ERG S.P.A.
ANNUAL REPORT 2009

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

although 2009 was a particularly tough year from the point of view of results – penalised by negative economic scenarios and reflecting the persistent effects of the global crisis – we have nevertheless accomplished significant steps forward. These enable us to foresee a more positive 2010 and, in general, to consolidate our industrial role, continuing to pursue our growth objectives.

2009 opened with an important event that strengthened the Group's financial structure significantly. In February ERG received from LUKOIL – ahead of the originally agreed schedule – Euro 852.47 million as the balance of the price agreed for the 49% stake in ISAB S.r.l., the company to which all assets of the ISAB refinery of Priolo (province of Syracuse in Sicily) were contributed.

This event marked the positive conclusion of one of the most important agreements ever made in the history of the Group, which has always endeavoured to take the best partnership opportunities in order to grow and continue creating value for its shareholders.

Fully consistently with this strategy of alliances with the foremost players in the industry, we inaugurated 2010 with announcement of ERG's joint venture with TOTAL in inland refining and marketing in Italy.

The joint venture, which will be created by the merger by incorporation of Total Italia into ERG Petroli, will be called TotalErg and will initially operate with both the ERG and TOTAL brands.

The equity stakes of ERG and TOTAL in the new company will be 51% and 49% respectively.

The shareholder agreement establishes that the JV will have joint governance and operating independence.

TotalErg will become one of the largest players in Italy in the retail marketing of petroleum products, with a market share of about 13% and over 3,400 service stations. The JV will also be active in refining via the Rome refinery and 25.86% of the Sarpom refinery in Trecate, with total processing capacity of about 116,000 barrels per day, i.e. about 8% of Italian demand.

TotalErg will optimise operation of its production units in this sector according to medium- and long-term trends in the refining market, setting achievement of outstanding operating, environmental and safety results as its top priority.

The JV will also manage the various logistics infrastructures included in the deal's scope.

TOTAL – one of the top global players in the oil and gas industry – is the ideal partner for ERG to achieve that reinforcement in the integrated downstream segment that has always been one of our primary objectives. The JV, currently subject to approval by the Antitrust Authority, will create a premier Italian industrial player, capable of increasing its competitiveness in the market, of improving its customer proposition, and of achieving significant economic benefits, thereby creating value for our shareholders. With the deal the ERG Group achieves an all-important strategic set-up in the oil industry, capable also of offering further development opportunities in future.

Returning to the analysis of 2009 results, clear evidence emerges of the adverse effect of energy scenarios, which – particularly in the case of refining margins – continued to be severely dampened by the economic crisis.

In Coastal Refining, the negative results vs. those of 2008, net of the effect of disposal of 49% of the ISAB refinery to LUKOIL, were undoubtedly due to lower conversion margins caused by particularly adverse oil scenarios.
This factor was jointed by the negative impact of scheduled shutdown of the refinery, in terms both of less processing and of plant performance at the time of actual shutdown.
In 2009 we continued investments in safety and environmental protection, together with those in enhancement of production plant performance, with excellent results.
We believe that the improvement in the economic outlook emerging in the latter part of 2009 will have a positive impact on global oil demand, which we expect to return to growth already during this year.

As regards Integrated Downstream, the oil scenario had a negative impact both on inland refineries and on consumption, thus causing contraction of marketing margins.
2009 in any case was an important year for the development of our customer proposition. In April, ERG Petroli in fact started to market the ERG *Mobile* SIM card in its retail network
ERG Petroli is the first oil company to enter this market with a dedicated, customised SIM and with a new brand.

This initiative is a further opportunity to consolidate our trust-based customer relationship. It is part of the strategy for value enhancement and commercial development of the retail network, which in the last few years has featured restyling of sales outlets and launch of the "ERG Più" [= ERG plus] loyalty-building programme. The project confirms ERG Petroli's commitment to investing in its retail marketing network in order to offer constantly innovative and top-quality services.

As regards the Power Generation-Thermoelectric segment, an important goal was achieved at year-end with collection of a total of Euro 250 million as definitive and early compensation for the insurance claim for the ISAB Energy plant arising from the accident that occurred on 13 October 2008.

The deadline initially set for payment coincided with the end of reconstruction work, today scheduled for June 2010. The final amount is considered sufficient to cover both reconstruction costs and the indirect damages caused by loss of production.
Results in the last part of the year partly benefited from start-up of one of the two modules forming part of the NuCe Nord repowering project.
November marked full normalisation, with start of commercial operation, of one of the combined-cycle modules. The second module started full commercial operation as of April this year, after having successfully completed the phases of parallel connection with the national grid and performance testing of turbines. This investment makes it possible to replace the now obsolete electricity and steam production units with a new power station featuring low environmental impact in terms of emissions and with power capacity available also for sale to the market.
In this respect, it is important to highlight that in December, following the positive outcome of the due diligence process, we signed a major project-financing loan agreement for a total of Euro 330 million.

On the Gas front, the two projects Ionio Gas and Rivara are continuing, albeit laboriously, the approval process. Once the key approval steps have been completed, ERG, as it must do, will carefully assess the approaches to execution of both projects, both in economic terms and from the social and environmental standpoint.

In the Power Generation-Renewable segment, start of full operation during the year of the Vicari and Faeto wind farms, as well as increasing installed capacity to about 200 MW also led to positive results, partly offset by restrictions on injections into the national grid required by Terna.
Full-year operation of the Vicari and Faeto wind farms and expansion of San Vincenzo wind farm will increase profitability in FY2010.
Moreover, 2010 results will also benefit from the gradual coming on-stream of the wind farms of Plogastel (France) and Ginestra, and of the first lots of the Fossa del Lupo wind farm in the second half of the year.

2010 will be a year of great importance for our Group. After receipt of Antitrust approval, the merger of Total Italian and ERG Petroli will take effect as from 1 October. This will enable us to achieve major synergies in the next few years, also thanks to the two companies' highly complementary nature.
As announced in January, during 2010 we will also complete a corporate reorganisation process designed to shorten the chain of control, via the merger of the ERG Raffinerie Mediterranee and ERG Power & Gas sub-holding companies in ERG S.p.A. This restructuring will permit greater organisational and decision-making efficiency, endowing the Group with an organisation structured in business units. This is more flexible and consistent with the moves

completed both in the oil business – via the important JV agreements first with LUKOIL and then with TOTAL – and in the thermoelectric power generation business – with finalisation of a major investment cycle after start-up of the new CCGT plant.

We are convinced that the actions taken and those now being planned will give the ERG Group – albeit in a still complex and tough economic environment – the necessary muscle to overcome the negative economic situation, while at the same time strengthening its marketplace presence and ensuring the Group is in a good state of readiness in order to exploit the expected and hoped-for economic recovery to the full.

It is indeed because of the scenario described and future prospects – and thanks to the ERG Group's sound financial situation as well as to the major consolidation achieved in the oil business – that the Board of Directors has deemed it sustainable to keep dividend distribution constant, except for the non-recurring part distributed last year, in line with the policy applied since the company was listed on the stock market. We believe this is a tangible gesture of consistency and solidity towards our shareholders.

EDOARDO GARRONE
Chairman

ALESSANDRO GARRONE
Chief Executive Officer

CORPORATE BODIES

HONORARY CHAIRMAN

RICCARDO GARRONE [1]

BOARD OF DIRECTORS

CHAIRMAN

EDOARDO GARRONE

DEPUTY CHAIRMAN

PIETRO GIORDANO

GIOVANNI MONDINI

CHIEF EXECUTIVE OFFICER

ALESSANDRO GARRONE

DIRECTORS

MASSIMO BELCREDI
(Independent)

LUCA BETTONTE [2]

LINO CARDARELLI
(Independent)

ALDO GAROZZO

GIUSEPPE GATTI

ANTONIO GUASTONI
(Independent)

PAOLO FRANCESCO LANZONI
(Independent)

GRAZIELLA MERELLO [3]

BOARD OF STATUTORY

CHAIRMAN

MARIO PACCIANI

STANDING AUDITORS

PAOLO FASCE

ANDREA MANZITTI

MANAGER RESPONSIBLE (LAW 262/05)

GIORGIO CORAGGIOSO [4]

EXTERNAL AUDITORS

DELOITTE & TOUCHE S.P.A.

(1) Resigned as director on 15 December 2009. He will continue to contribute to the work of the Board of Directors as Honorary Chairman
(2) Appointed on 15 December 2009, when he also took on the role of Corporate General Manager.
(3) Appointed on 23 April 2009, when he took on the role of executive director appointed to oversee the functioning of the internal control system
(4) Appointed on 15 December 2009 to replace L. Bettonte

ERG IN A FEW WORDS

RETAIL MARKET SHARE - ITALY 7,1%	SERVICE STATIONS 1.950	EMPLOYEES AT YEAR-END 1.579
MAXIMUM MARKET CAPITALISATION MILLION EURO 1.849	ELECTRICITY PRODUCTION MILLION KWH 3.009	CRUDE OIL PROCESSING IN THE REFINERIES THOUSAND BARRELS/DAY 180
NET GROUP INCOME AT REPLACEMENT COST MILLION EURO (80)	INVESTMENTS MILLION EURO 347	GROUP DEBT AT 2009 YEAR-END MILLION EURO 662
EBITDA AT ADJUSTED REPLACEMENT COST* MILLION EURO 92	CONSOLIDATED REVENUES MILLION EURO 6.237	NET INVESTED CAPITAL MILLION EURO 2.591

* the results at replacement cost do not include gains (losses) on inventory and non characteristic items. EBITDA at adjusted replacement cost takes into account, for the portion pertaining to ERG (51%), the added contribution from the results of ISAB S.r.l. (company created in joint venture with LUKOIL effective as from 1 December 2008)

ERG'S HISTORY

ORIGINS, DEVELOPMENT AND INTEGRATION

The history of the ERG Group commenced on 2 June 1938, when the Podestà of Genoa granted Edoardo Garrone, grandfather of the current Chairman Edoardo, a licence for "marketing products derived from the processing of crude oil and coal tar".
This led to the formation of Edoardo Garrone's firm in Via Romairone, San Quirico, Genoa. The trade mark chosen for the company, which became a refinery shortly after the end of the Second World War, was a dice (in Italian "dado" from "Dado", affectionate diminutive of Edoardo), with a three-letter acronym reproduced on its faces. The initials of "Edoardo Raffineria Garrone" written on the faces of the dice spell … ERG.

Following the war, in a country in need of total reconstruction, the huge power requirement, which was accentuated by the devastation of the power stations, resulted in crude oil becoming the most suitable energy source to satisfy the national requirements for economy, availability and flexibility of supplies.
The refining business, thanks to the favourable situation and the fortunate geographical position of the plants, thus became strategic for ERG.

Having consolidated its role in Italy, the company reached its first important international agreement in 1956 with British Petroleum, which subsequently for some years held a significant minority stake in ERG.
By 1963, the refinery's annual processing capacity had already reached 6.5 million tonnes.

In 1971 ERG, along with other private groups, became a shareholder of ISAB, a company formed to construct a large refinery in Sicily and, in 1985, in anticipation of the closure of the San Quirico refinery, it assumed control of ISAB with a shareholding that grew over the years until, in 1997, it reached 100%.
Having developed its business predominantly in the refining sector, the company also began to grow nationally in the commercial distribution sector, where, however, it was already present with its own service station network in north-western Italy.
This strategy was implemented in two phases: the first, in 1984, through the acquisition of ELF Italiana's entire service station network – 780 facilities – and the se-cond, in 1986, through the acquisition of Chevron Oil Italiana.
With the latter transaction ERG obtained control of a further 1,700 service stations. Thus the ERG Network was formed, recognisable, on all Italian roads, by the trademark of three rampant panthers.

More recently, at the end of 1993, following an agreement between ERG and Edison Mission Energy, one of the world's major power producers, ISAB Energy was formed: this company was destined to construct the first Italian gasification plant using heavy oil products for the production of clean power. The innovative industrial project was financed by a Project Financing of about 1,900 billion Lire, which had no precedent in Italy.

FROM FLOTATION TO THE YEAR 2000

Starting from 1995 the Garrone family assigned full responsibility at Group level to the company's management. This initiated the extensive process of transforming what was, for almost 60 years, a family owned and managed business.

Through a rationalisation of its corporate structure and decisive refocusing on the core energy business, ERG prepared for listing on the Stock Market with a view to creating the conditions for a more efficient financing of the new development phase that awaited.
The global offer comprised a public offer for the subscription and sale in Italy of 70.25 million shares and a private placement of 30.75 million shares reserved for Italian and foreign institutional investors. ERG's shares were admitted to listing on the Italian Electronic Stock Market in October 1997.

The ISAB Energy power station came into operation on 18 April 2000: it was the first Italian plant, the third in the world, for the gasification of crude oil residues and electricity production. It had a gross capacity of 512 MW and an estimated output of between 3 and 4 billion kWh/year, equal to over 1.5% of the entire national electricity requirement. ERG, from a petroleum company, began operating in the energy sector in a broader sense.

TODAY

ERG Raffinerie Mediterranee was formed in October 2002; this company was entrusted with the management of one of the largest and most efficient refineries in Europe, achieved through the merger and integration of ERG's ISAB Refinery with the former AGIP refinery, both located in Priolo (Syracuse).
The integration of the two refineries took place through the construction of an oil pipeline system and other works to adapt and improve production efficiency and environmental compatibility, so as to give the new "supersite" a highly competitive positioning in the international scenario. Alessandro Garrone was appointed as Chief Executive Officer of ERG at the end of 2002. In 2003, after forty years, Riccardo Garrone resigned his position as Chairman of ERG. His place was taken by his eldest son Edoardo.

The "Fondazione Edoardo Garrone" was set up on 23 December 2004, as a natural development of the commitment of the Garrone and Mondini families and the ERG Group companies in the social and cultural field.
The Foundation's main activities concern the organisation of seminars and conferences and the performance and publishing of studies and research.
Its purpose is to effectively contribute to the dissemination, enjoyment and understanding of culture, art and science as well as to actively cooperate in ethical and solidarity-inspired projects.

ERG's "multi-energy" strategy and its commitment to alternative energy saw a further enhancement in 2005 with the establishment of Ionio Gas S.r.l., a 50-50 joint venture between ERG Power & Gas S.p.A. and Shell Energy Italia S.r.l. for the design, construction, management and maintenance of a terminal to receive and regasify Liquified Natural Gas at the ISAB Impianti Nord Refinery in Priolo.

In 2005, ERG was included in the MIDEX Index within Borsa Italiana's Blue Chip segment. The move from the STAR to the Blue Chip segment took place following the significant increase in stock market capitalisation of ERG's shares.

In 2006, ERG acquired a 51.33% equity interest in Enertad S.p.A., a listed company that operates in the sector of electricity generation from renewable sources; in 2007 the stake held was increased to 68.38%. The acquisition of the Enertad shareholding constituted a decisive step within the scope of strategies pursued by the Group aimed at enhancing and consolidating its position in the field of renewable energy.

In May 2008, the partial demerger of ERG Power & Gas paved the way for integration within Enertad of the Group's operations in the renewable energy sector; as a result of this transaction, ERG achieved control of 77.4% of Enertad's share capital.

Coinciding with acquisition of the ERG Power & Gas renewable energy assets, Enertad changed its company name to ERG Renew, effectively marking the completion of the process of integration and reorganisation whereby ERG Renew was to become the ERG Group company dedicated to the development of activities in the field of power generation using renewable sources.

2008 was the year of the agreement with LUKOIL, one of the most momentous agreements signed in the history of the Group which, via the creation of a "Newco" ISAB S.r.l. (51% ERG Raffinerie Mediterranee and 49% LUKOIL), led to the formation of a strong partnership in coastal refining activities.
The agreement, announced on 24 June 2008 and concluded on 1 December 2008, provided for assignment to the Newco of the ERG Raffinerie Mediterranee division comprising all assets of the ISAB Refinery in Priolo.
This important joint venture confirms the Group's strategy, which has featured in the past and continues to feature agreements with major international partners who have always represented significant opportunities for development and growth.

Totally in keeping with a multi-energy strategy oriented towards optimising the capital invested in the various sectors of activity, this transaction guaranteed financial resources that will allow the Group to consolidate its equity structure, ensuring the flexibility required to be able to take advantage of possible new opportunities for development in its different areas of opera-tion, both in Italy and abroad.

The partnership with LUKOIL, one of the world's leading integrated companies in the oil and gas sector, will enhance the plants' management skills implying major advantages for the refinery's competitiveness and efficiency, in addition to offering potential benefits in terms of synergies and access to new markets.

ERG S.P.A.
REPORT ON OPERATIONS

INTRODUCTION

The Consolidated Annual Report and Accounts for the year ended 31 December 2009 have been prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).
The Consolidated Annual Report and Accounts have been audited by the external auditor Deloitte & Touche S.p.A. in accordance with CONSOB (Italian Stock Exchange Regulator) regulations. The results of this audit will be published as soon as they become available.

Following agreements with LUKOIL, on 1 December, ERG Raffinerie Mediterranee S.p.A. transferred all assets of the ISAB Refinery in Priolo to the newco ISAB S.r.l., and 49% of the capital of the newco was transferred to LUKOIL.

Comparison with 2008 figures therefore shows a significant reduction in revenues and operating costs. This reduction relates to lower production levels, based on the production capacity envisaged by the processing agreement and in line with shareholdings in the capital, at the ISAB refinery compared to previously, when ERG fully owned and directly operated the plants.

In order to correctly reflect the operating performance of Coastal Refining and make it easier to understand, the results of this business are shown at adjusted replacement cost, which reflect, for ERG's 51% shareholding from December 2008, the results of ISAB S.r.l., a joint venture between ERG (51%) and LUKOIL (49%), whose contribution to non-adjusted values is represented solely by recognising the investment at equity.
For the definition and reconciliation of results to adjusted replacement cost, please refer to the section "Alternative Performance Indicators".

Furthermore, in order to understand the results of the year, note the following items:

ISAB ENERGY INSURANCE PAYOUT

In 2009, ISAB Energy S.r.l. reached a definitive agreement with Assicurazioni Generali S.p.A. determining the insurance indemnities for the damage caused to the Priolo Gargallo (SR) electric power plant resulting from the accident that occurred on 13 October 2008.

Based on the agreement, which was supported by all the co-insurance companies, in 2009 the total amount of EUR 250 million was collected as indemnification, in advance of completion of the reconstruction work, which is currently scheduled for June 2010.

The agreed amount is deemed sufficient to cover both reconstruction costs and indirect damages indemnified under the insurance policy.

The insurance reimbursement relating to direct damages was recognised at the time of collection, completed in December 2009, while the portion for indirect damages will be recognised under the accrual basis of accounting until June 2010, the date originally envisaged for collection.

In 2009, a total of EUR 205 million in indemnification was booked to the income statement, comprising:
- EUR 127 million for direct damages (the reconstruction costs for the power generation train destroyed in the accident were booked under "Property, plant and machinery");
- EUR 78 million for indirect damages in the period.

The indemnification for direct damage (EUR 127 million) is treated as a non-recurring item.

ELYO-RESTIANI OPERATION

On **9 July,** under the terms of the agreement with GDF Energie Services S.A., the acquisition by ERG Petroli of the shareholding of Elyo Italia in Restiani S.p.A. (60% of the share capital) and the accompanying sale by ERG Petroli of its stake in Elyo Italia (40% of the share capital), were finalised. The operation generated net proceeds of EUR 12 million for ERG.
The acquired company markets oil products and heat management services.

Restiani's contribution to the ERG Group's income statement was EUR 4 million in 2009, and is booked under EBITDA at replacement cost of the Integrated Downstream sector. In 2008 the company generated EBITDA of approximately EUR 9.6 million and a net profit of approximately EUR 3.5 million.
Overall, the operation had a negative impact on net financial debt of around EUR 45 million.

SALE OF ASSETS IN SPAIN

In **December 2009** the sale of ERG Petróleos service stations to Saras Energia S.A. was completed as part of the agreement signed on 29 October 2008, which provided for the purchase by Saras Energia of 81 ERG Petróleos stations located in Spain.
In 2009 the Group also sold the oil storage facility and other minor service stations, generating proceeds of EUR 69 million, of which EUR 44 million related to the sale of the service stations and EUR 25 million to the oil storage facility.

BUSINESS DESCRIPTION

ERG S.p.A., listed on the Milan Stock Exchange, operates in the following business segments:

- **COASTAL REFINING**: through subsidiary ERG Raffinerie Mediterranee (ERG Med), it acquires and processes crude oil, and sells refined products on the cargo market. Crude oil is processed at the ISAB Priolo Refinery owned by the ISAB S.r.l. joint venture (51% ERG Med – 49% LUKOIL), one of the most important refineries on the Mediterranean in terms of capacity (320 thousand bbl/day) and complexity (Nelson index 9.3).

- **INTEGRATED DOWNSTREAM**: through its subsidiary ERG Petroli S.p.A., ERG sells oil products, mainly in Italy through its retail and wholesale network. The company's main assets are its retail network of 2,000 service stations (accounting for about 7% of the market in Italy), major investments in two refineries, at Trecate and Rome, with a combined processing capacity of about 60,000 bbl/day, and its logistics system.

- **THERMOELECTRIC POWER GENERATION**: ERG produces and sells thermoelectric power, steam and gas through its subsidiary ERG Power & Gas. The main operating subsidiaries of ERG Power & Gas are:
  - ISAB Energy S.r.l. (51% ERG Power & Gas, 49% IPM): this company generates electricity at a 528 MW capacity power plant fuelled by syngas, which is made from the gasification of asphalt originating from the ISAB Refinery;
  - ISAB Energy Services S.r.l. (51% ERG Power & Gas, 49% IPM): this is the operating and maintenance company for the electricity, steam and utilities plants at the Group's Priolo site;
  - ERG Power S.r.l. (100% ERG Power & Gas): the company that since 1 January 2010 has owned the gas-fuelled North CCGT Plant with an installed capacity of 480 MW, which came fully on stream in February 2010;
  - Ionio Gas S.r.l. (50% ERG Power & Gas): a joint venture with Shell Energy Italia for the development of a liquid natural gas regasification plant at Priolo, Sicily.

- **RENEWABLE ENERGY SOURCES**: ERG generates electricity from renewable sources through ERG Renew (77.4%-owned by ERG since 1 October 2008), a subsidiary listed on the Milan Stock Exchange. ERG Renew has an installed capacity of 199 MW in the wind sector (of which 144 MW in Italy and 55 MW in France) and a capacity of approximately 2 MW in the mini-hydropower sector.

Following the sale to LUKOIL of 49% of the ISAB Refinery, ERG[1] refining today accounts for approximately 11% of total Italian actual balanced-technical capacity, and is one of the country's largest operators in the sector, while sales of oil products on the internal market cover approximately 6% of the national requirement.

ERG sales of electricity account for about 2% of the domestic market.

1 "ERG" means ERG S.p.A. and the companies included in the basis of consolidation

COASTAL REFINING

ERG RAFFINERIE MEDITERRANEE

- 51% ISAB REFINERY

INTEGRATED DOWNSTREAM

ERG PETROLI

- DISTRIBUTION NETWORK
- EQUITY INVESTMENTS:
  TRECATE REFINERY
  ROME REFINERY

THERMOELECTRIC POWER GENERATION

ERG POWER & GAS

- ISAB ENERGY
- ERG NUOVE CENTRALI
- IONIO GAS

RENEWABLE ENERGY SOURCES

ERG RENEW

- 201 MW INSTALLED CAPACITY

STRATEGY

ERG's strategy is to become a diversified "multi-energy" group, whose main objective is to create lasting value by increasing profitability and continuously reducing its dependence on volatile exogenous factors, also through a balanced management of its portfolio.

• **COASTAL REFINING**: in a joint venture with LUKOIL, one of the world's leading oil companies, in the Priolo area ERG owns 51% of a major oil refining complex, leader in the Mediterranean in terms of size and complexity, integrated with power generation and chemical activities, reflecting ERG's strategy to achieve high conversion and efficient refining capable of flexibly processing more profitable crudes in order to obtain high value-added products. ERG continues to pursue a strategy of continuous improvement in plant efficiency and flexibility, which enables it to respond quickly to developments on the oil markets, both in terms of quality and type of commodities processed and yields of products with higher value added.

• **INTEGRATED DOWNSTREAM**: ERG pursues an ongoing process of structural improvement of its Integrated downstream business, in order to maximise the profitability of the commercial channel and improve long-term sustainability. Against this backdrop, on 27 January ERG signed an agreement with French group Total to merge the two subsidiaries ERG Petroli and Total Italia into a new company to be called TotalErg. TotalErg will become Italy's third largest operator in marketing with a market share of approximately 13%, 3,400 service stations, an inland refining capacity of approximately 116,000 barrels per day, a large presence in the wholesale market and specialities, and a significant logistics structure. The joint venture will enable ERG to strengthen its competitive position on the market, achieving significant commercial and cost synergies, in partnership with one of the world's largest oil players. The merger is expected to become operational on 1 October 2010 following approval from the competition authorities.

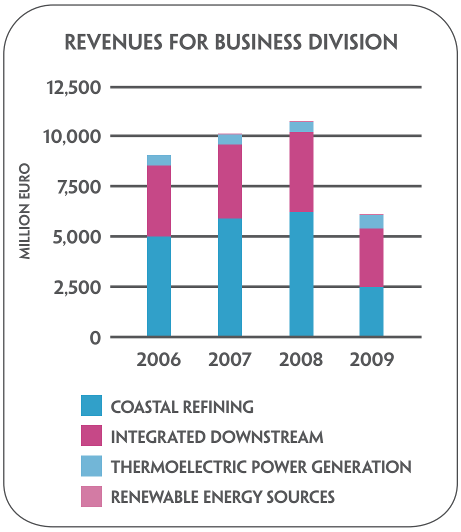
• **THERMOELECTRIC POWER GENERATION**: ERG aims to maximise the commercial value of its electricity assets, ISAB Energy's IGCC plant (51% ERG), operational since 2000, through the 20-year CIP 6 agreement, and with the new CCGT plant of subsidiary ERG Power, which will provide utilities to industrial clients of the Priolo site and merchant electricity to one of the most profitable market areas in Italy.
ERG is also seeking to enter the gas infrastructure sector through two projects currently in the permitting phase: Ionio Gas, a joint venture project company with Shell for Liquid Natural Gas (LNG) Regasification within the Priolo industrial complex, and Rivara, a joint venture project company with Independent Resources Plc (IRG) to store natural gas in North Italy.

• **RENEWABLE ENERGY SOURCES**: through its subsidiary ERG Renew, listed on the Milan Stock Exchange, ERG is developing its business to generate electricity through renewable sources, with a particular focus on the wind segment. Its strategic plan aims to consolidate its presence on the domestic market to become one of the leading operators in Italy and at the same time expand its activities abroad, in markets (including France) where it already has a significant presence, and which offer conditions favourable to growth in terms of potential and the regulatory framework. The objective is to build a well-diversified and geographically-balanced portfolio of assets in the medium term, partly in order to optimise regulatory risk management.

ERG STOCK MARKET PERFORMANCE

On 30 December 2009 the reference price of the ERG stock (Blue Chips) was EUR 9.68, 13.7% higher than at the end of 2008, as compared with growth of 25.0% in the European sector index (Stoxx Energy Index) and 19.2% in the FTSE All Share index.

Figures relating to the prices and volumes of ERG shares during the period 2 January 2009 - 30 December 2009 are set out below:



SHARE PRICE	EUR
REFERENCE PRICE AT 12/30/2009	9.68
HIGHEST PRICE (05/11/2009) (1)	12.30
LOWEST PRICE (03/18/2009) (1)	8.43
AVERAGE PRICE	10.01

(1) THE LOWEST AND HIGHEST PRICES RECORDED DURING THE DAY'S TRADING AND THEREFORE NOT THE SAME AS THE OFFICIAL REFERENCE PRICES ON THE DATE CONCERNED

VOLUMES TRADED	NO. OF SHARES
HIGHEST DAILY VOLUME (05/15/2009)	3,091,091
LOWEST DAILY VOLUME (12/28/2009)	82,852
AVERAGE VOLUME	513,808

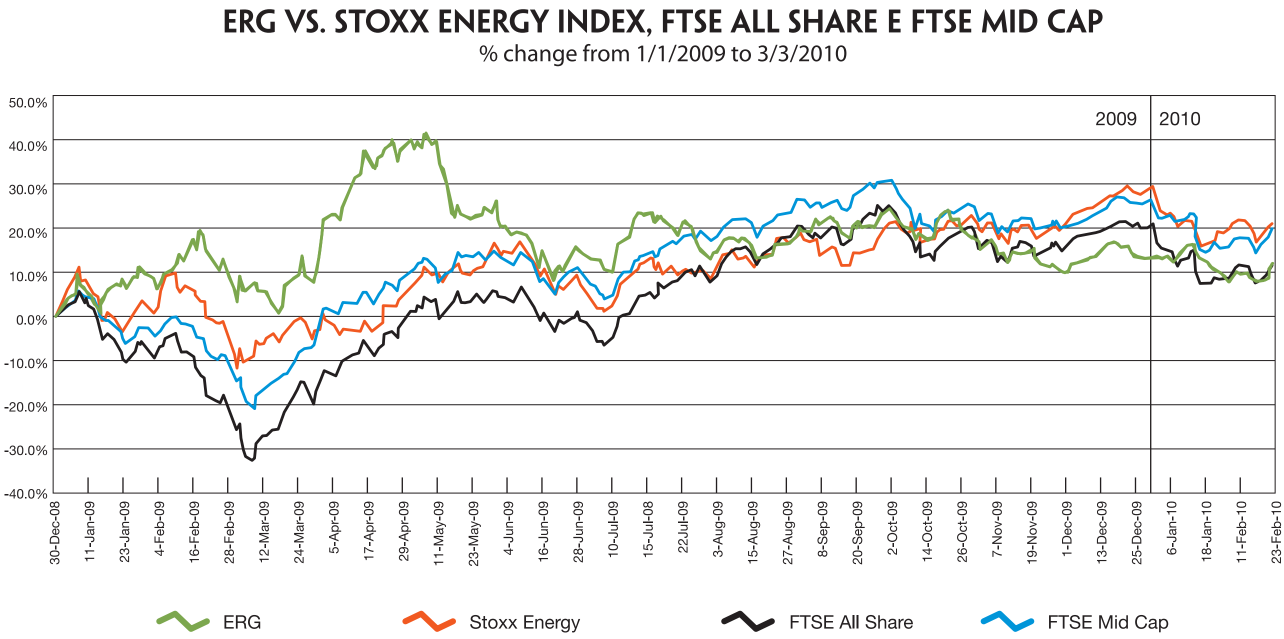
Market capitalisation at 31 December 2009 was approximately EUR 1,455 million (EUR 1,279 million at the end of 2008).

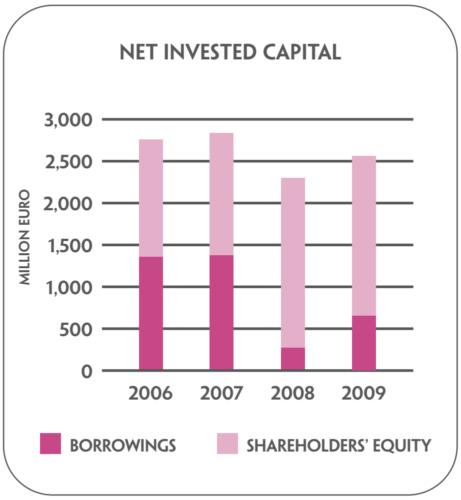
On 3 March 2010 the reference price of the ERG stock (Blue Chips) was EUR 9.61, 0.7% lower than at the end of 2009, as compared with a decline of 2.5% in the European sector index (Stoxx Energy Index) and 5.9% in the FTSE All Share index.

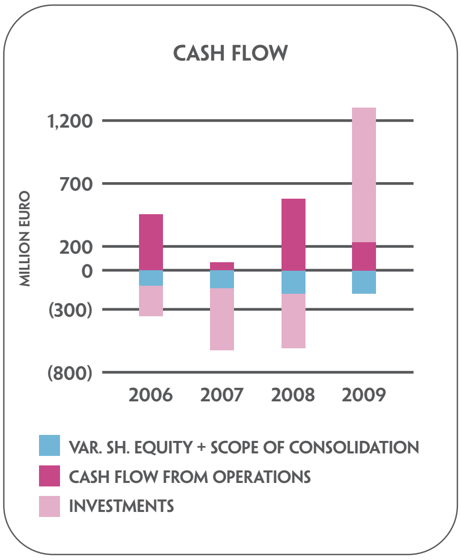
SHARE PRICE	EUR
REFERENCE PRICE AT 03/03/2010	9.61
HIGHEST PRICE (01/28/2010) (1)	10.12
LOWEST PRICE (02/16/2010) (1)	8.96
AVERAGE PRICE	9.60

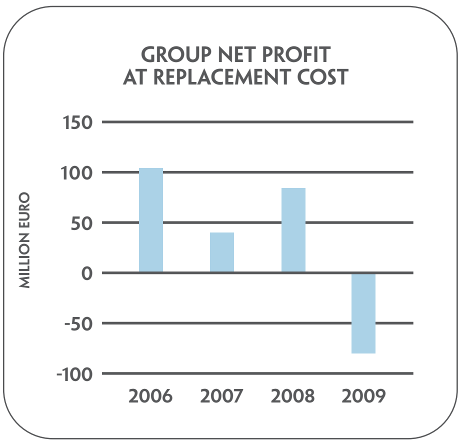
(1) THE LOWEST AND HIGHEST PRICES RECORDED DURING THE DAY'S TRADING AND THEREFORE NOT THE SAME AS THE OFFICIAL REFERENCE PRICES ON THE DATE CONCERNED

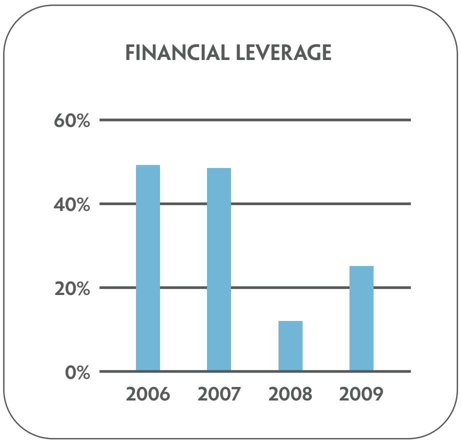
ERG SHARE PRICE PERFORMANCE COMPARED TO LEADING INDICES (NORMALISED)











RESULTS HIGHLIGHTS

(EUR MILLION)		YEAR 2009	YEAR 2008
MAIN ECONOMIC DATA			
TOTAL REVENUES (1)		6,237	11,563
EBITDA		229	117
EBITDA AT REPLACEMENT COST (2)		**22**	**536**
ADJUSTED EBITDA AT REPLACEMENT COST (3)		**92**	**540**
EBIT AT REPLACEMENT COST (2)		**(115)**	**335**
ADJUSTED EBIT AT REPLACEMENT COST (3)		**(92)**	**336**
NET PROFIT (LOSS)		45	649
OF WHICH GROUP NET PROFIT (LOSS)		7	646
GROUP NET PROFIT AT REPLACEMENT COST (4)		**(80)**	**84**
MAIN FINANCIAL DATA			
NET INVESTED CAPITAL		**2,591**	**2,299**
SHAREHOLDERS' EQUITY		1,929	2.024
TOTAL NET FINANCIAL DEBT		662	274
OF WHICH NON-RECOURSE PROJECT FINANCING (5)		324	325
FINANCIAL LEVERAGE		26%	12%
TOTAL ADJUSTED NET FINANCIAL DEBT (6)		586	212
OPERATIONAL DATA			
INVESTMENTS (7)	(EUR MILLION)	**347**	**351**
EMPLOYEES AT END OF PERIOD		1,579	1,580
PROCESSING AT THE REFINERIES	(THOUSAND TONNES)	**8.977**	**16,351**
PROCESSING AT THE REFINERIES	THOUSAND BARRELS/DAY	180	326
ELECTRIC POWER PRODUCTION	MILLION KWH	**3,009**	**5,189**
ELECTRICITY SALES	MILLION KWH	3,775	4,560
EXPORT OF OIL PRODUCTS	(THOUSAND TONNES)	**3,907**	**8,112**
DOMESTIC RETAIL SALES	(THOUSAND TONNES)	2,000	1,950
DOMESTIC RETAIL MARKET SHARE (8)	GASOLINE + DIESEL	**7.1%**	**6.9%**
DOMESTIC RETAIL OUTLETS AT END OF PERIOD	NUMBER OF OUTLETS	1,950	1,973
AVERAGE THROUGHPUT (9)	MC/PV AT END OF PERIOD	**1,276**	**1.235**
INVENTORY OF RAW MATERIALS AND PRODUCTS	(THOUSAND TONNES)	904	1,537
MARKET INDICATORS			
BRENT DATED	USD/BARREL	61.68	97.12
EUR/USD EXCHANGE RATE	EUR/USD	1.395	1.471
EMC REFINING MARGINS	USD/BARREL	0.63	3.95
ELECTRICITY REFERENCE PRICE (10)	EUR/MWH	63.72	86.99

FOR THE DEFINITION AND RECONCILIATION OF RESULTS TO ADJUSTED REPLACEMENT COST, PLEASE REFER TO THE SECTION "ALTERNATIVE PERFORMANCE INDICATORS".

(1) NET OF EXCISE TAXES
(2) EBITDA AND EBIT AT REPLACEMENT COST DO NOT INCLUDE INVENTORY GAINS (LOSSES) AND NON-RECURRING ITEMS.
(3) ADJUSTED EBITDA AND EBIT AT REPLACEMENT COST ALSO INCLUDE CONTRIBUTION OF ISAB S.R.L. (A JOINT VENTURE WITH LUKOIL SINCE 1 DECEMBER 2008) RESULTS FOR THE PORTION OWNED BY ERG
(4) GROUP NET PROFIT AT REPLACEMENT COST DOES NOT INCLUDE INVENTORY GAINS (LOSSES), NON-RECURRING ITEMS AND APPLICABLE THEORETICAL TAXES. THE VALUES ALSO CORRESPOND TO THE ADJUSTED ONES
(5) INCLUDING CASH AND CASH EQUIVALENTS
(6) ADJUSTED NET FINANCIAL DEBT ALSO INCLUDES THE CONTRIBUTION ATTRIBUTABLE TO ERG (51%) OF THE NET DEBT OF ISAB S.R.L.
(7) INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS
(8) ESTIMATED DATA
(9) CALCULATED ON THE BASIS OF THE SIZE OF THE RETAIL NETWORK AT THE END OF THE PERIOD
(10) SINGLE NATIONAL PRICE

HIGHLIGHTS BY SEGMENT

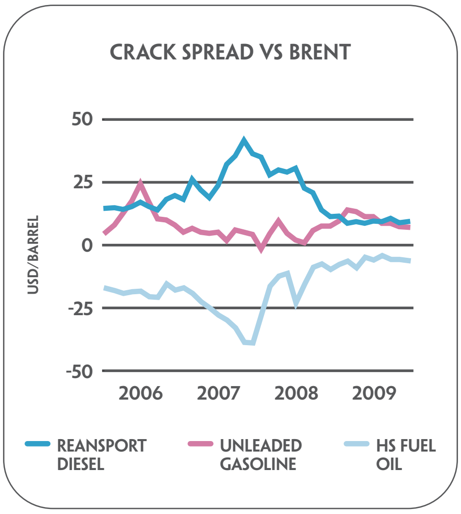
(EUR MILLION)	YEAR 2009	YEAR 2008
REVENUES FROM ORDINARY OPERATIONS		
COASTAL REFINING	3,525	7,636
INTEGRATED DOWNSTREAM	2,950	4,625
THERMOELECTRIC POWER GENERATION	998	1,191
RENEWABLE ENERGY SOURCES	50	45
CORPORATE	23	26
INTERDIVISIONAL REVENUES	(1,435)	(2,012)
TOTAL ADJUSTED REVENUES (1)	**6,111**	**11,512**
EBITDA		
COASTAL REFINING	(43)	230
INTEGRATED DOWNSTREAM	88	145
THERMOELECTRIC POWER GENERATION	55	181
RENEWABLE ENERGY SOURCES	23	17
CORPORATE	(32)	(33)
ADJUSTED EBITDA AT REPLACEMENT COST (2)	**92**	**540**
51% CONTRIBUTION OF ISAB S.R.L. AT REPLACEMENT COST	(69)	(5)
EBITDA AT REPLACEMENT COST (2)	**22**	**536**
GAINS (LOSSES) ON INVENTORY	86	(364)
NON-RECURRING ITEMS (3)	121	(54)
TOTAL	**229**	**117**
DEPRECIATION AND WRITE-DOWNS		
COASTAL REFINING	(46)	(70)
INTEGRATED DOWNSTREAM	(52)	(52)
THERMOELECTRIC POWER GENERATION	(54)	(60)
RENEWABLE ENERGY SOURCES	(27)	(20)
CORPORATE	(4)	(3)
ADJUSTED AMORTISATION AND DEPRECIATION AT REPLACEMENT COST (2)	**(183)**	**(204)**
51% CONTRIBUTION OF ISAB S.R.L. AT REPLACEMENT COST	46	3
AMORTISATION AND DEPRECIATION AT REPLACEMENT COST (2)	**(137)**	**(201)**
EBIT		
COASTAL REFINING	(90)	161
INTEGRATED DOWNSTREAM	36	93
THERMOELECTRIC POWER GENERATION	1	121
RENEWABLE ENERGY SOURCES	(4)	(4)
CORPORATE	(36)	(35)
ADJUSTED EBIT AT REPLACEMENT COST (2)	**(92)**	**336**
51% CONTRIBUTION OF ISAB S.R.L. AT REPLACEMENT COST	(23)	(1)
EBIT AT REPLACEMENT COST (2)	**(115)**	**335**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS		
COASTAL REFINING	62	70
INTEGRATED DOWNSTREAM	54	86
THERMOELECTRIC POWER GENERATION	200	141
RENEWABLE ENERGY SOURCES	89	52
CORPORATE	2	5
TOTAL ADJUSTED INVESTMENTS (4)	**407**	**354**
INVESTMENTS OF ISAB S.R.L. (51%)	(60)	(4)
TOTAL INVESTMENTS	**347**	**351**

(1) ADJUSTED REVENUES IN 2009 AND 2008 TAKE INTO ACCOUNT 51% OF REVENUES GENERATED BY ISAB S.R.L. (A JOINT VENTURE WITH LUKOIL SINCE 1 DECEMBER 2008)
(2) EBITDA AND EBIT AT REPLACEMENT COST DO NOT INCLUDE INVENTORY GAINS (LOSSES) AND NON-RECURRING ITEMS. ADJUSTED FIGURES ALSO INCLUDE THE CONTRIBUTION OF ISAB S.R.L. RESULTS, FOR THE PORTION OWNED BY ERG (51%)
(3) FOR THE DEFINITION AND DETAILS OF NON-RECURRING ITEMS, PLEASE SEE THE SECTION "ALTERNATIVE PERFORMANCE INDICATORS"
(4) ADJUSTED INVESTMENTS IN 2009 AND 2008 TAKE INTO ACCOUNT 51% OF THE INVESTMENTS MADE BY ISAB S.R.L.

SALES

OIL PRODUCTS

Total sales amounted to 11.0 million tonnes, of which 64% were on the domestic market (6.3% of national consumption vs. 8.1% in 2008) and the remaining 36% was abroad. 48% of sales were made directly by the Coastal refining division, with the Integrated downstream division accounting for the remaining 52%.
The lower share of national consumption mainly relates to the sale to LUKOIL of 49% of the ISAB Refinery and to a lesser extent the shutdown for maintenance of the Rome and ISAB Refineries in the first quarter.
The following table breaks down ERG oil product sales by distribution channel:



(THOUSAND TONNES)	2009	2008
REFINING AND LOGISTICS		
CARGO EXPORT	3,641	7,642
HOME MARKET SUPPLY	3,417	4,670
TOTAL REFINING AND LOGISTICS	**7,058**	**12,312**
MARKETING		
DOMESTIC RETAIL MARKET	2,000	1,950
DOMESTIC WHOLESALE MARKET	1,640	1,843
WHOLESALE EXPORT	140	119
ABROAD	126	351
TOTAL MARKETING	**3,906**	**4,263**
TOTAL OIL PRODUCTS	**10,964**	**16,575**

POWER GENERATION

The following table illustrates ERG Group electricity sales:

(GWH)	2009	2008
POWER GENERATION		
ISAB ENERGY	2,002	3,435
ERG POWER & GAS	1,450	853
ERG RENEW	322	272
TOTAL	**3,775**	**4,560**

Steam sales to industrial plants at the Priolo/Melilli site totalled 2,157 thousand tonnes (1,132 thousand in 2008), of which 1,733 thousand tonnes related to ISAB S.r.l.

In 2009, 420 million Sm^3 (standard cubic metres) of gas was sold by ERG Power & Gas, of which 269 million related to ISAB S.r.l.

COMMENTS ON THE RESULTS FOR THE YEAR

Following agreements with LUKOIL, on 1 December 2008, ERG Raffinerie Mediterranee S.p.A. transferred all assets of the ISAB Refinery in Priolo to the newco ISAB S.r.l., and 49% of the capital of the newco was transferred to LUKOIL.

Comparison with 2008 figures therefore shows a significant reduction in revenues and operating costs. This reduction relates to lower production levels, based on the production capacity envisaged by the processing agreement, at the ISAB refinery compared to previously, when ERG fully owned and directly operated the plants.

In 2009 **total revenues** were EUR 6,237 million, a decrease versus 2008 mainly owing to lower average sales prices, lower quantities processed at the coastal refinery following the sale of 49% of the ISAB Refinery to LUKOIL in December 2008, the planned shutdown for maintenance of the refinery in early 2009 and lower production levels at ISAB Energy after the accident in October 2008.

EBITDA at adjusted replacement cost[1] came in at EUR 92 million, versus EUR 540 million in 2008. The fall is a result of the following factors:

- **COASTAL REFINING**: EBITDA of EUR -43 million, a sharp drop compared to 2008 (EUR 230 million). Stripping out the effect of the sale of 49% of the ISAB Refinery to LUKOIL, this decrease was the result of lower conversion margins due to an unfavourable oil market and the negative effects of the scheduled maintenance at ISAB, both in terms of processing and the system structure pursuant to the shutdown;

- **INTEGRATED DOWNSTREAM:** EBITDA of EUR 88 million was lower than in 2008 (EUR 145 million), mainly due to the unfavourable situation on the oil market which negatively influenced the results of the Inland Refineries and the costs associated with launch of the ERG*Mobile* programme;

- **THERMOELECTRIC POWER GENERATION**: EBITDA was EUR 55 million, versus EUR 181 million in 2008, mainly because of lower production at ISAB Energy following the accident in October 2008. The result includes the insurance payout of EUR 78 million, recognised as an accrual, to cover indirect damage;

- **RENEWABLE ENERGY SOURCES**: EBITDA was EUR 23 million (EUR 17 million in 2008), an increase mainly due to the full entry into operation of the Vicari and Faeto wind farms.

EBIT at adjusted replacement cost [(1)] was EUR -92 million (EUR +336 million in 2008) after amortisation, depreciation and write-downs of EUR 183 million (EUR 204 million in 2008).

Group net income at replacement cost was EUR -80 million (EUR 84 million in 2008).

Net Group income was EUR 7 million (EUR 646 million in 2008), and reflects:

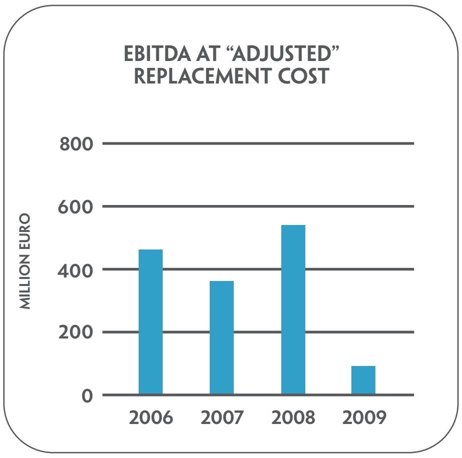
- inventory gains, net of attributable tax effects, of EUR 64 million;
- other non-recurring positive items of EUR 23 million[(1)] mainly relating to the insurance payout received by ISAB Energy, and despite write-downs of assets, provisions for risks and clean-up costs.

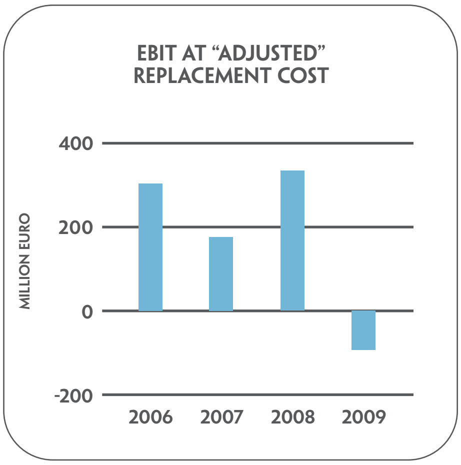
1 for the definition and reconciliation of results to adjusted replacement cost and details of non-recurring items, please refer to the section "Alternative Performance Indicators"

Adjusted Group investments totalled EUR 407 million in 2009, versus EUR 354 million in 2008, and comprised 15% in Coastal Refining (20% in 2008), 13% in Integrated Downstream (24%), 49% in the Thermoelectric division (40%) and 22% in the Renewable Energy Sources division (15%).

Net financial debt was EUR 662 million, an increase of EUR 388 million versus the 31 December 2008 figure.
The increase since 31 December 2008 is mainly due to change in the basis of consolidation, investments made, dividend payments and the payment of income tax, only in part offset by cash flow from current operations, including the large insurance payout received by ISAB Energy relating to the accident.
Generally speaking, the level of indebtedness as of 31 December, compared with the year's average level, reflected the advance payment of excise duties[2] and the advance payment of VAT in December.

Adjusted net financial debt, which includes the portion attributable to ERG (51%) of the positive cash position of ISAB S.r.l., was EUR 586 million (EUR 212 million at 31 December 2008).





2 in accordance with the Italian Ministerial Decree of 11 December 2009, on 18 December 2009 ERG paid excise duties totalling EUR 74 million for the first half of December (the amount of excise duties paid in December 2008 was EUR 75 million)

SIGNIFICANT EVENTS DURING THE YEAR

LUKOIL DEAL

On **17 February** ERG received EUR 852 million from LUKOIL as the balance for the cost of a 49% share in ISAB S.r.l., the company to which all assets of the ISAB Refinery at Priolo (SR) were transferred. The payment, including accrued interest, was made in advance of what had been previously agreed with LUKOIL and reported in the press release of 6 November 2008.
As a result of this deal, ERG has received a total of EUR 1.55 billion, which includes the income of the collar hedge on part of the oil inventory transferred to ISAB S.r.l. In accordance with the agreement that led to the payment, the starting date for the exercise by ERG of its put option on its 51% share in ISAB S.r.l. is postponed for one year with respect to what was previously agreed, and the strike price reduced by EUR 15 million.
Following payment of the full price, the guarantee and pledge granted by LUKOIL on its 49% share of ISAB S.r.l. under the agreement have expired.

ISAB ENERGY INSURANCE PAYOUT

On **27 March**, ISAB Energy S.p.A. reached an agreement with Assicurazioni Generali S.p.A. determining the insurance indemnities for the damage to the Priolo electricity power plant that resulted from the accident of 13 October 2008. The agreement, which took the form of a Loss Management Plan and was supported by all the co-insurance companies, provides for a total payout calculated initially at EUR 280 million. A schedule of payments on account is in place, with the full amount to be received by the end of June 2010. The first tranche (EUR 57 million) was received in April 2009, and the second (EUR 21 million) in July and August.
Under the agreement, about 50% of the entire amount, which is deemed sufficient to cover the plant reconstruction expenses, was to be paid by the end of 2009. The full and final amount of the insurance payout for the direct and indirect damage covered must, in accordance with the terms of the contract, be established at the end of the payment schedule, with a resulting adjustment.

On **17 December** ISAB Energy reached a new agreement with Assicurazioni Generali S.p.A. to settle the claim.
The agreement, which was supported by all the co-insurance companies, provides for a total payout of EUR 250 million to be received in advance of the completion of the reconstruction work, which is currently scheduled for June 2010.
The amount agreed to was deemed sufficient to cover reconstruction costs as well as indirect damage indemnified under the insurance policy.
The full amount of EUR 250 million was received in December 2009.

INTEGRATED DOWNSTREAM

On **25 February** ERG announced that, as from next April 2009, it was to become a virtual mobile telephone operator, pursuant to an agreement signed with Vodafone Italia, and will sell its product range through its fuel distribution network. ERG Petroli is the first oil company to enter this market with a dedicated, personalised SIM and with a new brand: ERG*Mobile*.
Vodafone Italia has guaranteed ERG Petroli access to a full range of services, including voice, text messaging, roaming and data traffic. Furthermore, Vodafone has created the platform that will permit integration of the two companies' systems.

On **15 April** the ERG*Mobile* SIM card went on sale at approximately 1,500 sales points of the ERG fuel distribution network that signed up to the initiative.

On **9 July**, under the terms of the agreement with GDF Energie Services S.A., the acquisition by ERG Petroli of the shareholding held by Elyo Italia in Restiani S.p.A. (60% of the share capital) and the accompanying sale by ERG Petroli of its stake in Elyo Italia (40% of the share capital), were finalised.

On **30 July** the final contract for the sale of ERG Petróleos S.A. service stations to Saras Energia S.A. was signed, as part of the agreement dated 29 October 2008.

THERMOELECTRIC POWER GENERATION

On **19 November** ERG Power S.r.l. was established with a registered office in Priolo Gargallo (SR) and share capital fully subscribed and paid up by ERG Nuove Centrali S.p.A.

On **11 December** ERG Power S.r.l. (100% ERG) signed a 12-year project financing agreement for a maximum EUR 330 million for the new gas-fired electricity co-generation power plant (480 MW) in the northern area of the Priolo (SR) site. The financing agreement provides a step-in guarantee in favour of the financiers taken on by ERG S.p.A.

On **17 December**, the shareholders' meeting of ERG Power S.r.l. voted to increase the share capital from EUR 10 thousand to EUR 5 million, which was fully subscribed on the same date by the sole shareholder ERG Nuove Centrali S.p.A. and paid up via the transfer of the new gas-fired electricity co-generation plant (480 MW) located in the northern area of the Priolo (SR) site, effective 1 January 2010.

CORPORATE OFFICES

On **21 April** the ordinary shareholders' meeting of ERG Renew S.p.A. appointed the new Board of Directors for the period 2009 - 2011, with Raffaele Tognacca as Chairman.
The new Board of Directors then appointed Vittorio Garrone as Deputy Chairman and Francesco Del Balzo as Chief Executive Officer.

On **22 April** the ordinary shareholders' meeting of ERG Raffinerie Mediterranee S.p.A. appointed the new Board of Directors for the period 2009 - 2011, with Aldo Garozzo confirmed as Chairman. The new Board of Directors then appointed Guglielmo Landolfi as Chief Executive Officer.

On **22 April** the ordinary shareholders' meeting of ERG Petroli S.p.A. appointed the new Board of Directors for the period 2009 - 2011, with Pietro Giordano confirmed as Chairman. The new Board of Directors then appointed Pier Francesco Pinelli as Chief Executive Officer.

On **22 April** the ordinary shareholders' meeting of ERG Power & Gas S.p.A. appointed the new Board of Directors for the period 2009 - 2011, with Raffaele Tognacca as Chairman. The new Board of Directors then appointed Sergio Corso as Chief Executive Officer.

On **23 April** the ordinary shareholders' meeting of ERG S.p.A. appointed the new Board of Directors for the period 2009 - 2011, with Riccardo Garrone confirmed as Honorary Chairman and Edoardo Garrone as Chairman.
The meeting also appointed Andrea Manzitti as Standing Auditor and confirmed Deloitte & Touche as external auditors for 2009 - 2017.
The new Board of Directors then confirmed Giovanni Mondini and Pietro Giordano as Deputy Chairmen and Alessandro Garrone as Chief Executive Officer, and appointed Graziella Merello as Executive Director to oversee the functioning of the internal control system.

On **27 May** ERG renewed the sponsorship contract with Sampdoria U.C. for the next two seasons. Sampdoria's official kits is carrying the ERG*Mobile* logo for the 2009-2010 season.

On **11 November** the Board of Directors of ERG Raffinerie Mediterranee S.p.A., following the resignation of Aldo Garozzo as Chairman of the Board and Director, appointed director Giovanni Mondini as Chairman, and appointed Pier Francesco Pinelli to the Board.

On **14 December** the Board of Directors of ERG Raffinerie Mediterranee S.p.A., following the resignation of Guglielmo Landolfi as Chief Executive Officer and Director, appointed Chairman Giovanni Mondini as CEO of the company.

On **15 December**, following the resignation on the same date by Riccardo Garrone as Director, the Board of Directors appointed Luca Bettonte, who will remain in office until the next shareholders' meeting. Riccardo Garrone will continue to contribute to the work of the Board of Directors as Honorary Chairman
On the same date, the Board appointed Luca Bettonte as Corporate General Manager, and also approved, with effect from 1 January 2010, the new organisational macrostructure of the Parent Company, which provides for the creation of a General Management Office and two Business Units dedicated specifically to the Oil and Power & Gas businesses; ERG Renew S.p.A. will continue to be the listed vehicle through which the development of renewable sources can be tracked.

REGULATORY FRAMEWORK

The most important events that took place in the energy sector in 2009 were:

Clean ups - Programme Agreement for the Priolo site and CIPE Resolution 61/2008
In 2009 the Ministry of the Environment and Attorney General's Office continued to work out details for the settlement procedures and costs that the parties concerned may agree to on a voluntary basis in relation to the Programme Agreement for clean-ups at the Priolo site. The agreement, which was signed by the institutions in November 2008 and recorded by the Corte dei Conti in April 2009, concerns the clean-up and environmental restoration of the Priolo site. The ERG Group companies present at the site (and the other operators affected) are monitoring the development of activities by the Ministry in relation to the requirements, conditions and operating procedures applied in the Programme Agreement.

EU energy/environment/climate change package
EU directives concerning the "20/20/20 climate-energy package" were conclusively approved and published (in the Official Gazette of the European Union of 5 June 2009) at European level. This package envisages, by the end of 2020, a reduction of 20% in CO_2 emission levels, versus those of 1990, and of 20% in energy consumption vs. the annual forecast for that year, with 20% of energy consumption met via use of renewable energy sources. It also envisages the promotion and use of biofuels, which must reach 10% of total vehicle fuel consumption by the end of 2020. For Italy, this translates into a binding objective, for renewable sources, equivalent to 17% of national electricity consumption by the end of 2020 versus 5.2% reported in 2005.

Conversion to law, with revisions, of Decree Law 185 of 29 November 2008, which lays down urgent measures to support households, employment and companies and aims to redesign the national strategic framework in view of the crisis
The law specifically envisages in Article 3 (Freezing and reduction of rates):

- a revision of market rules in order to limit price rises for electricity. The modifications, to be determined in subsequent regulations, affected, and will affect, the operating rules for wholesale energy markets (Day Before Market, Adjustment Market and Dispatching Services Market);
- the adoption of measures, through action by the Ministry for Economic Development, following consultation with the AEEG (Italian electricity and gas authority), to eliminate any anomalies in the formation of zone prices and promote competition in the production and supply of energy, and monitoring by the AEEG of electricity and gas price trends, by adopting appropriate measures so that these prices benefit from any reductions in the prices of oil products;
- the possibility of the Economic Development ministry dividing the relevant network into no more than three macro-zones.

Law 166 of 20 November 2009, converting Legislative Decree 135/2009 (also known as the "*salva infrazioni*" law), which sets out urgent measures for implementing EU obligations and enforcing the decisions of the European Court of Justice
The law includes several environmental provisions, notably:

- in Article 5-bis: new forms of compensation are provided to bring the national law in line with EU Directive 2004/35/EC, pursuant to which, the party responsible for environmental damage is required: to restore a site to its previous state. If restoration is not carried out, "supplementary" and "compensatory" measures are required, and if these are not or cannot be carried out, are excessively costly or are carried out in an incomplete or non-compliant manner, the party responsible for the damage is required to compensate the government for an equivalent amount;

- in Article 4, paragraph 1: revisions and updates to various clauses of Legislative Decree 216/06 which implements EU Directives 2003/87 and 2004/101/EC concerning the trading of greenhouse gas emission quotas ("emissions trading") with reference to project mechanisms for the Kyoto Protocol;
- in Article 4, paragraphs 3, 3-bis, 4 and 5, concerning technological innovations aimed at protecting the environment and reducing emissions, and related revisions of Integrated Environmental Authorisation (AIA) procedures: a ministerial decree is to be published aimed at approving specific guidelines containing criteria and parameters for promoting investments in "environmentally friendly" technical innovations in plants subject to the national AIA pursuant to Appendix V of Legislative Decree 59/2005; these guidelines provide for lengthening the duration of the AIA, under certain conditions, beyond the deadlines set for the renewal of the authorisation.

First judgments of the Regional Administrative Court (TAR) of Lombardy (filed on 17 June) concerning appeals presented on the Robin Tax

The first judgments of the Regional Administrative Court of Lombardy were filed on 17 June and concerned appeals presented by 13 companies (the majority of the other appeals were discussed by this court in camera on 22 July) against AEEG resolutions 91/08 and VIS 109/08 concerning supervision of compliance with the ban on passing the Robin Tax through to consumer prices (Robin Tax: a surtax of 5.5%[1] on top of the income tax rate for companies in the energy sector that meet specific requirements introduced by Article 81 of Legislative Decree 112 of 25 June 2008 and converted into Law 133 of 6 August 2008, which, in paragraph 18, prohibits the aforementioned surtax from being passed through to consumer prices, and assigns to the AEEG the responsibility of supervising strict compliance with this prohibition on the part of the economic operators concerned). The Regional Administrative Court of Lombardy ruled that:

- the AEEG's supervision of compliance with the pass-through prohibition cannot be translated into preventative and repressive (i.e., sanction-producing) measures, "but merely involves a report to Parliament, which will be free to decide whether to take the resulting countermeasures or not";
- resolution VIS 109/08 fully replaced, and thus, revoked resolution 91/08, with the result that it is indisputable that the following provisions no longer apply: the unfair automatic assumption of a link between an increase in company earnings and a pass-through of the Robin Tax; and the reversal of the burden of proof on operators, who, under resolution 91/08, were essentially required to demonstrate their innocence by proving that any increase in their earnings was attributable to reasons provided and allowed by the AEEG;
- the provision of Article 2 of Resolution 109/08, which required companies to initiate preventative "management" measures aimed at eliminating the possibility of pass-through to prices, was unlawful and was therefore cancelled.

Resolution VIS 133/09, in which the AEEG identifies second-level analysis criteria and procedures to verify compliance with the pass-through prohibition (the Robin Tax)

The new measure (Article 2 of the resolution) states that operators that have not fulfilled the compliance obligations specified by Resolution VIS 109/08 (in the first level of analysis), or operators that have fulfilled the compliance requirements, but have provided inaccurate and/or incomplete data and information, or failed to eliminate anomalies found in the data transmitted, will be the first to be subject to the second-level analysis. This is in addition to operators that do not provide adequate reasons for their actions to the regulator.

1 Additional increase of one percentage point by Decree Law 78 of 1 July 2009

Thus, separate proceedings will be initiated against some of these entities to verify whether there was a breach of the pass-through prohibition, on the basis of priority criteria concerning: the amount, in absolute terms, of the alleged pass-through, and the proportion, as a percentage of the corporate income tax (IRES) surtax, represented by the same alleged pass-through.
In the resolution, the AEEG notes that it has granted several requests from operators to modify assessments, especially for the purposes of simplifying the procedure. One example would be to extend the deadlines for sending accounting data (Article 1) and implementing the information system. Other incentives have also been established for operators, which generated total revenue of less than EUR 461 million (Article 3) in 2009.
Finally (Article 4), oil companies and sales companies that fall under the "Italian pricing" statistical sample, and that have decided, for the first level, to comply with the procedure of sending to the AEEG, on a quarterly basis, the same data on prices and sales sent to the Ministry for Economic Development, must forward the accounting data on unit costs and revenues from 2007 onwards (excluding the second half of 2009) if the regulator finds increases in the "gap."

Law enacted under delegated powers for the reorganisation of the Consolidated Text on the Environment; Article 12 of the "Provisions for economic development, simplification, competitiveness and matters of civil process" bill, which was approved under Law 69 of 18 June 2009
This measure formally reopened the deadlines for the government to exercise the delegate powers concerning the update of the Consolidated Text on the Environment which must be carried out by 30 June 2010.

Law 99 of 23 July 2009 makes provision for the development and internationalisation of companies, including in the area of energy (the "Development Law")
The measure contains several provisions concerning the energy sector, including:
- new methods of gas distribution;
- updates to criteria for calculating the avoided fuel cost for CIP 6 plants;
- early resolution, on a voluntary basis, of the CIP 6 agreements;
- definition of internal utility networks;
- assignation of the Gas Exchange to the Electricity Market Operator (Gestore Mercato Elettrico);
- a Virtual Power Plant (VPP) in Sardinia;
- an extension of the delegation of nuclear decisions to national government, which could be exercised within six months of the law's entry into force;
- establishment of the Agency for Nuclear Security;
- simplification of the process for making authorisation of construction and operation of LNG regasification terminals more flexible;
- a support system for high-yield cogeneration;
- establishment of the fund for the reduction of retail petrol prices in regions involved in extraction of liquid and gaseous hydrocarbons;
- measures to increase availability of information on fuel prices;
- a further 1% increase in IRES (in relation to the Robin Tax);
- with regard to green certificates, the provision, effective from 2011, to transfer the mandatory quota of renewable output from producers and importers of non-renewable electricity "to entities that enter into one or more electricity dispatching contracts for offtake with Terna S.p.A.". This reform has been postponed by a year (to 2012) by Law 166 of 20 November 2009 through an ad hoc provision (the effective date of new rules for transferring mandatory quotas is postponed by a year to 2012).

Determination of reimbursement amounts for green certificates concerning production in 2004, 2005 and 2006: Resolution ARG/elt 30/09 "Calculations concerning the recognition, pursuant to Title II(7-bis) of CIP Order No. 6/92, of charges resulting from Article 11 of Legislative Decree No. 79/99 for years 2005, 2006 and 2007"

Resolution ARG/elt 30/09 "Calculations concerning the recognition, pursuant to Title II(7-bis) of CIP Order No. 6/92, of charges resulting from Article 11 of Legislative Decree No. 79/99 for years 2005, 2006 and 2007" of EUR 53.40/MWh, EUR 36.06/MWh and EUR 38.17/MWh. In this regard, it should be noted that in July 2009 ISAB Energy collected about EUR 21 million in reimbursements related to green certificates on production for the years 2002-2006.

Calculation of the adjustment payment for 2008 of the avoided fuel cost specified in Title II(2) of Inter-Ministry Price Committee Order No. 6/92 of 29 April 1992

In Resolution ARG/elt50/09 of 30 April, and awaiting the determination of the opinion on Resolution ARG/elt 154/08 before the Council of State (in fact, the Authority decided to file an appeal against the decisions of the Lombardy TAR that call for a partial repeal), the Authority temporarily took steps to set the amount of the CEC adjustment for 2008 by 30 April 2009 (the deadline by which, pursuant to the CIP/6 order, the value of CEC must be updated for the purposes of the adjustment of the previous year) in order to provide operators with an updated price reference that takes into account fuel price changes in 2008.

To this end, the Authority decided provisionally to determine the adjustment value for 2008 of the average conventional fuel price in the CEC using the formula specified in Resolution 249/06, subject to any orders that may be adopted based on the outcome of the litigation over Resolution 154/08. In keeping with the above, the price on account is EUR 74.7/MWh for the first nine months of 2009 and EUR 55.1/MWh for the last three months.

It should also be noted that Law No. 99 of 23 July 2009 grants powers to the MSE (after conferring with the AEEG) concerning the CEC on account, and determines the criterion to be used with specific reference to the calculation method established by Article 3 of Resolution ARG/elt 154/08.

Given the above and pending the resolution of the dispute, which has involved the AEEG in the question of the calculation methodology for the avoided fuel cost, for the purposes of these accounts, Resolution ARG/elt 154/08 was applied.

End of formal preliminary investigation launched against ISAB Energy S.r.l. with AEEG Resolution VIS 29/08 of 17 March 2008

With Resolution VIS 44/09, the AEEG formally closed the preliminary investigation into the failure to purchase green certificates for production in 2002, 2003 and 2004 without any monetary sanctions.

Ministerial Decree of 2 December 2009 on the early termination of CIP 6/92 agreements

To implement the provisions of the "Development Law" (Law 99 of 23 July 2009), from 2010, CIP 6/92 agreements that establish incentivised prices for electricity produced by plants powered by sources similar to renewable sources may be terminated in advance. In addition, the decree establishes mechanisms for the optional termination of existing agreements with GSE (National Grid Operator), which would otherwise expire in subsequent years up until 2020, thereby ensuring the continuity of electricity production connected with industrial processes.

Internal user networks

Resolution ARG/elt 175/09 "*Launch of the procedure to select owners of internal user networks pursuant to article 33 of Law 99 of 23 July 2009 and the creation of a list of those owners for the Ministry for Economic Development*" published on the AEEG's website on 24 November 2009. This provision allows the launch of a procedure aimed at selecting owners of internal user networks pursuant to article 33 of Law 99 of 23 July 2009 (the "Development Law"), as well as the creation of a list of those owners for the Ministry for Economic Development.

Ministerial Decree of 31 July 2009 "Criteria and methods for the provision to end customers of information on the composition of the energy mix used to generate the electricity provided, as well as the environmental impact of the production"

The provision, published in Official Gazette no. 196 of 25 August, establishes the methods through which electricity sales companies must inform end customers of the mix of the energy sources used to generate the electricity sold to them, and furthermore provide suggestions on saving energy.

From 2010 sales companies must already provide to their customers, at least every quarter, information on the national average energy mix used for generation relating to 2008 and 2009. From 2011 these figures will be supplemented with data on the mix of sources used to generate electricity sold by the company.

A separate provision is dedicated to high-yield cogeneration, for which transparency obligations come into force from 2012.

The decree assigns the GSE a key role: among other things, by 31 March of every year, it must establish (in partnership with Terna) the national average mix, recognise renewable energy guarantees of origin, and again in partnership with the grid operator, also check through sample controls the truthfulness of the communications made by the company.

The GSE will be able to report any non-fulfilment or false statements to the AEEG, and from 2011, will send a report to the Ministries for Economic Development and the Environment by 30 June every year.

IMPACTS ON THE GROUP

With reference to the above, no further impacts on the Group were noted beyond those specified in the comments on individual events.

BUSINESS DIVISIONS

COASTAL REFINING

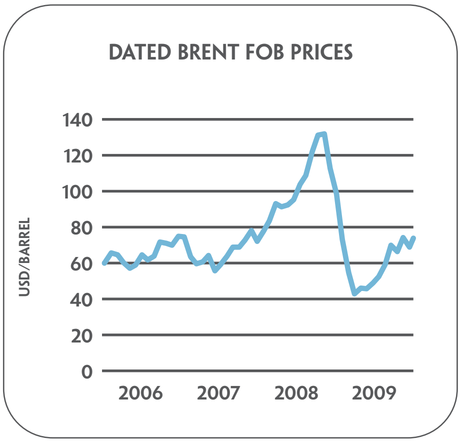
REFERENCE MARKET (1)

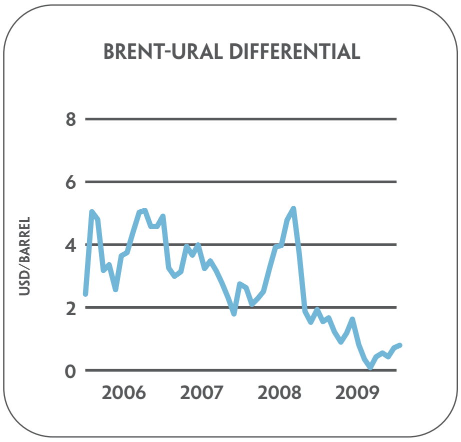
	YEAR 2009	YEAR 2008
CRUDE OILS (USD/BARREL)		
BRENT CRUDE PRICE (2)	61.68	97.12
BRENT/URAL (3) DIFFERENTIAL	0.73	3.01
BRENT/AZERI LIGHT DIFFERENTIAL	(1.31)	(1.99)
PRODUCTS (USD/TONNE)		
TRANSPORT DIESEL PRICE	533	936
UNLEADED GASOLINE PRICE	583	833
FUEL OIL PRICE	346	456
CRACK SPREAD (USD/BARREL)		
TRANSPORT DIESEL - BRENT	9.82	28.33
GASOLINE - BRENT	8.18	2.69
HIGH SULPHUR FUEL OIL - BRENT	(7.26)	(25.16)
MARGIN INDICATORS		
EMC (USD/BARREL) (4)	0.63	3.95
EMC (USD/BARREL) (4)	0.45	2.69
EURO/USD EXCHANGE RATE	1.395	1.471

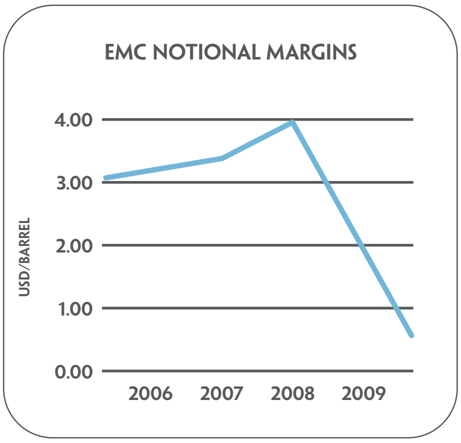
SOURCE PLATT'S
(1) AVERAGE PRICES IN PERIOD
(2) BRENT DATED: REFERENCE LIGHT CRUDE, ON FOB MEAN BASIS
(3) URAL: REFERENCE HEAVY CRUDE, ON CIF MEAN BASIS
(4) VALUE OF THE EMC NOTIONAL MARGIN ON FOB BASIS, OBTAINED FROM A 50-50 MIX OF URAL AND AZERI LIGHT CRUDES. THE EMC NOTIONAL MARGIN REFERS TO A COMPLEX REFINERY CHARACTERISED BY CATALYTIC CONVERSIONS DEDICATED TO THE PRODUCTION OF GASOLINE (FLUID CATALYTIC CRACKING PLANT)

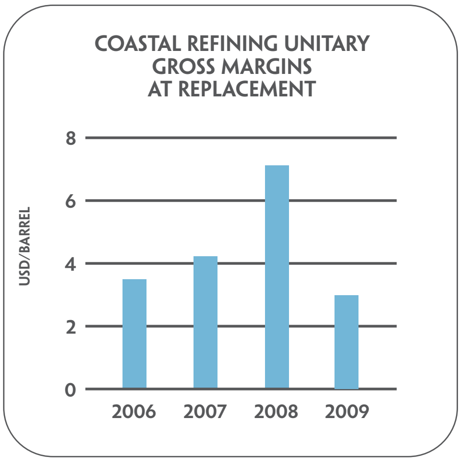
Crude price

The first half of 2009 was distinguished by oil prices between USD 40 and 50/barrel, significantly less than last year, influenced by the global economic crisis and the consequent contraction in oil demand.









