

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP

EVOLUTION OF APPROACH

The current governance structure of ERG S.p.A. (hereafter, also the “Company”) has been developed over time by gradually introducing, into the ERG corporate approach, rules of conduct reflecting the most advanced, 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 in such a way as to assure (a) clarity and completeness of executive accountabilities and (b) 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 and, lastly on transactions with related parties⁷;
- Adoption of a Code of Business Ethics, whose new version was approved by the Board of Directors on 10 November 2011 as a tool for defining and communicating the duties and responsibilities of ERG S.p.A. towards its stakeholders, as well as being an imperative element of an organisation and management model consistent with the requirements of Italian Legislative Decree no. 231/2001, most recently updated on 10 November 2011;
- Acceptance of the Italian Corporate Governance Code for Listed Companies, promoted by Borsa Italiana S.p.A. (“Corporate Governance Code”) since its first edition in 1999⁸;
- Approval of a Code of Conduct for the directors of ERG Group companies;
- Appointment of independent directors to the Board;
- Adoption of a Policy for the compensation of members of the Board of Directors, of the General Manager and of the other key managers as prescribed by the Corporate

⁷ This refers to the insertion of Article 21-bis pertaining to so-called “urgent transactions”.

⁸ In this regard, it should be specified that in December 2011 a new edition of the Corporate Governance Code was published and that “issuers are invited to apply the amendments to the Corporate Governance Code approved in December 2011 no later than the end of the financial year that starts in 2012, informing the market with the corporate governance report to be published during the subsequent financial year. Changes affecting the composition of the Board of Directors or of the related committee and, in particular, those pertaining to the standards 5.P.1, 6.P.3 and 7.P.4, as well as to application criteria 2.C.3 and 2.C.5 apply from the first renewal of the Board of Directors after the end of the financial year started in 2011. The second period of the 3.C.3 criterion applies from the first renewal of the Board of Directors after the end of the financial year that starts in 2012. Issuers included in the FTSE-Mib index are invited to provide the information about the application criterion 5.C.2 in the corporate governance report to be published in 2012.” Consequently, all references to the provisions of the Corporate Governance Code, unless otherwise specified, shall refer to the edition of the Code preceding the one approved in December 2011.

Governance Code, 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 (a) guidelines for the identification and execution of significant transactions and of (b) 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;
- Adoption of an Enterprise 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 S.p.A. directly or through its subsidiaries.

INFORMATION ABOUT THE OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2011 (PURSUANT TO ARTICLE 123-BIS OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 (THE ITALIAN CONSOLIDATED FINANCE ACT OR "T.U.F."))

Share capital structure as at 31.12.2011

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

Significant shares of the capital as at 12/31/2011

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL	% OF VOTING 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
TRADE WINDS GLOBAL INVESTORS LLC	TRADE WINDS GLOBAL INVESTORS LLC *	10.006	10.006
GENERALI INVESTMENTS ITALY SGR S.P.A.	GENERALI INVESTMENTS ITALY SGR S.P.A.	2.228	2.228

* As manager, among others, of the fund TRADEWINDS INSTITUTIONAL INVESTMENT TRUST – TRADEWINDS GLOBAL ALL CAP PORTFOLIO which owns 2.027% and of the fund NUVEEN TRADEWINDS GLOBAL ALL CAP FUND which owns 2.614%

Other information

	YES	NO	NO AVAILABLE INFORMATION
RESTRICTIONS TO SECURITIES TRANSFER		X	
RESTRICTIONS TO VOTING RIGHTS		X	
SHAREHOLDERS' AGREEMENTS			X
ARRANGEMENTS PER ARTICLE 123-BIS PARAGRAPH 1 LETTER I) CONSOLIDATED FINANCE ACT		X	

Note that:

- there are no securities conferring special control rights;
- there are no employee stock option plans;
- pursuant to Article 123-bis, paragraph 1, point h) of the Consolidated Finance Act, it should be noted that there are in existence financing agreements containing the usual provisions regarding the change of control of the debtor, which, at least in one case, could involve the repayment of the loan in question if there is a change in control at ERG S.p.A., to wit: (i) loan provided by Intesa San Paolo for EUR 50 million, maturing on 31 December 2014, and (ii) loan provided by Monte dei Paschi di Siena for EUR 50 million, maturing on 31 December 2013. It should also be noted 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 S.p.A. Notable in this regard is the case of Ionio Gas S.r.l., where the other shareholder has rights that can be exercised in relation to the stake belonging to the ERG Group in the event of a change in control at ERG S.p.A., in accordance with the limits and conditions set out in the related agreements. Provisions of the same nature and/or purpose, formulated in various ways, are contained in the agreements relating to SIGEA S.p.A. and SIGEMI S.r.l. and with reference to other minor stakes in investee companies, particularly within TotalErg S.p.A.; with regard to the latter company, the related shareholders' agreements entitle the other shareholder, if certain circumstances arise and in the manner prescribed by the agreements, to acquire a share, owned by the ERG Group, of 2% of TotalErg S.p.A. if there is a change in control at ERG S.p.A.;
- for rules applicable to the appointment and replacement of directors, 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 Board of Directors' power to issue convertible bonds expired on 28 April 2009;
- on 14 April 2011, pursuant to Article 2357 of the Italian Civil Code, the Shareholders' Meeting authorised the Board of Directors to purchase treasury shares for a period of 12 months from the date of the related resolution, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 15,032,000 (fifteen million thirty-two 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.

CORPORATE GOVERNANCE

ERG S.p.A.'s corporate governance system complies with the requirements of the Italian Civil Code and of other specific regulations relating to companies – particularly those contained in Italian Legislative Decree No. 58 dated 24 February 1998 (the "Italian Consolidated Finance Act") – and is consistent overall with the Italian Corporate Governance Code for Listed Companies, which has been revised and updated over the years⁹. 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 documents that regulate their operation.

⁹ Please see note no. 8.

STATUTORY BODIES

BOARD OF DIRECTORS

The current Board of Directors, comprising twelve members, was appointed by the Shareholders' Meeting of 23 April 2009; consequently, the appointment to the Board of Directors shall expire at the date of approval of the Financial Statements as at 31 December 2011.

For the appointment of the Board of Directors only one list of candidates was presented by the shareholder San Quirico S.p.A.¹⁰, i.e.:

1. Riccardo Garrone
2. Edoardo Garrone
3. Giovanni Mondini
4. Pietro Giordano
5. Alessandro Garrone
6. Massimo Belcredi*
7. Lino Cardarelli*
8. Aldo Garozzo
9. Giuseppe Gatti
10. Antonio Guastoni*
11. Paolo Francesco Lanzoni*
12. Graziella Merello.

