

ERG S.p.A.
Ordinary Shareholders' Meeting of 23/24 April 2013

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 Regulation implementing
the Consolidated Finance Act adopted by CONSOB under resolution no. 11971
of 14 May 1999, as amended and supplemented*



Ordinary Shareholders' Meeting of 23/24 April 2013

Agenda

1. Annual Financial Statements for the period ended 31 December 2012 and the Report on Operations; resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2012
2. Appointment of the Board of Statutory Auditors
 - 2.1. Appointment of members of the Board of Statutory Auditors and the Chairman
 - 2.2. Fixing of the fees payable to the Chairman and members of the Board of Statutory Auditors
3. Fixing of the fees payable to members of the Board of Directors, the Internal Control and Risk Committee and the Nominations and Remuneration Committee for the year 2013
4. Authorisation for the purchase and disposal of treasury shares
5. 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 2012 and Report on Operations: resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2012

Reference is made to the Report on Operations included in the documentation pertaining to the Separate Financial Statements and Consolidated Financial Statements at 31 December 2012, which will be made available to Shareholders and to the public within the terms set forth by current law.

2. Appointment of the Board of Statutory Auditors

The mandate granted to the Board of Statutory Auditors appointed by the Shareholders' Meeting on 15 April 2010 and currently in office will expire as at the date of the Shareholders' Meeting called to approve the Annual Financial Statements for the period ended 31 December 2012.

The Shareholders' Meeting is therefore required, in accordance with current legislative, regulatory and statutory provisions, to pass resolution with regard to the appointment of the Board of Statutory Auditors and, more specifically, with regard to:

- 2.1 Appointment of members of the Board of Statutory Auditors and the Chairman
- 2.2 Fixing of the fees payable to the Chairman and members of the Board of Statutory Auditors

2.1 Appointment of the Board of Statutory Auditors and the Chairman

The Shareholders' Meeting is called upon, pursuant to current legislative, regulatory and statutory provisions, to appoint the members of the Board of Statutory Auditors and its Chairman, based on the lists presented by Shareholders.

For such purpose, we set out below an extract of Article 22 of the Company's Articles of Association, whilst referring you to the indications given in the Notice of Convocation of the Shareholders' Meeting.

1. *The Shareholders' Meeting shall elect a Board of Statutory Auditors comprising three Standing and three Alternate Auditors, in observance of the gender-balance criterion set forth by current legislative and regulatory provisions, and shall determine their remuneration.*
2. *The Board of Statutory Auditors shall be appointed on the basis of lists presented by the Shareholders on which one or more candidates must be indicated for the offices of Standing Auditor and Alternate Auditor. Each list shall comprise two sections: one for the candidates for the position of Standing Auditor and the other for the candidates for the position of Alternate Auditor. Each list must contain a number of candidates, listed in sequential order, not to exceed the maximum number of Auditors to be elected and the list for each section, with the exception of those lists including less than three candidates, must comply with the gender-balance criterion set forth by current legislative and regulatory provisions.*
3. *Lists may only be presented by Shareholders who, at the time of presenting the list, are in possession of a shareholding equal to that required for the presentation of lists for election of the directors pursuant to Article 15 of the Articles of Association, or such other shareholding as set forth by current legislative and regulatory provisions.*
4. *No Shareholder may present or vote for more than one list, even through an intermediary or nominee. Shareholders belonging to the same group, within the meaning set forth by applicable regulatory provisions, and Shareholders participating in a Shareholder agreement concerning shares of the Company may not present or vote for more than one list, even through an intermediary or nominee.*
Each candidate may be included in only one list, under penalty of ineligibility.
5. *Candidates who fail to meet the requisites of independence, professionalism and honourableness set forth by Article 148, paragraph 3, of the Consolidated Finance Act and those who hold the position of member of the control body in five other listed companies, subject in any case to the limitations placed on the plurality of administration and control positions laid down by applicable legislative and regulatory provisions, cannot be appointed as Auditors .*
6. *Outgoing Auditors can be re-elected.*
7. *The lists must be lodged at the Company's registered office – it being possible to use for such purpose whatever form of remote communication may be indicated in the notice of convocation of the Shareholders' Meeting called to elect the Board of Statutory Auditors - within the term laid down by current*

legislative and regulatory provisions. They shall be accompanied by information pertaining to the presenting Shareholders, and the declarations of same, as set forth by applicable regulatory provisions.

