

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, appointed by the Shareholders' Meeting of 15 April 2010, verified, upon acceptance of the appointment and subsequently in the performance of its duties, the continued fulfilment of the requirements set out by Article 2397 of the Italian Civil Code and the lack of grounds for invalidation, ineligibility and incompatibility set out by Articles 2382 and 2399 of the Italian Civil Code and by Article 148, Paragraph 3, of Italian Legislative Decree 58/98.

The Board of Statutory Auditors carried out the evaluations necessary to deem confirmed the independence requirements of each statutory auditor, also according to the criteria set out by the Corporate Governance Code of listed companies for directors and by the Standards of Behaviour of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants.

The members of the Board of Statutory Auditors have undertaken that they have complied with the disclosure obligations set out by Article 148-bis of Italian Legislative Decree 58/98 and by the Issuers' Regulations at Articles 144-duodecies et seq., establishing limits to the accumulation of offices that may be held in other companies. The Board of Statutory Auditors undertakes that on 20 April 2012 it delivered to CONSOB, in compliance with CONSOB Communication no. 6031329 of 7 April 2006, the "Summary of oversight activities".

During the year ended on 31 December 2012, the Board of Statutory Auditors carried out the supervisory activities required of the Board of Statutory Auditors, in accordance with Article 149 of Italian Legislative Decree 58/98 (Consolidated Finance Act - CFA), in accordance with the Standards of Behaviour of the Board of Statutory Auditors in corporations with shares listed on regulated markets, prepared by the National Board of Chartered Accountants, and with the CONSOB's recommendations and notices on accounting audits and on the activities of the Board of Statutory Auditors.

In preparing this report, due consideration was also 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.

With reference to the supervisory activity carried out with respect to compliance with the law, with the Articles of Associations and with regulations and to the enforcement of proper administration standards, the Board of Statutory Auditors hereby undertakes that:

- during the 2012 financial year, the Board of Statutory Auditors met ten times and attended the Shareholders' Meeting, ten meetings of the Board of Directors and nine meetings of the Internal Control and Risk Committee;
- 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 and the directors' average attendance rate were adequate and we can undertake that 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 supported by suitable documentation and by expert opinions pertaining to the economic-financial congruity of transactions, when appropriate;

- 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;
- the Board of Statutory Auditors acquired from the directors, at least once per quarter, adequate information about the overall activity carried out by the Company, in the various segments where it operated, also through subsidiaries and affiliates, and about the transactions with the greatest economic and financial relevance, ascertaining that the actions resolved and carried out were compliant with the law and with the articles of association 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.

Additional information on the subsidiaries of ERG S.p.A. was obtained from the Independent Auditors and from the statutory auditors of the subsidiaries.

- the Board of Statutory Auditors received adequate information, in particular, about:
 - definition of the sale, through the exercise of the put option, of 20% of the share capital of ISAB S.r.l. and impact on income and cash flow;
 - abandonment of the projects of Ionio Gas and Rivara Storage in the gas business;
 - purchase of treasury shares, within the limits of the authorisation approved by the Shareholders' Meeting;
 - acquisitions of wind farms in Romania and Bulgaria by LUKERG (joint venture between ERG and LUKOIL);
 - effectiveness of the agreements pertaining to the sale of the business unit "Electricity Marketing" and impacts on income and cash flow;
 - settlement with Polimeri Europa 2009 relating to the year 2009 and its impacts on the 2012 Financial Statements;
 - 2013-2015 Business Plan, approved by the Board of Directors in December 2012, with the favourable opinion of the Strategic Committee, characterised by a significant strategic repositioning of the Group;
 - plan for the reconversion of the industrial site of Raffineria di Roma (wholly owned by TotalErg S.p.A.) into a major logistical hub for the storage and handling of petroleum products, shutting down the refinery;
 - distribution network restructuring plan (TotalErg S.p.A.);
 - acquisition of the IP Maestrone Group, formalised at the start of the current year and consequently without any impact on the 2012 Financial Statements;
 - developments in the regulatory framework.

