ANNUAL REPORT

AS AT 31 DECEMBER 2014

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CORPORATE BODIES

BOARD OF DIRECTORS

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DEPUTY CHAIRMAN

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GIOVANNI MONDINI

CHIEF EXECUTIVE OFFICER

LUCA BETTONTE

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(INDEPENDENT)

PASQUALE CARDARELLI
(INDEPENDENT)

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ANTONIO GUASTONI
(INDEPENDENT)

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(INDEPENDENT)

GRAZIELLA MERELLO (2)

UMBERTO QUADRINO
(INDEPENDENT)

BOARD OF STATUTORY AUDITORS

CHAIRMAN

MARIO PACCIANI

STANDING AUDITORS

LELIO FORNABAIO

ELISABETTA BARISONE

MANAGER RESPONSIBLE (ITALIAN LAW NO. 262/05)

PAOLO LUIGI MERLI (3)

ONDEPENDENT AUDITORS

DELOITTE & TOUCHE S.P.A.

(1) Executive Deputy Chairman
(2) Director in charge of the Internal Control and Risk Management System
(3) Appointed on 11 March 2014

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REPORT ON OPERATIONS

INTRODUCTION

The Consolidated Annual Report at 31 December 2014 has been prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS and 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 present document was audited by the independent auditor Deloitte & Touche S.p.A. in accordance with CONSOB (Italian Stock Exchange Regulator) regulations.

DISCLOSURE PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS' REGULATIONS

The Company has selected the option, introduced by CONSOB with its resolution no. 18079 of 20 January 2012, of waiving the obligation to make available to the public an information document upon carrying out significant transactions, i.e. mergers, demergers, capital increase by transfer in kind, acquisition and sale.

RESULTS AT ADJUSTED REPLACEMENT COST

To enhance understandability of performance, the results of the business are also shown at adjusted replacement cost with the exclusion of non-recurring items[1] taking into account, for the portion attributable to ERG, the results at replacement cost of the joint ventures TotalErg S.p.A. for the Integrated Downstream business, and LUKERG Renew GmbH for the Renewable Energy Sources business, whose contributions to the Income Statement not at adjusted replacement cost are represented by the investments measured under the equity method of accounting.
Net financial indebtedness is also shown at adjusted replacement cost that takes into account the portion attributable to ERG of the net financial position of the joint ventures LUKERG Renew GmbH (50%) and TotalErg S.p.A. (51%), net of the relevant intra-group items.

AGREEMENT FOR THE SALE OF THE IGCC ISAB ENERGY PLANT AND EARLY TERMINATION OF CIP 6

At the end of **2013** ERG announced that it had reached an agreement with GDF SUEZ for the acquisition of the equity investments, representing 49% of the share capital (indirectly held by GDF SUEZ itself and by Mitsui & Co.) of ISAB Energy, a company that owns the IGCC power plant (528 MW) of Priolo Gargallo (SR), of ISAB Energy Services, the company that operates and maintains the plant, and of ISAB Energy Solare, owner of a photovoltaic plant with 1 MW of power.
At the same time, ERG entered into an agreement with ISAB, a subsidiary of the LUKOIL Group, for the sale of the ISAB Energy and ISAB Energy Services business units, consisting mainly of the IGCC plant and of the personnel for its operation and maintenance. The agreed price for the asset value is EUR 20 million.
On 16 June 2014, the acquisition of 49% of the share capital of ISAB Energy, ISAB Energy Services and ISAB Energy Solare was closed with GDF SUEZ.
The transaction was completed, in line with the agreements disclosed on 30 December 2013, following the approval by the competent Antitrust Authority and the acceptance, by the National Grid Operator, of the early termination of the CIP6/92 for the ISAB Energy plant, effective 1 July 2014.

1 Non-recurring items include significant but unusual earnings.

30 June 2014 was the date of closing with ISAB, a subsidiary of the LUKOIL Group, for the sale of the business units described above.
This Report reflects the effects of the transactions described above. For better understanding of the data commented herein, the following impacts are pointed out in particular:

- Acquisition of the minority shareholdings from GDF SUEZ for EUR 153 million with a reduction to zero of the minority interests and increase in the Group's shareholders' equity. Since the transaction took place at the end of June, the income statement still reflects the related minority interests for the first six months of 2014.
- Recognition of the income for the early termination of the CIP 6 convention, i.e. approximately EUR 515 million (EUR 317 million net of the tax effect), collected during the third quarter of the year.
- Recognition of the net capital loss for the sale of the plants and of the personnel for their operation and maintenance, amounting approximately to EUR 405 million (EUR 267 million net of the tax effect) with matching decrease in the assets and liabilities of the transferred personnel, in view of a collected amount of approximately EUR 26 million;
- Recognition of other net income, additional and related to the transaction, amounting to EUR 30 million in terms of EBITDA (EUR 5 million in terms of EBIT), related mainly to the release of the deferred income of the CIP 6 price increase and to the allocation of deferred tax liabilities on distributable equity reserves.

These items are considered non-recurring and therefore they are not reflected in adjusted replacement costs.

SALE OF THE EQUITY INVESTMENT IN ERG OIL SICILIA

On 29 December 2014 it sold to Maiora, a subsidiary of GRS Petroli, 100% of the share capital in ERG Oil Sicilia, a company operating in the sector of fuel distribution in Sicily, with a Network of approximately 200 sales outlets. The price of the sale is approximately EUR 30 million. This Report benefits, in the income statement, from the results of the company for the entire year and, in the statement of financial position, it reflects the sale at the aforesaid values. The transaction is consistent with the Group's portfolio strategy, which calls for ever increasing focus towards the generation of energy from renewable sources.

NEW ORGANISATIONAL MODEL

In 2014, a new Group organisational model was implemented, whose goal is to assure the alignment between business strategies and corporate operating model, seeking the optimal environment where ERG's personnel can best express their capital of ideas and skills. The new organisational-corporate model has been set up to meet these needs through the interaction of three macro-roles:

– the parent company ERG S.p.A. provides strategic direction, management control and oversight of human and financial capital and relationships as the fundamental assets for development;
– the business units, i.e., special purpose companies focusing on their respective businesses, equipped with their own adequate structures capable of guaranteeing efficient operations, drive for development and quick responses to the volatility of their specific markets;
– ERG Services S.p.A., the company established to attain operating excellence in the performance of support services to all companies in the ERG Group ("shared services").

The implementation of the Group's new corporate organisation model has entailed:

– outsourcing the business activities previously performed by ERG S.p.A., by transferring the business units (activities, personnel, assets and contracts) of the Oil and Power businesses respectively to ERG Supply & Trading S.p.A. and to ERG Power Generation S.p.A., both controlled by the sole shareholder ERG S.p.A.;

- retaining all activities pertaining to the Renewable Energy Sources business in the subsidiary ERG Renew S.p.A.;
- outsourcing the main service and support activities across the Group's activities, previously performed by ERG S.p.A., by transferring the business unit (activities, personnel, assets and contracts) to the newly established ERG Services S.p.A., controlled by the sole shareholder ERG S.p.A.

The new organisation was launched at the end of 2013 and its concrete implementation, both with regard to formal compliance and with regard to the realignment of operating processes, was substantially completed in the first half of 2014.
In particular, on 1 January 2014, the transfers of the business units pertaining to ERG Supply & Trading S.p.A. and ERG Services S.p.A. took effect, so the companies have been fully operational since the start of the year, whilst the transfer of the business unit pertaining to ERG Power Generation S.p.A. took effect on 1 July 2014.
With regard to ERG Supply & Trading S.p.A., in view of the negative results recorded in 2014 and taking into account the Group's strategic interests, the decision was made not to continue with its business activities and consequently to consider the most appropriate reorganisation operations.

BUSINESS DESCRIPTION

The ERG Group, also through its own subsidiaries and joint ventures with primary international operators, operates in the following segments:

- ## RENEWABLE ENERGY SOURCES

  Through ERG Renew (93% owned subsidiary), ERG is active in the generation of electricity from renewable sources with 1,341 MW of installed wind power at 31 December 2014, of which 636 MW deriving from the acquisition of IP Maestrale in 2013. ERG Renew is the first wind power operator in Italy and among the top ten in Europe.
  Starting in 2014, full commercial operations were started at the new wind farms built in Italy (34 MW) and in Romania through LUKERG Renew (84 MW of which ERG's share is 42 MW). Wind farms are mainly concentrated in Italy (1,087 MW), but with a significant presence also in Germany (86 MW), in France (64 MW) and, through LUKERG Renew, in Romania (where ERG's share is 77 MW) and in Bulgaria (ERG's share: 27 MW); in addition, in the second part of 2014, construction work started on a new wind farm in Poland (42 MW), expected to be commissioned in 2015.
  Moreover, since October 2013, through the establishment of ERG Renew O&M, the Company has in-sourced the operation and maintenance of the wind farms in Italy deriving from the acquisition of IP Maestrale and is beginning progressively to extend this activity to the other Italian wind farms as well.

- ## POWER

  In 2014, the Group carried out the production and marketing of electricity, steam and gas, through:
  - ERG Power S.r.l.: this company owns the North Plant (480 MW) located in the industrial site of Priolo, comprising a combined cycle plant fuelled by natural gas and other smaller facilities necessary to meet the site's demand for steam and other utilities. The plant started commercial operations in April 2010;
  - ISAB Energy S.r.l.: until 30 June 2014, this company owned a plant (528 MW) operating within the scope of a twenty-year CIP 6 convention and fuelled by synthesis gas obtained from a process of gasification of asphalt originating from the ISAB Refinery in Priolo (Sicily);
  - ISAB Energy Services S.r.l.: this company performs O&M services for ERG Power S.r.l. and, until 30 June 2014, for ISAB Energy S.r.l.

As a result of the transaction with the GDF SUEZ and LUKOIL groups, completed on 30 June 2014, the ERG Group substantially changed its scope of operations in the thermoelectric sector, with the sale of ISAB Energy's 528 MW power plant and of the business unit pertaining to the O&M activity on that plant.

- ## INTEGRATED DOWNSTREAM

  The Group is active in the Integrated Downstream market, where it is one of the foremost operators, through TotalErg, a joint venture with Total, with a network of approximately 2,700 sales outlets, and, until 29 December 2014, through ERG Oil Sicilia (EOS), a company operating in the retail market in Sicily, whose equity investment, equal to 100% of the share capital, was sold by ERG to the GRS Petroli group.
  TotalErg also operates in the logistics and refining sector, mainly through a major facility for the storage and handling of petroleum products in Central Italy and through the Sarpom Refinery in Trecate, of which it owns 24%, with a processing capacity of 1.6 million tonnes per year.

Following the sale of the 20% share in the ISAB refinery in Priolo, at the end of 2013, ERG left the Coastal Refining business, which in recent years has been characterised by severely depressed processing margins. On the other hand, in 2014 it continued to trade crude oils and petroleum products through ERG Supply & Trading. However, this activity is expected to be disposed of in 2015, as it is no longer consistent with the Group's strategies.

ERG

RENEWABLE ENERGY SOURCES

- 93% of ERG Renew
- 1.3 GW of installed wind power capacity
- Development abroad managed by ERG Renew and LUKERG Renew (50% joint venture with LUKOIL in Eastern Europe)

POWER

- ERG Power: 480 MW CCGT plant in Sicily
- ISAB Energy(1): 528 MW IGCC plant (51% ERG share)

INTEGRATED DOWNSTREAM

- 51% of TotalErg
- 100% of ERG Oil Sicilia (2)
- 100% ERG Supply & Trading

(1) ISAB Energy's 528 MW IGCC Plant was sold on 30 June 2014.

(2) The equity investment in ERG Oil Sicilia was sold on 29 December 2014.

STRATEGY

The strategy pursued by ERG aims to consolidate the Group's current positioning in renewable energy sources in Italy and to continue its growth in wind power abroad, to optimise the operations and cash flow generation of thermoelectric plants, to rationalise the TotalErg Network, within an environment characterised by the profound changes taking place in the segment.

- ## RENEWABLE ENERGY SOURCES

  ERG's strategy aims to continue the path to growth in the segment through the subsidiary ERG Renew, with the goal of consolidating its position as the leading operator in the domestic market and of accelerating growth abroad. In recent years, ERG Renew has significantly increased its installed capacity, which rose from approximately 200 MW in 2009 to over 1,300 MW at present, achieving this growth both through the acquisition of assets and through the construction of new plants. In particular, with regard to foreign countries, where approximately 20% of installed capacity is located, ERG's strategy aims to accelerate on the path towards the growth and geographic diversification of its asset portfolio, both through the investments currently being made in Poland, and through the assessment of potential new investments in other countries. The size attained, the integration of IP Maestrale into ERG Renew and the in-sourcing of O&M activities, will enable ERG to obtain important benefits in the management of its assets, both in terms of efficiency and cost control and of operating performance.

- ## POWER

  ERG continues to pursue a strategy of maximising the exploitation of the CCGT plant of the ERG Power subsidiary. With a view to best exploit its asset portfolio, the strategy aims at maximising and stabilising cash flows, through the agreement with IREN for the supply of 2 TWh of electricity per year for six years from 1 January 2012 onwards, the long-term agreements for the supply of utilities to the Priolo site and the participation in the Dispatching Services Market (MSD) with a significant contribution on margins. Also in light of these factors, the utilisation factors and the profitability of the ERG Power plant are well above the average for plants of this kind. An integral part of the strategy is the maximum possible exploitation of electricity, through a dedicated Energy Management department, which markets the electricity generated by the CCGT plant and by ERG Renew's Italian wind farms, which progressively waived the dedicated withdrawal by the National Grid Operator.

- ## INTEGRATED DOWNSTREAM

  ERG's strategy is aimed at obtaining the maximum possible value from its equity investment in TotalErg by improving its competitive position to boost its long-term profitability and sustainability, in an environment that is challenging both because of the very severe contraction in demand and of the inefficient structure of the Country's fuel distribution network, where average dispensed quantities per filling station are far smaller than the average of the main European countries. Against this backdrop, ERG, through the joint venture TotalErg, intends to rationalise and strengthen its fuel distribution network, also through greater station automation. At the same time, in addition to seeking the maximum possible efficiency in terms of cost reduction, the strategy also aims to rationalise capital use through a supply model that is more oriented towards purchasing petroleum products on the cargo market to exploit the excess supply in the Mediterranean Area. In this context, TotalErg completed, fully according to schedule, the work for the transformation of the refinery into a logistical facility and specifically the upgrade of the tank farm and of the maritime terminals.

ERG'S STOCK MARKET PERFORMANCE

At 30 December 2014 the reference price of ERG's shares was EUR 9.26, down (-5.0%) from the end of the previous year, while the European sector's Stoxx Utilities Index grew (+12.3%), and the FTSE All Share index was substantially stable (-0.3%), whereas the FTSE Mid Cap index contracted (-3.9%). On 22 May 2014 ERG S.p.A. paid a dividend of 1 EUR/share (dividend yield 9.5% calculated on the mean price of the period), of which 0.5 EUR/share extraordinary.

Figures relating to the prices and exchange volumes of ERG's shares during the period 2 January–30 December 2014 are set out below:

STOCK PRICE	EUR
REFERENCE PRICE AS AT 30/12/2014	9.26
HIGHEST PRICE (02/05/2014)(1)	12.69
LOWEST PRICE (16/12/2014)(1)	8.06
AVERAGE PRICE	10.52

(1) lowest and highest price reached during the day's trading; hence they do not match the official and closing prices on the same date.

TRADED VOLUMES	NO. OF SHARES
MAXIMUM VOLUME (12/03/2014)	1,882,024
MINIMUM VOLUME (21/02/2014)	49,553
AVERAGE VOLUME	242,967

Market capitalisation as at 30 December 2014 was approximately EUR 1,391 million (EUR 1,465 million at the end of 2013).

As at 10 March 2015, the reference price of ERG stocks (Blue Chips) was EUR 11.65, 19.5% higher than at the end of 2013, as compared with growth of 15.2% in the European sector index (Stoxx Utilities Index), of 18.0% in the FTSE All Share index and 19.7% in the FTSE Mid Cap index.

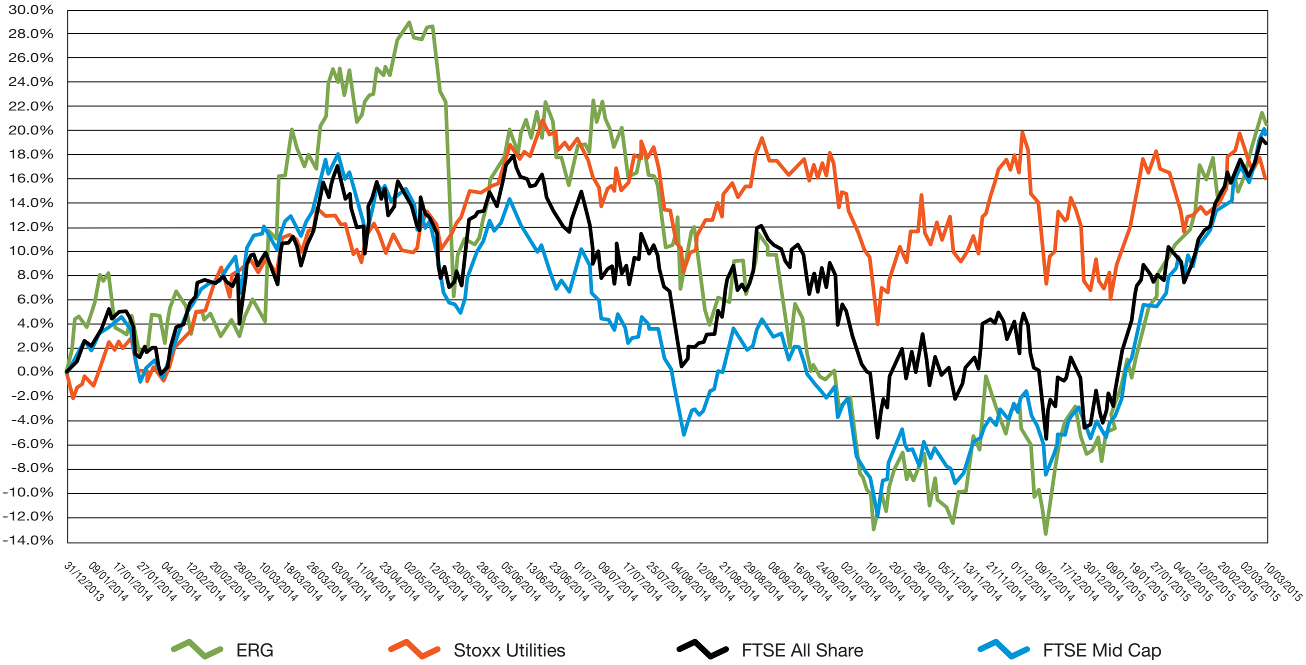
STOCK PRICE	EUR
REFERENCE PRICE AT 10/03/2015	11.65
HIGHEST PRICE (02/05/2014)(1)	12.69
LOWEST PRICE (16/12/2014)(1)	8.06
AVERAGE PRICE	10.52

(1) lowest and highest price reached during the day's trading; hence they do not match the official and closing prices on the same date.

ERG'S SHARE PRICE PERFORMANCE COMPARED WITH LEADING INDICES (NORMALISED)

ERG VS. EURO STOXX UTILITIES, FTSE ALL SHARE AND FTSE MID CAP

% change from 30/12/2013 to 10/03/2015



PERFORMANCE HIGHLIGHTS

(EUR MILLION)		YEAR 2014	YEAR 2013
MAIN INCOME STATEMENT DATA			
TOTAL REVENUES (1)		1,999	7,076
EBITDA		547	380
EBITDA AT REPLACEMENT COST (2)		**429**	**493**
EBITDA AT ADJUSTED REPLACEMENT COST (3)		**491**	**569**
EBIT AT REPLACEMENT COST (2)		**240**	**283**
EBIT AT ADJUSTED REPLACEMENT COST (3)		**249**	**278**
NET INCOME		73	85
OF WHICH GROUP NET INCOME		*48*	*28*
GROUP NET PROFIT (LOSS) AT REPLACEMENT COST (4)		**76**	**38**
MAIN FINANCIAL DATA			
NET INVESTED CAPITAL		**2,049**	**2,821**
SHAREHOLDERS' EQUITY		1,719	2,014
TOTAL NET FINANCIAL INDEBTEDNESS		330	807
OF WHICH NON-RECOURSE PROJECT FINANCING (5)		*1,297*	*1,362*
FINANCIAL LEVERAGE		16%	29%
TOTAL NET ADJUSTED FINANCIAL INDEBTEDNESS (6)		538	1,015
OPERATING DATA			
WIND FARM INSTALLED CAPACITY AT THE END OF THE PERIOD	MW	**1,341**	**1,340**
ELECTRIC POWER GENERATION FROM WIND FARMS	MILLIONS OF KWH	2,580	2,403
THERMOELECTRIC PLANT INSTALLED CAPACITY (7)	MW	**480**	**1,008**
ELECTRIC POWER GENERATION FROM THERMOELECTRIC PLANTS	MILLIONS OF KWH	4,665	6,805
TOTAL SALES OF ELECTRIC POWER	MILLIONS OF KWH	**9,354**	**10,631**
ITALIAN RETAIL SALES (8)	THOUSANDS OF TONNES	1,403	1,544
TOTALERG RETAIL MARKET SHARE	GASOLINE + DIESEL	**10.6**%	11.3%
ERG OIL SICILIA RETAIL MARKET SHARE (9)	GASOLINE + DIESEL	N.A.	0.8%
RAW MATERIAL AND PRODUCT INVENTORIES (10)	THOUSANDS OF TONNES	**425**	360
REFINERIES PROCESSING (11)	THOUSANDS OF TONNES	650	2,922
CAPITAL EXPENDITURES (12)	EUR MILLION	54	74
EMPLOYEES AT THE END OF THE PERIOD (13)	UNITS	**604**	778
MARKET INDICATORS			
REFERENCE PRICE OF ELECTRICITY (14)	EUR/MWH	52.1	63.0
"GREEN CERTIFICATES" SALE PRICE (RENEWABLE ENERGIES)	EUR/MWH	97.4	89.3
CIP 6 SALE PRICE (THERMOELECTRIC - ISAB ENERGY)	EUR/MWH	100.9	118.7
SICILY ZONE PRICE	EUR/MWH	80.9	92.0

For the definition and reconciliation of results to adjusted replacement cost, please refer to the section "Alternative performance indicators".

(1) net of excise taxes and, in 2014, of trades (EUR 3,829 million). In 2014, total revenues also included the income for the early termination of the CIP 6 convention.
(2) not including inventory gains (losses) and non-recurring items
(3) these also include the contribution, attributable to ERG, of the results of TotalErg (joint venture with Total) and of LUKERG Renew (joint venture with the LUKOIL Group). The year 2013 also included ERG's share of the contribution of the results of ISAB S.r.l.
(4) does not include inventory gains (losses), non-recurring items and related applicable theoretical taxes. The values also match the adjusted ones
(5) including cash and cash equivalents and excluding the fair value of the related derivatives to hedge interest rates
(6) it also includes the contribution attributable to ERG of the net financial position of the joint ventures LUKERG Renew and TotalErg
(7) as a result of the sale of the ISAB Energy business unit, installed capacity was reduced by 528 MW.
(8) estimated data. Including 51% of TotalErg
(9) related to the sales outlets of the wholly owned subsidiary ERG Oil Sicilia, sold on 29 December 2014.
(10) including ERG's share of the inventories of the TotalErg joint venture.
(11) in 2013 they included the processing work carried out at the ISAB refinery
(12) in tangible and intangible fixed assets
(13) including the sale of the business unit pertaining to personnel from ISAB Energy Services to ISAB S.r.l.
(14) Single National Price

PERFORMANCE HIGHLIGHTS BY SEGMENT

(EUR MILLION)	YEAR 2014	YEAR 2013
REVENUES FROM ORDINARY OPERATIONS		
RENEWABLE ENERGY SOURCES	349	339
POWER	1,164	1,642
INTEGRATED DOWNSTREAM(1)	3,098	9,002
CORPORATE	30	6
INTRA-SEGMENT REVENUES	(291)	(621)
TOTAL ADJUSTED REVENUES(2)	**4,350**	**10,368**
ERG SHARE OF ISAB S.R.L. CONTRIBUTION AT REPLACEMENT COST	*–*	*(189)*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST	*(2,958)*	*(3,117)*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	*(22)*	*(11)*
TOTAL REVENUES FROM ORDINARY OPERATIONS	**1,369**	**7,051**
EBITDA		
RENEWABLE ENERGY SOURCES	267	245
POWER	204	358
INTEGRATED DOWNSTREAM (1)	44	(5)
CORPORATE	(24)	(30)
EBITDA AT ADJUSTED REPLACEMENT COST (3)	**491**	**569**
ERG SHARE OF ISAB S.R.L. CONTRIBUTION AT REPLACEMENT COST	*–*	*(31)*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST	*(47)*	*(39)*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	*(14)*	*(7)*
EBITDA AT REPLACEMENT COST (3)	**429**	**493**
INVENTORY GAINS (LOSSES)	*–*	*(6)*
NON-RECURRING ITEMS	*118*	*(107)*
EBITDA	**547**	**380**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
RENEWABLE ENERGY SOURCES	(137)	(126)
POWER	(54)	(80)
INTEGRATED DOWNSTREAM (1)	(48)	(83)
CORPORATE	(2)	(3)
AMORTISATION AND DEPRECIATION AT ADJUSTED REPLACEMENT COST (3)	**(241)**	**(291)**
ERG SHARE OF ISAB S.R.L. CONTRIBUTION AT REPLACEMENT COST	*–*	*22*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST	*44*	*56*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	*8*	*4*
AMORTISATION AND DEPRECIATION AT REPLACEMENT COST (3)	**(189)**	**(210)**
EBIT		
RENEWABLE ENERGY SOURCES	131	119
POWER	150	278
INTEGRATED DOWNSTREAM(1)	(5)	(87)
CORPORATE	(27)	(32)
EBIT AT ADJUSTED REPLACEMENT COST (3)	**249**	**278**
ERG SHARE OF ISAB S.R.L. CONTRIBUTION AT REPLACEMENT COST	*–*	*(9)*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST	*(3)*	*17*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	*(6)*	*(3)*
EBIT AT REPLACEMENT COST (3)	**240**	**283**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
RENEWABLE ENERGY SOURCES	38	97
POWER	14	26
INTEGRATED DOWNSTREAM(1)	34	41
CORPORATE	3	2
TOTAL ADJUSTED CAPITAL EXPENDITURES (4)	**89**	**165**
CAPITAL EXPENDITURES OF ISAB S.R.L. (ERG SHARE)	*–*	*–*
CAPITAL EXPENDITURES OF TOTALERG (51%)	*(34)*	*(39)*
CAPITAL EXPENDITURES OF LUKERG RENEW (50%)	*(2)*	*(52)*
TOTAL CAPITAL EXPENDITURES	**54**	**74**

For the definition and reconciliation of results to adjusted replacement cost, please refer to the section "Alternative performance indicators".

(1) In 2013, Integrated Downstream also included the results of coastal refining.

(2) Adjusted revenues take into account ERG's share of the revenues generated by the TotalErg S.p.A. and LUKERG Renew joint ventures. The year 2013 also included ERG's share of the contribution of the results of ISAB S.r.l. In 2014, they did not include revenues from ERG Supply & Trading activities (EUR 3,829 million), recognised as a reduction to purchase costs.

(3) Replacement cost values do not include inventory gains (losses) and non-recurring items. Adjusted values also include the contribution, attributable to ERG, of the results of TotalErg S.p.A., LUKERG Renew. The year 2013 also included ERG's share of the contribution of the results of ISAB S.r.l.

(4) They take into account ERG's share of the capital expenditures effected by TotalErg S.p.A. and LUKERG Renew.

SALES

POWER GENERATION

The electricity sales carried out by the ERG Group refer mainly to the electricity generated by its plants[2], both wind power (ERG Renew) and thermoelectric (ERG Power and, until 30 June, ISAB Energy) as well as, to a lesser extent, purchases on organised markets and through physical bilateral agreements. Of the electricity sales carried out in Italy in 2014, approximately 6.7 TWh relate to the electricity generated by Group plants, accounting for approximately 2.2% of total domestic demand (2.8% in 2013). The breakdown of sale volumes, with reference to the type of source, is shown in the following table:

(GWH)	YEAR 2014	YEAR 2013
POWER GENERATION		
ERG RENEW ITALY	2,051	2,010
ERG RENEW ABROAD	529	393
ISAB ENERGY	2,042	4,142
ERG POWER GENERATION	4,732	4,087
TOTAL	**9,354**	**10,631**

In 2014, steam sales[3] were 838 thousand tonnes (1,577 in the same period of 2013), whilst gas sales were 320 million Sm^3 - Standard cubic metres (502 million Sm^3 in 2013).

PETROLEUM PRODUCTS

In 2014, total sales of Integrated Downstream petroleum products amounted to 3,602 thousand tonnes (7,795 thousand tonnes in 2013).
The severe reduction in volumes sold is mainly due to the different scope of consolidation deriving from the sale of the share in the ISAB Refinery, completed at the end of 2013.
The following table breaks down ERG's oil product sales by distribution channel. In 2014, the figures include the contribution from TotalErg sales at 51% and of ERG Oil Sicilia, sold on 29 December 2014.

(THOUSANDS OF TONNES)	YEAR 2014	YEAR 2013
REFINING AND LOGISTICS		
EXPORTS VIA SHIP	57	3.052
DELIVERIES TO THE DOMESTIC MARKET	1,362	2,266
TOTAL REFINING AND LOGISTICS	**1,418**	**5,317**
MARKETING		
RETAIL NETWORK	1,403	1,544
WHOLESALE NETWORK	781	934
TOTAL MARKETING	**2,184**	**2,478**
TOTAL PETROLEUM PRODUCTS	**3,602**	**7,795**

In addition, approximately 6.3 million tonnes of crude oils and products were purchased and sold in the year 2014 within the scope of the operations of ERG Supply & Trading S.p.A.; they are not represented in the table above, consistently with the representation of the accounting revenues posted as reductions of the corresponding purchase costs.

2 For ERG Power, sales of electric power differ from the amounts generated, because they include energy purchased and resold on wholesale markets and on forward markets;
3 Steam supplied to final users net of the quantities of steam withdrawn by the users and of pipeline losses.

COMMENTS ON THE YEAR'S PERFORMANCE

In 2014, **adjusted revenues**[4] amounted to EUR 4,350 million, in decline from EUR 10,368 in 2013, mainly as a consequence of the exit from the Coastal Refining business and of the sale of the ISAB Energy plant.
EBITDA at adjusted replacement cost[5] amounted to EUR 491 million, a decrease compared to EUR 569 million in 2013, but in the presence of a different scope of operations. The change is a result of the following factors:

- ## RENEWABLE ENERGY SOURCES
  EBITDA amounted to EUR 267 million, up compared to the similar period of the previous year (EUR 245 million) thanks to the contribution of the new wind farms in Italy and abroad, to the improved efficiency deriving from in-sourcing the O&M activities and to the lower imbalance costs as a result of the effects of the recent decision by the Italian Council of State, which more than offset the reduction in average sale prices.

- ## POWER
  EBITDA of EUR 204 million, in contraction compared to EUR 358 million in 2013, mainly because of the lower contribution of ISAB Energy, which ceased in the second half as a result of the sale of the plant and which in the first half had been affected by the severe reduction in the CIP 6 price compared to 2013. The result deriving from the CCGT plant, i.e. approximately EUR 100 million, is nearly in line with last year's.

- ## INTEGRATED DOWNSTREAM
  EBITDA of EUR 44 million, a marked improvement compared to the negative result of EUR 5 million recorded in 2013 thanks mainly to the better results of TotalErg which benefited from major efficiency-boosting actions and to the cessation of Coastal Refining activities resulting from the sale of the final 20% of the ISAB refinery; these positive effects were partly dampened by a negative performance of ERG Supply & Trading.

EBIT at adjusted replacement cost[5] was EUR 249 million (EUR 278 million in 2013) after amortisation and depreciation of EUR 241 million (EUR 291 million in 2013).

Group net profit (loss) at replacement cost amounted to EUR 76 million, versus EUR 38 million in 2013. The significant improvement in the result is mainly tied to the higher contribution from renewable energies and to the exit from Coastal Refining, which more than offset the lower profits of ISAB Energy in the period. The results further benefited from lower net financial expenses and from a lower tax rate, partly as a consequence of the reduction in the IRES surtax from 10.5% to 6.5% on current taxes.

Group net income amounted to EUR 48 million (EUR 28 million in 2013) mostly as a result of the positive effect of ISAB Energy's termination of the CIP 6 convention (EUR 317 million, net of the tax effect) partly offset by the capital loss tied to the sale of the ISAB Energy and ISAB Energy Services business units (EUR 268 million, net of the tax effect).
The result was also influenced by the negative (-EUR 19 million) tied to the derecognition of tax assets as a consequence of the declared non retroactive unconstitutionality of the Robin surtax and of the negative fair value (EUR -7 million) of derivatives.

4 Adjusted revenues do not include Supply & Trading revenues, reported as reductions to purchase costs.
5 For the definition and reconciliation of results at adjusted replacement cost and details of non-recurring items, please refer to the section "Alternative performance indicators".

It should be recalled that the 2013 results included the positive impact of the sale of the final 20% equity investment in ISAB S.r.l. involving a capital gain of EUR 177 million, partly offset by the provisions tied to the activities on the Priolo site and mainly consequent to the exit from the Refining business and by the ancillary charges related to the acquisition of ERG Wind. The result also reflected the write-down, by EUR 58 million, of the equity investment in TotalErg as a result of the Impairment Test.
In 2014, **adjusted Group capital expenditures** totalled EUR 89 million (EUR 165 million in 2013), of which 42% in Renewable Energy Sources (59%), 16% in Power (15%) and 38% in Integrated Downstream (25%).

Net financial indebtedness amounted to EUR 330 million, down by EUR 477 million compared to 31 December 2013 mainly as a result of the amount collected after the termination of the CIP 6 contract of ISAB Energy (EUR 515 million) and of the operating cash flow of the period, partially offset by the payment of the dividends from ERG S.p.A. (EUR 143 million) and from ISAB Energy to the minority shareholder (EUR 22 million), by the acquisition of the minority interest of ISAB Energy and ISAB Energy Services (EUR 153 million). Indebtedness at 31 December 2014 was also positively affected by the amount of EUR 50 million consequent to Unicredit's inclusion among ERG Renew shareholders.
Net financial indebtedness includes financial liabilities related to the fair value of interest rate hedging derivatives, amounting to approximately EUR 181 million (EUR 141 million as at 31 December 2013).

Adjusted net financial indebtedness, which includes the portion attributable to ERG of the net financial position in the TotalErg and LUKERG Renew joint ventures, amounted to EUR 538 million, a decrease by approximately EUR 477 million compared to 31 December 2013, substantially for the same reasons explained above and because of time-limited events affecting the working capital of TotalErg. Adjusted net financial indebtedness includes approximately EUR 189 million of financial liabilities relating to the fair value of derivatives hedging the interest rate risk (EUR 147 million at 31 December 2013).

COMPARISON OF RESULTS FOR EQUAL SCOPE OF CONSOLIDATION

The comparison between the 2014 and 2013 results is affected by the change in the scope of consolidation, with particular reference to the sale of the final remaining interest in the ISAB Refinery at the end of 2013 and to the sale of the IGCC plant at the end of the first half of 2014. To enhance the understandability of performance in the two periods, the following table provides a comparison of the results with equal scope of consolidation i.e. considering the contribution of ISAB Energy only for the first half of 2013 (thus with the exclusion of the second half, amounting to EUR 132 million) and excluding the results of Coastal Refining for the whole year 2013 (EUR -50 million).

	2014	2013 RESTATED
RENEWABLE ENERGY SOURCES	267	245
POWER	204	226
INTEGRATED DOWNSTREAM	44	45
CORPORATE	(24)	(30)
EBITDA AT ADJUSTED REPLACEMENT COST	**491**	**487**

The slight growth of EBITDA at adjusted replacement cost, for equal scope of consolidation, reflects mainly the greater contribution of the renewable energy sources and the reduction in central costs, offset by the smaller contribution of the ISAB Energy plant in the first half of the year as a result of a significant contraction in the CIP 6 sale price of electricity. It should be stressed that in view of a substantially constant income performance, net financial indebtedness was sharply reduced compared to the previous year specifically as a result of the non-recurring income tied to the two transactions, i.e. the sale of 20% of the ISAB Refinery and the collection of the consideration for early exit from the CIP 6 convention. The performance of economic and financial entries reflect the significant transformation of the Group's asset portfolio, which continued through 2014.

SIGNIFICANT EVENTS DURING THE YEAR

RENEWABLE ENERGY SOURCES – ITALY

On **16 January 2014** the Shareholders' Meeting of ERG Renew voted a reserved capital increase, for a total price of EUR 50 million, simultaneously subscribed and freed by UniCredit, corresponding to a minority interest in ERG Renew that represents 7.14% of its share capital. On the same date, a representative of UniCredit was appointed to the Board of Directors in accordance with the shareholders' agreements.

On **20 January 2014** ERG Renew announced the full commissioning of the wind farm Palazzo San Gervasio (PZ), accomplished ahead of schedule.
The new wind farm, consisting of 17 Vestas V100 wind turbine generators rated at 2 MW each, has an installed capacity of 34 MW and an output of over 72 GWh of electricity per year, with savings of approximately 30 kt of CO_2 emissions. With the construction of the wind farm, ERG Renew strengthened its leadership position in the Italian wind power marked, with total installed capacity of 1,087 MW in Italy and 1,341 MW throughout Europe. On **23 May 2014** ERG Eolica Basilicata S.r.l. (100% ERG Renew) executed the project financing loan agreement for the wind farm located in the Potenza province, subsequently commissioned in the first quarter of 2014, with an installed capacity of 34 MW. The loan, for a total amount of EUR 43 million and a term of validity of 17 years, was signed by the Mandated Lead Arrangers (MLA) BNP Paribas and Crédit Agricole CIB, which also acts as agent bank, and Carispezia Crédit Agricole as Account Bank.

On **5 November 2014** ERG served International Power with a request to reimburse EUR 45.8 million. The reimbursement request refers to the Decree of Ministry of Economic Development cancelling the contributions under Law 488/92 previously assigned to wind farms acquired within the ERG Wind transaction of 2013. The risks connected with the cancellation of the aforesaid contributions had been covered in the agreements for the acquisition of ERG Wind by specific indemnification obligations undertaken by the seller. An extraordinary appeal was promptly filed against the cancellation decrees, with a request for prudential suspension of the effectiveness of the challenged measures; currently, a decision is pending on both the suspension request and on the merits of the appeal.
While the case is pending before the Court of Avellino, EUR 32 million have already been allocated to the dedicated Litigation Provision established by Article 61, Paragraph 23, of Italian Law Decree no. 112/2008 (converted by law no. 133/2008).

RENEWABLE ENERGY SOURCES – ABROAD

On **9 January 2014** LUKERG Renew, a joint venture of ERG Renew and LUKOIL- Ecoenergo, completed the construction and commissioning of the wind farm in Topolog-Dorobantu in Romania, in the Tulcea region.
The new wind farm, consisting of 42 Vestas V90 wind turbine generators, each rated at 2 MW, will have an installed capacity of 84 MW. The last wind turbine generator, whose construction was completed in the first months of 2014, started commercial operations on 29 April 2014. Once fully operational, the wind farm will generate over 200 GWh of electricity per year, with savings of approximately 85 kt of CO_2 emissions.
With the construction of the wind farm, LUKERG Renew significantly enhances its presence in the Romanian wind power market and positions itself among the foremost operators in the sector, with installed capacity of approximately 150 MW.

On **2 April 2014** LUKERG Renew (equal share Joint Venture between ERG Renew and LUKOIL-Ecoenergo), through the subsidiary Corni Eolian, executed the project financing agreement with Raiffeisen Bank International AG and ING Bank NV as Mandated Lead Arranger (MLA) to finance the Gebeleisis wind farm in Romania in the Galati region, with 70 MW of installed capacity. The loan, totalling EUR 67 million, will have a maturity of 11 years.

On **15 May 2014** ERG Renew entered into an agreement for the acquisition, from the Vortex Energy group, of 100% of the capital of EW Orneta 2, a Polish company owning the authorisations required for the construction of a wind farm in Poland, in the region of Radziejów, with planned capacity of 42 MW and energy output estimated at over 100 GWh when fully operational, corresponding to approximately 2,400 equivalent hours and savings of approximately 85 kt of CO_2 emissions. ERG Renew started work for the construction of the wind farm in the third quarter of 2014, in order to start operations by mid 2015.
The total estimated investment for construction of the park is approximately EUR 65 million, including the price paid for the enterprise value of the company, i.e. approximately EUR 7.2 million. On **22 July 2014** the acquisition was closed. The transaction allows ERG Renew to enter a Country deemed strategic for its wind power development potential and to continue its path to growth abroad.

On **4 June 2014** LUKERG Renew, through the subsidiary Land Power, executed the project financing agreement with the European Bank for Reconstruction and Development (EBRD) and UniCredit as Hedging Provider and Account Bank to finance the Topolog-Dorobantu wind farm in Romania in the Tulcea region. The loan, totalling EUR 57 million, will have a maturity of 14 years.

THERMOELECTRIC

On **16 June 2014** ERG closed with GDF SUEZ the acquisition of the interests, amounting to 49% of share capital (indirectly held by GDF SUEZ and by Mitsui & Co.), in ISAB Energy, ISAB Energy Services and ISAB Energy Solare. The transaction was completed, in line with the agreements disclosed on 30 December 2013, following the approval by the competent Antitrust Authority and the acceptance, by the National Grid Operator, of the early termination of the CIP6/92 for the ISAB Energy plant, effective 1 July 2014.

On **30 June 2014** ERG closed with ISAB, a subsidiary of the LUKOIL Group, for the sale of the ISAB Energy and ISAB Energy Services business units, consisting mainly of the IGCC production plant and of the personnel employed for its operation and maintenance. This was the final step of a complex operation that led to the sale of the ISAB Energy plant, consistently with the definitive departure from the ISAB Refinery, enabling the Group to take a significant step forward in the asset portfolio repositioning strategy. The operation as a whole will also enable further to strengthen ERG's financial structure, also in support of its future development plans.

OIL

On **5 November 2014**, ERG announced that it had reached an agreement with GRS Petroli for the sale of the equity investment, amounting to 100% of the share capital, in ERG Oil Sicilia, a company active in the sector of fuel distribution in Sicily, with a Network of approximately 200 sales outlets.
Within this transaction, GRS Petroli, which already owns a Network of sales outlets in the island, paid ERG a consideration of approximately EUR 30 million. On **29 December 2014** ERG then announced that it had closed the sale of the aforesaid equity investment in ERG Oil Sicilia, equal to 100% of the share capital, to Maiora, a subsidiary of GRS Petroli. The transaction,

following the sale of the ISAB Refinery, is consistent with the strategy of leveraging assets and it represents an additional major step in ERG's industrial repositioning in Sicily, where ERG is present with ERG Renew's 198 MW of wind power and with ERG Power's 480 MW of power of the CCGT plant.

CORPORATE

On **15 April 2014**, the Shareholders' Meeting of ERG S.p.A, at the proposal of the Board of Directors, resolved to pay a dividend of EUR 1 per share, including a non-recurring part of EUR 0.50 per share tied to the positive conclusion of an essential phase of the strategic industrial reorganization project started in 2008.

TOTALERG TAX AUDIT

On **6 August 2014** ERG S.p.A., within the scope of the investigation on the alleged tax irregularities involving TotalErg, received, in its capacity as tax consolidator, a report on findings by the Tax Police of Rome, prepared with respect to TotalErg, whose contents substantially refer to the aforesaid allegations, already commented in the 2013 Financial Statements.
It should be recalled that these allegations pertain to tax irregularities referred to the year 2010, allegedly carried out by recording, in the accounts of TotalErg S.p.A., invoices for alleged non-existing crude oil purchase transactions, issued for a total amount of EUR 904 million by Bermuda-based companies belonging to the Total group, whose costs were included in the tax returns of TotalErg S.p.A. and reported by the consolidator ERG S.p.A. in the national tax consolidation return of the ERG Group.
Moreover, on the same date TotalErg received a Report on Findings for alleged tax irregularities pertaining to Total Italia for the years 2007, 2008, 2009, of substantially similar nature and amount for each year to those referenced above, hence referred to periods prior to the establishment of the TotalErg joint venture. In this regard, it should in any case be pointed out that the joint venture agreement with Total provides for an adequate mutual system of guarantees.
In view of the aforementioned Reports on Findings, ERG S.p.A. and TotalErg S.p.A., in order further to confirm the correctness of their behaviour, submitted observations and notes providing further information to the Financial Administration, which is currently examining them. At the date of authorisation to the publication of this document, to the best of the Company's knowledge, no notice of assessment had been issued to the Company. The ERG Group deems that it has always acted in full compliance with current laws and regulations and therefore, supported by the opinion of its legal counsel, it trusts that the correctness of its actions will be ascertained.

REGULATORY FRAMEWORK

The most significant regulatory changes that characterised the energy industry in 2014 are described below.

GENERAL

2030 CLIMATE-ENERGY PACKAGE

On 22 January 2014 the European Commission published the Communication entitled "A policy framework for climate and energy in the period from 2020 to 2030".

While the document is not regulatory in nature or binding for Member States, it does contain guidelines to start discussions on climate policy after 2020. The main contents of the Communication are:

1. reduction in greenhouse gas emissions: 40% compared to the emission level as at 1990;
2. reforms to the ETS, including the establishment of a market stability reserve from the start of the next trading period, in 2021;
3. new "community" target of at least 27% of Renewable Energies relative to gross energy consumption in 2030, binding only at Union-wide level and not for individual member States.

On 9 April, the Commission and, more specifically, the Directorate General for Competition published the new Guidelines on environmental and energy State aid, which provide indications of the Directorate General's orientation with respect to the compatibility of State aid with the internal market. The Guidelines will be applied from 1 July 2014 to 31 December 2020. With particular attention to renewable energies and to their domestic incentive schemes, the main contents of the Guidelines can be summarised as follows:

– existing incentive systems will be subject to the Guidelines only if they have not been "notified" with the Commission or if they have not been amended or extended;
– new incentive systems shall follow the Guidelines which provide for adopting competitive public auction systems for awarding the incentives, "feed-in tariff" systems limited to smaller plants and a transitional arrangement for the years 2015 and 2016.

With regard to energy efficiency, on 5 June 2014 the European Commission published the new Communication on this matter, whose essential elements are as follows:

a) an 18-19% energy consumption reduction target by 2020 seems to be achievable with a more effective use of existing instruments;
b) for 2030, a 30% energy consumption reduction target. In the absence of a more precise definition of the binding or indicative nature and of the level of its enforcement, i.e. National or European Union, last October the Council specified times, ways and quantities.

On 23 October 2014, the Heads of State and Government of the European Union reached a political agreement on the climate and energy framework up to 2030. The discussion developed starting from the Communication from the European Commission on this matter, published in January.

The agreement reached within the European Council provides some guiding principles. They shall be translated into proposals of the European Commission and subjected to the normal legislative co-decision procedure between the Parliament and Council of the European Union. Very briefly, 3 targets were accepted, albeit highly different in nature and substance, for 2030:

1. a binding target for the reduction of greenhouse gas emissions of 40% relative to the emission levels recorded in 1990. This target is further divided into: 43% for Ets industries 30% for non Ets industries. Both figures refer to the 2005 emission level;

2. a target of at least 27% for the final gross consumption of energy from renewable sources. The target is binding for the Union as such, but not for individual member States;
3. a 27% energy savings target. The energy efficiency target is neither binding for the Union nor for the Member States.

With regard to the ETS, the European Council reached an agreement on the following points:
1. the linear reduction factor of total auctioned quotas changed from today's 1.74% to 2.2% from 2021 onwards;
2. countries whose per capita GDP is less than 60% of the EU average may continue to guarantee free allowances to the electrical industry after 2020. This proportion may not exceed 40% of total full auctioning quotas;
3. the commitment to assign free quotas to avoid the risk of loss of competitiveness of industries subject to Carbon Leakage was confirmed. Reference parameters, it should be recalled, shall be periodically reviewed in line with the technological advances in the respective industries.

Other factors of interest of the agreement reached by the European Council:
1. a target dedicated to interconnections was defined, calculated on installed electrical capacity, of at least 10%, valid at least for the Baltic states and the Iberian peninsula with respect to countries that represent the respective entries into the European market;
2. the document also addresses the issue of the completion of both the regulations and the internal market for energy, seen as a fundamental element to improve European energy security with regard to electricity and gas;
3. it should be pointed out that any legislative proposal by the commission shall fully respect "member states' freedom to determine their energy mixes".

"DESTINATION ITALY – VOLUNTARY INCENTIVE-SPREADING" DECREE

In Italy, the Italian Law Decree known as "**Destination Italy**", containing some **urgent measures for the energy sector**, was converted into law.
In particular, for electricity generating plants powered by renewable sources, with the exclusion of the photovoltaic segment, operators may opt to extend the incentive period by seven years in view of a reduction in the incentive ("voluntary incentive spreading"). If operators do not adhere, they lose their right to access any other form of new incentive for 10 years; the measure excludes new plants (authorised with Ministerial Decree of 6 July 2012), plants whose incentives are expiring and CIP 6 plants.
The implementation of the "Destination Italy" Law Decree took place with the **Decree of the Ministry of Economic Development published on 18 November 2014**, which establishes the procedures for determining the new incentives recognised on the electricity generated by existing renewable energy plants, other than photovoltaic, which opted to re-modulate the incentive by 17 February 2015.
Another significant provision introduced with the "Destination Italy" Law Decree is the elimination of so-called Minimum Guaranteed Prices for Renewable Energy Plants smaller than 1 MW; instead, small plants (below 100 kW if they are photovoltaic/solar and below 500 kW if hydroelectric) are exempted.
On the bio-fuel front, the minimum mixing percentage in traditional fuels, already in force for 2014, was confirmed for 2015 (4.5% vol.).

"COMPETITIVENESS" DECREE

The Italian Government's commitment to boost the competitiveness of domestic enterprises (in particular "SMEs"), also through a **reduction in the costs of the energy withdrawn**, led to the promulgation of a new measure that also involves the energy sector, the "**Competitiveness**" Law Decree, published in June 2014 and converted with amendments into Law no. 116 of 11

August 2014. The measure contains an ad hoc rule for the reduction of incentives for photovoltaic plants above 200 kW to be enforced from 1 January 2015 onwards.
Briefly, photovoltaic operators will have to choose among three options: a) extending the incentive period from 20 to 24 years, in view of a re-modulation of the unit value of the incentive by an amount that depends on the duration of the residual incentive period; b) maintaining the twenty-year incentive period, in view of a reduction in the incentive for a first period, and a corresponding increase for a second period, with percentages defined by the **Decree of the Ministry of Economic Development of 17 October 2014**; c) maintaining the twenty-year incentive period, with a progressively increasing percentage of reduction according to the size of the plants.
The same measure also provided the possibility for all renewable energy producers to sell up to 80% of the incentives to international financial operators through an auction organised by the Energy Authority. However, this regulation has not yet been implemented because it is subject to the verification, by the Ministry of the Economy, of the compatibility of the effects of this operation on public finance balances for the purposes of compliance with the commitments made in Europe.
For Italian operators of **Internal Utility Electrical Networks** (RIU, from the Italian acronym) or Efficient Utility Systems (SEU, from the Italian acronym), there will be a 5% charge for system costs for consumption within the owned grid.

"MUCCHETTI" AMENDMENT FOR GENERATING UNITS IN SICILY

In the course of the process for the conversion of Italian Law Decree no. 91/14 "Competitiveness" into law, among the various provisions introduced, of note is the so-called "Mucchetti" amendment: with this provision, in order to lower the wholesale price of electricity of the Sicily zone, the regulating authority defined **essential, from 1 January 2015** and **until the start of operations of the "Sorgente-Rizziconi" 380 kV power line** between Sicily and the Continent (which to date is expected to be completed by 2015), all electricity generating units of said zone, with the exception of non-programmable renewable ones, with over 50 MW of power (including the Company's CCGT plant). The criteria for bidding and for the remuneration of the aforesaid generating units subject to essentiality rules were set by the Authority for Electricity, Gas and Water with its **Resolution no. 521/2014/R/eel**, following the cost restoration rules under Resolution no. 111/06.
The same amendment introduced a further provision pertaining to the calculation of the imbalances until the complete revision of the regulations for the Dispatching Services Market regarding **the removal of the Sicily and Sardinia macro zones** from the subdivision of the relevant network by inclusion in the South macro zone (as a result, the new structure of the zones for the sole purposes of calculating the imbalances comprises zone A, consisting of the North zone, and zone D, consisting of the Centre North, Centre South, South, Sicily and Sardinia zones).
With its Resolution 525/2014/R/eel the Authority for Electricity, Gas and Water implemented the aforesaid provisions with effect from 1 November 2014, in order to limit the costs for the electrical system due to the application of imbalance prices calculated on the basis of the previous macro zone configuration

ENVIRONMENT – EFFICIENCY – SAFETY MATTERS

With regard to purely **environmental** matters, in the first quarter of the year the "Consolidated Law on the Environment" (**Italian Legislative Decree no. 46/2014**) was amended, with effect from the second quarter; in particular, provisions have been inserted, with respect to the incineration and waste to energy conversion, which were not included previously. The other significant changes pertain to updates to environmental assessment procedures, emission limits for large combustion plants (above MW) and stricter limits in case of any "substantial" change to the plant.

In addition, particularly noteworthy is **Italian Legislative Decree no. 102 of 4 July 2014, transposing Directive 2012/27/EU on Energy Efficiency** which, among the numerous measures to be adopted in the different industries that contribute to the Country's energy consumption, introduces the obligation for large enterprises and for energy-intensive enterprises to carry out the **energy diagnosis** in their production sites no later than 5 December 2015.
Lastly, of note is the publication of Italian Law no. 161 of 30 October 2014, introducing: "Provisions for compliance with the obligations deriving from Italy's membership in the European Union – European Law 2013-bis". The measure, in force since last November 2014, contains certain changes with respect to safety, connected to risk assessment both when establishing a new enterprise, and when revising an existing assessment. For fuel distributors, the constraint whereby unmanned, "automat" or "ghost" stations had to be located outside inhabited centres was definitively eliminated.

ROBIN TAX

With its decision no. 10 of 11 February 2015, the Constitutional Court declared the constitutional illegitimacy of the 6.5% IRES surtax for enterprises operating in the petroleum and energy industries ("Robin Tax"), introduced by Article 81, Paragraph 16 of Italian Law Decree no. 112/2008 (converted into Italian Law no. 133/2008) as amended.
The declaration of non retroactive unconstitutionality has been effective since 12 February 2015, the day after the decision was published in the Official Journal of Italy.
For the purposes of these Financial Statements, therefore, current taxes were calculated considering, when applicable, the Robin Tax, whereas the accounts receivable for deferred tax assets and provisions for deferred tax liabilities allocated in relation to the aforesaid IRES surtax were derecognised, inasmuch as the very basis for their expected payment no longer applies.
The net impact under the "taxes" item was negative by EUR 5 million.
In addition, the equity measurement of the TotalErg S.p.A. joint venture under the equity method reflects EUR -14 million (ERG share) tied to the same effect.
The aforesaid impacts were isolated as non-recurring items.
Lastly, it should be specified that the related effect was considered an adjusting event in accordance with IAS 10, i.e. an event occurred after the reporting date, which entails an adjustment on the basis of the best analyses available at the time of preparation of these Financial Statements in relation to the recent promulgation of the decision.

RENEWABLE ENERGY SOURCES

ITALY

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

With the intention, repeatedly announced by the Government, to monitor the payment of incentives more closely, on 31 January 2014 the Minister of Economic Development signed the decree that defines the controls and inspections the National Grid Operator may carry out on renewable source plants to which it paid incentives (**"Audits" Ministerial Decree**).
Specifically, the measure regulates the procedures for the performance of controls under the National Grid Operator's responsibility on generating plants as well as sanctions if significant violations (specified in a dedicated annex) are ascertained. In this case, the incentives shall be forfeited and the amounts already paid shall be returned in full. The measure applies equally to all plants powered by renewable sources, regardless of their size and of the type of source used.

Another significant issue for non programmable Renewable sources (e.g., wind) is represented by **imbalance costs**.
With the **Decision no. 2936 of 9 June 2014, the Council of State (CdS)** definitively repealed resolutions 281/2012 and 493/2012 whereby the Authority had introduced the imbalance costs on plants with non-programmable renewable energy sources, but confirmed the need to avoid socialising them. Following the consultation that ended on 8 September 2014 (**DCO 302/2014**), in October the Authority defined, with its **resolution no. 522/2014**, the new rules on the matter. In particular, the AEEGSI established that, from 1 January 2015 onwards, it shall be possible to choose between two methods for applying the imbalance price. The first one entails the introduction of "bands" differentiated by source (for wind power, it is equal to 49% of the programme), for a different method of valuing the imbalances: above the band, the rules for non-authorised units are applied, whilst below the band, imbalances are valued through an average unit price that is not differentiated by source. To avoid this latter valuing method, it is possible to opt for the application of the rules prescribed for non authorised units for the entire imbalanced energy. The measure was challenged before the Regional Administrative Court of Lombardy. The decision is still pending.
With regard to the 1 January 2013 - 31 December 2014 time interval, Resolution no. 522/2014 restored the rules that did not call for the payment of imbalance costs on the part of non programmable Renewable generators, except in cases of programme correction in the intraday market.
On the front of new installations, at the end of March the National Grid Operator published the **calls pertaining to the auction records and procedures for incentives to non photovoltaic Renewable Sources pertaining to the 2015 lot** (the last one contemplated by the Ministerial Decree of 6 July 2012).
In relation to wind farm auctions, a quantity of 356.1 MW was set; the auction records and procedures closed and the related standings were published by the National Grid Operator in August 2014.

BULGARIA

At the end of 2013, the Bulgarian Parliament approved, within the scope of the 2014 Budget Law, an amendment to the renewable energies incentives law, whereby from January 2014 onwards a fee amounting to 20% of revenues was imposed on sun- and wind-powered generating plants. On 31 July, the Bulgarian Constitutional Court, at the President of the Republic's request to verify the constitutionality of the law, ruled that the 20% fee is incompatible. The Supreme Court decision that therefore declared the law unconstitutional was published in Bulgarian Official Journal no. 65 of 6 August 2014 and entered into force three days after publication. The Court's decision has no retroactive effects.
In addition, the Bulgarian regulatory Authority amended the electricity trading rules (the amendments were published in the Bulgarian Official Journal on 9 May 2014), introducing, starting from June 2014, the responsibility for balancing also for non-programmable renewable sources.

ROMANIA

Romanian Law no. 23/2014, amending and incorporating the previous Emergency Ordinance of March 2013, was ratified by the Romanian President, after a few vicissitudes, in March 2014. The Law introduced certain amendments to the incentive system; in particular, for existing wind farms, 1 Green Certificate is to be retained in the 1 July 2013-31 March 2017 time interval. The withheld Green Certificates will be progressively freed starting from 1 January 2018 and in any case no later than 31 December 2020, with procedures that are still to be defined. In the meantime, the Government, following the indications of the ANRE, changed the maximum annual percentage of electricity generation from renewable sources that can benefit from incentives in 2014, from 15%, as prescribed by the previous regulations, to 11.1%. Based on the

changes introduced by the new law, the ANRE has the task of defining this mandatory percentage on an annual basis.
The law is currently being reviewed by the European Commission - DG Competition. The market expects a decision from the Brussels authorities within the first half of 2015.
Wind farms that became operational after 1 January 2014 are instead subjected to the reduction in the number of GCs (over-compensation), as prescribed by the Governmental Decision that endorsed the decision of the Regulator, ANRE. Consequently, the wind farms in question access 1.5 GC for each MWh generated through 2017 and 0.75 GC for each MWh generated from 2018 onwards.
In October 2014 Directorate-General for Competition of the European Commission approved the exemption for energy-intensive industries from the law-mandated obligation to purchase green certificates. The Government announced the intention of enacting the related implementing decree on 1 January 2015. The market is waiting to be informed of the details of the decree, with particular regard to the procedures for distributing the portions pertaining to those exempted among the other parties that remain obligated.

FRANCE

The appeals against the 2008 Law Decree that established the measure and procedures for providing incentives to renewable energy plants reached their conclusion. An appeal had been brought before the French Council of State against said decree, because of its alleged incompatibility with EC regulations on State Aid. Following the measure promulgated by the Competition DG, the 2008 decree was repealed, but it was immediately replaced by a new regulation that confirms the incentive system (for existing plants as well).
In the meantime, the Chamber of Deputies approved the new text of the Law for energy transition, which provides incentives to the new renewable capacity through a "feed-in premium" tariff.

GERMANY

After the approval, in recent years, of the EnergieWende, i.e. the Law that regulates the Country's energy transition to the complete elimination of coal by 2050, in October 2014 the Government published a "Green Paper", outlining the essential choices in terms of market design, useful to achieve the Country's energy and environmental objectives.
The document is a part of the wider debate on the fate of fossil-fuel based energies in the German generating mix and on the methods to be implemented to comply with the target defined when the grand coalition Government was formed, i.e. a 40% reduction in greenhouse gases by 2020. While the Green Paper does not contain an unequivocal position but merely sets the terms of the debate, it does stress the need for market reform (e.g. of the balancing and intra-day markets) and the opportunity to establish a strategic capacity reserve, deemed less costly than capacity remuneration schemes.

POLAND

After a new Government took power in Warsaw, the Parliament continued to debate the new Law on renewable energy sources. The bill intends to introduce an auction-based "Contract for Difference" incentive system for new entries. It provides for a form of voluntary shift with incentives for those parties that, although they already benefit from the current Green Certificate system, wish to opt for the new form of incentives. The sections that regulate the Contract for Difference should enter into force on 1 January 2016. For the full approval of the Law, the Polish system requires the joint vote of the Chamber of Deputies and of the Senate. The new regulations were modelled according to the EC Guidelines of the Competition Directorate General concerning State Aid in the fields of energy and the Environment.

THERMOELECTRIC

In terms of Italian laws and regulations, as described above, in 2014 several measures were approved to reduce the cost of energy, in order to promote the competitiveness of Italian enterprises.
Among them was the decree to reduce the burden of Cip6 incentives on energy bills. It is **Ministerial Decree of 31 January 2014** on the new procedures to determine the so-called **CEC 2013 et seq.**, which entirely incorporates the Authority's proposal for the revision of the procedures to calculate the avoided cost of fuel (CEC) in accordance with the "To-Do Decree" (Article 5 of Italian Law Decree no. 69/2013), directed at making Cip6/92 rates closer to the cost structure of the natural gas market.

With regard to the new **capacity market** introduced with **Resolution no. 98/11**, after a long period of public consultations, it reached its final approval. With **Ministerial Decree of 30 June 2014**, the Ministry finally approved the outline of the new market for productive capacity transmitted by Terna, with the input of the Authority for energy, provided that a series of changes are made. According to a note by the Ministry of Economic Development (MSE), the first auctions for the new capacity market should be called by Terna by the end of 2015, with effects starting from 2018/2019.
As to the post-2014 "transitional capacity payment", instead, the industry is still awaiting its final approval. It should be recalled that the Authority for Energy, with its **Resolution no. 6/2014**, started the process to implement Article 1 Paragraph 153 of the Stability Law on the transitional electric capacity payment, followed by the consultation document no. 234/2014, regarding the proposed revisions to the schemes for remunerating productive capacity at steady state and during the transitional period for the purposes of promoting flexibility. At the end of the public consultation (DCO 234/2014), the Authority, with its **Resolution no. 320/2014**, published the proposal, addressed to the MSE, to supplement the system for remunerating the generation capacity (transitional capacity payment) currently in force to provide for an explicit remuneration of flexible capacity, with reference to the 2015-2017 time interval. This proposal was transmitted to the MSE and to Terna for final approval.

Lastly, some important changes were introduced by the Authority with regard to the **dispatching services market (MSD)**. In particular, with its **Resolution no. 66/2014**, the Authority introduced a voluntary scheme for measuring and valuing the contribution to primary regulation provided by generating units whose size is no less than 10 MVA with certain technical requirements, which enables, inter alia, to exclude the contribution to primary regulation provided by the generating units from the calculation of their imbalances. Lastly, with its **Resolution no. 65/2014**, the Authority amended the rules for calculating the cost for the failure to comply with the start-up order on the part of owners of thermoelectric plants on the dispatching services market (MSD).

INTEGRATED DOWNSTREAM

In addition to the aforementioned provisions, pertaining to the liberalisation of automated unmanned stations and the mandatory portion of bio-fuels, it should be noted that, as provided by Law no. 98 of 9 August 2013 (converting the "To-Do Decree" into law), from 1 March 2014 and through 31 December 2014 the increased excise rates on fuels (gasoline and diesel) came into force:

- from EUR 728.40 to EUR 730.80 per thousand litres for gasoline;
- from EUR 617.40 to EUR 619.80 per thousand litres for diesel fuel.

On the Italian Official Journal no. 83 of 9 April 2014, two decrees by the Minister of the Interior pertaining to self-service stations for LPG and methane were published.

They provide that next to gasoline and diesel dispensers, those for automotive methane or LPG, configured as daily and nightly unmanned self-service dispensers, may also be installed (under certain safety prescriptions).
The intent of the rules is to promote use of methane and LPG as automotive transport fuels, enabling Italy to consolidate its position among the leaders in Europe in the use of these fuels (with advantages in terms of reduction of polluting emissions and development of the supply chain of the related models and components for the automotive industry).

IMPACTS ON THE GROUP

With regard to the impacts of these measures on the ERG Group for the year 2014, please refer to the following chapters dedicated to the individual activities managed.

BUSINESS SEGMENTS

RENEWABLE ENERGY SOURCES

The ERG Group operates in the renewable energy segment through the subsidiary ERG Renew, whose performance is based mainly on the wind power generation business.

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

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

REFERENCE MARKET [1]

	YEAR 2014	YEAR 2013
ITALIAN RENEWABLE ENERGY SOURCES MARKET [2] **(GWH)**		
GENERATION FROM RENEWABLE SOURCES [3]	101,873	95,428
OF WHICH:		
HYDROELECTRIC	58,067	54,068
GEOTHERMAL	5,541	5,319
WIND	14,966	14,812
PHOTOVOLTAIC	23,299	21,229
SALE PRICES (EUR/MWH)		
PUN (ITALY) [4]	52.1	63.0
GREEN CERTIFICATES	97.4	89.3
EE PRICE CENTRE-SOUTH AREA	48.9	59.3
EE PRICE SOUTHERN AREA	47.4	57.2
EE PRICE SICILY	80.9	92.0
EE PRICE SARDINIA	52.2	61.5
AVERAGE UNIT VALUE OF ERG ENERGY SALE IN ITALY	146.4	148.1
FEED IN TARIFF (GERMANY) [5]	96.0	94.6
FEED IN TARIFF (FRANCE) [5]	91.1	90.4
FEED IN TARIFF (BULGARIA) [5]	94.9	94.8
EE PRICE ROMANIA	25.0	33.5
GC PRICE ROMANIA [6]	29.3	42.1

(1) estimated output for December
(2) source: Terna S.p.A. monthly report on the electrical system. Estimated data, subject to correction
(3) sources considered: hydroelectric, geothermal, wind power and photovoltaic
(4) Single National Price – Source: GME S.p.A.
(5) the values of the Feed in Tariff abroad refer to the prices obtained by ERG Renew plants
(6) price referred to the unit value of the green certificate (the number of green certificates recognised and the timeline are discussed in the section describing the scenario in Romania)

MARKET SCENARIO IN ITALY

In 2014, 38% of (net) domestic electricity generation was obtained from renewable sources, up compared to 34% in 2013; of this output, 22% originated from hydroelectric power, 9% from photovoltaic, 6% from wind power, and the remaining 2% from geothermal power; compared to 2013, strong growth was recorded both by photovoltaic (+10%) and hydroelectric (+7%), while wind power grew only slightly (+1%).

TARIFF SCENARIO

Italy

The incentive system in Italy prescribes, for on-shore wind farms in operation before the end of 2012[6], the continuation of the green certificates system until 2015 and the subsequent conversion, for the residual period of entitlement to incentives, to a premium feed-in tariff paid on a monthly basis and calculated according to a similar formula. With regard to the timeline for the Italian National Grid Operator's withdrawal of the Green Certificates, for electricity generated in the first quarter of 2014, withdrawal took place by 30 September 2014 with payment no later than 31 October; for electricity generated in the second quarter of 2014, withdrawal shall take place no later than 31 December 2014, with payment no later than 31 January 2015, for electricity generated in the third quarter of 2014, withdrawal shall take place no later than 31 March 2015 with payment no later than 30 April and lastly for electricity generated in the fourth quarter, withdrawal shall take place no later than 30 June 2015. The price for the withdrawal of the Green Certificates is equal to 78% of the difference between 180 EUR/MWh and the average annual price of electricity in the previous year[7].

Wind plants with more than 5 MW capacity built from 2013 onwards (starting operations after April 2013) instead shall gain access to the incentives by participating in a Dutch auction[8]. As a result of the first auction, 442 MW were assigned for on-shore wind power (the total amount allocated for 2013 was 500 MW), whilst the second auction, completed on 10 June 2013, led to the assignment of the entire amount available for 2014, i.e. 399.9 MW versus a capacity demand of 1,086 MW[9]. With the third auction, relating to the amount for 2015, which was completed on 26 June 2014, the entire amount available for onshore wind power, i.e. approximately 356 MW, was assigned once again (capacity demand greatly exceeded the available amount, at approximately 1,261 MW). Starting from 2013, moreover, for all entities accessing the incentive schemes for the generation of electricity from plants powered by renewable sources (with the exclusion of photovoltaic plants and of plants allowed for Inter-ministerial Price Committee Order 6/92), a contribution of EUR 0.5 is provided for each MWh of subsidised energy, to be paid to the Italian National Grid Operator (GSE).

Concerning the revision of regulations on the electricity dispatching service for generating units powered by non programmable renewable sources, following the decision of the Italian Council of State no. 2936 of 9 June 2014, the imbalance costs for the years 2013 and 2014 were definitively eliminated[10].

Following DCO 302/2014, the Authority for Electricity, Gas and Water issued its Resolution no. 522/2014/R/EEL, which reintroduces imbalance costs from 2015 onwards, eliminating, de facto, the deductibles provided by the previous Resolution 281/12/R/EEL and providing new calculation scheme, differentiated according to technology.

By 31 December 2014, Terna provided for any balances due.

Lastly, in October 2014 the "incentive-spreading" implementing Decree was approved (implementing the "Destination Italy" Law no. 9 of 21 February 2014), addressed to producers of electricity from renewable sources (other than photovoltaic), owners of plants that benefit from incentives in the form of green certificates, all-encompassing tariffs, or premium tariffs. Participation is voluntary and it provides on one hand a reduction in the incentive, and on the other hand a further seven year extension of the incentive period. Plants that do not participate in the modulation will not benefit from incentives in case of intervention of any kind for a period

6 There is a transitional period until 30 April 2013, for plants already authorised no later than 11 July 2012.

7 Electricity sale price defined by the Italian Authority for Electricity and Gas implementing Article 13, Paragraph 3, of Italian Legislative Decree no. 387 of 29 December 2003, recorded the previous year and announced by the Authority itself.

8 Base price of 127 EUR/MWh.

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

10 Years for which Resolution no. 111/2006 continues to be in force.

of 10 years from the end of the incentive period. The option may be exercised within 90 days from the publication of the decree in the Official Journal of Italy, which to date is still being finalised. In this regard, ERG, considering the lack of a clear regulatory framework about the level and the procedures for accessing new incentives, has decided not to opt for the extension of the incentive period.

Germany

The incentive system for wind power in Germany is of the feed-in tariff/feed-in premium type. Based on the new EEG 2014, the tariff for new on-shore wind farms amounts to 89 EUR/MWh for 20 years (constant). The existing plants also have the option of choosing an alternative incentive system, of the feed-in premium type (mandatory for new plants). If this option is selected, electricity is sold directly on the market and the Operator receives, on a monthly basis, a premium equal to the difference between the basic value of the feed-in tariff and the average monthly market price of electricity, to which would be added a management premium (amounting to 4.5 EUR/MWh for 2014), decreasing over the years, which represents a proxy of the charges tied to the management of the sale of electricity on the market.

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

The tariff for ERG Wind's farms varies between 87 and 89 EUR/MWh (constant in nominal terms for 20 years). The Sallgast and Brunsbuttel wind farms went to the direct market system in 2014, while the remaining 3 wind farms continued to apply the fixed tariff system. All of ERG Wind's German wind farms (with the exception of the Gembeck wind farm, 4 WTG) today benefit from this bonus (SDL) of 7 EUR/MWh.

France

The incentive system for on-shore wind power is of the feed-in tariff type. The incentive for existing plants is recognised for 15 years and it is updated annually according to a formula tied to the index of hourly labour cost and to the index of the production prices of industrial products[11]. For the first 10 years of operation it is the initial tariff, depending on the year of stipulation of the agreement, and it is updated annually, whilst for the subsequent 5 years the value to be indexed is decreasing if annual hours of operation exceed 2,400. For 2006, the initial tariff value was 82 EUR/MWh. To define the starting value for new plants in subsequent years, the tariff is reduced by 2% from the previous year, starting from 2008, and it is updated to take into account changes in the aforementioned indices. The value thus determined, for each plant, is then updated annually, according to the scheme described above. With reference to the appeal before the Council of State, which in turn involved the European Court of Justice, against the 2008 decree for the alleged incompatibility with EC rules on state aid, the 2008 decree itself was repealed on 28 May 2014 (by virtue of the failure to notify the European Commission before its implementation), but a new decree was issued on 17 June 2014, which confirms the same incentive system (for existing facilities as well). The decree had previously been definitively approved by the European Commission's General Directorate for competition, which found the text compatible with current State aid regulations.

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

Bulgaria

For on-shore wind farms, current regulations prescribe a feed-in tariff in brackets based on hours of operation, which is constant in nominal terms. In particular, 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 188.29 BGN/MWh (approximately 96.3 EUR/MWh) below 2,250 annual hours of operation and 172.95 BGN/MWh (approximately 88.4 EUR/MWh) above 2,250 annual hours of operations. For wind farms commissioned after this date and no later than June 2012, the incentive is recognised for the first 12 years of operation; the value of the tariff is 191 BGN/MWh (approximately 97.7 EUR/MWh) below 2,250 annual hours of operation and 173.1 BGN/MWh (approximately 88.5 EUR/MWh) above 2,250 annual hours of operation.

In September 2012, a charge for accessing transmission and distribution networks was introduced by the local Regulatory Authority for renewable source producers in operation since March 2010. The outcome of the appeal by Operators and industry Associations against the related resolution, which defined said charge temporarily to 10% of the feed-in tariff for wind power producers, was favourable. However, the definitive value, based on a detailed analysis of the actual costs of operation of the grids, has been published; it has been applicable since 13 March 2014 and it has been reduced to 2.5 BGN/MWh (approximately 1.3 EUR/MWh). At the end of 2013, the Bulgarian Parliament approved, within the scope of the 2014 Budget Law, an amendment to the renewable energies incentives law, whereby from January 2014 onwards a fee amounting to 20% of revenues was imposed on sun- and wind-powered generating plants. On 31 July, the Bulgarian Constitutional Court, at the President of the Republic's request to verify the constitutionality of the law, ruled that the 20% fee is incompatible. The Supreme Court decision that therefore declared the law unconstitutional was published in Bulgarian Official Journal no. 65 of 6 August 2014 and entered into force three days after publication. The decision has no retroactive effects.

In addition, the Bulgarian regulatory Authority amended the electricity trading rules (the amendments were published in the Bulgarian Official Journal on 9 May 2014), introducing, starting from June 2014, the responsibility for balancing also for non-programmable renewable sources.

Romania

Incentives for renewable energy in Romania are provided through "green certificates" for the first 15 years of operation. The obligation to place a certain yearly quantity of green energy in the grid (or to purchase an equal quantity of green certificates) is on the final consumption of electricity. For wind farms commissioned before 2014, 2 green certificates are provided for each MWh generated until 2017 and 1 green certificate from 2018 onwards, and the unit price of the green certificates ranges between a cap (55 EUR/MWh in 2010 currency) and a floor (27 EUR/MWh in 2010 currency) – defined in Euro – and indexed to inflation on an annual basis. Romanian Law no. 23/2014, amending and incorporating the previous Emergency Ordinance of March 2013, was ratified by the Romanian President, after a few vicissitudes, in March 2014[12]. The Law introduced certain amendments to the incentive system; in particular, for existing wind farms, 1 Green Certificate is to be retained in the 1 July 2013-31 March 2017 time interval. The withheld Green Certificates will be progressively "released" starting from 1 January 2018 and in any case no later than 31 December 2020, with procedures that are still to be defined. In the meantime, the Government, following the indications of the ANRE, changed the maximum annual percentage of electricity generation from renewable sources that can benefit from incentives in 2014, from 15%, as prescribed by the previous regulations, to 11.1%

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

(for 2015, from 16% prescribed by previous regulations to 11.9%). Based on the changes introduced by the new law, the ANRE has the task of defining this mandatory percentage on an annual basis.

The law is currently being reviewed by the European Commission - DG Competition.

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

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

In October 2014 Directorate-General for Competition of the European Commission approved the exemption for energy-intensive industries from the law-mandated obligation to purchase green certificates. The Government announced its intention to make the related implementing decree enter into force on 1 January 2015; market is waiting to be informed of the details of the decree, with particular regard to the procedures for distributing the portions pertaining to those exempted among the other parties that remain obligated.

HIGHLIGHTS OF PERFORMANCE ITEMS AT ADJUSTED REPLACEMENT COST

To enhance the understandability of the performance of Renewable Energy Sources, the results of this business are shown at their adjusted replacement cost, which reflects ERG's share (50%) of the consolidated results of the LUKERG Renew joint venture.

	YEAR 2014	YEAR 2013
OPERATING RESULTS		
REVENUES FROM ORDINARY OPERATIONS	**349**	**339**
EBITDA AT REPLACEMENT COST (1)	**267**	**245**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS(1)	(137)	(126)
EBIT AT REPLACEMENT COST (1)	**131**	**119**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	38	97
MAIN FINANCIAL DATA((2)		
NET INVESTED CAPITAL	1,701	1,838
SHAREHOLDERS' EQUITY	636	589
TOTAL NET FINANCIAL INDEBTEDNESS	1,065	1,249
OF WHICH NON-RECOURSE PROJECT FINANCING (3)	*1,120*	*1,157*
EBITDA MARGIN % (4)	**76%**	**72%**

(1) not including non-recurring items indicated in the section "Alternative performance indicators," to which reference should be made for further details
(2) figures from the ERG Renew Consolidated Financial Statements
(3) including cash and cash equivalents
(4) EBITDA at adjusted replacement cost over revenues from ordinary operations

The breakdown of EBITDA at replacement cost between the various geographic areas of the Renewable Energy Sources business was as follows:

	YEAR 2014	YEAR 2013
EBITDA AT REPLACEMENT COST		
ITALY	233	219
GERMANY	12	11
FRANCE	8	8
BULGARIA (50%)	4	4
ROMANIA (50%)	10	2
TOTAL	**267**	**245**

In 2014, consolidated revenues were higher than those of 2013, thanks to the higher output of the period which more than offset the effect of the lower sale prices. In greater detail, output increased significantly abroad, thanks to the contribution, for the entire period, of the wind farms in Gebeleisis in Romania (ERG share: 35 MW) and in Hrabrovo in Bulgaria (ERG share: 7 MW), acquired in the third quarter of 2013 as well as of the new Topolog wind farm (ERG Share: 42 MW) in Romania, commissioned at the end of 2013; in Italy, output increased slightly thanks to the commissioning of the Palazzo San Gervasio wind farm (34 MW) in December 2013, which more than offset the weaker wind conditions in Sicily and Sardinia.

With regard to the decrease in sale prices, for ERG Renew, the average sale price of electricity in Italy amounted to 49.0 EUR/MWh, significantly lower than the value of 58.8 EUR/MWh recorded in 2013, and lower than the Single National Price (52.1 EUR/MWh). This decrease is in line with the general decline in energy prices, whilst the difference compared to the Single National Price derives from the specific geographic breakdown of ERG plants, concentrated in the South of Italy. The reduction in the sale price of Electricity was partially offset by the increase in the value of green certificates, i.e. 97.4 EUR/MW, higher than the value of 89.3 EUR/MWh of 2013, in light of the incentive system which partly offsets the changes in the price of electricity. Overall, the average unit revenue from ERG Renew production in Italy, considering the sale value of energy and of the green certificates, was 146.4 EUR/MWh, down from the value of 148.1 EUR/MWh of 2013.

The average unit revenue of wind farms abroad, in 2014, was approximately 87.5 EUR/MWh, down compared to 92.2 EUR/MWh recorded last year, because of the start of operations of the new wind farms in Romania, with lower average unit revenues.

The EBITDA at adjusted replacement cost amounted to EUR 267 million in 2014, up further compared to EUR 245 million in 2013, mainly thanks to the contribution of the new wind farms, to the benefits deriving from the in-sourcing of Operation & Maintenance activities for the wind farms of ERG Wind (550 MW) and to the lower costs tied partly to the cessation of the imbalance costs.

The EBITDA margin amounted to 76%, up compared to 72% in 2013. This margin indicator benefited from the positive effects of the recent Council of State decision on imbalance costs, which entailed, in addition to the zeroing of such costs in 2014, the recognition of approximately EUR 5 million of income on 2013 costs. In addition, effective cost containment actions continued, thanks to the efficiency deriving from the larger size of the company, from the in-sourcing of O&M activities on ERG Wind farms as a result of the acquisition of ERG Renew O&M, as well as to specific projects for the revision of company processes and cost budgets in "zero based" terms. This margin indicator instead was negatively affected by changes in scope, with unit revenues from the new assets in Romania lower than in Italy, and by the decline in unit revenues in Italy.

	YEAR 2014	YEAR 2013
INSTALLED POWER (MW)		
ITALY	**1,087**	**1,087**
OF WHICH		
CAMPANIA	*239*	*239*
CALABRIA	*120*	*120*
PUGLIA	*249*	*249*
MOLISE	*79*	*79*
BASILICATA	*89*	*89*
SICILY	*198*	*198*
SARDINIA	*111*	*111*
OTHER	*2*	*2*
ABROAD	**254**	**253**
OF WHICH		
GERMANY	*86*	*86*
FRANCE	*64*	*64*
BULGARIA (50%)	*27*	*27*
ROMANIA (50%)	*77*	*76*
TOTAL INSTALLED POWER AT PERIOD END (1)	**1,341**	**1,340**

(1) power of plants in operation at period end.

The power in operation at 31 December amounted to 1,341 MW, in line with the figure at 31 December 2013.
Compared to operational power in 2014 and 2013, instead, power grew at the end of 2013 by approximately 76 MW thanks to the new wind farms built in Palazzo San Gervasio in Basilicata (34 MW) and in the Tulcea region in Romania through LUKERG Renew (84 MW, of which ERG's share is 42 MW); construction of these farms was in fact completed at the end of 2013, with the first output generated during the commissioning phase in December 2013, and the consequent full contribution to ERG Renew's results only in 2014.
Moreover, compared to 2013, the year 2014 benefited, in addition to the aforementioned wind farms, from the contribution, for the entire period, of the wind farms at Gebeleisis, Romania (of which 35 MW is ERG's share) and at Hrabrovo, Bulgaria (ERG's share: 7 MW), acquired in the third quarter of 2013.

	YEAR 2014	YEAR 2013
GENERATION (GWH)		
ITALY	**2,051**	**2,010**
OF WHICH		
CAMPANIA	*453*	*437*
CALABRIA	*249*	*246*
PUGLIA	*502*	*497*
MOLISE	*163*	*164*
BASILICATA	*173*	*103*
SICILY	*313*	*336*
SARDINIA	*198*	*220*
OTHER	*–*	*7*
ABROAD	**529**	**393**
OF WHICH		
GERMANY	*144*	*155*
FRANCE	*122*	*127*
BULGARIA (50%)	*67*	*57*
ROMANIA (50%)	*196*	*54*
TOTAL WIND FARM OUTPUT	**2,580**	**2,403**

In 2014, ERG Renew's electricity output amounted to 2,580 GWh, higher than in 2013 (2,403 GWh), with slightly higher output in Italy (from 2,010 GWh to 2,051 GWh) and growth abroad (from 393 GWh to 529 GWh).

These output values in Italy were positively influenced by the higher installed capacity by 34 MW (in Basilicata) and negatively influenced by wind conditions that were far weaker than the historic average, and slightly lower than the already weak figure of 2013. At the national level, total output from wind farms were substantially in line with the values recorded in 2013, whilst installed capacity grew slightly.

Growth abroad derives mainly from the contribution of the new wind farm in the Tulcea region in Romania, as well as from the wind farms at Gebeleisis in Romania and Hrabrovo in Bulgaria, which in 2013 had contributed their output only starting on 28 June and 5 September 2013, respectively.

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

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	YEAR 2014	YEAR 2013
LOAD FACTOR (%)		
ITALY	**22%**	**22%**
OF WHICH:		
CAMPANIA	*22%*	*21%*
CALABRIA	*24%*	*23%*
PUGLIA	*23%*	*23%*
MOLISE	*23%*	*24%*
BASILICATA	*22%*	*21%*
SICILY	*18%*	*19%*
SARDINIA	*20%*	*23%*
OTHER	*N.A.*	*13%*
GERMANY	**19%**	**21%**
FRANCE	**22%**	**23%**
BULGARIA (50%)	**28%**	**29%**
ROMANIA (50%)	**29%**	**31%**
LOAD FACTOR (1)	**22%**	**22%**

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

Overall, the total load factor in 2014, i.e. 22%, was in line with the 2013 figures.

LUKERG Renew

ERG Renew is active in Bulgaria and Romania through LUKERG Renew, a joint venture between ERG Renew and LUKOIL-Ecoenergo incorporated in 2011 to operate jointly in the renewable energies market in Romania, in Bulgaria, in Ukraine and in Russia.

– At the end of the **first half of 2012** LUKERG Bulgaria GmbH, a subsidiary of the joint venture LUKERG Renew GmbH, acquired two wind farms (Kavarna and Longman) that were already operational in Bulgaria, in the Dobrich region, with total installed capacity of approximately 40 MW.
– At **the end of 2012**, LUKERG Renew acquired 100% of Land Power S.r.l., a Romanian company, owner of the land and authorisations for an 84 MW wind farm in Topolog, in the Tulcea region (Romania); construction of the wind farm started in April 2013 and was completed in January 2014.
– In **June 2013** LUKERG Renew entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 84 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria.

The Gebeleisis wind farm is in the Galati region (Romania); fully operational since February 2013, its total installed capacity is 70 MW (35 Vestas V90-2 MW WTG). The acquisition was closed on 28 June 2013. The Hrabrovo wind farm is in the region of Dobrich (Bulgaria); it has been fully operational since March 2012 and it has a total installed capacity of 14 MW (7 WTG Vestas V90-2 MW). The acquisition was closed on 5 September 2013 through the subsidiary LUKERG Bulgaria.
The Topolog wind farm is in the region of Tulcea (Romania), it has been fully operational since December 2013 and it has a total installed capacity of 84 MW (42 Vestas V90-2 MW WTG).
With these acquisitions and with the commissioning of Topolog, LUKERG Renew thus reached an installed power of over 200 MW, becoming one of the foremost players in both markets where it is active.

During 2014, moreover, two Project Finance agreements were signed for the Romanian wind farms of Gebeleisis and Topolog, respectively amounting to EUR 67 million and EUR 57 million. Thus, all wind farms benefit from non-recourse Project Financing, attesting to the high quality of the facilities, recognised by the credit system, in complex regulatory environments.
The following figures refer to 100% of the Consolidated Financial Statements of the joint venture.

	YEAR 2014	YEAR 2013
EBITDA AT REPLACEMENT COST (1)	**28**	**13**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS(1)	(16)	(7)
EBIT AT REPLACEMENT COST (1)	**12**	**6**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	4	104
INSTALLED POWER		
BULGARIA	54	54
ROMANIA	154	152

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

EBITDA for 2014 amounted approximately to EUR 28 million, higher than in 2013 (EUR 13 million) mainly because of the increased output deriving from the greater installed capacity, only partly offset by the lower price of energy.
Capital expenditures in 2014 refer mainly to the latest activities tied to the commissioning and testing of the Topolog wind farm, completed in the first half of 2014.
The net financial position of LUKERG Renew at 31 December 2014 amounted to EUR 277 million, an increase compared to EUR 270 million at 31 December 2013. The medium-long term portion amounts to EUR 270 million, of which approximately EUR 154 million relate to project finance and EUR 136 to shareholder loans.

