▶ 2007 Highlights
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2007 Highlights

FY07 Performance

- Greater production of electricity (178 GWh; +24% compared to FY06) from higher (+6,8%) production in Italy, and consolidation from November 1 2007 of newly acquired wind farms in France.
- Ebitda from continuing operations at € 20,9mn (+3% compared to FY06) which is the result of: - € 1,4mn from Italian wind farms: sold production +6,8%, electricity prices +13,9%; GC price -19,7% at €98/MWh and higher costs for €0,6mn; +€1,6mn relative to the consolidation as of 1/11/07 of French activities.
- Group Net Result: € 2,1 million (+€5,8 million compared to FY06).
- NFP: - € 111,7 million (- € 18,0 million as at December 31, 2006)

Wind farm development

- February 2007: acquisition of the rights for the construction of the 40MW Ginestra wind farm.
- May 2007: purchase of wind turbines and construction in progress at Faeto wind farm (24 MW).
- New transmission line construction to exploit full turbine capacity (9MW) at Eolo wind park.
- Start up of the 4MW extension at Troia San Vincenzo (from 38MW to 42MW).
- September 2007: construction works at Tursi have been suspended as intimated by Basilicata Region.
- October 2007: completed the acquisition of 5 wind parks in France (55,2MW).

Water Services

- July 2007: start up of arbitration procedure Enertad/Trenitalia relative to the decision of the latter to exercise the put option on the sale of 49% of Sodai to Enertad.

Shareholders

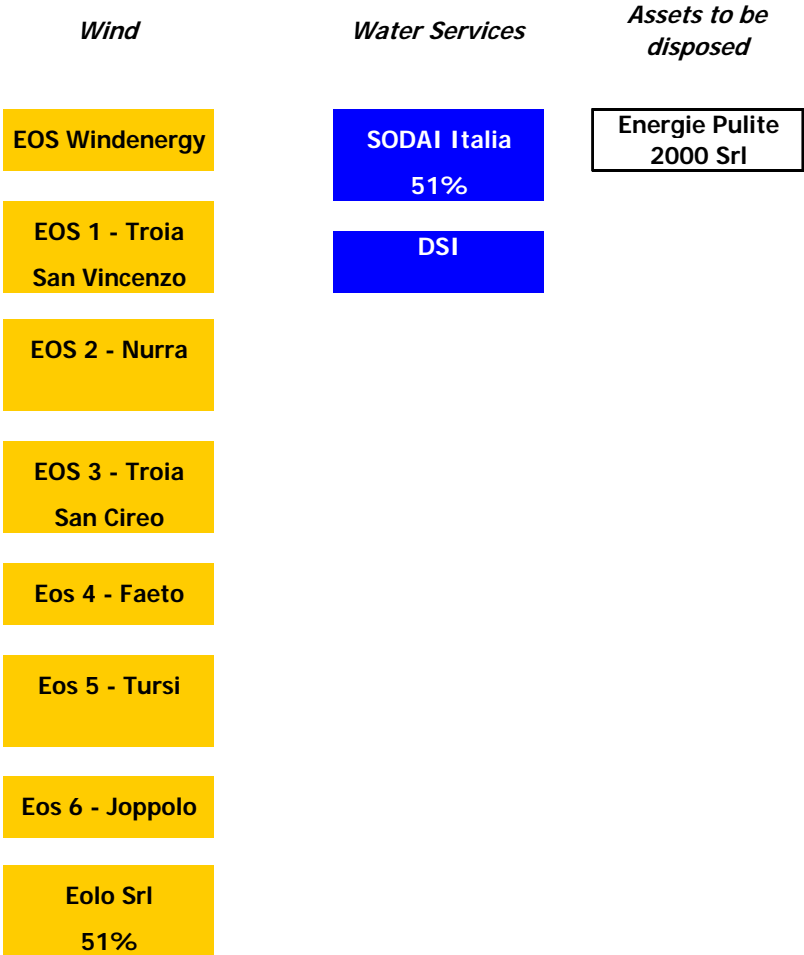
- December 2007: ERG exercised the call option on Alerion stake in Enertad: as a result of this, ERG now controls 68,38% of Enertad shares, versus 51,35% before.