The Company, by a resolution of the Board of Directors, with the favourable opinion of the Internal Control and Risk Committee, shared by the Board of Statutory Auditors, 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 increases by transfer in kind, acquisition and sale; this decision was disclosed to the public.

The Board of Statutory Auditors oversaw compliance with the "Market abuse" and "Protection of savings" regulations on 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 set out in Article 115-bis of the Consolidated Finance Act and of the Regulations about updates to the Register of persons having access to privileged information. 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.

The Board of Statutory Auditors participated in the process for formulating the update proposal, consistently with the change in organisational structure, with the Procedure for transactions with related parties, submitted by the Internal Control and Risk Committee and approved by the Board of Directors, verifying that the update is in line with the provisions of the Regulations for transactions with related parties adopted by CONSOB.

The Board of Statutory Auditors attended the meetings of the Nominations and Remuneration in which the short and medium term incentive Plan was examined and the progress of the objectives was verified, along with the medium/long term incentive plan (LTI) and the Policy for the remuneration of directors and key executives, proposed by the Nominations and Remuneration Committee and approved by the Board of Directors.

The Board of Statutory Auditors, agreeing with the conclusions of the Nominations and Remuneration Committee, expressed, during the year, its favourable opinion with regard to the resolutions of the Board of Directors, pertaining to:

- the allocation of the fixed annual remuneration for Directors tasked with specific duties, commensurate to the effort and defined (with the assistance of specialised consulting firms) through market benchmarking with listed companies;
- the allocation of a variable remuneration to the Chief Executive Officer, tied to value creation in the medium/long term, determined according to the rules prescribed in the LTI – Medium/long term incentive System;
- the payment of bonuses in view of extraordinary transactions completed successfully in 2012, to the executive Directors who participated in the transactions, in proportion to the economic benefit of the transaction, to the contribution actual given by each Director and to the amount of his/her remuneration.

The Board of Statutory Auditors acknowledges that all above decisions were made, at the proposal or with the well-reasoned favourable opinion of the Nominations and Remuneration Committee, in accordance with the Group's current guidelines, consistently with the Remuneration Policy and in compliance with the provisions of the Procedure for transactions with related parties. All information about the nature and the amount of such compensation is provided in the Report on Remuneration (in accordance with Article 123-ter of Italian Legislative Decree no. 58/98).

On 30 July 2012, the Board of Directors di ERG S.p.A. resolved to adhere to the new edition – December 2011 – of the Corporate Governance Code of listed companies. The Board of Statutory Auditors concretely ascertained compliance with the aforesaid Code, as adequately represented in the Report on Corporate Governance and Ownership, in accordance with Article 124-ter of the Consolidated Finance Act and with Article 89-bis of the CONSOB Regulations. 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 concrete enforcement of corporate governance rules, the correct application of the criteria and verification procedures adopted by the Board of Directors, with regard to the positive assessment of the directors' independence, agreeing with the Board's orientation to give preference to substance (guarantee of independent judgement) rather than to form (automatic enforcement of the nine-year limit in office).

The Board of Statutory Auditors agreed with the positive assessment expressed by the

Nominations and Remuneration Committee, 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.

With reference to the supervisory activity on the adequacy of the organisation and of the internal control system, the Board of Statutory Auditors acquired knowledge and supervised, for matters under its cognisance, compliance with proper administration standards, through the information received directly from the heads of the various company functions and from the Independent Auditors.

The Board of Statutory Auditors evaluated and oversaw the adequacy of the internal control system, expressing its positive assessment of the reorganisation of the system.

Attendance at the meetings of the Internal Control and Risk Committee has enabled both the timely exchange of relevant information for the performance of the respective duties and coordination with the activity 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 Internal Control and Audit Committee, aimed, in particular, at supervising the financial disclosure process and the effectiveness of the internal control, internal audit and risk management systems.

Within the scope of this activity, in particular, the Board of Statutory Auditors received and examined:

- a) the periodic reports on the activities carried out, prepared:
 - by the Internal Control and Risk Committee;
 - by the Head of Internal Control;
 - by the Internal Audit Risk and Compliance Division.
- b) the reports prepared by the Internal Audit Risk and Compliance function at the conclusion of the auditing and monitoring activities.