POWER

REFERENCE MARKET

	YEAR 2014	YEAR 2013
ITALIAN ELECTRICITY MARKET [1] (GWH)		
DEMAND	309,006	318,475
PUMPING CONSUMPTION	2,254	2,495
IMPORT/EXPORT	43,703	42,138
INTERNAL GENERATION [2]	267,557	278,832
OF WHICH		
THERMOELECTRIC	*165,684*	*183,404*
RENEWABLE ENERGY SOURCES	*101,873*	*95,428*
SALE PRICES (EUR/MWH)		
PUN [3]	52.1	63.0

(1) Source: Terna S.p.A. monthly report on the electrical system. Estimated data, subject to correction
(2) Output net of consumption for auxiliary services
(3) Single National Price. Source: GME S.p.A.

The electricity demand[13] of the Italian electric system in 2014 amounted to 309.0 TWh, in decline (-3.0%) compared with the values recorded in 2013. With regards to Sicily, the contraction in demand compared with 2013 was 3.4%, from 20.5 TWh to 19.8 TWh.
In the same period, net internal electricity generation amounted to 267.6 TWh, down by 4.0% compared with the previous year, whilst the net balance of exchange with foreign countries recorded imports of 43.7 TWh, up by 3.7% compared with 2013. Thermoelectric plants provided 62% of (net) domestic generation and renewable sources provided the remaining 38%; compared to the previous year, output from thermoelectric sources declined sharply (-10%), offset by the higher contribution from renewable sources (+7%), in particular photovoltaic (+10%) and hydroelectric (+7%), whilst the output from wind power grew slightly (+1%).
The average value of the PUN (Single National Price) in 2014 was 52.1 EUR/MWh, down by 17% compared with the value of 2013 (i.e. 63.0 EUR/MWh). The decline reflects on one hand the reduction in the price of gas for thermoelectric use, and on the other hand the further drop in demand accompanied by the growing contribution of renewable energy sources.
Article 23, Paragraph 3-bis of Law Decree no. 91 of 24 June 2014, converted by law no. 116 of 11 August 2014, introduced new rules for programmable generation plants situated in Sicily. In particular, it was established that, from 1 January 2015 and until the commissioning of the "Sorgente-Rizziconi" 380 kV power line between Sicily and the Continent and of the other interventions aimed at the significant increase in interconnection capacity between the electrical grids of Sicily and of the Italian peninsula: (i) the electricity generating units, with the exclusion of non-programmable renewable units, with over 50 MW of power, shall be considered essential resources for the security of the electrical system and shall be offered on the previous day market; (ii) the Authority shall define the bidding and remuneration procedures of the aforesaid units no later than ninety days from the date of entry into force of the law converting Law Decree no. 91/14, following the criteria of the timely recognition, for each individual generating unit, of the variable costs and of the fixed costs of an operational nature and of fair remuneration of the residual invested capital related to the same units, in order to assure the reduction of costs for the electrical system.

13 Including grid losses and net of electricity used for pumping.

Executing the provisions of the aforesaid Law Decree, on 24 October 2014 the Authority published the Instruction no. 521/2014/R/EEL, pertaining to provisions on essential facilities in Sicily, directed at regulating, inter alia, the offering and remuneration criteria for units defined as essential in accordance with Law Decree no. 91/2014.

In October 2014, the Authority also published its Resolution no. 500/2014/R/EEL; while it pertains to Essential Units under ordinary rules, it does clarify and revise certain parameters of the Recognised Variable Cost which also have effect on Essential Units under Italian Law Decree no. 91/2014.

Lastly, with its Resolution 667/2014/R/EEL, the AEEGSI approved the parameters for the calculation of the Recognised Variable Cost of Essential Units under Italian Law Decree no. 91/2014.

The regulations for Essential Units under Italian Law Decree no. 91/2014 had no impact on the year 2014, because they will be enforced in the time interval between 1 January 2015 and the date of initial operation of the Sorgente-Rizziconi power line, currently planned to occur on or before 30 June 2015. This deadline, however, will have to be confirmed in the first half of 2015 in light of the completion of ancillary works supporting the cable's functionality and its actual commissioning.

With regard to ERG Power, a significant impact is expected on energy markets, by virtue of the obligation to bid by the Generating Units at prices no higher than their own Recognised Variable Cost: in particular, the price differential between the Sicily zone and the national single price is expected to contract markedly in 2015 compared to the level of 2014.

The impact will also be significant on the Dispatching Services Market, for which the regulations impose the obligation to bid the entire power at a price equal to the Recognised Variable Cost. Impacts on revenues from markets, however, should be offset by the administered component recognised to Essential Units to cover fixed operating and investment costs, including the fair remuneration of the invested capital within the scope of the so-called restoration of generation costs.

This price shall be liquidated only upon completion, based on official accounting documents, with a consequent negative effect on working capital.

PERIOD PERFORMANCE HIGHLIGHTS

As previously commented, the results reported below reflect the contribution of the IGCC plant until 30 June 2014.

(EUR MILLION)	YEAR 2014	YEAR 2013
REVENUES FROM THIRD PARTIES	930	1,424
INTRA-SEGMENT REVENUES	234	218
REVENUES FROM ORDINARY OPERATIONS	**1,164**	**1,642**
EBITDA AT REPLACEMENT COST (1)	**204**	**358**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS(1)	(54)	(80)
EBIT AT REPLACEMENT COST (1)	**150**	**278**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	14	26

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

The breakdown of EBITDA at replacement cost between the various activities of the Power business was as follows:

	YEAR 2014	YEAR 2013
EBITDA AT REPLACEMENT COST		
ISAB ENERGY / ISAB ENERGY SERVICES	104	254
ERG POWER GENERATION / ERG POWER PLANTS	100	104
TOTAL	**204**	**358**

SALES OF ELECTRIC POWER (1)

	YEAR 2014	YEAR 2013
SALES (GWH)		
TOTAL SALES	**6,774**	**8,229**
ISAB ENERGY	2,042	4,142
ERG POWER GENERATION	4,732	4,087
GENERATION (GWH)		
TOTAL GENERATION	**4,665**	**6,805**
OF WHICH ISAB ENERGY S.R.L.	2,042	4,142
OF WHICH ERG POWER S.R.L.	2,623	2,663
SALE PRICES (EUR/MWH)		
CIP 6	100.9	118.7
EE PRICE SICILY	80.9	92.0

(1) for the Power business unit, electricity sales differ from the quantities generated because they also include the energy bought and sold on wholesale markets and on forward markets; on the other hand, sales of electricity generated from wind power purchased from the subsidiaries of the renewable energies business are excluded from the above data

ERG POWER BUSINESS UNIT AND ERG POWER

During 2014, ERG Power's net electricity generation amounted to 2,623 GWh, slightly in decline from the previous year (2,663 GWh). In the first six months, the reduction was mainly caused by the more volatile environment, which led to more vigorous modulation of the plant, as well as by the placement in cold reserve status, in 2013, of a plant section with poor flexibility (SA1N3 unit) that produced steam and electricity.

Approximately 20% of ERG Power's electricity output was allocated to cover the requirements of the customers of the Priolo industrial site, whilst the net supply[14] of steam to said customers amounted to approximately 838 thousand tonnes, a sharp reduction from 1,577 thousand tonnes in the same period of 2013, mainly because of the reduced utilisation by Versalis as a result of a different organisation of its plants.

EBITDA in 2014 amounted to EUR 100 million, in line with the 2013 value.

14 i.e. the supply of steam to the industrial site of Priolo Gargallo excluding pipeline losses, net of steam withdrawal from customers

The highly satisfactory results, even in a market environment in Italy that worsened sharply for combined cycle gas-fuelled plants, reflect, on one hand, average values of the price of energy in Sicily that are still favourable, and above all the effectiveness of the energy management policy with significant use of the dispatching services market and the adoption of effective hedges of the generation margin. These policies contemplate, inter alia, the multi-year forward sale of electricity to IREN Mercato, the use of instruments for hedging the price risk and the sale of steam and electricity, through multi-year agreements, to the customers of the petrochemical site in Priolo Gargallo. Throughout 2014, the plant benefited from high reliability and production efficiency, pursued through focused investments.

ISAB ENERGY

As described in greater detail in the introduction, in June 2014 ERG completed the purchase of the 49% equity investment of GDF SUEZ in ISAB Energy, the early termination of the CIP6/92 convention and the sale of ISAB Energy's plant to ISAB, which occurred on 30 June 2014. Consequently, the results of the plant contributed to the Group's results only for the first six months, whilst in the second half the results were only due to the revision of the sale prices and to the Operation & Maintenance activity still carried out by ISAB Energy Services on the CCGT plant and other minor site facilities.

In 2014, electricity output therefore pertains only to the first half year (2,042 GWh), with a consequent sharp decline (-51%) compared to the output of 4,142 GWh of the entire year 2013.

EBITDA at current values amounted to EUR 104 million, down sharply compared to the previous year (EUR 254 million), mainly as a result of the aforementioned sale of the generating activities starting from 1 July 2014, as well as the contraction in the sale price of electricity.

The value of the CEC balance for 2014, published by the AEEGSI on 30 January 2015, amounts to 68.7 EUR/MWh[15], a severe contraction compared to 86.9 EUR/MWh in 2013; the total value of CIP 6 electricity sale price (including the CEC and the other tariff components) is 100.9 EUR/MWh, in marked decline compared to 118.7 EUR/MWh recorded in 2013.

15 Value published on the AEEGSI website on 30 January 2015.

INTEGRATED DOWNSTREAM

REFERENCE MARKET [1]

(THOUSANDS OF TONNES)	YEAR 2014	YEAR 2013
ITALIAN RETAIL MARKET		
GASOLINE	7,663	7,924
DIESEL	14,619	14,644
ITALIAN WHOLESALE MARKET		
DIESEL	11,853	11,214
HEATING OIL	1,098	1,385
SPECIALTIES MARKET		
COMBUSTION LPG	1,499	1,745
TRANSPORT LPG	1,570	1,537
BITUMEN	1,411	1,446
LUBRICANTS	383	395

(1) estimated figures

Italian Retail Market

In 2014, fuel consumption in the Retail Market declined yet further. Overall demand for products contracted by 1.3% compared to the previous year, as a result of the decline in the demand for gasoline (-3.3%) and to a lesser extent in the demand for diesel (-0.2%).

Demand does not seem to exhibit any signs of recovery, and in fact the contracting trend in consumption, that took place in recent years, is persisting. The still weak macroeconomic environment is affecting and changing motorists' consumption habits, penalising the end demand for transport fuels. The figure for 2014 compounds particularly negative trends, like the one for the entire year 2013, with a decline by 4.7%, and the one in 2012, with a 9.5% drop compared to 2011.

Italian Wholesale Market

In 2014, Wholesale demand for diesel fuels (transport, marine and agricultural) increased by 5.7% compared to 2013; the increase is due to demand for transport diesel, which increased by 7.5%, and to a lesser extent to demand for marine diesel (+0.7%), while demand for agricultural diesel declined (-2.4%). With regard to heating oil, lastly, demand contracted very severely, by 20.7%, mainly as a result of the particularly mild winter.

Specialties Market

In 2014, total LPG sales declined by 6.5% compared to 2013. The particularly negative figure is due to the lower demand in the combustion network which, affected by the temperatures, higher than seasonal averages in the past winter, decreased by 14.1% compared to 2013. On the other hand, the transport network confirmed its positive trend, growing by +2.1%.

With regard to Bitumen, demand in 2014 declined slightly compared to 2013 (-2.4%). Lastly, there was a contraction of sales of lubricants (-3.0%), mainly affected by the decrease in the industry channel (12.2%) which more than offsets the slight increase recorded in the auto channel (+0.5%).

HIGHLIGHTS OF INTEGRATED DOWNSTREAM PERFORMANCE AT ADJUSTED REPLACEMENT COST

To enhance the understandability of Integrated Downstream performance, the results of this business are shown at their adjusted replacement cost, which also take into account ERG's share (51%) of the consolidated results of the TotalErg joint venture.

It should be pointed out that the figures shown below include, in addition to TotalErg's share, also ERG Oil Sicilia's activities in Sicily, the results of the company ERG Supply & Trading, and for the 2013 figures only, the results deriving from the Coastal Refining activity, which ceased as a result of the definitive departure from the business, following the sale of the remaining 20% of the ISAB refinery, completed at the end of 2013.

(EUR MILLION)	YEAR 2014	YEAR 2013
REVENUES FROM ORDINARY OPERATIONS (1)	**3,098**	**9,002**
EBITDA AT REPLACEMENT COST (2) (3)	**44**	**(5)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (3)	(48)	(83)
EBIT AT REPLACEMENT COST (2) (3)	**(5)**	**(87)**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	34	41

(1) in 2014, they did not include revenues from Supply & Trading activities (EUR 3,829 million), recognised as a reduction to purchase costs.
(2) inventory gains (losses) of -69 in 2014 (-14 in 2013)
(3) they do not include non-recurring items as indicated in "Alternative performance indicators", to which reference is made for additional details

The breakdown of EBITDA at adjusted replacement cost and of the capital expenditures between the various activities of the Integrated Downstream business was as follows:

(EUR MILLION)	YEAR 2014	YEAR 2013
EBITDA AT ADJUSTED REPLACEMENT COST		
TOTALERG (51%)	47	39
ERG OIL SICILIA	5	6
ERG SUPPLY & TRADING	(8)	–
COASTAL REFINING	–	(50)
TOTAL	**44**	**(5)**
ADJUSTED CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
TOTALERG (51%)	34	39
ERG OIL SICILIA	–	2
ERG SUPPLY & TRADING	–	–
COASTAL REFINING	–	–
TOTAL	**34**	**41**

In 2014, EBITDA at replacement cost amounted to EUR 44 million, an improvement compared to the loss of EUR -5 million of 2013, which was still affected by the results of Coastal Refining. Although the results of TotalERG continued to be influenced by severely negative refining margins as well as by a still contracting fuels market, smaller than 2013 both in terms of demand and market margins, they were higher than the previous year, partly thanks to the efficiency-boosting and cost containment actions taken by the company.

In a challenging market environment, the results of ERG Oil Sicilia, whose equity investment was sold at the end of 2014 as commented above, declined slightly from the previous year.

Lastly, the results of ERG Supply & Trading, slightly positive in the first nine months, gave a negative overall contribution to the results of the year, sharply worsening in the final months of the year in an environment marked by high volatility and contracting commodity prices.

ERG OIL SICILIA

Downstream activities in Sicily are carried out through ERG Oil Sicilia (EOS), which started operations on 1 April 2010 within the scope of the performance of the agreements for the incorporation of TotalErg, and to which all the assets of ERG Petroli in the Region were transferred. The company was sold on 29 December 2014.

The results of 2014 decreased slightly compared to 2013, in light of further contracting demand compared to the previous year, 2013.

EOS total sales amounted to 138 thousand tonnes in 2014, down compared to 220 recorded in 2013. The drop is due both to the different scope of the company's activity, which in 2013 still included residual sales in the wholesale network, and to non-renewal of two low-margin service station lease agreements, as well as to the general contraction in market demand.

ERG SUPPLY & TRADING

On 1 January 2014, following the sale of the remaining 20% of the ISAB refinery and the cessation of the Coastal Refining activity, a business unit consisting mainly of the personnel and activities relating to the trading of crude oils and products was transferred from ERG S.p.A. to the newly established company ERG Supply & Trading.

This activity, is mostly carried out through the purchase and sale, through both spot and term contracts, of crude oils and petroleum products, both with refiners and integrated downstream operators, and with trading companies active in the petroleum industry. The goal of the activity is to exploit profit opportunities on the market for these commodities through arbitrage between different geographic markets. Risks are edged in part by subscribing derivative instruments, traded and managed through regulated markets, within the scope of restrictive policy management policies.

The results of 2014, negative by approximately EUR 8 million in terms of EBITDA, were affected by a market environment that has unfavourable price differentials between the products in the various geographic areas, in particular during the final part of the year, also as a result of the sudden change in the petroleum scenario's factors and in the Euro/US Dollar exchange rate.

In view of the negative results recorded in 2014 and taking into account the Group's strategic interests, the decision was made not to continue with these business activities.

HIGHLIGHTS OF TOTALERG PERFORMANCE

The following figures refer to 100% of the Consolidated Financial Statements of the company, which has operated since 1 October 2010.

(EUR MILLION)	YEAR 2014	YEAR 2013
EBITDA AT REPLACEMENT COST (1)	**93**	**76**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (2)	(87)	(109)
EBIT AT REPLACEMENT COST (1)	**6**	**(33)**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	66	76

(1) the data reported do not include inventory gains (losses) of -135 million in 2014 (-11 in 2013)
(2) they do not include non-recurring items as indicated in "Alternative performance indicators", to which reference is made for additional details

EBITDA amounted to approximately EUR 93 million in 2014, a marked improvement over the same period of the previous year.
Concerning the marketing business, the results, notwithstanding the further contraction in demand and lower market margins than in the previous year, were higher than the previous year, thanks to the efficiency-boosting and cost containment actions taken by the company and to the restructuring of the fuel network, which led to a reduction in sales outlets and a focus on the company's own stations with higher profitability and average dispensed quantities.
With regard to refining and logistics, the recovery in refinement margins in the second half was able only partly to offset the negative impacts of the 45-day planned shut-down in October-November, with lower total results than in 2013, in spite of the efficiency-boosting actions carried out in the period, in particular in the use of the Rome logistical facility.
Lastly, the net financial position of TotalErg as at 31 December 2014 amounts to EUR 252 million, lower than EUR 287 million as at 31 December 2013, as a result of time-limited working capital dynamics.

Retail Network

In 2014, the fuel sales of the TotalErg Network amounted to approximately 2,382 thousand tonnes, a decrease compared to 2,551 thousand in 2013. Market share, at 10.6%, declined compared to 2013 (11.3%) because of the strong competitive pressure, in particular on the part of "independent stations".
As has already been pointed out, Retail sales were strongly affected by the overall performance of domestic demand, which was mainly affected by the persistence of the economic crisis.
In such a weak market and in the presence of aggressive discount policies applied by the major operators and by small independent companies, known as "independent stations", the TotalErg strategy, aimed at safeguarding income by avoiding non profitable sales, has caused a contraction in market share.
Lastly, with the purpose of improving the medium/long term sustainability of the Business, in 2012 the Company launched a significant plan to re-qualify its network in order to make it more competitive in terms of average dispensed quantities and operating efficiency.
At 31 December 2014, the TotalErg Network in Italy comprised 2,701 stations (of which 1,676 are owned by the Group and 1,025 are leased), compared with 3,017 stations at 31 December 2013. At the end of 2012, the network comprised 3,248 stations.

Wholesale Network

TotalErg operates on the wholesale market by selling petroleum products mainly to companies that in turn resell them to end users on their own local markets and directly to consumers through the subsidiaries Restiani and Eridis.

In 2014, direct diesel sales amounted to 1,111 thousand tonnes, substantially in line with the 1,149 thousand recorded in 2013. On the other hand, heating oil sales declined sharply.
In addition to the sales made directly by TotalErg, the sector benefited from the results of the subsidiaries:

- Restiani S.p.A., 60% controlled subsidiary, which operates in the marketing of petroleum products and heat management services for private users in particular in the North-West area.
- Eridis S.r.l., wholly owned subsidiary that operates in the marketing of petroleum products in the North-West and Centre-South areas.

Specialties

TotalErg operates in the Specialties sector by selling lubricants (of which it purchases the bases, which it then mixes with additives in its own plant in Savona and at third party plants), bitumen, both normal and modified (produced by its own plants), and LPG, both directly and through the wholly owned subsidiary TotalGaz.
In 2014, sales of lubricants amounted to 51.2 thousand tonnes (45.9 thousand in 2013), of which 26.1 were in the transport network, 14.5 in industry and 4.5 in the marine/foreign market, with total market share of 10.5%.
LPG sales amounted to 202.7 thousand tonnes, in decline from 227.3 thousand tonnes in 2013; the contraction was mainly experienced in the business-to-business network and in direct sales to end consumers for home heating. The decline is consistent with the marked decrease in sector demand, due mainly to the particularly mild winter.
Lastly, bitumen sales amounted to 102.8 thousand tonnes, lower than 127.8 thousand tonnes in 2013.

Refining

After the shut-down of the Raffineria di Roma, which took place in September 2012, TotalErg's exposure in the refining business was significantly reduced, from total annual balanced distillation capacity of approximately 6.0 million tonnes to a capacity of approximately 1.6 million tonnes provided solely by the share held in the Sarpom Refinery.
The Sarpom Refinery is equipped with catalytic conversion, more focused on the production of light distillates and it processes mainly crude oils with low sulphur content.
With regard to the reconversion of Raffineria di Roma, work was completed, fully according to schedule, on the transformation of the refinery into a logistical facility and specifically on the upgrade of the tank farm and of the maritime terminals. Reaching the target configuration is enabling to optimise the operations involved in receiving products by sea and the storage and shipment of finished products. Moreover, the flexibility of the logistical facility, thus dimensioned, will enable to exploit the business opportunities that should emerge in the future.

MARGINS AND PROCESSING

	YEAR 2014	YEAR 2013
UNIT CONTRIBUTION MARGINS AT REPLACEMENT COST (1)		
USD/BARREL	0.56	1.87
EUR/BARREL	0.42	1.41
EUR/TONNE(2)	3.2	10.5
PROCESSED VOLUMES (3) **(KTONS)**	**1,275**	**1,385**

(1) the unit contribution margins at replacement cost, net of variable production costs (mainly utility costs) do not include inventory gains (losses) and non-recurring items.
(2) barrel/tonne conversion factor equal to 7.486 in 2014 (7.451 in 2013)
(3) volumes processed at the Sarpom Refinery (Trecate)

In 2014, 1,275 thousand tonnes were processed, down from the 1,385 thousand tonnes processed in the previous year because of the planned outage, of approximately 45 days, carried out in the October-November time interval.
The unit contribution margins of 2014 were lower than the already highly depressed levels recorded the previous year, partly as a result of the planned shut-down of the facilities in the fourth quarter, which did not allow fully to benefit from the margin recovery in the second half of the year, concurrently with a favourable scenario tied also to the sharp decline in crude oil prices.

CAPITAL EXPENDITURES

The adjusted figure for capital expenditures by the ERG Group in 2014 was EUR 89 million (EUR 165 million in 2013), including EUR 77 million for tangible fixed assets (EUR 156 million in 2013) and EUR 12 million for intangible fixed assets (EUR 9 million in 2013).
The breakdown of adjusted capital expenditures by business segment is shown in the following table:

(EUR MILLION)	YEAR 2014	YEAR 2013
RENEWABLE ENERGY SOURCES (1)	38	97
POWER	14	26
INTEGRATED DOWNSTREAM (2)	34	41
CORPORATE	3	2
TOTAL	**89**	**165**

(1) Renewable Energy Sources adjusted capital expenditures include ERG's share of the capital expenditures made by LUKERG Renew.
(2) Integrated Downstream adjusted capital expenditures include ERG's share of the capital expenditures made by TotalErg

RENEWABLE ENERGY SOURCES

With regard to the construction of new wind farms, both for the wind farm of Palazzo San Gervasio (PZ) in Basilicata, with 34 MW of installed capacity, and for the wind farm of Topolog, Romania (84 MW of installed capacity, of which ERG's share is 42 MW), construction work was in fact completed at the end of 2013, whilst testing work was completed in early 2014 and both wind farms are now fully operational. Capital investments in 2014 refer mostly to the construction of the new wind farm in Poland (with 42 MW of installed power), expected to start operating in mid 2015, as well as to the last commissioning activities for Palazzo San Gervasio and to the installation of a last turbine for the Topolog wind farm (which brought the total power of the wind farm to 84 MW).
Progress was also made on the planned Health, Safety and Environment projects.

POWER

In 2014, focused investment initiatives continued in ERG Power, with the aim of preserving the operating efficiency, flexibility and reliability of the plants.
Progress was also made on the planned Health, Safety and Environment projects.
It should be recalled that the capital expenditures of 2014 include the similar initiatives carried out in ISAB Energy, totalling EUR 1.4 million for the period until 30 June 2014 (date of sale of the plant).

INTEGRATED DOWNSTREAM

With regards to Integrated Downstream, during 2014, capital expenditures of approximately EUR 34 million were made, almost entirely related to 51% of TotalErg, a decrease compared to 2013.
Most of the capital expenditures (approximately 64%) involved the Network, mainly for development activities (renovations, new leased outlets, enhancement and automation of existing sales outlets, etc.) and the activities tied to the optimisation and enhancement of the Rome logistical facility. A significant portion was also destined to Health, Safety and Environment maintenance and improvements.

RISKS AND UNCERTAINTIES

The ERG Group started implementing an integrated risk management model, based on a systematic approach to identify the foremost risks and to assess their potential negative effects and appropriate mitigation actions to be taken. The model is defined according to international standards and best practices and it is an integral part of the Internal Control and Risk Management System.
Within this context, the main risks identified, monitored and managed by the ERG Group were:
- Market risk (exchange rate, interest rate and price risk)
- Liquidity risk
- Credit risk
- Default and covenant-related risk
- Volume risk
- Regulatory risk
- Risks related to industrial accidents
- Health, Safety and Environment (HSE) risk
- IT and data management risk

MARKET RISK

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

Currency exchange rate risk

The currency exchange rate risk is the risk connected with fluctuations of the exchange rate of various currencies versus the Euro reference currency. Specifically, such fluctuations can have considerable impacts:
- on income, as a result of the different significance of costs and revenues denominated in a foreign currency compared to the time when the price conditions were defined (economic risk);
- on income, as a result of the conversion of trade or financial receivables/payables denominated in a foreign currency (transaction risk);
- on the Consolidated Financial Statements (income and shareholders' equity) by effect of the conversion of assets and liabilities of companies that prepare their Financial Statements in another currency (translation risk).

The ERG Group has adopted a prudential strategy of exposure to the exchange rate risk, reducing the possible economic impacts tied to the volatility of exchange rates on the financial market.
Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of exchange rates on the financial market and it is monitored by the Risk Committee.
Transactions in derivatives having speculative purposes are not allowed in the ERG Group. The strategies for mitigating such risks are implemented in accordance with company policies.

Interest rate risk

The interest rate risk identifies the change in the level of interest rates that may entail a change in the value of financial positions and of their level of cost. In this sense, changes in market interest rates can have such negative impacts on the level of financial expenses as to compromise the Group's financial stability and its capital adequacy.
The ERG Group uses different forms of financing to cover the requirements of its industrial activities, in particular with regard to the thermoelectric and renewable energies businesses. Any changes in interest rates can cause unfavourable changes in the cost of financing.

Consistently with its market risk management policies, the ERG Group uses derivative financial instruments to hedge interest rate fluctuations. In particular, interest rate risk is hedged by using contracts such as Interest Rate Swaps.
Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of interest rates and it is monitored by the Risk Committee.
Transactions in derivatives having speculative purposes are not allowed in the ERG Group.
The strategies for mitigating such risks are implemented in accordance with company policies.

Price risk (electricity, petroleum commodities, gas and CO_2)
The price risk is identified as the possibility that fluctuations in the price of purchases and sales may cause significant changes in Group EBITDA, determining such an impact on the income as to compromise the achievement of the objectives defined in the strategic plan.
In exercising its activity, the ERG Group is exposed to the risk of fluctuations in the prices of electricity, of petroleum commodities, of gas and of CO_2.
Exposure to the electricity price risk derives essentially from the activity of selling on spot markets (Exchange) the electricity generated and not contractualised by means of "forward" agreements (physical bilateral agreements. The ERG Group minimises the potential impact deriving from fluctuations in the sale and purchase price of electricity on open positions through specific hedging of the long and short positions deriving from its own activities as a producer and supplier of electricity, all in compliance with the approved P@R (Profit @ Risk) limits.
Exposure to the petroleum commodity price risk consists of unexpected fluctuations in the prices of raw materials, of finished products and of the procurement of services. The current petroleum commodity price risk management policy calls for hedging the price volatility risk tied to any different periods of accrual of the purchase and sale price (flat price).
Exposure to the gas price risk lies in the volatility of gas purchase and sale prices on open positions. The ERG Group pursues the goal of hedging open positions through balancing price formulas in natural gas marketing and transformation activities, in compliance with approved P@R (Profit @ Risk) limits.
Lastly, the ERG Group is exposed to the CO_2 price risk. This risk identifies the possibility that the ERG Group may incur economic damages deriving from fluctuations in the CO_2 market. To mitigate this risk, ERG operates in such a way as to keep the purchase formula balanced with the charge-back formula for the quotas of CO_2 tied to commercial agreements, whilst for the quotas tied to sales of electricity to the market, ERG operates within the risk limits approved by the CEO with the consultative opinion of the Risk Committee.
To mitigate the price risk and pursue its management policies, the ERG Group uses derivative instruments such as Futures and Swaps on commodities. Use of derivative instruments is authorised exclusively if there is an underlying asset to pursue the reduction in the economic impacts tied to the volatility of prices on the financial market and it is monitored by the Risk Committee.
Transactions in derivatives having speculative purposes are not allowed in the ERG Group.

LIQUIDITY RISK

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

The consequence may consist of a deterioration of the entity's image with stakeholders, of the downgrading of the company's financial rating[16] and of consequent difficulties in accessing credit, of a negative impact on the profit in terms of increased costs, interest expenses and/or higher taxes or, as an extreme consequence, of an insolvency situation that jeopardises the entity's viability as a going concern.

Risk management aims to define, within the planning process, a financial structure that, consistently with the business targets and with the limits defined by the Board of Directors, assures an adequate liquidity level for ERG, minimising the related opportunity cost and maintaining a balance in terms of debt maturity and composition.

The ERG Group assures adequate coverage of its financial requirements through cash flow generation and the availability of diversified financing sources.

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

Risk mitigation strategies are implemented in accordance with company policies.

CREDIT RISK

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

The ERG Group manages the credit risk with the objective of optimising the risk profile in pursuing commercial and business targets, through structured processes in which specific Organisational Units and the Credit Committee assess the creditworthiness, constantly monitor the total exposure level for each individual counterparty and define and implement any corrective actions.

Moreover, within the sale processes, the Group assigns to each counterparty a specific level of credit that can never be exceeded or, alternatively, it carries out sale transactions upon presentation of a suitable guarantee (e.g. letter of credit).

Risk mitigation strategies are implemented in accordance with company policies.

DEFAULT AND COVENANT-RELATED RISK

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

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

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

VOLUME RISK

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

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

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

Risk mitigation strategies are implemented in accordance with company policies.

REGULATORY RISK

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

The Group continuously monitors the evolution of the reference legal and regulatory framework, in order to prevent and/or promptly assess the impact of the evolution of the regulations on the business areas.

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

RISKS RELATED TO INDUSTRIAL ACCIDENTS

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

The ERG Group mitigates these risks through appropriate plant management policies aimed at pursuing high levels of safety and operating excellence, in line with the best industrial practices.

Furthermore, ERG transfers its own industrial risk to third parties via the insurance market, thereby providing a high level of protection for its facilities, even in the event of an interruption of activity.

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

Risk mitigation strategies are implemented in accordance with company policies.

HEALTH, SAFETY AND ENVIRONMENT (HSE) RISK

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

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

Safety risks are connected with the occurrence of accidents or injuries, or of damages or (more

or less severe) physical disablements suffered by the persons assigned to the various work activities.
The ERG Group mitigates these risks through the adoption of principles and behaviours defined specific health, safety and environment guidelines that require compliance, by all the Group's Companies, with all current laws and regulations, the pursuit of specific performance targets, the continuous training of personnel and the certification of specific integrated HSE managements systems.
Moreover, the ERG Group adopts safety standards and operating practices having high quality and reliability in order to assure regulatory compliance, continuous improvement of environmental performance and the effectiveness of the actions taken in terms of prevention and containment of potential environmental impacts.
In particular, Companies that manage industrial assets, which by their nature are more exposed to the HSE risk, are all provided with an OHSAS 18001 and ISO 14001 certified Management system.
For the Companies that do not manage industrial assets, specific programmes have been defined, requiring them to obtain the OHSAS 18001 certification as well.
Moreover, the Group pursues the goal of zero injuries, through a structured oversight of health and safety issues and the development of numerous programmes for prevention and for spreading a "safety culture", directed both at the Group's own personnel and to suppliers and vendors. Care for people is also expressed through initiatives directed at personal development, performance assessment at all levels and sharing best practices.
The adoption of the best available technologies, the application of ever more rigorous and stringent operating practices in terms of pollution prevention and reduction and the correct management of the waste produced enable the ERG Group efficiently to manage its industrial activities and the correlated environmental issues.
Health, safety and environmental strategies are implemented in accordance with company policies and they are set out in the Document entitled "Rules of conduct with regard to Health, Safety and Environment".

IT AND DATA MANAGEMENT RISK

The IT risk is identified as the inadequacy of the set of technical and organisational measurements aimed at assuring the protection of the integrity, availability, confidentiality of the automated information and of the resources used to acquire, store, process and communicate said information. In particular, the following risks tied to the IT systems are identified:

- risk of vulnerability of the IT systems: this risk identified the possibility that the architecture/Framework of the IT systems may be vulnerable to internal/external attacks or exposed to accidental events because of defects in their design, implementation, configuration and/or operating management;
- risk of technological disaster: this risk identifies the possibility that the technological infrastructures serving corporate operations may be dramatically compromised by accidental events;

The ERG Group mitigates the risks tied to the IT systems, pursuing the following control objectives, in line with the standards of the Cobit 5 Model:

- implementation of processes for the design, development, operation, maintenance, assistance and disposal of IT infrastructures, of network services and of applications for mitigating the vulnerability of the IT systems, in line with reference best practices;
- development and implementation of a formalised, structured, regularly updated and implemented disaster recovery plan, implemented as required.

Within the scope of data management, the Information Security risk is identified in the possibility that the Group may not have implemented suitable security measures to protect the confidentiality, integrity and availability of the information managed through the support of electronic / IT systems (databases, company applications, individual and shared folders, company sites exposed to Internet, corporate intranet, electronic mail system, etc.). The ERG Group pursues the objective of a constant protection of corporate information and mitigates the risk of failure to protect said information through the implementation and activation of processes and systems for the protection, preservation and recovery of the information available on the IT systems. For this purpose the ERG Group classifies the information that, within the scope of the corporate processes, is contained and managed through software applications and electronic documents.
Risk mitigation strategies are implemented in accordance with company policies.

HEALTH, SAFETY AND ENVIRONMENT

Protecting persons' health and safety and the environment is a priority that has always characterised the ERG Group's enterprise culture: the prevention and management of the connected risks are therefore central in the implementation of the Group's strategic guidelines.
The redefinition of the Group's organisational and corporate structure and the strategic choices, ever more focused on the renewable energies business supported, in 2014, the necessary revisions to the management of health, safety and environmental issues and, more in general, to the Group's corporate social responsibility (CSR).
In line with the principles and guidelines set out in the Code of Ethics, the Group's activities were directed at achieving its business objectives while protecting the environment where the Group operates and safeguarding the internal and external stakeholders with whom it interacts.
Partly on the basis of the Group's existing health, safety and environmental Policy, the Group defined, with respect to all stakeholders, the values, commitments, objectives pertaining to sustainability, and the same Policy was applied together with the laws and regulations in force in all Countries where ERG operates, with the principles of behaviour defined in the Code of Ethics, with the other policies and rules adopted by the Group.

HEALTH AND SAFETY

In 2014, following their revision, completed in 2013, and consistently with the Sustainability Policy, the principles prescribed by the Guidelines for the Integrated Management of Health, Safety and Environment were implemented.
By virtue of the redefinition of the organisational and corporate structure, appointments and delegated powers pertaining to HSE were brought up to date.
Within the Group, training on occupational health and safety also continued, at all organisational levels, involving the various involved personnel; in particular, refresher training was completed for the heads of the emergency reaction teams, fire-fighting and first aid personnel, for the different Sites, in line with the contents of the State-Regions Agreement of 21 December 2011.
In 2014, as in 2013, the ERG Group, which has always been keen on promoting its employees' health and safety, also offered its personnel the opportunity to undergo a series of medical tests for the prevention of the most common neoplasms for subjects more exposed to risk according to international protocols.

ENVIRONMENT

ERG Power's SA1Nord thermoelectric plant achieved the important objective of improving environmental performance thanks to the project for the reduction of the environmental impact of the SA1N1 group: the "best available practices" in the industry, defined at the EC level, were adopted, within the scope of the provisions of the Integrated Environmental Authorisation (IEA), issued in accordance with the EC Directive (IPPC – Integrated Pollution Prevention and Control). The SA1N1 group (dedicated to the production of steam for the other site customer Companies) became fully operational in May 2014 following the implementation of atmospheric emission abatement techniques for the reduction of nitrogen oxides and it is fuelled solely with gaseous fuels (methane and fuel gas) in order to limit emissions of sulphur oxides and particulate.
Moreover, periodic and thorough tests were carried out in 2014 in the presence of the supervisory Agencies, which enabled to confirm full compliance with the prescriptions of the IEA, as well as the accuracy and reliability of the monitoring and control activities, in particular for atmospheric emissions and water discharges.

Lastly, in 2014, in line with the previous years, ERG made the following fundamental contributions in terms of reducing greenhouse gases in order to achieve national objectives set by the Kyoto Protocol and EU emissions trading directive:

– consolidating the development of renewable energy sources (wind, both in Italy and abroad);
– increase the utilisation of fossil sources with low carbon intensity (gaseous fuels);
– improving the energy efficiency and integration of its own industrial activities (e.g. high efficiency cogeneration).

ERG also participates in the Italian Carbon Fund in order to obtain emission credits by financing projects to reduce emissions, such as the construction of renewable energy source plants outside of Italy (Clean Development Mechanism projects as part of the flexible mechanisms envisaged by the Kyoto Protocol).

MANAGEMENT AND CERTIFICATION SYSTEMS

Consistently with the Group's Sustainability Policy, in 2014 the certifications of the integrated Management Systems according to the international standards ISO 14001 Environment and OHSAS 18001 Health and Safety were extended.
ISAB Energy Services renewed the certification for the activities carried out at ERG Power's plants and ERG Power itself, in its capacity as owner of the assets, confirmed the conformity of environmental management in accordance with ISO 14001.
Another important effort made by ERG Power in 2014 was the launch of the process for EMAS registration, in accordance with Regulation (EC) No. 1221/2009, by transmitting to the EMAS-Ecolabel national Committee the first environmental Declaration (for the year 2013), validated by an accredited Verifier, with the purpose of providing a reliable, credible and correct representation of all the activities carried out by the organisation and sharing the efforts made and the results achieved.
Lastly, the company ERG Renew attained the significant objective of the "unitary" certification of the Group, for all subsidiaries, including the company ERG Operations & Maintenance (excluding the LUKERG scope of consolidation), of the Integrated Management Systems in accordance with ISO14001, ISO9001 and OHSAS 18001.

PRODUCT QUALITY

The Group is committed to improve product quality in accordance with national and EC guidelines, and in particular the percentage of use of bio fuels in automotive products, which is to increase annually at the national level by up to 10% in 2020.
ERG Oil Sicilia guaranteed the reduction in CO_2 emissions on the basis of the previous year's obligation to supply bio fuels for consumption; against this backdrop, it consolidated its reporting to the competent Authority (GSE) through the computerised system made available and providing the related certificates of sustainability.
Detailed analysis of all issues relating to health, safety and the environment is an integral part of ERG's annual Sustainability Report.

HUMAN RESOURCES

The Group's objectives in terms of profitability and value creation need to be supported by consistent actions with regard to the management of people and processes; in 2014, this meant for ERG, engaged in the execution of a challenging business plan, working intensely on a new model for the development of Human Capital and a new organisational model comprising four areas of intervention.

– full completion of the Group's new organisational structure (**Fast Steering**);
– increasing the value of human assets (PEOPLE);
– aligning and motivating managers (MBO);
– focusing on value creation over time (LTI).

ORGANISATION & PROCESSES

In 2014, the Group's new organisational model, announced at the end of 2013, **Fast Steering**, was implemented, with the goal of assuring the alignment between business strategies and corporate operating model, seeking the optimal environment where ERG's personnel can best express their capital of ideas and skills. The new organisational-corporate model intended to meet these need through the interaction of three macro-roles:

– the ERG S.p.A. Corporate organisation which provides strategic direction, management control and oversight of human and financial capital and relationships as the fundamental assets for development;
– the business units, organisational units (whose corporate structure is more or less complex according to specific needs) focused on their respective businesses and provided with adequate structures of their own, able to assure operating efficiency, momentum for growth and prompt responses to the volatility of reference markets;
– ERG Services S.p.A., the company established to attain operating excellence in the performance of support services to all companies in the ERG Group ("shared services").

The implementation of the Group's new corporate organisational model has entailed:

– outsourcing the business activities previously performed by ERG S.p.A., by transferring the business units (activities, personnel, assets and contracts) of the Oil and Power businesses respectively to ERG Supply & Trading S.p.A. and to ERG Power Generation S.p.A., both controlled by the sole shareholder ERG S.p.A.;
– retaining all activities pertaining to the Renewable Energy Sources business in the subsidiary ERG Renew S.p.A.;
– outsourcing the main service and support activities across the Group's businesses, previously performed by ERG S.p.A., by transferring the business unit (activities, personnel, assets and contracts) to the newly established ERG Services S.p.A., controlled by the sole shareholder ERG S.p.A.

The new organisation was launched at the end of 2013 and its concrete implementation, both with regard to formal compliance and with regard to the realignment of operating processes, was substantially completed in 2014 according to the schedule, generating significant operational, managerial and organisational benefits.
In particular, on 1 January 2014 the transfers of the business units relating to ERG Supply & Trading and ERG Services took effect, and therefore said companies became fully operational from the start of the year, while on 1 July 2014 the transfer of the business unit relating to ERG Power Generation took effect; this latter reorganisation operation took place concurrently with the sale to ISAB S.r.l. (LUKOIL group) of the business unit (assets, contracts and personnel assigned to perform operations & maintenance activities and staff previously transferred from ERG S.p.A. to ISAB Energy Services) relating to ISAB Energy's IGCC plant.

At 31 December 2014, the ERG Group had a total of 604 employees (-174 from 31 December 2013), at the end of a year during which 18 people were hired and 192 left the Group). By effect of the aforementioned reorganisation and of the other extraordinary operations carried out during the year, followed also by specific organisational optimisation projects in relation to the individual Organisational Units, as well as physiological personnel turnover, the Group's total number of employees at 31 December 2014 was divided as follows:

- ERG S.p.A. radically reduced the number of its employees, to a total of 89 persons compared to 281 at the end of the previous year;
- ERG Renew S.p.A. and its subsidiaries (with a total number of 203 persons as at 31 December 2013) recorded an increase in headcount, reaching 212 employees as a result of 20 entries and 11 exits (of which, respectively, 16 and 3 were inter-company).
- ERG Power Generation S.p.A. had 60 employees, substantially unchanged from the initial count at 1 July 2014, i.e. 61 persons. Following the absorption of ISAB Energy Services, with effect on 1 January 2015, the Company subsequently increased its total number of employees to 192;
- ISAB Energy Services S.r.l. personnel were reduced by 151 employees to 132. Moreover, as a consequence of the merger by absorption into the parent company ERG Power Generation, with effect from 1 January 2015, all the personnel of the company was subsequently transferred to the absorbing entity;
- ERG Services S.p.A. ended 2014 with 81 persons, compared to 85 employees at 1 January 2014;
- ERG Supply & Trading S.p.A. slightly reduced the number of its employees during the year, to 30, versus the initial figure of 32 employees.

At 31 December, the personnel of ERG Oil Sicilia S.r.l. are no longer included among ERG Group employees; on 29 December, this Company, which had 11 employees in 2014, unchanged from the previous year, was removed from the scope of consolidation of the ERG Group as a result of the completion of the sale of the Company to Maiora, a subsidiary of GRS Petroli, announced to the market on 5 November.
The average age of the Group's personnel is approximately 43 years and in terms of education levels, the percentage of employees holding high school diplomas or university degrees amounted to approximately 91%, up from the end of the previous year (87%) as a consequence of the significant number of site operating resources, employed in the operation and maintenance of ISAB Energy's IGCC plant, who left the Group in the transaction with ISAB S.r.l.
Lastly, in December 2014 ERG S.p.A. and ERG Services, in compliance with the times and ways prescribed by current labour laws and regulations, initiated two distinct voluntary redundancy procedures. These procedures, expected ultimately to lead to the departure of 15/20 employees in all, will promote a qualitative and quantitative remix of the resources, facilitating the achievement of more efficiency-oriented organisational dimensioning targets, consistent with the requirements of the Group's business portfolio and the missions of the two companies.

HUMAN RESOURCES DEVELOPMENT

Dispersed leadership is ERG's managerial development model. This means that the management team is closely involved in the development of human resources as a corporate competitiveness multiplier.
For this reason, during the year the Human Capital Committee (formerly Human Resources Committee since its establishment in 2012), held regular meetings to carry out its fundamental role in defining and monitoring the main programs and activities for human resources development, supporting the Executive Deputy Chairman and the Chief Executive Officer in major personnel management decisions.

The Committee confirmed its guidance and control role, e.g. with regard to implementing the Group's new organisational model and sharing new organisational changes, and it also actively promotes the spread of a new managerial culture and the implementation of new strategies and instruments for their achievement.
In particular, in 2014 the Committee gave a fundamental impulse for the development of the following processes:

- job evaluation & succession planning;
- career planning;
- talent management;
- promotion and key people management

The objective, pursued with unrelenting focus, is to provide the Group with an integrated system for the management of Human Capital, able to assure that its capital of skills and knowledge is continuously adapted to ever-changing business conditions, so that available resources are always capable of rising to the challenges put forward by ever keener competition and by a complex, rapidly changing scenario.
The investment in training activities was kept at high levels (approximately 1,400 days involving approximately 310 persons), but above all it was distinguished by its quality and focus. Today, the system comprises three areas (Managerial, Institutional and technical/specialist) and it covers all the needs of the company's personnel with an end-to-end approach (from newly hired personnel to executives).
Along with the optimisation of the operating structures, investments in personnel development were accelerated.
In particular in view of plans for growth in Europe and of the need to integrate the existing set of skills with diversified and international competency, a plan was launched for the selection of recruitment of international new graduates, for whom a two-year managerial growth path is provided.

ALIGNING AND MOTIVATING MANAGERS

The ability to align the company's management on clear, integrated objectives is a primary need of modern organisations.
For this reason, in 2014 the implementation of the new incentive system, developed in 2012 and already in operation in 2013, intended for key executives and managers, through a Management By Objectives (MBO) approach, continued.
The selected balance between Group objectives (30%) and individual objectives (70%) matches leading companies' best practices for managerial incentives and it was designed to provide further support to the development of leadership and individual initiative.

CULTURAL AND SOCIAL ACTIVITIES

ERG AND CULTURE

In 2014 ERG renewed its efforts in activities in favour of cultural and social institutions and events. Out of the commitment of the Group and of the Garrone and Mondini families in social and cultural matters arose, in 2004, the Edoardo Garrone Foundation (Fondazione Edoardo Garrone, FEG). A member of the European Foundation Centre, FEG is a not-for-profit cultural foundation that was set up to make a concrete contribution of ideas and resources to research projects and projects for the protection and promotion of art and culture in collaboration with a high-profile scientific committee.
During the year, FEG promoted ReStartApp, an initiative of Progetto Appennino®, the first campus for new enterprises of the Apennine, dedicated to 15 young people (under 35) with enterprise ideas and start-up entities in the typical production value chains of the Apennine areas. The initiative, to which Mr. Riccardo Garrone has long dedicated its attention, is also a real opportunity for the future of our Country, with the goal of fully re-qualifying the area.
Within the Science Festival (held in Genoa from 24 October to 2 November 2014), whose common thread was Time, ERG supported the "Futuro Prossimo" (Near Future) project, at its third edition. The project comprises two formats, dedicated to excellent students and teachers from all of Italy. "Nuove prospettive per immaginare il proprio domani" (New perspectives to imagine your tomorrow) is the path intended for 130 boys and girls, which contributes to guide their schooling and professional choices through meetings with professionals from the most diverse walks of life.
ERG sponsored the first "Communication Festival" (Festival della Comunicazione), held in Camogli from 12 to 14 September. Managers and communication professionals debated social networks and the mobile economy, alternating meetings, workshops, exhibitions, shows, laboratories for children and excursions; approximately 70 free events for a total of over 80 presenters.
The Group is also a member of CIVITA, an association actively involved in promoting and managing Italy's cultural heritage and in safeguarding, enhancing and providing access to artistic and cultural assets through exhibitions, cinema and European projects and it is a founding member of the Magna Carta foundation (Fondazione Magna Carta) that, since 2004, has been dedicated to scientific research, cultural reflection and to devising proposed reforms on major political issues.
ERG also sponsored the Confindustria's traditional Young Entrepreneurs Conference (Convegno dei Giovani Imprenditori), held on 6 and 7 June 2014 in Santa Margherita Ligure. This yearly event, which reached its 44th edition, provides a valuable opportunity for discussion of economic, political and social issues, and it showcases the contribution of young Italian entrepreneurs to the Country's economic and social development. For Confindustria Giovani, ERG also sponsored the "Bootcamp", an excellent training event where didactics and practice merge to create useful competencies to confront the challenging environment where Italian companies are currently operating.
In 2014, ERG confirmed its commitment to Fondazione INDA Onlus, a non-profit foundation that since 1914 has organised classical shows at the Greek Theatre in Siracusa. ERG has been the sole private partner of the theatre foundation since 2009. The collaboration with INDA is achieved through support to theatrical productions and in particular in 2014, the year in which INDA celebrated the centenary of classical representation in Siracusa, the three productions of the 50th cycle: Aeschylus' Agamemnon and Coephori-Eumenides and Aristophanes' The Wasps.

ERG AND SOCIAL DEVELOPMENT

The Group has always striven to promote social development in the communities where it operates. Solidarity and social commitment are a foremost part of ERG's system of values.

After the temporary experience, "Dialogo nel Buio" ("A Conversation in the Dark") has become a permanent exhibition in the area of the Old Harbour in Genoa. This year, ERG, in collaboration with the David Chiossone Institute, continues to be a partner in the "Dialogo nel Buio" project, which provides a truly educational experience: it is a "trip" that takes place in completely dark spaces, accompanied by sight-impaired guides, that allowed visitors to "see" in a new way, using their senses of touch, hearing, smell and taste to have an extra-ordinary experience, where roles are reversed and barriers are brought down.
This year, ERG once again chose to fund the manufacture of canvas bags made from discarded umbrellas, produced by the female inmates of the Genoa Pontedecimo Prison and by the outside laboratory opened in Valpolcevera for open prison inmates. The aim of the initiative is to couple persons' skills and their return to society, bringing back to life an object that was no longer usable.
For Christmas, ERG supported the solidarity initiative of the Diocese Caritas of Genoa, assisting the Genoese population affected by the floods of the Autumn of 2014, collecting donations from all employees and Directors and directly contributing with an amount equal to the total collections.
At the same time, it decided to allocate a portion of the resources meant for the company's Christmas get-together to purchase presents and foodstuffs needed for the 2014 Christmas Dinners organised by Comunità di Sant'Egidio in Liguria and in the Siracusa province. It is a way to be closer to people experiencing hardships.
The choice of the "Giacomo Doria" Natural History Museum in Genoa - hit hard by the flood of 9 October 2014 - as the location for the Christmas get-together of the Genoa offices, is a part of the social engagement path followed by ERG in recent years.
In the Priolo-Melilli-Augusta area, ERG contributed to the initiatives fielded by local administrations in favour of the young and the elderly. In Melilli, in particular, ERG, together with the Town's social Services, supported the third edition of the EnERGia Project, implemented in the local centres for the elderly, with gentle exercise and group dancing courses for a population of over 1,000 elderly persons.
Starting in 2010, ERG has supported the "School Project", carrying out activities within schools of all levels in the Siracusa province. In particular, for middle schools, contests were organised on safety and law enforcement issues, in collaboration with the Traffic Police and the Carabinieri. In 2014, ERG once again participated in and supported the Legality Project of the Siracusa Carabinieri through the competition entitled "Un casco vale una vita" ("A helmet is worth a life") for eighth grade students. The activity spans two days: a workshop in which the 200 or so young people involved expressed their ideas on road safety issues within a festival that took place in Ortigia, the historic centre of Siracusa, and a concluding event in which the 250 young people who won the competition liked to the Carabinieri's Legality Project were handed their award, a customised motorcycle helmet. Another institutional activity for the promotion of road safety supported by ERG was "Icaro 2014", a road education project organised by the Siracusa Traffic Police for high school students.
Within the "School Project" (Progetto Scuola), in 2014 ERG launched "Vai col Vento" ("Go with the Wind"), an environmental education programme that obtained the support of the Ministry of the Environment, directed at sensitising young people on the importance of generating energy from renewable sources, which took place from February to March with a series of classroom lessons on climate change issues and on the use of renewable energies, followed by field trips to ERG Renew's wind farms. The initiative involved 31 middle schools and 830 eighth graders in 22 municipalities from Calabria, Campania, Puglia, Molise, Basilicata and Sardinia, where ERG Renew owns wind farms.
In 2014, ERG participated in the seventh edition of Volalibro, a youth culture festival that takes place in Noto, in the Siracusa province. On that occasion, on 25 November, it gave a lecture to four eighth grade classes on climate change issues and on the use of renewable energy sources, in particular wind power.

Within the "School Project", on 22 November ERG organised the Electricity Day, in which over 150 students from technical high schools of the Siracusa province were able to visit the combined cycle energy generation plant of ERG Power in Melilli and the ERG Renew wind farm of Carlentini. The day, which reached its seventh edition, is directed at promoting knowledge of ERG's world among members of the local communities. In 2014, managers and technology experts of ERG Power Generation and ERG Renew participated, describing to the young people the technical characteristics of the two plants, with particular reference to the issues of energy efficiency and of the sustainability of ERG's generation.

ERG AND SPORTS

After being an institutional partner of UC Sampdoria for a long time, ERG focused its attention and support to projects dedicated to youth and, in line with its Corporate Social Responsibility policies, it maintains its role as naming sponsor for the tournament "Torneo Ravano ERG", whose spirit if fully consistent with the appreciation and promotion of youth sports. The 2014 edition took place from 20 January to 6 February at Genoa's 105 Stadium. This year, once again, the sports of the initiative were football, rugby, volleyball and basketball: the largest school Tournament in Europe set yet a new record in terms of participants, with 510 teams, 600 matches played and more than 5,600 girls and boys.

ERG was also a "Gold Sponsor" of the 15th edition of "Stelle nello Sport" (Sports Stars), a project conceived and organised to promote sports in Liguria, under the leadership of the Italian National Olympics Committee (CONI) of Liguria and Genoa. The initiative involved all of Liguria's sport federations and teams, fans and supporters in an event that provided the opportunity to socialise and have fun, but also to showcase the local sporting world with a significant public service purpose: to collect funds in favour of Genoa's Gigi Ghirotti Association and for Fondazione Areo Onlus.

In the Siracusa area, ERG supports the "Trofeo Archimede ed Elettra" (Archimedes and Electra Trophy), with the traditional participation of the grammar and middle schools of all municipalities in the Siracusa province. In 2014, the trophy reached its twenty-fourth edition, with the participation of over 500 primary and middle school students.

TREASURY SHARES

At 31 December 2014, ERG S.p.A., as a result of the acquisition of treasury shares carried out within the plan resolved by the Board of Directors on 10 May 2012, owned 7,516,000 treasury shares representing 5.0% of share capital. In accordance with IAS 32, treasury shares are presented as a reduction of shareholders' equity, through the use of Paid-in capital in excess of par.

BRANCH OFFICES

ERG S.p.A. has its registered office and principal place of business in Genoa, Italy and it has offices in Rome and Siracusa. The company has no branch offices.

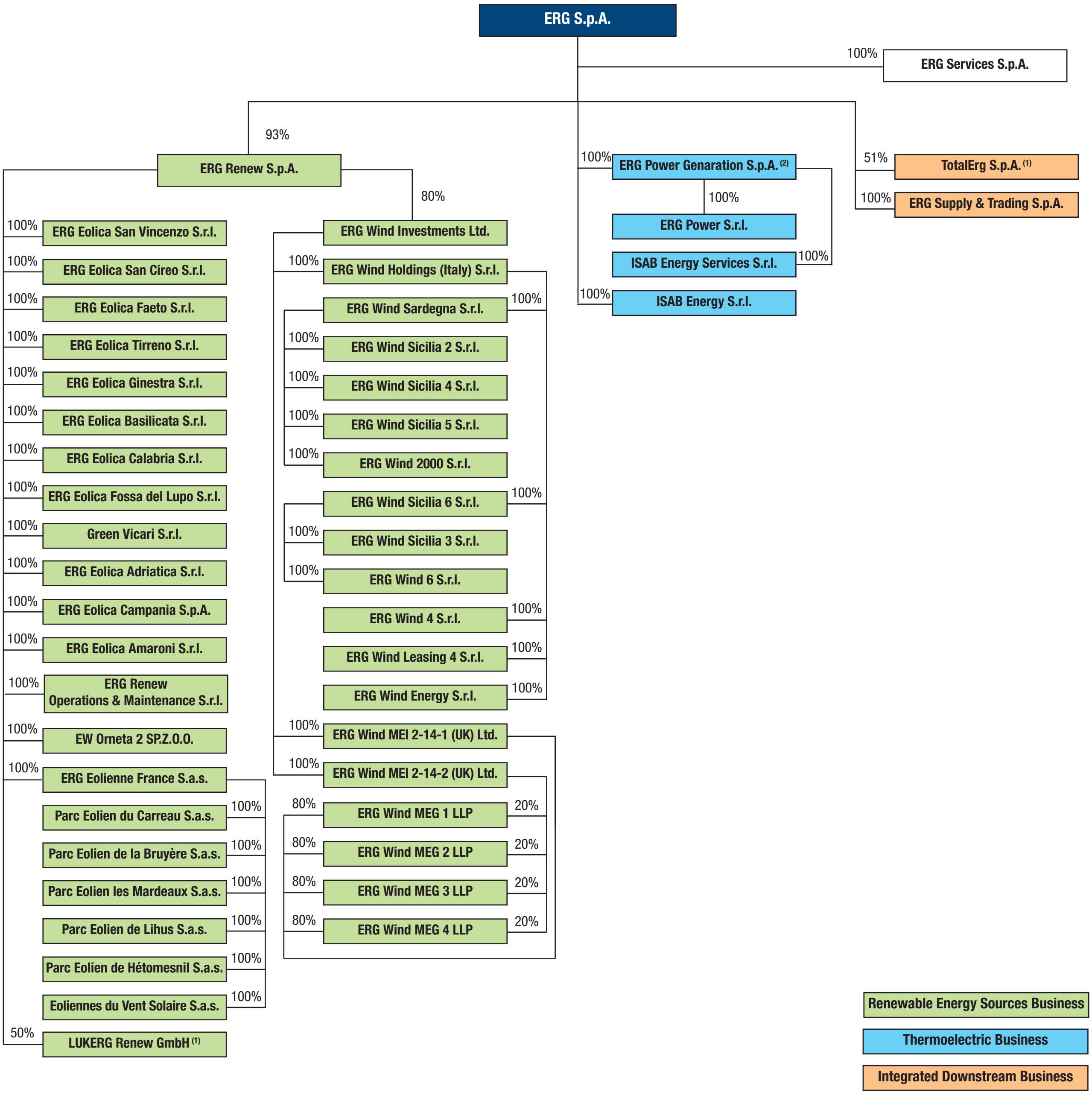
RELATED PARTIES

For information on transactions with related parties, including transactions with unconsolidated investee companies, see Note 41 of the Consolidated Financial Statements.

FINANCIAL STATEMENTS

SCOPE OF CONSOLIDATION AND BUSINESS SEGMENTS

The table below shows the scope of consolidation at 31 December 2014.
Compared to 31 December 2013, the companies ERG Supply & Trading S.p.A. and ERG Services S.p.A. were consolidated line-by-line in view of their fully operational status, the company EW Orneta 2 SP.ZO.O. was acquired in the third quarter of 2014 and ERG Oil Sicilia S.r.l. was sold in the fourth quarter of 2014.



(1) companies measured under the equity method of accounting
(2) on 8 May 2014, ERG Nuove Centrali S.p.A. changed its name to ERG Power Generation S.p.A. and on 1 July it received the business unit relating to the Power business transferred by ERG S.p.A.

FINANCIAL STATEMENTS

INCOME STATEMENT

(EUR MILLION)	YEAR 2014	YEAR 2013
RECLASSIFIED INCOME STATEMENT		
REVENUES FROM ORDINARY OPERATIONS	1,369.4	7,051.8
OTHER REVENUES AND INCOME	629.2	23.9
TOTAL REVENUES	**1,998.7**	**7,075.7**
COSTS FOR PURCHASES AND CHANGES IN INVENTORY	(729.5)	(6,099.0)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(722.2)	(596.8)
EBITDA	**547.0**	**379.8**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(187.6)	(210.1)
NET FINANCIAL INCOME (EXPENSES)	(66.0)	(72.8)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(65.0)	97.1
PROFIT BEFORE TAXES	**228.4**	**194.0**
INCOME TAXES	(155.7)	(108.8)
PROFIT FOR THE PERIOD	**72.7**	**85.2**
MINORITY INTERESTS	(24.9)	(56.8)
GROUP'S NET PROFIT (LOSS)	**47.8**	**28.4**

REVENUES FROM ORDINARY OPERATIONS

2014 revenues were EUR 1,369 million, compared with EUR 7,052 million in 2013. The decrease is due mainly to the departure from the Coastal Refining business and to the sale of the ISAB Energy S.r.l. plant. The comparison is also affected by the classification of the revenues of ERG Supply & Trading S.p.A. of 2014 (EUR 3,829 million) as a reduction in purchase costs. The change is a result of the following factors:

- **Energy – Renewable Sources** revenues were in line with those of 2013, thanks to the higher output of the period which more than offset the effect of the lower sale prices;
- the decrease in the revenues of **Energy – Thermoelectric** mainly as a result of the sale of the ISAB Energy plant;
- the significant decrease in **Integrated Downstream** revenues tied mostly to the departure from the Coastal Refining business;

OTHER REVENUES AND INCOME

These consist mainly of rental income, insurance indemnification, gains on disposals, indemnities and expense recoveries.

The significant increase in 2014 compared to 2013 is mainly due to the revenues deriving from the early termination of the CIP 6 convention by ISAB Energy S.r.l..

COSTS FOR PURCHASES AND CHANGES IN INVENTORY

In 2014, costs for purchases were significantly lower than in 2013, mainly because of the different scope of operations, which no longer includes Coastal Refining, and of the different classification of the revenues of ERG Supply & Trading, as indicated above. In 2014, inventories decreased by EUR 15 million (+3 thousand tonnes), mainly because of products related to the Supply & Trading business. In 2013, raw materials had decreased by approximately EUR 103 million and finished products tied mainly to Coastal Refining had decreased by approximately EUR 8 million.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

Costs for services include maintenance costs, commercial expenses (including product transport and electricity costs), costs for utilities, for consulting services (ordinary and connected with extraordinary transactions), insurance, marketing and for services rendered by third parties.

The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.

The increase in 2014 compared to 2013 is mainly tied to the capital loss deriving from the sale of the ISAB Energy S.r.l. business unit to ISAB S.r.l.

Net of the aforesaid capital loss, costs decreased, mainly as a result of the exit from the Refining business and the cessation of the related processing costs.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The decrease in amortisation and depreciation is mainly tied to the sale of the ISAB Energy plant, which took place on 30 June 2014.

However, the change in the item does not take into account the impacts of the sale of the equity investment in ISAB S.r.l. because it is measured at equity. This impact is, in fact, reflected in 2013 adjusted replacement cost, better commented in the section "Alternative performance indicators".

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses totalled EUR 66 million in 2014, compared with EUR 73 million in 2013. The decrease is due mainly to the lower interest expense and to the higher income from cash management, partly offset by the higher expenses deriving from exchange rate differences. The increase in the expenses deriving from exchange rate differences derives mainly from the treasury activities linked with the operations of ERG Supply & Trading in a context of sharp devaluation of the Euro versus the US Dollar in the period.

The lower interest expenses and the higher income also reflect the lower average debt of 2014 compared to the same period of 2013, both by effect of a reduction in the stock of medium-long term debt and of an increase in cash and cash equivalents as a result of the collection deriving from the sale of 20% of the ISAB refinery, which took place at the end of 2013, and of the collection deriving from the early termination of the CIP 6 convention of ISAB Energy, which took place at the end of the third quarter of 2014.

In detail, the item includes exchange rate expenses of EUR 9 million (EUR 1 million in gains in 2013), net short-term financial income of approximately EUR 15 million (EUR 10 million in 2013) deriving mainly from cash management, and medium-long term financial expenses of approximately EUR 72 million (EUR 84 million in 2013); the medium and long term amounts also reflect the effects of the derivatives hedging against the risk of interest rate fluctuations.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

In 2014, this item reflects mainly the results of the TotalErg S.p.A. and LUKERG Renew GmbH joint ventures, measured at equity.

In comparing the item to the previous year, it should be recalled that in 2013 it mainly comprised the net gain of EUR 173 million relating to the sale of the final 20% interest in ISAB S.r.l. on 30 December 2013 and the balance on the price for the sale of the 20% interest, paid in 2012 (EUR 9 million).

The decrease in 2014 is mainly related to the worsened results of TotalErg S.p.A., which were also impacted by the year-end inventory effects and by the effects connected with the derecognition of tax assets as a result of the declaration of non retroactive unconstitutionality of the Robin Tax.

In 2013, the item included the write-down of the equity investment in TotalErg by EUR 58 million, reducing in particular the capital gains attributed in 2010 upon incorporating the joint venture.

INCOME TAXES

Income taxes in 2014 amounted to EUR 156 million (EUR 109 million in 2013) and comprise EUR 146 million in current taxes and EUR 10 million in deferred tax assets.

The tax rate, obtained from the ratio between income taxes and pre-tax profit, amounted to 68% (56% in 2013).

The tax rate at adjusted replacement cost, obtained from the ratio between income taxes and pre-tax profit net of non-recurring items, amounted to 41% (52% in 2013).

With its decision no. 10 of 11 February 2015, the Constitutional Court declared the constitutional illegitimacy of the 6.5% IRES surtax for enterprises operating in the petroleum and energy industries ("Robin Tax"), introduced by Article 81, Paragraph 16 of Italian Law Decree no. 112/2008 (converted into Italian Law no. 133/2008) as amended.

The declaration of unconstitutionality has been effective since 12 February 2015, the day after the decision was published in the Official Gazette.

For the purposes of these Financial Statements, therefore, the current taxes where calculated considering, when applicable, the Robin Tax, whereas the tax assets (accounts receivable for deferred tax assets and provisions for deferred tax liabilities) allocated in relation to the aforesaid IRES surtax were written off inasmuch as the very basis for their payment no longer applies.

Taking into account that, in 2013, the deferred tax assets on tax losses (EUR 21 million) relating to the Robin Tax applied on ERG S.p.A., deemed no longer recoverable, had already been derecognised, the net impact in the taxes entry of 2014 was limited to EUR -5 million.

Lastly, it should be specified that the related effect was considered an adjusting event in accordance with IAS 10, i.e. an event occurred after the reporting date, which entails an adjustment on the basis of the best analyses available at the time of preparation of these Financial Statements in relation to the recent promulgation of the decision.

STATEMENT OF FINANCIAL POSITION

(EUR MILLION)	31/12/2014	31/12/2013
RECLASSIFIED STATEMENT OF FINANCIAL POSITION		
FIXED ASSETS	2,120.3	2,795.0
NET WORKING CAPITAL	189.6	278.7
EMPLOYEES' SEVERANCE INDEMNITIES	(4.7)	(5.0)
OTHER ASSETS	344.3	410.7
OTHER LIABILITIES	(600.5)	(658.4)
NET INVESTED CAPITAL	**2,049.0**	**2,821.0**
GROUP SHAREHOLDERS' EQUITY	1,671.5	1,773.6
MINORITY INTERESTS	47.4	240.0
NET FINANCIAL INDEBTEDNESS	330.1	807.5
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**2,049.0**	**2,821.0**

As at 31 December 2014, net invested capital amounted to EUR 2,049 million; it decreased compared to 31 December 2013, mainly as a result of the sale of the ISAB Energy plant.

Financial leverage, which represents the ratio of total net financial indebtedness (including Project Financing) and net invested capital, was 16% (29% at 31 December 2013).

FIXED ASSETS

This item includes tangible, intangible and financial fixed assets. The decrease compared to 31 December 2013 relates mainly to the sale of the ISAB Energy business unit, as well as to the depreciation exceeding capital expenditures in the period.

NET WORKING CAPITAL

This item includes inventory, trade receivables and payables, and excise duties payable.
The decrease compared to 31 December 2013 is mainly due to the effects deriving from the sale of the ISAB Energy plant, as well as to time-limited events linked to working capital.

OTHER ASSETS

These mostly comprise deferred tax assets, receivables from Tax Authorities for tax advances and advance payments made against current provision of services.

OTHER LIABILITIES

These mainly concern the deferred tax liabilities calculated on the differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis (mainly concessions, fixed assets and inventories), the estimate of income taxes owed for the period, the provisions for liabilities and charges, and VAT payables. The change in the period also reflects the complete release of the deferred income for the deferral of the recognition in the income statement of the CIP 6 price increase on the sale of electricity of the ISAB Energy plant.

NET FINANCIAL INDEBTEDNESS

(EUR MILLION)	31/12/2014	31/12/2013
SUMMARY OF THE GROUP'S INDEBTEDNESS		
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS	1,313.9	1,435.7
SHORT-TERM FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)	(983.8)	(628.2)
TOTAL	**330.1**	**807.5**

The following table illustrates the medium/long-term financial debt of the ERG Group:

(EUR MILLION)	31/12/2014	31/12/2013
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS		
MEDIUM/LONG-TERM BANK BORROWINGS	13.6	120.8
CURRENT PORTION OF MORTGAGES AND LOANS	(13.6)	(87.0)
MEDIUM/LONG-TERM FINANCIAL PAYABLES	181.1	162.3
TOTAL	**181.1**	**196.2**
MEDIUM/LONG-TERM PROJECT FINANCING	1,297.3	1,361.9
CURRENT PORTION OF PROJECT FINANCING	(164.5)	(122.5)
TOTAL PROJECT FINANCING	**1,132.8**	**1,239.5**
TOTAL	**1,313.9**	**1,435.7**

Medium/long-term financial payables include liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 181 million (EUR 141 million as at 31 December 2013).

The payables for "medium/long-term Project Financing" are for:

- loans of EUR 1,120 million issued to companies in the Renewable Energy Sources business for the construction of wind farms, of which EUR 627 million relating to the wind farms of ERG Wind, net of the positive fair value relative to the notional, i.e. approximately EUR 117 million;
- EUR 177 million in loans issued to ERG Power S.r.l. for the construction of the CCGT plant.

In compliance with IAS 39, the accessory expenses incurred to obtain the loans are presented as a reduction of the payable to which they refer, according to the amortised cost method.
With regard to the ERG Wind acquisition, in accordance with IFRS 3 the financial liability relating to Project Financing is measured at fair value. Said fair value was lower than the nominal value, in consideration of the more advantageous contractual conditions than those proposed by the market at the time of the acquisition. The difference between the positive fair value of the liability and its nominal value is consequently managed through the amortised cost method throughout the duration of the loan.

The breakdown of short-term financial indebtedness is shown below:

(EUR MILLION)	31/12/2014	31/12/2013
SHORT TERM FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)		
SHORT-TERM BANK BORROWINGS	60.3	200.5
CURRENT PORTION OF MORTGAGES AND LOANS	13.6	87.0
OTHER SHORT-TERM FINANCIAL DEBTS	6.0	12.4
SHORT-TERM FINANCIAL LIABILITIES	**79.8**	**299.9**
CASH AND CASH EQUIVALENTS	(1,047.3)	(816.6)
SECURITIES AND OTHER SHORT-TERM FINANCIAL RECEIVABLES	(58.8)	(73.3)
SHORT-TERM FINANCIAL ASSETS	**(1,106.1)**	**(889.9)**
SHORT-TERM PROJECT FINANCING	164.5	122.5
CASH AND CASH EQUIVALENTS	(122.0)	(160.7)
PROJECT FINANCING	**42.5**	**(38.2)**
TOTAL	**(983.8)**	**(628.2)**

Other short-term financial payables mainly comprise payables to unconsolidated Group companies.
The amount of cash and cash equivalents derives mainly from the liquidity arising from the collection of the consideration for the early termination of the CIP 6 convention of ISAB Energy, from the collection deriving from the sale of ISAB S.r.l., and from the restricted bank accounts pursuant to the conditions set out in the Project Financing agreements.
The increase in cash and cash equivalents is mainly tied to the collection of the consideration related to the termination of the CIP 6 convention in the third quarter of 2014.
"Short-term financial assets" also comprise short-term securities for use as liquidity.
The change in "Securities and other short-term financial receivables" refers in particular to a different temporary utilisation of liquidity of the securities described above.

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

(EUR MILLION)	YEAR 2014	YEAR 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
ADJUSTED CASH FLOW FROM CURRENT OPERATIONS (1)	292.1	327.4
INCOME TAX PAID	(52.1)	(81.4)
CHANGE IN WORKING CAPITAL	57.9	(33.3)
CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES (2)	46.5	39.1
TOTAL	**344.4**	**251.8**
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS (3)	(31.6)	(73.0)
NET CAPITAL EXPENDITURES IN FINANCIAL FIXED ASSETS	13.8	(61.5)
COLLECTION FOR THE SALE OF ISAB SHARES	–	434.7
COLLECTION FOR TERMINATION OF CIP 6 CONVENTION	515.0	–
TOTAL	**497.3**	**300.2**
CASH FLOW FROM SHAREHOLDERS' EQUITY:		
DISTRIBUTED DIVIDENDS	(164.9)	(68.2)
OTHER CHANGES IN EQUITY (4)	(202.5)	25.4
TOTAL	**(367.4)**	**(42.8)**
CHANGE IN THE SCOPE OF CONSOLIDATION (5)	**3.0**	**(804.1)**
CHANGE IN NET FINANCIAL INDEBTEDNESS	**477.4**	**(294.9)**
INITIAL NET FINANCIAL INDEBTEDNESS	**807.5**	**512.6**
CHANGE IN THE PERIOD	***(477.4)***	***294.9***
FINAL NET FINANCIAL INDEBTEDNESS	**330.1**	**807.5**

(1) the item does not include inventory gains (losses) and current income tax for the period. In addition, the item does not include the income deriving from the early termination of the CIP 6 convention, the capital loss deriving from the sale of the ISAB Energy and ISAB Energy Services business units to ISAB and the related additional income and expenses.
(2) the item does not include the income tied to the early termination of the CIP 6 convention, reported in a separate line in cash flows from investment activities
(3) this item does not include capitalised costs for cyclical maintenance.
(4) including the acquisition of the minority interest in ISAB Energy and ISAB Energy Services (EUR 153 million) and the change in the cash flow hedge reserve with respect to IRS derivatives, partly offset by the collection of EUR 50 million consequent to the inclusion of Unicredit among the shareholders of ERG Renew;
(5) the change in the scope of consolidation in 2014 refers to the acquisition of EW Orneta SP. ZO.O. from the third quarter of 2014. In 2013 it referred to the acquisition of ERG Wind, ERG Renew Operations & Maintenance and to the sale of Eolo.

The decrease in indebtedness by EUR 477 million compared to 31 December 2013 is mainly due to the collection deriving from the termination of the CIP 6 convention of ISAB Energy (EUR 515 million) and from the operating cash flow of the period, partly offset by payment of dividends by ERG S.p.A. (EUR 143 million) and by ISAB Energy to the minority shareholder (EUR 22 million) as well as from the acquisition of the minority interest in ISAB Energy and ISAB Energy Services (EUR 153 million). Indebtedness at 31 December 2014 was also positively affected by the amount of EUR 50 million consequent to Unicredit's inclusion among ERG Renew shareholders.

A detailed analysis of capital expenditures effected may be found in the specific section.

ALTERNATIVE PERFORMANCE INDICATORS

In order to enhance understandability of trends in the business segments, the financial results are also shown at **adjusted replacement** cost, excluding inventory gains (losses) and non-recurring items, and including the contribution, for the portion attributable to ERG, of the results at replacement cost of the joint ventures TotalErg S.p.A and LUKERG Renew.
The results at replacement cost and the results at adjusted replacement cost are indicators that are not defined in International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance, and are generally used by operators in the petroleum and energy industry in their financial reporting.
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 components used to determine the calculation of results at adjusted replacement cost are described below.

Inventory gains (losses) are equal to the difference between the replacement cost of sold products in the period and the cost resulting from application of the weighted average cost. They represent the higher (lower) value, in the event of price increases (decreases), applied to the quantities corresponding to levels of inventories physically present at the beginning of the period and still present at the end of the period.

Non-recurring items include significant but unusual earnings.

The performance also includes ERG's share of the contribution of the **TotalErg S.p.A.** and **LUKERG Renew** joint ventures.
To enhance understandability of the business performance, the results of the business are also shown at adjusted replacement cost that takes into account ERG's share of the results at replacement cost of TotalErg S.p.A., LUKERG Renew whose contribution to the Income Statement not at adjusted replacement cost is reported in the measurement of the investment at equity.

Consistently with the above, net financial indebtedness is also shown at adjusted replacement cost that takes into account the portion attributable to ERG of the net financial position of the joint ventures TotalErg S.p.A. and LUKERG Renew, net of the relevant intra-group items.

As a result of the sale of the equity investment in ISAB S.r.l., commented above, from 1 January 2014 onwards the adjusted income statement no longer take into account the contribution of that company.

RECONCILIATION WITH OPERATING RESULTS AT ADJUSTED REPLACEMENT COST

	NOTE	YEAR 2014	YEAR 2013
EBITDA			
EBITDA FROM CONTINUING OPERATIONS		**289.7**	**355.7**
CONTRIBUTION OF DISCONTINUED OPERATIONS		257.3	24.1
EBITDA		**547.0**	**379.8**
EXCLUSION OF INVENTORY GAINS / LOSSES		*–*	*6.3*
EXCLUSION OF NON-RECURRING ITEMS			
CORPORATE			
- ANCILLARY TRANSACTION CHARGES ON ISAB ENERGY AND ISAB ENERGY SERVICES	**1**	*6.4*	*–*
- ANCILLARY CHARGES ON SALE OF 20% OF ISAB S.R.L.		*–*	*0.4*
- ANCILLARY CHARGES ON ERG WIND ACQUISITION		*–*	*2.9*
- ANCILLARY CHARGES ON OTHER TRANSACTIONS	**2**	*0.2*	*0.2*
- CHARGES FOR COMPANY REORGANISATION	**3**	*16.0*	*4.3*
POWER			
- TERMINATION OF CIP 6 AGREEMENT	**4**	*(514.5)*	*–*
- SALE OF IGCC	**4**	*405.5*	*–*
- OTHER ANCILLARY (INCOME) CHARGES ON ISAB ENERGY AND ISAB ENERGY SERVICES	**1**	*(36.1)*	*–*
- BALANCE ON PREVIOUS YEARS' COMMERCIAL TRANSACTIONS		*–*	*(4.3)*
RENEWABLE ENERGY SOURCES			
- ANCILLARY CHARGES ON ERG WIND ACQUISITION		*–*	*10.2*
- ANCILLARY CHARGES ON NON-RECURRING TRANSACTIONS	**1**	*0.4*	*–*
INTEGRATED DOWNSTREAM			
- OTHER CHARGES ON WHOLESALE ACTIVITIES IN SICILY	**5**	*2.5*	*7.2*
TRADING			
- IMPACT OF FAIR VALUE COMMODITIES SWAP	**6**	*9.9*	*–*
COASTAL REFINING			
- INCOME FOR CONTRIBUTIONS AND OTHER INCOME (EXPENSES) FROM PREVIOUS YEARS	**7**	*(7.8)*	*17.0*
- LIABILITIES FOR SITE DISPUTES		*–*	*80.0*
- DERECOGNITION OF DEFERRED CHARGES FOR EXIT FROM REFINING BUSINESS		*–*	*(7.7)*
- BALANCE ON PREVIOUS YEARS' COMMERCIAL TRANSACTIONS		*–*	*(3.4)*
EBITDA AT REPLACEMENT COST		**429.5**	**492.9**
ERG SHARE OF ISAB CONTRIBUTION AT REPLACEMENT COST (1)	**8**	*–*	*30.6*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST (1)	**9**	*47.3*	*39.0*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	**10**	*14.0*	*6.6*
EBITDA AT ADJUSTED REPLACEMENT COST		**490.8**	**569.1**

(1) net of inventory gains (losses) and of any non-recurring items

	NOTE	YEAR 2014	YEAR 2013
AMORTISATION, DEPRECIATION AND WRITE-DOWNS			
AMORTISATION AND DEPRECIATION ON CONTINUING OPERATIONS		**(158.5)**	**(154.2)**
CONTRIBUTION OF DISCONTINUED OPERATIONS		*(29.1)*	*(56.0)*
AMORTISATION, DEPRECIATION AND WRITE-DOWNS		**(187.6)**	**(210.1)**
EXCLUSION OF NON-RECURRING ITEMS			
POWER			
- ASSET DERECOGNITION	**1**	*(1.7)*	–
AMORTISATION AND DEPRECIATION AT REPLACEMENT COST		**(189.3)**	**(210.2)**
ERG SHARE OF ISAB CONTRIBUTION AT REPLACEMENT COST (1)	**8**	–	*(22.0)*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST (1)	**9**	*(44.3)*	*(55.7)*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	**10**	*(7.9)*	*(3.6)*
AMORTISATION AND DEPRECIATION AT ADJUSTED REPLACEMENT COST		**(241.4)**	**(291.5)**

(1) net of inventory gains (losses) and of any non-recurring items

	NOTE	YEAR 2014	YEAR 2013
EBIT			
EBIT AT REPLACEMENT COST		**240.2**	**282.8**
ERG SHARE OF ISAB CONTRIBUTION AT REPLACEMENT COST (1)	**8**	–	*8.5*
TOTALERG 51% CONTRIBUTION AT REPLACEMENT COST (1)	**9**	*3.1*	*(16.7)*
LUKERG RENEW 50% CONTRIBUTION AT REPLACEMENT COST	**10**	*6.1*	*3.1*
EBIT AT ADJUSTED REPLACEMENT COST		**249.4**	**277.7**

(1) net of inventory gains (losses) and of any non-recurring items

	NOTE	YEAR 2014	YEAR 2013
GROUP'S NET PROFIT (LOSS)			
GROUP'S NET PROFIT (LOSS)		**47.8**	**28.4**
EXCLUSION OF INVENTORY GAINS / LOSSES		*45.5*	*8.4*
EXCLUSION OF NON-RECURRING ITEMS:			
EXCLUSION OF DERECOGNITION OF ROBIN TAX EFFECT ON PREPAID AND DEFERRED TAXES	**11**	*5.0*	–
EXCLUSION OF CIP 6 TERMINATION	**4**	*(316.8)*	–
EXCLUSION OF IGCC SALE	**4**	*267.5*	–
EXCLUSION OF OTHER ANCILLARY (INCOME) CHARGES ON ISAB ENERGY AND ISAB ENERGY SERVICES	**1**	*(5.3)*	–
EXCLUSION OF CAPITAL GAIN FROM SALE OF 20% OF ISAB IN 2012		–	*(9.0)*
EXCLUSION OF CAPITAL GAIN FROM SALE OF 20% OF ISAB IN 2013		–	*(176.5)*
EXCLUSION OF LIABILITIES FOR TRANSACTIONS ON PREVIOUS YEARS		–	*12.3*
EXCLUSION OF LIABILITIES FOR SITE DISPUTES		–	*70.6*
EXCLUSION OF TOTALERG NON-RECURRING ITEMS	**12**	*14.6*	*6.2*
EXCLUSION FOR CONTRIBUTIONS AND OTHER INCOME (EXPENSES) FROM PREVIOUS YEARS	**7**	*(2.0)*	–
EXCLUSION OF OTHER CHARGES ON WHOLESALE ACTIVITIES IN SICILY	**5**	*1.7*	*4.2*
EXCLUSION OF ANCILLARY CHARGES ON ERG WIND ACQUISITION		–	*11.8*
EXCLUSION OF FAIR VALUE DIFFERENCE FOR DERIVATIVES ON OIL INVENTORY		–	*1.9*
EXCLUSION OF CONTRIBUTION UNDER LAW NO. 488 ERG S.P.A.	**7**	*(3.5)*	–
EXCLUSION OF EXCHANGE RATE DIFFERENCES EX REFINING & MARKETING DIV.	**13**	*2.9*	–
EXCLUSION OF IMPACT OF FAIR VALUE SWAP TRADING	**6**	*7.2*	–
EXCLUSION OF CAPITAL GAIN FROM SALE OF ERG OIL SICILIA	**14**	*(0.6)*	–
EXCLUSION OF DERECOGNITION OF TAX ASSETS FROM PREVIOUS YEARS		–	*21.3*
EXCLUSION OF ANCILLARY CHARGES ON OTHER TRANSACTIONS	**2**	*0.4*	*0.1*
EXCLUSION OF CHARGES FOR COMPANY REORGANISATION	**3**	*11.6*	*3.1*
EXCLUSION OF COSTS FOR GC IN PREVIOUS YEARS		–	*1.0*
EXCLUSION OF BALANCE ON PREVIOUS YEARS' COMMERCIAL TRANSACTIONS		–	*(3.7)*
EXCLUSION OF "TOTALERG WRITE-DOWNS" NON-RECURRING ITEMS		–	*58.4*
GROUP NET PROFIT (LOSS) AT ADJUSTED REPLACEMENT COST (1)		**76.0**	**38.5**

(1) it also corresponds to Group net profit (loss) at adjusted replacement cost

Notes

1 ancillary charges relating to the non-recurring transactions of ISAB Energy and ISAB Energy Services, as commented in the Introduction and in the Significant events during the year;

2 ancillary charges on other transactions;

3 costs incurred and expected in reference to the restructuring of the asset portfolio and to the changes to the Group's organisation, started at the end of 2013 and being completed;

4 the item comprises mainly the effects of the Agreement for the sale of the ISAB Energy plant and early termination of CIP 6;

5 other charges associated with the sale of ERG Oil Sicilia, as commented in the Introduction and in the Significant events during the year;

6 postponement to future periods' reporting of the measurement of the derivatives activated to manage the commodity risk of the company ERG Supply and Trading S.p.A. and not subjected to hedge accounting;

7 the item includes the contribution per Italian Law no. 488/92 received during the year, relating to the former ERG Raffinerie Mediterranee S.p.A. and the effect of the derecognition of items from previous years;

8 ERG share of the results of ISAB S.r.l. at replacement cost net of inventory gains/losses;

9 ERG share of the results at replacement cost of TotalErg net of inventory gains (losses) and non-recurring items;

10 ERG share of the results of LUKERG Renew at replacement cost;

11 Negative effect deriving from the derecognition of the deferred tax assets allocated by way of "Robin Tax" surtax as a consequence of the decision by the Italian Constitutional Court that declared it illegitimate;

12 Exclusion of TotalErg non-recurring items that refer mainly to the derecognition of the deferred tax assets allocated for the Robin Tax and other income and expenses related to the activities for streamlining the Network and the Refining activities;

13 The charges refer to exchange rate differences related to the former Refining business;

14 The item includes the capital gain for the sale of the activities of the integrated downstream in Sicily through the sale of ERG Oil Sicilia;

For comments on the non-recurring items of 2013, please refer to the corresponding notes of the related Financial Statements.

RECONCILIATION WITH ADJUSTED NET FINANCIAL INDEBTEDNESS

	31/12/2014	31/12/2013
NET FINANCIAL INDEBTEDNESS	**330.1**	**807.5**
NET FINANCIAL POSITION OF TOTALERG	128.5	146.6
NET FINANCIAL POSITION OF LUKERG RENEW	138.5	135.2
ELIMINATION OF INTRA-GROUP ITEMS	(59.1)	(74.2)
ADJUSTED NET FINANCIAL INDEBTEDNESS	**538.0**	**1,015.1**

The adjusted figures for net financial indebtedness take into consideration the portion attributable to ERG of the net financial position of the joint ventures, net of the related intra-group items.

RECONCILIATION WITH THE VALUES INDICATED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation between the reclassified statements posted and commented in this Report on Operations and the values indicated in the Notes to the Consolidated Financial Statements is provided below.