2007 Main Operating and Financial Results

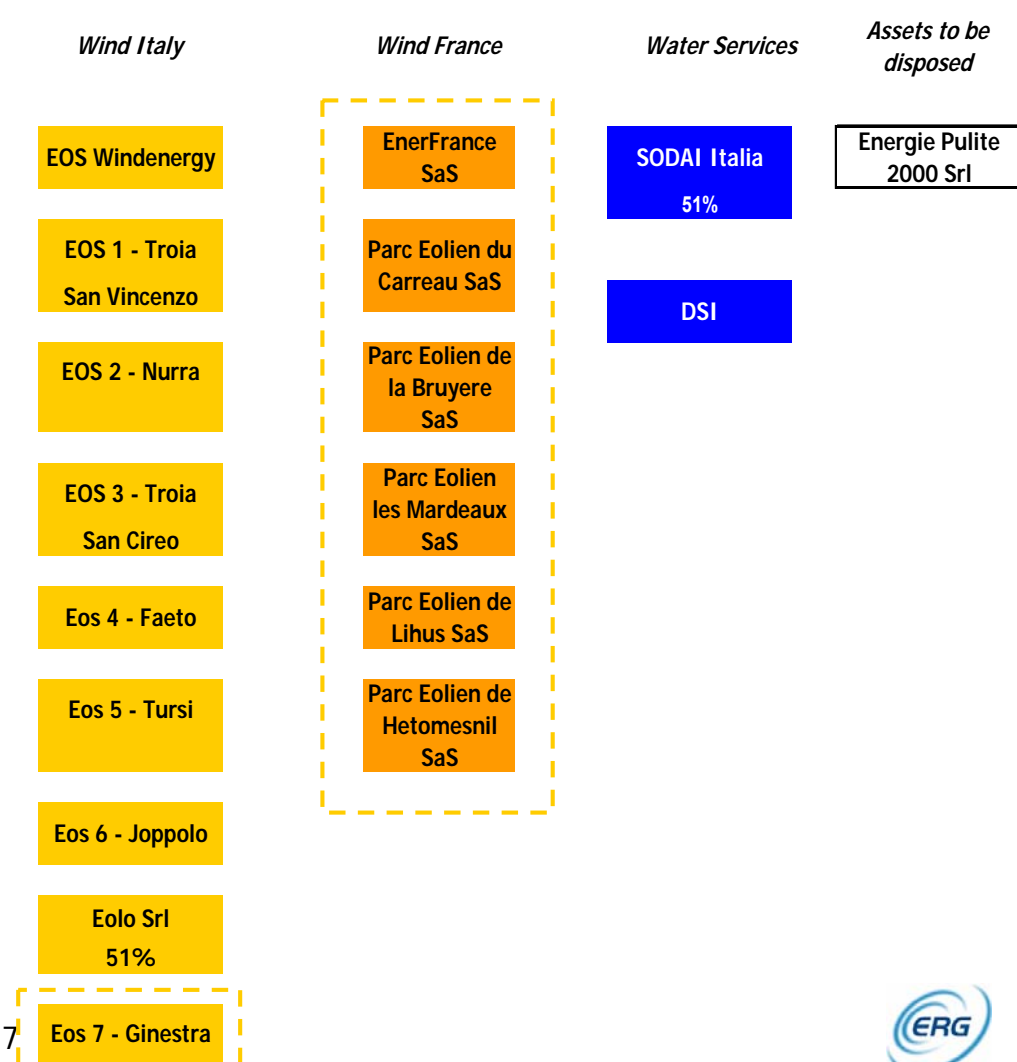
A New Consolidation perimeter after Ginestra and Acquisition of French Wind Parks



