

ERG S.p.A.
Ordinary Shareholders' Meeting of 15/16 April 2014

Report of the Board of Directors

*pursuant to Article 125-ter of Legislative Decree no. 58 dated 24 February 1998
("Consolidated Finance Act") and Article 73 of the Regulations implementing
the Consolidated Finance Act adopted by CONSOB under resolution
no. 11971 of 14 May 1999, as amended and supplemented ("Issuers' Regulations")*



Ordinary Shareholders' Meeting of 15/16 April 2014

Agenda

1. Annual Financial Statements for the period ended 31 December 2013 and the Report on Operations; resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2013
2. Allocation of the net profit for the year; resolutions related and consequent thereto
3. Reconstitution of the Board of Statutory Auditors
4. Fixing of the fees payable to members of the Board of Directors, the Control and Risk Committee and the Nominations and Remuneration Committee for the year 2014
5. Authorisation for the purchase and disposal of treasury shares, subject to prior revocation of the previous authorisation approved by the Shareholders' Meeting on 23 April 2013
6. Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 dated 24 February 1998.

Dear Shareholders,

We submit for your attention the following considerations.

1. Annual Financial Statements for the period ended 31 December 2013 and the Report on Operations; resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2013

Reference is made to the ERG S.p.A. Annual Financial Report for the period ended 31 December 2013, which includes the ERG S.p.A. Annual Financial Statements, the Consolidated Financial Statements, the Report on Operations – together with the Report on Corporate Governance and Ownership – and the certification referred to in Article 154-bis, paragraph 5 of the Consolidated Finance Act, as well as the Reports of the Independent Auditors and the Board of Statutory Auditors, the full text of which will be made available to the public at the Company's registered office and on the Company website (www.erg.it) in the section "Governance/2014 Shareholders' Meeting" no later than 25 March 2014.

Shareholders, you are therefore invited to adopt the following resolution:

"The Ordinary Shareholders' Meeting,

resolves

to approve the ERG S.p.A. Annual Financial Statements for the period ended 31 December 2013, which closes with a net profit of Euro 29,165,637.14."

2. Allocation of the net profit for the year; resolutions related and consequent thereto

Shareholders, with regard to the results achieved, you are invited to adopt the following resolution:

*“The Ordinary Shareholders' Meeting,
resolves*

- to pay Shareholders a dividend of Euro 1.00 per share, including a non-recurring component of Euro 0.50 per share which we propose be distributed bearing in mind the successful conclusion of an essential phase of the strategic industrial reorganisation project commenced in 2008. The dividend will be paid for each share with 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 release part of the unavailable portion of the “Reserve for IAS transition and retained earnings” in the amount of Euro 83,966,160.55 in relation to the write-down by the same amount, net of the related tax effects, of the equity investment in the TotalErg S.p.A. Joint Venture. In fact, it should be mentioned that, at the time of approving the 2010 Financial Statements, an unavailable reserve was allocated pursuant to Article 6, paragraph 1.a) of Legislative Decree no. 38/2005, using a part of the profit in the amount of Euro 346,403,569.83 corresponding to the unrealised portion, net of tax charges, of the capital gain deriving from incorporation of the TotalErg Joint Venture, and that part of the reserve in the amount of Euro 145,484,000.00 Euro was already released last year following the write-down of the TotalErg shareholding in the 2012 financial statements;*
- to make the dividend payable starting from 22 May 2014, with an ex-dividend date as of 19 May 2014 and record date of 21 May 2014.”*

3. Reconstitution of the Board of Statutory Auditors

We mention that on 12 December last Stefano Remondini tendered his resignation from the position of Alternate Auditor with ERG S.p.A. (as well as from the positions of Standing and Alternate Auditor with other companies belonging to the Group) on account of other professional commitments he has agreed to undertake.

It has therefore become necessary for the Shareholders' Meeting to reconstitute the Board of Statutory Auditors (appointed by the Shareholders' Meeting on 23 April 2013 and whose candidates were drawn from the sole list presented by majority shareholder San Quirico S.p.A.) by appointing an Alternate Auditor, in observance of the provisions set forth by Article 2397, second paragraph of the Italian Civil Code and Article 148 of the Consolidated Finance Act.