FY 2014 (EUR MILLION)	VALUES IN THE CONSOLIDATED FINANCIAL STATEMENTS	RESTATED SUPPLY&TRADING REVENUES	REVERSAL OF IFRS 5 RECLASSIFICATION	VALUES IN THE REPORT ON OPERATIONS
REVENUES FROM ORDINARY OPERATIONS	4,833.9	(3,829.5)	365.0	1,369.4
OTHER REVENUES AND INCOME	20.3	–	609.0	629.2
TOTAL REVENUES	**4,854.2**	**(3,829.5)**	**973.9**	**1,998.7**
COSTS FOR PURCHASES AND CHANGES IN INVENTORIES	(4,327.7)	3,829.5	(231.3)	(729.5)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(236.8)	–	(485.4)	(722.2)
EBITDA	**289.7**	**–**	**257.3**	**547.0**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(158.5)	–	(29.1)	(187.6)
NET FINANCIAL INCOME (EXPENSES)	(67.4)	–	1.4	(66.0)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(65.8)	–	0.8	(65.0)
PROFIT (LOSS) BEFORE TAXES	**(2.0)**	**–**	**230.4**	**228.4**
INCOME TAXES	(50.0)	–	(105.7)	(155.7)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(52.0)**	**–**	**124.7**	**72.7**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	124.7	–	(124.7)	–
PROFIT (LOSS) FOR THE PERIOD	**72.7**	**–**	**–**	**72.7**
MINORITY INTERESTS	(24.9)	–	–	(24.9)
GROUP'S NET PROFIT (LOSS)	**47.8**	**–**	**–**	**47.8**

FY 2013 (EUR MILLION)	VALUES IN THE CONSOLIDATED FINANCIAL STATEMENTS	RESTATED SUPPLY&TRADING REVENUES	REVERSAL OF IFRS 5 RECLASSIFICATION	VALUES IN THE REPORT ON OPERATIONS
REVENUES FROM ORDINARY OPERATIONS	4,516.3	–	2,535.5	7,051.8
OTHER REVENUES AND INCOME	12.4	–	11.6	23.9
TOTAL REVENUES	**4,528.7**	**–**	**2,547.0**	**7,075.7**
COSTS FOR PURCHASES AND CHANGES IN INVENTORIES	(3,941.1)	–	(2,158.0)	(6,099.0)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(231.9)	–	(365.0)	(596.8)
EBITDA	**355.7**	**–**	**24.1**	**379.8**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(154.2)	–	(56.0)	(210.1)
NET FINANCIAL INCOME (EXPENSES)	(69.5)	–	(3.3)	(72.8)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	(87.6)	–	184.7	97.1
PROFIT (LOSS) BEFORE TAXES	**44.5**	**–**	**149.5**	**194.0**
INCOME TAXES	(40.2)	–	(68.6)	(108.8)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**4.3**	**–**	**80.9**	**85.2**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	80.9	–	(80.9)	–
PROFIT (LOSS) FOR THE PERIOD	**85.2**	**–**	**–**	**85.2**
MINORITY INTERESTS	(56.8)	–	–	(56.8)
GROUP'S NET PROFIT (LOSS)	**28.4**	**–**	**–**	**28.4**

ERG S.P.A. FINANCIAL STATEMENTS

The separate Financial Statements of ERG S.p.A. at 31 December 2014 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).
Implementing the Group's new corporate organisational model, commented above, in 2014 the outsourcing of the business activities previously performed by ERG S.p.A. was completed, by transferring the following business units:

- Services staff to ERG Services S.p.A. with effect from 1 January 2014
- Oil Business to ERG Supply & Trading S.p.A with effect from 1 January 2014
- Power Business to ERG Power Generation S.p.A. with effect from 1 July 2014

With regard to the aforesaid transactions, it should be pointed out that the separate Financial Statements of ERG S.p.A. were affected by the application of IFRS 5 in 2014 and 2013.

For clearer disclosure, the results are shown and commented in this Report on Operations without the reclassifications in accordance with IFRS 5.

INCOME STATEMENT

With regard to the above, therefore, the 2013 figures include the results of the Oil and Power Businesses and the costs of staff activities. The 2014 include the results of the Power Business only for the first half of 2014

(EUR MILLION))	YEAR 2014	YEAR 2013
RECLASSIFIED INCOME STATEMENT		
REVENUES FROM ORDINARY OPERATIONS	452.9	5,997.3
OTHER REVENUES AND INCOME	14.6	41.1
TOTAL REVENUES	**467.5**	**6,038.4**
COSTS FOR PURCHASES AND CHANGES IN INVENTORY	(346.1)	(5,706.3)
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(153.6)	(523.0)
EBITDA	**(32.2)**	**(190.9)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(0.6)	(3.9)
NET FINANCIAL INCOME (EXPENSES)	14.8	9.3
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	58.8	195.5
PROFIT BEFORE TAXES	**40.8**	**9.9**
INCOME TAXES	5.2	19.2
PROFIT FOR THE PERIOD	**46.0**	**29.2**

REVENUES FROM ORDINARY OPERATIONS

2014 revenues were EUR 453 million, compared with EUR 5,997 million in 2013. The decrease in revenues was mainly caused by the exit from the refining business and from the sale of the business unit relating to the Power business to ERG Power Generation S.p.A. with effect from 1 July 2014.

OTHER REVENUES AND INCOME

The other revenues are mainly from companies in the Group and they pertain in particular to revenues for the services performed and recovered miscellaneous expenses. The item also includes a contribution under Italian Law no. 488/92 amounting to EUR 5 million, received during the year, relating to sold businesses and the effect of the derecognition of previous years' items. It should be recalled that in 2013 the item included an insurance indemnity of EUR 15 million in relation to the lawsuit brought by Polimeri Europa (now Versalis) against ERG to obtain compensation for the damages caused by the fire of 30 April 2006 in the facilities of the Refinery in Priolo Gargallo, adjacent to Polimeri's plant.

COSTS FOR PURCHASES AND CHANGES IN INVENTORY

Costs for purchases refer mainly to those of the thermoelectric business for procurement of electricity, other utilities and natural gas in relation to the first half of 2014.
It should be recalled that in 2013 the item was affected by the inventory change calculated according to the weighted average cost method.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

Costs for services include commercial expenses, natural gas transport costs, and the payment to ERG Power S.r.l. for the tolling agreement in relation to the first half of 2014.
The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.
The decrease from the matching period of 2013 is mainly tied to lower processing costs, as a result of the progressive exit from the refining business, commented above.
In 2013, costs for services included the processing costs of the ISAB refinery and EUR 32 million relating to the settlement agreement with the company Versalis S.p.A.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The decrease in amortisation and depreciation is mainly due to the transfer of fixed assets to the subsidiary ERG Services.

NET FINANCIAL INCOME (EXPENSES)

The item mainly includes interest income (EUR +14 million), net intercompany income (EUR +7 million), net exchange rate differences (EUR -3 million), interest expenses (EUR -4 million) and other income (EUR +0.8 million).
The improvement compared to 2013 is mostly due to a reduction of approximately EUR 5 million in interest expenses and an increase of approximately EUR 1 million in interest income.

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

In 2014, the item included mainly the write-down of the equity investment in ERG Supply & Trading (EUR 19 million), the write-back of the equity investment in ERG Renew (EUR 39 million), the capital gain deriving from the sale of the equity investment in ERG Oil Sicilia (EUR 17 million) and the dividends distributed by ISAB Energy (EUR 23 million).
In 2013, the item included mainly the income of approximately EUR 195 million from the capital gain realised from the exercise of the put option on 20% of ISAB S.r.l., net of ancillary income components.

INCOME TAXES

In 2014, income taxes were positive by EUR 5.2 million (positive by EUR 19.2 million in 2013). The item includes the balance of the IRES due for the year 2014 (EUR 0.3 million), the derecognition of deferred tax liabilities (EUR 1.2 million) and also the income of EUR 0.2 million deriving from the application for repayment filed for IRES purposes for the deductibility of the IRAP for tax years 2004-2007.

In 2013 taxes included the derecognition of deferred tax assets on tax losses (EUR 21 million) relating to the Robin Tax imposed on ERG S.p.A. and deemed no longer recoverable.
As a consequence of said derecognition, the declared constitutional illegitimacy of the Robin Tax, commented above, has no effects on the 2014 Financial Statements of ERG S.p.A.

STATEMENT OF FINANCIAL POSITION

With regard to the indications provided in the introduction, therefore, it is specified that the 2013 balances included the assets and liabilities of the businesses transferred in 2014. The 2014 balances take into account the transfers and the related increases in the value of the equity investments.

(EUR MILLION))	31/12/2014	31/12/2013
RECLASSIFIED STATEMENT OF FINANCIAL POSITION		
FIXED ASSETS	1,199.4	1,063.1
NET WORKING CAPITAL	(10.6)	(34.6)
EMPLOYEES' SEVERANCE INDEMNITIES	(0.3)	(1.2)
OTHER ASSETS	132.1	157.1
OTHER LIABILITIES	(233.5)	(249.8)
NET INVESTED CAPITAL	**1,087.1**	**934.6**
SHAREHOLDERS' EQUITY	1,427.7	1,524.1
NET FINANCIAL INDEBTEDNESS	(340.6)	(589.5)
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**1,087.1**	**934.6**

At 31 December 2014 net invested capital amounted to approximately EUR 1,087 million, an increase of approximately EUR 152 million compared with 2013.

FIXED ASSETS

Fixed assets consist mainly of financial fixed assets. The increase refers mainly to the purchase of the minority interests of ISAB Energy (EUR 145 million) and to the increase in the value of the equity investments in ERG Power Generation (EUR 8 million) and in ERG Services (EUR 10 million) as a result of the transfers of the business units completed in 2014, partly offset by the sale of the equity investment in ERG Oil Sicilia (EUR 14 million).

NET WORKING CAPITAL

Net working capital consists of trade receivables and payables vis-à-vis Group companies and third parties. The change is due to the progressive exit from the refining business and to time-limited events at the end of the period.

OTHER ASSETS

They mainly comprise receivables from tax authorities and other receivables from Group companies. This item also includes deferred tax assets and prepaid expenses, mainly referred to the suspension of the costs related to the green certificates in inventory as at 31 December 2014.

OTHER LIABILITIES

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

NET FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)

(EUR MILLION)	31/12/2014	31/12/2013
SUMMARY OF NET FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)		
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS	–	33.9
SHORT-TERM FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)	(340.6)	(623.3)
TOTAL	**(340.6)**	**(589.5)**

The following table shows the medium/long-term financial indebtedness:

(EUR MILLION)	31/12/2014	31/12/2013
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS		
MEDIUM/LONG-TERM BANK BORROWINGS	13.6	119.2
CURRENT PORTION OF MORTGAGES AND LOANS	(13.6)	(85.4)
TOTAL	**–**	**33.9**

The breakdown of short-term financial indebtedness is shown below:

(EUR MILLION)	31/12/2014	31/12/2013
SHORT-TERM FINANCIAL INDEBTEDNESS (CASH AND CASH EQUIVALENTS)		
SHORT-TERM BANK BORROWINGS	72.4	285.3
OTHER SHORT-TERM FINANCIAL DEBTS	0.0	3.3
FINANCIAL PAYABLES TO SUBSIDIARIES	551.7	19.4
SHORT-TERM FINANCIAL LIABILITIES	**624.1**	**307.9**
CASH AND CASH EQUIVALENTS	(822.1)	(797.4)
SECURITIES AND OTHER SHORT-TERM FINANCIAL RECEIVABLES	(4.6)	(21.2)
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	(138.0)	(112.6)
SHORT-TERM FINANCIAL ASSETS	**(964.7)**	**(931.3)**
TOTAL	**(340.6)**	**(623.3)**

Short-term financial payables and receivables vis-à-vis subsidiaries mainly comprise the balances on the centralised treasury accounts operated with other Group companies as part of centralised management of the Group's finance function; the balance as at 31 December 2014 was affected, in particular, by the cash deposited into ERG S.p.A. by ISAB Energy, and deriving from the early exit from the CIP 6 convention.

Other short-term financial payables include the fair value of derivatives at year-end.

The breakdown of changes in net financial indebtedness is as follows:

(EUR MILLION)	31/12/2014	31/12/2013
CASH FLOWS FROM OPERATING ACTIVITIES		
NET PROFIT (LOSS) FOR THE YEAR	46.1	150.6
AMORTISATION AND DEPRECIATION	0.6	3.9
CAPITAL GAIN FROM SALE OF 20% OF ISAB	–	(214.8)
CHANGE IN WORKING CAPITAL AND OTHER OPERATING ASSETS AND LIABILITIES	(73.2)	65.6
OTHER	–	47.9
TOTAL	**(26.6)**	**53.2**
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS	(0.3)	(2.5)
NET CAPITAL EXPENDITURES IN FINANCIAL FIXED ASSETS	(131.5)	(44.2)
COLLECTION FOR ISAB SALE	–	434.6
TOTAL	**(131.8)**	**387.9**
CASH FLOWS FROM SHAREOLDERS' EQUITY		
DISTRIBUTED DIVIDENDS	(142.8)	(57.1)
PURCHASE OF TREASURY SHARES	–	–
OTHER CHANGES IN EQUITY	0.4	0.4
TOTAL	**(142.4)**	**(56.7)**
CHANGE IN NET FINANCIAL INDEBTEDNESS	**(300.8)**	**384.4**
CONTRIBUTIONS	**51.9**	**–**
INITIAL NET FINANCIAL INDEBTEDNESS	**(589.5)**	**(205.1)**
CHANGE IN THE PERIOD	**248.9**	**(384.4)**
FINAL NET FINANCIAL INDEBTEDNESS	**(340.6)**	**(589.5)**

The decrease in the net positive financial position compared to 31 December 2013 is mainly tied to the payment of the dividends by ERG S.p.A. (EUR 143 million) and to the acquisition of the minority interest in ISAB Energy and ISAB Energy Services (EUR 153 million).

NOTES ON THE RESULTS OF THE MAIN NON-CONSOLIDATED SUBSIDIARIES[17], ASSOCIATED COMPANIES AND JOINT VENTURES

Ionio Gas S.r.l. in liquidation

On 30 July 2012, the Board of Directors of ERG S.p.A. decided to exit the project for the construction of a Liquefied Natural Gas (LNG) regasification terminal in the Municipality of Melilli, in the Siracusa province, with a capacity of 8 billion cubic metres per year.

The decision not to continue with the project was based on the significant changes in both energy and economic-financial scenarios, which took place as a result of the crisis that started in 2008, and the current configuration of the Group's activities.

The Shareholders' Meeting of Ionio Gas of 29 October 2012 unanimously voted in favour of the dissolution and consequent placement in liquidation of Ionio Gas.

On 27 November 2012, the placement in liquidation deed was filed and the liquidator was appointed.

On 14 December 2014 the Company approved the financial liquidation Financial Statements, which were closed with a positive balance of EUR 115 thousand and a final allotment plan that shows a positive balance of EUR 1.8 million (EUR 0.9 million).

ISAB Energy Solare S.r.l.

The Company, a wholly owned subsidiary of ERG Renew S.p.A., is active in the renewable energy segment, and specifically in the generation of electricity from solar power. The company owns a photovoltaic plant at the industrial site of ISAB Energy S.r.l. in Priolo Gargallo (SR) for the generation of electricity with an installed power of 968 kW, which started commercial operations in 2011. In 2014, the 49% minority share was acquired from Princemark Limited.

The company closed the year ended 31 December 2014 with a profit of approximately EUR 0.1 million.

ERG Wind Investments Ltd

In relation to the obligations per Article 2.6.2, Paragraph 8, of the Regulations of the Markets organised and managed by Borsa Italiana S.p.A. and taking into account the provisions of Article 36 of the Market Regulations adopted by CONSOB with its Resolution No. 16191 of 29 October 2007 as amended, it is hereby certified that: (i) ERG S.p.A. acquired from ERG Wind Investments Ltd. [18] the articles of incorporation, the composition and powers of the related corporate bodies; (ii) ERG Wind Investments Ltd. provides the Group's auditors with the information necessary to audit the annual and infra-annual accounting statements and reports of ERG S.p.A. and has a suitable administrative-accounting system, capable of regularly delivering to the Group's Head Office and auditors the economic and financial data required for the preparation of the Consolidated Financial Statements.

17 For additional details on the TotalErg and LUKERG Renew joint ventures, please refer to the specifically dedicated chapters.

18 An indirectly controlled foreign company not belonging to the European Union, which has significant relevance according to the provisions of Title VI, Paragraph II of the Issuers' Regulations.

The accounting situation of ERG Wind Investments Ltd, prepared for the purposes of the preparation of the Consolidated Financial Statements as at 31 December 2014, is provided below.

RECLASSIFIED INCOME STATEMENT (EUR MILLION)	**2014**
REVENUES FROM ORDINARY OPERATIONS	–
OTHER REVENUES AND INCOME	–
TOTAL REVENUES	**–**
COSTS FOR PURCHASES	–
CHANGES IN INVENTORY	–
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(1.8)
PERSONNEL EXPENSES	(0.6)
EBITDA	**(2.4)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	–
EBIT	**(2.4)**
NET FINANCIAL INCOME (EXPENSES)	(33.8)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	34.4
PROFIT (LOSS) FROM ORDINARY OPERATIONS	**(1.8)**
NET NON-RECURRING PROFIT (LOSS)	–
PROFIT (LOSS) BEFORE TAXES	**(1.8)**
INCOME TAXES	11.1
NET (LOSS) PROFIT	**9.3**

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (EUR MILLION)	**31/12/2014**
INTANGIBLE FIXED ASSETS	–
TANGIBLE FIXED ASSETS	–
EQUITY INVESTMENTS AND OTHER FINANCIAL FIXED ASSETS	1,140.7
FIXED ASSETS	**1,140.7**
INVENTORIES	–
TRADE RECEIVABLES	–
TRADE PAYABLES	(0.7)
EXCISE DUTIES PAYABLE TO TAX AUTHORITIES	–
NET WORKING CAPITAL	**(0.7)**
EMPLOYEES' SEVERANCE INDEMNITIES	(0.2)
OTHER ASSETS	74.1
OTHER LIABILITIES	(33.8)
NET INVESTED CAPITAL	**1,180.0**
GROUP SHAREOLDERS' EQUITY	70.0
MINORITY INTERESTS	–
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS	759.3
NET SHORT-TERM FINANCIAL INDEBTEDNESS	350.7
SHAREOLDERS' EQUITY AND FINANCIAL DEBT	**1,180.0**

ERG S.P.A.'S MANAGEMENT AND COORDINATION OF SUBSIDIARIES

ERG S.p.A. carries out management and coordination activities with respect to directly and indirectly controlled companies - respecting the managerial and operational autonomy of these companies, which benefit from the advantages, synergies and economies of scale deriving from inclusion in the Group – represented, in particular, by:

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

Taking into account the new corporate organisational model adopted by the Group starting from 1 January 2014 and in particular the role of ERG Services S.p.A. within the aforesaid reorganisation, the directly and indirectly controlled Italian subsidiaries with respect to which the management and coordination activity within the scope outlined above is carried out in accordance with Article 2497 et seq. of the Italian Civil Code are: ERG Renew S.p.A. – and the following companies under its control: 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.p.A., ERG Eolica Faeto S.r.l., ERG Eolica Fossa del Lupo S.r.l., ERG Eolica Ginestra S.r.l., ERG Eolica Lucana S.r.l., ERG Eolica San Cireo S.r.l., ERG Eolica San Vincenzo S.r.l., ERG Eolica Tirreno S.r.l., ERG Renew Operations & Maintenance S.r.l., Green Vicari S.r.l., Eolico Troina S.r.l. in liquidation, ISAB Energy Solare S.r.l., ERG Wind Holdings (Italy) S.r.l., ERG Wind Sardegna S.r.l., ERG Wind Sicilia 2 S.r.l., ERG Wind Sicilia 3 S.r.l., ERG Wind Sicilia 4 S.r.l., ERG Wind Sicilia 5 S.r.l., ERG Wind Sicilia 6 S.r.l., ERG Wind 2000 S.r.l., ERG Wind 4 S.r.l., ERG Wind 6 S.r.l., ERG Wind Leasing 4 S.r.l., ERG Wind Energy S.r.l. – as well as ERG Power Generation S.p.A., ERG Services S.p.A., ERG Supply & Trading S.p.A., ERG Power S.r.l., ISAB Energy S.r.l., ISAB Energy Services S.r.l.

Although ERG S.p.A. has a significant direct or indirect equity investment and, in some cases, a role as majority shareholder in the companies TotalErg S.p.A., Ionio Gas S.r.l. in liquidation, it does not carry out any management and coordination activities with respect to them, also by effect, in some cases, of the provisions contained in the shareholder agreements entered into with the other shareholders.

In 2014, ERG S.p.A. continued managing the various directly and indirectly owned interests, also via service contracts for staff activities, for a total consideration of EUR 6.3 million.
It was also re-charged costs linked to research and development projects amounting to EUR 0.9 million by the Delta Ti Research Consortium.
ERG S.p.A. manages the treasury of some subsidiaries centrally. Transactions are at arm's length.

ERG S.p.A. also manages, as consolidator, the Group's VAT and domestic tax consolidation with the Group's main subsidiaries. In this regard, ERG Renew S.p.A. manages as consolidating entity its own domestic tax consolidation with some companies of the wind power business, whilst ERG Power S.r.l. adheres to the tax consolidation of the parent company San Quirico.
All transactions refer to ordinary operations and are settled at arm's length conditions.

PRIVACY – SECURITY POLICY DOCUMENT

In 2014, the ERG Group invested adequate resources to maintain high levels of enforcement of the privacy Code (Italian Legislative Decree no. 196/2003) and of the Instructions issued by the Authority for the protection of personal data, particularly by promoting and upgrading its security policies in order to assure adequate level of protection of the personal data processed.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On **23 January 2015** ERG Renew reached an agreement for the acquisition from the PAI Group (PAI Polish Alternative Investments RES) of 100% of the capital of Hydro Inwestycje, the Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydlowo and Stupsk, with a planned capacity of 14 MW and an estimated electricity output, once fully operational, of over 36 GWh per year, equal to approximately 2,600 equivalent hours and approximately 30 kt of avoided CO_2 emissions. ERG Renew expects to start construction work on the wind farm in the second quarter of 2015 to begin operations at the end of the year. The total estimated investment for the construction of the wind farm is approximately EUR 23 million, already inclusive of the price recognised in terms of enterprise value of the company, i.e. approximately EUR 2.1 million. The closing took place on 19 February 2015. The completion of this transaction will allow ERG Renew to continue its path to growth in a Country deemed strategic for its wind power development potential.

BUSINESS OUTLOOK

The expected outlook for the main operating and performance indicators in 2015 is as follows:

RENEWABLE ENERGY SOURCES

The last two years were of fundamental importance for ERG Renew, which through the acquisition of IP Maestrale (currently, ERG Wind), the acquisitions in Eastern Europe and the construction of new wind farms in Italy and in Romania more than doubled the installed capacity, becoming the foremost operator in Italy and extending its presence in Germany and Romania as well. Through the acquisition of ERG Renew O&M, the company started to carry out internally the operations and maintenance activities of approximately half of the Italian wind farms; these activities are progressively extending also to the remaining part of the assets in Italy, with major benefits in terms of operating efficiency, cost containment and technical availability.

In 2014, construction work started on the new wind farm in Poland, with 42 MW of installed power, expected to start operating in mid 2015, and construction work is to begin shortly on a new 14 MW wind farm with the goal of completing it by the end of 2015, by which time installed power in Poland will thus be 56 MW.

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

For equal scopes of consolidation, the results of 2015 are expected to grow slightly compared to 2014, which had been influenced by wind conditions that were significantly weaker than historical averages, thanks to the partial contribution of the new wind farms under construction abroad and to the additional efficiencies deriving from the further in-sourcing of O&M activities.

POWER

The year 2015 will be characterised by the significant discontinuity relating to the agreements for the early termination of the CIP 6 convention and the concurrent sale of the ISAB Energy plant, completed on 30 June 2014; therefore, the operating results of the year will not include the contribution of ISAB Energy, present instead in the first half of last year.
With regard to the ERG Power plant, in spite of the persistence of unfavourable market conditions for gas-fuelled plants with still depressed generation margins and utilisation factors, as well as the introduction of the aforementioned regulations for Essential Units under Italian Law Decree no. 91/2004, the results for 2015 are still expected to be satisfactory, albeit lower than those of 2014. The geographic positioning and the plant, its flexibility and the long-term supply contracts will enable it to maintain a sharply higher profitability level than the average achieved by the same types of plants in Italy.

INTEGRATED DOWNSTREAM

Following the sale of the equity investment held in ERG Oil Sicilia, at the end of 2014, in 2015 Integrated Downstream will mainly benefit from the results of the equity investment held in TotalErg.
In greater detail, with regard to the Marketing business, thanks to the sharp decline in the cost of products on international markets in recent months, with a substantial stability of the tax component (excise duties), consumption is expected to be no lower than in 2014.
In this situation, the company's efforts remain focused on achieving the best possible operating efficiency and on implementing the plan for the re-qualification of its own network, started in 2012 and aimed at making the network more competitive in terms of average quantities dispensed, and more sustainable over the long term.
Moreover, the permanence of a depressed level of petroleum prices on international markets could promote a recovery in refining margins, in line with what took place in the second half of 2014.
With the definitive shutdown of Refining activities at the Raffineria di Roma and the consequent transformation of the industrial site into a logistical facility, exposure in the business was significantly reduced, whilst the strategic role of the Group's logistical assets will be enhanced.
The year 2015 will also benefit from the full availability of the Sarpom refinery, 24% of which is owned by TotalERG, which in the fourth quarter of 2014 was affected by the multi-year general shutdown.
For the Integrated Downstream business as whole, results in 2015 are expected to be better than in 2014.

In light of the above, the Group's EBITDA is expected to decline compared to 2014; however, the comparison reflects mainly the portfolio discontinuities related to the sale of the ISAB Energy plant, on 30 June 2014, and to the sale of ERG Oil Sicilia, on 29 December 2014. Net of these discontinuities, the results would be slightly higher.

RISKS AND UNCERTAINTIES FACING THE BUSINESS OUTLOOK

With reference to the estimates and forecasts contained herein, it should be pointed out that actual results may differ even significantly from those announced in relation to a multiplicity of factors, such as: future price trends, the operating performance of plants, the impact of regulations for the energy and fuel distribution industry and for the environment, other changes in business conditions and in competitors' actions.

Genoa, Italy, 11 March 2015

On behalf of the Board of Directors
The Chairman
Edoardo Garrone

2

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

1. EVOLUTION OF APPROACH

The current governance structure of ERG S.p.A. (hereafter, also "ERG" and the "Company") has been developed over time by gradually introducing, into the ERG corporate approach, rules of conduct reflecting the most advanced, widely recognised principles of Corporate Governance. Even before the company was listed in October 1997, one of its key features was a focus on a proper relationship between management and shareholders and on ensuring that business operations be directed towards value creation.

This corporate policy was implemented via:

- coordinated delegation of powers within the Board of Directors of ERG ("Board of Directors") in such a way as to assure, on one hand, clarity and completeness of executive accountability and, on the other hand, monitoring of activities and assessment of results achieved;
- regular and adequate reporting to the Board of Directors on actions taken in the exercise of powers and of managerial responsibilities;
- adoption of specific procedures to determine remuneration for directors and management.

Its presence on the stock market has clearly accentuated the Company's propensity to base its conduct on the criteria of transparency and correctness. It has also accelerated the process of adapting both internal regulations and organisation to meet these criteria.
This corporate policy was therefore put into effect by means of:

- amendments to the Articles of Incorporation to bring them into line with the regulatory changes introduced by the Italian Company Law Reform, by law provisions on the matter of Shareholders' Rights on transactions with related parties and, lastly, on gender balance in the composition of corporate bodies;
- adoption of a Code of Ethics, revised on 14 May 2014, as a tool for defining and communicating the duties and responsibilities of ERG towards its stakeholders, and as an imperative element of an organisation and management model consistent with the requirements of Italian Legislative Decree no. 231/2001;
- acceptance of the Italian Corporate Governance Code for Listed Companies, promoted by Borsa Italiana S.p.A. ("Corporate Governance Code")[1] since its first edition in 1999;
- adoption of a Code of Conduct for the Directors of ERG Group companies, revised on 14 May 2014;
- appointment of independent directors and non executive directors to the Board;
- adoption of a Policy for the compensation of members of the Board of Directors, and of the Executives with Strategic Responsibilities as prescribed by the Corporate Governance Code, revised on 11 March 2015, to align the interests of management with those of shareholders and strengthen the relationship between managers and the Company, both in terms of awareness of the importance of the stock value and its continuity over time;
- definition of Guidelines for the identification and execution of significant transactions, revised on 1 July 2014, and of other governance documents designed to assure transparent and timely management of the ERG Group's relationship with the market;
- adoption of a Procedure for handling and processing privileged information and for the public dissemination of statements and information, revised on 14 May 2014;

1 On 12 November 2014, the Board of Directors resolved to adhere to the new edition of the Corporate Governance Code published in July 2014; consequently, all references to the provisions of the Corporate Governance Code shall be deemed to refer to the aforesaid edition of the Code.

- Guidelines of the Internal Control and Risk Management System, revised on 11 March 2014;
- adoption of an integrated risk management model, with the objective of identifying, as exhaustively as possible, the risks inherent in the ERG Group's full range of business activities;
- adoption of a specific Procedure to assure the transparency and the substantial and procedural correctness of transactions with related parties carried out by ERG directly or through its subsidiaries, revised on 1 July 2014;
- definition of a Code of Conduct for internal dealing, revised on 1 July 2014, directed at regulating the obligations of disclosure to the market, the Company and CONSOB with reference to transactions involving ERG shares or connected financial instruments carried out, directly or indirectly, by members of the administrative and control bodies of ERG and of significant subsidiaries, by the top managers of the ERG Group and by persons closely connected with them;
- adoption of the Anti-corruption Guidelines and of the Guidelines for compliance with Italian Legislative Decree no. 231/01 and the anti-corruption laws in Group companies.

2. INFORMATION ABOUT THE OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2014 (PURSUANT TO ARTICLE 123-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (ITALIAN CONSOLIDATED FINANCE ACT OR "CFA")

Share capital structure at 31 December 2014

	NUMBER OF SHARES	AMOUNT OF SUBSCRIBED AND PAID UP SHARE CAPITAL	% OF SHARE CAPITAL	LISTED (MARKET)/ UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	150,320,000	EUR 15,032,000	100	MTA/FTSE ITALY MID CAP INDEX	–
SHARES WITH LIMITED VOTING RIGHT	–	–	–	–	–
SHARES WITHOUT VOTING RIGHT	–	–	–	–	–

Significant equity inv. in the share capital at 31 December 2014

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY SHARE CAPITAL	% OF VOTING SHARE CAPITAL
SAN QUIRICO S.P.A.	SAN QUIRICO S.P.A.	55.942	55.942
SAN QUIRICO S.P.A.	POLCEVERA S.A.	6.905	6.905
ERG S.P.A.	ERG S.P.A.	5.000	5.000

Other information at 31 December 2014

	YES	NO	NO KNOWN INFORMATION ON THE MATTER
RESTRICTIONS TO THE TRANSFER OF SECURITIES		X	
RESTRICTIONS TO VOTING RIGHT		X	
SHAREHOLDER AGREEMENTS			X
AGREEMENTS UNDER ARTICLE 123-BIS PAR. 1 LETTER I) T.U.F. [1]	X		

(1) the information is contained in the Remuneration Report published in accordance with Article 123-ter of the CFA

Note that:

- there are no securities conferring special control rights;
- there are no employee stock option plans;
- with regard to the provisions of Article 123-bis, paragraph 1, letter h) of the Consolidated Finance Act, it is necessary to point out that there are in existence partnership agreements with third parties relating to certain investee companies, which allow for the possibility, but not the obligation, as is frequently the case in such agreements, for third parties that are shareholders of the above-mentioned investee companies, to acquire, usually at market conditions, the shares or stakes of the shareholder belonging to the ERG Group if there is a change in control at ERG. In this regard, of particular note is the case of TotalErg S.p.A., in relation to which the shareholders' agreements provide the possibility, for the other shareholder, when the circumstances occur and in accordance with the procedures prescribed by said agreements, to purchase an equity investment, owned by the ERG Group, representing 2% of TotalErg S.p.A. if control of ERG changes;
- for rules applicable to the appointment and replacement of the members of the Board of Directors and of the Board of Statutory Auditors, and to amendments to the Articles of Incorporation, please refer to the relevant sections of this report (hereafter also the "Report");
- no powers have been granted to Directors in relation to capital contributions pursuant to Article 2443 of the Italian Civil Code;
- the Directors have no powers to issue equity instruments;
- the Shareholders' Meeting held on 15 April 2014 authorised the Board of Directors, in accordance with Article 2357 of the Italian Civil Code, to purchase treasury shares for a period of 12 months from the date of the related resolution (after the revocation of the previous authorisation voted by the Shareholders' Meeting on 23 April 2013), up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirty million, sixty-four thousand) shares of ERG common stock with a par value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.

3. CORPORATE GOVERNANCE

ERG S.p.A.'s corporate governance system complies with the requirements of the Italian Civil Code and of other specific laws and regulations relating to companies – particularly those contained in the Consolidated Finance Act and it is consistent overall with the Italian Corporate Governance Code for Listed Companies, which has been revised and updated over the years[2]. The edition of the Corporate Governance Code to which the Company adheres is available to the public at the Website of Borsa Italiana S.p.A. (www.borsaitaliana.it).
ERG corporate governance comprises the **Statutory Bodies**, **Board Committees** and **Corporate Governance documents** that regulate their operation.

3.1 STATUTORY BODIES

BOARD OF DIRECTORS

The current Board of Directors, comprising twelve members, was appointed by the Shareholders' Meeting of 20 April 2012[3]; consequently, the appointment to the Board of Directors shall expire at the date of the Shareholders' Meeting convened to approve the Financial Statements at 31 December 2014.

2 Please refer to the information provided in Note no. 1.
3 With reference to the provisions of application standard 1.C.4. of the Corporate Governance Code, it is pointed out that the Shareholders' Meeting has not generally and preventively authorised waivers from the competition prohibition set out in Article 2390 of the Italian Civil Code.

For the appointment of the Board of Directors only one list of candidates was presented by the shareholder San Quirico S.p.A.[4], i.e.:

1. Edoardo Garrone
2. Giovanni Mondini
3. Alessandro Garrone
4. Massimo Belcredi*
5. Luca Bettonte
6. Pasquale Cardarelli*
7. Alessandro Careri
8. Marco Costaguta
9. Antonio Guastoni*
10. Paolo Francesco Lanzoni*
11. Graziella Merello
12. Umberto Quadrino*

* Candidate indicated in the list as fulfilling independence requirements in accordance with the Consolidated Finance Act and eligible for qualification as independent in accordance with the Corporate Governance Code.

Pursuant to the Articles of Incorporation, the Company is managed by a Board of Directors which, in compliance with the gender balance criterion prescribed by current law and regulatory provisions[5], consists of no fewer than 5 and no more than 15 members.
Directors are appointed on the basis of lists presented by shareholders – in which the candidates shall be listed with a progressive number – which, accompanied by information on the personal and professional characteristics of the candidates and a declaration of whether they meet the independence requirements prescribed by the Italian Consolidated Finance Act, must be filed, in compliance with Article 147-ter, paragraph 1-bis of the Consolidated Finance Act, at least twenty-five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to the Meeting.
The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital (currently, 1%)[6] established in accordance with Article 144-quater of the Regulations implementing the Consolidated Finance Act, adopted by CONSOB with its resolution no. 11971 of 14 May 1999 (“Issuers’ Regulations”).
At the time of appointment of the Board of Directors currently in office, the shareholding required in order to present the lists was equal to 2% of the share capital[7].
Each shareholder may present or contribute to present only one list and each candidate may be included in only one list, under penalty of ineligibility. Each list shall contain a number of candidates not exceeding the maximum number of directors set out in the first paragraph of Article 15 of the Articles of Incorporation and, with the exception of those that present fewer than three candidates, it shall comply with the gender balance criterion prescribed by current laws and regulations.
In accordance with Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, for the first mandate in compliance with Italian Law no. 120 of 27 July 2011, at least one fifth of the elected Directors shall be reserved to the less represented gender.

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4 For the percentage of votes received by the list with respect to the voting share capital, please see the minutes of the Shareholders’ Meeting of 20 April 2012, available in the Corporate Governance section of the website www.erg.it

5 It is hereby specified in this connection that the appointment of the current Board of Directors , whose term of office expires on the date of the Shareholders’ Meeting convened to approve the Financial Statements at 31 December 2014, took place before the entry into force of the regulations per Article 147-ter, paragraph 1-ter, of the Consolidated Finance Act. The composition of the Board of Directors to be appointed shall be in compliance with the aforesaid 147-ter, paragraph 1-ter, of the Consolidated Finance Act.

6 In accordance with CONSOB Resolution no. 19109 of 28 January 2015.

7 In accordance with CONSOB Resolution no. 18083 of 25 January 2012.

The lists indicate which Directors fulfil the independence requirements set by Article 147-ter, paragraph 4 of the Consolidated Finance Act. At least one candidate for each list, or two candidates if the Board of Directors has more than seven members, must fulfil the aforesaid independence requirements.
All candidates must fulfil the integrity requirements set out by current regulations for members of the control bodies, as well as adequate professionalism requirements for the office to be held.
Together with each list, by the deadline indicated above, each candidate must file the statement accepting his/her candidacy and declaring under his own responsibility that there are no causes for ineligibility and incompatibility and that the requirements prescribed by applicable regulations are met, and indicating whether (s)he qualifies as independent director.
For the purposes of the allotment of the Directors to be elected, no consideration is given to the lists that did not obtain as many votes as represent a percentage of the share capital at least equal to half the percentage required for the presentation of the lists.
Each person entitled to vote may vote only one list.

The election of the Directors takes place as follows:

a) from the list that received the majority of the votes cast are drawn, in the progressive order in which they are listed, a number of Directors equal to the number of members to be elected minus one, subject to the provisions of Article 15, paragraph 5 and 5-bis of the Articles of Incorporation respectively for the appointment of independent Directors and to compliance with the gender balance criterion in the composition of the Board of Directors;
b) the remaining Director is drawn from the minority list that received the highest number of votes;
c) if a single list is presented, or if the required quorum is not reached by the other lists, all Directors shall be elected from the presented list or from the list that reached the quorum, subject to the provisions of Article 15, paragraph 5-bis of the Articles of Incorporation with respect to compliance with the gender balance criterion in the composition of the Board of Directors.

In any case, the election will be won by the candidate or, if the Board has more than seven members, the first two candidates from the list that received the highest number of votes, who fulfil the independence requirements, in the progressive order in which they were entered in the list[8].

8 For more information, including information about the provisions aimed at assuring compliance with the gender balance criterion in the composition of the Board of Directors, please refer to the Articles of Incorporation, available in the Corporate Governance section of the website www.erg.it.

The Directors in office at the date of approval of the Report are [9]:

Edoardo Garrone - *Chairman*
Alessandro Garrone - *Deputy Chairman*
Giovanni Mondini - *Deputy Chairman*
Luca Bettonte - *Chief Executive Officer*
Massimo Belcredi - *Director*
Pasquale Cardarelli - *Director*
Alessandro Careri - *Director*
Marco Costaguta - *Director*
Antonio Guastoni - *Director*
Paolo Francesco Lanzoni - *Director*
Graziella Merello [10] - *Director*
Umberto Quadrino - *Director*

Executive directors
Edoardo Garrone
Alessandro Garrone
Luca Bettonte
Graziella Merello

Non-executive directors [11]
Giovanni Mondini
Alessandro Careri
Marco Costaguta

Independent directors [12]
Massimo Belcredi
Pasquale Cardarelli
Antonio Guastoni
Paolo Francesco Lanzoni
Umberto Quadrino

The Board of Directors, both in the first meeting after the appointment – held on 20 April 2012 – and in the following meetings held on 6 August 2013 and 16 July 2014, positively assessed the Directors' independence both with reference to the provisions of Article 148, third paragraph, of the Italian Consolidated Finance Act and with reference to the Corporate Governance Code, thus preferring substance over form [13].

9 For the personal and professional characteristics of each director in office, please see their CVs available in the Corporate Governance section of the website www.erg.it.

10 Serves as Director in charge of the Internal Control and Risk Management System.

11 Taking into account application standard 2.C.1 of the Corporate Governance Code.

12 Independence was assessed by the Board of Directors in accordance with the Consolidated Finance Act and with the Corporate Governance Code.

13 The Board of Directors, most recently in the course of its meeting of 16 June 2014, confirmed its assessment made during the meetings held on 20 April 2012 and 6 August 2013. In particular, with reference to the fact that Directors Massimo Belcredi, Antonio Guastoni and Paolo Francesco Lanzoni exceeded, during their term in office, the nine-year limit set out by application standard 3.C.1 letter e) of the Corporate Governance Code, the Board of Directors continued to deem that the automatic enforcement of this limit for the purposes of assessing independence would not have been in line with the spirit of the Corporate Governance Code and the overall profile of the aforesaid Directors – and their history with the Company – offered sufficient guarantees in terms of their independent mindedness. Moreover, the Board of Directors, consistently with the decisions made in the course of meetings of 20 April 2012 and of 6 August 2013, confirmed that the offices held by Director Paolo Francesco Lanzoni in the Supervisory Bodies as per Italian Legislative Decree no. 231/2001 (control bodies with external relevance) have no influence on his independence and that the compensation he receives for participation in the aforesaid Bodies was akin to the case contemplated by application standard 3.C.1 letter d) of the Corporate Governance Code, which explicitly refers to additional compensation for participation in committees within the Board, recommended by the Code itself.

The Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence of its members.
With regard to the composition of the Board of Directors and the distribution of offices and powers within it, it was not considered necessary to designate a lead independent director as provided by application criterion 2.C.3 of the Corporate Governance Code.
During 2014 the independent Directors held their own meeting without the other Directors present, but remained in contact and regularly consulted each other in advance on the principal matters examined by the Board of Directors.

Other appointments as Director or Statutory Auditor held by Directors in other companies listed in regulated markets, also abroad, in finance companies, banking and insurance companies or companies of significant size at 31 December 2014 [14]:

Edoardo Garrone	*Chairman of the Supervisory Board of San Quirico S.p.A.* *Director of Pininfarina S.p.A.*
Alessandro Garrone	*Director of Banca Passadore e C. S.p.A.* *Director of Gruppo MutuiOnline S.p.A.*
Giovanni Mondini	*Chairman of the Management Board of San Quirico S.p.A.*
Marco Costaguta	*Member of the Management Board of San Quirico S.p.A.* *Director of OTB S.p.A.* *Director of Goglio S.p.A* *Director of Rimorchiatori Riuniti S.p.A.*
Antonio Guastoni	*Chairman of the Board of Statutory Auditors of Futurimpresa Sgr S.p.A.* *Chairman of the Board of Statutory Auditors of Parcam S.r.l.* *Director of Comoi Sim S.p.A.* *Standing Auditor of Giulio Fiocchi S.p.A.* *Standing Auditor of Rina S.p.A.*
Umberto Quadrino	*Director of Ambienta Sgr S.p.A.* *Director of Italsconsult S.p.A.* *Chairman of the Board of Directors of Tages Holding S.p.A.* *Director of Tages Capital SGR S.p.A.* *Chairman of the Board of Directors of Valvitalia S.p.A.*

Other attendees of Board of Directors meetings
Depending on the matters under discussion, ERG Group management representatives also take part in Board of Directors meetings. In 2014, the average attendance of managers, present at 7 of the 9 meetings of the Board of Directors and in several cases in support of the discussion of multiple agenda items, was 78%.

Directors' compensation and remuneration
In accordance with the Corporate Governance Code, the Board of Directors, at the proposal of the Nominations and Remuneration Committee, on 20 December 2011 approved its Policy for the remuneration of the members of the Board of Directors and of Executives with Strategic Responsibilities[15] taking into account, in particular:

- Article 6 of the Corporate Governance Code;
- the provisions of the Consolidated Finance Act and of the Issuers' Regulations on the transparency of the remuneration of the directors of listed companies and of Executives with Strategic Responsibilities;
- the current Procedure for transactions with related parties and the principles expressed in the Code of Ethics of the ERG Group.

14 Other than offices held in companies of the ERG Group.

15 The Shareholders' Meeting held on 15 April 2014 voted in favour of the first section of the Remuneration Report prepared in accordance with Article 123-ter of the Consolidated Finance Act.

The Remuneration Policy was revised by the Board of Directors, at the proposal of the Nominations and Remuneration Committee:

- on 18 December 2012, to take into account the powers delegated by the Board of Directors itself (appointed by the Shareholders' Meeting of 20 April 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");
- on 11 March 2015, to take into account, with effect from the year 2015[16], the Company's acceptance of the current Corporate Governance Code and of the general principles of the 2015-2017 LTI System.

During 2014, with reference to the Directors in office, the members of the Nominations and Remuneration Committee formulated the aforesaid proposals on the basis of the provisions of the current Remuneration Policy [17].

Powers

The Board of Directors vested:

- the Chairman Edoardo Garrone with the power to manage the staff functions carried out by the Institutional & International Relations Division with respect to external relations and to Corporate Social Responsibility and the General Secretariat functions within the scope of the Corporate Affairs Division, with responsibility for supervision, direction and control[18];
- the Deputy Chairman Alessandro Garrone with the power to supervise preliminary and functional activities for the definition of the Company's and of the Group's strategic objectives and for the preparation of the related Strategic Plan, to be submitted to the Board of Directors for review and approval or disapproval; consequently, to provide strategic coordination to subsidiaries; to exercise supervision and control over activities for the preparation of draft budgets to be submitted for review and approval or disapproval by the Board of Directors; to conduct direction and supervision activities in the search, preparation and negotiation with third parties of Merger & Acquisition projects and in structured finance transactions, which in view of their significance are subject to the approval of the Board of Directors; to supervise the definition of the Company's organisational structure to the second reporting level down from the Chief Executive Officer, concurring with the CEO on decisions pertaining to the appointment of directors and executives, to the termination of any employee and to remuneration and incentive policies;
- the Company's Chief Executive Officer Luca Bettonte[19] with the powers necessary to carry out all actions pertaining to the company's business;
- Director Graziella Merello with the power to oversee the Internal Audit, Risk and Compliance activities, with responsibility for supervision, direction and control.

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16 Since the 2015-2017 LTI System is expected to be connected also to the performance of the ERG share, it will be submitted to shareholders for their approval at the Shareholders' Meeting to be convened for the approval of the Financial Statements at 31 December 2014.

17 For any additional information in this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in April 2014, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

18 Assignment of these managerial powers, with particular but not exclusive reference to the activities of the General Secretariat within the Corporate Affairs Division, takes into account the role carried out as Chairman of the Board of Directors and by the provisions of the Corporate Governance Code (Comment to Article 2, fifth paragraph).

19 The interlocking directorate situation, contemplated by application standard 2.C.5. of the Corporate Governance Code, does not apply.

In accordance with the Articles of Incorporation, the authority to represent the Company in accordance with Article 2384 of the Italian Civil Code rests with Chairman. It also rests separately with the Chief Executive Officer or with the Chief Executive Officers within the limits of the powers vested in them.
The Board of Directors, in accordance with the recommendations of the Corporate Governance Code, specified that the powers vested in the Deputy Chairman and in the Chief Executive Officer shall be exercised within the scope of the directives and instructions imparted to them by the Board of Directors which shall retain, in addition to the powers that may not be delegated as prescribed by law or by the Articles of Incorporation, the authority to review and approve significant transactions identified on the basis of the criteria set out in the Guidelines for identifying and carrying out significant transactions, approved by the Board of Directors.
The delegated bodies report to the Board of Directors, on a quarterly basis, on the activities carried out within the scope of the powers vested in them.

Frequency of Board meetings

As prescribed by the Articles of Incorporation, the Board of Directors meets at least once a quarter to inform the Board of Statutory Auditors on the Group's activities and on the most important business, financial and capital transactions undertaken by the company or its subsidiaries, and particularly those where there may be a potential conflict of interest.
During the 2014 financial year the Board of Directors held **9** meetings, while for the year 2015 there are expected to be no fewer than **9** meetings.
In the 2014 meetings, the Board of Directors passed resolutions pertaining to **48** issues and for **39** of them the related documentation was sent to Directors and Statutory Auditors beforehand (at least 48 hours before the meeting, barring exceptions) said advance notice being deemed suitable to enable Directors and Auditors to acquire adequate knowledge of the items on the agenda.
In some exceptional cases the Members of the Board of Directors and the Board of Statutory Auditors were informed in advance through the delivery (48 hours before the Board meeting, barring exceptions) of summary documents on matters which were then thoroughly discussed in the course of the meeting.
In the resolutions with respect to which the related documentation was not sent to Directors and Statutory Auditors beforehand, **5** pertained to topics with respect to which the Nominations and Remuneration Committee or the Internal Control and Risk Committee had carried out preparatory work.
The average duration of the meetings held by the Board of Directors was **approximately 2 hours**.
As of the date of approval of this document, the Board of Directors had held **2** meetings.

Activities pursued

Directors made a significant contribution to the work of the Board of Directors and Committees in 2014, in terms of meeting attendance and effective participation in proceedings.
In the course of 2014, the Board of Directors performed the activities and responsibilities referred to in application criterion 1.C.1 of the Corporate Governance Code in accordance with the role that the Code attributes to the Board of a listed company.
With regard in particular to paragraph g) of said criterion, the Board of Directors, at its meeting of 24 February 2015, carried out a review, partly on the basis of a document prepared for this purpose by the Nominations and Remuneration Committee, of the size, composition and functions of the Board of Directors and Committees during 2014, expressing, in this regard, an overall favourable opinion accompanied by specific indications with respect to the operation of the Board of Directors and of its committees. This document was prepared applying the

assessment criteria already used last year, as well as the results of a self-assessment questionnaire prepared by the Corporate Affairs Division at the request of the Nominations and Remuneration Committee and sent to members of the Board of Directors and of the Board of Statutory Auditors.
Pursuant to application criterion 1.C.3. of the Corporate Governance Code, the Board of Directors acknowledged that, in light of the findings set out in the document prepared by the Nominations and Remuneration Committee and taking into account the number of directorships and auditorships held by the individual Directors in other listed companies and in finance, banking, insurance companies or companies of significant size, it does not appear to be necessary to set, in this regard, a maximum number of directorships and auditorships.
The Board of Directors, moreover, on the basis of the indications emerged from the aforesaid self-assessment questionnaires, in light of the recommendations of application criterion 1.C.1. letter h) of the Corporate Governance Code, decided to point out that in the Board of Directors to be appointed by the Shareholders' Meeting called to approve the Financial Statements at 31 December 2014 the powers already represented in the current Board of Directors should be confirmed, if necessary appropriately supplemented consistently with the current and expected evolution of the Group's asset portfolio, having regard also to its growing international dimension.
Lastly, the Board of Directors, with reference to the recommendations of application criterion 5.C.2 of the Corporate Governance Code, taking into account the current composition of the Board itself, acknowledged, in the course of the meeting of last 24 February, that the adoption of a plan for the succession of the executive directors is not deemed necessary as matters stand.
The Chairman of the Board of Directors ensured that during the meetings of the Board of Directors and of the Committees within the Board, in relation to the topics discussed, the Chief Executive Officer and representatives of the ERG Group’s managers provided all directors with the necessary information for adequate knowledge of the industry where the Group operates, of corporate performance and its trends and of the reference regulatory framework. During the year, the Chairman also pointed out to Directors, with the aforesaid purposes, specific initiatives and events organised by major entities.

BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors, comprising 3 Standing Auditors and 3 Substitute Auditors, was appointed by the Shareholders’ Meeting of 23 April 2013; consequently, the appointment to the Board of Statutory Auditors shall expire at the date of the Shareholders’ Meeting to approve the Financial Statements at 31 December 2015.
For the appointment of the Board of Statutory Auditors, only one list of candidates was presented by the shareholder San Quirico S.p.A.[20], i.e.:

Mario Pacciani - *Standing Auditor*
Lelio Fornabaio - *Standing Auditor*
Elisabetta Barisone - *Standing Auditor*
Vincenzo Campo Antico - *Alternate auditor*
Stefano Remondini - *Alternate auditor*
Luisella Bergero - *Alternate auditor*

In accordance with the Articles of Incorporation, the Board of Statutory Auditors consists of three standing auditors and three alternate auditors in compliance with the gender balance criterion prescribed by current laws and regulations.

20 For the percentage of votes received by the list with respect to the voting share capital, please see the minutes of the Shareholders’ Meeting of 23 April 2013, available in the Corporate Governance section of the Website www.erg.it.

The Board of Statutory Auditors is appointed on the basis of lists presented by Shareholders, which, in compliance with Article 147-ter, paragraph 1-bis of the Consolidated Finance Act (referenced by Article 148, paragraph 2 of the Consolidated Finance Act), must be filed at least twenty-five days prior to the date of the Shareholders' Meeting and shall be made available to the public at least twenty-one days prior to the Meeting.
Each list consists of two sections: one for candidates to the office of standing auditor and the other one for candidates to the office of alternate auditor. Each list shall contain a number of candidates, listed with a progressive number, not exceeding the maximum number of auditors to be elected and, with the exception of those presenting fewer than three candidates, it shall comply, for each section, with the gender balance criterion prescribed by current laws and regulations.
Candidate lists may only be presented by shareholders who, at the time of presenting the list, hold a shareholding equal to that required for the presentation of lists for the election of Directors, currently equal to 1%[21].
At the time of appointment of the Board of Statutory Auditors currently in office, the shareholding required in order to present the lists was equal to 2.5% of the share capital[22].
No shareholder may present or vote for more than one list and each candidate may be included in only one list, failing which he or she shall be disqualified.
The lists contain not only information about the Shareholders who submitted them and the statements made by them pursuant to the applicable regulations, but also exhaustive information about the candidates' personal and professional characteristics and their statements pursuant to the Articles of Incorporation. Candidates may not be elected to the office of Statutory Auditor unless they fulfil the requirements of independence, professionalism and integrity as provided by Article 148, paragraph 3 of the Italian Consolidated Finance Act or if they already serve as Standing Auditor in five listed companies[23].
If, at the expiration of the term for the presentation of the lists as indicated above, a single list was filed, or only lists presented by mutually connected shareholders, according to the definition set out in the applicable regulations, were filed, then lists may be presented – in accordance with Article 144-sexies, paragraph 5 of the Issuers' Regulations – until the third day after that date. In this case, the thresholds required for presentation of the lists are halved. Any list presented without compliance with the required prescriptions[24] shall be considered not to have been presented.
If no list is presented in spite of the completion of the aforesaid procedure, a majority vote shall be taken in order to ensure that the composition of the Board of Statutory Auditors complies with current laws and regulations and with the Articles of Incorporation. The Shareholders' Meeting shall appoint the Chairman.
If no second list is presented or voted, the entire Board of Statutory Auditors shall comprise, in the order of presentation, the candidates of the single list voted. The first person on the list is elected Chairman. If more than one list is presented, the following candidates shall be elected: from the list that received the highest number of votes, in the progressive order in which they are listed, two standing auditors and two alternate auditors; the third standing auditor and the third alternate auditor are elected choosing the candidates to the respective offices indicated at the top of the list that obtained the second-highest number of votes after

21 In accordance with CONSOB Resolution no. 19109 of 28 January 2015.

22 In accordance with CONSOB Resolution no. 18452 of 30 January 2013.

23 In this regard, as a result of CONSOB Resolution no. 18079 of 20 January 2012 – which introduced among other matters, some amendments to the Issuers' Regulations to simplify rules on the accumulation of duties for the members of the control committee – the limits to the accumulation of duties per Article 144-terdecies, paragraph 2, of the Issuers' Regulations and the disclosure obligations per Article 144-quaterdecies of the Issuers' Regulations do not apply to those who serve as members of the control body of a single issuer.

24 For more information, including information about the provisions aimed at assuring compliance with the gender balance criterion in the composition of the Board of Statutory Auditors, please refer to the Articles of Incorporation, available in the Corporate Governance section of the website www.erg.it.

the first one, among those presented and voted by minority shareholders who are not connected – even indirectly – with the shareholders who presented or voted the list that received the highest number of votes, according to current regulations and subject to the provisions of paragraph 13-bis of the Articles of Incorporation pertaining to compliance with the gender balance criterion in the composition of the Board of Statutory Auditors. The standing auditor drawn from the minority list shall be appointed Chairman.
If the lists receive equal numbers of votes, the candidate of the list that was presented by the shareholders owning the largest share or, subordinately, by the higher number of shareholders is elected.

The Statutory Auditors in office at the date of approval of the Report are [25]:

Mario Pacciani - *Chairman*
Lelio Fornabaio - *Standing Auditor*
Elisabetto Barisone - *Standing Auditor*
Vincenzo Campo Antico - *Alternate Auditor*
Luisella Bergero - *Alternate Auditor*
Mario Lamprati - *Alternate Auditor*

The Shareholders' Meeting of 15 April 2014 appointed Mr. Mario Lamprati as Alternate Auditor following the resignation, on 12 December 2013, of the Alternate Auditor Mr. Stefano Remondini. The Board of Statutory Auditors, having examined the personal and professional characteristics of each auditor, has concluded that its members can be designated as independent, partly based on the criteria set forth in the Corporate Governance Code for Directors.
The Board of Directors, in light of the information provided in this regard by the members of the Board of Statutory Auditors and of the statements by the Chairman of the Board of Statutory Auditors, during its meeting of 13 May 2013, positively assessed the independence of the members of the Board of Statutory Auditors, both with reference to the provisions of Article 148, third paragraph, of the Italian Consolidated Finance Act and with reference to the rules of behaviour of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants and with the Corporate Governance Code for listed companies promulgated by Borsa Italiana S.p.A. The Board of Directors made the aforesaid assessment, with reference to the Alternate Auditor Mr. Mario Lamprati, during the meeting of 14 May 2014.
The Board of Statutory Auditors supervised the independence of the independent auditor verifying both compliance with the regulatory provisions on the matter, and the nature and extent of services, other than auditing, performed for the Company and for its subsidiaries by the independent auditor and by entities belonging to its network.
The Board of Statutory Auditors also supervised the process of financial disclosure, the effectiveness of the internal control, internal audit and risk management systems and the legal auditing of annual accounts and of consolidated accounts. The Board of Statutory Auditors, in the performance of its activities, was supported by the Internal Audit, Risk and Compliance Division, coordinating with the Internal Control and Risk Committee.
During the 2014 financial year the Board of Statutory Auditors held **10** meetings, while for the year 2015 there are expected to be no fewer than **9** meetings. The average duration of the meetings held by the Board of Statutory Auditors was **2 hours and 30 minutes**.
At the date of approval of this document, the Board of Statutory Auditors had met **3** times.

25 For the personal and professional characteristics of each auditor in office, please see their CVs available in the Corporate Governance section of the website www.erg.it.

Other appointments as Director or Statutory Auditor held by the Statutory Auditors in other companies listed in regulated markets, also abroad, in finance companies, banking and insurance companies or companies of significant size at 31 December 2014 [26]:

Mario Pacciani	*Chairman of the Board of Statutory Auditors of Boero Bartolomeo S.p.A.*
Lelio Fornabaio	*Standing Auditor of Astaldi S.p.A.* *Standing Auditor of Italferr S.p.A.* *Standing Auditor of Expo 2015 S.p.A.* *Director of Ariscom Compagnia di assicurazioni S.p.A.* *Chairman of the Board of Statutory Auditors of Essediesse S.p.A.*

SHAREHOLDERS' MEETINGS

Article 10 of the Articles of Incorporation states that, in compliance with laws and regulations, the holders of voting rights who exhibit a suitable certification issued in accordance with current regulations by the broker and notified to the Company according to the procedures and within the terms set by current laws and regulations, are entitled to attend Shareholders' Meetings. Holders of voting rights may be represented by proxy in the Shareholders' Meeting, within the limits and according to the procedures prescribed by current laws and regulations. The proxy may be notified via certified electronic mail in accordance with the procedures indicated in the convening notice or using the different instrument which may be indicated in the notice.
Article 11 of the Articles of Incorporation states that the Shareholders' Meeting shall be convened by the administrative body at least once a year, no later than one hundred twenty days from the closing date of the financial year or no later than one hundred eighty days, if the Company must prepare Consolidated Financial Statements and if required by specific provisions related to the organisation or the purpose of the Company.
Article 12 of the Articles of Incorporation states that the Shareholders' Meeting is convened by means of notice to be prepared and published within the terms and according to the procedures prescribed by current laws and provisions.
Article 13 of the Articles of Incorporation states that the provisions of law shall apply for the quorum of both Ordinary and Extraordinary Shareholders' Meetings and for the validity of their resolutions.

Meeting Regulations

At the Ordinary Shareholders' Meeting, shareholders approved Regulations governing the proceedings of Ordinary and Extraordinary Shareholders' Meetings.
Article 14 of the Articles of Incorporation expressly gives the Ordinary Shareholders' Meeting the possibility of adopting meeting Regulations.

3.2 BOARD COMMITTEES

The Board of Directors has set up the **Internal Control and Risk Committee**, the **Nominations and Remuneration Committee** and the **Strategic Committee** to advise it and issue recommendations.

INTERNAL CONTROL AND RISK COMMITTEE

Members
Massimo Belcredi - *Chairman*
Antonio Guastoni
Paolo Francesco Lanzoni

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26 Other than offices held in companies of the ERG Group.

In accordance with best practices and with the indications of the Corporate Governance Code, the Internal Control and Risk Committee consists of three independent directors.
The Committee shall appoint a Chairman among its members and a Secretary who may be a non-member. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair its meetings.
The members of the Committee have adequate accounting and financial expertise.
Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by him or, depending on the topics to be discussed, by all members of the Board of Statutory Auditors; meetings may also be attended by the Chairman of the Board of Directors, the Executive Deputy Chairman and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to confront critical or potentially critical situations, as well as, the Director in charge of the Internal Control and Risk Management System, the Head of Internal Audit, Risk & Compliance and the Manager responsible for preparing the Company's financial reports.
Employees of ERG Group companies, representatives of the independent auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend Committee meetings.
The Head of Internal Audit, Risk & Compliance shall be invited to attend the meetings in order to inform the Committee, at least once a quarter, about the activity carried out from time to time.
The Manager responsible for preparing the Company's financial reports shall be invited to attend the meetings in order to inform the Committee, at least once per quarter, about the accounting standards applied in the preparation of Financial Statements and, at least once per half-year, about the activity carried out from time to time in accordance with Article 154-bis of the Consolidated Finance Act.
The Committee shall meet at least once every quarter, according to a schedule set with sufficient advance notice.
Committee members shall be provided, with reasonable advance notice with respect to the date of the meeting (barring cases of necessity and urgency), with the documentation and information required to enable the Committee to express itself with sufficient knowledge of the matters submitted for its review.
The Committee organises its work in such a way as to combine comprehensive information flows and efficiency of operation with maximum independence of its members.
In particular, resolutions are taken without other parties being present.

Tasks

The Internal Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code.
In general, it supports - through an adequate preliminary analysis activity - the assessments and decisions of the Board of Directors pertaining to the Internal Control and Risk Management System (also, "ICRM System"), as well as those pertaining to the approval of periodic financial reports.

In particular:

- it assists the Board of Directors in the following tasks prescribed by the Corporate Governance Code: definition of the guidelines of the ICRM System; periodic audit of the adequacy, actual operation and effectiveness of the ICRM System; verification that the main corporate risks are correctly identified, adequately measured, managed and monitored;
- it expresses opinions on specific aspects pertaining to the identification of the main corporate risks as well as to the design, implementation and management of the ICRM System;

- it expresses its own opinion on the appointment and revocation of the Head of Internal Audit, Risk & Compliance and on the proposal for its remuneration formulated by the Director in charge of the Internal Control and Risk Management System;
- it monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit, Risk and Compliance;
- it assesses the annual work plan and the related budged prepared by the Head of Internal Audit, Risk and Compliance and his/her periodic reports requesting, if the case warrants it, audits on specific operating areas;
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- it assesses, together with the Manager responsible for preparing the Company's financial reports, with the input of the independent auditor and the Board of Statutory Auditors, the proper use of the accounting standards and their consistency for the preparation of the Consolidated Financial Statements, of the draft separate Financial Statements, of the condensed half-year financial report and of the interim reports on operations;
- it maintains the appropriate connections with the independent auditor, with the Board of Statutory Auditors, with the Director in Charge of the Internal Control and Risk Management System, with the Head of Internal Audit, Risk & Compliance and with the other functions that, within the Group's organisational structure, interface with these parties, in such a way as to contribute to a coordinated and effective performance of their respective activities in the areas of common intervention;
- it informs the Board of Directors, at least once per half year, upon approval of the annual and half-year financial reports, about the work carried out and about the adequacy of the ICRM System;
- it reviews the annual work plan prepared by the Supervisory Committee, established in accordance with the provisions of Italian Legislative Decree no. 231/01, and its half-year reports;
- it assesses the constant adequacy over time of the corporate procedure directed at regulating, in operational terms, the external communication of documents and information pertaining to the Company and the Group, with particular reference to price sensitive information;
- it provides the Board of Directors, the Chairman, the Executive Deputy Chairman and the Chief Executive Officer with all other advice and proposals, which the Committee deems necessary or appropriate for them to better carry out their respective duties in the areas of control, risk management and corporate disclosure;
- it provides the Board of Directors and the delegated bodies with the opinions required by the procedure for transactions with related parties both with reference to transactions of "Minor Relevance" and with reference to transactions of "Major Relevance" about the Company's interest in completing the transaction with the related party and about the advisability and about the substantial correctness of the related conditions constituted by the members of the Internal Control and Risk Committee[27]. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditor;
- it performs any additional duties assigned to it by the Board of Directors.

27 For transactions pertaining to the allocation or increase of remuneration and economic benefits, in any form, to a member of an administrative or control body of the Company or to an Executive with strategic responsibilities of the Company or otherwise to one of the persons who hold the offices indicated in Annex 1 to the Procedure for transactions with related parties, the Committee called upon to issue its opinion on the interest of the Company in the completion of the transaction with the related party and on the advantageousness and substantial correctness of the related conditions comprises the members of the Nominations and Remuneration Committee, provided that the afore-mentioned transactions pursuant to Article 3.2, letter c) of said Procedure are not excluded from the sphere of application of the same procedure.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for transactions with related parties, the Board of Directors did not set any expense limit even for transactions of "Minor Relevance".
In the performance of its duties, the Committee was able to access the information and made use of the company functions necessary to carry out its tasks.

In 2014, the Committee held **11** meetings – all duly recorded in minutes – during which, in addition to the preventive review of the Financial Statements, of the half-year report and of the economic and financial data of interim reports on operations, it examined topics pertaining to the following macro-issues:

- Group Governance;
- Control and risk management system;
- Compliance requirements connected with Italian Legislative Decree no. 231/01;
- The Group's administrative and accounting processes.

The average duration of the meetings held by the Committee was approximately **2 hours**.
At the date of approval of this document, the Internal Control and Risk Committee had met **3** times.
The most significant issues covered by the Committee are:

Concerning Group Governance:

Remuneration of the Chief Audit, Risk & Compliance Officer

- it expressed a favourable opinion on the proposed remuneration of the Chief Audit, Risk & Compliance Officer, formulated by the Director in charge of the Internal control and risk management system with reference to the variable remuneration relating to 2013 as well as the fixed and variable remuneration relating to 2014.

Guidelines, procedures and standards

- it shared the activity of revising the Corporate Governance documents as a result of the organisational/corporate changes that involved the Group and, with specific reference to the Procedure for transactions with related parties, it expressed its favourable opinion on the proposed changes;
- it examined the proposed revisions to the Code of Ethics deriving also from the advisability of taking into account changes in the laws and regulations.

Specific analyses carried out

- it examined the approach followed in the drafting of the Remuneration report relating to 2013;
- it examined the controls and activities carried out by the Group in order to comply with the provisions of the EMIR Regulation;
- it examined the audits made on the thresholds set forth in the Procedure for transactions with related parties and acknowledged the consistency of the same;
- it acknowledged the principles that steered the Group's corporate/organisational restructuring (**Fast Steering**) and the simplification of the structure and composition of the Group's companies;
- it checked the scope of application of Articles 2497 et seq. of the Italian Civil Code relating to (i) relations between ERG and its parent San Quirico S.p.A.; (ii) the scope of the management and coordination of ERG; (iii) the list of companies with which these activities are carried out;
- it received advanced information about the terms and conditions negotiated for the renewal of the advisory agreement with the company IEC S.r.l., a related party of ERG;
- on the express request of the Board of Directors, it conducted an analysis on the main changes made with regard to the new edition of the Corporate Governance Code, as

well as on the measures to be set in place if the Company should decide to subscribe to it, informing the Board of Directors about it.

With regard to the Internal control and risk management system:

Dealings with Internal Audit, Risk & Compliance

- it examined and shared the Risk Report on the activity carried out in 2013 and in the first half of del 2014;
- it examined and shared the proposals to revise the Internal Audit Appointment in light of international best practices, of the results of the self-assessment carried out by the Internal Audit itself and of some recommendations contained in the Corporate Governance Code;
- after the appointment of the new Manager responsible for preparing the Company's financial reports, it examined the Risk Assessment carried out by the Internal Audit, Risk & Compliance to identify the Companies and the processes to be included in the scope of intervention for the execution of the compliance activities required by Italian Law no. 262/05;
- it examined the quarterly updates on the activity conducted by the Internal Audit, Risk & Compliance Division (in accordance with Italian Legislative Decree no. 231/01 and Italian Law no. 262/05) and their results, recommending specific actions and requesting follow-up information;
- it examined the plan of activities and the budget of the Internal Audit, Risk and Compliance Division for the year 2015, recommending to promptly report any needs that may have emerged during the year with reference to the budget.

Guidelines, procedures and standards

- it examined the proposed revision of the Guidelines for the Internal Control and Risk Management System in light of the corporate and organisational changes made in the Group.

Specific analyses carried out

- it received constant updates on ongoing audits and analyses within the scope of the investigations for alleged tax irregularities pertaining to the measure by the Prosecutor's Office served to ERG on 3 December 2013;
- it required specific analyses on individual audits and examined the results of the audit activities carried out.

Obligations in connection with Italian Legislative Decree no. 231/01:

Dealings with the Supervisory Committee

- it examined, on a six-monthly basis, the periodic reports on the activity carried out by the Supervisory Committee;
- it examined the schedule of activities and the budget of the ERG Supervisory Committee for 2015.

Concerning the Group's administrative and accounting processes

Dealings with the Manager responsible for preparing the Company's financial reports

- it examined the impairment test procedure on the Financial Statements at 31 December 2013, the most important general aspects emerging from the application of the same and the reasons underlying the write-downs made;
- it assessed, together with the Manager responsible for preparing the Company's financial reports, having consulted the Independent Auditor Deloitte & Touche and the Board of Statutory Auditors, the correct use of the accounting standards and their consistency for the purpose of drawing up the periodic reporting.
- it acknowledged the appointment of the new Manager responsible for preparing the Company's financial reports as a result of the reorganisation of the Group's corporate/organisational structure;

– it examined the organisation and assignment of responsibilities for the purposes of managing compliance with Italian Law no. 262/05 by the new Manager responsible for preparing the Company's financial reports and by the Chief Audit Risk & Compliance Officer as well as the details of the actions and of the expected reporting procedures.

Specific analyses carried out

– it examined the main aspects pertaining to the domestic tax consolidation of ERG;
– examined the methods for the renewal of the Group VAT liquidation procedure for tax year 2014;
– it acknowledged the process for revising the inter-company service agreements for the year 2014 as a result of the Group's corporate reorganisation.

The Committee deemed it possible to confirm, in light of the activities carried out in 2014, its positive appraisal with regard to the adequacy of the Internal control and risk management system.

NOMINATIONS AND REMUNERATION COMMITTEE

Members

Paolo Francesco Lanzoni - *Chairman*
Massimo Belcredi
Pasquale Cardarelli

In accordance with best practices and with the indications of the Corporate Governance Code, the Nominations and Remuneration Committee consists of three independent directors.
The Committee shall appoint a Chairman among its members and a Secretary who may be a non-member. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair its meetings. The members of the Nominations and Remuneration Committee have adequate accounting and financial expertise.
The Chairman, Executive Deputy Chairman and CEO take part in the Committee's work.
Employees of ERG Group companies, representatives of the independent auditor, members of the Board of Statutory Auditors and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend Committee meetings. The Committee shall meet once every quarter, according to a schedule set with sufficient advance notice. Committee members shall be provided, with reasonable advance notice with respect to the date of the meeting (barring cases of necessity and urgency), with the documentation and information required to enable the Committee to express itself with sufficient knowledge of the matters submitted for its review.

Tasks

The Nominations and Remuneration Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code for the Nominations Committee and for the Remuneration Committee [28].
In particular:

- it makes recommendations to the Board of Directors regarding the remuneration of the Chairman, Deputy Chairmen, CEO and, more in general, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors and, upon indication of the CEO, regarding the determination of criteria for the remuneration of the Company's top managers and for the definition of incentive plans for the ERG Group's management;

28 Complying with the conditions set out for both Committees by the Corporate Governance Code.

- it periodically assesses the adequacy, overall consistency and concrete application of the Remuneration Policy for members of the Board of Directors and Executives with Strategic Responsibilities;
- it proposes to the Board of Directors the candidates for the office of Director in the case provided by Article 2386, first paragraph, of the Italian Civil Code, if it is necessary to replace and Independent Director;
- it assesses, at the specific request of the shareholders who intend to present lists, the independence of candidates for the office of Director to be submitted to the Shareholders' Meeting of the Company;
- it provides the Board of Directors, with annual periodicity, with an evaluation of the size, composition and operation of the Board itself, and it may express its indications on the professional profiles that should be included in the Board;
- it expresses its indications with regard to the maximum numbers of directorships or auditorships in other companies listed on regulated markets, including foreign ones, in financial, banking, insurance companies or companies of significant size that can be considered compatible with an effective performance of the duties of a director of the Company;
- in accordance with the Procedure for transactions with related parties, it issues its opinion both with reference to transactions of "Minor Relevance" and with reference to transactions of "Major Relevance" (i) on the Company's interest in the completion of transactions involving the assignment or increase of remuneration and economic benefits, under any form, to a member of an administrative or control body of the Company or to an Executive with strategic responsibilities thereof or otherwise to one of the persons who hold the offices indicated in Annex 1 to the Procedure for transactions with related parties and (ii) on the advisability and the substantial correctness of their conditions is constituted by the members of the Nominations and Remuneration Committee, unless the aforesaid transactions under Article 3.2, letter c) of the Procedure are excluded from the scope of the Procedure itself[29]. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditors.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. Within the scope of the activity performed by the Committee members for the purposes of the Procedure for transactions with related parties, the Board of Directors did not set any expense limit even for transactions of "Minor Relevance".
Whenever the Committee discusses recommendations for the remuneration of the Chairman, Executive Deputy Chairman and CEO, such individuals must leave the meeting.
In the performance of its duties, the Committee was able to access the information and company functions necessary to carry out its tasks.
In 2014, the Committee held **6** meetings – duly recorded in minutes – during which, in particular, it:

– formulated proposals for setting the remuneration of the Chairman, Deputy Chairmen, CEO and, more in general, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors;

29 If the conditions per Article 3.2 letter c) of the Procedure for transactions with related parties are met, i.e. (i) that the Company has adopted a remuneration policy; (ii) that the Nominations and Remuneration Committee was involved in the definition of the remuneration policy; (iii) that a report illustrating the remuneration policy has been submitted for the Shareholders' Meeting consultative vote; (iv) that the remuneration assigned is consistent with said policy – subject to the disclosure obligations per Article 154-ter of the Consolidated Finance Act, the Procedure shall not apply to transactions pertaining to the assignment or increase of remuneration and economic benefits, in any form, to a member of an administrative or control body of the Company or to an Executive with strategic responsibilities thereof or otherwise to one of the persons who hold the offices indicated in Annex 1 to the Procedure for transactions with related parties.

- made determinations on the definition of the targets for the year 2014 with reference to the short and long term incentive system and to the value creation achieved in 2013;
- issued opinions – and proposals, when warranted – as to the recognition and setting of bonuses to some of the Company's managers. The members of the Nominations and Remuneration Committee formulated the aforesaid proposals or assessments also taking into account the provisions of the current Procedure for transactions with related parties;
- prepared a support document for the evaluation of the Board of Directors with regard to the size, composition and operation of the Board itself and of the Committees in 2014 using the evaluation criteria already applied in the past year and the results of a self-assessment questionnaire sent to the members of the Board of Directors and of the Board of Statutory Auditors;
- actively participated in the process for the formulation of the Company's Remuneration Policy, in force from 2015 onwards, in order to take into account the Company's adoption of the current Corporate Governance Code and the general principles of the 2015-2017 LTI System.

The average duration of the meetings held by the Committee was approximately **1 hour**.
At the date of approval of this document, the Nominations and Remuneration Committee had met **3** times.

STRATEGIC COMMITTEE

Members
Alessandro Garrone - *Chairman*
Giovanni Mondini
Luca Bettonte
Alessandro Careri
Marco Costaguta
Paolo Luigi Merli - *Secretary*

The Committee advises and issues recommendations to the CEO and to the Board of Directors of ERG S.p.A. and to the Boards of Directors of the operating companies of the ERG Group.
It operates, within strategies and policies approved by the Board of Directors, by defining strategic business and portfolio guidelines, and guidelines and policies on strategic finance and for individual finance operations, monitoring the progress of their implementation over time.
The Committee also examines the long-term strategic plans and capital expenditures budgets of the ERG Group and of the operating companies, as well as the strategic benefits of significant capital expenditures effected at the ERG Group level.
In 2014, the Committee held **9** meetings.

3.3. INTERNAL COMMITTEES

Following the entry into force of the new organisation of the ERG Group (1 January 2014), the structure and composition of the Internal Committees (non-board committees comprised of ERG Group Managers), existing at the time, was revised in order to align them to the new operating model of the organisation.

LEADERS MEETING

Committee tasked with advising and making recommendations to the Chief Executive Officer; in particular:

- it shares the activities, characteristics and performance of the Group's businesses;
- it ensures that there is a shared vision and teamworking;
- it enhances the Group's human and relational assets and it promotes the managerial culture and values;
- it provides opportunities to compare with best practices outside the Group through witness accounts and benchmarking.

HUMAN CAPITAL COMMITTEE

Committee tasked with advising and making recommendations to the Executive Deputy Chairman and to the Chief Executive Officer; in particular:

- it defines and monitors the main programmes and activities for human capital development;
- it supports the Executive Deputy Chairman and the Chief Executive Officer in decision concerning the development of personnel and the variable remuneration and medium-long term incentive systems, as well as for the proposals to be submitted to the Nominations and Remuneration Committee.

CORPORATE COMMITTEE

Committee tasked with advising and making recommendations to the Chief Executive Officer; in particular:

- it monitors the Corporate results;
- it ensures that the Group's strategies and business models are aligned;
- it creates value by proposing, defining and implementing specific projects in the fields of finance, human capital, public affairs and communications.

INVESTMENT COMMITTEE

Committee tasked with advising and making recommendations to the Chief Executive Officer; in particular:

- it supports the Chief Executive Officer in assessing the Business Units' investment proposals;
- it expresses a reasoned technical and economic-financial opinion for the Strategic Committee in the various stages of the investment process.

RISK COMMITTEE

Committee tasked with advising and making recommendations to the Chief Executive Officer; in particular:

- it supports the Chief Executive Officer in the definition of the strategies and policies for managing financial and market risks;
- it provides the Chief Executive Officer with information useful for the authorisation of operations for managing financial and market risks, for monitoring the execution of transactions of major relevance and for verifying their effects.

BUSINESS REVIEW COMMITTEE

Committee tasked with advising and making recommendations to the Chief Executive Officer; in particular:

- it monitors the operating performance of the reference Business Unit with the respective Managing Director;
- it identifies the opportunities to create value in the business "as is";
- it preliminarily assesses any investment / divestment opportunities.

3.4. CORPORATE GOVERNANCE DOCUMENTS

The most significant rules in terms of their impact on the company's overall corporate governance are as follows:

- the Articles of Incorporation;
- the Code of Ethics;
- the Corporate Governance Code;
- the Procedure for handling and processing privileged information and for the public dissemination of statements and information;
- the Code of Conduct for Internal Dealing;
- the Guidelines for the identification and execution of significant transactions;

– the Code of Conduct for Directors of Group companies;
– the Procedure for transactions with related parties;
– the Policy for the remuneration of members of the Board of Directors and of Executives with Strategic Responsibilities;
– the Guidelines for compliance with Italian Legislative Decree 231/01 and the anti-corruption laws in the companies of the ERG Group;
– the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01;
– the Anti-corruption Guidelines.

ARTICLES OF INCORPORATION

The Articles of Incorporation, as illustrated in detail in the report, contains the main rules for the operation of ERG's corporate bodies and it has been amended recently to make it comply with the changes in laws and regulations on the matter of gender balance in the composition of the administrative and control bodies.

CODE OF ETHICS

The Code of Ethics represents an instrument for raising the awareness of all employees and contractors and of all other stakeholders so that, when carrying out their activities, they adopt correct and transparent conduct in line with the ethical-social values to which ERG aspires. The Code of Ethics therefore represents an essential part of the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01. The Code of Ethics was revised in 2014 to take into account regulatory changes (introduction of the offenses of bribery among private parties) and to improve the representation and communication of the ethical principles promoted by the ERG Group. The latest revision to the Code of Ethics was approved by ERG's Board of Directors on 14 May 2014. The Code of Ethics is adopted by all companies in the Group, both Italian and foreign, and it is available in English and French.
The Code of Ethics is communicated to the contractors of the ERG Group not only through its publication on the Group's website, but also by being referenced in the contractual clauses.
Employees of the ERG Group are administered both a classroom training activity and an e-learning course tracked in the system.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code of Listed Companies promoted by Borsa Italiana S.p.A. since its first edition in 1999. On 12 November 2014 the Board of Directors, after the Internal Control and Risk Committee's preliminary evaluation of the main amendments made, decided to adopt the new edition of the Corporate Governance Code published in July 2014.

PROCEDURE FOR HANDLING AND PROCESSING PRIVILEGED INFORMATION AND FOR THE PUBLIC DISSEMINATION OF STATEMENTS AND INFORMATION

The Board of Directors, based on a recommendation made by the Internal Control and Risk Committee, has adopted a procedure for handling and processing privileged information and for public communication of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for Borsa Italiana S.p.A. are the outcome of an accretion process that guarantees both timeliness and accuracy.
The procedure, most recently revised on 14 May 2014, defines the tasks and responsibilities of the functions involved, identifies the criteria, methods and timing of the various procedural stages, and establishes the appropriate decision-making levels for the dissemination of statements and information. For this purpose, it contains prescriptions aimed at assuring an exhaustive and timely flow of information within the companies of the ERG Group and between them and the listed Parent Company for the purposes of compliance with information obligations pertaining to "price sensitive" events, vis-à-vis the market and the organisations tasked with its supervision.

CODE OF CONDUCT FOR INTERNAL DEALING

The Board of Directors has adopted a Code of Conduct, revised on 1 July 2014, in order to give transparency to financial transactions carried out by Relevant Persons, i.e. those persons who, by virtue of their roles within the ERG Group, have significant decision-making powers or considerable knowledge of corporate strategies which would help them in making investment decisions regarding the financial instruments issued by the Company.
The list of recipients of this Code is published on the Company's website.

GUIDELINES FOR THE IDENTIFICATION AND EXECUTION OF SIGNIFICANT TRANSACTIONS

The Board of Directors has defined the Guidelines for the identification and execution of significant transactions, the examination and approval of which – as recommended by the Italian Corporate Governance Code – remain the exclusive responsibility of the Board of Directors.
The Guidelines, most recently revised on 1 July 2014, set out the criteria to be used to identify significant transactions, in accordance with Article 1 of the Corporate Governance Code, consisting of quantitative and qualitative criteria, and criteria deriving from the specific requirements of the parties involved (related-party transactions and intra-group transactions).
The document also indicates the standards of conduct to be followed in carrying out the aforesaid transactions, with particular reference to the transactions carried out by the subsidiaries over which ERG exercises management and coordination in accordance with Article 2497 et seq. of the Italian Civil Code which must be preventively examined and approved by the Board of Directors.

CODE OF CONDUCT FOR DIRECTORS OF GROUP COMPANIES

The Board of Directors has adopted a Code of Conduct for Directors appointed in ERG Group companies, revised on 14 May 2014, in order to provide them with uniform rules of conduct for performing their duties within a systematic framework of reference and in compliance with Corporate Governance principles.

PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, with its resolution of 11 November 2010, with the favourable opinion of the Internal Control and Risk Committee and with the input of the Board of Statutory Auditors, approved and adopted a specific internal resolution – with effect since 1 January 2011 – aimed at assuring the transparency and substantial and procedural correctness of the transactions with related parties carried out by ERG directly or through its subsidiaries.
The Procedure was most recently revised on 1 July 2014.

POLICY FOR THE REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES.

The Board of Directors adopted, with its resolution of 20 December 2011, at the proposal of the Nominations and Remuneration Committee, a Remuneration Policy for the members of the Board of Directors and for Executives with Strategic Responsibilities in line with the provisions of the Corporate Governance Code, revised – at the proposal of the Nominations and Remuneration Committee:

– on 18 December 2012, to take into account the powers delegated by the Board of Directors itself (appointed by the Shareholders' Meeting of 20 April 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");
– on 11 March 2015, to take into account, with effect from the year 2015, the Company's acceptance of the current Corporate Governance Code and of the general principles of the 2015-2017 LTI System[30].

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30 For any additional information in this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in April 2014, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

COMPLIANCE GUIDELINES AS PER ITALIAN LEGISLATIVE DECREE 231/01 AND THE ANTI-CORRUPTION LAWS IN THE ERG GROUP COMPANIES

The Guidelines for Compliance with Italian Legislative Decree no. 231/2001 and with Anti-corruption Laws in the Companies of the ERG Group, whose purpose is to provide (Italian and foreign) Companies of the ERG Group with methodological indications on the adoption of the Code of Ethics and on the procedures for managing Compliance with the provisions of Italian Legislative Decree no. 231/01, as well as to provide the principles and rules to follow to assure Compliance with Anti-corruption Laws, without constituting management and coordination activities and subject to the liability of individual legal entities in the decision as to whether to adopt a Model or otherwise on the basis of their own risk assessment. The Guidelines were adopted in the conviction that their adoption can provide a valid instrument to protect the Company, and to sensitise all those who, internally or externally, work for the ERG Group.

The Guidelines approved by ERG's Board of Directors on 12 November 2013 set out the general principles and rules with reference:

- to the adoption of the Group's Code of Ethics by all direct and indirect Italian and foreign subsidiaries;
- to the management of the subsidiaries' criminal liability, in order to provide a framework of rules, obligations and prohibitions pertaining to:
  - *"231 compliance"*, for Italian companies (without prejudice to the individual legal entities' liability in the decision as to whether or not to adopt a Model 231 prepared according to their own specific company);
  - *"compliance with applicable domestic and international anti-corruption laws"* to prevent their violation and in order to assure complete compliance.

ORGANISATION AND MANAGEMENT MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/01 AND SUPERVISORY COMMITTEE

The Organisation and Management Model pursuant to Italian Legislative Decree no. 231/2001 has the aim of ensuring the conditions of correctness and accountability in the performance of the corporate activities and of therefore serving as a valid instrument aimed at preventing the risk that offences specified by Italian Legislative Decree no. 231/01 may be committed.

In its meeting of 21 December 2004, ERG's Board of Directors decided to adopt for the first time a model of organisation, management and control in accordance with Italian Legislative Decree no. 231/01 and it established the Supervisory Committee. After the initial approval, the Model 231 has been constantly revised an improved in light of regulatory and jurisprudential changes, as well as of the organisational corporate changes that have taken place within the ERG Group.

The Model was designed according to the Guidelines of Confindustria. In accordance with laws and regulations, the Model 231 includes a disciplinary system aimed at sanctioning any violations of the Model, of the Code of Ethics and the failure to comply with the corporate procedures that provide the safeguards. The version of the Model 231 currently in force was approved by the Board of Directors on 26 February 2013 and it includes the offences introduced in 2012 (*"employment of citizens of third party countries with irregular permits of stay", "undue incitement to give or promise benefits" and "corruption between private individuals".*). An excerpt of the document is available for viewing in the "Corporate Governance" section of the website www.erg.it.

The Model was developed considering the main positions expressed by jurisprudence in relation to the characteristics it must have:

- *effectiveness*: i.e. the adequacy of the set of controls established to prevent the perpetration of offences;
- *specificity*: the forecasts of the Model take into account the characteristics and size of the Company and the type of activities carried out, as well as the history of the Company;
- *up-to-dateness*: i.e. the ability to reduce the risks of offences in reference to the character of the structure and of the business, also with the work of the Supervisory Committee which keeps it up to date and current over time.