* 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.

In accordance with the Articles of Incorporation, Directors are appointed on the basis of lists presented by shareholders 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 Consolidated Finance Act¹¹, 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 Meeting¹².

The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital (currently, 2%) established in accordance with the Regulations implementing the Consolidated Finance Act, adopted by CONSOB with resolution no. 11971 of 14 May 1999 ("Issuers' Regulations"), in force on the date of the Shareholders' Meeting.

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.

¹⁰ For the percentage of the votes obtained by the list with respect to the voting share capital, please see the minutes of the Shareholders' Meeting of 23 April 2009, available in the Governance section of the Website www.erg.it.

¹¹ A consultation, started by CONSOB, was completed; among other matters, it pertained to the proposal to amend Article 147-ter of the Consolidated Finance Act to harmonise the notions of independence prescribed by Article 148-ter, paragraph 3 of the Consolidated Finance Act and by the Corporate Governance Code.

¹² In this regard, Article 147-ter of the Consolidated Finance Act was amended with the insertion of paragraph 1-ter on gender balance in the composition of corporate bodies. These provisions shall apply starting from the first renewal of the governing bodies after one year from the date of entry into force of Law no. 120 of 12 July 2011 (which introduced the aforesaid amendments), thus reserving to the less represented gender, for the first mandate, at least one fifth of elected directors. Additionally, Article 144-undecies of the Issuers Regulations introduced the provisions necessary, among other matters, to assure enforcement and compliance with the aforesaid provisions.

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 controlling 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 of the Articles of Incorporation for the appointment of independent 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 are elected from the presented list or from the list that reached the quorum.

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 list¹³.

On 21 June 2011 the Board of Directors, as a result of the resignation tendered by Mr. Pietro Giordano from the office of Director and Deputy Chairman of the Company, appointed Mr. Alessandro Careri as Director, in accordance with Article 2386 of the Italian Civil Code. The Board of Statutory Auditors gave its favourable opinion on the appointment.

¹³ Please see the Articles of Incorporation for more information.

The Directors in office at the date of approval of the Report are ¹⁴:

Riccardo Garrone - *Honorary Chairman*

Members:

Edoardo Garrone - *Chairman*

Giovanni Mondini - *Deputy Chairman*

Alessandro Garrone - *Chief Executive Officer*

Massimo Belcredi - *Director*

Luca Bettonte ¹⁵ - *Director*

Lino Cardarelli - *Director*

Alessandro Careri ¹⁶ - *Director*

Aldo Garozzo - *Director*

Giuseppe Gatti - *Director*

Antonio Guastoni - *Director*

Paolo Francesco Lanzoni - *Director*

Graziella Merello ¹⁷ - *Director*

Non-executive directors:

Alessandro Careri

Aldo Garozzo

Independent directors ¹⁸:

Massimo Belcredi

Lino Cardarelli

Antonio Guastoni

Paolo Francesco Lanzoni

The Board of Directors assessed the independence of the Directors listed above according to the recommendations of the Corporate Governance Code, giving special consideration to substance over form and bearing in mind the application criteria set forth therein.

The Board of Directors conducted this assessment at its first meeting subsequent to the appointment and periodically checks that these requirements are still met (during the Board meeting called to examine the Interim financial report as at 31 March).

In 2011, the independence assessment was carried out during the Board meeting held on 12 May. The Board of Directors assessed whether the aforesaid Directors still fulfilled the independence requirements set out by the Consolidated Finance Act and by the Corporate Governance Code.

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 regards 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 2011, the independent Directors held their own meeting without the other directors present on 1 April, but remained in contact and regularly consulted each other in advance on the principal matters examined by the Board of Directors.

¹⁴ For the personal and professional characteristics of each director in office, please see their CVs available in the Governance section of the Website www.erg.it.

¹⁵ Has served as Corporate General Manager since 15 December 2009.

¹⁶ Appointed Director, in accordance with Article 2386 of the Italian Civil Code, by the Board of Directors on 21 June 2011 as a result of the resignation tendered by Mr. Pietro Giordano from the office of Director and Deputy Chairman of the Company.

¹⁷ Has served as Executive Director appointed to supervise the functionality of the Internal Control System since 23 April 2009.

¹⁸ Independence was assessed by the Board of Directors in accordance with the Consolidated Finance Act and with the Corporate Governance Code.

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 as at 31 December 2011:

Edoardo Garrone	<i>Chairman of the Supervisory Board of San Quirico S.p.A. Director of Pininfarina S.p.A.</i>
Giovanni Mondini	<i>Chairman of the Management Board of San Quirico S.p.A.</i>
Alessandro Garrone	<i>Director of Banca Passadore e C. S.p.A. Director of Gruppo MutuiOnline S.p.A.</i>
Massimo Belcredi	<i>Director of Arca SGR S.p.A.</i>
Giuseppe Gatti	<i>Chairman of Grandi Reti S.c.ar.l.</i>
Antonio Guastoni	<i>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.A. Standing Auditor of Giulio Fiocchi S.p.A. Standing Auditor of Finlombarda Sgr</i>

Other attendees of Board of Directors meetings

Board of Directors meeting are attended by the Honorary Chairman and, depending on the matters under discussion, representatives of the ERG Group management also attend.

Directors' remuneration

Directors' remuneration is determined, for each financial year, by the Ordinary General Shareholders' Meeting called to approve the year-end Financial Statements.

The Shareholders' Meeting also fixes the remuneration of the Directors serving on the following committees within the Board: Internal Control Committee and Nominations and Remuneration Committee.

The remuneration of the Chairman, of the Deputy Chairman, of the Chief Executive Officer and, more in general, of Directors with delegated powers is set by the Board of Directors on the basis of a proposal formulated by the Nominations and Remuneration Committee, upon hearing the opinion of the Board of Statutory Auditors.

The members of the Nominations and Remuneration Committee formulated the aforesaid proposals also taking into account the provisions of the Procedure for transactions with related parties¹⁹.

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, of the General Manager and of the other Key managers²⁰.

¹⁹ For additional details, please see the specific section dedicated to the Nominations and Remuneration Committee.

²⁰ This policy entered into force in 2012.

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, and within the scope of the General Secretariat, by the Corporate Affairs Division, with responsibility for supervision, direction and control;
- The Deputy Chairman Pietro Giordano²¹ with the power to manage, through supervision, direction and control, the M&A activities carried out within the Group;
- Director Giuseppe Gatti with the power to manage scientific research in the Oil and Power sectors, with responsibility for supervision, direction and control;
- Director Graziella Merello with the power to manage the Internal Audit and Risk Office Divisions, with responsibility for supervision, direction and control.