Prices gradually began to rise in the second half of the year, sustained by an improvement in the basics of the oil market, especially due to OPEC cutting production and China's significant upswing in demand for oil, as well as the strengthening of the Euro against the US dollar and finally, the optimistic expectations on the timing of the recovery on the global market. In the last quarter of 2009, the particularly cold temperatures in December helped deplete oil product inventories, while average Brent prices reached USD 74.50/barrel, peaking at USD 79/barrel.

The average price for the year was nearly USD 61.70/barrel, considerably lower than the average 2008 price (USD 97.10/barrel).

The Brent/Ural differential has decreased significantly on a year earlier (USD +0.70/barrel versus USD +3.00/barrel in 2008) due to the decreased supply of high- and medium-sulphur content crudes pursuant to the OPEC production cuts and the strengthening of the value of fuel oil versus crude. The price of Azeri Light decreased compared to Brent (the Brent-Azeri differential fell from USD -2.00/barrel in 2008 to USD -1.30/barrel in 2009), consistently with the softening in diesel fuel prices.

Products

FY 2009 was characterized by a significant decrease in medium distillates as compared with Brent crude, driven down by the lower level of consumption due to the international crisis and high levels of stocks in OECD countries (the crack spread of diesel declined from a value of USD 28.30/barrel in 2008 to USD 9.80/barrel in 2009).

At the same time, the gasoline-Brent crude price differential increased instead from 2008 (the crack spread rose from USD 2.70/barrel in 2008 to USD 8.20/barrel in 2009), sustained by lower output at American and European refineries and thanks to OECD demand which was slightly lower overall.

Fuel oil prices have appreciated significantly on Brent due to lower global output, due both to the steep cuts in OPEC crude oil output and the major cuts (due to economic reasons) in marginal processing by refineries with high yields of heavy distillates, which more than offset the sharp fall in demand (the crack spread of high sulphur fuel oil decreased from USD -25.20/barrel in 2008 to USD - 7.30/barrel in 2009.

INDUSTRY REFINING MARGINS (EMC)

Mediterranean basin refining margins in 2009 were USD 0.63/barrel (where the reference notional margin is EMC FCC), significantly lower than those for 2008 (USD 3.95/barrel) due to the extreme softness of diesel prices compared with Brent crude that was not offset by appreciation in gasoline and heavy fuel oil prices. The margin in Euro was sustained by the appreciated value of the dollar, rising to an average value of 1.395 in 2009 from 1.471 in 2008.

HIGHLIGHTS OF ADJUSTED COASTAL REFINING RESULTS (1)

To assist in interpretation of Coastal Refining results, the results of this business for FY 2009 and the FY 2008 are shown at their adjusted replacement cost, which reflect, for the 51% equity interest held by ERG, the results of ISAB S.r.l. from December 2008, whose contribution to income at non-adjusted replacement cost values is represented in the equity measurement of the investment.

(EUR MILLION)	YEAR 2009	YEAR 2008
REVENUES FROM THIRD PARTIES	2,557	6,203
INTERDIVISIONAL REVENUES	968	1,433
ADJUSTED REVENUES FROM ORDINARY OPERATIONS	**3,525**	**7,636**
ADJUSTED EBITDA AT REPLACEMENT COST	**(43)**	**230**
ADJUSTED AMORTISATION, DEPRECIATION AND WRITE-DOWNS	(46)	(70)
ADJUSTED EBIT AT REPLACEMENT COST	**(90)**	**161**
ADJUSTED INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS	62	70

(1) THE ILLUSTRATED FIGURES DO NOT INCLUDE
- GAINS (LOSSES) ON STOCK EQUAL TO +32 IN 2009 AND -240 IN 2008
- THE NON-RECURRING ITEMS INDICATED IN THE CHAPTER "ALTERNATIVE PERFORMANCE INDICATORS", TO WHICH REFERENCE IS MADE FOR MORE DETAILS

Revenue in 2009 was less than in 2008 mainly due to the lower volumes produced and sold after the sale of 49% of the ISAB refinery to LUKOIL and the shutdown for scheduled maintenance. The decrease is also linked to the significant decline in the prices of the products.

EBITDA at adjusted replacement values in 2009, net of the LUKOIL effect, was less than 2008 mainly because of the lower conversion margins resulting from an unfavourable oil market and the negative effects of the scheduled maintenance at ISAB, which affected both processing and the system structures pursuant to the shutdown.

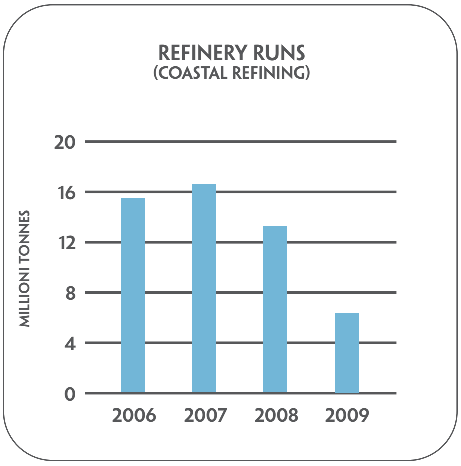
MARGINS AND PROCESSING

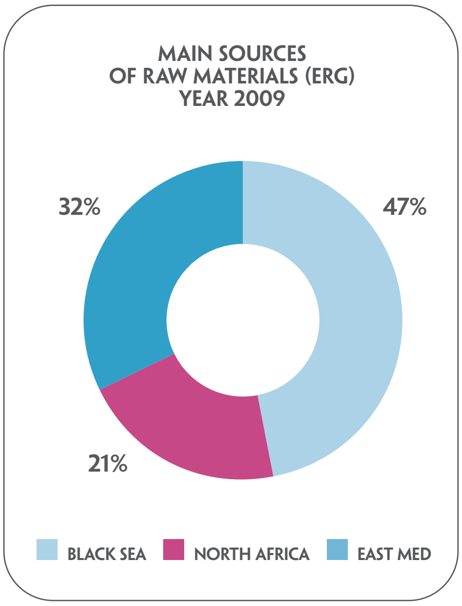
	YEAR 2009	YEAR 2008
INDUSTRY REFINING MARGINS AT ADJUSTED REPLACEMENT COST (1) IN ERG COASTAL REFINING		
USD/BARREL	2.88	7.13
EURO/BARREL	2.07	4.85
EURO/TONNE (2)	15.1	35.2
PROCESSED VOLUMES (KTONNES) (3)	**6,277**	**13,253**

(1) EXPRESSED NET OF VARIABLE PRODUCTION COSTS (PRINCIPALLY COSTS FOR UTILITIES), THEY DO NOT INCLUDE INVENTORY GAINS (LOSSES) AND NON-RECURRING ITEMS, AND FROM DECEMBER 2008 THEY INCLUDE THE CONTRIBUTION ALLOCABLE TO ERG (51%) OF ISAB S.R.L.
(2) CONVERSION FACTOR BARREL/TON EQUAL TO 7.301 IN 2009 AND 7.267 IN 2008
(3) STARTING FROM DECEMBER 2008 THE VOLUMES PROCESSED FOR ERG AT THE ISAB REFINERY ARE 51% OF PROCESSING CAPACITY

Unitary refining margins in Euro/barrel in 2009 are lower than those in 2008 mainly:
- due to an unfavourable oil market due to conversion margins, especially for diesel;
- due to the structure of the plants, in conjunction with the scheduled maintenance of the ISAB refinery.

These effects were partially offset by the appreciation of the US dollar against the Euro.
The lower level of processing in 2009 versus 2008 was mainly the consequence of sale of 49% of the ISAB Refinery to LUKOIL, the scheduled shutdown for maintenance, and the economic choices made due to an unfavourable oil market.
The API grade in 2009 (32.6) was higher than in 2008 (31.5), mainly due to higher processing volumes (motivated by economic decisions) of light, low-sulphur content crudes, and also due in part to the higher processing of low-sulphur residues in the conversion plants.





HIGHLIGHTS OF RESULTS OF ISAB S.R.L.

(EUR MILLION)	YEAR 2009	YEAR 2008
EBITDA AT REPLACEMENT COST (1)	**136**	**9**
DEPRECIATION AND WRITE-DOWNS	(90)	(6)
EBIT AT REPLACEMENT COST (1)	**46**	**3**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS	117	8

(1) THE DATA REPORTED DO NOT INCLUDE GAINS (LOSSES) ON INVENTORIES OF +34 IN 2009 AND -6 IN 2008

Note that as of 12/31/2009, ISAB S.r.l. reported a positive net financial position of around EUR 119 million.
In 2009, the ISAB Refinery was shut down for scheduled maintenance, which began in the second half of January and ended in early March 2009, essentially on schedule.
The shutdown also included measures taken to improve the safety, efficiency and reliability of the plants.

PROCUREMENT AND PROCESSING YIELDS

A new classification was introduced in procurement procedures regarding the origin of raw materials to represent an even more consistent disclosure with the current business arrangement of the Coastal Refining. As a result, the percentages of the periods of comparison were also reclassified.

In 2009, the origins of raw materials included: Black Sea 47% (40% in 2008), East Med 32% (12%), North Africa 21% (23%), Persian Gulf 0% (22%), and West Africa 0% (3%). The decreases in the supplies from Gulf countries and the increase in supplies from the East Med are a result of the higher profitability of these crudes.

(THOUSAND TONNES)	YEAR 2009		YEAR 2008	
RAW MATERIALS				
CRUDE [1]	5,192	*82.7%*	11,076	*83.6%*
RESIDUES AND OTHER SEMI-FINISHED PRODUCTS	1,085	*17.3%*	2,177	*16.4%*
TOTAL PROCESSING [1]	**6,277**	***100.0%***	**13,253**	***100.0%***
BLENDING ADDITIVES	110		510	
TOTAL PROCESSING [1]	**6,387**		**13,763**	
PRODUCTION				
FUEL GAS	33	*0.5%*	100	*0.8%*
LPG	123	*2.0%*	206	*1.6%*
NAPHTHA	140	*2.3%*	490	*3.7%*
GASOLINE	1,312	*21.8%*	2,512	*19.2%*
JET FUEL	32	*0.5%*	183	*1.4%*
DIESEL	3,235	*53.7%*	6,353	*48,5%*
VACUUM DIESEL	117	*1.9%*	728	*5.5%*
FUEL OIL	688	*11.4%*	1,348	*10.3%*
IGCC PLANT FEEDSTOCK	249	*4.1%*	793	*6.1%*
SULPHUR	43	*0.7%*	93	*0.7%*
OTHER PETROCHEMICAL PRODUCTS	55	*0.9%*	305	*2.3%*
TOTAL PRODUCTION	**6,027**	***100.0%***	**13,110**	***100.0%***
CONSUMPTION AND LOSSES	**360**		**652**	

(1) RAW MATERIALS AND TOPPING FED SEMI-FINISHED PRODUCTS

The decrease in processing in 2009 versus 2008 was primarily the result of the sale of the 49% interest in the ISAB Refinery to LUKOIL, the shutdown for scheduled maintenance, and the economic choices made pursuant to an unfavourable oil market.

The lower production of feedstock at the IGCC plant, with the increased production of fuel oil, is due to the lower demand by ISAB Energy following the accident in October 2008.

The higher yield in diesel compared to vacuum diesel is due to the improved performance of the conversion systems, especially after the scheduled maintenance shutdown which took place in the first quarter.

INTEGRATED DOWNSTREAM

REFERENCE MARKET

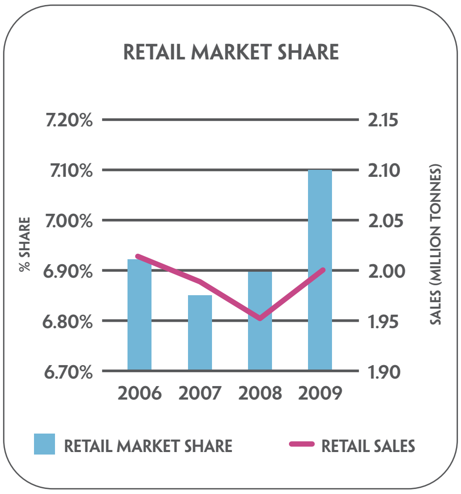
	YEAR 2009	YEAR 2008
ITALIAN RETAIL MARKET (CONSUMPTION TREND) (1)	**-1.0%**	**-2.9%**
GASOLINE	-3.8%	-6.8%
DIESEL	0.9%	-0.1%
ITALIAN WHOLESALE MARKET (CONSUMPTION TREND) (1)	**-6.4%**	**-0.5%**
GASOLINE	5.4%	7.4%
DIESEL	-5.1%	-1.2%
HEATING GAS OIL	-2.5%	0.3%

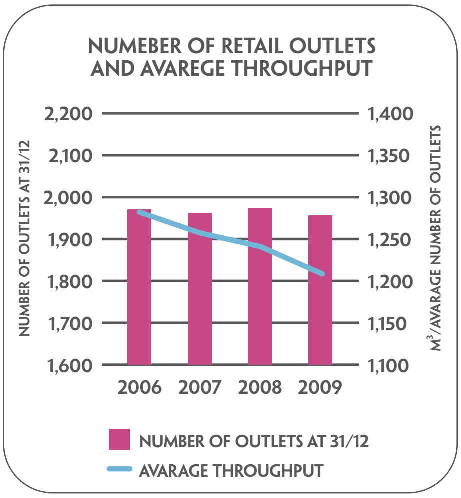
(1) ESTIMATED FIGURES FOR THE CHANGES FROM THE SAME PERIOD OF THE PREVIOUS YEAR

Italian Retail market: on the whole, the Retail market reported a decrease of 1.0% in 2009 versus 2008; specifically, there was a decrease in the demand for gasoline (-3.8%), a slight increase in diesel (+0.9%), and an increase in LPG consumption of 9.5%.

Italian Wholesale market: FY 2009 reported lower demand in the Wholesale market of diesel (automobile, marine, and agricultural) versus 2008 (-5.1%) due to the decrease in heavy transport diesel (-6.9%) as a result of the general slowdown in the economy.

Refining: refer to the section on Coastal Refining for information on this market. However, the characteristics of Inland Refineries as compared with Coastal Refining can produce different results in individual periods due to market changes.





SUMMARY OF MAIN RESULTS

(EUR MILLION)	YEAR 2009	YEAR 2008
REVENUES FROM THIRD PARTIES	2,801	4,497
INTERDIVISIONAL REVENUES	149	128
REVENUES FROM ORDINARY OPERATIONS	**2,950**	**4,625**
EBITDA AT REPLACEMENT COST (1) (2)	**88**	**145**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (2)	(52)	(52)
EBIT AT REPLACEMENT COST (1) (2)	**36**	**93**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS	54	86

(1) NOT INCLUDING GAINS (LOSSES) ON STOCK OF +53 IN 2009 AND – 124 IN 2008
(2) NOT INCLUDING NON-RECURRING ITEMS INDICATED IN THE CHAPTER "ALTERNATIVE PERFORMANCE INDICATORS", TO WHICH REFERENCE IS MADE FOR MORE DETAILS

FY 2009 reported EBITDA of EUR 88 million, considerably lower compared to 2008 (EUR 145 million), mainly due to the depressed oil market which negatively influenced the results of the Inland Refineries and the costs associated with launch of the ERG*Mobile* programme.

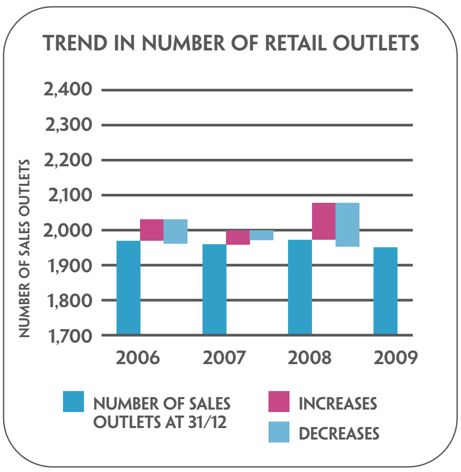
MARKETING

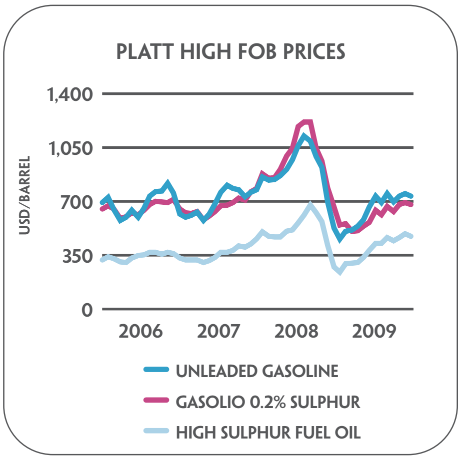
Retail network

In 2009, ERG Retail sales grew versus the same period a year earlier, despite the general contraction in demand of 1.0%. ERG's share of the fuel market was up by 7.1%, better than the market share reported in 2008 (6.9%). Lower unit margins were reported than in 2008, especially with reference to gasoline, mainly pursuant to the additional discount campaigns made by the industry, keeping pace with competitors. Note that ERG completed the planned restyling project, which chiefly involved the company Retail network sales outlets, by 31 December 2009. At 31 December 2009, ERG's Italian Retail network consisted of 1,950 outlets (1,973 as at 31 December 2008). The decrease reflects the addition of 101 new outlets and 124 that are no longer active. The decrease also reflects the elimination of service stations operated under franchise agreements with Europam.

Wholesale network

ERG operates on the wholesale market by selling petroleum products mainly to companies that in turn resell them to end users on their own local markets.





In 2009, ERG sales of diesel products, including heating gas oil, were down compared with the previous year (-3.7%, with a 4.7% decrease in market share). ERG's market share was 8.5%. In 2009, unit sales margins were lower than in 2008, mainly due to the exceptional results achieved in September to December 2008.
Note that on **9 July**, following the agreement made with GDF Energie Services S.A., ERG Petroli completed acquisition of the 60% shareholding owned by Elyo Italia S.r.l. in Restiani S.p.A, and ERG Petroli simultaneously sold its 40% shareholding in Elyo Italia to GDF Energie Services. The operation generated net proceeds of EUR 12 million for ERG.
Restiani markets oil products and heat management services (construction and management of energy-saving plant) to private customers in northwest Italy. The company has 180 employees and in 2008, earned EBITDA of EUR 9.6 million and net profit of EUR 3.5 million.
The deal will allow ERG to reinforce its work in a geographical area where it already operates and develop other areas of business in the energy sector by expanding its range of products with the final customer.
In the second half, Restiani reported a significant increase in its sales of oil products compared with the same period a year earlier (+11%) against a contraction in unitary margins; as regards services, the results were essentially on par with a year earlier.

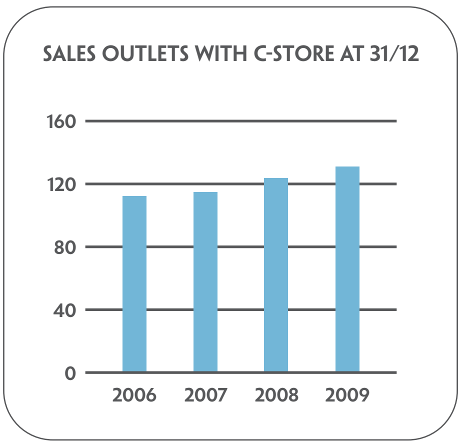
Abroad

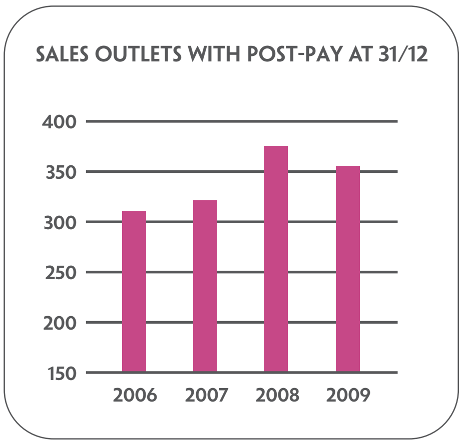
Spain

Sales made in 2009 by ERG Petróleos S.A. totalled 104.2 thousand tonnes (19% gasoline and 81% diesels) with a decrease of 70% versus 2008, consistent with its plan to leave the market. To accomplish this plan, after completing the sale of the main services stations to Saras Energia S.A. (Saras Group), ERG Petróleos completed the sale of the remainder of the network to other minor players by 31 December 2009.
At 31 December 2009, ERG Petróleos no longer has Retail nor Wholesale networks and has relinquished its license as a "national oil company". The formal liquidation of the company will commence in 2010.

Switzerland

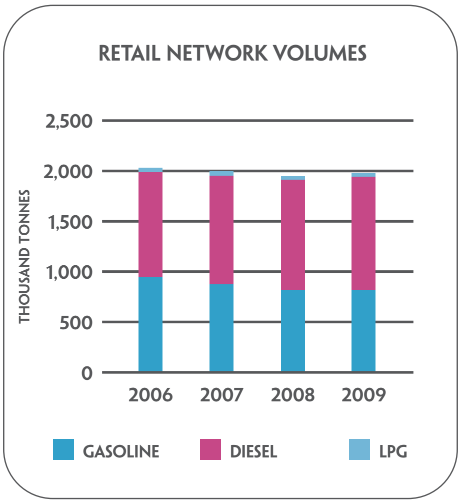
In 2009, ERG Suisse S.A., which operates on the Canton Ticino retail market with 18 service stations, sold about 16 thousand tonnes of fuel, down 8% from 2008 (17.4 thousand tonnes), mainly due to the contraction in the price differential between Italy and Switzerland, which led to a reduction in sales to Italian customers.

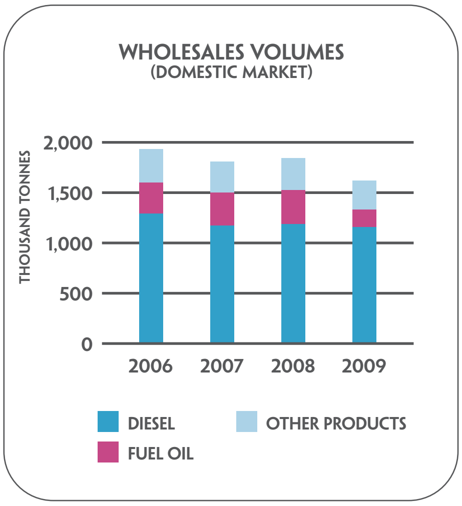




INLAND REFINERIES

The Inland Refineries, located in two of the areas featuring the greatest intensity of consumption in Italy, have a total annual balanced distillation capacity, as far as ERG's share is concerned, of 3.2 million tonnes (approximately 60 thousand barrels/day) and differ according to the type of conversion. The Rome Refinery is equipped with thermal conversion, whereas the Sarpom Refinery is equipped with catalytic conversion, capable of producing higher quantities of light distillates. Both refineries mainly process low sulphur content oil from the Mediterranean basin and West Africa; high sulphur content oil is also processed at both refineries to produce bitumen.





MARGINS AND PROCESSING

	YEAR 2009	YEAR 2008
UNITARY CONTRIBUTION MARGINS AT ADJUSTED REPLACEMENT COST (1) IN ERG INLAND REFINING		
USD/BARREL	1.99	6.21
EURO/BARREL	1.43	4.22
EURO/TONNE (2)	10.5	31.1
PROCESSED VOLUMES (KTONNES)	**2,700**	**3,098**
OF WHICH		
SARPOM (TRECATE)	1,701	1,911
ROME	999	1,187

(1) THE UNITARY CONTRIBUTION MARGINS AT REPLACEMENT COST, NET OF VARIABLE PRODUCTION COSTS (MAINLY UTILITY COSTS) DO NOT INCLUDE GAINS (LOSSES) ON INVENTORY

(2) BARREL/TONNE CONVERSION FACTOR WAS EQUAL TO 7.379 IN 2009 AND 7.376 IN 2008

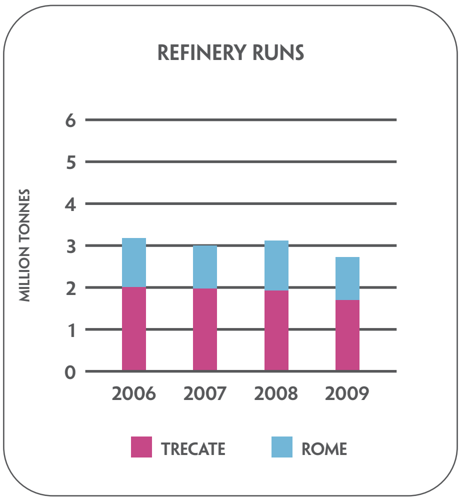
The unitary contribution margins in 2009 were less than in 2008, mainly due to lower oil prices and demand reported beginning in 2Q 2009 and fell further in the subsequent quarters. Processing volumes in 2009 were less than in 2008 due to the lower refining margins, despite the fact that the Sarpom refinery was subject to a scheduled maintenance shutdown in 2008.

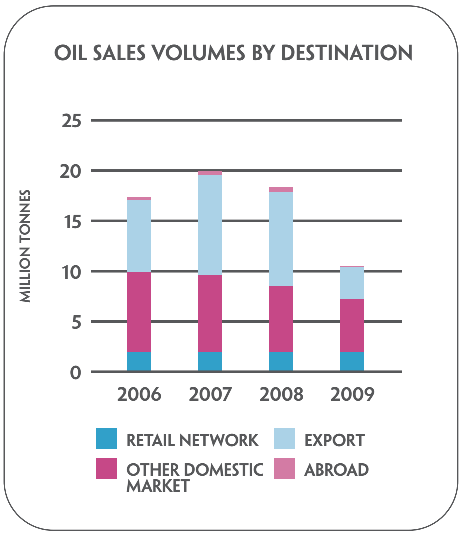
PROCUREMENT AND PROCESSING YIELDS

(THOUSAND TONNES)	YEAR 2009		YEAR 2008	
RAW MATERIALS				
CRUDE (1)	2,700	*100.0%*	3,098	*100.0%*
RESIDUES AND OTHER SEMI-FINISHED PRODUCTS	–	–	–	–
TOTAL PROCESSING (1)	**2,700**	***100.0%***	**3,098**	***100.0%***
BLENDING ADDITIVES	11		9	
TOTAL PROCESSING (1)	**2,711**		**3,108**	
PRODUCTION				
LPG	130	*5.1%*	126	*4.2%*
NAPHTHA	7	*0.3%*	5	*0.2%*
GASOLINE	541	*21.1%*	594	*20.1%*
JET FUEL	228	*8.9%*	292	*9.9%*
DIESEL	1,055	*41.2%*	1,173	*39.6%*
VACUUM DIESEL	36	*1.4%*	77	*2.6%*
FUEL OIL	403	*15.7%*	541	*18,3%*
BITUMEN	160	*6.2%*	150	*5.1%*
SULPHUR	5	*0.2%*	5	*0.2%*
TOTAL PRODUCTION	**2,564**	***100.0%***	**2,963**	***100.0%***
CONSUMPTION AND LOSSES	**147**		**145**	

(1) RAW MATERIALS AND TOPPING FED SEMI-FINISHED PRODUCTS

The Inland Refineries' processing yields differed only marginally from those of the previous year, as no significant changes occurred in refinery configuration. These minor differences were mainly due to the different types of crude oil processed.





THERMOELECTRIC POWER GENERATION

REFERENCE MARKET

	YEAR 2009	YEAR 2008
ITALIAN ELECTRICITY MARKET (GWH) [1]		
DEMAND	316,852	339,481
IMPORT	44,449	40,034
DOMESTIC PRODUCTION [2]	289,164	319,130
OF WHICH		
THERMOELECTRIC	225,987	261,328
CIP 6	44,011	48,372
SELLING PRICE (EURO/MWH)		
SINGLE NATIONAL PRICE [3]	63.72	86.99

(1) ESTIMATED DATA
(2) OUTPUT GROSS OF CONSUMPTION FOR AUXILIARY SERVICES
(3) SINGLE NATIONAL PRICE

The demand for electric power in FY 2009 was 316,852 GWh, down 6.7% from the same period of 2008.
Over the year, 66.3% of domestic supply was covered by thermoelectric generation, 16.1% by hydroelectric sources, 3.6% by geothermal and wind power sources, and the remaining 14.0% by foreign sources.
Total electric power output in 2009 was 278,130 GWh, down 9.4% versus 2008, while the net balance of power sales and purchases from foreign countries shows imports of 44,449 GWh, corresponding to an increase of 11.0% on 2008. CIP 6 production, estimated to be in 44,011 GWh in 2009 was down 9.0% versus 2008.
As in previous years, in 2009, the demand for electricity was concentrated in northern Italy (141.6 TWh, accounting for 41.7% of total domestic demand).

SUMMARY OF THE MAIN RESULTS

(MILLION EURO)	YEAR 2009	YEAR 2008
REVENUES FROM THIRD PARTIES	700	768
INTERDIVISIONAL REVENUES	297	423
REVENUES FROM ORDINARY OPERATIONS	**998**	**1,191**
EBITDA AT REPLACEMENT COST [1]	**55**	**181**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS [1]	(54)	(60)
EBIT AT REPLACEMENT COST [1]	**1**	**121**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS	200	141

(1) THE DATA SHOWN HERE DO NOT INCLUDE THE NON-RECURRING ITEMS INDICATED IN THE CHAPTER "ALTERNATIVE PERFORMANCE INDICATORS," TO WHICH REFERENCE IS MADE FOR GREATER DETAILS

The breakdown of EBITDA at replacement cost between the various Power Generation businesses was as follows:

	YEAR 2009	YEAR 2008
EBITDA AT REPLACEMENT COST		
ISAB ENERGY / ISAB ENERGY SERVICES	66	165
ERG POWER & GAS/ERG NUOVE CENTRALI	(11)	16
TOTAL	**55**	**181**

SALES OF ELECTRIC POWER

	YEAR 2009	YEAR 2008
SALES (GWH)		
ISAB ENERGY	2,002	3,435
ERG POWER & GAS	1,450	853
OF WHICH TO ISAB S.R.L.	179	18
OPERATIONAL DATA (GWH)		
PRODUCTION OUTPUT	2,687	4,917
SELLING PRICE (EURO/MWH)		
CIP 6	90.9	141.6

ISAB ENERGY

The results of ISAB Energy are partly subject to changes in market conditions, due to the index linking of prices contained in electric power sale and raw material purchase contracts. The selling prices of electric power produced by ISAB Energy are regulated by Interministerial Price Committee Order no. 6 of 29 April 1992 (i.e. CIP 6/92).

ISAB Energy has been party to a twenty-year agreement with the GSE (national grid operator) since 2000 and obtained authorisation from the EU for fifteen years. Pursuant to this agreement, the price is partly tied to the avoided cost component of fuel that reflects the changes in natural gas. The feedstock, the leading fuel used to produce electricity, was acquired from ISAB S.r.l. under a "take or pay" contract and is also tied to the changes in the price of natural gas.

The sharp fall in the CIP 6 price in 2009 versus 2008 reflects the termination of the incentive component (about 38 Euro/MWh) that applied for only the first eight years of plant operation. This contraction is not reflected in the revenues recognised in the Report on Operations, because the incentive is recognised in proportion to the quantity of power sold and compared in percentage terms to the quantities expected to be sold over the entire lifetime of the agreement (only to the authorized portion).

In 2009, electricity output totalled 2,002 GWh (3,435 GWh in 2008), with capacity utilisation at 43% (74% in 2008). The lower output stemmed principally from the accident on 13 October 2008, which halted all production at the power plant. The accident, which did not result in any injuries, caused major damage to powertrain 1 and minor damage to the common parts of powertrain 2 at the plant, which resumed operation before the end of 2008. This accident reduced the power plant's production in 2009 to half its installed capacity.

EBITDA at replacement cost in 2009, which was EUR 66 million (EUR 165 million in 2008)

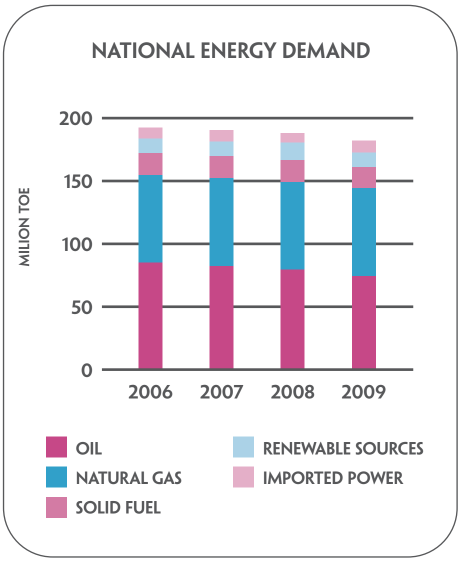
includes insurance reimbursements to cover indirect damages in the period (EUR 78 million) resulting from the accident.
Note that, pending the resolution of the dispute which has involved the AEEG in the question of the calculation methodology for the avoided fuel cost, for the purposes of these accounts, Resolution ARG/elt 154/08 was applied.

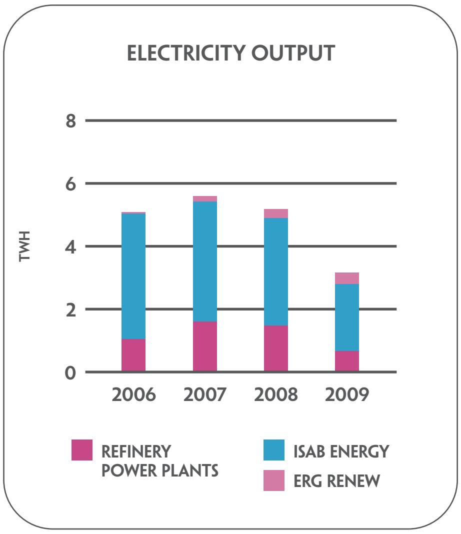
ERG NUOVE CENTRALI AND ERG POWER & GAS PLANTS

In 2009, the net electricity output of ERG Nuove centrali totalled 685 GWh in 2009 (955 GWh in 2008). The lower production in 2009 was mainly due to the change in the scope of consolidation following sale of the CTE Sud site assets to ERG Raffinerie Mediterranee effective 1 October 2008.

Consolidation areas being equal, the net electricity output of the SA1 counter-pressure and CTE Nord condensation plants at the NuCe Nord Plant totalled 442 GWh (714 GWh in 2008), 32% of which was used for refinery consumption. Net steam supply was 2,157 thousand tonnes, of which about 80% is used for refinery consumption.
The lower production at the SA1 and CTE Nord plants in 2009 stemmed mainly from the increased downtime of the CTE Nord plants and their final shutdown due to advanced age in the month of October 2009. In 4Q 2009, technical measures were undertaken for maintenance and continued safety, while awaiting their final closure.

In November, one of the two units of the new CCGT repowering plant, corresponding to half the production capacity, entered into continuous business operating mode. Its production in 4Q 2009 was 243 GWh, offsetting the reduced output for closure of the CTE Nord plants.
Note that two of the three units in the second CCGT repowering plant have already distributed energy to the network in 4Q 2009.





The worsening of the 2009 results on 2008 was chiefly due to:

- the loss of contribution of the CTE Sud Turbogas plant, whose 2008 impact was positive for EUR 15 million. Note that the plant was transferred to ISAB S.r.l. in December 2008;
- the shutdown, reduced availability and intermittent operation of the SA1 and CTE Nord production plants, which impacted the economic supply of utility services to customers of the Priolo petrochemical plant. This circumstance was gradually absorbed in the fourth quarter, when the CCGT repowering unit entered into operation.

ERG Power & Gas consolidated its presence on the free power supply market throughout 2009, expanding its end customer base (more than 20,000 customers under contract, equal to about 1 TWh of power).

The contribution of the CCGT repowering unit, in terms of higher efficiency and reliability of the NuCe Nord power plants in the 4Q 2009 and the gradual increase in the business of ERG Power & Gas have alleviated the economic impact arising from start up of new plants and trading of electricity and gas.

RENEWABLE ENERGY SOURCES

The ERG Group operates in the renewable energy source sector through ERG Renew, a company listed on the Milan Stock Exchange, of which the Group owns 77.4% since 1 October 2008 following integration of the Group's renewable energy assets.

The results of ERG Renew are based principally on the wind power generation business.
Wind farms consist of wind-power generators that can transform the kinetic energy of wind into mechanical energy, which is used in turn to generate electricity. Aside from the availability of the plants, the results expected from each wind farm are obviously influenced by the wind speed profile of the site on which the wind farm is located.
The economic results are also influenced by electricity selling prices and by the price of green certificates.

REFERENCE MARKET (1)

	YEAR 2009	YEAR 2008
ITALIAN RENEWABLE ENERGY MARKET (2) (GWH)		
PRODUCTION FROM RENEWABLE SOURCES (3)	63,177	57,802
OF WHICH WIND POWER	6,087	5,055
FRENCH RENEWABLE ENERGY MARKET (2) (GWH)		
PRODUCTION FROM RENEWABLE SOURCES (4)	67,660	74,500
OF WHICH WIND POWER	6,653	5,710
SELLING PRICE (EURO/MWH)		
SINGLE NATIONAL PRICE (ITALY) (5)	63.72	86.99
FEED IN TARIFF (FRANCE) (6)	85.68	83.77

(1) ESTIMATED OUTPUT FOR DECEMBER
(2) OUTPUT GROSS OF CONSUMPTION FOR AUXILIARY SERVICES
(3) SOURCES CONSIDERED: HYDROELECTRIC, GEOTHERMAL, WIND POWER, AND PHOTOVOLTAIC ENERGY
(4) SOURCES CONSIDERED: HYDROELECTRIC AND WIND POWER
(5) SINGLE NATIONAL PRICE
(6) 2006 BASE RATE OF 82 EURO/MWH PURSUANT TO THE 10 JULY 2006 DECREE OF THE FRENCH MINISTRY OF ECONOMIC AFFAIRS, FINANCE AND INDUSTRY THE RATE IS ANNUALLY INDEXED TO INFLATION

Note that in December 2008 the implementing decree of the 2008 Italian National Budget Act was published, setting out the incentive schemes for renewable energy sources. The aim of this decree is to help stabilise the market for green certificates. The Decree regulates a more gradual transition from the old to the new scheme. For green certificates covering production from 2006 to 2010, producers may request withdrawal the year after by the GSE at a price equal to the weighted average of the prices accrued on the market managed by the GME (Gestore del Mercato Elettrico – "Electric Market Operator") during the three years prior to the buyback.

SUMMARY OF MAIN RESULTS

	YEAR 2009	YEAR 2008
ECONOMIC RESULTS		
REVENUES FROM THIRD PARTIES	50	44
INTERDIVISIONAL REVENUES	–	2
REVENUES FROM ORDINARY OPERATIONS	**50**	**45**
EBITDA AT REPLACEMENT COST (1)	**23**	**17**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS (1)	(27)	(20)
EBIT AT REPLACEMENT COST (1)	**(4)**	**(4)**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS	89	52
OPERATIONAL DATA		
PRODUCTION OUTPUT (THOUSAND MWH)	322	272
OF WHICH		
ITALY	215	157
FRANCE	108	115
GREEN CERTIFICATE PRICES (EURO/MWH)		
GREEN CERTIFICATES 2009	88.37	–
GREEN CERTIFICATES 2008	–	98.00
GREEN CERTIFICATES 2007	–	98.00

(1) NOT INCLUDING NON-RECURRING ITEMS INDICATED IN THE CHAPTER "ALTERNATIVE PERFORMANCE INDICATORS", TO WHICH REFERENCE IS MADE FOR MORE DETAILS

Consolidated revenues in 2009 were higher than those reported in 2008. Electric power and green certificate prices were lower, and production output was higher in Italy than in 2008 thanks to opening of the Vicari and Faeto wind farms and expansion of the San Vincenzo wind farm. Operation of the Vicari and Faeto wind farms at full capacity more than offset the lower output of power at the San Vincenzo and San Cireo wind farms due to the power limits imposed for continued upgrades done by Terna on the national transmission network. Following publication of the implementing Ministerial Decree, the green certificates for 2009 output were carried at EUR 88/MWh (down 10% versus the 2008 value), equal to the expected price for pickup by GSE in 2010. The price of electric power fell by 27% in 2009 from the same period of last year due to oil price changes and low demand for electric power.

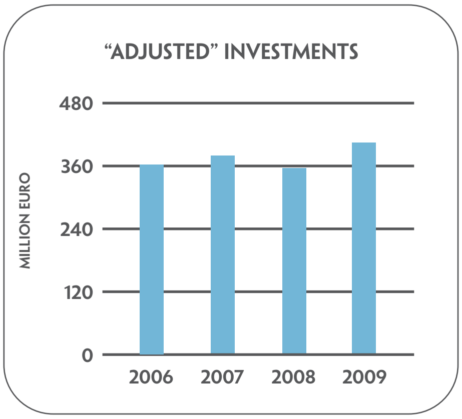
The output at the French wind farms was 108 GWh, lower largely because of the calm atmospheric conditions and the maintenance work carried out during the period.

EBITDA in 2009 amounted to EUR 23 million, higher than EBITDA reported in 2008, essentially as a result of the Faeto and Vicari wind farms operating at full capacity which more than offset the negative effect of the limitations by Terna in Italy and the lower output in France.

INVESTMENTS

The adjusted [1] figure for investments by the ERG Group in capital projects in 2009 was EUR 406.8 million (EUR 354.5 million in 2008), including EUR 15.5 million for intangible fixed assets (EUR 23.1 million in 2008) and EUR 391.3 million for tangible fixed assets (EUR 331.4 million in 2008).

The breakdown of investments by business division is shown in the following table:



(EUR MILLION)	YEAR 2009	YEAR 2008
COASTAL REFINING [1]	62	70
INTEGRATED DOWNSTREAM	54	86
THERMOELECTRIC POWER GENERATION	200	141
RENEWABLE ENERGY SOURCES	89	52
CORPORATE	2	5
TOTAL	**407**	**354**

(1) THE INVESTMENTS IN COASTAL REFINING INCLUDE 51% OF THE INVESTMENTS MADE BY ISAB S.R.L. FROM DECEMBER 2008

COASTAL REFINING: in 2009 changes were implemented in relation to safety and environmental protection, to increase production capacity of light distillates and improve catalytic conversion and the various types of crude processed, partly through making fuller use of the pipelines connecting the south and north plant sites.
Work on optimising processing also continued, with the aim of extending the useful life of pipelines, tanks and structures, and improving the software used to manage the business.

INTEGRATED DOWNSTREAM: most investments were made on the domestic retail network (about EUR 47 million, including EUR 2 million for the acquisition of service stations). In particular, EUR 27 million was invested in development activities (new sales outlets, reconstruction, new leasing agreements, modernisation of existing sales outlets, etc.), while EUR 2 million was used to complete the restyling of service stations, which began in 2009. In addition, some EUR 16 million was spent on maintaining and improving health, safety and environmental conditions. In 2009, a total of 101 new service stations joined the network, of which nine are owned by the Group (three motorway service stations, two supermarket service stations and four on the roadside network) and 92 are leased. Lastly, around EUR 1 million was invested in supporting the ERG*Mobile* project, and measures costing around EUR 3 million were implemented in the second half of 2009 by the company Restiani (fully consolidated from 1 July 2009), mainly in business services.

THERMOELECTRIC POWER GENERATION: at the ERG Nuove Centrali plants the first of the two combined cycle modules being built entered full operation on 1 November with the launch of commercial operations; for the second module, the two gas turbines of the second module are operating in parallel with the national electricity grid. Commercial operations are scheduled to begin in the first quarter of 2010.
The investment means that the obsolete electric power and steam generation plants have been

replaced with a new plant that has a low environmental impact in terms of emissions (SO_X and NO_X) and electric power available for sale on the market.
As regards ISAB Energy, work continued on the reconstruction of the power generation train damaged in the accident that occurred on 13 October 2008; this was carried out according to schedule, and the plant is expected to resume full operation in the first half of 2010.
The second major investment (the Hydrogen Project), for the construction of a membrane section to produce hydrogen to be supplied to the adjacent ISAB refinery, continued according to schedule; this is of strategic importance for enabling the refinery to produce low-sulphur fuels (which have a lower environmental impact). Hydrogen production is scheduled to begin in April 2010.

RENEWABLE ENERGY SOURCES: in June 2008 an agreement was signed for the purchase of wind-power generators at the Ginestra (Benevento) wind farm, and in June 2009 the civil engineering and electrical work was contracted out; construction is currently in progress. Preparations at the Fossa del Lupo (Catanzaro) site began in the third quarter of the year, and construction commenced once these were complete. At the Plogastel wind farm in France, the wind-power generators have been installed and these are currently being connected to the national power lines. Investments in 2009 totalled approximately EUR 89 million, slightly below the figure stated in the business plan approved by ERG Renew in March 2009. The concentration of investments in November and December 2009 was due to the delivery of wind-power generators to the wind farms at Ginestra and Fossa del Lupo in Italy, and Plogastel in France.
The following table shows a breakdown of investments by type:

(EUR MILLION)	YEAR 2009	YEAR 2008
DEVELOPMENT	320	242
CAPACITY MAINTENANCE	52	71
SAFETY AND ENVIRONMENT	22	24
INFORMATION TECHNOLOGY	11	14
OTHER	3	4
TOTAL	**407**	**354**

Of total investments, 79% was dedicated to **development**; the Power Generation division accounted for 85% of this, the Coastal Refining division for 7% and the Integrated Downstream division for 8%.
Investments in **capacity maintenance** went to Coastal Refining (50%), Power Generation (27%) and Integrated Downstream (23%), while investments in **safety and the environment** were allocated to Coastal Refining (43%), Integrated Downstream (32%) and Power Generation (25%).

As for investments in **information technology**, the following projects have been completed or are in progress, in accordance with schedules:

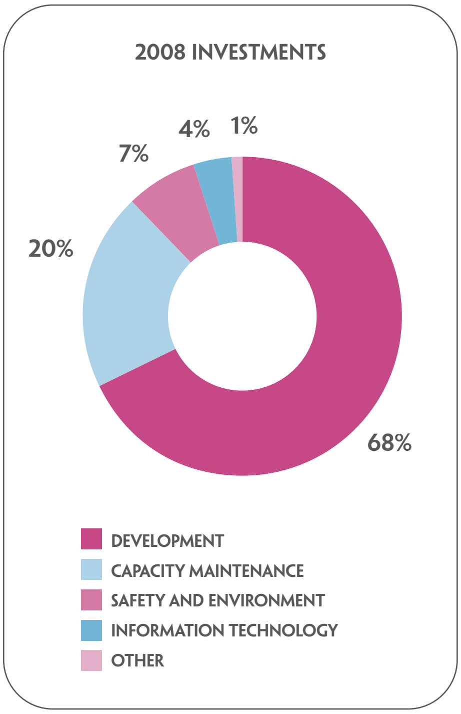
- **ERG S.p.A.:**
  - tertiarisation project for processing payslips;
  - system on the Tagetik platform integrated with SAP R/3 and BI for the supply, valuation and reconciliation of inventories of crude and finished products.

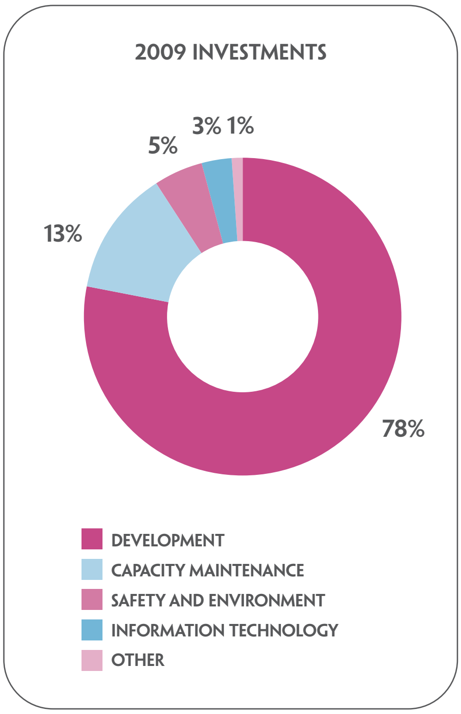
- **ERG Raffinerie Mediterranee S.p.A.:**
  - upgrade release for the ICTS trading system, with the development of new functionalities;
  - development of new ICTS reporting tool for the issue of commercial balancing and control of exposure to counterparties;
  - creation of automatic flows between ICTS and SAP for the management of the swap invoicing process.

- **ERG Power & Gas S.p.A., ISAB Energy S.r.l. and ERG Nuove Centrali S.p.A.:**
  - the "Bolina" project for supporting the retail and trading processes in the electricity business;
  - projects for gas billing, contract management and demand forecasting management;
  - a management system for the new CCGT (thermoelectric generation system at Priolo);
  - integration system based on the Web Methods product suite of Software AG, to connect all the business applications, SAP and the outside world.

- **ERG Renew S.p.A.:**
  - system for managing land leasing agreements with SAP Real Estate;
  - automatic data acquisition and management system for measuring wind farm production.

- **ERG Petroli S.p.A.:**
  - new mobile telephony business ERG*Mobile*: IT systems have been set up to support the start-up of the business and to support the various marketing initiatives relating to the new service;
  - IT system to manage the electronic fuel coupons that will replace the paper versions.





RISKS AND UNCERTAINTIES

ERG identifies and evaluates all types of risk associated with the Group's activities, adopting appropriate methods aimed at optimising the management of risk (conscious acceptance, elimination, reduction, transfer) and safeguarding shareholder value.

To this end, in previous years ERG has adopted risk management principles and procedures in line with the best international practices, notably defining a formal risk management policy approved by the parent company's Board of Directors and specific responsibilities for a risk committee and risk management department.

In 2009, the Risk Office – which was established at the end of 2008 as part of the Internal Control System recommended by the Corporate Governance Code for Listed Companies – began operating. It is tasked with ensuring, in strict coordination with the company's businesses and staff functions, the existence and implementation of procedures, processes and all the controls put in place to identify, evaluate and manage the major risks attached to the Group's activities, according to the instructions of the senior management and the Internal Control Committee, in compliance with current regulations and legislation.

In keeping with the growing complexity in the competitive environment in which the ERG Group operates, with new business development taking place in difficult economic conditions, in 2009, through a specific project and with the assistance of a leading consultancy company, ERG launched a strategy aimed at implementing an integrated risk management model based on internationally recognised principles of Enterprise Risk Management (ERM), with particular reference to the COSO framework (promoted by the Committee of Sponsoring Organisations of the Treadway Commission), under which an initial Enterprise Risk Assessment and ERM model were established, which were formally approved by the Parent Company's Board of Directors.

Within the framework of this ERM model, which is currently being implemented to reflect the Group's new organisational and corporate structure, ERG has defined key methodological criteria for mapping and evaluating risks, the roles of the individuals involved in the process, and the timeframes and mechanisms for coordination and reporting, with the aim of prioritising risks based on an evaluation of the potential impact, the probability of the risk materialising and the level of control, so as to work towards linking the risk management process to planning and normal business activity.

In conjunction with the development and implementation of the Enterprise Risk Management model, ERG has also redefined the role of the Finance Risk Management department, whose role is to provide specialised support in the evaluation of financial, insurance and market risk management operations, to monitor compliance with the related policies and manage insurance policies. This department has launched projects aimed at optimising the market risk management policies as a whole, especially as regards the oil and thermoelectric businesses. With regard to the latter, a specific risk management strategy based on the allocation by the parent company of risk capital amounting to millions of Euro that the company must manage in the context of a pre-defined policy, regular monitoring of exposure, a pre-defined process of reporting to the Risks Committee and the senior management, and management of any serious issues that are identified.

The structured approach characterised by the adoption of ERM methodologies, which over the medium term will make it possible to generate value through a more conscious, formalised and integrated risk management process, is based on an "industrial" business philosophy, in keeping with the history of the Group, whose goal is to minimise financial, credit, liquidity and operational risks; in line with this approach, in the management of financial and market risks, ERG uses derivatives such as options, forwards and swaps, but solely for hedging, and not speculative, purposes. For greater detail on the financial risks and derivatives used by ERG, see the relevant comment in the Notes to the Consolidated Financial Statements.

In 2009, the ERG Group also placed particular emphasis on the management of risks connected with health, safety and the environment, and launched a multi-year project (the Safety Project) that involves all Group staff, with the aim, using the support of the sector's leading consultancy, of changing the culture of individuals in relation to the management of these aspects through a formalised and detailed process to analyse the current situation, identify areas for improvement and manage a structured training and investment programme.

RISKS RELATED TO GENERAL ECONOMIC CONDITIONS

The Group's operations, equity and financial position are affected by the various factors forming the macroeconomic framework, including changes in gross national product, the unemployment rate, interest rate and foreign exchange rate trends, mainly between the Euro and Dollar, and the cost of raw materials, particularly petroleum raw materials and energy commodities. Throughout 2009, the financial markets experienced significant volatility with major repercussions for financial institutions and industrial companies, and more generally, for overall economic performance, which did not show substantial signs of improvement during the year.

The significant and widespread deterioration in market conditions was accentuated by severe and generalised difficulty in gaining access to credit, for both consumers and businesses, causing a shortage of liquidity that could also affect the availability of financing for the Group and result in an increase in financial charges.

There is no certainty that the measures implemented by governments and monetary authorities in response to this situation can establish the conditions for overcoming the crisis in the foreseeable future. If this situation of marked weakness and uncertainty should continue for some time, ERG's business, strategies and prospects could be negatively affected, with a resulting negative impact on the company's operations, equity and financial position. It should be noted, however, that following the receipt of some EUR 1.5 billion relating to the LUKOIL transaction, this particular risk has been mitigated for the present.

RISKS RELATED TO CONDITIONS ON THE REFERENCE MARKET

The ERG Group operates principally in sectors that are historically subject to high levels of criticality and extreme cyclicity. Business results are significantly influenced by the price of raw crude, petroleum products and energy commodities. This is closely related to oil prices, which are determined by international supply and demand, and are subject to numerous external factors including financial speculation, which is a dominant feature of the oil sector. Fluctuations in crude and petroleum product prices, which have been negatively affected by the particularly unfavourable economic situation, have had a significant impact on the Group's results. It therefore cannot be ruled out that the possible continuation of such variations may produce negative effects on ERG's financial results in the future.

As an operator in the energy sector, the Group needs a continuous supply of crude oil and natural gas for its activities. Crude oil and natural gas are largely supplied by countries that are normally subject to greater political, social and economic uncertainties than those found in countries with consolidated economic and/or political stability.

RISKS CONNECTED WITH FLUCTUATIONS IN FOREIGN EXCHANGE AND INTEREST RATES AND PRICES

The Group operates on the domestic and international markets in the energy sector. This exposes it to market risks connected with fluctuations in exchange rates (particularly to the

US dollar), interest rates and prices, which are particularly volatile in the case of petroleum and energy commodities.
The ERG Group uses different forms of financing to hedge the financing requirements of its industrial activities. Any changes in interest rates can cause the cost of financing to go up or come down.
In accordance with its market risk management policies, the ERG Group uses financial hedging instruments to manage this volatility; despite these financial hedging transactions, sudden changes in exchange and interest rates and prices may have a negative impact on the Group's operations and earnings.

RISKS RELATED TO INDUSTRIAL ACCIDENTS

Owing to the characteristics typical of the ERG Group's industrial production facilities and logistics structure, there is a risk of injury in the event of a fire or explosion, or in relation to emissions or other unexpected and dangerous factors.
Accidents of a certain magnitude could have a negative impact on the Group's operations, equity and financial position.
The ERG Group mitigates these risks through appropriate plant management policies aimed at pursuing levels of safety and excellence in line with the best industrial practices. Furthermore, the ERG Group transfers its own industrial risk to third parties via the insurance market, thereby providing a high level of protection for its structures, even in the event of an interruption of activity.
Notwithstanding existing levels of cover, the Group could incur costs that exceed the maximum coverage limits of insurance policies, in light of the difficulties experienced by the international insurance market in raising adequate capital.

RISKS RELATED TO THE REGULATORY FRAMEWORK AND ENVIRONMENTAL POLICY

The activities of the ERG Group are subject to numerous laws and regulations (at local, national and supranational level) that could have a negative impact on the Group's various businesses, particularly those where the regulatory environment can drive the choice of investments made (especially in the renewable energies and thermoelectric sectors).
Furthermore, the ERG Group is subject to environmental laws and regulations that have been subject to greater scrutiny by European Union institutions and consequently, greater restrictions.
The ERG Group has adopted an environmental policy that complies with, encourages, and anticipates any tightening of the environmental standards imposed by applicable laws and regulations.
Furthermore, ERG publishes a Sustainability Report every year, thereby demonstrating its willingness to be transparent in disclosing, internally and externally, its commitments and the initiatives put in place to create value in a way that is sustainable over time, by protecting the rights of all parties that may be affected by the company's activities.

OPERATIONAL RISK

The management of operational risks is based on the adoption of the best international standards for the identification, measurement, treatment and monitoring of such risks.
As regards production processes, particular attention is paid to the prevention and control of the related risks, through the implementation of risk assessments, business impact analyses and the development of a business continuity plan, with the aim of ensuring operational continuity.
The management of risks related to the company's liability for illegal acts giving rise to criminal offences (pursuant to Legislative Decree 231/01) is focused on prevention. It is carried out via a structured process consistent with best practice, and is currently being integrated with the Enterprise Risk Management process.

HEALTH, SAFETY AND ENVIRONMENT

HEALTH AND SAFETY

Guaranteeing the safety of operations and worker health and protecting the environment are priorities in the financial, social and environmental sustainability of ERG. The implementation of this policy emphasises risk prevention and management.

At the end of 2009, in an accident on board a ship moored to the landing pier for liquids at the ISAB refinery, a seaman died. The causes of the accident are currently being investigated. During the loading operations on the ship, a loading arm hit the seaman. He received immediate attention and was rushed to Syracuse hospital, where he died.

ERG is committed to preventing and minimising the risks faced by those who work, in whatever role, at its industrial sites, whatever the specific responsibilities in any accident. At the beginning of 2009 the Safety Project was launched. This is a long-term, far-reaching initiative aimed at improving and ensuring the widespread assimilation of a culture of safety at Group level. The interdependence of all workers and full compliance with rules and procedures are key elements of this process. The initial phase of the analysis and evaluation of shortcomings with respect to best management practices was followed by the establishment of an action plan for individuals that will be implemented over the next two years. The project has been developed in three key areas:

- **knowledge**, to verify the degree of completeness of procedures, and especially to determine their level of application, and any training gaps to be overcome;
- **behaviour**, to review personnel management tools (organisation, incentives, controls, etc.) and intervention procedures for the riskiest operations (e.g. maintenance) in order to make the behavioural changes required;
- **communication**, to introduce new tools for raising awareness (e.g. new methods for managing safety-related competitions), improve reporting and further enhance company skills with safety and accident prevention elements.

In 2009, injury rates improved further, in line with the sector's European average. Employees' safety awareness increased, as did their contribution to risk monitoring and prevention.

Thus, the Safety Project is to be seen as a long-term strategy for change, especially cultural change, which will contribute to ERG's approach to being a responsible company.

ENVIRONMENT

In 2009, continuing what had already been done in previous years and in line with applicable laws and regulations, the Group's industrial sites forming part of the "Priolo National Priority Site" (ISAB Energy, the south and north sites of the ISAB refinery) proceeded with actions to restore, secure and clean up the top soil and subsoil. Existing and projected programmes have been established in collaboration with the Ministry of the Environment as the responsible authority, with the support of other interested local authorities. As in the past, the issue is essential to the Group's strategy for sustainable development in the area; it is also key to the measures taken to construct new plants and modify existing assets.

Preliminary activities were also continued in relation to Integrated Environmental Authorisation for these sites, for which the Ministry of the Environment is responsible, again in conjunction with local bodies. This new authorisation is to be issued pursuant to the recent EU directive aimed at protecting the environment in general and improving the performance of major industrial plants with respect to the "best available practices" established for each area at international level.

Finally, in 2009 ERG made the following fundamental contributions in terms of reducing greenhouse gases in order to achieve national objectives set by the Kyoto Protocol and EU emissions trading directive:

- developing and supporting the use of low-carbon fossil fuels (e.g. natural gas), especially in the area of redeveloping and reducing the environmental impact of the ERG NuCe power plants at the north site, which is expected to enter into full service at the beginning of 2010;
- improving the energy efficiency and integration of its own industrial activities (combined cycles and cogeneration);
- developing the use of renewable sources (e.g. wind power).

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

SAFETY MANAGEMENT AND CERTIFICATION SYSTEMS

The programme to develop efficient HSE management systems aimed at minimising specific risks continued in 2009. The aim in 2010 is to obtain certification for all the Group's industrial sites under the international standards ISO 14001 (environment) and OHSAS 18001 (health and safety). The south site of the ISAB refinery is at the 85% stage of achieving OHSAS 18001 certification.

PRODUCT QUALITY

Action taken to improve product quality followed national and EU guidelines. This meant that increasing use was made of biofuels, especially biodiesel, as these contribute to reducing greenhouse gas emissions throughout their lifecycle, compared to fossil fuels.
ERG also sells a line of products aimed at improving energy efficiency at around 1,100 roadside service stations. For example, DieselOne has a multi-functional additive mix that prevents the formation of deposits within a vehicle's injection system, helping to bring about full combustion of the product so that it is used more efficiently. The testing programme, which was conducted under internationally-recognised standards, demonstrated that compared to traditional diesel, the use of DieselOne leads to an efficiency improvement greater than 2% and to a reduction in carbon dioxide emissions and uncombusted hydrocarbons of 14% and 11% respectively.

From 2009, the sulphur content of all products sold for automotive use does not exceed 10 mg/kg.

Detailed analysis of all issues relating to health, safety and the environment will form an integral part of the Group’s annual Sustainability Report.

HUMAN RESOURCES

ORGANISATION

As of 31 December 2009, the ERG Group had a total of 1,579 employees, almost unchanged from 31 December 2008 (380 people were taken on during the year, while 381 people left the Group).

The staff turnover during the year largely related to acquisitions and disposals, which are described in more detail below.

Most notably:

- staff numbers at ERG S.p.A. were broadly unchanged (+2), and stood at 222 at year-end, in the context of a natural turnover of staff;
- staff numbers at ERG Raffinerie Mediterranee fell slightly (-6) to 62, following changes to the organisational structure owing to the sale of the business unit comprising the assets and activities relating to management of the Priolo refinery at the end of 2008;
- ERG Petroli's headcount also remained unchanged (413 employees), due to management of staff turnover.
  In relation to the subsidiaries of ERG Petroli:
  - following a rationalisation initiative at Gestioni Europa, which directly manages 51 service stations in Italy, staff numbers fell by 13 to 227;
  - Restiani and Guazzotti, in which ERG Petroli acquired the majority stakes in 2009, are active in marketing oil products and heat management services and have a total of 188 employees;
  - following the sale of the Spanish activities of ERG Petróleos and ERG Gestión Ibérica to Saras, these companies had only one employee as of 31 December 2009.
- staff numbers at ERG Power & Gas increased by 13 to 102 as of 31 December, as the gas and electricity sales structures were progressively strengthened, whereas at the subsidiaries ISAB Energy and ISAB Energy Services employee numbers fell by 13 to 292, due to improvements in the efficiency of certain business areas and processes;
- employee numbers at ERG Renew and its subsidiaries remained virtually unchanged at 72 (+1).

The average age of employees remained stable at around 42, while the above-mentioned transfers of personnel and normal level of staff turnover led to a further improvement in educational levels, with about 90% of all employees holding either a secondary school diploma or university degree (excluding employees working at the distribution plants and retail/wholesale companies).

ERG Petroli further refined its macrostructure with the aim of maximising synergies, by bringing development activities and those relating to management of its ERG*Mobile* telephone card into its Retail division, and it reorganised and rationalised some of its staff functions.

The structure of ERG Power & Gas has been further strengthened to support growth in the electricity and gas market, with the addition of important skilled personnel, while the company's main operating and sales processes have been developed.
As regards the subsidiary ISAB Energy Services, implementation continued of measures to optimise its structure, which are aimed at developing a work organisation increasingly in line with best practice in the sector and with 'lean' principles.
The organisation of ERG Renew was redefined, with the goal of managing the various phases of project lifecycles more efficiently, through a more streamlined structure based around processes.

Lastly, in 2009, a project was drafted, for implementation in 2010, which will simplify the Group's corporate structure and optimise its organisational structure; to this end the organisational structure of ERG S.p.A. was redefined as part of a rationalisation and reduction of the centres of responsibility, notably through the establishment, under the direct oversight of the CEO, of a Corporate General Management division encompassing administration, finance and control, human resources, purchasing, legal affairs and IT, and the creation of two business units dedicated to the oil and power & gas businesses.

DEVELOPMENT, TRAINING AND INTERNAL COMMUNICATIONS

Implementation of the Group Managerial Development Project continued in 2009; the institutional and managerial training programmes focused on reinforcing the adoption of the principles espoused in the new Managerial Model, with a significant part of the programme devoted to self-development and the definition of internal growth plans.
In addition, an empowerment methodology was introduced to increase professional and personal involvement in company life at all levels of the organisation, and to facilitate the development of the potential of individuals and of the staff as a whole. The training also generated new methods of communication and integration between the participants and between those re-entering their sphere of influence.

An internal communications activity was developed, alongside established methods (in-house newsletter, institutional meetings, events, etc.), through innovative ways of bringing together Group employees made possible by the "ERGgate" intranet portal, which provided effective support to related projects and initiatives (Safety Project, Safety Competition, Question Time, web streaming transmissions, etc.), thereby improving the disclosure of information, the sharing of ideas, and the co-operation, integration and interaction between Group employees.

INDUSTRIAL RELATIONS

During the course of 2008, discussions with major trade union organisations took place in a cooperative and non-conflict environment.
The main feature of industrial relations in 2009 was the renewal of the agreements governing supplementary payments to staff at ERG, ERG Raffinerie Mediterranee, ERG Power & Gas, ERG Renew, ERG Petroli (financial aspect only) and the ISAB Energy site.
In particular, the supplementary agreement for the ISAB Energy site provides for, *inter alia*, harmonisation of the contractual terms previously in place at the two production sites and the definition of the minimum technical structure in the event of a strike, so as to ensure the generation of electricity and steam for companies at the multi-company site and for the national grid.

As regards ERG Petroli, 2009 saw the implementation of the "Protocol of Understanding" relating to the Savona logistics site that was signed in 2008 with the local union representatives for adoption of a business plan aimed at achieving specific production and reorganisation targets by 2012.

CULTURAL AND SOCIAL ACTIVITIES

ERG AND CULTURE

ERG has a great tradition of supporting cultural institutions and events, and this continued in 2009.

ERG is a founding member and supporter of the Edoardo Garrone Foundation, set up in 2004 and dedicated to the founder of ERG, as a natural development of the involvement of the Garrone and Mondini families, as well as of ERG itself, in the social and cultural arena.
A member of the European Foundation Centre that boasts a high-profile scientific committee, the Edoardo Garrone Foundation is a non-profit cultural foundation that was set up to make a concrete contribution of ideas and resources to research projects and projects for the protection and promotion of art and culture.

The ERG Group is a member of CIVITA, an association actively involved in the promotion and management of Italy's cultural heritage and in safeguarding, enhancing and providing access to artistic and cultural assets through exhibitions, cinema and European projects.

In 2009, ERG was the main sponsor of an exhibition dedicated to Fabrizio De André, which was held at the Palazzo Ducale in Genoa to pay tribute to one of Italy's leading singer-songwriters, ten years after his death. A virtual, multimedia and interactive installation offered visitors an emotional experience, in which they could reflect on his life, works and music. The initiative was a huge success, making it the third-most visited exhibition ever held at the Palazzo Ducale.

Also in 2009, ERG contributed to the sixth edition of the Science Festival held in Genoa from 23 October to 1 November. The central theme was the "The future – the raison d'être of research, calculations and forecasts". As main sponsor, ERG played a key role in two closely-related initiatives: a concert by Stefano Bollani entitled "*Piano Siderale"*, a homage to the solo piano, in which he alternated his own compositions with jazz standards, and the "Beyond: Visions of Planetary Landscapes" photography exhibition of the work of the american journalist and photographer Michael Benson.

In relation to the "Winter University" conference organised by Confindustria and held on the island of San Clemente on 6 and 7 February, ERG demonstrated its support, as sponsor, for the task of preparing and motivating business leaders from a standpoint of leadership at local, national and European level, looking at up-to-the-minute themes such as the environment, energy resources, economic development, competition and strategic challenges.

In addition, ERG sponsored a cultural event entitled "Beyond the crisis, SMEs must step up to the plate", which was held in Palermo at the Teatro Politeama Garibaldi (13 and 14 March) as part of Confindustria's Small Industry Conference, which takes place every two years.
Also in 2009, ERG sponsored Confindustria's 39th Young Entrepreneurs Conference, held on 12 and 13 June in Santa Margherita Ligure. This event provides a valuable opportunity for discussion of economic, political and social issues, and demonstrates ERG's support of Italian entrepreneurship.

Moreover, ERG supported more than fifteen initiatives carried out by the Genoa branch of Confindustria throughout the year, during which subjects of particular interest such as tax, trade union difficulties, infrastructure, health, tourism, globalisation and privacy were addressed.

ERG also sponsored the "*Cortina InConTra l'attualità in vacanza*" (Cortina meets – the news on holiday) festival in 2009, which took place in Cortina d'Ampezzo from 25 July to 30 August. Thanks to the participation of leading figures from politics and current affairs, a number of events were organised over the entire period, covering important issues such as immigration, security, justice, work, privacy, the family, women, equal opportunities, the mafia and war.

In 2009, ERG became a sponsor of the National Institute of Ancient Drama (INDA), which has staged classical works at the Teatro Greco in Syracuse since 1911. It is the organisation's only private sector partner, reflecting its increasing determination to support and participate in activities relating to Sicily's most important cultural event, as a socially responsible company promoting its local area. The partnership between ERG and INDA started some years ago, and the Group's new position alongside the institute represents a new important step in the context of its social responsibility policy in Sicily. This partnership will be developed in the communications sector in particular, through the Group's support for initiatives promoting the institute's activities on a national and international scale. In 2009, ERG was the main sponsor of the 45th *Ciclo di Spettacoli Classici* (festival of Greek theatre), which took place from 9 May to 21 June.

ERG provided support for the activities accompanying the G8 environment meeting in Syracuse (22-26 April 2009), sponsoring a series of cultural initiatives. In particular, ERG sponsored the international art exhibition RESTART (Responsibility, Respect the Planet, Recycled) and the Punto G cultural initiative at the Antico Mercato di Ortigia, which brought together the work of many young local artists around the theme of energy and environmental protection.

ERG also sponsored the event to mark the re-opening of the Galleria Regionale di Palazzo Bellomo (Syracuse, 17 October 2009), which had been closed for a long period of restoration and reorganisation of its collections.

As part of an agreement with the University of Catania, ERG has supported a series of research and development projects in sectors related to its businesses. Furthermore, ERG organised the "Corporate responsibility for the environment and safety at work" conference, in conjunction with the university's faculty of law, which covered a number of technical and legal themes.

ERG also organised the "From here to the future, sustainable scenarios for energy and the economy in Sicily" forum (Mazara del Vallo, 14 November 2009), where institutions, opinion makers and business leaders discussed the development of Sicily's economy in the immediate future, with the aim of identifying actions inspired by criteria of sustainability. The goal was to define a road map plotting commitments, timeframes and possible methods, all from a sustainability standpoint, to be deployed in the management of energy production in Sicily in the near future, so as to provide concrete support to the harmonious development of the Sicily's economy.

ERG AND SOCIAL DEVELOPMENT

Solidarity and social commitment are part of ERG's system of values. In this spirit ERG supports, above all, the social initiatives closest to home.
Thus, ERG was the main sponsor of the 5th edition of the "From saying to doing" social responsibility exhibition (Milan, 29-30 September), an opportunity for meetings and discussion between different entities, companies, third sector representatives, citizens and young people, all united in the aim of making social responsibility a key variable in decisions and actions. ERG's activities as part of the initiative included a speech at the opening session, the organisation of a seminar and a special event, a stand in the exhibition hall and an illustrated panel within the exhibition.

ERG also supported the Drivemotion event, the "Safe driving for young people" project aimed at students of Genoa's secondary schools who have recently passed their driving tests. The project is in keeping with the initiatives carried out under the National Security Plan and those implemented by the European Commission. It is a campaign to raise awareness and prepare young drivers for being responsible and mature, improving their driving ability and control of their vehicle in critical situations, and making them conscious of their own limits, with the aim of making the roads safer.

In conjunction with the Carabinieri, ERG organised the "A helmet for life" competition for young people aged 11-13 in the Province of Syracuse; in Melilli it supports the "It is a sustainable economy" programme for secondary school students. The format of these initiatives derives from ERG's partnership with Junior Achievement Italia.

ERG Petroli was the main sponsor for the "Long live the car" event held in Florence from 16 to 18 October and organised by the Italian Union of Automotive Journalists (UIGA). ERG decided to sponsor the initiative because it represents a concrete contribution to increasing the general public's awareness of safety, social responsibility and environmental protection.