The structure of the Model adopted by ERG is characterised by the presence of the following significant components:

- *Code of Ethics*, which expresses the reference principles which must guide the activity of all those who contribute, with their work, to the performance of the corporate activities;
- *general part*, which defines the overall set-up of the Model, in relation to the provisions of the Decree and to the specific decisions made by the Company in its preparation referring to the disciplinary system, to be enforced in the event of violation of the prescribed rules and procedures;
- *special part*, which defines the rules to be followed in the performance of sensitive activities.

Together with the adoption of the Model 231, the decision to comply with Italian Legislative Decree no. 231/01 led to the appointment of the Supervisory Committee, tasked with overseeing the observance of the Code of Ethics and assuring the adequacy and actual implementation of the Model, and to evaluate whether it is necessary subsequently to update it.

The Committee, as a result of the decisions reached by the Board of Directors during its meeting of 18 December 2012, comprises:

- an external member, identified as an Independent Director of the Company, serving as Chairman (P. F. Lanzoni);
- two internal members, identified as the Chief Human Capital Officer (A. Fusi) and as the Chief Audit, Risk & Compliance Officer (D. De Paolis).

The members of the Supervisory Committee shall remain in office for a period preferably no longer than three years and may be confirmed in office. If the Board of Directors that appointed them is removed from office, they shall remain in office until new members are appointed, or the previous ones are confirmed, by the new Administrative Body. The Supervisory Committee shall carry out its work within the Parent Company ERG, whereas Subsidiaries, provided with their own Model, have appointed their own Supervisory Committee. The synergies between Code of Ethics and Model 231 are highlighted by the assignment to the Supervisory Committee of ERG of the functions of Guarantor of the Code of Ethics. Similarly, each subsidiary, that has its own Supervisory Committee, also assigns it the function as Guarantor of the Code of Ethics. The Supervisory Bodies of ERG and of its subsidiaries shall rely, in their audit activities on the Model 231 and on the Code of Ethics, on the Internal Audit, Risk & Compliance of ERG. To make the organisational and internal control safeguards within the Company more effective, information shall be provided to the Supervisory Committee. The primary function of the information flows is to enable the Supervisory Committee continuously to oversee the functionality of the Model 231 and the identification of possible interventions to update the Internal Control and Risk Management System. For this purpose the Supervisory Committee has adopted a dedicated procedure that identifies the relevant information flows, the times for their transmission and the responsible individuals. To manage communications to the Supervisory Committee, dedicated electronic mail address as established. The Supervisory Committee shall prepare the annual Plan of the supervisory activity that is submitted to the Board of Directors of ERG and it shall periodically report on the implementation of the Code of Ethics and of Model 231 to the Control and Risks Committee.

The Supervisory Committee shall manage the training activities through:

- classroom training to all employees (including managers and executives) on issues pertaining to Italian Legislative Decree no. 231/01, the Model 231 adopted by the Company, the Supervisory Committee and the activities it carries out, the information flows to the Supervisory Committee;
- an e-learning course dedicated to the Code of Ethics, expected to be attended by employees and newly hired personnel;
- an e-learning course dedicated to 231-related issues, intended for newly hired personnel.

ANTI-CORRUPTION GUIDELINES

ERG carries out its activity in compliance with the highest domestic and international standards of healthy Corporate Governance. The ERG Group is therefore committed to comply with and enforce the principles of integrity, impartiality and transparency.

These principles become yet more important when it is necessary to confront in a structured manner the problem of corruption, a global phenomenon that irreparably destroys the integrity of both public and private enterprises.

ERG, in order further to stress that it conducts all aspects of its activity in strict compliance with applicable domestic and international laws and regulations, inter alia, with respect to anti-corruption and further to demonstrate its adoption of the values described above, has decided to adopt, in addition to the Code of Ethics, the Anti-corruption Guidelines. The goal is to provide all personnel and, in particular, those who work abroad in favour or on behalf of companies of the ERG Group, the principles and rules to follow to assure compliance with Anti-corruption Laws.

The Anti-corruption Guidelines in force were approved by ERG's Board of Directors on 12 November 2013, translated into English and adopted by all foreign Companies of the Group.

4. MANAGEMENT AND COORDINATION

ERG S.p.A. is a subsidiary of San Quirico S.p.A. which does not however exercise any management and coordination activity over its subsidiary, within the meaning of Articles 2497 et seq. of the Italian Civil Code, also in view of the fact that a provision of its Articles of Incorporation expressly prohibits the company from carrying out management and coordination activities with regard to its subsidiaries.

This circumstance is periodically evaluated by the Board of Directors, also on the basis of a preliminary review carried out by the Internal Control and Risk Committee. ERG S.p.A. in turn performs management and coordination on direct or indirect subsidiaries.

The scope of involved companies and the content of any activity carried out on each of them are periodically reviewed by the Board of Directors, also on the basis of a preliminary review carried out by the Internal Control and Risk Committee.

In particular, the Board of Directors, at its meeting of 16 July 2014, acknowledged that ERG carries out management and coordination on direct and indirect subsidiaries - respecting the managerial and operating independence of said companies, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the Group – represented by the definition of business strategies, of the corporate governance system and of the corporate structures, as well as by the determination of shared general policies pertaining to human resources, accounting, Financial Statements, taxation, finance, risk management, communication, institutional relations, environment, health and safety.

5. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP[31]:

The full version of the document "Guidelines for the Internal Control and Risk Management System" approved by the Board of Directors of 11 March 2014 and currently in force in ERG Group.

31 Guidelines of the Internal Control and Risk Management System.

5.1. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP: GENERAL PRINCIPLES

The ICRM System conforms with the principles contained in the current edition of the Corporate Governance Code and, more in general, with the best domestic and international best practices.

The Guidelines – defined and kept up to date by the Board of Directors – dictate, on one hand, the general principles for the management of the main risks in the Group, consistently with the strategic objectives identified on the other hand the coordinating procedures among the parties listed below in order to maximise the effectiveness and efficiency of the ICRM System.

The ICRM System, in particular, consists of a set of rules, procedures and organisational structures aimed at proactively contributing – through an adequate process of identifying, measuring, managing and monitoring the main risks – to the protection of the ERG Group's assets, to the efficient and effective management of the Group in line with the corporate strategies defined by the Board of Directors, to the trustworthiness, accuracy and reliability of financial disclosure and, more in general, to compliance with current laws and regulations.

The System, as an integral part of the enterprise, involves and hence is applied to the entire organisational structure of the ERG Group: by the Board of Directors of ERG and of its subsidiaries[32] (hereafter, "Subsidiaries"), to the Group Management (hereafter, "Management") and to the company's personnel.

5.2. PERSONS AND BODIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The main persons and bodies involved in the ERG Group's internal control and risk management system, according to their respective skills (established in the Guidelines) and in compliance with current laws and regulations, as well as with the recommendations of the Corporate Governance Code, are:

- the *Board of Directors*, which orients and assesses the adequacy of the ICRM System;
- the *Chief Executive Officer*, who identifies the main corporate risks;
- the *Director in charge of the Internal Control and Risk Management System*, responsible for verifying the correct functionality and the overall adequacy of the ICRM System;
- the *Internal Control and Risk Committee*, tasked with supporting, through an adequate preliminary analysis activity, the assessments and decisions of the Board of Directors pertaining to the ICRM System, as well as those pertaining to the approval of periodic financial reports;
- the *Chief Internal Audit, Risk & Compliance Officer*, in charge of verifying the viability and suitability of the ICRM System.

Board of Directors

The Board of Directors carries out the role and the duties prescribed by the Corporate Governance Code and, within its main function of orienting and assessing the adequacy of the ICRM System, it is the central body of the System.

To this end, the Board of Directors shall, in particular:

- define the Guidelines[33], so that the main risks are correctly identified and adequately measured, managed and monitored, determining their compatibility with enterprise management that is consistent with the identified strategic objectives;
- assess, at least once a year, the adequacy of the ICRM System with respect to the characteristics of the company and to the risk profile assumed, as well as its effectiveness;

32 For the purposes of the Guidelines, the meaning of the term "control" is as set out in Article 93 of the Italian Consolidated Finance Act. Consequently, Joint Ventures with joint control are excluded.

33 With the opinion of the Internal Control and Risk Committee.

- appoint the Chief Audit, Risk & Compliance Officer, define his/her compensation[34] and approve, at least once a year, the work plan prepared by him/her;
- identify within it
  - one or more directors appointed to set up and maintain an effective Internal Control and Risk Management System
  - the Internal Control and Risk Committee

  with whose support it carries out the assessments and makes the decisions pertaining to the ICRM System and assures that duties and responsibilities are allocated clearly and appropriately and that the Chief Audit, Risk & Compliance Officer, the Supervisory Committee and the Manager responsible for preparing the Company's financial reports, have adequate resources available for the performance of their duties and enjoy an appropriate level of autonomy within the organisation.

Specifically, responsibility for setting up and maintaining an effective Internal Control and Risk Management System are shared between the Chief Executive Officer and the Director in charge of the Internal Control and Risk Management System, as described below.

Chief Executive Officer

The CEO has the powers necessary to carry out all actions pertaining to the company's business.

Within ERG's organisational structure, the following report to the CEO: the Chief Human Capital Officer, the Chief Public Affairs & Communication Officer, the General Counsel, the Chief Financial Officer, the Renewable Energy Sources Business Units (ERG Renew S.p.A.), the Power Business Unit (ERG Power Generation S.p.A.), the Supply & Trading Business Unit (ERG Supply & Trading S.p.A.), the Downstream Business Unit (TotalErg S.p.A.).

The Chief Executive Officer identifies the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and by its subsidiaries, and periodically submits them to the review of the Board of Directors, as described in detail below.

The Investment Committee supports the Chief Executive Officer in the assessment of the investment proposals by the BUs/Companies and expresses a reasoned technical and economic-financial opinion for the Strategic Committee in the various stages of the investment process.

Director in charge of the Internal Control and Risk Management System

The Director in charge of the Internal Control and Risk Management System assures that the ICRM System's functionality and overall adequacy is maintained, promptly reporting to the Internal Control and Risk Committee (or to the Board of Directors) on any problems and critical issues noted in the course of his/her activity, or of which (s)he has otherwise become aware, so that the Committee (or the Board of Directors) can undertake the appropriate initiatives.

For this purpose, the Director in charge of the Internal Control and Risk Management System, shall, in particular:

- implement the Guidelines defined by the Board of Directors, providing for the design, implementation and management of the Internal Control and Risk Management System and constantly verifying its adequacy and effectiveness;
- manage the adaptation of this system to the dynamics of operating conditions and of the legal and regulatory environment;
- verify, through the Internal Audit, Risk & Compliance activity, that Management has identified the main risks, that the risks were assessed with consistent procedures, that the mitigating actions have been defined and are being carried out, and that the risks are management in accordance with the decisions of the Board of Directors;

34 At the proposal of the Director in charge of the Internal Control and Risk Management System and with the favourable opinion of the Internal Control and Risk Committee, taking into consideration the input of the Board of Statutory Auditors.

- propose to the Board of Directors the appointment and compensation of the Chief Audit, Risk and Compliance[35], assuring his/her independence and operating autonomy with respect to each manager in charge of operating areas and verifying that the (s)he is provided with suitable means to perform his/her duties effectively;
- rely on the Internal Audit, Risk & Compliance Division to perform audits on specific operating areas and on compliance with rules and internal procedures in the execution of corporate operations;
- promptly report to the Internal Control and Risk Committee (or to the Board of Directors) on any problems and critical issues noted in the course of his/her activity, or of which (s)he has otherwise become aware, so that the Committee (or the Board of Directors) can undertake the appropriate initiatives.

The Director in Charge of the Internal Control and Risk Management System does not carry out operational activities. (S)he is empowered by the Board of Directors to supervise, through oversight, guidance and control duties, the Internal Audit, Risk & Compliance activities.

Internal Control and Risk Committee

The Internal Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code, supporting the Board of Directors in the assessments and decisions pertaining to the ICRM System.

For this purpose, the Committee shall, in particular:

- examine the work plan and the periodic reports prepared by the Chief Audit, Risk & Compliance Officer;
- express opinions on specific aspects pertaining to the identification of the main corporate risks;
- report to the Board of Directors, on a half-yearly basis, on the activity performed and on the adequacy of the ICRM System;
- monitor the autonomy, adequacy and effectiveness of Internal Audit, Risk & Compliance;
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- assess the proper use of the accounting standards[36] and their consistency for the preparation of the Consolidated Financial Statements, of the separate Financial Statements, of the condensed half-year financial report and of the interim reports on operations.

The Board of Statutory Auditors shall attend the meetings of the Internal Control and Risk Committee.

Chief Audit, Risk & Compliance Officer

Internal Audit, Risk & Compliance performs the role and duties prescribed by the Corporate Governance Code, verifying the functionality and suitability of the ICRM System and, in particular, that Management has identified the main risks, that the risks were assessed with consistent procedures and that the appropriate mitigating actions have been defined and carried out. It also verifies that the risks have been managed consistently with the decisions of the Board of Directors, with external rules and with the Group's internal rules.

The Chief Audit, Risk & Compliance Officer is not responsible for any operating area; (s)he reports hierarchically to the Board of Directors through the Director in Charge of the Internal Control and Risk Management System and assures the information due to the Internal Control and Risk Committee and to the Board of Statutory Auditors. The Board of Directors, at the proposal of the Director in Charge of the Internal Control and Risk Management System and

35 With the favourable opinion of the Internal Control and Risk Committee and taking into consideration the input of the Board of Statutory Auditors.

36 Together with the Manager responsible for preparing the Company's financial reports and taking into consideration the opinion of the Independent Auditor and of the Board of Statutory Auditors.

with the favourable opinion of the Internal Control and Risk Committee, and with the input of the Board of Statutory Auditors, shall:

- appoint and revoke the Chief Audit, Risk & Compliance Officer;
- assure that the Chief Audit, Risk & Compliance Officer is provided with adequate resources for the performance of his/her duties and the fulfilment of his/her responsibilities;
- assess the adequacy of the activities carried out defining their remuneration consistently with the corporate policies.

The annual work plan, based on a structured process of analysis and prioritisation of the main risks ("Audit Plan"), similarly to the budget, is subject to the approval of the Board of Directors[37]. Moreover, within the scope of the audit plan, Internal Audit Risk and Compliance shall verify the reliability of the information systems including the accounting measurement systems.

At least twice a year, (s)he prepares a summary of the main observations emerged and of the corporate risks to be monitored (Risk Report) which includes an assessment of the suitability of the ICRM System. The findings of these reports are presented to the Director in charge of the Internal Control and Risk Management System, to the Internal Control and Risk Committee, and to the Board of Statutory Auditors.

The Chairmen of the Board of Directors, of the Board of Statutory Auditors and of the Internal Control and Risk Committee, as well as the Director in charge of the Internal Control and Risk Management System are recipients of non-periodic information flows, generated by the Internal Audit, Risk and Compliance Division, in such a way as to assure their simultaneous involvement.

5.3. OTHER RELEVANT PLAYERS WITH SPECIFIC INTERNAL CONTROL AND RISK MANAGEMENT DUTIES

Chairman of the Board of Directors

The Chairman supervises and oversees the activities carried out by:

- Public Affairs & Communication with regard to External Relations and to Corporate Social Responsibility;
- General Counsel with regard to Corporate Affairs activities.

Executive Deputy Chairman

The Executive Deputy Chairman supervises the Group's strategic decisions and the definition of the organisational macro-structure. (S)he orients and coordinates the extraordinary transactions, including structured finance transactions. (S)he carries out the strategic coordination of the subsidiaries.

The Executive Deputy Chairman is also the Chairman of the Strategy Committee.

Chief Financial Officer

With a view to the proper operation of the ICRM System (both in terms of effectiveness and efficiency), the Chief Financial Officer through his/her structure assures:

- the enhancement of the business portfolio within the scope of the defined development strategies, ensuring the directional control processes and the optimal allocation of financial resources;
- operating excellence in the performance of support services for the Group's Companies through the Service Company for which (s)he serves as Chairman of the Board of Directors;
- support to the Chief Executive Officer in the identification of the main corporate risks.

37 With the opinion of the Director in charge of the Internal Control and Risk Management System, taking into consideration the input of the Internal Control and Risk Committee and of the Board of Statutory Auditors.

Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, whose activity is regulated by Italian Law no. 262/2005, shall:

- prepare adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitor the enforcement of the procedures;
- issue to the market the certification of the adequacy and effective enforcement of the administrative and accounting procedures for the purposes of the Group's financial disclosure.

Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and with the Articles of Incorporation, adherence with correct administration principles, the adequacy of the organisational structure (for aspects under its cognisance), of the ICRM System and of the administrative-accounting system, and its reliability in correctly representing operations, and the adequacy of the provisions imparted to the Subsidiaries for the proper fulfilment of the prescribed disclosure obligations.

For this purpose, the Board of Statutory Auditors in line with the role and the duties prescribed by the Corporate Governance Code:

- shall share, in a timely manner, with the Internal Control and Risk Committee, the relevant information for the performance of their respective duties;
- may rely on the Internal Audit, Risk and Compliance Division for the performance of audits on specific operating areas or company transactions.

Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors and it has adequate financial resources available for the performance of its duties, among which are:

- to oversee compliance with the Code of Ethics;
- to verify the effectiveness and adequacy of the Model or its suitability to prevent the occurrence of offences as per Italian Legislative Decree No. 231/2001 on the basis of an annual audit plan submitted to the Board of Directors;
- to verify the adequacy of the organisational solutions adopted for the implementation of the Model;
- to prepare a half-yearly report to the Internal Control and Risk Committee and to the Board of Directors about its activities, informing them of any violations it has observed with respect to the Model.

The Committee shall be provided with all information that pertain, even indirectly, to the perpetration or attempted perpetration of offences and elusions of the Model as well as at-risk behaviours in general. For this purpose, the information described in the Information Flows chart shall be sent according to the periodicity indicated therein.

5.4. IMPLEMENTATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERG considers proper risk management and mitigation to be of fundamental importance: for this reason, Top Management has deemed it appropriate to define a risk management Policy able to explain the relationships between risk management and processes to identify objectives and management plans in order to define the procedures to select the different strategies and risk protection techniques, assigning formal management responsibilities within the organisation. This framework has entailed setting up, on one hand, an organisation able to provide a clear allocation of the governance, monitoring and reporting responsibilities, on the other hand to institute an inter-relationship between the functions and the bodies assigned to carry out risk management and control activities. More in detail, the Corporate Governance System adopted by ERG entails the institution of specific committees within the Board of Directors (e.g. Strategic Committee) and outside it (Corporate Committee, Investment Committee, Risk Committee, Human Capital Committee, Business Review Committee), tasked with studying issues, providing advice and/or making proposals in relation to particular "sensitive" and economically, financially and strategically relevant matters, so that on such issues it will be possible both to conduct a debate and a series of checks that will lead to the adoption, by the Board of Directors, of well-informed, clearly represented decisions. These committees concur in the definition of the methods for measuring, identifying, assessing and controlling risks, and they provide advice and make proposals to the Chief Executive Officer in relation to:

- definition of risk management strategies and policies;
- assessment of the most relevant transactions and analysis of the associated risks;
- monitoring the progress of the most relevant transactions and verification of the enforcement of risk management policies.

Within this scope, the risk management process develops through:

- the identification and assessment of the main strategic risks tied to the Business Plan and to extraordinary transactions, as well as the definition of the policies required to mitigate them;
- the identification and assessment of the main risks tied to business processes, as well as the definition of the procedures to manage them and of the control instruments;
- the continuous verification of the operation and effectiveness of the risk management process.

The aforementioned steps are described in detail below.

Management of Strategic and Discontinuity Risks

In relation to the management of the risks tied to the Business Plan and to extraordinary transactions, it should be pointed out that decisions of a strategic nature are made by the Board of Directors on the basis of a risk assessment carried out with the support of the Strategic Committee and of the Investment Committee. The Executive Deputy Chairman and the Chief Executive Officer, members of these Committees, periodically report to the Board of Directors also with regard to the main prospective risks, in terms of strategic decisions and investment.

The process, aimed at the definition of the strategic risks related to the Group's investments and to significant transactions, initially involves the Investment Committee, which expresses a technical and economic-financial opinion on them, and subsequently the Strategic Committee, which assesses the desirability of proceeding with them. The process, following these assessment steps, enables the Board of Directors to perform its duties concerning the strategic decisions, and in relation to the significant investments the Group intends to make. The Board of Directors decides both with respect to investments and in relation to the risks to be assumed, overseeing the ex post management of the transactions and of the related risks.

The Chief Executive Officer has responsibility and accountability for the management of corporate risks and is supported by the Management in their identification and assessment, as well as in the definition of the policies for their management. In this regard, (s)he is also supported by the Strategic Committee and by the Investment Committee.

Management of Process Risks

The management of process risks is performed by the company's Management, which is responsible for their assessment and for the definition of the mitigating instruments. To manage process risks, Management uses a risk self-assessment instrument: the Business Process Risk Assessment. the Business Process Risk Assessment (BPRA) enables the Management to monitor the riskiest areas on the basis of an assessment of the level of adequacy of the design of the controls, in order to mitigate the associated risks, pointing out areas deserving attention, towards which the most appropriate action plans should be adopted. This activity, with the aid of Internal Audit Risk and Compliance, involves the entire Management of the ERG Group in the identification of the process risks (business and corporate) and of the related associated controls.

Therefore, the BPRA is a valid support that enables the Management to manage the riskiest areas effectively. A contribution to assure the effective operation of the ICRM System shall also be provided by the Manager responsible for preparing the Company's financial reports, who assesses the adequacy and operation of the controls on the administrative-accounting processes, the Risk Committee, which provides advice and support to the Chief Executive Officer, in particular for the definition of the strategies and policies to manage financial and market risks. The significance of the risks, classified in categories and sub-categories, is determined on the basis of parameters measuring the likelihood of their occurrence and the impact, not just in economic terms, but also in terms of market share, competitive advantage and reputation.
The assessment of the control environment pertains to:

- the existence, the upgrade and compliance with internal regulations (e.g. guidelines, procedures);
- the adequacy of the organisational instruments (e.g. delegated powers and authority);
- the adequacy of the monitoring activities, reporting and internal communication;
- the adequacy of the information systems supporting process management.

Continuous verification of the effectiveness of the risk management process

This verification activity is the natural joining point between one risk management cycle and the next, and it provides the occasion to verify both the extent to which the objectives have been attained, and the correct implementation of the selected management procedures. Every deviation from the objectives and policies is subjected to analysis, to review the decision-making processes adopted and to identify the factors that hinder the success of the identified solutions. Based on the results of these analyses, if necessary, the redefinition of the management programmes can start.
The ICRM System, defined on the basis of domestic and international leading practices, consists of the following three levels of control:

- *First level*: entrusted to individual lines, it consists of the checks carried out by those who perform certain activities and by those who are responsible for their supervision. It also makes it possible to ensure the correct performance of the operating activities;
- *Second level*: entrusted to structures other than line, it contributes to the definition of the risk measurement methods, to their identification, assessment and control (Risk Management). It also makes it possible to verify compliance with regulatory obligations (Compliance);
- *Third level*: entrusted to Internal Audit, Risk & Compliance, its purpose is to identify anomalous trends, violations of the procedures and regulations, and to assess the functionality of the overall internal control and risk management system.

Within this context, the Director in charge of the Internal Control and Risk Management System focuses his/her activities on the main corporate risks, taking into account the objectives and characteristics of the activities performed by the ERG Group.
The Model contributes to strengthen the ICRM System, describing the measures and protocols aimed at reducing the risk of perpetration of offences within the corporate organisation.
The duty of the Supervisory Committee is to supervise the suitability to prevent the perpetration of the offences set out in the Model in accordance with Italian Legislative Decree no. 231/2001 and to propose the adoption of new measures if the need arises, in order to make it current and effective at all times, adapting it to any regulatory and organisational changes that should occur over time.

5.5. STRUCTURE AND OPERATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ERG GROUP

The ERG Group is aware that an effective Internal Control and Risk Management System contributes to a healthy management of the company, consistent with the corporate objectives defined by the Board of Directors, promoting well-informed decisions and contributing to safeguarding the assets, to the efficiency and effectiveness of the processes, to the reliability of the financial disclosure, to compliance with rules, with the articles of incorporation and with internal procedures. To promote and maintain an adequate ICRM System, the ERG Group uses organisational, informational and regulatory instruments, which allow to identify, measure, manage and monitor the main risks. This system is integrated in the organisational, administrative and accounting structure and, more in general, in the corporate governance structure and it is based on the recommendations of the Corporate Governance Code which the ERG Group has adopted, taking as references the domestic and international models and best practices, aimed at consolidating the overall effectiveness and efficiency.

The System of Rules and Procedures

The definition of the structure of the Internal Control and Risk Management System and of the rules that govern it takes place through the definition of appropriate internal corporate rules (Policies, Guidelines, Procedures and Operating Note) which regulate the processes and activities carried out by ERG and its subsidiaries.

In relation to each regulation, the related recipients are defined below:

- Policies: they are intended for all stakeholders and on the basis of the values expressed in the Code of Ethics they define the fundamental management principles in the performance of corporate activities;
- Guidelines: they are intended mainly for those who must set up operations and control them and they define the principles for the execution of such activities;
- Procedures: they are intended for the persons involved in the operating processes regulated by them;
- Operating Notes: they are intended for the persons who operatively carry out the activity or stages of activity regulated by the document.

Moreover, a specific procedure was formalised in the Group with the goal of defining a method for the uniform, integrated, effective and efficient management of the corporate rules and for regulating the activities performed by the involved parties, in terms of:

- responsibility of the players involved in the process;
- (electronic and hardcopy) communication flows among the various players involved in the process;
- control activities connected with the operations reported in the process.

The System for assigning Powers

A correct and effective Corporate Governance system requires a formal assignment of powers consistent with the company's own organisational system.

A correct attribution of powers entails assessing whether the validity requirements exist, determining its limits and identifying matters that can be delegated.

The system adopted in the ERG Group provides:

- the assignment of powers by the Board of Directors of the Group’s different Companies, through Board resolutions, to the Chief Executive Officers for the ordinary management of the Companies;
- the assignment of powers of attorney, normally to the first-level executives reporting to Chief Executive Officers, vesting them with powers of signature, representation and external negotiation;
- the assignment of special powers of attorney for the performance of a specific, well-defined action, upon completion whereof the validity of the power of attorney is voided;
- the assignment to the heads of organisational positions of internal powers of attorney in relation to the power to adopt deeds that have no external enforceability.

The system of delegated powers and powers of attorney in force in the Group is structured to continuously assure consistency among the organisational structures, the assigned powers and the corporate regulatory system (Policies, Guidelines, Procedures, Operating Notes and Job Descriptions), all in compliance with the Segregation of Duties ("SoD").

6. INFORMATION ON THE MAIN FEATURES OF THE EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF FINANCIAL DISCLOSURE, INCLUDING AT A CONSOLIDATED LEVEL

The ways in which the ERG Group has defined its Internal Control and Risk Management System in relation to the process of financial disclosure (henceforth, "System") at the consolidated level are illustrated below. The purpose of the System is to mitigate risks significantly in terms of trustworthiness, reliability, accuracy and timeliness of financial disclosures.

In particular, the Board of Directors of ERG, at its meeting of 11 March 2014, appointed Mr. Paolo Luigi Merli, Chief Financial Officer, as the Financial Reporting Officer, calling him to serve in the aforesaid office with reference to the information and accounting records relating to the year 2014 and thus assigning him responsibility for:

- preparing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the enforcement of the procedures;
- issuing to the market the certification of the adequacy and effective enforcement of the administrative and accounting procedures for the purposes of the Group's financial disclosure.

The Manager responsible for preparing the Company's financial reports shall rely on the support of the Chief Audit, Risk & Compliance Officer in verifying the operation of the administrative and accounting procedures by testing the controls.

This organisational structure enables to assure the full segregation between the activities for devising the administrative and accounting procedures and the activities for verifying their adequacy and their actual enforcement.

In such a context, all personnel of the ERG Group shall collaborate, in particular personnel in the administrative functions that are more directly involved in the preparation of corporate accounting documents, but also those in other functions that, directly or indirectly, contribute to the process through the preparation of documents and information, the inputting or updating of data in the company's information systems, in normal operations.

The Compliance under Italian Law no. 262/05 was presented to the Internal Control and Risk Committee and it applies, from a viewpoint of logic, of methodology and with regard to the principles of process control and correctness, to the companies of the ERG Group.

Role, Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

Role of the Manager responsible for preparing the Company's financial reports

The main responsibility of the Manager responsible for preparing the Company's financial reports of ERG is, as was stressed above, to implement the administrative-accounting procedures that govern the process for the production of periodic corporate financial reporting, to monitor their application and, together with the Chief Executive Officer, to certify to the market that the above principles were followed and that the financial documentation circulated is reliable. The figure of Manager Responsible fits into the wider framework of Corporate Governance, structured according to the traditional model with the presence of corporate bodies with diverse functions of control.

Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

The Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, shall appoint the Manager responsible for preparing the Company's financial reports, setting his/her compensation and assigning him/her adequate powers and means, among those who have at least three years of experience in positions of adequate responsibility in the administrative, financial or accounting area of enterprises or entities, both public and private, or among those who have adequate competence and experience in legal, economic, administrative-accounting or financial matters.

Elements of the system

Methodological approach

The working methodology adopted within the ERG Group comprises the following logical steps:

a. identification and evaluation of the risks applicable to financial reporting;
b. identification of controls for risks identified both at the Company/Group level (entity level) and at the process level;
c. evaluation of controls and management of the monitoring process both in terms of design, and in terms of operations and effectiveness, with the aim of reducing risks to a level considered "acceptable" (information flows, gap management, plan for remedial action, reporting system, etc.).

The activity is carried out by Internal Audit, Risk & Compliance and it is periodically shared with the Manager responsible for preparing the Company's financial reports.

Risk identification and assessment

Risk Assessment is conducted annually and has the goal of identifying, on the basis of a quantitative analysis and following evaluations and parameters of a qualitative nature:

1. the Companies within the ERG Group scope of consolidation to include in the analysis;
2. the risks at the level of the selected operating Company/Group (Company/Entity Level Controls) relating to the general corporate context of the Internal Control System, with reference to the five components of the CoSO model developed by the Committee of Sponsoring Organizations of the Treadway Commission, leading practice at the international level and recognised within Italy as a reference model by the Italian Stock Exchange Corporate Governance Code (control environment, risk assessment, information and communication, control activities, monitoring);
3. the general risks for the Company's information systems supporting related processes (IT General Controls);
4. the processes that generate, with inherent risk, the accounts of the Consolidated Financial Statements for each company selected;
5. for each relevant process, the specific risks for financial reporting, with particular reference to so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, valuation and allocation, presentation and disclosure).

The process of Risk Assessment carried out at the level of consolidated Group Financial Statements in order to determine the appropriate scope of analysis, is based on the combined application of two analytical parameters, one quantitative and the other one qualitative. As regards the fully quantitative part of the analysis, the following elements are determined:

– large portion (coverage of the Consolidated Financial Statements): this dimension is used to measure the extent of the area within which controls are to be analysed and evaluated, defined on the basis of the weight the dimensions bring to bear on the main items in the Financial Statements;
– significant accounts: this refers to the quantitative size that items in the Financial Statements must have in order to be considered significant after the application of a materiality threshold;
– significant processes: by means of account-process matching, processes are identified for which controls should be assessed, since all processes associated with accounts that have balances greater than the materiality threshold form part of the activity.

Following the quantitative analysis described above, the process of Risk Assessment then requires to perform an analysis based on qualitative elements, with a dual purpose:

– to complement the exclusively quantitative part of the analysis, so as to include or exclude accounts-processes from the scope of the activity on the basis of knowledge the management has, from a historical point of view and also considering the expected evolution of the business, of companies making up the ERG Group, and on the basis of the professional judgement by management concerning risk levels relating to financial disclosures;

– to define the “level of depth" to which the analysed accounts-processes must be taken into consideration within the scope of the activity and at what level the related controls must be mapped, documented and monitored.

The final result of the Risk Assessment process consists of a document that is circulated to the various functions involved, validated by the Manager Responsible and presented to the Internal Control and Risk Committee.

Identification of controls

Once the main risks at the process level are identified, the actions to be taken in order to monitor the associated control objective are identified.

In particular, the mapping of accounts-processes and related controls constitutes a tool through which:

– significant processes and their principal associated risks are represented as defined within the scope of Risk Assessment, as are the controls that are prescribed for the management of such risks;
– the chart of mapped controls is evaluated to ascertain the capacity of each control to manage and mitigate an identified risk and, in particular, the underlying Financial Statements assertion;
– the operation and representation of a control is shared with its owners, as are the risks and control activities;
– monitoring activities, needed to support the representations that must be made by the Manager Responsible, are carried out.

The identification of risks and associated controls is carried out both with regards to controls relating to financial statement assertions and to other control objectives within the scope of financial disclosure, including:

– observance of authorised limits;
– the segregation of duties and responsibilities for operations and control;
– the physical security and existence of the company’s assets;
– activities of fraud prevention that have an impact on financial disclosure;
– the security of company information systems and the protection of personal data.

The mapping generated from time to time for a specific process is also used as the basis for periodic testing activities whose goal is to evaluate and monitor both the chart and the effectiveness of controls in place.

Assessment of controls and monitoring processes

In accordance with the provisions of the law regarding formal compliance and in line with the best practices previously referred to, the adopted methodology prescribes constant monitoring of the relevant processes and effective execution of the mapped controls.

The objective of such monitoring is the evaluation of the operating effectiveness of the controls – in other words the effective functioning during the period of the controls mapped for the purpose of analysis. To this end, a plan is prepared annually of monitoring activities (also refining and optimising these, where necessary). The plan is formalised in a document that is presented to the Internal Control and Risk Committee and in which strategies and timing are defined for carrying out monitoring tests. Among the activities carried out, updates are continuously made in relation to the mapping of processes, risks and controls in accordance with Law no. 262/05 and tests for the purposes of certifications.

Periodically, reports are produced on the results of the activities, providing the support on the basis of which the Manager responsible for preparing the Company’s financial reports releases legal declarations, and the Internal Control and Risk Committee, as regards the most important deadlines for annual and half-year financial reporting, evaluates and participates in the work of the Manager responsible for preparing the Company’s financial reports and the functions through which (s)he operates.

7. THE INDEPENDENT AUDITORS

Auditing is carried out in accordance with the law by a company enrolled in the Register of Auditors maintained by the Italian Ministry of the Economy and Finance.

Deloitte & Touche S.p.A. was appointed as independent auditor for the years 2009-2017 by the Shareholders' Meeting held on 23 April 2009.

In the course of the year, the Independent Auditors have the duty to verify:

- that the corporate accounts are property maintained and all operations are properly accounted for in the accounting records;
- that the Separate Financial Statements and the Consolidated Financial Statements match the results of the accounting records and of the inspections carried out and comply with the rules that govern them.

The engagement of Deloitte & Touche S.p.A. includes the limited scope audit of the Half-Year Financial Report.

In the performance of its activities, the Independent Auditors have access to the information, the documental and computerised data, the archives and the assets of the Company and of the Companies of the ERG Group.

8. INVESTOR RELATIONS

The Company manages relations with its shareholders, institutional investors and the market through the Investor Relations function, which operates within the Division headed by the Chief Financial Officer.

As part of investor relations activities, meetings are regularly arranged both in Italy and abroad with representatives of the financial community. ERG's policy is to provide the fullest possible information on its activities and strategies, including through constant innovation and updating of its website. The person in charge of managing investor relations is Ms. Emanuela Delucchi.

9. COMMITMENTS

The Company intends to confirm its commitment:

- to pursue as its primary objective, in its formal acts and conduct, the creation of shareholder value;
- to model its business on total compliance with the ERG Group's ethical principles, which are based on that combination of values consisting of personal integrity, correctness of relationships inside and outside the Company, and transparency vis-à-vis shareholders, related stakeholders, and the market – as outlined and explained in the Code of Ethics, adopted in December 2003 and whose most recent version was approved by ERG's Board of Directors on 14 May 2014, to reflect not only the organisational-corporate changes that have taken place in the ERG Group, but also the regulatory changes that have taken place and the evolution in reference best practices;
- to ensure, by means of constant attention to the ongoing evolution of corporate governance principles, observance of such principles by its organisation, in order to ensure, in turn, the transparent and efficient operation of the organisation over time.

The main documents concerning Corporate Governance, to which reference is made in the Report, are available in the Corporate Governance section of our website www.erg.it.

STRUCTURE OF THE BOARD OF DIRECTORS AND OF COMMITTEES

TABLE 1

BOARD OF DIRECTORS

OFFICE	MEMBERS	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	LIST (M/m)*	EXECUTIVE	NON EXECUTIVE
CHAIRMAN	EDOARDO GARRONE	1961	20/04/2012	Appr. Fin. St. 31/12/2014	M	YES	
DEPUTY CHAIRMAN	ALESSANDRO GARRONE	1963	20/04/2012	Appr. Fin. St. 31/12/2014	M	YES	
DEPUTY CHAIRMAN	GIOVANNI MONDINI	1966	20/04/2012	Appr. Fin. St. 31/12/2014	M		YES
CEO	LUCA BETTONTE	1963	20/04/2012	Appr. Fin. St. 31/12/2014	M	YES	
DIRECTOR	MASSIMO BELCREDI	1962	20/04/2012	Appr. Fin. St. 31/12/2014	M		
DIRECTOR	PASQUALE CARDARELLI	1934	20/04/2012	Appr. Fin. St. 31/12/2014	M		
DIRECTOR	ALESSANDRO CARERI	1950	20/04/2012	Appr. Fin. St. 31/12/2014	M		YES
DIRECTOR	MARCO COSTAGUTA	1959	20/04/2012	Appr. Fin. St. 31/12/2014	M		YES
DIRECTOR	ANTONIO GUASTONI	1951	20/04/2012	Appr. Fin. St. 31/12/2014	M		
DIRECTOR	PAOLO FRANCESCO LANZONI	1953	20/04/2012	Appr. Fin. St. 31/12/2014	M		
DIRECTOR	GRAZIELLA MERELLO	1947	20/04/2012	Appr. Fin. St. 31/12/2014	M	YES	
DIRECTOR	UMBERTO QUADRINO	1946	20/04/2012	Appr. Fin. St. 31/12/2014	M		

DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR

NONE

QUORUM REQUIRED FOR LIST PRESENTATION AT THE TIME OF LAST APPOINTMENT: **2%**

NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR BOD: **9**

NOTES

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).
** This column indicates the percentage of attendance of the Directors in the meetings respectively of the Board of Directors and of the Committees (no. of meetings attended/no. of meetings held during the actual term of office of the relevant individual).
*** This column indicates the number of appointments as Director or Statutory Auditor held by the relevant individual in other companies listed on regulated markets, also abroad, in financial, banking, insurance companies or in companies of significant size other than those held in companies of the ERG Group.
**** This column indicates whether the member of the Board of Directors is a Committee member.
***** This column indicates the date of first appointment of the Directors starting on 16 October 1997, i.e. the listing date of the Company.

INDEPENDENT AS PER CODE	INDEPENDENT AS PER CFA	% ATTENDANCE (**)	NUMBER OF OTHER OFFICES (***)	LENGTH OF OFFICE AS FROM FIRST APPOINTMENT (*****)	INTERNAL CONTROL AND RISK COMMITTEE		NOMINATIONS AND REMUNERATION COMMITTEE	
					(****)	(**)	(****)	(**)
		100%	2	16/10/1997				
		100%	2	16/10/1997				
		100%	1	16/10/1997				
		100%	–	15/12/2009				
YES	YES	100%	–	29/04/2003	YES	100%	YES	100%
YES	YES	89%	–	28/04/2006			YES	83%
		100%	–	21/06/2011				
		89%	4	20/04/2012				
YES	YES	100%	5	29/04/2003	YES	100%		
YES	YES	100%	–	29/04/2003	YES	100%	YES	100%
		100%	–	23/04/2009				
YES	YES	89%	5	20/04/2012				

ICRC: **11** NRC: **6**

STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

TABLE 2

BOARD OF STATUTORY AUDITORS

OFFICE	MEMBERS	YEAR OF BIRTH	IN OFFICE SINCE	IN OFFICE UNTIL	LIST (M/m) (*)	INDEPENDENCE AS PER CODE	% OF ATTENDANCE (**)	NUMBER OF OTHER OFFICES (***)	LENGTH OF OFFICE AS FROM FIRST APPOINTMENT (****)
CHAIRMAN	MARIO PACCIANI	1944	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	100%	1	29/04/2004
STANDING AUDITOR	LELIO FORNABAIO	1970	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	90%	5	15/04/2010
STANDING AUDITOR	ELISABETTA BARISONE	1967	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	100%	–	23/04/2013
ALTERNATE AUDITOR	VINCENZO CAMPO ANTICO	1966	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	–	–	15/04/2010
ALTERNATE AUDITOR	LUISELLA BERGERO	1971	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	–	–	23/04/2013
ALTERNATE AUDITOR	MARIO LAMPRATI	1949	23/04/2013	Appr. Fin. St. 31/12/2015	M	YES	–	–	15/04/2014

STATUTORY AUDITORS WHO LEFT OFFICE DURING THE REFERENCE YEAR

NONE

QUORUM REQUIRED FOR LIST PRESENTATION AT THE TIME OF LAST APPOINTMENT: **2,5%**

NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR: **10**

NOTES

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column indicates the percentage of attendance of the statutory auditors in the meetings of the Board of Statutory Auditors (no. of meetings attended/no. of meetings held during the actual term of office of the relevant individual).

*** This column indicates the number of appointments as Director or Statutory Auditor held by the Auditors in other companies listed on regulated market, including foreign ones, in financial, banking, insurance companies or in companies of significant size other than those held in companies of the ERG Group. The full list of the offices held is enclosed, in accordance with Article 144-quinquiesdecies of the CONSOB Issuers' Regulations, to the report on the supervisory activity, prepared by the statutory auditors in accordance with Article 153, paragraph 1 of the Consolidated Finance Act.

**** This column indicates the date of first appointment of the Statutory Auditors.

BOARD OF DIRECTORS' PROPOSAL

Dear Shareholders,
We close this report by inviting you:

- to approve the ERG S.p.A. Annual Financial Statements for the period ended 31 December 2014, which closes with a net profit of EUR 46,050,489.17;
- to pay Shareholders a dividend of EUR 0.50 per share. The dividend will be paid for each share having dividend rights outstanding at the coupon detachment date, excluding therefore the company's treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, by distribution of the year's net profit and for the residual part by use of retained earnings;
- to make the dividend payable starting from 20 May 2015, with an ex-dividend date as of 18 May 2015 and record date of 19 May 2015.

Genova, 11 marzo 2015

per il Consiglio di Amministrazione
il Presidente
Edoardo Garrone

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR THOUSAND)	NOTES		31/12/2014		31/12/2013
INTANGIBLE FIXED ASSETS	1		372,589		397,733
GOODWILL	2		125,490		125,490
PROPERTY, PLANT AND MACHINERY	3		1,366,258		1,939,322
EQUITY INVESTMENTS:	4		156,335		222,728
CARRIED AT EQUITY		*154,941*		*220,685*	
OTHER INVESTMENTS		*1,399*		*2,042*	
OTHER NON-CURRENT FINANCIAL ASSETS	5		99,583		109,702
OF WHICH TOWARDS RELATED PARTIES	41	*60,239*		*74,782*	
DEFERRED TAX ASSETS	6		169,671		196,822
OTHER NON-CURRENT ASSETS	7		33,729		58,262
NON-CURRENT ASSETS			**2,323,653**		**3,050,059**
INVENTORIES	8		49,096		90,390
TRADE RECEIVABLES	9		438,604		882,409
OF WHICH TOWARDS RELATED PARTIES	41	*63,139*		*31,374*	
OTHER CURRENT RECEIVABLES AND ASSETS	10		140,929		138,572
OF WHICH TOWARDS RELATED PARTIES	41	*4,527*		*20,707*	
CURRENT FINANCIAL ASSETS	11		58,813		73,318
OF WHICH TOWARDS RELATED PARTIES	41	*17,268*		*51,945*	
CASH AND CASH EQUIVALENTS	12		1,169,359		977,274
CURRENT ASSETS			**1,856,801**		**2,161,963**
ASSETS HELD FOR SALE			**–**		**–**
TOTAL ASSETS			**4,180,454**		**5,212,026**
GROUP SHAREHOLDERS' EQUITY	13		1,671,465		1,773,556
MINORITY INTERESTS	14		47,387		240,004
SHAREHOLDERS' EQUITY			**1,718,852**		**2,013,560**
EMPLOYEES' SEVERANCE INDEMNITIES	15		4,727		4,995
DEFERRED TAX LIABILITIES	16		179,401		222,833
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	17		101,487		105,931
NON-CURRENT FINANCIAL LIABILITIES	18		1,313,904		1,435,682
OF WHICH TOWARDS RELATED PARTIES	41	–		–	
OTHER NON-CURRENT LIABILITIES	19		95,375		65,795
OF WHICH TOWARDS RELATED PARTIES	41	–		–	
NON-CURRENT LIABILITIES			**1,694,894**		**1,835,236**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	20		68,018		34,035
TRADE PAYABLES	21		297,670		693,697
OF WHICH TOWARDS RELATED PARTIES	41	*12,841*		*4,560*	
CURRENT FINANCIAL LIABILITIES	22		244,369		422,381
OF WHICH TOWARDS RELATED PARTIES	41	*237*		*749*	
OTHER CURRENT LIABILITIES	24		156,651		213,117
OF WHICH TOWARDS RELATED PARTIES	41	*94,558*		*28,003*	
CURRENT LIABILITIES			**766,708**		**1,363,230**
LIABILITIES HELD FOR SALE			**–**		**–**
TOTAL LIABILITIES AND EQUITY			**4,180,454**		**5,212,026**

CONSOLIDATED INCOME STATEMENT (1)

(EUR THOUSAND)	NOTES		FY 2014		FY 2013
REVENUES FROM ORDINARY OPERATIONS	28		4,833,918		4,516,322
OF WHICH TOWARDS RELATED PARTIES	41	*886,583*		*898,016*	
OF WHICH NON-RECURRING ITEMS	40	–		*4,550*	
OTHER REVENUES AND INCOME	29		20,289		12,360
OF WHICH TOWARDS RELATED PARTIES	41	*3,080*		*4,537*	
OF WHICH NON-RECURRING ITEMS	40	*8,059*		–	
CHANGES IN PRODUCT INVENTORIES	30		(15,860)		46,153
OF WHICH NON-RECURRING ITEMS	40	–			
CHANGES IN RAW MATERIALS INVENTORIES	31		1,613		(1,115)
OF WHICH NON-RECURRING ITEMS	40	–		–	
COST OF PURCHASES	32		(4,313,450)		(3,986,122)
OF WHICH TOWARDS RELATED PARTIES	41	*(14,538)*		*(230,301)*	
OF WHICH NON-RECURRING ITEMS	40	*(9,875)*		*(7,206)*	
COSTS FOR SERVICES AND OTHER COSTS	33		(181,680)		(178,388)
OF WHICH TOWARDS RELATED PARTIES	41	*(18,935)*		*(202,561)*	
OF WHICH NON-RECURRING ITEMS	40	*(20,127)*		*(13,746)*	
PERSONNEL COSTS	34		(55,126)		(53,470)
OF WHICH NON-RECURRING ITEMS	40	*(3,657)*		*(4,040)*	
EBITDA FROM CONTINUING OPERATIONS			**289,705**		**355,741**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	35		**(158,479)**		**(154,174)**
OF WHICH NON-RECURRING ITEMS	40	–		–	
INCOME (EXPENSES) FROM SALE OF BUSINESS UNIT			**–**		**–**
OF WHICH NON-RECURRING ITEMS	40	–		–	
FINANCIAL INCOME	36		103,798		115,976
OF WHICH TOWARDS RELATED PARTIES	41	*3,103*		*2,147*	
OF WHICH NON-RECURRING ITEMS	40	–		–	
FINANCIAL EXPENSES	36		(171,222)		(185,454)
OF WHICH TOWARDS RELATED PARTIES	41	*(143)*		*(459)*	
OF WHICH NON-RECURRING ITEMS	40	*(4,010)*		–	
NET FINANCIAL INCOME (EXPENSES)	36		**(67,424)**		**(69,478)**
NET INCOME (LOSS) FROM INVESTMENTS CARRIED AT EQUITY			(64,871)		(26,346)
OF WHICH NON-RECURRING ITEMS	40	–		*(6,210)*	
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS			(917)		(61,225)
OF WHICH NON-RECURRING ITEMS	40	*806*		*(58,355)*	
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	37		**(65,788)**		**(87,571)**
PROFIT (LOSS) BEFORE TAXES			**(1,986)**		**44,517**
INCOME TAXES	38		(50,017)		(40,190)
OF WHICH NON-RECURRING ITEMS	40	*3,059*		*(17,594)*	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS			**(52,003)**		**4,327**
NET INCOME FROM SOLD ASSETS AND LIABILITIES	39		124,669		80,893
OF WHICH NON-RECURRING ITEMS	40	*57,617*		*95,808*	
NET PROFIT (LOSS) FOR THE PERIOD			**72,666**		**85,221**
MINORITY INTERESTS			(24,905)		(56,825)
OF WHICH NON-RECURRING ITEMS	40	–		*(1,222)*	
GROUP SHARE OF NET PROFIT			**47.761**		**28.395**

(1) the income statements of 2014 and 2013 are represented in accordance with IFRS 5, thus with the exclusion of the ISAB Energy S.r.l. and ISAB Energy Services S.r.l. business units, comprising mainly the IGCC generating plant and the personnel for its operation and maintenance, indicated separately under "Net income from sold assets and liabilities" in view of the sale of the business units, as better described in the paragraph **Agreement for the sale of the ISAB Energy plant and early termination of CIP 6** and with the exclusion of the income and expenses of ERG Oil Sicilia S.r.l., as better described in the paragraph **Change in the scope of consolidation**

(EUR)	NOTES	FY 2014	FY 2013
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS	42	**(0.364)**	**0.030**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	42	**(0.364)**	**0.030**
GROUP'S BASIC EARNINGS PER SHARE	42	**0.334**	**0.199**
GROUP DILUTED EARNINGS PER SHARE	42	**0.334**	**0.199**

OTHER COMPREHENSIVE INCOME

(EUR THOUSAND)	FY 2014	FY 2013
NET INCOME (LOSS) FOR THE PERIOD	**72,666**	**85,221**
CHANGES THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	(582)	345
INCOME TAXES REFERRED TO THE ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	160	(95)
	(422)	**250**
CHANGES THAT WILL BE RECLASSIFIED IN THE INCOME STATEMENT		
CHANGES IN THE CASH FLOW HEDGE RESERVE	(65,681)	40,624
INCOME TAXES REFERRED TO THE CHANGE IN THE CASH FLOW HEDGE RESERVE	16,101	(13,814)
	(49.580)	**26.810**
OTHER COMPONENTS OF COMPREHENSIVE INCOME AFTER TAX	**(50,002)**	**27,060**
COMPREHENSIVE NET INCOME (LOSS) FOR THE PERIOD	**22,664**	**112,281**
MINORITY INTERESTS	368	(57,093)
COMPREHENSIVE NET INCOME (LOSS) PERTAINING TO THE GROUP	**23,032**	**55,188**

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR THOUSAND)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES (A):		
NET PROFIT (LOSS) FOR THE PERIOD	72,666	85,221
- AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS(1)	187,602	210,129
- NET CHANGE IN PROVISION FOR LIABILITIES AND CHARGES	29,983	72,444
- NET CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES	(16,646)	54,951
- WRITE-DOWN OF RECEIVABLES AND GREEN CERTIFICATES	–	692
- NET CAPITAL GAIN/LOSS ON SALE OF NON-CURRENT ASSETS	–	978
- PORTION OF INCOME/EXPENSES FROM INVESTMENTS CARRIED AT EQUITY	64,871	38,571
- CAPITAL GAIN ON SALE OF EQUITY INVESTMENT IN ISAB S.R.L. 2013 AND 2012 BALANCE	–	(185,837)
- WRITE-DOWN OF EQUITY INVESTMENTS	531	58,355
- NET CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES	(117)	(299)
- INCOME ON CIP 6 TERMINATION	(353,326)	–
- SALE OF BUSINESS UNITS AND ANCILLARY AND RELATED CHARGES	270,416	–
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL	**255,979**	**335,205**
CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES:		
- CHANGE IN INVENTORIES	41,229	108,618
- CHANGE IN TRADE RECEIVABLES	440,108	(50,853)
- CHANGE IN TRADE PAYABLES	(377,738)	(91,058)
- NET CHANGE IN OTHER RECEIVABLES/PAYABLES AND OTHER ASSETS/LIABILITIES	(69,098)	(41,363)
	34,501	**(74,656)**
TOTAL	**290,480**	**260,550**
CASH FLOWS FROM INVESTING ACTIVITIES (B):		
ACQUISITION OF INTANGIBLE FIXED ASSETS AND GOODWILL	(9,742)	(5,111)
ACQUISITION OF PROPERTY, PLANT AND MACHINERY	(44,182)	(70,908)
INCREASES OF PROPERTY, PLANT AND MACHINERY DUE TO CYCLICAL MAINTENANCE	–	–
ACQUISITION OF EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL ASSETS	(1,461)	(11,489)
COLLECTION FROM 2013 SALE OF ISAB SRL AND BALANCE FROM 2012 SALE	–	434,734
COLLECTION FROM CIP 6 TERMINATION	514,509	–
DISPOSALS OF INTANGIBLE FIXED ASSETS AND GOODWILL	–	2,777
DISPOSALS OF PROPERTY, PLANT AND MACHINERY AND RELATED CAPITAL GAINS/LOSSES	2,298	1,317
DISPOSALS OF EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL ASSETS	25,879	(58,951)
DISPOSALS OF BUSINESS UNITS	–	–
TOTAL	**487,301**	**292,369**
CASH FLOWS FROM FINANCING ACTIVITIES (C):		
NEW NON-CURRENT LOANS	40,648	33,112
REPAYMENT OF NON-CURRENT LOANS	(107,265)	(162,707)
NEW LOANS TO GROUP COMPANIES NOT CONSOLIDATED LINE BY LINE	–	(98,635)
NET CHANGE IN LOANS TO GROUP COMPANIES NOT CONSOLIDATED LINE BY LINE	13,956	(62,435)
NET CHANGE IN OTHER NON-CURRENT FINANCIAL LIABILITIES	(128,561)	–
NET CHANGE IN SHORT-TERM BANK BORROWINGS	(104,612)	(241,838)
NET CHANGE IN OTHER CURRENT FINANCIAL ASSETS/LIABILITIES	14,505	9,460
SHARE CAPITAL INCREASES/REPAYMENTS	–	–
ACQUISITION OF TREASURY SHARES	–	–
DIVIDENDS PAID TO THIRD PARTIES	(164,854)	(68,150)
ACQUISITION OF MINORITY INTERESTS IN ISAB ENERGY, ISAB ENERGY SERVICES, ISAB ENERGY SOLARE	(153,130)	–
SHARE CAPITAL INCREASE	50,000	–
OTHER CHANGES IN SHAREHOLDERS' EQUITY	(49,389)	25,388
TOTAL	**(588,702)**	**(565,805)**
CHANGE IN THE SCOPE OF CONSOLIDATION (D)	**3,005**	**(9,164)**
NET CASH FLOW FOR THE YEAR (A+B+C+D)	**192,084**	**(22,051)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**977,274**	**999,325**
NET CASH FLOWS FOR THE YEAR	192,084	(22,051)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,169,359**	**977,274**

(1) the value of amortisation, depreciation and write-downs, is shown prior to IFRS 5

	2014	2013
ADDITIONAL CASH FLOWS INFORMATION		
INCOME TAXES PAID	52,070	81,400
INTEREST PAID	34,410	41,833

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	RESERVES	NET PROFIT (LOSS) FOR THE YEAR	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 31/12/2012	**15,032**	**1,609,445**	**151,225**	**1,775,703**	**195,399**	**1,971,102**
ALLOCATION OF 2012 PROFIT	–	151,225	(151,225)	–	–	–
DIVIDENDS	–	(57,121)	–	(57,121)	(11,029)	(68,150)
OTHER CHANGES	–	(213)	–	(213)	(1,459)	(1,672)
NET PROFIT (LOSS) FOR 2013	–	–	28,395	28,395	56,825	85,221
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	–	250	–	250	–	250
CHANGES IN THE CASH FLOW HEDGE RESERVE	–	26,544	–	26,544	268	26,812
COMPREHENSIVE NET INCOME (LOSS)	**–**	**26,794**	**28,395**	**55,188**	**57,093**	**112,281**
BALANCE AT 31/12/2013	**15,032**	**1,730,130**	**28,395**	**1,773,556**	**240,004**	**2,013,560**

	SHARE CAPITAL	RESERVES	NET PROFIT (LOSS) FOR THE YEAR	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 31/12/2013	**15,032**	**1,730,130**	**28,395**	**1,773,556**	**240,004**	**2,013,560**
ALLOCATION OF 2013 PROFIT	–	28,395	(28,395)	–	–	–
SHARE CAPITAL INCREASE (INCLUSION OF UNICREDIT IN THE CAPITAL OF ERG RENEW) (1)	–	(47,746)	–	(47,746)	47,746	–
DIVIDENDS	–	(142,804)	–	(142,804)	(22,050)	(164,854)
ACQUISITION OF 49% OF ISAB ENERGY (2)	–	64,826	–	64,826	(217,956)	(153,130)
OTHER CHANGES	–	603	–	603	10	613
NET PROFIT (LOSS) FOR 2014	–	–	47,761	47,761	24,905	72,666
RECLASSIFICATION OF ISAB ENERGY RESULT FROM "MINORITY INTERESTS" TO "GROUP"	–	–	22,043	22,043	(22,043)	–
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	–	(412)	–	(412)	(10)	(422)
CHANGES IN THE CASH FLOW HEDGE RESERVE	–	(46,360)	–	(46,360)	(3,220)	(49,580)
COMPREHENSIVE NET INCOME (LOSS)	**–**	**(46,772)**	**69,804**	**23,032**	**(368)**	**22,664**
BALANCE AT 31/12/2014	**15,032**	**1,586,631**	**69,804**	**1,671,465**	**47,387**	**1,718,852**

(1) on 16 January 2014 the Shareholders' Meeting of ERG Renew voted a reserved capital increase, for a total price of EUR 50 million, concurrently subscribed and freed by UniCredit, corresponding to a minority interest in ERG Renew that represents 7.14% of its share capital. On the same date, a representative of UniCredit was appointed to the Board of Directors in accordance with the shareholders' agreements

(2) ISAB Energy refers to ISAB Energy S.r.l. and ISAB Energy Services S.r.l.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

"ERG" refers to ERG S.p.A. and the companies included in its scope of consolidation.

THE GROUP

ERG is active in the generation of energy from renewable sources and from thermoelectric plants, in the marketing of electricity, steam and gas, in the marketing and distribution of petroleum products both in Italy and abroad.

CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements as of and for the year ended 31 December 2014 were prepared, without any waiver or exception, in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the previous Standing Interpretations Committee (SIC).
The Consolidated Financial Statements, expressed in thousands of Euros, were prepared under the general historical cost principle, with the exception of financial assets available for sale, financial assets held for trading, of the inventories of petroleum products for short-term resale and of derivative instruments, which were measured at fair value.
The Consolidated Financial Statements as of and for the year ended 31 December 2014 were audited by the independent firm Deloitte & Touche S.p.A. in accordance with CONSOB regulations.

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERG classifies its income statement using the "nature of expense" method, a form deemed more representative than a classification using the "function of expense" method. The form chosen is in fact consistent with internal and management reporting procedures.
With reference to the statement of financial position, the adopted classification makes a distinction between current and non-current assets and liabilities, as allowed by IAS 1.
The structure of the statement of cash flows is based on the indirect method.
Furthermore, as required by CONSOB resolution 15519 dated 27 July 2006, significant income and charges arising from non-recurring transactions or from events that do not occur frequently in the ordinary course of business have been indicated separately in the income statement. These items are commented upon in a dedicated note.
Also pursuant to the aforementioned CONSOB resolution, balances or transactions with related parties have been entered separately in the statement of financial position and in the income statement. These items are commented upon in a dedicated note.
Lastly, the income statement for the year 2014 and the year 2013 are represented in accordance with IFRS 5, which prescribes how to report the income and expenses of discontinued operations and of assets held for sale, thus excluding the income and expenses:

- of the business units of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC generating plant and of the personnel for its operation and maintenance;
- of the company ERG Oil Sicilia S.r.l.

ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

SUMMARY OF SIGNIFICANT ACCOUNTING STANDARDS

Significant accounting standards adopted for the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2014 are described below. They are the same as for the previous year, except for differences described in the paragraph "Accounting principles, amendments and interpretations applied starting on 1 January 2014".

INTANGIBLE ASSETS

Intangible assets are recognised as assets, pursuant to IAS 38 (Intangible Assets), wherever they are identifiable, it is probable that their use will generate future economic benefits and their cost can be measured reliably.
These assets are measured at their purchase or production cost, including all ancillary charges attributable to them, and are amortised on a straight-line basis over their useful life. Useful lives are reviewed annually and any changes, where necessary, are applied prospectively.
In general intangible assets are amortised over a maximum period of 5 years, with the exception of authorisations and surface rights for the wind farms, amortised in relation to the contractual term.
There are no intangible assets with an indefinite useful life or development costs.
Research costs are expensed directly in the income statement in the period in which they are incurred.
Other intangible assets recognised following a business combination are presented separately from goodwill if their fair value can be measured reliably.

GOODWILL

In a business combination, the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed are recognised at their fair value as of the acquisition date.
If control is acquired, the positive difference between the cost of acquisition and the Group's share of the fair value of these assets, liabilities and contingent liabilities is classified as goodwill and recognised in the consolidated statement of financial position as an intangible asset.
Any negative difference ("negative goodwill") is instead recognised in the Consolidated Income Statement at the time of the business combination.
Goodwill is not amortised, but is subjected to impairment tests pursuant to IAS 36 Impairment of Assets every year, or more frequently if specific events or circumstances indicate the possibility that there may have been any impairment.

PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are recognised at the cost of acquisition or production.
Expansion, modernisation and transformation costs and maintenance costs are capitalised only if they increase the future economic benefits of the asset to which they refer.
Cyclical maintenance costs are recognised as assets in the consolidated statement of financial position as a separate component of the main asset during the year in which they are incurred and are included in the depreciation process on the basis of their estimated useful life.

The cost of the assets, where there are present obligations to do so, includes charges for dismantling, removal of assets and site restoration to be incurred at the time facilities are abandoned, which are presented as a contra-asset in a specific provision. These charges are recognised starting on the date when they can be reliably estimated for those assets for which future disposal, and the time when this will happen, is foreseeable.
Capitalised charges are allocated to the Consolidated Income Statement via depreciation.
Depreciation is calculated on a straight-line basis over the estimated useful life. When the

tangible fixed asset consists of several significant components having different useful lives, each component is depreciated accordingly. The value to be depreciated is the historical cost less the expected residual value, if material and reliably measurable.
Land is not depreciated, even if acquired together with a building. Assets revertible free of charge are depreciated over the estimated life of the asset or the duration of the concession, whichever is shorter.
There were no significant finance lease transactions as defined in IAS 17.

The depreciation rates applied are as follows:

	%
INDUSTRIAL AND COMMERCIAL BUILDINGS	2.75 - 7.34
LIGHTWEIGHT CONSTRUCTIONS	10.0
GENERAL PLANT	8.45 - 10.0
IGCC PLANT *	5.4
CCGT PLANT *	6.09
SERVICE STATIONS	7.4
MOTOR VEHICLES, FURNITURE AND FURNISHINGS, SUNDRY ASSETS	8.38 - 25.0

* average rates

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

IMPAIRMENT OF ASSETS (IMPAIRMENT TEST)

At least once a year, the Group subjects its tangible and intangible assets to an impairment test to determine whether there are indications that they may be impaired. If such an indication exists, it is necessary to estimate the recoverable value of the asset to determine the amount of any write-downs.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher between its fair value, less the costs of the sale, and its value in use determined as the present value of expected future cash flows.
Impairment is recognised if the recoverable value is less than the carrying value. Should the impairment of a fixed asset, other than goodwill, subsequently no longer apply or be reduced, the carrying value of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, without exceeding the value that would have been determined if no impairment had been recognised.

EQUITY INVESTMENTS

Joint ventures

These are companies on whose activity the Group has joint control as defined by IFRS 11 – Joint Arrangements. The Consolidated Financial Statements include the Group's share of the results of the joint venture, measured under the equity method, starting from the date when joint control starts until the time when it ceases to exist.
If the Group’s share of the losses of the joint ventures exceeds the carrying value of the investment in the Consolidated Financial Statements, the value of the investment is written down to zero and the share of additional losses is not recognised, except and to the extent to which the Group is obligated to be liable for them.

Associates

These are companies in which the Group exercises 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 results of the associates, measured under the equity method, starting from the date when significant influence starts until the time when it ceases to exist. If the Group's share of the associate's losses exceeds the carrying value of the investment in the Consolidated Financial Statements, the value of the investment is written down to zero and the share of additional losses is not recognised, except and to the extent to which the Group is obligated to be liable for them.

FINANCIAL ASSETS

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

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

Initially, all financial assets are recognised at their fair value, increased, in case of assets other than those classified as FVTPL, by ancillary costs.

At the time of underwriting, an assessment is made as to whether 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 embedded derivatives are not closely related to those of the host contract.

The Group classifies its financial assets after initial recognition and, when appropriate and allowable, reviews this classification at the end of each 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 separated embedded derivatives, 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 of 31 December 2014, no financial asset had been designated as 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 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 of 31 December 2014, the Group held no investments classified as HTM.

- **Loans and receivables (L&R)**

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

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

Gains and losses are recognised in the Consolidated Income Statement when loans & receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.
Trade receivables are presented at their fair value, which corresponds to their face value, and are subsequently reduced to account for uncollectible receivables, if any. Trade receivables whose due date is not consistent with normal trading terms and which do not earn interest are discounted to their present value.

- **Available-for-sale (AFS) financial assets**
  Available-for-sale (AFS) financial assets are financial assets, other than derivative financial instruments, that have been designated as such or are not classified in any of the previous three categories.
  Following initial recognition, AFS financial assets are measured at fair value and gains and losses are reported under a separate heading within shareholders' equity.
  AFS financial assets include equity investments in companies other than subsidiaries and associates in which ERG's direct or indirect ownership percentage is less than 20%.
  When fair value cannot be reliably measured, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included in "Other net income (loss) from equity investments".
  When the reasons for the write-downs cease to exist, equity investments carried at cost are revalued to the extent of the write-downs that had been recognised and the effect is presented in the income statement.
  The risk arising from any losses exceeding shareholders' equity is recognised in a specific reserve to the extent that the investor has committed to meet legal or constructive obligations vis-à-vis the investee company or in any case to cover its losses.

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

Fair value
In case of securities widely traded in regulated markets, fair value is determined with reference to market prices at the close of trading on the Financial Statements' date.
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
"Investments held to maturity" and "Loans & receivables" are measured at amortised cost, calculated using the effective interest method, net of impairment provisions or allowances, if any. This calculation takes into account all purchase discounts or premiums and includes any fees which are an integral part of the effective interest rate and transaction costs.

IMPAIRMENT OF FINANCIAL ASSETS
At each Consolidated Financial Statements' date, the Group verifies whether a financial asset or group of financial assets has suffered impairment.
If there is objective evidence that a loan or receivable carried 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 expected cash flows discounted at the asset's original effective interest rate.

The carrying value of the asset is reduced via accrual of a provision. The impairment amount is recognised in the income statement.
The Group assesses the existence of factual evidence of impairment on an asset-by-asset basis. 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 of the write-back date.
In case of trade receivables, an allowance for uncollectible receivables is recognised when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that the Group will be unable to recover the amounts owed according to the original conditions.
The carrying value of the receivable is reduced via use of a specific provision. Receivables are derecognised if they are deemed unrecoverable.
The Group has applied the provisions of IFRS 2 commencing on 1 January 2005 and therefore to all stock option plans implemented after that date.
As of 31 December 2014, there were no extant stock option plans.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented, according to their nature, at face value.
In accordance with IAS 7, the definition of cash equivalents comprises cash on hand and bank/postal deposits repayable on demand, together with short-term, highly liquid investments that are readily convertible to a known amount of cash. It also includes short-term investments whose reimbursement value is predetermined at the date of initial purchase/recognition.

FINANCIAL LIABILITIES

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

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

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.
After initial recognition, loans are measured at amortised cost using the effective interest method.
Every gain or loss is recognised in the income statement when the liability is settled, as well as via the amortisation process.
Financial liabilities at FVTPL include "liabilities held for trading".
Liabilities held for trading (HFT) are acquired for the purpose of short-term sale and comprise derivatives – including separated embedded derivatives – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.
As of 31 December 2014, no financial liability had been 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 (removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has taken on a contractual obligation to pay them in their entirety and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and has transferred substantially all risks and rewards of ownership of the financial asset, or has neither

transferred nor retained substantially all risks and rewards of the asset, but has transferred control of same.

In cases where the Group has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in Group accounts to the extent of the Group's residual involvement in such asset.
A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or settled.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative financial instruments are initially recognised at their fair value on the date when they are stipulated. This fair value is then subject to periodic revaluation.
They are presented as assets when their fair value is positive and as liabilities when it is negative.
ERG carries out transactions with derivative instruments to hedge the risk stemming from the fluctuations in raw material and product prices, foreign currency exchange and interest rates.
Derivatives are classified as hedging instruments, consistently with IAS 39, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging, verified both beforehand and periodically, is high.
When derivatives hedge the risk of fluctuations in the fair value of the underlying hedged asset (fair value hedge), they are measured at their fair value and the effects are presented in the income statement; accordingly, the hedged instruments are adjusted to reflect changes in the fair value associated with the hedged risk.
When the derivative hedges the risk of fluctuations in the cash flows associated with the underlying hedged asset (cash flow hedge), the effective portion of changes in the fair value of the derivatives is initially recognised in shareholders' equity and subsequently presented in the Consolidated Income Statement matching the economic effects produced by the hedged transaction.
Changes in the fair value of derivatives that do not have the formal requisites to qualify as hedges under IAS/IFRS are presented in the Consolidated Income Statement.

TREASURY SHARES

Treasury shares are presented as a reduction of shareholders' equity. The original cost of treasury shares, write-downs for impairment, and income and losses deriving from any subsequent sales are presented as changes in shareholders' equity.

INVENTORIES

Raw materials inventories, relating to spare parts, are measured at cost, determined using the weighted average cost method, or market value (replacement cost), whichever is lower.
Product inventories, relating to petroleum products for short-term resale, are recorded at fair value less sale costs.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the Financial Statements' date. Non-monetary items are maintained at the exchange rate prevailing at the transaction date except in case of a persistently unfavourable trend in the exchange rate. Exchange rate differences generated on derecognition of items at rates differing from those at which they had been translated at the time of their initial recognition and those relating to monetary items at year-end are presented in the income statement under financial income and expenses.

PROVISIONS FOR LIABILITIES AND CHARGES

ERG records provisions for liabilities and charges when:

- there is a present legal or constructive obligation to third parties;
- it is probable that the use of Group resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Changes in estimates are reflected in the income statement in the period in which they occur. When the financial effect of time is significant and the dates of settlement of the obligations can be estimated, the provision is subject to discounting, utilising a discount rate that reflects the current time value of money. The increase in the provision connected to the passing of time is recognised in the Consolidated Income Statement under "Financial income (expenses)". When the liability relates to property, plant or machinery (for example dismantling and restoration of sites), the provision is presented as a contra asset against the asset to which it refers, and recognition in the income statement takes place through the depreciation process. Significant contingent liabilities, represented by the following, are disclosed in the notes to the Consolidated Financial Statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

EMPLOYEE BENEFITS

Until 31 December 2006, the employees' severance indemnities provision (TFR) of Italian companies was considered as a defined benefit plan. The rules for the provision were amended by Italian Law no. 296 dated 27 December 2006 ("2007 Budget Law") and subsequent decrees and regulations promulgated in the early months of 2007. In light of these amendments, and in particular with reference to companies with at least 50 employees, the TFR is currently considered a defined benefit plan solely for the portions accrued prior to 1 January 2007 and not yet liquidated as of the date of the Consolidated Financial Statements, whereas after said date it is deemed akin to a defined contribution plan.
The liability relating to defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of the future benefits to which employees are entitled as of the reporting date, and accrued over the rights' vesting period; the liability is valued by independent actuaries.
Gains and losses related to defined benefit plans arising from changes in the actuarial assumptions used, or changes in the plan conditions, are recognised pro rata in the income statement for the remaining average working life of the employees participating in the plan, if and to the extent that their net off-balance-sheet value at the end of the previous year exceeds the higher between 10% of the liability pertaining to the plan and 10% of the fair value of the plan assets.

REVENUE RECOGNITION

Revenues from sales and services are recognised when the actual transfer of risks and rewards of ownership occurs, which coincides with the time of delivery or based on different contractual specifications, or upon completion of the services.
ISAB Energy's sales revenues are based on a sale contract to the GSE regulated by the price established in Regulation 6/1992 of the Inter-ministerial Prices Committee (CIP/6), signed for 20 years and already authorised by the EU for 15 years. Regulation 6/1992 provides for recognition of a subsidised price for the first eight years of operation (2000-2008). These revenues are reflected in the present Financial Statements only for the first six months of 2014, until the date of sale of the ISAB Energy plant, which took place on 1 July 2014.

Revenues stemming from partially provided services are recognised as earned pro rata over completion, provided that it is possible to determine their level of completion reliably and there are no significant uncertainties as to the amount and existence of revenues and related costs; otherwise, they are recognised within the limits of the recoverable costs incurred.
Revenues are presented net of returns, discounts, rebates and allowances, as well as of any directly related taxes.
If a deferment of payment is expected, which does not fall under normal commercial terms, the financial component that will be attributed as income in the deferment period is separated from revenues. Since exchanges of goods or services of a similar nature and value do not constitute sales transactions, they do not give rise to recognition of revenues and costs.
Revenues relating to green certificates are recognised based on production in the period and are calculated on the basis of the legal regulations and prevailing resolutions of the Italian Electricity Authority during the period, also taking into account the prevailing pro tempore equalising regulations.
Grants related to assets are recognised at the time when a formal assignment is made and any possible restriction on their collection is removed and they are recognised in the Consolidated Income Statement over the useful life of the related assets, with the purpose of matching their economic-technical depreciation.

DIVIDENDS

Dividends are recognised when, following a shareholders' resolution, the right of shareholders to receive the payment is established.

FINANCIAL INCOME AND EXPENSES

These are recognised under the accrual basis of accounting in the Consolidated Income Statement based on the interest due on the net value of financial assets and liabilities, utilising the effective interest rate.

INCOME TAXES

Current taxes are accrued based on the estimated tax burden for the period, also taking into account the effects relating to participation of most Group companies in Tax Consolidation.
Income taxes are presented in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve. In these cases, the tax effect is also directly presented under shareholders' equity.
Furthermore, pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred-tax assets and liabilities arising from temporary differences deriving from adjustments made to consolidated companies' separate Financial Statements in application of the Group's uniform accounting standards, as well as from temporary differences between the statutory values and related tax values.
Provisions for taxes that may arise from the transfer of undistributed profits of subsidiary companies are made only when there is a real intention to transfer such profits.
Deferred tax assets are only recognised in the Financial Statements if their future recovery is probable.
With regards to deferred tax assets related to tax losses that can be carried forward, please see the following paragraph.
Deferred taxes are calculated on the basis of the tax rates expected to be in force in the periods in which the taxable temporary differences will be reversed.
Deferred tax assets and deferred tax 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 stabilisation of the Country (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax

Act (TUIR) pertaining to the carrying forward of tax losses, eliminating the 5-year time limit prescribed for the purposes of determining whether prior years' tax losses can be carried forward (such losses, therefore, can be carried forward without limitation), and introducing a quantitative limit to the utilisation of prior years' tax losses, i.e. 80% of the income produced in the following years. The aforesaid quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.
The new provisions had already been applied starting in 2011 and as clarified by circular 53/E 2011 by the Italian Fiscal Revenue Agency, also with effect on the tax losses generated prior to 2011 and still being carried forward according to previous regulations.

ROBIN TAX

With its decision no. 10 of 11 February 2015, the Constitutional Court declared the non retroactive unconstitutionality of the 6.5% IRES surtax for enterprises operating in the petroleum and energy industries ("Robin Tax"), introduced by Article 81, Paragraph 16 of Italian Law Decree no. 112/2008 (converted into Italian Law no. 133/2008) as amended.
The declaration of unconstitutionality has been effective since 12 February 2015, the day after the decision was published in the Official Gazette.
For the purposes of these Financial Statements, therefore, the current taxes were calculated considering, when applicable, the IRES surtax in accordance with Article 81 of Italian Law Decree no. 112/2008 ("Robin Tax"), whereas the deferred tax assets and liabilities previously allocated with reference to the aforementioned surtax were derecognised because, as a result of the aforementioned non retroactive unconstitutionality of the Robin Tax on the part of the Constitutional Court, the very basis for their expected payment no longer applies. The related effect was considered an adjusting event in accordance with IAS 10, i.e. an event occurred after the reporting date, which entails an adjustment on the basis of the best analyses available at the time of preparation of these Financial Statements in relation to the recent promulgation of the decision.
The derecognition of the deferred tax assets and liabilities was posted in the income statement under "taxes" and the net impact was negative by EUR 5 million. In addition, the equity measurement of the TotalErg S.p.A. joint venture under the equity method reflects EUR 14 million (ERG share) tied to the same effect.
The aforesaid impacts were isolated as non-recurring items.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to the parent company's ordinary shareholders by the weighted average number of the ordinary shares outstanding during the period.
To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted by assuming the conversion of all dilutive potential ordinary shares.

ENVIRONMENTAL CERTIFICATES

- **White certificates** (Energy Efficiency Certificates) are assigned upon achievement of energy savings through the application of efficient technologies and systems. White certificates are recorded among marketable financial assets in consideration of the existence of an active market organised and managed by the Electricity Market Operator (GME).
  White certificates are accounted for on an accrual basis and recognised among other current assets, in proportion to the savings of TOE (Tonnes of Oil Equivalent) actually recorded during the year.
  They are measured at their market value of the last month of the year, unless the market

value at the end of the year is significantly lower, relative to the white certificates intended for the market. The value of the white certificates intended for withdrawal by the GSE is measured on the basis of the value established in Article 9, paragraph 2 of Italian Ministerial Decree dated 5 September 2011, or at their prevailing price at the time the co-generation unit started operations.
For the co-generation units that started operations before the entry into force of the aforementioned Italian Ministerial Decree, the reference price is the prevailing price at the same date of entry into force. The withdrawal price remains constant during the subsidised period.

- **Green certificates** from renewable sources are recorded on an accrual basis in view of the actual energy output from the same sources.
  Said green certificates are measured at a price amounting 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 published by the Italian Authority for Electricity and Gas, no later than the 31st of January of each year.
  In this regard, of significance is Italian 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, i.e. for those that started 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 the previous year and announced by the Italian Authority for Electricity 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.
  It should also be recalled that on 6 July 2012 the Italian Inter-ministerial Decree providing incentives for renewable electricity sources other than photovoltaic was published.
  The incentives provided for plants already existing or completed by the end of 2012 (with a transitory period through 30 April 2013, for plants authorised at 31 December 2012), does not have any significant discontinuities (it confirms the calculation formula). Until 2015, the green certificates system will remain in force; and it will be converted, for the residual period of entitlement to the incentives, with the release of a feed-in tariff paid on monthly basis and calculated according to the same formula. Additionally, the timing for the withdrawal of the green certificates by the National Grid Operator (GSE) was defined (in accordance with Article 25, Paragraph 4, of Legislative Decree no. 28 of 28 March 2011) for the Green Certificates issued for generation from renewable sources in the years from 2011 to 2015.
  The same Ministerial Decree defined, implementing Legislative Decree no. 28/2011, the new incentive scheme for plants authorised and commissioned after 31 December 2012; this scheme calls for the payment of feed-in tariff to be determined with a Dutch auction system starting from the base value set, by source and by plant size, by the decree itself: in particular for on-shore wind farms larger than 5 MW the minimum price was set to 127 EUR/MWh, for a twenty-year duration of the incentive (useful life).
- In relation to the obligation to hand over the green certificates from non renewable sources to the GSE, said certificates are recognised on an accrual basis. If the quantity of green certificates purchased before the end of the year of accrual is lower than the quantity necessary to fulfil legal obligations, the company recognises the expense still to be incurred for the certificates not yet purchased, as an offset to the liability to the GSE.
  If instead, at the end of the year, the quantity of green certificates purchased before the end of the year of accrual exceeds the quantity required to fulfil the legal obligation, the company recognises a prepaid expense equal to the costs to be adjusted, because they will accrue the following year.
  They are measured at purchase price.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of the Consolidated Financial Statements and explanatory notes pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying values of the assets and liabilities recognised in the Consolidated Financial Statements and disclosures relating to contingent assets and liabilities. Making these estimates involves using information available and subjective judgment.

By their very nature, estimates and assumptions used may vary from year to year, and therefore, it cannot be excluded that in subsequent years the current financial statement values may differ as a result of the change in the subjective assessments used.

The main estimates for which subjective assessments are more heavily required were used, inter alia, for:

- provisions for bad debt, inventory obsolescence and asset write-downs;
- the definition of the useful life of fixed assets and the related amortisation and depreciation;
- provisions for environmental risks and for liabilities related to legal and fiscal disputes; in particular, the evaluation processes involve both determining the degree of likelihood of the occurrence of conditions that may entail a financial outlay, and quantifying the related amount;
- deferred tax assets, recognised on the basis of the Group's future taxability of profits as forecast by business plans as well as of the expected composition and renewal of tax consolidation regimes;
- the impairment test for intangible and tangible assets and for other equity investments, described in detail in the Impairment test paragraph, implies – in the estimation of the value in use – the utilisation of the investee companies' business Plans, based on a set of assumptions and hypotheses relating to future events and actions by the investee companies' governing bodies, which may not necessarily occur. Similar estimation procedures are necessary when reference is made to the estimated fair value (net of disposal costs) component due to the uncertainty inherent in any negotiation.

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period when the change took place.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2014

The following Accounting Standards, amendments and interpretations were applied for the first time by the Group starting on 1 January 2014:

- On 12 May 2011 the IASB issued the standard IFRS 10 – Consolidated Financial Statements, which will replace IAS 27 – Consolidated and Separate Financial Statements, for the part pertaining to the Consolidated Financial Statements, and SIC-12 Consolidation – Special Purpose Entities. The previous IAS 27 was renamed Separate Financial Statements and it specifies how to account for equity investments in the separate Financial Statements. The main changes established by the new standards are as follows:
  - according to IFRS 10, there is a single basic principle for consolidating all types of entities, and said principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);
  - a new definition of control was introduced, based on three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from an investee; (c) ability to use power to affect the reporting entity's returns;
  - IFRS 10 requires an investor, when assessing whether it has control over the investee, to focus on the activities that significantly affect the investee's returns;

- IFRS 10 requires that, assessing whether control exists, only substantive rights be considered, i.e. those that are exercisable in practice when the relevant decisions on the investee need to be made;
- IFRS 10 provides practical guidance to help with the assessment as to whether control exists in complex situations, such as de facto control, potential voting rights, situations when it is necessary to assess whether the party with the decision-making power is acting as an agent or a principal, etc.

In general terms, applying the IFRS 10 requires a significant level of judgement on a certain number of application aspects.
The standard has been retrospectively effective since 1 January 2014.

- On 12 May 2011 the IAS issued its standard IFRS 11 – Joint Arrangements, which will replace IAS 31 – Interests in Joint ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Without affecting the criteria for identifying whether joint control exists, the new standards provides criteria in accounting for joint arrangements based on the rights and obligations deriving from such arrangements rather than on their legal form, distinguishing between joint venture and joint operation. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. For joint ventures, whereby the parties have rights only to the net assets of the arrangement, the standard establishes the equity method as the sole accounting method in the Consolidated Financial Statements. For joint operations, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, the standard requires the direct recognition in the Consolidated Financial Statements (and in the Separate Financial Statements) of the joint operators' share of any assets, liabilities, expenses and revenues deriving from the joint operation.
  The new standard has been retrospectively effective since 1 January 2014.
  Following the issue of the new IFRS 11, IAS 28 - Investments in Associates was amended to include in its scope, from the effective date of the standard, also investments in jointly controlled entities.
- On 12 May 2011 the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new, complete standard on the disclosure to be provided in the Consolidated Financial Statements for every type of interest, including those in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard has been retrospectively effective since 1 January 2014.
- On 16 December 2011 the IASB issued some amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities, to clarify the application of certain criteria for offsetting financial assets and liabilities present in IAS 32. The amendments apply retrospectively for years starting on or after 1 January 2014.
- On 28 June 2012 the IASB published the document called Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments have been effective, together with the reference standards, since 1 January 2014.
- On 31 October 2012 the "Investment Entities" amendments were made to IFRS 10, IFRS 12 and IAS 27, introducing an exception to the consolidation of subsidiaries for investment entities, except those cases in which their subsidiaries provide services referred to the investment activities of these entities. With the application of said amendments, investment entities must measure their investments in subsidiaries at fair value. The following criteria were introduced for qualification as investment entities and, thus, to be able to access the aforesaid exception:
  - obtaining funds from one or more investors with the purpose of providing investment management services to them;

- committing with their investors to pursue the aims of investing the fund exclusively to obtain returns from capital appreciation, investment income or both;
- measure and evaluate the performance of substantially all investments on a fair value basis.

These amendments have been effective, together with the reference standards, since 1 January 2014.

- On 29 May 2013 the IASB issued some amendments to IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets. The purpose of the amendments is to clarify that the required disclosures to be provided about the recoverable amount of assets (including goodwill) of cash-generating units, if their recoverable value is based on fair value less costs of disposal, pertain only to the assets or cash-generating units for which the entity has recognised or reversed an impairment loss during the reporting period. The amendments apply retrospectively for years starting on or after 1 January 2014.
- On 27 June 2013 the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting". The amendments involve the introduction of certain exemptions to the hedge accounting requirements defined by IAS 39 when an existing derivative has to be replaced with a new derivative in a specific instance in which said novation is to a Central Counterparty (CCP) as a result of the introduction of a new law or regulation. The amendments apply retrospectively for years starting on or after 1 January 2014.
- On 20 May 2013, IFRIC 21 – Levies was published, providing guidance on when to recognise a liability for a levy (other than income taxes) imposed by a government for an entity that must pay such levies. The standard addresses both liabilities for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and the amount of the levy is certain.

The adoption of the aforesaid standards has had no significant effects on this Annual Financial Report.

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

On 12 December 2013, the ISAB published the document Annual Improvements to IFRSs: 2010-2012 Cycle which incorporates the amendments to the standards within the scope of the annual process for their improvement. The main amendments pertain to:

- IFRS 2 Share Based Payments – Definition of vesting condition. Changes were made to the definitions "vesting condition" and "market condition", adding the definitions of "performance condition" and "service condition" (which were previously part of the definition of "vesting condition").
- IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a "contingent consideration" that is classified as a financial asset or a liability shall be measured at fair value at each reporting date and changes to fair value shall be recognised in the Income Statement or among comprehensive income items in accordance with the requirements of IAS 39 (or IFRS 9).
- IFRS 8 Operating segments – Aggregation of operating segments. The changes require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the aggregated operating segments and of the economic indicators considered in determining whether the operating segments have "similar economic characteristics".
- IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The changes clarify that an entity shall only provide reconciliations of

the total of the reportable segments' assets to the entity's assets if the total of the segment assets is regularly reviewed by the top operational decision-making level.

- IFRS 13 Fair Value Measurement – Short-term receivables and payables. Changes were made to the "Basis for Conclusions" of this standard, in order to clarify that issuing IFRS 13 and the consequential amendments to IAS 39 did not remove the ability to measure short-term trade receivables and payables without discounting, if the effect of not discounting is immaterial.
- IAS 16 Property, plant and equipment e IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation. The changes removed inconsistencies in the recognition of accumulated depreciation/amortisation when a tangible or intangible asset is revalued: the new requirements clarify that the gross carrying amount shall be adjusted in a manner that is consistent with the revaluation of the carrying amount and that the accumulated depreciation/amortisation shall be equal to the difference between the gross carrying amount and the carrying amount net of the recognised write-downs.
- IAS 24 Related Parties Disclosures – Key management personnel. The change clarifies that an entity (and not a natural person) providing key management personnel services to the reporting entity is a related party of the reporting entity.