The Chief Executive Officer, Alessandro Garrone, holds the powers of legal representation of the company and all powers of ordinary and extraordinary management.

The Board of Directors – in accordance with the recommendations of the Italian Corporate Governance Code – has specified that the powers vested in the CEO must be exercised according to the directives and instructions given to him 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 envisaged 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 2011 financial year the Board of Directors held 8 meetings, while for the year 2012 there are expected to be no fewer than eight meetings.

In 2011, the Board of Directors passed resolutions on 49 different matters and for 37 of these, the relevant information documents were sent beforehand to Directors and Auditors²².

The average duration of the meetings held by the Board of Directors was 2 hours and 20 minutes.

As of the date of approval of this document, the Board of Directors had met 3 times.

Activities pursued

Directors made a significant contribution to the work of the Board of Directors and Committees in 2011, in terms of meeting attendance and effective participation in proceedings.

In the course of 2011, the Board of Directors performed the activities and responsibilities referred to in application criterion 1.C.1 of the Italian Corporate Governance Code in accordance with the role that the Code attributes to the Board of a listed company.

With regard in particular to subparagraph g) of this criterion, the Board of Directors, at its meeting of 4 August 2011, 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 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.

²¹ On 21 June 2011 Mr. Pietro Giordano resigned from his office as Director and Deputy Chairman of the Company.

²² In the resolutions with respect to which the related documentation was not sent to Directors and Statutory Auditors beforehand, 6 pertained to topics with respect to which the Nominations and Remuneration Committee or the Internal Control Committee had carried out preparatory work.

This document was prepared using not only the assessment criteria already used in past years, but also 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 Italian 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, it no longer seems necessary to set a limit on the number of directorships and auditorships in other listed companies and in finance, banking, insurance companies or companies of significant size for members of the Board of Directors that is different from the current number as shown in the Report on Corporate Governance for 2010.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 15 April 2010 and will remain in office until the approval of the Financial Statements as of and for the year ended 31 December 2012.

For the appointment of the Board of Statutory Auditors, only one list of candidates was presented by the shareholder San Quirico S.p.A.²³, i.e.:

Mario Pacciani - *Standing Auditor*

Lelio Fornabaio - *Standing Auditor*

Paolo Fasce - *Standing Auditor*

Vincenzo Campo Antico - *Alternate Auditor*

Fabio Porfiri - *Alternate Auditor*

Stefano Remondini - *Alternate Auditor*

In compliance with the Articles of Incorporation, the Board of Statutory Auditors is appointed on the basis of lists presented by Shareholders, which must set out the names of candidates in numbered, sequential order which must be filed, 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), 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 Meeting²⁴.

Candidate 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 the election of directors.

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% of the share capital.

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.

²³ 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 15 April 2010, available in the Governance section of the Website www.erg.it.

²⁴ In this regard, Article 148 of the Consolidated Finance Act was amended with the insertion of paragraph 1-bis on gender balance in the composition of corporate bodies. These provisions shall apply starting from the first renewal of the governing bodies after one year from the date of entry into force of Law no. 120 of 12 July 2011 (which introduced the aforesaid amendments), thus reserving to the less represented gender, for the first mandate, at least one fifth of elected directors. Additionally, Article 144-undecies of the Issuers Regulations introduced the provisions necessary, among other matters, to assure enforcement and compliance with the aforesaid provisions.

Candidates may not be elected to the office of Statutory Auditor unless they satisfy the requirements of independence, professionalism and integrity as provided by Article 148, section 3 of the Italian Consolidated Finance Act or if they already serve as Standing Auditor in more than five listed companies²⁵.

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 prescriptions²⁶ shall be considered not to have been presented.

If, in spite of the completion of the aforesaid procedure, no list is presented, the vote is by majority.

The Shareholders' Meeting appoints 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 multiple lists are presented, the following candidates are 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 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. The standing auditor drawn from the minority list is appointed Chairman.

If the lists receive equal number 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:²⁷

Mario Pacciani - *Chairman*

Lelio Fornabaio - *Standing Auditor*

Paolo Fasce - *Standing Auditor*

Vincenzo Campo Antico - *Alternate Auditor*

Fabio Porfiri - *Alternate Auditor*

Stefano Remondini - *Alternate Auditor*

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 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.

²⁵ 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 controlling body of a single issuer.

²⁶ Please see the Articles of Incorporation for additional information.

²⁷ For the personal and professional characteristics of each auditor in office, please see their CVs available in the Governance section of the Website www.erg.it.

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 Division, coordinating with the Internal Control Committee.

During the 2011 financial year the Board of Statutory Auditors held 7 meetings, while for the year 2012 there are expected to be no fewer than 6 meetings.

As at the date of approval of this document, the Board of Statutory Auditors met 3 times.

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 as at 31 December 2011:

Mario Pacciani	<i>Chairman of the Board of Statutory Auditors of Boero Bartolomeo S.p.A.</i>
Lelio Fornabaio	<i>Standing Auditor of Prelios S.p.A.</i> <i>Standing Auditor of HDI Assicurazioni S.p.A</i> <i>Chairman of the Board of Statutory Auditors of InChiaro Assicurazioni S.p.A.</i> <i>Director of Ariscom Compagnia di assicurazioni S.p.A.</i> <i>Chairman of the Board of Statutory Auditors of Essediesse S.p.A.</i> <i>Director of Lux Vide Finanziaria per iniziative audiovisive e telematiche S.p.A.</i>
Paolo Fasce	<i>Standing Auditor of Boero Bartolomeo S.p.A.</i> <i>Standing Auditor of Yarpa Investimenti SGR S.p.A</i> <i>Standing Auditor of YLF S.p.A.</i>

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 term set by current laws and regulations, are entitled to attend Shareholders' Meetings.

Article 11 of the Articles of Incorporation states that the Shareholders' Meeting shall be convened by the governing 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.

BOARD COMMITTEES

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

INTERNAL CONTROL COMMITTEE

Members:

Massimo Belcredi - *Chairman*

Antonio Guastoni

Paolo Francesco Lanzoni

The Internal Control Committee comprises three independent directors.

The members of the Internal Control Committee have adequate experience in accounting and finance.