The term of office of the Auditor thus appointed will expire to coincide with the other members of the Board of Statutory Auditors and, therefore, as at the date of the Shareholders' Meeting called to approve the financial statements for the period ending 31 December 2015.

It should be mentioned that, since the necessity to reconstitute the Board of Statutory Auditors is due to the replacement of an Alternate Auditor elected on the majority list, pursuant to Article 22, paragraph 16.b) of the Articles of Association, the appointment will be made by majority vote, without list obligation, on the basis of the proposals formulated in accordance with applicable legislative, regulatory and statutory provisions.

4. Fixing of the fees payable to members of the Board of Directors, the Control and Risk Committee and the Nominations and Remuneration Committee for the year 2014

In accordance with the provisions set forth by Article 2389, first paragraph of the Italian Civil Code, the fees payable to members of the Board of Directors are determined at the time of appointment or by the Shareholders' Meeting.

The Shareholders' Meeting is therefore called upon to pass resolution with regard to the fee to be allocated to each member of the Board of Directors, valid until the date of the Shareholders' Meeting convened to approve the Annual Financial Statements for the period ending 31 December 2014, as well as the additional fees to be allocated to the Directors, other than Group employees, who do not hold offices within the Board and who are members of ERG's Control and Risk Committee and Nominations and Remuneration Committee, valid until the date of the Shareholders' Meeting convened to approve the Annual Financial Statements for the period ending 31 December 2014, on the basis of proposals formulated in accordance with applicable legislative, regulatory and statutory provisions.

It is in fact worth mentioning that, as a general rule, the Shareholders' Meeting determines on an annual basis, for each financial period, the fee to be assigned to individual Board members and the additional fee for participation in the aforesaid Committees.

As regards FY2013, the Shareholders' Meeting approved a fee of Euro 60,000.00 for the members of the Board of Directors, Euro 45,000.00 for the members of the Control and Risks Committee and Euro 30,000.00 for the members of the Nominations and Remuneration Committee.

5. Authorisation for the purchase and disposal of treasury shares, subject to prior revocation of the previous authorisation approved by the Shareholders' Meeting on 23 April 2013

In previous years, the Shareholders' Meeting adopted structured resolutions regarding the purchase and disposal of treasury shares, the last of which, concerning the purchase and disposal of treasury shares, had a validity of 12 months with effect from 23 April 2013 and is therefore due to expire on 23 April 2014.

In anticipation of the Shareholders' meeting on 15 April 2014, the Board of Directors agreed that a proposal should be made for the Shareholders' Meeting to adopt a new resolution authorising the purchase and disposal of treasury shares, subject to prior revocation of the previous authorisation approved by the Shareholders' Meeting on 23 April 2013.

This having been said, the reasons justifying the adoption of a new authorisation resolution on the part of the Shareholders' Meeting are set out below.

Regarding purchase

It is considered appropriate to be able to carry out purchase transactions on ERG's ordinary shares in order to optimise the equity structure with a view to maximising value creation for Shareholders, also in relation to the significant liquidity available.

Regarding disposal

It is considered appropriate to be able to use the treasury shares held in portfolio in order to optimise financial leverage and however in all other circumstances where the possibility to dispose of the shares appears, in the opinion of the administrative body, to be in keeping with the interests of the Company and the Shareholders.

This having been said, we submit for your approval our request for authorisation to both purchase and sell treasury shares, subject to prior revocation of the previous authorisation approved by the Shareholders' Meeting on 23 April 2013, at the following terms and conditions:

- 1) authorisation, for a period of 12 months with effect from the date of the relative resolution, in accordance with Article 2357 of the Italian Civil Code, to purchase treasury shares up to a revolving limit (intending thereby the maximum number of treasury shares from time to time held in portfolio) of 30,064,000 (thirty million and sixty-four thousand) ERG ordinary shares having a nominal value of Euro 0.10 each, at a unitary price, including additional purchase charges, to be no more than 30% lower in minimum and no more than 10% higher in maximum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual transaction.