On 12 December 2013, the ISAB published the document Annual Improvements to IFRSs: 2011-2013 Cycle which incorporates the amendments to the standards within the scope of the annual process for their improvement. The main amendments pertain to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS". It clarifies that an entity, in its first IAS/IFRS Financial Statements, has the choice between applying an existing and currently effective IFRS or applying a new or revised IFRS that is not yet mandatorily effective. The option is allowed only when the new standard permits early adoption. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IAS/IFRS Financial Statements.
- IFRS 3 Business Combinations – Scope exception for joint ventures. The change clarifies that paragraph 2(a) of IFRS 3 excludes from its scope the accounting for the formation of all types of "joint arrangements", as defined by IFRS 11.
- IFRS 13 Fair Value Measurement – Scope of portfolio exception. The change clarifies that the scope of the "portfolio exception" defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets or financial liabilities provided in IAS 32.
- IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The change clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, to determine whether the purchase of property falls within the scope of IFRS 3, reference must be made to the specific indications provided by IFRS 3; to determine, instead, whether the purchase in question falls within the scope of IAS 40, reference must be made to the specific indications provided by IAS 40.

On 21 November 2013 the IASB published the document Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions. The amendment clarifies that contributions to defined benefit plans from employees or third parties that are linked to service should be attributed to periods of service.

The changes shall be effective for annual periods beginning on or after 1 July 2014. Early adoption is allowed.
The Group has not proceeded with the early adoption of the aforementioned Standards.

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

At the date of these Consolidated Financial Statements the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and standards described below.

- IFRS 14 – Regulatory Deferral Accounts.
- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 – Financial Instruments.
- Amendments to IAS 27: Equity Method in Separate Financial Statements.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- On 25 September 2014 the IASB issued the Annual Improvements to IFRSs 2012-2014 Cycle. The set of amendments pertained to the following standards:
  - IFRS 5 Non-current Asset Held for Sale and Discontinued Operations;
  - IFRS 7 Financial Instruments: Disclosures;
  - IAS 19 Employee Benefits;
  - IAS 34 Interim Financial Reporting.
- Amendments to IFRS 10, 12 e allo IAS 28: Investment Entities: Applying the Consolidation Exception.
- Amendments to IAS 1: Disclosure Initiative.

CONSOLIDATION PRINCIPLES

SCOPE OF CONSOLIDATION

The Consolidated Financial Statements contain line-by-line consolidation of data pertaining to ERG S.p.A., the Parent Company, and the subsidiaries either directly or indirectly controlled by ERG S.p.A. Such control exists when the Group has the power to determine the financial and operational policies of a company for the purpose of obtaining benefits from its activities. Subsidiary companies are consolidated commencing on the date when the Group effectively obtained control and cease to be consolidated from the date when control is transferred outside the Group.

Associates, where ERG S.p.A. has significant influence, and joint ventures, where it exercises joint control over financial and operational strategy, are measured under the equity method of accounting. The Group's share of profits or losses is recognised in the Consolidated Financial Statements starting on the date when the significant influence commenced and up to the date when it ceased.

Should the Group's share of the losses incurred by an associate exceed the carrying value of the investment shown in the Consolidated statement of financial position, after writing off the carrying value a provision is recognised for the Group's share of the losses to the extent that the Group has legal or constructive obligations to cover the losses of the associate or, in any event, to make payments on its behalf or in relation to its scope of activity.

No companies were consolidated using the proportional method.

INVESTMENTS IN CONSOLIDATED COMPANIES

The Financial Statements of subsidiaries used for consolidation purposes were drawn up as of 31 December 2014 based on the same accounting principles and policies adopted by the Group.

All Financial Statements of the companies consolidated line by line are expressed in Euros.
When preparing the Consolidated Financial Statements, the assets, liabilities, revenues and costs of the consolidated companies are included line by line for their full amount, attributing to minority shareholders, under separate headings of the consolidated statement of financial position and income statement, their portion of shareholders' equity and profit or loss for the year. The portion of shareholders' equity pertaining to minority interests is calculated on the basis of the fair values attributed to assets and liabilities at the date control was acquired, excluding any goodwill allocable to them.
The carrying value of investments is eliminated against the corresponding portion of shareholders' equity of the investee companies, attributing to individual assets and liabilities their fair values as of the date control was acquired. Any residual difference, if positive, is recognised as "Goodwill"; if negative, it is recognised in the Consolidated Income Statement as prescribed by IFRS 3 (Business Combinations).

INTRA-GROUP TRANSACTIONS

Application of the "line-by-line" method, aimed at eliminating the effects of all intra-group transactions on the consolidated statement of financial position and income statement, results in elimination of reciprocal receivables and payables among the companies included in the scope of consolidation, as well as revenues and costs, income and expenses, gains and losses, if significant, originating from sales of products and assets.

TRANSLATION OF FINANCIAL STATEMENTS DRAWN UP IN CURRENCIES OTHER THAN THE EURO

ERG's Consolidated Financial Statements have been drawn up in Euros, which is the functional currency of ERG S.p.A. and of all companies included in the scope of consolidation.
Financial Statements of the companies measured under the equity method of accounting that are expressed in currencies other than the Euro are translated into Euros by applying the year-end currency exchange rate to individual items in the statement of financial position.
Foreign currency exchange differences resulting from the translation of initial shareholders' equity items at year-end rates, compared with those in force at the end of the previous year, are charged directly to Consolidated shareholders' equity.

LIST OF GROUP COMPANIES

The following tables show the companies consolidated on a line-by-line basis, those measured under the equity method of accounting, and those measured at cost.

List of companies consolidated on a line-by-line basis:

(EUR THOUSAND)	REGISTERED OFFICE	DIRECT SHARE	GROUP'S SHARE	SHARE CAPITAL [1]	SHAREHOLDERS' EQUITY [1]
ERG S.P.A.					
ERG POWER GENERATION S.P.A.	GENOA	100%	100%	6,000	32,042
ERG RENEW S.P.A.	GENOA	93%	93%	107,692	636,512
ERG SERVICES S.P.A.	GENOA	100%	100%	1,200	10,006
ERG SUPPLY & TRADING S.P.A.	GENOA	100%	100%	1,200	(9,308)
ISAB ENERGY S.R.L.	GENOA	100%	100%	5,165	550,353
ERG POWER GENERATION S.P.A.					
ERG POWER S.R.L.	GENOA	100%	100%	5,000	100,731
ISAB ENERGY SERVICES S.R.L.	GENOA	100%	100%	700	15,337
ERG RENEW S.P.A.					
ERG EOLICA ADRIATICA S.R.L.	GENOA	100%	100%	10	46,728
ERG EOLICA AMARONI S.R.L.	CATANZARO	100%	100%	10	776
ERG EOLICA BASILICATA S.R.L.	GENOA	100%	100%	38	2,380
ERG EOLICA CALABRIA S.R.L.	CATANZARO	100%	100%	10	166
ERG EOLICA CAMPANIA S.P.A.	GENOA	100%	100%	120	34,659
ERG EOLICA FAETO S.R.L.	GENOA	100%	100%	10	6,756
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	100%	100%	50	21,290
ERG EOLICA GINESTRA S.R.L.	GENOA	100%	100%	10	3,335
ERG EOLICA S. CIREO S.R.L.	GENOA	100%	100%	3,500	19,838
ERG EOLICA S. VINCENZO S.R.L.	GENOA	100%	100%	3,500	17,841
ERG EOLICA TIRRENO S.R.L.	CAMPOREALE	100%	100%	10	17
ERG EOLIENNE FRANCE S.A.S.	PARIS	100%	100%	21,625	20,572
ERG RENEW OPERATIONS & MAINTENANCE S.R.L.	GENOA	100%	100%	10	4,166
ERG WIND INVESTMENTS LTD [2]	GIBRALTAR	80%	80%	–	152,779
EW ORNETA 2 SP. ZO.O.	SZCZECIN	100%	100%	12	(265)
GREEN VICARI S.R.L.	CAMPOREALE	100%	100%	119	12,068
ERG EOLIENNE FRANCE S.A.S.					
EOLIENNES DU VENT SOLAIRE S.A.S.	PARIS (F)	100%	100%	37	(2,797)
PARC EOLIEN DE LIHUS S.A.S.	PARIS (F)	100%	100%	1,114	(750)
PARC EOLIEN DE HETOMESNIL S.A.S.	PARIS (F)	100%	100%	1,114	(504)
PARC EOLIEN DE LA BRUYÈRE S.A.S.	PARIS (F)	100%	100%	1,060	(309)
PARC EOLIEN DU CARREAU S.A.S.	PARIS (F)	100%	100%	861	1,532
PARC EOLIEN LES MARDEAUX S.A.S.	PARIS (F)	100%	100%	1,097	(1,464)

(1) data referring to the latest approved Financial Statements
(2) within the agreements entered into with the seller, a put and call option is provided on the remaining 20% of the capital, on the basis of which the acquisition of the shares attributable to the minority shareholder was assumed to be certain, with the consequent attraction of the related minority interests in the shareholders' equity of the Group.

(EUR THOUSAND)	REGISTERED OFFICE	DIRECT SHARE	GROUP'S SHARE	SHARE CAPITAL	SHAREHOLDERS' EQUITY
ERG WIND INVESTMENTS LTD.					
ERG WIND HOLDINGS (ITALY) S.R.L.	ROME	100%	80%	212	872,915
ERG WIND MEI 2-14-1 LTD	LONDON	100%	80%	–	1,590
ERG WIND MEI 2-14-2 LTD	LONDON	100%	80%	–	861
ERG WIND HOLDINGS (ITALY) S.R.L.					
ERG WIND SARDEGNA S.R.L.	ROME	100%	80%	77	42,040
ERG WIND SICILIA 6 S.R.L.	ROME	100%	80%	77	31,846
ERG WIND 4 S.R.L.	ROME	100%	80%	6,633	48,690
ERG WIND ENERGY S.R.L.	ROME	80%	80%	1,000	114,075
ERG WIND LEASING 4 S.R.L.	ROME	100%	80%	10	293
ERG WIND SARDEGNA S.R.L.					
ERG WIND SICILIA 2 S.R.L.	ROME	100%	80%	77	35,456
ERG WIND SICILIA 4 S.R.L.	ROME	100%	80%	77	10,962
ERG WIND SICILIA 5 S.R.L.	ROME	100%	80%	77	16,653
ERG WIND 2000 S.R.L.	ROME	100%	80%	77	23,915
ERG WIND SICILIA 6 S.R.L.					
ERG WIND 6 S.R.L.	ROME	100%	80%	77	46,350
ERG WIND SICILIA 3 S.R.L.	ROME	100%	80%	77	28,318
ERG WIND MEI 2-14-1 LTD					
ERG WIND MEG 1 LLP (1)	LONDON	80%	80%	33,168	22,203
ERG WIND MEG 2 LLP (1)	LONDON	80%	80%	28,010	17,983
ERG WIND MEG 3 LLP (1)	LONDON	80%	80%	33,586	18,307
ERG WIND MEG 4 LLP (1)	LONDON	80%	80%	29,721	15,906

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

List of equity investments measured under the equity method of accounting:

COMPANY (EUR THOUSAND)	REGISTERED OFFICE	DIRECT SHARE	GROUP SHARE	SHARE CAPITAL (1)	SHAREHOLDERS' EQUITY (1)	BOOK VALUE AS AT 31/12/2014
ERG S.P.A.						
IONIO GAS S.R.L. IN LIQUIDATION	PRIOLO GARGALLO	50.00%	50.00%	200	1,790	895
TOTALERG S.P.A. (2)	ROME	51.00%	51.00%	47,665	252,384	134,952
ERG RENEW S.P.A.						
LUKERG RENEW GMBH (3)	VIENNA	50.00%	50.00%	20,508	12,341	3,875
JOINT VENTURES						**139,722**
ERG S.P.A.						
I-FABER S.P.A.	MILAN	23.00%	23.00%	5,652	16,664	3,832
ERG POWER S.R.L.						
PRIOLO SERVIZI S.C.P.A. (4)	MELILLI	24.41%	24.41%	25,600	46,648	11,387
ASSOCIATES						**15,219**
TOTAL						**154,941**

(1) 2014 data for subsidiaries and joint ventures; latest Financial Statements approved on the date of the Board of Directors meeting for associates and other companies
(2) Joint venture with Total Raffinage Marketing
(3) Joint venture with LUKOIL-Ecoenergo
(4) the consortium is subject to joint control with ISAB S.r.l. and with the other shareholders of the Versalis S.p.A. Group and Syndial

List of equity investments measured at cost:

COMPANY (EUR THOUSAND)	REGISTERED OFFICE	DIRECT SHARE	GROUP SHARE	SHARE CAPITAL (1)	SHAREHOLDERS' EQUITY (1)	BOOK VALUE AS AT 31/12/2014
ERG S.P.A.						
ERG PETRÓLEOS S.A. (2)	MADRID (E)	100.00%	100.00%	3,050	(4,652)	–
ERG RENEW S.P.A.						
ISAB ENERGY SOLARE S.R.L.	GENOA	100.00%	100.00%	100	–	123
ERG EOLICA LUCANA S.R.L.	GENOA	100.00%	100.00%	10	9	310
EOLICO TROINA S.R.L. IN LIQUIDATION	PALERMO	99.00%	99.00%	20	5	25
SUBSIDIARIES						**458**
ERG S.P.A.						
CONSORZIO DELTA TI RESEARCH	MILAN	50.00%	50.00%	50	50	50
ERG RENEW S.P.A.						
CONSORZIO DYEPOWER	ROME	24.95%	24.95%	1,651	1,603	400
ASSOCIATES (CONSORTIUMS) (3)						**450**
ERG S.P.A.						
CAF INTERREG. DIPENDENTI S.R.L.	VICENZA	0.04%	0.06%	276	1,018	–
EMITTENTI TITOLI S.P.A.	MILAN	0.51%	0.51%	4,264	7,053	26
MEROIL S.A.	BARCELONA (E)	0.87%	0.87%	19,077	48,652	310
R.U.P.E. S.P.A.	GENOA	4.86%	4.86%	3,058	3,070	155
OTHER COMPANIES						**491**
TOTAL						**1,399**

(1) 2014 data for subsidiaries and joint ventures; latest Financial Statements approved on the date of the Board of Directors meeting for associates and other companies.
(2) company in liquidation
(3) companies measured at cost as they are not yet operational

In view of the negative net equity of ERG Petroleos, a provision for risks on equity investments of approximately EUR 5 million has been allocated.

The main transactions that were carried out involving Group equity investments are summarised as follows:

On **3 December 2013** the company **ERG Services S.p.A.** was incorporated. The share capital of ERG Services S.p.A., of EUR 120,000, was fully subscribed and paid in by ERG S.p.A. On 20 December 2013 the Extraordinary Shareholders' Meeting of ERG Services S.p.A. voted to increase the share capital from EUR 120,000 to EUR 1,200,000, fully subscribed by ERG S.p.A. through the transfer of a business unit, effective **1 January 2014** and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mainly of some of the service activities formerly carried out by ERG S.p.A. also in favour of the companies of the ERG Group, of the personnel and of the assets used in the performance of the aforesaid activities. From 1 January 2014 onwards, these activities have been carried out by ERG Services S.p.A.
The transaction has had no impact in these Consolidated Financial Statements as it took place under common control.

On **3 December 2013** the company **ERG Supply & Trading S.p.A.** was incorporated. The share capital of ERG Supply & Trading S.p.A., i.e. EUR 120,000, was fully subscribed and paid in by ERG S.p.A. On 20 December 2013 the Extraordinary Shareholders' Meeting of ERG Supply & Trading S.p.A. voted to increase the share capital from EUR 120,000 to EUR 1,200,000, fully subscribed by ERG S.p.A. through the transfer of a business unit, effective **1 January 2014** and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mainly of some of the activities of the existing Oil Business Unit of ERG S.p.A., of the personnel and of the assets used in the performance of the aforesaid activities.
The transaction has had no impact in these Consolidated Financial Statements as it took place under common control.

On **16 January 2014** the Shareholders' Meeting of ERG Renew voted a reserved capital increase, for a total price of EUR 50 million, simultaneously subscribed and freed by UniCredit, corresponding to a minority interest in ERG Renew that represents 7.14% of its share capital. On the same date, a representative of UniCredit was appointed to the Board of Directors in accordance with the shareholders' agreements.

On **9 April 2014** the Shareholders' Meeting of the non-operational company Eolica Troina S.r.l. resolved to dissolve the company and place it in liquidation.

On **16 June 2014** ERG S.p.A. acquired the 49% minority share in the subsidiaries ISAB Energy S.r.l., ISAB Energy Services S.r.l. and ISAB Energy Solare S.r.l. thus becoming the holder of 100% of the share capital of the aforesaid companies. Moreover, on 30 June 2014, within the scope of the consequent sale of the business units of ISAB Energy and ISAB Energy Services to ISAB S.r.l., the equity interest held in IAS Industria Acqua Siracusana S.p.A. was also transferred (please see the following paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).

On 15 May 2014 the Extraordinary Shareholders' Meeting of ERG Nuove Centrali S.p.A. (100% ERG S.p.A.) voted to change the name to ERG Power Generation S.p.A. and to move the registered office to Genoa.
On **20 June 2014** the Extraordinary Shareholders' Meeting of ERG Power Generation S.p.A. (100% ERG S.p.A.) voted to increase the share capital from EUR 5,000,000 to EUR 6,000,000, fully subscribed through the transfer of a business unit, effective 1 July 2014 and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mainly of the activities of the existing Power & Gas Business Unit, of the personnel

and of all assets used in the performance of the aforesaid activities, including the equity investment in ISAB Energy Services S.r.l. The transaction has had no impact in these Consolidated Financial Statements as it took place under common control.

On **21 July 2014**, in accordance with the agreements between the shareholders, ERG Power S.r.l. purchased 911,360 shares, representing 3.56% of the equity investment it held in Priolo Servizi S.C.p.A., a consortium company under the joint control of ERG Power S.r.l. (24.41%), ISAB S.r.l. (38.05%) and of the other shareholders of the Versalis S.p.A. Group (33.16%) and Syndial (4.38%).

On **22 July 2014** ERG Renew finalised the acquisition, from the Vortex Energy group, of 100% of the capital of EW Orneta 2, a Polish company owning the authorisations required for the construction of a wind farm in Poland, in the region of Radziejów, with planned capacity of 42 MW and energy output estimated at over 100 GWh per year when fully operational, corresponding to approximately 2,400 equivalent hours and savings of approximately 85 kt of CO_2 emissions.

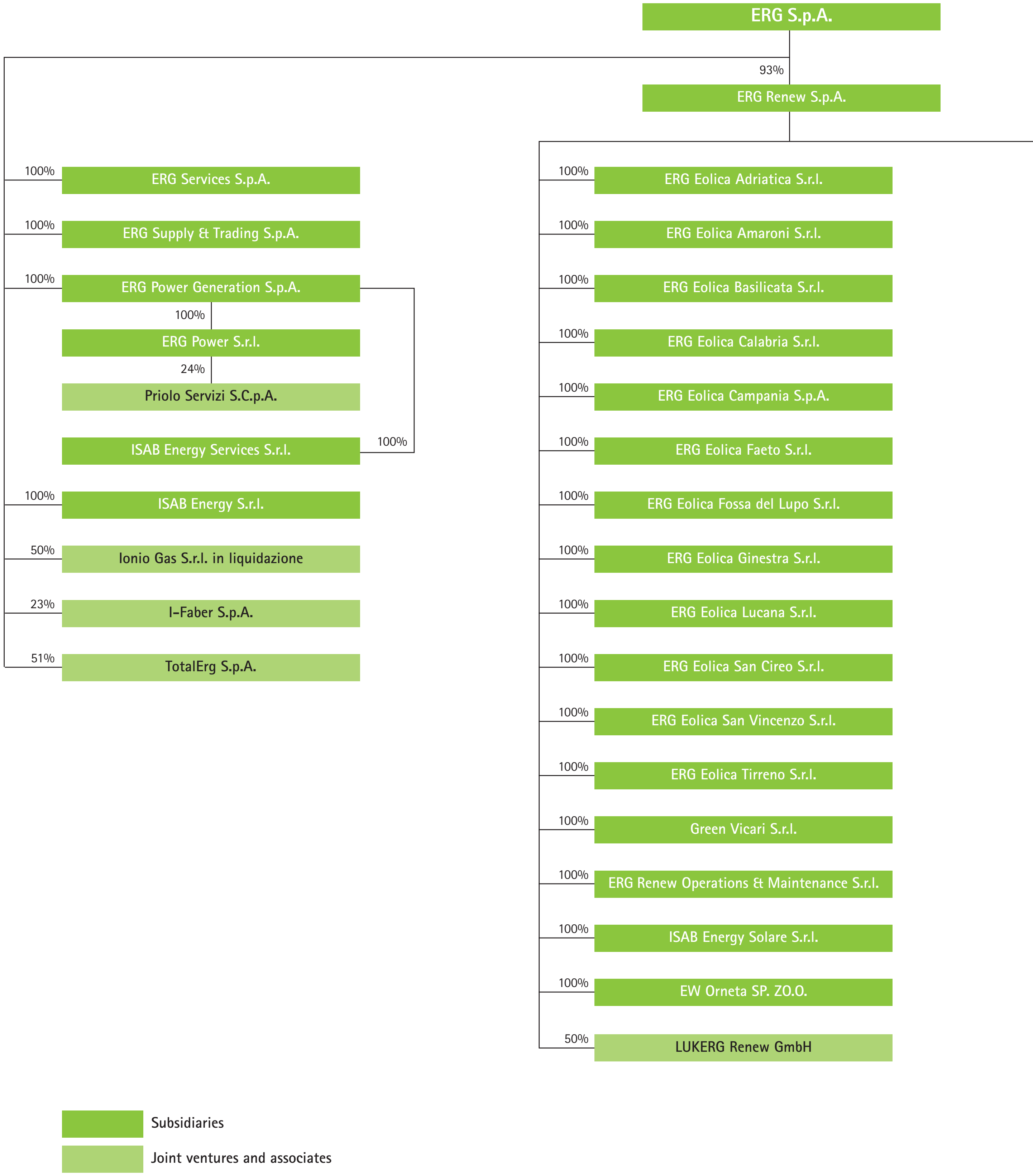
On **16 December 2014** the merger by absorption of the investee ISAB Energy Services S.r.l. into the parent company ERG Power Generation S.p.A. was formalised, with effect from 1 January 2015 and carried out with accounting continuity and tax neutrality. The transaction will have no impact in the 2015 Consolidated Financial Statements as it took place under common control.

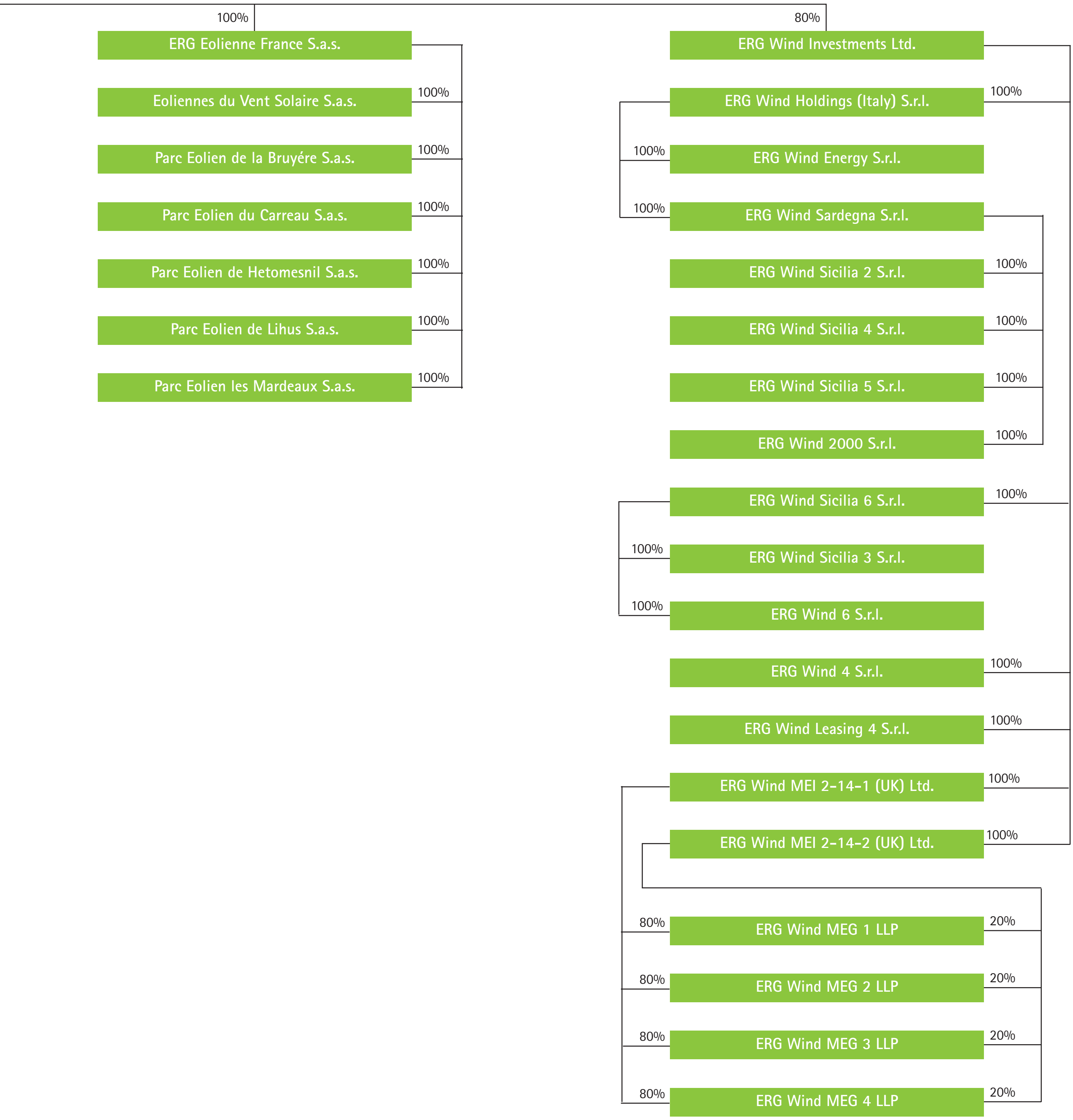
On **29 December 2014**, ERG announced that it had reached an agreement with the GRS Petroli group for the sale of the equity investment, amounting to 100% of the share capital, in ERG Oil Sicilia S.r.l., a company active in the sector of fuel distribution in Sicily, with a Network of approximately 200 sales outlets.
Within this transaction, GRS Petroli, which already owns a Network of sales outlets in the island, will pay ERG S.p.A. a consideration of approximately EUR 30 million. The transaction, following the sale of the ISAB Refinery, is consistent with the strategy of leveraging assets and it represents an additional major step in ERG's industrial repositioning in Sicily, where ERG is present with ERG Renew's 198 MW of wind power and with ERG Power's 480 MW of power of the CCGT plant.

With regard to the existence of restrictions and guarantees on the equity investments held by the Group, please refer to Note 26 – Covenants and negative pledges, relative to which there are no changes.

THE ERG GROUP

SCOPE OF CONSOLIDATION AT 31 DECEMBER 2014




100%
ERG Eolienne France S.a.s.
100%
Eoliennes du Vent Solaire S.a.s.
100%
Parc Eolien de la Bruyére S.a.s.
100%
Parc Eolien du Carreau S.a.s.
100%
Parc Eolien de Hetomesnil S.a.s.
100%
Parc Eolien de Lihus S.a.s.
100%
Parc Eolien les Mardeaux S.a.s.
80%
ERG Wind Investments Ltd.
100%
ERG Wind Holdings (Italy) S.r.l.
100%
ERG Wind Energy S.r.l.
100%
ERG Wind Sardegna S.r.l.
100%
ERG Wind Sicilia 2 S.r.l.
100%
ERG Wind Sicilia 4 S.r.l.
100%
ERG Wind Sicilia 5 S.r.l.
100%
ERG Wind 2000 S.r.l.
100%
ERG Wind Sicilia 6 S.r.l.
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ERG Wind Sicilia 3 S.r.l.
100%
ERG Wind 6 S.r.l.
100%
ERG Wind 4 S.r.l.
100%
ERG Wind Leasing 4 S.r.l.
100%
ERG Wind MEI 2-14-1 (UK) Ltd.
100%
ERG Wind MEI 2-14-2 (UK) Ltd.
100%
80%
ERG Wind MEG 1 LLP
20%
80%
ERG Wind MEG 2 LLP
20%
80%
ERG Wind MEG 3 LLP
20%
80%
ERG Wind MEG 4 LLP
20%

CHANGE IN THE SCOPE OF CONSOLIDATION

The main transactions involving the Group's equity investments that modified the scope of consolidation are as follows:

On **22 July 2014** ERG Renew finalised the acquisition, from the Vortex Energy Group, of 100% of the capital of EW Orneta 2, a Polish company owning the authorisations required for the construction of a wind farm in Poland, in the region of Radziejów, with planned capacity of 42 MW and energy output estimated at over 100 GWh when fully operational, corresponding to approximately 2,400 equivalent hours and savings of approximately 85 kt of CO2 emissions.

On **29 December 2014**, ERG announced that it had reached an agreement with the GRS Petroli Group for the sale of the equity investment, amounting to 100% of the share capital, in ERG Oil Sicilia S.r.l., a company active in the sector of fuel distribution in Sicily, with a Network of approximately 200 sales outlets. Within this transaction, GRS Petroli, which already owns a Network of sales outlets in the island, will pay ERG S.p.A. a consideration of approximately EUR 30 million. The transaction, following the sale of the ISAB Refinery, is consistent with the strategy of leveraging assets and it represents an additional major step in ERG's industrial repositioning in Sicily, where ERG is present with ERG Renew's 198 MW of wind power and with ERG Power's 480 MW of power of the CCGT plant.

The effects of the aforesaid transactions on the Group's consolidated statement of financial position are summarised in the following table.

	ACQUISITION OF EW ORNETA	SALE OF ERG OIL SICILIA	CHANGE IN THE SCOPE OF CONSOLIDATION
INTANGIBLE FIXED ASSETS	226	(1,886)	(1,660)
GOODWILL	–	–	–
PROPERTY, PLANT AND MACHINERY	448	(18,371)	(17,923)
EQUITY INVESTMENTS	–	–	–
OTHER FINANCIAL ASSETS	–	2,376	2,376
DEFERRED TAX ASSETS	–	(1,811)	(1,811)
OTHER NON-CURRENT ASSETS	–	(174)	(174)
NON-CURRENT ASSETS	**674**	**(19,866)**	**(19,192)**
INVENTORIES	–	(65)	(65)
TRADE RECEIVABLES	–	(3,697)	(3,697)
OTHER CURRENT RECEIVABLES AND ASSETS	142	(2,280)	(2,138)
CURRENT FINANCIAL ASSETS*	–	600	600
CASH AND CASH EQUIVALENTS*	–	3,042	3,042
CURRENT ASSETS	**142**	**(2,400)**	**(2,258)**
TOTAL ASSETS	**816**	**(22,266)**	**(21,450)**
SHAREHOLDERS' EQUITY	**–**	**809**	**809**
EMPLOYEES' SEVERANCE INDEMNITIES	–	(149)	(149)
DEFERRED TAX LIABILITIES	–	(1,446)	(1,446)
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	–	(444)	(444)
NON-CURRENT FINANCIAL LIABILITIES*	358	–	358
OTHER NON-CURRENT LIABILITIES	–	(1,033)	(1,033)
NON-CURRENT LIABILITIES	**358**	**(3,072)**	**(2,714)**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	–	–	–
TRADE PAYABLES	–	(18,289)	(18,289)
CURRENT FINANCIAL LIABILITIES*	458	(179)	279
OTHER CURRENT LIABILITIES	–	(1,535)	(1,535)
CURRENT LIABILITIES	**458**	**(20,003)**	**(19,545)**
TOTAL LIABILITIES AND EQUITY	**816**	**(22,266)**	**(21,450)**
*** Impact on Net Financial Position**	**(816)**	**3,821**	**3,005**

- **Acquisition of EW Orneta**
  The amounts relating to the acquisition of the company EW Orneta are not significant because it is not operational yet. At 31 December 2014 the non-current assets of the company amounted to EUR 25 million as a result of the capital expenditures of the period, financed by the subsidiary ERG Renew S.p.A.

- **Sale of ERG Oil Sicilia**
  The details of the sale of ERG Oil Sicilia S.r.l. are provided below

	ASSET DERECOGNITION	SALE PRICE	IMPACTS OF TRANSACTION
INTANGIBLE FIXED ASSETS	(1,886)	–	(1,886)
GOODWILL	–	–	–
PROPERTY, PLANT AND MACHINERY	(18,371)	–	(18,371)
EQUITY INVESTMENTS	–	–	–
OTHER FINANCIAL ASSETS	(24)	2,400	2,376
DEFERRED TAX ASSETS	(1,811)	–	(1,811)
OTHER NON-CURRENT ASSETS	(174)	–	(174)
NON-CURRENT ASSETS	**(22,266)**	**2,400**	**(19,866)**
INVENTORIES	(65)	–	(65)
TRADE RECEIVABLES	(3,697)	–	(3,697)
OTHER CURRENT RECEIVABLES AND ASSETS	(2,280)	–	(2,280)
CURRENT FINANCIAL ASSETS*	–	600	600
CASH AND CASH EQUIVALENTS*	(24,068)	27,110	3,042
CURRENT ASSETS	**(30,110)**	**27,710**	**(2,400)**
TOTAL ASSETS	**(52,376)**	**30,110**	**(22,266)**
SHAREHOLDERS' EQUITY	**(29,301)**	**30,110**	**809**
EMPLOYEES' SEVERANCE INDEMNITIES	(149)	–	(149)
DEFERRED TAX LIABILITIES	(1,446)	–	(1,446)
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	(444)	–	(444)
NON-CURRENT FINANCIAL LIABILITIES*	–	–	–
OTHER NON-CURRENT LIABILITIES	(1,033)	–	(1,033)
NON-CURRENT LIABILITIES	**(3,072)**	**–**	**(3,072)**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	–	–	–
TRADE PAYABLES	(18,289)	–	(18,289)
CURRENT FINANCIAL LIABILITIES*	(179)	–	(179)
OTHER CURRENT LIABILITIES	(1,535)	–	(1,535)
CURRENT LIABILITIES	**(20,003)**	**–**	**(20,003)**
TOTAL LIABILITIES AND EQUITY	**(52,376)**	**30,110**	**(22,266)**
*** Impact on Net Financial Position**	**(23,889)**	**27,710**	**3,821**

ERG OIL SICILIA CONTRIBUTION TO THE 2014 CONSOLIDATED FINANCIAL STATEMENTS

In 2014 the sold company contributed to the Group's income statement with revenues of EUR 123 million and EBIT of EUR -1.8 million.

Lastly, the sale transaction qualifies as a discontinued operation and therefore it was reclassified in accordance with IFRS 5. For more details, please refer to Note 39 – Net income from sold assets and liabilities.

JOINT VENTURES

LUKERG Renew GmbH

ERG Renew is active in Bulgaria and Romania through the investee LUKERG Renew GmbH., a joint venture between ERG Renew and LUKOIL-Ecoenergo incorporated in 2011 to operate jointly in the renewable energies market in East European Countries and in Russia.

- At the end of the first half of 2012 LUKERG Bulgaria GmbH., a subsidiary of the joint venture LUKERG Renew GmbH., acquired two wind farms (Kavarna and Longman) that were already operational in Bulgaria, in the Dobrich region, with total installed capacity of approximately 40 MW.
- At the end of 2012, LUKERG Renew acquired 100% of Land Power SRL, a Romanian company, owner of the land and authorisations for an 84 MW wind farm in Topolog, in the Tulcea region (Romania); construction of the wind farm started in April 2013 and was completed in January 2014.
- In June 2013 LUKERG Renew entered into two agreements with Vestas for the acquisition of 100% of two already operational wind farms (total installed capacity, 70 MW): Gebeleisis in Romania and Hrabrovo in Bulgaria.

Thus, all wind farms benefit from non-recourse Project Financing, attesting to the high quality of the facilities, recognised by the credit system, in complex regulatory environments.
The company has been consolidated according to the equity method since 1 July 2012.
In view of the high significance of LUKERG Renew GmbH., and to enhance the understandability of the businesses' performance, the economic and financial indicators shown in the Report on Operations include the contribution, for the share attributable to the ERG Group, of the profit (loss) at replacement cost of the LUKERG Renew joint venture.

TotalErg S.p.A.

ERG S.p.A. holds a 51% investment in the TotalErg S.p.A. joint venture, incorporated in 2010 through the merger of Total Italia S.p.A in ERG Petroli S.p.A.
The Company is positioned as one of the foremost operators in the downstream market. Thanks to the joint venture, ERG benefited from a strengthened competitive position on the market, achieving significant commercial and cost synergies, in partnership with one of the world's largest players in the Oil industry.
The company has been consolidated according to the equity method since 1 July 2010.
In view of the high significance of TotalErg, and to enhance the understandability of the businesses' performance, the economic and financial indicators shown in the Report on Operations include the contribution, for the share attributable to the ERG Group, of the profit (loss) at replacement cost of the TotalErg S.p.A. joint venture.

Other joint ventures

Priolo Servizi S.C.p.A. is a consortium company subject to joint control by ERG Power S.r.l. (24.41%), ISAB S.r.l. (38.05%) and by the other shareholders of the Versalis S.p.A. Group (33.16%) and Syndial (4.38%).
Lastly, Ionio Gas S.r.l. in liquidation - a joint venture with Shell Energy Italia S.r.l. – was placed in liquidation during the fourth quarter of 2012. On 14 December 2014, the company approved the final liquidation Financial Statements.

IFRS 12

The new IFRS 12 "Disclosure of Interests in Other Entities" includes all disclosure provisions previously included in IAS 27 pertaining to Consolidated Financial Statements, as well as all disclosure provisions of IAS 31 and of IAS 28 pertaining to the investments of an entity in subsidiaries, joint ventures, associates and structured entities and it also provides new disclosure cases.

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

MEASUREMENTS AND SIGNIFICANT ASSUMPTIONS

The companies designated as subsidiaries in the paragraph List of Group companies are entities in which the ERG Group has the majority of the votes that can be cast and it exercises a dominating influence in the ordinary shareholders' meeting.

The companies designated as jointly controlled subsidiaries in the paragraph List of Group companies are entities on whose activity the Group has joint control as defined in IAS 31 – Interests in Joint Ventures.

The companies designated as associates in the paragraph List of Group companies are companies in which the Group exercises significant influence, but not control or joint control, over financial and operating policies, as defined by IAS 28 – Investments in associates.

Equity investments in subsidiaries

For information about the Group's composition, please refer to the Scope of Consolidation.

With regard to the nature and extent of restrictions to the Group's capability to access or use assets and to extinguish liabilities, please refer to Note 26 – Covenants and negative pledges.

The consequences of changes in the interests in subsidiaries, that occurred during 2014, are expressed in the paragraphs Agreement for the sale of the ISAB Energy plant and early termination of CIP 6 and Change in the scope of consolidation.

With regard to provisions that can limit the distribution of dividends or other distributions of capital, it should be recalled that within the Project Financing agreements, the distribution of the available portions of shareholders' equity to the Shareholders is subject to meeting the conditions prescribed by the project financing agreement, which impose the attainment of determined financial coverage ratios and the absence of default situations. For the details of the constraints and of the accounting values of the assets and liabilities to which such restrictions apply by individual company, please refer to Note 26 – Covenants and negative pledges.

As a result of the economic and financial results achieved in 2014 by the subsidiary ERG Supply & Trading S.p.A., the Parent Company ERG S.p.A. formalised its commitment to guarantee the necessary financial support by written communication on 13 February 2015.

Investments in joint control arrangements and associates

For the purposes of the disclosure of the nature, extent and financial effects of the Group's interests in joint control arrangements and in associates, please refer to the paragraphs List of Group companies, Joint Ventures and Equity investment in TotalErg.

In view of the Group's 51% share in TotalErg S.p.A. and 50% share in LUKERG Renew GmbH, these are considered joint ventures by virtue of the shareholders' agreements, providing for equally shared governance.

For the summary of the economic and financial data of the Joint Ventures and associates, please see the following tables:

ECONOMIC AND FINANCIAL HIGHLIGHTS AT 31 DECEMBER 2014

(EUR THOUSAND)	TOTALERG	LUKERG	PRIOLO SERVIZI	I-FABER	IONIO GAS IN LIQUID.
OTHER NON-CURRENT FINANCIAL ASSETS	4,477	–	–	–	899
NON-CURRENT ASSETS	**662,924**	**287,648**	**85,928**	**6,924**	**899**
CURRENT FINANCIAL ASSETS	109,941	20,235	1	1,601	–
CASH AND CASH EQUIVALENTS	98,945	20,235	1	1,124	941
CURRENT ASSETS	**1,194,292**	**30,120**	**15,367**	**16,396**	**941**
TOTAL ASSETS	**1,857,216**	**317,768**	**101,295**	**23,320**	**1,841**
NON-CURRENT FINANCIAL LIABILITIES	280,495	270,112	–	–	–
NON-CURRENT LIABILITIES	**401,281**	**276,522**	**1,205**	**286**	**–**
CURRENT FINANCIAL LIABILITIES	85,889	27,038	34,242	–	–
CURRENT LIABILITIES	**1,203,551**	**28,904**	**53,441**	**6,370**	**51**
SHAREHOLDERS' EQUITY	**252,384**	**12,342**	**46,649**	**16,664**	**1,790**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,857,216**	**317,768**	**101,295**	**23,320**	**1,841**
REVENUES	5,891,351	43,534	62,646	18,512	–
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	(126,797)	(1,809)	534	1,329	115
CAPITAL GAIN (LOSS) OF DISCONTINUED OPERATIONS NET OF TAX EXPENSES	–	–	–	–	–
OTHER COMPONENTS OF COMPREHENSIVE INCOME	149	(4,690)	–	–	–
TOTAL STATEMENT OF COMPREHENSIVE INCOME	(126,648)	(6,499)	534	1,329	115
WRITE-DOWNS, AMORTISATION AND DEPRECIATION	(88,917)	(15,732)	(5,485)	(2,301)	–
INTEREST INCOME	–	1,365	–	582	–
INTEREST EXPENSES	(25,784)	(13,473)	(1,102)	–	–
INCOME TAX	17,482	(1,464)	(1,653)	(949)	(35)

RECONCILIATION WITH THE CARRYING VALUE OF THE EQUITY INVESTMENT AT 31 DECEMBER 2014

(EUR THOUSAND)	TOTALERG	LUKERG	PRIOLO SERVIZI	I-FABER	IONIO GAS IN LIQUID.
ERG GROUP'S SHARE	51%	50%	24%	23%	50%
GROUP'S SHARE OF SHAREHOLDERS' EQUITY	128,716	6,171	11,387	3,832	895
PRICE PURCHASE ALLOCATION / OTHER CONSOLIDATION ADJUSTMENTS	6,236	(2,296)	–	–	–
CARRYING VALUE OF THE EQUITY INVESTMENT	134,952	3,875	11,387	3,832	895

AGREEMENT FOR THE SALE OF THE ISAB ENERGY PLANT AND EARLY TERMINATION OF CIP 6

At the end of **2013** ERG reached an agreement with GDF SUEZ for the acquisition of the equity investments, representing 49% of the share capital (indirectly held by GDF SUEZ itself and by Mitsui & Co.) of ISAB Energy S.r.l., a company that owns the IGCC power plant (528 MW) of Priolo Gargallo (SR), of ISAB Energy Services S.r.l., the company that operates and maintains the plant, and of ISAB Energy Solare S.r.l., owner of a photovoltaic plant with 1 MW of power.
At the same time, ERG entered into an agreement with ISAB S.r.l., a subsidiary of the LUKOIL Group, for the sale of the ISAB Energy S.r.l. and ISAB Energy Services S.r.l. business units, consisting mainly of the IGCC plant and of the personnel for its operation and maintenance. The agreed price for the asset value is EUR 20 million.
On 16 June 2014, the acquisition of 49% of the share capital of ISAB Energy S.r.l., ISAB Energy Services S.r.l. and ISAB Energy Solare S.r.l. was closed with GDF SUEZ.
The transaction was completed, in line with the agreements disclosed on 30 December 2013, following the approval by the competent Antitrust Authority and the acceptance, by the National Grid Operator, of the early termination of the CIP 6/92 for the ISAB Energy S.r.l. plant, effective 1 July 2014.
30 June 2014 was the date of closing with ISAB S.r.l., a subsidiary of the LUKOIL Group, for the sale of the business units described above.
This Report reflects the effects of the transactions described above. For better understanding of the data commented herein, the following impacts are pointed out in particular:

- acquisition of the minority shareholdings from GDF SUEZ for EUR 153 million with a reduction in the minority interests and increase in the Group's shareholders' equity. Since the transaction took place at the end of June, the Income Statement still reflects the related minority interests for the first half of 2014.
- recognition of the income for the early termination of the CIP 6 convention, i.e. approximately EUR 515 million (EUR 317 million net of the tax effect) with matching increase in other assets, collected during the third quarter of the year;
- recognition of the net capital loss for the sale of the plants and of the personnel for their operation and maintenance, amounting approximately to EUR 405 million (EUR 267 million net of the tax effect) with matching decrease in the assets and liabilities of the transferred personnel, in view of a collected amount of approximately EUR 26 million;
- recognition of other net income, ancillary and related to the transaction, amounting to EUR 30 at the EBITDA level (EUR 5 million in terms of net profit) related mainly to the release of the deferred income of the CIP6 price increase and to the allocation of deferred taxes on distributable equity reserves.

This items are deemed non recurrent.
Lastly, in these Consolidated Financial Statements the accounting results of the sold business units, including the impacts described above, are indicated separately in compliance with the requirements of IFRS 5, as discussed in detail in Note 39.

IMPAIRMENT TEST

This section provides the description of the impairment tests on the Group's main assets, as required by IAS 36. In particular, it should be specified that in testing the recoverable value of production plants with defined useful life, the value in use was considered, as calculated on estimated cash flows through the useful life of the assets.
The method for developing the impairment test for the CGUs to which a goodwill is allocated and the "ERG Power CCGT Plant" CGU was revised in the part that pertains to the determination of the terminal value. Starting from these Financial Statements, the terminal value is estimated as an extension of the explicit period for ten years. The revised method introduces a procedure

for calculating terminal value that is more stable over time and uniforms the criterion of the terminal value of the examined CGUs. It should be pointed out that the revised method does not entail value increases relative to the method used for previous years' tests and in some cases it is more prudent.
With regard to equity investments, which by nature have indefinite useful life, their specific features were taken into account: therefore, reference is made to the respective paragraph for the related clarification on the set-up used.

POWER-RENEWABLE ENERGY SOURCES SEGMENT IMPAIRMENT TEST

Through the years, the Group completed a series of acquisitions in the Renewable Energy Sources segment. Briefly, the main ones were:

- acquisition of the Enertad Group (now ERG Renew), starting from 2006 with subsequent step acquisitions concluded with the acquisition of 100% of ERG Renew, completed through the Takeover Bid in 2011;
- acquisition of five French companies owning as many wind farms situated in France. The transaction was completed through the transfer of the equity investments from Theta Energy to EnerFrance S.a.s (now ERG Eolienne France), wholly owned subsidiary, specifically incorporated as a sub-holding of the wind power segment for the assets located in France;
- acquisition of ERG Eolica Adriatica S.r.l. (formerly IVPC Power 5 s.r.l.), owner of two operational wind farms in Molise and in Puglia, for a purchase price of EUR 71 million;
- acquisition of 100% of Erg Eolica Campania (formerly IVPC Power 3 S.p.A.), owner of five wind farms, operational since 2008, between the provinces of Avellino and Benevento, with a total installed capacity of approximately 112 MW;
- incorporation of the LUKERG Renew joint venture which in 2012 and 2013 acquired wind farms operating in Bulgaria and in Romania as well as additional authorisations for wind farms to be developed in Romania (please refer to the paragraph Joint Ventures – LUKERG Renew GmbH);
- acquisition of 80% of the capital of IP Maestrale Investments Ltd., a primary operator in Italy in the segment of renewable energy from wind power;
- acquisition of 100% of the capital of ERG Renew Operations & Maintenance S.r.l., a company dedicated to the operation and maintenance of the Italian wind farms of ERG Wind.

The acquisitions were recognised and measured pursuant to IFRS 3 on business combinations, by allocating the cost of the acquisition to the acquired assets and assumed liabilities, including those not recognised prior to the acquisition.
Following the impairment tests in the 2008, 2009 and 2010 Consolidated Financial Statements, the values of the Enertad acquisitions had been partially written down. On occasion of the 2010 Consolidated Financial Statements, the capital gains relating to the acquisitions of the French companies were partially written down.

The residual value of the higher values allocated upon purchase price allocation before the 2014 impairment test was as follows:

- approximately EUR 1 million allocated to the wind power plants in operation;
- approximately EUR 213 million allocated to permits and preliminary agreements for wind farms in operation, of which EUR 92 million referred to wind farms of the ERG Wind Group;
- approximately EUR 125 million to goodwill, divided among the different Business Combinations:
  - EUR 96 million referred to ERG Wind (Italy and Germany);
  - EUR 19 million referred to ERG Eolica Campania and ERG Eolica Adriatica (Italy);
  - EUR 10 million referred to ERG Renew Operations & Maintenance (Italy).

In consideration of the goodwill values posted in the Financial Statements, for the 2014 Financial Statements their recoverable value was verified and the measurement values used in the previous tests of the values associated with the aforesaid business combinations were revised.
The Group then estimated the recoverable value of the aforesaid assets. According to IAS 36, the recoverable value of an asset or of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
The recoverable value of cash generating units ("CGUs") is tested by determining their value in use. The main assumptions used to calculate value in use pertain to the discount rate, the growth rate and the expected changes in the sale prices of energy and of direct costs during the period selected for the calculation. The Group then adopted an after-tax discount rate that reflects current market measurements of the cost of capital and of the specific risk connected with the CGUs. The growth rates adopted are based on growth forecasts for the Group's industry, taking into account the Group's market share.
Changes in sale prices and in direct costs are determined on the basis of past experience and on future market expectations.
In determining the discount rate, the financial parameters considered were the Beta and Debt/Equity ratios derived from panels of comparable companies, in order to consider both the market risk of companies operating in the same industry and a market-based financial structure. With regard, instead, to the cost of equity (ke), it includes the rate of return of risk-free assets and it is identified as the rate of return of German ten-year Government bonds.

"Enertad" (Italy) business combination

With reference to the values connected with Authorisations:

- the Cash Generating Units (CGU) matching the individual wind farms, on which the capital gains were allocated, were identified;
- in order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGUs for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated;
- expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations;
- a discount rate equal to the industry WACC (5.2%) was used to compute the present value of expected cash flows;
- no terminal value was assumed beyond the explicit forecast period, in line with the methodology followed to allocate the purchase price.

"ERG Eolica Campania and ERG Eolica Adriatica" (Italy) business combination

The value of Goodwill was determined by identifying two Cash Generating Units (CGU) connected with the wind farms on which goodwill is allocated, i.e. those of ERG Eolica Adriatica and ERG Eolica Campania.
In order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGU for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated.
A discount rate equal to the industry WACC (5.2%) was used to compute the present value of expected cash flows.
The terminal value is estimated as an extension of the explicit period for ten years.

“EnerFrance” (France) business combination

With reference to the values connected with Authorisations:

– the Cash Generating Units (CGU) matching the individual wind farms, on which the capital gains were allocated, were identified;
– in order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGUs for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated;
– expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations;
– a discount rate equal to the industry WACC (4.1%) was used to compute the present value of expected cash flows;
– no terminal value was assumed beyond the explicit forecast period, in line with the methodology followed to allocate the purchase price.

“LUKERG Renew” (Bulgaria and Romania) business combination

With reference to the value of the equity investment in LUKERG Renew:

– the Cash Generating Units (CGU) matching the individual wind farms, on which the capital gains were allocated, were identified;
– in order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGUs for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated;
– expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations;
– a discount rate equal to the industry WACC (6.8% for Bulgaria and 6.3% for Romania) was used to compute the present value of expected cash flows;
– the terminal value is estimated as an extension of the explicit period for ten years.

“ERG Wind” (Italy and Germany) business combination

With reference to the values connected with Authorisations:

– two Cash Generating Units (CGUs) were provisionally identified, consistently with the methodology used to determine the purchase price, coinciding with the CGU that comprises the wind farms located in Italy and the CGU that comprises the wind farms located in Germany, on which the capital gains indentified when accounting for the acquisition were allocated;
– in particular within the CGU in Italy, the capital gains were allocated with reference to each point of sale of the energy to the national grid, grouping the related wind farms connected to the same point of sale;
– in order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGUs for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated;
– expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations;
– a discount rate equal to the industry WACC (5.2% for Italy and 3.89% for Germany) was used to compute the present value of expected cash flows;
– no terminal value was assumed beyond the explicit forecast period, in line with the methodology followed to allocate the purchase price.

The goodwill acquired in the "ERG Wind" business combination was allocated, at the acquisition date, to the cash generating units from which benefits connected with the combination are expected; consequently, the same Cash Generating Units as those selected to determine the recoverable value of the Permits and preliminary agreements.
In order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGU for the residual years of operation of the farms with respect to the original definition of an assumed working life, i.e. twenty years, was estimated.
A discount rate equal to the industry WACC (5.2% for Italy and 3.89% for Germany) was used to compute the present value of expected cash flows.
The terminal value is estimated as an extension of the explicit period for ten years.

"ERG Renew Operations & Maintenance" business combination

With reference to the value of Goodwill, a Cash Generating Unit (CGU) belonging to the same company was identified.
In order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the O&M contracts with the other companies of the Group was estimated.
A discount rate equal to the industry WACC (5.2%) was used to compute the present value of expected cash flows.
The terminal value is estimated as an extension of the explicit period for ten years.

Group Management has deemed that the assumptions adopted to identify the recoverable value of tangible assets, intangible assets and goodwill connected with the different CGUs of the "Renewable Energy Sources" business are reasonable, and no impairment emerged for any of the identified CGUs on the basis of the aforementioned assumptions.
Lastly, the value in use of the different CGUs that characterise and comprise the "Renewable Energy Sources" business is determined according to measurement parameters that are extraneous from the logic of negotiation; instead, it is based on industry parameters that, as such, lead to a definition of value that takes on a distinct meaning from the concept of "price".

SENSITIVITY ANALYSIS

The result of the impairment test derives from information available to date and from reasonable estimates on future changes in the following variables: wind strength, energy price and interest rates.
The Group took into account the aforesaid variables in processing and defining the basic assumptions used to determine the recoverable amount of the carrying amounts allocated to the "Renewable Energy Sources" business, and it also carried out a sensitivity analysis on the recoverable amount of the different CGUs: this analysis assumed that total revenues from energy sales (i.e., energy remuneration and generation) could undergo upward or downward fluctuations, to an extent that can be estimated at 5% relative to the values estimated for the Plan.
If revenues were to decline by 5%, persisting throughout the time interval of the plan, the value of Goodwill would decrease by approximately EUR 22 million and the value of the Assets would decrease by approximately EUR 20 million. Lastly, a 0.5% increase in the discount rate would not have led to any impairment either of Goodwill or of the intangibles allocated to the "Renewal Energy Sources" CGU.
The above analyses confirm the sensitivity of the assessments of the recoverability of non-current assets to changes in the aforesaid variables; in this context, the Directors will systematically monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the Consolidated Financial Statements.

ERG POWER S.R.L.'S CCGT PLANT IMPAIRMENT TEST

In April 2010, ERG Power's new CCGT plant, with approximately 480 MW of installed power, started full commercial operations; the plant supplies utilities and electrical energy to the industrial customers of the Priolo site, placing the remainder of the generated electricity on the market.
As a result of the impairment tests carried out in the 2011 Financial Statements, the productive assets were written down by EUR 95 million before the tax effect. Therefore, goodwill was entirely written off (EUR 1.5 million) in the 2011 Financial Statements and the residual write-down (EUR 94 million) reduced the value of the tangible fixed assets referred to the CCGT plant.
The carrying amount of the plant at 31 December 2014, net of the aforesaid write-downs (EUR 73 million at 31 December 2014) and depreciations, amounts to approximately EUR 312 million.
In preparing these Financial Statements, the recoverability of the carrying value of the aforesaid plant was verified, in view of the persistence, for 2014 as well, of uncertainties and variability (or volatility) of the scenario which characterises the domestic electric market.
For impairment test purposes, the CGU comprises the tangible fixed assets attributable to the CCGT plant of ERG Power and the cash flows generated by the Power Business Unit (since 1 July 2014, ERG Power Generation) which operates the plant through a tolling agreement and sells the energy produced on the free market.
The analysis was carried out identifying the recoverable value, i.e. the value in use, of the Cash-Generating Unit. The basis for the calculation was the projection of the operating cash flows associated to the CGU for its useful life, contained in the financial forecast prepared by the Group and pertaining to a twenty-year time span; additionally, a residual value (or "terminal value") was assumed, calculated with a further 10-year extension of the measurement period.
The expected changes in sale prices and direct costs during the period assumed for the calculation are determined on the basis of past experience, corrected by future market expectations.
Projected cash flows were discounted using a conservative estimate of the discount rate (WACC after tax) applied to projected cash flows, i.e. 5.7%.
The impairment test was set up by updating the assumptions used for the test performed for the 2013 Financial Statements; in particular, the estimates of the electricity market scenario, of the zone bonus in Sicily, of the profitability of the plant in the Dispatching Services Market and of the modulation activities were updated.

Group management deems the assumptions used to identify the recoverable value of the CCGT plant of ERG Power to be reasonable and, on the basis of the aforementioned assumptions, no impairment has emerged.
The value in use resulting from the impairment test shows a positive difference compared to the carrying value: taking into account that said difference is mainly due to temporary events that will exhaust their positive effects after the initial years of the measurement period, the Management did not restore prior write-downs. These considerations are supported by broker consensus evaluations.

SENSITIVITY ANALYSIS

The result of the impairment test derived from information available to date and from reasonable estimates of the evolution of external variables such as the price of energy and interest rates, as well as the development of certain activities and the attainment of cost saving targets.
The Group took into account the aforesaid variables in processing and defining the basic assumptions used to determine the recoverable amount of the CCGT plant and it also carried out a sensitivity analysis on the recoverable amount of the different CGUs: this analysis showed

that in the event of a reduction of approximately 50% in the profitability of site agreements, expiring after 2021, the recoverable value would decrease by an amount of approximately EUR 57 million, determined according to the evaluation model adopted. However, this would not result in any write-downs to the carrying value.
Lastly, with a 0.5% increase in the discount rate, recoverable value would decrease by approximately EUR 18 million, not entailing any write-down of the carrying value.
The Directors will continue systematically to monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the Consolidated Financial Statements.

EQUITY INVESTMENT IN TOTALERG

ERG S.p.A. holds a 51% investment in the TotalErg S.p.A. joint venture, incorporated in 2010 through the merger of Total Italia S.p.A in ERG Petroli S.p.A.
TotalErg S.p.A. is one of the primary operators in the Italian integrated downstream market with a network of approximately 2,700 sales outlets and it is also active in the refining and logistics business.
In the Consolidated Financial Statements at 31 December 2014 the value of the equity investment amounted to EUR 135 million and it is measured at equity. It should be specified that the value at equity also includes a residual capital gain after prior write-downs (approximately EUR 6 million) recognised on the occasion of the aforesaid 2010 integration.
The impairment test carried out for the 2013 Financial Statements showed an excess carrying amount of the TotalErg equity investment in the Consolidated Financial Statements relative to its recoverable value; in particular the recoverable value, estimated according to the measurement paradigm, was slightly higher than ERG's share of the Consolidated equity of the investee. The impairment, amounting to EUR 58 million, was allocated to write down the value of the equity investment with consequent decrease in the capital gain attributable to the business combination described above. The write-down was recognised in the 2013 Consolidated Income Statement.
For the purposes of these Financial Statements, critical elements were noted, caused by the volatility of the oil scenario and by the performance of the reference market where TotalErg operates. These elements of uncertainty had a negative impact on the results of 2014.
Considering the persistence of these critical elements, also for these Financial Statements, the value of the equity investment was tested.
To conduct this test, an independent expert was appointed in January 2015 and conducted the analysis using the draft Plan already prepared by the TotalErg management.
The assumptions contained in such documents, reviewed by the Board of Directors of TotalErg on 12 February 2015, are deemed by the Group to be reasonable and usable for the purposes of the impairment test.
For the purposes of the test, the CGU consists of TotalErg S.p.A. and by its investees, subsidiaries and associates.

The measurement was performed using the following criteria and assumptions:

- Unlevered Discounted Cash Flow on 6 years of explicit projections plus a terminal value[1] calculated applying a multiple between 4.0x and 5.0x (in line with the market multiples observed in the past 10 years in the Integrated Downstream business) to the 2020 EBITDA of TotalErg;
- the adopted discount rate is TotalErg's WACC (6.0%) calculated on the basis of market parameters;

1 To calculate the terminal value, the perpetuity method was not used, because it is not among the usual market practices for TotalErg's reference industry.

– the measurement was carried out on the basis of the draft Consolidated economic-financial plan of TotalErg S.p.A., whose scope of consolidation includes TotalErg, Eridis, TotalGaz, Restiani, Guazzotti, Gestioni Europa, Sarpom and Raffineria di Roma.

The impairment test described above yielded an estimated recoverable value that was slightly higher than the previous year's, also in consideration of the decrease in the WACC and taking into account the benefits on future cash flows tied to the declared unconstitutionality of the Robin Tax.
The recoverable value is higher than the carrying value of the TotalErg equity investment in the Consolidated Financial Statements, hence not entailing any write-down in the income statement. These considerations are supported by broker consensus evaluations.
It should be specified that the value recorded in the Consolidated Financial Statements matches the value at equity as of 31 December 2014 (EUR 135 million), in decline compared to 2013 (EUR 200 million) in relation to the results of the year, significantly impacted also by the inventory write-down, consequent to the collapse in commodity prices at the end of the year.

SENSITIVITY ANALYSIS
The result of the impairment test derives from the information available to date and from the reasonable estimates on the evolution of variables tied to the expected margins, in particular with changes in the reference economic environment and in the discount rates.
In particular, sensitivity analyses were conducted on the basis of changes in the discount rate and in the EV/EBITDA multiples applicable to the EBITDA of the last year of the explicit period.

The analyses showed that:
– a 0.5% increase in the discount rate would entail a decrease by EUR 18 million in the recoverable value, which nonetheless would not determine any write-down of the equity investment;
– a decrease in the EV/EBITDA multiple from 4.5x to 4.0x would entail a decrease by EUR 62 million in the recoverable value, which nonetheless would not determine any write-down of the equity investment.

The above analyses confirm the sensitivity of the assessments of the recoverability of the equity investment to changes in the aforesaid variables; in this context, the Directors will systematically monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the Consolidated Financial Statements.

ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE 1 – INTANGIBLE FIXED ASSETS

	CONCESSIONS AND LICENCES	OTHER INTANGIBLE FIXED ASSETS	ASSETS IN PROGRESS	TOTAL
HISTORICAL COST	**460,996**	**71,767**	**1,582**	**534,345**
AMORTISATION	(81,415)	(55,197)	–	**(136,612)**
BALANCE AT 31/12/2013	**379,581**	**16,570**	**1,582**	**397,733**
CHANGES DURING THE PERIOD:				
CHANGE IN THE SCOPE OF CONSOLIDATION	(1,862)	(24)	–	**(1,886)**
ACQUISITIONS	–	2,119	7,623	**9,742**
CAPITALISATION/RECLASSIFICATION	2,393	152	(3,009)	**(464)**
DISPOSALS AND DIVESTMENTS	(128)	(7,312)	(474)	**(7,914)**
AMORTISATION (1)	(20,721)	(4,069)	–	**(24,790)**
WRITE-DOWNS	–	–	–	**–**
OTHER CHANGES	226	(58)	–	**168**
HISTORICAL COST	**441,388**	**19,908**	**5,722**	**467,018**
AMORTISATION	(81,899)	(12,530)	–	**(94,429)**
BALANCE AT 31/12/2014	**359,489**	**7,378**	**5,722**	**372,589**

(1) the value of the amortisation is shown before IFRS 5

Concessions and licences mainly comprise authorisations for wind farms, amortised based on their residual useful life.
The other intangible assets comprise the preliminary agreements for wind farms to be built in the future.
Disposals and divestments refer mainly to the sale of the business units of ISAB Energy S.r.l. and ISAB S.r.l. (please see the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).
The change in the scope of consolidation refers to the sale of the company ERG Oil Sicilia, as discussed more thoroughly in the paragraph Scope of consolidation.

NOTE 2 – GOODWILL

"Goodwill", equal to EUR 125,490 thousand, unchanged from the previous year, represents the excess acquisition cost of acquired companies over the value of their shareholders' equity, measured at fair value at the acquisition date in accordance with the purchase-price allocation method prescribed by IFRS 3.
The goodwill acquired through business combinations can be fully allocated to the Energy – Renewable Sources business.
The item is not amortised in the Consolidated Income Statement and it is subjected to an impairment test every year or more frequently if there are indications during the period that the asset may be impaired.
The above amount was subjected to impairment test at 31 December 2014.
For further details, please refer to the comments in the chapter Power-Renewable Energy Sources segment impairment test.

NOTE 3 – PROPERTY, PLANT AND MACHINERY

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**105,327**	**3,202,771**	**20,903**	**45,923**	**3,374,924**
DEPRECIATION AND WRITE-DOWNS	(33,111)	(1,386,067)	(16,424)	–	**(1,435,602)**
BALANCE AT 31/12/2013	**72,216**	**1,816,704**	**4,479**	**45,923**	**1,939,322**
CHANGES DURING THE PERIOD:					
CHANGE IN THE SCOPE OF CONSOLIDATION	(4,290)	(13,684)	(310)	361	**(17,923)**
ACQUISITIONS	1,859	11,367	580	30,376	**44,182**
CAPITALISATION/RECLASSIFICATION	552	10,927	3,947	(15,227)	**199**
DISPOSALS AND DIVESTMENTS	(13,775)	(412,362)	(444)	(10,008)	**(436,589)**
DEPRECIATION (1)	(3,862)	(151,702)	(1,142)	–	**(156,706)**
WRITE-DOWNS	–	(6,097)	–	(9)	**(6,106)**
OTHER CHANGES	–	(48)	–	(73)	**(121)**
HISTORICAL COST	**77,101**	**2,174,467**	**19,462**	**51,343**	**2,322,373**
DEPRECIATION AND WRITE-DOWNS	(24,401)	(919,362)	(12,352)	–	**(956,115)**
BALANCE AT 31/12/2014	**52,700**	**1,255,105**	**7,110**	**51,343**	**1,366,258**

(1) the value of the depreciation is shown before IFRS 5

To enhance understandability, changes during the period relating to reclassifications, disposals and divestments are shown net of the related accumulated depreciation.

The change in the scope of consolidation refers to the sale of the company ERG Oil Sicilia, as discussed more thoroughly in the paragraph Scope of consolidation.

Acquisitions refer mainly to the capital expenditures pertaining to the wind farm under construction in Poland.

For a more detailed analysis of the acquisitions, please refer to the chapter Capital expenditures in the Report on Operations.

Disposals and divestments in the period pertain mainly to the sale of the business units of ISAB Energy to ISAB S.r.l. (please see the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).

With reference to IAS 23, the acquisitions include immaterial amounts of interest expenses pertaining to the capital expenditures of the Renewable Energy Sources segment.

For information on the existence of restrictions on the Assets held by the Group, please refer to Note 26 - Covenants and negative pledges.

NOTE 4 – EQUITY INVESTMENTS

	EQUITY INVESTMENTS				
	SUBSIDIARY COMPANIES	JOINT VENTURES	ASSOCIATES	OTHER COMPANIES	TOTAL
BALANCE AT 31/12/2013	**565**	**217,364**	**4,302**	**496**	**222,728**
CHANGES DURING THE PERIOD:					
CHANGE IN THE SCOPE OF CONSOLIDATION	(240)	–	–	–	**(240)**
ACQUISITIONS/SHARE CAPITAL INCREASES	123	–	–	–	**123**
WRITE-DOWNS/USE OF PROVISION TO COVER LOSSES	–	–	(531)	–	**(531)**
DISPOSALS AND DIVESTMENTS	10	–	–	(5)	**5**
MEASUREMENT OF INVESTMENTS USING THE EQUITY METHOD	–	(77,643)	11,893	–	**(65,749)**
BALANCE AT 31/12/2014	**458**	**139,722**	**15,669**	**491**	**156,335**

The change in the scope of consolidation refers to the shift from the method of consolidation at cost to the line-by-line method for the companies ERG Services S.p.A. and ERG Supply & Trading S.p.A.. At 31 December 2013, the newly established companies ERG Services S.p.A. and ERG Supply & Trading S.p.A. were not operational yet.
Acquisitions/share capital increases refer to the waiver, by ERG Renew, of the receivable from ERG Eolica Lucana, amounting to EUR 10 thousand, entirely increasing the carrying value of the equity investment and to the acquisition of 49% of ISAB Energy Solare, described in the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6.
The write-downs refer to the equity investment in the DyePower Consortium.
The EUR 65,749 thousand negative change arising from companies measured under the equity method of accounting is due to the period's performance of the investee companies. The negative result refers in particular to the investee TotalErg.
For further details, please refer to the previous section, List of Group companies.

Equity investments owned at 31 December 2014 were as summarised below:

	MEASURED AT SHAREHOLDERS' EQUITY	MEASURED AT COST	TOTAL
EQUITY INVESTMENTS			
IN NON-CONSOLIDATED SUBSIDIARIES	–	458	**458**
IN JOINT VENTURES	139,722	–	**139,722**
IN ASSOCIATES	15,219	450	**15,669**
IN OTHER COMPANIES	–	491	**491**
TOTAL	**154,941**	**1,399**	**156,335**

A detail of equity investments has already been given in the schedules showing the scope of consolidation.

NOTE 5 - OTHER NON-CURRENT FINANCIAL ASSETS

"Other non-current financial assets" amounting to EUR 99,583 thousand (EUR 109,702 thousand at 31 December 2013) mainly comprise loans to Group companies that were not consolidated line by line. The loans are granted by ERG Renew S.p.A. to the companies held by the joint venture LUKERG Renew to carry out the previously commented transactions of the period and from prior periods.

The balance also includes receivables for contributions per Law 488/92 pertaining to wind farms acquired within the ERG Wind transaction, which are restricted in the dedicated Escrow Account established by Article 61, Paragraph 23, of Italian Law Decree no. 112/2008 (converted by Law no. 133/2008) and awaiting the decision of the Court of Avellino, amounting to EUR 32 million. While the case is pending, the Ministry of Economic Development revoked the contributions under Law no. 488/92 which had been assigned to the beneficiary companies, with decrees notified respectively on 29 October and 3 November 2014. An extraordinary appeal was promptly filed against the cancellation decrees, with a request for prudential suspension of the effectiveness of the challenged measures; currently, a decision is pending on both the suspension request and on the merits of the appeal. In view of the aforesaid receivables, a liability of equal amount has been allocated and it was recognised in the 2013 Financial Statements within the definition of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (Note 19).

The decrease is mainly due to the net effect between new disbursements (EUR 12.5 million) and repayments (EUR 26.5 million) within the scope of the loan between ERG Renew S.p.A. and the companies related to the LUKERG Renew GmbH joint venture.

NOTE 6 - DEFERRED TAX ASSETS

Deferred tax assets are recognised, provided their future recovery is probable, on the taxable temporary differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis and on the tax losses that can be carried forward. The rate used to calculate deferred taxes is the same as the nominal IRES (corporate income tax) rate (27.5%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.90% - 5.12%). Deferred tax assets at 31 December 2014 amounting to EUR 169,671 thousand (EUR 196,822 thousand at 31 December 2013) were mainly recognised over provisions for liabilities and charges as well as the reportable tax losses of the period, and they are deemed recoverable also considering the expected future taxable income in the medium term. In addition, deferred tax assets relating to excess interest expenses that can be carried forward, amounting to approximately EUR 55 million, referred to the ERG Wind Group, acquired in 2013, were not recognised in the Financial Statements. In 2013 taxes included the derecognition of deferred tax assets on tax losses (EUR 21 million) relating to the Robin Tax and deemed no longer recoverable. In consideration of this derecognition, the declared non retroactive unconstitutionality of the Robin Tax determined a negative impact of EUR 5 million on the income statement and a negative impact of EUR 16 million on the shareholders' equity.

NOTE 7 - OTHER NON-CURRENT ASSETS

Other non-current assets amounting to EUR 33,729 thousand (EUR 58,262 thousand as of 31 December 2013) chiefly relate to advances on agreements to acquire new wind farms and VAT receivables. The balance also includes the portion still to be collected (EUR 22 million) of the receivables for grants per Italian Law 488/92 relating to wind farms acquired within the scope of the ERG Wind transaction. In view of the aforesaid receivables, a liability of equal amount has been allocated and it was recognised in the 2013 Financial Statements within the definition of the purchase price allocation as a potential adjustment to the acquisition price of the ERG Wind Group (Note 19).

NOTE 8 – INVENTORIES

Closing inventories comprise the following categories:

	31/12/2014	31/12/2013
RAW, ANCILLARY AND CONSUMABLE MATERIALS	18,465	41,257
FINISHED PRODUCTS AND GOODS	30,631	49,133
TOTAL	**49,096**	**90,390**

Raw materials inventories, relating to spare parts, are measured at cost, determined using the weighted average cost method, or market value (replacement cost), whichever is lower.
Product inventories, relating to petroleum products for short-term resale, are recorded at fair value less sale costs.
The value declined (EUR -41 million) mainly as a result of the transfer of the spare part inventory relating to the IGCC plant within the scope of the transaction already commented under the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6 and because of the decrease in the market price of commodities.

NOTE 9 – TRADE RECEIVABLES

Receivables are summarised as follows:

	31/12/2014	31/12/2013
CUSTOMER TRADE RECEIVABLES	386,358	866,077
RECEIVABLES DUE FROM GROUP COMPANIES NOT CONSOLIDATED LINE-BY-LINE	62,665	31,337
BAD DEBT PROVISION	(10,419)	(15,005)
TOTAL	**438,604**	**882,409**

The overall decrease in trade receivables is mainly due to the exit from the refining business.
"Receivables due from Group companies not consolidated line-by-line" refer mainly to the supply of petroleum products to the TotalErg joint venture.
For information concerning related-party receivables, reference is made to Note 41 – Related parties.

The bad debt provision changed as follows:

	31/12/2014	ALLOCATIONS	USAGE	CHANGE IN SCOPE OF CONSOLIDATION	31/12/2013
BAD DEBT PROVISION	10,419	–	(4,253)	(333)	15,005
TOTAL	**10,419**	**–**	**(4,253)**	**(333)**	**15,005**

The Group assesses the existence of objective indications of impairment for each individual significant position. The aforesaid analyses are validated at the individual company level by the Credit Committee which meets periodically to analyse the situation of past due accounts receivable and any critical issue related to their collection.
In 2014, work was completed on the detailed analysis of open receivable positions, with particular reference to the probability of collection and the advisability of continuing litigation for this purpose. The outcome of this analysis was brought before the Credit Committee, which decided to derecognise said receivables from the Financial Statements for an amount of EUR 4.3 million, using the previously allocated bad debt provision.

The change in the scope of consolidation refers to the sale of the company ERG Oil Sicilia S.r.l.; please refer to the paragraph Change in the scope of consolidation.
The bad debt provision is deemed to be sufficient to address the risk of potential non-collectability of overdue receivables.

The following is a breakdown of trade receivables outstanding at year-end:

	31/12/2014	31/12/2013
RECEIVABLES NOT YET DUE	**425,877**	**824,816**
RECEIVABLES PAST DUE		
UP TO 30 DAYS	3,598	26,985
UP TO 60 DAYS	–	202
UP TO 90 DAYS	273	4,535
MORE THAN 90 DAYS	8,856	25,871
TOTAL	**438,604**	**882,409**

NOTE 10 – OTHER CURRENT RECEIVABLES AND ASSETS

	31/12/2014	31/12/2013
TAX RECEIVABLES	50,122	38,878
EMISSIONS TRADING RECEIVABLES	21,290	12,575
SUNDRY RECEIVABLES	69,517	87,119
TOTAL	**140,929**	**138,572**

"Tax receivables" mainly comprise VAT and income taxes receivables.
"Emissions trading receivables" refer to the ISAB Energy receivable for reimbursement of emissions trading charges.
"Sundry receivables" comprise, inter alia, receivables from Group companies not consolidated line by line and the portions of deferred costs in subsequent periods. The item also includes EUR 15 million by way of indemnification of the liability tied to interest and revaluations on the contributions under Italian Law 488/1992 relating to wind farms acquired within the scope of the ERG Wind transactions and revoked by the Ministry of Economic Development as commented more thoroughly in Note 20, to which reference is made for additional details.

NOTE 11 – CURRENT FINANCIAL ASSETS

	31/12/2014	31/12/2013
FINANCIAL RECEIVABLES FROM GROUP COMPANIES	17,268	51,943
OTHER SHORT-TERM FINANCIAL RECEIVABLES	41,545	21,375
TOTAL	**58,813**	**73,318**

Current financial assets, amounting to EUR 58,813 thousand (EUR 73,318 as of 31 December 2013), refer to financial receivables from companies not consolidated line by line and to the positive fair value of derivatives as of 31 December 2014.
The change from 31 December 2013 is tied to the repayment of a part of the loans granted by ERG Renew S.p.A. to the companies held by the joint venture LUKERG Renew (for additional details, please refer to the related paragraph Joint ventures) partially offset by the increase in

the position with respect to the clearing member Newedge Group in relation to the futures listed on the Ice Gasoil platform.

NOTE 12 – CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
BANK AND POSTAL DEPOSITS	1,169,355	977,272
CASH EQUIVALENT SECURITIES	–	–
CASH AND NOTES ON HAND	4	2
TOTAL	**1,169,359**	**977,274**

"Bank and postal deposits" comprise the Group's short-term deposits with banks of which the Group is a client and the balance on the bank accounts of ERG Power S.r.l. and of the companies of the ERG Renew Group according to the usage limitations established by the respective Project Financing agreements.
For information on restricted liquidity, please refer to Note 26 – Covenants and negative pledges.
At 31 December 2014, the liquidity subject to the different restrictions prescribed by Project Financing agreements amounted to approximately EUR 122 million.

NOTE 13 – GROUP SHAREHOLDERS' EQUITY

SHARE CAPITAL

Fully paid-in share capital as of 31 December 2014 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (unchanged since 31 December 2013).
At 31 December 2014, the parent Company's Shareholders Register, relative to holders of significant interests, shows the following:

- San Quirico S.p.A. held 84,091,940 shares, i.e. 55.942%;
- Polcevera S.A. (Luxembourg) held 10,380,060 shares, i.e. 6.905%.

As of 31 December 2014, San Quirico S.p.A. and Polcevera S.A. were controlled by the Garrone and Mondini families, heirs of the founder of the ERG Group, Edoardo Garrone.

TREASURY SHARES

On 15 April 2014, pursuant to Article 2357 of the Italian Civil Code, the Shareholders' Meeting of ERG S.p.A. granted powers to the Board of Directors to purchase treasury shares for a period of 12 months from 15 April 2014, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 ordinary ERG shares with a par value of EUR 0.10 each, at a unit price, including additional purchase costs, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.
The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for 12 months starting on 15 April 2014, to sell, all at once or in several steps, and with any procedures deemed appropriate, treasury shares at a unit price no lower than 10% below the closing price of the stock on the day immediately preceding each individual sale and in any case no lower than the per-share value of the Company's equity as reported by the latest approved Financial Statements.
As of 31 December 2014 ERG S.p.A. held 7,516,000 treasury shares, amounting to 5.0% of the share capital.

In accordance with IAS 32, treasury shares are presented as a reduction of shareholders' equity, through the use of Paid-in capital in excess of par.
The original cost of treasury shares, write-downs for impairment, and income and losses deriving from any subsequent sales are presented as changes in shareholders' equity.

OTHER RESERVES

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

NOTE 14 – MINORITY INTERESTS

Minority interests arise from the line-by-line consolidation of the following companies that have other shareholders:

	% OF MINORITY SHAREHOLDERS	MINORITY SHARES
ERG RENEW S.P.A.	7.14%	47,387
TOTAL		**47,387**

On 16 January 2014 the Shareholders' Meeting of ERG Renew voted a reserved capital increase, for a total price of EUR 50 million, simultaneously subscribed and freed by UniCredit, corresponding to a minority interest in ERG Renew that represents 7.14% of its share capital. Consequently, ERG recognised to UniCredit a conditioned sale option for the same amount and included among other non-current liabilities (Note 19).
In addition, on 16 June 2014 ERG S.p.A. acquired 49% of the share capital of ISAB Energy, ISAB Energy Services and ISAB Energy Solare for EUR 153 million corresponding to an amount of EUR 240 million of the corresponding shareholders' equity; the transaction determined a reduction in minority interests (expressed at book value for EUR 240 million, including dividends paid before the aforementioned transaction, i.e. EUR 22 million) and an increase in the Group's Shareholder Equity for the difference, as the transaction was subsequent to control, as regulated by IFRS 3.
Since the acquisition of the minority share occurred during the year, the 2014 Consolidated Income Statement highlights the attribution of the portion of income pertaining to the interest held by the minority shareholder until the time of sale to the Group (for additional details, please refer to Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).
Lastly, within the agreements for the acquisition of the ERG Wind Group a put and call option on the remaining 20% of the capital is provided, which may be exercised no earlier than three years after the date of closing. In consideration of the terms of the option and of the method for calculating its exercise price, the acquisition of the minority shares was assumed to be certain, with the consequent inclusion of minority shares in the Group's equity.

NOTE 15 – EMPLOYEES' SEVERANCE INDEMNITIES

This item, totalling EUR 4,727 thousand (EUR 4,995 thousand as of 31 December 2013), includes the estimated liability relating to the severance indemnities payable to employees when they terminate their employment. The decrease is mainly due to the sale of the business unit of ISAB Energy Services and ISAB S.r.l. (for additional details, please refer to Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).

Below are illustrated the main assumptions used to calculate the present value of the liability relating to employees' severance indemnities. The discount rate was determined on the basis of a panel of AA-rated corporate securities with at least 10-year maturity.

DISCOUNT RATE	1.5%
INFLATION RATE	1.5%
AVERAGE TURNOVER RATE	3.0%
AVERAGE RATE OF SALARY INCREASE	1.5%
AVERAGE AGE	42

The following table shows the changes in 2014

	31/12/2014
BALANCE AT BEGINNING OF PERIOD	**4,995**
CHANGE IN SCOPE OF CONSOLIDATION	(151)
SOCIAL SECURITY COST FOR CURRENT SERVICES	–
BENEFITS PAID	(117)
BALANCE AT END OF PERIOD	**4,727**

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

(EUR THOUSAND)	
CHANGE IN DISCOUNT RATE +0.5%: LOWER LIABILITY	(231)
CHANGE IN DISCOUNT RATE -0.5%: HIGHER LIABILITY	256

NOTE 16 – DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognised on taxable temporary differences which result from adjustments made to the separate Financial Statements of consolidated companies in order to align them with the Group's uniform accounting standards, as well as on temporary differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis.

The rate used to calculate deferred taxes is the same as the nominal IRES (corporate income tax) rate (27.5%), increased, where so prescribed, by the IRAP (regional income tax) rate (3.50% - 5.12%).

Deferred tax liabilities amounting to EUR 179,401 thousand as of 31 December 2014 (EUR 222,833 as of 31 December 2013) were mainly recognised over fiscal amortisation and depreciation in excess of statutory amounts and over capital gains on business combinations.

NOTE 17 – PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

	31/12/2014	ALLOCATIONS	USAGE	RECLASSIFICATIONS	31/12/2013
PRIOLO SITE PROVISION	83,424	–	(8,022)	4,961	86,485
PROVISION FOR RESTORATION COSTS	17,766	1,346	–	–	16,420
OTHER PROVISIONS	297	–	(38)	(2,691)	3,026
TOTAL	**101,487**	**1,346**	**(8,060)**	**2,270**	**105,931**

Provisions for non-current liabilities and charges mainly comprise liabilities tied to the Priolo site (EUR 83.4 million) as better commented in Note 27 – Contingent liabilities and disputes and arising mainly from the exit from the Refining business and the costs for restoring the site on which the wind farms operate (EUR 17.48 million), recorded as an offsetting entry to higher tangible fixed assets. The latter recognition derives from an analysis prepared on the basis of the most recent instances of construction and removal of a wind farm and from the consequent revision of the estimates used in previous years.

The reclassifications refer to the portion, amounting to EUR 5.0 million, of the Priolo site provisions accounted for in the provisions for current liabilities and charges as of 31 December 2013 and reclassified by virtue of its expected possible manifestation in the medium or long term and to liabilities reclassified in the other non-current liabilities.

NOTE 18 – NON-CURRENT FINANCIAL LIABILITIES

The breakdown of this item is as shown below:

	31/12/2014	31/12/2013
MEDIUM/LONG-TERM MORTGAGES AND LOANS	13,583	120,848
- CURRENT PORTION OF MEDIUM/LONG-TERM LOANS	(13,583)	(86,983)
	–	**33,865**
MEDIUM/LONG-TERM PROJECT FINANCING	1,297,324	1,361,938
- CURRENT PORTION OF PROJECT FINANCING	(164,528)	(122,464)
	1,132,796	**1,239,474**
OTHER MEDIUM/LONG-TERM FINANCIAL PAYABLES	**181,108**	**162,343**
TOTAL	**1,313,904**	**1,435,682**

Medium/long-term mortgages and loans

As of 31 December 2014, mortgages and loans totalled EUR 13.6 million (EUR 120.8 million as of 31 December 2013), entirely referred to a loan granted by the European Investment Bank for the "ERG Energia Sicilia" Project. The loan is secured for up to EUR 51 million.

Medium/long-term Project Financing

The following tables show the main characteristics of existing Project Financing as of 31 December 2014:

COMPANY	WIND FARM/ THERMOELECTRIC PLANT	NET CARRYING AMOUNT OF THE ASSET	ASSOCIATED FINANCIAL DEBT				
			CARRYING VALUE OF THE FINANCIAL LIABILITY	TECHNICAL FORM	ISSUE	MATURITY	HEDGE
ERG WIND INVESTMENTS	ERG WIND GROUP WIND FARMS	407,380	626,960	PROJECT FINANCING	2008	2022	IRS: AVERAGE FIXED RATE 4.46%
ERG EOLICA ADRIATICA	ROTELLO - ASCOLI SATRIANO (CB/FG)	155,215	138,553	PROJECT FINANCING	2009	2022	IRS: FIXED RATE 4.85%
ERG EOLICA FOSSA DEL LUPO	FOSSA DEL LUPO (CZ)	133,640	102,341	PROJECT FINANCING	2012	2025	IRS: FIXED RATE 2.26%
ERG EOLICA CAMPANIA	BISACCIA 2 - FOIANO - MOLINARA BASELICE - LACEDONIA 2 (AV/BN)	101,526	68,297	PROJECT FINANCING	2009	2020	IRS: FIXED RATE 4.37%
ERG EOLICA GINESTRA	GINESTRA (BN)	67,771	35,330	PROJECT FINANCING	2010	2025	IRS: FIXED RATE 3.27%
ERG EOLICA AMARONI	AMARONI (CZ)	36,787	31,555	PROJECT FINANCING	2013	2026	IRS: FIXED RATE 1.68%
GREEN VICARI	VICARI (PA)	31,087	25,274	PROJECT FINANCING	2008	2019	IRS: FIXED RATE 2.235%
ERG EOLICA FAETO	FAETO (FG)	23,319	23,756	PROJECT FINANCING	2007	2021	CAP: 5% MAXIMUM LIMIT TO THE FLOATING RATE
EOLIENNES DU VENT SOLAIRE	PLOGASTEL SAINT GERMANE (FRANCE)	6,234	6,210	PROJECT FINANCING	2011	2025	FIXED RATE LOAN
PARC EOLIEN LES MARDEAUX	LES MARDEAUX (FRANCE)	4,360	5,105	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE HETOMESNIL	HETOMESNIL (FRANCE)	4,402	4,340	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE LIHUS	LIHUS (FRANCE)	4,514	4,208	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DE LA BRUYERE	LA BRUYERE (FRANCE)	4,307	4,020	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.77%
PARC EOLIEN DU CARREAU	CARREAU (FRANCE)	3,572	3,788	PROJECT FINANCING	2005	2019	IRS: AVERAGE FIXED RATE 5.39%
ERG POWER	CCGT PLANT	385,252	176,938	PROJECT FINANCING	2010	2021	IRS: FIXED RATE 2.77%
ERG EOLICA BASILICATA	PALAZZO SAN GERVASIO (PZ)	43,938	40,648	PROJECT FINANCING	2010	2031	IRS: FIXED RATE 2.77%
TOTAL			**1,297,324**				

On 23 May 2014 ERG Eolica Basilicata S.r.l. (100% ERG Renew) executed the project financing loan agreement for its own wind farm located in the Potenza province, commissioned in the first quarter of 2014, with an installed capacity of 34 MW.