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 Chief Executive Officer and the Corporate General Manager, 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 (also depending on the topics to be discussed), the Executive Director appointed to supervise the functionality of the Internal Control System 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 is invited to attend the meetings in order to report to Committee, at least once a quarter, on the activity carried out from time to time.

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 Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code.

Taking into account the composition of the Internal Control Committee, the procedure for transactions with related parties, approved by the Board of Directors, prescribes that the Committee convened to issue its opinion both with reference to transactions of "Minor Relevance" and with reference to transactions of "Major Relevance" 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 shall comprise members of the Internal Control Committee²⁸.

If a member of the Committee is the counterparty of the transaction to be evaluated or a correlated party thereof, the other members of the Committee shall call to participate in the committee another non-correlated independent director or, if there are none, a non correlated standing member of the Board of Statutory Auditors.

²⁸ For transactions pertaining to the allocation or increase of remuneration and economic benefits, in any form, to a member of a governing or controlling body of the Company or to a key manager 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.

The better to 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 "Minor" transactions.

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 2011 the Committee held 11 meetings – duly recorded with meeting minutes - during which, besides a preview of the annual Financial Statements and half-yearly report, issues were discussed in the following macro-areas: Group Governance, Control Systems, compliance connected with Legislative Decree 231/01, Risk Management and Administration, Reporting and Taxation.

As at the date of approval of this document, the Internal Control Committee has met 3 times.

In terms of the most significant issues covered, the Committee has, in the areas of:

1) Group Governance

- examined a document establishing the application of articles 2497 et seq. of the Italian Civil Code relating to i) relations between ERG S.p.A. and its parent S. Quirico S.p.A.; ii) the scope of the management and coordination of ERG S.p.A.; iii) the list of companies with which these activities are carried out;
- assessed the possibility of extending – on a merely voluntary basis – the Company's Procedure for transactions with related parties to other persons, other than the related parties, formulating a proposal to the Board of Directors in this regard;
- preliminary examined some proposed sponsorship agreements, which were ultimately not executed, negotiated (i) by the Company with U.C. Sampdoria S.p.A. and with Sampdoria Marketing & Communication S.r.l. and (ii) by TotalErg S.p.A. with U.C. Sampdoria S.p.A. giving its opinion on them also in accordance with the Procedure for transactions with related parties;
- examined the proposed updates to the Code of Ethics, aimed at taking into account not only the organisational-corporate changes that have been made to the ERG Group, but also the regulatory changes made and the evolution of reference best practices, but without altering the fundamental values expressed in the Code of Ethics;
- examined and approved its own schedule of meetings for 2012.

2) Internal control system

- examined and approved, with half-year periodicity, its own periodic reports to the Board of Directors formulating its own assessment of the adequacy of the Internal control system;
- examined, with half-year periodicity, the periodic reports on the activity carried out by the Head of Internal Control;
- examined, with quarterly periodicity, the periodic report on the activity carried out by the Internal Audit Division;
- examined the most relevant aspects of some disputes related to the Company's business;
- examined the schedule of Internal Audit activities for the year 2012.

3) Obligations in connection with Italian Legislative Decree No. 231/01

- examined, with half-yearly periodicity, the periodic reports on the activity carried out by the Supervisory Committee and received additional information flows about individual activities of interest of the Supervisory Committee;
- examined the Guidelines for the adoption of the Organisation and Management Model pursuant to Legislative Decree 231/2001 in the Companies of the ERG Group;
- examined the proposed changes to the Organisation and Management Model of the

Company, aimed at reflecting the organisational and corporate changes that have taken place as well as regulatory and jurisprudential changes on the administrative liabilities of entities;

- examined a document outlining the schedule of activities of the ERG Supervisory Committee and of the Supervisory Committee of the ERG Group companies for 2012.

4) Risk Management

- examined, with half-year periodicity, the periodic reports on the activity carried out by the Risk Office;
- analysed the risks connected with ongoing events in Libya and the consequent actions taken by the Company in this regard;
- examined a first preliminary proposal for the implementation of the Internal Control System Guidelines with E.R.M. principles on integrated risk management;
- examined an analysis document of the internal control System and certain preliminary proposals for the revision of the E.R.M. model;
- acknowledged the analysis and update activities carried out within the scope of Enterprise Risk Management and of the proposed action plans;
- examined the schedule of Risk Office activities for the year 2012.

5) Administration, Reporting and Taxation

- examined the proposed updates to the model per Law no. 262 of 28 December 2005 also as a result of the organisational – corporate changes that have taken place in the ERG Group;
- examined the set-up followed with respect to the impairment test procedure on the Financial Statements as at 31 December 2010, the main issues of the Financial Statements as at 31 December 2010 and of the Half-year Report as at 30 June 2011;
- it assessed the correct utilisation of international accounting standards in the preparation of the statutory and Consolidated Financial Statements as at and for the year ended 31 December 2010 and of the Half-year Financial Report as at 30 June 2011 and of the standards adopted for the purposes of the preparation of the Interim Financial Report as at 31 March and as at 30 September 2011;
- examined the methods for the renewal – for fiscal year 2011 – of the Group VAT liquidation procedure and of the main aspects pertaining to the domestic tax consolidation of ERG S.p.A.;
- examined the new scope of the intra-group service agreements for the year 2011;
- acknowledged the results of the test activities carried out as at 31 December 2010 and of the schedule of activities planned for 2011, aimed at assuring per compliance with the monitoring and certification obligations which ERG S.p.A. must fulfil in accordance with Law No. 262 of 28 December 2005;
- examined the Risk Assessment activities on the Consolidated Financial Statements as at 31 December 2010 and the results of the test activities as at 30 June 2011 and the evolution of the Model per Law 262/05.

NOMINATIONS AND REMUNERATION COMMITTEE

Members:

Paolo Francesco Lanzoni - *Chairman*

Massimo Belcredi

Lino Cardarelli

The Nominations and Remuneration Committee comprises three independent directors. The members of the Nominations and Remuneration Committee have adequate accounting and financial expertise.

The Chairman and CEO and the Corporate General Manager 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.

Tasks

The Nominations and Remuneration Committee makes recommendations to the Board of Directors regarding the remuneration of the CEO and executive directors, as well as recommendations, at the CEO's request, concerning the pay policies for the company's senior management and the ERG Group's management incentive schemes.

Taking into account the composition of the Nominations and Remuneration Committee, the Procedure for transactions with related parties, approved by the Board of Directors, prescribes that the Committee convened to issue its opinion both with reference to transactions of "Minor Relevance" and with reference to transactions of "Major Relevance" (i) on the interest of the Company in the completion of transactions pertaining to the assignment or increase of remuneration and economic benefits, in any form, to a member of a governing or controlling body of the Company or to a Key manager thereof or otherwise to one of the persons holding the offices indicated in Annex 1 to the Procedure for transactions with related parties and (ii) on the advantageousness and substantial correctness of the related conditions shall comprise members of the Nominations and Remuneration Committee²⁹.