Purchases must be carried out in compliance with Article 132 of the Consolidated Finance Act and in the manners set forth by Article 144-bis,

paragraph 1.b) of the Issuers' Regulations and namely "*on markets regulated according to the operating procedures established in the rules for the organisation and management of such markets, which do not allow the direct matching of buy orders against predetermined sell orders*";

- 2) authorisation, for a period of 12 months with effect from the date of the relative resolution, in accordance with Article 2357-ter of the Italian Civil Code, to sell treasury shares, in one or more stages, at a unitary price no more than 10% lower in minimum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual sale and however not below the unitary value per share included in the Company's Shareholders' equity as from time to time appearing in the last approved financial statements.

As regards the procedures for the disposal of treasury shares we propose that the authorisation permit the adoption of whatever procedures may seem appropriate in relation to the actual objectives to be pursued by way of such disposal.

* * *

Shareholders,

If our above proposal meets with your agreement, we invite you to kindly adopt the following resolution:

"The Ordinary Shareholders' Meeting,

- *having reviewed the Explanatory Report of the Board of Directors;*
 - *having regard to the contents of the last approved financial statements,*
- resolves*

- 1) *to authorise the Board of Directors, in accordance with Article 2357 of the Italian Civil Code, for a period of 12 months with effect from the date of this resolution, to purchase treasury shares up to a revolving limit (intending thereby the maximum number of treasury shares from time to time held in portfolio) of 30,064,000 (thirty million and sixty-four thousand) ERG ordinary shares having a nominal value of Euro 0.10 each, at a unitary price, including additional purchase charges, to be no more than 30% lower in minimum and no more than 10% higher in maximum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual transaction, in order to optimise the equity structure with a view to maximising value creation for shareholders, also in relation to the significant liquidity available. The purchase must be conducted through the use of distributable profits and available reserves resulting from the last approved financial statements, in compliance with Article 132 of the Consolidated Finance Act and in the manners set forth by Article 144-bis, paragraph 1.b) of the Issuers' Regulations and namely "*on markets regulated according to the operating procedures established in the rules for the organisation and management of such markets, which do not allow the direct matching of buy orders against predetermined sell orders*";*

- 2) *to authorise the Board of Directors, in accordance with Article 2357-ter of the Italian Civil Code, for a period of 12 months with effect from the date of the relative resolution, to sell treasury shares, in one or more stages and adopting any procedure deemed appropriate in relation to the actual objectives to be pursued by way of such disposal, at a unitary price no more than 10% lower in minimum with respect to the reference price recorded by the share during the stock exchange session on the day prior to each individual sale and however not below the unitary value per share included in the Company's Shareholders' equity as from time to time appearing in the last approved financial statements;*
- 3) *to authorise the Board of Directors to delegate, even to authorised intermediaries, the power to perform the operations for the purchase and sale of treasury shares to be carried out under this resolution.*
- 4) *To revoke the previous authorisation for the purchase and disposal of treasury shares approved by the Shareholders' Meeting on 23 April 2013".*

6. Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 dated 24 February 1998

In accordance with the provisions set forth by Article 123-ter of the Consolidated Finance Act, the Board of Directors is required to approve a Remuneration Report which, specifically, a) in the first section: (i) explains the company's policy concerning remuneration of the administrative body members, general managers and executives with strategic responsibilities with reference to at least the 2014 financial period and (ii) describes the procedures used for the adoption and implementation of such policy; b) in the second section: (i) provides an adequate description of each of the items making up the remuneration, including the benefits envisaged in case of retirement from office or termination of the employment relationship, drawing attention to the consistency thereof with the Company's remuneration policy as approved in the previous year; (ii) gives a detailed account of the remunerations paid during the reference period (namely 2013).

The Company's Board of Directors, during its meeting held on 11 March 2014, approved the Remuneration Report, to which reference is made, the full text of which will be placed at the disposal of the public at the Company's registered office and on the Company website (www.erg.it) in the section "Governance/2014 Shareholders' Meeting" no later than 25 March 2014.

In accordance with the above mentioned provisions, the Shareholders' Meeting is called upon to decide in favour of or against the first section of the Remuneration Report.

Genoa, 11 March 2014

ERG S.p.A.
The Chairman of the Board of Directors
Edoardo Garrone



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