In the Syracuse area, ERG is committed to supporting the public health authority through initiatives aimed at improving services. The Group has signed an agreement with the Syracuse health authority to set up a network of oncology clinics in the province, with particular emphasis on supporting the recruitment of additional medical and paramedic personnel to be employed at three local hospitals (Augusta, Lentini and Avola). ERG has thus become a partner in implementing a system for the prevention and cure of oncological diseases. This programme is considered to be an innovative model for the management and quality of services provided to citizens. In addition, ERG supported the activities of the Melilli Polyclinic and the Priolo Breast Clinic, providing diagnostic equipment for the structures managed by the Syracuse health authority.

In Priolo, ERG contributes to the activities of a day centre for the elderly by financing a series of social events throughout the year.
ERG promotes environmental sustainability projects and enhances the value of both natural resources and historical-archaeological assets. In particular, ERG is participating in the Priolo Salt Marshes Nature Reserve project, which is managed by the Italian League for the Protection of Birds (LIPU), for which it financed a bird-watching path. It linked its brand with the principal initiatives for promoting public awareness of the reserve, which is located in the heart of the industrial zone.

ERG AND SPORT

ERG has renewed its sponsorship of Serie A football team Sampdoria until 30 June 2011. The two organisations jointly organise and support the "*Torneo Ravano ERG*", the most important school tournament in Europe, which involves 5,000 children from primary schools in Liguria. ERG was a "gold sponsor" of the 10th edition of "Sports Stars", a project conceived and organised to promote sport in Liguria, which aims to raise funds for numerous sports clubs and associations, and to provide assistance for the terminally ill.

In the Syracuse area ERG supports the "*Trofeo Archimede*" and "*Trofeo Elettra*" competitions, which traditionally involve children from primary and secondary schools in all localities throughout the Province of Syracuse. In 2009, the trophies were contested for the 18th time, by more than 500 primary and secondary school students.
ERG also sponsors the Trogylos women's basketball team in the Serie A1 league, which has won two championships (1989 and 2000) and the Champions Cup (1990), and the Syracuse football team, which was recently promoted into the Lega Pro second division (Italy's fourth highest league, which has professional status).

TREASURY SHARES

As of 31 December 2009, ERG S.p.A. owned 2,100,000 shares with a total value of EUR 26.0 million. In accordance with IAS 32, treasury shares are recorded as a reduction of shareholders' equity.

BRANCH OFFICES

ERG S.p.A. has its registered office in Milan and a secondary office and operations in Genoa.

RELATED PARTIES

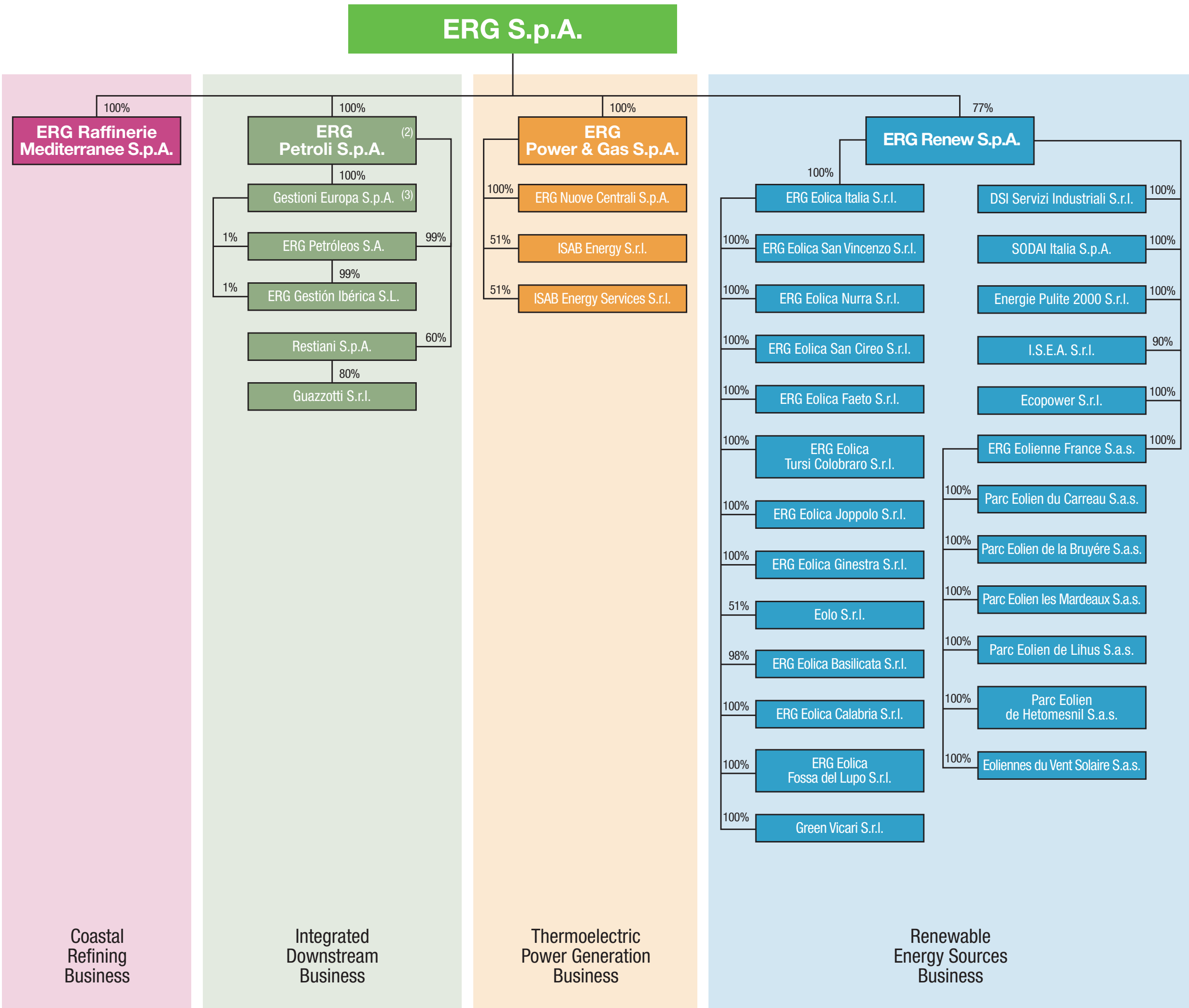
For information on dealings with related parties, including transactions with unconsolidated equity investments, see Note 40 of the consolidated financial statements.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

SCOPE OF CONSOLIDATION AND BUSINESS DIVISIONS

The table below shows fully consolidated companies. It is communicated that as from 1 January 2009 the scope of consolidation includes Eoliennes du Vent Solaire S.a.s.(1) and from 1 July 2009 it includes Restiani S.p.A. and Guazzotti S.r.l.



(1) company 100% owned by ERG Eolienne France S.a.s.
(2) effective 1 January 2009 Euroil S.r.l. was merged with ERG Petroli S.p.A.
(3) effective 1 January 2009 Gestioni Europa Due S.p.A. was merged with Gestioni Europa S.p.A.

INCOME STATEMENT, BALANCE SHEET AND FINANCIAL POSITION

INCOME STATEMENT

It should be noted that, following the LUKOIL joint venture, comparison with 2008 figures shows a significant reduction in revenues and operating costs relating to the reduced level of production at the ISAB Refinery, on the basis of the production capacity envisaged by the processing agreement, compared to when ERG previously fully owned and directly operated the plants.

(EUR MILLION)	YEAR 2009	YEAR 2008
RECLASSIFIED INCOME STATEMENT		
REVENUES FROM ORDINARY OPERATIONS	5,982.6	11,498.3
OTHER REVENUES AND INCOME	254.6	64.4
TOTAL REVENUES	**6,237.2**	**11,562.7**
PURCHASE EXPENSES AND CHANGES IN INVENTORY	(5,031.9)	(10,486.1)
SERVICES AND OTHER OPERATING COSTS	(975.9)	(959.2)
EBITDA	**229.4**	**117.5**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	(161.1)	(362.2)
PROCEEDS FROM SALE OF BUSINESS UNIT	–	892.4
NET FINANCIAL INCOME (EXPENSES)	(17.9)	(2.9)
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	35.7	(0.3)
PROFIT BEFORE TAXES	**86.1**	**644.5**
INCOME TAXES	(41.3)	4.5
PROFIT FOR THE PERIOD	**44.8**	**649.0**
MINORITY INTERESTS	(37.8)	(3.0)
GROUP NET PROFIT	**7.0**	**646.0**

REVENUES FROM ORDINARY OPERATIONS

Revenues for the year amounted to EUR 5,983 million compared to EUR 11,498 million in 2008. The reduction is due to the following:

- A fall in revenues from **Coastal Refining** due to lower quantities sold and lower sales prices;
- A fall in revenues from **Integrated Downstream** principally as a consequence of lower sales prices;
- A fall in revenues from **Thermoelectric Power Generation**, principally as a result of lower sales;
- Higher revenues from **Renewable Energy** than in 2008 due to increased production.

OTHER REVENUES AND INCOME

These consist principally of rental income, insurance reimbursements, gains on disposals, indemnities and expense recoveries. The increase on 2008 is due mainly to insurance reimbursements granted to ISAB Energy for damages relating to the accident of October 2008, with EUR 78 million covering indirect damages during the period and EUR 127 million covering direct damages. The 2009 figures also include capital gains (EUR 10 million) realised in the period following the disposal of business in Spain.

PURCHASE EXPENSES AND CHANGES IN INVENTORY

Purchase expenses mainly refer to purchase of crude oil and other semi-finished products and also include transport and transaction costs.
In 2009 purchase costs were lower than in 2008 by approximately EUR 4,932 million. This was principally due to lower quantities produced and to lower average prices of raw materials.
As far as inventory is concerned a reduction was recorded, net of the impact of variation in the scope of consolidation, of around EUR 35 million for raw materials (-274,000 tonnes compared to 31 December 2008) and around EUR 12 million for finished products (-359,000 tonnes).
In 2008 a decrease was recorded of around EUR 274 million for raw materials, and a decrease of about EUR 295 million for finished products.
It should be noted that on the basis of the weighted average cost method, the inventory change is impacted not only by the exact level of inventories in stock at the end of the period, but also by the variation in raw material and finished product purchase prices.

COSTS FOR SERVICES AND OTHER OPERATING COSTS

Costs for services include processing fees paid to the ISAB Refinery and the Trecate and Rome Refineries, maintenance costs, sales expenses (including the costs for transport of products), utilities costs, consulting costs, insurance costs, marketing costs, and costs for services provided by third parties.
The other operating costs mainly consist of labour costs, rental expenses, and taxes other than income taxes.
The increase on 2008 relates to higher processing fees charged back by ISAB S.r.l. These charges more than cancelled out the lower costs for maintenance, utilities purchases and personnel.

AMORTISATION, DEPRECIATION AND WRITE-DOWNS

The decrease in amortisation and write-downs is due principally to the transfer in December 2008 of the Priolo ISAB Refinery to ISAB S.r.l., as well as to the major write-downs performed in 2008 at the IGCC plant in relation to the wind power division.

PROCEEDS FROM SALE OF BUSINESS UNIT

In 2008 the proceeds relating to the capital gain of EUR 892 million realised upon the sale of 49% of the subsidiary ISAB, as part of the LUKOIL joint venture.

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses totalled EUR 18 million in 2009, compared with EUR 3 million in 2008.
This change arose mainly from:

- positive impact of exchange rate fluctuations (+ EUR 10 million);
- lower net interest payable as a result of a lower average level of indebtedness and lower rates (+EUR 41 million);
- interest receivable deriving from funds relating to the LUKOIL deal (+ EUR 14 million);
- the negative impact in 2008 on refining margins of derivative instruments relating to the deal (+EUR 15 million);
- the positive impact of the liquidation of the collar transaction hedging part of the oil inventories at the ISAB Refinery (EUR 102 million);
- lower costs relating to securitisation (+ EUR 6 million).

NET INCOME (LOSS) FROM EQUITY INVESTMENTS

These consist primarily of the profits of the company calculated using the equity method.
Specifically, this item includes the profits of ISAB S.r.l. (a 51% joint venture) and associated companies in the Integrated Downstream division.

INCOME TAXES

Income taxes in 2009 amount to EUR 41 million (+EUR 5 million in 2008) and include current taxes of EUR 26 million, taxes from prior years of EUR 5 million and pre-paid, deferred and withholding taxes of EUR 10 million.

It should be noted that in accordance with Decree Law no. 78 of 1 July 2009 the additional "Robin Tax" has increased from 5.5% to 6.5%, with a net positive impact deriving principally from the tax rate adjustment on pre-paid tax assets and deferred tax liabilities, amounting to around EUR 3 million.

It should be noted that the figures for taxes in 2008 were negatively affected by around EUR 4 million (including 30 million current taxes and -26 million deferred taxes) deriving from the tax rate adjustment following Law 133/08 (Robin Tax) and were positively impacted (by around EUR 4 million) by the combined effect of the recalculation of deferred taxes at the start of the period and the release of the deferred income tax provision exceeding the 16% that must be paid on the difference in the value of inventories at the end of the year between the LIFO value and the weighted average cost.

The tax rate at adjusted replacement cost, derived from the ratio between income taxes and pre-tax profit net of inventory gains/losses and non-recurring items was 22% (53% in 2008), and is not representative as regards the negative results for the period.

BALANCE SHEET

(EUR MILLION)	12/31/2009	12/31/2008
RECLASSIFIED BALANCE SHEET		
FIXED ASSETS	2,699.3	2,502.5
WORKING CAPITAL	262.7	299.5
STAFF LEAVING INDEMNITIES	(11.8)	(11.4)
OTHER ASSETS	469.2	402.5
OTHER LIABILITIES	(828.8)	(894.5)
NET INVESTED CAPITAL	**2,590.7**	**2,298.5**
GROUP SHAREHOLDERS' EQUITY	1,782.5	1,916.3
MINORITY INTERESTS	146.1	108.0
NET FINANCIAL DEBT	662.2	274.2
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**2,590.7**	**2,298.5**

At 31 December 2009 net invested capital was EUR 2,591 million.

Financial leverage, which represents the ratio of total net financial debt (including project financing) and net invested capital, was 26% (12% at 31 December 2008).

FIXED ASSETS

Fixed assets include tangible, intangible and financial assets. The variation in the period is attributable mainly to investments made and to changes in the scope of consolidation, partly compensated by the disposal and closure of retail outlets in Spain.

WORKING CAPITAL

Net working capital includes inventory, trade receivables and payables, and excise duties payable.

The fall since 31 December 2008 is mainly due to a decrease in the aggregate value of the inventories due to lower stock levels at the end of the period.

OTHER ASSETS

These comprise above all advance tax credits, receivables from Tax Authorities for tax prepayments and payments already made against future provision of services.

OTHER LIABILITIES

These mainly concern the deferred tax liabilities calculated on the differences between statutory reporting values and corresponding fiscal values (principally fixed assets and inventories), the estimate of income taxes owed for the period, the provisions for liabilities and charges, excise tax and VAT payables and the deferred income resulting from deferred recognition in the income statement of the CIP 6 tariff increase on sales of electricity by subsidiary ISAB Energy.

NET FINANCIAL DEBT

(EUR MILLION)	12/31/2009	12/31/2008
SUMMARY OF GROUP DEBT		
MEDIUM/LONG-TERM FINANCIAL DEBT	752.0	851.5
SHORT-TERM FINANCIAL DEBT	(89.8)	(577.3)
TOTAL	**662.2**	**274.2**

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

(EUR MILLION)	12/31/2009	12/31/2008
MEDIUM/LONG-TERM FINANCIAL DEBT		
MEDIUM/LONG-TERM BANK BORROWINGS	901.0	958.6
CURRENT PORTION OF MORTGAGES AND LOANS	(447.9)	(418.2)
MEDIUM/LONG-TERM FINANCIAL PAYABLES	54.5	36.6
TOTAL	**507.6**	**577.1**
MEDIUM/LONG-TERM PROJECT FINANCING	324.1	324.9
CURRENT PORTION OF PROJECT FINANCING	(79.8)	(50.4)
TOTAL PROJECT FINANCING	**244.3**	**274.4**
TOTAL	**752.0**	**851.5**

The medium-long term financial payables refer to interest-bearing loans granted to ISAB Energy S.r.l. by ISAB S.r.l. (EUR 11 million) and IPM Eagle (EUR 25 million) which, through its subsidiaries, owns 49% of the company. Repayment is subject to the conditions set out in the project financing agreement and includes, additionally, a fair value for put options for the purchase of minority shareholdings.

The payables for "medium-long term project financing" are for:

- EUR 142 million in loans granted to ISAB Energy S.r.l. by a pool of international banks. These loans were granted at origin for an amount equal to about 90% of the cost of the co-generation plant;
- EUR 183 million in loans granted to companies in the Renewable Energy division for the construction of wind farms.

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

(EUR MILLION)	12/31/2009	12/31/2008
GROSS SHORT-TERM FINANCIAL DEBT		
SHORT-TERM BANK BORROWING	1,543.1	958.0
OTHER SHORT-TERM FINANCIAL PAYABLES	93.0	23.8
SHORT-TERM FINANCIAL PAYABLES	**1,636.0**	**981.9**
CASH AND CASH EQUIVALENTS	(1,552.7)	(653.6)
SECURITIES AND OTHER SHORT-TERM FINANCIAL RECEIVABLES	(7.8)	(864.6)
SHORT-TERM FINANCIAL ASSETS	**(1,560.4)**	**(1,518.2)**
SHORT-TERM PROJECT FINANCING	79.8	50.4
CASH AND CASH EQUIVALENTS	(245.2)	(91.4)
PROJECT FINANCING	**(165.4)**	**(40.9)**
TOTAL	**(89.8)**	**(577.3)**

Other financial payables mainly comprise:

- financial payables to non-consolidated companies in the Group (primarily ISAB S.r.l.);
- liabilities arising from fair value valuation of derivatives (EUR 8.5 million);
- short-term payables to companies controlled by IPM Eagle.

The decrease in securities and other short-term financial receivables since 31 December 2008 relates mainly to the collection in February 2009 of financial receivables from LUKOIL relating to the unpaid portion of the consideration for the sale of 49% of ISAB S.r.l.

The amount of cash and cash equivalents consists of the liquidity arising principally from the collection, in December 2008 and February 2009, of the consideration for the disposal of 49% of ISAB S.r.l and of the restricted current accounts pursuant to the conditions set out in the project financing agreements.

The item also includes assets deriving from the fair value valuation of derivatives and short-term securities for use as liquidity.

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

(EUR MILLION)	YEAR 2009	YEAR 2008
CASH FLOW FROM OPERATING ACTIVITIES		
ADJUSTED CASH FLOW FROM CURRENT OPERATIONS (1)	67.7	516.8
PAYMENT OF INCOME TAX	(155.0)	(3.2)
CHANGE IN NET WORKING CAPITAL	151.6	(183.8)
OTHER CHANGES IN OPERATING ASSETS AND LIABILITIES	28.9	(113.6)
TOTAL	**93.2**	**216.3**
CASH FLOW FROM INVESTMENTS		
NET INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS (2)	(298.7)	(334.2)
NET INVESTMENTS IN FINANCIAL FIXED ASSETS	(0.4)	(25.3)
DISPOSAL OF 49% STAKE IN ISAB S.R.L.	–	1,442.5
TOTAL	**(299.1)**	**1,083.0**
CASH FLOW FROM SHAREHOLDERS' EQUITY		
CAPITAL INCREASE	–	–
DIVIDENDS PAID	(133.4)	(61.9)
OTHER CHANGES IN SHAREHOLDERS' EQUITY (3)	1.7	(19.2)
TOTAL	**(131.7)**	**(81.1)**
CHANGE IN SCOPE OF CONSOLIDATION (4)	**(50.3)**	**(114.8)**
CHANGE IN NET FINANCIAL DEBT	**(387.9)**	**1,103.4**
NET FINANCIAL DEBT AT BEGINNING OF YEAR	**274.2**	**1,377.6**
CHANGE DURING THE YEAR	***387.9***	***(1,103.4)***
NET FINANCIAL DEBT AT CLOSE OF YEAR	**662.2**	**274.2**

(1) ITEM DOES NOT INCLUDE INVENTORY GAINS (LOSSES), DEFERRAL OF THE CIP 6 TARIFF INCREASE, CURRENT INCOME TAX FOR THE PERIOD AND INSURANCE REIMBURSEMENTS NOT YET COLLECTED
(2) ITEM DOES NOT INCLUDE CAPITALISED COSTS FOR CYCLICAL MAINTENANCE
(3) OF WHICH - EUR 15 MILLION IN 2008 FOR THE PURCHASE OF TREASURY SHARES
(4) THE CHANGE IN THE SCOPE OF CONSOLIDATION RELATES PRIMARILY TO:
- IN 2009 THE MERGER WITH EUROIL (-EUR 4 MILLION), THE CONSOLIDATION OF EOLIENNES DU VENT SOLAIRE S.A.S. (-EUR 1 MILLION) AND, FROM 1 JULY 2009, THE CONSOLIDATION OF RESTIANI S.P.A. AND GUAZZOTTI S.R.L. (-EUR 45 MILLION)
- IN 2008 THE CONSOLIDATION OF THE COMPANIES OWNED BY ERG EOLICA (-EUR 77 MILLION) AND THE DECONSOLIDATION OF THE PRIOLO SERVIZI BUSINESS UNIT (+EUR 26 MILLION)

The increase in financial debt since 31 December 2008 is principally due to the payment of income taxes, the payment of ERG dividends, variation to the scope of consolidation and investments made, only in part offset by cash flow from current operations.
It should also be noted that during the year EUR 250 million was collected in insurance reimbursements relating to the accident at ISAB Energy in October 2008, EUR 29 million relating to green certificates in prior years for ERG Renew and around EUR 69 million relating to the disposal of retail outlets in Spain and the associated warehouse.

A detailed analysis of investments carried out may be found in the specific section.

ALTERNATIVE PERFORMANCE INDICATORS

To assist understanding of business performance, the operating results are also shown at **replacement cost**, excluding gains (losses) on inventory and non-recurring items.
The results at **adjusted replacement cost** also include the contribution of ISAB S.r.l. results, for the portion attributable to ERG (51%).

The results at replacement cost and the results at adjusted replacement cost are indicators that are not defined in the International Financial Reporting Standards (IAS/IFRS). Management considers that these indicators are important parameters for measuring ERG Group operating performance, and are generally used by petroleum industry operators in their financial reporting.
Since the composition of these indicators is not regulated by the reference accounting standards, the method used by the Group to determine these measures may not be consistent with the method used by other operators and so these might not be fully comparable.

The components used to determine the calculation of results at adjusted replacement cost are described below.

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

Non-recurring items include significant but unusual earnings.

The results also include the **contribution of ISAB S.r.l. for the portion attributable to ERG (51%)**.
It should be noted that in December 2008 all the assets of the ISAB Priolo refinery were transferred to ISAB S.r.l.

To assist the understanding of the management performance of Coastal Refining the results of the business for the years 2009 and 2008 are also shown at adjusted replacement cost that take into account, for the portion attributable to ERG (51%), the results of ISAB S.r.l., whose contribution to the non-adjusted cost income statement is represented by the equity valuation of the stake.

Consistent with that shown above, net financial debt is also shown as adjusted costs that take into account the portion attributable to ERG (51%) of the net financial position of ISAB S.r.l., net of the relevant intra-group items.

RECONCILIATION WITH OPERATING RESULTS AT ADJUSTED REPLACEMENT COST

EBITDA

	NOTE	YEAR 2009	YEAR 2008
EBITDA		**229.4**	**117.5**
NET OF GAINS/LOSSES ON INVENTORY		*(85.7)*	*364.0*
NET OF NON-RECURRING ITEMS		–	–
COASTAL REFINING			
- CAPITAL GAINS	1	–	*(7.0)*
- ANCILLARY CHARGES FOR LUKOIL TRANSACTION	2	–	*8.9*
INTEGRATED DOWNSTREAM			
- EXPENSES FOR ERG PETRÓLEOS	3	*(3.6)*	*13.6*
- ENVIRONMENTAL CHARGES ON RETAIL OUTLETS	*4*	*8.3*	–
THERMOELECTRIC POWER GENERATION			
- CLEAN-UP AND REMOVAL COSTS	5	*0.9*	*10.2*
- PRIOR YEAR EMISSIONS TRADING / GREEN CERTIFICATES	6	–	*5.8*
- ISAB ENERGY TRAIN 1 ACCIDENT (INSURANCE REIMBURSEMENT FOR DIRECT DAMAGES)	*7*	*(127.0)*	–
RENEWABLE ENERGY SOURCES			
- PROVISION FOR CHARGES IN THE WIND POWER DIVISION	8	–	*8.5*
CORPORATE			
- ANCILLARY CHARGES FOR LUKOIL JOINT VENTURE	2	–	*14.1*
EBITDA AT REPLACEMENT COST		**22.3**	**535.6**
51% CONTRIBUTION OF ISAB S.R.L.	9	*69.3*	*4.6*
ADJUSTED EBITDA AT REPLACEMENT COST		**91.7**	**540.3**

Amortisation, depreciation and write-downs

	NOTE	YEAR 2009	YEAR 2008
AMORTISATION AND DEPRECIATION		**(161.1)**	**(362.2)**
NET OF NON-RECURRING ITEMS			
INTEGRATED DOWNSTREAM			
- EXPENSES FOR ERG PETRÓLEOS	3	*0.5*	*4.3*
THERMOELECTRIC POWER GENERATION			
- ISAB ENERGY TRAIN 1 ACCIDENT	7	–	*53.9*
RENEWABLE ENERGY SOURCES			
- WRITE-DOWNS IN THE WIND POWER DIVISION	8	*23.2*	*103.0*
AMORTISATION AND DEPRECIATION AT REPLACEMENT COST		**(137.4)**	**(201.1)**
51% CONTRIBUTION OF ISAB S.R.L.	9	*(45.9)*	*(3.3)*
ADJUSTED AMORTISATION AND DEPRECIATION AT REPLACEMENT COST		**(183.3)**	**(204.3)**

EBIT

	NOTE	YEAR 2009	YEAR 2008
EBIT AT REPLACEMENT COST		**(115.1)**	**334.6**
51% CONTRIBUTION OF ISAB S.R.L.	9	*23.5*	*1.4*
ADJUSTED EBIT AT REPLACEMENT COST		**(91.6)**	**335.9**

Group net profit

	NOTE	YEAR 2009	YEAR 2008
GROUP NET PROFIT		**7.0**	**646.0**
NET OF GAINS/LOSSES ON INVENTORY		*(63.9)*	*232.4*
NET OF NON-RECURRING ITEMS			
NET OF EXPENSES FOR ERG PETRÓLEOS	3	*(3.1)*	*18.0*
NET OF NON-RECURRING ITEMS RELATING TO "ENVIRONMENTAL CHARGES ON RETAIL OUTLETS"	4	*5.1*	*–*
NET OF ITEMS RELATING TO ISAB ENERGY TRAIN 1 ACCIDENT	7	*(40.2)*	*17.3*
NET OF NON-RECURRING ITEMS RELATING TO "WRITE-DOWNS IN THE WIND POWER DIVISION"	8	*14.9*	*77.6*
NET OF NON-RECURRING ITEMS RELATING TO THE LUKOIL JOINT VENTURE	10	*–*	*(913.1)*
NET OF NON-RECURRING ITEMS RELATING TO THE "ROBIN TAX"	11	*–*	*3.9*
NET OF NON-RECURRING ITEMS	12	*0.6*	*2.0*
GROUP NET PROFIT AT REPLACEMENT COST (1)		**(79.5)**	**84.1**

(1) ALSO CORRESPONDS TO GROUP NET PROFIT AT ADJUSTED REPLACEMENT COST

Notes

(1) in 2008 a capital gain realised from third parties on the assignment of a business unit in the Priolo Servizi subsidiary;

(2) in 2008 ancillary charges incurred as part of the LUKOIL joint venture;

(3) in 2009 capital gains realised on the disposal of retail outlets in Spain net of related ancillary charges;
in 2008 charges incurred and forecast in connection with the sale and closure of retail outlets in Spain, as well as in relation to the write-down of receivables and exit incentives;

(4) in 2009 a provision of EUR 8 million for environmental charges relating to retail outlets;

(5) removal and clean-up costs relating to the thermoelectric power plants and construction of the new Turbogas facility at the ERG Nuove Centrali Nord site;

(6) in 2008 relating principally to:
- the EUR 10.2 million reimbursement paid to ISAB Energy of the costs incurred as part of the PNA1 emission trading plan;
- the costs, net of forecast recoveries, relating to the obligation of ISAB Energy to acquire green certificates for previous years;

(7) in 2009 insurance reimbursement, received fully during the year, relating to cover for property damage following the accident in October 2008 at the ISAB Energy plant;
in 2008 charges relating to the above accident;

(8) in 2009 and 2008 costs for write-off of assets connected with renewable energy division projects whose recoverability is no longer deemed certain. In 2009 the write-off related specifically to the wind power division and water services;

(9) results at replacement cost for ISAB S.r.l. net of inventory gains (losses) and non-recurring items;

(10) in 2008 the full impact of the LUKOIL joint venture. In particular:
   - capital gain realised on sale of 49% of the investment in ISAB S.r.l. to LUKOIL;
   - positive result of the collar hedging a portion of the oil inventories transferred to ISAB S.r.l. under the LUKOIL joint venture;
   - ancillary charges and related fiscal effects;

(11) in 2008 the Group's share of the impact arising from adjustment of tax rates as a consequence of Law 133/08 (Robin Tax) and, in particular, the recalculation of deferred tax liabilities at the beginning of the year and reversal of the deferred income tax reserve exceeding the substitute tax of 16% that must be paid on the difference between the LIFO value and weighted average cost value of year-end inventories;

(12) the Group's share of the impact arising from other non-recurring items net of the applicable tax charges.

Reconciliation with adjusted net financial debt

	12/31/2009	12/31/2008
ADJUSTED NET FINANCIAL DEBT		
NET FINANCIAL DEBT	**662.2**	**274.2**
NET FINANCIAL POSITION OF ISAB S.R.L.	*(60.7)*	*(55.2)*
ELIMINATION OF INTRAGROUP ITEMS	*(15.0)*	*(6.8)*
ADJUSTED NET FINANCIAL DEBT	**586.5**	**212.2**

The adjusted figures for net financial debt take into consideration the portion attributable to ERG (51%) of the net financial position of ISAB S.r.l. (EUR 119 million at 31 December), net of the relative intra-group items.

ERG S.P.A. FINANCIAL STATEMENTS

The statutory individual year-end financial statements of ERG S.p.A. as of 31 December 2009 have been drawn up on the basis of the International Accounting Standards promulgated by the International Accounting Standards Board (IASB) and approved by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and of the previous Standing Interpretations Committee (SIC).

INCOME STATEMENT

(EUR MILLION)	YEAR 2009	YEAR 2008
RECLASSIFIED INCOME STATEMENT		
NET INCOME FROM EQUITY INVESTMENTS	744.2	318.0
NET FINANCIAL INCOME (EXPENSES)	(11.2)	(18.7)
TRADING PROFIT	**733.0**	**299.2**
OTHER OPERATING INCOME	30.7	33.6
OTHER OPERATING EXPENSES	(66.0)	(83.0)
PROFIT BEFORE TAXES	**697.7**	**249.8**
INCOME TAXES	0.6	16.8
NET PROFIT	**698.3**	**266.6**

NET INCOME FROM EQUITY INVESTMENTS

The net income from equity investments is composed mainly of dividends paid by the subsidiaries.

In particular, EUR 800 million in dividends was received in 2009 from ERG Raffinerie Mediterranee. The item also includes the write-down of equity investments of around EUR 56 million as explained in the Notes to the Financial Statements.

NET FINANCIAL INCOME (EXPENSES)

Net financial expenses decreased primarily as a result of lower average interest rates as well as interest income arising from amounts received in dividends from ERG Raffinerie Mediterranee.

OTHER OPERATING INCOME

The item primarily comprises revenues for services rendered to subsidiaries as well as the recovery of costs charged to Group companies.

OTHER OPERATING EXPENSES

Other operating expenses include service costs, lease and rental costs, miscellaneous operating expenses, emoluments, labour costs and depreciation.

The greatest expenses posted in 2008 included ancillary charges sustained as part of the LUKOIL joint venture (EUR 14 million).

INCOME TAXES

The item includes the balance of taxes deriving from tax consolidation net of amounts to be recouped or to be attributed to Group companies.

BALANCE SHEET

(EUR MILLION)	12/31/2009	12/31/2008
RECLASSIFIED BALANCE SHEET		
FIXED ASSETS	454.6	505.3
WORKING CAPITAL	(6.7)	(10.5)
STAFF LEAVING INDEMNITIES	(1.9)	(2.4)
OTHER ASSETS	63.3	79.5
OTHER LIABILITIES	(69.5)	(43.4)
NET INVESTED CAPITAL	**439.8**	**528.5**
SHAREHOLDERS' EQUITY	869.1	302.5
NET FINANCIAL DEBT	(429.3)	226.0
SHAREHOLDERS' EQUITY AND FINANCIAL DEBT	**439.8**	**528.5**

As of 31 December 2009 net invested capital amounted to approximately EUR 440 million, a decrease of some EUR 89 million on 2008.

FIXED ASSETS

Fixed assets consist mainly of financial fixed assets. The decrease compared to the previous year reflects the write-down of the shareholding in ERG Renew.

WORKING CAPITAL

Net working capital consists of trade receivables and payables mostly vis-à-vis Group companies.

OTHER ASSETS

These consist principally of receivables due from tax authorities and Group companies in connection with the tax consolidation procedure and Group VAT. The item also includes receivables for advance taxes and prepaid expenses.

OTHER LIABILITIES

These consist principally of payables to Group companies in connection with the tax consolidation procedure and Group VAT.

NET FINANCIAL DEBT

(EUR MILLION)	12/31/2009	12/31/2008
SUMMARY OF NET FINANCIAL DEBT		
MEDIUM/LONG-TERM FINANCIAL DEBT	424.1	502.2
SHORT-TERM FINANCIAL DEBT	(853.4)	(276.2)
TOTAL	**(429.3)**	**226.0**

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

(EUR MILLION)	12/31/2009	12/31/2008
MEDIUM/LONG-TERM FINANCIAL DEBT		
MEDIUM/LONG-TERM BANK BORROWINGS	622.8	676.2
CURRENT PORTION OF MORTGAGES AND LOANS	(198.6)	(174.1)
OTHER MEDIUM/LONG-TERM FINANCIAL RECEIVABLES	–	–
TOTAL	**424.1**	**502.2**

The decrease in medium/long-term bank borrowings was due primarily to the repayment of loans during 2009.

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

(EUR MILLION)	12/31/2009	12/31/2008
SHORT-TERM FINANCIAL DEBT		
SHORT-TERM BANK BORROWING	198.6	174.4
OTHER SHORT-TERM FINANCIAL PAYABLES	2.5	2.1
FINANCIAL PAYABLES TO SUBSIDIARIES	358.8	205.2
GROSS SHORT-TERM FINANCIAL DEBT	**560.0**	**381.6**
CASH AND CASH EQUIVALENTS	(949.3)	(219.5)
SECURITIES AND OTHER FINANCIAL RECEIVABLES	(0.3)	(0.4)
FINANCIAL PAYABLES TO SUBSIDIARIES	(463.8)	(437.9)
SHORT-TERM FINANCIAL ASSETS	**(1,413.4)**	**(657.8)**
TOTAL	**(853.4)**	**(276.2)**

Short-term financial payables and receivables vis-à-vis subsidiaries mainly comprise the balances of the financial current and centralised treasury accounts operated with other Group companies as part of centralised management of Group finance.
The amount for cash and cash equivalents relates to the receipt of dividends of EUR 800 million from ERG Raffinerie Mediterranee.
Other short-term financial payables include the fair value of derivatives in place at year-end.

The change in net financial debt during the two periods considered is broken down as follows:

(EUR MILLION)	YEAR 2009	YEAR 2008
CASH FLOW FROM OPERATING ACTIVITIES		
ADJUSTED CASH FLOW FROM CURRENT OPERATIONS	758.9	267.9
CHANGES IN OPERATING ASSETS AND LIABILITIES	37.3	(29.5)
TOTAL	**796.2**	**238.4**
CASH FLOW FROM INVESTMENTS		
INVESTMENTS	(9.4)	(4.2)
DISINVESTMENTS	–	(1.3)
TOTAL	**(9.4)**	**(5.4)**
CASH FLOW FROM SHAREHOLDERS' EQUITY		
CAPITAL INCREASE AND ADDITIONAL PAID-IN CAPITAL	–	–
DIVIDENDS PAID	(133.4)	(59.3)
OTHER CHANGES (1)	1.9	(14.5)
TOTAL	**(131.5)**	**(73.8)**
CHANGE IN FINANCIAL DEBT	**655.3**	**159.1**
NET FINANCIAL DEBT AT BEGINNING OF YEAR	**226.0**	**385.2**
CHANGE DURING THE YEAR	**(655.3)**	**(159.1)**
NET FINANCIAL DEBT AT CLOSE OF YEAR	**(429.3)**	**226.0**

(1) OF WHICH - EUR 15 MILLION IN 2008 FOR THE PURCHASE OF TREASURY SHARES

NOTES ON THE RESULTS OF THE MAIN NON-CONSOLIDATED SUBSIDIARY AND ASSOCIATED COMPANIES (1)

COASTAL REFINING DIVISION

ISAB S.R.L.

A joint venture that is 51% owned by ERG Raffinerie Mediterranee and 49% owned by LUKOIL, is owner of the ISAB Refinery in Priolo and processes crude oil on behalf of the two shareholders. The company, having started operations at the beginning of December 2008, produced around 6.3 million tonnes of ERG Raffinerie Mediterranee products in 2009 and expects to close 2009 with a profit of EUR 28 million.

INTEGRATED DOWNSTREAM SECTOR

RETAIL NETWORK

ERG PETROLI (SUISSE) S.A.

The company, 99.45% owned by ERG Petroli S.p.A., operates a network of 18 service stations in the Canton of Ticino. During the financial period it recorded sales volumes below those of the previous year. The company is expected to close 2009 with a loss of EUR 0.2 million.

MED OIL S.R.L.

The company, established in December 2003, is 50% owned by ERG Petroli S.p.A. It has 25 service stations located in Central Italy. The company is expected to close the year ending 31 December 2009 with a profit of EUR 0.1 million.

WHOLESALE NETWORK

ENERPETROLI S.R.L.

The company, 44.4% owned by ERG Petroli S.p.A., is a primary dealer in the Viterbo area, with both Retail and Wholesale networks.
It is expected to close the financial year with a profit of about EUR 0.8 million after amortisation and depreciation of about EUR 2.1 million.

EUROPAM S.R.L.

The company, 24.30% owned by ERG Petroli S.p.A., operates in both Wholesale and Retail and is developing its energy services sector.
The company ended its financial year on 30 June 2009 with a profit of EUR 1.6 million after deducting depreciation totalling EUR 8.4 million.

LAMPOGAS GROUP

This is a group of three companies, all of which are 46.5% owned by ERG Petroli S.p.A. and are active in Northern Italy in the LPG distribution sector.
It is expected to close 2009 with a net profit of about EUR 1.9 million after amortisation and depreciation of about EUR 2.6 million.

(1) data produced on the basis of national accounting standards

NATALIZIA PETROLI S.R.L.

The company, 49% owned by ERG Petroli S.p.A., operates in the Lazio and Campania regions. It is expected to close 2009 with a net profit of about EUR 1.3 million after amortisation and depreciation of about EUR 0.3 million.

LOGISTICS

SIGEA S.P.A.

The company is 65% owned by ERG Petroli S.p.A. and 35% owned by Ecofuel S.p.A. (ENI Group). SIGEA has a 40% stake in SIGEMI S.r.l., a percentage that corresponds to its share of use of SIGEMI's logistics system. Clean-up of the Arquata Scrivia site was completed in 2008. Certification that the site clean-up had been completed was issued by Alessandria Province in January 2009. The company expects to close FY 2009 with revenues of about EUR 11.8 million and net profit of about EUR 0.2 million.

INLAND REFINERIES

RAFFINERIA DI ROMA S.P.A.

The company, a 28.13% owned subsidiary, manages the Rome refinery, which processed about 3.6 million tonnes of product in 2009 (of which ERG Petroli processed about 1 million).

SARPOM S.P.A.

The company, a 25.86% owned subsidiary, manages the Trecate refinery, which processed about 6.6 million tonnes of product in 2009 (of which ERG Petroli processed about 1.7 million).

THERMOELECTRIC POWER GENERATION DIVISION

IONIO GAS S.R.L.

The company, 50% owned by ERG Power & Gas, was founded in December 2005 with the aim of building a regasification plant in the area adjacent to the Priolo Refinery.
In October 2008 the company received the Ministry of the Environment decree certifying the environmental compatibility of the project.
The company, that is not yet operational, expects to close 2009 with a net loss of approximately EUR 2.2 million.

ESPANSIONE S.R.L.

During 2007 ERG Power & Gas acquired a stake of 27.01% in Espansione S.r.l. Soluzioni per l'Energia, a company operating in the sector of free market electrical energy sales.
The company expects to close 2009 with a net profit of approximately EUR 0.1 million.

ERG RIVARA STORAGE S.R.L.

The company was set up on 24 June 2008 with the British company Independent Resources (IRG) for the purpose of developing the natural gas storage site at Rivara, in the Province of Modena. ERG Power & Gas subscribed 15% of the capital of the company, valued at EUR 9.5 million. The company, that is not yet operational, closed the year to 30 September 2009 with a loss of EUR 0.2 million.

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

ERG S.p.A. manages and coordinates the operations of its directly and indirectly controlled subsidiaries. In particular, this activity is represented by:

- definition of business strategies;
- indication of strategic guidelines for organisational matters and personnel policies at a macro level;
- strategic finance and group treasury management;
- management of tax-related issues, especially as regards planning;
- management of communication policies and dealings with institutions;
- management of environmental, health and safety policies;
- centralised management of information systems;
- definition of risk management policies;
- centralised management of corporate obligations;
- legal support for the most significant transactions (Special Projects);
- definition of common policies for internal audit;
- definition of guidelines for the preparation of financial statements;
- management of non-oil purchases.

The directly and indirectly controlled companies that are subject to management and co-ordination as illustrated above are ERG Petroli S.p.A., ERG Raffinerie Mediterranee S.p.A., ERG Power & Gas S.p.A., ERG Nuove Centrali S.p.A., ISAB Energy S.r.l., ISAB Energy Services S.r.l., Gestioni Europa S.p.A., SIGEA S.p.A., Restiani S.p.A., Guazzotti S.r.l. and ERG Power S.r.l.
ERG S.p.A also manages and coordinates its subsidiary ERG Renew S.p.A. within an ambit presently represented by the definition of business strategies, the indication of strategic guidelines from an organisational perspective and personnel policies at a macro level, the management of strategic finance, the management of tax-related issues, especially as regards planning, the management of communication policies and institutional relations, the management of policies regarding the environment and health and safety, the centralised management of information systems, the definition of risk management policies, the centralised management of corporate obligations, legal support for the most significant transactions and the definition of common policies for internal audit.

In 2009, ERG S.p.A. continued managing the various directly and indirectly owned interests, also via service contracts for staff activities, for a total amount of EUR 22.7 million.
It also received services for EUR 0.6 million from ERG Renew S.p.A. and EUR 0.3 million from ERG Raffinerie Mediterranee S.p.A.
ERG S.p.A. manages the treasury of some subsidiaries centrally and also maintains financial current account relationships with ERG Petroli S.p.A. and ERG Raffinerie Mediterranee S.p.A. and, starting from 25 May 2009, has activated a credit line in favour of ERG Renew S.p.A.
ERG S.p.A. also manages, as consolidator, the Group's VAT and domestic tax consolidation with the Group's main subsidiaries.
All transactions refer to ordinary operations and are settled at market rates.

PRIVACY - SECURITY POLICY DOCUMENT

In 2009 the ERG Group duly updated its "Security Policy Document".

SHAREHOLDINGS OWNED BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS, AND STRATEGICALLY ACCOUNTABLE MANAGERS

Pursuant to applicable CONSOB Resolutions, the following table illustrates the equity investments owned by the Directors, Statutory Auditors, General Managers and Executives with strategic responsibilities at the company and its subsidiaries.

NAME AND SURNAME	COMPANY IN WHICH SHARES ARE OWNED	NO. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NO. OF SHARES OWNED	NO. OF SHARES SOLD	NO. OF SHARES OWNED AT THE END OF THE YEAR
ALESSANDRO GARRONE	ERG S.P.A.	2,000	–	–	2,000
FABRIZIA GIORDANO (1)	ERG S.P.A.	12,725	–	–	12,725
RICCARDO GIORDANO (1)	ERG S.P.A.	12,725	–	–	12,725
GUIDO SEBASTIANO ZERBINO	ERG S.P.A.	2,000	–	–	2,000
SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITY	ERG S.P.A.	11,350	–	–	11,350
SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITY	ERG RENEW S.P.A.	10,000	–	–	10,000

(1) SONS OF PIETRO GIORDANO

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On **27 January 2010** ERG and TOTAL signed an agreement to create a joint venture operating in Italy in the refining and marketing sector. The shareholding agreement envisages shared governance and operating autonomy in the joint venture. The proportion of shares held by ERG and TOTAL in the new company will be 51% and 49% respectively.
The joint venture, to be created from the merger of ERG Petroli and TOTAL Italia, will take the name TotalErg and will operate under a double brand – ERG and TOTAL. TotalErg will become one of the major players in Italy in the sector of distribution of petroleum products, with a market share of around 13% and more than 3,400 service stations. In this distribution network, fuel sales will reach 3.4 million tonnes per year, while sales for the Wholesale Network and of specialty products will reach around 3.2 million tonnes, with a significant market share for diesel, lubricants, LPG and bitumen. The joint venture will also be active in the refining sector, with a total capacity of around 116,000 barrels per day representing around 8% of Italian demand. TotalErg will optimise the management of its production plants in this sector, in accordance with the medium and long-term trends in the refining market, setting as its number one goal the delivery of excellent results in the areas of operations, the environment and safety. The joint venture will also manage the logistics infrastructure provided by the shareholders. Aviation marketing and TOTAL's AS 24 card business and ERG's refining and marketing activities in Sicily will not be included in the joint venture. The agreement is subject to the approval of the Competition Authorities.

On **28 January 2010** the ERG group announced that during 2010 it will modify its organisational structure following the setting up of the joint venture with TOTAL in Integrated Downstream, of the joint venture with LUKOIL in Coastal Refining in 2008, and on the basis of the finalisation of the strategic investments of ERG Power and ISAB Energy expected during the first quarter of 2010. The control chain will be reduced through the merger of the two sub-holdings ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A. ERG S.p.A. will therefore be organised into two business units for the Oil and the Power & Gas sectors respectively under Corporate General Management. ERG Renew will maintain its position as a subsidiary company operating in the renewable energy sector. The new structure is aimed at optimising decision processes and improving management efficiency, providing the Group with a new organisation that is consistent with its business portfolio and suitable for enabling it to take advantage of the opportunities that will present themselves following the expected global economic recovery.

On **1 February 2010**, as part of the joint venture with TOTAL, ERG S.p.A. set up the company ERG Oil Sicilia S.r.l. which will receive, following the partial demerger of ERG Petroli S.p.A, the business unit consisting of the assets and business activities in Sicily.

On **2 March 2010**, the Board of Directors of ERG Renew S.p.A. accepted the resignation of Raffaele Tognacca as Chairman and Director, and appointed Pietro Giordano as Chairman in his place.

On **3 March 2010**, the Board of Directors of ERG Petroli. S.p.A. approved the disposal of the business unit comprising the company's assets and activities in Sicily.

On **3 March 2010**, the Board of Directors of ERG Power & Gas S.p.A. accepted the resignation of Raffaele Tognacca as Chairman and Director, and appointed the CEO Sergio Corso as Chairman in his place.

On **3 March 2010**, the Board of Directors of ERG Raffinerie Mediterranee S.p.A. and of ERG Power & Gas S.p.A. approved the merger of these companies into ERG S.p.A.

BUSINESS OUTLOOK

RISKS AND UNCERTAINTIES FACING THE BUSINESS OUTLOOK IN 2010

In reference to the estimates and forecasts set out in this section, it is emphasised that actual results might differ significantly from forecast results due to a multitude of factors, including: future changes in crude oil prices, plant operating performance, the impact of environmental and other regulations on the oil and energy sector, other changes in business conditions, and the actions of competitors.
The expected outlook for the principal operating and performance indicators is as follows.

COASTAL REFINING

The improvement of the economic situation that was seen in the last part of the year could have a positive impact on global oil demand that is already expected to return to growth in 2010. Consequently, refining margins in 2010, having overcome an initial weak phase also caused by high stocks of distillates at the start of the year, are on average expected to be higher than those for the previous year.

INTEGRATED DOWNSTREAM

For 2010, a small fall in sales for this Network is forecast compared to 2009, due primarily to market conditions, although profitability will increase.
For the wholesale network a consolidation of the sales volumes of 2009 is forecast, as well as an improvement in margins on the sale of diesel.
As regards Internal Refining, in 2010 processing is expected to be higher than that for 2009, with margins progressively recovering.
All in all, for the Integrated Downstream segment improved results are expected compared to those for 2009 as a result of higher refining margins and also due to the lower costs of the ERG*Mobile* project that was launched in 2009.
It should also be noted that as of 1 October 2010 the "TotalErg" joint venture operation will come into force, subject to receipt of authorisation from the Competition Authorities.

THERMOELECTRIC POWER GENERATION

Following the accident that took place at the ISAB Energy plant on 13 October 2008, a project has been launched to rebuild Train 1 and this is still underway. It is expected that the total renewal of the plant and its return to full operation will take place by June 2010. As a consequence, the power station will continue to operate at only half its installed capacity for the first half of 2010 and, therefore, it is estimated that its production for 2010 will register a value of around 3 TWh.
The second module of the 240 MW CCGT repowering of NuCe Nord is scheduled to come on stream during the second quarter of 2010.

The first module, identical to the second, has been consistently on stream since the final quarter of 2009.

In addition, throughout 2010 the sale of electrical energy and gas to wholesalers and end-user customers will continue to be developed in order to reach an adequate level of integration throughout the business, in line with the strategy for the power & gas business. In addition, the sale of electrical energy and vapour will continue to the multi-company industrial facility at Priolo, as well as the sale of energy to the GSE within the scope of the CIP 6 agreement for the production of ISAB Energy.

For the Thermoelectric Power division results are expected to improve significantly compared to 2009, thanks to the contribution of the return into service of Train 1 at the ISAB Energy plant and to the launch of CCGT repowering at NuCe Nord, as well as to the further development of the power & gas market accompanied by a progressive improvement in management efficiency.

RENEWABLE ENERGY SOURCES

In the wind power generation sector, the fact that the Vicari and Faeto wind farms are fully operational on an annual basis and the expansion of the San Vicenzo wind farm will lead to an increase in profitability for 2010. This is despite the fall in the prices of electrical energy, green certificates and the limits to output caused by the modernisation of the national transmission grid in Puglia Region by Terna. This had a negative impact on results for 2009 and this effect may also persist during 2010. In addition, the 2010 results will benefit as the Plogastel, Ginestra and Fossa del Lupo (second half of the year) gradually come on stream.

ERG Renew is committed to implementing its business plan that envisages investments in 2010 of EUR 121 million, and whose financial requirements will be guaranteed by a commitment made by the ERG S.p.A. parent company during 2010.

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDINGS

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDINGS

EVOLUTION OF APPROACH

The current governance structure of ERG S.p.A. 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 were 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 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 house regulations and organisation to meet these criteria.

This corporate policy was therefore put into effect by means of:

- adoption of a Group Compensation Plan to align the interests of management with those of shareholders, and strengthen the relationship between managers and the company in terms of awareness of the importance of the stock value and its continuity over time;
- appointment of independent directors to the Board;
- approval of a Code of Conduct for the directors of Group companies – revised on 12 November 2009;
- acceptance of the Italian Corporate Governance Code for Listed Companies since its first edition in 1999, most recently reviewed in 2006;
- ERG's presence from 2001 to 2005 in STAR, a segment of the stock market introduced by Borsa Italiana S.p.A. (the company managing the Milan Bourse) to give significant visibility to companies prominent for the special attention paid to corporate governance matters;
- 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 Group's relationship with the market;
- adoption of a Code of Business Ethics as a tool for defining and communicating ERG's duties and responsibilities 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;
- amendment of the Articles of Association to bring them into line with the regulatory changes introduced by way of the Italian Company Law Reform;
- the 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.

INFORMATION ABOUT THE OWNERSHIP STRUCTURE AT 31 DECEMBER 2009 (PURSUANT TO ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCE ACT)

Share capital structure

	NUMBER OF SHARES	% OF SHARE CAPITAL	LISTED (INDICATE MARKETS) / UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	150,320,000	100	ITALIAN STOCKEXCHANGE/ BLUE CHIP SEGMENT	
SHARES WITH LIMITED VOTING RIGHTS	–	–		
SHARES WITHOUT VOTING RIGHTS	–	–		

Significant investors in the share capital

DECLARANT	DIRECT SHAREHOLDER	% OF ORDINARY CAPITAL HELD	% OF VOTING CAPITAL HELD
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
GENERALI INVESTMENTS ITALY SGR S.P.A.	GENERALI INVESTMENTS ITALY SGR S.P.A.	2.228	2.228
TRADEWINDS GLOBAL INVESTORS LLC	TRADEWINDS GLOBAL INVESTORS LLC	2.003	2.003

Other information

	YES	NO	NO INFORMATION AVAILABLE
SHARE TRANSFER RESTRICTIONS		X	
VOTING RESTRICTIONS		X	
SHAREHOLDER PACTS			X
AGREEMENTS PURSUANT TO ART. 123-BIS, PARA.1, SUBPARA. I) OF THE ITALIAN CONSOLIDATED FINANCE ACT		X	

Note that:

- there are no securities conferring special control rights;
- there are no employee share schemes;
- pursuant to Article 123-bis, paragraph 1, point h) of Legislative Decree 58 of 24 February 1998, it should be noted that there are in existence financing transactions containing the usual provisions regarding the change of control of the debtor, which, at least in one case, could involve the reimbursement of the loan in question if there is a change in control at ERG S.p.A. (loan provided by Intesa San Paolo for EUR 50 million, maturing on 31 December 2014). 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, whereby third parties that are shareholders of the above-mentioned investee companies, can 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, where the other shareholders 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 to the indirect stake in SIGEMI S.r.l.) and with reference to other minor stakes in investee companies. Lastly, for the purposes of full disclosure, mention should be made here of the agreements relating to TotalErg, although these were finalised after the end of 2009, under which the other shareholder, in the event of the circumstances described in the agreements and according to the procedures set out therein, has the possibility of acquiring a stake from the ERG Group equivalent to 2% of TotalErg, 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 Association, please refer to the relevant sections of this report;
- no powers have been granted to directors in relation to capital increases pursuant to Article 2443 of the 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;
- the Board of Directors' authorisation to purchase treasury shares was granted by the shareholders' meeting on 23 April 2009 and is valid for 12 months from that date.

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 of 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 years. The latest version of the Italian Corporate Governance Code for Listed Companies is available from the website www.borsaitaliana.it.
ERG corporate governance comprises the statutory bodies, board committees and documents that regulate their operation.

STATUTORY BODIES

BOARD OF DIRECTORS

The Shareholders' Meeting of 23 April 2009 appointed the new Board of Directors. The 12 Board members are expected to remain in office until the approval of the financial statements for the year ended 31 December 2011.
In accordance with the Articles of Association, 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, must be filed at the Company's registered office at least fifteen days prior to the Shareholders' Meeting.
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 regulation implementing Legislative Decree No. 58 of 24 February 1998 concerning issuers (the "Issuers' Regulation"), in force on the date of the Shareholders' Meeting.
The list presented by the shareholder San Quirico S.p.A. and the curricula vitae of candidates were filed at the company's registered office 15 days prior to the shareholders' meeting and were published at the same time in the Shareholders / Corporate Governance section of the website www.erg.it.
On 15 December 2009, the Board of Directors appointed Luca Bettonte to replace Riccardo Garrone, who stepped down from the Board on that date. Mr Bettonte will remain in office until the next Shareholders' Meeting. Mr Garrone will continue to assist the Board of Directors as Honorary Chairman.
At the same meeting, the Board of Directors also appointed Luca Bettonte as Chief Corporate

Officer and approved the new organisational macrostructure of the parent company as of 1 January 2010.

Riccardo Garrone - *Honorary Chairman*

Members:
Edoardo Garrone - *Chairman*
Pietro Giordano - *Deputy Chairman*
Giovanni Mondini - *Deputy Chairman*
Alessandro Garrone - *Chief Executive Officer*
Massimo Belcredi - *Director*
Luca Bettonte (1) - *Director*
Lino Cardarelli - *Director*
Aldo Garozzo - *Director*
Giuseppe Gatti - *Director*
Antonio Guastoni - *Director*
Paolo Francesco Lanzoni - *Director*
Graziella Merello (2) - *Director*

Non-executive directors:
Aldo Garozzo

Independent directors:
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 valid (during the Board meeting called to examine the first quarterly report).
In 2009, the independence assessment was carried out during the Board meeting on 23 April.
The Board of Statutory Auditors verified the correct application of the criteria and certification procedures adopted by the Board to assess the independence of its members.
With regard to the composition of the Board of Directors and the distribution within same of offices and powers, it was not considered necessary to designate a lead independent director.
On 21 December, the independent directors held their own meeting without the other directors present, but remained in contact and regularly consulted each other in advance on the principal matters examined by the Board of Directors.

(1) appointed on 15 December 2009, when he also took on the role of Chief Corporate Officer
(2) appointed on 23 April 2009, when he took on the role of executive director appointed to oversee the functioning of the internal control system

OTHER APPOINTMENTS HELD BY DIRECTORS IN LISTED FINANCE, BANKING AND INSURANCE COMPANIES OR LISTED COMPANIES OF SIGNIFICANT SIZE

Riccardo Garrone	*Chairman of U.C. Sampdoria S.p.A.* *Chairman of Banco di San Giorgio S.p.A.- Gruppo UBI Banca* *Chairman of Capitalimpresa S.p.A.*
Edoardo Garrone	*Director of Pininfarina S.p.A.*
Alessandro Garrone	*Director of Banca Passadore e C. S.p.A.* *Director of MutuiOnline S.p.A.*
Massimo Belcredi	*Director of Arca SGR S.p.A.*
Luca Bettonte	*Director of ERG Renew S.p.A.*
Lino Cardarelli	*Deputy Chairman of Ambromobiliare S.p.A.* *Director of CoeClerici S.p.A.*
Giuseppe Gatti	*Chairman of Iride Mercato S.p.A.* *Chairman of Grandi Reti S.c.ar.l.*
Pietro Giordano	*Director of ERG Renew S.p.A.*
Antonio Guastoni	*Chairman of the Board of Auditors of the Milan Chamber of Commerce (CCIAA)* *Chairman of the Board of Statutory Auditors of PARCAM S.r.l.* *Standing Auditor of Leonardo Sgr S.p.A.* *Standing Auditor of Giulio Fiocchi S.p.A.* *Standing Auditor of Finlombarda Sgr*
Paolo Francesco Lanzoni	*Director of Finservice S.p.A.*

Other attendees of Board meetings

Depending on the matters under discussion, Group management representatives also take part in Board meetings.

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 committees within the Board.

The emoluments of the Chairman, Deputy Chairmen, and Chief Executive Officer are determined by the Board of Directors on the basis of a recommendation made by the Nominations and Remuneration Committee.

Powers

The Board of Directors has granted the Chairman Edoardo Garrone the authority to manage the staff functions carried out by the Institutional & International Relations Division, and in the context of the General Secretariat, by the Corporate Affairs Division, with responsibility for supervision, direction and control.

The Board has granted the Deputy Chairman Pietro Giordano the authority to manage the Group's M&A activity, with responsibility for supervision, direction and control.

The Board has granted the Director Giuseppe Gatti the authority to manage scientific research in the Oil and Power sectors, with responsibility for supervision, direction and control.

The Board has granted the Director Graziella Merello the authority 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 – in accordance with the recommendations of the Italian Corporate Governance Code for Listed Companies – has specified that the powers delegated to the CEO must be exercised according to the directives and instructions given to him by the Board.

Frequency of Board meetings

As envisaged by the Articles of Association, 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 2009 financial year the Board of Directors held 10 meetings, while for the year 2010 there are expected to be no fewer than eight meetings.

In 2009, the Board of Directors passed resolutions on 34 different matters and for 23 of these, the relevant information documents were sent beforehand to Directors and Auditors.

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

Activities performed

Directors made a significant contribution to the work of the Board and Committees in 2009 in terms of meeting attendance and effective participation in proceedings.

In the course of 2009, the Board of Directors performed the activities and responsibilities referred to in application criterion 1.C.1 of the Italian Corporate Governance Code for listed companies 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 11 August, 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. This review concluded with a favourable opinion. Pursuant to application criterion 1.C.3. of the Italian Corporate Governance Code, the Board of Directors also acknowledged that, in light of the findings set out in the document prepared by the Nominations and Remuneration Committee, it no longer appears necessary to set a limit on the number of directorships and auditorships.

Furthermore, with a resolution dated 13 February 2003, the Board 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.

The guidelines, the original version of which was amended once by the Board of Directors with its resolution of 6 August 2004, and again with its resolutions of 13 February and 10 August 2006, set out the criteria to be used to identify the most significant transactions, consisting of quantitative and qualitative criteria and criteria deriving from the specific requirements of the parties involved (related-party transactions and intragroup transactions).

The document also describes the code of conduct to be followed when performing transactions, with particular reference to transactions instructed by subsidiaries, which must be examined and approved in advance by the Board of Directors of ERG S.p.A., and those with related parties, requiring the direct involvement of the Internal Control Committee, called upon, inter alia, to assess whether it is necessary or advisable to consult independent experts, and if so, taking the appropriate measures to select them.

BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting held on 27 April 2007 and will remain in office until the approval of the financial statements for the year ended 31 December 2009.

In compliance with the Articles of Association, the Board of Statutory Auditors is appointed on the basis of lists presented by Shareholders at least 15 days before the Shareholders' Meeting, which must set out the names of candidates in numbered, sequential order.

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 3% of the share capital, whereas the current minimum shareholding is 2%.
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 Association.
Candidates cannot 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 Consolidated Finance Act or if they already serve as Standing Auditor in more than five listed companies.
With its resolution of 23 April 2009 – following the resignation tendered on 4 March 2009 by Fabrizio Cavalli as Standing Auditor – the Shareholders' Meeting appointed Andrea Manzitti as Standing Auditor. Mr Manzitti will remain in office until the approval of the financial statements for the year ended 31 December 2009.

Members:
Mario Pacciani - *Chairman*
Paolo Fasce - *Standing Auditor*
Andrea Manzitti - *Standing Auditor*
Umberto Trenti - *Substitute Auditor*
Michele Cipriani - *Substitute Auditor*
Lelio Fornabaio - *Substitute 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.

Other appointments held by Statutory Auditors on the Boards of Statutory Auditors or on the Boards of Directors of listed companies, financial, banking and insurance companies of significant size:

Mario Pacciani	*Chairman of the Board of Statutory Auditors of Boero Bartolomeo S.p.A.*
Paolo Fasce	*Standing Auditor of Boero Bartolomeo S.p.A.* *Standing Auditor of Yarpa Investimenti SGR S.p.A* *Standing Auditor of YLF S.p.A.*
Andrea Manzitti	*Standing Auditor of ERG Renew S.p.A.* *Standing Auditor of BNL S.p.A.* *Standing Auditor of Findomestic S.p.A.* *Standing Auditor of AXA Italia S.p.A.* *Standing Auditor of Quixa S.p.A.*

SHAREHOLDERS' MEETINGS
Article 10 of the Articles of Association states that holders of voting rights who, based on the procedures laid down in the notice of meeting, exhibit a pass certificate issued in compliance with current legislation at least two working days before the meeting, shall be entitled to attend the meeting.

Meeting regulation
At the Ordinary Shareholders' Meeting held on 27 April 2001, shareholders approved a regulation governing the proceedings of ordinary and extraordinary shareholder meetings. Article 14 of the Articles of Association expressly gives the Ordinary Shareholders' Meeting the possibility of adopting a meeting regulation.

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 members of the Internal Control Committee have adequate experience in accounting and finance. The Chairman of the Board of Statutory Auditors or another Statutory Auditor take part in the Committee's work. Depending on the topics covered at any given time, Group management representatives and the Chairman of the Board of Directors may also take part. The Committee organises its work in such as way as to combine comprehensive information flows and efficiency of operation with maximum independence of its members.
In particular, deliberations are held 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.
To optimise its performance, the Committee may use the services of external consultants at the company's expense. In 2009 the Committee held 13 meetings during which, besides a preview of the annual financial statements and half-yearly report, issues were discussed in the following macro-areas: Corporate Governance, Control Systems, Legislative Decree 231/01, Risk Management and Administration.

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 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, updated in light of recent changes; *iv)* scope of the management and coordination of ERG Renew S.p.A. by ERG S.p.A.;
- examined the Directors' Code of Conduct and the reasons that led to the need for its modification, declaring that it endorses the changes made;
- assessed and endorsed the way in which the proposal submitted to the Shareholders' Meeting on 23 April 2009 concerning the appointment of independent auditors was defined and the factors that led to the selection of the independent auditor;
- examined and endorsed the changes made to the text of the "Procedure for the management and handling of privileged information and for the public dissemination of statements and information", following a review of the document in the context of the corporate structure;
- confirmed Massimo Belcredi as Committee Chairman for a three-year term from April 2009 to April 2012;

– examined documentation relating to the review carried out to assess the feasibility of renewing the sponsorship deal with U.C. Sampdoria, in addition to the corresponding draft contractual proposal, and formulated some recommendations in this regard; the Committee therefore approved the proposal to renew the sponsorship agreement with U.C. Sampdoria;
– examined documentation relating to the sale of real estate assets belonging to ERG Petroli S.p.A., which were sold to ERG S.p.A. taking a favourable view of the transaction.

2) Internal control system

– examined and ratified the "Guidelines for the Internal Control System", updated following the organisational changes made;
– examined a hypothetical organisational structure for ERG S.p.A. in relation to the system of controls, and expressed a number or recommendations in this regard;
– examined a document illustrating the "Safety Plan" and the reasons behind the decision to embark on the project; the Committee has endorsed the criteria and operating procedures used to develop the Safety Plan;
– examined the document describing the activities of the Internal Audit Division in 2008, acknowledging the results of the audits carried out in the course of its work;
– assessed the document describing the programme of activities of the Internal Audit Division for 2009, expressing its approval of the proposed approach in which the Committee would monitor follow-up activities;
– examined the most significant points raised in the document prepared by the head of internal control concerning activities carried out in 2008 and the programme of work for 2009;
– examined the report by the head of internal control in the first half of 2009 and the results of the audit activities carried out, recommending that an update to the audit plan should be submitted to take into account the recent or potential organisational changes and the expected changes to the company's structure;
– evaluated changes to the roles of the Risk Office and Internal Audit Divisions and the job description of the head of internal control;
– examined a document presented by the heads of the Internal Audit and Risk Office Divisions explaining the updates made to the programme of work for 2009;
– examined a document illustrating the programme of activity for the Internal Audit and Risk Office Divisions for 2010;
– assessed and ratified reports on the Committee's activities in 2008 and in the first half of 2009, reporting its opinion to the Board of Directors as to the adequacy of the internal control system.

3) Obligations in connection with Act No. 231/01

– examined the relationship between the Supervisory Body for activities carried out in 2008, particularly identifying the consistency between reports received and the reporting requirements envisaged by the Organisation and Management Model;
– examined the report by the Supervisory Committee for the first half of 2009 and declared that it agreed with the proposal to alter the structure of the Supervisory Committee;
– examined a document outlining the programme of activity of the Supervisory Committees of Group companies for 2010.

4) Risk Management

– examined the document prepared by the Risk Office relating to activities carried out in 2008, when this division was created;
– in particular, it examined documents submitted by the Risk Office relating to the launch, by this division, of the Enterprise Risk Management project, expressing its approval of the overall approach;

- examined and ratified the document prepared by the Risk Office on the targets set for 2009 and the methodological criteria with which these will be pursued, recommending close coordination between the Risk Office and Internal Audit Division;
- examined the presentation relating to the Enterprise Risk Management Framework (ERM) – prepared by the Risk Office of ERG S.p.A. – and formulated a number of suggestions in this regard, referring to the approval by the Board of Directors.

5) Administration and Taxation

- found, along with the manager responsible for preparing the company's financial reports and the auditors, as to the correct use of accounting policies in preparing the draft statutory and consolidated financial statements for the period ended 31 December 2008 and informed the Board of Directors accordingly;
- examined a document prepared by the Administration, Finance and Control Division setting out its assessment of the benefits obtained by ERG S.p.A. and the Group, during the period 2004-2008, as a result of the national and global tax consolidation programme;
- examined a document prepared by the Administration, Finance and Control Division containing the main economic data of intercompany service agreements for FY 2009 and, in particular, the level at which the rebilling criteria are applied for the services envisaged therein;
- found, along with the manager responsible for preparing the company's financial reports and the auditors, as to the correct use of accounting standards in preparing the interim financial report at 30 June 2009, and informed the Board of Directors accordingly;
- examined documents prepared by the Administration and Taxation Division on the obligations arising from Act No. 262/05, which illustrate, in particular, the Risk Assessment of the consolidated financial statements at 31 December 2008 in support of the definition of the scope of Act No. 262/05 as regards the Group in 2009, the results of impairment tests at 30 June 2009 and the stage of completion of the work.

NOMINATIONS AND REMUNERATION COMMITTEE

Members:
Paolo Francesco Lanzoni – *Chairman*
Massimo Belcredi
Lino Cardarelli

The Chairman and CEO take part in the Committee's work.

Tasks

The Nominations and Remuneration Committee makes recommendations to the Board 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 Group's management incentive schemes.
The Committee also (i) submits to the Board of Directors, where requested, 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; (ii) 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 (iii) 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. To optimise its performance, the Committee may use the services of external consultants at the company's expense. Whenever the Committee discusses recommendations for the remuneration of the Chairman and CEO, such individuals must leave the meeting.

In FY 2009, the Committee held five meetings at which recommendations were made concerning the emoluments of the CEO and other directors who serve on the Board of Directors, the setting of objectives for FY 2009 with regard to the short-term incentive scheme, and the value creation achieved in FY 2008.
The Committee also drafted a guidance document for the Board of Directors regarding the Board Performance Review carried out by it, and examined a preliminary report on the fundamental elements and operating criteria for a possible future incentive plan (the "Long-Term Incentive Plan") for Group management.

STRATEGIC COMMITTEE

Members
Pietro Giordano - *Chairman*
Edoardo Garrone
Alessandro Garrone
Giovanni Mondini
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, in the context of the 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 investment budgets of the Group and of the operating companies, as well as the strategic benefits of significant investments made at Group level.

CORPORATE GOVERNANCE RULES

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

- rules concerning the handling of sensitive and confidential information;
- the procedure for 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.

RULES FOR THE HANDLING OF SENSITIVE AND CONFIDENTIAL INFORMATION

The Board of Directors has introduced rules designed to ensure an exhaustive and timely flow of information within the companies forming part of the Group, as well as between the latter and the listed parent company in order to fulfil disclosure obligations concerning price-sensitive information vis-à-vis the market and the market's supervisory bodies.
Specific instructions have also been circulated concerning the handling of confidential information, designed to make employees aware of the liabilities arising from use of such information not compliant with current regulations.

PROCEDURE FOR 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 the public dissemination of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for

Borsa Italiana are the outcome of a formative 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. On 14 May 2009, the document was revised with a view to adapting the text to organisational changes and rendering it more effective.

CODE OF CONDUCT FOR INTERNAL DEALING

With its resolution of 9 August 2007, the Board of Directors 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

This is the document – originally adopted with the Board resolution passed on 13 February 2003 and subsequently amended with the resolutions passed on 6 August 2004, 13 February and 10 August 2006 – discussed in the section concerning the Board of Directors.

CODE OF CONDUCT FOR DIRECTORS OF GROUP COMPANIES

With its resolution dated 21 March 2000, the Board of Directors adopted a Code of Conduct for directors appointed in Group companies in order to provide them with uniform rules of conduct for performing their duties within a systematic framework of reference and in observance of corporate governance principles.
Following the revision of 12 November 2009, it was decided that some provisions of the Code of Conduct would be made more binding in accordance with the legislative and regulatory provisions from time to time applicable.

REPORTING PROCEDURE FOR SIGNIFICANT TRANSACTIONS BY SUB-HOLDING COMPANIES

On 14 March 2006, the Board of Directors passed a resolution introducing a reporting procedure in compliance with which sub-holding companies – based on a specific approach and timeframe – would inform the parent company of transactions instructed by them directly and which might be classified as significant according to the guidelines mentioned above, applying the exceptions envisaged in these guidelines.

PROCEDURE FOR RELATED-PARTY TRANSACTIONS

On 14 March 2006, the Board of Directors passed a resolution adopting rules of conduct which, together with the guidelines for the identification and execution of significant transactions, set out the criteria and procedures to be followed when executing related-party transactions. In a resolution passed on 21 December 2007, the Board of Directors amended the rules of conduct by defining the criteria to be used for identifying transactions that must be approved by the Internal Control Committee and/or with the assistance of independent experts. The selection procedures for these were also established.

OTHER INFORMATION

Information about the internal control system, supervisory committee, investor relations, organisation and management model, independent auditors, director responsible for preparing the company's financial reports and management and coordination activity can be found below.

THE INTERNAL CONTROL SYSTEM

The Internal Control System operating 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 unitary and transverses the whole Group, and was created following a consistent method for identifying, measuring and evaluating risks.

In recent years the Group has defined guidelines, approved by the Board of Directors, for the Internal Control System. These guidelines are aimed at rationalising the whole Internal Control System by means of 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 (henceforth referred to as the Model) is of particular relevance. It was implemented when the Internal Control System of the Group was brought into line with the requirements of Law 262/05 – the Model was subsequently updated.