In the course of the periodic meetings with the Internal Audit Risk and Compliance Divisions, no deficiencies in the available resources were noted and no restrictions were found to have been imposed on the monitoring activity.

In particular, the internal control System was deemed adequate, both in terms of design and operation, in relation to the process for managing tax aspects.

With regard to risk management, the Board of Statutory Auditors noted that, in compliance with the guidelines, transactions are carried out to minimise the commodity price risks and financial risks (exchange rate and interest rate), solely for hedging purposes, without taking speculative positions; derivative financial instruments were used, as defined by Article 2427-bis of the Italian Civil Code (options, swaps, futures and forward). In accordance with Article 2427-bis of the Italian Civil Code, the Notes to the Financial Statements provide the mark to market values taken from the reference market, verifying their fairness through measurement instruments and models.

With reference to the organisational and procedural activities performed in accordance with Italian Legislative Decree 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 emerged for the purposes of the implementation and effectiveness of the organisation, management and control Model.

For the matters under its responsibility, the Board of Statutory Auditors:

- verified that the members of the Supervisory Committee meet the professional requirements prescribed by the Model in accordance with Italian Legislative Decree 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 proposed updates to the Model and to the Code of Ethics, aimed at implementing the regulatory changes that have taken place and the organisational changes made in the ERG Group , always paying close attention to the evolution in reference best practices;
- examined the Guidelines for the adoption of the organisation, management and control Model in the companies of the ERG Group.

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 Italian Law 262/05.

In this regard, the Board of Statutory Auditors examined the proposed updates to the Model in accordance with Italian Law 262/2005, as a result of the organisational and corporate changes that took place in the Group, risk assessment and the results of the tests, acknowledging the outcome of the tests 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 as at 31 December 2012.

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 the public disclosure obligations in accordance with Article 114, Paragraph 2 of Italian Legislative Decree no. 58/98.

With reference to supervisory activities on health, safety and environmental matters, the Board of Statutory Auditors verified, also by visiting the Priolo industrial site, that the corporate bodies and the Management pay close attention to these issues, whose policy is an integral part of the Code of Ethics, verifying both the focus on constant training, upgrades and improvements, and the existence of a formalised system of delegations of powers, with the precise definition of duties and responsibilities.

In this regard, the Board of Statutory Auditors was periodically informed on the continuation, also for the year 2012, of the activities of the Safety Project, launched by the ERG Group in early 2009, with the support of leading companies in this field, and aimed at improving and changing the culture of individuals in relation to the management of the risks connected with Health, Safety and Environmental issues.

Work continued according to the programme to implement, maintain and certify, according to recognised standards (ISO 14001 Environment and OHSAS 18001 Health and Safety),

effective management Systems for the minimisation of specific risks, pursuing the Group objective of certifying all industrial sites in accordance with these standards.

In the course of 2012, the ERG Group updated its security policies, to assure an adequate level of protection of the personal data subjected to processing, in accordance with the Privacy Code (Italian Legislative Decree no. 196/2003) and with the Instructions issued by the Authority.

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;
- 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 noted, either with third parties or intra-group and/or with related parties, that exhibited atypical or unusual aspects, in terms of content, nature, dimensions and timing, that were not adequately described to the Board and disclosed to the public, when required;
- 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 market conditions;
- transactions with related parties related almost entirely to transactions carried out for rationalisation and cost-efficiency purposes with subsidiaries and affiliates outside the scope of consolidation; they are part of ordinary operations, are settled 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 2012, appreciating the analysis in the identification of the criteria for allocating costs to individual companies, according to the services used;
- the Company had other transactions with related parties, as defined by IAS 24, which are also illustrated in the Notes to the Consolidated Financial Statements;
- the Board of Statutory Auditors verified the existence and compliance with suitable procedures to assure that intra-group transactions, and transactions with related parties, are carried out transparently and in compliance with substantial and procedural correctness standards, assessing that the transactions were in the best interest of the company and that the information provided by the directors in the Report on Operations and in the Notes to the Financial Statements is adequate.

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 Italian 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.