Enertad 2006



Enertad Today



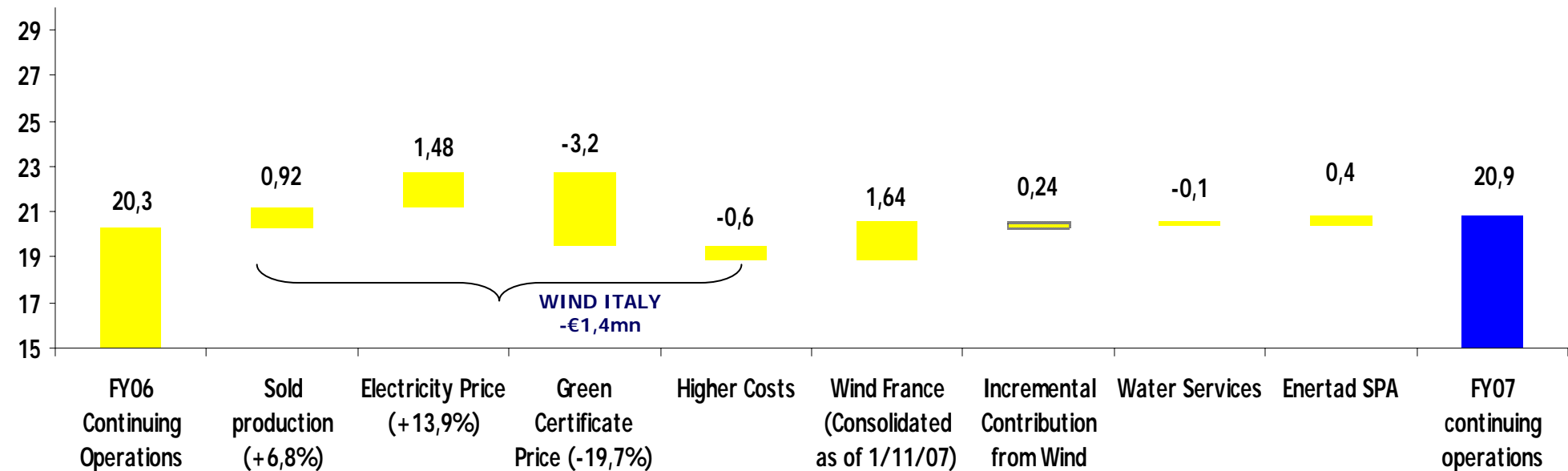
EBITDA Continuing Operations – FY 2007

	FY07 A	FY06 A
Revenues (continuing operations)	37,0	35,2
<i>of which Wind</i>	<i>31</i>	<i>28,7</i>
EBITDA (continuing operations)	20,9	20,3
<i>of which Wind</i>	<i>26,4</i>	<i>25,6</i>
<i>EBITDA/REVENUES %</i>	<i>56,5%</i>	<i>57,7%</i>

*

*FY06 was calculated to allow a like for like comparison

(€mn)



Consolidated Profit and Loss – FY 2007

	FY07 A	FY06 A *
EBITDA (continuing operations)	20,9	20,3
EBITDA (after non recurring items)	18,5	18,2
EBIT (Continuing operations)	8,6	-0,4
EBT (continuing operations)	5,5	-6,9
Result from continuing operations	2,1	-4,7
Result from discontinued operations	0	0,97
TOTAL NET RESULT	2,1	-3,7
<i>of which:</i>		
• Group Net Result	2,3	-4,5
• Minority Interests	(0,1)	0,8

EBITDA(after non recurring item) :

- Loss of €1,2mn on sale of 2006 GC unsold at 2006 year end.
- Risk provision of €1,2mn relative to disposals made in 2006 in which EnerTAD had provided guarantees to the buyers.

Depreciation and Amortization: +€ 3,2 mn, of which €2mn vs. FY06 for Italian wind activities, mainly relative to S. Ciro wind park and +€0,9mn for French parks.

Provisions: -€11,9mn vs. FY06.

Net financial charges: -€3,4 million vs. FY06.

Taxes: €3,4 million in FY2007

- +€5,6 million vs. FY 2006 which benefited from deferred taxes

*Y06 was calculated to allow a like for like comparison

Balance Sheet

€ mn	31.12.07	31.12.06
Fixed assets	233,7	119,9
Staff leaving indemnities	(0,4)	(0,5)
Net working capital	22,6	40,2
Total invested capital	255,9	159,7
Third party interest	0,1	0,3
Group equity	144,1	141,4
Net financial position	111,6	18
Total financial resources	255,9	159,7

Net Financial Position

€ mn	31.12.07	31.12.06	Δ
Cash	60,4	64,6	(4,1)
Convertible bond	0,0	0,0	0,0
Bank loans s.t.	(22,8)	(30,7)	(7,9)
Bank loans m.l.t.	(151,5)	(50,6)	100,9
Financial receivables	12,6	14,4	1,8
Fixed financial assets	0,4	0,3	0,1
Other financial instruments	(10,8)	(16,0)	(5,2)
Net Financial Position	(111,6)	(18,0)	(93,6)

Business Unit Analysis

	FY07	FY06	Δ % 07-06
TOTAL SOLD PRODUCTION (GWh)	178	144	23,6%
EOS1 - Troia S. Vincenzo	80	73,9	8,3%
EOS3 - Troia S. Cireo	64,1	60,4	6,1%
Eolo 1 - Viticuso	9,9	9,7	2,1%
TOTAL WIND ITALY	154	144	6,9%
Le Carreau	4,8	0	
Lihus	4,3	0	
Hetomesnil	4,7	0	
La Bruyere	5,3	0	
Les Mordeaux	4,9	0	
TOTAL WIND FRANCE	24	0	
Selling Prices in Italy (€/MWh)			
Eur/MWh			
Electric Energy	82,3	72	14,3%
Green Certificates	98	122	-19,7%
Selling Prices in France (€/MWh)			
Electric Energy+ Incentive	82		
Revenues (Eu mn)			
EOS1 - Troia S. Vincenzo	14,6	14,4	1,1%
EOS3 - Troia S. Cireo	11,7	11,8	-0,9%
Eolo 1 - Viticuso	1,92	2,0	-4,6%
EOS Windenergy & Others	0,83	0,5	65,1%
TOTAL WIND REVENUES ITALY	29,0	28,7	1,0%
TOTAL WIND REVENUES FRANCE	2,0	0	
Total Wind Revenues	31,0	28,7	8,0%