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 the director Graziella Merello. Upon the proposal by Ms. Merello, the person in charge of the Internal Audit function, Carlo De Vita, was appointed as head of Internal Control. Following Carlo De Vita's departure from the Group, the Board of Directors passed a resolution on 11 August 2009 to appoint the new head of Internal Audit, Luigi Bricocoli, as the person in charge of Internal Control.

The actual operation of the Internal Control System within the 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, above all, the Internal Audit Department and the Risk Office. They are joined by other functions whose responsibilities include monitoring the compliance of corporate actions with current laws and regulations.

The director in charge of overseeing the Internal Control System constantly ascertains its overall adequacy, effectiveness and efficiency, and reports his findings periodically to the Internal Control Committee and 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 system and by the Internal Control Committee.

During 2009, the Guidelines for the Internal Control System, which were approved by the Board of Directors on 12 December 2007, were updated to bring them into line with changes to the Group's organisational structure.

In August 2009, a detailed Enterprise Risk Management Model was adopted, with the objective of identifying, as exhaustively as possible, the risks inherent in the ERG Group's full range of business activities.

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

It is explained below how the ERG Group has created its system for risk management and internal control in relation to the process of financial disclosure (henceforth referred to as "the System") at consolidated level. This System sets itself the goal of significantly mitigating risks in terms of plausibility, reliability, accuracy and timeliness of financial disclosures.

The Model now described was presented to the Internal Control Committee for 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 [(1)] 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 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 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 the application of the indicated administrative-accounting procedures and, together with the Chief Executive Officer, to provide the market with their declaration relating to compliance with the abovementioned principles and to the "reliability" of financial documentation circulated.

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. As part of the restructuring of the Group, the Board of Directors passed a resolution on 15 December 2009 assigning the role of manager with responsibility for preparing the company's financial reports, which was previously filled by Luca Bettonte, to Giorgio Coraggioso, the head of Administration and Tax.

ELEMENTS OF THE SYSTEM

Methodological approach

The reference regulations do not provide any instructions regarding mode of operation and the tools with which the System must operate.

(1) as a listed company, ERG Renew S.p.A. has a dedicated manager responsible for preparing the company's financial reports and applies an independent model that is consistent with the model used by ERG S.p.A.

Standard procedures are therefore followed with reference to international best practice, in order to guarantee maximum consistency between the objectives of the regulations and the formulation of activities aimed at implementing said regulations. 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 Company/Group level (entity level) and at 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, management of "gap", plan for remedial action, reporting system, etc.).

The complete process is managed by a specific Corporate Function (Group Processes and Compliance) that operates as a staff function reporting to the Manager Responsible that, following standard practice, governs all administrative-accounting procedures, mapping and harmonising those in force through defining interventions at process level, information systems or procedures to rectify control deficiencies.

Identification and evaluation of risks

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

1. the companies within the Group 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 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 identification of 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. the identification, for each relevant process, of 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 range of analysis, is based on the combined application of two analytical parameters. One of these is fully quantitative (the determination of threshold numerical values to compare against the figures that make up the consolidated financial statements of the Company) while the other is qualitative (an evaluation by management, on the basis of their own knowledge of the business reality, of non-numerical potential risk factors that may make necessary or not necessary the inclusion of a certain company/account/process within the scope of analysis).

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 analysed and evaluated, defined on the basis of the weight the dimensions bring to bear on the main items in the statement of financial position;
- *significant accounts*: this refers to the quantitative size that items in the statement of

financial position 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 determined for which it is opportune to evaluate controls, given that all processes associated with accounts that have balances greater than the pre-determined threshold form part of the model.

Following the quantitative analysis described above, the process of Risk Assessment envisages the subsequent carrying out of an analysis based on qualitative elements, and that has two objectives:
- to integrate 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 Group, and on the basis of the professional judgement of the management concerning risk levels relating to financial disclosures;
- to define the "level of depth" at 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 process level have been identified, the various operating Companies examine the controls in 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 declarations that must be made by the Manager Responsible, are carried out.

The identification of risks and associated controls is carried out both with regard to controls relating to financial statement assertions and to other control objectives within the scope of financial disclosure, including:
- observance of authorised limits;
- the separation 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.

Evaluation of controls and monitoring processes

In accordance with the provisions of the law regarding formal execution and in line with the best practices previously referred to, the methodology adopted envisages the carrying out of constant monitoring of the processes covered by the model and the effective execution of the mapped controls.

The objective of such monitoring is the evaluation of the operative 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 timescales are defined for carrying out monitoring tests.

In particular, with the aim of optimising the use of available resources while guaranteeing constant monitoring activity, the methodology adopted envisages that testing is carried out regularly throughout the year, with a subdivision of samples that allows full coverage, throughout the whole year and before the closing of the consolidated financial statements, of the mapped accounts-processes within the scope of the model.

Apart from the testing activities, the plan envisages, if necessary, the mapping of new accounts-processes and the monitoring of the implementation of remediation action in the case of any “gaps".

Following the execution of testing activities, the methodology adopted envisages that, in line with the framework of responsibilities indicated previously, a report must be produced of the results of the activities, and this constitutes the support on the basis of which the Manager Responsible releases legal declarations, 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.

To this end documents are available that summarise the data relating to the number of tests carried out per process and the results of these, both in detail for the Company and more generally for the consolidation.

On the occasion of the half-yearly and annual financial reporting the documents produced also include a section explaining the methodology adopted, the results of the Risk Assessment process and the action plan, as well as a section with updates regarding remediation activities and any “gap” revealed during the mapping and monitoring of processes and controls.

The activities of monitoring of the processes and controls that make up the model envisage, apart from the testing and reporting of the results of these activities, that any revealed “gap” is appropriately managed and corrected.

THE INDEPENDENT AUDITORS

The task of conducting the accounting audit for the financial years 2009-2017 was assigned by the Shareholders’ Meeting of 23 April 2009 to Deloitte & Touche S.p.A.

ORGANISATION AND MANAGEMENT MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

With the resolution passed on 21 December 2004, the Board of Directors adopted the Organisation and Management Model pursuant to Legislative Decree 231/2001.

The Model has since been periodically updated to adapt it to the regulatory changes subsequently introduced.

SUPERVISORY COMMITTEE

Until 11 August 2009, the Supervisory Committee consisted of director Paolo Francesco Lanzoni (Chairman), Luigi Bricocoli, Carlo Alfredo De Vita, Renzo Fossati and Massimo Pezzolo. At the meeting of the Board of Directors on 11 August 2009, as a result of the organisational changes that have taken place in the meantime, the Board appointed a new Supervisory Committee composed of the following members: Paolo Lanzoni (Chairman), Giovanni Antonio Martinengo, head of the Risk Office, Luigi Bricocoli, head of Internal Audit and Renzo Fossati, head of Human Resources and Systems Management.

The Supervisory Committee, which maintains direct and ongoing relations with the Internal Control Committee, performs its activity at the Parent Company while, with regard to the subholding companies, including ERG Renew, a Supervisory Committee has been appointed at each company, comprised of the independent director of ERG S.p.A., Paolo Francesco Lanzoni, as Chairman, Luigi Bricocoli, head of Internal Audit at the holding company, Giovanni Antonio Martinengo, head of the Risk Office at the holding company, and the respective head of Human Resources at the company in question.

The Supervisory Committee of ERG S.p.A. met four times in 2009.

INVESTOR RELATIONS

The company manages relationships with its shareholders, institutional investors and the market by means of 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.

MANAGEMENT AND COORDINATION

ERG S.p.A. is a subsidiary of S. 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 Association expressly prohibits the company from carrying out management and coordination activities with regard to its subsidiaries.

Acknowledgement of this circumstance is given in the resolution of the ERG S.p.A. Board of Directors dated 15 September 2009.

COMMITMENT

With this statement made by the Board of Directors, ERG wishes to confirm its commitment to:

- pursue as its primary objective, in its formal acts and conduct, creation of shareholder value;
- model its business on total observance of the Group's ethical principles, which are based on that combination of values consisting of personal honesty, 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;
- 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 this chapter, are available in the Corporate Governance section of our website www.erg.it.

The following tables summarise how the main recommendations of the Italian Corporate Governance Code are adopted and applied within the company.

STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

TABLE 1

BOARD OF DIRECTORS

OFFICE	MEMBERS	EXECUTIVE	NON EXECUTIVE	INDEPEN-DENT
HONORARY CHAIRMAN A)	RICCARDO GARRONE		YES	
CHAIRMAN	EDOARDO GARRONE	YES		
DEPUTY CHAIRMAN	PIETRO GIORDANO	YES		
DEPUTY CHAIRMAN	GIOVANNI MONDINI	YES		
CEO	ALESSANDRO GARRONE	YES		
DIRECTOR	MASSIMO BELCREDI			YES
DIRECTOR B)	LUCA BETTONTE	YES		
DIRECTOR	LINO CARDARELLI			YES
DIRECTOR	ALDO GAROZZO		YES	
DIRECTOR	GIUSEPPE GATTI	YES		
DIRECTOR	ANTONIO GUASTONI			YES
DIRECTOR	PAOLO FRANCESCO LANZONI			YES
DIRECTOR C)	GRAZIELLA MERELLO	YES		
DIRECTOR D)	GIAN PIERO MONDINI		YES	
DIRECTOR E)	GUIDO SEBASTIANO ZERBINO		YES	
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW		BOARD OF DIRECTORS **10**		

* AN ASTERISK INDICATES THAT THE DIRECTOR WAS APPOINTED VIA MINORITY SHAREHOLDER LISTS.
1) THIS COLUMN SHOWS THE RESPECTIVE PERCENTAGE PARTICIPATION RATES OF DIRECTORS IN MEETINGS OF THE BOD AND THE COMMITTEES.
2) THIS COLUMN SHOWS THE NUMBER OF DIRECTOR OR AUDITOR POSITIONS HELD BY THE INTERESTED PARTY IN OTHER COMPANIES LISTED ON OTHER REGULATED MARKETS, INCLUDING MARKETS ABROAD, IN FINANCE, BANKING OR INSURANCE COMPANIES OR COMPANIES OF SIGNIFICANT SIZE.
THE POSITIONS ARE DESCRIBED AT MORE LENGTH IN THE CORPORATE GOVERNANCE REPORT.

		INTERNAL CONTROL COMMITTEE		NOMINATIONS AND REMUNERATION COMMITTEE	
% PARTICI-PATION [1]	NUMBER OF OTHER POSITIONS [2]	[3]	[1]	[3]	[1]
90%	3				
90%	1				
100%	–				
100%	1				
100%	2				
100%	1	YES	100%	YES	100%
	1				
100%	2				100%
90%	–				
100%	2				
90%	5	YES	100%		
100%	1	YES	92%	YES	100%
100%	–				
100%	–				
100%	–			YES	100%
		INTERNAL CONTROL COMMITTEE **13**		NOMINATIONS & REMUNERATION COMMITTEE **5**	

3) THIS COLUMN SHOWS WHETHER THE MEMBER OF THE BOD IS ON THE COMMITTEE.

A) DIRECTOR IN POST UNTIL 15/12/2009
B) APPOINTED ON 12/15/2009
C) IN POST SINCE 04/23/2009
D) IN POST UNTIL 04/23/2009
E) IN POST UNTIL 04/23/2009

BOARD OF STATUTORY AUDITORS

TABLE 2

POSITION	MEMBERS	PARTICIPATION IN %	NUMBER OF OTHER POSITIONS (1)
CHAIRMAN	MARIO PACCIANI	100%	1
STANDING AUDITOR - *resigned 04/23/2009*	FABRIZIO CAVALLI	100%	
STANDING AUDITOR	PAOLO FASCE	100%	3
STANDING AUDITOR - *appointed 04/23/2009*	ANDREA MANZITTI	75%	5
SUBSTITUTE AUDITOR	UMBERTO TRENTI		
SUBSTITUTE AUDITOR	MICHELE CIPRIANI		
SUBSTITUTE AUDITOR - *since 04/24/2008*	LELIO FORNABAIO		
NUMBER OF MEETINGS HELD DURING THE FINANCIAL YEAR UNDER REVIEW **9**			
INDICATE THE REQUISITE QUORUM FOR PRESENTATION OF LISTS BY MINORITY SHAREHOLDERS FOR ELECTION OF ONE OR MORE MEMBERS (PURSUANT TO ART. 148 OF THE UNIFIED FINANCE ACT) **2%**			

* AN ASTERISK INDICATES THAT THE STATUTORY AUDITOR WAS APPOINTED VIA MINORITY SHAREHOLDER LISTS.

(1) THIS COLUMN SHOWS THE NUMBER OF DIRECTOR OR AUDITOR POSITIONS HELD BY THE INTERESTED PARTY IN OTHER COMPANIES LISTED ON ITALIAN REGULATED MARKETS. THE POSITIONS ARE DESCRIBED AT MORE LENGTH IN THE CORPORATE GOVERNANCE REPORT.

OTHER PROVISIONS OF THE ITALIAN CORPORATE GOVERNANCE CODE

TABLE 3

	YES	NO	SUMMARY OF REASONS FOR ANY DEPARTURE FROM THE RECOMMENDATIONS OF THE CODE
DELEGATION SYSTEM AND TRANSACTIONS WITH RELATED PARTIES			
HAS THE BOD DELEGATED POWERS, ESTABLISHING:	X		
A) LIMITS	X		
B) MODE OF EXECUTION	X		
C) FREQUENCY OF REPORTING?	X		
DOES THE BOD RETAIN THE ROLE OF EXAMINING AND APPROVING TRANSACTIONS THAT ARE SIGNIFICANT IN TERMS OF P&L AND FINANCIAL POSITION (INCLUDING TRANSACTIONS WITH RELATED PARTIES)?	X		
HAS THE BOD SET OUT GUIDELINES AND CRITERIA FOR IDENTIFYING "SIGNIFICANT" TRANSACTIONS?	X		
ARE THESE GUIDELINES AND CRITERIA DESCRIBED IN THE REPORT?	X		SUMMARILY
HAS THE BOD DEFINED APPROPRIATE PROCEDURES FOR EXAMINATION AND APPROVAL OF TRANSACTIONS WITH RELATED PARTIES?	X		
ARE THE PROCEDURES FOR APPROVING TRANSACTIONS WITH RELATED PARTIES DESCRIBED IN THE REPORT?	X		SUMMARILY
PROCEDURES FOR THE MOST RECENT APPOINTMENTS OF DIRECTORS AND AUDITORS			
WERE THE CANDIDATE APPLICATIONS FOR THE POSITION OF DIRECTOR SUBMITTED AT LEAST 10 DAYS IN ADVANCE?	X		
DID THE CANDIDATE APPLICATIONS FOR THE ROLE OF DIRECTOR PROVIDE COMPREHENSIVE INFORMATION?	X		
DID THE CANDIDATE APPLICATIONS FOR THE POSITION OF ADMINISTRATOR INDICATE WHETHER THE CANDIDATES COULD APPROPRIATELY BE DESCRIBED AS INDEPENDENT?	X		
WERE THE CANDIDATE APPLICATIONS FOR THE POSITION OF AUDITOR SUBMITTED AT LEAST 10 DAYS IN ADVANCE?	X		
DID THE CANDIDATE APPLICATIONS FOR THE POSITION OF AUDITOR PROVIDE COMPREHENSIVE INFORMATION?	X		
MEETINGS			
HAS THE COMPANY APPROVED A MEETING REGULATION DOCUMENT?	X		
IS THE DOCUMENT ATTACHED TO THE REPORT (OR DOES THE REPORT STATE WHERE IT CAN BE OBTAINED/DOWNLOADED)?	X		
INTERNAL CONTROL			
HAS THE COMPANY APPOINTED MANAGERS RESPONSIBLE FOR INTERNAL CONTROL?	X		
ARE THESE MANAGERS HIERARCHICALLY INDEPENDENT OF THE MANAGERS OF OPERATIONAL AREAS?	X		
ORGANISATIONAL UNIT RESPONSIBLE FOR INTERNAL CONTROL (PURSUANT TO ART. 9.3 OF THE CODE)	INTERNAL AUDIT		
INVESTOR RELATIONS			
HAS THE COMPANY APPOINTED A HEAD OF INVESTOR RELATIONS?	X		
ORGANISATIONAL UNIT AND CONTACT DETAILS (ADDRESS/TELEPHONE NUMBER/FAX/EMAIL ADDRESS) OF THE HEAD OF INVESTOR RELATIONS	INVESTOR RELATIONS - PAOLO MERLI PHONE 010/2401376 – FAX 010/2401598 E-MAIL: PMERLI@ERG.IT		

MANAGEMENT INCENTIVE SCHEMES

The following information is provided in accordance with CONSOB recommendation no. 11508 of 15 February 2000.

When the company's shares were first listed on the stock exchange, a new compensation plan was introduced, designed to align the interests of the management with those of the company and its shareholders, and strengthen their relationship, also in terms of continuity over time.

More specifically, at the highest levels of senior management, the plan provided for:

- "basic" compensation partly linked to ERG's share price performance during the year;
- annual "bonuses" linked to "value creation" achieved during the year and calculated in proportion to the entity of value achieved;
- long-term incentive schemes, ascribing benefits to management in proportion to share price performance, once again linked to value creation achieved during the period of reference.

The Remuneration Committee (now the Nominations and Remuneration Committee) found it necessary to subject the plan adopted at the time of stock market entry to general review, in order to evaluate its adequacy as regards both the new company structure and the change in the market's sensitivity to the most frequently-used management incentive tools.

To this end, during 2004, using the services of qualified experts, the Committee completed its review of the plan, defining a new system of short-term incentives providing for the allocation, using differing methods for directors and top management, of annual bonuses calculated on the basis of company performance and achievement of personal objectives.

The new short-term incentives scheme was approved by ERG S.p.A.'s Board of Directors at the meeting held on 12 November 2004 and applied with effect from FY2005.

In 2005, the Remuneration Committee (now the Nominations and Remuneration Committee) once again drawing on the services of qualified experts, developed the new long-term incentive scheme, which was approved by ERG S.p.A.'s Board of Directors at its meeting on 5 August 2005.

The short- and long-term incentive schemes are described below.

SHORT-TERM INCENTIVE SCHEME

The short-term incentive scheme is based on certain key objectives that can be summarised as follows:

- introducing a single incentive scheme that includes both company and personal performance;
- defining a market-related benchmark bonus for each scheme participant;
- measuring individual performance according to a consistent system of goals and indicators;
- evaluating company performance in terms of value created/destroyed;
- defining minimum and maximum bonus thresholds.

The scheme's participants are the managing directors of ERG S.p.A. and its subholdings and all executives and a select number of managers of Group companies.

An individual benchmark bonus is defined for each participant in the scheme. This is the gross amount that the person will receive if both individual goals and company objectives are fully achieved.

For each business area (corporate, coastal refining, integrated downstream, power generation and renewable energy) a distinct bonus pool is created. The pool is the sum of the individual bonuses of the executives belonging to each area, so as to use performance indicators specific to each individual area.

As regards company objectives, reference is made to each individual area's business performance based on the following parameters:
– Corporate area: 100% Group economic profit (value creation);
– Coastal refining division: 70% divisional EBITDA and 30% Group economic profit;
– Integrated downstream division: 70% divisional EBITDA and 30% Group economic profit;
– Power generation division: 70% divisional EBITDA and 30% Group economic profit;
– Renewable energy division: 70% divisional EBITDA and 30% Group economic profit.

In addition, a distinction is made between top management and executives, so as to assign different risk profiles and enhance the level of sensitivity to the results achieved by the system's participants vis-à-vis top management.

The other features of the scheme are:
– setting of a cap for bonuses actually paid, corresponding to 200% of the individual benchmark bonus;
– setting of a floor for bonuses actually paid, corresponding to 25% of the individual benchmark bonus;
– allocation of executives to five merit ranges.

The Nominations and Remuneration Committee takes part in the process of implementing the scheme via definition of the annual Group economic profit target, checking operating companies' EBITDA targets, and determining the economic profit actually achieved.

LONG-TERM INCENTIVE SCHEME

The key objectives of the long-term incentive scheme, approved, as stated earlier, by the Board of Directors on 5 August 2005, were to:
– encourage decisions that assure sustainable, enduring value creation;
– avoid risks of "under-investment";
– increase retention of key people.

The long-term incentive scheme granted registered and non-transferable subscription rights for company shares to be issued in accordance with Art. 2441, paragraph 8, of the Italian Civil Code, or rights to purchase ERG shares held as treasury shares, to be assigned to certain employees at a price equivalent to the cost of exercising subscription rights for newly issued shares.

The scheme had a 3-year duration, and envisaged the assignment of rights, each year, to be exercised at par, i.e. a price corresponding to the arithmetical average of ERG shares' official prices in the thirty days preceding each assignment of rights.

ERG S.p.A.'s Board of Directors had set at 2.1 million the maximum number of shares, either newly issued or treasury shares, to service the scheme for the entire three-year duration.

If all rights are exercised, and only newly issued shares are attributed against such exercise, the maximum dilution of the share capital of ERG S.p.A. will be 1.4%.

The first assignment, on 3 October 2005, consisted of 648,590 rights assigned at an exercise price of Euro 21.08 to the Chairman and CEO of ERG S.p.A., to Group companies' Managing Directors, and to some selected executives, for a total of 15 people.

The second assignment, on 2 October 2006, consisted of 746,119 rights assigned at an exercise price of EUR 15.61 to the Chairman, two Deputy Chairmen and CEO of ERG S.p.A., to Group companies' Managing Directors, and to some selected executives, for a total of 16 people.

The third assignment, on 1 October 2007, which reflects the waivers of rights submitted in the meantime, consisted of 745,335 rights assigned at an exercise price of EUR 16.06 to the Chairman, two Deputy Chairmen and CEO of ERG S.p.A., to Group companies' Managing Directors, and to some selected executives, for a total of 16 people.

The number of rights to be assigned was determined at the time of assignment by the Board of Directors, on proposal of the Remuneration Committee (now the Nominations and Remuneration Committee), with reference to the Chairman, Deputy Chairmen and the CEO of ERG S.p.A., and by the CEO with respect to the other beneficiaries.
The scheme's regulation contains specific provisions regarding the effects of termination of employment and of dependent self-employment occurring while the options can still be exercised. In this respect it makes a distinction between termination due to (a) voluntary resignation, dismissal for just cause and voluntary redundancy in the case of employees and resignation or revocation in the case of the Chairman and the Managing Directors – in which case the options become totally null and void – (b) termination due to death, permanent disability, compulsory redundancy, expiry without renewal of a dependent self-employment contract or expiry without renewal of appointment in the case of the Chairman and the Managing Directors – in which case the options remain valid and are transferred to heirs in the eventuality of a participant's death.

The scheme also establishes that options have a 3-year vesting period, i.e. they cannot be exercised before three years have elapsed since their assignment, and must be exercised within one year from the date when they become exercisable, or will otherwise lapse. Options cannot in any case be exercised during the period from 10 November to15 May of each year.

On 2 October 2009, the period for the first allocation expired without any of the participants exercising related rights.
Considering the fact that the three-year long-term incentive programme illustrated hereinabove had expired (although the options granted under it still remained exercisable), the Nominations and Remuneration Committee, with the assistance of an outside consultant, undertook the study of a possible future long-term incentive plan for the Group's managers.

BOARD OF DIRECTORS' PROPOSAL

BOARD OF DIRECTORS' PROPOSAL

Shareholders,

we close this report by inviting you to:

- approve the financial statements for the year ended 31 December 2009, which show a net profit of EUR 698,257,550.55;
- authorise the payment of a dividend of EUR 0.40 per share. The dividend will be paid in respect of each share with dividend rights outstanding as of the ex-date, excluding the company's own shares, in accordance with Article 2357-ter of the Civil Code, via use of the year's earnings;
- allocate the remaining profit for the year to retained earnings;
- approve the payment of the dividend from 27 May 2010, subject to detachment of the coupon from 24 May 2010.

Genoa, 4 March 2010

On behalf of the Board of Directors
The Chairman
Edoardo Garrone

GLOSSARY

GLOSSARY

AEROGENERATOR

System capable of converting the kinetic energy contained in wind into mechanical energy, which is in turn used to generate electricity.

AM

Adjustment Market – enables operators to introduce changes to the programmes defined in the Day-Ahead Market (DAM) by way of additional purchase or sale offers.

API

Standard used in the oil sector to measure density, expressed by way of a formula proposed by the American Petroleum Institute.

CIP 6 TARIFF

Tariff paid by the GSE (*Gestore dei Servizi Elettrici* – national grid) to producers of electricity who use renewable and assimilated sources under the terms of the CIP 6/92 provision.

COMBINED CYCLE

A system to maximise the efficiency of power plants by combining gas and steam turbines. The steam is obtained as a by-product of the process to generate electricity using gas turbines.

CO_2

Carbon dioxide. A colourless and odourless gas formed by all processes relating to combustion, breathing, decomposition of organic material, due to complete oxidation of carbon in the presence of oxygen. The widespread conviction that carbon dioxide emissions constitute the main component as regards the anthropological emissions of greenhouse gas led to the signing of the Kyoto Protocol and subsequent creation of the European Emission Trading System (ETS). The ETS is a Cap-and-Trade type of trading system in which, having set progressively more restrictive limits on the overall emissions allowed, the emission rights are freely traded between operators.

CRACK SPREAD

The difference between the price of raw materials and the price of the main products expressed in USD/barrel.

C-STORE

Convenience Store – a shop at a service station, offering products and services in a "quick" and convenient manner.

DAM

Day-Ahead Market – trading session on the IPEX (Italian Power Exchange) during which blocks of hours of electricity for the following day are traded.

DESULPHURISATION

Treatment of oil fractions in order to reduce sulphur content in end products.

DSM

Dispatching Services Market – this is the instrument used by Terna S.p.A. to procure the resources required to manage and monitor the system (solution of inter-zone congestion, creation of power reserve, real-time balancing).

EXCISE DUTIES

Indirect taxation on the production or consumption of certain products, including mineral oils or alcohol-based products, known as excise duty or excise tax and corresponding consumption surtax or surtax at the borders. Taxation is due at the time when a petroleum product is produced or imported and is exacted when the product is put on the market for consumption within the country.

"EXPANDER" UNIT

A unit which exploits the difference in the pressure of syngas used by the IGCC plant and allows additional electricity to be generated.

FCC – FLUID CATALYTIC CRACKING - LINE

A catalytic cracking plant with a fluid bed.

FINANCIAL LEVERAGE

$$\frac{\text{Net financial indebtedness}}{\text{Net invested capital}}$$

GAS TURBINE PLANT

Power plant producing electricity using gas turbines.

GREEN CERTIFICATES

Annual certificates assigned for power generated from renewable sources using facilities that have come into operation after 1 April 1999. Each certificate is issued by *Gestore dei Servizi Elettrici S.p.A.* (GSE) in relation to the year's output from renewable sources (estimated figures based on expected output or final figures) and can be used to comply with the renewable energy input obligation as regards the year to which it refers.

HSE (HEALTH, SAFETY, ENVIRONMENT)

Internationally recognised English acronym, used to identify Health, Safety and Environment.

HOT OIL

An oil heating system that allows the transfer of heat to both the IGCC and Solvent Deasphalting plants.

HS FUEL OIL

High Sulphur content fuel.

IAS/IFRS

International Accounting Standards – International Financial Reporting Standards.

IGCC FEEDSTOCK

Heavy residues (asphalt) which are by-products from refining activities and are used as the basis for the generation of electricity at the IGCC plant.

IGCC PLANT

Integrated Gasification Combined Cycle plant, integrated facility for the gasification of refining residues and combined generation of electricity and heat.

IPEX

Italian Power Exchange, the Italian electricity market.

KILOWATT-HOUR (KWH)

A standard of measurement of electrical power equal to the units of 1,000 Watt produced or consumed in one hour. It is also expressed as: Megawatt-hour (MWh) equal to a thousand kWh, Gigawatt-hour (GWh) equal to a million kWh, Terawatt-hour (TWh), equal to a billion kWh.

LIGHT – HEAVY CRUDE OILS

An approximate distinction made to classify the quality of crude oils based on their density in API degrees. This classification also gives some indication of the sulphur content and the yield. Light crude oils have a lower sulphur content and a higher yield in light/medium distillates, and the opposite applies for heavy crude oils.

LPG (LIQUIFIED PETROLEUM GAS)

Mixture of hydrocarbons, primarily butane and propane, which has a gaseous form at ambient temperature and pressure and changes to liquid state if subjected to different conditions of temperature and pressure.

MARGINS (TOPPING REFORMING)

Margins (value of products minus the cost of raw material used) obtained from the processing of crude oil at the primary distribution (Topping) plant and the subsequent processing of virgin naphta, the lightest fraction coming from the topping process, at the octane upgrading plant (catalytic reforming plant) from which one of the main components of gasoline is obtained.

MW

Million Watts – a unit of measurement of a plant's power generation capacity.

NON-RECOURSE PROJECT FINANCING

Financing for a project which does not require guarantees from the shareholders of the company receiving the loan.

NO_X

Oxides of nitrogen (especially NO and NO_2). Gases mainly produced by the photochemical oxidation of nitrogen in the atmosphere and as a secondary reaction in the high-temperature combustion of fossil fuels. Together with sulphur dioxide (SO_2), they are the cause of acid rain.

OCTANISATION

A refining process which, using catalysers, transforms paraffin and naphthalene hydrocarbons of Virgin Naphtha into components with a high octane count to produce gasoline.

OHSAS 18001

Occupational Health and Safety Assessment Series – internationally recognised standard that sets the requirements for occupational Health and Safety Management Systems. These requirements, applied at company level, are assessed by an external body, qualified to issue the relative Certificate of Compliance (Certification).

POST PAYMENT

Petrol pumps where the customer serves himself and then pays at the cash desk.

REFINING AND ATMOSPHERIC DISTILLATION

Refining: the combination of processes that crude oil goes through to create the desired range of products.

Atmospheric distillation: the first stage of the refining process to separate the products at atmospheric pressure from the crude oil, through heat and the condensation of part of the product (semi-finished) by cooling.

REVAMPING

Refinery interventions to improve or increase the processing capacity.

ROACE

$$\text{Return on average capital employed} = \frac{\text{(EBIT – notional taxes) + expenses and income from investments}}{\text{average net invested capital}}$$

ROE

$$\text{Return on equity} = \frac{\text{net profit}}{\text{average shareholders' equity}}$$

SAP SYSTEM

An integrated IT management system, developed by the German company SAP, which covers all company processes.

SOLVENT DEASPHALTING UNIT

A plant which produces asphalt using a solvent extraction process.

SYNTHESIS GAS

Also called Syngas, it is a mix of hydrogen and carbon monoxide produced from the gasification of the asphalt feedstock of the IGCC plant. It powers the turbines to produce electricity.

TECHNICAL BALANCED DISTILLATION

Distillation capacity supported by secondary processing plants able to produce gasoline and diesel according to specific criteria.

TOE (TONNES OF OIL EQUIVALENT)

A conventional unit of measurement, equal to 10 million kcal, used to express the quantity of any energy source, comparing its calorific power to that of crude oil.

TOPPING PLANT

Crude oil refining plant used for atmospheric distillation.

UNIONE PETROLIFERA

The Italian association of oil companies.

VSB VACUUM

Visbreaker Vacuum – a vacuum distillation plant for more thorough drying-out of the Visbreaking plant residues at the ISAB refinery, obtaining products suitable for use as feedstock for other plants.

WIND ENERGY

Energy generated from wind.

ERG S.P.A.
CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION[1]

(EUR THOUSAND)	NOTES		12/31/2009		12/31/2008
INTANGIBLE FIXED ASSETS	1		196,251		207,111
GOODWILL	2		52,866		59,506
PROPERTY, PLANT, AND MACHINERY	3		1,734,130		1,514,060
EQUITY INVESTMENTS:	4		704,864		713,034
- CARRIED AT EQUITY		*703,451*		*709,448*	
- OTHER INVESTMENTS		*1,414*		*3,586*	
OTHER FINANCIAL ASSETS	5		8,600		8,911
OF WHICH WITH RELATED PARTIES	*40*	*7,556*		*6,680*	
DEFERRED TAX ASSETS	6		248,181		240,279
OTHER NON-CURRENT ASSETS	7		35,514		16,374
NON-CURRENT ASSETS			**2,980,406**		**2,759,275**
INVENTORIES	8		383,014		425,344
TRADE RECEIVABLES	9		630,037		603,936
OF WHICH WITH RELATED PARTIES	*40*	*130,481*		*102,984*	
OTHER CURRENT RECEIVABLES AND ASSETS	10		188,104		147,345
OF WHICH WITH RELATED PARTIES	*40*	*1,703*		*219*	
CURRENT FINANCIAL ASSETS	11		7,762		864,593
OF WHICH WITH RELATED PARTIES	*40*	*364*		*1,769*	
CASH AND CASH EQUIVALENTS	12		1,797,855		744,962
CURRENT ASSETS			**3,006,772**		**2,786,180**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS			**–**		**–**
TOTAL ASSETS			**5,987,178**		**5,545,455**
GROUP SHAREHOLDERS' EQUITY	13		1,782,463		1,916,328
SHAREHOLDERS' EQUITY PERTAINING TO MINORITY INTERESTS	14		146,064		107,999
SHAREHOLDERS' EQUITY			**1,928,527**		**2,024,327**
EMPLOYEES' SEVERANCE INDEMNITIES	15		11,758		11,416
DEFERRED TAX LIABILITIES	16		159,775		148,994
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES	17		5,348		2,978
NON-CURRENT FINANCIAL LIABILITIES	18		751,955		853,065
OF WHICH WITH RELATED PARTIES	*40*	*11,033*		*12,439*	
OTHER NON-CURRENT LIABILITIES	19		367,281		471,511
NON-CURRENT LIABILITIES			**1,296,117**		**1,487,964**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	20		52,150		38,826
TRADE PAYABLES	21		671,771		658,856
OF WHICH WITH RELATED PARTIES	*40*	*58,389*		*28,306*	
CURRENT FINANCIAL LIABILITIES	22		1,715,815		1,032,279
OF WHICH WITH RELATED PARTIES	*40*	*79,024*		*901*	
OTHER CURRENT LIABILITIES	23		322,798		303,203
OF WHICH WITH RELATED PARTIES	*40*	*14,005*		*63,652*	
CURRENT LIABILITIES			**2,762,534**		**2,033,164**
LIABILITIES HELD FOR SALE			**–**		**–**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			**5,987,178**		**5,545,455**

(1) PURSUANT TO AMENDMENTS TO IAS 1 (2007), EFFECTIVE FROM 1 JANUARY 2009, THE TITLE WAS CHANGED FROM BALANCE SHEET TO STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

(EUR THOUSAND)	NOTES		FY 2009		FY 2008
REVENUES FROM ORDINARY OPERATIONS	27		5,982,612		11,498,312
OF WHICH WITH RELATED PARTIES	*40*	*794,116*		*575,085*	
OTHER REVENUES AND INCOME	28		254,623		64,433
OF WHICH WITH RELATED PARTIES	*40*	*4,283*		*48,163*	
OF WHICH NON-RECURRING ITEMS	*39*	*137,170*		*17,273*	
CHANGES IN PRODUCT INVENTORIES	29		(12,218)		(295,404)
CHANGES IN RAW MATERIAL INVENTORIES	30		(34,791)		(274,072)
COST OF PURCHASES	31		(4,984,930)		(9,916,580)
OF WHICH WITH RELATED PARTIES	*40*	*(286,524)*		*(12,848)*	
COSTS FOR SERVICES AND OTHER COSTS	32		(866,990)		(778,626)
OF WHICH WITH RELATED PARTIES	*40*	*(483,977)*		*(125,602)*	
OF WHICH NON-RECURRING ITEMS	*39*	*(15,403)*		*(71,392)*	
PERSONNEL EXPENSES	33		(108,939)		(180,570)
OF WHICH NON-RECURRING ITEMS	*39*	*(360)*		*–*	
EBITDA			**229,367**		**117,493**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	34		(161,103)		(362,237)
OF WHICH NON-RECURRING ITEMS	*39*	*(23,687)*		*(161,166)*	
PROCEEDS FROM SALE OF BRANCH OF BUSINESS	35		–		892,442
OF WHICH NON-RECURRING ITEMS				*892,442*	
FINANCIAL INCOME			123,994		410,795
OF WHICH WITH RELATED PARTIES	*40*	*181*		*206*	
OF WHICH NON-RECURRING ITEMS				*101,230*	
FINANCIAL EXPENSES			(141,891)		(413,658)
OF WHICH WITH RELATED PARTIES	*40*	*(758)*		*(166)*	
NET FINANCIAL INCOME (EXPENSES)	36		**(17,897)**		**(2,863)**
NET INCOME (LOSS) FROM INVESTMENTS CARRIED AT EQUITY			38,696		5,751
OTHER NET INCOME (LOSS) FROM EQUITY INVESTMENTS			(2,973)		(6,074)
OF WHICH NON-RECURRING ITEMS		*–*		*(5,000)*	
NET INCOME (LOSS) FROM EQUITY INVESTMENTS	37		**35,723**		**(323)**
PROFIT BEFORE TAXES			**86,090**		**644,512**
INCOME TAXES	38		(41,302)		4,515
OF WHICH NON-RECURRING ITEMS	*39*	*(41,843)*		*(5,548)*	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS			**44,788**		**649,027**
NET PROFIT (LOSS) FROM ASSETS HELD FOR SALE			–		–
NET PROFIT (LOSS) FOR THE PERIOD			**44,788**		**649,027**
MINORITY INTERESTS	14		(37,830)		(2,994)
OF WHICH NON-RECURRING ITEMS	*39*	*(33,241)*		*22,854*	
NET PROFIT (LOSS) PERTAINING TO THE GROUP			**6,958**		**646,033**

(EUR)	NOTES	FY 2009	FY 2008
EARNINGS PER SHARE	42	**0.047**	**4.356**
DILUTED EARNINGS PER SHARE	42	**0.047**	**4.356**

OTHER COMPONENTS OF COMPREHENSIVE INCOME (1)

(EUR THOUSAND)	NOTES	FY 2009	FY 2008
NET PROFIT (LOSS) FOR THE PERIOD		**44,788**	**649,027**
CHANGES IN THE CASH FLOW HEDGE RESERVE	45	(1,183)	(9,862)
CHANGES IN SECURITIES AVAILABLE FOR SALE		38	–
INCOME TAX FOR OTHER COMPONENTS OF COMPREHENSIVE INCOME		591	2,915
OTHER COMPONENTS OF COMPREHENSIVE INCOME AFTER TAX		**(554)**	**(6,947)**
NET PROFIT		**44,234**	**642,080**
MINORITY INTERESTS		(37,790)	(2,270)
GROUP NET PROFIT		**6,444**	**639,810**

(1) PURSUANT TO AMENDMENTS UNDER IAS 1 (2007), EFFECTIVE FROM 1 JANUARY 2009, A SUPPLEMENTARY STATEMENT HAS BEEN ADDED TO THE INCOME STATEMENT THAT INCLUDES COMPONENTS OF PROFIT OR LOSS ENTERED DIRECTLY UNDER SHAREHOLDERS' EQUITY

CASH FLOW STATEMENT

(EUR THOUSAND)	NOTES	FY 2009	FY 2008
CASH FLOW FROM OPERATIONS (A):			
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS		44,788	649,027
- AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	34	161,103	362,237
- NET CHANGE IN PROVISION FOR LIABILITIES AND CHARGES	17, 20	15,333	5,877
- NET CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES	6, 16	3,972	(217,277)
- WRITE-DOWN OF RECEIVABLES AND GREEN CERTIFICATES		5,623	7,531
- NET CAPITAL GAIN/LOSS ON SALE OF NON-CURRENT ASSETS		(11,011)	(6,845)
- PORTION OF INCOME/EXPENSES FROM INVESTMENTS CARRIED AT EQUITY		(38,696)	(5,751)
- WRITE-DOWN OF EQUITY INVESTMENTS		2,306	6,090
- CAPITAL GAIN ON SALE OF EQUITY INVESTMENT IN ISAB S.R.L.		–	(892,442)
- NET CHANGE IN STAFF LEAVING INDEMNITIES	15	(1,258)	(3,691)
CASH FLOW FROM CURRENT OPERATIONS		**182,160**	**(95,244)**
CHANGE IN OTHER OPERATING ASSETS AND LIABILITIES:			
- CHANGE IN INVENTORY	8	47,101	569,104
- CHANGE IN TRADE RECEIVABLES	9	19,363	132,581
- CHANGE IN TRADE PAYABLES	21	(9,544)	(514,458)
- NET CHANGE IN OTHER RECEIVABLES/PAYABLES AND OTHER ASSETS/LIABILITIES		(145,897)	124,316
		(88,977)	**311,543**
TOTAL		**93,183**	**216,299**
CASH FLOW FROM INVESTMENTS (B):			
ACQUISITION OF INTANGIBLE ASSETS AND GOODWILL	1, 2	(13,345)	(22,929)
ACQUISITION OF PROPERTY, PLANT, AND MACHINERY	3	(333,874)	(327,619)
INCREASES OF PROPERTY, PLANT AND MACHINERY DUE TO CYCLICAL MAINTENANCE	3	–	–
ACQUISITION OF EQUITY INTERESTS IN SUBSIDIARIES (ENERTAD AND ENERFRANCE)		–	–
ACQUISITION OF EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL ASSETS	4, 5	(166)	(28,203)
PROCEEDS OF SALE OF EQUITY INVESTMENT IN ISAB S.R.L.		852,470	600,000
DISPOSALS OF INTANGIBLE ASSETS AND GOODWILL	1, 2	5,472	421
DISPOSALS OF PROPERTY, PLANT AND MACHINERY AND RELATED CAPITAL GAINS/LOSSES	3	43,039	15,885
DISPOSAL OF EQUITY INVESTMENTS AND OTHER NON-CURRENT FINANCIAL ASSETS	4, 5	1,386	1,806
TOTAL		**554,982**	**239,362**
CASH FLOW FROM FINANCING ACTIVITIES (C):			
NEW NON-CURRENT LOANS	18	123,264	244,833
REPAYMENT OF NON-CURRENT LOANS	18	(185,198)	(260,479)
NET CHANGE IN OTHER NON-CURRENT FINANCIAL LIABILITIES	18	16,334	2,289
NET CHANGE IN SHORT-TERM BANK BORROWINGS	22	622,517	391,440
NET CHANGE IN OTHER CURRENT FINANCIAL ASSETS/LIABILITIES	11, 22	(40,477)	(134,850)
NET CHANGE IN OTHER CURRENT FINANCIAL ASSETS/LIABILITIES FOR CONSOLIDATION/ DECONSOLIDATION OF EQUITY INVESTMENTS IN SUBSIDIARY COMPANIES		–	(53,803)
SHARE CAPITAL INCREASES/REPAYMENTS		–	–
ACQUISITION OF TREASURY SHARES		–	(14,779)
DIVIDENDS PAID TO THIRD PARTIES		(133,398)	(61,927)
OTHER CHANGES IN SHAREHOLDERS' EQUITY		1,686	(4,418)
TOTAL		**404,728**	**108,306**
CASH FLOW FROM DISCONTINUED OPERATIONS (D):		**–**	**–**
NET CASH FLOW FOR THE YEAR (A+B+C+D)		**1,052,893**	**563,966**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12	**744,962**	**180,996**
NET CASH FLOW FOR THE YEAR		1,052,893	563,966
CASH AND CASH EQUIVALENTS AT YEAR-END	12	**1,797,855**	**744,962**

	FY 2009	FY 2008
ADDITIONAL INFORMATION FOR CASH FLOW STATEMENT		
INCOME TAX PAID	155,000	3,163
INTEREST PAID	47,753	94,001

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	RESERVES	NET PROFIT (LOSS) FOR THE YEAR	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 31 DECEMBER 2007	**15,032**	**1,147,794**	**170,936**	**1,333,761**	**125,295**	**1,459,056**
ALLOCATION OF 2007 PROFIT	–	170,936	(170,936)	–	–	–
DIVIDENDS PAID	–	(59,289)	–	(59,289)	(2,638)	(61,927)
CHANGE IN SCOPE OF CONSOLIDATION	–	–	–	–	–	–
ACQUISITION OF TREASURY SHARES	–	(14,779)	–	(14,779)	–	(14,779)
OTHER CHANGES	–	16,824	–	16,824	(16,928)	(103)
FY 2008 RESULT	–	–	646,033	646,033	2,994	649,027
CHANGES IN THE CASH FLOW HEDGE RESERVE[1]	–	(6,223)	–	(6,223)	(724)	(6,947)
TOTAL NET INCOME	**–**	**(6,223)**	**646,033**	**639,810**	**2,270**	**642,080**
BALANCE AT 31 DECEMBER 2008	**15,032**	**1,255,263**	**646,033**	**1,916,328**	**107,999**	**2,024,327**
ALLOCATION OF 2008 PROFIT	–	646,033	(646,033)	–	–	–
DIVIDENDS PAID	–	(133,398)	–	(133,398)		(133,398)
ACQUISITION OF TREASURY SHARES	–	–	–	–	–	–
OTHER CHANGES	–	(6,911)	–	(6,911)	275	(6,636)
FY 2009 RESULT	–	–	6,958	6,958	37,830	44,788
CHANGES IN THE CASH FLOW HEDGE RESERVE[1]	–	(539)	–	(539)	(40)	(579)
CHANGES IN SECURITIES AVAILABLE FOR SALE	–	25	–	25	–	25
TOTAL NET INCOME	**–**	**(514)**	**6,958**	**6,444**	**37,790**	**44,234**
BALANCE AT 31 DECEMBER 2009	**15,032**	**1,760,473**	**6,958**	**1,782,463**	**146,064**	**1,928,527**

(1) NET OF THE RELATIVE TAX EFFECT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

THE GROUP

ERG is active in oil refining, the distribution of petroleum products in Italy and abroad, and the production and sale of electricity, steam and gas.

CRITERIA FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements as of 31 December 2009 have been prepared, without exception, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. These standards also include all the international standards subject to interpretation (International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

The consolidated financial statements, expressed in thousands of euro, have been prepared in accordance with the general principle of cost, with the exception of the financial assets available for sale, financial assets held for trading and derivative instruments, which have been measured at fair value.

The financial statements as of 31 December 2009 have been audited by the company Deloitte & Touche S.p.A. in accordance with CONSOB regulations.
The results of the audit will be made public as soon as they are available.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERG presents its income statement by nature, a form deemed more representative than presentation by function. The form chosen is in fact consistent with internal and management reporting procedures.
With reference to the statement of financial position, the presentation format adopted makes a distinction between current and non-current assets and liabilities in accordance with section 51 et seq. of IAS 1.
The structure of the cash flow statement is based on the indirect method.
Furthermore, as required by CONSOB resolution 15519 of 27 July 2006, significant income and charges arising from non-recurring transactions or from events that do not recur frequently in the ordinary course of business have been indicated separately in the income statement. These items are discussed in an appropriate note.
Also pursuant to the aforementioned CONSOB resolution, amounts connected with related-party positions or transactions have been entered separately in the statement of financial position and the income statement. These items are discussed in an appropriate note.
Disclosure relating to the net financial position can be found in the schedules on net financial debt included in the Report on Operations.

CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

SCOPE OF CONSOLIDATION

The consolidated financial statements contain line-by-line consolidation of data pertaining to the Parent Company, ERG S.p.A., and the subsidiaries either directly or indirectly controlled by ERG S.p.A. This control exists when the Group has the power to determine the financial and

operational policies of a company for the purpose of obtaining benefits from its activities. Subsidiary companies are consolidated as from the date when the Group effectively obtained control and cease to be consolidated from the date when control is transferred outside the Group. The associate companies, over which ERG S.p.A. has substantial influence, or companies in which it exercises joint control over financial and operational strategy, are valued using the equity method. The Group's share of profits or losses is included in the consolidated financial statements as from the date when the substantial influence commenced and up to the date when it ceases. Should the Group's share of the losses of an associate company exceed the book value of the equity investment shown in the statement of financial position, the carrying value is written off and provision made for the Group's share of the losses to the extent that the Group has legal or implicit obligations to cover the losses of the associate company or, in any event, make payments on its behalf.
No companies have been consolidated using the proportional method.

EQUITY INVESTMENTS IN COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

The financial statements of subsidiaries used for consolidation purposes were drawn up as of 31 December 2009 based on the same accounting standards adopted by the Group.
All financial statements of the companies consolidated line by line are expressed in Euro.
When preparing the consolidated financial statements, the assets, liabilities, costs and revenues of the consolidated companies are included line by line for their full amount, attributing to minority shareholders, under separate headings of the statement of financial position and income statement, their portion of shareholders' equity and profit or loss for the financial year. The portion of shareholders' equity pertaining to minority interests is calculated on the basis of the current values attributed to assets and liabilities at the date control was acquired, excluding their portion of any goodwill.
The book value of the equity investments is offset against the corresponding portion of shareholders' equity of the investee companies, attributing to individual assets and liabilities their current value as of the date control was acquired. Any residual difference, if positive, is booked to the asset item "Goodwill"; if negative, it is booked to the income statement as envisaged in IFRS 3 (Business Combinations).

INFRAGROUP TRANSACTIONS

Application of the line-by-line method, to eliminate the influence of all infragroup transactions on the consolidated statement of financial position and income statement, results in elimination of reciprocal receivables and payables between the companies included in the scope of the consolidation, as well as costs, revenues and profits, if significant, originating from sales of products and fixed assets.

TRANSLATION OF FINANCIAL STATEMENTS DRAWN UP IN CURRENCIES OTHER THAN THE EURO

ERG's consolidated financial statements have been drawn up in Euro, which is the functional currency of the Parent Company ERG S.p.A. and of all companies included in the scope of consolidation.
Financial statements of the companies valued according to the equity method that are expressed in currencies other than the Euro are translated into Euro by applying the year-end exchange rate to individual items in the statement of financial position.
Foreign exchange differences resulting from the translation of initial shareholders' equity items at the current exchange rates at financial year-end, compared with those in force at the end of the previous financial year, are charged directly to consolidated shareholders' equity.

LIST OF GROUP COMPANIES

The following tables show the companies consolidated on a line-by-line basis, those measured under the equity method of accounting, and those measured at cost.

List of companies consolidated on a line-by-line basis:

COMPANY (EUR THOUSAND)	REGISTERED OFFICE	DIRECT HOLDING	GROUP HOLDING	SHARE CAPITAL (1)	SHAREHOLDERS' EQUITY (1)
ERG S.P.A.					
ERG RENEW S.P.A.	MILAN	77.39%	77.39%	132,667	116,020
ERG PETROLI S.P.A.	ROME	100.00%	100.00%	36,000	354,611
ERG POWER & GAS S.P.A.	GENOA	100.00%	100.00%	6,500	9,782
ERG RAFFINERIE MEDITERRANEE S.P.A.	GENOA	100.00%	100.00%	25,000	541,430
ERG RENEW S.P.A.					
DSI SERVIZI INDUSTRIALI S.R.L.	FROSINONE	100.00%	77.39%	100	201
ERG EOLICA ITALIA S.R.L.	GENOA	100.00%	77.39%	30,000	34,606
ERG EOLIENNE FRANCE S.A.S.	PARIS	100.00%	77.39%	50	(1)
ENERGIE PULITE 2000 S.R.L.	MILAN	100.00%	77.39%	120	149
ECOPOWER S.R.L.	GENOA	100.00%	77.39%	11	177
ISEA S.R.L.	GENOA	90.00%	69.65%	51	9
SODAI ITALIA S.P.A.	MILAN	100.00%	77.39%	15,615	10,337
ERG EOLIENNE FRANCE S.A.S.					
EOLIENNES DU VENT SOLAIRE S.A.S.	PARIS (F)	100.00%	77.39%	37	(84)
PARC EOLIEN DE LIHUS S.A.S.	PARIS (F)	100.00%	77.39%	1,114	37
PARC EOLIEN DE HETOMESNIL S.A.S.	PARIS (F)	100.00%	77.39%	1,114	125
PARC EOLIEN DE LA BRUYÈRE S.A.S.	PARIS (F)	100.00%	77.39%	1,060	251
PARC EOLIEN DU CARREAU S.A.S.	PARIS (F)	100.00%	77.39%	861	785
PARC EOLIEN LES MARDEAUX S.A.S.	PARIS (F)	100.00%	77.39%	1,097	112
ERG EOLICA ITALIA S.R.L.					
ERG EOLICA S. VINCENZO S.R.L.	GENOA	100.00%	77.39%	3,500	20,553
ERG EOLICA NURRA S.R.L.	GENOA	100.00%	77.39%	10	(36)
ERG EOLICA S. CIREO S.R.L.	GENOA	100.00%	77.39%	3,500	21,169
ERG EOLICA FAETO S.R.L.	GENOA	100.00%	77.39%	10	11,943
ERG EOLICA TURSI COLOBRARO S.R.L.	GENOA	100.00%	77.39%	10	75
ERG EOLICA JOPPOLO S.R.L.	GENOA	100.00%	77.39%	10	321
ERG EOLICA GINESTRA S.R.L.	GENOA	100.00%	77.39%	10	2,813
EOLO S.R.L.	ATINA (FR)	51.00%	39.47%	20	972
ERG EOLICA BASILICATA S.R.L.	GENOA	98.00%	75.84%	38	73
ERG EOLICA CALABRIA S.R.L.	CATANZARO	100.00%	77.39%	10	127
ERG EOLICA FOSSA DEL LUPO S.R.L.	CATANZARO	100.00%	77.39%	50	12,141
GREEN VICARI S.R.L.	PALERMO	100.00%	77.39%	119	7,409
ERG PETROLI S.P.A.					
ERG PETRÓLEOS S.A. (2)	MADRID (S)	100.00%	100.00%	3,050	2,976
GESTIONI EUROPA S.P.A. (3)	ROME	100.00%	100.00%	500	811
RESTIANI S.P.A.	ALESSANDRIA	60.00%	60.00%	3,354	21,529
ERG PETROLEOS S.A.					
ERG GESTIÓN IBÉRICA S.L. (4)	MADRID (S)	100.00%	100.00%	50	(75)
ERG POWER & GAS S.P.A.					
ERG NUOVE CENTRALI S.P.A.	SIRACUSA	100.00%	100.00%	28,810	13,293
ISAB ENERGY S.R.L.	SIRACUSA	51.00%	51.00%	5,165	457,471
ISAB ENERGY SERVICES S.R.L.	SIRACUSA	51.00%	51.00%	700	11,613
RESTIANI S.P.A.					
GUAZZOTTI S.R.L.	ALESSANDRIA	80.00%	48.00%	500	1,233

(1) DATA REFERRING TO THE LAST APPROVED FINANCIAL STATEMENTS
(2) 99% OWNED BY ERG PETROLI S.P.A. AND 1% BY GESTIONI EUROPA S.P.A.
(3) WITH EFFECT FROM 1 JANUARY 2009, GESTIONI EUROPA DUE S.P.A. WAS INCORPORATED INTO GESTIONI EUROPA S.P.A.
(4) 99% OWNED BY ERG PETROLEOS S.A. AND 1% BY GESTIONI EUROPA S.P.A.

List of equity investments valued according to the equity method:

COMPANY (EUR THOUSAND)	REGISTERED OFFICE	DIRECT HOLDING	GROUP HOLDING	SHARE CAPITAL (1)	SHAREHOLDER'S EQUITY (1)	NET CARRYING AMOUNT 12/31/2009
SUBSIDIARY COMPANIES (2)						
ERG PETROLI S.P.A.						
ERG PETROLI (SUISSE) S.A.	LAUSANNE (CH)	99.45%	99.45%	379	1,034	854
SIGEA S.P.A.	GENOA	65.00%	65.00%	103	1,945	1,399
						2,253
ASSOCIATE COMPANIES						
ERG S.P.A.						
I-FABER S.P.A.	MILAN	23.00%	23.00%	5,652	10,102	2,804
ERG EOLICA ITALIA S.R.L.						
VCC ABRUZZO S.R.L.	L'AQUILA	30.00%	23.22%	10	5	–
VCC AGRIGENTO S.R.L.	L'AQUILA	30.00%	23.22%	12	6	–
VCC AGRIGENTO 2 S.R.L.	L'AQUILA	30.00%	23.22%	10	4	–
VCC ENNA S.R.L.	L'AQUILA	30.00%	23.22%	10	4	–
ERG EOLIENNE FRANCE S.A.S.						
C.I.T.A. S.A.S.	ALFORTVILLE (F)	50.00%	38.69%	38	(200)	1,812
ERG NUOVE CENTRALI S.P.A.						
PRIOLO SERVIZI S.C.P.A. (4)	SIRACUSA	21.50%	21.50%	25,600	42,877	9,219
ERG PETROLI S.P.A.						
CENTRO PETROLI IMPIANTI S.R.L.	TAGGIA (IM)	34.00%	34.00%	501	946	346
DE.CO S.C.A.R.L.	ROME	25.00%	25.00%	3,440	3,538	851
ENERPETROLI S.R.L.	VITERBO	44.40%	44.40%	250	2,650	1,167
EUROPAM S.R.L.	MILAN	24.30%	24.30%	25,421	45,911	10,267
LAMPOGAS LOMBARDA S.R.L.	CROSIO	46.50%	46.50%	710	1,399	755
LAMPOGAS NORD S.R.L.	DELLA VALLE (VA) CAMERI (NO)	46.50%	46.50%	1,032	3,383	1,852
LAMPOGAS PIEMONTESE S.R.L.	SETTIMO TORINESE (TO)	46.50%	46.50%	1,800	2,244	1,127
MED OIL S.R.L.	PESCARA	50.00%	50.00%	2,789	2,544	1,323
NATALIZIA PETROLI S.R.L.	FROSINONE	49.00%	49.00%	3,200	6,379	3,626
NELSA S.R.L.	LURATE CACCIVIO (CO)	26.00%	26.00%	1,000	7,159	1,893
RAFFINERIA DI ROMA S.P.A.	ROME	28.13%	28.13%	22,000	27,836	8,220
SARPOM S.P.A.	ROME	25.86%	25.86%	38,448	178,501	45,315
ERG POWER & GAS S.P.A.						
ERG RIVARA STORAGE S.R.L.	MODENA	15.00%	15.00%	63,333	62,734	9,405
ESPANSIONE S.R.L.	VARESE	27.01%	27.01%	274	2,175	854
IONIO GAS S.R.L. (3)	SIRACUSA	50.00%	50.00%	200	3,975	888
ERG RAFFINERIE MEDITERRANEE S.P.A.						
ISAB S.R.L. (5)	SIRACUSA	51.00%	51.00%	50,000	1,084,341	599,299
RESTIANI S.P.A.						
REAM S.P.A.	ALESSANDRIA	49.00%	29.40%	360	570	176
						701,198
TOTAL						**703,451**

(1) DATA REFERRING TO THE LAST APPROVED FINANCIAL STATEMENTS
(2) THESE COMPANIES WERE VALUED USING THE EQUITY METHOD SINCE, TAKEN IN TOTAL, THEIR INCLUSION WITHIN THE SCOPE OF CONSOLIDATION WOULD HAVE BEEN IMMATERIAL
(3) IN A JOINT VENTURE WITH SHELL ENERGY ITALIA S.R.L.
(4) THE CONSORTIUM COMPANY JOINTLY CONTROLLED WITH ISAB S.R.L. (37.8%) AND WITH POLIMERI EUROPA (35.7%) AND SYNDIAL (+5%), OTHER SHAREHOLDERS IN THE ENI GROUP.
(5) IN A JOINT VENTURE WITH LUKOIL EUROPE HOLDINGS B.V.

The main aggregate figures for 2009 relating to ERG's holdings in the companies carried at equity are set out below:

The increase in financial values compared with 2008 is mainly due to ISAB S.r.l., which in 2008 only contributed in December.

(EUR MILLION)	2009	2008
ASSETS	997	1,187
LIABILITIES	294	478
REVENUES	1,235	824
NET INCOME	39	6

List of equity investments carried at cost:

COMPANY (EUR THOUSAND)	REGISTERED OFFICE	DIRECT HOLDING	GROUP HOLDING	SHARE CAPITAL (1)	SHAREHOLDER'S EQUITY (1)	NET CARRYING AMOUNT 12/31/2009
SUBSIDIARY COMPANIES (2)						
ERG EOLICA ITALIA S.R.L.						
EOLICO TROINA S.R.L.	PALERMO	99.00%	76.61%	20	167	–
EOLICO MIRABELLA S.R.L.	PALERMO	99.00%	76.61%	20	73	–
EOLICO AGIRA S.R.L.	PALERMO	99.00%	76.61%	20	106	–
EOLICO RAMACCA S.R.L.	PALERMO	99.00%	76.61%	20	388	–
EOLICO PALAGONIA S.R.L.	PALERNO	99.00%	76.61%	20	142	–
ERG NUOVE CENTRALI S.R.L.						
ERG POWER S.R.L. (3)	SIRACUSA	100.00%	100.00%	10	N.D.	10
						10
ASSOCIATE COMPANIES (2)						
ERG EOLIENNE FRANCE S.A.S.						
EOLIENNES DE LA VALLÉE NOTRE DAME S.A.R.L.	ALFORTVILLE (F)	50.00%	38.69%	2	(2)	1
EOLIENNES DU CHAMP CHARDON S.A.R.L.	ALFORTVILLE (F)	50.00%	38.69%	2	(2)	1
EOLIENNES DE LA CHAUSSÉE BRUNEHAUT S.A.R.L.	ALFORTVILLE (F)	50.00%	38.69%	2	(2)	1
EOLIENNES DE WARLOY-BAILLON S.A.R.L.	ALFORTVILLE (F)	50.00%	38.69%	2	(2)	1
EOLIENNES DE L'OURCQ ET DU CLIGNON S.A.R.L.	ALFORTVILLE (F)	50.00%	38.69%	2	(9)	1
						4
OTHER COMPANIES						
ERG S.P.A.						
SVILUPPO ITALIA LIGURIA S.C.P.A.	GENOA	1.25%	1.25%	5,442	6,519	68
CAF INTERREG. DIPENDENTI S.R.L. (4)	VICENZA	0.06%	0.06%	276	907	–
EMITTENTI TITOLI S.P.A.	MILAN	0.51%	0.51%	4,264	6,338	26
LIGURCAPITAL S.P.A.	GENOA	3.64%	3.64%	5,681	7,708	207
R.U.P.E. S.P.A.	GENOA	4.86%	4.86%	3,058	3,173	155
ERG PETROLI S.P.A.						
IMMOB. UNIONE COMM.TI ROMA S.P.A.	ROME	0.03%	0.03%	2,066	1,647	1
MEROIL S.A.	BARCELONA (E)	1.52%	1.52%	10,901	25,282	441
PORTO PETROLI DI GENOVA S.P.A.	GENOA	8.98%	8.98%	2,068	5,466	348
ERG RENEW S.P.A.						
ANSALDO FUEL CELLS S.P.A.	GENOA	5.36%	4.15%	21,623	19,407	–
UTILITÀ PROGETTI E SVILUPPO S.R.L.	MILAN	3.34%	2.58%	50	4,871	2
CONSORTIUM DYEPOWER (5)	ROME	12.40%	9.60%	390	387	150
ISAB ENERGY S.R.L.						
IAS - INDUSTRIA ACQUA SIRACUSANA S.P.A.	SIRACUSA	5.00%	2.55%	102	108	5
						1,401
TOTAL						**1,414**

(1) DATA REFERRING TO THE LAST APPROVED FINANCIAL STATEMENTS
(2) COMPANIES VALUED AT COST AS THEY ARE NOT YET OPERATIONAL
(3) THE COMPANY WAS FORMED IN NOVEMBER 2009
(4) HELD BY ERG S.P.A. (0.02%), ERG PETROLI S.P.A. (0.02%) AND ERG RAFFINERIE MEDITERRANEE S.P.A. (0.02%)
(5) THE COMPANY WAS FORMED IN JULY 2009

The principal transactions that were carried out involving Group equity investments are summarised as follows:

- On 23 January 2009, on finalisation of liquidation procedures, the liquidated company **Roma Energia S.r.l.** was removed from the Business Register.
- On 22 April 2009, the companies EOS 1 - Troia S.r.l., EOS 2 - Nurra S.r.l., EOS 3 - Troia S.r.l., EOS 4 - Faeto S.r.l., EOS 5 - Tursi Colobraro S.r.l., EOS 6 - Joppolo S.r.l. and EOS 7 - Ginestra S.r.l. changed their respective names to ERG Eolica San Vincenzo S.r.l., ERG Eolica Nurra S.r.l., ERG Eolica San Cireo S.r.l., ERG Eolica Faeto S.r.l., ERG Eolica Tursi Colobraro S.r.l., ERG Eolica Joppolo S.r.l. and ERG Eolica Ginestra S.r.l.
- On 1 July 2009, the **DyePower Consortium** was created, with a registered office in Rome. **ERG Renew S.p.A.** holds 12.4% of the consortium fund.
  The aim of the consortium is to promote, plan and carry out research and development in organic/hybrid solar power, specifically in relation to dye-sensitized solar cells on glass and other non-metallic rigid products. It can provide services to consortium members in designing, assessing and carrying out research projects in the solar power sector, both nationally and internationally.
- On 19 November 2009, the company **ERG Power S.r.l.** was created, with a registered office in Priolo Gargallo (SR). The social capital of EUR 10 thousand was fully subscribed and paid up by **ERG Nuove Centrali S.p.A**.
  The purpose of the company is the management of thermoelectric power plants for the generation and sale of electricity and steam.
  The equity investment is valued at cost since the company is not yet operational.
- On 18 December 2009, **ERG Raffinerie Mediterranee S.p.A.** sold its entire holding of 37.50% in the share capital of the company **DYNERGY S.r.l.** The operation had an immaterial effect on income statement and the statement of financial position.

CHANGES IN THE SCOPE OF CONSOLIDATION

The main investment transactions that modified the scope of consolidation are as follows:

- **Eoliennes du Vent Solaire S.a.s.**

  The French subsidiary, ERG Eolienne du Vent Solaire S.a.s., is fully consolidated commencing on 1 January 2009. The company owns all rights and permits for the construction of the 9.2MW Plogastel wind farm, which is scheduled for start-up by the end of 2010.

- **Incorporation of Euroil S.r.l.**

  On February 23, an agreement was underwritten for the merger by incorporation of the affiliate Euroil S.r.l. into ERG Petroli, with accounting effect commencing on 1 January 2009.

  As a result of the operation, the excess of the total acquisition cost over the net value of the assets and liabilities acquired (EUR 6 million) was allocated to "Concessions and licences". This amount will be amortised over the life of the "Concessions".

- **Elyo-Restiani operation**

  On July 9, under the terms of the agreement with GDF Energie Services S.A., the following transactions were perfected: the acquisition by ERG Petroli from Elyo Italia of its stake in Restiani S.p.A. (60% of the share capital) and the accompanying sale by ERG Petroli to GDF Energie Services of its stake in Elyo Italia (40% of the share capital).

  As a result of this agreement Elyo Italia S.r.l. exited the scope of consolidation, while Restiani S.p.A. and the 80% subsidiary, Guazzotti S.r.l., both of which market oil products and heat management services, are fully consolidated commencing on the date upon which the acquisition has accounting effect (1 July 2009).

  This acquisition is a step-up acquisition of Restiani S.p.A. (and its subsidiary, Guazzotti S.r.l.), involving a change from a significant influence to a controlling interest.

  The acquisition required application of rules set out under IFRS 3 (revised in 2004), and was booked according to the purchase price method: the net identifiable assets and liabilities acquired were recorded at fair value and any residual difference was allocated to goodwill. The main differences identified in establishing the fair value of the net assets acquired related to tangible fixed assets.

  As of the date of these financial statements, however, the allocation is regarded as provisional, as permitted under IFRS 3 (revised in 2004).

  The difference between the acquisition price paid and the fair value of the net assets acquired (about EUR 11 million) was recorded as goodwill.

  The results of the acquired business combination, which were included in the Group income statement from the acquisition date of 1 July 2009, amounted to about EUR 1 million (as to the net profit line item) and about EUR 4 million (as to the EBITDA line item).

  Assuming a consolidation date of 1 January 2009, the effects on the Group income statement would be immaterial.

  Finally, within the agreements underlying the above acquisition, ERG granted a put option to minority shareholders for the sale of their shareholdings at a discounted market price. Pursuant to IAS 32, at the time of inception (date of the agreement) the present value of the estimated liability relating to the potential acquisition of the incremental shareholding was recorded. The debit side of the entry reduces the minority interests of Restiani and, for the exceeding portion, Group Shareholders' Equity.

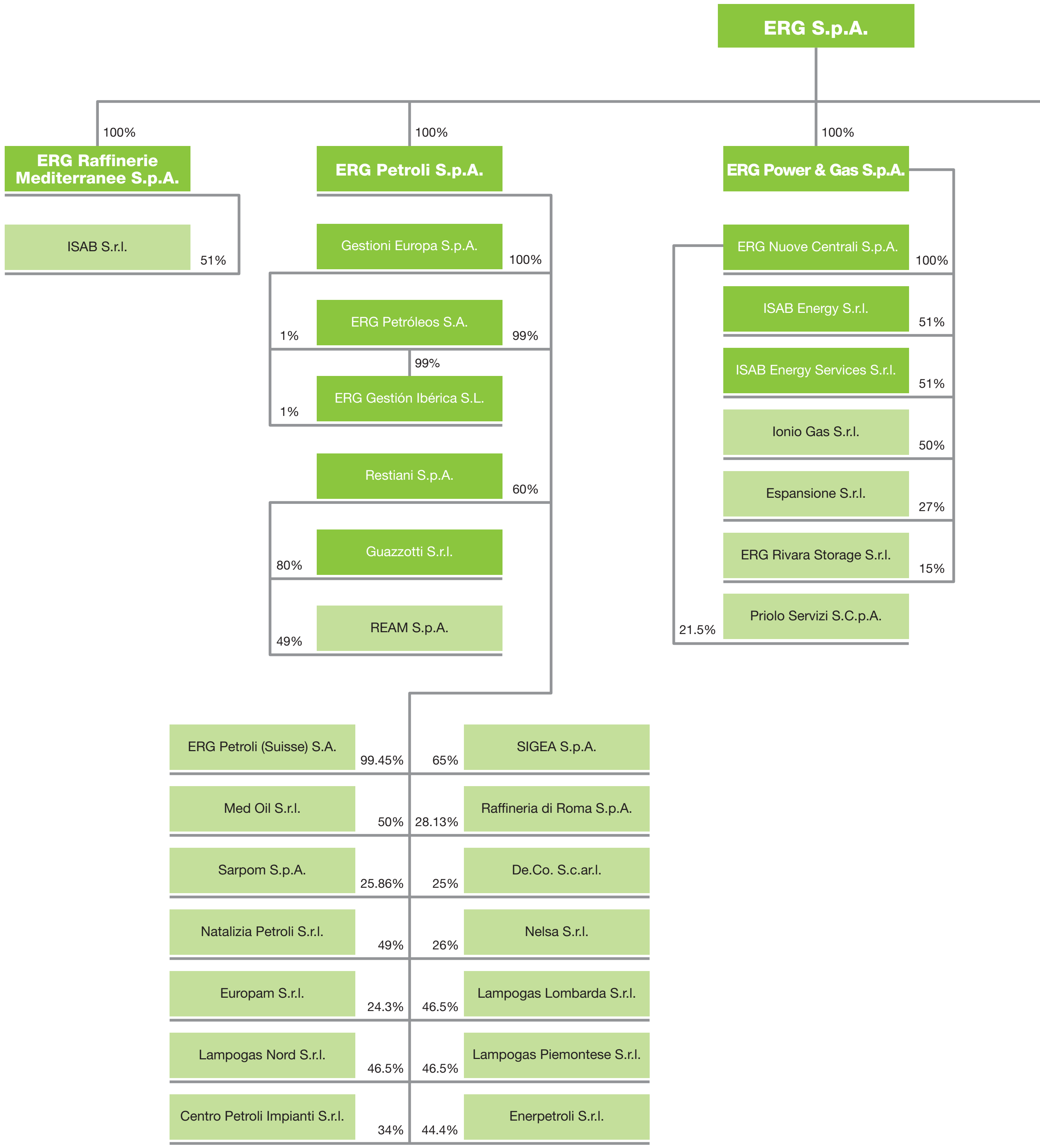
The following table shows the effects on the Statement of Financial Position of the aforementioned operations:

(EUR MILLION)	NOTES	EOLIENNES DU VENT SOLAIRE (1)	EUROIL (1)	ELYO-RESTIANI OPERATION (2)	CHANGE IN SCOPE OF CONSOLIDATION
INTANGIBLE FIXED ASSETS	1	0.6	8.7	0.3	9.6
GOODWILL		–	–	10.8	10.8
PROPERTY, PLANT, AND MACHINERY	3	0.6	2.3	29.3	32.1
EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS	4	–	(7.1)	(35.5)	(42.6)
OTHER NON-CURRENT ASSETS		–	–	1.4	1.4
NON-CURRENT ASSETS		**1.2**	**3.9**	**6.3**	**11.4**
CURRENT FINANCIAL ASSETS		–	–	14.2	14.2
OTHER CURRENT ASSETS		0.2	0.4	59.2	59.8
CURRENT ASSETS		**0.2**	**0.4**	**73.4**	**74.0**
TOTAL ASSETS		**1.4**	**4.3**	**79.8**	**85.4**
SHAREHOLDERS' EQUITY		**–**	**–**	**(8.9)**	**(8.8)**
NON-CURRENT FINANCIAL LIABILITIES		1.3	1.0	1.3	3.6
OTHER NON-CURRENT LIABILITIES		–	0.4	1.9	2.3
NON-CURRENT LIABILITIES		**1.3**	**1.4**	**3.1**	**5.8**
CURRENT FINANCIAL LIABILITIES		–	2.9	58.1	61.0
OTHER CURRENT LIABILITIES		–	–	27.4	27.4
CURRENT LIABILITIES		**–**	**2.9**	**85.5**	**88.4**
TOTAL LIABILITIES		**1.4**	**4.3**	**79.8**	**85.4**
NET FINANCIAL POSITION		**1.3**	**3.9**	**45.1**	**50.3**

(1) WITH ACCOUNTING EFFECT COMMENCING ON 1 JANUARY 2009
(2) WITH ACCOUNTING EFFECT COMMENCING ON 1 JULY 2009

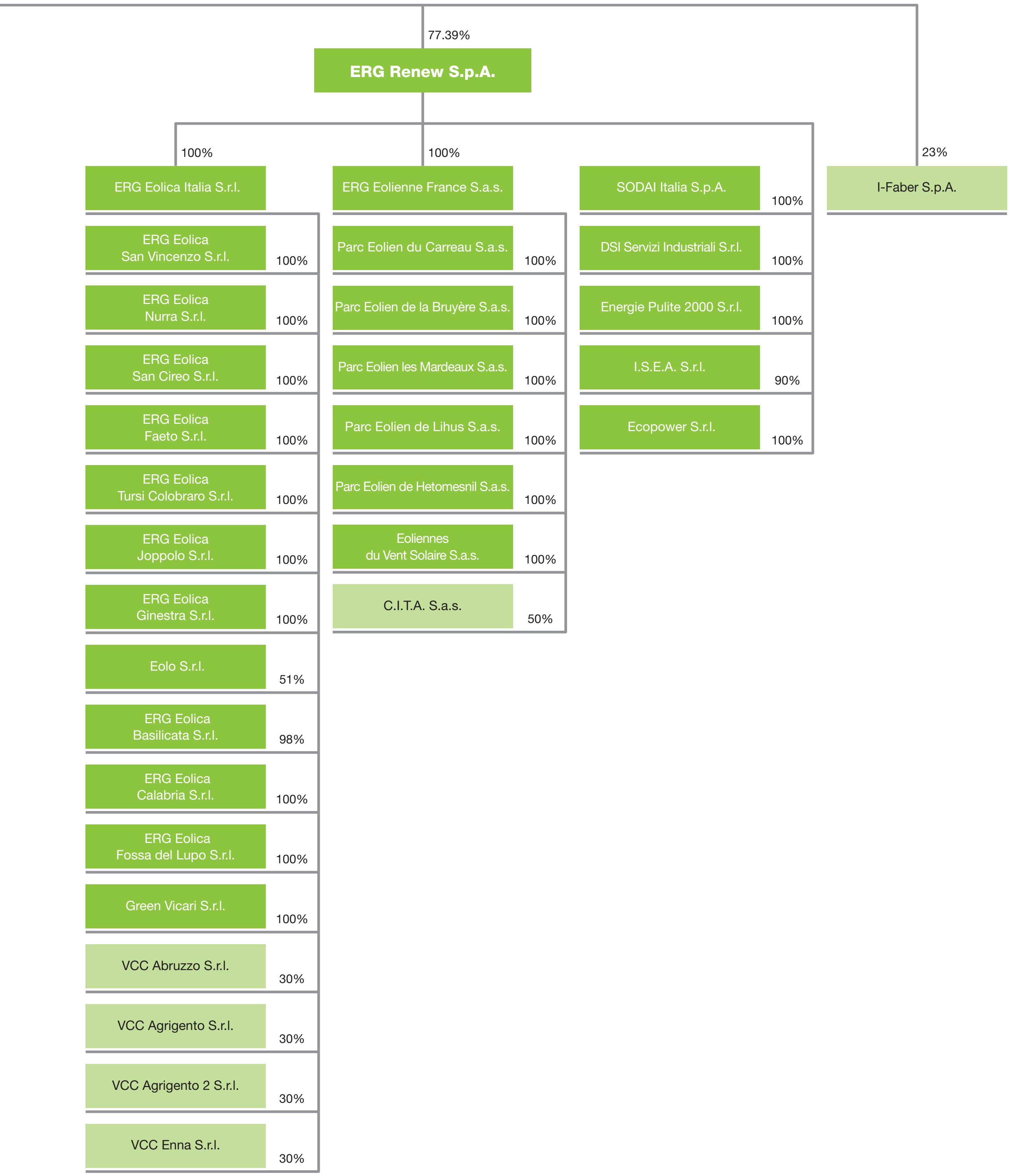
On 19 December 2008, an agreement was underwritten for the merger by incorporation of Gestioni Europa Due S.p.A. into Gestioni Europa S.p.A. with accounting effect commencing on 1 January 2009. The operation had no effect on the consolidated financial statements, as both companies were fully consolidated before it.