The lists must also be accompanied by full information concerning the personal and professional characteristics of the candidates, the declarations whereby individual candidates accept their candidature and certify, under their own responsibility, the non-existence of motives for ineligibility, incompatibility or forfeiture, the administration and control positions held with other companies, as well as their possession of the requisites required by law.

8. *In the event that, by the last date for presentation of the aforementioned lists, only one list, or only lists presented by interrelated Shareholders, within the meaning set forth by applicable legislation, have been lodged, lists may be presented up until the extended deadline provided by current legislative and regulatory provisions, subject to the indications contained in the previous paragraph and applicable legislation with regard to lodging and disclosure. In such case, the thresholds referred to in paragraph 3 for the presentation of lists shall be reduced by half.*
9. *Any list presented that fails to comply with the above requirements shall be deemed not to have been presented at all.*
10. *In the event that, despite the procedure as per paragraph 8 having been duly carried out, no list is presented, the Shareholders' Meeting shall appoint members by way of majority vote in such a way as to in any case ensure that the composition of the Board of Statutory Auditors conforms to both current legislative and regulatory requirements and the Articles of association. The Shareholders' Meeting shall appoint the Chairman.*
11. *If no second list is presented or voted, the entire Board of Statutory Auditors shall be made up of the candidates from the only list voted in order of appearance.
The person heading the list shall be elected Chairman.*
12. *In cases where more than one list is presented, the following shall be elected: two standing and two alternate members shall be drawn from the list that has obtained the largest number of votes, based on their sequential order of listing; the third standing and the third alternate member shall be elected by selecting the candidates for the respective positions heading the list that has obtained the highest number of votes after the first, of those presented and voted for by minority Shareholders who are not even indirectly related to the Shareholders who presented or voted for the first list in terms of number of votes, in accordance with prevailing regulatory provisions and subject to the requirements set forth in paragraph 13-bis regarding compliance with the principle of gender balance in the composition of the Board of Statutory Auditors. The standing member drawn from the minority list shall be appointed Chairman.*
13. *In the case of a parity between the lists, the candidate drawn from the list presented by Shareholders in possession of the largest quota of participation or, subordinately, the highest number of Shareholders, shall be elected.*

- 13^{bis}. *In the event that the number of candidates for the position of Standing Auditor and/or Alternate Auditor belonging to the least represented gender drawn from the two lists pursuant to paragraph 12 above is less than the number required under current legislative and regulatory provisions, the second candidate for the position of Standing Auditor and/or for the position of Alternate Auditor drawn for appointment purposes from the list that obtained the highest number of votes of those referred to in paragraph 12 above shall be replaced by the third candidate included in the corresponding section of the said list, not previously drawn for appointment purposes. Wherever it is not possible to draw the required number of candidates belonging to the least represented gender, the missing candidates shall be appointed by the Shareholders' Meeting in such a way as to in any case ensure that the composition of the Board of Statutory Auditors conforms to both current legislative and regulatory requirements and the Articles of association.*
14. *If an elected candidate refuses to take office, the next candidate on the same list shall be elected.*

(omissis)

19. Pursuant to Article 1, 3rd paragraph, of Ministerial Decree no. 162 dated 30/3/2000, it is declared that (i) "juridical, economic, financial and technical-scientific material, closely related to the company's business" and (ii) "sectors closely related to that of the company's business", are intended as referring to the materials and sectors pertaining to at least one of the following objects: the study, regulation, research, production, trade and distribution of any energy source; the supply of industrial holding services and relevant regulation.