If a member of the Committee is the counterparty of the transaction to be evaluated or a correlated party thereof, the other members of the Committee shall call to participate in the committee another non-correlated independent director or, if there are none, a non correlated standing member of the Board of Statutory Auditors.

The Committee also submits to the Board of Directors candidates to the role of director in the cases set forth by Article 2386, first paragraph, of the Italian Civil Code, whenever it is necessary to replace an independent director; assesses, on the specific request of shareholders who intend to submit lists, the independence of the candidates to the role of director to be submitted to the shareholders' meeting; and performs preliminary activities to allow the Board of Directors to carry out its annual review regarding the size, composition and functioning of the Board as effectively as possible. To this end, it may express its opinion on the professional figures whose presence in the Board is considered appropriate.

The better to 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 "Minor" transactions.

Whenever the Committee discusses recommendations for the remuneration of the 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.

²⁹ The Board of Directors, upon recommendation of the Nominations and Remuneration Committee, approved its policy for the remuneration of and the members of the Board of Directors, of the General Manager and of the other Key managers, in line with the Corporate Governance Code. Consequently, upon fulfilment of the requirements per Article 3.2, letter c) of the Procedure for transactions with related parties - 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 was submitted to the Shareholders' Meeting for its consultative vote; (iv) that the assigned remuneration is consistent with said policy; - subject to the disclosure obligations per Article 154-ter of the Consolidated Finance Act, the Procedure itself shall not apply to transactions pertaining to the assignment or increase of remuneration and economic benefits, in any form, to a member of a governing or controlling body of the Company or to a key manager of the Company or otherwise to any of the persons who hold the offices indicated in Annex 1 to the Procedure for transactions with related parties.

In the course of 2011, the Committee held 10 meetings – duly recorded in meeting minutes - during which, in particular: (i) it formulated proposals for the determination of the remuneration of the CEO and of the other Directors performing specific duties within the Board of Directors; (ii) made determination on the definition of the objectives for 2011 with reference to the short-term incentives system and to the value created in 2010; (iii) issued opinions – and, when required, proposals – on the recognition and determination of bonuses to some managers of the Company. The members of the Nominations and Remuneration Committee formulated the aforesaid proposals or assessments also taking into account the Procedure for transactions with related parties, issuing – when required - its opinion with the reasons for it.

The Committee also actively participated in the process for the design and subsequent adoption of a new short-term incentives system – the MBO System³⁰, and it contributed to outline the general principles underlying the medium-short term incentives systems undergoing design - the LTI System³¹.

The MBO System and the general principles of the LTI System are an integral and substantial part of the policy for compensation of the members of the Board of Directors, of the General Manager and of the other key managers adopted by the Board of Directors – at the recommendation of the Nominations and Remuneration Committee – on 20 December 2011 in accordance with the Corporate Governance Code.

The Committee also prepared a support document for the Board of Directors on the Board Performance Review carried out by the Committee using not just the assessment criteria used in past years, but also the results of a specific self-assessment questionnaire prepared by the Corporate Affairs Division and sent to the members of the Board of Directors and of the Board of Statutory Auditors.

As at the date of approval of this document, the Nominations and Remuneration Committee had met [3] times.

STRATEGIC COMMITTEE

Members

Giovanni Mondini - *Chairman*

Edoardo Garrone

Alessandro Garrone

Giuseppe Gatti

Luca Bettonte

The Committee advises and issues recommendations to the CEO of the holding company and to the Boards of Directors of the holding company and operating companies.

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.

³⁰ Management by objectives.

³¹ Long term incentive.

CORPORATE GOVERNANCE RULES

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

- 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 reporting procedure for significant transactions by sub-holding companies;
- the procedure for related-party transactions;
- the Policy for the remuneration of members of the Board of Directors, of the General Manager and of the other key managers.

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 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 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 control.

CODE OF CONDUCT FOR INTERNAL DEALING

The Board of Directors has adopted a Code of Conduct in order to give transparency to financial transactions carried out by Relevant Persons, namely those persons who, by virtue of their roles within the 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 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 set out the criteria to be used to identify the most 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 standard 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 S.p.A. 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 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.

REPORTING PROCEDURE FOR SIGNIFICANT TRANSACTIONS

The Board of Directors has adopted a reporting procedure whereby sub-holding companies and their subsidiaries and investee companies – based on a specific approach and timeframe – shall inform the Company of transactions effected by them directly and which can be classified as significant according to the guidelines mentioned above, applying the exceptions allowed in these guidelines³².

PROCEDURE FOR RELATED-PARTY TRANSACTIONS

The Board of Directors, with its resolution of 11 November 2010, with the favourable opinion of the Internal Control 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 S.p.A. directly or through its subsidiaries.

POLICY FOR THE REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS, OF THE GENERAL MANAGER AND OF THE OTHER KEY MANAGERS

The Board of Directors, at the proposal of the Nominations and Remuneration Committee, on 20 December 2011 adopted a Policy for the remuneration of members of the Board of Directors, of the General Manager and of the other key managers, in accordance with the Corporate Governance Code³³.

OTHER INFORMATION

Information about the Internal Control system, Supervisory Committee, investor relations, organisation and management model per Legislative Decree 231/2001, independent auditors, manager responsible for preparing the company's financial reports, and management and coordination activity can be found below.

³² This is an information to the Board of Directors in relation to transactions not subject to the preliminary approval of the Board itself on the basis of the waivers prescribed by the aforesaid Guidelines.

³³ For any additional information in this regard, please see the Report on remuneration per article 123-ter of the Consolidated Finance Act. Additionally, the Board of Directors – also taking into account the date of entry into force of CONSOB Resolution no. 18049 of 23 December 2011 (31 December 2011) – will present the aforesaid report to the Shareholders' Meeting to be convened in April 2012, among other matters, in accordance with Article 2364-bis, second paragraph, of the Italian Civil Code.

THE INTERNAL CONTROL SYSTEM

The Internal Control System enforced within the ERG Group consists of all the rules, procedures and organisational structures aimed at allowing, by means of an appropriate process of identification, measurement, management and monitoring of the principal risks, management of the business that is sound, appropriate and consistent with pre-set objectives.