THE ERG GROUP
SCOPE OF CONSOLIDATION AS AT 31 DECEMBER 2009



= companies consolidated using the line-by-line consolidation method

= companies valued using the equity method


77.39%
ERG Renew S.p.A.
100%
ERG Eolica Italia S.r.l.
ERG Eolica San Vincenzo S.r.l. 100%
ERG Eolica Nurra S.r.l. 100%
ERG Eolica San Cireo S.r.l. 100%
ERG Eolica Faeto S.r.l. 100%
ERG Eolica Tursi Colobraro S.r.l. 100%
ERG Eolica Joppolo S.r.l. 100%
ERG Eolica Ginestra S.r.l. 100%
Eolo S.r.l. 51%
ERG Eolica Basilicata S.r.l. 98%
ERG Eolica Calabria S.r.l. 100%
ERG Eolica Fossa del Lupo S.r.l. 100%
Green Vicari S.r.l. 100%
VCC Abruzzo S.r.l. 30%
VCC Agrigento S.r.l. 30%
VCC Agrigento 2 S.r.l. 30%
VCC Enna S.r.l. 30%
100%
ERG Eolienne France S.a.s.
Parc Eolien du Carreau S.a.s. 100%
Parc Eolien de la Bruyère S.a.s. 100%
Parc Eolien les Mardeaux S.a.s. 100%
Parc Eolien de Lihus S.a.s. 100%
Parc Eolien de Hetomesnil S.a.s. 100%
Eoliennes du Vent Solaire S.a.s. 100%
C.I.T.A. S.a.s. 50%
SODAI Italia S.p.A. 100%
DSI Servizi Industriali S.r.l. 100%
Energie Pulite 2000 S.r.l. 100%
I.S.E.A. S.r.l. 90%
Ecopower S.r.l. 100%
23%
I-Faber S.p.A.

EVALUATION CRITERIA

The main criteria adopted for preparation of the consolidated financial statements for the year to 31 December 2009 are as follows. The criteria are the same as for the previous year, except for differences described in the paragraph "Accounting principles, amendments and interpretation applied as from 1 January 2009".

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded under assets, according to the provisions of IAS 38 (Intangible Assets), wherever they are identifiable, it is probable that their use will generate future economic benefits and their cost can be measured reliably.

These assets are recorded at their purchase or production cost, including all ancillary charges attributable to them, and are amortised on a straight-line basis according to their useful life. Useful life is reviewed annually and any changes, where necessary, are applied on a prospective basis.

In general, intangible assets are amortised over a maximum period of 5 years with the exception of:

- licences for industrial process, amortised in relation to the agreed contractual duration with expiry in 2012;
- the right acquired from ENEL for connection of the IGCC plant to grid connection lines, amortised over the period of use contractually provided for with expiry in 2020;
- authorisation for operation of service stations and for the wind farms amortised in relation to the contractual term.

There are no intangible assets with an indefinite useful life or development costs.
Research costs are expensed directly in the income statement in the period when they are incurred.

Other intangible fixed assets recorded following acquisition of a business are recorded separately from goodwill if their fair value can be measured reliably.

GOODWILL

When a company is acquired, the assets, liabilities and potential liabilities acquired and identifiable are recorded at their fair value as of the acquisition date.
The positive difference between the cost of acquisition and the Group's share of the fair value of these assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset.
Any negative difference ("negative goodwill") is instead recorded in the income statement at the time of the acquisition.
Goodwill is not amortised, but is subject to impairment tests pursuant to IAS 36 (Impairment of assets) every year, or more frequently if specific events or circumstances indicate the possibility that there may have been a loss in value.

PROPERTY, PLANT, AND MACHINERY

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

The cost of the assets, where there are current obligations to do so, includes charges for dismantling, removal of assets and site restoration to be incurred at the time facilities are abandoned, which are recorded as a contra-entry in a specific provision. These charges are booked as from the date when they can be reliably estimated for those assets for which future disposal, and the time when this will happen, is foreseeable.
Capitalised charges are allocated to the income statement via depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life. When the tangible asset consists of several significant components having different useful lives, each component is depreciated accordingly. The value to be depreciated is the recognised value less the presumed salvage value, if significant and reasonably determinable.

Land is not depreciated, even if acquired together with a building. Assets revertible free of charge are depreciated over the estimated life of the asset or the duration of the concession, whichever is shorter.

There were no significant finance lease transactions as defined in IAS 17.

The depreciation rates applied are as follows:

	%
INDUSTRIAL AND COMMERCIAL BUILDINGS	2.7 - 5.5
ORDINARY BUILDINGS	3.0
LIGHTWEIGHT CONSTRUCTIONS	10.0
GENERAL PLANT	6.2 - 12.0
SPECIFIC PLANT	6.2 - 10.0
IGCC PLANT	3.3 - 8.2
PIPELINES, TANKS AND PIPES	6.5 - 12.5
SERVICE STATIONS	7.4
MOTOR VEHICLES, FURNITURE AND FURNISHINGS, SUNDRY ASSETS	12.1 - 25.0

WRITE-DOWN OF ASSETS (IMPAIRMENT TEST)

At least once a year, the Group subjects its tangible and intangible assets to an impairment test to determine whether there are indications that they are impaired. Should such an indication exist, it is necessary to estimate the recoverable value of the asset to determine the amount of any write-downs.
When it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable value of an asset is the higher between its fair value, less the costs of the sale, and its value in use determined as the present value of estimated future cash flows.
Impairment is recorded if the recoverable value is less than the carrying value. Should a loss in value of an asset, other than goodwill, subsequently no longer apply or be reduced, the carrying value of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, without exceeding the value that would have been determined if no loss had been recorded.

FINANCIAL ASSETS

IAS 39 envisages classification of financial assets according to the following categories:

- financial assets at fair value through profit or loss (FVTPL);
- held-to-maturity (HTM) investments;
- loans & receivables (L&R);
- available-for-sale (AFS) financial assets.

Initially, all financial assets are recognised at their fair value, augmented, in the case of assets other than those classified as FVTPL, by ancillary costs.
At the time of execution, an assessment is made as to whether or not a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value, whenever analysis shows that the economic characteristics and risks of same are not closely related to those of the host contract.

The Group classifies its financial assets after initial recognition and, when appropriate and allowed, reviews this classification at the end of each financial year.

- **Financial assets at fair value through profit or loss (FVTPL)**

This category comprises:

– assets held for trading (HFT),
– assets designated as FVTPL financial assets at the time of initial recognition.

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments. Gains and losses on assets held for trading are taken to the income statement.
As of 31 December 2009, no financial asset had been designated at FVTPL.

- **Held-to-maturity (HTM) investments**

Non-derivative financial assets with fixed or determinable payments are classified as "held-to-maturity (HTM) investments" whenever the Group intends and has the ability to hold them to maturity.
After initial recognition, HTM financial investments are measured at amortised cost, applying the effective interest rate method. Gains and losses are recognised in the income statement when the investment is derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.
As of 31 December 2009, the Group held no investments classified as HTM.

- **Loans & receivables (L&R)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Following initial recognition, these assets are measured at amortised cost using the effective interest rate method, net of the provision for impairment, if any.
Gains and losses are recognised in the income statement when loans & receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

Trade receivables are shown at their fair value, which corresponds to their nominal value, and are subsequently reduced for impairment, if any. Trade receivables whose due date is not consistent with normal trading terms and which do not earn interest are discounted to their present value.

- **Available-for-sale (AFS) financial assets**

Available-for-sale (AFS) financial assets are financial assets, other than derivative financial instruments, that have been designated as such or are not classified in any of the previous three categories.
Following initial recognition, AFS financial assets are measured at fair value and gains and losses are reported under a separate heading within equity.
AFS financial assets include equity investments in companies other than subsidiaries and associate companies in which ERG S.p.A.'s direct or indirect ownership percentage is less than 20%.
When fair value cannot be reliably calculated, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included in "Other net income (loss) from equity investments".
When the reasons for the write-downs cease to exist, the equity investments carried at cost are revalued for an amount equal to the previous write-downs and the difference is recognised in income.
The risk arising from any losses exceeding shareholders' equity is recognised in a specific reserve to the extent that the investor has committed to meet legal or constructive obligations vis-à-vis the investee company or in any case to cover its losses.

IAS 39 envisages the following measurement methods: fair value and amortised cost method.

Fair value

In the case of securities widely traded in regulated markets, fair value is determined in reference to quoted market prices at the close of trading on the financial statements' date.
Regarding investments for which no active market exists, fair value is determined using measurement techniques based on:
- prices of recent arm's length transactions;
- current fair market value of a substantially similar instrument;
- discounted cash flow (DCF) analysis;
- option pricing models.

Amortised cost method

"Investments held to maturity" and "Loans & receivables" are measured at amortised cost, calculated using the effective interest rate method, net of impairment provisions, if any. This calculation takes into account all purchase discounts or premiums and includes any fees which are an integral part of the effective interest rate and transaction costs.

IMPAIRMENT OF FINANCIAL ASSETS

At each financial statements' date, the Group verifies whether a financial asset or group of financial assets has suffered an impairment in value.
If there is objective evidence that a loan or receivable posted at amortised cost has suffered impairment, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future estimated cash flows discounted at the asset's original effective interest rate. The carrying value of the asset is reduced via use of provision. The impairment amount is recognised in the income statement.
The Group assesses the existence of factual evidence of impairment at an individual level.
If the amount of impairment subsequently decreases and this reduction can objectively be attributed to an event occurring after recognition of impairment, the value previously reduced can be reinstated. Any subsequent write-backs of value are recognised in the income statement, to the extent that the asset's carrying value does not exceed the amortised cost as of the write-back date.

In the case of trade receivables, a provision for impairment is made when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that the Group will be unable to recover the amounts owed according to the original conditions.
The carrying value of the receivable is reduced via use of specific provision. Impaired receivables are reversed if they are deemed unrecoverable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded, according to their nature, at nominal value.

FINANCIAL LIABILITIES

IAS 39 envisages classification of financial liabilities according to the following categories:

- financial liabilities at fair value through profit or loss (FVTPL);
- other financial liabilities.

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.
After initial recognition, loans are measured at amortised cost using the effective interest rate method.
Every gain or loss is recorded in the income statement when the liability is discharged, as well as via the amortisation process.
Financial liabilities at FVTPL include "liabilities held for trading".

Liabilities held for trading (HFT) are acquired for the purpose of short-term sale and comprise derivatives – including those separated out – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.

As of 31 December 2009, no financial liability had been designated at FVTPL in the income statement.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has taken on a contractual obligation to pay them in their entirety and immediately to a third party;
- the Group has transferred the right to receive cash flows from the asset and has transferred substantially all risks and rewards of ownership of the financial asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of same.

In cases where the Group has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in Group accounts to the extent of the Group's residual involvement in such asset.
A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or discharged.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative instruments are initially recognised at their fair value on the date when they are stipulated. This fair value is then subject to periodic revaluation.
They are posted as assets when their fair value is positive and as liabilities when it is negative.

ERG carries out transactions with derivative instruments to hedge the risk deriving from the fluctuations in raw material and product prices, foreign exchange and interest rates.
Derivatives are classified as hedging instruments, consistently with IAS 39, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging, verified both beforehand and periodically, is high.

When derivatives hedge the risk of a change in the fair value of the underlying asset hedged (fair value hedge), they are recorded at their fair value and the effects are booked to the income statement. Accordingly, the hedged instruments are adjusted to reflect the changes in the fair value associated with the hedged risk.

When the derivative hedges the risk of a change in the cash flows of the underlying asset hedged (cash flow hedge), the effective amount of changes in the fair value of the derivatives is initially recognised in shareholders' equity and subsequently booked to the income statement consistently with the economic effects produced by the hedged transaction.
Changes in the fair value of the derivatives that do not have the formal requisites to qualify as hedges under IAS/IFRS are recorded in the income statement.

TREASURY SHARES

Treasury shares are recorded as a reduction of shareholders' equity. The original cost of treasury shares, write-downs for reduction in value, and income and losses deriving from any subsequent sales are recorded as changes in shareholders' equity.

INVENTORIES

Raw materials and petroleum product inventories are measured at the lesser of cost, determined on a quarterly basis according to the weighted average cost method, and market value.

Measurement of inventories includes the direct costs of materials and labour and indirect production costs (variable and fixed). Provisions are calculated for the write-down of materials, finished products, spare parts and other supplies considered as obsolete or slow-moving, based on their expected future use and realisable value.

Inventories of ancillary materials, consumables and lubricants are valued at the lower of weighted average cost and current market value.

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are booked at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the financial statements' reference date. Non-monetary items are maintained at the translation exchange rate of the transaction except in the case of a persistently unfavourable trend in the exchange rate. Exchange rate differences generated on elimination of items at rates differing from those at which they were translated at the time of their initial recognition and those relating to monetary items at year-end are recorded in the income statement under financial income and expenses.

PROVISIONS FOR LIABILITIES AND CHARGES

ERG records provisions for liabilities and charges when:

- there is a present legal or constructive obligation to third parties;
- it is probable that the use of Group resources will be required to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

Changes in the estimates are reflected in the income statement for the period in which the change occurred.
When the financial effect over time is significant and the dates of settlement of the obligations can be estimated, the provision is subject to discounting, utilising a discount rate that reflects the current time value of money in relation to time. The increase in the provision connected to the passing of time is recognised in the income statement under "Financial income (expenses)".
When the liability relates to property, plant or machinery (for example dismantling and restoration of sites), the provision is recorded as a contra entry to the asset to which it refers, and recognition in the income statement takes place through the depreciation process.
Significant contingent liabilities, represented by the following, are illustrated in the notes to the financial statements:
– possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events that are not fully under the company's control;
– present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that fulfilment will not be onerous.

EMPLOYEE BENEFITS

The employees' severance indemnities provision (TFR) of Italian companies is considered as a defined benefit plan and is recognised according to the provisions for other defined benefit plans.
The liability relating to defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of the future benefits to which employees are entitled as of the reference date, and accrued over the rights' vesting period; the liability is valued by independent actuaries.
Gains and losses related to defined benefit plans arising from changes in the actuarial assumptions used, or changes in the plan conditions, are recognised pro rata in the income statement for the remaining average working life of the employees participating in the plan, if and to the extent that their net value not recorded at the end of the previous financial year exceeds the higher between 10% of the liability pertaining to the plan and 10% of the fair value of plan assets.

STOCK OPTION PLANS

Under IFRS 2 (Share-based Payments), stock options in favour of employees are measured at fair value at the time of their assignment based on models taking into account the factors and elements prevailing at such time (option exercise price and duration, current price of underlying shares, and expected volatility of share price, etc.).
The right becomes exercisable after a certain period and subject to certain conditions.
The overall value of the options is apportioned pro rata temporis over the above-mentioned period and recorded under a specific shareholders' equity item, with an item of the income statement as a contra entry.
The previously determined fair value of each option is neither reviewed nor updated at the end of each financial year, but remains definitively acquired in shareholders' equity; at such time, however, the estimate of the number of options that will mature up to expiry is updated (and hence of the number of employees who will have the right to exercise the options).
The change in the estimate is recognised as a reduction of shareholders' equity with a contra entry to the income statement.

REVENUE RECOGNITION

Revenues from sales and services are recorded when effective transfer of the relevant risks and advantages typical of ownership occurs, which coincides with the time of delivery or based on

different contractual specifications, or on completion of the service.
ISAB Energy's sales revenues are based on a contract of sale to the GSE regulated by the tariff determined in Regulation 6/1992 of the Inter-ministerial Prices Committee (CIP 6), signed for 20 years and already authorised by the EU for 15 years. Regulation 6/1992 provides for recognition of an incremental tariff amount for the first eight years of operation (2000-2008). This incentive component represents an advance on the overall sales rate that can be obtained from the contract. The incentive is therefore recognised under revenues in proportion to the quantities of energy sold and according to sales expected over the lifetime of the entire contract.

The appropriations for revenues relative to partially provided services are recognised according to the payment accrued, provided that it is possible to reliably determine the stage of completion and there are no significant uncertainties as to the amount and existence of the revenue and related costs. Otherwise, they are recorded within the limits of the recoverable costs incurred.

Revenues are recorded net of returns, discounts, rebates and allowances, as well as of any directly related taxes.
If a deferment of payment is expected, which does not fall under normal commercial terms, the financial component that will be attributed as income in the deferment period is separated from revenues. Exchanges between goods or services of a similar nature and value, since they do not constitute sales transactions, do not give rise to recognition of revenues and costs.
Revenues relating to green certificates are recorded based on production in the period and are calculated on the basis of the legal regulations and prevailing resolutions of the Electricity Authority during the period, also taking into account the prevailing pro tempore equalising regulations.

Grants related to assets are recorded at the time when a formal assignment is made and any possible restriction on their collection is removed. They are recognised in the income statement in relation to the duration of the investments, with the purpose of offsetting the economic-technical depreciation of the facilities concerned.

Following implementation of IFRIC 13 - Customer Loyalty Programmes, the portion of revenues corresponding to the fair value of the loyalty credit pledged in the "ERG Più" loyalty campaign is entered under other liabilities. This liability is reversed to the income statement in the financial year in which the loyalty credit is awarded or the related right expires.

DIVIDENDS

Dividends are recorded when, following a shareholders' resolution, the right of shareholders to receive the payment is established.

FINANCIAL INCOME AND EXPENSES

These are recognised as an accrual in the income statement based on the interest due on the net value of the related financial assets and liabilities utilising the effective interest rate.

TAXES

Current taxes are provided for based on the estimated tax charge for the period, also taking into account the effects relating to participation of most Group companies in "tax consolidation". Income taxes are recorded in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve. In these cases, the tax effect is also directly recognised under shareholders' equity.

Furthermore, based on the accrual accounting principle, deferred-tax assets and liabilities arising from temporary differences caused by adjustments made to the financial statements of consolidated companies in order to align them with the Group's uniform accounting principles, as well as temporary differences between the statutory accounts and related taxable amounts, are provided for in the consolidated financial statements.
Provisions for taxes that may arise from the transfer of undistributed profits of subsidiary companies are made only when there is a real intention to transfer such profits.
Deferred tax assets (or advance taxes), including those relating to tax losses carried forward, are only recorded in the financial statements if their future recovery is probable.
Deferred taxes are calculated on the basis of the tax rates expected in the periods in which the taxable temporary differences will be reversed. Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities.

EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit for the period attributable to the company's ordinary shareholders by the weighted average number of the ordinary shares in circulation in the period concerned.
To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted by assuming the conversion of all potential shares that would result in a dilutive effect.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

Preparation of the financial statements and explanatory notes pursuant to IFRSs requires ERG to make estimates and assumptions that affect the values of the assets and liabilities reported in the financial statements and the information relating to contingent assets and liabilities. Making these estimates involves using information available and subjective judgment.
By virtue of their nature, the estimates and assumptions used may vary from year to year, and it is therefore possible that current values in the financial statements will differ due to changes in the subjective judgment used.
The main estimates for which company managers are most often required to exercise subjective judgment include:

- electricity price adjustments;
- values for green certificates and emissions rights;
- provisions for bad debt, inventory obsolescence, amortization/depreciation and asset write-downs;
- deferred tax assets, recognised on the basis of the Group's future taxability of expected profits generated in accordance with business plans as well as of the expected renewal of tax consolidation regimes;
- employee benefits, deferred tax assets and liabilities, other provisions and reserves;
- the procedure for the measurement of impairment of intangible assets (particularly goodwill), tangible assets and other investments, described by the "Impairment of Assets" accounting principle, implies, in the estimation of the value-in-use component, the use of business plan by subsidiaries that are based on a series of assumptions and hypotheses about future events and actions by the governing bodies of these companies, which will not necessarily take place as expected. Similar estimation procedures are necessary when reference is made to the estimated fair value (net of disposal costs) component due to the uncertainty inherent in any negotiation;
- the valuation of the fair value of the put option granted to the Group as part of the agreement underwritten with LUKOIL (see the paragraph "**Put option on 51% of ISAB S.r.l.**");
- the estimated redemption rate for the loyalty campaign.

Finally, the peculiarly uncertain situation arising from the ongoing economic and financial crisis has necessitated assumptions about future trends in the industries where the company

operates, thus resulting in a higher degree of uncertainty as to certain estimates underlying the financial statements.
The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the income statement in the period in which the change is made.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATION APPLIED AS FROM 1 JANUARY 2009

- **IAS 1 (revised) – Presentation of Financial Statements**

The revised version of IAS 1 (Presentation of Financial Statements) no longer permits the presentation of income components as income and charges posted directly to shareholders' equity in the Statement of Changes in Shareholders' Equity, and instead requires that they be reported separately from changes generated by transactions with shareholders. According the new version of this standard, all changes generated by transactions other than transactions carried out with shareholders must be recorded in a single separate table showing movements for the period (table of total profits and losses reported) or in two separate tables (the income statement and table of total profits or losses reported). These changes must also be separately reported in the Statement of Changes in Shareholders' Equity.
ERG applied the revised version of this standard retroactively starting on 1 January 2009, and has chosen to report all changes generated by transactions other than those carried out with shareholders in two tables that measure movements during the period called the "Income Statement" and "Other Components of Comprehensive Income". As a result, ERG changed the presentation of the Statement of Changes in Shareholders' Equity.

- **IAS 23 – Borrowing Costs**

Makes it obligatory to capitalise financial expenses directly attributable to the acquisition, construction or production of qualifying assets in which the Group has begun investment. The Group has applied the new principle prospectively.

- **Amendments to IFRS 2 – Share-based Payment: Accrual and Cancellation**

This standard was amended in order to clarify the determination of accrual conditions and prescribe the accounting treatment for a plan that was actually cancelled following the failure to meet a non-accrual condition. The prospective adoption of this amendment has no impact on ERG's financial position or performance.

- **IFRIC 13 – Customer Loyalty Programmes**

This interpretation clarifies that free or discounted goods or services ("loyalty credits" or "points") awarded as part of a customer loyalty programme must be recognised as a separate component from the related sales transaction for which the points or loyalty credits are awarded. Part of the fair value of the amount of the sale must, therefore, be allocated to points and deferred. This component will later be recognised as revenue in the time period when the points are redeemed, and the relative costs are consequently also entered. The Group has a loyalty programme which allows customers to accumulate points when they acquire oil products at service stations. When they have accumulated a minimum number of points, customers can redeem them for free products.

- **Improvement to IAS 38 – Intangible Assets**

The amendment specifies that promotional and advertising costs must be recognised in the income statement.
ERG has applied this amendment retroactively since 1 January 2009, however, its adoption did not result in the recognition of any accounting effect, since even before the application of the amendment, these types of charges were recognized in the income statement in accordance with the procedures specified in that amendment.

- **IFRS 7 – Financial Instruments: Disclosures**

The revisions and amendments to IFRS 7 provide for the following:

– for the purposes of financial statement disclosure, the introduction of a hierarchical fair value scale with three levels for all financial instruments posted in financial statements at fair value (1st level determined using prices quoted in active markets; 2nd level determined using valuation techniques based on variables that can be directly (or indirectly) observed in the market; 3rd level determined using valuation techniques that are based on significant unobservable variables in the market) similar to what is required by the US accounting standard SFAS 157, and

– for the purposes of liquidity analysis, the separation of financial liabilities from liabilities made up of derivative financial instruments.

In addition, the revisions required detailed tables showing changes and a sensitivity analysis for financial instruments measured at fair value and included in the third level of the hierarchical fair value scale.

- **Improvement to IAS 28 – Investments in Associates**

The Improvement to IAS 28 - Investments in Associates – specifies that for equity investments valued using the net equity method, any loss in value must not be allocated to individual assets (and in particular, any goodwill) that make up the carrying value of the equity investment, but to the value of the equity investment overall. Thus, if conditions are met for a subsequent recovery of value, this recovery must be recognized in full.

In accordance with the transition rules specified by the Improvement, ERG has decided to apply this amendment going forward to recoveries of value made as from 1 January 2009. However, there is no accounting effect from the adoption of this new standard.

AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE OR ADOPTED BY ERG

- **IFRS 3 – Business Combinations**

New measures under IFRS 3 state that ancillary costs connected to business combination transactions must be posted to the income statement, that changes to contingent considerations are to be recognised in the income statement and that it is possible to recognise the entire amount of goodwill from the transaction, and therefore to take into account the portion attributable to minority interests (the full goodwill method). The new provisions also amend the current criterion for recognising acquisitions in subsequent phases by posting to the income statement the difference between fair value on the date control of the net assets previously held is acquired and the related recording value.

- **IAS 27 – Consolidated and Separate Financial Statements**

The new version of IAS 27 states that the effects of acquisition (sale) of equity shareholdings subsequent to assumption of control (without loss of control) are posted to shareholders' equity. The new measures also stipulate that, in the event of sale of part of the equity interests held with a corresponding loss of control, the residual holding is remeasured to fair value and the revaluation determines capital gains (losses) deriving from the sale.

Finally, the amendment to IAS 27 requires that all losses applicable to minority shareholders be allocated to interests attributable to minority shareholders, even when these exceed their share of the capital of the subsidiary. The new rules must be applied prospectively from 1 January 2010.

- **IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations**

If a company has committed to a selling plan involving the loss of control of an investee company, all the assets and liabilities of the subsidiary must be reclassified as assets held for sale, even if after the sale the company still holds a minority interest in the subsidiary. This revision must be applied prospectively starting 1 January 2010.

- **IFRIC 18 – Transfers of Assets from Customers**

This principle clarifies the accounting treatment to adopt when the company sets out a contract in which it receives a material asset from one of its own customers that it has to use to connect the customer to a network, or to provide the customer with a determined access to goods or services (provision of electricity, gas or water, for example). In some cases, the company receives cash from customers to build or acquire material assets that will be used to fulfil the contract. The interpretation must be applied prospectively from 1 January 2010.

- **IFRS 8 – Operating Segments**

This amendment, which must be applied starting 1 January 2010, requires companies to provide the total value of assets for each segment being reported if such value is provided periodically to the highest decision-making operational level. Previously this information was required even if this condition was not met.

- **IAS 36 – Impairment of Assets**

This amendment, which must be applied prospectively starting 1 January 2010, requires that each operating unit or group of operating units to which goodwill is allocated for the purposes of the impairment test must not be larger than the operating segment defined in paragraph 5 of IFRS 8 prior to the combination allowed by paragraph 12 of the same IFRS on the basis of similar economic conditions of other similar factors.

PUT OPTION ON 51% OF ISAB S.R.L.

The agreement underwritten with LUKOIL on 1 December 2008 gives ERG Raffinerie Mediterranee a put option for its 51% equity interest. The exercise price for rights to 100% of the assets transferred to ISAB S.r.l. (not including the minimum operating inventory) will be the fair market value within a collar with a cap at EUR 2,750 million and a floor at EUR 2,000 million, reduced by EUR 15 million following the February 2009 agreement.
The put option is exercisable at ERG's discretion, commencing in 2010 and within a four-year period, at an exercise price largely corresponding to the fair value of the shareholding at the exercise date.
According to a study by independent experts, valuation of the option is not quantifiable, since the range of reasonable estimates of fair value is very broad and the probability of the various estimates cannot be reasonably estimated, since in the valuation procedure, variables relating to negotiation factors and the non-standard nature of the underlying asset (involving financial as well as industrial considerations) come into play, as well as factors relating to the way the option can be exercised.
For this reason, and pursuant to indications given in IAS 39, the put option is not recorded at fair value as of 31 December 2009 in these financial statements.

ISAB ENERGY INSURANCE REIMBURSEMENT

In 2009, ISAB Energy S.r.l. reached a definitive agreement with Assicurazioni Generali S.p.A. determining the insurance indemnities for the damage to the Priolo Gargallo (SR) electric power plant resulting from the accident that occurred on 13 October 2008.

Based on the agreement, which was supported by all the co-insurance companies, in 2009 a total amount of EUR 250 million was collected as indemnification, in advance of completion of the reconstruction work, which is currently scheduled for June 2010.

The agreed amount is deemed sufficient to cover both reconstruction costs (direct damages) and indirect damages.

The insurance reimbursement component for direct damages was recognised at the time of collection (completed in December 2009), while the component for indirect damages is recognised under the accrual basis of accounting, matching the charges that it is intended to cover, until the end of the reconstruction period, projected as June 2010.

In 2009, a total of EUR 205 million in indemnification was booked to the income statement, comprising:

– EUR 127 million for direct damages (the reconstruction costs for the power generation train destroyed in the accident were booked under "Property, plant and machinery");
– EUR 78 million for indirect damages in the period.

The portion of indemnification for indirect damages already collected but attributable to 2010 (EUR 45 million) is deferred under "Other current liabilities" (Note 23).
The indemnification for direct damages (EUR 127 million) is treated as a non-recurring item.

WRITE-DOWNS IN THE RENEWABLE ENERGY SEGMENT

- **Write-downs in the wind power segment (gains from Enertad acquisition)**

The ERG Group acquired the Enertad Group (now ERG Renew) on 16 October 2006. The acquisition was perfected through acquisition by ERG S.p.A. of a 51.33% stake in Enertad S.p.A. Following exercise of a call option, ERG acquired an additional 17.03% of Enertad's shares on 20 December 2007, raising its investment in the company to 68.38% of the share capital.

The acquisition, which was structured in the stages detailed above, was recorded pursuant to IFRS 3 - business combinations, by allocating the cost of the acquisition to the acquired assets and liabilities, including those not recognised prior to the acquisition.
Following the impairment tests carried out for the 2008 financial statements, these amounts were partially written down.

The residual value of these incremental, allocated assets before the 2009 impairment test is as follows:

– about EUR 8 million allocated to the wind power plants in operation;
– about EUR 63 million allocated to permits and preliminary agreements for wind farms in operation and to be constructed;
– about EUR 12 million residually allocated to goodwill.

These amounts were also assessed for the 2009 financial statements, in view of the worsening in the expected profitability of the wind farms, and in the market price of the ERG Renew S.p.A. shares, which was consistently below its carrying value in 2009.

The independent expert engaged in January 2010 to perform this assessment conducted the analysis by using the expected cash flows as detailed in the business plan later approved (in March 2010) by ERG Renew's Board of Directors, extended for subsequent periods according to the expected useful life of the assets.

With particular reference to the **permits and preliminary agreements**:

– in order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the assets for the first twenty years of operation of the wind farms was estimated;
– expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations;

– a discount rate equal to the industry WACC (7.0%) plus a spread (1%) linked to the higher risk of the measured asset was used to compute the present value of expected cash flows;
– no terminal value was assumed beyond the explicit forecast period, in line with the methodology followed to allocate the purchase price.

The value of **Goodwill** was determined by identifying a single cash-generating unit (CGU) connected with the wind power business in Italy and France, excluding the wind farms transferred from ERG Eolica in 2008.
In order to determine the recoverable value, in terms of value in use, the present value of cash flows from operating activities associated with the CGU for the first twenty years of operation of the farms was estimated.
A discount rate equal to the industry WACC (7.0%) was used to compute the present value of expected cash flows.
A terminal value was also estimated for each wind farm included in the CGU, determined as the present value of expected cash flows for the 20 years after the last year of explicit forecast. The growth rate was estimated at 1.5% on the basis of the anticipated average inflation rate. The terminal value thus obtained was conservatively reduced by 50%.

Group management deems the assumptions used to be reasonable, and consequently, on the basis of the aforementioned assumptions, has written down intangible assets by about EUR 9 million before tax.
These write-downs are mainly due to a worsening in the expected scenarios, particularly in terms of sales prices for electricity in Italy.

For the sake of a full analysis it should be pointed out that the carrying value of the goodwill allocated to the cash-generating unit amounts to about EUR 12 million and is fully recoverable based upon the impairment test.

To provide complete information we point out that an increase by 0.5% in the discount rate would have meant an additional impairment loss on intangible assets amounting to about EUR 4 million and impairment of goodwill.
Furthermore, an expected rise by 10% in energy sales prices compared with the hypotheses assumed by the company in estimating anticipated revenues would not have led to any impairment loss of goodwill allocated to the "Renewables" CGU and the impairment loss on intangible assets would have been lower by EUR 8 million.

- **Write-downs in the water services segment**

ERG carries out industrial waste treatment via the subsidiaries SODAI Italia S.p.A. and DSI S.r.l. While SODAI Italia S.p.A. operates via purification platforms in an area adjacent to 20 Trenitalia workshops, DSI S.r.l. treats solid and liquid waste for third parties as well as for SODAI Italia.
Concerning SODAI's activities during the year, integrated environmental authorisation for operation of the sole platform in San Nicola di Melfi was refused; the recoverability of the goodwill relating to the subsidiary's activities was therefore determined on the basis of the business plan approved by the company's Board of Directors on 24 February 2010. The plan is based exclusively on forecasted cash flows for the existing waste disposal contract with Trenitalia S.p.A., commencing on the subsidiary's start-up date, using a valuation method prepared by independent third-party assessors.
On the basis of the above, total goodwill was written down by EUR 12.5 million and tangible assets were written down by EUR 0.6 million.

- **Write-downs in the hydroelectric power plant segment**

ERG generates electrical power via the subsidiaries ISEA S.r.l. and Ecopower S.r.l. at hydroelectric power plants with total operational installed capacity of 2.2 MW. I.S.E.A. operates 5 hydroelectric power plants with 1.8 MW of total capacity and Ecopower has one operational hydroelectric power plant with 0.4 MW of capacity and another 5 under repair with 0.8 MW capacity in total. The cash flows from Ecopower's activities would support the recovery of the book value of goodwill only following capital expenditures aimed at repairing and commencing operations of the 5 plants mentioned above, which are not part of the Group's core business development plan. The full book value of the goodwill (EUR 1.7 million) has therefore been written off.

- **Other write-downs of equity investments in the "Renewables" segment**

Equity interests in the following companies were also written down in the period:

– Ansaldo Fuel Cells S.p.A. for the full value of the equity interest amounting to EUR 1.1 million;
– ERG Eolica Agira S.r.l., ERG Eolica Mirabella S.r.l., ERG Eolica Palagonia S.r.l., ERG Eolica Ramacca S.r.l. and ERG Eolica Troina S.r.l., in the amount of EUR 1.2 million in total; EUR 0.2 million was additionally allocated to a provision for future charges on equity investments;
– VCC Abruzzo S.r.l., VCC Agrigento S.r.l., VCC Agrigento 2 S.r.l. and VCC Enna S.r.l. for their full value amounting to EUR 0.6 million.

STATEMENT OF FINANCIAL POSITION ANALYSIS

NOTE 1 - INTANGIBLE FIXED ASSETS

	CONCESSIONS AND LICENCES	OTHER INTANGIBLE ASSETS	ASSETS IN PROGRESS	TOTAL
HISTORICAL COST	**241,877**	**82,938**	**3,936**	**328,751**
DEPRECIATION	(81,945)	(39,695)	–	(121,640)
BALANCE AT 12/31/2008	**159,932**	**43,243**	**3,936**	**207,111**
MOVEMENTS DURING PERIOD:				
CHANGE IN SCOPE OF CONSOLIDATION	8,721	318	600	9,639
ACQUISITIONS	524	4,707	8,114	13,345
CAPITALISATION/RECLASSIFICATION	2,430	(1,936)	(2,644)	(2,150)
DISPOSALS AND DIVESTMENTS	–	(2,136)	(58)	(2,194)
DEPRECIATION	(11,100)	(9,374)	–	(20,474)
WRITE-DOWNS	(8,954)	(73)	–	(9,027)
HISTORICAL COST	**244,391**	**80,827**	**9,948**	**335,166**
DEPRECIATION	(92,838)	(46,078)	–	(138,916)
BALANCE AT 12/31/2009	**151,553**	**34,749**	**9,948**	**196,251**

Concessions and licences mainly comprise authorisations for fuel distribution outlets and authorisations for wind farms (in operation and to be built in future), amortised based on their residual life.

Other intangible fixed assets comprise the right acquired from ENEL for connection of the IGCC plant to the power grid, the legal and technical costs incurred for ISAB Energy's Project Financing transaction, engineering studies and preliminary agreements for wind farms to be constructed in future.
Disposals and divestments refer to the sale and closure of service stations in Spain.

Write-downs also include the derecognition of development costs for wind power generation projects, the recoverability of which is no longer considered certain, as already commented on in the chapter "Write-downs in the renewable energy division".

The change in the item in the period is also due to changes in the scope of consolidation, and particularly the "**Incorporation of Euroil S.r.l.**" as described in the previous section.

NOTE 2 - GOODWILL

"Goodwill" amounting to EUR 52,866 thousand represents the excess of the acquisition cost of acquired companies over the value of their shareholders' equity, measured at fair value as of the acquisition date in accordance with the purchase-price allocation method envisaged by IFRS 3.
The decrease of about EUR 7 million in the item during the period relates to:

- write-downs of CGU-related goodwill attributable to the renewable energy segment (about EUR 14 million);
- the reduction in goodwill relating to service stations in Spain sold during 2009 (about EUR 3 million);
- goodwill booked for the Elyo-Restiani S.p.A. transaction (about EUR 11 million).

The item, which is not amortised in the Income Statement, is subject to an impairment test every year, and more frequently if there are indications during the course of the year that the asset may be impaired.

Goodwill acquired through business combinations was allocated to the cash-generating units corresponding to the following segments:
- Integrated downstream EUR 28,526 thousand;
- Renewable energy sources EUR 15,801 thousand;
- Coastal refining EUR 7,078 thousand;
- Thermoelectric power generation EUR 1,461 thousand.

Regarding the impairment test for goodwill attributable to the renewable energy segment, please refer to the section "**Write-downs in the renewable energy segment"**.

- **Coastal refining**

The recoverable value of the coastal refining unit was established on the basis of value in use. Projected cash flows over four years, as set out in the financial plan drawn up by top management, were used in the calculation. Cash flow projections for subsequent years were made by determining the 'terminal value', using the perpetuity growth model (1%). The expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations; the discount rate (WACC after tax) applied to projected cash flows is 7.2%.
No impairment loss of goodwill was found on carrying out the analysis.

- **Thermoelectric power generation**

The recoverable value of the thermoelectric power unit was established on the basis of value in use. Projected cash flows over four years, as set out in the financial plan drawn up by top management, were used in the calculation. Cash flow projections for subsequent years were made by determining the "terminal value", using the perpetuity growth model (1%). The expected changes in sales prices and trends in direct costs during the period that were assumed for the calculation were determined on the basis of past experience, adjusted for future market expectations.
The discount rate (WACC after tax) applied to projected cash flows is 7.94%.
No impairment loss of goodwill was found on carrying out the analysis.

- **Integrated downstream**

The recoverable value of the integrated downstream unit was determined on the basis of fair value net of disposal costs calculated, as indicated in IAS 36, with reference to third-party agreements. The CGU under review is in fact subject to an agreement to create a joint venture in the refining and marketing sector. As already announced to the financial community on 28 January 2010, the enterprise value is higher than the book value attributable to the cash-generating unit.

NOTE 3 - PROPERTY, PLANT AND MACHINERY

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**197,701**	**1,579,530**	**46,904**	**491,912**	**2,316,047**
DEPRECIATION AND WRITE-DOWNS	(56,750)	(719,920)	(25,251)	(66)	(801,987)
BALANCE AT 12/31/2008	**140,951**	**859,610**	**21,653**	**491,846**	**1,514,060**
MOVEMENTS DURING PERIOD:					
CHANGE IN SCOPE OF CONSOLIDATION	5,758	24,796	950	570	32,074
ACQUISITIONS	1,968	7,202	511	324,193	333,874
CAPITALISATION/RECLASSIFICATION	26,498	353,467	5,471	(383,286)	2,150
INCREASES FOR CYCLICAL MAINTENANCE	–	1,399	–		1,399
DISPOSALS AND DIVESTMENTS	(23,044)	(3,162)	(5,476)	(346)	(32,028)
DEPRECIATION	(6,949)	(103,035)	(5,436)	-	(115,420)
WRITE-DOWNS	(584)	(523)	(43)	(829)	(1,979)
OTHER CHANGES	–	–	–	–	–
HISTORICAL COST	**198,208**	**1,968,826**	**48,515**	**432,214**	**2,647,763**
DEPRECIATION AND WRITE-DOWNS	(53,610)	(829,072)	(30,885)	(66)	(913,633)
BALANCE AT 12/31/2009	**144,598**	**1,139,754**	**17,630**	**432,148**	**1,734,130**

For greater clarity, movements during the period relating to reclassifications, disposals and divestments are shown net of the respective provisions for depreciation and write-downs.
Changes in the scope of consolidation mainly reflect the acquisition of the plants owned by Restiani S.p.A. and the incorporation of the service stations of Euroil S.r.l.
Disposals and divestments mainly refer to the sale and closure of service stations in Spain. The financial effects of this sale are recognised under "Other revenues and income" and the capital gain amounts to about EUR 10 million.
The decrease of EUR 383 million in assets under construction is mainly due to transfers from work in progress to assets, mainly in the thermoelectric power, integrated downstream and renewable energy segments.
For an analysis of investments made during the period, readers should refer to the "Investments" chapter of the Management Report.
Pursuant to IAS 23, capitalisation includes interest payable of about EUR 10 million relating to investments held by the energy segments.

NOTE 4 - EQUITY INVESTMENTS

	EQUITY INVESTMENTS			
	SUBSIDIARY COMPANIES	ASSOCIATE COMPANIES AND JOINT VENTURES	OTHER COMPANIES	TOTAL
BALANCE AT 12/31/2008	**10,612**	**700,070**	**2,352**	**713,034**
MOVEMENTS DURING PERIOD:				
CHANGE IN SCOPE OF CONSOLIDATION	(7,114)	(35,494)		(42,608)
ACQUISITIONS/CAPITAL INCREASES	10	–	156	166
WRITE-DOWNS/USE OF PROVISION TO COVER LOSSES	(1,200)		(1,106)	(2,306)
DISPOSALS AND DIVESTMENTS	–	(144)	–	(144)
VALUATION OF COMPANIES USING THE EQUITY METHOD	(47)	36,769	–	36,723
BALANCE AT 12/31/2009	**2,262**	**701,201**	**1,401**	**704,864**

"Equity investments" owned as of 31 December 2009 were as summarised below:

	VALUED AT EQUITY	VALUED AT COST	TOTAL
EQUITY INVESTMENTS			
- IN NON-CONSOLIDATED SUBSIDIARY COMPANIES	2,253	10	2,262
- IN ASSOCIATE COMPANIES [1]	701,198	4	701,201
- IN OTHER COMPANIES	–	1,401	1,401
TOTAL	**703,451**	**1,414**	**704,864**

(1) OF WHICH EUR 609,406 THOUSAND IN JOINT VENTURES

A breakdown of equity investments has already been given in the statements showing the scope of consolidation.

The following changes in equity investments occurred during 2009:

CHANGE IN SCOPE OF CONSOLIDATION	
ELYO ITALIA S.R.L.	(35,670)
EUROIL S.R.L.	(7,082)
EOLIENNES DU VENT SOLAIRE S.A.S.	(32)
REAM S.P.A.	176
	(42,608)
ACQUISITIONS - FORMATIONS - CAPITAL INCREASES	
ERG POWER S.R.L.	10
CONSORTIUM DYEPOWER	150
ANSALDO FUEL CELLS S.P.A.	6
	166
DISPOSALS – RETURNS - LIQUIDATIONS - INCORPORATIONS	(144)
	(144)
WRITE-DOWNS/USE OF PROVISION TO COVER LOSSES	(2,306)
	(2,306)
NET CHANGE IN THE VALUE OF COMPANIES CARRIED AT EQUITY	**36,723**
TOTAL	**(8,026)**

The change in the scope of consolidation refers principally to:

- the sale of the equity interest held in Elyo Italia S.r.l. as part of the Elyo-Restiani Operation;
- the merger by incorporation of Euroil S.r.l. with ERG Petroli S.p.A.;
- the full consolidation of Eoliennes du Vent Solaire S.a.s.

For further details, please refer to the previous section, "List of Group companies".

The principal changes during the period include:

– the formation of the DyePower Consortium, of which ERG Renew S.p.A. holds 12.4%, with the aim of carrying out research and development in solar power;
– the formation of ERG Power S.r.l., a subsidiary of ERG Nuove Centrali S.p.A., with the aim of managing thermoelectric power plants to produce and market electricity and steam.

Disposals in the period refer to the sale by ERG Raffinerie Mediterranee S.p.A. of its equity interest in DYNERGY S.r.l.

Write-downs in the period refer to companies in the renewables segment that are no longer operational.

The positive change amounting to EUR 37 million arising from companies measured under the equity method is due to the period's performance (notably of ISAB S.r.l.) net of dividends received from these companies.

NOTE 5 - OTHER FINANCIAL ASSETS

"Other financial assets" of EUR 8,600 thousand (EUR 8,911 thousand at 31 December 2008) mainly comprise a loan granted by ERG Petroli S.p.A. to Raffineria di Roma S.p.A., at normal market conditions and in proportion to its shareholding.

NOTE 6 - DEFERRED TAX ASSETS

Provision is made for deferred tax assets, if their future recovery on the temporary differences, subject to advance taxation, between the value of assets and liabilities for statutory financial reporting purposes and their values for tax calculation purposes, is likely.

It should be noted that the rate used to calculate deferred taxes is the same as the nominal IRES (corporation tax) rate (27.5%), increased, where so envisaged, by the IRAP (regional tax) rate (3.90%).

Companies operating in the oil refining sector and companies producing and marketing petroleum products, electricity and gas, with revenues in excess of EUR 25 million, are subject to an IRES rate surcharge ("Robin Tax") of 6.5% (5.5% in 2008). The increase in the tax rate (from 5.5% to 6.5%) brought in by Decree Law 78 of 1 July 2009 has meant an increase in deferred tax assets of about EUR 7 million, with a consequent positive impact on the income statement under the "Income taxes" item.

Deferred tax assets at 31 December 2009 of EUR 248,181 thousand (EUR 240,279 thousand at 31 December 2008) were principally appropriated to cover deferral of CIP 6 revenues, maintenance in excess of tax limits and allocations to provisions for liabilities and charges, and are also deemed recoverable in consideration of the future taxable income forecast in business plans drawn up by the Group.

Also included are the residual substitute taxes paid on merger differences in the amount of EUR 870 thousand (EUR 1,697 thousand at 31 December 2008).

NOTE 7 - OTHER NON-CURRENT ASSETS

Other non-current assets of EUR 35,514 thousand (EUR 16,374 thousand at 31 December 2008) chiefly relate to advances on agreements to acquire new wind farms and medium - to long-term Treasury receivables.

NOTE 8 - INVENTORY

Closing inventories comprise the following categories:

	12/31/2009	12/31/2008
RAW, ANCILLARY AND CONSUMABLE MATERIALS	123,706	159,254
FINISHED PRODUCTS AND GOODS	259,308	266,090
TOTAL	**383,014**	**425,344**

The value of inventories was determined by applying the weighted average cost method and taking into account fair value hedging operations. As a result, the value is affected not only by the exact level of end-of-period stocks, but also by fluctuations in the purchase prices of raw materials and finished products, which, based on the weighted average cost method, also impacts the quantities that have not changed since the beginning of the period.

Inventories are booked at the lesser of the cost, determined used the weighted average cost method, and the market value.

The overall decrease in the value of inventories is due to reduced quantities of finished products (602 thousand tonnes, compared with 962 thousand tonnes at 31 December 2008) and raw materials (302 thousand tonnes, compared with 576 thousand tonnes at 31 December 2008) in the warehouses, only partially offset by the increase in average prices.

Furthermore, the change in the period reflects an increase of EUR 5 million due to changes in the scope of consolidation.

At 31 December 2009 the item included natural gas reserves carried at a value of EUR 3 million.

NOTE 9 - TRADE RECEIVABLES

Receivables are summarised as follows:

	12/31/2009	12/31/2008
CUSTOMER RECEIVABLES	514,581	510,428
RECEIVABLES DUE FROM GROUP COMPANIES	130,481	102,984
BAD DEBT PROVISION	(15,025)	(9,476)
TOTAL	**630,037**	**603,936**

"Customer receivables" are guaranteed by sureties amounting to approximately EUR 90 million for wholesale and logistics customers, approximately EUR 85 million for retail network dealers paying by direct debit, and about EUR 4 million for cargo customers.

In 2008, ERG carried out a securitisation of its trade receivables for an average amount of EUR 150 million. This transaction, arranged in cooperation with Natixis (Mandated Lead Arranger) and The Bank of Tokyo-Mitsubishi UFJ, Ltd, provides for the assignment on a revolving basis of trade receivables pertaining to ERG Petroli S.p.A. and has a duration of five years.
These trade receivables were eliminated from company accounts insofar as the sale must be considered final, with effective transfer of all associated risks and benefits.

"Receivables due from Group companies" refer to the supply of petroleum products to associate companies at market prices.
For information concerning related-party receivables, reference is made to Note 40.

The following changes took place in bad debt provision:

	12/31/2009	12/31/2008
BALANCE AT BEGINNING OF PERIOD	**9,476**	**4,734**
CHANGE IN SCOPE OF CONSOLIDATION	1,298	–
PROVISION FOR THE PERIOD	7,228	4,997
UTILISATION DURING THE PERIOD	(2,978)	(255)
BALANCE AT END OF PERIOD	**15,025**	**9,476**

The provision for the period stems principally from receivables related to the thermoelectric power division.

The Group assesses the existence of objective impairment indicators for individual positions. The aforesaid analyses are validated at individual company level by the Accounts Receivable Committees which meet periodically to examine the situation with regard to past due receivables and related collection criticalities.

The allocations made to bad debt provisions and risk provisions, which were suitably increased during the year, are considered to adequately cover the risk of potential liabilities for delinquent accounts receivable.

The following is a breakdown of customer receivables outstanding at year-end:

	12/31/2009	12/31/2008
RECEIVABLES NOT YET DUE	**501,946**	**483,904**
RECEIVABLES PAST DUE AND NOT WRITTEN DOWN:		
UP TO 30 DAYS	46,720	82,308
UP TO 60 DAYS	14,373	5,051
UP TO 90 DAYS	11,160	2,257
MORE THAN 90 DAYS	55,838	30,416
TOTAL	**630,037**	**603,936**

NOTE 10 - OTHER CURRENT RECEIVABLES AND ASSETS

	12/31/2009	12/31/2008
TAX RECEIVABLES	54,361	35,994
RECEIVABLES STEMMING FROM FORWARDS CONTRACT ON CRUDE OIL AND PRODUCTS	2,176	6,239
EMISSIONS TRADING RECEIVABLES	64,842	59,096
SUNDRY RECEIVABLES	66,725	46,016
TOTAL	**188,104**	**147,345**

“Tax receivables” mainly comprise VAT credit positions and the credit balance as regards 2009 taxes.

“Receivables stemming from forwards contracts on crude oil and products” relate to the balance of forward purchase transactions and spot sales of crude oil and petroleum products outstanding at the end of the period.

“Emissions trading receivables” refer to the ISAB Energy receivable for reimbursement of emissions trading charges for 2008 (EUR 49 million) and 2009 (EUR 16 million). In January 2010, reimbursements of EUR 49 million were collected for 2008.

“Sundry receivables” mainly comprise receivables sold to factoring companies and advances paid to suppliers as well as deferred costs in subsequent periods.

NOTE 11 - CURRENT FINANCIAL ASSETS

The current financial assets of about EUR 7,762 thousand (EUR 864,593 thousand at 31 December 2008) mainly refer to the positive fair value of derivatives existing as of 31 December 2009, and to bonds with high creditworthiness issued by the company maturing within 6 months. The reduction in the item refers to the receipt in February 2009 of receivables from LUKOIL for the balance of the consideration for the sale of 49% of ISAB S.r.l., amounting to EUR 852 million, including interested accrued during the period.

In January 2009, ERG Renew also received EUR 12 million for insurance policies agreed to guarantee the put option held by Trenitalia on the subsidiary SODAI Italia, which were liquidated when the option was exercised.

NOTE 12 – CASH AND CASH EQUIVALENTS

	12/31/2009	12/31/2008
BANK AND POSTAL DEPOSITS	1,755,112	742,749
CASH EQUIVALENT SECURITIES	39,981	–
CASH AND NOTES ON HAND	2,762	2,213
TOTAL	**1,797,855**	**744,962**

The item "Bank and postal deposits" mainly comprises short-term deposits with banks with which the company has commercial relations and the balance on the accounts of ISAB Energy S.r.l. and ERG Renew, according to the usage limitations established by the relative project financing agreements.

"Cash equivalent securities" are cash commitments in money market funds that can be liquidated on demand.

For information on restricted liquidity, please refer to Note 25 - Covenants and negative pledges.

NOTE 13 - GROUP SHAREHOLDERS' EQUITY

SHARE CAPITAL

Fully paid-in share capital as of 31 December 2009 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (the same as of 31 December 2008).

On 31 December 2009 the Company's Shareholders Register showed the following situation:

- San Quirico S.p.A. held 84,091,040 shares, i.e. 55.942%;
- Polcevera S.A. (Luxembourg) held 10,380,060 shares, i.e. 6.905%;
- ERG S.p.A. held 2,100,000 treasury shares, i.e. 1.397%;
- Generali Investments Italy SGR S.p.A. held 3,349,000 shares, i.e. 2.228%;
- Tradewinds Global Investors LLC held 3,010,340 shares, i.e. 2.003%.

As of 31 December 2009, San Quirico S.p.A. and Polcevera S.A. were controlled by the Garrone and Mondini families, heirs of the founder of the ERG Group, Edoardo Garrone.

On 23 April 2009, pursuant to Article 2357 of the Civil Code, the Shareholders' Meeting of ERG S.p.A. authorized the Board of Directors to purchase treasury shares for a period of 12 months from the date of the resolution up to a revolving maximum (meaning the maximum amount of treasury shares held from time to time) of 15,032,000 (fifteen million thirty-two thousand) shares at a unit price, including incidental purchase charges, not lower than 30% below and not more than 10% above the reference price of the stock in trading session on the day immediately preceding each individual transaction.

TREASURY SHARES

As of 31 December 2009 ERG S.p.A. held 2,100,000 treasury shares, amounting to 1.397% of the share capital. Pursuant to IAS 32, treasury shares are recorded as a reduction of shareholders' equity. The original cost of the treasury shares, write-downs for value impairment, and revenues and losses deriving from any subsequent sales are recorded as movements in shareholders' equity.

STOCK OPTION PLANS

ERG S.p.A. stock option plans

On 5 August 2005 the ERG S.p.A. Board of Directors approved a new long-term incentive scheme that grants Group executives personal and non-transferable options to subscribe ERG stock.
The system has a three-year duration and provides for allocation of the options, year by year, with a par exercise price, namely a price corresponding to the arithmetic average value of the ERG share's official prices during the thirty days prior to allocation.
The plan is not a cash settled share-based payment transaction.
The vesting of the options is subject to being employed by the Group for three years subsequent to the date of allocation.

The following table shows the rights allocated and still in force:

	ALLOCATIONS 2007	ALLOCATIONS 2006
NUMBER OF RIGHTS ASSIGNED [1]	693,274	667,029
EXERCISE PRICE (EUR) [2]	16.06	15.61
FAIR VALUE AT DATE OF ASSIGNMENT (EUR) [2]	3.74	4.07

(1) THE NUMBER IS SHOWN NET OF THE RIGHTS CANCELLED
(2) WEIGHTED AVERAGE VALUE BASED ON OPTIONS ALLOCATED

It should be noted that in 2009 the options assigned in 2005 (635,575 options) expired. Their exercise price was set at EUR 21. The stock option reserve was therefore reduced with a contra item to "Other reserves".

The fair value of the options granted was estimated using the Black-Scholes model and taking into account the terms and conditions for allocation of the options.
The following table shows the assumptions used for the model.

	ALLOCATIONS 2007	ALLOCATIONS 2006
AVERAGE VOLATILITY OF ERG SHARE PRICE [1]	31.99%	31.20%
RISK-FREE INTEREST RATE [1]	3.59%	3.56%
EXPIRY OF RIGHT	4 YEARS	4 YEARS

(1) WEIGHTED AVERAGE VALUE BASED ON OPTIONS ASSIGNED

The 2009 cost of payment transactions based on shares recorded as a contra-entry in the shareholders' equity reserve amounts to EUR 1,672 thousand, broken down as follows:

	2009	2008
COSTS FOR SERVICES AND OTHER COSTS	1,417	2,487
PERSONNEL EXPENSES	109	424
TOTAL	**1,527**	**2,911**

ERG Renew S.p.A. stock option plan

ERG Renew has a stock option plan in place for the company's directors holding corporate offices and for executives whose roles make them more directly responsible for business and operating results.

The option rights vest in three years from the assignment date and are exercisable for the following two years. When this five-year term expires, the unexercised options will lapse and consequently no further rights will be attributed to the assignees.

The following table summarises the data relating to the rights assigned in 2005 (first allocation) and 2006 (second and third allocations):

	2006 III ALLOCATION	2006 II ALLOCATION	2006 I ALLOCATION
NUMBER OF RIGHTS ALLOCATED (1)	610,600	610,600	505,000
EXERCISE PRICE (EUR)	3.32	3.19	3.24
FAIR VALUE AT DATE OF ALLOCATION (EUR)	0.74	0.74	0.74

(1) THE NUMBER IS SHOWN NET OF THE RIGHTS CANCELLED

The fair value of the options granted was estimated using the Black-Scholes model and taking into account the terms and conditions for attribution of the options.

The portion of the cost of share-based payment transactions pertaining to 2009 amounted to EUR 213 thousand.

Other reserves

The "Reserves" of EUR 1,760,473 thousand (EUR 1,255,263 thousand at 31 December 2008) mainly comprise retained earnings, the "share premium reserve" the "stock option reserve" and the "cash flow hedge reserve".

NOTE 14 - MINORITY INTERESTS

Minority interests arise from the line-by-line consolidation of the following companies that have other shareholders:

	% OF MINORITY SHAREHOLDERS	MINORITY SHARES
ERG RENEW GROUP	22.61%	34,699
ISAB ENERGY S.R.L.	49.00%	105,336
ISAB ENERGY SERVICES S.R.L.	49.00%	5,772
GUAZZOTTI S.R.L.	52.00%	257
TOTAL		**146,064**

Profit pertaining to minority interests for the period, amounting EUR 37,830 thousand, is almost entirely attributable to minority shareholdings of ISAB Energy S.r.l.

Regarding the minority interests of Restiani S.p.A., please refer to the note on the Elyo-Restiani operation.

NOTE 15 - EMPLOYEES' SEVERANCE INDEMNITIES

	12/31/2009	12/31/2008
BALANCE AT BEGINNING OF PERIOD	**11,416**	**29,598**
CHANGE IN SCOPE OF CONSOLIDATION	1,600	(14,491)
SOCIAL SECURITY COST FOR CURRENT SERVICES	5,147	8,756
FINANCIAL CHARGES RELATING TO OBLIGATIONS UNDERTAKEN	228	480
BENEFITS PAID	(6,633)	(12,927)
BALANCE AT END OF PERIOD	**11,758**	**11,416**

This item, totalling EUR 11,758 thousand (EUR 11,416 thousand at 31 December 2008), includes the estimated liability relating to employees' severance indemnities payable to employees when they terminate their employment.
The change in the scope of consolidation refers to the acquisition of Restiani S.p.A. and Guazzotti S.r.l.
Actuarial gains and losses (arising from changes in actuarial assumptions applied) for approximately 0.1 million have not been taken into account because their net value – not recognised at the end of 2008 – was less than 10% of the year-end liability (the corridor method).

The following are the main assumptions used to calculate the actuarial value of the liability relating to employees' severance indemnities:

DISCOUNT RATE	4.5%
INFLATION RATE	2.0%
AVERAGE TURNOVER RATE	5.0%
AVERAGE RATE OF SALARY INCREASE	3.0%

NOTE 16 - DEFERRED TAX LIABILITIES

The provision for deferred tax liabilities is based on the temporary differences that are subject to deferred taxation, which result from adjustments to the individual financial statements of consolidated companies to bring them into line with the Group's uniform accounting policies, as well as on temporary differences between the value of assets and liabilities in statutory financial statements and their related taxable amounts.

It should be noted that the rate used to calculate deferred taxes is the same as the nominal IRES (corporation tax) rate (27.5%), increased, where so envisaged, by the IRAP (regional tax) rate (3.90%). In consequence of Italian Law 133 of 6 August 2008, companies operating in the oil refining sector and companies producing and marketing petroleum products, electricity and gas, with revenues in excess of EUR 25 million, are subject to an IRES rate surcharge ("Robin Tax") of 6.5% (5.5% in 2008). The increase in the tax rate (from 5.5% to 6.5%) brought in by Decree Law 78/2009 has meant an increase in the deferred tax provision of about EUR 2 million, with a consequent negative impact on the income statement under the "Income taxes" item.
Deferred tax assets of EUR 159,775 thousand at 31 December 2009 (EUR 148,994 at 31 December 2008) were mainly appropriated on fiscal amortisation exceeding financial and technical amortisation and on capital gains on business combinations.

NOTE 17 - PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES

"Provisions for non-current liabilities and charges" of EUR 5,348 thousand (EUR 2,978 thousand at 31 December 2008) refer chiefly to fiscal disputes in previous years.

Comparison with the previous year shows some reclassifications to the item "Provisions for current liabilities and charges", as described in Note 20.

NOTE 18 - NON-CURRENT FINANCIAL LIABILITIES

The breakdown of this item is as shown below:

	12/31/2009	12/31/2008
MEDIUM/LONG-TERM MORTGAGES AND LOANS	901,024	958,637
- CURRENT PORTION OF MEDIUM/LONG-TERM LOANS	(447,890)	(418,183)
	453,134	**540,454**
MEDIUM/LONG-TERM PROJECT FINANCING	324,101	324,871
- CURRENT PORTION OF PROJECT FINANCING	(79,783)	(50,429)
	244,318	**274,442**
OTHER MEDIUM/LONG-TERM FINANCIAL PAYABLES	**54,503**	**38,169**
TOTAL	**751,955**	**853,065**

At 31 December 2009, mortgages and loans totalled EUR 901 million (EUR 959 million at 31 December 2008), of which an existing EUR 139 million disbursed by the European Investment Bank for investment in the "ERG Energia Sicilia" project. The loan is guaranteed for EUR 159 million. To reduce the risk stemming from future fluctuation in interest rates, interest rate collar, interest rate swap and interest rate cap operations were set up for existing mortgages.

EUR 120 million in new corporate financing was disbursed during 2009.
As of 31 December 2009 the weighted average interest rate on mortgages and loans was 1.93% (4.64% at 31 December 2008).

ISAB Energy project financing

These are loans granted by a pool of international banks for initial amounts of approximately 90% of the cost of the ISAB Energy plant. The balance outstanding as of 31 December 2009 was EUR 141 million.
The repayment plan for these loans, which are secured by special liens and a mortgage on the plant, entails 29 half-yearly instalments starting from 15 December 2000 (last instalment due on 15 December 2014).
The loan is subject to adjustable rate interest tied to changes in the Euribor rate.

ERG Renew project financing

These are loans granted for the construction of wind farms on the part of the following companies:

- ERG Eolica S.Vincenzo S.r.l., which had a balance outstanding at 31 December 2009 of EUR 17 million (EUR 23 million at 31 December 2008). The loan, executed in 2005, provides for a base credit line of EUR 36 million. Final payment is due on 31 December 2013;

- ERG Eolica San Cireo S.r.l., which had a balance outstanding at 31 December 2009 of EUR 22 million (EUR 27 million at 31 December 2008). The loan, executed in 2005, provides for a base credit line of EUR 34 million for installed power of 30 MW, increasable to EUR 43 million for another 10 MW. Final payment is due on 31 December 2014. To hedge the risk deriving from interest rate fluctuations, Interest Rate Swap transactions have been arranged up to 31 December 2014, according to the due dates of the loan repayment plan, thus changing the variable rate into fixed rates on a notional value of EUR 34 million, corresponding to the potential maximum amount of the loan;
- ERG Eolica Faeto S.r.l., which had a balance outstanding at 31 December 2009 of EUR 41 million (EUR 37 million at 31 December 2008) relating to the first disbursement. The loan, executed in June 2007, provides for a base credit line of EUR 38 million for installed power of 24 MW. Final payment is due on 30 June 2020. In order to protect itself against the risk of interest rate fluctuations, Interest Rate Cap transactions have been arranged up to 31 December 2013, according to the due dates of the loan repayment plan;
- Green Vicari, which had a balance outstanding at 31 December 2009 of EUR 56 million (EUR 35 million at 31 December 2008). The loan provides for a base credit line of EUR 52.8 million for installed power of 37.5 MW. Final payment is due on 30 June 2019. The increase in the period relates to the second loan disbursement for EUR 24 million. In order to hedge itself against the risk of fluctuations in interest rates, Green Vicari has arranged interest rate cap transactions up until 30 June 2014, according to the due dates of the loan repayment plan. These establish an average maximum limit of 4.7% on the variable rate;
- the five French wind farm companies owned by ERG Eolienne France, with a balance outstanding at 31 December 2009 of EUR 44 million (EUR 48 million at 31 December 2008). This project financing ends in June 2019 and relates to five wind farms in France. The contract provides for a base credit line of EUR 56.7 million for total installed power of 55.2 MW. Final payment is due on 30 December 2019. The five French companies have nine interest rate swap contracts in place to hedge interest-rate risk;
- Eoliennes du Vent Solaire S.a.s., which has a balance outstanding of EUR 3 million. Project financing with a final due date of 31 December 2025 relating to the Plogastel Saint Germain wind farm. The contract provides for a base credit line of EUR 7.9 million for total installed capacity of 9.2MW.

The following table shows the breakdown and maturity of current mortgages and loans (including project financing):

	12/31/2009	12/31/2008
SECURED BY GROUP TANGIBLE ASSETS		
WITH MATURITIES UP TO DECEMBER 2025	324,101	324,871
UNSECURED		
WITH MATURITIES UP TO DECEMBER 2015	901,024	958,637
TOTAL	**1,225,125**	**1,283,508**

The breakdown by year of due dates for repayment of existing medium/long-term bank loans is as follows:

	MORTGAGES AND LOANS	PROJECT FINANCING
DUE BY 12/31/2010	447,890	79,783
DUE BY 12/31/2011	208,421	51,631
DUE BY 12/31/2012	119,512	69,991
DUE BY 12/31/2013	64,050	29,677
DUE BY 12/31/2014	47,450	32,493
DUE BEYOND 12/31/2014	13,701	60,526
TOTAL	**901,024**	**324,101**

The medium-long term financial payables mainly refer to interest-bearing loans granted to ISAB Energy S.r.l. by ISAB S.r.l. (EUR 11 million) and IPM Eagle (EUR 25 million) which, through its subsidiaries, owns 49% of the company. Repayment is subject to the conditions set out in the project financing agreement and includes, additionally, a fair value for put options for the purchase of minority shareholdings, described in the section "Changes in the scope of consolidation".

NOTE 19 - OTHER NON-CURRENT LIABILITIES

	12/31/2009	12/31/2008
CIP 6 TARIFF INCREASE	338,792	441,451
END-OF-CONTRACT BONUSES	9,548	9,281
OTHER MINOR NON-CURRENT LIABILITIES	18,941	20,779
TOTAL	**367,281**	**471,511**

"CIP 6 tariff increase" refers to the medium-long term portion of the incentive tariff for the sale of electricity by ISAB Energy S.r.l., already recognised and paid by GSE in the first eight years, which, in line with international accounting principles, has partly been deferred to subsequent years. ISAB Energy's sales revenues are based on a contract of sale to the GSE regulated by the tariff determined in Regulation 6/1992 of the Inter-ministerial Prices Committee (CIP 6), signed for 20 years and already authorised by the EU for 15 years. Regulation 6/1992 provides for recognition of an incremental tariff amount for the first eight years of operation (2000-2008). This incentive component represents an advance on the overall sales rate that can be obtained from the contract. The incentive is therefore recognised under revenues, in accordance with the IAS, in proportion to the quantities of energy sold and pro rata to sales expected over the entire contract.

"End-of-contract bonuses" represent the amount that will be payable to service station operators covered by free usage contracts.

NOTE 20 - PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

	12/31/2009	12/31/2008	CHANGES OTHERS	CHANGES INCREASES	CHANGES DECREASES
LOSSES ON EQUITY INVESTMENTS	393	220	–	173	–
PROVISION FOR LEGAL RISKS	11,751	9,688	–	3,132	(1,069)
PROVISION FOR SALES OF EQUITY INVESTMENTS	5,435	5,435	–	–	–
PROVISION FOR CLEAN-UP AND DISMANTLING	20,860	11,213	1,956	9,551	(1,860)
OTHER PROVISIONS FOR LIABILITIES AND CHARGES	13,711	12,270	150	5,497	(4,206)
TOTAL	**52,150**	**38,826**	**2,106**	**18,353**	**(7,135)**

The “Provision for legal risks” is related to potential liabilities from ongoing legal disputes.
The “Provision for sales of equity investments” relates to potential liabilities deriving from the equity investments sold by ERG Renew during 2006.
The “Provision for clean-up” mainly relates to the area earmarked for the construction of the new Turbogas facility at the Nord site, and to the sales outlets of the integrated downstream division.
“Other provisions for liabilities and charges” relate mainly to anticipated charges in commercial relations with managers, to demurrage charges accruing in the final part of the period and not yet claimed and provisions for commercial agreements being drawn up.

Other changes refer to changes in the scope of consolidation and to reclassifications between “current items” and “non-current items".

NOTE 21 - TRADE PAYABLES

	12/31/2009	12/31/2008
TRADE PAYABLES	614,357	630,550
PAYABLES DUE TO GROUP COMPANIES	57,414	28,306
TOTAL	**671,771**	**658,856**

These are payables deriving from commercial transactions and are payable within the next financial year.
Payables for crude oil purchases at year-end are covered by guarantees issued to suppliers by banks for about EUR 239 million. On the other hand, contractors for fixed asset investments have issued sureties to Group companies for around EUR 25 million, as a guarantee for the plants built.
Debts payable to Group companies mainly refer to ISAB S.r.l., a joint venture.