In compliance with the rules set out in Articles 10 and 17 of Italian Legislative Decree no. 39 of 27 January 2010, the Independent Auditors issued formal confirmation of its independence, with a declaration dated 20 March 2013, and it disclosed the non-audit services rendered to the company, also through entities belonging to the network; in this regard, the Board of

Statutory Auditors verified that the disclosure matched the information received and verified during the year.

On 20 March 2013, the Independent Auditors delivered to the Board of Statutory Auditors, in its capacity as the "Committee for internal control and accounting audits 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 statement of its own independence issued by the aforesaid company and of the duties assigned by ERG S.p.A. and by the consolidated companies, verifying that no appointments were made for services that may compromise the Independent Auditors' independence in accordance with Article 17 of Italian 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.

For the full audit of the Separate Financial Statements and of the Consolidated Financial Statements, for the limited audit of the Half-yearly Financial Report and for the voluntary audit of the interim Reports, the Independent Auditors Deloitte & Touche S.p.A. received total compensation of EUR 325 thousand.

The compensation was updated in 2012, consistently with the contractual conditions of the original proposal, as a result of the increased amount of work deriving from the appointment of the audit firm Reconta Ernst & Young S.p.A. as independent auditor of ERG Renew S.p.A. In relation to this circumstance, in accordance with Article 14, Paragraph 6 of Italian Legislative Decree no. 39/2010, Deloitte is involved in the planning and performance of the audit of ERG Renew. The Board of Statutory Auditors found the increase in compensation to be fair, in view of the higher number of hours expected, leaving unchanged the contractual hourly fee. Additionally, ERG S.p.A. contracted Deloitte & Touche S.p.A. for additional services amounting to EUR 223 thousand for the following work:

- Agreed audit procedures on periodic reports EUR 202 thousand
- Unbundling per AEEG Resolution no. 11/2007 EUR 21 thousand

Companies connected to the Deloitte & Touche were contracted to perform services amounting to EUR 237 thousand, broken down as follows:

- Deloitte ERS (Enterprise Risk Service) EUR 11 thousand
- Studio Tributario e societario Deloitte for tax advice service EUR 226 thousand

The Board of Statutory Auditors examined the proposed professional consultation services and verified that the activity is not incompatible with audit activities, in accordance with Article 160 of the Issuers Regulation, 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 (including ERG Renew S.p.A.) auditing appointments for total fees of EUR 573 thousand and additional appointments, for a total amount of EUR 332 thousand.

Additionally, companies connected to the Independent Auditors' network were given appointments for a total compensation of EUR 237 thousand.

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 their drafting, the organisation of the statements and of the Report on Operations, with the

financial statement models adopted and 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 26 February 2013, 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 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:

- in the Separate Financial Statements: partial write-down of the carrying value of the equity investment in TotalErg S.p.A.;
- in the Consolidated Financial Statements: write-down of tangible fixed assets referred to the Ginestra wind farm.

The Board of Statutory Auditors approved the reasons why, in accordance with the indications of IAS 39, the put option recognised by LUKOIL with respect to the 20% equity investment in ISAB S.r.l. was not measured at fair value;

- 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 Italian Legislative Decree 58/1998 (CFA);
- 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 Italian Legislative Decree 58/1998 (CFA), the Report on Remuneration is submitted to the Shareholders' Meeting.

On 20 March 2013, 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 2012 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 contains the judgements on the consistency between the Financial Statements and the Report on Operations and the information in 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 2012 and to the proposal of the Board of Directors for the allocation of the profit for the year.

Distinguished Shareholders,

with the approval of the Financial Statements as at 31 December 2012, the appointment we received from the Shareholders' Meeting on 15 April 2010 expires.

In thanking you for the trust and confidence you have placed in us, we wish to point out that the agenda of the next Shareholders' Meeting includes, in addition to the approval of the Financial Statements and connected resolutions, the appointment of the Board of Statutory Auditors for the three-year time interval from 2013 to 2015.

Genoa, 20 March 2013

The Board of Statutory Auditors

Mario Pacciani



Paolo Fasce



Lelio Fornabaio