The Internal Control System consists of a complete system of rules, procedures, organisational structures and behaviours with the purpose of:

- Supporting the achievement of strategic and operational objectives (in other words the effectiveness and efficiency of business activities and the safeguarding of the company's assets);
- Preventing or limiting the consequences of unexpected events through appropriate strategies of identification and management of risks/opportunities;
- Verifying that risk levels defined during planning are not exceeded;
- Ensuring conformity with laws and regulations in force;
- Ensuring control of correct and transparent internal and external reporting.

The Internal Control System is universal and enforced across the whole ERG Group, and was created following a consistent method for identifying, measuring and assessing risks.

In recent years the ERG Group has defined guidelines, approved by the Board of Directors, for the Internal Control System, and it has initiated specific projects aimed at rationalising the whole Internal Control System by mapping and classifying the parties that are a part of it, creating the flowchart of the main reports within the Group itself and describing the responsibilities and scope of existing activities.

Within the scope of the Internal Control System and with reference to financial disclosures, the Administrative-Accounting Organisational Model is of particular relevance. It was implemented when the Internal Control System of the ERG Group was brought into line with the requirements of Italian Law 262/05; the Model has been periodically updated.

Executive Director appointed to oversee the functioning of the Internal Control System

The Board of Directors passed a resolution on 23 April 2009, identifying the Executive Director appointed to oversee the functioning of the Internal Control System in the person of Director Graziella Merello.

The actual operation of the Internal Control System within the ERG Group is not assigned to an autonomous and specific corporate function, but comprises the coordinated operations of various functions to which, within the organisational structure, are assigned the responsibilities pertaining to the overall control activity. These functions are, mainly, the Internal Audit Department and the Risk Office function. They are joined by other functions whose responsibilities include monitoring the compliance of corporate actions with current laws and regulations.

The Executive Director appointed to oversee the functioning of the Internal Control System:

- oversaw the identification of the Company's main risks, taking into account the characteristics of the activities carried out by ERG S.p.A. and by its subsidiaries;
- implemented the guidelines defined by the Board of Directors, providing for the design, implementation and management of the internal control system, constantly verifying its overall adequacy, effectiveness and efficiency;
- managed the adaptation of this system to the dynamics of operating conditions and of the legal and regulatory environment;
- proposed the appointment of the Head of Internal Control to the Board of Directors.

The Executive Director in charge of overseeing the functioning of the Internal Control System, with the aid of the Head of Internal Control who periodically reports to the Internal Control Committee, constantly ascertains its overall adequacy, effectiveness and efficiency, and reports his/her findings to the Board of Directors.

The Board of Directors evaluates on an annual basis the functionality of the Internal Control System based on the information made available to it by the Executive Director in charge of overseeing the functioning of the internal control system and by the Internal Control Committee in light of the report provided by the Head of Internal Control.

From 2009 onwards, the Risk Office has been operating with the goal of identifying, as comprehensively as possible, the risks inherent to the complex activity of the ERG Group and defining a structured management process, according to Enterprise Risk Management principles.

Head of Internal Control

With its resolution of 14 December 2010, at the proposal of the Executive Director in charge of overseeing the functioning of the Internal Control System, with the favourable opinion of the Internal Control Committee, the Board of Directors appointed Mr. Devan De Paolis, Head of Internal Audit, as Head of Internal Control, and tasked him to verify that the Internal Control System is always adequate, fully operational and functioning.

The compensation of the Head of Internal Control and Head of Internal Audit was validated by the Nominations and Remuneration Committee within the compensation policies for Key Managers approved by the Board of Directors.

During 2011, the Head of Internal Control:

- had direct access to all information useful for the performance of his duties;
- reported on his activities to the Internal Control Committee and to the Board of Statutory Auditors;
- reported on his activities also to the Executive Director in charge of overseeing the functioning of the Internal Control System.

For 2011 the budget for travel, training and consultation expenses of the Internal Audit Division amounted to EUR 72,000.00, also taking into account the activities related to the role of Head of Internal Control.

In 2011, the following actions were carried out:

- no. 13 audits prescribed by the plan;
- no. 9 Follow Ups on the audits completed out in 2010;
- no. 10 monitoring actions on behalf of the Supervisory Committee on matters covered by Legislative Decree 231/2001.

Lastly, during the year the Head of Internal Control met the main players in the Internal Control System (among them, the Manager responsible for preparing the company's financial reports, the Independent Auditor, the Chairman of the Board of Auditors).

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 system for risk management and internal control in relation to the process of financial disclosure (henceforth referred to as "the 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.

The Model described below was presented to the Internal Control Committee of the listed Parent Company ERG S.p.A. and applies, from a logical point of view, in terms of methodology and as regards principles of process control and accuracy, to the main companies of the ERG Group to which it has been communicated through publication on the Company Intranet as well as communication to all personnel.

In such a context, all personnel of the ERG Group are obliged to follow the indications of the Model, in particular personnel in administrative functions that are more directly involved in the preparation of corporate accounting documents, but also those in other functions that, 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 Model is regularly updated and each update and/or integration of significance must be submitted and presented in advance to the Internal Control Committee.

Role

The main responsibility of the Manager responsible for preparing the financial reports of ERG S.p.A. is to implement the administrative-accounting procedures that govern the process of 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.

The Board of Directors, with its resolution of 15 December 2009, appointed Giorgio Coraggioso, Head of Administration, Reporting and Taxation, as the Manager Responsible for preparing the financial reports.

ELEMENTS OF THE SYSTEM

Methodological approach

Within the ERG Group it has been decided to adopt a working methodology that envisages 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 the 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 complete process is managed by the Processes and Compliance function that operates as a staff function reporting to the Head of Administration and that, following standard practice, governs all administrative-accounting procedures, mapping and harmonising those in force by defining interventions at process level, information systems or procedures to rectify any control deficiencies.

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, given that all processes associated with accounts that have balances greater than the materiality threshold form part of the model.

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 model 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 model 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 Committee.

Identification of controls

Once the main risks at the process level are identified, the various operating Companies examine the actions that are in place in order to monitor the associated control objective.

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 envisaged 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 processes covered by the model 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 Committee and in which strategies and timing are defined for carrying out monitoring tests.

Following the completion of testing activities, 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 representations, and the Internal Control Committee, as regards the most important deadlines for half-yearly and annual financial reporting, evaluates and participates in the work of the Manager Responsible and the functions through which he/she operates.