NOTE 22 - CURRENT FINANCIAL LIABILITIES

	12/31/2009	12/31/2008
SHORT-TERM BANK BORROWINGS	**1,095,172**	**539,844**
OTHER SHORT-TERM FINANCIAL PAYABLES:		
CURRENT PORTION OF MEDIUM/LONG-TERM BANK BORROWINGS	447,890	418,183
SHORT-TERM PROJECT FINANCING	79,783	50,429
OTHER FINANCIAL PAYABLES	92,970	23,823
	620,643	**492,435**
TOTAL	**1,715,815**	**1,032,279**

As of 31 December 2009, short-term borrowings amounted to 76% of total credit lines granted (43% as of 31 December 2008).
The average use of the short-term credit lines during the year was 53% of the amounts agreed (34% in 2008).
These credit lines are unsecured and are generally repayable on demand.
As of 31 December 2009, the weighted average interest rate on short-term borrowings was 1.18% (3.52% as of 31 December 2008).
As indicated in Note 25, the covenant on the Unicredit loan was not respected at 31 December 2009: therefore, pursuant to IAS 1, the medium- to long-term portion of the abovementioned loan of about EUR 50 million was also reclassified as current.
Other financial payables mainly comprise financial payables to unconsolidated Group companies (ISAB S.r.l.), liabilities arising from measurement of financial instruments at fair value (EUR 7 million) and short-term payables to subsidiary companies of IPM.
The increase in the item is mainly due to financing granted by the joint venture ISAB S.r.l.
Disclosure relating to the net financial position can be found in the statements on net financial debt included in the Report on Operations.

NOTE 23 - OTHER CURRENT LIABILITIES

	12/31/2009	12/31/2008
TAXES PAYABLES	26,341	149,619
EXCISE DUTIES PAYABLE TO TAX AUTHORITIES	78,574	70,970
COMPANY COUPONS	40,609	30,438
PAYABLES DUE TO EMPLOYEES	11,190	12,227
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	7,832	6,929
ADVANCE INSURANCE INDEMNITIES	45,040	---
OTHER MINOR CURRENT LIABILITIES	113,212	33,020
TOTAL	**322,798**	**303,203**

"Taxes payable" mainly refer to the estimate of income taxes owed for the period and the VAT payable.
We would mention that, generally speaking, under current regulations excise duties for the entire month are normally paid on the 16th day of the month following that of accrual, while only for the month of December are the excise duties for the first two weeks paid in advance at the end of the month in question.
The item "company coupons" refers to fuel coupons still in circulation which will be paid to the service station operators.

"Payables due to employees" refer to sums owing for the period but not yet paid and include holidays, unused time off in lieu, productivity bonuses, and bonuses linked to Group value creation.
"Payables due to social security institutions" comprise the contributions to be paid on December wages and salaries.
The item "Advance insurance indemnity" refers to the 2010 portion of the insurance indemnification for business interruption following the accident that occurred at ISAB Energy in 2008, already collected in 2009.
"Other minor current liabilities" mainly comprise payables for forward dealings on crude oil and products, advances received from customers and payables to directors. The increase in the item is due to the reclassification of the short-term portion of EUR 63,240 thousand of the item "CIP 6 tariff increase" mentioned in Note 19.

NOTE 24 - GUARANTEES, COMMITMENTS AND RISKS (EUR 183,862 THOUSAND)

Sureties given (EUR 131,533 thousand)

	12/31/2009	12/31/2008
IN FAVOUR OF THIRD PARTIES	131,533	132,613
TOTAL	**131,533**	**132,613**

Sureties given mainly concern the guarantees granted for payment of excise duties, use of Group VAT receivables and generally in favour of public entities.

Other guarantees given (EUR 11,777 thousand)
These mainly refer to letters of patronage issued in support of bank credit lines granted to affiliate company SIGEMI S.r.l. (EUR 10,400 thousand at 31 December 2008).

Group commitments

	12/31/2009	12/31/2008
ISAB ENERGY S.R.L. PROJECT FINANCING	3,978	28,309
OTHER MINOR COMMITMENTS	27,998	25,017
TOTAL	**31,976**	**53,326**

The commitment of EUR 3,978 thousand represents the surety issued through Banca Nazionale del Lavoro S.p.A. in favour of the consortium of Italian and foreign banks providing project financing for ISAB Energy, to cover the reserve for servicing debt. The decrease compared with 31 December 2008 is due to the reduction in debt servicing in the year, in line with the related repayment plan.
Other commitments mainly refer to those made for the purchase of aerogenerators, hardware, software and IT consulting services.

Risks (EUR 8,576 thousand)
The risks outstanding as of 31 December 2009 (EUR 8,232 thousand as of 31 December 2008) mainly refer to direct irrevocable remittances credited by banks for which confirmation of execution of payment by the main debtor had not yet been received by the banks at year-end.

NOTE 25 - COVENANTS AND NEGATIVE PLEDGES

ISAB Energy project financing

In April 1996 the company entered into a non-recourse project financing agreement totalling approximately EUR 974 million with a consortium of international banks.

The agreement, intended to finance the construction of the IGCC plant, requires:

- the creation of a mortgaged loan and of a special lien in favour of Intesa Sanpaolo as guarantee for the payment of amounts and fulfilment of all obligations resulting from the project financing agreement. The mortgage covers the land and entire IGCC plant. The lien covers the plant, machinery, capital assets, raw materials, work in progress, finished products, inventories and receivables resulting from the sale of such goods;
- the management on restricted (in favour of Intesa Sanpaolo) company bank accounts of:
  - all rights of a financial nature and sums received or to be received in relation to these rights, according or in relation to the project contracts;
  - all the insurance indemnities receivable or received in relation to the insurance coverage provided for in the Project Financing contract (with the exception of indemnities pertaining to employee accidents or to indemnification for third-party liability damages)
- the monitoring of incoming and outgoing cash flows relating to financial management by the financing banks.

The guarantees given also entail a 100% pledge of the company's share capital and other guarantees on the restricted bank accounts of ISAB Energy.

The duration of the obligations, after the re-financing operation that took place in September 2000, was extended from eight to fourteen years, and will expire on 15 December 2014.

In October 2007, the loan was restructured in order to:

- reduce the loan's rate of interest;
- reduce the insurance coverage obligations, with a consequent reduction in the amount of the insurance reserve account (balance maintained to guarantee lower insurance coverage than that provided for in the financing agreement);
- obtain authorisation for certain investments and related financing from the financial institutions;
- make management of the loan more flexible via both (a) a reduction of the number of banks in the pool and (b) the definition of new rules for the relationship with these banks;
- reduce the financial covenants.

Based on all the above, ISAB Energy's project financing arrangement is subject to the following financial covenants, which were complied with as of 31 December 2009:

- Debt Service Coverage Ratio (DSCR) no less than 1.1: the DSCR is calculated as the ratio between the project's operating cash flow (net of taxes) and debt repayment (principal and interest) as set out in the repayment plan in the 12 months preceding the reference date (calculation based on historic data) or in the following 12 months (calculation based on forecasts). It is calculated on 30 June and 31 December of each year. ISAB Energy cannot pay dividends to its shareholders nor repay subordinated debt without previous authorisation from the banks if it does not comply with this covenant with reference to the latest calculation available. We point out that the aforementioned covenant does not determine default;
- Loan Life Cover Ratio (LLCR) no less than 1.1: the LLCR is calculated on 30 June and 31 December of each year and is calculated as the ratio between the net present value – discounted at the weighted average cost of capital – of operating cash flows generated between the date of calculation and the debt's maturity year and the amount of debt existing as of the calculation date. Failure to comply with this covenant implies default on the loan.

The project provides for a negative pledge, safeguarding the creditor's rights, on the assets pledged by the debtor as guarantee for loan repayment. Consequently, ISAB Energy S.r.l. cannot issue further guarantees on its assets except in the case of guarantees issued pursuant to law or in connection with disputes over unpaid tax.

ERG Renew project financing

These are loans granted for the construction of wind farms:

- a loan taken up in 2005 by ERG Eolica San Vincenzo S.r.l. (formerly Eos 1 Troia S.r.l.). The loan provides for a base credit line amounting to EUR 36 million and matures on 31 December 2013. The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 9 million as of 31 December 2009), as well as a letter of patronage from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
  - Debt-Service Coverage Ratio: the DSCR is calculated on 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the current and preceding half-year, net of VAT flows destined for the repayment of the principal on the VAT credit line, and the overall amount of the loan repaid as provided for in the repayment plan for the principal on the base credit line and the sum of the interest, commissions and costs paid or payable in relation to the credit lines. If the DSCR is less than 1.30, ERG Eolica San Vincenzo S.r.l. cannot proceed with distribution of dividends to shareholders, nor can it repay subordinated loans without prior authorisation from the banks. If the value is less than 1.05, and the company does not effect any contractually agreed remedy, the banks may request the extinguishment of the financing agreement and the calling in of guarantees;
  - the Project provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Consequently, ERG Eolica San Vincenzo S.r.l. cannot issue further guarantees on its assets except in the case of guarantees issued pursuant to law.

- a loan taken up in 2005 by ERG Eolica San Cireo S.r.l. (formerly Eos 3 Troia S.r.l.). The financing provides for a base credit line amounting to EUR 34 million for installed capacity of 30 MW (which may be increased to EUR 43 million for another 10 MW), with a due date of 31 December 2014. The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 10 million as of 31 December 2009) as well as a letter of patronage from ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
  - Debt-Service Coverage Ratio: the DSCR is calculated on 30 June and 31 December of each year and is calculated as the ratio between the project's cash flow for the current and preceding half-year, net of VAT flows to be used for repayment of the principal on the VAT credit line, and the overall amount of the loan repaid as provided for in the repayment plan for the principal on the base credit line, the sum of the interest, commissions and costs paid or payable in relation to the credit lines, and the amounts paid or payable by the company to hedging banks or by hedging banks to the company pursuant to the hedging contracts. If the DSCR is less than 1.30, ERG Eolica San Cireo S.r.l. cannot proceed with distribution of dividends to shareholders, nor can it repay subordinated loans without prior authorisation from the banks. If the value is less than 1.05, and the company does not effect any contractually agreed remedy, the banks may request the extinguishment of the financing agreement and the calling in of guarantees;
  - the Project provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Consequently, EOS Eolica San Cireo S.r.l. cannot issue further guarantees on its assets except in the case of guarantees issued pursuant to law.

- a loan taken up in June 2007 by ERG Eolica Faeto S.r.l. (formerly Eos 4 Faeto S.r.l.). The financing provides for a base credit line amounting to EUR 38 million for installed capacity of 24 MW, with a due date of 30 June 2020. The guarantees issued entail the mortgage of real estate, a special lien on assets, a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 4 million as of 31 December 2009) as well as a letter of patronage from ERG Renew S.p.A.
  The loan is also subject to the following covenants and negative pledges:
  – Historical Debt-Service Coverage Ratio: the HDSCR is calculated as the ratio between the project's cash flow for the current and preceding half-year, net of VAT flows to be used for repayment of the principal on the VAT credit line, and the overall amount of the loan repaid as provided for in the repayment plan for the principal on the base credit line, the sum of the interest, commissions and costs paid or payable in relation to the credit lines, and the amounts paid or payable by the company to hedging banks or by hedging banks to the company pursuant to the hedging contracts. If the HDSCR is less than 1.10, ERG Eolica Faeto S.r.l. cannot proceed with distribution of dividends to shareholders, nor can it repay subordinated loans without prior authorisation from the banks. If the value is less than 1.05, and the company does not effect any contractually agreed remedy, the banks may request the extinguishment of the financing agreement and the calling in of guarantees;
  – the Project provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Consequently, EOS Eolica Faeto S.r.l. cannot issue further guarantees on its assets except in the case of guarantees issued pursuant to law.

- a loan taken up in August 2007 by Green Vicari S.r.l. The loan provides for a base credit line amounting to EUR 42 million together with a subsidised credit line amounting to EUR 11 million for installed power of 37.5 MW and a due date of 30 June 2019. The guarantees issued include a mortgage on real estate, a special lien on assets, a pledge on 100% of the company's share capital (EUR 15 million as of 31 December 2009) and on the company's receivables and bank accounts.
  The loan is also subject to the following covenants and negative pledges:
  – Average Debt-Service Coverage Ratio: the ADSCR is calculated on 30 June and 31 December of each year and is calculated as the ratio of the project's cash flow net of VAT flows for the two preceding half-years, and the total amount of the debt repayment as provided for in the repayment plan for the principal on the base credit line and the subsidised loan, the sum of the interest, commissions and costs paid or payable in relation to the credit lines, and the amounts paid or payable by the company to hedging banks or by hedging banks to the company pursuant to the hedging contracts. If the ADSCR is less than 1.10, Green Vicari S.r.l. cannot proceed with distribution of dividends to shareholders, nor can it repay subordinated loans without prior authorisation from the banks. If the value is less than 1.05, and the company does not effect any contractually agreed remedy, the banks may request the extinguishment of the financing agreement and the calling in of guarantees;
  – the Project provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Therefore, Green Vicari S.r.l. may not issue further guarantees on its assets.

- a loan for construction of the five wind farms located in France. The loan provides for a base credit line amounting to EUR 56.7 million for total installed power of 55.2 MW. Final payment is due on 30 December 2019.
  The guarantees issued entail the mortgage of real estate and a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 2 million as of 31 December 2009).

The loan is not subject to financial covenants concerning dividend distribution.
The contract also provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Consequently, the French companies cannot issue further guarantees on their assets.

- a loan taken up by Eoliennes du Vent Solaire S.a.s. for construction of a wind farm in France. The loan provides for a base credit line of EUR 7.9 million for total installed power of 9.2 MW. The first instalment is due on 31 March 2011 and the final due date is 31 December 2025. The guarantees issued entail the mortgage of real estate and a pledge on 100% of the company's share capital and on the company's restricted bank accounts (EUR 0 million as of 31 December 2009).
  The loan is also subject to the following covenants and negative pledges:
  – Historical Debt-Service Coverage Ratio: the HDSCR is calculated as the ratio between the project's cash flow for the current and preceding half-year, net of VAT flows to be used for repayment of the principal on the VAT credit line, and the overall amount of the loan repaid as provided for in the repayment plan for the principal on the base credit line, the sum of the interest, commissions and costs paid or payable in relation to the credit lines, and the amounts paid or payable by the company to hedging banks or by hedging banks to the company pursuant to the hedging contracts. If the HDSCR is less than 1.15, Eoliennes du Vent Solaire S.a.s. cannot proceed with distribution of dividends to shareholders, nor can it repay subordinated loans without prior authorisation from the banks. If the value is less than 1.10, and the company does not effect any contractually agreed remedy, the banks may request the extinguishment of the financing agreement and the calling in of guarantees;
  – the Project provides for a negative pledge safeguarding the creditor's rights over the assets pledged by the debtor as guarantee for loan repayment. Therefore, Eoliennes du Vent Solaire S.a.s. may not issue further guarantees on its assets.

Other covenants and negative pledges
The loan provided by Unicredit to ERG S.p.A. is subject, among other things, to a covenant concerning to the ratio between net financial indebtedness and gross operating margin (EBITDA), which, starting on 30 June 2007, must be less than or equal to 3.5.
In the case of breach of the aforesaid covenant, the bank shall have the right to withdraw from the contract, declare the acceleration clause as having come into effect on the borrowing, or declare the contract rescinded.
As of 31 December 2009, the company was in breach of the covenant. Thus, in accordance with IAS 1, the medium and long-term portion of the aforementioned loan was classified among current liabilities.
As of the date the financial statements were drafted, the formal documentation relating to a waiver of application of the aforesaid covenant as of 31 December 2009, as in previous years, was being obtained.

NOTE 26 - CONTINGENT LIABILITIES

ERG is a party in civil and administrative proceedings and legal actions connected with the normal course of its operations. However, on the basis of the information presently available and considering the liability provisions raised, ERG considers that these proceedings and actions will not determine significant negative effects on its consolidated financial statements.

Regarding the ongoing dispute between ERG Raffinerie Mediterranee and the Italian tax authorities over the application of harbour dues for embarkation and disembarkation at the Santa Panagia jetty, we can report that, as of 31 December 2009, the Constitutional Court has not yet handed down a decision on the relative exception of unconstitutionality. It may be recalled that, based on appropriate legal assessments, no provision was made for the years 2001-2006 inclusive, and that, from 2007, the taxes in question were paid with a reservation of repetition.

Regarding legal action taken by ISAB Energy, already mentioned in previous financial statements, the company is as of this date waiting for Council of State hearings for definition of the dispute over certain problems arising as a result of the CIP 6/92 system, including in particular the matter of full reimbursement of green certificates. Meanwhile, the Council of State recently ruled against ISAB Energy's application for recognition of cogeneration status as a "selected initiative", thus definitively establishing the applicability of the principles of cogeneration as set out in the contested Resolution 42/2002 of the AEEG. We also point out that the whole matter of the CIP 6/92 agreements is now unavoidably influenced by new measures, which should lead to the voluntary rescinding of these agreements.

INCOME STATEMENT ANALYSIS

Following the LUKOIL operation of 1 December 2008, comparison with 2008 values shows a sizeable reduction in operating revenues and costs. This reduction relates to lower production levels, based on the production capacity envisaged by the processing agreement, at the ISAB refinery compared to previously (until November 2008), when ERG fully owned and directly operated the plants.

NOTE 27 - REVENUES FROM ORDINARY OPERATIONS

	2009	2008
REVENUES FROM SALES	5,790,981	11,389,536
REVENUES FROM SERVICES	173,284	93,588
REVENUES FROM GREEN CERTIFICATES	18,347	15,188
TOTAL	**5,982,612**	**11,498,312**

Sales revenues consist principally of petroleum product sales and include the sale of electricity and the supply of water and steam to the National Grid (Gestore dei Servizi Elettrici – GSE) and other customers in the industrial district of Priolo.
The marked decrease is due to lower quantities processed at the coastal refinery, lower average sales prices and the lower production levels at ISAB Energy after the accident of October 2008.

The values indicated are net of excise duties totalling EUR 2,188,596 thousand recovered from customers (EUR 2,301,491 thousand as of 31 December 2008) and net of trade exchanges for EUR 277,652 thousand (EUR 787,786 thousand as of 31 December 2008).

The following table shows the breakdown of sales revenues:

	2009	2008
SALES TO GROUP COMPANIES	640,406	515,157
SALES TO THIRD PARTIES	5,150,575	10,874,379
TOTAL	**5,790,981**	**11,389,536**

Revenues for services relate mainly to charges for internal consumption of EUR 127,731 thousand to the affiliate companies Raffineria di Roma S.p.A. and Sarpom S.p.A. and to the joint venture ISAB S.r.l. The increase by comparison with 2008 is chiefly due to charges for internal consumption relating to Raffineria ISAB S.r.l.

Revenues from green certificates concern production during 2009 of the ERG Renew wind farms in operation. Valuation of the green certificates was prudently calculated at the provisional price of EUR 88/MWh determined on the basis of the expected realisable value.

NOTE 28 - OTHER REVENUES AND INCOME

	2009	2008
GRANTS RELATED TO ASSETS AND GRANTS RELATED TO INCOME	687	1,708
RENTS RECEIVABLE	6,673	5,056
INDEMNITIES	207,493	1,046
EXPENSE RECOVERIES	4,455	6,892
CAPITAL GAINS ON DISPOSALS	11,567	9,046
NON-RECURRING INCOME	2,238	1,950
INCOME FROM EMISSIONS TRADING	8,597	20,600
OTHER	12,913	19,181
TOTAL	**254,623**	**64,433**

The "Indemnities" item refers to EUR 205 million in insurance reimbursements received by ISAB Energy for damage caused by the accident of October 2008, including EUR 78 million covering indirect damages during the period and EUR 127 million covering direct damages. For further details please refer to the section "ISAB Energy reinsurance reimbursement".
"Capital gains on disposals" in 2009 mainly refers to the sale of service stations in Spain and Italy. In 2008, the item "Capital gains on disposals" refers principally to the transfer of the industrial services business unit for the Priolo site to the company Priolo Servizi. In 2008, income of about EUR 21 million was recognised for emissions trading, including about EUR 10 million paid to ISAB Energy as reimbursement for the costs incurred under National Allocations Plan PNA1 2005-2007, and the remainder for sales of rights under PNA2 2008-2012.

NOTE 29 - CHANGES IN PRODUCT INVENTORIES

Product inventory values were determined by application of the weighted average cost method. The decrease of about EUR 12 million is due to the decline in prices seen in the period and to lower quantities at the end of the period (-359 thousand tonnes).

NOTE 30 - CHANGES IN RAW MATERIALS INVENTORIES

Raw materials inventory values were determined by application of the weighted average cost method. The decrease of about EUR 35 million was due to lower warehouse quantities at the end of the period (-274 thousand tonnes less than at 31 December 2008) and to lower prices at the end of the period.

NOTE 31 - COST OF PURCHASES

The purchase costs of crude oil and products include ancillary expenses, transportation, insurance, commissions, inspections and customs charges. At 31 December 2009, the value amounted to EUR 4,985 million (EUR 9,917 million at December 2008); the decrease by comparison with 2008 (EUR 4,932 million) is mainly due to lower production levels and lower average raw materials prices. The figures are shown net of excise duties paid and trade exchanges and include the effect of forwards contracts on crude oil and products deriving from the difference between forward purchase prices and spot sale prices for crude oil and petroleum products relating to commercial transactions that did not involve the physical transfer of goods. It should be remembered that these transactions, carried out with leading international counterparties, are aimed at reducing the risk deriving from price fluctuations mainly due to:

- temporary increases in inventories above programmed levels;
- significant differences between the time of purchase of the raw material and that of its effective processing.

NOTE 32 - COSTS FOR SERVICES AND OTHER COSTS

	2009	2008
SERVICE COSTS	746,891	606,354
RENTS PAID	63,108	61,114
WRITE-DOWNS OF RECEIVABLES AND GREEN CERTIFICATES	5,623	7,531
PROVISIONS FOR LIABILITIES AND CHARGES	16,896	25,978
DUTIES AND TAXES	20,325	55,239
OTHER OPERATING EXPENSES	14,147	22,410
TOTAL	**866,990**	**778,626**

The breakdown of costs for services was as follows:

	2009	2008
PROCESSING COSTS	450,383	146,410
COMMERCIAL, DISTRIBUTION AND TRANSPORTATION COSTS	64,061	46,225
MAINTENANCE AND REPAIRS	34,886	84,152
UTILITIES AND SUPPLIES	5,257	86,694
INSURANCE	31,603	33,856
CONSULTANCY AND MEDIATION	38,763	63,403
ADVERTISING AND PROMOTIONS	24,015	20,802
OTHER SERVICES	97,923	124,812
TOTAL	**746,891**	**606,354**

"Processing costs" refers to crude processing carried out by the refineries of Sarpom S.p.A., Raffineria di Roma S.p.A. and ISAB S.r.l. The marked increase compared with 2008 is due to remuneration of processing at the ISAB refinery following the LUKOIL transaction, as already indicated in the introduction to the Income Statement analysis.

"Commercial, distribution and transportation costs" rose mainly as a result of the development of marketing activity on the free electricity market.

"Maintenance and repairs" mainly consists of the costs for routine maintenance of refining and electricity generation plants and service stations.

The decrease in maintenance, utilities and insurance is due to the sale of plants as a result of the LUKOIL transaction.

The decrease in the item "Consultancy and mediation" is mainly due to extraordinary projects and transactions during 2008 and, in particular, the costs incurred as part of the LUKOIL transaction.

The increase in the item "Advertising and promotions" is mainly related to the ERG*Mobile* promotion.

"Other services" include the fees of Directors and Statutory Auditors, costs relating to plant safety, bank charges, general expenses, staff travel and accommodation expenses, expenses for training and refresher courses, and other personnel costs.

"Rents paid" consist mainly of rents paid to service station dealers. It should be noted that there are no operational leasing contracts of significant amounts.

"Provisions for liabilities and charges" in 2009 mainly relate to provisions made for sales outlets in the integrated downstream segment. In 2008 they mainly related to emissions trading, further anticipated costs for remediation of the area selected for construction of the new Turbogas facility at the Nord site and commercial agreements being drawn up.

The item "Duties and taxes" mainly relates to local authority taxes on property, regional fuel taxes and state taxes. The item also includes harbour embarkation duties for the period

requested for the jetty used by the South plants of the ISAB refinery. These items, which are contested by ERG, were prudently appropriated in the income statement pending the outcome of the appeals filed.
The greater value in 2008 reflects the costs, net of envisaged recoveries, for the obligation of ISAB Energy to acquire green certificates for previous years.
The "Other operating expenses" item includes membership subscription fees, ordinary capital losses on the disposal of retired service stations and various other operating expenses.

NOTE 33 - PERSONNEL EXPENSES

	2009	2008
SALARIES AND WAGES	73,484	123,187
SOCIAL SECURITY EXPENSES	22,543	36,082
EMPLOYEES' SEVERANCE INDEMNITIES	5,375	9,236
OTHER COSTS	7,537	12,065
TOTAL	**108,939**	**180,570**

The reduction in personnel expenses is mainly due to the decrease in the workforce as a result of the LUKOIL operation in December 2008. The following table shows the breakdown of ERG personnel (average headcount during the period):

	2009	2008
EXECUTIVES	95	111
MANAGERS	282	378
WHITE-COLLAR EMPLOYEES	939	1,343
BLUE-COLLAR EMPLOYEES	286	788
TOTAL	**1,601**	**2,620**

At 31 December 2009, the total number of employees was 1,579 (1,580 at 31 December 2008).

NOTE 34 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

	2009	2008
AMORTISATION OF INTANGIBLE FIXED ASSETS	20,474	19,743
DEPRECIATION OF TANGIBLE FIXED ASSETS	115,420	180,302
WRITE-DOWNS	25,209	162,192
TOTAL	**161,103**	**362,237**

The decrease in amortisation is mainly due to the transferral of ISAB's refinery in Priolo to ISAB S.r.l. in December 2008.
Of the 2008 write-downs, EUR 103 million refers to the wind power division, including about EUR 95 million following the impairment test carried out on the gains allocated upon acquisition of ERG Renew (formerly Enertad), EUR 54 million refers to the thermoelectric power generation segment as regards the write-down of assets damaged in the accident on 13 October 2008 involving Powertrain 1 of ISAB Energy's IGCC plant, and about EUR 4 million refers to write-downs concerning the operations in Spain.

The 2009 write-downs include EUR 23 million for the renewable energy division, of which about EUR 14 million relates to the write-down of some goodwill and about EUR 9 million relates to the impairment test carried out on capital gains allocated during the acquisition of ERG Renew (formerly Enertad). For further details, please refer to the section "**Write-downs in the renewable energy segment**".

NOTE 35 - PROCEEDS FROM SALE OF BUSINESS UNIT

In 2008 the proceeds related to the capital gain of EUR 892 million realised upon the sale of 49% of the subsidiary ISAB, as part of the LUKOIL deal.

NOTE 36 - NET FINANCIAL INCOME (EXPENSES)

	2009	2008
INCOME		
FOREIGN EXCHANGE GAINS	85,075	273,032
INTEREST INCOME ON BANK ACCOUNTS	16,751	11,977
OTHER FINANCIAL INCOME	22,168	125,786
	123,994	**410,795**
CHARGES		
FOREIGN EXCHANGE LOSSES	(73,482)	(271,773)
INTEREST PAYABLE ON SHORT-TERM BANK BORROWINGS	(10,843)	(15,813)
INTEREST PAYABLE ON MEDIUM/LONG-TERM BANK BORROWINGS	(26,402)	(53,132)
INTEREST PAYABLE ON PROJECT FINANCING	(10,499)	(23,841)
FINANCIAL CHARGES RELATING TO PROJECT FINANCING	(1,153)	(1,333)
OTHER FINANCIAL EXPENSES	(19,512)	(47,766)
	(141,891)	**(413,658)**
TOTAL	**(17,897)**	**(2,863)**

"Foreign exchange gains/losses" refers both to the differences between the EUR/USD exchange rate used to record purchases/sales and related payments/receipts, and to the exchange rate risk hedging operations set up in respect of commercial transactions.
The item "Interest income on bank accounts" relates to the positive effect of the liquidity connected to the LUKOIL operation.
"Other financial income" refers mainly to positive results from derivatives and the effect of capitalising interest payable, pursuant to IAS 23. The item also includes interest income accruing on the receivable from LUKOIL until February 2009 (EUR 6 million). In 2008, the item included profits of EUR 103 million from the liquidation of the collar used to hedge a portion of the oil inventories at the ISAB S.r.l. refinery.

"Financial charges relating to Project Financing" include the commissions paid to the project's lending institutions.
"Other financial expenses" consist mainly of bank fees, premiums on exchange rate hedging contracts, the charges connected with the securitisation transaction and the costs relating to derivatives.
The decrease by comparison with 2008 is partly due to the lower cost of the securitisation operation and to the losses (EUR 17 million) recorded in 2008 relating to transactions on refining margins.

NOTE 37 - NET INCOME (EXPENSES) FROM EQUITY INVESTMENTS

The net income (expenses) from equity investments of EUR 35,723 thousand (EUR -323 thousand at 31 December 2008) mainly comprise the results of companies carried at equity. In particular, the item includes the results of ISAB S.r.l. (the 51% owned joint venture).

NOTE 38 - INCOME TAXES

	2009	2008
CURRENT INCOME TAX	25,570	209,119
TAXES FROM PREVIOUS YEARS	5,485	2,360
SUBSTITUTE TAXES	(2,544)	1,283
DEFERRED TAXES	12,791	(217,277)
TOTAL	**41,302**	**(4,515)**

The provision for income tax for the period was calculated on the basis of expected taxable income. This was negatively impacted by the 6.5% surcharge to be applied on the revenues of companies in the oil and energy sector.
It should be noted that in accordance with Decree Law no. 78 of 1 July 2009, the additional "Robin Tax" has increased from 5.5% to 6.5%, with a net positive impact deriving principally from the tax rate adjustment on pre-paid tax assets and deferred tax liabilities, amounting to around EUR 3 million.
The item also includes the positive effect of the estimated benefit of Decree Law 78 of 2009 ("Tremonti Ter") on eligible investments made in the second half of 2009, of around EUR 10 million.

"Taxes from previous years" mainly include provisions for ongoing disputes due to unfavourable developments in some of these.

"Deferred taxes" originate from the temporary differences deriving from adjustments made to consolidated companies' financial statements in application of the Group's uniform accounting policies and the temporary differences between the statutory and tax values of assets and liabilities.

It should be noted that in 2008 this item included a positive effect of EUR 4.2 million deriving from the tax rate adjustment on deferred tax assets and deferred tax liabilities, and from the release of the deferred income tax provision exceeding the 16% that must be paid on the difference at the end of the year between the LIFO valuation of the inventories applied for tax purposes, and the new taxable value required under Decree Law no. 112/08 [1] (Robin Tax).

Furthermore, deferred taxes of EUR 2.4 million (EUR 1.7 million in 2008) were charged directly to equity. These were calculated on the fair value of the derivative instruments recognised using the cash flow hedge technique.

(1) subsequently converted in Law no. 133 of 6 August 2008

RECONCILIATION BETWEEN REPORTED AND THEORETICAL TAX CHARGES

IRES (CORPORATION TAX)		
PROFIT BEFORE TAXES	86,090	
THEORETICAL IRES TAXATION AT 34%	**29,271**	
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES AND THE "TREMONTI TER"		(1,212)
IMPACT OF THE (1%) INCREASE IN ADDITIONAL ROBIN TAX ON DEFERRED TAX VALUES AT THE START OF THE YEAR		(4,570)
CURRENT, DEFERRED AND ADVANCE IRES		**23,489**
IRAP (REGIONAL TAX)		
EBIT	68,264	
LABOUR AND BAD DEBT COSTS	114,562	
TOTAL	**182,826**	
THEORETICAL IRAP AT 3.9%	**7,130**	
IRAP RATE INCREASED FOR SOME COMPANIES		1,814
IMPACT OF PERMANENT TAX ADJUSTMENTS AND CONSOLIDATION ADJUSTMENTS NOT RELEVANT TO THE CALCULATION OF TAXES		5,928
CURRENT, DEFERRED AND ADVANCE IRAP		**14,872**
TOTAL THEORETICAL TAXES	**36,401**	
TOTAL IRES AND IRAP IN FINANCIAL STATEMENTS		**38,361**
TAXES FROM PREVIOUS YEAR		**5,485**
SUBSTITUTE TAXES		**(2,544)**
TOTAL TAXES AS REPORTED IN FINANCIAL STATEMENTS	**41,302**	

Consolidation adjustments not relevant to the calculation of taxes mainly comprise the result of companies carried at equity.
The impact of the tax rate adjustment is determined by application of Decree Law 78 of 1 July 2009, which increased the additional Robin Tax from 5.5% to 6.5%.

NOTE 39 - NON-RECURRING ITEMS

(EUR THOUSAND)		2009		2008
OTHER REVENUES AND INCOME	A	137,170	a	17,273
COSTS FOR SERVICES AND OTHER COSTS	B	(15,403)	b	(71,392)
PERSONNEL EXPENSES		(360)		–
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	C	(23,687)	c	(161,166)
PROCEEDS FROM SALE OF BRANCH OF BUSINESS		–	d	892,442
FINANCIAL INCOME		–	e	101,230
NET INCOME (LOSS) FROM EQUITY INVESTMENTS		–	f	(5,000)
INCOME TAXES	D	(41,843)	g	(5,548)
MINORITY INTERESTS		(33,241)		22,854
NET PROFIT (LOSS) PERTAINING TO THE GROUP		**22,636**		**790,694**

In 2009:

A the item includes portion of the insurance indemnification (EUR 127 million) received in 2009, relating to coverage of direct damages (property damages) for the period following the accident of October 2008 at the ISAB Energy plant, and the capital gains (EUR 10 million) realised in the period from the sale of service stations in Spain;

B the item includes the provision of EUR 8 million for environmental charges on service stations in Italy, and charges incurred and anticipated for the sale and closure of service stations in Spain;

C the item includes write-downs in renewable energy, of which about EUR 14 million relates to goodwill and about EUR 9 million to the outcome of the impairment test on capital gains relating to the transaction to acquire ERG Renew (formerly Enertad);

D the item includes the tax effect of the aforementioned items.

The following are non-recurring items in 2008:

a. the capital gain of EUR 7 million realised vis-à-vis third parties for contribution of the business unit to investee company Priolo Servizi and the reimbursement of EUR 10 million paid to ISAB Energy for charges incurred within the scope of the PNA1 emissions trading plan;

b. this item includes:
- supplemental charges incurred as part of the LUKOIL transaction (EUR 23 million);
- removal and clean-up costs connected with the thermoelectric power plants and construction of the new Turbogas facility at the ERG Nuove Centrali Impianti Nord site (EUR 10 million);
- costs, net of envisaged recoveries, for ISAB Energy's obligation to acquire green certificates for previous years (EUR 16 million);
- costs for write-off of assets connected with wind power division projects whose recoverability is no longer deemed certain (EUR 8 million);
- costs incurred and expected in connection with the sale and closure of service stations in Spain and as regards the write-down of receivables and exit incentives (EUR 14 million);

c. this item includes the write-down of assets damaged by the accident on 13 October 2008 involving Powertrain 1 at ISAB Energy's IGCC plant (EUR 54 million), write-downs in the wind power division for EUR 103 million, including EUR 95 million following the impairment test on gains resulting from the acquisition of ERG Renew (formerly Enertad), and in connection with operations in Spain (EUR 4 million);

d. capital gain realised on sale of 49% of the investment in ISAB S.r.l. to LUKOIL;

e. the positive result of the collar hedging of a portion of the oil inventories transferred to ISAB S.r.l. under the LUKOIL deal;

f. the write-down of the equity investment in Ansaldo Fuel Cells S.p.A.;

g. in addition to the entries listed above, the item also includes the Group's share of the impact stemming from the adjustment of tax rates in consequence of Law 133/08 (Robin Tax) and in particular from recalculation of the deferred tax provision at the beginning of the year and release of the deferred tax provision in excess of the substitute tax of 16% that must be paid on the difference between the LIFO value and weighted average cost value of year-end inventories.

NOTE 40 - RELATED PARTIES

Statement of financial position

	NOTES	SUBSIDIARIES	ASSOCIATE COMPANIES AND JOINT VENTURES	OTHER RELATED PARTIES	TOTAL
OTHER NON-CURRENT FINANCIAL ASSETS	7	–	7,556	–	**7,556**
TRADE RECEIVABLES	9	949	129,532	–	**130,481**
OTHER CURRENT RECEIVABLES AND ASSETS	10	85	203	1,415	**1,703**
CURRENT FINANCIAL ASSETS	11	293	71	–	**364**
NON-CURRENT FINANCIAL LIABILITIES	18	–	(11,033)	–	**(11,033)**
TRADE PAYABLES	21	(66)	(57,348)	(975)	**(58,389)**
CURRENT FINANCIAL LIABILITIES	22	(50)	(78,974)	–	**(79,024)**
OTHER CURRENT LIABILITIES	39	(19)	(13,986)	–	**(14,005)**

Income Statement

	NOTES	SUBSIDIARIES	ASSOCIATE COMPANIES AND JOINT VENTURES	OTHER RELATED PARTIES	TOTAL
REVENUES FROM ORDINARY OPERATIONS	27	4,685	789,431	–	794,116
OTHER REVENUES AND INCOME	28	121	4,162	–	4,283
COST OF PURCHASES	31	–	(286,524)	–	(286,524)
COSTS FOR SERVICES AND OTHER COSTS	32	(7,538)	(473,268)	(3,171)	(483,977)
FINANCIAL INCOME	35	67	114	–	181
FINANCIAL EXPENSES	35	–	(758)	–	(758)

Transactions with subsidiary and associate companies not included in the scope of consolidation essentially concern the exchange of goods, the supply of services, and the provision and use of financing. All transactions form part of ordinary operations and are settled at market terms and conditions. In particular, processing agreements have been set up with the ISAB S.r.l. joint venture since December 2008, with associate companies Sarpom S.p.A. and Raffineria di Roma

S.p.A., and site service agreements with Priolo Servizi, in operation since 1 May 2008.
The Group sells petroleum products to subsidiary and associate companies operating in the retail and wholesale markets. It is also charged for service station leasing contracts by companies that form part of the retail division and for the transportation of products by companies within the logistics division.

In June 2009, ERG Raffinerie Mediterranee paid the 2008 IRES balance, amounting to about EUR 64 million, to San Quirico. As of 31 December 2009, a residual receivable (EUR 1,415 thousand) existed from San Quirico S.p.A. relating to an additional declaration on previous taxation periods.
Since its parent company San Quirico S.p.A. is not continuing with the domestic tax consolidation regime, ERG Raffinerie Mediterranee will take part in the regime with ERG S.p.A. in the three-year period 2009 - 2011.

Other relations with related parties as defined under IAS 24 are as follows:

- on 27 May 2009 the sponsorship contract with UC Sampdoria S.p.A. – a football club controlled by ERG's main shareholder – was renewed until 1 July 2011. The contract was subject to a detailed cost-benefit analysis carried out by the departments involved and a positive opinion was given by the Internal Control Committee, which said that it would be enough to determine the price with the expectation of a similar financial commitment as for the previous contract, and that an independent expert opinion would not be necessary. The related costs for 2009 amounted to EUR 3.1 million, including EUR 2.7 million connected to the sponsorship contract and EUR 0.4 million relating to other, smaller contracts;
- in May 2009, EUR 46 thousand was paid to the Edoardo Garrone Foundation, a not-for-profit institution in which ERG S.p.A. is a partner, for the sale of copyrights on the history of the ERG Group, under the terms of the contract of 28 April 2009. In December 2009, the sum of EUR 54 thousand was paid as a one-off contribution for 2009.

NOTE 41 - RECONCILIATION WITH ERG S.P.A. SHAREHOLDERS' EQUITY AND PROFIT

(EUR THOUSAND)	SHAREHOLDERS' EQUITY 12/31/2009	12/31/2008	PROFIT FOR THE PERIOD 2009	2008
ERG S.P.A. SHAREHOLDERS' EQUITY AND PROFIT FOR THE PERIOD	**869,109**	**302,476**	**698,258**	**266,581**
ELIMINATION OF THE EFFECTS OF TRANSACTIONS BETWEEN CONSOLIDATED COMPANIES:				
- ELIMINATION OF INFRAGROUP PROFITS ON INVENTORIES AND FIXED ASSETS	(9,685)	(1,283)	–	–
- ELIMINATION OF INFRAGROUP DIVIDENDS	–	–	(801,978)	(322,642)
	(9,685)	**(1,283)**	**(801,978)**	**(322,642)**
DEFERRED TAXES:				
- DEFERRED TAXES ON CONSOLIDATION ADJUSTMENTS	**14**	**(5,103)**	**17,032**	**5,103**
ELIMINATION OF THE CARRYING VALUE OF EQUITY INVESTMENTS:				
- DIFFERENCE BETWEEN THE CARRYING VALUE AND THE *PRO RATA* VALUE OF SHAREHOLDERS' EQUITY	983,219	1,620,128	–	–
- *PRO RATA* RESULTS OF SUBSIDIARY COMPANIES	–	–	131,476	699,985
- RECOGNITION OF ASSETS AND LIABILITIES FROM BUSINESS COMBINATIONS	85,870	97,902	–	–
	1,069,089	**1,718,030**	**131,476**	**699,985**
SHAREHOLDERS' EQUITY AND PROFIT FOR THE PERIOD	**1,928,527**	**2,024,327**	**44,788**	**649,027**
SHAREHOLDERS' EQUITY AND PROFIT FOR THE PERIOD PERTAINING TO MINORITY INTERESTS	**(146,064)**	**(107,999)**	**(37,830)**	**(2,994)**
ERG GROUP CONSOLIDATED SHAREHOLDERS' EQUITY AND PROFIT FOR THE PERIOD	**1,782,463**	**1,916,328**	**6,958**	**646,033**

NOTE 42 - EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

		2009	2008
GROUP SHARE OF NET PROFIT	EUR THOUSAND	6,958	646,033
AVERAGE NUMBER OF OUTSTANDING SHARES		148,220,000	148,308,882
EARNINGS PER SHARE	EUR	0.047	4.356
DILUTED EARNINGS PER SHARE	EUR	0.047	4.356

Diluted earnings per share are calculated by considering the nonsignificant dilution effect in relation to the average number of outstanding shares deriving from stock option plans. There are no dilution factors that impact the Group's share of net profit.

NOTE 43 – DIVIDENDS

The dividends paid by ERG S.p.A. in 2009 (EUR 133.4 million) and 2008 (EUR 59.3 million), as resolved upon approval of the financial statements for the previous year, amounted to EUR 0.90 and EUR 0.40 respectively for each of the shares with rights as of the dividend date.

The dividend paid out in 2009 included a one-off component of EUR 0.50 per share due to the positive result of the joint venture operation with LUKOIL.

On 4 March 2010, the Board of Directors of ERG S.p.A. proposed the payment to shareholders of a dividend of EUR 0.40 per share. The dividend will be paid as from 27 May 2010, subject to detachment of coupon as from 24 May 2010.

NOTE 44 - FINANCIAL INSTRUMENTS

12/31/2009	FVTPL (1)	L&R (2)	AFS (3)	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON-RECURRING*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	1,252	–	–	1,252	*1,252*	1,252
FINANCIAL RECEIVABLES	–	9,075	1,044		–	10,119	*1,807*	10,119
DERIVATIVE INSTRUMENTS	1,407	–	–	–	2,962	4,369	–	4,369
TRADE RECEIVABLES	–	630,037	–	–	–	630,037	–	630,037
FINANCIAL SECURITIES IN CURRENT ASSETS	–	4,523	–	–	–	4,523	–	4,523
OTHER RECEIVABLES	–	115,579	–	–	–	115,579	*10,371*	115,579
CASH AND CASH EQUIVALENTS	–	1,755,569	39,981	–	–	1,795,550	–	1,795,550
TOTAL ASSETS	**1,407**	**2,514,783**	**42,277**	**–**	**2,962**	**2,561,429**	***13,430***	**2,561,429**
MORTGAGES AND LOANS	–	–	–	901,024	–	901,024	*453,134*	895,631
NON-RECOURSE PROJECT FINANCING	–	–	–	324,101	–	324,101	*244,318*	330,044
SHORT-TERM BANK BORROWING	–	–	–	1,092,867	–	1,092,867	–	1,092,867
FINANCIAL PAYABLES	–	–	–	140,711	–	140,711	*54,503*	140,711
DERIVATIVE INSTRUMENTS	3,246	–	–	–	7,741	10,987	–	10,987
TRADE PAYABLES	–	–	–	671,771	–	671,771	–	671,771
OTHER PAYABLES	–	–	–	90,131	–	90,131	*12,360*	90,131
TOTAL LIABILITIES	**3,246**	**–**	**–**	**3,220,605**	**7,741**	**3,231,592**	***764,315***	**3,232,142**

(1) FVTPL: FAIR VALUE THROUGH PROFIT OR LOSS
(2) L&R: LOANS AND RECEIVABLES
(3) AFS: AVAILABLE FOR SALE FINANCIAL INVESTMENTS

12/31/2008	FVTPL (1)	L&R (2)	AFS (3)	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON-RECURRING*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	2,352	–	–	2,352	*2,352*	2,352
FINANCIAL RECEIVABLES	–	859,803	13,263	–	–	873,066	*8,911*	873,066
DERIVATIVE INSTRUMENTS	2,039	–	–	–	1,612	3,651	–	3,651
TRADE RECEIVABLES	–	603,936	–	–	–	603,936	–	603,936
OTHER RECEIVABLES	–	104,431	–	–	–	104,431	*12,377*	104,431
CASH AND CASH EQUIVALENTS	–	744,962	–	–	–	744,962	–	744,962
TOTAL ASSETS	**2,039**	**2,313,132**	**15,615**	**–**	**1,612**	**2,332,398**	***23,640***	**2,332,398**
MORTGAGES AND LOANS	–	–	–	958,637	–	958,637	*540,454*	895,841
NON-RECOURSE PROJECT FINANCING	–	–	–	324,871	–	324,871	*274,442*	384,390
SHORT-TERM BANK BORROWING	–	–	–	539,844	–	539,844	–	539,844
FINANCIAL PAYABLES	–	–	–	53,468	–	53,468	*38,169*	53,468
DERIVATIVE INSTRUMENTS	4,132	–	–	–	11,007	15,139	–	15,139
TRADE PAYABLES	–	–	–	658,856	–	658,856	–	658,856
OTHER PAYABLES	–	–	–	127,687	–	127,687	*11,977*	127,687
TOTAL LIABILITIES	**4,132**	**–**	**–**	**2,663,363**	**11,007**	**2,678,502**	***865,042***	**2,675,225**

(1) FVTPL: FAIR VALUE THROUGH PROFIT OR LOSS
(2) L&R: LOANS AND RECEIVABLES
(3) AFS: AVAILABLE FOR SALE FINANCIAL INVESTMENTS

The following table gives a breakdown of financial instruments measured at fair value, grouped in levels from 1 to 3, according to the fair value hierarchy:

- for level 1, fair value is determined using listed prices on active markets;
- for level 2 fair value is determined using valuation techniques based on variables that are directly (or indirectly) observable on the market;
- for level 3, fair value is determined using valuation techniques based on significant variables not observable on the market.

	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS			
- FVTPL	–	1,407	–
- AFS	39,981	–	–
- HEDGING INSTRUMENTS	–	2,962	–
TOTAL	**39,981**	**4,369**	**–**
FINANCIAL LIABILITIES			
- FVTPL	–	3,246	–
- HEDGING INSTRUMENTS	–	7,741	–
TOTAL	**–**	**10,987**	**–**

The Group has no financial instrument classifiable at Level 3.
The financial instruments classified in Level 1 are money market funds, whose value is listed daily.
Derivatives are classified at Level 2: in order to establish the market value of these derivatives, ERG uses various measurement and valuation models, as summarized in the following table:

TYPE	INSTRUMENT	PRICING MODEL	MARKET DATA USED	DATA PROVIDER	IFRS 7 HIERARCHY
INTEREST RATE DERIVATIVES	INTEREST RATE SWAP	DISCOUNTED CASH FLOW	- DEPOSIT RATES (EURIBOR) - SWAP RATES	- REUTERS	LEVEL 2
	INTEREST RATE OPTION (CAP, COLLAR)	BLACK & SCHOLES	- DEPOSIT RATES (EURIBOR) - SWAP RATES - IMPLIED VOLATILITY OF SHORT-TERM RATES	- REUTERS - ICAP (VIA REUTERS)	LEVEL 2
CURRENCY EXCHANGE	FX FORWARD	DISCOUNTED CASH FLOW	- ZERO COUPON CURVES OF REFERENCE CURRENCIES - ECB SPOT EXCHANGES	- REUTERS	LEVEL 2
	FX OPTION	- BLACK & SCHOLES - EDGEWORTH - MONTE CARLO	- ZERO COUPON CURVES OF REFERENCE CURRENCIES - ECB SPOT EXCHANGES - IMPLIED VOLATILITY OF FX RATES	- REUTERS	LEVEL 2
COMMODITY DERIVATIVES	COMMODITY SWAP - CRUDE OIL - OIL PRODUCTS - CRACK SPREAD - GAS FORMULAS	DISCOUNTED CASH FLOW	- OFFICIAL SPOT QUOTES OF REFERENCE COMMODITIES - FORWARD PRICES LISTED ON OTC MARKETS - FORWARD PRICES DERIVED (LINEAR REGRESSION) FROM OTC PRICES - ZERO COUPON CURVES ON EUR AND USD - ECB SPOT EXCHANGES	- PLATT'S (SARUS) - REUTERS	LEVEL 2
	CONTRACT FOR DIFFERENCE (CFD)	DISCOUNTED CASH FLOW	- SINGLE NATIONAL FORWARD PRICE LISTED ON OTC MARKETS - ZERO COUPON CURVE ON EUR	- TFS - REUTERS	LEVEL 2

NOTE 45 - DISCLOSURE ON FINANCIAL RISKS

The following are the main risks identified and actively managed by the ERG Group:

- credit risk: the possibility of default by a counterparty or the potential deterioration of the assigned creditworthiness;
- market risk: deriving from exposure to fluctuations in currency exchange rates, mainly between the Euro and US dollar and interest rates, as well as changes in the prices of products sold and raw material purchased (commodity price volatility risk);
- liquidity risk: the risk of available financial resources being insufficient to fulfil payment commitments.

The ERG Group attaches great importance to identifying and measuring risks and to the related controls, in order to ensure efficient management of the risks it runs. In line with this objective, an advanced risk management system has been adopted that guarantees identification, measurement and control at a centralised level for the entire Group of exposure to individual risks, in accordance with existing policies.

The risk management function ensures compliance with the assigned limits and, via its own analyses, provides appropriate support for strategic decisions both to individual subsidiaries and to the Risk Committee as well as to top management at the Parent Company.

CREDIT RISK

Exposure to credit risk, inherent in the possibility of default by a counterparty or in the deterioration of its creditworthiness, is managed by means of appropriate analyses and evaluations of individual counterparties, with each of these being assigned an internal credit rating (internal-ratings-based approach). The assignment of the rating category provides an estimate of the probability of default by a particular counterparty. A degree of reliability is indicated for each level, which is carefully monitored and must never be exceeded. The choice of counterparties for both the industrial and financial transactions underlies the group's high credit ratings.

The risk of concentration, in terms of both customers and segments, is also monitored continuously; however, "alert" situations have never occurred.

The following table provides information on the ERG Group's exposure to credit risk as of 31 December 2009, by a classification of assets according to the corresponding creditworthiness reflecting the internal ratings assigned.

(EUR THOUSAND)	2009	2008
AAA RATING	2,354	3,865
AA+ / AA- RATING	80,065	3,335
A+/A- RATING	133,512	158,738
BBB+ / BBB- RATING	39,909	46,415
BB+ / BB- RATING	29,231	1,168
B + / B - RATING	8,388	23,451
RECEIVABLES DUE FROM GROUP COMPANIES	121,926	102,984
NOT RATED	86,561	143,947
TOTAL	**501,946**	**483,904**

LIQUIDITY RISK

Liquidity risk is the risk that financial resources may be insufficient to cover all obligations falling due. The ERG Group currently ensures adequate coverage of its financial requirements with the generation of cash flows and the availability of credit lines provided by various counterparties.

The following table summarises the maturity profile of the Group's financial liabilities as of 31 December 2009, based on undiscounted contractual payments.

12/31/2009 (EUR THOUSAND)	PAYABLES BY MATURITY ON DEMAND	LESS THAN 3 MONTHS	FROM 3 TO 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS
MORTGAGES AND LOANS	–	242,455	166,352	528,974	14,174
NON-RECOURSE PROJECT FINANCING	–	546	88,628	214,416	76,123
SHORT-TERM BANK BORROWING	1,095,187	–	–	–	–
DERIVATIVE INSTRUMENTS	–	434	4,201	2,013	–
FINANCIAL PAYABLES	–	63,746	20,487	37,903	13,411
TRADE PAYABLES	–	669,625	1,731	243	172
TOTAL LIABILITIES	**1,095,187**	**976,806**	**281,399**	**783,549**	**103,880**

12/31/2008 (EUR THOUSAND)	PAYABLES BY MATURITY ON DEMAND	LESS THAN 3 MONTHS	FROM 3 TO 12 MONTHS	FROM 1 TO 5 YEARS	OVER 5 YEARS
MORTGAGES AND LOANS	–	3,514	442,932	530,647	52,316
NON-RECOURSE PROJECT FINANCING	–	1,620	61,178	226,354	93,474
SHORT-TERM BANK BORROWING	498,899	–	–	–	–
DERIVATIVE INSTRUMENTS	–	–	–	8,524	–
FINANCIAL PAYABLES	–	–	2,458	8,852	15,529
TRADE PAYABLES	–	646,468	6,703	4,350	133
TOTAL LIABILITIES	**498,899**	**651,602**	**513,271**	**778,727**	**161,452**

MARKET RISK

Market risk includes currency exchange rate risk, interest rate risk and commodities price risk. Management of these risks is regulated by the guidelines indicated in the group's Risk Management Policy and internal procedures of the operational finance department.
Furthermore, specific risk management policies and procedures, based on industry best practice, were developed for the thermoelectric-gas business in 2009 to continue to measure exposure to risk in terms of a risk capital value allocated by the parent company.

Currency exchange rate risk

The exchange rate risk arises from fluctuations in the exchange rates of the various foreign currencies with respect to the Euro that impact the economic results of the business. The net flows generated by the company in currencies other than Euro (the functional currency) constitute an exposure to currency exchange rate risk. In order to mitigate the volatility of these exposures, open positions are hedged on both the spot and forward markets.

The following table shows the impact on pre-tax profit, with all other variables kept constant, of the adjustment to the fair value of financial assets and liabilities resulting from a change of +/- 10% in the exchange rate towards the dollar.

(EUR MILLION)	2009	2008
SHOCK-UP (VARIATION IN EUR/DOLLAR EXCHANGE RATE **+10%**)	(14.0)	(3.7)
SHOCK-DOWN (VARIATION IN EUR/DOLLAR EXCHANGE RATE **–10%**)	17.0	4.6

Interest rate risk

Interest rate risk identifies the change in the future interest rate trend that could determine higher costs for the Group. Interest rate risk is hedged by using derivative contracts, such as interest rate swaps and interest rate options (plain vanilla).

The following table illustrates the impact on pre-tax profit (due to adjustments to the fair value of financial assets and liabilities), and on Group net equity (due to adjustments to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/- 1% change in interest rate, with all other variables kept constant.

Impact on income statement

(EUR MILLION)	2009	2008
SHOCK-UP (INTEREST RATE VARIATION **+1%**)	(4.1)	(6.5)
SHOCK-DOWN (INTEREST RATE VARIATION **-1%**)	4.4	6.6

Impact on shareholders' equity

(EUR MILLION)	2009	2008
SHOCK-UP (INTEREST RATE VARIATION **+1%**)	4.4	3.3
SHOCK-DOWN (INTEREST RATE VARIATION **–1%**)	(4.7)	(3.7)

Commodity Risk

Commodity price risk consists in unexpected changes in the prices of raw materials and of services, as well as of finished products and services provided for sale on the open market.

The current policy for oil commodities price risk management envisages the use of instruments and methods that can achieve the annual average annual prices reported in Platt's quotations for raw materials and finished products. The objective defined in the Risk Management Policy is to target the annual average refining margin according to the existing industrial organisation.

In order to realise the annual average refining margin, the Group uses derivative instruments such as commodities swaps and commodities options with underlying crude oil and petroleum products.

The following table considers the derivative financial instruments tied to different categories of commodities, oil and energy, and shows in case of reasonable changes in prices – with all other variables kept constant – the impact on variations in-pre-tax profit (due to adjustments to the fair value of financial assets and liabilities) and Group shareholders' equity (due to adjustments to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/- 25% change in the price of commodities.

Impact on income statement

(EUR MILLION)	2009	2008
SHOCK-UP (VARIATION IN COMMODITIES PRICE **+25%**)	4.0	(8.6)
SHOCK-DOWN (VARIATION IN COMMODITIES PRICE **–25%**)	(4.0)	8.6

Impact on shareholders' equity

(EUR MILLION)	2009	2008
SHOCK-UP (VARIATION IN COMMODITIES PRICE **+25%**)	(0.9)	(2.6)
SHOCK-DOWN (VARIATION IN COMMODITIES PRICE **–25%**)	0.9	2.6

Stock price risk

The stock price risk in 2009 is represented by short-term investments of liquidity in mutual funds and SICAVs.

As of 31 December 2009 the existing risk and related shocks were not significant.

DERIVATIVE INSTRUMENTS USED

The main types of derivative instruments used to manage financial risks, with the sole purpose of hedging, are the following:

Options: a contract whereby one of the parties, on payment of a sum to the counterparty (premium), acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments at an established price (exercise or strike price).

Forward or futures contracts: a contract for the purchase or sale between two parties of a certain good (the underlyingfinancial instrument) at a future date and at a price fixed at the time the contract is agreed.

Swap: a contract which establishes an exchange of payment flows between two parties on certain dates. The payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying financial instrument.

The underlying financial instrument can be of various types and significantly influences the characteristics of the contract which, in practice, can take on different forms.

The derivative instruments perfected by ERG and aiming to mitigate exposure to financial risks existing as of 31 December 2009 were as follows:

Interest rate derivatives

- Interest rate options that fix upper (cap) and lower (floor) limits to be applied to fluctuations in interest rates on variable rate loans;
- interest rate swaps entered into to confine fixed and variable rate loans to the most appropriate risk profile. Interest rate swaps provide for the exchange between the counterparties of interest flows calculated with reference to pre-agreed fixed rates or variable rates and to pre-defined face value and timing;

Currency exchange rate derivatives

- Foreign currency exchange forwards are used to manage currency exchange rate risk on anticipated foreign currency availability or requirements in the reference period. The purpose of these contracts is the purchase or sale of a currency with delivery at a specified future date, at a fixed price. In these contracts, the party committing to purchase the currency assumes a "long" position, while the party committing to sell the currency assumes a "short" position;
- foreign currency exchange options are used to manage currency exchange rate risk. These are contracts which, after payment of a premium, confer the right to buy or sell a specified amount of a foreign currency at a fixed rate (strike price) on a fixed date.

Commodity derivatives

- Swap instruments are used to manage commodity price fluctuations risks on purchases and sales expected in the reference periods. This refers to contracts signed with international specialised companies operating in the commodities sector and with major national and international banks. The swaps are private agreements between two companies for the exchange, on set dates, of future payment flows linked to the prices of specific commodities. In particular, swaps are used for crude oil (Brent dated), oil products (including gasoil, gasoline, fuel oil 3.5%, fuel oil 1%, jet fuel and the like), crack spreads and gas formulas;
- CfDs (Contracts for Differences) instruments are used to hedge the risk of electricity price fluctuations; via this instrument it is possible to buy or sell block quantities of electricity by paying on maturity the difference between the price agreed to in the contract and the market price reported in the reference period.

SUMMARY OF DERIVATIVE INSTRUMENTS USED

The derivative instruments arranged by ERG are designed to hedge its exposure to commodities price, currency exchange rate, and interest rate risks. As of 31 December 2009, they consisted of the following:

	TYPE	RISK HEDGED	FACE VALUE		FAIR VALUE 12/31/2009
					EUR THOUSAND
	CASH FLOW HEDGING INSTRUMENTS				
A	INTEREST RATE SWAPS AND INTEREST RATE CAPS	FINANCIAL INTEREST RATE RISK	EUR THOUSAND	108,723	(3,319)
B	CRUDE OIL PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	BARRELS	470,000	534
C	PRODUCT PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	TONNES	149,500	(3,366)
D	GAS PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	MILLIONS OF CUBIC METRES	262	1,789
E	CURRENCY EXCHANGE RATE DERIVATIVES	CURRENCY EXCHANGE RATE TRANSACTION RISK	USD THOUSAND	8,293	113
	TOTAL CASH FLOW HEDGING INSTRUMENTS				**(4,249)**
	FAIR VALUE HEDGING INSTRUMENTS				
F	CRUDE OIL PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	BARRELS	354,000	(803)
	TOTAL FAIR VALUE HEDGING INSTRUMENTS				**(803)**
	NON-HEDGE ACCOUNTING INSTRUMENTS				
G	PRODUCT PRICE RISK SWAPS	COMMODITY TRANSACTION RISK	TONNES	30,000	315
H	FORWARDS ON SHORT-TERM EXCHANGE RATES	CURRENCY EXCHANGE RATE TRANSACTION RISK	USD THOUSAND	332,800	1,091
I	INTEREST RATE COLLARS AND INTEREST RATE SWAPS	FINANCIAL INTEREST RATE RISK	EUR THOUSAND	136,418	(3,247)
	TOTAL NON-HEDGE ACCOUNTING INSTRUMENTS				**(1,841)**
	ERG GROUP TOTAL DERIVATIVES				**(6,893)**

CASH FLOW HEDGING INSTRUMENTS

A Interest rate swaps and interest rate caps

Transactions hedging the economic interest rate risk arising from the risk of fluctuations in interest rates paid on loans.

The loans comprise financing obtained by ERG Renew S.p.A. – a line of credit amounting to EUR 16 million, with final due date in 2012 – and project financing in the wind segment, as described in Note 18.

As of 31 December 2009 there was a total negative fair value of EUR 3.3 million recorded in the cash flow hedge reserve.

On 30 June 2009 two IRS financial derivatives expired that had been entered into with BNP Paribas. As of 31 December 2008 their fair value totalled EUR 515 thousand.

B Crude oil price risk swaps

These swaps are used to hedge the risk of future (January 2010) price fluctuations in raw materials. They are contracts whereby the parties undertake to pay or receive, at an agreed maturity date, the difference between the spot price and forward price for the quantity of crude oil in question (underlying asset). Settlement between the parties only concerns the price differentials and does not entail any exchange of goods, whilst the existence of the underlying asset is guaranteed.

Fair value as of 31 December 2009 was positive in the amount of EUR 0.5 million.

C Product price risk swaps

These swaps hedge the risk of price fluctuations on future product sales (from January to July 2010). They are contracts whereby the parties undertake to pay or receive, at an agreed maturity date, the difference between the spot price and forward price for the quantity of products in question (underlying asset). Settlement between the parties only concerns the price differentials and does not entail any exchange of goods, whilst the existence of the underlying asset is guaranteed.

As of 31 December 2009 there was a total negative fair value in the amount of about EUR 3.4 million recorded in the cash flow hedge reserve.

D Gas price risk swaps

Swaps are used to hedge the risk of price fluctuations in gas formulas for provision and supply agreements. In these contracts, the parties undertake to pay or collect at an agreed future date the difference between the established price and the price observed during the period multiplied by the quantities indicated in the contract.

As of 31 December 2009 there was a total positive fair value in the amount of EUR 1.8 million.

E Currency exchange rate derivatives

As of 31 December 2009, options existed to hedge the risk of fluctuations in the exchange relationship between the denomination currency (USD) and the reporting currency (EUR) for part of the expected sales denominated in foreign currency.

As of 31 December 2009 there was a total positive fair value amounting to a not significant amount.

The following shows changes in the cash flow hedge reserve (Group share).

	12/31/2009	12/31/2008
OPENING BALANCE	**(3,767)**	**2,710**
CHANGE IN FAIR VALUE	(4,488)	(3,348)
REVERSAL INTO THE INCOME STATEMENT	3,953	(3,129)
CLOSING BALANCE	**(4,303)**	**(3,767)**

FAIR VALUE HEDGING INSTRUMENTS

F Crude oil price risk swaps

Swap operations to hedge the risk of fluctuations in the prices of raw materials already acquired at 31 December 2009. They are contracts whereby the parties undertake to pay or receive, at an agreed maturity date, the difference between the spot price and forward price for the quantity of crude oil in question (underlying asset). Settlement between the parties only concerns the price differentials and does not entail any exchange of goods, whilst the existence of the underlying asset is guaranteed.

As of 31 December 2009 there was a total negative fair value in the amount of EUR 0.8 million. The carrying value of the raw materials covered by this hedging instrument was adjusted to reflect, in the income statement, the changes in fair value associated with the hedged risk.

NON-HEDGE ACCOUNTING INSTRUMENTS

G Product price risk swaps

These swaps hedge the risk of price fluctuations on product sales for which it was not possible to comply with all the formal requirements to establish a hedging relationship. They are contracts whereby the parties undertake to pay or receive, at an agreed maturity date, the difference between the spot price and forward price for the quantity of products in question (underlying asset). Settlement between the parties only concerns the price differential and does not entail any exchange of goods.

As of 31 December 2009 there was a total positive fair value in the amount of EUR 0.3 million.

H Forwards on short-term currency exchange rates

These are transactions to hedge the currency exchange rate risk of cash flows generated by expected purchases of raw materials and sales of finished products for the month of January 2010.

As of 31 December 2009 there was a total positive fair value in the amount of about EUR 1.1 million recognised in the income statement.

I Interest rate collars and interest rate swaps

Interest rate swaps and interest rate collars relate to interest on loans in existence as of 31 December 2009.

A collar places upper and lower limits on the variable rate of interest on the related loan. These collars, which expire on 15 December 2010, establish different interest rate ranges for periods of time specified in the contract.

As of 31 December 2009 there was a total negative fair value in the amount of about EUR 3.2 million recognised in the income statement.

NOTE 46 - SEGMENT INFORMATION

Segment information is presented in accordance with IFRS 8 – Operating Segments. The information is broken down by business division.

In order to make trends in the individual businesses easier to understand, the financial results are shown at adjusted replacement cost, thus excluding profit (loss) on inventories and uncharacteristic items, and including the contribution, for the portion of the ERG shareholding (51%), the results of ISAB S.r.l.

The results at present adjusted replacement cost is not defined under IAS/IFRS. Management believes that these indicators are important parameters for measuring the financial performance of the ERG Group, generally used in the financial communications of operators in the oil sector.

Information by business division

(EUR MILLION)	COASTAL REFINING	INTEGRATED DOWNSTREAM	THERMOELECTRIC POWER	RENEWABLE ENERGY	OTHER	RECONCILED ITEMS	IAS REPORTED
12/31/2009							
NET REVENUES FROM ORDINARY OPERATIONS	3,525.0	2,950.1	997.9	50.5	22.7	(711.9)	6,834.2
LESS: INTERDIVISIONAL REVENUES	(967.9)	(148.8)	(297.4)	(0.2)	(20.6)	583.3	(851.6)
REVENUES FROM THIRD PARTIES	**2,557.1**	**2,801.4**	**700.4**	**50.2**	**2.1**	**(128.6)**	**5,982.6**
EBITDA AT ADJUSTED REPLACEMENT COST	**(43.4)**	**88.3**	**55.4**	**23.1**	**(31.7)**	**137.7**	**229.4**
DEPRECIATION, AMORTISATION AND WRITE-DOWNS	(46.4)	(51.8)	(54.0)	(27.1)	(4.0)	(73.2)	(161.1)
EBIT AT ADJUSTED REPLACEMENT COST	**(89.9)**	**36.4**	**1.4**	**(4.0)**	**(35.6)**	**64.5**	**68.3**
INVESTMENTS IN FIXED ASSETS (1)	**61.6**	**54.2**	**199.8**	**88.8**	**2.4**	**(59.6)**	**347.2**

(1) THESE CONCERN INTANGIBLE FIXED ASSETS, GOODWILL, AND PROPERTY, PLANT AND MACHINERY

(EUR MILLION)	COASTAL REFINING	INTEGRATED DOWNSTREAM	THERMOELECTRIC POWER	RENEWABLE ENERGY	OTHER	RECONCILED ITEMS	IAS REPORTED
12/31/2008							
NET REVENUES FROM ORDINARY OPERATIONS	7,635.7	4,625.1	1,191.1	45.2	26.1	(49.2)	13,474.0
LESS: INTERDIVISIONAL REVENUES	(1,433.0)	(128.4)	(423.1)	(1.5)	(25.5)	35.8	(1,975.7)
REVENUES FROM THIRD PARTIES	**6,202.7**	**4,496.7**	**768.1**	**43.6**	**0.6**	**(13.4)**	**11,498.3**
EBITDA AT ADJUSTED REPLACEMENT COST	**230.4**	**144.7**	**181.1**	**16.7**	**(32.6)**	**(422.8)**	**117.5**
DEPRECIATION, AMORTISATION AND WRITE-DOWNS	(69.9)	(51.6)	(59.9)	(20.4)	(2.6)	(157.9)	(362.2)
EBIT AT ADJUSTED REPLACEMENT COST	**160.6**	**93.2**	**121.2**	**(3.7)**	**(35.3)**	**(580.7)**	**(244.7)**
INVESTMENTS IN FIXED ASSETS (1)	**70.5**	**86.5**	**140.8**	**52.2**	**4.6**	**(3.9)**	**350.5**

(1) THESE CONCERN INTANGIBLE FIXED ASSETS, GOODWILL, AND PROPERTY, PLANT AND MACHINERY

The amounts shown in the "Other" column refer to corporate activities and mainly relate to structural costs not attributable to operational businesses.

For further details and the reconciled items above, please refer to the "Alternative performance indicators" section in the Report on Operations.

	COASTAL REFINING	INTEGRATED DOWNSTREAM	THERMOELECTRIC POWER	RENEWABLE ENERGY	CORPORATE	ELIMINATIONS/ ADJUSTMENTS	TOTAL
FY 2009							
FIXED ASSETS[(1)]	10.5	450.1	1,033.5	473.6	15.6	–	1,983.2
OTHER SEGMENT ASSETS	759.9	705.4	500.1	49.0	536.6	(682.5)	1,868.5
GROUP ASSETS NOT ALLOCATED [(2)]	–	–	–	–	–	–	2,135.4
TOTAL ASSETS	**770.4**	**1,155.5**	**1,533.6**	**522.7**	**552.2**	**(682.5)**	**5,987.2**
SEGMENT LIABILITIES	204.4	386.5	816.5	69.6	81.4	(232.3)	1,326.2
GROUP ASSETS NOT ALLOCATED [(3)]	–	–	–	–	–	–	2,732.5
TOTAL LIABILITIES	**204.4**	**386.5**	**816.5**	**69.6**	**81.4**	**(232.3)**	**4,058.7**

(1) COMPRISING INTANGIBLE ASSETS, GOODWILL, PROPERTY, PLANT AND MACHINERY, AND ASSETS HELD FOR SALE
(2) RELATING TO DEFERRED TAX ASSETS, RECEIVABLES DUE FROM STATE TREASURY AND CASH AND CASH EQUIVALENTS
(3) RELATING TO TAX LIABILITIES AND FINANCIAL PAYABLES

	COASTAL REFINING	INTEGRATED DOWNSTREAM	THERMOELECTRIC POWER	RENEWABLE ENERGY	CORPORATE	ELIMINATIONS/ ADJUSTMENTS	TOTAL
FY 2008							
FIXED ASSETS [(1)]	9.0	437.8	886.2	434.1	13.6	–	1,780.7
OTHER SEGMENT ASSETS	893.2	576.3	473.3	63.2	565.7	(706.2)	1,865.4
GROUP ASSETS NOT ALLOCATED [(2)]	–	–	–	–	–	–	1,899.3
TOTAL ASSETS	**902.2**	**1,014.1**	**1,359.5**	**497.2**	**579.3**	**(706.2)**	**5,545.5**
SEGMENT LIABILITIES	320.5	423.5	753.8	33.1	49.0	(250.2)	1,329.9
GROUP ASSETS NOT ALLOCATED [(3)]	–	–	–	–	–	–	2,191.3
TOTAL LIABILITIES	**320.5**	**423.5**	**753.8**	**33.1**	**49.0**	**(250.2)**	**3,521.1**

(1) COMPRISING INTANGIBLE ASSETS, GOODWILL, PROPERTY, PLANT AND MACHINERY, AND ASSETS HELD FOR SALE
(2) RELATING TO DEFERRED TAX ASSETS, RECEIVABLES DUE FROM STATE TREASURY AND CASH AND CASH EQUIVALENTS
(3) RELATING TO TAX LIABILITIES AND FINANCIAL PAYABLES

For a detailed analysis of the performance of individual business divisions, please refer to the Report on Operations.

NOTE 47 - FEES PAID TO DIRECTORS, STATUTORY AUDITORS AND STRATEGICALLY ACCOUNTABLE MANAGERS

The amounts of fees paid to the Parent Company's directors, statutory auditors and strategically accountable managers for their performance of such functions also at other companies included in consolidation were as follows:

	2009
DIRECTORS	5,440
STATUTORY AUDITORS	262
SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES	2,958
TOTAL	**8,659**

NOTE 48 - INDEPENDENT AUDITING FEES

In accordance with Article 149-duodecies of the Issuers' Regulations, we set out below the costs for 2009 relating to services rendered by the auditing firm Deloitte & Touche S.p.A., the ERG group's main external auditor, and by the companies belonging to its network.

On 24 April 2009, the Shareholders' Meeting of ERG S.p.A. appointed the firm Deloitte & Touche S.p.A. as the new external auditor for the ERG group for the financial years 2009-2017.

	2009
AUDITING SERVICES	862
SERVICES OTHER THAN AUDITING	147
TOTAL	**1,009**

"Auditing services" include full auditing of the annual consolidated financial statements and limited auditing of the mid-year interim report.

"Services other than auditing" mainly refer to agreed verification procedures voluntarily requested on quarterly data and new companies consolidated on a line-by-line basis.