This loan, totalling EUR 43 million with a maturity of 17 years, had not yet been issued at 30 September 2014.

At 31 December 2013 the weighted average interest rate on mortgages, loans and project financing was 1.86% (1.83% at 31 December 2013). The rate indicated does not take into account interest rate hedges.

The breakdown by due year for repayments on existing medium/long-term bank loans is as follows:

	MORTGAGES AND LOANS	PROJECT FINANCING
DUE BY 31/12/2015	13,583	164,528
DUE BY 31/12/2016	–	141,457
DUE BY 31/12/2017	–	113,964
DUE BY 31/12/2018	–	130,174
DUE BY 31/12/2019	–	139,772
DUE BEYOND 31/12/2019	–	607,429
TOTAL	**13,583**	**1,297,324**

	31/12/2014	31/12/2013
SECURED BY GROUP TANGIBLE ASSETS		
WITH MATURITIES UP TO DECEMBER 2026	1,297,324	1,361,938
SECURED BY BANK SURETIES		
WITH MATURITIES UP TO DECEMBER 2015	13,583	120,848
TOTAL	**1,310,907**	**1,482,786**

For a comment on Covenants and negative pledges relating to the bank loans, please refer to Note 26.

Other medium/long-term financial payables

Other medium/long-term financial payables include liabilities deriving from the fair value measurement of the derivatives to hedge interest rates of EUR 181 million (EUR 141 million as of 31 December 2013), whose details are provided below:

(EUR THOUSAND)	ISSUING BANK	CONTRACT	MATURITY	PAYABLE FOR FAIR VALUE 31/12/2014	31/12/2013
ERG S.P.A.	BANCA IMI	IRS	30/12/14	-	(117)
ERG POWER S.R.L.	BNP PARIBAS BNL	IRS	31/12/21	(3,403)	(3,054)
ERG POWER S.R.L.	INTESA	IRS	31/12/21	(3,403)	(3,054)
ERG POWER S.R.L.	CREDIT AGRICOLE	IRS	31/12/21	(2,727)	(2,447)
ERG POWER S.R.L.	SANTANDER	IRS	31/12/21	(541)	(485)
ERG POWER S.R.L.	CENTROBANCA	IRS	31/12/21	(541)	(485)
ERG POWER S.R.L.	ING	IRS	31/12/21	(541)	(485)
GREEN VICARI S.R.L.	BNL	IRS	30/06/19	(658)	(830)
ERG EOLICA ADRIATICA S.R.L.	BNP PARIBAS BNL	IRS	15/06/22	(11,175)	(9,571)
ERG EOLICA ADRIATICA S.R.L.	ING	IRS	15/06/22	(11,175)	(9,571)
ERG EOLICA ADRIATICA S.R.L.	RBS	IRS	15/06/22	(11,175)	(9,571)
ERG EOLICA GINESTRA S.R.L.	UNICREDIT	IRS	30/06/25	(1,718)	(1,102)
ERG EOLICA GINESTRA S.R.L.	CENTROBANCA	IRS	30/06/25	(1,718)	(1,102)
ERG EOLICA GINESTRA S.R.L.	BARCLAYS	IRS	30/06/25	(1,718)	(1,102)
ERG EOLICA CAMPANIA S.P.A.	RBS	IRS	31/05/20	(2,144)	(2,238)
ERG EOLICA FOSSA DEL LUPO S.R.L.	ING	IRS	31/12/25	(3,178)	(1,056)
ERG EOLICA FOSSA DEL LUPO S.R.L.	CRÉDIT AGRICOLE	IRS	31/12/25	(2,733)	(910)
ERG EOLICA FOSSA DEL LUPO S.R.L.	CENTROBANCA	IRS	31/12/25	(2,098)	(697)
ERG EOLICA AMARONI S.R.L.	ING	IRS	31/12/26	(727)	162
ERG EOLICA AMARONI S.R.L.	CREDIT AGRICOLE	IRS	31/12/26	(727)	161
ERG EOLICA FAETO S.R.L.	BANCO POPOLARE	IRS	31/12/21	(478)	(45)
ERG EOLICA FAETO S.R.L.	UNICREDIT	IRS	31/12/21	(478)	(45)
ERG EOLICA BASILICATA S.R.L.	BNP PARIBAS BNL	IRS	30/06/31	(806)	–
ERG EOLICA BASILICATA S.R.L.	CREDIT AGRICOLE	IRS	30/06/31	(806)	–
PARC EOLIEN DE LIHUS S.A.S.	HSH	IRS	30/12/19	(250)	(279)
PARC EOLIEN DE LIHUS S.A.S.	HSH	IRS	30/12/19	(261)	(297)
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH	IRS	30/12/19	(244)	(273)
PARC EOLIEN DE HETOMESNIL S.A.S.	HSH	IRS	30/12/19	(255)	(288)
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH	IRS	30/12/19	(261)	(292)
PARC EOLIEN DE LA BRUYERE S.A.S.	HSH	IRS	30/12/19	(273)	(309)
PARC EOLIEN DU CARREAU S.A.S.	HSH	IRS	30/12/19	(175)	(286)
PARC EOLIEN LES MARDEAUX S.A.S.	HSH	IRS	30/12/19	(259)	(290)
PARC EOLIEN LES MARDEAUX S.A.S.	HSH	IRS	30/12/19	(271)	(306)
ERG WIND INVESTMENT LTD.	RBS	IRS	31/12/22	(65,303)	(51,958)
ERG WIND INVESTMENT LTD.	BOS	IRS	31/12/22	(48,884)	(38,862)
TOTAL				**(181,106)**	**(141,085)**

NOTE 19 – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities, amounting to EUR 95,375 thousand (EUR 65,795 thousand at 31 December 2013), mainly comprise the liability connected with the valuation of the conditioned sale option granted to Unicredit within the scope of the ERG Renew capital increase of 16 January 2014. The other minor non-current liabilities mainly include the portions of income deferred in subsequent periods, in addition to potential adjustments, estimated to be EUR 10 million, relating to the price of the acquisition of the ERG Wind Group.

The Balance at 31 December 2013 included the medium/long-term portion of the component benefiting from incentives for the sale of electricity of ISAB Energy S.r.l., already recognised and paid by the National Grid Operator in the first eight years, the accrual of which, in accordance with international accounting standards, had been partly deferred to the following years, along the duration of the concession. For additional details on the nature of the entry, please refer to the comments in Note 19 of the 2013 Consolidated Financial Statements. At 31 December 2014, the entry amounted to zero as a result of the early termination of the CIP6 convention, already commented in the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6.

NOTE 20 – PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

	31/12/2014	INCREASES	DECREASES	RECLASSIFICATIONS	31/12/2013
PROVISION FOR COVERAGE OF INVESTEE COMPANIES' LOSSES	4,772	116	–	–	4,656
PROVISION FOR ENVIRONMENTAL RISKS	4,426	–	(566)	–	4,992
PROVISION FOR LEGAL RISKS	3,924	241	(255)	–	3,938
PROVISION FOR DEMURRAGE CHARGES AND ANCILLARY FREIGHT EXPENSES	2,124	1,978	(1,978)	–	2,124
PROVISION FOR INTEREST AND REVALUATIONS UNDER LAW NO. 488/1992	14,882	14,882	–	–	–
RESTRUCTURING PROVISIONS	15,745	14,400	(655)	–	2,000
OTHER PROVISIONS	22.145	10,781	–	(4,961)	16,325
TOTAL	**68,018**	**42,398**	**(3,454)**	**(4,961)**	**34,035**

Provisions for current liabilities and charges amounted, at 31 December 2014, to EUR 68,018 thousand (EUR 34,035 at 31 December 2013) and they comprise:

- the provision for coverage of investee companies' losses (EUR 5 million) for the subsidiary ERG Petroleos, no longer operational, in liquidation and other minor entries;
- the provision for environmental risks (EUR 5 million) pertaining to site disputes;
- the provision for legal risks (EUR 4 million) related to potential liabilities from ongoing legal disputes;
- the provision for costs tied to interest and revaluations on the contributions under Italian Law 488/1992 relating to wind farms acquired within the scope of the ERG Wind transactions and revoked by the Ministry of Economic Development as commented more thoroughly in Note 5. The risks connected with the revocation of the aforesaid contributions are covered in the agreements for the acquisition of ERG Wind by specific indemnification obligations undertaken by the seller and therefore, the related receivable was allocated in "Other current assets".;
- the restructuring provisions refer to costs relating to the initiated personnel redundancy procedures and to the costs for restructuring the asset portfolio;

- the other provisions for liabilities and charges, relating mainly to provisions for costs deemed likely in commercial dealings and to contingent liabilities relating to prior items connected with the operation of the power plants of the North site, which have since been disposed of.

The increase compared to 2013 is mainly due to the recognition of the provision for interest and revaluation under Law no. 488/1992 and to the allocation for restructuring and personnel redundancies.

NOTE 21 – TRADE PAYABLES

	31/12/2014	31/12/2013
TRADE PAYABLES	285,050	689,137
PAYABLES DUE TO GROUP COMPANIES NOT CONSOLIDATED LINE-BY-LINE	12,620	4,560
TOTAL	**297,670**	**693,697**

These are payables deriving from commercial transactions and are payable within the next year.
Trade payables decreased because of the progressive exit from the refining business.

NOTE 22 – CURRENT FINANCIAL LIABILITIES

	31/12/2014	31/12/2013
SHORT-TERM BANK BORROWINGS	**60,267**	**200,505**
OTHER SHORT-TERM FINANCIAL PAYABLES		
CURRENT PORTION OF MEDIUM/LONG-TERM BANK BORROWINGS	13,583	86,983
SHORT-TERM PROJECT FINANCING	164,528	122,464
OTHER SHORT-TERM FINANCIAL PAYABLES	5,991	12,429
	184,102	**221,876**
TOTAL	**244,369**	**422,381**

Relevant information about "Short-term bank borrowings" is as follows:

- as of 31 December 2014, short-term borrowings amounted to 21% of total credit lines granted (33% as of 31 December 2013);
- the average drawn on the short-term credit lines during the year was 30% of the total amounts granted (36% as of 31 December 2013);
- these lines are revocable and unsecured;
- as of 31 December 2014, the weighted average interest rate on short-term borrowings was 0.82% (1.47% as of 31 December 2013).

Other short-term financial payables mainly comprise financial payables to unconsolidated Group companies.

NOTE 23 – NET FINANCIAL POSITION

(EUR THOUSAND)	NOTES	31/12/2014	31/12/2013
MEDIUM/LONG-TERM BANK BORROWINGS	18	13,583	120,848
- CURRENT PORTION OF MORTGAGES AND LOANS	18, 22	(13,583)	(86,983)
MEDIUM/LONG-TERM FINANCIAL PAYABLES	18	181,108	162,343
TOTAL		**181,108**	**196,208**
MEDIUM/LONG-TERM PROJECT FINANCING	18	1,297,324	1,361,938
- CURRENT PORTION OF PROJECT FINANCING	18, 22	(164,528)	(122,464)
TOTAL		**1,132,796**	**1,239,474**
MEDIUM/LONG-TERM FINANCIAL INDEBTEDNESS/ (MEDIUM/LONG TERM FINANCIAL ASSETS)		**1,313,904**	**1,435,682**
SHORT-TERM BANK BORROWINGS	22	73,850	287,488
SHORT-TERM FINANCIAL DEBTS	22	5,991	12,429
TOTAL		**79,841**	**299,917**
CASH AND CASH EQUIVALENTS	12	(1,047,328)	(816,621)
SECURITIES AND OTHER SHORT-TERM FINANCIAL RECEIVABLES	11	(58,813)	(73,318)
TOTAL		**(1,106,141)**	**(889,939)**
SHORT-TERM PROJECT FINANCING	18, 22	164,528	122,464
CASH AND CASH EQUIVALENTS	12	(122,031)	(160,653)
TOTAL		**42,497**	**(38,189)**
NET SHORT-TERM FINANCIAL INDEBTEDNESS/ (SHORT-TERM FINANCIAL ASSETS)		**(983,803)**	**(628,211)**
NET FINANCIAL POSITION		**330,101**	**807,471**

Net financial indebtedness amounted to EUR 330 million, down by EUR 477 million compared to 31 December 2013 mainly as a result of the amount collected after the termination of the CIP 6 contract of ISAB Energy (EUR 515 million) and of the operating cash flow of the period, partially offset by the payment of the dividends from ERG S.p.A. (EUR 143 million) and from ISAB Energy to the minority shareholder (EUR 22 million), by the acquisition of the minority interest of ISAB Energy and ISAB Energy Services (EUR 153 million). Indebtedness at 31 December 2014 was also positively affected by the amount of EUR 50 million consequent to UniCredit's inclusion among ERG Renew shareholders.

Net financial indebtedness includes financial liabilities related to the fair value of interest rate hedging derivatives, amounting to approximately EUR 181 million (EUR 141 million as at 31 December 2013).

NOTE 24 – OTHER CURRENT LIABILITIES

	31/12/2014	31/12/2013
TAX PAYABLES	34,205	27,199
EXCISE DUTIES PAYABLE TO TAX AUTHORITIES	468	447
PAYABLES DUE TO EMPLOYEES	6,676	10,719
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	4,153	5,016
OTHER CURRENT LIABILITIES	111,149	169,736
TOTAL	**156,651**	**213,117**

"Tax payables" mainly refer to the estimate of income taxes owed for the period and VAT payable.

Additionally, the "Other current liabilities" as of 31 December 2013 comprised mainly the short-term portion of the "CIP 6 price increase" already commented in Note 19.

In 2014, taxes amounting approximately to EUR 52 million were paid as final payments for 2013 and as advances for 2014.

NOTE 25 – GUARANTEES, COMMITMENTS AND RISKS (EURO 108,457 THOUSAND)

Sureties given (EUR 101,077 thousand)

Sureties given mainly concern the guarantees granted for use of Group VAT receivables and generally in favour of public Entities.

Other guarantees given (EUR 2,748 thousand)

The other guarantees given pertain to sureties on bank loans.

Our commitments (EUR 4,632 thousand)

Commitments to third parties mainly refer to those entered into for the purchase of hardware, software and IT consulting services.

NOTE 26 – COVENANTS AND NEGATIVE PLEDGES

Project Financing of ERG Renew and its subsidiaries

- Loan stipulated in June 2007 by **ERG Eolica Faeto S.r.l.** (formerly Eos 4 Faeto S.r.l.). The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 5 million as of 31 December 2014), as well as a letter of comfort from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
  - Historical Debt Service Coverage Ratio (DSCRS): calculated as the ratio between the project's cash flow after the VAT flows to reimburse the principal of the VAT credit line, for the current and previous half-year, and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the DSCRS is less than 1.10, ERG Eolica Faeto S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the value is less than 1.05, and the company does not effect

any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
- The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Faeto S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan stipulated in August 2007 by **Green Vicari S.r.l.** The guarantees issued include a mortgage on real estate, a special lien on properties, a pledge on 100% of the company's share capital and on the company's receivables and bank accounts (EUR 8 million as of 31 December 2014) . The loan is also subject to the following covenants and negative pledges:
  - Average Debt Service Coverage Ratio (ADSCR): calculated on 30 June and 31 December of each year as the ratio between the project's cash flow after the VAT flows to reimburse the principal of the base credit line, for the two previous half-years, and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the subsidised loan, of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the ADSCR is less than 1.10, Green Vicari S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the value is less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, Green Vicari S.r.l. may not issue further guarantees on its assets.

- Loan for construction of the **five wind farms located in France**.
  The guarantees issued include a mortgage on real estate and a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 5 million as of 31 December 2014). The loan is subject to the following financial covenant pertaining to dividend distribution.
  - Historical Debt Service Coverage Ratio (DSCRS): calculated as the ratio between the project's cash flow after the VAT flows to reimburse the principal of the VAT credit line, for the current and previous half-year, and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If it is less than 1.10, the French companies may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions.
  - The contract also provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Therefore, the French companies may not issue further guarantees on their assets.

- Loan stipulated by **Eoliennes Du Vent Solaire S.a.s.** for the construction of a wind farm located in France. The guarantees issued include a mortgage on real estate and a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 5 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:

- Debt Service Coverage Ratio (DSCRS): calculated as the ratio between the project's cash flow after the VAT flows to reimburse the principal of the VAT credit line, for the current and previous half-year, and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the DSCR is less than 1.15 Eoliennes Du Vent Solaire S.a.s. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the value is less than 1.10, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
- The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, Eoliennes Du Vent Solaire S.a.s. may not issue further guarantees on its assets.

- Loan stipulated in January 2010 by **ERG Eolica Ginestra S.r.l.** The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 8 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historic and/or Prospective DSCR are less than 1.15, ERG Eolica Ginestra S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical DSCR is less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - Loan Life Cover Ratio: the LLCR is calculated as the ratio between the net present value – discounted at the weighted average cost of debt – of operating cash flows projected by the company in the periods between the date of calculation and the debt's maturity year and the amount of debt existing as of the calculation date. If it is less than 1.20, ERG Eolica Ginestra S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the value is less than 1.10, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Ginestra S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan stipulated in January 2009 by **ERG Eolica Adriatica S.r.l.** The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 9 million as of 31 December 2014).

The base credit line of the loan is also subject to the following covenants and negative pledges:

- Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment (base credit line) prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.20, ERG Eolica Adriatica S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical and/or Prospective DSCR are less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
- Balloon Cover Ratio (BLCR): calculated as the ratio between the net present value, discounted at the weighted average cost of debt, of the operating cash flows forecast by the company in the periods between the last repayment date and 60 subsequent months and the amount of the last instalment of the loan (Balloon). If it is less than 1.50, ERG Eolica Adriatica S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions
- The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Adriatica S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan stipulated in October 2007 by **ERG Eolica Campania S.p.A.** (formerly IVPC POWER 3 S.p.A.). The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 11 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment (base credit line) prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.15, ERG Eolica Campania S.p.A. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical and/or Prospective DSCR are less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Campania S.p.A. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan granted in March 2012 to the company **ERG Eolica Fossa del Lupo S.r.l.** The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR

2 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:

- Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment (base credit line) prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.15, ERG Eolica Fossa del Lupo S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical and/or Prospective DSCR are less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
- The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Fossa del Lupo S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan issued in April 2013 to **ERG Eolica Amaroni S.r.l.** The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 2 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment (base credit line) prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.15, ERG Eolica Amaroni S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical and/or Prospective DSCR are less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Amaroni S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan stipulated in January 2014 by **ERG Eolica Basilicata S.r.l.** The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 9 million as of 31 December 2014). The loan is also subject to the following covenants and negative pledges:
  - Historical and Prospective Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment (base credit line) prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the

sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.15, ERG Eolica Basilicata S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical and/or Prospective DSCR are less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
  - The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica Basilicata S.r.l. may not issue further guarantees on its assets except in the event of guarantees required by law.

- Loan granted in 2008 to **ERG Wind Investments Ltd.** The loan is subject to the following covenants and negative pledges:
  - Covenants
    The main financial covenant is the HDSCR (Historical Debit Service Cover Ratio), which is calculated once every six months, with reference to the cash flows generated in the previous 12 months, in relation to the payment of the financial debt (principal, interest, fees and swaps) of that period.
    If the DSCR were lower than 1.05, there would be a Project Finance default event. A DSCR above 1.15 is required for the distribution of dividends.
  - Security Package
    To secure the commitments made in accordance with the loan agreement, security contracts governed by the regulations prescribed by different jurisdictions had to be executed.
    The security documents indicated in the loan agreement include, inter alia, pledges on equity investments, pledges on stocks, transfer of the receivables serving as collateral (also pertaining to insurance receivables, pledges on current accounts. (EUR 60 million at 31 December 2014).

ERG Power S.r.l. Project Financing
In December 2009, the Company stipulated, with a group of international banks (Banca IMI, BNP Paribas, Banco Santander, Crédit Agricole Corporate and Investment Bank, Centrobanca, ING Bank, MPS Capital Services, Unicredit Mediocredito Centrale, WestLB) a limited recourse Project Financing for EUR 330 million. The project Agent is Unicredit Mediocredito Centrale.
The loan was disbursed in April 2010, following the fulfilment of all conditions precedent set out in the loan agreement.

The agreement, granting a loan for the repowering of a CCGT plant, required as guarantee for the payment of amounts and fulfilment of all obligations resulting from the lending agreement:
- the creation of a mortgage loan in favour of the lending financial institutions, covering the property owned by the Company and the property subjected to a building lease of the Company;
- the creation of a special lien covering the plant, machinery, capital assets, raw materials, work in progress, finished products, inventories and receivables resulting from the sale of such goods above certain monetary thresholds;
- the creation of a lien on the receivables deriving from the main project agreements and on ERG Power's project deposit accounts;
- the monitoring of incoming and outgoing cash flows relating to financial management by the financial institutions.

The guarantees given also entail, among others, a 100% pledge of the Company's share capital. The Project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Therefore, in principle, ERG Power may not issue further guarantees, with the standard exceptions for transactions of this kind. The guarantees' duration is tied to the repayment of the loan agreement. The loan is also subject to the following covenants:

- Historical and Prospective Annual Debt Service Coverage Ratio (DSCR): calculated, for each 12 month period preceding and following each calculation date, as the ratio between the project's cash flow after the VAT flows and the total amount of debt repayment prescribed by the amortisation schedule of the principal of the base credit line and of the sum of interest, fees, costs paid or to be paid in relation to the credit lines and of the sums paid or to be paid by the company to the hedging financial institutions or by the hedging financial institutions to the company according to the hedging contracts. If the Historical and/or Prospective DSCR are less than 1.15, ERG Power S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the Historical DSCR is less than 1.05, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.
- Loan Life Cover Ratio: the LLCR is calculated as the ratio between the net present value – discounted at the weighted average cost of debt – of operating cash flows projected by the company in the periods between the date of calculation and the debt's maturity year and the amount of debt existing as of the calculation date. If it is below 1.20, ERG Power S.r.l. may not proceed with the distribution of dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions. If the value is less than 1.10, and the company does not effect any contractually agreed remedy, the financial institutions may request termination of the financing agreement and the calling in of guarantees.

In relation to the Project Financing for ERG Power S.r.l., starting on 30 June 2011 compliance with the following covenants, to be calculated on a half-yearly basis on the Consolidated Financial Statements of the ERG Group, is expected.

- Ratio between Consolidated Adjusted Net Financial Position and Consolidated Adjusted EBITDA (Adjusted NFP / Adjusted EBITDA): if it exceeds 4.0, the company may not distribute dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions.
- Ratio between Consolidated Adjusted EBITDA and Consolidated Adjusted Financial Income and Expenses: if it is lower than 3.0, the company may not distribute dividends to shareholders, or repay subordinated loans without prior authorisation by the financial institutions.

Failure to comply with the aforesaid covenants for three consecutive times entails the partial early repayment of the loan for an amount equal to the excess cash flow defined contractually and restricted in dedicated bank accounts in the three previous periods.

In general with reference to the covenants described in this Note, based on the assessments and recalculations carried out by the Group, there are no breaches of the financial covenants as of 31 December 2014.

NOTE 27 – CONTINGENT LIABILITIES AND DISPUTES

ERG is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations. However, on the basis of the available information and considering the liability provisions accrued, it is deemed that these proceedings and actions will not determine significant negative effects on the Group.

Priolo Site

As indicated in the 2013 Financial Statements, on 30 December 2013 ERG S.p.A. had sold the final share held in ISAB S.r.l., definitively exiting the Coastal Refining business.
However, there still were certain contingent liabilities connected with the Priolo Site and originating from previous years which had not yet been fully defined.
Upon drafting the 2013 Financial Statements, in view of the uncertainty inherent to disputes, including tax disputes, of the complexity of site transactions and in general of the conclusion of the activities connected with the coastal refining business, a comprehensive assessment of the risk connected with the issues commented above was carried out, estimating the allocation of a "Priolo Site Provision" of EUR 91 million (EUR 83 million at 31 December 2014).
In particular:

– Regarding the ongoing dispute between ERG Raffinerie Mediterranee (now ERG S.p.A.) and the Italian Tax Authorities over the application of **harbour duties** for embarkation and disembarkation rights at the Santa Panagia jetty, it should be recalled that on 6 April 2011 the Provincial Tax Commission of Siracusa partially allowed the Company's appeal and ruled that harbour duties through 2006 are not due, but from 2007 onwards they are in fact due. The first degree decision was challenged within the terms by the Italian Revenue Agency and by ERG with cross appeal for the period after 2006. During the hearing of 11 February 2013, the Attorney General's Office and the Company's legal counsel presented to the Court their respective arguments. The appeal decision, issued by the Regional Tax Commission and filed on 27 May 2013, amended the first decree decision unfavourably for ERG. Following a thorough evaluation of the reasons for the appeal decision, the company decided to appeal before the Court of Cassation, deeming its own arguments to be well grounded (in particular with regard to the notion of "harbour" in accordance with Italian Law 84/94 and to the alleged novating or retroactive validity of Article 1, Paragraph 986 of the 2007 Italian Budget Law). On 4 November 2013, the Regional Tax Commission of Siracusa allowed the request to suspend the effectiveness of the appeal decision, requiring the release of a first demand insurance guarantee in favour of the Customs Agency. The date of the hearing has not yet been set. Starting from 2007, the related taxes had already been recognised in the Consolidated Income Statement under the accrual basis, while no provision had been made for the years from 2001 to 2006.
– With reference to **environmental risk**, with regard to the South Site the likelihood of exposure to contingent liabilities is deemed remote, in that the risk has already been limited by the settlement reached with the Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011, and by the Settlement Agreement stipulated on 30 December 2013 between ERG S.p.A. and LUKOIL.
  With regard to the North Site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (previous owner of the site), and by the agreement executed with LUKOIL (new owner), the risk is as follows: (i) for potential environmental damages preceding 1 October 2002, ENI shall be liable without limitation; (ii) with reference to the potential damages relating to the 1 October 2002 – 1 December 2008 time frame, deriving from a violation of the environmental guarantees issued by ERG, the latter shall be liable. The following limitations apply to ERG's contractual liability to LUKOIL: (a) upper applicable maximum limit equal to the sale price of the equity investment in ISAB S.r.l.; (b) environmental guarantees have a duration of 10 years and in case of

uncertain identification of the period to which the potential damage is referred, a time shift until 2018 is applied.

The agreement with LUKOIL prescribes, for ERG, a liability without time limitations for potential damages connected with events known at the time of execution of the agreement (Known Environmental Matters). Up to EUR 33.4 million, the costs shall be divided between ERG and LUKOIL (51% and 49%).

– With reference to the **site commercial transactions**, there are both receivables and payables, mainly related to supplies of petroleum products and utilities pertaining to previous years.

At the time of preparation of these Financial Statements for the year 2014, the Management of the Group, assisted by the competent corporate departments and with the advice of its legal and tax counsel, carried out a comprehensive review of the issues described above, noting the substantial absence of new elements and confirming, therefore, the appropriateness of the measurements made previously. At 31 December 2014, therefore, the provision for liabilities is deemed adequate and only a partial use is reported, amounting to approximately EUR 8 million, tied to the solution of some commercial issues.

TotalErg

On 3 December 2013, at the offices of TotalErg S.p.A. in Rome and Milan and of ERG S.p.A. in Genoa, the Tax Police – Unit Headquarters of Rome executed the search warrant issued by the Prosecutor's Office at the Court of Rome within the scope of a criminal proceeding against certain representatives of Erg S.p.A. and of TotalErg S.p.A. (the company that originated from the absorption of Total Italia S.p.A. by ERG Petroli S.p.A.).

The investigation - according to the charge formulated in the aforementioned warrant - pertain to alleged tax irregularities referred to the year 2010, allegedly carried out by recording, in the accounts of TotalErg S.p.A., invoices for alleged non-existing crude oil purchase transactions, issued for a total amount of EUR 904 million by Bermuda-based companies belonging to the Total Group, whose costs were included in the tax returns of TotalErg S.p.A. and reported by the consolidator Erg S.p.A. in the "National Tax Consolidation" return of the ERG Group.

As soon as it was informed of the ongoing investigation, the Company started an intense audit activity, aimed at thoroughly reconstructing the facts and the transactions in question, and at carefully analysing the internal control system.

With regard to tax matters, on **6 August 2014** ERG S.p.A., as a result of the same investigation, received, in its capacity as tax consolidator, a report on findings by the Tax Police of Rome, prepared with respect to TotalErg, whose contents substantially refer to the aforesaid allegations.

Moreover, on the same date TotalErg received a Report on Findings for alleged tax irregularities pertaining to Total Italia for the years 2007, 2008, 2009, of substantially similar nature and amount, for each year, to those referenced above, hence referred to periods prior to the establishment of the TotalErg joint venture. In this regard, it should in any case be pointed out that the joint venture agreement with Total provides for an adequate mutual system of guarantees.

In view of the aforementioned Reports on Findings, ERG S.p.A. and TotalErg S.p.A., to further confirm the correctness of their actions, submitted their own observations and notes providing further information to the Financial Administration, which is currently examining them.

At the date of authorisation to the publication of this document, to the best of the Company's knowledge, no notice of assessment had been issued to the Company.

The ERG Group deems that it has always operated in full compliance with current laws and regulations and therefore, supported also by the opinion of its legal counsel, it is confident that its complete innocence with respect to the facts under investigation will be ascertained.

ERG Eolica Ginestra

In 2014 ERG Eolica Ginestra S.r.l. was subjected to a tax audit for fiscal year 2010 for IRES, IRAP and VAT purposes by the Genoa Provincial Office of the Italian Revenue Agency, which ended with the issue of a Report on Findings served to the Company on 13 November 2014.
The Agency claims solely an alleged unlawful application of the tax benefit regulated by Article 5 of Italian Law Decree no. 78/2009, converted with amendments by Law no. 102/2009 ("Tax reductions for investments in machinery"), i.e. the "Tremonti ter" law, proposing the taxation for 2010 IRES purposes of 50% of the investments to which the company had applied the tax reductions.
The Company believes it is able to formulate valid defensive arguments when it challenges the notice of assessment which may be issued as a result of the aforesaid Report on Findings.
At the date of authorisation to the publication of this document, to the best of the Company's knowledge, no notice of assessment had been issued to the Company.

CONSOLIDATED INCOME STATEMENT ANALYSIS

The sale of the business units of ISAB Energy S.r.l. and ISAB Energy Services S.r.l. on 1 July 2014, consisting mainly of the IGCC plant and of the personnel for its operation and maintenance, and the sale of ERG Oil Sicilia S.r.l. on 29 December 2014, fall within the scope of the IFRS 5, which prescribes how to report the income and expenses of discontinued operations and of assets held for sale.
In particular, the Standard requires to disclose in a single line of the Income Statement the net profit or loss of discontinued operations and of assets held for sale.
Consistently, said disclosure is also proposed for the previous period presented in the Financial Statements for comparison purposes: therefore, the 2013 Financial Statements were reclassified appropriately with respect to the previously approved version.

NOTE 28 – REVENUES FROM ORDINARY OPERATIONS

	2014	2013
REVENUES FROM SALES	4,633,158	4,328,978
REVENUES FROM SERVICES	9,901	9,915
REVENUES FROM "GREEN CERTIFICATES"	190,859	177,429
TOTAL	**4,833,918**	**4,516,322**

The breakdown of revenues from ordinary operations by segment can be represented as follows:

	2014	2013
RENEWABLE ENERGY SOURCES	315,098	325,970
POWER & GAS	688,431	807,965
SUPPLY & TRADING	3,829,492	3,380,689
CORPORATE	897	1,698
TOTAL	**4,833,918**	**4,516,322**

Revenues from sales consist mainly of petroleum product sales and include the sale of electricity to the Italian National Grid Operator (GSE) and to other customers in the industrial district of Priolo, to which water and steam are supplied.
It should specified that in the Report on Operations the revenues from Group sales are shown net of the revenues of the Supply & Trading business, presented in reduction of purchase costs, for a more indicative representation of the Group's nature.

The following table shows the breakdown of revenues from sales:

	2014	2013
SALES TO GROUP COMPANIES NOT CONSOLIDATED LINE BY LINE	904,528	850,217
SALES TO THIRD PARTIES	3,728,630	3,478,761
TOTAL	**4,633,158**	**4,328,978**

Revenues from green certificates concern the 2014 output of the ERG Renew Group's operational wind farms. Measurement of the green certificates was calculated at the price of EUR 97/MWh determined on the basis of the expected realisable value. With reference to the regulations pertaining to green certificates, please refer to the paragraph Criteria for the preparation of the Consolidated Financial Statements.

NOTE 29 – OTHER REVENUES AND INCOME

	2014	2013
INDEMNIFICATIONS	2,334	1,650
EXPENSE RECOVERIES	9,823	2,803
CAPITAL GAINS ON DISPOSALS	12	4
NON-RECURRING INCOME	4,926	2,368
OTHER REVENUES	3,194	5,535
TOTAL	**20,289**	**12,360**

The item comprises mainly charge-backs for costs connected with the supply and trading activity, in particular for inspection, rent expenses and other additional costs, rent revenues, grants related to income, and various charge-backs to Group companies not consolidated line by line.

NOTE 30 – CHANGES IN PRODUCT INVENTORIES

Product inventories, relating to petroleum products for short-term resale, are recorded at fair value less sale costs.
The negative change, by approximately EUR 16 million, is mainly tied to the decline in the market prices of petroleum products pertaining to the Supply & Trading business at 31 December 2014.

NOTE 31 – CHANGES IN RAW MATERIALS INVENTORIES

Raw materials inventories, relating to spare parts, are recorded at the lower of cost, determined using the weighted average cost method, or market value.
The change for the period was not significant.

NOTE 32 – COST OF PURCHASES

The purchase costs of products for short-term resale include ancillary expenses, transportation, insurance, commissions, inspections and customs duties. As of 31 December 2014 they amounted to EUR 4,313 million (EUR 3,986 million as of 31 December 2013); the increase is mainly due to the higher purchases of products for short-term resale.

NOTE 33 – COSTS FOR SERVICES AND OTHER COSTS

	2014	2013
SERVICE COSTS	117,072	130,047
RENTS AND LEASES	15,330	15,534
WRITE-DOWNS OF RECEIVABLES	–	692
ACCRUALS OF PROVISIONS FOR LIABILITIES AND CHARGES	28,286	7,535
DUTIES AND TAXES	14,050	15,270
OTHER OPERATING EXPENSES	6,942	9,310
TOTAL	**181,680**	**178,388**

The breakdown of Service costs was as follows:

	2014	2013
COMMERCIAL, DISTRIBUTION AND TRANSPORTATION COSTS	11,187	10,809
REPAIRS AND MAINTENANCE	17,427	17,256
UTILITIES AND SUPPLIES	2,471	2,478
INSURANCE	7,945	9,802
CONSULTING SERVICES	16,953	19,640
ADVERTISING AND PROMOTIONS	512	603
OTHER SERVICES	60,577	69,459
TOTAL	**117,072**	**130,047**

"Commercial, distribution and transportation costs" refer to ancillary charges connected with transporting the petroleum products of the supply and trading business.
"Repairs and maintenance" mainly consist of the costs for routine maintenance of electricity generation plants.
The decrease in "Consulting services" compared to 2013 is due to the lower expenses incurred with reference to non-recurring transactions completed in the period.
In particular, of note in the first half of 2013 is the acquisition of ERG Wind Investment.
"Other services" also pertain to the Directors' and Statutory Auditors' fees, costs relating to plant safety, bank charges, general expenses, staff travel and accommodation expenses, expenses for training and refresher courses, and other personnel costs.
Provisions for liabilities and charges mainly refer to ancillary charges tied to purchases and sales of petroleum products (EUR 6.4 million), to the personnel redundancy procedure initiated at the end of 2014 as well as to costs for restructuring the asset portfolio (EUR 14.4 million), to potential contractual site costs (EUR 2.6 million) and to commercial expenses referred to previous years (EUR 2.0 million).
Duties and taxes mainly pertain to the costs for the green certificates of thermoelectric generation plants, the consolidated municipal tax (IMU and TASI) and state taxes.

NOTE 34 – PERSONNEL COSTS

	2014	2013
SALARIES AND WAGES	37,073	36,148
SOCIAL SECURITY CONTRIBUTIONS	10,441	8,534
EMPLOYEES' SEVERANCE INDEMNITIES	2,204	1,954
OTHER COSTS	5,408	6,834
TOTAL	**55,126**	**53,470**

The increase in personnel costs is essentially referred to the changes in the breakdown of employees, as commented below.
The other costs include additional employees' severance indemnities.

The following table shows the breakdown of the ERG Group's personnel (average headcount during the period):

	2014	2013
EXECUTIVES	48	51
MANAGERS	155	164
STAFF	320	355
WORKMEN	171	103
TOTAL	**694**	**673**

The change in the average number of ERG's employees reflects an increase in relation to the entry of personnel of the company ERG Renew Operations & Maintenance, acquired at the end of 2013. This increase was partly offset by the sale of the business unit consisting of the personnel for the operation and maintenance of the IGCC plant.

As of 31 December 2014, the total number of employees was 604 and it reflected the sale to ISAB S.r.l., on 30 June 2014, of the business unit consisting of the personnel for the operation and maintenance of the IGCC plant.

NOTE 35 – AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

	2014	2013
AMORTISATION OF INTANGIBLE FIXED ASSETS	23,687	23,947
DEPRECIATION OF TANGIBLE FIXED ASSETS	129,012	125,882
WRITE-DOWNS OF FIXED ASSETS	5,780	4,345
TOTAL	**158,479**	**154,174**

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

NOTE 36 – NET FINANCIAL INCOME (EXPENSES)

	2014	2013
INCOME		
FOREIGN CURRENCY EXCHANGE GAINS	62,000	73,572
INTEREST INCOME ON BANK ACCOUNTS	14,480	14,016
OTHER FINANCIAL INCOME	27,318	28,388
	103,798	**115,976**
CHARGES		
FOREIGN CURRENCY EXCHANGE LOSSES	(70,652)	(72,089)
INTEREST ON SHORT-TERM BANK BORROWINGS	(2,682)	(4,265)
INTEREST ON MEDIUM/LONG-TERM BANK BORROWINGS	(1,711)	(4,502)
INTEREST ON PROJECT FINANCING	(30,017)	(31,685)
OTHER FINANCIAL EXPENSES	(66,160)	(72,913)
	(171,222)	**(185,454)**
TOTAL	**(67,424)**	**(69,478)**

The decrease in net financial expenses compared to 2013 is due to the lower interest expense and to the impact of the derivatives that offset the negative impact of exchange rate differences.
The lower interest expense and the higher income also reflect the lower average indebtedness of the year 2014 compared to 2013, both by effect of the reduction in medium/long-term indebtedness and of an increase in cash and cash equivalents as a result of the collection of EUR 515 million, as described in the paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6.
In particular:

- "Foreign currency exchange gains/losses" refer both to the differences between the Euro/US Dollar currency exchange rate used to recognise purchases/sales and related payments/collections, and to the exchange rate risk hedging derivatives set up in respect of commercial transactions in the Supply & Trading business;
- "Other financial income" and "Other financial expenses" refer mainly to the results of the derivatives; the other financial expenses also include the effect on the Income Statement of the fair value measurement of the loan to ERG Wind Investments Ltd, adjusted downwards by EUR 159 million at the time of the acquisition, because it had originally been stipulated at more advantageous conditions than those proposed by the market at the time of the acquisition.

NOTE 37 – NET INCOME (LOSS) FROM EQUITY INVESTMENTS

The income and loss from equity investments, amounting to EUR -65,788 thousand (EUR -87,571 thousand as of 31 December 2013) comprise mainly:

- the Group's share of the result of the TotalErg S.p.A. joint venture (negative by EUR 64.7 million), as a consequence of the particularly critical scenario, in particular of the Oil sector, which entailed a significant write-down of inventories;
- the result of the LUKERG Renew GmbH joint venture (negative by EUR 0.9 million).

In 2013 the item comprised mainly:

- the write-down of the equity investment in TotalErg, by EUR 58 million, deriving from the related impairment test, which had showed a loss between the carrying value of the equity investment in the Consolidated Financial Statements relative to its recoverable value;
- the result of the TotalErg S.p.A. joint venture (negative by EUR 29 million). TotalErg's result was affected by the extremely critical scenario, particularly of the Oil sector, and by non-recurring expenses connected to the streamlining of the Network.

NOTE 38 – INCOME TAXES

	2014	2013
CURRENT INCOME TAXES	45,074	60,035
TAXES FROM PREVIOUS YEARS	(3,036)	(1,215)
DEFERRED TAXES	7,979	(18,630)
TOTAL	**50,017**	**40,190**

Provisions for income taxes for the period were calculated taking into account the forecast taxable income to be applied to the income of companies in the petroleum and energy industry. The provision was calculated taking into account the additional Robin Tax only for the current taxes of the year 2014.
"Deferred taxes" originate from the temporary differences deriving from adjustments made to

consolidated companies' separate Financial Statements in application of the Group's uniform accounting standards, from the temporary differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis, and from tax losses that can be carried forward.
Additionally, deferred tax liabilities amounting to EUR 16.1 million (positive by EUR 13.8 million in 2013), calculated on the fair value of derivatives accounted for under the cash flow hedge rule.
The negative impact referred to the derecognition of the deferred tax assets and liabilities in relation to the Robin Tax, as commented previously in the related paragraph, amounted to approximately EUR 5 million.

RECONCILIATION BETWEEN REPORTED AND THEORETICAL TAX CHARGES

IRES (CORPORATE TAX)		
PROFIT (LOSS) BEFORE TAXES	(1,986)	
THEORETICAL IRES TAXATION AT 34%	**(675)**	
IMPACT OF CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		25,116
IMPACT OF PERMANENT TAX CHANGES		13,159
CURRENT AND DEFERRED IRES		**37,600**
IRAP (REGIONAL TAX)		
EBIT	131,226	
LABOUR AND BAD DEBT COSTS	55,126	
TOTAL	**186,351**	
THEORETICAL IRAP AT 3.5%	**6,522**	
EFFECT STEMMING FROM IRAP RATE INCREASE FOR SOME COMPANIES		1,737
IMPACT OF PERMANENT DIFFERENCES AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF INCOME TAXES		7,190
CURRENT AND DEFERRED IRAP		**15,453**
TOTAL THEORETICAL TAXES	**5,847**	
TOTAL IRES AND IRAP IN THE CONSOLIDATED FINANCIAL STATEMENTS		**53,053**
TAXES FROM PREVIOUS YEAR		**(3,036)**
SUBSTITUTE TAXES		**–**
TOTAL INCOME TAXES AS REPORTED IN THE CONSOLIDATED FINANCIAL STATEMENTS		**50,017**

The impacts of the consolidation adjustments refer mainly to the results of the joint venture TotalErg S.p.A. measured under the equity method.
The aforesaid reconciliation is calculated on a "Profit (loss) before taxes" that already takes into account reclassifications for IFRS 5 purposes.

NOTE 39 – NET INCOME FROM SOLD ASSETS AND LIABILITIES

The present Consolidated Financial Statements reflect the sale:

- of the business units of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC generating plant and of the personnel for its operation and maintenance.
- of the company ERG Oil Sicilia S.r.l.

Since these transactions involved Group assets which meet the definition of "component of an entity" as prescribed by IFRS 5, the additional disclosures required by the aforementioned Standard are represented herein.

Such representation entailed that, for 2014 and, for comparison purposes, for 2013, the cost and revenue items relating to the sold operating assets are classified under the item Net income from sold assets and liabilities. For additional details, please refer to the paragraphs Agreement for the sale of the ISAB Energy plant and early termination of CIP6 and Change in scope of consolidation.

The details of the Income Statement impacts of the IFRS 5 reclassifications are provided below. The following tables also show the effect of the elimination of the intra-group entries between the companies comprising the disposal group and those included in the scope of consolidation of continuing operations. The accounting standard adopted by the Group gave top priority to the goal of disclosing the situation as it was after the deconsolidation of the operations involved in the transaction; in this case, intra-group eliminations impact the "Net income (loss) from sold operating assets".

(EUR THOUSAND)	NOTES	FY 2014 ERG OIL SICILIA S.R.L.	ISAB ENERGY (1) S.R.L.	INTRA-GROUP TRANSACTIONS	ASSETS HELD FOR SALE
REVENUES FROM ORDINARY OPERATIONS	1	123,601	278,822	(12,767)	389,656
REVENUES FROM ORDINARY OPERATIONS ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*(273)*	*(273)*
REVENUES FROM ORDINARY OPERATIONS ERG GROUP TOWARDS ISAB ENERGY		–	–	*(24,399)*	*(24,399)*
OTHER REVENUES AND INCOME	2	1,069	609,282	(156)	610,195
OTHER REVENUES AND INCOME ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*(250)*	*(250)*
OTHER REVENUES AND INCOME ERG GROUP TOWARDS ISAB ENERGY		–	–	*(990)*	*(990)*
CHANGES IN PRODUCT INVENTORIES		(1,409)	182	–	(1,227)
CHANGES IN RAW MATERIALS INVENTORIES		–	293	–	293
COST OF PURCHASES	3	(104,416)	(137,018)	11,047	(230,387)
COSTS FOR PURCHASES AND OTHER COSTS OF THE ERG GROUP TOWARDS ISAB ENERGY		–	–	*37*	*37*
COSTS FOR SERVICES AND OTHER COSTS	4	(15,845)	(488,812)	13,739	(490,915)
COSTS FOR SERVICES AND OTHER COSTS ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*8*	*8*
COSTS FOR PURCHASES AND OTHER COSTS OF THE ERG GROUP TOWARDS ISAB ENERGY		–	–	*14,004*	*14,004*
PERSONNEL COSTS	5	(849)	(7,620)	–	(8,469)
EBITDA		**2,151**	**255.130**	**-**	**257.284**
AMORTISATION, DEPRECIATION AND WRITE–DOWNS OF FIXED ASSETS	6	(3,942)	(25,182)	–	(29,124)
NET FINANCIAL INCOME (EXPENSES)		205	1,186	–	1,391
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–	–	–	–
PROFIT (LOSS) BEFORE TAXES		**(1,586)**	**231,134**	**-**	**229,551**
INCOME TAXES		471	(106,159)	–	(105,688)
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (BEFORE GAIN FROM SALE OF ERG OIL SICILIA S.R.L.)		**(1,115)**	**124,975**	**–**	**123,863**
CAPITAL GAIN FROM SALE OF ERG OIL SICILIA S.R.L.		**–**	**–**	**–**	**806**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		**(1,115)**	**124,975**	**–**	**124,669**

(1) ISAB Energy S.r.l., ISAB Energy Services S.r.l.

(EUR THOUSAND)	NOTES	FY 2013 ERG OIL SICILIA S.R.L.	ISAB ENERGY [1] S.R.L.	INTRA-GROUP TRANSACTIONS	IFRS 5 2013 [2]	ASSETS HELD FOR SALE
REVENUES FROM ORDINARY OPERATIONS	1	200,087	674,961	(12,951)	1,720,555	2,582,652
REVENUES FROM ORDINARY OPERATIONS ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*(720)*	–	*(720)*
REVENUES FROM ORDINARY OPERATIONS ERG GROUP TOWARDS ISAB ENERGY		–	–	*(46,504)*	–	*(46,504)*
OTHER REVENUES AND INCOME	2	310	24,919	(1,400)	17,200	41,029
OTHER REVENUES AND INCOME ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*(2,918)*	–	*(2,918)*
OTHER REVENUES AND INCOME ERG GROUP TOWARDS ISAB ENERGY		–	–	*(193)*	–	*(193)*
CHANGES IN PRODUCT INVENTORIES		(1)	151	–	(54,165)	(54,015)
CHANGES IN RAW MATERIALS INVENTORIES		–	1,091	–	(103,129)	(102,038)
COST OF PURCHASES	3	(181,352)	(313,205)	24,077	(1,558,085)	(2,028,565)
COSTS FOR PURCHASES AND OTHER COSTS OF THE ERG GROUP TOWARDS ISAB ENERGY			–	*295*	–	*295*
COSTS FOR SERVICES AND OTHER COSTS	4	(18,888)	(96,060)	27,426	(273,453)	(360,975)
COSTS FOR SERVICES AND OTHER COSTS ERG GROUP TOWARDS ERG OIL SICILIA S.R.L.		–	–	*2*	–	*2*
COSTS FOR PURCHASES AND OTHER COSTS OF THE ERG GROUP TOWARDS ISAB ENERGY		–	–	*12,886*	–	*12,886*
PERSONNEL COSTS	5	(1,099)	(14,241)	–	(1,520)	(16,860)
EBITDA		**(943)**	**277,616**	**–**	**(252,597)**	**24,077**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	6	(4,519)	(51,436)	–	–	(55,955)
NET FINANCIAL INCOME (EXPENSES)		184	(3,492)	–	–	(3,308)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–	–	–	184,661	184,661
PROFIT (LOSS) BEFORE TAXES		**(5,278)**	**222,688**	**–**	**(67,936)**	**149,474**
INCOME TAXES		1,934	(87,268)	–	16,753	(68,581)
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		**(3,344)**	**135,420**	**–**	**(51,183)**	**80,893**

(1) ISAB Energy S.r.l., ISAB Energy Services S.r.l.
(2) the column includes the impacts on the 2013 Financial Statements of the assets held for sale as of 31 December 2013, including reclassifications from "Costs for services and other costs" to the "Net profit (loss) from sold assets and liabilities"

1) The revenues from ordinary operations:
   a. of ERG Oil Sicilia S.r.l., refer to the sales of petroleum products,
   b. of ISAB Energy, refer to the sale of electricity to the National Grid Operator (GSE). The item also comprises, to a lesser extent, sales of hydrogen, minor products and other utilities.
2) The other revenues:
   a. of ERG Oil Sicilia S.r.l., refer to rentals of bar and market spaces and of land for carwashes on service stations owned by the company,
   b. of ISAB Energy, reflect mainly the income for the early termination of the CIP6 convention, amounting approximately to EUR 515 million. The item also includes the income tied to the derecognition of the deferred income relating to the Increase in the CIP 6 Tariff, reported for the purposes of the International Accounting Standards, as is described more thoroughly in the paragraph. Agreement for the sale of the ISAB Energy plant and early termination of CIP 6.
3) The cost of purchases:
   a. of ERG Oil Sicilia S.r.l. include the ancillary expenses, transportation, insurance, fees and commissions, inspections and customs duties.
   b. of ISAB Energy, refer mainly to the supplies of feedstock, other fuel oils, oxygen, electricity and nitrogen.

4) Costs for services and other operating costs:
   a. of ERG Oil Sicilia S.r.l. consist of transportation costs, costs for technical and legal advisory services and promotion and charges from affiliates for commercial services.
   b. of ISAB Energy include mainly the net capital loss for the sale of the plants and of the personnel for its operation and maintenance, i.e. approximately 405, in addition to other expenses (EUR 24 million) related to the transaction and pertaining in particular to the write-off of entries related to the aforesaid business units. In particular, intangible fixed assets amounting to EUR 7 million were derecognised.
5) Personnel costs of ISAB Energy relates to the business unit consisting mainly of the personnel for the operation and maintenance of the aforesaid IGCC plant.
6) The amortisation and depreciation:
   a. of ERG Oil Sicilia S.r.l., refer mainly to plants and machinery,
   b. of ISAB Energy, relate mainly to the IGCC plant.

NOTE 40 – NON-RECURRING ITEMS

(EUR THOUSAND)		2014		2013
REVENUES FROM ORDINARY OPERATIONS			9)	4,550
OTHER REVENUES	1)	8,059		-
COST OF PURCHASES	2)	(9,875)	10)	(7,206)
CHANGES IN INVENTORIES		-		-
COSTS FOR SERVICES AND OTHER COSTS	3)	(20,127)	11)	(13,746)
PERSONNEL COSTS	4)	(3,657)	12)	(4,040)
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS		-		-
NET FINANCIAL INCOME (EXPENSES)	5)	(4,010)		-
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	6)	806	13)	(58,355)
INCOME TAXES	7)	3,059	14)	(17,594)
MINORITY INTERESTS		-		(1,222)
GROUP NET PROFIT (LOSS) (CONTINUING OPERATIONS)		**(25,745)**		**(103,823)**
NET PROFIT (LOSS) FROM SOLD ASSETS AND LIABILITIES	8)	57,617	15)	95,808

In 2014:
1) the other revenues comprise the contribution per Italian Law no. 488/92 received during the year, relating to the former ERG Raffinerie Mediterranee S.p.A. and the effect of the derecognition of items from previous years;
2) the cost of purchases refers to the negative fair value of swap derivatives on hedge differentials relating to the company ERG Supply & Trading S.p.A.;
3) costs for services and other costs to costs for non-recurring transactions and provisions for the personnel redundancy procedure initiated at the end of 2014 and the costs for restructuring the asset portfolio;
4) personnel costs to bonuses for non-recurring transactions completed during the year;
5) the financial income (expenses) to exchange rate differences related to the former Refining business;
6) the net income (loss) from equity investments to the capital gain relating to the sale of ERG Oil Sicilia S.r.l. as better described in the paragraph Change in scope of Consolidation.
7) the item pertains to the tax effects per the previous items as well as the effect of the derecognition of the previously allocated deferred tax assets and liabilities, for which please refer to the paragraph "Robin Tax".
8) the item comprises mainly the effects of the Agreement for the sale of the ISAB Energy plant and early termination of CIP 6 as described in the related paragraph and other minor items.

In 2013

9) revenues from ordinary operations comprise, in particular, the positive effect in terms of income deriving from the definition of the 2008 CEC, i.e. approximately EUR 5 million;
10) the cost of purchases comprises other charges associated with the exit from the Wholesale Business in Sicily by EOS as a result of the progressive sale of the ISAB S.r.l. equity investments to LUKOIL;
11) costs for services and other costs comprise the ancillary charges connected to the acquisition of the companies included in the ERG Wind Group (please refer to the paragraph Acquisition of IP Maestrale (now called ERG Wind));
12) personnel costs:
    - ancillary charges connected to the acquisition of the companies included in the ERG Wind Group (please refer to the paragraph Acquisition of IP Maestrale (now called ERG Wind) of the 2013 Consolidated Financial Statements);
    - costs incurred and expected in reference to the change to the Group's organisation, started at the end of 2013 and to be completed in 2014;
13) net income (loss) from equity investments:
    - the write-down of the equity investment in TotalErg, by EUR 58 million, consequent to the related impairment test, which showed a loss deriving from the excess of the carrying value of the equity investment in the Consolidated Financial Statements relative to its recoverable value. The impairment was subtracted from the value of the equity investment, and in particular it was attributed to decrease the capital gain described above. This amount is indicated among non recurring items (please refer to the paragraph Equity investment in TotalErg) of the 2013 Consolidated Financial Statements);
    - the costs incurred in the period by the investee TotalErg for the rationalisation of the network, amounting to EUR 8 million;
14) income taxes comprise the tax effect per the previous entries, in addition to the derecognition of taxes on tax losses (EUR 21 million) relating to the Robin Tax surcharge applied to ERG S.p.A. and at present deemed no longer recoverable in consideration of the changed outlook in light of the corporate transactions carried out;
15) the net profit (loss) from sold assets and liabilities:
    - the positive effect in terms of expenses deriving from the definition of the 2008 CEC, i.e. approximately EUR 3 million;
    - non-recurring effects pertaining to inventories and to the respective changes;
    - the liabilities of EUR 80 million connected to the activities on the Priolo site and consequent mainly to the exit from the Refining business;
    - the expense of EUR 32 million, and the corresponding payment of EUR 15 million made by Generali, in relation to the dispute with Versalis S.p.A. (former Polimeri Europa S.p.A.) as commented more fully in Note 27 – Contingent liabilities;
    - the negative impact of transactions on commodities to hedge the Oil inventories at the ISAB Refinery and carried out in relation to the exercise of the put option on the equity investment in ISAB S.r.l.;
    - the capital gain relating to the exercise of the put option for the final 20% portion of the capital of ISAB S.r.l., carried out on 30 December 2013, i.e. EUR 173 million (please refer to the paragraph Put Option on equity investment in ISAB S.r.l. of the 2013 Consolidated Financial Statements);
    - the capital gain relating to the balance on the sale price of the additional 20% of ISAB, carried out in 2012, i.e. EUR 9 million (please see the paragraph Put Option on equity investment in ISAB S.r.l. of the 2013 Consolidated Financial Statements).

NOTE 41 – RELATED PARTIES

For complete disclosures, the values reported below do not take into account the reclassifications required by IFRS 5 and hence they also include the amounts indicated in the line "Net profit (loss) from sold assets and liabilities".

Statement of Financial Position

	NOTES	SUBSIDIARIES	ASSOCIATES	JOINT VENTURE	OTHER RELATED PARTIES	TOTAL
NON–CURRENT FINANCIAL ASSETS	5	1,131	–	59,108	–	**60,239**
TRADE RECEIVABLES	9	494	3,066	59,578	1	**63,139**
OTHER CURRENT RECEIVABLES AND ASSETS	10	244	–	2,260	2,023	**4,527**
CURRENT FINANCIAL ASSETS	11	8,583	–	8,682	3	**17,268**
NON–CURRENT FINANCIAL LIABILITIES	18	–	–	–	–	**–**
OTHER NON–CURRENT LIABILITIES	19	–	–	–	–	**–**
TRADE PAYABLES	21	22	12,116	703	–	**12,841**
CURRENT FINANCIAL LIABILITIES	22	237	–	–	–	**237**
OTHER CURRENT LIABILITIES	24	35	–	87,533	6,990	**94,558**

Income Statement

	NOTES	SUBSIDIARIES	ASSOCIATES	JOINT VENTURE	OTHER RELATED PARTIES	TOTAL
REVENUES FROM ORDINARY OPERATIONS	28	14	15,378	871,191	–	**886,583**
OTHER REVENUES AND INCOME	29	6	27	2,405	642	**3,080**
COST OF PURCHASES	32	–	–	(14,537)	(1)	**(14,538)**
COSTS FOR SERVICES AND OTHER COSTS	33	–	(14,777)	(2,969)	(1,189)	**(18,935)**
FINANCIAL INCOME	36	65	–	3,038	–	**3,103**
FINANCIAL EXPENSES	36	(4)	–	(139)	–	**(143)**

Transactions with subsidiaries not included in the scope of consolidation, with associates and Joint ventures essentially concern the exchange of goods, the supply of services, and the provision and use of financing. All transactions form part of ordinary operations and are settled at market terms and conditions.
Upon request by the parent company San Quirico S.p.A., ERG Power S.r.l. renewed the option for its domestic tax consolidation with said company for the three-year period 2013-2015.
On 13 June 2014, ERG S.p.A. renewed the option for the domestic tax Consolidation for the 2014-2016 time period with the subsidiaries (including indirectly controlled ones) ERG Eolica Adriatica S.r.l., ERG Eolica Basilicata S.r.l., ERG Eolica Calabria S.r.l., ERIDIS S.r.l., Totalgaz Italia S.r.l., Raffineria di Roma S.p.A.
On the same date, ERG S.p.A. exercised the option for Domestic Tax Consolidation for the 2014-2016 time period with the subsidiaries (including indirectly controlled) ERG Eolica Ginestra S.r.l., ERG Eolica San Cireo S.r.l., ERG Renew Operations & Maintenance S.r.l., ERG Supply & Trading S.p.A., ERG Services S.p.A. and ERG Eolica Lucana S.r.l.
In the previous three-year period (2011-2013), ERG Eolica Ginestra S.r.l. and ERG Eolica San Cireo were included in the scope of the Domestic Tax Consolidation of ERG Renew S.p.A.

With regard to the other transactions with related parties, as defined by IAS 24, during the year 2014 EUR 236 thousand were paid to I.E.C. S.r.l. and EUR 64 thousand to Sampdoria Marketing & Communication S.r.l.

Additionally, in June 2014 EUR 100 thousand were paid to the Edoardo Garrone Foundation as a one-off contribution for 2014.
The other revenues of the 2014 Financial Statements include EUR 614 thousand recognised by San Quirico S.p.A. to the subsidiary ERG S.p.A. as a result of the agreements reached with regard to the equity investment in ERG Power S.r.l. to the tax consolidation of San Quirico S.p.A.

NOTE 42 – EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

		2014	2013
GROUP SHARE OF NET PROFIT	(EUR THOUSAND)	47,761	28,395
AVERAGE NUMBER OF SHARES OUTSTANDING	(UNITS)	142,804,000	142,804,000
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS	(EUR)	0.334	0.408
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS	(EUR)	0.334	0.408

There are no potentially dilutive securities that impact the Group's share of net profit.

RECONCILIATION WITH ERG S.P.A. SHAREHOLDERS' EQUITY AND NET INCOME

	SHAREHOLDERS' EQUITY		PROFIT FOR THE PERIOD	
(EUR THOUSAND)	31/12/2014	31/12/2013	2014	2013
ERG S.P.A. SHAREHOLDERS' EQUITY AND NET INCOME FOR THE PERIOD	**1,427,707**	**1,524,072**	**46,051**	**29,166**
ELIMINATION OF THE EFFECTS OF TRANSACTIONS AMONG CONSOLIDATED COMPANIES:				
- ELIMINATION OF INTRA-GROUP PROFITS ON INVENTORIES AND FIXED ASSETS	(7,328)	(8,868)	–	–
- ELIMINATION OF INTRA-GROUP DIVIDENDS	–	-	(22,950)	(25,823)
	(7,328)	**(8,868)**	**(22,950)**	**(25,823)**
DEFERRED TAXES				
- DEFERRED TAXES ON CONSOLIDATION ADJUSTMENTS	(15,466)	1,442	(18,109)	(3,881)
ELIMINATION OF THE CARRYING VALUE OF EQUITY INVESTMENTS				
- DIFFERENCE BETWEEN THE CARRYING VALUE AND THE PRO RATA VALUE OF SHAREHOLDERS' EQUITY	384,050	518,985	–	–
- ADJUSTED PRO RATA PROFITS OF INVESTEE COMPANIES	–	–	67,678	85,759
- RECOGNITION OF ASSETS AND LIABILITIES FROM BUSINESS COMBINATIONS	(70,107)	(22,071)	–	–
	313,943	**496,914**	**67,678**	**85,759**
GROUP SHAREHOLDERS' EQUITY AND NET INCOME FOR THE PERIOD	**1,718,852**	**2,013,560**	**72,666**	**85,221**
MINORITY SHARE OF SHAREHOLDERS' EQUITY AND NET INCOME FOR THE PERIOD	**(47,387)**	**(240,004)**	**(24,905)**	**(56,825)**
ERG GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND NET INCOME FOR THE PERIOD	**1,671,465**	**1,773,556**	**47,761**	**28,395**

NOTE 43 – SEGMENT INFORMATION

Information by segment is presented in accordance with IFRS 8 - Operating segments. The information is broken down by business segment.

In order to enhance understandability of trends in the individual businesses, the financial results are shown at adjusted replacement cost, excluding gains (losses) on inventories and non-recurring items, and including the contribution of the joint ventures TotalErg and LUKERG Renew, proportionally to ERG's share.

The results at adjusted replacement cost are indicators that are not defined in International Financial Reporting Standards (IAS/IFRS). The Management deems that these indicators are important parameters for measuring the ERG Group's operating performance.

(EUR MILLIONS)	RENEWABLE ENERGY SOURCES	POWER & GAS	INTEGRATED DOWNSTREAM	OTHER	RECONCILIATION ITEMS	IAS REPORTED	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS
31/12/2014								
TOTAL REVENUES	349	1,164	3,098	30	–	–	–	–
INTRA-SEGMENT REVENUES	13	234	16	29	–	–	–	–
NET REVENUES FROM ORDINARY OPERATIONS	**362**	**1,398**	**3,114**	**58**	**267**	**5,199**	**(365)**	**4,834**
EBITDA AT REPLACEMENT COST	**253**	**204**	**44**	**(24)**	**70**	**547**	**(257)**	**290**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(129)	(54)	(48)	(2)	46	(188)	29	(158)
EBIT AT REPLACEMENT COST	**124**	**150**	**(5)**	**(27)**	**116**	**359**	**(228)**	**131**
CAPITAL EXPENDITURES IN FIXED ASSETS	**38**	**14**	**34**	**3**	**(35)**	**54**	**–**	**53**

(EUR MILLIONS)	RENEWABLE ENERGY SOURCES	POWER & GAS	REFINING & MARKETING	OTHER	RECONCILIATION ITEMS	IAS REPORTED	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS
31/12/2013								
TOTAL REVENUES	339	1,642	7,282	6	–	–	–	–
INTRA-SEGMENT REVENUES	(2)	(218)	(396)	(4)	–	–	–	–
NET REVENUES FROM ORDINARY OPERATIONS	**336**	**1.424**	**6,886**	**2**	**(3,316)**	**5,331**	**(815)**	**4,516**
EBITDA AT REPLACEMENT COST	**245**	**358**	**170**	**(30)**	**(189)**	**554**	**(199)**	**356**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(126)	(80)	(83)	(3)	81	(210)	56	(154)
EBIT AT REPLACEMENT COST	**119**	**278**	**87**	**(32)**	**(108)**	**344**	**(143)**	**202**
CAPITAL EXPENDITURES IN FIXED ASSETS	**97**	**26**	**41**	**2**	**(91)**	**74**	**–**	**74**

Amounts shown in the "Other" column refer to Corporate activities and mainly relate to structural costs not attributable to operational segments.

For details and the reconciliation entries, please refer to the Alternative performance indicators chapter in the Report on Operations.

NOTE 44 – DIVIDENDS

The dividends paid by ERG S.p.A. in the first half of 2014 (EUR 142.8 million) and in 2013 (EUR 57.1 million), as resolved upon approval of the Financial Statements for the previous year, amounted respectively to EUR 1.00 and EUR 0.40 for each of the shares with dividend rights as of the dividend date. The dividend paid in 2014 included a non-recurring component of EUR 0.50 per share in light of the positive conclusion of an essential phase of the strategic project of industrial reorganisation, launched in 2008. On 11 March 2015, the Board of Directors of ERG S.p.A. proposed the payment to the shareholders of a dividend amounting to EUR 0.50 per share. The dividend shall be available for payment from 20 May 2015, subject to issuance of the coupon starting on 18 May 2015 and with record date of 19 May 2015.

NOTE 45 – FINANCIAL INSTRUMENTS

31/12/2014	FVTPL [1]	L&R [2]	AFS [3]	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	1,399	–	–	1,399	–	–
FINANCIAL RECEIVABLES	–	95,187	39,344	–	–	134,531	99,583	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	–	7,413	7,413	–	7,413
TRADE RECEIVABLES	–	438,604	–	–	–	438,604	–	–
FINANCIAL SECURITIES CLASSIFIED AS CURRENT ASSETS	–	–	–	–	–	–	–	–
OTHER RECEIVABLES	–	86,685	–	–	–	86,685	25,622	–
CASH AND CASH EQUIVALENTS	–	1,169,359	–	–	–	1,169,359	–	1,169,359
TOTAL ASSETS	**–**	**1,789,835**	**40,743**	**–**	**7,413**	**1,837,991**	**125,205**	**1,176,772**
MORTGAGES AND LOANS	–	–	–	13,583	–	13,583	–	–
NON-RECOURSE PROJECT FINANCING	–	–	–	1,297,324	–	1,297,324	1,132,796	–
SHORT-TERM BANK BORROWING	–	–	–	60,270	–	60,270	–	–
DERIVATIVE INSTRUMENTS	–	–	–	–	183,802	183,802	181,108	183,802
TRADE PAYABLES	–	–	–	297,670	–	297,670	–	–
OTHER PAYABLES	–	–	–	194,659	–	194,659	93,244	194,659
TOTAL LIABILITIES	**–**	**–**	**–**	**1,866,800**	**183,802**	**2,050,602**	**1,407,148**	**378,461**

(1) FVTPL: Fair value through profit or loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

31/12/2013	FVTPL [1]	L&R [2]	AFS [3]	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	2,042	–	–	2,042	–	–
FINANCIAL RECEIVABLES	–	176,791	635	–	–	177,426	109,702	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	–	11,654	11,654	–	11,654
TRADE RECEIVABLES	–	882,409	–	–	–	882,409	–	–
FINANCIAL SECURITIES CLASSIFIED AS CURRENT ASSETS	–	–	–	–	–	–	–	–
OTHER RECEIVABLES	–	72,077	–	–	–	72,077	25,768	–
CASH AND CASH EQUIVALENTS	–	977,274	–	–	–	977,274	–	–
TOTAL ASSETS	**–**	**2,108,551**	**2,677**	**–**	**11,654**	**2,122,882**	**135,470**	**11,654**
MORTGAGES AND LOANS	–	–	–	120,848	–	120,848	33,865	–
NON-RECOURSE PROJECT FINANCING	–	–	–	1,361,938	–	1,361,938	1,239,474	–
SHORT-TERM BANK BORROWING	–	–	–	200,505	–	200,505	–	–
FINANCIAL PAYABLES	–	–	–	31,424	–	31,424	21,052	–
DERIVATIVE INSTRUMENTS	–	–	–	–	142,923	142,923	142,923	142,923
TRADE PAYABLES	–	–	–	693,697	–	693,697	–	–
OTHER PAYABLES	–	–	–	125,450	–	125,450	42,392	–
TOTAL LIABILITIES	**–**	**–**	**–**	**2,533,862**	**142,923**	**2,676,785**	**1,479,706**	**142,923**

(1) FVTPL: Fair value through profit or loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

The following table gives a breakdown of derivative financial instruments measured at fair value, grouped in levels from 1 to 3, according to the fair value hierarchy:

– for level 1, fair value is measured using listed prices on active markets;
– for level 2 fair value is measured using valuation techniques based on variables that are directly (or indirectly) observable on the market;
– for level 3, fair value is measured using valuation techniques based on significant variables not observable on the market.

	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS			
- FVTPL	–	–	–
- HEDGING DERIVATIVES	7,413	–	–
TOTAL	**7,413**	**–**	**–**
FINANCIAL LIABILITIES			
- FVTPL	–	–	–
- HEDGING DERIVATIVES	–	183,802	–
TOTAL	**–**	**183,802**	**–**

The Group has no financial instrument classifiable in Level 3.

The financial instruments classified under level 1 are futures on petroleum products whose value is quoted on a daily basis.

Derivatives are classified in Level 2; in order to estimate the market value of these derivatives, ERG uses various measurement and valuation models, as summarised in the following table:

TYPE	INSTRUMENT	PRICING MODEL	MARKET DATA USED	DATA PROVIDER	IFRS 7 HIERARCHY
INTEREST RATE DERIVATIVES	INTEREST RATE SWAP	DISCOUNTED CASH FLOW	- DEPOSIT RATES (EURIBOR) - SWAP RATES	- REUTERS	LEVEL 2
	INTEREST RATE OPTION (CAP, COLLAR)	BLACK & SCHOLES	- DEPOSIT RATES (EURIBOR) - SWAP RATES - SHORT-TERM RATE IMPLICIT VOLATILITY	- REUTERS - ICAP (VIA REUTERS)	LEVEL 2
CURRENCY EXCHANGE RATE DERIVATIVES	FX FORWARD	DISCOUNTED CASH FLOW	- ZERO COUPON CURVES OF THE REFERENCE CURRENCIES - ECB SPOT RATES	- REUTERS	LEVEL 2
	FX OPTION	- BLACK & SCHOLES - EDGEWORTH EXPANSION - MONTE CARLO SIMULATION	- ZERO COUPON CURVES OF THE REFERENCE CURRENCIES - ECB SPOT RATES - EXCHANGE RATE IMPLICIT VOLATILITY	- REUTERS	LEVEL 2
COMMODITY DERIVATIVES	COMMODITY SWAP - CRUDE OILS - PETROLEUM PRODUCTS - CRACK SPREAD - GAS FORMULAS	DISCOUNTED CASH FLOW	- OFFICIAL SPOT QUOTES ON REFERENCE COMMODITIES - FORWARD PRICES QUOTED ON OTC MARKETS - FORWARD PRICES DERIVED (I.E. LINEAR REGRESSION) FROM OTC PRICES - ZERO COUPON CURVES ON EURO AND US DOLLAR - ECB SPOT RATES	- PLATT'S (SARUS) - REUTERS	LEVEL 2
	COMMODITY FUTURE	LISTED INSTRUMENT	- OFFICIAL SETTLEMENT PRICES SOURCE: ICE	- REUTERS	LEVEL 1
	CONTRACT FOR DIFFERENCE (CFD)	DISCOUNTED CASH FLOW	- FORWARD NATIONAL SINGLE PRICE QUOTED ON THE OTC MARKET - ZERO COUPON CURVE ON THE EURO	- TFS - REUTERS	LEVEL 2

NOTE 46 – DISCLOSURE ON RISKS

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

- Credit risk: the possibility of default by a counterparty or the potential deterioration of the assigned creditworthiness;
- Market risk: deriving from exposure to fluctuations in currency exchange rates, mainly between the euro and US dollar and interest rates, as well as changes in the prices of products sold and raw material purchased (commodity price volatility risk);
- Liquidity risk: the risk of available financial resources being insufficient to fulfil payment commitments;

The ERG Group attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. In line with this objective, an advanced Risk Management system has been adopted that guarantees identification, measurement and control at a centralised level for the entire Group of exposure to individual risks, in accordance with existing policies.

The Risk Finance department ensures compliance with the assigned limits and, via its own analyses, provides appropriate support for strategic decisions both to individual subsidiaries and to the Risk Committee as well as to top management at the parent Company.

CREDIT RISK

Exposure to credit risk, i.e. the likelihood that a given counterparty is not able to meet its contractual obligations, is managed through appropriate analysis and assessments, assigning to each counterparty an Internal Based Rating, a summary indicator of the creditworthiness assessment. The rating provides an estimate of the likelihood of default of a given counterparty on which the level of credit assigned depends, which is punctually monitored and must never be exceeded. The choice of counterparties for both the industrial and financial transactions is subject to the decisions of the Credit Committee, whose decisions are supported by the credit rating analysis.

The risk of concentration, in terms of both customers and segments, is also monitored continuously; however, 'alert' situations have never occurred.

The following table provides information on the ERG Group's exposure to credit risk at year end, by a classification of credits that are not overdue (see Note 9) according to the corresponding creditworthiness reflecting the internal ratings assigned.

	2014	**2013**
AAA RATING	48	228
AA+ / AA- RATING	1,055	129,146
A+ / A- RATING	623	44,998
BBB+ / BBB- RATING	270,880	289,759
BB+ / BB- RATING	4,739	165,158
B+ / B- RATING	23,960	–
RECEIVABLES FROM GROUP COMPANIES	57,552	73,847
NOT ASSIGNED	67,020	121,680
TOTAL	**425,877**	**824,816**

LIQUIDITY RISK

It is the risk that financial resources may be insufficient to cover all obligations falling due. Today, with its cash flow generation and the availability of lines of credit made available by various counterparties, the ERG Group ensures adequate coverage of its financial requirements.

The following tables summarise the maturity profile of the Group's financial liabilities as of 31 December 2014 and as of 31 December 2013, based on undiscounted contractual payments.

31/12/2014	PAYABLES BY MATURITY				
(EUR THOUSAND)	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
MORTGAGES AND LOANS	–	46	13,537	–	–
NON-RECOURSE PROJECT FINANCING	–	179	205,613	673,214	876,050
SHORT-TERM BANK BORROWINGS	60,267	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	39,069	86,813	20,046
FINANCIAL PAYABLES	–	–	–	–	–
TRADE PAYABLES	103,213	173,336	18,055	3,065	–
TOTAL LIABILITIES	**163,480**	**173,560**	**276,274**	**763,091**	**896,095**

31/12/2013	PAYABLES BY MATURITY				
(EUR THOUSAND)	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
MORTGAGES AND LOANS	–	3,862	85,052	34,565	–
NON-RECOURSE PROJECT FINANCING	–	176	162,554	719,158	965,414
SHORT-TERM BANK BORROWINGS	200,505	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	39,069	86,813	20,046
FINANCIAL PAYABLES	–	183	2,065	14,600	9,799
TRADE PAYABLES	70,325	620,623	2,749	–	–
TOTAL LIABILITIES	**270,830**	**624,844**	**291,488**	**855,135**	**995,258**

MARKET RISK

It includes currency exchange rate risk, interest rate risk and commodities price risk. Management of these risks is regulated by the guidelines indicated in the Group's Policy and internal procedures of the Finance area.

Furthermore, for the Power & Gas business specific risk management policies and procedures, based on industry best practice, were developed for the continuous measurement of risk exposure levels with respect to a Risk Capital value allocated by the parent company.

Currency exchange rate risk

It arises from fluctuations in the exchange rates of the various foreign currencies with respect to the Euro, which impact the economic results of the business. The net cash flows generated by the company in currencies other than the Euro (reference currency) constitute the exposure to exchange rate risk. In order to mitigate the volatility of these exposures, open positions are hedged on both the spot and forward markets

The following table shows the impact on pre-tax profit, with all other variables kept constant, of the adjustment to the fair value of financial assets and liabilities resulting from a change of +/- 10% in the exchange rate towards the dollar.

(EUR MILLION)	2014	2013
SHOCK-UP (VARIATION IN EUR/DOLLAR EXCHANGE RATE **+10%**)	10.1	5.1
SHOCK-DOWN (VARIATION IN EUR/DOLLAR EXCHANGE RATE **-10%**)	(12.3)	(6.2)

Interest rate risk

It identifies the fluctuation in future interest rate trends that could determine higher costs for the Group. Interest rate risk is hedged by using derivative contracts, such as Interest Rate Swaps and Interest Rate Options (plain vanilla).

The following table illustrates the impact on pre-tax profit (due to adjustments to the fair value of financial assets and liabilities), and on the Group shareholders' equity (due to adjustments to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/- 1% change in interest rate, with all other variables kept constant.

Impact on Consolidated Income Statement

(EUR MILLION)	2014	2013
SHOCK-UP (INTEREST RATE VARIATION **+1%**)	0.8	(1.0)
SHOCK-DOWN (INTEREST RATE VARIATION **-1%**)	–	(1.1)

Impact on shareholders' equity

(EUR MILLION)	2014	2013
SHOCK-UP (INTEREST RATE VARIATION **+1%**)	50.9	55.3
SHOCK-DOWN (INTEREST RATE VARIATION **-1%**)	(5.4)	(57.6)

Commodity Risk

Commodity price risk consists of unexpected fluctuations in the prices of raw materials, of procurement of services, of finished products and services provided for sale on the open market.

With regard to the management of the price risk tied to trading activities, the internal policies prescribe hedging the flat price (price risk tied to possible different price accrual periods between each individual purchase and its corresponding resale).

The objective defined in the Risk Finance policy is to target the trading margin to the risk of market price fluctuation.

In order to realise the average monthly trading margin and to hedge the float price, the Group uses derivative instruments such as Futures and Commodity Swaps with underlying crude oil and petroleum products.

The following table considers the derivative financial instruments tied to different categories of commodities, oil and energy, and shows – with all other variables kept constant – the impact on pre-tax profit (due to adjustments to the fair value of financial assets and liabilities) and Group shareholders' equity (due to adjustments to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/- 25% change in the price of commodities.

Impact on Consolidated Income Statement

(EUR MILLION)	2014	2013
SHOCK-UP (VARIATION IN COMMODITIES PRICE **+25%**)	(22.1)	(17.9)
SHOCK-DOWN (VARIATION IN COMMODITIES PRICE **-25%**)	22.1	17.9

Impact on shareholders' equity

(EUR MILLION)	2014	2013
SHOCK-UP (VARIATION IN COMMODITIES PRICE **+25%**)	1.2	1.5
SHOCK-DOWN (VARIATION IN COMMODITIES PRICE **-25%**)	(1.2)	(1.5)

DERIVATIVE FINANCIAL INSTRUMENTS USED

The main types of derivative financial instruments used to manage financial risks, with the sole purpose of hedging, are the following:

Options: contracts whereby one of the parties, on payment of a sum to the other (premium), acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments at an established price (exercise or strike price).

Forward contracts: contracts for the purchase or sale between two parties of a certain financial instrument (the underlying asset) at a future date and at a price fixed at the time the contract is stipulated; this category also includes futures contracts, which unlike forward contracts are standardised, negotiated in lots and for predetermined maturity dates within regulated markets.

Swap: a contract which establishes an exchange of payment flows between two parties on certain dates. The payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying financial instrument.

The underlying financial instrument can be of various types and significantly influences the characteristics of the contract which, in practice, can take on different forms.

The derivative instruments entered into by ERG and aiming to mitigate exposure to financial risks existing as of 31 December 2014 are as follows:

Interest rate derivatives

- Interest Rate Options that fix upper (cap) and lower (floor) limits to be applied to fluctuations in interest rates on variable rate loans;
- Interest Rate Swaps entered into to confine fixed- and floating rate loans to the most appropriate risk profile. Interest Rate Swaps provide for the exchange between the counterparties of interest flows calculated with reference to pre-agreed fixed rates or variable rates and to pre-defined face value and timing;

Currency exchange rate derivatives

- FX Forwards are used to hedge currency exchange rate risk on anticipated foreign currency availability or requirements in the reference period. The purpose of these contracts is the purchase or sale of a currency with delivery at a specified future date, at a fixed price. In these contracts, the party committing to purchase the currency assumes a "long" position, while the party committing to sell the currency assumes a "short" position;
- FX Options used to manage currency exchange rate risk. These are contracts which, after payment of a premium, confer the right to buy or sell a specified amount of a foreign currency at a fixed rate (strike price) on a fixed date.

Commodity derivatives

- Futures for managing the volatility risk on the price of commodities in inventory. These contracts are negotiated on the regulated market through a financial institution qualified as clearing member. These financial instruments entail the forward purchase and/or sale of given quantities (lots) of the underlying commodity, whose standard characteristics are defined and regulated by the reference commodities exchange; the settlement of the transaction at the due date can take place both by physical delivery and cash settlement of the final value of the instrument.

- Swap instruments used to hedge commodity price fluctuations risks on purchases and sales expected in the reference periods. They are contracts signed with international specialised companies operating in the commodities sector and with major national and international banks. Swaps are direct agreements between two companies for the exchange, on set dates, of future payment flows linked to the prices of specific commodities.
  In particular, swaps are used for crude oil (Brent dated), oil products (including gasoil, gasoline, fuel oil 3.5%, fuel oil 1%, jet fuel and the like), crack spreads and gas formulas.
- CfDs (Contracts for Differences) instruments are used to hedge the risk of electricity price fluctuations; via this instrument it is possible to buy or sell block quantities of electricity by paying on maturity the difference between the price agreed to in the contract and the market price reported in the reference period.

SUMMARY OF DERIVATIVE INSTRUMENTS USED

The derivative financial instruments arranged by ERG, designed to hedge its exposure to commodities price, currency exchange rate, and interest rate risks were as follows as at 31 December 2014:

	TYPE	HEDGED RISK	UNDERLYING ASSET		FAIR VALUE 31/12/2014 (EUR THOUSAND)
	CASH FLOW HEDGING INSTRUMENTS				
A	INTEREST RATE SWAP E INTEREST RATE CAP	ECONOMIC INTEREST RATE RISK	MILLIONS OF EUR	1,060	(181,106)
B	GAS PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	MILLIONS OF SMC	45	(2,691)
	TOTAL CASH FLOW HEDGING INSTRUMENTS				**(183,796)**
	NON HEDGE ACCOUNTING INSTRUMENTS				
C	ENERGY PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	THOUSANDS OF MWH	280	1
D	ELECTRICITY PRICE RISK HEDGING CFD	RISK OF FLUCTUATIONS IN ELECTRICITY PRICE	THOUSANDS OF MWH	787	–
E	FUTURES TO HEDGE COMMODITY PRICE RISK	PRODUCT PRICE FLUCTUATION RISK	THOUSANDS OF TONS	165	11,171
F	PRODUCT DIFFERENTIAL/PRICE RISK SWAPS	PRODUCT PRICE FLUCTUATION RISK	THOUSANDS OF TONS	1,834	2,088
F	PRODUCT DIFFERENTIAL/PRICE RISK SWAPS	PRODUCT PRICE FLUCTUATION RISK	THOUSANDS OF BBLS	7,353	(8,149)
F	PRODUCT DIFFERENTIAL/PRICE RISK SWAPS	PRODUCT PRICE FLUCTUATION RISK	THOUSANDS OF DI GALS	13,378	(7,907)
G	FORWARDS ON SHORT-TERM CURRENCY EXCHANGE RATES	EXCHANGE RATE TRANSACTION RISK	MILLIONS OF USD	135	(370)
	TOTAL NON HEDGE ACCOUNTING INSTRUMENTS				**(3,165)**
	TOTAL ERG GROUP DERIVATIVE FINANCIAL INSTRUMENTS				**(186,962)**

CASH FLOW HEDGING INSTRUMENTS

A Interest Rate Swaps and Interest Rate Caps and Collars

Transactions for hedging the "interest rate" economic risk tied to fluctuations in interest rates on loans.

The underlying assets lie in the following companies:

- ERG S.p.A.;
- ERG Power;
- companies in the renewable energies business.

As of 31 December 2014 there was a total negative fair value in the amount of EUR 181.1 million. The change is recognised in the Cash Flow Hedge reserve.

B. Gas price risk swaps

Swaps used to hedge the risk of price fluctuations in gas formulas for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the period multiplied times the quantities indicated in the contract.

As of 31 December 2014 there was a total negative fair value in the amount of EUR 2.7 million.

NON HEDGE ACCOUNTING INSTRUMENTS

C. Electricity price risk hedging swaps

Swaps used to hedge the risk of electricity price fluctuations for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the period multiplied times the quantities indicated in the contract.

As of 31 December 2014 there was a total fair value of an immaterial amount.

D. Electricity price risk hedging CFD

CFD transactions to hedge the risk of fluctuation in the price of electricity with respect to forward agreements for the purchase and sale of electricity. They are contracts whereby the parties undertake to liquidate, at a certain date, the difference between the price agreed in the contract and the market price of the reference period, multiplied times the agreed units. As of 31 December 2014 there was a total fair value of an immaterial amount.

E. Futures to hedge commodity price risk

They are futures used to hedge the risk of fluctuation in the prices of crude oil and petroleum products. These are contracts whereby the parties undertake to forward purchase and/or sell a given quantity of lots of crude oil or products. Monetary settlement between the parties takes place on the basis of the price differential.

As of 31 December 2014 there was a total positive fair value in the amount of EUR 11.2 million.

F. Product differential/price risk swaps

Swaps used to hedge the risk of price fluctuations on different market in relation to purchases and sales of crude oils and petroleum products. In these contracts, the parties set the price differential between markets, undertaking to pay or to collect, at a mutually agreed date, the difference between the set price and the actual price for the quantities set out in the contract (underlying asset). As of 31 December 2014 there was a total negative fair value in the amount of EUR 14.0 million.

G. Forwards on short-term currency exchange rates

These are transactions to hedge the currency exchange rate risk of cash flows generated by expected purchases of raw materials and sales of finished products for the month of January 2015.

As of 31 December 2014 there was a total negative fair value in the amount of EUR 0.4 million.

NOTE 47 – INDEPENDENT AUDIT FEES

In accordance with Article 149-duodecies of CONSOB's Issuers' Regulations, we set out below the costs for 2014 relating to services rendered by the independent auditor Deloitte & Touche S.p.A., the ERG Group's main independent auditor, and by the companies belonging to its network.

(MILLIONS OF EUR)	2014	2013
AUDITING SERVICES	695	672
SERVICES OTHER THAN AUDITING	1,031	823
TOTAL	**1,726**	**1.495**

Auditing services include the audit of the annual Separate and Consolidated Financial Statements and the review of the Half-Year Interim Report.

Services other than auditing refer to:

- certification services for EUR 51 thousand pertaining to the conformity review of the separate yearly accounts for the purposes of AEEG resolution no. 11/2007;
- tax consultancy services for EUR 547 thousand;
- other services for EUR 433 thousand pertaining mainly to agreed-upon procedures performed voluntarily on quarterly data and other minor services.

Also reported are the fees accrued in 2014 and pertaining to the services provided by the company Reconta Ernst & Young S.p.A., independent auditor of the ERG Renew Group, appointed by the Shareholders' Meeting of 14 April 2012.

(MILLIONS OF EUR)	2014	2013
AUDITING SERVICES	654	631
SERVICES OTHER THAN AUDITING	690	217
TOTAL	**1,344**	**847**

Services other than auditing refer to advisory services pertaining to non-recurring transactions and special projects.

NOTE 48 – OTHER INFORMATION

Disclosures on significant events occurring after the reporting period are provided in the relevant section of the Report on Operations.