THE INDEPENDENT AUDITORS

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

ORGANISATION AND MANAGEMENT MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

With the resolution passed on 21 December 2004, the Board of Directors adopted the Organisation and Management Model of ERG S.p.A. pursuant to Italian Legislative Decree 231/2001; since then, the Model has been updated periodically to adapt it to the regulatory changes subsequently introduced. During 2011, the Model was thoroughly revised, in particular to take into consideration the organisational and operational changes stemming from the 2010 merger of the two sub-holdings ERG Raffinerie Mediterranee and ERG Power &

Gas into ERG SpA. The Board of Directors then approved, in its 10 November 2011 meeting, the new version of the Model; an excerpt of the new Model has been published in the "Governance" section of the website www.erg.it.

Together with the new version of the 231 Model, the Board of Directors also approved the "Guidelines for the adoption of the organisation and management model pursuant to Legislative Decree 231/2001 in the Companies of the ERG Group"; whose purpose is to provide the ERG Group companies with methodological indications on the management of "231 compliance", without constituting management and coordination activities and subject to the liability of individual legal entities in the decision as to whether or not to devise a Model on the basis of their own specific company.

SUPERVISORY COMMITTEE

Introduction of the Model led to the appointment of the Supervisory Committee, tasked with assuring the adequacy and actual implementation of the Model, and to evaluate whether it is necessary to update it.

The Committee, as a result of the decisions reached by the Board of Directors during its meeting of 14 December 2010, comprises: Paolo Francesco Lanzoni, Chairman, Devan De Paolis, and Giovanni Antonio Martinengo.

The Supervisory Committee carries out its work within the Parent Company ERG S.p.A., whereas Subsidiaries have appointed their own Supervisory Committee.

The Supervisory Committee of ERG S.p.A. met 7 times in 2011.

INVESTOR RELATIONS

The company manages relations with its shareholders, institutional investors and the market through the Corporate Finance and Investor Relations functions, which form part of Corporate General Management. 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.

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 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 Committee.

COMMITMENT

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 most recently updated on 10 November 2011, 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 documents concerning Corporate Governance, to which reference is made in the Report, are available in the Governance section of our website www.erg.it.

COMPOSITION OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

TABLE 1

BOARD OF DIRECTORS						
OFFICE	MEMBERS	IN OFFICE SINCE	IN OFFICE UNTIL	LIST (M/m)*	EXECUTIVE	
CHAIRMAN	EDOARDO GARRONE	23/04/2009	App. Fin. Stat. 12/31/2011	M	YES	
DEPUTY CHAIRMAN	GIOVANNI MONDINI	23/04/2009	App. Fin. Stat. 12/31/2011	M	YES	
CEO	ALESSANDRO GARRONE	23/04/2009	App. Fin. Stat. 12/31/2011	M	YES	
DIRECTOR	MASSIMO BELCREDI	23/04/2009	App. Fin. Stat. 12/31/2011	M		
DIRECTOR	LUCA BETTONTE	15/04/2010	App. Fin. Stat. 12/31/2011	M	YES	
DIRECTOR	LINO CARDARELLI	23/04/2009	App. Fin. Stat. 12/31/2011	M		
DIRECTOR	ALESSANDRO CARERI	21/06/2011	Net Shareholder Mtg			
DIRECTOR	ALDO GAROZZO	23/04/2009	App. Fin. Stat. 12/31/2011	M		
DIRECTOR	GIUSEPPE GATTI	23/04/2009	App. Fin. Stat. 12/31/2011	M	YES	
DIRECTOR	ANTONIO GUASTONI	23/04/2009	App. Fin. Stat. 12/31/2011	M		
DIRECTOR	PAOLO FRANCESCO LANZONI	23/04/2009	App. Fin. Stat. 12/31/2011	M		
DIRECTOR	GRAZIELLA MERELLO	23/04/2009	App. Fin. Stat. 12/31/2011	M	YES	
DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR						
DEPUTY CHAIRMAN	PIETRO GIORDANO	23/04/2009	21/06/2011	M	YES	
QUORUM REQUIRED FOR LIST PRESENTATION ON THE OCCASION OF THE LATEST APPOINTMENT 2%						
NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR			BOARD OF DIRECTORS 8			
NOTES						
* In this column, M/m is indicated depending on whether the member was elected from the listed by the majority (M) or by a minor (m).						
** This column shows the percentage of Director's attendance at the meetings, respectively, of the Board of Directors and of the Committees (no. of presences/no. of meetings held during the person's actual period in office).						
*** This column shows the number of appointments as Director or Statutory Auditor held by the person in other companies listed on regulated markets, also abroad, in financial, banking, insurance companies or in companies of significant size.						
**** This columns shows whether the member of the Board of Directors is also member of the Committee.						

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

TABLE 2

BOARD OF STATUTORY AUDITORS							
OFFICE	MEMBER	IN OFFICE SINCE	IN OFFICE UNTIL	INDEPENDENCE IN ACCORDANCE WITH THE CODE	LIST (M/m)*	% ATTENDANCE (**)	NUMBER OTHER APPOINTM. (***)
CHAIRMAN	MARIO PACCIANI	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	100%	1
STANDING AUDITOR	LELIO FORNABAIO	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	100%	6
STANDING AUDITOR	PAOLO FASCE	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	100%	3
ALTERNATE AUDITOR	VINCENZO CAMPO ANTICO	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	–	–
ALTERNATE AUDITOR	FABIO PORFIRI	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	–	–
ALTERNATE AUDITOR	STEFANO REMONDINI	15/04/2010	App. Fin. Stat. 31/12/2012	YES	M	–	–
AUDITORS WHO LEFT OFFICE DURING THE REFERENCE YEAR							
NONE							
QUORUM REQUIRED FOR LIST PRESENTATION ON THE OCCASION OF THE LATEST APPOINTMENT 2%							
NUMBER OF MEETINGS HELD DURING THE REFERENCE YEAR 7							
NOTE							
* In this column, M/m is indicated depending on whether the member was elected from the listed voted by the majority (M) or by a minor (m).							
** This column shows the percentage of Auditor's attendance at the meetings of the Board of Statutory Auditors (no. of presences/no. of meetings held during the person's actual period in office).							
*** Complete list of appointments in attached, in accordance with Article 144-quinquies of the CONSOB Issuers Regulation, to the report on supervisory activities, prepared by the auditors in accordance with Article 153, Paragraph 1 of the Consolidated Finance act.							