NOTE 49 - EXCHANGE RATES

The exchange rates at 31 December 2009 used for the translation of financial statements expressed in foreign currencies are shown below:

	2009
EURO/SWISS FRANC	1.48

NOTE 50 - OTHER INFORMATION

Information on significant events occurring after the end of the period is provided in the relevant sections of the Report on Operations.

NOTE 51 - PUBLICATION DATE OF CONSOLIDATED FINANCIAL STATEMENTS

On 4 March 2010 ERG S.p.A.'s Board of Directors authorised the publication of the financial statements, reserving the right to make additions and formal changes by the date of filing pursuant to Art. 2429 of the Italian Civil Code.

Genoa, 4 March 2010

On behalf of the Board of Directors
The Chairman
Edoardo Garrone

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Alessandro Garrone, Chief Executive Officer of ERG S.p.A., and Giorgio Coraggioso, manager responsible for preparing the corporate accounting documents of ERG S.p.A., taking account of the provisions set out in Article 154-bis, subsections 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for preparation of the consolidated financial statements during the financial year 2009.

2. Evaluation of the adequacy of the administrative and accounting procedures used to prepare the consolidated financial statements as of 31 December 2009 is based on a process established by ERG S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a benchmark framework generally accepted at international level.

3. It is furthermore certified that:

3.1 the consolidated financial statements:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;

b) correspond to the accounting records;

c) are suitable to provide a true and fair view of the financial position and results of the issuer and of the group of companies included in consolidation;

3.2 the Management Report contains a reliable analysis of the operating performance and results, as well as the situation of the issuer and the group of companies included in consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Genoa, 4 March 2010

Chief Executive Officer

Manager responsible for preparing the financial reports

BOARD OF STATUTORY AUDITORS' REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

Directors provided us with the consolidated financial statements of ERG S.p.A. for FY 2009 within the legal term, together with the Management Report, and it would appear to be drafted in application of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and homologated by the European Commission.
Pursuant to Legislative Decree 58/98, the Unified Financial Code regulating the financial markets, and by article 41, point 3 of Legislative Decree 127 of 9 April 1991, no. 127, the Independent Auditor was responsible for checking conformity of the consolidated financial statements with the legal provisions and correspondence to the results of the accounting entries and consolidation policies.
We performed our oversight duties in compliance with the applicable principles of conduct recommended by Italian National Councils of Professional and Certified Public Accountants, and our duties centred on:

- verifying the existence and adequacy within the ERG S.p.A. organizational structure of an office responsible for relationships with subsidiary and associated companies;
- examination of the composition of the Group and the investment relationships, in order to evaluate the area of consolidation;
- obtaining information on the activities performed by the subsidiaries and on the most significant transactions affecting the income statement, balance sheet, and cash flow in Group relationships, using information provided by the directors of ERG S.p.A., the Independent Auditor and the Statutory Auditors of the subsidiaries;
- verifying the adequacy of the instructions given by the Company to the subsidiaries, in reference to the data input necessary for drawing up the financial statements and in accordance with article 114, section 2 of Legislative Decree 58/98.

Pursuant to our oversight of the consolidated financial statements, we can state that:

- the area of consolidation and the consolidation policies comply with the instructions imparted by the IFRS;
- the legal provisions relating to the preparation, the structure of the financial statements and the Management Report were observed;
- we supervised the adequacy of the instructions given by the competent ERG S.p.A. office to obtain the data necessary for consolidation, reviewing the information provided by the subsidiaries subject to the legal control of their respective Boards of Statutory Auditors;
- the financial statements respond to the events and information which the Board of Statutory Auditors has come to know in carrying out its oversight duties and its control and inspection powers;
- we agreed with the reasons indicated in the consolidated Explanatory Notes, for which, in compliance with the instructions given by IAS 39 and based on a specific review by independent experts, the put option recognised by LUKOIL in relation to the 51% stake in ISAB Srl was not assessed at the fair value;
- the Explanatory Notes to the consolidated financial statements provide the information required by the IAS in relation to impairment of assets. The recent Banca d'Italia/CONSOB/Isvap Document no. 4 dated March 3rd 2010 called attention to this application. The Board of Statutory Auditors acknowledges to have examined the document drafted and illustrated to the Internal Control Committee by an independent expert, reporting the analyses made and the results obtained in the impairment tests of the investment in ERG Renew S.p.A. (formerly Enertad S.p.A.), included in the ERG S.p.A. financial statements at December 31st 2009. The assessments were made on the presumption of a going concern and in the

understanding that the assumptions indicated in the Plan drafted by the management of ERG Renew S.p.A. The Board of Statutory Auditors considers the assessment assumptions reasonable, and approves the results;

- the Group Management Report is consistent with the data and results of the consolidated financial statements and provides ample disclosure on the economic and financial performance of the Group and the risks the Group is exposed to;
- the Managing Director and the Financial Reporting Officer have issued their certification, in accordance with article 81-ter of the CONSOB Regulation no. 11971/1999 et sequitur and article 154-bis, section 3 and 4 of the Unified Financial Code (Legislative Decree 58/1998).

The Independent Auditor issued its report on March 16th 2010 in accordance with article 156 of the Unified Financial Code, which stated that the consolidated financial statements at December 31st 2009 were drafted with clarity and represent a true and correct view of the income statement and balance sheet, cash flow and financial situation of the ERG Group for the year ended at that date.

Genoa, March 19th 2010

The Board of Statutory Auditors
Mario Pacciani (Chairman)
Paolo Fasce (Standing Auditor)
Andrea Manzitti (Standing Auditor)

AUDITORS' REPORT

Deloitte.

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AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the Shareholders of
ERG S.p.A.

1. We have audited the consolidated financial statements of ERG S.p.A. and its subsidiaries (the "ERG Group") as of and for the year ended December 31, 2009, which comprise the statement of financial position, the income statement, the statement of other components of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes to financial statements. These consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to the auditors' report issued by other auditors on March 20, 2009.

3. In our opinion, the consolidated financial statements of the ERG Group as of December 31, 2009 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of the ERG Group, and of the results of its operations and its cash flows for the year then ended.

4. The Directors of ERG S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance are consistent with the consolidated financial statements of the ERG Group as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Corrado Toscano
Partner

Genoa, Italy
March 16, 2010

This report has been translated into the English language solely for the convenience of international readers.

ERG S.P.A.
FINANCIAL STATEMENTS

CALLING OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Ordinary and Extraordinary Shareholders' Meeting is convened on 15 April 2010 at 10.30 a.m., at Via San Luca 2, Genoa, at the offices of the Edoardo Garrone Foundation, in first call, and if required on 16 April 2010 same time and place, in second call, to discuss and resolve on the following

AGENDA

Ordinary Part

1. Annual Financial Statements for the period ended 31 December 2009 and Management Report: resolutions consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2009
2. Appointment of the Board of Statutory Auditors, appointment of the Chairman, fixing of fees
3. Appointment of a Board Member
4. Directors' fees for the year 2010
5. Authorisation for the purchase and disposal of treasury shares

Extraordinary Part

1. Merger by incorporation of ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A.; resolutions related and consequent thereto

In order to attend the Shareholders' Meeting, according to law, holders of voting rights must deposit appropriate certification issued by the authorised intermediary, in compliance with current legislation, at least two business days prior to the meeting. Each Shareholder entitled to participate at the Meeting may be represented according to the terms and procedures set forth by law and by the articles of association and for such purpose may use the form of proxy provided at the foot of the certification issued by the authorised intermediary. The share capital, amounting to Euro 15,032,000, is represented by 150,320,000 ordinary shares, each with a nominal value of Euro 0.10. Only the ordinary shares currently outstanding, excluding treasury shares (2,100,000), carry voting rights. Shareholders are informed that pursuant to Article 22 of the Company's articles of association and in accordance with Consob Resolution no. 17148, the lists for the appointment of the Board of Statutory Auditors may only be submitted by Shareholders who, at the time of presenting the list, are in possession of a shareholding equal to 2% of the Company's share capital. Shareholders may obtain a copy of the rules and any clarifications required by calling the Group's Corporate Affairs unit, telephone no. +39.010.2401898. The lists, complete with the documentation laid down by Article 22 of the Articles of Association must be lodged at the Company's registered office at least 15 days prior to the date set for the Shareholders' Meeting in first call. Shareholders are also informed that: the Board of Directors' Explanatory Report to the Shareholders' Meeting concerning all matters on the agenda; the dossier containing the annual and consolidated Financial Statements at 31 December 2009 and related reports; the annual Corporate Governance Report and the documentation referred to in Article 70, first paragraph, of the Issuers' Regulations, will be made available to the public within the terms set forth by current legislation at the Company's registered office, at Borsa Italiana S.p.A. and on the Company's website, www.erg.it. All entitled parties may request a copy of the aforesaid documentation.

Genoa, 4 March 2010

For the Board of Directors
The Chairman
Edoardo Garrone

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

Extract

On 15 April 2010 the Shareholders' Meeting held in Genoa resolved:

- to approve the Financial Statements for the period ended 31 December 2009, which closes with a net profit of Euro 698,257,550.55;
- to pay Shareholders a dividend of Euro 0.40 for each share with dividend rights outstanding at the coupon detachment date, excluding therefore the company's treasury shares, in accordance with Article 2357-ter of the Italian Civil Code, via use of the year's earnings;
- to carry forward the remaining net profit for the year;
- to make the dividend payable as from 27 May 2010, subject to detachment of coupon as from 24 May 2010;
- to appoint the Board of Statutory Auditors, which will remain in office until the approval of the financial statements for the period ending 31 December 2012, as follows: Mario Pacciani, Chairman, Lelio Fornabaio, Standing Auditor, Paolo Fasce, Standing Auditor, Vincenzo Campo Antico, Alternate Auditor, Fabio Porfiri, Alternate Auditor, and Stefano Remondini, Alternate Auditor;
- to appoint Luca Bettonte as member of the Board of Directors until the approval of the financial statements for the period ending 31 December 2011;
- the fees payable to the members of the Board of Directors, the Internal Control Committee and the Nominations and Remuneration Committee for the 2010 financial period;
- to authorise the Board of Directors, for a period of 12 months with effect from the date of the Shareholders' Meeting, to purchase treasury shares up to a revolving limit of 15,032,000 shares.
- to authorise the Board of Directors, for a period of 12 months with effect from the date of the Shareholders' Meeting, to sell treasury shares in one or more stages.
- to approve the project for merger by incorporation of subsidiaries ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A.

STATEMENT OF FINANCIAL POSITION (1)

(EUR)	NOTES		12/31/2009		12/31/2008
INTANGIBLE FIXED ASSETS	1		4,189,244		5,283,617
GOODWILL			–		–
PROPERTY, PLANT, AND MACHINERY	2		13,833,994		8,315,027
EQUITY INVESTMENTS	3		435,379,456		490,890,161
OTHER FINANCIAL ASSETS	4		1,043,927		663,163
DEFERRED TAX ASSETS	5		795,038		1,593,927
OTHER NON-CURRENT ASSETS	6		164,935		153,869
NON-CURRENT ASSETS			**455,406,594**		**506,899,764**
INVENTORIES			–		–
TRADE RECEIVABLES	7		4,834,304		2,189,317
OF WHICH WITH RELATED PARTIES	*30*	*4,642,191*		*2,183,895*	
OTHER CURRENT RECEIVABLES AND ASSETS	8		66,949,118		77,855,829
OF WHICH WITH RELATED PARTIES	*30*	*37,257,863*		*69,902,746*	
CURRENT FINANCIAL ASSETS	9		464,106,034		438,323,310
OF WHICH WITH RELATED PARTIES	*30*	*463,765,233*		*437,878,575*	
CASH AND CASH EQUIVALENTS	10		949,333,896		219,462,949
CURRENT ASSETS			**1,485,223,352**		**737,831,405**
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS			**–**		**–**
TOTAL ASSETS			**1,940,629,946**		**1,244,731,169**
SHAREHOLDERS' EQUITY	11		**869,109,128**		**302,476,218**
EMPLOYEES' SEVERANCE INDEMNITIES	12		1,926,804		2,367,919
DEFERRED TAX LIABILITIES	13		381,915		860,156
PROVISIONS FOR NON-CURRENT LIABILITIES AND CHARGES			–		–
NON-CURRENT FINANCIAL LIABILITIES	14		424,127,616		502,170,417
OTHER NON-CURRENT LIABILITIES			–		–
NON-CURRENT LIABILITIES			**426,436,335**		**505,398,492**
PROVISIONS FOR CURRENT LIABILITIES AND CHARGES	15		267,306		275,306
TRADE PAYABLES	16		11,572,133		12,651,267
OF WHICH WITH RELATED PARTIES	*30*	*2,352,985*		*269,959*	
CURRENT FINANCIAL LIABILITIES	17		560,000,187		381,630,834
OF WHICH WITH RELATED PARTIES	*30*	*358,825,208*		*205,200,712*	
OTHER CURRENT LIABILITIES	18		73,244,857		42,299,052
OF WHICH WITH RELATED PARTIES	*30*	*68,000,113*		*41,222,101*	
CURRENT LIABILITIES			**645,084,483**		**436,856,459**
LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS			**–**		**–**
TOTAL LIABILITIES AND EQUITY			**1,940,629,946**		**1,244,731,169**

(1) PURSUANT TO AMENDMENTS TO IAS 1 (2007), EFFECTIVE FROM 1 JANUARY 2009, THE TITLE WAS CHANGED FROM BALANCE SHEET TO STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

(EUR)	NOTES		FY 2009		FY 2008
NET INCOME FROM EQUITY INVESTMENTS	22		744,203,795		317,988,208
OF WHICH WITH RELATED PARTIES	*30*	*800,312,000*		*317,979,500*	
OF WHICH NON-RECURRING ITEMS	*29*	*(56,127,000)*			
OTHER OPERATING INCOME	23		30,649,255		33,604,803
OF WHICH WITH RELATED PARTIES	*30*	*30,176,148*		*33,449,169*	
COST OF PURCHASES			(624,427)		(882,105)
COSTS FOR SERVICES AND OTHER COSTS	24		(39,608,746)		(55,031,348)
OF WHICH WITH RELATED PARTIES	*30*	*(5,385,877)*		*(5,574,555)*	
OF WHICH NON-RECURRING ITEMS	*29*	*–*		*(13,005,049)*	
PERSONNEL EXPENSES	25		(21,802,818)		(24,468,710)
OF WHICH NON-RECURRING ITEMS	*29*	*–*		*(1,110,700)*	
AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS	26		(3,972,514)		(2,640,082)
FINANCIAL INCOME	27		12,780,963		26,051,527
OF WHICH WITH RELATED PARTIES	*30*	*7,040,046*		*20,082,780*	
FINANCIAL EXPENSES	27		(23,964,079)		(44,799,943)
OF WHICH WITH RELATED PARTIES	*30*	*(2,196,849)*		*(5,056,596)*	
PROFIT BEFORE TAXES			**697,661,429**		**249,822,350**
INCOME TAXES	28		596,122		16,759,057
OF WHICH NON-RECURRING ITEMS	*29*	*–*		*3,881,831*	
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS			**698,257,551**		**266,581,407**
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS			–		–
NET PROFIT (LOSS) FOR THE PERIOD			**698,257,551**		**266,581,407**

OTHER COMPONENTS OF COMPREHENSIVE INCOME (1)

(EUR THOUSAND)	FY 2009	FY 2008
NET PROFIT (LOSS) FOR THE PERIOD	**698,258**	**266,581**
CHANGES IN THE CASH FLOW HEDGE RESERVE	323	(3,674)
CHANGES IN SECURITIES AVAILABLE FOR SALE	16	–
INCOME TAX FOR OTHER COMPONENTS OF COMPREHENSIVE INCOME	(93)	1,010
OTHER COMPONENTS OF COMPREHENSIVE INCOME AFTER TAX	**246**	**(2,663)**
COMPREHENSIVE NET INCOME	**698,504**	**263,918**

(1) PURSUANT TO AMENDMENTS UNDER IAS 1 (2007), EFFECTIVE FROM 1 JANUARY 2009, A SUPPLEMENTARY STATEMENT HAS BEEN ADDED TO THE INCOME STATEMENT THAT INCLUDES COMPONENTS OF PROFIT OR LOSS ENTERED DIRECTLY UNDER SHAREHOLDERS' EQUITY

CASH FLOW STATEMENT OF CASH FLOWS

(EUR THOUSAND)	FY 2009	FY 2008
CASH FLOW FROM OPERATIONS (A)		
- NET PROFIT (LOSS) FOR THE YEAR	698,258	266,581
- AMORTISATION, DEPRECIATION AND WRITE-DOWNS	3,973	2,640
- CHANGE IN PROVISIONS FOR LIABILITIES AND CHARGES	–	37
- CHANGE IN DEFERRED TAXES AND DEFERRED TAX ASSETS	(247)	(1,686)
- NET WRITE-DOWNS OF FINANCIAL FIXED ASSETS	56,127	21
- WRITE-DOWNS OF CURRENT RECEIVABLES	–	–
- NET CHANGE IN STAFF LEAVING INDEMNITIES	(441)	(879)
- NET CAPITAL GAINS AND LOSSES	2	(27)
CASH FLOW FROM CURRENT OPERATIONS	**757,670**	**266,687**
CHANGE IN OPERATING ASSETS AND LIABILITIES:		
- INVENTORY	–	–
- TRADE RECEIVABLES	(2,645)	647
- TRADE PAYABLES	(1,079)	2,963
- OTHER ASSETS	11,470	(10,124)
- OTHER LIABILITIES	30,942	(21,771)
	38,688	**(28,284)**
TOTAL	**796,359**	**238,402**
CASH FLOW FROM INVESTMENTS (B)		
- ACQUISITION OF TANGIBLE FIXED ASSETS	(6,604)	(1,965)
- ACQUISITION OF INTANGIBLE FIXED ASSETS	(1,798)	(2,595)
- ACQUISITION OF FINANCIAL FIXED ASSETS	(633)	(1,377)
- PROCEEDS FROM DISPOSAL OF TANGIBLE FIXED ASSETS	3	403
- PROCEEDS FROM DISPOSAL OF INTANGIBLE FIXED ASSETS	–	2
- PROCEEDS FROM DISPOSAL OF FINANCIAL FIXED ASSETS	6	13
TOTAL	**(9,026)**	**(5,519)**
CASH FLOWS FROM FINANCING ACTIVITIES (C)		
- NEW MEDIUM/LONG-TERM LOANS	120,000	90,000
- REPAYMENT OF MEDIUM-/LONG-TERM BORROWINGS	(173,490)	(85,389)
- INCREASE (DECREASE) IN MEDIUM-/LONG-TERM FINANCIAL PAYABLES/RECEIVABLES	(381)	163,669
- INCREASE (DECREASE) IN SHORT-TERM BANK BORROWINGS	483	147
- INCREASE (DECREASE) IN SHORT-TERM FINANCIAL PAYABLES/RECEIVABLES	127,551	(109,127)
- CAPITAL INCREASE	–	–
- DIVIDENDS PAID	(133,398)	(59,288)
- OTHER CHANGES	1,773	(14,532)
TOTAL	**(57,462)**	**(14,521)**
NET CASH FLOWS FOR THE YEAR (A+B+C)	**729,871**	**218,362**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**219,463**	**1,100**
NET CASH FLOWS FOR THE YEAR	**729,871**	**218,362**
CASH AND CASH EQUIVALENTS AT YEAR-END	**949,334**	**219,463**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR THOUSAND)		SHARE CAPITAL	RESERVES	NET PROFIT (LOSS) FOR THE YEAR	TOTAL SHAREHOLDERS' EQUITY
BALANCE AT 01/01/2008		**15,032**	**28,052**	**66,632**	**109,714**
ALLOCATION OF 2007 PROFIT		–	66,632	(66,632)	–
DIVIDENDS PAID		–	(59,288)	–	(59,288)
ACQUISITION OF TREASURY SHARES		–	(14,779)	–	(14,779)
OTHER CHANGES		–	2,910	–	2,910
FY2008 RESULT PROFIT		–	–	266,581	266,581
CHANGES IN THE CASH FLOW HEDGE RESERVE		–	(2,663)	–	(2,663)
BALANCE AS OF 12/31/2008		**15,032**	**20,864**	**266,581**	**302,476**
ALLOCATION OF 2008 PROFIT		–	266,581	(266,581)	–
DIVIDENDS PAID		–	(133,398)	–	(133,398)
ACQUISITION OF TREASURY SHARES		–	–	–	–
OTHER CHANGES		–	1,527	–	1,527
FY2009 RESULT		–	–	698,258	698,258
CHANGES IN THE CASH FLOW HEDGE RESERVE		–	234	–	234
CHANGES IN AVAILABLE FOR SALE RESERVE		–	12	–	12
BALANCE AS OF 12/31/2009	**(NOTE 11)**	**15,032**	**155,820**	**698,258**	**869,109**

NATURE OF THE COMPANY

ERG S.p.A., which has been listed on the stock exchange since 1997, is active, through its subsidiaries and associates, in oil refining, the distribution of petroleum products in Italy and abroad, and in the production of electricity, steam and gas.

CRITERIA FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements as at 31 December 2009 have been prepared, without exception, in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. These standards also include all the international standards subject to interpretation (International Financial Reporting Standards – IFRS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the former Standing Interpretations Committee (SIC).
The financial statements, expressed in whole Euro, have been prepared in accordance with the general principle of cost, with the exception of the financial assets available for sale, financial assets held for trading and derivative instruments, which have been measured at fair value.
For the sake of greater clarity of presentation, all amounts have been rounded to the nearest thousand Euro. Consequently, in some tables, total amounts may differ slightly from the sum of the figures listed.
The financial statements to 31 December 2009 have been audited by Deloitte & Touche S.p.A. using the procedures dictated by CONSOB.
The results of the audit will be made public as soon as they are available.

FORM AND CONTENTS OF THE FINANCIAL STATEMENTS

ERG S.p.A. classifies its income statement using the "nature of expense" method, a form deemed more representative than a classification using the "function of expense" method, and indicates the first item as "Net income from equity investments" since this is a characteristic source of income for the industrial holding company ERG S.p.A.
With reference to the statement of financial position, the presentation format adopted makes a distinction between current and non-current assets and liabilities in accordance with section 51 et seq. of IAS 1.
The structure of the cash flow statement is based on the indirect method.
Furthermore, as required by CONSOB resolution 15519 of 27 July 2006, income and charges arising from non-recurring transactions or from events that do not recur frequently in the ordinary course of business have been indicated separately in the income statement. These items are discussed in an appropriate note.
Again in application of the aforementioned CONSOB resolution, amounts connected with related-party positions or transactions have been indicated separately in the statement of financial position and income statement. These items are discussed in an appropriate note.
Disclosure relating to the financial position can be found in the schedules on net financial debt included in the Report on Operations.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

Below we provide the accounting standards used and valuation criteria applied for the preparation of the financial statements as of 31 December 2009.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded under assets, according to the provisions of IAS 38 (Intangible Assets), wherever they are identifiable, it is probable that their use will generate future economic benefits, and their cost can be measured reliably.
These assets are recorded at their purchase or production cost, including all ancillary charges attributable to them, and are amortised on a straight-line basis according to their useful life. The amortisation rate applied for intangible fixed assets is 33% with the exception of specific cases where useful life is greater than three years. Useful life is reviewed annually and any changes, where necessary, are applied on a prospective basis.
There are no intangible assets with an indefinite useful life.
Research costs are expensed directly in the income statement in the period when they are incurred.

PROPERTY, PLANT, AND MACHINERY

Property, plant and machinery are recorded at the cost of acquisition or production.
Expansion, modernisation and transformation costs and maintenance costs are capitalised only if they increase the future economic benefits of the asset to which they refer.
Depreciation is calculated on a straight-line basis over the estimated useful life. When the tangible asset consists of several significant components having different useful lives, each component is depreciated accordingly. The value to be depreciated is the recognised value less the presumed salvage value, if significant and reasonably determinable.
Land is not depreciated, even if acquired together with a building.
There were no finance lease transactions as defined in IAS 17.
The depreciation rates applied are as follows:

	%	PERCENTAGE OF DEPRECIATION AS OF 12/31/2009
INDUSTRIAL BUILDINGS	2.75	38%
GENERAL PLANT	10	47%
OFFICE FURNITURE AND FITTINGS	12	54%
ELECTRONIC MACHINERY	20	75%
EQUIPMENT	25	88%
INCREMENTAL EXPENSES	8 - 25	28%

WRITE-DOWN OF ASSETS (IMPAIRMENT TEST)

At least once a year, the company subjects its tangible and intangible assets to an impairment test to determine whether there are indications that they are impaired. Should such an indication exist, it is necessary to estimate the recoverable value of the asset to determine the amount of any write-downs.
The recoverable value of an asset is the higher between its fair value, less the costs of the sale, and its value in use determined as the present value of estimated future cash flows.
Impairment is recorded if the recoverable value is less than the carrying value. Should a loss in value of an asset, other than goodwill, subsequently no longer apply or be reduced, the carrying value of the asset or cash-generating unit is increased up to the new estimate of the recoverable value, without exceeding the value that would have been determined if no loss had been recorded.

EQUITY INVESTMENTS

Equity investments in subsidiaries and associates are recorded at their acquisition or subscription cost, written down to reflect any permanent impairment losses.

The positive difference, at the time of acquisition, between the acquisition cost and the share of the subsidiary's or associate's shareholders' equity attributable to the Company is therefore included in the carrying value of the equity investment.

Where the book value of equity investments exceeds the corresponding portion of shareholders' equity based on the latest approved financial statements, this value is maintained if it can be attributed to assets of the investee company (tangible fixed assets, inventory and/or goodwill).

Equity investments in other companies are carried at fair value with changes recorded in shareholders' equity.

When fair value cannot be reliably determined, equity investments are measured at cost, written down for permanent impairment losses, if any, and dividends from such companies are included in "Net income from equity investments".

When the reasons for the write-downs cease to exist, the equity investments carried at cost are revalued to the extent of the write-downs that had been recorded and the effect is recognised in income.

The risk arising from any losses exceeding shareholders' equity is recognised in a specific provision to the extent that the investor has committed to meet legal or constructive obligations vis-à-vis the investee company or in any case to cover its losses.

FINANCIAL ASSETS

IAS 39 envisages classification of financial assets according to the following categories:

- financial assets at fair value through profit or loss (FVTPL) ;
- held-to-maturity (HTM) investments;
- loans and receivables (L&R);
- available for sale financial investments (AFS).

Initially, all financial assets are recognised at their fair value, augmented, in the case of assets other than those classified as FVTPL, by ancillary costs.

At the time of execution, an assessment is made as to whether or not a contract contains embedded derivatives. Embedded derivatives are separated from the host contract if the latter is not measured at fair value, whenever analysis shows that the economic characteristics and risks of same are not closely related to those of the host contract.

The company classifies its financial assets after initial recognition and, when appropriate and allowed, reviews this classification at the end of each financial year.

- **Financial assets at fair value through profit or loss (FVTPL)**

This category comprises:

– assets held for trading (HFT);

– assets designated as FVTPL financial assets at the time of initial recognition.

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including those separated out, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments. Gains and losses on assets held for trading are taken to the income statement.

- **Held-to-maturity (HTM) investments**

Non-derivative financial assets with fixed or determinable payments are classified as "held-to-maturity (HTM) investments" whenever the Group intends and has the ability to hold them to maturity.

After initial recognition, HTM financial investments are measured at amortised cost, applying the effective interest rate method. Gains and losses are recognised in the income statement when the investment is derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.
As of 31 December 2009, ERG held no investments classified as HTM.

- **Loans & receivables (L&R)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market.
Following initial recognition, these assets are measured at amortised cost using the effective interest rate method, net of the provision for impairment, if any.
Gains and losses are recognised in the income statement when loans & receivables are derecognised for accounting purposes or if impairment occurs, as well as via the amortisation process.

Trade receivables are shown at their fair value, which corresponds to their nominal face, and are subsequently reduced for impairment, if any. Trade receivables whose due date is not consistent with normal trading terms and which do not earn interest are discounted to their present value.

- **Available-for-sale (AFS) financial assets**

Available-for-sale (AFS) financial assets are financial assets, other than derivative financial instruments, that have been designated as such or are not classified in any of the previous three categories.
Following initial recognition, AFS financial assets are measured at fair value and gains and losses are reported under a separate heading within equity.
AFS financial assets include equity investments in companies other than subsidiaries and associate companies in which ERG S.p.A.'s direct or indirect ownership percentage is less than 20%.
When fair value cannot be reliably calculated, equity investments are measured at cost, written down for impairment, if any, and dividends from such companies are included in "Other net income (loss) from equity investments".
When the reasons for the write-downs cease to exist, the equity investments carried at cost are revalued for an amount equal to the previous write-downs and the difference is recognised in income.
The risk arising from any losses exceeding shareholders' equity is recognised in a specific reserve to the extent that the investor has committed to meet legal or constructive obligations vis-à-vis the investee company or in any case to cover its losses.

IAS 39 envisages the following measurement methods: fair value and amortised cost method.

Fair value

In the case of securities widely traded in regulated markets, fair value is determined in reference to market prices at the close of trading on the financial statements' date.
Regarding investments for which no active market exists, fair value is determined using measurement techniques based on:
- prices of recent arm's length transactions;
- current fair market value of a substantially similar instrument;
- discounted cash flow (DCF) analysis;
- option pricing models.

Amortised cost method
"Investments held to maturity" and "Loans & receivables" are measured at amortised cost, calculated using the effective interest rate method, net of impairment provisions, if any. This calculation takes into account all purchase discounts or premiums and includes any fees which are an integral part of the effective interest rate and transaction costs.

IMPAIRMENT OF FINANCIAL ASSETS

At each financial statements' date, ERG verifies whether a financial asset or group of financial assets has suffered an impairment in value.
If there is objective evidence that a loan or receivable carried at amortised cost has suffered impairment, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future estimated cash flows (excluding future loan losses that have not been incurred) discounted at the financial asset's original effective interest rate calculated on the initial recognition date.
The carrying value of the asset will be reduced via use of a provision. The impairment amount will be recognised in the income statement.
ERG assesses the existence of factual evidence of impairment at an individual level.

If the amount of impairment subsequently decreases and this reduction can objectively be attributed to an event occurring after recognition of impairment, the value previously reduced can be reinstated. Any subsequent write-backs of value are recognised in the income statement, to the extent that the asset's carrying value does not exceed the amortised cost as of the write-back date.

In the case of trade receivables, a provision for impairment is made when there is objective evidence (such as, for example, the likelihood of the debtor's insolvency or serious financial difficulties) that ERG will be unable to recover the amounts owed according to the original conditions.
The carrying value of the receivable is reduced via use of specific provision. Impaired receivables are reversed if they are deemed unrecoverable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded, according to their nature, at nominal value.

FINANCIAL LIABILITIES

IAS 39 envisages classification of financial liabilities according to the following categories:
- financial liabilities at fair value through profit or loss (FVTPL);
- other financial liabilities.

All loans taken out are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.
After initial recognition, loans are measured at amortised cost using the effective interest rate method.
Every gain or loss is recorded in the income statement when the liability is discharged, as well as via the amortisation process.

Financial liabilities at FVTPL include "liabilities held for trading".

Liabilities held for trading (HFT) are acquired for the purpose of short-term sale and comprise derivatives – including those separated out – unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- ERG retains the right to receive cash flows from the asset, but has taken on a contractual obligation to pay them in their entirety and immediately to a third party;
- ERG has transferred the right to receive cash flows from the asset and has transferred substantially all risks and rewards of ownership of the financial asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of same.

In cases where ERG has transferred rights to receive cash flows from an asset and has neither transferred nor retained substantially all risks and rewards, or has not lost control of the asset, the asset is recognised in ERG accounts to the extent of ERG's residual involvement in such asset.

A financial liability is derecognised when the liability's underlying obligation has been extinguished, cancelled, or discharged.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative instruments are initially recognised at their fair value on the date when they are stipulated. This fair value is then subject to periodic revaluation.
They are posted as assets when their fair value is positive and as liabilities when it is negative.

ERG carries out transactions with derivative instruments to hedge the risk deriving from interest rate fluctuations.
Derivatives are classified as hedging instruments, consistently with IAS 39, when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging, verified both beforehand and periodically, is high.

When derivatives hedge the risk of a change in the fair value of the underlying asset hedged (fair value hedge), they are recorded at their fair value and the effects are booked to the income statement. Accordingly, the hedged instruments are adjusted to reflect the changes in the fair value associated with the hedged risk.

When the derivative hedges the risk of a change in the cash flows of the underlying asset hedged (cash flow hedge), the effective amount of changes in the fair value of the derivatives is initially recognised in shareholders' equity and subsequently booked to the income statement consistently with the economic effects produced by the hedged transaction.

TREASURY SHARES

Treasury shares are recorded as a reduction of shareholders' equity. The original cost of treasury shares, write-downs for reductions in value, and income and losses deriving from any subsequent sales are recorded as changes in shareholders' equity.

PROVISIONS FOR LIABILITIES AND CHARGES

The company records provisions for liabilities and charges when:

- there is a present legal or constructive obligation to third parties;
- it is probable that the use of resources will be required to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

Changes in the estimates are reflected in the income statement for the period in which the change occurred.

When the financial effect over time is significant and the dates of settlement of the obligations can be estimated, the provision is subject to discounting, utilising a discount rate that reflects the current time value of money. The increase in the provision connected to the passing of time is recognised in the income statement under "Financial income (expenses)".
When the liability relates to property, plant or machinery (for example dismantling and restoration of sites), the provision is recorded as a contra asset against the asset to which it refers, and recognition in the income statement takes place through the depreciation process.

Significant contingent liabilities, represented by the following, are disclosed in the notes to the financial statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon occurrence of one or more uncertain future events that are not fully under the company's control;
- present obligations arising from past events the amount of which cannot be reliably estimated, or for which it is probable that fulfilment will not be onerous.

EMPLOYEE BENEFITS

The employees' severance indemnities provision (TFR) of Italian companies is considered as a defined benefit plan and is recognised according to the provisions for other defined benefit plans. The liability relating to defined benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, by estimating the amount of the future benefits to which employees are entitled as of the reference date, and accrued over the rights' vesting period; the liability is valued by independent actuaries.
Gains and losses related to defined benefit plans arising from changes in the actuarial assumptions used, or changes in the plan conditions, are recognised pro rata in the income statement for the remaining average working life of the employees participating in the plan, if and to the extent that their net value not recorded at the end of the previous financial year exceeds the higher between 10% of the liability pertaining to the plan and 10% of the fair value of plan assets.

STOCK OPTION PLANS

Under IFRS 2 (Share-based Payments), stock options in favour of employees are measured at fair value at the time of their assignment based on models taking into account the factors and elements prevailing at such time (option exercise price and duration, current price of underlying shares, and expected volatility of share price, etc.).
The right vests after a certain period and subject to certain conditions.
The overall value of the options is apportioned pro rata temporis over the above-mentioned period and recorded under a specific shareholders' equity item, with an item of the income statement as a contra entry.
The measured fair value of each option is neither reviewed nor updated at the end of each year, but remains definitively acquired in shareholders' equity; at the end of each year, however, the estimate of the number of options that will mature up to expiry is updated (and hence of the number of employees who will have the right to exercise the options).
The change in the estimate is recognised as a reduction of shareholders' equity with a contra entry to the income statement.
The company has applied the provisions of IFRS 2 commencing on 1 January 2005 and therefore to all stock option plans assigned after that date.

REVENUE RECOGNITION

Revenues from sales and services are recorded when effective transfer of the relevant risks and advantages typical of ownership occurs, which coincides with the time of delivery or based on different contractual specifications, or on completion of the service.

The appropriations for revenues relative to partially provided services are recognised according to the payment accrued, provided that it is possible to reliably determine the level of completion and there are no significant uncertainties as to the amount and existence of the revenue and related costs. Otherwise, they are recorded within the limits of the recoverable costs incurred.

DIVIDENDS

Dividends are recorded when, following a shareholders' resolution, the right of shareholders to receive the payment is established.

FINANCIAL INCOME AND EXPENSES

These are recognised as an accrual based on the interest due on the net value of the related financial assets and liabilities utilising the effective interest rate.

TAXES

Current taxes are allocated based on the projected tax charge for the period, taking into account also the effects relating to participation of most Group companies in "tax consolidation". In fact, since 2004, and with subsequent additions, ERG S.p.A. has had a "tax consolidation" agreement in place with the main subsidiaries, the guiding principle of which is that no company should be penalised for participating. The impact of this agreement on the balance sheet and income statement is provided in notes to the relevant financial statement items.

Income taxes are recorded in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve. In these cases, the tax effect is directly recognised under shareholders' equity.
Furthermore, in relation to the accrual principle, provision is made both for deferred tax assets and deferred tax liabilities arising from the temporary differences between statutory results and related taxable income, including those relative to carried-forward tax losses.

Deferred tax assets (or advance taxes), including those relating to tax losses carried forward, are only recorded in the financial statements if their future recovery is probable.
Deferred taxes are calculated on the basis of the tax rates expected in the periods in which the taxable temporary differences will be reversed.
Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities.

USE OF ESTIMATES

Preparation of the financial statements and explanatory notes pursuant to IFRSs requires the Company to make estimates and assumptions that have an effect on the values of the assets and liabilities reported in the financial statements and the information relating to contingent assets and liabilities. Among other things, estimates are used to recognise provisions for bad debts, amortisation, depreciation, asset write-downs, employee benefits, other allocations and provisions. The actual final figures may differ from these estimates. The estimates and assumptions are periodically reviewed and the effects of each change are reflected in the income statement in the period in which the change is made.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATION APPLIED AS FROM 1 JANUARY 2009

- **IAS 1 (revised) – "Presentation of Financial Statements"**

The revised version of IAS 1 (Presentation of Financial Statements) no longer allows the presentation of income components as income and charges posted directly to shareholders' equity in the Statement of Changes in Shareholders' Equity, and instead requires that they be reported separately from changes generated by transactions with shareholders. According to the new version of this standard, all changes generated by transactions other than transactions carried out with shareholders must be recorded in a single separate table showing movements for the period (table of total profits and losses recognised) or in two separate tables (the income statement and table of total profits or losses recognised). These changes must also be separately reported in the Statement of Changes in Shareholders' Equity.
ERG applied the revised version of this standard retroactively starting on 1 January 2009, and has chosen to report all changes generated by transactions other than those carried out with shareholders in two tables that measure movements during the period called the "Income Statement" and "Other Components of Comprehensive Income". As a result, ERG changed the presentation of the Statement of Changes in Shareholders' Equity.

- **Amendments to IFRS 2 – Share-Based Payments: accrual and elimination conditions**

This standard was amended in order to clarify the determination of accrual conditions and prescribe the accounting treatment for a plan that was actually cancelled following the failure to meet a non-accrual condition. The prospective adoption of this amendment has no impact on ERG's financial position or performance.

- **Improvement to IAS 38 – "Intangible Assets"**

The amendment specifies that promotional and advertising costs must be recognised in the income statement. ERG has applied this amendment retroactively since 1 January 2009, however, its adoption did not result in the recognition of any accounting effect, since even before the application of the amendment, these types of charges were recognised in the income statement in accordance with the procedures specified in that amendment.

- **IFRS 7 – Financial instruments: supplemental disclosures**

The revisions and amendments to IFRS 7 provide for the following:

- for the purposes of financial statement disclosure, the introduction of a hierarchical fair value scale with three levels for all financial instruments posted at fair value in the financial statements (1^{st} level determined using prices quoted in active markets; 2^{nd} level determined using valuation techniques based on variables that can be directly (or indirectly) observed in the market; 3^{rd} level determined using valuation techniques that are based on significant unobservable variables in the market) similar to what is required by the US accounting standard SFAS 157, and
- for the purposes of liquidity analysis, the separation of financial liabilities from liabilities made up of derivative financial instruments.

In addition, the revisions require detailed tables showing changes and a sensitivity analysis for financial instruments measured at fair value and included in the third level of the hierarchical fair value scale.

- **Improvement to IAS 28 – Investments in Associates**

The Improvement to IAS 28 (Investments in Associates) specifies that for equity investments valued using the net equity method, any loss in value must not be allocated to individual assets (and in particular, any goodwill) that make up the carrying value of the equity investment, but to the value of the equity investment overall. Thus, if conditions are met for a subsequent recovery of value, this recovery must be recognised in full.

In accordance with the transition rules specified by the Improvement, ERG has decided to apply this amendment going forward to recoveries of value made as from 1 January 2009. However, there is no accounting effect from the adoption of this new standard.

AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE OR ADOPTED BY ERG

- **IFRS 3 – Business Combinations**

Among other things, the new provisions of IFRS 3 dictate that ancillary costs associated with a business combination transaction are to be posted to the income statement, revisions to contingent consideration are to be recognised in the income statement, and that it is possible to recognise the entire amount of goodwill from the transaction, and therefore to take into account the portion attributable to minority interests (the so-called full goodwill method). The new provisions also amend the current criterion for recognising acquisitions in subsequent periods by specifying that the difference between fair value on the date control of the net assets previously held is acquired and the related carrying value is to be posted to the income statement.

- **IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations**

If a company has committed to a selling plan involving the loss of control of an investee company, all the assets and liabilities of the subsidiary must be reclassified as assets held for sale, even if after the sale the company still holds a minority interest in the subsidiary. This revision must be applied prospectively starting on 1 January 2010.

- **IFRS 8 – Operating Segments**

This amendment, which must be applied starting on 1 January 2010, requires companies to provide the total value of assets for each segment being reported if such value is provided periodically to the highest decision-making operational level. Previously this information was required even if this condition was not met.

- **IAS 36 – Impairment of Assets**

This amendment, which must be applied prospectively starting on 1 January 2010, requires that each operating unit or group of operating units on to which goodwill is allocated for the purposes of the impairment test must not be larger than the operating segment defined in paragraph 5 of IFRS 8 prior to the combination allowed by paragraph 12 of the same IFRS on the basis of similar economic conditions or of other similar factors.

STATEMENT OF FINANCIAL POSITION ANALYSIS

NOTE 1 - INTANGIBLE FIXED ASSETS

	CONCESSIONS AND LICENSES	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**–**	**13,084**	**57**	**13,141**
AMORTISATION AND DEPRECIATION	–	(7,858)	–	(7,858)
BALANCE AS OF 12/31/2008	**–**	**5,226**	**57**	**5,284**
MOVEMENTS DURING PERIOD:				
ACQUISITIONS	–	–	1,798	1,798
CAPITALISATION/RECLASSIFICATION	–	1,559	(1,559)	–
DISPOSAL AND DIVESTMENTS - COST	–	–	–	–
DIVESTMENTS - PROVISION	–	–	–	–
AMORTISATION	–	(2,892)	–	(2,892)
HISTORICAL COST	**–**	**14,643**	**296**	**14,939**
AMORTISATION	–	(10,750)	–	(10,750)
BALANCE AS OF 12/31/2009	**–**	**3,893**	**296**	**4,189**

As of 31 December 2009, intangible fixed assets totalled EUR 4,189 thousand (EUR 5,284 thousand as of 31 December 2008), "Other intangible assets" mainly consisted of application software and the consulting services provided during the implementation of such software.

NOTE 2 - PROPERTY, PLANT AND MACHINERY

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
HISTORICAL COST	**8,290**	**534**	**11,138**	**318**	**20,280**
DEPRECIATION AND WRITE-DOWNS	(5,130)	(271)	(6,564)	–	(11,965)
BALANCE AS OF 12/31/2008	**3,160**	**263**	**4,574**	**318**	**8,315**
MOVEMENTS DURING PERIOD:					
ACQUISITIONS	5,965	–	–	637	6,602
CAPITALISATION/RECLASSIFICATION	–	96	782	(878)	–
OTHER CHANGES	–	–	–	–	–
DISPOSAL AND DIVESTMENTS - COST	(50)	(3)	(2)	–	(55)
DIVESTMENTS - PROVISION	–	1	1	–	2
DEPRECIATION	(223)	(38)	(819)	–	(1,080)
WRITE-DOWNS	–	–	–	–	–
DIVESTMENTS - WRITE-DOWNS	50	–	–	–	–
HISTORICAL COST	**14,205**	**627**	**11,918**	**77**	**26,827**
DEPRECIATION AND WRITE-DOWNS	(5,303)	(308)	(7,382)	–	(12,993)
BALANCE AS OF 12/31/2009	**8,902**	**319**	**4,536**	**77**	**13,834**

As of 31 December 2009, tangible fixed assets totalled EUR 13,834 thousand (EUR 8,315 thousand as of 31 December 2008). In December 2009, the Company purchased industrial and residential buildings located in Genoa from ERG Petroli for a total of EUR 5,965 thousand.
"Other assets" mainly consist of equipment, furniture, fixtures and works of art.

NOTE 3 - EQUITY INVESTMENTS

The following changes in equity investments occurred during 2009:

	EQUITY INVESTMENTS			
	SUBSIDIARY COMPANIES	ASSOCIATE COMPANIES	OTHER COMPANIES	TOTAL
HISTORICAL COST	**484,120**	**8,134**	**456**	**492,710**
WRITE-DOWNS	–	(1,819)	–	(1,819)
BALANCE AS OF 12/31/2008	**484,120**	**6,315**	**456**	**490,890**
MOVEMENTS DURING PERIOD:				
ACQUISITIONS/CAPITAL INCREASES	616	–	–	616
DISPOSALS AND DIVESTMENTS	–	–	–	–
WRITE-DOWNS/USE OF PROVISION TO COVER LOSSES	(56,127)	–	–	(56,127)
HISTORICAL COST	**484,735**	**8,134**	**456**	**493,325**
WRITE-DOWNS	(56,127)	(1,819)	–	(57,946)
BALANCE AS OF 12/31/2009	**428,608**	**6,315**	**456**	**435,379**

Pursuant to IFRIC 8 "Scope of IFRS 2", the value of equity investments in ERG Petroli S.p.A., ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. is increased by EUR 616 thousand (EUR 1,269 thousand in 2008) corresponding to the 2009 portion of the value of stock options assigned to the directors and employees of said companies.

Due to the worsening in the expected profitability of wind farms and in the market price of ERG Renew S.p.A.'s shares, which in 2009 remained consistently below their carrying value, it was decided to verify whether the equity investment may have suffered any impairment.
In this regard, an assessment was performed by determining the recoverable value based on the sum of parts methodology; hence, the value of the equity investment was determined by adding the equity values of cash generating units that comprise ERG Renew. The estimate of recoverable value is based on the following underlying assumptions: discount rates (set at 7% for wind farms and 9% for water services), growth rate, expectations of changes in sale prices and changes in direct costs during the period considered for the calculation.
Compared with assumptions used previously, there was a worsening in the assumptions for the anticipated scenario, in particular in terms of electricity sales prices in Italy and France, and also an analytical review of the development projects to be included in the 2010-2013 Plan in light of the critical issues encountered in the authorization processes in several areas of Italy.
The impairment test described above showed a loss resulting from the fact that the carrying value at which the equity investment in ERG Renew is reported in the financial statements of ERG S.p.A is greater than its recoverable value. Specifically, the carrying value of the equity investment in ERG Renew totalled EUR 208.7 million, while its recoverable value, which was estimated using the above assumptions, was EUR 152.6 million. The impairment was accounted for as a reduction in the equity investment's value, and the related write-down was recorded in the income statement.

For the sake of complete disclosure, it should be noted that a 0.5% change in the discount rate would have resulted in a change in the write-down of the equity investment in the amount of about EUR 27 million.

We now present the list of equity investments together with data required by Article 126 of CONSOB Resolution No. 11971 and subsequent revisions.

	REGISTERED OFFICE	SHARE CAPITAL	%	SHAREHOLDERS' EQUITY (1)	NET PROFIT (LOSS) (1)	OUR STAKE IN SHAREHOLDERS' EQUITY (1)	BOOK VALUE
SUBSIDIARY COMPANIES							
ERG RENEW S.P.A.	MILAN	132,667	77.39%	116,020	(22,644)	89,788	152,584
ERG PETROLI S.P.A.	ROME	36,000	100.00%	354,610	25,567	354,610	111,625
ERG POWER & GAS S.P.A.	GENOA	6,500	100.00%	9,783	(25,662)	9,783	8,024
ERG RAFFINERIE MEDITERRANEE S.P.A.	GENOA	25,000	100.00%	541,430	(65,567)	541,430	156,374
TOTAL							**428,608**
ASSOCIATE COMPANIES							
I-FABER S.P.A.	MILAN	5,652	23.00%	10,102	2,724	2,323	6,315
TOTAL							**6,315**
OTHER COMPANIES							
SVILUPPO ITALIA LIGURIA S.C.P.A.	GENOA	5,442	1.25%	6,519	(737)	81	68
CAF INTERREGIONALE DIPENDENTI S.R.L.	VICENZA	276	0.02%	907	21	–	–
EMITTENTI TITOLI S.P.A.	MILAN	4,264	0.51%	6,338	1,132	32	26
LIGURCAPITAL S.P.A.	GENOA	5,681	3.64%	7,708	(403)	281	207
R.U.P.E. S.P.A.	GENOA	3,058	4.86%	3,173	–	154	155
TOTAL							**456**
TOTAL							**435,379**

1) 2009 DATA FOR SUBSIDIARY COMPANIES; LATEST FINANCIAL STATEMENTS APPROVED ON THE DATE OF THE BOARD OF DIRECTORS MEETING FOR ASSOCIATES AND OTHER COMPANIES

The carrying value of the equity investment in I-Faber S.p.A. was maintained since the past years' losses are not considered permanent based on the plans and income expectations expressed by the investee company.

For a complete list of the Group's equity investments, see the notes to the consolidated financial statements.

NOTE 4 - OTHER FINANCIAL ASSETS

	12/31/2009	12/31/2008
BALANCE AT BEGINNING OF PERIOD	**663**	**164,332**
MOVEMENTS DURING PERIOD:		
DISBURSEMENTS AND INTEREST	760	425
REPAYMENTS	–	–
WRITE-DOWNS	–	–
RECLASSIFICATIONS	(379)	(164,094)
BALANCE AT END OF PERIOD	**1,044**	**663**

On 23 February 2009 the Company paid EUR 760 thousand (EUR 425 thousand in 2008) into the Italian Carbon fund. In 2009 the fund assigned the company 53,812 CERs[(1)] which were considered a repayment of the investment made. A total of 46,588 rights were sold to Group companies.

NOTE 5 - DEFERRED TAX ASSETS

Deferred tax assets are recognised, provided their future recovery is probable, on the taxable temporary differences, between the value of assets and liabilities for statutory financial reporting purposes and their values for tax calculation purposes.

Deferred tax assets were calculated as follows:

	12/31/2009		12/31/2008	
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT
PROVISIONS FOR LIABILITIES AND CHARGES	209	57	209	57
MANAGEMENT VALUE CREATION	494	136	3,028	833
FINANCIAL INSTRUMENTS	1,737	478	2,060	567
OTHER CHANGES	451	124	497	137
TOTAL		**795**		**1,594**

The tax rate used to calculate deferred tax assets is the same as the theoretical IRES (corporate taxation) rate (27.5%) in effect since 1 January 2008.

Deferred tax assets calculated on the fair value of derivatives qualified as cash flow hedges, were recorded as a reduction in the "Cash flow hedge reserve" in shareholders' equity.

(1) Certified emission reduction: credits that can be used as a part of the Emission Trading regulations; these were obtained from projects to reduce emissions in developing countries

NOTE 6 - OTHER NON-CURRENT ASSETS

Other non-current assets amounting to EUR 165 thousand (EUR 154 thousand as of 31 December 2008) mainly comprise security deposits for leases.

NOTE 7 - TRADE RECEIVABLES

Receivables are summarised as follows:

	12/31/2009	12/31/2008
CUSTOMER RECEIVABLES	192	5
RECEIVABLES DUE FROM GROUP COMPANIES	4,642	2,184
BAD DEBT PROVISION	–	–
TOTAL	**4,834**	**2,189**

It should be noted that all trade receivables are due within twelve months and largely stem from trade relationships for services performed for the Group's Italian companies.
For information concerning related-party receivables, reference should be made to Note 30.
In 2009 there were no changes in the bad debt provision.

NOTE 8 - OTHER CURRENT RECEIVABLES AND ASSETS

	12/31/2009	12/31/2008
TAX RECEIVABLES	26,903	5,423
OTHER RECEIVABLES DUE FROM GROUP COMPANIES	37,258	69,901
SUNDRY RECEIVABLES	2,788	2,531
TOTAL	**66,949**	**77,856**

The "tax receivables" are mainly related to the receivable from tax authorities for consolidated IRES totalling EUR 17,634 thousand and Group VAT totalling EUR 9,208 thousand.

The "other receivables" due from Group companies consist of Group VAT receivables totalling EUR 11,227 thousand and IRES-related receivables from subsidiaries resulting from tax consolidation totalling EUR 26,031 thousand.

"Sundry receivables" mainly consisted of prepayments made for future services (EUR 2,539 thousand).

NOTE 9 - CURRENT FINANCIAL ASSETS

	12/31/2009	12/31/2008
FINANCIAL RECEIVABLES DUE FROM GROUP COMPANIES	463,765	437,879
OTHER FINANCIAL RECEIVABLES	341	445
TOTAL	**464,106**	**438,323**

Current financial assets relate to financial receivables from subsidiaries (mainly Erg Power & Gas S.p.A., ERG Nuove Centrali S.p.A. and ERG Renew S.p.A.). In January 2009, ERG Raffinerie Mediterranee S.p.A. repaid EUR 163,571 thousand on the financing granted following the loan

obtained from BEI (European Investment Bank) for the "ERG Ambiente Energia Sicilia" project. In May 2009, the cash account agreement with ERG Power & Gas S.p.A. was settled with a repayment amounting to EUR 50,000 thousand.
On 25 May 2009 a line of credit was granted to ERG Renew S.p.A. to support the company in covering its financial requirements in relation to scheduled capital expenditures and to provide financial support as necessary for operating activities. As of 31 December 2009 this receivable totalled EUR 118,802 thousand.

It should also be noted that in January 2010 ERG S.p.A. formally assumed the irrevocable obligation to support ERG Renew, including as to scheduled capital expenditures for 2010, up to a maximum of EUR 169 million, and it extended the expiration date of the line of credit to 31 December 2011.

NOTE 10 - CASH AND CASH EQUIVALENTS

	12/31/2009	12/31/2008
CASH EQUIVALENT SECURITIES	29,981	-
BANK AND POSTAL DEPOSITS	919,350	219,460
CASH AND NOTES ON HAND	3	3
TOTAL	**949,334**	**219,463**

"Cash equivalent securities" consists of funds invested on a short-term basis by the Company in order to optimise the management of available cash. These assets are classified as Available for Sale, and thus, the change in fair value for the year ended 31 December 2009 was recorded in shareholders' equity in the appropriate reserve net of related taxes.
"Bank and postal deposits" mainly consist of the dividend collected in 2009 from ERG Raffinerie Mediterranee S.p.A.

NOTE 11 - SHAREHOLDERS' EQUITY (EUR 869,109 THOUSAND)

Share capital
Fully paid-in share capital as of 31 December 2009 consisted of 150,320,000 shares with a par value of EUR 0.10 each for a total of EUR 15,032,000 (the unchanged since 31 December 2008). It should be noted that a portion of share capital (EUR 9,701 thousand) was the result of non monetary capital increases that occurred in previous periods through the reclassification of monetary revaluation reserves (pursuant to Italian Laws 576/1975, 42/1983 and 413/1991).
On 31 December 2009 the Company's Shareholders Register showed the following situation:

- San Quirico S.p.A. held 84,091,940 shares, i.e. 55.942%;
- Polcevera S.A. (Luxembourg) held 10,380,060 shares, i.e. 6.905%;
- ERG S.p.A. held 2,100,000 treasury shares, i.e. 1.397%;
- Generali Investments Italy SGR S.p.A. held 3,349,000 shares, i.e. 2.228%;
- Tradewinds Global Investors LLC held 3,010,340 shares, i.e. 2.003%.

As of 31 December 2009, San Quirico S.p.A. and Polcevera S.A. were controlled by the Garrone and Mondini families, heirs of the founder of the ERG Group, Edoardo Garrone.

On 23 April 2009, pursuant to Article 2357 of the Italian Civil Code, the Shareholders' Meeting of ERG S.p.A. authorised the Board of Directors to purchase treasury shares for a period of 12 months from the date of the resolution up to a revolving maximum (meaning the maximum amount of treasury shares held from time to time) of 15,032,000 (fifteen million thirty-two thousand) shares 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..

Treasury shares

As of 31 December 2009 ERG S.p.A. held 2,100,000 treasury shares, amounting to 1.397% of the share capital. Pursuant to IAS 32, treasury shares are recorded as a reduction of shareholders' equity. The original cost of the treasury shares, write-downs for value impairment, and revenues and losses deriving from any subsequent sales are recorded as movements in shareholders' equity.

Stock option plans

On 5 August 2005 the ERG S.p.A. Board of Directors approved a new long-term incentive plan that grants Group executives personal and non-transferable options to purchase the stock of ERG and its subsidiaries.

The plan has a three-year duration and provides for assignment of the options, year by year, with a par exercise price, namely a price corresponding to the average closing price of the ERG share's during the thirty days prior to the allocation.

The plan is not a cash-settled share-based payment transaction.

The vesting of the options is subject to being employed by the Group for three years subsequent to the date of assignment.

The following table shows the assigned rights and still in force:

	2007 ASSIGNMENTS	2006 ASSIGNMENTS
NUMBER OF RIGHTS ASSIGNED (1)	693,274	667,029
EXERCISE PRICE (EUR) (2)	16.06	15.61
FAIR VALUE AT DATE OF ASSIGNMENT (EUR) (2)	3.74	4.07

(1) THE NUMBER IS SHOWN NET OF THE RIGHTS CANCELLED
(2) WEIGHTED AVERAGE VALUE BASED ON ASSIGNED OPTIONS

It should be noted that in 2009 the options that had been assigned in 2005 (635,575 options) expired. Their exercise price was set at EUR 21. Hence, the stock option reserve was reduced and reclassified to retained earnings.

The fair value of the options granted was estimated using the Black-Scholes model and taking into account the terms and conditions for assignment of the options.

The following table shows the assumptions used for the model.

	2007	2006
AVERAGE VOLATILITY OF ERG SHARE PRICE (1)	31.99%	31.20%
RISK-FREE INTEREST RATE (1)	3.59%	3.56%
EXPIRY OF RIGHT	4 YEARS	4 YEARS

(1) WEIGHTED AVERAGE VALUE BASED ON ASSIGNED OPTIONS

The portion of the cost of share-based payment transactions pertaining to ERG S.p.A. is as follows:

	2009	2008
COSTS FOR SERVICES AND OTHER COSTS	755	1,406
PERSONNEL EXPENSES	156	236
TOTAL	**911**	**1,643**

Reserves

	12/31/2009	12/31/2008
SHARE PREMIUM RESERVE	48,536	48,536
LEGAL RESERVE	3,236	3,236
RESERVE FOR IAS TRANSITION AND RETAINED EARNINGS	83,564	(51,923)
STOCK OPTION RESERVE	6,601	7,378
CASH FLOW HEDGE RESERVE	(1,259)	(1,493)
AVAILABLE FOR SALE SECURITIES RESERVE	12	–
OTHER RESERVES	15,130	15,130
TOTAL	**155,820**	**20,864**

The "Share premium reserve" consists of the share premium (paid-in capital in excess of par) paid by shareholders to purchase shares related to the share capital increases carried out on 14 October 1997, 2 July and 5 August 2002. This reserve was used for the purchase of treasury shares in 2006 totalling EUR 11,210 thousand and in 2008 totalling EUR 14,779 thousand.
The "IAS" consists of adjustments made to the national financial statements of ERG S.p.A. at the time of conversion (mainly for the derecognition of dividends maturing at the end of the period).
The "Stock option reserve" includes accrued portions of stock option plans.
The "Cash flow hedge reserve" was accrued relative to the fair value of cash flow hedging contracts net of related taxes.
The "Available for Sale Securities reserve" was accrued relative to the fair value of "Cash equivalent securities" net of related taxes.
"Other reserves" mainly relate to reserves accrued in previous periods based on tax regulations, and in particular, those based on the monetary revaluation pursuant to Italian Law 72/83.

The following table lists shareholders' equity items, indicating for each of them their possible utilisation, as well as any tax restrictions.

	AMOUNT	POSSIBILITY OF UTILISATION	AMOUNT AVAILABLE FOR DISTRIBUTION	AMOUNT SUBJECT TO TAX ON DISTRIBUTION
SHARE CAPITAL	15,032	–	–	9,701
SHARE PREMIUM RESERVE	48,536	A B C	48,536	–
LEGAL RESERVE	3,236	B	–	–
RESERVE FOR IAS TRANSITION AND RETAINED EARNINGS	83,564	A B C	83,564	–
STOCK OPTION RESERVE	6,601	–	–	–
CASH FLOW HEDGE RESERVE	(1,259)	–	–	–
AVAILABLE FOR SALE SECURITIES RESERVE	12	–	–	–
OTHER RESERVES	15,130	A B C	15,130	14,622
NET PROFIT (LOSS) FOR THE YEAR	698,258	A B C	698,258	–
TOTAL	**869,109**		**845,488**	**24,323**

KEY:
A - FOR SHARE CAPITAL INCREASE
B - TO COVER LOSSES
C – FOR DISTRIBUTION TO SHAREHOLDERS

Furthermore, note that following off-balance sheet tax deductions taken pursuant to the previously-in-force version of Article 109, paragraph 4 b) of the Italian Consolidated Income Tax Act, still provisionally applicable, in the event of distribution of the year's earnings and/or reserves, the amount of shareholders' equity reserves and retained earnings must not fall below the total remaining amount of off-balance sheet tax deductions taken. Net of the deferred tax provision, this is estimated to be EUR 0.7 million. Should this occur, the amount of reserves and/or profit for the year distributed beyond the minimum level will form part of the company's taxable income.

NOTE 12 – EMPLOYEES' SEVERANCE INDEMNITIES

	12/31/2009	12/31/2008
BALANCE AT BEGINNING OF PERIOD	**2,368**	**3,247**
SOCIAL SECURITY COST FOR CURRENT SERVICES	1,103	1,097
FINANCIAL CHARGES RELATING TO OBLIGATIONS UNDERTAKEN	47	99
BENEFITS PAID	(1,591)	(2,075)
BALANCE AT END OF PERIOD	**1,927**	**2,368**

This item includes the estimated liability, determined on the basis of actuarial procedures, relating to severance indemnities payable to employees when they terminate their employment.

Actuarial gains and losses (arising from changes in actuarial assumptions applied) were not recognised because their net off-balance-sheet value at the end of 2008 was less than 10% of the year-end liability (the corridor method).

Below we illustrate the main assumptions used to calculate the actuarial value of the liability relating to employees' severance indemnities:

DISCOUNT RATE	4.5%
INFLATION RATE	2.0%
AVERAGE TURNOVER RATE	5.0%
AVERAGE RATE OF SALARY INCREASE	3.0%

NOTE 13 - DEFERRED TAX LIABILITIES

The liability for deferred taxes is allocated on the basis of temporary differences subject to deferred taxes between the statutory value of assets and liabilities and their value for tax purposes.
This liability is calculated as follows:

	12/31/2009		12/31/2008	
	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT	AMOUNT OF TEMPORARY DIFFERENCES	TAX EFFECT
ACTUARIAL VALUATION OF EMPLOYEES' SEVERANCE INDEMNITIES	389	107	475	131
EXCESS DEPRECIATION	967	266	2,063	567
OTHER CHANGES	33	9	588	162
TOTAL		**382**		**860**

The rate used to calculate deferred taxes is the same as the nominal IRES (corporate taxation) rate (27.5%) in effect as from 1 January 2008.

The decrease in deferred taxes was mainly due to the reversal effect of the amortisation, for tax purposes, of software required by the previous version of regulations set forth in Article 109, paragraph 4b) of the Italian Consolidated Income Tax Law, which remains in effect during the transition.

NOTE 14 - NON-CURRENT FINANCIAL LIABILITIES

The breakdown of this item is as shown below:

	12/31/2009	12/31/2008
MEDIUM/LONG-TERM MORTGAGES AND LOANS	622,756	676,246
- CURRENT PORTION OF MEDIUM/LONG-TERM LOANS	(198,629)	(174,076)
TOTAL	**424,128**	**502,170**

As of 31 December 2009, medium/long-term mortgages and loans totalled EUR 623 million, including EUR 139 million provided by the European Investment Bank for the "ERG Energia Sicilia" project and EUR 100 million by Unicredit for the ERG Renew (formerly Enertad) transaction.

Loans for which significant fees and other ancillary charges were paid at inception were recognised according to the amortised cost method based on IAS 39.
In 2009 four new loans were obtained totalling EUR 120 million measured at amortised cost.

On 27 December 2009, ERG repaid the EUR 45 million loan provided by Banca Popolare dell'Emilia Romagna.

With respect to existing loans, in order to reduce the risk resulting from future interest rate fluctuations, Interest Rate Swap transactions have been carried out with a maturity in 2011 and nominal value of EUR 53 million. These swaps fix the effective interest rate at 3.88%.

As of 31 December 2009 the weighted average interest rate on mortgages and loans was 1.78% (4.62% at 31 December 2008).

The following table shows the breakdown and maturity of current mortgages and loans:

	MORTGAGES AND LOANS
DUE BY 12/31/2010	198,629
DUE BY 12/31/2011	161,397
DUE BY 12/31/2012	117,373
DUE BY 12/31/2013	73,664
DUE BY 12/31/2014	58,122
DUE BEYOND 12/31/2014	13,571
TOTAL	**622,756**

NOTE 15 - PROVISIONS FOR CURRENT LIABILITIES AND CHARGES

	12/31/2009	12/31/2008	CHANGES INCREASES	CHANGES DECREASES
CHARITY PROVISION	58	66	–	(8)
PROVISION FOR LEGAL DISPUTES	209	209	–	–
TOTAL	**267**	**275**	**–**	**(8)**

The decrease in the Charity provision was due to disbursements made in favour of associations operating in the social area..

NOTE 16 - TRADE PAYABLES

	12/31/2009	12/31/2008
TRADE PAYABLES	10,194	12,381
PAYABLES DUE TO GROUP COMPANIES	1,378	270
TOTAL	**11,572**	**12,651**

These are payables deriving from commercial transactions with domestic and foreign suppliers and are payable within the next year.

NOTE 17 - CURRENT FINANCIAL LIABILITIES

	12/31/2009	12/31/2008
SHORT-TERM BANK BORROWINGS:		
SHORT-TERM BANK BORROWINGS IN EUR	764	281
	764	**281**
OTHER SHORT-TERM FINANCIAL PAYABLES:		
CURRENT PORTION OF MEDIUM/LONG-TERM BANK BORROWINGS	198,629	174,076
FINANCIAL PAYABLES DUE TO GROUP COMPANIES	358,825	205,201
OTHER FINANCIAL PAYABLES	1,783	2,073
	559,237	**381,350**
TOTAL	**560,000**	**381,631**

As of 31 December 2009, the weighted average interest rate on short-term borrowings was 1.40% (4.00% as of 31 December 2008).

The financial payables to Group companies relate to the cash accounts of ERG Raffinerie Mediterranee S.p.A. totalling EUR 183 million and of ERG Petroli S.p.A. totalling EUR 176 million.

Other financial payables mainly consist of the negative fair value of the IRS derivative entered into with Unicredit in the amount of EUR 1,780 thousand. On 30 June 2009 two IRS financial derivatives expired that were entered into with BNP Paribas. As of 31 December 2008 their fair value totalled EUR 515 thousand.

NOTE 18 - OTHER CURRENT LIABILITIES

	12/31/2009	12/31/2008
TAXES PAYABLES	1,163	8,557
PAYABLES DUE TO EMPLOYEES	1,815	2,515
PAYABLES DUE TO SOCIAL SECURITY INSTITUTIONS	1,409	1,476
PAYABLES FOR ACCRUED RENTAL EXPENSES	16	18
OTHER PAYABLES TO GROUP COMPANIES	67,541	27,660
OTHER MINOR CURRENT LIABILITIES	1,301	2,073
TOTAL	**73,245**	**42,299**

"Taxes payables" were mainly related to IRPEF (personal income tax) withholdings on employees' wages and salaries and outside contractors for December 2009 (EUR 1,151 thousand).

"Payables due to employees" refer to sums owed for the period but not yet paid and include vacation days, unused time off "in lieu", productivity bonuses, and bonuses linked to the company's Management Compensation Plan based on Group value creation.

"Payables due to social security institutions" related to the social contributions to be paid on December 2009 wages and salaries.

“Other payables to Group companies” include the transfer related to tax consolidation (EUR 41,740 thousand) and to the Group’s VAT (EUR 25,801 thousand)

"Other minor current liabilities” include payables to directors for bonuses linked to the Compensation Plan based on Group value creation.

NOTE 19 - GUARANTEES, COMMITMENTS AND RISKS (EUR 1,043,207 THOUSAND)

Sureties given

	12/31/2009	12/31/2008
IN FAVOUR OF GROUP COMPANIES	997,645	898,864
IN FAVOUR OF THIRD PARTIES	38,953	46,552
TOTAL	**1,036,598**	**945,416**

The sureties issued to Group companies were mainly for guarantees provided to subsidiaries with respect to crude oil supply contracts and loans.

Our commitments (EUR 6,609 thousand)
These are commitments for purchases of hardware, software and computer consulting services (EUR 7,042 thousand as of 31 December 2008).

NOTE 20 - COVENANTS AND NEGATIVE PLEDGES

The loan provided by Unicredit to ERG S.p.A. is subject, among other things, to a covenant concerning the ratio between net financial indebtedness and gross operating margin (EBITDA), which, starting on 30 June 2007, must be less than or equal to 3.5.
In the case of breach of the aforesaid covenant, the bank shall have the right to withdraw from the contract, declare the acceleration clause as having come into effect on the borrowing, or declare the contract rescinded.
As of 31 December 2009, the company was in breach of the covenant. Thus, in accordance with IAS 1, the medium and long-term portion of the aforementioned loan, which is equal to about EUR 50 million, was classified among current liabilities.
It should be noted in this regard that on the date the financial statements were drafted, the formal documentation concerning the suspension of the application of the covenant (waiver) as of 31 December 2009 was in the course of being obtained, in keeping with previous years.

NOTE 21 - CONTINGENT LIABILITIES

ERG is a party in civil and administrative proceedings and legal actions connected with the normal course of its operations. However, on the basis of the information presently available and considering the liability provisions accrued, ERG considers that these proceedings and actions will not determine significant negative effects on its financial statements.

INCOME STATEMENT ANALYSIS

NOTE 22 - NET INCOME FROM EQUITY INVESTMENTS

	2009	2008
DIVIDENDS FROM SUBSIDIARY COMPANIES:		
ERG RAFFINERIE MEDITERRANEE S,P,A,	800,000	318,000
	800,000	**318,000**
DIVIDENDS FROM ASSOCIATE COMPANIES	**312**	**–**
DIVIDENDS FROM OTHER COMPANIES	**6**	**9**
OTHER INCOME FROM SUBSIDIARIES	**13**	**–**
WRITE-DOWNS AND COVERAGE OF LOSSES	**(56,127)**	**(21)**
TOTAL	**744,204**	**317,988**

Net income from equity investments mainly consisted of dividends collected as distributed by ERG Raffinerie Mediterranee S.p.A. on 27 May 2009. The dividends from associate companies is related to I-Faber S.p.A.

"Write-downs and coverage of losses" relates to the reduction in the carrying value of the equity investment in ERG Renew S.p.A. as a result of the related impairment test described in Note 3.

NOTE 23 - OTHER OPERATING INCOME

	2009	2008
SALES AND SERVICES TO SUBSIDIARIES	18,578	24,264
SALES AND SERVICES TO COMPANIES UNDER JOINT CONTROL	4,021	391
SALES AND SERVICES TO ASSOCIATE COMPANIES	20	102
SALES AND SERVICES TO THIRD PARTIES	98	21
OTHER REVENUES AND INCOME FROM SUBSIDIARY COMPANIES	7,228	8,586
OTHER REVENUES AND INCOME FROM JOINTLY CONTROLLED COMPANIES	274	52
OTHER REVENUES AND INCOME FROM ASSOCIATE COMPANIES	55	55
OTHER REVENUES AND INCOME FROM THIRD PARTIES	376	132
TOTAL	**30,649**	**33,605**

"Sales and services to subsidiaries" includes charges for services provided by centralised staffing departments. The decrease was due to fewer services being provided, mainly with respect to ERG Raffinerie Mediterranee S.p.A.

Revenues from joint ventures are for the company ISAB S.r.l., and mainly concern the contract in place since 1 December 2009 to use information systems.

"Other revenues and income" are mainly related to cost recoveries from Group companies. The decrease was due to lower recoveries from Group companies in 2009, and especially from ERG Raffinerie Mediterranee S.p.A.

NOTE 24 – COSTS FOR SERVICES AND OTHER COSTS

	2009	2008
SERVICE COSTS	28,685	43,616
RENTS PAID	6,914	6,687
PROVISIONS FOR LIABILITIES AND CHARGES	–	200
DUTIES AND TAXES	1,952	2,355
OTHER OPERATING EXPENSES	2,058	2,173
TOTAL	**39,609**	**55,031**

The breakdown of costs for services was as follows:

	2009	2008
CONSULTING SERVICES	8,628	17,302
UTILITIES	739	677
INSURANCE	334	382
ADVERTISING AND SPONSORSHIPS	4,548	4,949
EMOLUMENTS PAID TO DIRECTORS AND STATUTORY AUDITORS	5,310	10,121
STAFF TRAVEL AND LODGING EXPENSES	1,368	1,658
OTHER SERVICES	7,758	8,526
TOTAL	**28,685**	**43,616**

It should be noted that for the year ended 31 December 2008, "Costs for services and other costs" included costs amounting to about EUR 13 million (including EUR 9 million under "Consulting services" and EUR 4 million under "Emoluments paid to Directors") incurred for the creation of the ERG – LUKOIL joint venture, which resulted in the establishment of the new company ISAB S.r.l., a direct equity investment of ERG Raffinerie Mediterranee, for the management of operations at the Priolo refinery in Sicily.

For the year ended 31 December 2009 "Consulting services" include costs incurred for the group's reorganisation transactions including costs incurred for the agreement between ERG and TOTAL in relation to the creation of a new joint venture in the Refining and Marketing industry in Italy.