NOTE 49 – PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 11 March 2015, the Board of Directors of ERG S.p.A. authorised the publication of the Consolidated Financial Statements together with the reports by the supervisory bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, Italy, 11 March 2015

On behalf of the Board of Directors
The Chairman

Edoardo Garrone

REPRESENTATIONS ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Luca Bettonte, Chief Executive Officer of ERG S.p.A., and Paolo Luigi Merli, Manager responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions set out in Article 154-bis, subsections 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998, represent as to:
- the suitability in relation to the characteristics of the ERG Group and
- the actual application
- of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements in the period between 1 January 2014 and 31 December 2014.

2. In this regard, the following is pointed out:
- the suitability of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements of the ERG Group was verified by the assessment of the system of internal control over financial reporting. This assessment was carried out with reference to the criteria established in the model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the system of internal control over financial reporting did not uncover any significant aspects.

3. It is furthermore represented that:
- the Consolidated Financial Statements of the ERG Group as at 31 December 2014:
  a) were prepared in accordance with the applicable International Accounting Standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 by the European Parliament and Council, dated 19 July 2002;
  b) match the underlying accounting books and records;
  c) are suitable to provide a true and fair view of the consolidated financial position and results of operations of the issuer and of the group of companies included in its consolidation;
- the Report on Operations contains a reliable analysis of the operating performance and results, as well as the financial position of the issuer and the group of companies included in its consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Genoa, 11 March 2015

The Chief Executive Officer

The Financial Reporting Manager

BOARD OF STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

Dear Shareholders,

the Consolidated Financial Statements of ERG S.p.A. for the year 2014 were delivered to us within the terms prescribed by law, together with the Report on Operations, and they were prepared in accordance with the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) and adopted by the European Union.
In accordance with Italian Legislative Decree no. 39 of 27 January 2010 and with Article 41 Paragraph 2 of Legislative Decree no. 127 of 9 April 1991, the Independent Auditors have the duty to verify whether the Consolidated Financial Statements comply with the law and match the accounting and consolidation entries. Our supervisory activity was carried out in compliance with the standards of behaviour of the Board of Statutory Auditors promulgated by the National Board of Chartered Accountants and in particular it pertained to:

- verification of the existence and adequacy, within the organisation of ERG S.p.A., of a function responsible for relations with subsidiaries and associates;
- examination of the Group's composition and equity interests, in order to assess the determination of the consolidation area and its change relative to the previous Financial Statements;
- obtainment of information on the activity carried out by the subsidiaries and on the transactions with the most relevance in financial and economic terms within the Group, through the information received from ERG S.p.A. Directors, from the Independent Auditors and from the Statutory Auditors of the subsidiaries.

Following the supervisory activity on the Consolidated Financial Statements, we undertake that:

- the determination of the scope of consolidation and the selection of the principles whereby investee companies are consolidated are in accordance with IFRS;
- the laws regulating the preparation and arrangement of the Financial Statements and of the Report on Operations were obeyed;
- we verified the adequacy of the instructions given by the competent function of ERG S.p.A. for the obtainment of the flow of data necessary for consolidation, viewing the information provided by the subsidiaries, subject to regulatory verification by their respective Boards of Statutory Auditors;
- the Financial Statements match the facts and information of which we became aware in the performance of our supervisory duties and in the exercise of our oversight and inspection powers;
- the Notes to the Consolidated Financial Statements provide the information prescribed by paragraph 134 of Accounting Standard IAS 36 – Impairment of assets, whose application was stressed by Bank of Italy/CONSOB/Isvap Document no. 4 of 3 March 2010. The Board of Statutory Auditors examined the documents containing the analyses carried out and the results obtained in the impairment testing activity. The Board of Statutory Auditors deemed the procedure correct and the main assessment hypotheses reasonable, and therefore approved the results thereof;

- the Group's Report on Operations is consistent with the data and results of the Consolidated Financial Statements and it provides ample disclosure on the Group's economic-financial performance and on the risks to which the Group is exposed, as well as on significant events occurred during the year and after the ending date of the financial year and on the business outlook;
- the Chief Executive Officer and the Manager responsible for preparing the company's financial reports issued the certification, in accordance with Article 81-ter of CONSOB Regulation no. 11971/1999 with subsequent amendments and additions and with Article 154-bis of Legislative Decree 58/1998 (Consolidated Finance Act).

On 23 March 2015, the Independent Auditors issued the report in accordance with Articles 14 and 16 of Italian Legislative Decree 39/2010, declaring that the Consolidated Financial Statements as at 31 December 2014 are in accordance with the IFRS and with the regulations promulgated to implement Article 9 of Italian Legislative Decree no. 38/2005, that they are prepared clearly and they represent truthfully and fairly the financial situation, the income and expenses and the cash flows of the ERG Group for the year that ended on that date.

Genoa, Italy, 23 March 2015

The Board of Statutory Auditors
(Dott. Mario Pacciani)

(Dott.ssa Elisabetta Barisone)

(Dott. Lelio Fornabaio)

Deloitte.

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AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholders of
ERG S.p.A.

1. We have audited the consolidated financial statements of ERG S.p.A. and its subsidiaries (the "ERG Group") as of and for the year ended December 31, 2014, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the related notes to the consolidated financial statements. These consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued our auditors' report dated March 21, 2014. These reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2014.

3. In our opinion, the consolidated financial statements of the ERG Group as of December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of the ERG Group, and of the results of its operations and its cash flows for the year then ended.

4. The Directors of ERG S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance and ownership are consistent with the consolidated financial statements of the ERG Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Corrado Toscano
Partner

Genoa, Italy
March 23, 2015

This report has been translated into the English language solely for the convenience of international readers.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION (1)

(EUR)	NOTES	31/12/2014		31/12/2013	
INTANGIBLE FIXED ASSETS	1		315,762		1,675,315
GOODWILL			–		–
PROPERTY, PLANT AND MACHINERY	2		2,776,369		12,872,753
EQUITY INVESTMENTS	3		1,074,059,241		886,454,774
OTHER FINANCIAL ASSETS	4		119,592,754		160,586,533
OF WHICH TOWARDS RELATED PARTIES	34	*118,669,885*		*159,951,534*	
DEFERRED TAX ASSETS	5		18,126,303		14,785,650
OTHER NON-CURRENT ASSETS	6		4,607,321		2,349,767
NON-CURRENT ASSETS			**1,219,477,751**		**1,078,724,792**
INVENTORIES			–		–
TRADE RECEIVABLES	7		74,825,952		218,441,233
OF WHICH TOWARDS RELATED PARTIES	34	*63,295,091*		*10,554,447*	
OTHER CURRENT RECEIVABLES AND ASSETS	8		112,057,006		105,227,166
OF WHICH TOWARDS RELATED PARTIES	34	*77,990,748*		*72,684,997*	
CURRENT FINANCIAL ASSETS	9		142,620,609		115,474,354
OF WHICH TOWARDS RELATED PARTIES	34	*138,019,483*		*112,607,080*	
CASH AND CASH EQUIVALENTS	10		822,124,226		791,596,866
CURRENT ASSETS			**1,151,627,792**		**1,230,739,619**
ASSETS HELD FOR SALE			**–**		**413,208,012**
OF WHICH TOWARDS RELATED PARTIES	34	*–*		*28,853,913*	
TOTAL ASSETS			**2,371,105,543**		**2,722,672,422**
SHAREHOLDERS' EQUITY	11		**1,427,706,861**		**1,524,071,204**
EMPLOYEES' SEVERANCE INDEMNITIES	12		310,183		758,304
DEFERRED TAX LIABILITIES	13		1,842,952		5,027,336
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	14		83,638,515		91,660,695
NON-CURRENT FINANCIAL LIABILITIES	15		–		33,864,635
OTHER NON-CURRENT LIABILITIES	16		7,603,481		4,590,546
OF WHICH TOWARDS RELATED PARTIES	34	*–*		*–*	
NON-CURRENT LIABILITIES			**93,395,130**		**135,901,516**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	17		35,886,579		16,116,267
TRADE PAYABLES	18		85,181,942		299,301,180
OF WHICH TOWARDS RELATED PARTIES	34	*34,463,135*		*641,759*	
CURRENT FINANCIAL LIABILITIES	19		624,121,916		307,834,821
OF WHICH TOWARDS RELATED PARTIES	34	*551,718,943*		*19,405,069*	
OTHER CURRENT LIABILITIES	20		104,813,115		107,100,420
OF WHICH TOWARDS RELATED PARTIES	34	*98,822,449*		*32,368,108*	
CURRENT LIABILITIES			**850,003,551**		**730,352,688**
LIABILITIES HELD FOR SALE			**–**		**332,347,015**
OF WHICH TOWARDS RELATED PARTIES	34	*–*		*39,955,927*	
TOTAL LIABILITIES AND EQUITY			**2,371,105,543**		**2,722,672,422**

(1) Compared to the representations in the statement of financial position of the 2013 Financial Statements, reclassifications were made to the assets and liabilities held for sale after the final definition of the scope of transfer of the Power Business.

INCOME STATEMENT (1)

(EUR)	NOTES	2014		2013	
REVENUES FROM ORDINARY OPERATIONS	24		122,252,195		63,519,473
OF WHICH TOWARDS RELATED PARTIES	34	*63,320,139*		*6,070,456*	
OF WHICH NON-RECURRING ITEMS	33	–		–	
OTHER REVENUES AND INCOME	25		12,415,682		10,418,786
OF WHICH TOWARDS RELATED PARTIES	34	*3,630,231*		*10,166,508*	
OF WHICH NON-RECURRING ITEMS	33	*8,059,000*		–	
CHANGES IN PRODUCT INVENTORIES					
CHANGES IN RAW MATERIALS INVENTORIES			–		–
COST OF PURCHASES	26		(103,109,395)		(55,386,201)
OF WHICH TOWARDS RELATED PARTIES	34	*(88,106,992)*		*(50,341,898)*	
COSTS FOR SERVICES AND OTHER COSTS	27		(56,998,562)		(29,291,543)
OF WHICH TOWARDS RELATED PARTIES	34	*(15,761,063)*		*(4,256,718)*	
OF WHICH NON-RECURRING ITEMS	33	*(18,311,000)*		*(4,102,751)*	
PERSONNEL COSTS	28		(15,314,409)		(26,609,578)
OF WHICH NON-RECURRING ITEMS	33	*(2,840,000)*		–	
EBITDA			**(40,754,489)**		**(37,349,063)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	29		**(274,833)**		**(2,589,876)**
INCOME (EXPENSES) FROM SALE OF BUSINESS UNIT			**–**		**–**
FINANCIAL INCOME	30		25,661,631		17,905,393
OF WHICH TOWARDS RELATED PARTIES	34	*8,120,118*		–	
FINANCIAL EXPENSES	30		(10,832,622)		(11,286,108)
OF WHICH TOWARDS RELATED PARTIES	34	*(1,386,669)*		*(513,473)*	
NET FINANCIAL INCOME (EXPENSES)	30		**14,829,009**		**6,619,285**
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	31		58,776,533		(30,988,180)
OF WHICH NON-RECURRING ITEMS	33	–		*(51,341,295)*	
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS			–		–
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	31		**58,776,533**		**(30,988,180)**
PROFIT (LOSS) BEFORE TAXES			**32,576,220**		**(64,307,833)**
INCOME TAXES	32		**8,425,163**		**9,380,144**
OF WHICH NON-RECURRING ITEMS		*3,168,721*		*(19,064,733)*	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS			**41,001,383**		**(54,927,690)**
NET PROFIT (LOSS) FROM ASSETS HELD FOR SALE			5,049,106		84,093,327
OF WHICH NON-RECURRING ITEMS		–		*119,934,330*	
NET PROFIT (LOSS) FOR THE PERIOD			**46,050,489**		**29,165,637**

(1) The income statements for the year 2014 and for the year 2013 are represented in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The 2013 income statement is presented with the exclusion of the results of the Oil and Power Businesses. With respect to the representations in the 2013 Financial Statements, further reclassifications were made on 2013 after the final definition of the scope of transfer of the Power Business. The income statement for the year 2014 is presented with the exclusion of the results of the Power BU, which was transferred to ERG Power Generation S.p.A. with effect from 1 July 2014.

OTHER COMPREHENSIVE INCOME

(EUR)	2014	2013
NET INCOME (LOSS) FOR THE PERIOD	**46,050,489**	**29,165,637**
CHANGES THAT WILL NOT BE RECLASSIFIED IN THE INCOME STATEMENT		
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	(26,655)	53,265
INCOME TAXES REFERRED TO THE CHANGE IN THE EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	7,330	(14,648)
TOTAL	**(19,325)**	**38,617**
CHANGES THAT WILL BE RECLASSIFIED IN THE INCOME STATEMENT		
CHANGE IN THE CASH FLOW HEDGE RESERVE	269,049	546,207
INCOME TAXES REFERRED TO THE CHANGE IN THE CASH FLOW HEDGE RESERVE	(97,380)	(150,207)
TOTAL	**171,669**	**396,000**
OTHER COMPONENTS OF COMPREHENSIVE INCOME AFTER TAX	**152,344**	**434,617**
COMPREHENSIVE NET INCOME (LOSS) FOR THE PERIOD	**46,202,833**	**29,600,254**

STATEMENT OF CASH FLOWS

(EUR THOUSAND))	NOTES	31/12/2014	31/12/2013
CASH FLOWS FROM OPERATING ACTIVITIES (A)			
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		46,050	29,166
- AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	29	565	3,932
- NET CHANGE IN PROVISION FOR LIABILITIES AND CHARGES	14, 17	11,749	64,427
- NET CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES	5, 13	(21)	9,244
- WRITE-DOWN OF RECEIVABLES		–	692
- NET CAPITAL GAIN/LOSS ON SALE OF NON-CURRENT ASSETS		–	372
- NET WRITE-DOWNS OF FINANCIAL FIXED ASSETS	3	10,170	85,810
- NET REVALUATIONS OF FINANCIAL FIXED ASSETS		(38,793)	(34,708)
- CAPITAL GAIN ON EXERCISE OF PUT OPTION IN ISAB S.R.L.		–	(198,678)
- NET CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES	12	19	(51)
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL		**29,740**	**(39,795)**
CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES			
- CHANGE IN INVENTORIES		–	111,141
- CHANGE IN TRADE RECEIVABLES	7	143,615	(130,176)
- CHANGE IN TRADE PAYABLES	18	(214,119)	22,379
- NET CHANGE IN OTHER RECEIVABLES/PAYABLES AND OTHER ASSETS/LIABILITIES		(8,622)	48,045
		(79,126)	**51,389**
TOTAL		**(49,386)**	**11,595**
CASH FLOWS FROM INVESTING ACTIVITIES (B)			
ACQUISITIONS OF INTANGIBLE FIXED ASSETS AND GOODWILL	1	(287)	(2,099)
ACQUISITION OF PROPERTY, PLANT, AND MACHINERY		–	(323)
ACQUISITIONS OF EQUITY INVESTMENTS	3	(145,027)	
COLLECTION FROM EXERCISE OF PUT OPTION ON ISAB S.R.L.		–	425,588
DISPOSALS OF INTANGIBLE FIXED ASSETS	1	-	172
DISPOSALS OF PROPERTY, PLANT AND MACHINERY	2	39	(211)
DISPOSALS OF EQUITY INVESTMENTS	3	13,546	–
TOTAL		**(131,729)**	**423,127**
CASH FLOWS FROM FINANCING ACTIVITIES (C)			
NEW NON-CURRENT LOANS		–	–
REPAYMENT OF NON-CURRENT LOANS		(107,265)	(165,536)
NET CHANGE IN OTHER NON-CURRENT FINANCIAL ASSETS/LIABILITIES	4, 15	114,394	86,090
NET CHANGE IN SHORT-TERM BANK BORROWINGS	19	316,287	(265,278)
NET CHANGE IN OTHER CURRENT FINANCIAL ASSETS	9	30,641	(76,857)
SHARE CAPITAL INCREASES/REPAYMENTS		–	–
DIVIDENDS		(142,804)	(57,121)
OTHER CHANGES IN SHAREHOLDERS' EQUITY	11	389	434
TOTAL		**211,642**	**(478,268)**
NET CASH FLOWS FOR THE YEAR (A+B+C)		**30,527**	**(43,546)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10	**791,597**	**840,993**
NET CASH FLOWS FOR THE YEAR		30,527	(43,546)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR BEFORE IFRS 5 RECLASSIFICATION		**822,124**	**797,446**
RECLASSIFICATION OF ASSETS/LIABILITIES HELD FOR SALE		**–**	**(5,849)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	**822,124**	**791,597**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR THOUSAND)	SHARE CAPITAL	RESERVES	NET PROFIT (LOSS) FOR THE YEAR	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 31/12/2012	**15,032**	**1,515,061**	**21,499**	**1,551,593**
ALLOCATION OF 2012 PROFIT	–	21,499	(21,499)	**–**
DIVIDENDS	–	(57,121)	–	**(57,121)**
NET PROFIT (LOSS) FOR 2013	–	–	29,166	**29,166**
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	–	39	–	**39**
CHANGE IN THE CASH FLOW HEDGE RESERVE	–	396	–	**396**
COMPREHENSIVE NET INCOME (LOSS)	–	435	29,166	**29,600**
BALANCE AT 31/12/2013	**15,032**	**1,479,874**	**29,166**	**1,524,070**
ALLOCATION OF 2013 PROFIT	–	29,166	(29,166)	**–**
DIVIDENDS	–	(142,804)	–	**(142,804)**
OTHER CHANGES	–	236	–	**236**
NET PROFIT (LOSS) FOR 2014	–	–	46,050	**46,050**
ACTUARIAL CHANGE IN EMPLOYEES' SEVERANCE INDEMNITIES PROVISION	–	(19)	–	**(19)**
CHANGE IN THE CASH FLOW HEDGE RESERVE	–	172	–	**172**
COMPREHENSIVE NET INCOME (LOSS)	–	153	46,050	**46,203**
BALANCE AT 31/12/2014	**15,032**	**1,366,625**	**46,050**	**1,427,707**

THE COMPANY

ERG S.p.A., which has been listed on the Italian stock exchange since 1997, is active, also through its investees, in the generation of energy from renewable sources and from thermoelectric plants, in the marketing of electricity, steam and gas, in the marketing and distribution of petroleum products both in Italy and abroad.

IFRS 5 IN THE SEPARATE FINANCIAL STATEMENTS

According to the organisational model implemented by the ERG Group since 1 January 2014, the Parent Company ERG S.p.A. will hold a Corporate role, providing strategic direction, management control and oversight of human and financial capital and relationships.
This result was achieved through the establishment of specific special purpose vehicles the Company holds a stake in, to carry out the businesses that previously had been conducted directly by ERG S.p.A. The special purpose companies, wholly invested in by ERG S.p.A., will thus be able to focus on their respective businesses, setting up their own adequate structures capable of guaranteeing efficient operations, drive for development and quick responses to the volatility of their specific markets.
In particular, on 1 January 2014, the transfers of the business units pertaining to ERG Supply & Trading S.p.A. and ERG Services S.p.A. took effect, so the companies have been fully operational since the start of the year, whilst the transfer of the business unit pertaining to ERG Power Generation S.p.A. took effect on 1 July 2014.
In accordance with the international accounting standards adopted in drawing up the separate Financial Statements of ERG S.p.A as of and for the year ended 31 December 2014, and, more specifically, in accordance with IFRS 5, this case is classified as the "sale of a disposal group": in compliance with this standard, therefore, the net income or loss from said sold assets was reported in the 2014 income statement. For the preparation of the income statement of the 2013 Financial Statements, with respect to the transfer of the Power Business Unit, the best estimate of the balance sheet and income statement items had been reclassified for IFRS 5 purposes, since the scope of the transfer had not yet been formalised; after the formalisation of the scope of transfer of the Power BU on 1 July 2014, IFRS5 reclassifications were made to the column of the 2013 income statement, as pointed out in Note 21 – Assets and liabilities held for sale and net profit (loss). Compared to the previous assumption, the marketing of the energy generated by the wind farms of the Group's companies was maintained within the scope of ERG S.p.A.
As a consequence of the above, the 2014 Statement of Financial Position does not include the balances of the assets and liabilities sold because of the accounting records of the transfer, finalised on 1 January 2014 and 1 July 2014.

CRITERIA FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Separate Financial Statements as of and for the year ended 31 December 2014 have been prepared, without any waiver or exception, in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (International Financial Reporting Standards – IFRS) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the previous Standing Interpretations Committee (SIC).
The Separate Financial Statements, expressed in Euros, were prepared under the general historical cost principle, with the exception of financial assets available for sale, financial assets held for trading and derivative instruments, which were measured at fair value.
For clearer disclosure, it was deemed preferable to show in the notes all amounts rounded off to the nearest EUR thousand; consequently, in some statements, totals may differ slightly from the sum of the amounts that comprise it.

The separate Financial Statements as of and for the year ended 31 December 2014 have been audited by the independent firm Deloitte & Touche S.p.A. using the procedures prescribed by CONSOB regulations.

FORM AND CONTENTS OF THE SEPARATE FINANCIAL STATEMENTS

ERG S.p.A. classifies its income statement using the "nature of expense" method, a form deemed more representative than a classification using the "function of expense" method. The form chosen is in fact consistent with internal and management reporting procedures.
With reference to the statement of financial position, the adopted classification makes a distinction between current and non-current assets and liabilities, as allowed by IAS 1.
The structure of the statement of cash flows is based on the indirect method.
Furthermore, as required by CONSOB resolution 15519 dated 27 July 2006, significant income and charges arising from non-recurring transactions or from events that do not occur frequently in the ordinary course of business have been indicated separately in the income statement. These items are commented upon in a dedicated note.
Also pursuant to the aforementioned CONSOB resolution, balances or transactions with related parties have been entered separately in the statement of financial position and in the income statement. These items are commented upon in a dedicated note.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

Below we provide a summary of the significant accounting policies adopted for the preparation of the separate Financial Statements as of and for the year ended 31 December 2014.

INTANGIBLE ASSETS

Intangible assets are recognised as assets, pursuant to IAS 38 (Intangible Assets), wherever they are identifiable, it is probable that their use will generate future economic benefits and their cost can be measured reliably.
These assets are measured at their purchase or production cost, including all ancillary charges attributable to them, and are amortised on a straight-line basis over their useful life. Useful lives are reviewed annually and any changes, where necessary, are applied prospectively.
There are no intangible assets with an indefinite useful life or development costs.
Research costs are expensed directly in the income statement in the period in which they are incurred.
Other intangible assets recognised following a business combination are presented separately from goodwill if their fair value can be measured reliably.

PROPERTY, PLANT AND MACHINERY

Property, plant and machinery are recognised at the cost of acquisition or production.
Expansion, modernisation and transformation costs and maintenance costs are capitalised only if they increase the future economic benefits of the asset to which they refer.
Cyclical maintenance costs are recognised as assets in the statement of financial position as a separate component of the main asset during the year in which they are incurred and are included in the depreciation process on the basis of their estimated useful life.
The cost of the assets, where there are present obligations to do so, includes charges for dismantling, removal of assets and site restoration to be incurred at the time facilities are abandoned, which are presented as a contra-asset in a specific provision. These charges are recognised starting on the date when they can be reliably estimated for those assets for which future disposal, and the time when this will happen, is foreseeable.
Capitalised charges are allocated to the income statement via depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life. When the tangible fixed asset consists of several significant components having different useful lives, each component is depreciated accordingly. The value to be depreciated is the historical cost less the expected residual value, if material and reliably measurable.
Land is not depreciated, even if acquired together with a building. Assets revertible free of charge are depreciated over the estimated life of the asset or the duration of the concession, whichever is shorter.
There were no significant finance lease transactions as defined in IAS 17.

The depreciation rates applied are as follows:

	%
INDUSTRIAL BUILDINGS	2.75 – 5.5
GENERAL PLANT	10
OFFICE FURNITURE AND FITTINGS	12
ELECTRONIC MACHINERY	20
EQUIPMENT	25
INCREMENTAL EXPENSES	8 - 25

IMPAIRMENT OF ASSETS (IMPAIRMENT TEST)

At least once a year, the Group subjects its tangible and intangible assets to an impairment test to determine whether there are indications that they may be impaired. If such an indication exists, it is necessary to estimate the recoverable value of the asset to determine the amount of any write-downs.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount of an asset is the higher between its fair value, less the costs of the sale, and its value in use determined as the present value of expected future cash flows.
Impairment is recognised if the recoverable value is less than the carrying value. Should the impairment of a fixed asset, other than goodwill, subsequently no longer apply or be reduced, the carrying value of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, without exceeding the value that would have been determined if no impairment had been recognised.

EQUITY INVESTMENTS

Equity investments in subsidiaries, joint ventures and associates are recognised at their acquisition or subscription cost, written down to reflect any permanent impairment losses.
The positive difference, at the time of acquisition, between the acquisition cost and the share of the subsidiary's or associate's shareholders' equity attributable to the Company is therefore included in the carrying value of the equity investment.
Where the book value of equity investments exceeds the corresponding portion of shareholders' equity based on the latest approved Financial Statements, this value is maintained if it does not constitute a permanent impairment.
Equity investments in other companies are carried at fair value with changes presented in shareholders' equity.
When fair value cannot be measured reliably, equity investments are measured at cost, written down for permanent impairment losses, if any, and dividends from such companies are included in "Net income from equity investments".
When the reasons for the write-downs cease to exist, equity investments carried at cost are revalued to the extent of the write-downs that had been recognised and the effect is presented in the income statement.

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

FINANCIAL ASSETS

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

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

Initially, all financial assets are recognised at their fair value, increased, in case of assets other than those classified as FVTPL, by ancillary costs.
At the time of underwriting, an assessment is made as to whether 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 embedded derivatives are not closely related to those of the host contract.

The Group classifies its financial assets after initial recognition and, when appropriate and allowable, reviews this classification at the end of each 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 separated embedded derivatives, 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 recognised in the income statement.
  As of 31 December 2014, no financial asset had been designated as 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 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 of 31 December 2014, the Group held no investments classified as HTM.

- **Loans and receivables (L&R)**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market.
  Following initial recognition, these assets are measured at amortised cost using the effective interest method, net of allowances, if any.
  Gains and losses are recognised in the income statement when loans & receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.
  Trade receivables are presented at their fair value, which corresponds to their face value, and are subsequently reduced to account for uncollectible receivables, if any. Trade

receivables whose due date is not consistent with normal trading terms and which do not earn interest are discounted to their present value.

- **Available-for-sale (AFS) financial assets**
  Available-for-sale (AFS) financial assets are financial assets, other than derivative financial instruments, that have been designated as such or are not classified in any of the previous three categories.
  Following initial recognition, AFS financial assets are measured at fair value and gains and losses are reported under a separate heading within shareholders' equity.
  AFS financial assets include equity investments in companies other than subsidiaries and associates in which ERG's direct or indirect ownership percentage is less than 20%.
  When fair value cannot be reliably measured, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included in "Other net income (loss) from equity investments".
  When the reasons for the write-downs cease to exist, equity investments carried at cost are revalued to the extent of the write-downs that had been recognised and the effect is presented in the income statement.
  The risk arising from any losses exceeding shareholders' equity is recognised in a specific reserve to the extent that the investor has committed to meet legal or constructive obligations vis-à-vis the investee company or in any case to cover its losses.

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

Fair value
In case of securities widely traded in regulated markets, fair value is determined with reference to market prices at the close of trading on the Financial Statements' date.
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
"Investments held to maturity" and "Loans & receivables" are measured at amortised cost, calculated using the effective interest method, net of impairment provisions or allowances, if any. This calculation takes into account all purchase discounts or premiums and includes any fees which are an integral part of the effective interest rate and transaction costs.

IMPAIRMENT OF FINANCIAL ASSETS
At each Financial Statements' date, the Group verifies whether a financial asset or group of financial assets has suffered impairment.
If there is objective evidence that a loan or receivable carried 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 expected cash flows discounted at the asset's original effective interest rate.
The carrying value of the asset is reduced via accrual of a provision. The impairment amount is recognised in the income statement.
The Group assesses the existence of factual evidence of impairment on an asset-by-asset basis.
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 of the write-back date.
In case of trade receivables, an allowance for uncollectible receivables is recognised when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that the Group will be unable to recover the amounts owed according to the original conditions.
The carrying value of the receivable is reduced via use of a specific provision. Receivables are derecognised if they are deemed unrecoverable.
The Group has applied the provisions of IFRS 2 commencing on 1 January 2005 and therefore to all stock option plans implemented after that date.
As of 31 December 2014, there were no extant stock option plans.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are presented, according to their nature, at face value.
In accordance with IAS 7, the definition of cash equivalents comprises cash on hand and bank/postal deposits repayable on demand, together with short-term, highly liquid investments that are readily convertible to a known amount of cash. It also includes short-term investments whose reimbursement value is predetermined at the date of initial purchase/recognition.

FINANCIAL LIABILITIES

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

- Financial liabilities at fair value through profit or loss (FVTPL)
- Other financial liabilities.

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.
After initial recognition, loans are measured at amortised cost using the effective interest method.
Every gain or loss is recognised in the income statement when the liability is settled, as well as via the amortisation process.
Financial liabilities at FVTPL include "liabilities held for trading".
"Liabilities held for trading" (HFT) are acquired for the purpose of short-term sale and comprise derivatives – including separated embedded derivatives – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.
As of 31 December 2014, no financial liability had been 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 (removed from the statement of financial position) when:

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative financial instruments are initially recognised at their fair value on the date when they are stipulated. This fair value is then subject to periodic revaluation.
They are presented as assets when their fair value is positive and as liabilities when it is negative.

TREASURY SHARES

Treasury shares are presented as a reduction of shareholders' equity. The original cost of treasury shares, write-downs for impairment, and income and losses deriving from any subsequent sales are presented as changes in shareholders' equity.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the Financial Statements' date. Non-monetary items are maintained at the exchange rate prevailing at the transaction date except in case of a persistently unfavourable trend in the exchange rate. Exchange rate differences generated on derecognition of items at rates differing from those at which they had been translated at the time of their initial recognition and those relating to monetary items at year-end are presented in the income statement under financial income and expenses.

PROVISIONS FOR LIABILITIES AND CHARGES

ERG S.p.A. records provisions for liabilities and charges when:

- there is a present legal or constructive obligation to third parties;
- it is probable that the use of Group resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Changes in estimates are reflected in the income statement in the period in which they occur.
When the financial effect of time is significant and the dates of settlement of the obligations can be estimated, the provision is subject to discounting, utilising a discount rate that reflects the current time value of money. The increase in the provision connected to the passing of time is recognised in the income statement under "Financial income (expenses)".
When the liability relates to property, plant or machinery (for example dismantling and restoration of sites), the provision is presented as a contra asset against the asset to which it refers, and recognition in the income statement takes place through the depreciation process.
Significant contingent liabilities, represented by the following, are disclosed in the notes to the separate Financial Statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events not wholly within the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that settlement will not be onerous.

EMPLOYEE BENEFITS

Until 31 December 2006, the employees' severance indemnities provision (TFR) of Italian companies was considered as a defined benefit plan. The rules for the provision were amended by Italian Law no. 296 dated 27 December 2006 ("2007 Budget Law") and subsequent decrees and regulations promulgated in the early months of 2007. In light of these amendments, and in particular with reference to companies with at least 50 employees, the

TFR is currently considered a defined benefit plan solely for the portions accrued prior to 1 January 2007 and not yet liquidated as of the date of the separate Financial Statements, whereas after said date it is deemed akin to a defined contribution plan.
The liability relating to defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of the future benefits to which employees are entitled as of the reporting date, and accrued over the rights' vesting period; the liability is valued by independent actuaries.
Gains and losses related to defined benefit plans arising from changes in the actuarial assumptions used, or changes in the plan conditions, are recognised pro rata in the income statement for the remaining average working life of the employees participating in the plan, if and to the extent that their net off-balance-sheet value at the end of the previous year exceeds the higher between 10% of the liability pertaining to the plan and 10% of the fair value of the plan assets.

STOCK OPTION PLANS

Under IFRS 2 (Share-based payments), stock options in favour of employees are measured at fair value at the time of their assignment based on models taking into account the factors and elements prevailing at such time (option exercise price and duration, current price of underlying shares, and expected volatility of share price and the like).
The right vests after a certain period and subject to certain conditions.
The overall value of the options is apportioned *pro rata temporis* over the abovementioned period and presented under a specific shareholders' equity item, and recognised in the income statement.
The measured fair value of each option is neither reviewed nor updated at the end of each year, but remains definitively acquired in shareholders' equity; at the end of each year, however, the estimate of the number of options that will mature up to expiry is updated (and hence of the number of employees who will have the right to exercise the options).
The change in the estimate is recognised as a reduction of shareholders' equity and in the income statement.
The company has applied the provisions of IFRS 2 commencing on 1 January 2005 and therefore to all stock option plans implemented after that date.
As of 31 December 2014, there were no extant stock option plans.

REVENUE RECOGNITION

Revenues from sales and services are recognised when the actual transfer of risks and rewards of ownership occurs, which coincides with the time of delivery or based on different contractual specifications, or upon completion of the services.
Revenues stemming from partially provided services are recognised as earned pro rata over completion, provided that it is possible to determine their level of completion reliably and there are no significant uncertainties as to the amount and existence of revenues and related costs; otherwise, they are recognised within the limits of the recoverable costs incurred.
Revenues are presented net of returns, discounts, rebates and allowances, as well as of any directly related taxes.
If a deferment of payment is expected, which does not fall under normal commercial terms, the financial component that will be attributed as income in the deferment period is separated from revenues. Since exchanges of goods or services of a similar nature and value do not constitute sales transactions, they do not give rise to recognition of revenues and costs.
Grants related to assets are recognised at the time when a formal assignment is made and any possible restriction on their collection is removed and they are recognised in the income statement over the useful life of the related assets, with the purpose of matching their economic-technical depreciation.

DIVIDENDS

Dividends are recognised when, following a shareholders' resolution, the right of shareholders to receive the payment is established.

FINANCIAL INCOME AND EXPENSES

These are recognised under the accrual basis of accounting based on the interest due on the net value of financial assets and liabilities utilising the effective interest rate.

INCOME TAXES

Current taxes are accrued based on the estimated tax burden for the period, also taking into account the effects relating to participation of most Group companies in "tax consolidation".
Income taxes are presented in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve. In these cases, the tax effect is also directly presented under shareholders' equity.
Deferred tax assets are only recognised in the Financial Statements if their future recovery is probable.
With regards to deferred tax assets related to tax losses that can be carried forward, please see the following paragraph.
Deferred taxes are calculated on the basis of the tax rates expected to be in force in the periods in which the taxable temporary differences will be reversed.
Deferred tax assets and deferred tax 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 stabilisation of the Country (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax Act (TUIR) pertaining to the carrying forward of tax losses, eliminating the 5-year time limit prescribed for the purposes of determining whether prior years' tax losses can be carried forward (such losses, therefore, can be carried forward without limitation), and introducing a quantitative limit to the utilisation of prior years' tax losses, i.e. 80% of the income produced in the following years. The aforesaid quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they refer to a new productive activity.
The new provisions had already been applied starting in 2011 and as clarified by circular 53/E 2011 by the Italian Fiscal Revenue Agency, also with effect on the tax losses generated prior to 2011 and still being carried forward according to previous regulations.

ROBIN TAX

With its decision no. 10 of 11 February 2015, the Constitutional Court declared the non retroactive unconstitutionality of the 6.5% IRES surtax for enterprises operating in the petroleum and energy industries ("Robin Tax"), introduced by Article 81, Paragraph 16 of Italian Law Decree no. 112/2008 (converted into Italian Law no. 133/2008) as amended.
The declaration of unconstitutionality has been effective since 12 February 2015, the day after the decision was published in the Official Gazette.
For the purposes of these Financial Statements, therefore, the current taxes were calculated considering, when applicable, the IRES surtax in accordance with Article 81 of Italian Law Decree no. 112/2008 ("Robin Tax"). With regard to the deferred tax assets and liabilities, in the 2013 Financial Statements the deferred tax assets on tax losses (EUR 21 million) relating to the Robin Tax were derecognised because they were deemed no longer recoverable.
In consideration of said derecognition, the declared non retroactive unconstitutionality of the Robin Tax has no effects on these Financial Statements.

ENVIRONMENTAL CERTIFICATES

- **White certificates** (Energy Efficiency Certificates) are assigned upon achievement of energy savings through the application of efficient technologies and systems; they are recorded among marketable financial assets in consideration of the existence of an active market organised and managed by the Electricity Market Operator (GME).
  White certificates are accounted for on an accrual basis and recognised among other current assets, in proportion to the savings of TOE (Tonnes of Oil Equivalent) actually recorded during the year.
  They are measured at their market value of the last month of the year, unless the market value at the end of the year is significantly lower than the white certificates intended for the market.
  The value of the white certificates intended for withdrawal by the GSE is measured on the basis of the value established in Article 9, paragraph 2 of Italian Ministerial Decree dated 5 September 2011, or at their prevailing price at the time the co-generation unit started operations.
  For the co-generation units that started operations before the entry into force of the aforementioned Italian Ministerial Decree, the reference price is the prevailing price at the same date of entry into force. The withdrawal price remains constant during the subsidised period.
- In relation to the obligation to hand over the **green certificates from non renewable sources** to the GSE, said certificates are recognised on an accrual basis. If the quantity of green certificates purchased before the end of the year of accrual is lower than the quantity necessary to fulfil legal obligations, the company recognises the expense still to be incurred for the certificates not yet purchased, as an offset to the liability to the GSE.
  If instead, at the end of the year, the quantity of green certificates purchased before the end of the year of accrual exceeds the quantity required to fulfil the legal obligation, the company recognises a prepaid expense equal to the costs to be adjusted, because they will accrue the following year.
  They are measured at purchase price.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of the Financial Statements and explanatory notes pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying values of the assets and liabilities recognised in the Separate Financial Statements and disclosures relating to contingent assets and liabilities. Making these estimates involves using information available and subjective judgment.
By their very nature, estimates and assumptions used may vary from year to year, and therefore, it cannot be excluded that in subsequent years the current financial statement values may differ as a result of the change in the subjective assessments used.
The main estimates for which subjective assessments are more heavily required were used, inter alia, for:

- provisions for bad debt, inventory obsolescence and asset write-downs;
- the definition of the useful life of fixed assets and the related amortisation and depreciation;
- provisions for environmental risks and for liabilities related to legal and fiscal disputes; in particular, the evaluation processes involve both determining the degree of likelihood of the occurrence of conditions that may entail a financial outlay, and quantifying the related amount;
- deferred tax assets, recognised on the basis of the Group's future taxability of profits as forecast by business plans as well as of the expected composition and renewal of tax consolidation regimes;

- the impairment test for intangible and tangible fixed assets and for other equity investments, described in detail in the paragraph Impairment test on equity investments – in the estimation of the value in use – the utilisation of the investee companies' Business Plans, based on a set of assumptions and hypotheses relating to future events and actions by the investee companies' governing bodies, which may not necessarily occur. Similar estimation procedures are necessary when reference is made to the estimated fair value (net of disposal costs) component due to the uncertainty inherent in any negotiation.

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period when the change took place.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED STARTING ON 1 JANUARY 2014

The following Accounting Standards, amendments and interpretations were applied for the first time by the Group starting on 1 January 2014.

On 12 May 2011 the IASB issued the standard IFRS 10 – Consolidated Financial Statements, which will replace IAS 27 – Consolidated and Separate Financial Statements, for the part pertaining to the Consolidated Financial Statements, and SIC-12 Consolidation – Special Purpose Entities. The previous IAS 27 was renamed Separate Financial Statements and it specifies how to account for equity investments in the separate Financial Statements. The main changes established by the new standards are as follows:

- according to IFRS 10, there is a single basic principle for consolidating all types of entities, and said principle is based on control. This change removes the perceived inconsistency between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and rewards);
- a new definition of control was introduced, based on three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from an investee; (c) ability to use power to affect the reporting entity's returns;
- IFRS 10 requires an investor, when assessing whether it has control over the investee, to focus on the activities that significantly affect the investee's returns;
- IFRS 10 requires that, assessing whether control exists, only substantive rights be considered, i.e. those that are exercisable in practice when the relevant decisions on the investee need to be made;
- IFRS 10 provides practical guidance to help with the assessment as to whether control exists in complex situations, such as de facto control, potential voting rights, situations when it is necessary to assess whether the party with the decision-making power is acting as an agent or a principal, etc.

In general terms, applying the IFRS 10 requires a significant level of judgement on a certain number of application aspects.
The standard has been retrospectively effective since 1 January 2014.

- On 12 May 2011 the IASB issued its standard IFRS 11 – Joint Arrangements, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Without affecting the criteria for identifying whether joint control exists, the new standards provides criteria in accounting for joint arrangements based on the rights and obligations deriving from such arrangements rather than on their legal form, distinguishing between joint venture and joint operation. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. For joint ventures, whereby the parties have rights only to the net assets of the arrangement, the standard establishes the equity method as the sole accounting method in the Consolidated Financial Statements. For joint operations, whereby the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, the standard requires the direct recognition in the Consolidated Financial Statements (and in the separate Financial Statements) of the joint operators' share of any assets, liabilities, expenses and revenues deriving from the joint operation.

The new standard has been retrospectively effective since 1 January 2014.

Following the issue of the new IFRS 11, IAS 28 - Investments in Associates was amended to include in its scope, from the effective date of the standard, also investments in jointly controlled entities.

- On 12 May 2011 the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new, complete standard on the disclosure to be provided in the Consolidated Financial Statements for every type of interest, including those in subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities. The standard has been retrospectively effective since 1 January 2014.
- On 16 December 2011 the IASB issued some amendments to IAS 32 – Offsetting financial assets and financial liabilities, to clarify the application of certain criteria for offsetting financial assets and liabilities present in IAS 32. The amendments apply retrospectively for years starting on or after 1 January 2014.
- On 28 June 2012 the IASB published the document called Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The document clarifies the transition rules of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments have been effective, together with the reference standards, since 1 January 2014.
- On 31 October 2012 the "Investment Entities" amendments to IFRS 10, IFRS 12 and IAS 27, were issued, introducing an exception to the consolidation of subsidiaries for investment entities, except those cases in which their subsidiaries provide services referred to the investment activities of these entities. With the application of said amendments, investment entities must measure their investments in subsidiaries at fair value. The following criteria were introduced for qualification as investment entities and, thus, to be able to access the aforesaid exception:
  - obtaining funds from one or more investors with the purpose of providing investment management services to them;
  - committing with their investors to pursue the aims of investing the fund exclusively to obtain returns from capital appreciation, investment income or both;
  - measure and evaluate the performance of substantially all investments on a fair value basis.

  These amendments have been effective, together with the reference standards, since 1 January 2014.
- On 29 May 2013 the IASB issued some amendments to IAS 36 – Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets. The purpose of the amendments is to clarify that the required disclosures to be provided about the recoverable amount of assets (including goodwill) of cash-generating units, if their recoverable value is based on fair value less costs of disposal, pertain only to the assets or cash-generating units for which the entity has recognised or reversed an impairment loss during the reporting period. The amendments apply retrospectively for years starting on or after 1 January 2014.
- On 27 June 2013 the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting". The amendments involve the introduction of certain exemptions to the hedge accounting requirements defined by IAS 39 when an existing derivative has to be replaced

with a new derivative in a specific instance in which said novation is to a Central Counterparty (CCP) as a result of the introduction of a new law or regulation. The amendments apply retrospectively for years starting on or after 1 January 2014.

- On 20 May 2013, IFRIC 21 – Levies was published, providing guidance on when to recognise a liability for a levy (other than income taxes) imposed by a government for an entity that must pay such levies. The standard addresses both liabilities for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and the amount of the levy is certain.

The adoption of the aforesaid standards has had no significant effects on this Annual Financial Report.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE OR ADOPTED BY THE GROUP

On 12 December 2013, the ISAB published the document Annual Improvements to IFRSs: 2010-2012 Cycle which incorporates the amendments to the standards within the scope of the annual process for their improvement. The main amendments pertain to:

- IFRS 2 Share Based Payments – Definition of vesting condition. Changes were made to the definitions "vesting condition" and "market condition", adding the definitions of "performance condition" and "service condition" (which were previously part of the definition of "vesting condition").
- IFRS 3 Business Combination – Accounting for contingent consideration. The amendment clarifies that a "contingent consideration" that is classified as a financial asset or a liability shall be measured at fair value at each reporting date and changes to fair value shall be recognised in the Income Statement or among comprehensive income items in accordance with the requirements of IAS 39 (or IFRS 9).
- IFRS 8 Operating segments – Aggregation of operating segments. The changes require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the aggregated operating segments and of the economic indicators considered in determining whether the operating segments have "similar economic characteristics".
- IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The changes clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the total of the segment assets is regularly reviewed by the top operational decision-making level.
- IFRS 13 Fair Value Measurement – Short-term receivables and payables. Changes were made to the "Basis for Conclusions" of this standard, in order to clarify that issuing IFRS 13 and the consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables without discounting, if the effect of not discounting is immaterial.
- IAS 16 Property, plant and equipment e IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation. The changes removed inconsistencies in the recognition of accumulated depreciation/amortisation when a tangible or intangible asset is revalued: the new requirements clarify that the gross carrying amount shall be adjusted in a manner that is consistent with the revaluation of the carrying amount and that the accumulated depreciation/amortisation shall be equal to the difference between the gross carrying amount and the carrying amount net of the recognised write-downs.
- IAS 24 Related Parties Disclosures – Key management personnel. The change clarifies that an entity (and not a natural person) providing key management personnel services to the reporting entity is a related party of the reporting entity.

The changes shall be effective for periods beginning on or after 1 July 2014. Early adoption is allowed.

On 12 December 2013, the ISAB published the document Annual Improvements to IFRSs: 2011-2013 Cycle which incorporates the amendments to the standards within the scope of the annual process for their improvement. The main amendments pertain to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of "effective IFRS". It clarifies that an entity, in its first IAS/IFRS Financial Statements, has the choice between applying an existing and currently effective IFRS or applying a new or revised IFRS that is not yet mandatorily effective. The option is allowed only when the new standard permits early adoption. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IAS/IFRS Financial Statements.
- IFRS 3 Business Combinations – Scope exception for joint ventures. The change clarifies that paragraph 2(a) of IFRS 3 excludes from its scope the accounting for the formation of all types of "joint arrangements", as defined by IFRS 11.
- IFRS 13 Fair Value Measurement – Scope of portfolio exception. The change clarifies that the scope of the "portfolio exception" defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets or financial liabilities provided in IAS 32.
- IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The change clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, to determine whether the purchase of property falls within the scope of IFRS 3, reference must be made to the specific indications provided by IFRS 3; to determine, instead, whether the purchase in question falls within the scope of IAS 40, reference must be made to the specific indications provided by IAS 40.

On 21 November 2013 the IASB published the document Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions. The amendment clarifies that contributions to defined benefit plans for employees and third parties that are linked to service should be attributed to the periods of service.

The changes shall be effective for annual periods beginning on or after 1 July 2014. Early adoption is allowed.
The Group has not opted for early adoption of the aforementioned Standards.

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

At the date of these Financial Statements the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and standards described below.

- IFRS 14 – Regulatory Deferral Accounts.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.
- IFRS 15 Revenue from Contracts with Customers.
- IFRS 9 – Financial Instruments.
- Amendments to IAS 27: Equity Method in Separate Financial Statements.
- Amendments to IFRS 10 and IAS 28: Sale or contributions of Assets between an Investor and its Associate or Joint Venture.
- On 25 September 2014 the IASB issued the Annual Improvements to IFRSs 2012-2014 Cycle. The set of amendments pertained to the following standards:
  - IFRS 5 Non-current Asset Held for Sale and Discontinued Operations;
  - IFRS 7 Financial Instruments: Disclosures;
  - IAS 19 Employee Benefits;
  - IAS 34 Interim Financial Reporting.
- Amendments to IFRS 10, 12 and to IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1: Disclosure Initiative

NEW ORGANISATIONAL MODEL

The streamlining of the Group's organisation continued in 2014 through a project involving the top management which resulted in the definition of a new Group organisational model. The project aimed at guaranteeing the alignment of business strategies with the corporate operational model, seeking to create the optimum environment where the people of ERG can best express their wealth of ideas and skills.
The new organisation was launched in the last few weeks of 2013. The concrete implementation, in terms of formal obligations and the alignment of all operational processes, took place in 2014.

Accounting Treatment – IFRS 5

In particular, on 1 January 2014, the transfers of the business units pertaining to ERG Supply & Trading S.p.A. and ERG Services S.p.A. took effect, so the companies have been fully operational since the start of the year, whilst the transfer of the business unit pertaining to ERG Power Generation S.p.A. took effect on 1 July 2014.
In accordance with the international accounting standards adopted in drawing up the separate Financial Statements of ERG S.p.A. as of and for the year ended 31 December 2014, and, more specifically, in accordance with IFRS 5, the transfer of the Power Business Unit is classified as the "sale of a disposal group".

With regard to the above transaction, in the Separate Financial Statements of ERG S.p.A. the accounting results and assets and liabilities relating to the Oil and Power Businesses (discontinued operations) are indicated separately in application of IFRS 5.
In these Financial Statements, the individual items of the 2014 statement of financial position therefore include the values of the assets and liabilities not held for sale, inasmuch as the transferred items were recognised with the transfer accounting records finalised on 1 July

2014. The 2013 statement of financial position already included the details of the assets and liabilities relating to the sold businesses, therefore the data of 2014 and 2013 are comparable. The individual items in the Income Statement include the values of revenues and costs of assets not held for sale. The revenues and costs of assets held for sale are included in a single row "Net profit (loss) from assets held for sale". In compliance with this standard, therefore, the net income or loss from said sold assets was reported separately in the 2014 income statement; the assets related substantially to all the activities of the Power BU with the exception of the marketing of electricity generated by the wind farms of the companies of the ERG Group.

For the preparation of the income statement of the 2013 Financial Statements, with respect to the transfer of the Power Business Unit, the best estimate of the balance sheet and income statement items had been reclassified for IFRS 5 purposes, since the scope of the transfer had not yet been formalised.

After the formalisation of the scope of transfer of the Power BU on 1 July 2014, IFRS5 reclassifications were made to the column of the 2013 income statement, as pointed out in Note 21 – Assets and liabilities held for sale and net profit (loss). Compared to the previous assumption, the marketing of the energy generated by the wind farms of the Group's companies was maintained within the scope of ERG S.p.A.

For more information, please refer to Note 21 – Assets and liabilities held for sale and net profit (loss).

AGREEMENT FOR THE SALE OF THE ISAB ENERGY PLANT AND EARLY TERMINATION OF CIP 6

At the end of 2013 ERG announced that it had reached an agreement with GDF SUEZ for the acquisition of the equity investments, representing 49% of the share capital (indirectly held by GDF SUEZ itself and by Mitsui & Co.) of ISAB Energy S.r.l., a company that owns the IGCC power plant (528 MW) of Priolo Gargallo (SR), of ISAB Energy Services S.r.l., the company that operates and maintains the plant.

At the same time, ERG entered into an agreement with ISAB S.r.l., a subsidiary of the LUKOIL Group, for the sale of the ISAB Energy S.r.l. and ISAB Energy Services S.r.l. business units, consisting mainly of the IGCC plant and of the personnel for its operation and maintenance. The agreed price for the asset value is EUR 20 million.

On 16 June 2014, the acquisition of 49% of the share capital of ISAB Energy S.r.l., ISAB Energy Services S.r.l. and ISAB Energy Solare S.r.l. was closed with GDF SUEZ.

The transaction was completed, in line with the agreements disclosed on 30 December 2013, following the approval by the competent Antitrust Authority and the acceptance, by the National Grid Operator, of the early termination of the CIP 6/92 for the ISAB Energy S.r.l. plant, effective 1 July 2014.

30 June 2014 was the date of closing with ISAB S.r.l., a subsidiary of the LUKOIL Group, for the sale of the business units described above.

In these Financial Statements, the transaction was reflected in the acquisition of the minority shares in the equity investment in ISAB Energy S.r.l. and in ISAB Energy Services S.r.l.

IMPAIRMENT TEST ON EQUITY INVESTMENTS

ERG RENEW S.P.A.

The carrying value of the equity investment at the end of the year, before the impairment test, was EUR 650 million, net of residual write-downs of EUR 39 million.

In 2009 and 2010, mainly as a result of the worsened economic scenario and the delayed commissioning of some wind farms under construction, the equity investment had been written down by a total amount of EUR 73 million.

In the 2013 Financial Statements, in consideration of the values recognised by UniCredit for the share capital increase of January 2014 as well as broker consensus assessments and internal assessments developed with the Discounted Cash Flow method at the time of approval of the aforementioned transaction, an excess recoverable value had emerged, i.e. fair value, relative to the carrying value of the ERG Renew equity investment in the Financial Statements of ERG S.p.A., subjected to previous write-downs.

The recovery of value from EUR 615 million to EUR 650 million (EUR +35 million) was recognised as an increase in value of the equity investment and an increase in income from equity investments in the income statement.

For the 2014 Financial Statements, as in previous years, the carrying amount of the equity investment in ERG Renew S.p.A. was tested.

In this regard, an assessment was performed by determining the recoverable value, i.e. the value in use, based on the "sum of parts" methodology; hence, the value of the equity investment was determined by adding the equity values of the Cash Generating Units that comprise ERG Renew's assets.

The estimate of recoverable value is based on the following underlying assumptions: discount rates (set at 5.2% for wind farms in Italy, 4.1% for wind farms in France, 6.3% for projects in Romania and 6.8% for projects in Bulgaria), growth rate, expectations of changes in sale prices and changes in direct costs during the period considered for the calculation.

For additional details on the calculation of the equity values of the Cash Generating Units, reference is made to the Consolidated Financial Statements.

The value in use resulting from the impairment test shows a positive difference relative to the carrying amount. These considerations are supported by broker consensus evaluations.

In consideration of the above, the value of the equity investment was recovered by the amount of the residual devaluation as of 31 December 2014 (EUR +39 million) with matching income statement entry.

SENSITIVITY ANALYSIS

The result of the impairment test derives from information available to date and from reasonable estimates on future changes in the following variables: wind strength, energy price and interest rates.

The Company took into account the aforesaid uncertainties in processing and defining the basic assumptions used to determine the recoverable value described above and it also carried out a sensitivity analysis on the recoverable value of the different CGUs: this analysis assumed that total revenues from energy sales (i.e., energy remuneration and generation) could undergo upward or downward fluctuations, to an extent that can be estimated at 5% relative to the values estimated for the Plan.

In the case of a 5% reduction in revenues, persisting over time throughout the time interval of the Plan, the value of the equity investment would have decreased by EUR 45 million and would have confirmed the reversal of the write-downs made in these Financial Statements.

Lastly, a 0.5% increase in the discount rate would not have entailed any reduction in the value of the equity investment.

In both cases, the restoration of the equity investments, already commented, was confirmed.

The above analyses confirm the sensitivity of the assessments of the recoverability of non-current assets to changes in the aforesaid variables; in this context, the Directors will systematically monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the Financial Statements.

TOTALERG S.P.A.

ERG S.p.A. holds a 51% investment in the TotalErg S.p.A. joint venture, incorporated in **2010** through the merger of Total Italia S.p.A in ERG Petroli S.p.A.

The transaction had entailed loss of control over ERG Petroli S.p.A. (previously, a wholly owned subsidiary) and the acquisition of an equity investment in the aforesaid Joint Venture recognised in the Financial Statements with the cost method, determined according to the method described below.

IAS 27 prescribes that as a result of the disposal of controlling shares, any residual interest held in the entity subjected to disposal is measured at fair value.

The fair value of the new equity investment was determined, at the time of the loss of control, according to the values mutually exchanged by the parties and used for the definition of the share swap for the purposes of reaching the 51/49 interests prescribed by the agreements. Therefore, said fair value represented the initial carrying value of the new company, amounting to EUR 432 million, with the consequent recognition of a capital gain of EUR 346 million in the 2010 income statement. In view of the capital gain in question, the shareholders' meeting to approve the 2010 Financial Statements had made a portion of the equity reserves of the same amount unavailable.

It should be recalled that the **2012** and **2013** impairment tests had shown impairment losses totalling EUR 234 million, recognised as a reduction in the value of the equity investment.

The value reductions were tied to the significant volatility of the Oil scenario and of the reference market, as well as to the transformation of the Rome Refinery into a logistical facility and a plan to streamline the sales network. These factors had negative effects, specifically both on the final results of the investee and on the expected profitability forecasts.

Also for the purposes of the 2014 Financial Statements, critical elements were noted, caused by the volatility of the oil scenario and by the performance of the reference market where TotalErg operates. These uncertainties had a negative impact on the results of the year 2014, with particular reference to the collapse in commodity prices with the consequent write-down of the value of the inventories at the end of the period.

Considering the persistence of these critical elements, also for these Financial Statements, the value of the equity investment was tested.

To conduct this test, an independent expert was appointed in January 2015 and conducted the analysis using the draft Plan already prepared by the TotalErg management.

The assumptions contained in such documents, reviewed by the Board of Directors of TotalErg of 12 February 2015, are deemed by the Group to be reasonable and usable for the purposes of the impairment test.

For the purposes of the test, the CGU consists of TotalErg S.p.A. and by its investees, subsidiaries and associates.

The measurement was performed using the following criteria and assumptions:

- Unlevered Discounted Cash Flow method over 6 years of explicit projections plus a terminal value[1] calculated applying a multiple between 4.0x and 5.0x (in line with the market multiples observed in the past 10 years in the Integrated Downstream business) to the 2020 EBITDA of TotalErg;
- the adopted discount rate is TotalErg's WACC (6.0%) calculated on the basis of market parameters;
- the measurement was carried out on the basis of the draft consolidated economic-financial plan of TotalErg S.p.A., whose scope of consolidation includes TotalErg, Eridis, TotalGaz, Restiani, Guazzotti, Gestioni Europa, Sarpom and Raffineria di Roma.

1 To calculate the terminal value, the perpetuity method was not used, because it is not among the usual market practices for TotalErg's reference industry.

The impairment test described above yielded an estimated recoverable value that was slightly higher than the previous year's, also in consideration of the decrease in the WACC and taking into account the benefits on future cash flows tied to the declared unconstitutionality of the Robin Tax.
The recoverable value is slightly higher than the carrying value of the TotalErg equity investment in the separate Financial Statements, hence not entailing any write-down in the income statement. These considerations are supported by broker consensus evaluations.

SENSITIVITY ANALYSIS

The result of the impairment test is derived from the information available to date and from the reasonable estimates on the evolution of variables tied to the expected margins, in particular with changes in the reference economic environment and in the discount rates.
In particular, sensitivity analyses were conducted on the basis of changes in the discount rate and in the EV/EBITDA multiples applicable to the EBITDA of the last year of the explicit period.

The analyses showed that:

- a 0.5% increase in the discount rate would entail a decrease by EUR 18 million in the recoverable value, which nonetheless would not determine any write-down of the equity investment;
- a decrease in the EV/EBITDA multiple from 4.5x to 4.0x would entail a decrease by EUR 62 million in the recoverable value, which would determine a write-down of approximately EUR 30 million of the equity investment.

The above analyses confirm the sensitivity of the assessments of the recoverability of the equity investment to changes in the aforesaid variables; in this context, the Directors will systematically monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the separate Financial Statements.

ERG POWER GENERATION S.P.A.[2]

In April 2010, ERG Power's new CCGT plant, with approximately 480 MW of installed power, started full commercial operations; the plant supplies utilities and electrical energy to the industrial customers of the Priolo site, placing the remainder of the generated electricity on the market.
A CGU was identified that consists of the cash flows generated by ERG Power Generation S.p.A. which operates the CCGT plant through a tolling agreement and sells on the open market the energy thus generated.
In the preparation of the 2011 Separate Financial Statements, these values were verified in view of the increased weighted average cost of capital (WACC), of the higher Robin Tax rates for 2011-2012-2013 and of the lower profitability as a result of the worsening scenario that characterised the domestic electricity market.
Said test had resulted in an impairment of EUR 63 million, net of the tax effect. This impairment was allocated to the carrying value of the equity investment in ERG Nuove Centrali (currently ERG Power Generation), which therefore had been completely written off. The residual difference (amounting to EUR 29 million) was then recognised in a "provision for charges on equity investments"[3].

2 On 15 May 2014, the investee ERG Nuove Centrali S.p.A. changed its name to ERG Power Generation S.p.A.

3 This liability was transferred to ERG Power Generation S.p.A. on 1 July 2014.

In the preparation of these Separate Financial Statements, an impairment test was conducted to verify the recoverability of the carrying value of the equity investment, considering the persistent uncertainties and variability (or volatility) of the scenario that characterised the domestic electricity market also in 2014.
For impairment test purposes, the CGU comprises the CCGT plant of ERG Power S.r.l. and the cash flows generated by the ERG Power & Gas S.p.A. division (since 1 July 2014, ERG Power Generation S.p.A.) which operates the plant through a tolling agreement and sells the energy generated on the free market.
The analysis was carried out identifying the recoverable value, i.e. the value in use, of the Cash-Generating Unit. The basis for the calculation was the projection of the operating cash flows associated to the CGU for its useful life, contained in the financial forecast prepared by Group Management and pertaining to a twenty-year time span; additionally, a residual value (or "terminal value") was assumed, calculated with a further 10-year extension of the measurement period. The expected changes in sale prices and direct costs during the period assumed for the calculation are determined on the basis of past experience, corrected by future market expectations.
Projected cash flows were discounted using a conservative estimate of the discount rate (WACC after tax), i.e. 5.7%.
The impairment test was set up by updating the assumptions used for the test performed for the 2014 Financial Statements; in particular, the estimates of the electricity market scenario, of the zone bonus in Sicily, of the profitability of the plant in the Dispatching Services Market and of the modulation activities were updated.
The value in use resulting from the impairment test shows a positive difference relative to the carrying amount: taking into account that said difference is mainly due to temporary phenomena that will exhaust their positive effects after the first years of the measurement period, the Management did not reverse previous write-downs.

SENSITIVITY ANALYSIS

The result of the impairment test derived from information available to date and from reasonable estimates of the evolution of external variables such as the price of energy and interest rates, as well as the development of certain activities and the attainment of cost saving targets.
The Group took into account the aforesaid uncertainties in processing and defining the basic assumptions used to determine the recoverable value of the CCGT plant and it also carried out a sensitivity analysis on the recoverable value of the CGU: this analysis showed that in the event of a reduction of approximately 50% in the profitability of site agreements, expiring after 2021, the recoverable value would decrease by an amount of approximately EUR 57 million. However, this would not result in any write-downs to the carrying value.
Lastly, we point out that an increase of 0.5% in the discount rate would result in a decrease in the recoverable value of around EUR 18 million, without any write-downs to the carrying amount. The above analyses confirm the sensitivity of the assessments of the recoverability of non-current assets to changes in the aforesaid variables; in this context, the Directors will continue to systematically monitor the evolution of the aforesaid external, uncontrollable variables for any necessary adjustments of the estimates of the recoverability of the carrying values of non-current assets in the Financial Statements.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NOTE 1 – INTANGIBLE FIXED ASSETS

	OTHER INTANGIBLE FIXED ASSETS	ASSETS IN PROGRESS	TOTAL
BALANCE AT 31/12/2013	**1,121**	**555**	**1,675**
CHANGES DURING THE PERIOD			
ACQUISITIONS	–	287	**287**
CAPITALISATION/RECLASSIFICATION	–	–	**–**
DISPOSALS AND DIVESTMENTS	(1)	–	**(1)**
AMORTISATION	(449)	–	**(449)**
OTHER CHANGES	(480)	(717)	**(1,196)**
BALANCE AT 31/12/2014	**191**	**125**	**316**

To enhance understandability, changes during the period relating to reclassifications, disposals and divestments are shown net of the related accumulated depreciation and write-downs.
"Other intangible fixed assets" mainly consisted of application software and the consulting services provided during the implementation of such software.
The "Other changes" include mainly the transfer to ERG Services S.p.A.

NOTE 2 – PROPERTY, PLANT, AND MACHINERY

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	16,587	787	10,670	12	**28,056**
DEPRECIATION AND WRITE-DOWNS	(7,123)	(462)	(7,598)	–	**(15,183)**
BALANCE AT 31/12/2013	**9,464**	**325**	**3,072**	**12**	**12,873**
CHANGES DURING THE PERIOD					
ACQUISITIONS	–	–	–	–	–
CAPITALISATION/RECLASSIFICATION	–	–	–	–	–
DISPOSALS AND DIVESTMENTS	–	(39)	–	–	**(39)**
OTHER CHANGES	(7,970)	(284)	(1,676)	(12)	**(9,942)**
DEPRECIATION	(108)	(2)	(6)	–	**(116)**
HISTORICAL COST	2,090	3	1,424	–	**3,517**
DEPRECIATION AND WRITE-DOWNS	(704)	(3)	(34)	–	**(741)**
BALANCE AT 31/12/2014	**1,386**	**–**	**1,390**	**–**	**2,776**

To enhance understandability, changes during the period relating to reclassifications, disposals and divestments are shown net of the related accumulated depreciation and write-downs.
The "Other changes" refer mainly to the transfer to ERG Services S.p.A. of industrial and civil buildings (EUR 7,969 thousand) and of other assets (EUR 1,676 thousand).
"Land and buildings" include land on the Priolo Gargallo site.
"Other assets" mainly consist of equipment, furniture, fixtures and works of art.

NOTE 3 – EQUITY INVESTMENTS

The following changes in equity investments occurred during the year:

	EQUITY INVESTMENTS				
	SUBSIDIARY COMPANIES	JOINT VENTURES	ASSOCIATES	OTHER COMPANIES	TOTAL
HISTORICAL COST	788,691	433,860	8,184	491	**1,231,176**
WRITE-DOWNS	(110,043)	(242,911)	(1,819)	–	**(345,673)**
BALANCE AT 31/12/2013	**678,648**	**200,949**	**6,365**	**491**	**886,454**
CHANGES DURING THE PERIOD					
ACQUISITIONS/SHARE CAPITAL INCREASES/REVALUATIONS	211,770	–	–	–	**211,770**
DISPOSALS AND DIVESTMENTS	(13,546)				**(13,546)**
NEWLY INCORPORATED COMPANIES	–	–	–	–	–
WRITE-DOWNS/USE OF PROVISION TO COVER LOSSES	(10,120)	(500)	–	–	**(10,620)**
OTHER CHANGES	–	–	–	–	–
HISTORICAL COST	986,916	443,860	8,184	491	**1,439,451**
WRITE-DOWNS	(120,163)	(243,411)	(1,819)	–	**(365,393)**
BALANCE AT 31/12/2014	**866,753**	**200,449**	**6,365**	**491**	**1,074,059**

The main transactions carried out during the year are summarised below.

On 3 December 2013 the company ERG Services S.p.A. was incorporated. The share capital of ERG Services S.p.A., of EUR 120,000, was fully subscribed and paid in by ERG S.p.A. On 20 December 2013 the Extraordinary Shareholders' Meeting of ERG Services S.p.A. voted to increase the share capital from EUR 120,000 to EUR 1,200,000, fully subscribed by ERG S.p.A. through the transfer of a business unit, effective 1 January 2014 and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mostly of some of the service activities carried out by ERG S.p.A. also in favour of the companies of the ERG Group and of the personnel and assets employed in the performance of the aforesaid activities. From 1 January 2014 onwards, these activities have been carried out by ERG Services S.p.A.

On 3 December 2013 the company ERG Supply & Trading S.p.A. was incorporated. The share capital of ERG Supply & Trading S.p.A., i.e. EUR 120,000, was fully subscribed and paid in by ERG S.p.A. On 20 December 2013 the Extraordinary Shareholders' Meeting of ERG Supply & Trading S.p.A. voted to increase the share capital from EUR 120,000 to EUR 1,200,000, fully subscribed by ERG S.p.A. through the transfer of a business unit, effective 1 January 2014 and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mainly of some of the activities of the existing Oil Business Unit of ERG S.p.A., of the personnel and of the assets used in the performance of the aforesaid activities.

On 16 June 2014 ERG S.p.A. acquired the 49% minority share in the subsidiaries ISAB Energy S.r.l. and ISAB Energy Services S.r.l. thus becoming the holder of 100% of the share capital of the aforesaid companies. Moreover, on 30 June 2014, within the scope of the consequent sale of the business units of ISAB Energy and ISAB Energy Services to ISAB S.r.l., the equity interest held in IAS Industria Acqua Siracusana S.p.A. was also transferred (please refer to the previous paragraph Agreement for the sale of the ISAB Energy plant and early termination of CIP 6).

On 15 May 2014 the Extraordinary Shareholders' Meeting of ERG Nuove Centrali S.p.A. (100% ERG S.p.A.) voted to change the name to ERG Power Generation S.p.A. and to move the registered office to Genoa.

On 20 June 2014 the Extraordinary Shareholders' Meeting of ERG Power Generation S.p.A. (100% ERG S.p.A.) voted to increase the share capital from EUR 5,000,000 to EUR 6,000,000 fully subscribed, and the establishment of paid-in capital in excess of par of EUR 7,000,000, through the transfer of a business unit, effective 1 July 2014 and to be carried out with accounting continuity and tax neutrality. The transferred business unit consists mainly of the activities of the existing Power Business Unit, of the personnel and of all assets used in the performance of the aforesaid activities, including the equity investment in ISAB Energy Services S.r.l.

On 29 December 2014, ERG announced that it had reached an agreement with the GRS Petroli group for the sale of the equity investment, amounting to 100% of the share capital, in ERG Oil Sicilia S.r.l., a company active in the sector of fuel distribution in Sicily, with a Network of approximately 200 sales outlets.

Within this transaction, GRS Petroli, which already owns a Network of sales outlets in the island, will pay ERG S.p.A. a consideration of approximately EUR 30 million. The transaction, following the sale of the ISAB Refinery, is consistent with the strategy of leveraging assets and it represents an additional major step in ERG's industrial repositioning in Sicily, where ERG is present with ERG Renew's 198 MW of wind power and with ERG Power's 480 MW of power of the CCGT plant.

A list of equity investments together with data required by Article 126 of CONSOB Resolution No. 11971 and subsequent revisions is as follows.

(EUR THOUSAND)	REGISTERED OFFICE	SHARE CAPITAL	%	SHAREHOLDERS' EQUITY (1)	NET PROFIT (LOSS) (1)	OUR STAKE IN SHAREHOLDERS' EQUITY (1)	CARRYING VALUE
SUBSIDIARY COMPANIES							
ERG POWER GENERATION S.P.A.	GENOA	6,000	100%	32,042	12,641	32,042	7,908
ERG PETROLEOS S.A.	MADRID	3,050	100%	(4,651)	2	(4,651)	–
ERG RENEW S.P.A.	GENOA	107,692	92.86%	636,512	23,523	591,065	688,793
ISAB ENERGY S.R.L.	GENOA	5,165	100%	550,353	67,016	550,353	159,890
ERG SERVICES S.P.A	GENOA	1,200	100%	10,006	83	10,006	10,162
ERG SUPPLY & TRADING S.P.A.	GENOA	1,200	100%	(9,308)	(19,421)	(9,308)	–
TOTAL SUBSIDIARIES							**866,753**
JOINT VENTURES							
IONIO GAS S.R.L. IN LIQUIDATION	PRIOLO GARGALLO	200	50%	1,790	115	895	450
TOTALERG S.P.A.	ROME	47,665	51%	252,384	(126,797)	128,716	200,000
TOTAL JOINT VENTURES							**200,450**
ASSOCIATES							
CONSORZIO DELTA TI RESEARCH	MILAN	50	50%	50	–	25	50
I-FABER S.P.A.	MILAN	5,652	23%	16,664	1,329	3,833	6,315
TOTAL ASSOCIATES							**6,365**
OTHER COMPANIES							
CAF INTERREGIONALE DIPENDENTI S.R.L.	VICENZA	276	0%	1,018	10	–	–
EMITTENTI TITOLI S.P.A.	MILAN	4,264	1%	7,053	1,221	36	26
MEROIL S.A.	BARCELONA	19,077	1%	48,652	11,925	423	310
R.U.P.E. S.P.A.	GENOA	3,058	5%	3,070	(47)	149	155
TOTAL OTHER COMPANIES							**491**
TOTAL EQUITY INVESTMENTS							**1,074,059**

(1) 2014 data for subsidiaries and joint ventures; latest Financial Statements approved on the date of the Board of Directors meeting for associates and other companies

In view of the negative net equity of ERG Petroleos S.A. in liquidation, a provision for risks on equity investments of approximately EUR 4.6 million has been allocated.
The carrying value of the equity investment in ERG Supply & Trading was written down to zero at 31 December 2014 in consideration of the losses incurred by the company during the year equal to EUR 19.4 million; the residual difference relative to the losses incurred was accounted for in the provisions for charges on equity investments.
The value maintained in the equity investment in Ionio Gas S.r.l. in liquidation at 31 December 2014 matches the VAT receivable, still to be collected, whose reimbursement was requested from the Italian Tax Authorities, recorded in the final liquidation Financial Statements approved on 14 December 2014[4].
The carrying value of the equity investment in I-Faber S.p.A. was maintained since the past years' losses are not considered permanent based on the plans and income expectations expressed by the investee company.
For the valuation of the equity investments in ERG Renew S.p.A., please see the paragraph Impairment test on equity investments.
For a complete list of the Group's equity investments, please see the Notes to the Consolidated Financial Statements.

NOTE 4 – OTHER FINANCIAL ASSETS

	31/12/2014	31/12/2013
BALANCE AT BEGINNING OF PERIOD	**160,587**	**166,960**
CHANGES DURING THE PERIOD		
DISBURSEMENTS AND INTEREST	4,993	10,255
REPAYMENTS	(17,300)	(13,824)
WRITE-DOWNS	–	–
RECLASSIFICATIONS	–	(2,804)
OTHER CHANGES	(28,687)	–
BALANCE AT END OF PERIOD	**119,593**	**160,587**

The balance of the "Other financial assets" as of 31 December 2014 mainly comprises the receivable from the subsidiary ERG Power S.r.l. (EUR 118.7 million) by virtue of the Project Sponsor Subordinated Loan Agreement which refers to the residual construction work on the CCGT after plant completion and to the work to revamp the water demineralisation plant that supplies treated waters for the processes of the Priolo production site.
The "Repayments" refer to the Subordinated Loan Agreement with ERG Power S.r.l.
The "Other changes" instead refer to the definitive repayments of the loans to ISAB Energy, within the scope of the previously commented Group transaction "Agreement for the sale of the ISAB Energy plant and early termination of CIP 6".
It should be specified that for the purposes of applying the IFRS 5, in the 2013 Financial Statements it was assumed that ERG S.p.A. would transfer all Italian Carbon Fund receivables to the transferee ERG Power Generation S.p.A.; in 2014, after the definition and completion of the transfer, this item remained allocated to ERG S.p.A.; for additional details, reference is made to Note 21 – Assets and liabilities held for sale and net profit (loss).

4 As of 31 December 2014, the company had not been stricken off the Business Register.

NOTE 5 – DEFERRED TAX ASSETS

	31/12/2014		31/12/2013	
	TEMPORARY DIFFERENCES	TAX EFFECT	TEMPORARY DIFFERENCES	TAX EFFECT
PROVISIONS FOR LIABILITIES AND CHARGES	52,339	15,760	47,764	15,125
BAD DEBT PROVISION	3,204	1,089	3,204	1,089
TAX LOSSES AND OTHER TEMPORARY DIFFERENCES	4,951	1,278	3,710	933
IFRS 5 RECLASSIFICATION	–	–	(6,421)	(2,361)
TOTAL		**18,126**		**14,786**

Deferred tax assets are recognised, provided their future recovery is probable, on the taxable temporary differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis. The tax rate used to calculate deferred tax assets is the same as the theoretical IRES (corporate taxation) rate (27.5%) in effect since 1 January 2008, and the theoretical IRAP (Regional tax) rate (3.9%).
Deferred tax assets as of 31 December 2014, i.e. EUR 18.1 million (EUR 14.8 million as of 31 December 2013), are mainly recognised on allocations to provisions for liabilities and charges.
In 2013 taxes included the derecognition of deferred tax assets on tax losses (EUR 21 million) relating to the Robin Tax and deemed no longer recoverable.
In consideration of said derecognition, the declared non retroactive unconstitutionality of the Robin Tax has no effects on these Financial Statements.

NOTE 6 – OTHER NON-CURRENT ASSETS

	31/12/2014	31/12/2013
MEDIUM/LONG-TERM RECEIVABLES FROM THE TAX AUTHORITIES	1,913	1,913
OTHER MEDIUM/LONG-TERM RECEIVABLES	2,694	437
TOTAL	**4,607**	**2,350**

Medium/long-term receivables from the tax authorities primarily refer to VAT receivables.
Other medium/long-term receivables mainly include (EUR 2,400 thousand) the receivable that arose in December 2014 as a result of the sale of ERG Oil Sicilia S.r.l. and others relating to security deposits for lease agreements.

NOTE 7 – TRADE RECEIVABLES

Receivables are summarised as follows:

	31/12/2014	31/12/2013
CUSTOMER TRADE RECEIVABLES	18,528	208,138
RECEIVABLES DUE FROM GROUP COMPANIES	63,303	10,554
BAD DEBT PROVISION	(7,005)	(252)
TOTAL	**74,826**	**218,441**

The Balance at 31 December 2014 substantially includes, in addition to receivables for service agreements, also:

- Receivables relating to the Oil business, amounting to EUR 13,135 thousand, mainly due to a receivable from ENI in connection with refining;

- a receivable from IREN of EUR 3,568 thousand relating to the sale of electricity and pertaining to balances from the year 2013 and to the first half of the year 2014;
- receivable of EUR 54,727 from the subsidiary ERG Power Generation S.p.A. relating to the tax audit for the sale of electricity purchased by the Renew Group.

The trade receivables of 2013 mainly pertain to service agreements with other companies in the Group and to the value of receivables pertaining to the Oil business unit, not reclassified for the purposes of IFRS 5.

The bad debt provision changed as follows:

	31/12/2013	ALLOCATIONS	USAGE	OTHER CHANGES	31/12/2014
BAD DEBT PROVISION	7,447	–	(442)	–	7,005
TOTAL	**7,447**	**–**	**(442)**	**–**	**7,005**

	31/12/2014	31/12/2013
RECEIVABLES NOT YET DUE	**66,198**	**445,978**
RECEIVABLES PAST DUE		
UP TO 30 DAYS	203	30,986
UP TO 60 DAYS	528	356
UP TO 90 DAYS	–	4,521
MORE THAN 90 DAYS	7,896	13,664
TOTAL BEFORE IFRS 5 RECLASSIFICATION	**74,826**	**495,506**
IFRS 5 RECLASSIFICATION	**–**	**(277,065)**
TOTAL AFTER IFRS 5 RECLASSIFICATION	**74,826**	**218,441**

NOTE 8 – OTHER CURRENT RECEIVABLES AND ASSETS

	31/12/2014	31/12/2013
TAX RECEIVABLES	31,023	26,991
INDEMNIFICATIONS TO BE RECEIVED	40	–
OTHER RECEIVABLES DUE FROM GROUP COMPANIES	77,991	63,232
SUNDRY RECEIVABLES	3,003	15,004
TOTAL	**112,057**	**105,227**

"Tax receivables" relate mainly to receivables from the tax authorities for consolidated IRES (EUR 10,060 thousand), advances on excise taxes on electricity and gas (EUR 1,678 thousand), IRES and IRAP (EUR 2,192 thousand).
"Other receivables due from Group companies" consist of receivables from subsidiaries and jointly controlled companies for tax consolidation IRES.

NOTE 9 – CURRENT FINANCIAL ASSETS

	31/12/2014	31/12/2013
SECURITIES	136	–
FINANCIAL RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES	138,019	112,607
OTHER SHORT-TERM FINANCIAL RECEIVABLES	4,464	2,867
TOTAL	**142,621**	**115,474**

"Financial receivables from subsidiaries and associates" mainly comprise:

- receivables for centralised treasury agreement with ERG Services S.p.A. (EUR 3,284 thousand);
- receivables for centralised treasury agreement with ERG Supply & Trading S.p.A. (EUR 73,505 thousand);
- receivables deriving from the balance from transfer to ERG Supply & Trading S.p.A. (EUR 48,308 thousand);
- receivables deriving from the balance from transfer to ERG Power Generation S.p.A. (EUR 3,177 thousand);
- other financial receivables from subsidiaries.

The "Other short-term financial receivables" comprise mainly financial receivables from customers.

NOTE 10 – CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
BANK AND POSTAL DEPOSITS	822,123	791,595
CASH AND NOTES ON HAND	1	1
TOTAL	**822,124**	**791,597**

For further clarification, please refer to the Statement of Cash Flows.

NOTE 11 – SHAREHOLDERS' EQUITY

Share Capital

Fully paid-in share capital as of 31 December 2014 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (unchanged since 31 December 2013).

At 31 December 2014, the parent Company's Shareholders Register, relative to holders of significant interests, shows the following:

- San Quirico S.p.A. held 84,091,940 shares, i.e. 55.942%;
- Polcevera S.A. (Luxembourg) held 10,380,060 shares, i.e. 6.905%.

As of 31 December 2014, San Quirico S.p.A. and Polcevera S.A. were controlled by the Garrone and Mondini families, heirs of the founder of the ERG Group, Edoardo Garrone.

Treasury shares

On 15 April 2014, pursuant to Article 2357 of the Italian Civil Code, the Shareholders' Meeting of ERG S.p.A. granted powers to the Board of Directors to purchase treasury shares for a period of 12 months from 15 April 2014, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 ordinary ERG shares with a par value of

EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.
The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, for 12 months starting on 15 April 2014, to sell, all at once or in several steps, and with any procedures deemed appropriate, treasury shares at a unit price no lower than 10% below the closing price of the stock on the day immediately preceding each individual sale and in any case no lower than the per-share value of the Company's equity as reported by the latest approved separate Financial Statements.
Lastly, the Shareholders' Meeting authorised the Board of Directors to delegate, also to authorised operators, the authority to carry out the purchase and sale of treasury shares.
As of 31 December 2014, ERG S.p.A. owned 7,516,000 treasury shares accounting for 5.0% of the share capital, unchanged from 31 December 2013. In accordance with IAS 32, treasury shares are presented as a reduction of shareholders' equity, through the use of Paid-in capital in excess of par.
The original cost of treasury shares, write-downs for reductions in value, and gains and losses deriving from any subsequent sales are presented as changes in shareholders' equity.

Reserves

	31/12/2014	31/12/2013
PAID-IN CAPITAL IN EXCESS OF PAR	22,863	22,863
LEGAL RESERVE	3,236	3,236
RESERVE FOR FIRST-TIME ADOPTION OF IAS/IFRS AND RETAINED EARNINGS	880,205	993,843
CASH FLOW HEDGE RESERVE	–	(172)
2010 MERGER SURPLUS	250,563	250,563
OTHER RESERVES	209,758	209,541
TOTAL	**1,366,624**	**1,479,874**

- "**Paid-in capital in excess of par**" consists of the share premium paid by shareholders to purchase shares related to the share capital increases carried out on 14 October 1997, 2 July and 5 August 2002. This reserve was used for the purchase of treasury shares, which took place:
  - in 2006 for an amount of EUR 11,210 thousand;
  - in 2008 for an amount of EUR 14,779 thousand;
  - in 2012 for an amount of EUR 25,672 thousand.
- the "**Reserve for first-time adoption of IAS/IFRS and retained earnings**" consists of adjustments made to the Financial Statements of ERG S.p.A. at the time of conversion (mainly for the derecognition of dividends receivable) and retained earnings. The decrease reflects the net effect of the reclassification of the results of the previous year and of the distribution of the 2013 dividend;
- The "**Cash flow hedge reserve**" as of 31 December 2014 is equal to zero because there are no hedge accounting derivatives;
- "**Other reserves**" comprise mainly monetary revaluation reserves (EUR 66,946 thousand).

Moreover, the surplus generated by the 2010 merger by incorporation of ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A., amounting to EUR 446 million, was partly allocated to the "2010 merger surplus" reserve (EUR 251 million) and partly to reconstitute specific tax-deferred equity reserves (EUR 195 million), i.e. reserves that become taxable upon distribution.

The following table lists shareholders' equity items, indicating for each of them the possible utilisation, as well as any tax restrictions.

	AMOUNT	POSSIBLE USE	AMOUNT AVAILABLE FOR DISTRIBUTION	AMOUNT SUBJECT TO TAX DISTRIBUTION
SHARE CAPITAL	15,032	–	–	15,032
PAID-IN CAPITAL IN EXCESS OF PAR	22,863	A B C	22,863	–
LEGAL RESERVE	3,236	B	–	–
RESERVE FOR FIRST-TIME ADOPTION OF IAS/IFRS AND RETAINED EARNINGS	880,205	A B C	763,252	
OTHER RESERVES	460,321	A B C	460,321	226,361
NET PROFIT (LOSS) FOR THE YEAR	46,050	A B C	46,050	–
TOTAL	**1,427,707**		**1,292,487**	**241,393**

Key
A - for share capital increase
B - to cover losses
C - for distribution to shareholders

Following off-balance sheet tax deductions taken pursuant to the previously-in-force version of Article 109, paragraph 4 b) of the Italian Unified Income Tax Act, still provisionally applicable (including those taken by the merged companies), in the event of distribution of the year's earnings and/or reserves, the amount of shareholders' equity reserves and retained earnings must not fall below the total remaining amount of off-balance sheet tax deductions taken. Net of the deferred tax provision, this is estimated to be EUR 7.6 million. Should this occur, the amount of reserves and/or profit for the year distributed beyond the minimum level will form part of the Company's taxable income.

The unavailable portion of the "Reserve for first-time adoption of IAS/IFRS and retained earnings" refers to the unavailable reserve[5] allocated by the Shareholders' Meeting of 14 April 2011 to include part of the earnings of the year 2010, i.e. EUR 346,404 thousand, constituting the unrealised portion, net of the related tax expense, of the capital gain deriving from the incorporation of the TotalErg S.p.A. Joint Venture.

Following approval of the 2012 Financial Statements, a part of the unavailable portion of the "Reserve for first-time adoption of IAS/IFRS and retained earnings" was released, i.e. EUR 145,484,000.00 corresponding to the write-down, net of the related tax effect, of the share in the TotalErg S.p.A. Joint Venture.

Following approval of the 2013 Financial Statements, an additional part of the unavailable portion of the "Reserve for first-time adoption of IAS/IFRS and retained earnings" was released, i.e. EUR 84,629,740.86 corresponding to the write-down, net of the related tax effect, of the share in the TotalErg S.p.A. joint venture.

5 In accordance with Article 6, paragraph 1, letter a) of Italian Legislative Decree no. 38/2005.

NOTE 12 – EMPLOYEES' SEVERANCE INDEMNITIES

	31/12/2014	31/12/2013
BALANCE AT BEGINNING OF PERIOD	**758**	**1,225**
INCREASES	915	1,503
DECREASES	(1,364)	(1,553)
IFRS 5 RECLASSIFICATION	–	(416)
OTHER CHANGES	–	–
BALANCE AT END OF PERIOD	**310**	**758**

This item includes the estimated liability, determined on the basis of actuarial procedures, relating to severance indemnities payable to employees when they terminate their employment. The changes shown in the table do not include the portion of employees' severance indemnities accrued and transferred to the Italian National Social Security Institute ("INPS") Treasury fund.
The following are the main assumptions used to calculate the actuarial value of the liability relating to employees' severance indemnities. The discount rate was determined on the basis of a panel of AA-rated corporate securities with at least 10-year maturity.

	2014
DISCOUNT RATE	1.50%
INFLATION RATE	1.50%
AVERAGE TURNOVER RATE	3.00%
AVERAGE RATE OF SALARY INCREASE	1.50%
AVERAGE AGE	42

The following table shows the impact on liabilities of a change of +/-0.5% in the discount rate.

	2014
CHANGE IN DISCOUNT RATE +0.5%: LOWER LIABILITY	(20)
CHANGE IN DISCOUNT RATE -0.5%: HIGHER LIABILITY	22

NOTE 13 – DEFERRED TAX LIABILITIES

	31/12/2014		31/12/2013	
	TEMPORARY DIFFERENCES	TAX EFFECT	TEMPORARY DIFFERENCES	TAX EFFECT
ACTUARIAL VALUATION OF EMPLOYEES' SEVERANCE INDEMNITIES	641	189	641	189
UNREALISED FOREIGN EXCHANGE GAINS	79	22	7,207	1,974
CAPITAL GAIN ON 2010 TOTALERG TRANSACTION	–	–	5,930	1,631
OTHER DEFERRED TAX LIABILITIES	5,973	1,632	4,544	1,249
IFRS 5 RECLASSIFICATION	–	–	(47)	(16)
TOTAL		**1,843**		**5,027**

Deferred tax liabilities are recognised on taxable temporary differences between the financial reporting value of assets and liabilities and their value for tax purposes.

The tax rate used to calculate deferred tax liabilities is the same as the theoretical IRES (corporate taxation) rate (27.5%) in effect since 1 January 2008 and the theoretical IRAP (Regional tax) rate (3.9%).
Deferred tax liabilities as of 31 December 2014 amount to EUR 1.8 million (EUR 5 million as of 31 December 2013).