PROPOSAL OF THE BOARD OF DIRECTORS

Dear Shareholders,

We close this report by inviting you to:

- approve the Financial Statements as of and for the year ended 31 December 2011, which show a net profit of EUR 19,928,214.55;
- authorise the payment of a dividend of EUR 0.40 per share. The dividend will be paid in respect of each share having dividend rights outstanding as of the ex-date, excluding the company's treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, by distribution of the year's earnings and for the residual part by use of retained earnings;
- approve the payment of the dividend starting on 24 May 2012, subject to issuance of the coupon starting on 21 May 2012.

Genoa, 6 March 2012

On behalf of the Board of Directors

The Chairman

Edoardo Garrone



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CONSOLIDATED
FINANCIAL
STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR THOUSAND)	NOTES	12/31/2011	12/31/2010
INTANGIBLE FIXED ASSETS	1	285,273	192,113
GOODWILL	2	25,673	9,422
PROPERTY, PLANT, AND MACHINERY	3	1,617,156	1,636,159
EQUITY INVESTMENTS:	4	893,736	994,306
- CARRIED AT EQUITY		892,656	993,452
- OTHER INVESTMENTS		1,081	854
OTHER FINANCIAL ASSETS	5	1,547	3,155
DEFERRED TAX ASSETS	6	244,095	209,425
OTHER NON-CURRENT ASSETS	7	23,723	37,588
NON-CURRENT ASSETS		3,091,203	3,082,168
INVENTORIES	8	308,288	288,919
TRADE RECEIVABLES	9	730,222	441,144 FR
OF WHICH FROM RELATED PARTIES	40	128,521	135,065
OTHER CURRENT RECEIVABLES AND ASSETS	10	172,981	115,550
OF WHICH FROM RELATED PARTIES	40	60,903	5,197
CURRENT FINANCIAL ASSETS	11	19,743	53,404
OF WHICH WITH RELATED PARTIES	40	2,280	3,286
CASH AND CASH EQUIVALENTS	12	532,670	1,312,544
CURRENT ASSETS		1,763,904	2,211,561
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		4,855,107	5,293,727
GROUP SHAREHOLDERS' EQUITY	13	1,727,764	1,740,423
MINORITY INTERESTS	14	150,509	151,071
SHAREHOLDERS' EQUITY		1,878,273	1,891,494
EMPLOYEES' SEVERANCE INDEMNITIES	15	3,484	4,606
DEFERRED TAX LIABILITIES	16	151,451	120,547
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	17	12,574	1,353
NON-CURRENT FINANCIAL LIABILITIES	18	1,012,730	1,221,735
OF WHICH TOWARDS RELATED PARTIES	40	9,022	10,276
OTHER NON-CURRENT LIABILITIES	19	203,234	271,489
NON-CURRENT LIABILITIES		1,383,473	1,619,730
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	20	37,359	63,692
TRADE PAYABLES	21	844,586	660,552
OF WHICH TOWARDS RELATED PARTIES	40	115,461	91,012
CURRENT FINANCIAL LIABILITIES	22	503,147	867,077
OF WHICH TOWARDS RELATED PARTIES	40	6,880	28,302
OTHER CURRENT LIABILITIES	24	208,269	191,182
OF WHICH TOWARDS RELATED PARTIES	40	7,027	17,143
CURRENT LIABILITIES		1,593,361	1,782,503
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES		4,855,107	5,293,727

CONSOLIDATED INCOME STATEMENT

(EUR THOUSAND)	NOTES	YEAR 2011		YEAR 2010
REVENUES FROM ORDINARY OPERATIONS	28		6,770,291	5,382,861
<i>OF WHICH FROM RELATED PARTIES</i>	40	828,004		961,698
OTHER REVENUES AND INCOME	29		28,002	77,521
<i>OF WHICH FROM RELATED PARTIES</i>	40	7,535		4,378
CHANGES IN PRODUCT INVENTORIES	30		57,618	78,798
CHANGES IN RAW MATERIAL INVENTORIES	31		(38,250)	98,883
COST OF PURCHASES	32		(5,894,946)	(4,730,768)
<i>OF WHICH TOWARDS RELATED PARTIES</i>	40	(404,771)		(296,636)
COSTS FOR SERVICES AND OTHER COSTS	33		(666,315)	(687,274)
<i>OF WHICH TOWARDS RELATED PARTIES</i>	40	(384,790)		(512,064)
<i>OF WHICH NON-RECURRING ITEMS</i>		-		(26,530)
PERSONNEL EXPENSES	34		(64,217)	(66,131)
<i>OF WHICH NON-RECURRING ITEMS</i>	39	-		-
EBITDA FROM CONTINUING OPERATIONS			192,183	153,890
AMORTIZATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	35		(242,050)	(153,113)
<i>OF WHICH NON-RECURRING ITEMS</i>		(98,188)		(36,553)
FINANCIAL INCOME			136,322	103,849
<i>OF WHICH FROM RELATED PARTIES</i>	40	99		352
FINANCIAL EXPENSES			(174,697)	(149,536)
<i>OF WHICH TOWARDS RELATED PARTIES</i>	40	(883)		(1,526)
NET FINANCIAL INCOME (EXPENSES)	36		(38,375)	(45,687)
NET INCOME (LOSS) FROM INVESTMENTS CARRIED AT EQUITY			43,847	16,373
<i>OF WHICH NON-RECURRING ITEMS</i>	39	(3,196)		-
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS			109,355	(9,305)
<i>OF WHICH NON-RECURRING ITEMS</i>	39	109,267		(7,699)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	37		153,202	7,068
PROFIT BEFORE TAXES			64,960	(37,842)
INCOME TAXES	38		30,923	(11,901)
<i>OF WHICH NON-RECURRING ITEMS</i>	39	40,807		5,839
NET PROFIT (LOSS) FOR THE PERIOD			95,883	43,398
NET INCOME FROM SOLD ASSETS AND LIABILITIES	41		-	93,141
<i>OF WHICH NON-RECURRING ITEMS</i>	39	-		51,214
NET PROFIT (LOSS) FOR THE PERIOD			95,883	43,398
MINORITY INTERESTS			(30,788)	(33,016)
<i>OF WHICH NON-RECURRING ITEMS</i>	39	-		3,429
NET PROFIT (LOSS) PERTAINING TO THE GROUP			65,095	10,382

(EUR)	NOTES	YEAR 2011	YEAR 2010
BASIC EARNINGS FROM CONTINUING OPERATIONS PER SHARE	41	0.439	(0.558)
DILUTED EARNINGS FROM CONTINUING OPERATIONS PER SHARE	41	0.439	(0.558)
GROUP BASIC EARNINGS PER SHARE	41	0.439	0.070
GROUP DILUTED EARNINGS PER SHARE	41	0.439	0.070