Costs for "Advertising and sponsorships" mainly consist of charges for the U.C. Sampdoria S.p.A. sponsorship agreement, which, for the most part, were passed on to Group companies.

"Other services" include expenses for IT services (EUR 3,621 thousand), services provided by subsidiaries (EUR 863 thousand), training expenses (EUR 803 thousand) and staff service expenses (EUR 345 thousand).

"Duties and taxes" mainly refer to the cost of non-deductible VAT.

NOTE 25 - PERSONNEL EXPENSES

	2009	2008
SALARIES AND WAGES	14,706	16,403
SOCIAL SECURITY EXPENSES	4,142	4,642
EMPLOYEES' SEVERANCE INDEMNITIES	1,150	1,196
OTHER COSTS	1,805	2,227
TOTAL	**21,803**	**24,469**

The reduction in personnel expenses is due to a reduction in staff levels and to lower bonuses tied to both Group value creation and the conclusion of extraordinary transactions.
"Other costs" mainly consist of supplemental amounts paid to employees leaving the company.

The following table shows the breakdown of ERG S.p.A. personnel (average headcount during the period):

	2009	2008
EXECUTIVES	33	33
MANAGERS	77	78
WHITE-COLLAR EMPLOYEES	115	128
TOTAL	**225**	**239**

As of 31 December 2009, the total number of employees was 222 (220 as of 31 December 2008).

NOTE 26 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS OF FIXED ASSETS

	2009	2008
AMORTISATION OF INTANGIBLE FIXED ASSETS	2,892	1,505
DEPRECIATION OF TANGIBLE FIXED ASSETS	1,080	1,135
TOTAL	**3,973**	**2,640**

With respect to intangible fixed assets, in order to take into account the rapid obsolescence of software and its contribution to the generation of revenues, the amortisation rate for such assets was increased to 33%.

NOTE 27 - NET FINANCIAL INCOME (EXPENSES)

	2009	2008
INCOME		
FROM RECEIVABLES RECORDED UNDER NON-CURRENT FINANCIAL ASSETS	152	10,039
INCOME FROM SUBSIDIARY COMPANIES	6,888	10,043
INTEREST INCOME ON BANK ACCOUNTS	5,723	411
OTHER FINANCIAL INCOME	18	5,558
	12,781	**26,052**
EXPENSES		
EXPENSES TO SUBSIDIARIES	(2,197)	(5,057)
INTEREST PAID ON SHORT-TERM BANK BORROWINGS	(36)	(93)
INTEREST PAID ON MEDIUM/LONG-TERM LOANS	(18,787)	(38,572)
OTHER FINANCIAL EXPENSES	(2,944)	(1,079)
	(23,964)	**(44,800)**
TOTAL	**(11,183)**	**(18,748)**

"Income from receivables recorded under non-current financial assets" is related to interest charged to the subsidiary ERG Raffinerie Mediterranee S.p.A. on the medium/long-term financing provided following the obtainment of a similar loan made by EIB to ERG S.p.A. This loan was repaid by ERG Raffinerie Mediterranee in January 2009.

The income and expenses from subsidiaries are related to interest on cash account and cash pooling relationships with Group companies.

The increase in interest income on bank accounts concerns the investment of available cash in deposit accounts.

For the year ended 31 December 2008, "Other financial income" reflected the fair value measurement of the BPER derivative instrument totalling EUR 4 million and income related to IRS financial instruments totalling EUR 1.6 million.

"Interest paid on medium/long-term loans" declined primarily as a result of the decrease in interest rates in 2009.

"Other financial expenses" include other expenses related to IRS financial instruments totalling EUR 1.9 million.

NOTE 28 - INCOME TAXES

	2009	2008
CURRENT INCOME TAX	(764)	(16,243)
TAXES FROM PREVIOUS YEAR	415	164
SUBSTITUTE TAXES	–	–
DEFERRED TAXES	(247)	(680)
TOTAL	**(596)**	**(16,759)**

The provision for income tax for the period was calculated on the basis of expected taxable income.
In particular, income tax for the period was a positive figure in that it included the IRES recovery of the tax loss of ERG S.p.A. for the year 2009 in the amount of EUR 2,778 thousand following the adoption of the "tax consolidation" regime.

Below is a summary of financial positions resulting from the tax consolidation regime:

RECEIVABLES FROM GROUP COMPANIES (PAYABLE TO TAX AUTHORITIES)	(26,031)
PAYABLES TO GROUP COMPANIES (RECEIVABLE FROM TAX AUTHORITIES)	41,740
ERG S.P.A. NET RECEIVABLE POSITION	1,926
OVERALL RECEIVABLE FROM TAX AUTHORITIES	**17,634**

RECONCILIATION BETWEEN REPORTED AND THEORETICAL TAX CHARGES

	TAXABLE INCOME	TAX
PROFIT BEFORE TAXES	**697,661**	
THEORETICAL TAXATION (TAX RATE 27.5%)		**191,857**
TEMPORARY DIFFERENCES TAXABLE IN FUTURE YEARS	–	
TEMPORARY DIFFERENCES DEDUCTIBLE IN FUTURE YEARS	574	
REVERSAL OF TEMPORARY DIFFERENCES FROM PREVIOUS YEARS	(249)	
PERMANENT DIFFERENCES(1)	(700,764)	
IRES TAXABLE AMOUNT (TAX LOSS)	**(2,778)**	
IRES RECOVERY ON REPORTED TAX LOSS		**(764)**

(1) PERMANENT DIFFERENCES MAINLY CONSIST OF DIVIDENDS PAID BY SUBSIDIARIES AND WRITE-DOWNS OF EQUITY INVESTMENTS

	TAXABLE INCOME	TAX
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**(13,567)**	
COSTS AND REVENUES NOT RELEVANT FOR IRAP PURPOSES	**–**	
COSTS AND REVENUES RECLASSIFIED FOR IRAP PURPOSES	**(11,183)**	
THEORETICAL TAXABLE INCOME FOR IRAP PURPOSES	**(24,750)**	
THEORETICAL TAXATION (TAX RATE 4.82%)		**–**
TEMPORARY DIFFERENCES TAXABLE IN FUTURE YEARS	–	
TEMPORARY DIFFERENCES DEDUCTIBLE IN FUTURE YEARS	–	
REVERSAL OF TEMPORARY DIFFERENCES FROM PREVIOUS YEARS	–	
PERMANENT DIFFERENCES	6,450	
TAXABLE IRAP INCOME	**(18,299)**	
IRAP REPORTED		**–**

NOTE 29 - NON-RECURRING ITEMS

In 2009 there was a write-down amounting to EUR 56 million of the equity investment in ERG Renew following impairment tests.

NOTE 30 - RELATED PARTIES

Statement of financial position - Assets

(EUR THOUSAND)	OTHER FINANCIAL ASSETS	TRADE RECEIVABLES	OTHER RECEIVABLES AND CURRENT ASSETS	CURRENT FINANCIAL ASSETS
RELATED PARTIES				
ERG PETROLI S.P.A.	–	944	32,801	–
ERG POWER & GAS S.P.A.	–	3,408	2,113	131,818
ERG RAFFINERIE MEDITERRANEE S.P.A.	–	(120)	–	155
ERG NUOVE CENTRALI S.P.A.	–	7	240	212,764
ERG RENEW S.P.A.	–	204	–	118,802
ISAB S.R.L.	–	132	–	–
ISAB ENERGY S.R.L.	–	–	–	–
ISAB ENERGY SERVICES S.R.L.	–	1	1,564	–
SIGEA S.P.A	–	21	84	226
GESTIONI EUROPA S.P.A	–	–	434	–
OTHER GROUP COMPANIES	–	45	22	–
OTHER RELATED PARTIES	–	–	–	–
TOTAL	**–**	**4,642**	**37,258**	**463,765**
PERCENTAGE OF TOTAL	*0%*	*96%*	*56%*	*100%*

Statement of financial position - Liabilities

(EUR THOUSAND)	TRADE PAYABLES	CURRENT FINANCIAL LIABILITIES	OTHER CURRENT LIABILITIES
RELATED PARTIES			
ERG PETROLI S.P.A.	(320)	(175,798)	(642)
ERG POWER & GAS S.P.A.	(247)	–	(10,267)
ERG RAFFINERIE MEDITERRANEE S.P.A.	(90)	(183,028)	(30,758)
ERG NUOVE CENTRALI S.P.A.	–	–	(4,447)
ERG RENEW S.P.A.	(452)	–	(102)
ISAB S.R.L.	(268)	–	(13,631)
ISAB ENERGY S.R.L.	–	–	(5,934)
ERG EOLICA GINESTRA S.R.L.	–	–	(1,576)
GESTIONI EUROPA S.P.A.	–	–	(563)
OTHER GROUP COMPANIES	–	–	(81)
OTHER RELATED PARTIES	(975)	–	–
TOTAL	**(2,353)**	**(358,825)**	**(68,000)**
PERCENTAGE OF TOTAL	*20%*	*64%*	*93%*

Income Statement

(EUR THOUSAND)	NET INCOME FROM EQUITY INVESTMENTS	OTHER OPERATING INCOME	COSTS FOR SERVICES AND OTHER COSTS	NET FINANCIAL INCOME (EXPENSES)
GROUP COMPANIES				
ERG PETROLI S.P.A.	–	10,804	(1,277)	(1,943)
ERG POWER & GAS S.P.A.	–	8,476	(243)	2,527
ERG RAFFINERIE MEDITERRANEE S.P.A.	800,000	3,656	(7)	191
ERG NUOVE CENTRALI S.P.A.	–	27	–	2,667
ERG RENEW S.P.A.	–	2,584	(622)	1,365
ISAB S.R.L.	–	4,295	(66)	–
ISAB ENERGY S.R.L.	–	133	–	–
I-FABER S.P.A.	312	18	–	–
OTHER GROUP COMPANIES	–	184	–	36
TOTAL GROUP COMPANIES	**800,312**	**30,176**	**(2,215)**	**4,843**
OTHER RELATED PARTIES				
U.C. SAMPDORIA S.P.A.	–	–	(3,071)	–
FONDAZIONE EDOARDO GARRONE ONLUS	–	–	(100)	–
TOTAL OTHER RELATED PARTIES	**–**	**–**	**(3,171)**	**–**
TOTAL	**800,312**	**30,176**	**(5,386)**	**4,843**
PERCENTAGE OF TOTAL	*100%*	*98%*	*14%*	*43%*

The economic relation with Group companies largely concerned dividends distributed by investee companies, charges for services provided by centralised staffing departments, the recovery of costs and the collection and granting of loans. All transactions form part of ordinary operations and are settled at market terms and conditions.

The financial relations mainly concerned the granting of loans, Group VAT and the consolidated tax regime.

Other relations with related parties as defined under IAS 24 are as follows:

- on 27 May 2009 the sponsorship contract with UC Sampdoria S.p.A. – a football club controlled by ERG's main shareholder – was renewed from 30 June 2009 until 1 July 2011. The contract was subject to a detailed cost-benefit analysis carried out by the departments involved and in accordance with standards of conduct for transactions with related parties, a positive opinion was given by the Internal Control Committee, which said that it would be enough to determine the price with the expectation of a similar financial commitment as for the previous contract, and that an independent expert opinion would not be necessary.

  The costs for the year amounted to EUR 3.1 million, including EUR 2.7 million connected to the sponsorship contract and EUR 0.4 million relating to other, smaller contracts.
- in May 2009, EUR 46 thousand was paid to the Edoardo Garrone Foundation, a not-for-profit institution in which ERG S.p.A. is a partner, for the sale of copyrights on the history of the ERG Group, under the terms of the contract dated 28 April 2009. In December 2009, the sum of EUR 54 thousand was paid as a one-off contribution for 2009.

NOTE 31

With regard to related CONSOB Resolutions, the tables on the following pages provide information on compensation paid to Directors, Statutory Auditors, General Managers and Executives with strategic responsibilities, and on stock options assigned to Directors, General Managers and Executives with strategic responsibilities.

TABLE 1:
Emoluments paid by ERG S.p.A. and subsidiaries in 2009 to Directors, Statutory Auditors, General Managers and key management

NAME AND SURNAME	DETAILS OF POSITION: POSITION	PERIOD IN POST	DATE RESPONSIBILITIES END
RICCARDO GARRONE	HONORARY CHAIRMAN	1/1/09 - 12/15/2009	30 APRIL 2012
EDOARDO GARRONE	CHAIRMAN	1/1/09 - 12/31/2009	30 APRIL 2012
PIETRO GIORDANO	DEPUTY CHAIRMAN	1/1/09 - 12/31/2009	30 APRIL 2012
GIOVANNI MONDINI	DEPUTY CHAIRMAN	1/1/09 - 12/31/2009	30 APRIL 2012
ALESSANDRO GARRONE	CEO	1/1/09 - 12/31/2009	30 APRIL 2012
MASSIMO BELCREDI	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
LUCA BETTONTE	DIRECTOR	12/15/09 - 12/31/2009	30 APRIL 2012
LINO CARDARELLI	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
ALDO GAROZZO	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
GIUSEPPE GATTI	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
ANTONIO GUASTONI	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
PAOLO FRANCESCO LANZONI	DIRECTOR	1/1/09 - 12/31/2009	30 APRIL 2012
GRAZIELLA MERELLO	DIRECTOR	4/23/09 - 12/31/2009	30 APRIL 2012
GIAN PIERO MONDINI	DIRECTOR	1/1/09 - 4/23/2009	–
GUIDO SEBASTIANO ZERBINO	DIRECTOR	1/1/09 - 4/23/2009	–
MARIO PACCIANI	CHAIRMAN	1/1/09 - 12/31/2009	15 APRIL 2010
PAOLO FASCE	AUDITOR	1/1/09 - 12/31/2009	15 APRIL 2010
ANDREA MANZITTI	AUDITOR	4/23/09 - 12/31/2009	15 APRIL 2010
FABRIZIO CAVALLI	AUDITOR	1/1/09 - 4/23/2009	–
SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES (17)	CEOS	–	–

Notes table 1

(1) Bonus relating to 2009, to be paid in May 2010 by ERG S.p.A.;
(2) Remuneration for the post of Chairman of ERG Petroli S.p.A., and Director of ERG Renew S.p.A., ERG Raffinerie Mediterranee and ERG Power & Gas S.p.A.;
(3) Salary paid by ERG Raffinerie Mediterranee S.p.A.;
(4) Salary paid by ERG S.p.A. and remuneration for the post of Director of I-Faber S.p.A.;
(5) Remuneration for the post of Chairman of the Internal Control Committee and member of the Appointments and Remuneration Committee;
(6) Remuneration for the post of member of the Appointments and Remuneration Committee;
(7) Remuneration for the post of Chairman of ERG Raffinerie Mediterranee S.p.A.;
(8) Remuneration for the post of Chairman of ERG Power & Gas S.p.A and ERG Renew S.p.A. and Director of ERG Nuove Centrali S.p.A. and Isab Energy Services S.r.l.;
(9) Remuneration for the post of member of the Internal Control Committee;

TABLE 2:
Stock options assigned to Directors, General Managers and key management

NAME AND SURNAME	POSITION	STOCK OPTIONS HELD AT THE START OF THE YEAR: N° OF STOCK OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	STOCK OPTIONS GRANTED DURING THE YEAR: N° OF STOCK OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY
EDOARDO GARRONE	CHAIRMAN	234,273	17.61	10/2/10			
PIETRO GIORDANO	DEPUTY CHAIRMAN	234,274	16.74	12/31/10			
GIOVANNI MONDINI	DEPUTY CHAIRMAN	39,045	17.61	10/2/10			
ALESSANDRO GARRONE	CEO	436,225	17.89	7/23/10			
LUCA BETTONTE	DIRECTOR	43,384	14.13	11/20/11			
ALDO GAROZZO	DIRECTOR	104,122	17.83	9/9/10			
GIUSEPPE GATTI	DIRECTOR	101,953	16.71	11/24/10			
SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES	CEO	364,427	16.99	1/1/11			

DETAILS OF REMUNERATION			
REMUNERATION	NON-MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER
45,600,07	4,399.93	–	–
844,857,07	5,142.93	125,000.00 (1)	–
419,781,17	12,552.16	168,750.00 (1)	330,333.34 (2)
112,366,07	6,510.26	35,000.00 (1)	232,367.00 (3)
997,045,93	8,169.78	200,000.00 (1)	65,050.00 (4)
47,491,00	2,509.00	–	63,333.33 (5)
2,328,77	12,001.20	50,000.00 (1)	362,175.00 (4)
50,000,00	–	–	16,666.67 (6)
47,285,00	6,759.60	–	445,833.00 (7)
83,333,33	3,377.28	–	144,186.67 (8)
50,000,00	–	–	38,333.33 (9)
44,857,07	5,142.93	–	109,333.33 (10)
198,973,88	1,026.12	–	–
16,666,67	–	–	–
16,666,67	–	–	8,333.33 (11)
60,000,00	–	–	45,205.16 (12)
40,000,00	–	–	22,546.23 (13)
27,600,00	–	–	41,767.12 (14)
12,400,00	–	–	12,298.74 (15)
–	17,136.82	170,000.00 (1)	2,770,954.33 (16)

(10) Remuneration for the post of Chairman of the Appointments and Remuneration Committee and member of the Internal Control Committee, and Chairman of the Supervisory Committee of ERG S.p.A, ERG Petroli S.p.A., ERG Raffinerie Mediterranee S.p.A., ERG Power & Gas S.p.A. and ERG Renew S.p.A.;

(11) Remuneration for the post of member of the Appointments and Remuneration Committee

(12) Remuneration for the post of Chairman of the Board of Statutory Auditors of ERG Petroli S.p.A. and ERG Power & Gas S.p.A., and Auditor of ISAB Energy S.r.l. and Raffineria di Roma S.p.A.;

(13) Remuneration for the post of Chairman of the Board of Statutory Auditors of I-Faber S.p.A and Auditor of ERG Power & Gas S.p.A. and Ionio Gas S.r.l;

(14) Remuneration for the post of Auditor of ERG Renew S.p.A. and ISAB S.r.l..;

(15) Remuneration for the post of Auditor of ERG Power & Gas S.p.A., ERG Petroli S.p.A., Ionio Gas S.r.l and ISAB S.r.l.;

(16) Salary paid by ERG S.p.A. and remuneration for the post of CEO of subsidiaries, net of fees received directly by the relevant company;

(17) Includes 5 senior managers.

STOCK OPTIONS EXERCISED DURING THE YEAR			STOCK OPTIONS EXPIRING DURING THE YEAR	STOCK OPTIONS HELD AT THE END FO THE YEAR		
N° OF STOCK OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MARKET PRICE ON EXERCISE OF OPTIONS	N° OF STOCK OPTIONS	N° OF STOCK OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY
–	–	–	78,091	156,182	15.88	4/2/11
–	–	–	39,046	195,228	15.87	4/2/11
–	–	–	13,015	26,030	15.88	4/2//11
–	–	–	173,536	262,689	15.78	2/2/11
			–	43,384	14.13	11/20/11
–	–	–	39,046	65,076	15.88	4/2/11
–	–	–	17,354	84,599	15.81	2/17/11
–	–	–	173,537	190,890	16.03	4/20/11

NOTE 32 - INDEPENDENT AUDITING FEES

In accordance with Article 149-duodecies of the Issuers' Regulations, we set out below the costs for 2009 relating to services rendered by the auditing firm Deloitte & Touche S.p.A., the ERG group's main external auditor, and by the companies belonging to its network.
It should be noted that on 24 April 2009, the Erg S.p.A. Shareholders' Meeting appointed Deloitte & Touche S.p.A. as the ERG Group's new auditor for financial years 2009-2017.

	2009
AUDITING SERVICES	90
SERVICES OTHER THAN AUDITING	90
TOTAL	**180**

"Auditing services" include the full audit of the annual company and consolidated financial statements and the limited audit of the mid-year interim report.
"Services other than auditing" refer to agreed-upon procedures performed voluntarily on quarterly data and new companies consolidated on a line-by-line basis.

NOTE 33 - DIVIDENDS

The dividends paid by ERG S.p.A. in 2009 (EUR 133.4 million) and 2008 (EUR 59.3 million), as resolved upon approval of the financial statements for the previous year, amounted to EUR 0.90 and EUR 0.40 respectively for each of the shares with dividend rights as of the dividend date. The dividend paid out in 2009 included a one-off component amounting to EUR 0.50 per share due to the positive outcome of the joint venture transaction with LUKOIL.
On 4 March 2010, the Board of Directors of ERG S.p.A. proposed the payment to the shareholders of a dividend amounting to EUR 0.40 per share. The dividend will be paid starting on 27 May 2010, subject to issuance of the coupon starting on 24 May 2010.

NOTE 34 - FINANCIAL INSTRUMENTS

12/31/2009	FVTPL (1)	L&R (2)	AFS (3)	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON-CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	456	–	–	456	*1,252*	456
FINANCIAL RECEIVABLES	–	464,106	1,044	–	–	465,150	*1,044*	465,150
DERIVATIVE INSTRUMENTS	–	–	–	–	–	–	–	–
TRADE RECEIVABLES	–	4,834	–	–	–	4,834	–	4,834
OTHER RECEIVABLES	–	401	–	–	–	401	–	401
CASH AND CASH EQUIVALENTS	–	919,353	29,981	–	–	949,334	–	949,334
TOTAL ASSETS	**–**	**1,388,694**	**31,481**	**–**	**–**	**1,420,175**	***2,296***	**1,420,175**
MORTGAGES AND LOANS	–	–	–	622,756	–	622,756	*424,127*	616,482
SHORT-TERM BANK BORROWING	–	–	–	764	–	764	–	764
FINANCIAL PAYABLES	–	–	–	358,825	–	358,825	–	358,825
DERIVATIVE INSTRUMENTS	1,780	–	–	–	–	1,780	–	1,780
TRADE PAYABLES	–	–	–	11,572	–	11,572	–	11,572
OTHER PAYABLES	–	–	–	841	–	841	–	841
TOTAL LIABILITIES	**1,780**	**–**	**–**	**994,758**	**–**	**996,538**	***424,127***	**990,264**

(1) FVTPL: FAIR VALUE THROUGH PROFIT OR LOSS
(2) L&R: LOANS AND RECEIVABLES
(3) AFS: AVAILABLE FOR SALE FINANCIAL INVESTMENTS

12/31/2008	FVTPL (1)	L&R (2)	AFS (3)	OTHER LIABILITIES	HEDGING DERIVATIVES	TOTAL	*OF WHICH NON-CURRENT*	FAIR VALUE
INVESTMENTS IN OTHER COMPANIES	–	–	456	–	–	456	*456*	456
FINANCIAL RECEIVABLES	–	438,323	663	–	–	438,986	*663*	438,986
DERIVATIVE INSTRUMENTS	–	–	–	–	–	–	–	–
TRADE RECEIVABLES	–	2,189	–	–	–	2,189	–	2,189
OTHER RECEIVABLES	–	70,084	–	–	–	70,084	*27*	70,084
CASH AND CASH EQUIVALENTS	–	219,463	–	–	–	219,463	–	219,463
TOTAL ASSETS	**–**	**730,059**	**1,119**	**–**	**–**	**731,178**	***1,146***	**731,178**
MORTGAGES AND LOANS	–	–	–	676,247	–	676,247	*502,171*	654,848
SHORT-TERM BANK BORROWING	–	–	–	281	–	281	–	281
FINANCIAL PAYABLES	–	–	–	205,201	–	205,201	–	205,201
DERIVATIVE INSTRUMENTS	–	–	–	–	2,073	2,073	–	2,073
TRADE PAYABLES	–	–	–	12,651	–	12,651	–	12,651
OTHER PAYABLES	–	–	–	28,012	–	28,012	–	28,012
TOTAL LIABILITIES	**–**	**–**	**–**	**922,392**	**2,073**	**924,465**	***502,171***	**903,066**

(1) FVTPL: FAIR VALUE THROUGH PROFIT OR LOSS
(2) L&R: LOANS AND RECEIVABLES
(3) AFS: AVAILABLE FOR SALE FINANCIAL INVESTMENTS

Concerning the disclosure on "fair value hierarchies" required by IFRS 7, see the comments in Note 44 to the Consolidated Financial Statements

NOTE 35 - DISCLOSURE ON FINANCIAL RISKS

The following are the main risks identified and actively managed by ERG S.p.A.:

- market risk: deriving from exposure to interest rate fluctuations, and to an immaterial extent, the fluctuations of mutual fund and SICAV shares;
- liquidity risk: the risk of available financial resources being insufficient to fulfil payment commitments.

ERG attributes great importance to the monitoring of risks and to control systems, as conditions for ensuring efficient management of the risks undertaken. The Risk Management process centrally measures and controls the degree of exposure to individual risks for the entire Group, checks compliance with limits assigned and provides its analyses to individual subsidiaries, to the Risk Committee and to the Company's top management for strategic decisions.

Market risk

Market risk for ERG S.p.A. is represented by interest rate risk, and to an immaterial extent, the risk associated with mutual fund and SICAV share prices. Management of these risks is regulated by the guidelines indicated in the group's Risk Management Policy and internal procedures of the operational finance department.

Interest rate risk

The interest rate risk identifies the unexpected change in the future interest-rate trend that could determine higher costs for the business.

The following table illustrates the impact on pre-tax profit (due to adjustments to the fair value of financial assets and liabilities), and on shareholders' equity (due to adjustments to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/- 1% change in interest rate, while holding all other variables constant.

Impact on income statement

(EUR MILLION)	2009	2008
SHOCK-UP (INTEREST RATE VARIATION = **+1%**)	(3.0)	(3.1)
SHOCK-DOWN (INTEREST RATE VARIATION = **-1%**)	3.2	3.1

Impact on shareholders' equity

(EUR MILLION)	2009	2008
SHOCK-UP (INTEREST RATE VARIATION = **+1%**)	–	1.1
SHOCK-DOWN (INTEREST RATE VARIATION = **-1%**)	–	(1.2)

Risk associated with mutual fund and SICAV share prices

The price risk, which has an immaterial impact, in 2009 is represented by short-term liquidity investments in mutual funds and SICAVs.
As of 31 December 2009, the existing risk was not material.

Liquidity risk

Liquidity risk is the risk that financial resources may be insufficient to cover all obligations falling due. Today, with its cash flow generation and the availability of lines of credit provided by various counterparties, ERG ensures adequate coverage of its financial requirements.

The following table summarises the maturity profile of the financial liabilities of ERG S.p.A. as of 31 December 2009, based on undiscounted contractual payments .

12/31/2009 (EUR THOUSAND)	PAYABLES BY MATURITY ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
MORTGAGES AND LOANS	–	1,067	159,371	494,392	14,044
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–
SHORT-TERM BANK BORROWING	764	–	–	–	–
DERIVATIVE INSTRUMENTS	–	–	–	1,780	–
FINANCIAL PAYABLES	–	358,825	–	–	–
TRADE PAYABLES	–	11,572	–	–	–
TOTAL LIABILITIES	**764**	**371,464**	**159,371**	**496,172**	**14,044**

12/31/2008 (EUR THOUSAND)	PAYABLES BY MATURITY ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS
MORTGAGES AND LOANS	–	1,823	196,448	491,241	50,679
NON-RECOURSE PROJECT FINANCING	–	–	–	–	–
SHORT-TERM BANK BORROWING	281	–	–	–	–
DERIVATIVE INSTRUMENTS	–	–		2,072	–
FINANCIAL PAYABLES	–	205,201	–	–	–
TRADE PAYABLES	–	12,651	–	–	–
TOTAL LIABILITIES	**281**	**219,675**	**196,448**	**493,313**	**50,679**

Derivative instruments used

The derivative instruments entered into by ERG as of 31 December 2009 to hedge exposure to existing financial risks were Interest Rate Swaps (IRS) entered into to confine fixed and variable rate loans to the most appropriate risk profile. Interest Rate Swaps provide, or can lead to, the exchange between counterparties of interest flows on pre-determined due dates, calculated with reference to a face value, at the fixed or variable rates agreed.
As of 31 December 2009 a negative fair value of EUR 1.8 million was recognised.

Cash flow hedge reserve

(EUR MILLION)	12/31/2009	12/31/2008
BALANCE AT BEGINNING OF PERIOD	**(1,493)**	**1,171**
CHANGE IN FAIR VALUE	(1,167)	(1,536)
REVERSAL IN INCOME STATEMENT	1,401	(1,129)
BALANCE AT END OF PERIOD	**(1,259)**	**(1,493)**

Market value of derivative instruments

ERG uses various valuation models to determine the market value of derivative instruments. In particular, the IRSs utilised by ERG S.p.A. fall into Level 2 of the Fair Value Hierarchy indicated in IFRS 7.

NOTE 36 - PUBLICATION DATE OF THE FINANCIAL STATEMENTS

On 4 March 2010 ERG S.p.A.'s Board of Directors authorised the publication of the financial statements, pending its right to make additions and formal changes by the date of filing pursuant to Art. 2429 of the Italian Civil Code.

Genoa, 4 March 2010

On behalf of the Board of Directors
The Chairman
Edoardo Garrone

CERTIFICATION OF THE COMPANY FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED

1. The undersigned Alessandro Garrone, Chief Executive Officer of ERG S.p.A., and Giorgio Coraggioso, manager responsible for preparing the corporate accounting documents of ERG S.p.A., taking account of the provisions set out in Article 154-bis, subsections 3 and 4, of Legislative Decree 58 of 24 February 1998, certify:

- the adequacy in relation to the characteristics of the business and
- the effective application of the administrative and accounting procedures for preparation of the company Financial Statements during the financial year 2009.

2. Evaluation of the adequacy of the administrative and accounting procedures used to prepare the company Financial Statements as of 31 December 2009 is based on a process established by ERG S.p.A. in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a benchmark framework generally accepted at international level.

3. It is furthermore certified that:

3.1 the company Financial Statements:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002;

b) correspond to the accounting records;

c) are able to provide a true and fair view of the financial position and operating results of the issuer;

3.2 the Management Report contains a reliable analysis of the operating performance and results, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Genoa, 4 March 2010

Chief Executive Officer

Manager responsible
for preparing the
financial reports

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING, IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/98 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of ERG S.p.A.

Shareholders,
in the year ended at December 31st, 2009, we conducted our oversight activity in accordance with article 149 of Legislative Decree 58/1998 (Unified Financial Code) and the applicable principles of conduct recommended by Italian National Councils of Professional and Certified Public Accountants, as well as CONSOB communications pertaining to corporate controls.
In drafting this report, we also considered the CONSOB communications no. 1025564 of April 6th, 2001, no. 3021582 of April 4th, 2003 and no. 6031329 of April 7th, 2006, concerning the contents of reports by the boards of statutory auditors' of listed companies to the shareholders' meetings.

We also remind that pursuant to Auditor Fabrizio Cavalli submitting his resignation, Andrea Manzitti was appointed a standing auditor with resolution of the shareholders' meeting on April 23rd 2009.
We acknowledge to have complied with the disclosure obligations set forth by article 148-b of the Unified Financial Code, which were subsequently governed by the Issuers' Regulation under article 144(12) et sequitur and Annex 5 bis of this Regulation, by use of the electronic procedure set up by CONSOB called S.A.I.V.I.C. (Automatic Integrated Supervisory System of Control and Administration Assignments).

With reference to the activities carried out in FY 2009, we would like to bring your attention to the following:

- in the FY 2009, the Board of Statutory Auditors held nine meetings and we took part in one Shareholders' Meeting, ten meetings of the Board of Directors, and thirteen meetings of the Internal Control Committee. We can state with a reasonable degree of certainty that the actions decided upon at such meetings were compliant with the law and appropriate information was provided to Directors and Auditors;
- by participating in the Shareholders' and the Board of Directors' Meetings, we supervised and verified compliance with the By Laws, current legislation and regulations that govern the running of the corporate bodies and compliance with the principles of correct governance. We verified that all the resolutions taken were appropriately supported by processes of analysis and verification, concerning the economic and financial congruence of the transactions and that they respond to the interest of the Company;
- we acknowledge that the Board of Directors receives sufficient information from the managing directors and from the Internal Control Committee, supervises the general performance of operations, periodically comparing the results earned with the planned results, and examines and approves transactions of a significant entity;
- we obtained adequate information from Directors at least quarterly on the overall activity of the Company in the various segments in which it operates, also through subsidiaries, and on the most important economic, financial and capital transactions. We can state with a reasonable degree of certainty that the actions decided and implemented complied with the law and the By Laws, were not manifestly imprudent, hazardous, atypical or unusual, and did not represent a potential conflict of interest with the capacity to compromise the integrity of the Company's assets. We also monitored the compliance with the Guidelines, Rules of Conduct and Procedures in place in the Group.

Further information on the subsidiaries of ERG S.p.A. was acquired during meetings with the independent auditor and the statutory auditors of the subsidiaries;

- we asked for information on changes to the regulatory environment and especially with reference to:
  - insurance reimbursements in favour of ISAB Energy S.r.l.;
  - sale of the business in Spain (ERG Petróleos S.A.);
  - Elyo-Restiani operation;
  - new organizational macrostructure;
  - investment budget;
- we acquired information and supervised, to the extent of our responsibility, the adequacy of the Company's organizational structure and compliance with the principles of correct administration by obtaining information from the respective department managers and the representatives of the Independent Auditor at the planned meetings set up to reciprocally exchange data and information;
- in compliance with article 124 ter of the Unified Financial Code and article 89 bis of the CONSOB regulations, the Management Report provided sufficient information on the ERG S.p.A. Corporate Governance system to the recommendations of the Italian Corporate Governance Code of Listed Companies, published in March 2006. The Board of Statutory Auditors can state that the current system of Governance implemented by the Company is faithfully represented in the Management Report. Also with reference to the process of application of the Italian Corporate Governance Code, we have:
  - verified the correct application of the criteria and certification procedures adopted by the Board of Directors to assess the independence of its members;
  - verified the independence of the Statutory Auditors, based on the criteria set forth by the Code;
  - approved the document, prepared by the Nominations and Remuneration Committee, concerning the evaluation of the Board of Directors regarding the composition, size and functioning of the Board and its Committees;
- we supervised the adequacy of the internal control system, designed across a group level and regularly updated by the Parent Company and the subsidiaries, in the meetings with the managers of the various departments, and especially by attending the meetings of the Internal Control Committee and meetings with the head of internal control. We regularly ask for information on the audits taking place in the Internal Control System, in compliance with the organizational changes, and we expressed a positive assessment on the "Guidelines of the Internal Control System".
  We also acknowledged the positive opinion of the Internal Control Committee on the adequacy of the internal control system;
- as of 2009, ERG established a new unit called the Risk Office to launch a strategy to implement an integrated risk management model based on internationally recognized principles of Enterprise Risk Management (ERM), with reference to the CoSO framework (promoted by the Committee of Sponsoring Organizations of the Treadway Commission), as part of which an Enterprise Risk Assessment and ERM Model were established and formally approved by the Parent Company's Board of Directors.
  We acknowledge to have implemented the Project and to have shared the methodological set up and the contents of the ERM Framework;
- we were informed about the guidelines in relation to the risk hedge policy, noting that the resulting operations were implemented in order to minimize the risks related to commodities prices and financial risks (foreign exchange and interest rates) without speculating. The Company used derivative financial instruments, as defined by article 2427-b of the Italian Civil Code (swap and forward). In accordance with article 2427-b of the Italian Civil Code, the Explanatory Notes reported the market values, based on the mark to market values assessed by the reference market, with verification of the congruence using valuation instruments and models;

- in the report on the activity carried out in the year and in the meetings with the Board of Statutory Auditors, the Supervisory Board, established pursuant to Legislative Decree 231/01, reported to have found no significantly critical issues regarding the implementation and effectiveness of the Model. Within the limits of our responsibility, we:
  – reviewed the existence of the professional requirements of the members of the Supervisory Board set forth by the Organization, Management and Control Model, as per Legislative Decree 231/2001;
  – found the powers and financial resources assigned to the Supervisory Board to be adequate to correctly carry out its institutional assignments;
  – found complete correspondence between the reports received and the disclosure requirements included in the Organization, Management and Control Model;
  – agree with the Supervisory Board's allocation of the operating activity between the Internal Audit Group (monitoring areas at risk of offense) and the Risk Office (updating the models and analysis of the reporting);
- we evaluated and supervised the adequacy of the administrative and accounting system and its ability to correctly represent operating events, by obtaining information from the department heads, examining the company documents, and analysing the results of the work performed by the Independent Auditor. We examined the document submitted by the Processes and Compliance office of ERG S.p.A. which reports on the tests done in 2009 and the compensatory controls against any problems found. Corrective actions are currently underway to ensure correct compliance of the monitoring and certification required of ERG S.p.A. in accordance with Law 262/05;
- we found no particularly critical elements nor elements that would hinder issue of the certification by the Financial Reporting Officer and the Managing Director of ERG S.p.A. of the adequacy of the administrative and accounting procedures for forming the ERG S.p.A. financial statements and the Consolidated financial statements at December 31st 2009;
- we oversaw respect for the rules on preparation and publication of the interim management reports and financial statements as well as the structure given to them and the correct application of the accounting principles, including with the information obtained from the Independent Auditor;
- we oversaw the adequacy of the instructions imparted by ERG S.p.A to its subsidiaries, in reference to the figures necessary for preparing the financial statements and the interim reports and compliance with article 114, section 2 of Legislative Decree 58/98;
- we verified compliance with the requirements related to the "Market abuse" and "Protection of Savings" provisions in relation to the company disclosure and "Internal Dealing", with special reference to handling confidential information and the procedure for publishing press releases and information to the public;
- we examined the revisions made to the text of the "Code of Conduct of the Directors" and the "Procedure for managing and handling price-sensitive information and publishing press releases and public disclosure";
- we examined and reviewed the document of verification and updating of the areas in which the management and coordination of the Parent Company is carried out and of the companies subject to this activity, verifying compliance with the matters set forth in relation to articles 2497 et seq. of the Italian Civil Code;
- during the year, we issued the opinions required of the Statutory Auditors in accordance with the law, verifying:
  – with respect to directors' compensation, in accordance with article 2389 of the Italian Civil Code, compliance with the economic conditions to the compensation policy in force in the Group and the recommendations of the Nominations and Remuneration Committee, consistent with benchmarks relating to segment companies;
  – with respect to appointment of the Financial Reporting Officer, the existence of the

requirements of experience and professionalism and assignment of the powers and resources appropriate for performing the job;

- we periodically requested information on the progress of the Security Plan, started up by the ERG Group at the beginning of 2009, with the support of industry leaders, to improve and fully assimilate the culture of the persons in relation to management of the risks connected to Health, Safety and the Environment. To ensure complete compliance with the rules and procedures, a training and investment plan was set up which will be realized in the coming two years. For our part, we noted the company's dedication to the constant work of updates and improvements;
- the Security Policy Document was updated in light of the technical and organizational news introduced into the Group's IT system in view of the prevailing regulatory provisions;
- In carrying out our activities, the Board of Statutory Auditors found no omissions, irregularities, or reprehensible or significant actions that warranted reporting to the control bodies or mention in this report;
- no reports were received by the Board of Statutory Auditors, pursuant to article 2408 of the Italian Civil Code nor reported by third parties.

Following the supervisory activity and with reference to the CONSOB communications on the issue, we feel confident in stating that:

- no atypical and unusual transactions were found nor any transactions with third parties, no infragroup and/or related-party transactions;
- as regards the infragroup transactions, Directors reported on the existence of commercial and financial relationships between the ERG Group companies in the Explanatory Notes and in the Management Report, noting that these dealings fall under the ordinary operations and are transacted at arm's length conditions;
- related-party transactions refer nearly entirely to transactions executed with subsidiaries and associates not included in the area of consolidation and involve performance of services and the provision and use of financial resources through centralized treasury management; these dealings fall under ordinary operations, are transacted at arm's length conditions and are illustrated in the Management Report and the Explanatory Notes. We also examined and approved the document that sets out the highlights of the intercompany services agreements for FY 2009 and, in particular, the analytical level used in rebilling of services set forth in each contract;
- the Company has entertained other related-party relationships, as defined by IAS 24, and also illustrated in the Explanatory Notes. Significant transactions related to the renewal of the sponsorship contract with U.C. Sampdoria S.p.A. and the grant made to the Fondazione Edoardo Garrone. The Board of Statutory Auditors examined the preliminary activity performed by the Internal Control Committee in relation to renewal of the U.C. Sampdoria sponsorship agreement and we expressed a positive opinion on its congruence;
- on our part, we verified the existence and the compliance with procedures that can ensure that infragroup and related-party transactions are carried out transparently and in compliance with the substantial and procedural correctness as well as the adequacy of the information provided by directors in the Management Report. We found that the company's best interest was foremost in these transactions.

As already reported in the Report by the Statutory Auditors to the Shareholders' Meeting at December 31, 2008, the Statutory Auditors of ERG SpA, in agreement and with the assistance of the other company bodies and especially the Financial Reporting Officer and the Administration and Fiscal Office, fulfilled its responsibility in relation to appointment of the Independent Auditor, for which the law imposes a "reasoned recommendation by the control body". We performed the selection process and reviewed the economic offers to formulate a reasoned recommendation, which was approved by Shareholders on April 23rd 2009 during

the ERG S.p.A. Shareholders' Meeting, to appoint Deloitte & Touche S.p.A. as the new Independent Auditor for the ERG group for the financial years 2009-2017.
We maintained regular contact with the Independent Auditor by holding formal meetings including the attendance of its company directors and by informal meetings with individual members of the Board and representatives of the Independent Auditor, to seek a reciprocal exchange of relevant data and information, in compliance with the provisions of article 150 of the Unified Financial Code. We always found the utmost cooperation, including in preliminary activities to financial statement preparation, and no significant facts or aspects have emerged that warrant mention.

The Independent Auditor, Deloitte & Touche S.p.A., was engaged to provide the comprehensive audit of the statutory financial statements, the consolidated financial statements and the limited audit of the interim financial statements for a total compensation of EUR 90 thousand. Furthermore, ERG S.p.A. also assigned it with the additional responsibilities of:
– voluntary audits of the interim statements of the Company and the consolidated companies: EUR 57 thousand;
– exploratory enquiries into equity investments: EUR 33 thousand.
Neither ERG S.p.A. nor its subsidiaries have granted any other assignments to parties related to Deloitte & Touche S.p.A. by continuous relationships and/or companies belonging to the same network.

For the sake of complete disclosure, we should note that ERG SpA. and its subsidiaries have agreed to pay Deloitte & Touche S.p.A. the total amount of EUR 862 thousand for the audit of the statutory financial statements, consolidated financial statements, and the limited audit of the interim report and the amount of EUR 147 thousand for the additional assignments, as detailed above.
Considering the declaration of independence issued by the Deloitte & Touche S.p.A. and of assignments granted to it by ERG S.p.A. and the consolidated companies, stating that no assignments were granted that are not allowed by article 160 of the Unified Financial Code and by the CONSOB implementing regulations, we do not feel that any critical aspects exist in relation to the independence of Deloitte & Touche S.p.A.

With respect to the statutory financial statements, we remind that:
- through direct checks and using the information provided to us by the Independent Auditor, we verified compliance with legal provisions (to which we refer) concerning the preparation and structure of the financial statements and the Management Report, the financial schedules and the accounting policies, described in the Explanatory Notes to the financial statements and the Management Report;
- this year, as last year, the Company has adopted the international accounting standards for the statutory financial statements (as well as for the consolidated accounts, which have been drafted according to IFRS since 2005);
- in application of the CONSOB resolution no. 15519/2006, the effects of the related-party transactions on the balance sheet and income statement are expressly indicated in the financial schedules;
- the Explanatory Notes to the financial statements provide the information required by the IAS in relation to impairment of assets. The recent Banca d'Italia/Consob/Isvap Document no. 4 dated March 3rd 2010 called attention to this application. The Board of Statutory Auditors acknowledges to have examined the document drafted and illustrated to the Internal Control Committee by an independent expert, reporting the analyses made and the results obtained in the impairment tests of the investment in ERG Renew S.p.A. (formerly Enertad S.p.A.), included in the ERG S.p.A. financial statements at December 31st 2009. The assessments were made on the presumption of a going concern and in the understanding

that the assumptions indicated in the Plan drafted by the management of ERG Renew S.p.A. The Board of Statutory Auditors considered the assessment assumptions reasonable, and approves the results;

- the Managing Director and the Financial Reporting Officer issued their certification, in accordance with article 81-ter of the CONSOB Regulation no. 11971/1999 et sequitur and article 154-bis, section 3 and 4 of the Unified Financial Code (TUF) (Legislative Decree 58/1998);
- the financial statements correspond to the events and information which the Board of Statutory Auditors has come to know in carrying out our oversight duties and control and inspection responsibilities;
- the Management Report responds to the legal requirements and is consistent with the data and results of the financial statements; it provides full disclosure on the business of the Company and the subsidiaries and the infragroup and related-party transactions and also on the process of adjusting company organization to the principles of corporate governance, in compliance with the Italian Corporate Governance Code of Listed Companies, which ERG S.p.A. has followed;
- in compliance with CONSOB recommendations, the Management Report provides complete disclosure on the Management Incentive Plan;
- the Management Report provides adequate disclosure on the main risks affecting the Company and Group companies.

The Independent Auditor issued its report on March 16th 2010 in accordance with article 156 of the Unified Financial Code, which stated that the statutory financial statements at December 31st 2009 were drafted with clarity and represent a true and correct view of the income statement and balance sheet, cash flow and financial situation of ERG S.p.A. for the year ended at that date.

As regards the contents of this report, the Statutory Auditors have no remarks to make in relation to approval of the financial statements at December 31st 2009 and the recommendation of the Board of Directors in relation to allocating profits.

The term of office of the Board of Statutory Auditors, appointed by the Shareholders' Meeting on April 24th 2007, ends with approval of the financial statements at December 31st 2009.
We thank you for the trust you have placed in us and ask you to appoint the Statutory Auditors for the years 2010-2012, pursuant to the matters set forth in article 22 of the By Laws.

Genoa, March 19th 2010

The Board of Statutory Auditors
Mario Pacciani (Chairman)
Paolo Fasce (Standing Auditor)
Andrea Manzitti (Standing Auditor)

LIST OF OFFICES HELD TO BE ANNEXED TO THE REPORT PREPARED PURSUANT TO ARTICLE 153 OF THE CONSOLIDATED LAW ON FINANCE ANNEX 5-BIS - TABLE 4

DR. MARIO PACCIANI

COMPANY	NATURE OF OFFICE HELD	EXPIRY OF TERM OF OFFICE
AGENZIA MARITTIMA LE NAVI S.P.A.	DIRECTOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
AGENZIA MARITTIMA LE NAVI VENETO S.R.L.	CHAIRMAN OF THE BOARD	APPROVAL FINANCIAL STATEMENTS 31/12/2011
GENERAL MANAGEMENT S.R.L.	SOLE DIRECTOR	UNTIL DISMISSAL
BOERO BARTOLOMEO S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
CENTRO SERVIZI DERNA S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
CONTSHIP CAGLIARI S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
CONTSHIP ITALIA S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
CONTSHIP TERMINALS S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2010
COSTA EDUTAINMENT S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
DAMONTE COSTRUZIONI S.P.A. IN LIQ. E CON. PREV.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2010
ERG PETROLI S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
ERG POWER & GAS S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2010
ERG S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
EXPERTISE S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
HANNIBAL S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
INTERGLOBO HOLDING S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 30/11/2009
INTERGLOBO S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2010
LA SPEZIA CONTAINER TERMINAL S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2010
MEDCENTER CONTAINER TERM. S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
OCEANOGATE ITALIA S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
PORTO INDUSTRIALE CAGLIARI S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
RINALDO RINALDI E FIGLIO S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
SAIMARE S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
SI - SOCIETÀ IMMOBILIARE S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
TERMINAL RUBIERA S.R.L.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
U.C. SAMPDORIA S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
ISAB ENERGY S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
RAFFINERIA DI ROMA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
SAMPDORIA HOLDING S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
SAN BIAGIO NUOVA S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
SPEDEMAR S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
TERMINAL DARSENA TOSCANA S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
TERRESTRE IMMOBILIARE S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010

NUMBER OF OFFICES HELD IN LISTED COMPANIES	**2**	**ERG S.P.A., BOERO BARTOLOMEO S.P.A.**
NUMBER OF OFFICES HELD OVERALL	**33**	

DR. PAOLO FASCE

COMPANY	NATURE OF OFFICE HELD	EXPIRY OF TERM OF OFFICE
SCHOTT ITALGLAS S.R.L.	DIRECTOR	APPROVAL FINANCIAL STATEMENTS 30/09/2011
IMMOBILIARE ROCCIA SCURA S.R.L.	DIRECTOR	UNTIL DISMISSAL
COMPAGNIA GENERALE TELEMAR S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
I - FABER S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2009
JANUA CAER S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/08/2010
BOERO BARTOLOMEO S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
ERG POWER & GAS S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
ERG S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
ERG S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
FILATURA DI POLLONE S.P.A.	CHAIRMAN OF THE BOARD OF AUDITORS	APPROVAL FINANCIAL STATEMENTS 31/12/2011
FONDAZIONE I.T.T. ISTITUTO ITALIANO DI TECNOLOGIA	STANDING AUDITOR	UNTIL 28/11/2010
GENERALE CONSERVE S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
IONIO GAS S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
PRA DISTRIPARK EUROPA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
RIMORCHIATORI RIUNITI S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
SINPORT S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
SO.GE.TANK. S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
VOLTRI TERMINAL EUROPA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
YLF S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
YARPA INVESTIMENTI SGR S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
YARPA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010

NUMBER OF OFFICES HELD IN LISTED COMPANIES	**3**	**ERG S.P.A., BOERO BARTOLOMEO S.P.A.; FILATURA DI POLLONE S.P.A.**
NUMBER OF OFFICES HELD OVERALL	**20**	

AVV. ANDREA MANZITTI

COMPANY	NATURE OF OFFICE HELD	EXPIRY OF TERM OF OFFICE
MALACALZA INVESTIMENTI S.R.L.	DIRECTOR	UNTIL DISMISSAL OR RESIGNATION
ERG S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
ERG RENEW S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
BNL S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
ISAB S.R.L.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
AXA ITALIA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
QUIXA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2010
AXA PARTECIPAZIONI S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 30/09/2010
ABBACUS SIM S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2009
FINDOMESTIC BANCA S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 31/12/2011
SIND S.P.A.	STANDING AUDITOR	APPROVAL FINANCIAL STATEMENTS 30/06/2011

NUMBER OF OFFICES HELD IN LISTED COMPANIES	**2**	**ERG S.P.A.; ERG RENEW S.P.A.**
NUMBER OF OFFICES HELD OVERALL	**11**	

Deloitte.

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AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998

To the Shareholders of ERG S.p.A.

1. We have audited the statutory financial statements of ERG S.p.A. as of and for the year ended December 31, 2009, which comprise the statement of financial position, the income statement, the statement of other components of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes to financial statements. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to the auditors' report issued by other auditors on March 20, 2009.

3. In our opinion, the statutory financial statements of ERG S.p.A. as of December 31, 2009 comply with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they give a true and fair view of the financial position of ERG S.p.A., and of the results of its operations and its cash flows for the year then ended.

4. The Directors of ERG S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance with reference to the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance are consistent with the financial statements of ERG S.p.A. as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.

Signed by
Corrado Toscano
Partner

Genoa, Italy
March 16, 2010

This report has been translated into the English language solely for the convenience of international readers.

FINANCIAL STATEMENTS OF THE MAIN SUBSIDIARIES AND ASSOCIATE COMPANIES (*)

* the financial statements shown in the following pages refer to FY2009 for subsidiaries and to the latest approved financial statements available at the time of the ERG S.p.A. Board of Directors Meeting on 4 March 2010 for associate companies

BALANCE SHEET (IAS FORMAT)

(EUR THOUSAND)	ERG RENEW S.P.A. 12/31/2009	ERG RENEW GROUP 12/31/2009	I - FABER S.P.A. 12/31/2008
TANGIBLE FIXED ASSETS	72	325,541	212
INTANGIBLE FIXED ASSETS	337	74,405	2,655
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	66,152	–	1,838
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	187,534	–	–
OTHER EQUITY INVESTMENTS	150	1,962	–
FINANCIAL ASSETS	622	622	–
OTHER RECEIVABLES	50	9,248	–
TAX ASSETS	492	14,032	–
DEFERRED TAX ASSETS	4,176	13,773	–
NON-CURRENT ASSETS	**259,585**	**439,583**	**4,706**
TRADE RECEIVABLES FROM THIRD PARTIES	1,206	11,048	8,485
TRADE RECEIVABLES FROM PARENT COMPANIES, SUBSIDIARIES AND ASSOCIATES	4,269	–	96
FINANCIAL RECEIVABLES FROM PARENT COMPANIES	–	–	–
FINANCIAL RECEIVABLES FROM SUBSIDIARIES	8,212	–	–
OTHER FINANCIAL RECEIVABLES	–	–	–
OTHER RECEIVABLES	3,759	28,655	913
TAX ASSETS	1,020	5,506	5
INVESTMENTS AVAILABLE FOR SALE	2	2	–
RECEIVABLES FOR DERIVATIVES	7	199	–
CASH AND CASH EQUIVALENTS	13,424	58,165	1,716
CURRENT ASSETS	**31,899**	**103,575**	**11,215**
ASSETS HELD FOR SALE	**–**	**–**	**–**
TOTAL ASSETS	**291,484**	**543,158**	**15,921**
GROUP SHAREHOLDERS' EQUITY	–	106,823	–
MINORITY INTERESTS	–	435	–
SHAREHOLDERS' EQUITY	116,017	–	10,102
	116,017	**107,258**	**10,102**
STAFF LEAVING PAYMENTS (TFR)	143	489	150
PROVISIONS FOR RISKS AND FUTURE LIABILITIES	5,435	7,930	–
FINANCIAL PAYABLES - NON-CURRENT PORTION	28,700	170,594	–
FINANCIAL PAYABLES TO PARENT COMPANIES - NON-CURRENT PORTION	118,802	118,802	–
PAYABLES FOR DERIVATIVES	–	–	–
OTHER PAYABLES	–	–	–
DEFERRED TAX LIABILITIES	–	16,268	–
NON-CURRENT LIABILITIES	**153,080**	**314,083**	**150**
PROVISIONS FOR RISKS AND FUTURE LIABILITIES	–	–	200
FINANCIAL PAYABLES - CURRENT PORTION	12,524	54,660	–
PAYABLES FOR DERIVATIVES	1,844	5,362	–
TRADE PAYABLES	1,761	52,430	1,509
OTHER PAYABLES	6,094	8,731	3,549
TAX LIABILITIES	164	634	411
CURRENT LIABILITIES	**22,387**	**121,817**	**5,669**
LIABILITIES HELD FOR SALE	**–**	**–**	**–**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**291,484**	**543,158**	**15,921**

INCOME STATEMENT (IAS FORMAT)

(EUR THOUSAND)	ERG RENEW S.P.A. 2009	ERG RENEW GROUP 2009	I - FABER S.P.A. 2008
REVENUES FROM SALES AND SERVICES	3,169	50,464	15,423
OTHER REVENUES AND INCOME	727	4,561	58
PRODUCTION VALUE	**3,896**	**55,025**	**15,481**
RAW, ANCILLARY, CONSUMABLE MATERIALS, AND GOODS	(59)	(597)	(44)
SERVICE COSTS	(9,529)	(22,255)	(4,489)
PERSONNEL COSTS	(4,067)	(5,891)	(7,039)
OTHER OPERATING EXPENSES	(134)	(3,209)	(11)
DEPRECIATION AND AMORTISATIONI	(102)	(23,210)	(813)
WRITE-DOWNS AND PROVISIONS	–	(14,863)	–
PRODUCTION COSTS	**(13,891)**	**(70,025)**	**(12,396)**
EBIT	**(9,995)**	**(15,000)**	**3,086**
FINANCIAL INCOME AND EXPENSES IN RESPECT OF THIRD PARTIES	(1,521)	–	20
FINANCIAL INCOME FROM PARENT COMPANIES AND SUBSIDIARIES	1,623	–	–
NET FINANCIAL INCOME AND EXPENSES	–	(11,387)	–
WRITE-DOWN OF EQUITY INVESTMENTS	(14,825)	–	–
INCOME AND EXPENSES FROM EQUITY INVESTMENTS	–	(3,876)	–
	(14,723)	**(15,263)**	**20**
PROFIT BEFORE TAXES	**(24,718)**	**(30,263)**	**3,106**
CURRENT, DEFERRED AND ADVANCE INCOME TAXES FOR THE YEAR	2,071	2,497	(382)
INCOME FROM DISCONTINUED ACTIVITIES	–	–	
NET PROFIT	**(22,647)**	**(27,766)**	**2,724**
MINORITY INTERESTS	–	(186)	–
GROUP NET PROFIT	**–**	**(27,952)**	**–**

BALANCE SHEET

(EUR THOUSAND)	ERG PETROLI S.P.A. 12/31/2009	ERG POWER & GAS S.P.A. 12/31/2009	ERG RAFFINERIE MEDITERRANEE S.P.A. 12/31/2009
ASSETS			
A) RECEIVABLES FROM SHAREHOLDERS	–	–	–
B) FIXED ASSETS			
INTANGIBLE	36,166	2,116	2,163
TANGIBLE	330,136	42	1,934
FINANCIAL	70,388	88,797	534,650
	436,690	**90,955**	**538,746**
C) CURRENT ASSETS			
INVENTORIES	133,125	3,653	36,926
RECEIVABLES	540,237	200,175	373,972
FINANCIAL ASSETS	–	–	14,523
CASH AND CASH EQUIVALENTS	51,939	908	523,621
	725,300	**204,736**	**949,043**
D) ACCRUALS AND DEFERRALS	**11,767**	**3,151**	**3,865**
TOTAL ASSETS	**1,173,757**	**298,842**	**1,491,655**
LIABILITIES			
A) SHAREHOLDERS' EQUITY			
SHARE CAPITAL	36,000	6,500	25,000
SHARE PREMIUM RESERVE	–	–	–
REVALUATION RESERVE	150,927	2,976	52,635
LEGAL RESERVE	7,200	1,300	5,000
OTHER RESERVES	56,013	154	140,169
RETAINED EARNINGS (LOSSES)	78,903	24,514	384,193
NET PROFIT (LOSS) FOR THE YEAR	25,567	(25,662)	(65,567)
	354,611	**9,782**	**541,430**
B) PROVISIONS FOR RISKS AND FUTURE LIABILITIES			
TAXES	32,209	120	5,228
OTHER	18,677	816	11,755
	50,886	**936**	**16,984**
C) STAFF LEAVING PAYMENTS (TFR)	**5,431**	**255**	**685**
D) PAYABLES			
PAYABLES TO SHAREHOLDERS FOR LOANS	–	–	–
BANKS / OTHER LENDERS	365,850	96	676,710
ADVANCES	174	–	–
SUPPLIERS	199,301	78,763	165,261
SUBSIDIARIES/ASSOCIATES/ PARENT COMPANIES/AFFILIATES	45,752	206,066	65,636
TAX PAYABLES	89,797	1,515	9,022
LIABILITIES FOR SOCIAL SECURITY AND PENSIONS	2,267	658	322
OTHER PAYABLES	58,620	735	15,562
	761,759	**287,833**	**932,512**
E) ACCRUALS AND DEFERRALS	**1,070**	**36**	**45**
TOTAL LIABILITIES	**1,173,757**	**298,842**	**1,491,655**

INCOME STATEMENT

(EUR THOUSAND)	ERG PETROLI S.P.A. 2009	ERG POWER & GAS S.P.A. 2009	ERG RAFFINERIE MEDITERRANEE S.P.A. 2009
A) PRODUCTION VALUE			
REVENUES FROM SALES AND SERVICES	5,183,962	630,080	2,832,877
CHANGES IN INVENTORIES	10,459	(212)	(53,169)
INCREASE IN FIXED ASSETS UNDER CONSTRUCTION	–	–	–
OTHER REVENUES AND INCOME	19,483	1,538	13,478
	5,213,904	**631,406**	**2,793,187**
B) PRODUCTION COSTS			
PURCHASES	(4,754,186)	(537,306)	(2,442,183)
SERVICES	(248,012)	(94,633)	(414,992)
LEASES AND RENTAL EXPENSES	(51,636)	(1,612)	(875)
PERSONNEL	(30,775)	(9,535)	(5,356)
DEPRECIATION, AMORTISATION AND WRITE-DOWNS	(49,494)	(6,039)	(546)
CHANGES IN INVENTORIES	(21,436)	212	(40,369)
PROVISIONS	(12,550)	(816)	–
OTHER OPERATING EXPENSES	(13,606)	(2,120)	(3,129)
	(5,181,696)	**(651,849)**	**(2,907,451)**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**32,207**	**(20,443)**	**(114,265)**
C) FINANCIAL INCOME AND EXPENSES			
INCOME FROM EQUITY INVESTMENTS	19,995	–	23
OTHER FINANCIAL INCOME	2,802	2,188	16,833
INTEREST AND OTHER FINANCIAL EXPENSES	(8,704)	(7,465)	(10,156)
FOREIGN EXCHANGE GAINS (LOSSES)	626	(4)	10,879
	14,719	**(5,281)**	**17,578**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS			
WRITE-UPS	–	–	–
WRITE-DOWNS	(764)	(7,650)	–
	(764)	**(7,650)**	**–**
E) EXTRAORDINARY INCOME AND EXPENSES			
INCOME	–	–	–
EXPENSES	(3,323)	(124)	(737)
	(3,323)	**(124)**	**(737)**
PROFIT BEFORE TAXES	**42,840**	**(33,498)**	**(97,423)**
INCOME TAXES FOR THE YEAR	(17,272)	7,835	31,857
NET PROFIT (LOSS) FOR THE YEAR	**25,567**	**(25,662)**	**(65,567)**

BALANCE SHEET

(EUR THOUSAND)	ERG NUOVE CENTRALI S.P.A. 12/31/2009	ISAB ENERGY S.R.L. 12/31/2009	ISAB ENERGY SERVICES S.R.L. 12/31/2009
ASSETS			
A) RECEIVABLES FROM SHAREHOLDERS	**–**	**–**	**–**
B) FIXED ASSETS			
INTANGIBLE	1,509	22,638	–
TANGIBLE	454,719	551,908	1
FINANCIAL	9,246	5	–
	465,475	**574,551**	**1**
C) CURRENT ASSETS			
INVENTORIES	6,825	9,509	–
RECEIVABLES	71,935	134,302	31,758
FINANCIAL ASSETS	–	–	–
CASH AND CASH EQUIVALENTS	8	195,797	88
	78,768	**339,607**	**31,846**
D) ACCRUALS AND DEFERRALS	**2,945**	**10,599**	**7**
TOTAL ASSETS	**547,188**	**924,757**	**31,853**
LIABILITIES			
A) SHAREHOLDERS' EQUITY			
SHARE CAPITAL	28,810	5,165	700
SHARE PREMIUM RESERVE	–	–	–
REVALUATION RESERVE	5,226	–	37
LEGAL RESERVE	1,980	1,033	140
OTHER RESERVES	491	28,709	2
RETAINED EARNINGS (LOSSES)	(19,178)	357,524	7,232
NET PROFIT (LOSS) FOR THE YEAR	(4,036)	65,040	3,502
	13,293	**457,471**	**11,613**
B) PROVISIONS FOR RISKS AND FUTURE LIABILITIES			
TAXES	2,623	58,071	–
OTHER	10,009	7,588	–
	12,631	**65,658**	**–**
C) STAFF LEAVING PAYMENTS (TFR)	**–**	**–**	**2,273**
D) PAYABLES			
PAYABLES TO SHAREHOLDERS FOR LOANS	–	55,789	–
BANKS / OTHER LENDERS	240,000	143,984	261
ADVANCES	–	–	–
SUPPLIERS	37,601	51,271	3,590
SUBSIDIARIES/ASSOCIATES/ PARENT COMPANIES/AFFILIATES	243,579	103,240	6,283
TAX PAYABLES	17	661	587
LIABILITIES FOR SOCIAL SECURITY AND PENSIONS	–	3	1,981
OTHER PAYABLES	33	447	5,261
	521,231	**355,395**	**17,962**
E) ACCRUALS AND DEFERRALS	**33**	**46,233**	**5**
TOTAL LIABILITIES	**547,188**	**924,757**	**31,853**

INCOME STATEMENT

(EUR THOUSAND)	ERG NUOVE CENTRALI S.P.A. 2009	ISAB ENERGY S.R.L. 2009	ISAB ENERGY SERVICES S.R.L. 2009
A) PRODUCTION VALUE			
REVENUES FROM SALES AND SERVICES	87,568	200,839	39,957
CHANGES IN INVENTORIES	–	(141)	–
INCREASE IN FIXED ASSETS UNDER CONSTRUCTION	7,396	899	–
OTHER REVENUES AND INCOME	7,492	222,604	196
	102,455	**424,201**	**40,153**
B) PRODUCTION COSTS			
PURCHASES	(43,055)	(188,285)	(299)
SERVICES	(48,339)	(63,574)	(10,851)
LEASES AND RENTAL EXPENSES	(84)	(576)	(874)
PERSONNEL	–	(73)	(21,619)
DEPRECIATION, AMORTISATION AND WRITE–DOWNS	(9,557)	(40,641)	(1)
CHANGES IN INVENTORIES	2,457	(418)	–
PROVISIONS	(2,900)	(1,005)	–
OTHER OPERATING EXPENSES	(1,759)	(21,893)	(149)
	(103,238)	**(316,465)**	**(33,793)**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**(783)**	**107,736**	**6,360**
C) FINANCIAL INCOME AND EXPENSES			
INCOME FROM EQUITY INVESTMENTS	–	–	–
OTHER FINANCIAL INCOME	–	162	32
INTEREST AND OTHER FINANCIAL EXPENSES	(8,115)	(6,506)	(5)
FOREIGN EXCHANGE GAINS (LOSSES)	111	(24)	1
	(8,005)	**(6,368)**	**27**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS			
WRITE-UPS	–	–	–
WRITE-DOWNS	–	–	–
	–	**–**	**–**
E) EXTRAORDINARY INCOME AND EXPENSES			
INCOME	3,541	–	–
EXPENSES	(1,211)	(300)	–
	2,330	**(300)**	**–**
PROFIT BEFORE TAXES	**(6,458)**	**101,069**	**6,386**
INCOME TAXES FOR THE YEAR	2,421	(36,028)	(2,884)
NET PROFIT (LOSS) FOR THE YEAR	**(4,036)**	**65,040**	**3,502**

BALANCE SHEET

(EUR THOUSAND)	ERG GESTIÓN IBÉRICA S.L. 12/31/2009	ERG PETRÓLEOS S.A. 12/31/2009
ASSETS		
A) RECEIVABLES FROM SHAREHOLDERS	**–**	**–**
B) FIXED ASSETS		
INTANGIBLE	–	–
TANGIBLE	–	614
FINANCIAL	20	–
	20	**614**
C) CURRENT ASSETS		
INVENTORIES	–	–
RECEIVABLES	347	11,886
FINANCIAL ASSETS	–	–
CASH AND CASH EQUIVALENTS	687	2,948
	1,034	**14,834**
D) ACCRUALS AND DEFERRALS	**–**	**11**
TOTAL ASSETS	**1,054**	**15,459**
LIABILITIES		
A) SHAREHOLDERS' EQUITY		
SHARE CAPITAL	50	3,050
SHARE PREMIUM RESERVE	–	–
REVALUATION RESERVE	–	–
LEGAL RESERVE	–	–
OTHER RESERVES	–	–
RETAINED EARNINGS (LOSSES)	–	–
NET PROFIT (LOSS) FOR THE YEAR	(125)	(74)
	(75)	**2,976**
B) PROVISIONS FOR RISKS AND FUTURE LIABILITIES		
TAXES	–	–
OTHER	35	3,836
	35	**3,836**
C) STAFF LEAVING PAYMENTS (TFR)	**–**	**–**
D) PAYABLES		
PAYABLES TO SHAREHOLDERS FOR LOANS	–	2,855
BANKS / OTHER LENDERS	–	3,005
ADVANCES	–	–
SUPPLIERS	231	2,399
SUBSIDIARIES/ASSOCIATES/ PARENT COMPANIES/AFFILIATES	842	354
TAX PAYABLES	8	29
LIABILITIES FOR SOCIAL SECURITY AND PENSIONS	13	5
OTHER PAYABLES	–	–
	1,094	**8,647**
E) ACCRUALS AND DEFERRALS	**–**	**–**
TOTAL LIABILITIES	**1,054**	**15,459**

INCOME STATEMENT

(EUR THOUSAND)	ERG GESTIÓN IBÉRICA S.L. 2009	ERG PETRÓLEOS S.A. 2009
A) PRODUCTION VALUE		
REVENUES FROM SALES AND SERVICES	3,876	105,572
CHANGES IN INVENTORIES	–	–
INCREASE IN FIXED ASSETS UNDER CONSTRUCTION	–	–
OTHER REVENUES AND INCOME	660	14,273
	4,536	**119,845**
B) PRODUCTION COSTS		
PURCHASES	(786)	(73,467)
SERVICES	(1,485)	(10,910)
LEASES AND RENTAL EXPENSES	(160)	(795)
PERSONNEL	(1,916)	(1,368)
DEPRECIATION, AMORTISATION AND WRITE–DOWNS	–	(1,530)
CHANGES IN INVENTORIES	(261)	(25,321)
PROVISIONS	–	(2,139)
OTHER OPERATING EXPENSES	(53)	(3,377)
	(4,661)	**(118,907)**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**(125)**	**938**
C) FINANCIAL INCOME AND EXPENSES		
INCOME FROM EQUITY INVESTMENTS	–	–
OTHER FINANCIAL INCOME	–	2
INTEREST AND OTHER FINANCIAL EXPENSES	–	(931)
FOREIGN EXCHANGE GAINS (LOSSES)	–	–
	–	**(929)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
WRITE-UPS	–	–
WRITE-DOWNS	–	(83)
	–	**(83)**
E) EXTRAORDINARY INCOME AND EXPENSES		
INCOME	–	–
EXPENSES	–	–
	–	**–**
PROFIT BEFORE TAXES	**(125)**	**(74)**
INCOME TAXES FOR THE YEAR	–	–
NET PROFIT (LOSS) FOR THE YEAR	**(125)**	**(74)**

BALANCE SHEET

(EUR THOUSAND)	GESTIONI EUROPA S.P.A. 12/31/2009	RESTIANI S.P.A. 12/31/2009
ASSETS		
A) RECEIVABLES FROM SHAREHOLDERS	–	–
B) FIXED ASSETS		
INTANGIBLE	144	320
TANGIBLE	3	29,290
FINANCIAL	1,098	1,178
	1,245	**30,788**
C) CURRENT ASSETS		
INVENTORIES	4,725	5,135
RECEIVABLES	4,744	66,188
FINANCIAL ASSETS	–	–
CASH AND CASH EQUIVALENTS	1,968	2,163
	11,437	**73,486**
D) ACCRUALS AND DEFERRALS	**31**	**214**
TOTAL ASSETS	**12,713**	**104,488**
LIABILITIES		
A) SHAREHOLDERS' EQUITY		
SHARE CAPITAL	500	3,354
SHARE PREMIUM RESERVE	–	–
REVALUATION RESERVE	–	205
LEGAL RESERVE	–	671
OTHER RESERVES	6,620	11,050
RETAINED EARNINGS (LOSSES)	(5,545)	5,439
NET PROFIT (LOSS) FOR THE YEAR	(764)	810
	811	**21,529**
B) PROVISIONS FOR RISKS AND FUTURE LIABILITIES		
TAXES	2	50
OTHER	15	375
	17	**425**
C) STAFF LEAVING PAYMENTS (TFR)	**299**	**1,494**
D) PAYABLES		
PAYABLES TO SHAREHOLDERS FOR LOANS	8,943	–
BANKS / OTHER LENDERS	–	43,221
ADVANCES	–	–
SUPPLIERS	965	15,247
SUBSIDIARIES/ASSOCIATES/ PARENT COMPANIES/AFFILIATES	472	18,012
TAX PAYABLES	150	2,336
LIABILITIES FOR SOCIAL SECURITY AND PENSIONS	232	521
OTHER PAYABLES	644	1,216
	11,406	**80,553**
E) ACCRUALS AND DEFERRALS	**180**	**487**
TOTAL LIABILITIES	**12,713**	**104,488**

INCOME STATEMENT

(EUR THOUSAND)	GESTIONI EUROPA S.P.A. 2009	RESTIANI S.P.A. 2009
A) PRODUCTION VALUE		
REVENUES FROM SALES AND SERVICES	148,313	99,663
CHANGES IN INVENTORIES	–	(90)
INCREASE IN FIXED ASSETS UNDER CONSTRUCTION	–	–
OTHER REVENUES AND INCOME	1,407	596
	149,720	**100,169**
B) PRODUCTION COSTS		
PURCHASES	(139,809)	(86,714)
SERVICES	(4,537)	(5,167)
LEASES AND RENTAL EXPENSES	(518)	(228)
PERSONNEL	(5,942)	(3,915)
DEPRECIATION, AMORTISATION AND WRITE–DOWNS	(29)	(2,489)
CHANGES IN INVENTORIES	685	218
PROVISIONS	(15)	(48)
OTHER OPERATING EXPENSES	(413)	(249)
	(150,579)	**(98,592)**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS	**(859)**	**1,577**
C) FINANCIAL INCOME AND EXPENSES		
INCOME FROM EQUITY INVESTMENTS	–	–
OTHER FINANCIAL INCOME	–	7
INTEREST AND OTHER FINANCIAL EXPENSES	(375)	(592)
FOREIGN EXCHANGE GAINS (LOSSES)	–	–
	(375)	**(585)**
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
WRITE-UPS	–	–
WRITE-DOWNS	–	–
	–	**–**
E) EXTRAORDINARY INCOME AND EXPENSES		
INCOME	–	37
EXPENSES	(7)	(76)
	(7)	**(39)**
PROFIT BEFORE TAXES	**(1,241)**	**953**
INCOME TAXES FOR THE YEAR	477	(143)
NET PROFIT (LOSS) FOR THE YEAR	**(764)**	**810**

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