NOTE 14 – PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

The value of provisions for non-current liabilities amounted to EUR 83,639 thousand (EUR 91,661 as of 31 December 2013). The item mainly refers to provisions allocated to meet possible future liabilities and charges relating to the Priolo site, also as a result of the exit from the refining business. For additional details, please refer to Note 23 – Contingent liabilities and disputes.

NOTE 15 – NON-CURRENT FINANCIAL LIABILITIES

	31/12/2014	31/12/2013
MEDIUM AND LONG-TERM MORTGAGES AND LOANS	13,583	119,248
CURRENT PORTION OF MEDIUM AND LONG-TERM LOANS	(13,583)	(85,383)
TOTAL	**–**	**33,865**

Medium and long-term mortgages and loans as of 31 December 2014 amounted to EUR 13.6 million and referred to the loan granted by the European Investment Bank for the "ERG Energia Sicilia" Project. The loan shall be repaid no later than 31 December 2015 and it is secured by guarantees amounting to EUR 51 million.
Loans for which significant fees and other ancillary charges were paid at inception were measured under the amortised cost method pursuant to IAS 39.
No new loans were obtained during 2014.
As of 31 December 2014 the weighted average interest rate on mortgages and loans was 0.92% (1.62% as of 31 December 2013).
As of 31 December 2014 there was a single loan whose residual balance became entirely due within twelve months and therefore it is posted among current financial liabilities (Note 19 – Current financial liabilities).

NOTE 16 – OTHER NON-CURRENT LIABILITIES

The value as of 31 December 2014, i.e. EUR 7,603 thousand (EUR 4,591 as of 31 December 2013), mainly refers to payables to employees and Directors.

NOTE 17 – PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

	31/12/2014	31/12/2013	INCREASES	DECREASES	OTHER CHANGES
PROVISION FOR COVERAGE OF INVESTEES' LOSSES	14,007	4,649	9,358	–	–
PROVISION FOR ENVIRONMENTAL RISKS	381	381	–	–	–
PROVISION FOR LEGAL RISKS	385	641	–	(256)	–
OTHER PROVISIONS	21,114	10,445	14,429	(3,760)	–
TOTAL	**35,887**	**16,116**	**23,787**	**(4,016)**	**–**

The value of the provisions for liabilities and charges at 31 December 2014 is deemed sufficient to meet possible future liabilities and charges.
The "increases" column of the provisions for coverage of investees' losses reflects the allocation of the provisions on the equity investment in ERG Supply & Trading S.p.A., as better explained in the paragraph "Equity investments".
The "increases" column of the other provisions includes the provisions for litigation with personnel and the expected costs for personnel departures and expenses for restructuring the asset portfolio.

NOTE 18 – TRADE PAYABLES

	31/12/2014	31/12/2013
TRADE PAYABLES	50,714	298,916
PAYABLES DUE TO GROUP COMPANIES	34,468	385
TOTAL	**85,182**	**299,301**

Trade payables stem from commercial transactions with domestic and foreign suppliers and are payable within the next year. In 2013 the item included payables for third party services and advisory services and payables relating to the Oil business, not transferred for IFRS5 purposes.
Trade payables include mainly payables relating to previous years' Oil supplies in addition to other payables for third party services and advisory services.
Payables to group companies include mainly payables for the provision of services and advice.

NOTE 19 – CURRENT FINANCIAL LIABILITIES

	31/12/2014	31/12/2013
SHORT-TERM BANK BORROWINGS		
SHORT-TERM BANK BORROWINGS IN EUROS	58,774	199,892
SHORT-TERM BANK BORROWINGS IN FOREIGN CURRENCY	3	–
	58,777	**199,892**
OTHER SHORT-TERM FINANCIAL PAYABLES		
SHORT-TERM PORTION OF MEDIUM-LONG TERM BANK BORROWINGS	13,583	85,383
SHORT-TERM PROJECT FINANCING	–	–
FINANCIAL PAYABLES DUE TO GROUP COMPANIES	551,719	19,405
OTHER SHORT-TERM FINANCIAL PAYABLES	43	3,155
	565,345	**107,943**
TOTAL	**624,122**	**307,835**

As of 31 December 2014, the weighted average interest rate on short-term borrowings was 0.80% (1.47% as of 31 December 2013).
"Financial payables due to Group companies" include mainly:

- payables deriving from the financial operations of ISAB Energy (EUR 435,719 thousand);
- payables deriving from the financial operations of ERG Renew (EUR 89,072 thousand);
- payables deriving from the financial operations of ISAB Energy Services (EUR 11,000 thousand);
- the payable for cash pooling to ERG Power Generation (EUR 13,979 thousand).

NOTE 20 – OTHER CURRENT LIABILITIES

	31/12/2014	31/12/2013
TAX PAYABLES	553	17,613
EXCISE DUTIES PAYABLE TO TAX AUTHORITIES	270	–
PAYABLES DUE TO EMPLOYEES	2,244	4,988
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	1,099	2,053
OTHER CURRENT LIABILITIES	100,649	82,447
TOTAL	**104,813**	**107,100**

"Payables due to employees" refer to sums owed for the period but not yet paid and include vacation days, unused time off "in lieu", productivity bonuses, and bonuses linked to the Management Compensation Plan.
"Payables due to social security institutions" relate to the social contributions to be paid on December 2014 wages and salaries.
"Other minor current liabilities" consist mainly of other short-term payables to subsidiaries (EUR 15,594 thousand) and other payables to jointly controlled entities (EUR 84,340 thousand).

NOTE 21 – ASSETS AND LIABILITIES HELD FOR SALE AND NET PROFIT (LOSS)

For the preparation of the income statement of the 2013 Financial Statements, with respect to the transfer of the Power Business Unit, the best estimate of the balance sheet and income statement items had been reclassified for IFRS 5 purposes, since the scope of the transfer had not yet been formalised.
After the formalisation of the scope of transfer of the Power BU on 1 July 2014, the income statement of 2013 was amended with respect to the one presented last year according to the best estimates available at the time of preparation of the Financial Statements. Compared to the previous assumption, the sale to the market of the energy generated by the wind farms of the Group's companies was maintained within the scope of ERG S.p.A. For complete disclosure, the figures as posted in the 2013 Financial Statements in Note 23 and the 2013 figures modified as a result of the above description are provided, to improve the comparability of the figures.
The IFRS 5 figures of the 2014 income statement include the items established after the final definition of the scope of transfer, which substantially entailed the transfer of all activities relating to the Power business with the exception of the resale to the market of the electricity acquired from the wind farms of the ERG Group.

(EUR THOUSAND)	NOTES	2014	2013 RECLASSIFIED	2013
REVENUES FROM ORDINARY OPERATIONS	A)	330,665	832,673	890,091
OTHER REVENUES AND INCOME		2,161	2,262	2,262
CHANGES IN PRODUCT INVENTORIES		–	(711)	(711)
CHANGES IN RAW MATERIALS INVENTORIES		–	–	–
COST OF PURCHASES	B)	(242,991)	(645,630)	(700,810)
COSTS FOR SERVICES AND OTHER COSTS	C)	(78,403)	(155,159)	(157,396)
PERSONNEL COSTS		(2,888)	(4,798)	(4,798)
EBITDA		**8,544**	**28,637**	**28,637**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS		**(291)**	**(770)**	**(770)**
INCOME (EXPENSES) FROM SALE OF BUSINESS UNIT		**–**	**–**	**–**
FINANCIAL INCOME		–	–	–
FINANCIAL EXPENSES		–	–	–
NET FINANCIAL INCOME (EXPENSES)		**–**	**–**	**–**
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–	3,829	3,829
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–	–	–
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		**–**	**3,829**	**3,829**
PROFIT (LOSS) BEFORE TAXES		**8,253**	**31,697**	**31,697**
INCOME TAXES		(3,204)	(7,326)	(7,326)
NET PROFIT (LOSS) FROM ASSETS HELD FOR SALE		**5,049**	**24,371**	**24,371**

Notes

A) Revenues from ordinary operations essentially comprise:
- the sale of electricity and gas, the supply of steam, demineralised water and other utilities, "green certificates" and Energy Efficiency Certificates,
- services provided to Group companies.

B) Cost of purchases essentially refers to:
- the purchase of gas, cost of purchase of fuels, electricity, other utilities, CO_2, and "green certificates".

C) Costs for services and other costs mainly refer to:
- charges of EUR 65 million, relating to the tolling fee under the contract with the same name, entered into with the subsidiary ERG Power S.r.l.,
- commercial, distribution and transport costs of EUR 4 million.

The column of the statement of financial position data as reported in the 2013 Financial Statements, as well as 2013 data reclassified after the final definition of the scope of transfer in the "2013 reclassification" column.

(EUR THOUSAND)	NOTES	2013	CHANGE IN SCOPE	2013 RECLASSIFIED
INTANGIBLE FIXED ASSETS		756,102	–	756,102
GOODWILL		–	–	–
PROPERTY, PLANT AND MACHINERY		–	–	–
EQUITY INVESTMENTS	A)	1,077,405	(949,934)	127,471
OTHER FINANCIAL ASSETS	B)	634,999	(634,999)	–
DEFERRED TAX ASSETS		1,899,702	–	1,899,702
OTHER NON-CURRENT ASSETS		–	–	–
NON-CURRENT ASSETS HELD FOR SALE		**4,368,207**	**(1,584,933)**	**2,783,274**
INVENTORIES		–	–	–
TRADE RECEIVABLES		144,295,383	–	144,295,383
OTHER CURRENT RECEIVABLES AND ASSETS	C)	31,505,298	(962,177)	30,543,121
CURRENT FINANCIAL ASSETS	D)	3,907,319	(2,200,000)	1,707,319
CASH AND CASH EQUIVALENTS		–	–	–
CURRENT ASSETS HELD FOR SALE		**179,708,000**	**(3,162,177)**	**176,545,823**
TOTAL ASSETS HELD FOR SALE		**184,076,207**	**(4,747,110)**	**179,329,097**
EMPLOYEES' SEVERANCE INDEMNITIES		151,838	(30,789)	121,049
DEFERRED TAX LIABILITIES		15,932	–	15,932
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES		–	–	–
NON-CURRENT FINANCIAL LIABILITIES		–	–	–
OTHER NON-CURRENT LIABILITIES		380,507	–	380,507
NON-CURRENT LIABILITIES HELD FOR SALE		**548,277**	**(30,789)**	**517,488**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES		891,743	18,951,569	19,843,313
TRADE PAYABLES	E)	140,985,428	–	140,985,428
CURRENT FINANCIAL LIABILITIES		95,515	–	95,515
OTHER CURRENT LIABILITIES		1,078,755	–	1,078,755
CURRENT LIABILITIES HELD FOR SALE		**143,051,441**	**18,951,569**	**162,003,010**
TOTAL LIABILITIES HELD FOR SALE		**143,599,718**	**18,920,780**	**162,520,498**

After the final definition of the scope of transfer:

A) the equity investment in Ionio Gas S.r.l. in liquidation remained in ERG S.p.A. and was not transferred to ERG Power Generation S.p.A. Therefore, it is no longer included in the IFRS 5 scope of 2013;
B) ERG S.p.A. maintains the ownership of receivables for advances relating to payments for CO_2 quotas to the Italian Carbon Fund. Therefore, it is no longer included in the IFRS 5 scope of 2013;
C) ERG S.p.A. maintains ownership of the CO_2 quotas assigned by the Italian Carbon Fund. Therefore, it is no longer included in the IFRS 5 scope of 2013;
D) the financial receivable from IREN Mercato for the sale of the commercial business unit was not transferred to ERG Power Generation S.p.A. Therefore, it is no longer included in the IFRS 5 scope of 2013;
E) the provision for risks on equity investments tied to the Impairment test on ERG Nuove Centrali S.p.A. was transferred to ERG Power Generation S.p.A.: therefore, it is included in the IFRS 5 scope of 2013.

For additional details, please refer to the items of the statement of financial position.

NOTE 22 – GUARANTEES, COMMITMENTS AND RISKS

	31/12/2014	31/12/2013
SURETIES IN FAVOUR OF GROUP COMPANIES	251,319	91,343
SURETIES IN FAVOUR OF THIRD PARTIES	52,229	2,644
OUR COMMITMENTS TO THIRD PARTIES	126	6,037
TOTAL	**303,674**	**100,024**

The sureties in favour of Group companies were mainly for guarantees provided in favour of subsidiaries with respect to loan agreements.
Sureties issued in favour of third parties are mainly sureties in favour of foreign suppliers with reference to contracts for the supply of crude oil and electricity.
Commitments to third parties are mainly commitments for the management of the information systems, in particular pertaining to the finance area.
Additionally, at year end there were sureties worth EUR 50 million (EUR 344 million in 2013) guaranteeing trade payables existing as of 31 December 2014, issued by banks to the Company's suppliers.
Lastly, ERG S.p.A. issued Parent Company Guarantees in favour of Group Companies related mainly to the Oil business and amounting to approximately EUR 2.3 billion.

NOTE 23 – CONTINGENT LIABILITIES AND DISPUTES

ERG S.p.A. is a party in civil, administrative and tax proceedings and legal actions connected with the normal course of its operations. However, on the basis of the information presently available and considering the liability provisions accrued, it is deemed that these proceedings and actions will not determine significant negative effects on the Group.

Priolo Site

As indicated in the 2013 Financial Statements, on 30 December 2013 ERG S.p.A. had sold the final share held in ISAB S.r.l., definitively exiting the Coastal Refining business.
However, there still were certain contingent liabilities connected with the Priolo Site, relating to previous years and not yet fully defined.
Upon drafting the 2013 Financial Statements, in view of the uncertainty inherent to disputes, including tax disputes, of the complexity of site transactions and in general of the conclusion of the activities connected with the coastal refining business, a comprehensive assessment of the risk connected with the issues commented above was carried out, estimating the allocation of a "Priolo Site Provision" of EUR 91 million (EUR 83 million at 31 December 2014).

In particular:

- Regarding the ongoing dispute between ERG Raffinerie Mediterranee (now ERG S.p.A.) and the Italian Tax Authorities over the application of **harbour duties** for embarkation and disembarkation rights at the Santa Panagia jetty, it should be recalled that on 6 April 2011 the Provincial Tax Commission of Siracusa partially allowed the Company's appeal and ruled that harbour duties through 2006 are not due, but from 2007 onwards they are in fact due. The first degree decision was challenged within the terms by the Italian Revenue Agency and by ERG with cross appeal for the period after 2006. During the hearing of 11 February 2013, the Attorney General's Office and the Company's legal counsel presented to the Court their respective arguments. The appeal decision, issued by the Regional Tax Commission and filed on 27 May 2013, amended the first decree decision unfavourably for ERG. Following a thorough evaluation of the reasons for the appeal decision, the company decided to appeal before the Court of Cassation, deeming its own arguments to be well grounded (in particular with regard to the notion of "harbour" in accordance with Italian Law 84/94 and to the alleged novating or retroactive validity of Article 1, Paragraph 986 of the 2007 Italian Budget Law). On 4 November 2013, the Regional Tax Commission of Siracusa allowed the request to suspend the effectiveness of the appeal decision, requiring the release of a first demand insurance guarantee in favour of the Customs Agency. The date of the hearing has not yet been set. Starting from 2007, the related taxes had already been recognised in the Income Statement under the accrual basis, while no provision had been made for the years from 2001 to 2006.

- With reference to **environmental risk**, with regard to the South Site the likelihood of exposure to contingent liabilities is deemed remote, in that the risk has already been limited by the settlement reached with the Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011, and by the Settlement Agreement stipulated on 30 December 2013 between ERG and LUKOIL.
  With regard to the North Site, depending on the double guarantee scheme deriving both from the agreement executed with ENI (previous owner of the site), and by the agreement executed with LUKOIL (new owner), the risk is as follows: (i) for potential environmental damages preceding 1 October 2002, ENI shall be liable without limitation; (ii) with reference to the potential damages relating to the 1 October 2002 – 1 December 2008 time frame, deriving from a violation of the environmental guarantees issued by ERG, the latter shall be liable. The following limitations apply to ERG's contractual liability to LUKOIL: (a) upper applicable maximum limit equal to the sale price of the equity investment in ISAB S.r.l.; (b) environmental guarantees have a duration of 10 years and in case of uncertain identification of the period to which the potential damage is referred, a time shift until 2018 is applied.
  The agreement with LUKOIL prescribes, for ERG, a liability without time limitations for potential damages connected with events known at the time of execution of the agreement (Known Environmental Matters). Up to EUR 33.4 million, the costs shall be divided between ERG and LUKOIL (51% and 49%).
- With reference to the **site commercial transactions**, there are both receivables and payables, mainly related to supplies of petroleum products and utilities pertaining to previous years.

At the time of preparation of these Financial Statements for the year 2014, the Management of the Group, assisted by the competent corporate departments and with the advice of its legal and tax counsels, carried out a comprehensive review of the issues described above, noting the substantial absence of new elements and confirming, therefore, the appropriateness of the measurements made previously. As of 31 December 2014, therefore, the provision for liabilities is deemed adequate and only a partial use is reported, amounting to approximately EUR 8 million, tied to the solution of some commercial issues.

TotalErg

On 3 December 2013, at the offices of TotalErg S.p.A. in Rome and Milan and of ERG S.p.A. in Genoa, the Tax Police – Unit Headquarters of Rome executed the search warrant issued by the Prosecutor's Office at the Court of Rome within the scope of a criminal proceeding against certain representatives of Erg S.p.A. and of TotalErg S.p.A. (the company that originated from the absorption of Total Italia S.p.A. by ERG Petroli S.p.A.).
The investigation - according to the charge formulated in the aforementioned warrant - pertain to alleged tax irregularities referred to the year 2010, allegedly carried out by recording, in the accounts of TotalErg S.p.A., invoices for alleged non-existing crude oil purchase transactions, issued for a total amount of EUR 904 million by Bermuda-based companies belonging to the Total Group, whose costs were included in the tax returns of TotalErg S.p.A. and reported by the consolidator Erg S.p.A. in the National Tax Consolidation return of the ERG Group.

As soon as it was informed of the ongoing investigation, the Company started an intense audit activity, aimed at thoroughly reconstructing the facts and the transactions in question, and at carefully analysing the internal control system.
From the tax viewpoint, on **6 August 2014** ERG S.p.A., as a result of the same investigation, received, in its capacity as tax consolidator, a report on findings by the Tax Police of Rome, prepared with respect to TotalErg, whose contents substantially refer to the aforesaid allegations.
Moreover, on the same date TotalErg received a Report on Findings for alleged tax irregularities pertaining to Total Italia for the years 2007, 2008, 2009, of substantially similar nature and amount for each year to those referenced above, hence referred to periods prior to the establishment of the TotalErg joint venture. In this regard, it should in any case be pointed out that the joint venture agreement with Total provides for an adequate mutual system of guarantees.
In view of the aforementioned reports on findings, ERG S.p.A. and TotalErg S.p.A., in order further to confirm the correctness of their behaviour, submitted observations and notes to the Financial Administration, which is currently examining them.
At the date of authorisation to the publication of this document, to the best of the Company's knowledge, no notice of assessment had been issued to the Company.
ERG deems that it has always operated in full compliance with current laws and regulations and therefore it is confident that its complete innocence with respect to the facts under investigation will be ascertained.

INCOME STATEMENT ANALYSIS

The single items shown in the following tables illustrate the values of revenues and costs for 2014 and 2013 of assets not held for sale, therefore net of IFRS 5 revenues and costs, as specified in the paragraph New Organisational Model and in Note 21 - Assets and liabilities held for sale.
Therefore, the comments are consistent with this methodology.

NOTE 24 – REVENUES FROM ORDINARY OPERATIONS

	2014	2013
REVENUES FROM SALES	113,648	63,519
REVENUES FROM SERVICES	8,604	–
TOTAL	**122,252**	**63,519**

Revenues from sales refer to the sale of energy to ERG Power Generation S.p.A. purchased by the companies of the Renew Group.
Revenues from services refer mainly to charges for services rendered to subsidiaries.

NOTE 25 – OTHER REVENUES AND INCOME

	2014	2013
OTHER REVENUES FROM GROUP COMPANIES	3,631	10,167
EXPENSE RECOVERIES FROM THIRD PARTIES	427	190
OTHERS	8,358	62
TOTAL	**12,416**	**10,419**

"Other revenues from Group companies" essentially refer to other recoveries and charges to Group companies, relating to sundry consulting services and special projects, as well as to service agreements.
The other revenues include mainly revenues from the grant under Italian Law no. 488 collected in 2014 and pertaining to the facilities of the Refinery owned by ERG Raffinerie Mediterranee S.p.A., merged with ERG S.p.A. in 2010.
The item also includes the positive impact of the derecognition of previous years' allocations.

NOTE 26 – COST OF PURCHASES

The "Cost of purchases", amounting to EUR 103,109 thousand (EUR 55,386 thousand in 2013), refer to the purchase of energy from the companies of the Renew Group which ERG S.p.A. sold to ERG Power Generation S.p.A. during the year.

NOTE 27 – COSTS FOR SERVICES AND OTHER COSTS

	2014	2013
SERVICE COSTS	37,681	20,127
RENTS AND LEASES	987	3,820
ACCRUALS OF PROVISIONS FOR LIABILITIES AND CHARGES	14,764	2,020
DUTIES AND TAXES	1,646	992
OTHER OPERATING EXPENSES	1,921	2,334
TOTAL	**56,999**	**29,292**

Accruals of provisions for liabilities and charges include potential costs for litigation with personnel and for restructuring the business portfolio.
The breakdown of Service costs was as follows:

	2014	2013
UTILITIES AND SUPPLIES	262	406
INSURANCE	1,026	793
CONSULTANCY AND BROKERAGE	5,649	6,682
ADVERTISING AND PROMOTIONS	437	562
EMOLUMENTS PAID TO DIRECTORS AND STATUTORY AUDITORS	8,647	8,938
OTHER SERVICES	21,660	2,746
TOTAL	**37,681**	**20,127**

This item mainly includes consulting costs, emoluments to Directors and Statutory Auditors. Other services increased significantly, in particular due to the increase in services from other Group companies, EDP services from third parties, personnel services and other services, including the service provided for the entire year by ERG Renew in relation to the purchase of electricity of ERG S.p.A. from the wind farms of the Renew Group.

NOTE 28 – PERSONNEL COSTS

	2014	2013
SALARIES AND WAGES	8,927	15,741
SOCIAL SECURITY CONTRIBUTIONS	2,920	4,755
EMPLOYEES' SEVERANCE INDEMNITIES	619	1,087
OTHER COSTS	2,848	5,027
TOTAL	**15,314**	**26,610**

The following table shows the breakdown of ERG S.p.A. personnel (average headcount during the period):

	2014	2013
EXECUTIVES	23	39
MANAGERS	54	110
STAFF	39	137
TOTAL	**115**	**286**

As of 31 December 2014, the total number of employees was 89 (281 as of 31 December 2013). The decrease includes the transfer of personnel to ERG Power Generation S.p.A., Erg Services S.p.A. and ERG Supply & Trading S.p.A.

NOTE 29 – AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

	2014	2013
AMORTISATION OF INTANGIBLE FIXED ASSETS	159	1,470
DEPRECIATION OF TANGIBLE FIXED ASSETS	116	1,120
WRITE-DOWNS OF FIXED ASSETS	–	–
TOTAL	**275**	**2.590**

NOTE 30 – NET FINANCIAL INCOME (EXPENSES)

	2014	2013
INCOME		
FOREIGN CURRENCY EXCHANGE GAINS	1,430	–
INTEREST INCOME ON BANK ACCOUNTS	13,937	11,367
FROM RECEIVABLES RECORDED UNDER NON-CURRENT FINANCIAL ASSETS	1,865	6,538
OTHER FINANCIAL INCOME	8,430	–
	25,662	**17,905**
EXPENSES		
FOREIGN CURRENCY EXCHANGE LOSSES	(4,187)	–
FROM SUBSIDIARIES	(1,531)	(513)
INTEREST ON SHORT-TERM BANK BORROWINGS	(2,393)	(4,202)
INTEREST ON MEDIUM/LONG-TERM BORROWINGS	(1,711)	(4,502)
OTHER FINANCIAL EXPENSES	(1,010)	(2,068)
	(10,883)	**(11,286)**
TOTAL	**14,829**	**6,619**

Income and expenses from subsidiaries are related to interest on cash account and cash pooling relationships with Group companies.
Interest income on bank accounts relates to the investment of available cash in deposit accounts.
Interest on medium/long-term borrowings decreased mostly as a result of the decrease in residual debt.

The item reflects IFRS 5 reclassifications pertaining to the exchange gains (losses) on the Oil business.

NOTE 31 – NET INCOME (LOSS) FROM EQUITY INVESTMENTS

	2014	2013
DIVIDENDS AND OTHER INCOME FROM SUBSIDIARIES	39,514	20,318
DIVIDENDS AND OTHER INCOME FROM OTHER ENTITIES	59	36
REVALUATIONS	38,793	34,468
WRITE-DOWNS	(19,590)	(85,810)
TOTAL	**58,777**	**(30,988)**

Dividends and other income from subsidiaries refer to the dividends paid out by ISAB Energy S.r.l., i.e. EUR 22,950 thousand, and to the capital gain generated by the sale of the equity investment in ERG Oil Sicilia S.r.l., i.e. EUR 16,564 thousand, commented above.
Revaluations refer to the recovery of the value of the equity investment in ERG Renew to EUR 688,793 thousand, as commented more thoroughly in the chapter "Impairment test on equity investments".
Write-downs refer mainly to the write-down of the equity investment in ERG Supply & Trading S.p.A., as commented more thoroughly in the chapter of the Equity Investments.

NOTE 32 – INCOME TAXES

	2014	2013
IRES FOR THE YEAR	(347)	–
DEFERRED IRES	–	101
DEFERRED IRAP	–	–
TAXES FROM PREVIOUS YEAR	1,527	1,765
SUBSTITUTE TAXES	–	–
BENEFIT FROM TAX CONSOLIDATION AND DEFERRED TAX ASSETS	7,246	7,514
TOTAL	**8,425**	**9,380**

Income taxes for the period were calculated on the basis of expected taxable income.
After the reclassifications for IFRS5 purposes, the taxes for the period, positive by EUR 8,425 thousand, include the IRES for the year (EUR 347 thousand), the reimbursement of the IRES consequent to the recognised deductibility of the IRAP for the years 2004-2007 (EUR 205 thousand) and the allocation/utilisation of deferred tax assets/liabilities on other income components, with a net balance of EUR 7,246 thousand.

Below is a summary of financial balances resulting from the tax consolidation regime:

	31/12/2014	31/12/2013
RECEIVABLES FROM GROUP COMPANIES (PAYABLE TO TAX AUTHORITIES)	74,845	(45,385)
PAYABLES TO GROUP COMPANIES (RECEIVABLE FROM TAX AUTHORITIES)	(79,768)	23,466
ERG S.P.A. DEBT POSITION	(347)	26,434
TOTAL	**(5,270)**	**4,515**

RECONCILIATION BETWEEN REPORTED AND THEORETICAL TAX CHARGES [1]

The reconciliation between the tax charge reported in the Financial Statements and the theoretical tax charge before the application of the IFRS5 is shown below.

	TAXABLE INCOME	TAX
PROFIT (LOSS) BEFORE TAXES	40,829	
THEORETICAL TAXATION (27.5%)		11,228
PERMANENT TAX CHANGES	(53,898)	
TAXABLE INCOME		**(13,069)**
IRES RATE (27.5%)		(3,594)
DERECOGNITION OF IRES DEFERRED TAX ASSETS/ OTHER CHANGES		(253)
IRES TAXES FROM PREVIOUS YEARS		(1,527)
IRAP		
DIFFERENCE BETWEEN PRODUCTION COSTS AND REVENUES	(32,776)	
COSTS AND REVENUES NOT RELEVANT FOR IRAP PURPOSES	18,202	
THEORETICAL TAXABLE INCOME FOR IRAP PURPOSES	(14,574)	
THEORETICAL TAXATION (TAX RATE 4.82%)		–
PERMANENT TAX CHANGES	17,131	
THEORETICAL TAXABLE INCOME (IRAP)		**2,557**
THEORETICAL IRAP IN THE FINANCIAL STATEMENTS		123
DERECOGNITION OF IRAP DEFERRED TAX ASSETS/ OTHER CHANGES		30
TOTAL INCOME TAXES REPORTED IN THE FINANCIAL STATEMENTS		**(5,221)**

(1) permanent differences mainly consist of dividends paid by subsidiaries and write-downs of equity investments

NOTE 33 – NON-RECURRING ITEMS

The non-recurring items of 2014 before the tax effect refer to:

- income deriving from grant under Italian Law no. 488 (EUR 5.1 million);
- write-off of prior trade payables no longer due, tied to the sold or shut-down Businesses (EUR 2.7 million);
- provisions for liabilities and charges on potential disputes and reorganisation (EUR 2.2 million);
- provisions for contingent liabilities and charges on restructuring the asset portfolio (EUR 11.9 million);
- expenses for extraordinary transactions and special project studies, (EUR 6.6 million);
- capital gain generated by the sale of the equity investment in ERG Oil Sicilia S.r.l. (EUR 16.6 million) and related ancillary charges.

NOTE 34 – RELATED PARTIES

The tables below show the details of the assets, liabilities, income and expenses to/from related parties. The values shown are the values before IFRS 5 reclassifications.

2014 – Statement of Financial Position - Assets

	OTHER FINANCIAL ASSETS	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES AND ASSETS	CURRENT FINANCIAL ASSETS
RELATED PARTIES				
ERG EOLICA FOSSA DEL LUPO S.R.L.	–	–	3,065	–
ERG EOLICA BASILICATA S.R.L.	–	–	1,568	–
ERG OIL SICILIA S.R.L.	–	462	244	–
ERG EOLICA S.VINCENZO S.R.L.	–	–	1,358	–
ERG POWER S.R.L.	118,670	–	63	–
TOTALERG S.P.A.	–	1,197	63	–
ERG SUPPLY & TRADING S.P.A.	–	885	76	122,784
ERG SERVICES S.P.A.	–	516	1,603	3,321
ERG RENEW S.P.A	–	2,730	–	41
ISAB ENERGY S.R.L.	–	471	60,205	–
ISAB ENERGY SERVICES S.R.L.	–	411	1,692	–
ERG POWER GENERATION S.P.A.	–	56,296	2,705	3,385
PRIOLO SERVIZI S.C.P.A.	–	260	–	–
ERG PETRÓLEOS S.A.	–	–	–	8,489
ERIDIS S.R.L.	–	–	196	–
TOTALGAZ S.P.A.	–	–	2,001	–
OTHER	–	67	3,152	–
TOTAL	**118,670**	**63,295**	**77,991**	**138,019**
% OF THE TOTAL ITEM	*99.23%*	*84.59%*	*69.60%*	*96.77%*

2014 – Statement of Financial Position - Liabilities

	OTHER NON-CURRENT LIABILITIES	TRADE PAYABLES	CURRENT FINANCIAL LIABILITIES	OTHER CURRENT LIABILITIES
RELATED PARTIES				
ERG EOLICA CAMPANIA S.P.A.	–	2,281	–	184
ERG EOLICA FOSSA DEL LUPO S.R.L.	–	1,404	–	–
ERG EOLICA ADRIATICA S.R.L	–	2,027	–	195
ERG EOLICA BASILICATA S.R.L.	–	705	–	–
TOTALERG S.P.A.	–	160	–	72,945
ERG SERVICES S.P.A.	–	2,814	894	–
ERG SUPPLY & TRADING S.P.A.	–	50	–	5,517
ERG RENEW S.P.A	–	12,356	89,421	293
ERG WIND ENERGY S.R.L.	–	7,231	–	–
GESTIONI EUROPA S.P.A	–	–	–	3,144
ISAB ENERGY S.R.L.	–	–	436,400	778
ISAB ENERGY SERVICES S.R.L.	–	–	11,016	467
ERG POWER GENERATION S.P.A.	–	–	13,989	6,401
GREEN VICARI S.R.L.	–	938	–	–
OTHER	–	4,497	–	8,898
TOTAL	**–**	**34,463**	**551,719**	**98,822**
% OF THE TOTAL ITEM	*0.00%*	*40.46%*	*88.40%*	*94.28%*

2014 - Income Statement - Income

	REVENUES FROM ORDINARY OPERATIONS	OTHER REVENUES AND INCOME	FINANCIAL INCOME
RELATED PARTIES			
ERG POWER S.R.L.	272	2	4,993
TOTALERG S.P.A.	1,527	848	–
ERG SUPPLY & TRADING S.P.A.	752	410	1,680
ERG SERVICES S.P.A.	1,277	437	49
ERG RENEW S.P.A	3,224	148	392
ISAB ENERGY S.R.L.	21,010	527	471
ERG POWER GENERATION S.P.A.	55,897	35	517
SAN QUIRICO S.P.A.	–	614	–
PRIOLO SERVIZI S.C.P.A.	7,353	27	–
OTHER	184	603	18
IFRS 5 RECLASSIFICATION	(28,177)	(21)	–
TOTAL	**63,320**	**3,630**	**8,120**
% OF THE TOTAL ITEM	*51.79%*	*29.24%*	*40.51%*

2014 - Income Statement - Expenses

	COST OF PURCHASES	COSTS FOR SERVICES AND OTHER COSTS	FINANCIAL EXPENSES
RELATED PARTIES			
ERG EOLICA CAMPANIA S.P.A.	10,680	–	–
ERG EOLICA FOSSA DEL LUPO S.R.L.	8,062	–	–
ERG EOLICA ADRIATICA S.R.L	9,036	–	–
ERG EOLICA AMARONI S.R.L.	1,975	–	–
ERG EOLICA BASILICATA S.R.L.	2,762	–	–
ERG EOLICA S.VINCENZO S.R.L.	2,604	–	–
ERG EOLICA SAN CIREO S.R.L.	2,520	–	–
ERG EOLICA FAETO S.R.L.	1,616	–	–
ERG EOLICA GINESTRA S.R.L	1,839	–	–
ERG POWER S.R.L.	–	64,561	–
ERG SERVICES S.P.A.	–	7,831	–
ERG RENEW S.P.A	–	12,354	407
ERG WIND 4 S.R.L.	823	–	–
ERG WIND 6 S.R.L.	2,610	–	–
ERG WIND ENERGY S.R.L.	34,729	–	–
ERG WIND HOLDINGS (ITALY) S.R.L.	–	114	–
ERG WIND SICILIA 6 S.R.L.	3,264	–	–
ISAB ENERGY S.R.L.	37	(1,132)	900
ERG WIND SICILIA 3 S.R.L.	1,875	–	–
GREEN VICARI S.R.L.	3,984	–	–
RAFFINERIE DI ROMA S.P.A.	2,323	–	–
CONSORZIO DELTA TI RESEARCH	–	850	–
OTHER	45	35	80
IFRS 5 RECLASSIFICATION	(2,677)	(68,851)	–
TOTAL	**88,107**	**15,761**	**1,387**
% OF THE TOTAL ITEM	*85.45%*	*27.65%*	*26.59%*

Assets mainly concerned trade receivables, the granting of loans, Group VAT and the "consolidated tax regime".

Liabilities mainly concerned trade payables and loan agreements.
Income and expenses mainly comprise the effects of the purchase and sale of the energy generated by the wind farms of the Group's companies as well as the services performed for the investees and the dividends paid out by the investees.
Of particular notice are costs for purchases from the companies of the Renew group for the purchase of the energy generated by the wind farms that in the first half was resold to the market.
Since 1 July 2014, after the transfer to the ERG Power Generation S.p.A., ERG S.p.A. has sold the aforesaid electricity to ERG Power Generation S.p.A., which in turn has resold it to the Electricity Market Operator (GME). ERG S.p.A. continues to account for the payment of the imbalances with respect to the programme with Terna. By effect of the agreement for the sale of energy from ERG S.p.A. to ERG Power Generation S.p.A. stipulated in the second half of 2014, the economic effects of the sale of electricity generated from renewable sources were translated to ERG Power Generation S.p.A.
All transactions form part of ordinary operations and are settled at market terms and conditions. With regard to the other transactions with related parties, as defined by IAS 24, during the year 2014 EUR 236 thousand was paid to I.E.C. S.r.l. and EUR 64 thousand to Sampdoria Marketing & Communication S.r.l.
Additionally, in June 2014 EUR 100 thousand were paid to the Edoardo Garrone Foundation as a contribution for 2014.
The other revenues of the 2014 Financial Statements include EUR 614 thousand paid by San Quirico to the subsidiary ERG S.p.A.

NOTE 35 – INDEPENDENT AUDIT FEES

In accordance with Article 149-duodecies of CONSOB's Issuers' Regulations, we set out below the costs for 2014 relating to services rendered by the independent auditor Deloitte & Touche S.p.A., the ERG group's main independent auditor, and by the companies belonging to its network.

	2014	2013
AUDITING SERVICES	160	360
SERVICES OTHER THAN AUDITING	287	427
TOTAL	**447**	**787**

Services other than auditing refer to:
- voluntarily agreed audit procedures requested on quarterly data (EUR 212 thousand);
- other minor services (EUR 75 thousand).

NOTE 36 – DIVIDENDS

The dividends paid by ERG S.p.A. in 2014 (EUR 142.8 million) and in 2013 (EUR 57.1 million), as resolved upon approval of the Financial Statements for the previous year, amounted respectively to EUR 1.00 and EUR 0.40 for each of the shares with dividend rights as of the dividend date.
The dividend paid in 2014 included a non-recurring component of EUR 0.50 per share in light of the positive conclusion of an essential phase of the strategic project of industrial reorganisation, launched in 2008. On 11 March 2015, the Board of Directors of ERG S.p.A. proposed the payment to the shareholders of a dividend amounting to EUR 0.50 per share. The dividend shall be available for payment from 20 May 2015, subject to issuance of the coupon starting on 18 May 2015 and with record date of 19 May 2015.

NOTE 37 – FINANCIAL INSTRUMENTS

31/12/2014

	FVTPL [1]	HTM	L&R [2]	AFS [3]	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	–	491	–	–	491	–	–
FINANCIAL RECEIVABLES	–	–	261,153	923	–	–	262,076	*119,593*	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	–	–	–	–	–	–
TRADE RECEIVABLES	–	–	74,826	–	–	–	74,826	–	–
FINANCIAL SECURITIES CLASSIFIED AS CURRENT ASSETS	–	–	–	–	–	–	–	–	–
OTHER RECEIVABLES	–	–	7,446	–	–	–	7,446	*2,400*	–
CASH AND CASH EQUIVALENTS	–	–	822,124	–	–	–	822,124	–	–
TOTAL ASSETS	**–**	**–**	**1,165,549**	**1,414**	**–**	**–**	**1,166,963**	***121,993***	**–**
MORTGAGES AND LOANS	–	–	–	–	13,583	–	13,583	–	–
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–	–	–	–	–
SHORT-TERM BANK BORROWINGS	–	–	–	–	58,777	–	58,777	–	–
FINANCIAL PAYABLES	–	–	–	–	551,762	–	551,762	–	–
DERIVATIVE INSTRUMENTS	–	–	–	–	–	–	–	–	–
TRADE PAYABLES	–	–	–	–	85,182	–	85,182	–	–
OTHER PAYABLES	–	–	–	–	32,686	–	32,686	*7,602*	–
TOTAL LIABILITIES	**–**	**–**	**–**	**–**	**741,990**	**–**	**741,990**	***7,602***	**–**

(1) FVTPL: Fair value through profit or loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

31/12/2013

	FVTPL [1]	HTM	L&R [2]	AFS [3]	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	–	491	–	–	491	–	–
FINANCIAL RECEIVABLES	–	–	288,188	635	–	–	288,823	*160,587*	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	(1)	–	11,654	11,652	–	11,652
TRADE RECEIVABLES	–	–	476,889	–	–	–	476,889	–	–
FINANCIAL SECURITIES CLASSIFIED AS CURRENT ASSETS	–	–	–	–	–	–	–	–	–
OTHER RECEIVABLES	–	–	23,360	–	–	–	23,360	*1*	–
CASH AND CASH EQUIVALENTS	–	–	797,446	–	–	–	797,446	–	–
TOTAL ASSETS	**–**	**–**	**1,585,883**	**1,124**	**–**	**11,654**	**1,598,661**	***160,588***	**11,652**
MORTGAGES AND LOANS	–	–	–	–	119,248	–	119,248	*33,865*	–
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–	–	–	–	–
SHORT-TERM BANK BORROWINGS	–	–	–	–	199,892	–	199,892	–	–
FINANCIAL PAYABLES	1,257	–	–	–	19,342	(141,291)	(120,692)	*(141,291)*	–
DERIVATIVE INSTRUMENTS	–	–	–	–	–	144,796	144,796	*144,796*	144,796
TRADE PAYABLES	–	–	–	–	560,583	–	560,583	–	–
OTHER PAYABLES	–	–	–	–	66,100	–	66,100	*4,970*	–
TOTAL LIABILITIES	**1,257**	**–**	**–**	**–**	**965,165**	**3,505**	**969,927**	***42,340***	**144,796**

(1) FVTPL: Fair value through profit or loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

NOTE 38 – DISCLOSURE ON RISKS

The following are the main risks identified and actively managed by ERG S.p.A.:

- credit risk: the possibility of default by a counterparty or the potential deterioration of the assigned creditworthiness;
- liquidity risk: the risk of available financial resources being insufficient to fulfil payment commitments.

ERG S.p.A. attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. In line with this objective, an advanced Risk Management system has been adopted that guarantees identification, measurement and control at a centralised level for the entire Group of exposure to individual risks, in accordance with existing policies.
The Risk Finance department ensures compliance with the assigned limits and, via its own analyses, it provides appropriate support for strategic decisions both to individual subsidiaries and to the Risk Committee as well as to top management at the Parent Company.

CREDIT RISK

Exposure to credit risk, i.e. the likelihood that a given counterparty is not able to meet its contractual obligations, is managed through appropriate analysis and assessments, assigning to each counterparty an Internal Based Rating, a summary indicator of the creditworthiness assessment. The rating provides an estimate of the likelihood of default of a given counterparty on which the level of credit assigned depends, which is punctually monitored and must never be exceeded. The choice of counterparties for both the industrial and financial transactions is subject to the decisions of the Credit Committee, whose decisions are supported by the credit rating analysis.
The risk of concentration, in terms of both customers and segments, is also monitored continuously; however, 'alert' situations have never occurred.

The following table provides information on the ERG S.p.A.'s exposure to credit risk as year end, before IFRS 5 reclassifications, by a classification of receivables not overdue (see Note 7 - Trade receivables) according to the corresponding creditworthiness reflecting the internal ratings assigned.

	2014
AAA RATING	–
AA+ / AA- RATING	–
A+ / A- RATING	–
BBB+ / BBB- RATING	1,650,000
BB+ / BB- RATING	–
B+ / B- RATING	–
RECEIVABLES FROM GROUP COMPANIES	64,676,855
NOT ASSIGNED	110,208
TOTAL	**66,437,063**

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may be insufficient to cover all obligations falling due. Today, with its cash flow generation and the availability of lines of credit provided by various counterparties, ERG ensures adequate coverage of its financial requirements.

The following tables summarise the maturity profile of the financial liabilities of ERG S.p.A. as of 31 December 2014 and 31 December 2013, based on undiscounted contractual payments.

31/12/2014	PAYABLES BY MATURITY				
(EUR THOUSAND)	**ON DEMAND**	**UNDER 3 MONTHS**	**3-12 MONTHS**	**1-5 YEARS**	**MORE THAN 5 YEARS**
MORTGAGES AND LOANS	–	46	13,537	–	–
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–
SHORT-TERM BANK BORROWINGS	58,774	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	–	–
FINANCIAL PAYABLES	–	–	–	–	–
TRADE PAYABLES	56,688	28,494	–	–	–
TOTAL LIABILITIES	**115,462**	**28,540**	**13,537**	**–**	**–**

31/12/2013	PAYABLES BY MATURITY				
(EUR THOUSAND)	**ON DEMAND**	**UNDER 3 MONTHS**	**3-12 MONTHS**	**1-5 YEARS**	**MORE THAN 5 YEARS**
MORTGAGES AND LOANS	–	3,858	83,447	31,943	–
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–
SHORT-TERM BANK BORROWINGS	199,892	–	–	–	–
DERIVATIVE FINANCIAL INSTRUMENTS	–	–	–	3,314	–
FINANCIAL PAYABLES	22,655	–	–	–	–
TRADE PAYABLES	42,586	562,772	–	–	–
TOTAL LIABILITIES	**265,133**	**566,630**	**83,447**	**35,257**	**–**

Concerning the disclosure on “fair value hierarchies” required by IFRS 7, see the comments in Note 45 to the Consolidated Financial Statements

NOTE 39 – FINANCIAL STATEMENTS WITHOUT IFRS 5 RECLASSIFICATION

For the sake of complete disclosure, we have included in these Notes the Income Statement of the company without application of IFRS 5.

Income Statement

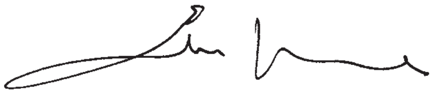
(EUR)	2014		2013	
REVENUES FROM ORDINARY OPERATIONS		452,918,127		5,997,329,916
OF WHICH TOWARDS RELATED PARTIES	*91,496,886*		*913,804,959*	
OTHER REVENUES AND INCOME		14,576,850		41,115,654
OF WHICH TOWARDS RELATED PARTIES	*3,651,598*		*15,219,864*	
OF WHICH NON-RECURRING ITEMS	*8,059,000*		*18,400,000*	
CHANGES IN PRODUCT INVENTORIES		–		(8,012,328)
CHANGES IN RAW MATERIALS INVENTORIES		–		(103,129,277)
COST OF PURCHASES		(346,100,356)		(5,595,178,304)
OF WHICH TOWARDS RELATED PARTIES	*(90,784,264)*		*(178,083,801)*	
COSTS FOR SERVICES AND OTHER COSTS		(135,403,285)		(487,268,991)
OF WHICH TOWARDS RELATED PARTIES	*(84,612,116)*		*(296,273,021)*	
OF WHICH NON-RECURRING ITEMS	*(18,311,000)*		*(118,445,251)*	
PERSONNEL COSTS		(18,202,234)		(35,781,496)
OF WHICH NON-RECURRING ITEMS	*(2,840,000)*		*(4,039,946)*	
EBITDA		**(32,210,898)**		**(190,924,826)**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS		**(565,553)**		**(3,931,301)**
OF WHICH NON-RECURRING ITEMS				
FINANCIAL INCOME		25,661,631		95,174,737
OF WHICH TOWARDS RELATED PARTIES	*8,120,118*		*7,597,542*	
FINANCIAL EXPENSES		(10,832,622)		(85,884,910)
OF WHICH NON-RECURRING ITEMS			*(2,856,650)*	
OF WHICH TOWARDS RELATED PARTIES	*(1,386,669)*		*(513,473)*	
NET FINANCIAL INCOME (EXPENSES)		**14,829,009**		**9,289,827**
OF WHICH NON-RECURRING ITEMS				
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		58,776,533		195,486,771
OF WHICH NON-RECURRING ITEMS	–		*130,746,756*	
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–		–
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		**58,776,533**		**195,486,771**
PROFIT (LOSS) BEFORE TAXES		**40,829,091**		**9,920,470**
INCOME TAXES		**5,221,398**		**19,245,167**
OF WHICH NON-RECURRING ITEMS	*3,168,721*		*3,866,830*	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		**46,050,489**		**29,165,637**
NET PROFIT (LOSS) FROM ASSETS HELD FOR SALE		–		–
OF WHICH TOWARDS RELATED PARTIES	–		–	
OF WHICH NON-RECURRING ITEMS	–		–	
NET PROFIT (LOSS) FOR THE PERIOD		**46,050,489**		**29,165,637**

NOTE 40 – PUBLICATION DATE OF THE SEPARATE FINANCIAL STATEMENTS

On 11 March 2015, the Board of Directors of ERG S.p.A. authorised the publication of the separate Financial Statements together with the reports by the supervisory bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, Italy, 11 March 2015

On behalf of the Board of Directors
The Chairman
Edoardo Garrone



REPRESENTATIONS ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Luca Bettonte, Chief Executive Officer of ERG S.p.A, and Paolo Luigi Merli, Manager responsible for preparing the financial reports of ERG S.p.A, taking into account the provisions set out in Article 154-bis, subsections 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998, represent as to:

- the suitability in relation to the characteristics of the business and
- the actual application of the administrative and accounting procedures for the preparation of the Separate Financial Statements in the period between 1 January 2014 and 31 December 2014.

2. In this regard, the following is pointed out:

- the suitability of the administrative and accounting procedures for the preparation of the Separate Financial Statements of ERG S.p.A. was verified by the assessment of the system of internal control over financial reporting. This assessment was carried out with reference to the criteria established in the model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- the assessment of the system of internal control over financial reporting did not uncover any significant aspects.

3. It is furthermore represented that:

- the Separate Financial Statements of ERG S.p.A. as of 31 December 2014:
  a) were prepared in accordance with the applicable International Accounting Standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 by the European Parliament and Council, dated 19 July 2002;
  b) match the underlying accounting books and records;
  c) are suitable to provide a true and fair view of the financial position and results of operations of the issuer;
- the Report on Operations contains a reliable analysis of the operating performance and results, as well as the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Genoa, Italy, 11 March 2015

The Chief Executive Officer

The Manager Responsible
for preparing the financial reports

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING, PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND WITH ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of ERG S.p.A.

The Board of Statutory Auditors, in office at the date of this report, was appointed by the Shareholders' Meeting of 23 April 2013 and its term of office shall expire upon approval of the Financial Statements as at 31 December 2015; the appointment took place in accordance with the applicable provisions of the laws, regulations and articles of incorporation, and the composition of the Board fulfils the gender parity criteria per Article 148 of Italian Legislative Decree no. 58/98.
The Shareholders' Meeting of 15 April 2014 appointed Mr. Mario Lamprati as Alternate Auditor of the company, replacing the Alternate Auditor Mr. Stefano Remondini, who had resigned.
The statutory auditors acknowledge that the appointment took place on the basis of the proposal submitted by the majority Shareholder, in accordance with the applicable provisions of the laws, regulations and articles of incorporation.
The Board of Statutory Auditors undertakes that, during the year, it assessed, for all statutory auditors, on the basis of the statements by the statutory auditors themselves and of the available information, both the lack of grounds for invalidation, ineligibility and incompatibility prescribed by Articles 2382 and 2399 of the Italian Civil Code and by Article 148 of Italian Legislative Decree no. 58/98, as well as compliance with the independence requirements prescribed by law, on the basis of the criteria prescribed by the Standards of Behaviour of the Board of Statutory Auditors, prepared by the National Board of Chartered Accountants, and by the Corporate Governance Code of listed companies with reference to independent directors, assigning more relevance to substance (assurance of independent judgement) than to form. No events have occurred which may invalidate the independence requirement with respect to the verification carried out at the time of the appointment.
The Board of Statutory Auditors notified the outcome of these assessments, in accordance with Article 144-novies, Paragraph 1-ter of CONSOB Regulation no. 11971, to the Board of Directors for the consequent disclosure to the public.
During the year, the Statutory Auditors carefully evaluated the effort and time required for diligent performance of the assigned duties and compliance with the limit to the accumulation of offices which may be held in other companies, established by the law (Article 148-bis of the Consolidated Finance Act and related implementing rules, Articles 144-duodecies to 144-quinquiesdecies of the Issuers' Regulations), fulfilling their disclosure obligations to the CONSOB and the public as prescribed, respectively, by Articles 148 of the Consolidated Finance Act and 144-terdecies of the Issuers' Regulations.
The Board of Statutory Auditors, lastly, reports that no statutory auditor had interests, on its own or on third parties' behalf, in a determined transaction during the year.

Supervisory activity: legal, regulatory and ethical sources

The supervisory activity required on the part of the Board of Statutory Auditors was carried out in accordance with the law and, in particular, with Article 149 of Italian Legislative Decree no. 58/98 (Consolidated Finance Act or "TUF"), with the recommendations of the CONSOB with regard to corporate controls and activities of the Board of Statutory Auditors (in particular, communication no. DAC/RM 97001574 of 20 February 1997), with the indications contained in the Corporate Governance Code, and with the Standards of Behaviour of the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants, 2012 edition, with the additions made in the 2014 version (currently undergoing public consultation).

In preparing this report, due consideration was given to CONSOB communications no. 1025564 of 6 April 2001, no. 3021582 of 4 April 2003 and no. 6031329 of 7 April 2006, pertaining to the content of the reports of the Boards of Statutory Auditors to the Shareholders' Meetings of companies with shares listed on the stock market.
Lastly, the Board of Statutory Auditors undertakes that on 15 April 2014 it delivered to CONSOB, in compliance with CONSOB Communication no. 6031329 of 7 April 2006, the "Summary of oversight activities" referred to financial year 2013, according to the form provided for this purpose by the same authority.

Attendance at the meetings of corporate bodies

The Board of Statutory Auditors undertakes that:

- in the course of financial year 2014, the Board of Statutory Auditors held thirteen meetings and attended the Shareholders' Meeting and the eight meetings of the Board of Directors.
  From the closing date of the Financial Statements to the date of this report, the Board of Statutory Auditors met five times;
- the Internal Control and Risk Committee met eight times (of which five times in joint session with the Board of Statutory Auditors, in view of the issues to be discussed) and the Nominations and Remuneration Committee met six times.
  The Board of Statutory Auditors attended all meetings of the Internal Control and Risk Committee and, with reference to the Nominations and Remuneration Committee, through the participation of its own Chairman or of another Auditor designated by him.

Supervision of compliance with the law, with the articles of incorporation and with regulations and of the enforcement of proper administration standards

By attending the Shareholders' Meetings and the meetings of the Board of Directors, the Board of Statutory Auditors supervised compliance with the articles of association, the laws and regulations that govern the operation of the Company's bodies and the enforcement of proper administration standards. The frequency of the meetings of the Board of Directors, the Directors' average attendance rate and the duration of the meetings were adequate and no significant resolutions were passed without providing sufficient information to the directors and statutory auditors. The Board of Statutory Auditors verified that all resolutions were in accordance with the best interest of the company and were supported by suitable documentation and by expert opinions pertaining to the economic-financial congruity of transactions, when necessary.
The Board of Statutory Auditors acknowledges that the Board of Directors receives adequate information from the Chief Executive Officer and from the Internal Control and Risk Committee; it supervises the general operating performance, periodically comparing the results achieved with those planned; it scrutinises and approves transactions with significant relevance and it is aware of the risk and of the effects of the transactions carried out. The disclosure obligations pertaining to information that is regulated, privileged or required by the Supervisory Authorities.

Information about the overall activity carried out by the Company and by its subsidiaries

The Board of Statutory Auditors acquired from the directors, at least once per quarter, adequate information on the overall activity carried out by the Company, in the various businesses where it operated, also through subsidiaries and associates, and about the transactions with the greatest economic and financial relevance. On the basis also of the flows of information acquired during its supervisory activity, the Board of Statutory Auditors ascertained that the actions resolved and carried out were compliant with the law and with the articles of incorporation and were not manifestly imprudent or foolhardy, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the company's capital.
The Board of Statutory Auditors also supervised compliance with the Guidelines, Standards of behaviour and Procedures in force within the Group, and adherence to the processes whose outcome is brought to the directors' attention for decision-making.

Additional information about the investees of ERG S.p.A. was obtained from the Independent Auditors and from the statutory auditors of the companies themselves.

The Board of Statutory Auditors acquired knowledge and supervised, for matters under its competence, compliance with proper administration standards, also through the information received directly from the heads of the various company functions and from representatives of the Independent Auditors.

On the basis of the information acquired in the supervisory activity, it emerged that the transactions of greatest relevance in economic and financial terms carried out by the company, also through direct or indirect investees, are the following:

- corporate reorganisation with particular regard to the transfer of the business units to ERG Services S.p.A., ERG Supply & Trading S.p.A. and ERG Power Generation S.p.A. (formerly ERG Nuove Centrali S.p.A.);
- early termination of the CIP 6/92 Convention (ISAB Energy S.r.l.);
- acquisition of the minority interests in ISAB Energy S.r.l. and ISAB Energy Services S.r.l.;
- sale to the LUKOIL Group of business units of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC production plant and of the personnel for its operation and maintenance;
- sale of the interest in ERG Oil Sicilia S.r.l.;
- reserved share capital increase of the subsidiary ERG Renew S.p.A., underwritten by UniCredit S.p.A.;
- acquisition of wind farms (ERG Renew S.p.A.);
- declaration of the non retroactive unconstitutionality of the IRES surtax (Robin Tax) and its impact on the Financial Statements.

All the above transactions were adequately illustrated in the meetings of the Board of Directors held to pass the related resolutions and comprehensively discussed in the explanatory notes to the Financial Statements as well as in the Report on Operations of financial year 2014, which also provides a complete update on the evolution of the reference regulatory framework.

With reference in particular to the transfers of business units, the Board of Statutory Auditors supervised compliance with the conditions prescribed by the law and with the applicable regulations, verifying both the regular and punctual execution of legal formalities and the technical correctness of the criteria applied in determining the value of the transferred business units.

Transactions on treasury shares

In 2014 the Board of Directors did not utilise the Shareholders' Meeting's authorisation to purchase treasury shares, which therefore remained unchanged compared to the previous year.

Replies given to shareholders during the general meeting (Article 127-ter of the Consolidated Finance Act)

The Board of Statutory Auditors verified the completeness of the replies given during the shareholders' meeting of 15 April 2015 to the questions submitted by a shareholder in accordance with Article 127-ter of the Consolidated Finance Act.

Exercise of the option to waive the public disclosure obligation

The Company has selected the option, introduced by CONSOB with its resolution no. 18079 of 20 January 2012, of waiving the obligation to make available to the public an information document upon carrying out significant transactions, i.e. mergers, demergers, capital increase by transfer in kind, acquisition and sale. Disclosure of this decision is provided in the Annual Financial Report, as required by Article 70 of the Issuers' Regulation.

"Market abuse" and "Protection of savings" regulations

The Board of Statutory Auditors supervised the discharge of the obligations related to the "Market abuse" and "Protection of savings" regulations pertaining to corporate disclosure and "Internal Dealing", with particular reference to the treatment of privileged information and to the procedure for disseminating notices and information to the public. In particular, the Board of Statutory Auditors monitored compliance with the provisions of Article 115-bis of the Consolidated Finance Act and in articles from 152-bis to 152-quinques of the Regulation about updates to the Register of persons with access to privileged information.

Request for information pursuant to Article 115, Paragraph 1 of Italian Legislative Decree no. 58/98
With reference to the request for information, pursuant to Article 115, Paragraph 1 of Italian Legislative Decree no. 58/98, received from CONSOB on 23 December 2013, with regard to the warrant by the Prosecutor's Office issued within the scope of an investigation for alleged tax irregularities on the part of TotalErg S.p.A., the Board of Statutory Auditors, as stated in the Board of Statutory Auditors' Report to the shareholders' meeting of 14 April 2014, replied on 14 January 2014 to the request for information, subsequently transmitting, on 7 February 2014, the minutes of the meeting of the Board of Statutory Auditors of 12 December 2013, at CONSOB's specific request. At the date of this Report, the Company has not been served with notices of a tax nature in connection with the aforementioned investigation and TotalERG S.p.A. was served a Report on Findings for the years 2008, 2009 and 2010. The Board of Statutory Auditors reports that it receives timely updates on the matter. Also in light of the inspections carried out by the Audit, Risk & Compliance function, no elements have emerged which may lead to suspect the Company's non-compliance with the laws on these matters or profiles that may potentially pertain to the enforcement of the provisions per Italian Legislative Decree no. 231/2001.

Supervisory activity on relations with subsidiaries
The instructions given to the subsidiaries are adequate for the purpose of assuring their timely compliance with the disclosure obligations prescribed by law.
The Board of Statutory Auditors reviewed and assessed the document for the verification and update both of the areas where the parent company exercises management and control and of the companies on which said powers are exercised, verifying compliance with the provisions of Article 2497 et seq. of the Italian Civil Code.

Supervisory activity on intra-group and related party transactions
Concerning intra-group transactions, the Directors highlighted, in the Notes to the Financial Statements and in the Report on Operations, as in past years, the existence of relationships of a commercial and financial nature between the companies of the ERG group, specifying that such transactions are included among ordinary operations and are carried out at arm's length.
Related party transactions refer almost entirely to transactions carried out for streamlining and economisation purposes with subsidiaries and associates; they are part of ordinary operations, are regulated at market conditions and are illustrated in the Report on Operations and in the Notes to the Financial Statements. In particular, the Board of Statutory Auditors reviewed and approved the document containing the main income data of the intercompany service agreements for the year 2014, deeming adequate the analysis in the identification of the criteria for charging back to individual companies the services set out therein, according to the services used.
With regard to transactions with related Parties, as defined in IAS 24 and also illustrated in the Notes to the Financial Statements, the Board of Statutory Auditors was able to verify, by attending the meetings of the Control and Risk Committee, compliance with procedures capable of assuring that related Parties are correctly identified and that transactions with them are carried out transparently and in compliance with criteria of substantial and procedural correctness, assessing the adequacy of the thresholds per the Procedure for transactions with related Parties and whether the transactions are in the best interests of the company and the adequacy of the information provided by the directors in the Report on Operations and in the Notes to the Financial Statements.

Opinions issued by the Board of Statutory Auditors
A. The Board of Statutory Auditors, agreeing with the determinations of the Nominations and

Remuneration Committee, expressed, in the course of the year, its favourable opinion in accordance with Article 2389 of the Italian Civil Code, in relation to the resolutions of the Board of Directors, pertaining to:

- the allocation of the annual remuneration for Directors tasked with specific duties, commensurate to their effort and defined (with the advice of specialised firms) through a process of market benchmarking with listed companies;
- the payment of an extraordinary bonus to the persons – including the Executive Deputy Chairman and the Chief Executive Officer – who gave a decisive contribution to the completion of the set of transactions involving ISAB Energy S.r.l. and ISAB Energy Services S.r.l., described in detail above - including the Executive Deputy Chairman and the Chief Executive Officer - quantified taking into account the strategic value of the transaction, the contribution actually provided by each person and the total amount of annual remuneration received.

The Board of Statutory Auditors verified that the above decisions, made by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, complied with the Group's current Guidelines and were consistent with the recommendations of the Corporate Governance Code, with the prescriptions set out both in the Procedure for Related Party Transactions and in the Remuneration Policy, contained in the Remuneration Report, submitted to the consultative vote of the Shareholders' Meeting.

The information about the nature and entity of this compensation is provided in the Remuneration Report (in accordance with Article 123-ter of Italian Legislative Decree no. 58/98), whose approach was examined by the Board of Statutory Auditors and shared with the Control and Risk Committee.

B. The Board of Statutory Auditors, agreeing with the determinations of the Nominations and Remuneration Committee, also expressed its favourable opinion in relation to the resolutions of the Board of Directors, pertaining to:

- the allocation to the Chief Audit, Risk and Compliance Officer, of variable remuneration for the year 2013 and of the partly fixed and partly variable remuneration for the year 2014 defined by the Board of Directors at the proposal of the Director in charge of the Internal Control and Risk Management System, with the favourable opinion of the Internal Control and Risk Committee; the expression of the Board of Statutory Auditors' opinion is explicitly required by the Corporate Governance Code, criterion 7;
- the appointment of the Manager responsible for preparing the company's financial reports and the allocation of his/her remuneration, as required by Article 154-bis, Paragraph 1 of the Consolidated Finance Act.

C. The Board of Statutory Auditors also verified:

- the analysis of the corporate goal of the MBO System in 2013 and the fulfilment of the on/off conditions prescribed by the regulations;
- the revision of the values and of the thresholds of the corporate indicator of the MBO System for 2014;
- the revision of the target value of the EVA and of the EVA differential and of the related thresholds, in accordance with the Regulations of the medium-long term incentive (LTI) system.

The information about the Remuneration Policy is provided in the Remuneration Report, whose approach was examined by the Board of Statutory Auditors and shared with the Control and Risk Committee.

Concrete implementation of the corporate governance rules

The Board of Statutory Auditors concretely ascertained the actual and correct application of the corporate governance rules implementing the Corporate Governance Code, published in December 2011, which the company adopted, as adequately represented in the Report on Corporate Governance and Ownership, in compliance with Article 124-ter of the Consolidated Finance Act of with Article 89-bis of the CONSOB Regulation.

The Board of Statutory Auditors acknowledged that in 2014 the Corporate Governance Committee, applying the European Commission Recommendation no. 208 of 9 April 2014, amended and supplemented the guiding principles no. III and no. IV of the Corporate Governance Code (calling for greater focus on the adequacy and more in general on the quality of the information provided through the report on Corporate Governance).
The Board of Statutory Auditors, upon examining the additions and amendments proposed in the new text of the Guiding Principles of the Corporate Governance Code, deemed that the impact of the changes on corporate governance is not significant.
The Board of Statutory Auditors verified, in accordance with Article 3, Paragraph 5 of the Corporate Governance Code, within the scope of its oversight on the manner of concrete implementation of corporate governance rules, the correct enforcement of the assessment criteria and procedures adopted by the Board of Directors, concerning the positive evaluation of Directors' independence, both with reference to the provisions of Article 148, third paragraph, of the Consolidated Finance Act, and with reference to the contents of the Corporate Governance Code, assigning more relevance to substance (assurance of independent judgement) over form.
The Board of Statutory Auditors agreed with the positive assessment expressed by the Nominations and Remuneration Committee and endorsed by the Board of Directors as required by application standard no. 1. Paragraph 1, Letter g) of the Corporate Governance Code, on the size and composition of the Board of Directors and its operation as well as on the size, composition and operation of the board committees. To carry out the assessment, the Board employed the assessment criteria already used in the past year, on the basis of the results of a self-assessment questionnaire prepared by the Nominations and Remuneration Committee and filled in by all members of the Board of Directors and of the Board of Statutory Auditors.

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Supervision on the adequacy of the organisational structure

The Board of Statutory Auditors was adequately informed on the organisational structure of the ERG Group, developed according to the principles of consistency between form and substance, of the sole responsibility of the entire Administration, Finance and Control world and of the system of Internal Committees to assist Board Committees.
The Board of Statutory Auditors verified that the decision-making structure of the company matches the vested powers.

Compliance with the provisions of Italian Legislative Decree 231/2001

With reference to the organisational and procedural activities performed in accordance with Italian Legislative Decree no. 231/2001, for the administrative liability of Entities for the offenses prescribed by the regulations, the Board of Statutory Auditors acknowledged, both in the meeting with the Supervisory Committee and in the periodic reports prepared by the aforesaid Body on the activity it carried out, that no significant critical issues were observed for the purposes of the implementation and effectiveness of the organisation, management and control Model.
For the matters under its competence, the Board of Statutory Auditors:

– assessed whether the members of the Supervisory Committee meet the professional requirements prescribed by the Model in accordance with Italian Legislative Decree no. 231/2001;
– noted the adequacy of the powers and financial resources allocated to the Supervisory Committee for the proper performance of its institutional duties;
– verified consistency between the reports it received and the disclosure provisions of the Model;
– examined the schedule of activities and the budget of the Supervisory Committee for 2015.

Health, Safety, Environmental regulations

The Board of Statutory Auditors was periodically informed about the Group's activities pertaining to health, safety, environment and quality, as well as about the training and updating activity in relation to the regulations promulgated on these matters from time to time and it noted the

constant attention of the corporate bodies and of the Management with regard to these issues, whose policy is an integral part of the Code of Ethics. In particular, the attention dedicated to constant training, updating and improvement activities is readily apparent, along with the existence of a formalised system of delegation of authority, with the precise definition of duties and responsibilities.
The Board of Statutory Auditors acknowledged that consistently with the Sustainability Policy, of which health, safety and environmental issues are an integral part:
– ISAB Energy Services S.r.l. renewed its certification for the activities carried out at the sites of the ISAB Energy and ERG Power plants and pertaining to ERG Power, as owner of the assets comprising the CCGT Plant, the certification relating to environmental management in accordance with ISO 14001;
– ERG Renew completed the group certification process of the Integrated Management Systems according to the standard ISO14001, ISO9001 and OHSAS 18001, for all Subsidiaries, including ERG Renew Operations & Maintenance (excluding only companies within the LUKERG perimeter).

Privacy regulations
During the year, the ERG Group upgraded its security policies in order to assure an adequate level of protection of personal data subject to processing in compliance with the Privacy Code (Italian Legislative Decree no. 196/2003) and of the Instructions issued by the Supervisory Authority.

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Supervision on the adequacy of the internal control system
The Board of Statutory Auditors assessed and monitored the adequacy of the Internal Control System, compliant with the principles set out in the Corporate Governance Code and, more in general, with best practices, both in its design and operation.
Attending the meetings of the Internal Control and Risk Committee enabled both the timely exchange of relevant information for the performance of the respective duties and coordination with the activities of the Committee in carrying out the function, assigned to the Board of Statutory Auditors by Article 19 of Italian Legislative Decree no. 39/2010, of Committee for Internal Control and Audit, aimed, in particular, at overseeing the process pertaining to financial disclosure and the effectiveness of the internal control, internal audit and risk management systems.
The Board of Statutory Auditors acknowledges that it verified the most significant activities carried out by the whole internal control and risk management system by attending the meetings of the Control and Risk Committee and of the Nominations and Remuneration Committee and examining the reports of the Internal Audit, Risk & Compliance function.
Within the scope of this activity, in particular, the Board of Statutory Auditors received and examined:
– the periodic reports on activities prepared by the Control and Risk Committee and by the Internal Audit, Risk and Compliance Division;
– the reports prepared, at the conclusion of the audit and monitoring activities, by the Internal Audit, Risk and Compliance Division, with the related findings, recommended actions and follow up;
– the quarterly updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by the Internal Audit, Risk and Compliance Division and the objectives achieved.

Neither the periodic reports nor the meetings with the Internal Audit, Risk and Compliance Division brought to light any deficiencies in the available resources or any restrictions imposed on the monitoring activity.
The Board of Statutory Auditors expressed its favourable opinion, as expressly required by the Corporate Governance Code, with respect to the plan of activities and to the budget of the Internal Audit, Risk & Compliance Division for 2015, with reference also the adequacy of the resources employed.
With regard to risk management, the Board of Statutory Auditors noted that, in compliance with

the guidelines, transactions are carried out to minimise commodity price risks and financial risks (foreign exchange and interest rate risk), solely for hedging purposes, without taking speculative positions; derivative financial instruments, as defined by Article 2427-bis of the Italian Civil Code (options, swaps, futures and forward contracts), were used. The Notes to the Financial Statements provide, in accordance with Article 2427-bis of the Italian Civil Code, the market values, on the basis of the mark to market values of the reference market, verifying their fairness through evaluation instruments and models.
Lastly, the Board of Statutory Auditors examined and shared with the Control and Risk Committee the proposals to the Board of Directors for the revision:

– of the Code of Ethics;
– of the administrative-accounting organisational Model (Italian Law no. 262/2005);
– of the Guidelines of the Internal Control and Risk Management System;
– of the Internal Audit Mandate;
– of the corporate governance documents (Code of Conduct for Directors, Code of Conduct for Internal Dealing, Guidelines for identifying and carrying out significant transactions, Procedure for handling and processing privileged information and for the public dissemination of statements and information, Procedure for Related Party transactions).

As a result of the activity carried out during the year, as described in detail above, the Board of Statutory Auditors agreed with the positive evaluation expressed by the Control and Risk Committee with regard to the adequacy of the internal control and risk management System.

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Supervision of the adequacy of the administrative-accounting system

With reference to the activity of overseeing the adequacy of the administrative-accounting system and its reliability in correctly representing operations, the Board of Statutory Auditors received adequate information about the monitoring of company processes with administrative-accounting impact within the scope of the internal control system, performed both during the year in relation to periodic reports on operations and upon closing the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification obligations ERG S.p.A. must fulfil in accordance with Law 262/05.
In this regard, the Board of Statutory Auditors reviewed the proposed updates to the Model per Italian Law no. 262/2005, as a result of the organisational and corporate changes made to the Group, the risk assessment and the results of the test activities, taking into account the outcomes of the test activities on the checks made and the plan of scheduled activities.
No particular critical issues and elements were found that would prevent the issue of the certification by the Manager responsible for preparing the company's financial reports and by the Chief Executive Officer on the adequacy of the administrative and accounting procedures for the drafting of the Financial Statements of ERG S.p.A. and of the Consolidated Financial Statements both for the year 2013 and for the year 2014.
The adequacy of the administrative-accounting system was also assessed through the acquisition of information from the heads of the respective functions and the analysis of the results of the work carried out by the Independent Auditors.
The Board of Statutory Auditors oversaw compliance with regulations on the preparation and publications of the Half-yearly Financial Report and on Interim Reports on Operations, as well as their manner of drafting and the correct application of accounting standards, using also the information obtained from the Independent Auditors.
The Board of Statutory Auditors verified the adequacy of the instructions issued by ERG S.p.A to its subsidiaries, both with reference to the flows of data necessary for the preparation of the Financial Statements and the Interim Reports, and to compliance with public disclosure obligations pursuant to Article 114, Paragraph 2 of Legislative Decree no. 58/98.

Omissions or objectionable facts

As a result of the supervision and control activity carried out during the year, the Board of Statutory Auditors can certify and note that:

– during the activity carried out, no omissions, irregularities or objectionable or otherwise significant facts emerged, such as would require notification to the supervisory bodies or mention herein;
– the Board of Statutory Auditors did not receive any reports in accordance with Article 2408 of the Italian Civil Code or complaints by third parties;
– no transactions were identified, either with third parties or intra-group and/or with related parties, that appeared atypical or unusual by their contents, nature, dimensions and timing.

Supervision of the auditing of accounts

During the year, the Board of Statutory Auditors communicated regularly with the Independent Auditors, both through formal meetings attended also by the administrative managers of the Company, and through informal meetings between individual members of the Board and representatives of the Independent Auditors, for the purposes of the mutual exchange of significant data and information, in compliance with Article 150 of Legislative Decree 58/98. The utmost collaboration was always provided, also with regard to work on the preparation of the Financial Statements, and no critical issues of any significance emerged.

As prescribed by Article 19 of Italian Legislative Decree no. 39/2010, in which the Board of Statutory Auditors is qualified as the Internal Control and Audit Committee, the Independent Auditors illustrated the 2014 Audit Plan to the Board of Statutory Auditors.

On 23 March 2015, the Independent Auditors delivered to the Board of Statutory Auditors, in its capacity as the "Internal control and audit committee in accordance with Article 19 of Italian Legislative Decree 39/2010" the report on the fundamental issues emerged in the course of the regulatory audit, which did not denounce any significant deficiencies in the internal control system in relation to the financial disclosure process.

Taking into account the "Annual transparency report" prepared by Deloitte & Touche S.p.A., published on its Website and delivered to the Board of Statutory Auditors, as well as the formal confirmation of its own independence issued by the aforesaid company and of the communication of the duties assigned, also through entities belonging to the network, by ERG S.p.A. and by the consolidated companies, acknowledging that no appointments were made for services that may compromise the Independent Auditors' independence in accordance with Article 17 of Legislative Decree 39/2010, the Board of Statutory Auditors does not deem that there are any critical aspects with respect to the independence of Deloitte & Touche S.p.A.

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For the full audit of the Separate Financial Statements and of the Consolidated Financial Statements and for the limited audit of the Half-yearly financial report, the Independent Auditors Deloitte & Touche S.p.A. received total compensation of EUR 160 thousand.

Additionally, ERG S.p.A. contracted Deloitte & Touche S.p.A. for additional services amounting to EUR 234 thousand for the following work:

– Agreed audit procedures on periodic reports	EUR 212 thousand
– Certification services for pertaining to the conformity review of the separate yearly accounts for the purposes of AEEG resolution no. 11/2007	EUR 21 thousand
– Other minor services	EUR 1 thousand

The Board of Statutory Auditors verified the revision of the consideration, consistently with the contractual conditions of the original proposal, deeming fair the measure of the revision according to the number of hours expended.

Companies connected to the Deloitte & Touche network (Deloitte ERS) were contracted to perform services to determine the GAP Analysis for the purposes of the sustainability report, for EUR 53,000.

The Board of Statutory Auditors reviewed the proposals for professional advisory services and verified that the activity is not incompatible with the auditing activity, in accordance with Article

160 of the Issuers' Regulations, as confirmed by CONSOB in the document "outcome of the consultation" of 4 May 2007.

For complete disclosure, it is hereby also reported that Deloitte & Touche S.p.A. received from ERG S.p.A. and from subsidiaries (excluding ERG Renew S.p.A., which appointed Reconta Ernst & Young) auditing appointments for total fees of EUR 695 thousand and additional appointments, other than auditing Financial Statements, for a total amount of EUR 328 thousand, for the following activities:

- Certification services pertaining to the conformity review of the separate yearly accounts for the purposes of AEEG resolution no. 11/2007 EUR 51 thousand
- Agreed audit procedures on periodic reports EUR 212 thousand
- Agreed audits (covenants, assets, sale of business units and signing of tax returns) EUR 65 thousand

In addition, companies connected with the network of the Independent Auditors received appointments for the total amount of EUR 702 thousand, of which EUR 389 thousand for tax advice in relation to the Wind Group

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Supervisory activity pertaining to the separate Financial Statements and to the Consolidated Financial Statements

Concerning the Separate Financial Statements, the following is reported:

- the Board of Statutory Auditors ascertained, through direct checks and information obtained from the Independent Auditors, compliance with the laws that regulate the drafting and organisation of the Financial Statements and of the Report on Operations, of the financial statement models adopted, certifying the correct utilisation of the accounting standards, described in the Notes to the Financial Statements and the Company's Report on Operations.
- in accordance with CONSOB Resolution no. 15519/2006, the Financial Statements expressly indicate the effects of transactions with related parties.
- the Notes to the Separate Financial Statements provide the information prescribed by International Accounting Standards with regard to asset impairment. The compliance of the impairment test procedure with the prescriptions of IAS 36 and of the Bank of Italy/ CONSOB/Isvap joint Document no. 4 of 3 March 2010 was subjected to the formal approval of the Board of Directors in the meeting of 24 February 2015, autonomously and in advance with respect to the time of approval of the financial reports, as recommended by the aforesaid Document. The Board of Statutory Auditors has analysed and discussed, in a joint meeting with the Internal Control and Risk Committee, the document prepared and illustrated by an independent expert, which describes the analyses made and the results obtained in the impairment test activity.

The Board of Statutory Auditors, after analysing on one hand the consistency with the schemes adopted previously and on the other hand the reasons for change relative to the previous year, deemed the procedure correct and the main assessment hypotheses reasonable, and therefore approved the results thereof.

The outcomes of the impairment tests, supported by broker consensus evaluations, are adequately illustrated in the Notes to the Financial Statements and they are set out below:

a) n the Separate Financial Statements:
   Equity investment in TotalErg S.p.A.: the carrying value of the equity investment was maintained.
   Equity investment in ERG Renew S.p.A.: the carrying value was restored by the amount of the write-down applied in previous periods for the portion still remaining at 31 December 2014.
   Equity investment in ERG Power Generation S.p.A.: the carrying value of the equity investment was maintained.
b) in the Consolidated Financial Statements:
   CCGT plant of ERG Power S.r.l.: the carrying value of the asset was maintained.
   Equity investment in TotalErg S.p.A.: the carrying value of the equity investment was maintained.

The Chief Executive Officer and the Manager responsible for preparing the company's financial reports issued the certification, in accordance with Article 81-ter of CONSOB Regulation no. 11971/1999 as amended and with Article 154-bis of Italian Legislative Decree 58/1998 (Consolidated Finance Act).
The Financial Statements match the facts and information of the Board of Statutory Auditors became aware in the performance of its supervisory duties and in the exercise of its oversight and inspection powers.
The Report on Operations meets law-mandated requirements and it is consistent with the data and results of the Financial Statements; it provides ample disclosure about the business and about relevant transactions, of which the Board of Statutory Auditors had punctually been informed, and about the main risks of the company and of its subsidiaries and on intra-group transactions and transactions with related parties, as well as about the process of upgrading the corporate organisation in accordance with the standards of governance, consistently with the Corporate Governance Code for listed companies.
In accordance with Article 123-ter of Legislative Decree 58/1998 (Consolidated Finance Act), the Report on Remuneration, which the Board of Statutory Auditors reviewed, agreeing with the approach followed in its preparation, in a joint meeting with the Internal Control and Risk Committee, is submitted to the Shareholders' Meeting.

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On 23 March 2015, the Independent Auditors issued the report in accordance with Articles 14 and 16 of Italian Legislative Decree 39/2010, declaring that the Financial Statements as at 31 December 2014 are in accordance with the International Financial Reporting Standards – IFRS – adopted by the European Union, and with the regulations promulgated to implement Article 9 of Italian Legislative Decree no. 38/2005, and they are prepared clearly and they represent truthfully and fairly the financial situation, the income and expenses and the cash flows of ERG S.p.A. for the year that ended on that date.
The audit report expresses the judgements on the consistency with the Financial Statements of the Report on Operations and of the information of the Report on Corporate Governance, per Article 123-bis of Italian Legislative Decree no. 58/98.
In view of the contents of this report, the Board of Statutory Auditors has no observations to formulate with respect to the approval of the Financial Statements as at 31 December 2014 and to the proposal of the Board of Directors and on the payment of dividends using the earnings from the year 2014 and, for the residual part, using retained earnings.

Genoa, Italy, 23 March 2015

The Board of Statutory Auditors
(Dott. Mario Pacciani)

(Dott.ssa Elisabetta Barisone)

(Dott. Lelio Fornabaio)

AUDITORS' REPORT

Deloitte.

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AUDITOR'S REPORT ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39 OF JANUARY 27, 2010

To the Shareholders of
ERG S.p.A.

1. We have audited the separate financial statements of ERG S.p.A. as of and for the year ended December 31, 2014, which comprise the statement of financial position, the income statement, the statement of other comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related notes to financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company'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 the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the notes to the financial statements, the Directors have reclassified certain comparative data related to the prior year's financial statements with respect to the data previously reported and audited by us, on which we issued our auditors' report dated March 21, 2014. These reclassifications of comparative data and related disclosures included in the notes to the financial statements have been audited by us for the purpose of expressing our opinion on the separate financial statements as of December 31, 2014.

3. In our opinion, the separate financial statements of ERG S.p.A. as of December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of ERG S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of ERG S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance and ownership are consistent with the separate financial statements of ERG S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Corrado Toscano
Partner

Genoa, Italy
March 23, 2015

This report has been translated into the English language solely for the convenience of international readers.

FINANCIAL STATEMENTS OF THE MAIN SUBSIDIARIES AND JOINT VENTURES

STATEMENT OF FINANCIAL POSITION

	ERG POWER S.R.L. (EUR THOUSAND)	ERG POWER GENERATION S.P.A. (EUR THOUSAND)	ERG SUPPLY & TRADING S.P.A. (EUR THOUSAND)	ERG SERVICES S.P.A. (EUR THOUSAND)
TANGIBLE FIXED ASSETS	376.274	–	–	9.779
INTANGIBLE FIXED ASSETS	9.572	359	451	1.955
FINANCIAL FIXED ASSETS	10.622	41.803	2	80
FIXED ASSETS	**396.468**	**42.162**	**453**	**11.814**
INVENTORIES	8.664	–	30.631	–
TRADE RECEIVABLES	14.393	124.480	144.239	7.823
TRADE PAYABLES	(14.968)	(161.416)	(130.881)	(1.995)
EXCISE DUTIES PAYABLE TO TAX AUTHORITIES	–	(198)	–	–
NET WORKING CAPITAL	**8.089**	**(37.134)**	**43.989**	**5.828**
EMPLOYEES' SEVERANCE INDEMNITIES	–	(295)	(277)	(616)
OTHER ASSETS	6.122	43.043	8.077	922
OTHER LIABILITIES	(7.515)	(29.334)	(7.930)	(5.510)
NET INVESTED CAPITAL	**403.164**	**18.442**	**44.312**	**12.438**
GROUP SHAREHOLDERS' EQUITY	107.456	32.041	(9.311)	10.011
NET FINANCIAL INDEBTEDNESS	295.708	(13.599)	53.623	2.427
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**403.164**	**18.442**	**44.312**	**12.438**

INCOME STATEMENT

	ERG POWER S.R.L.	ERG POWER GENERATION S.P.A.	ERG SUPPLY & TRADING S.P.A.	ERG SERVICES S.P.A.
REVENUES FROM ORDINARY OPERATIONS	130.597	378.164	3.829.487	21.111
OTHER REVENUES AND INCOME	92	5.643	11.118	64
TOTAL REVENUES	**130.689**	**383.807**	**3.840.605**	**21.175**
COST OF PURCHASES	(3.331)	(282.061)	(3.821.282)	(99)
CHANGE IN INVENTORIES	(954)	–	(15.860)	–
COSTS FOR SERVICES AND OTHER OPERATING COSTS	(48.589)	(80.652)	(18.836)	(11.339)
PERSONNEL COSTS	–	(3.393)	(2.719)	(7.026)
EBITDA	**77.815**	**17.701**	**(18.092)**	**2.711**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(35.717)	(290)	(157)	(2.061)
EBIT	**42.098**	**17.411**	**(18.249)**	**650**
NET FINANCIAL INCOME (EXPENSES)	(15.861)	(393)	(7.810)	(49)
NET INCOME (EXPENSES) FROM EQUITY INVESTMENTS	–	–	–	–
PROFIT (LOSS) FROM ORDINARY OPERATIONS	**26.237**	**17.018**	**(26.059)**	**601**
NET NON-RECURRING INCOME (EXPENSES)	–	380	–	–
PROFIT (LOSS) BEFORE TAXES	**26.237**	**17.398**	**(26.059)**	**601**
INCOME TAXES	(11.806)	(4.759)	6.636	(513)
NET PROFIT (LOSS) FOR THE YEAR	**14.431**	**12.639**	**(19.423)**	**88**

ISAB ENERGY S.R.L. (EUR THOUSAND)	ISAB ENERGY SERVICES S.R.L. (EUR THOUSAND)	ERG RENEW S.P.A. (EUR THOUSAND)	GRUPPO ERG RENEW (EUR THOUSAND)	TOTALERG S.P.A. (EUR MILLION)	GRUPPO TOTALERG (EUR MILLION)
165	–	1.505	1.049.837	412,6	516,3
–	–	2.223	453.396	25,8	47,4
–	–	389.900	36.445	89,9	68,1
165	**–**	**393.628**	**1.539.678**	**528,4**	**631,7**
–	–	–	9.801	331,5	359,8
25.307	10.646	24.124	185.484	361,7	479,0
(29.063)	(3.352)	(8.403)	(19.554)	(748,3)	(823,1)
–	–	–	–	(131,1)	(131,1)
(3.756)	**7.294**	**15.721**	**175.731**	**(186,2)**	**(115,3)**
–	(893)	(494)	(2.587)	(5,8)	(8,4)
22.772	943	27.325	154.212	212,0	272,2
(83.558)	(3.633)	(12.586)	(259.601)	(247,3)	(275,9)
(64.377)	**3.711**	**423.594**	**1.607.433**	**301,1**	**504,4**
550.353	15.249	636.511	635.764	194,1	252,4
(614.730)	(11.538)	(212.917)	971.669	107,0	252
(64.377)	**3.711**	**423.594**	**1.607.433**	**301,1**	**504,4**
231.135	27.974	21.661	327.631	5.126,0	5.831,6
10.931	2.142	1.619	10.949	43,5	59,7
242.066	**30.116**	**23.280**	**338.580**	**5.169,5**	**5.891,4**
(135.881)	(97)	(5.029)	(4.949)	(4.715,9)	(5.324,0)
764	–	–	2.567	(31,2)	(32,8)
(51.280)	(7.484)	(16.561)	(69.168)	(451,3)	(491,6)
–	(17.094)	(5.276)	(14.310)	(47,1)	(76,8)
55.669	**5.441**	**(3.586)**	**252.720**	**(76,0)**	**(33,9)**
(24.505)	–	(555)	(125.555)	(68,4)	(88,9)
31.164	**5.441**	**(4.141)**	**127.165**	**(144,4)**	**(122,8)**
1.185	26	8.566	(57.234)	(20,8)	(25,8)
–	–	15.464	(1.257)	6,6	4,3
32.349	**5.467**	**19.889**	**68.674**	**(158,6)**	**(144,3)**
111.475	4.681	–	–	(5,5)	–
143.824	**10.148**	**19.889**	**68.674**	**(164,1)**	**(144,3)**
(76.808)	(3.473)	3.634	(26.396)	29,2	17,5
67.016	**6.675**	**23.523**	**42.279**	**(134,9)**	**(126,8)**

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Company Register Genoa

and Fiscal Code 94040720107

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ERG S.p.A. - March 2015

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