Anemologies in line with P75 forecasts

	FY07	FY06	Δ % 07-06
Volumes (Kmc/Ktons)	363,9	381,5	-4,6%
SODAI Liquid Waste	337,2	363,0	-7,1%
DSI:	26,7	18,5	44,3%
Liquid Waste	15,0	12,2	22,9%
Solid Waste	11,7	6,3	86,0%
Revenues (Eu/mn)	6	5,9	1,7%
SODAI	3,7	4,2	-11,9%
DSI	2,3	1,7	35,3%
EBITDA (Eu/mn)	0,03	1,0	-97%
SODAI	-0,07	1,23	na
DSI	0,1	-0,2	na

SODAI

- Lower liquid waste volumes in FY 07. EBITDA06 benefited from a non recurrent item of Eu0,9mn for the disposals of some assets to Trenitalia.

DSI

- Higher EBITDA in 2007 due to increase in solid waste volumes at a higher treatment tariff

Short Term Outlook

WIND PARKS

- Faeto (24MW): The installation of turbines is in process: the park will be fully operational during 2Q08.
- Viticuso (9MW): The newly installed transmission line allows to fully exploit turbine installed capacity.
- Troia San Vincenzo: the power plant enlargement (from 38 to 42 MW) has started: it should be operational within 4Q08.
- Troia San Cireo: on December 2007, there was a fire on a turbine. There is an insurance coverage and the turbine should be repaired within 2Q08.
- Tursi (70MW): The hearing of Basilicata Region Administrative Court relating to appeal against the Basilicata Region for the suspension of the works at Tursi wind park is expected to take place by April.

INTEGRATION OF ERG INTERESTS IN RENEWABLE ENERGY SECTOR

- Following the demerger of Erg Cesa Eolica (effective as of February 1st 2008), the project portfolio of Erg P&G includes the: wind farm in operation at Pian dei Corsi (1,6 MW), as well as the wind farm at Fossa del Lupo (110 MW), the wind farm at Vicari (37,5 MW), which are currently under construction, a pipeline of wind projects under development and minor activities in mini-hydro generation.
- Enertad started the analysis of the integration project: the advisors were named (financial: Unicredit, legal: Studio Carbonetti, technical: Windfor) and preliminary activities and evaluations are in course with the objective to define the terms and conditions of the operation.
- Details of the operation and the new business plan of the combined entity will be disclosed to the financial community during 2Q08..

2008 Italian Budget Law

- Domestic demand for green certificates sustained by the increase in mandatory quota from renewable sources (“quota d’obbligo”) to continue at an annual rate of **0,75%** from 2007 to 2012;
- From 2008, the GSE will assign green certificates to **new** renewable plants (**on stream after December 31st, 2007**) multiplying the total energy production by a coefficient: for wind plants this is equal to **1.0**, except for off-shore wind plants (**1.1**)
- Incentive period differentiated by electricity production from renewable sources: **15 years** for Wind sources
- From 2008, where the production of green certificates in the previous year is higher than the mandatory production quota, the GSE will purchase these excess certificates within 3 years at the average price realised in trading by the GME in the previous year. The above-mentioned price will be communicated by the GME to the GSE before January 31 of each year from 2008
- Until 25% of domestic energy consumption derives from renewable sources, the GSE will have to purchase green certificates expiring during the year, if required by renewable energy producers
- The reference price for green certificates issued by the GSE is defined as the difference between **180 €/MWh** and previous year average wholesale electricity price, as issued by Energy Regulator; subject to possible further adjustments by the Economic Development Ministry every 3 years

Energy Regulator Decision 24/08

- On February 29th 2008 the Regulator enacted Resolution n. 24/08, which sets at 67,12 €/MWh the price of electricity sold in 2007 for the calculation of GC price issued by GSE in 2008. The resulting GC price is therefore:

$$180 - 67,12 = 112,88\text{€/MWh}$$

Appendix

Net Financial Position

€ mn	31.12.07		31.12.06		Change
Cash	60,4	39,4	64,6	32,3	(4,2)
Overdraft	(22,4)		(22,4)		0
Other financial receivables	16,8		14,3		(1,7)
Financial derivatives	2,5		1,2		1,3
Total financial receivables	57,3		57,7		(0,4)
Bank debts	(0,8)	39,4	(8,2)	32,3	0
Financial derivatives	(17,5)		(17,2)		0,30
Total current financial payables	(17,9)		(25,4)		7,5
Total non current financial receivables	0,4	(151,1)	0,3	(50,3)	0,1
Bank debts	(151,5)		(50,6)		(100,9)
Total non current financial payables	(151,5)		(50,6)		(100,9)
Net Financial Position*	(111,7)		(18)		(93,7)