The lists, complete with the documentation set forth by the aforesaid Article 22 of the Articles of Association and by the applicable legislative and regulatory provisions currently in force, must be presented to the Company's registered office or sent to the certified e-mail address erg@legalmail.it no later than 29 March 2013; in the latter case copy of a valid identity document of the parties presenting the lists must be attached thereto.

In the event that, by such deadline, only one list, or only lists presented by interrelated Shareholders, within the meaning set forth by applicable legislative and regulatory provisions currently in force, have been lodged, further lists may be presented up until 7.00 p.m. on 2 April 2013 (extended term with respect to the actual deadline on 1 April 2013, which is a holiday). In such case, the 2.5% threshold for the presentation of lists is reduced to 1.25%.

The lists of candidates for the office of Statutory Auditor, as lodged by Shareholders, will be placed at the disposal of the public no later than 2 April 2013 at the Company's registered office at Via De Marini 1, Genoa, and on the Company's website (www.erg.it) in the section "Governance/2013 Shareholders' Meeting".

2.2 Fixing of the fees payable to the Chairman and members of the Board of Statutory Auditors

In accordance with the provisions set forth by Article 2402 of the Italian Civil Code and Article 22 of the Articles of Association, the annual remuneration of Statutory Auditors must be determined by the Shareholders' Meeting at the time of appointment for the entire duration of their term of office.

The Shareholders' Meeting is therefore called upon to pass resolution with regard to the remuneration to be allocated to the Chairman and to each standing member of the Board of Statutory Auditors, valid until the date of the Shareholders' Meeting convened to approve the Annual Financial Statements at 31 December 2015, based on the proposals put forward by the Shareholders in compliance with the applicable legislative, regulatory and statutory provisions currently in force.

It should be noted that the Shareholders' Meeting on 15 April 2010 approved an all-inclusive annual remuneration of Euro 60,000.00 for the Chairman and Euro 40,000.00 for each of the other two Standing Auditors.

3. Fixing of the fees payable to members of the Board of Directors, the Internal Control and Risk Committee and the Nominations and Remuneration Committee for the year 2013

In accordance with the provisions set forth by Article 2389, first paragraph of the Italian Civil Code, the fees payable to the members of the Board of Directors are determined either at the time of their 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 to be valid until the approval of the Annual Financial Statements for the period ending 31 December 2013, as well as with regard to the additional fee to be allocated to Directors, other than Group employees, who do not hold offices on the Board and who are members of the ERG S.p.A. Internal Control and Risk Committee and Nominations and Remuneration Committee, to be valid until approval of the Annual Financial Statements for the period ending 31 December 2013, based on the proposals put forward in compliance with the applicable legislative, regulatory and statutory provisions.

It should in fact be remembered that, as a rule, the Shareholders' Meeting determines annually for each financial year the fee payable to each member of the Board of Directors and the additional fee for participation in the aforesaid Committees.

As regards FY2012 the Shareholders' Meeting approved a fee of Euro 60,000.00 for the Board of Directors members, Euro 30,000.00 for the members of the Nominations and Remuneration Committee and Euro 45,000.00 for the members of the Internal Control and Risk Committee (formerly Internal Control Committee).

4. Authorisation for the purchase and disposal of treasury shares

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 20 April 2012 and is therefore due to expire on 19 April 2013.

In anticipation of the Shareholders' meeting on 23 April 2013, 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. 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 anyway 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 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 Legislative Decree no. 58 of 24 February 1998 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 in any case 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.

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Shareholders,

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

The ERG S.p.A. 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, and therefore 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. 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 Legislative Decree no. 58 of 24 February 1998 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 objective 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 in any case 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.*

5. 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 Legislative Decree no. 58 dated 24 February 1998, 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 subsequent 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 2012).

Shareholders, the Company's Board of Directors, during its meeting held on 7 March last, approved the Remuneration Report, to which reference is made, the full text of which will be placed at the disposal of the public no later than 2 April 2013 at the Company's registered office and on the Company's website (www.erg.it) in the section "Governance/2013 Shareholders' Meeting".

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, 12 March 2013

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



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