ANNUAL REPORT

AS AT 31 DECEMBER 2015

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2015 was another fundamental year in the Group's path to industrial transformation, with the entry into the hydroelectric business, the significant growth in wind power, in Europe, and the presentation of our 2015 – 2018 Business Plan to the Financial Community.
Today, ERG is a renewed company; indeed, its ability to anticipate scenario changes has been the distinctive feature of our industrial and managerial culture for nearly eighty years.

2015 was also the year of COP21 and of the Paris Agreement on climate change: the commitment of as many as 195 Countries and of the European Union to the emission reduction targets has historic importance and considerable impact on the forecasts for the growth in the generation of energy from renewable sources. We set out along this route years ago, anticipating the path the international community has committed itself to take today.

In 2015, we completed repositioning our asset portfolio, reaching two strategic objectives: technological diversification, through the acquisition of the integrated hydroelectric facility of Terni (527 MW), and geographic diversification in the wind sector, with growth in Poland, France and Germany. Today, the Group can rely on a set of plants capable of generating over 1,700 MW in all, of which over 600 MW abroad.

To carry out these transactions, approximately Euro 1,500 million were invested, both using our own resources and through the support of major banks, attesting to our credibility and dependability.

Today, we are a major independent producer of electric energy, mainly from renewable sources, active not only in Italy, where we are the leading wind power producer, but also in Europe, where we have increased our installed wind power from 19% to the current 37%, significantly reducing our exposure to scenario volatility and hence generating more stable cash flows.

2015 was also an important year in terms of our Economic and Financial results. The EBITDA, at Euro 350 million, is in line with the guidance of the Business Plan and higher than the 2014 figure, thanks in part to the technological complementarity of the different generation sources and to the significant presence in the wind power business abroad. These factors, together with the reduction in corporate costs, have enabled us to offset the negative effects due to the extraordinarily weak wind conditions recorded in Italy in the last quarter.

The Group's net income rose to Euro 96 million from Euro 60 million in 2014. The adjusted net financial debt at year end was Euro 1,448 million compared to Euro 409 in 2014. The change was exclusively due to the extraordinary outlays connected with the acquisition of the hydroelectric plant in Terni and of the French wind farms and to the payment of the taxes related to the sale of the ISAB Energy plant, completed in 2014. Excluding these items, the Group generated approximately Euro 100 million in cash, already net of the dividends paid in 2015 (Euro 70 million) and of capex (Euro 106 million).

With regard to the energy scenario, the prices of electric energy in Italy were rather stable compared to 2014 with demand recovering slightly and generation from renewable energies, especially hydroelectric and wind, declining, above all with reference to the fourth quarter, negatively affected by extraordinary low wind conditions in Italy in the period. In general, however, the market environment remains critical, characterised as it is by significant installed power overcapacity, in particular in the thermoelectric sector.

With regard to wind power, the EBITDA of Euro 254 million was lower than in the same period of the previous year (Euro 267 million) because of extraordinarily weak wind conditions in Italy, only partly offset by the growing contribution of the foreign farms.

In 2015, the experience of the LUKERG Renew joint venture ended. The activities carried out from 2011 onwards have enabled us to acquire the know-how to continue independently to manage our presence in Bulgaria and Romania where, thanks to the allocation of the assets, we have increased our presence with high quality plants.

Thermoelectric and hydroelectric, the latter only for the month of December, achieved an EBITDA of Euro 115 million, higher than in 2014 (Euro 100 million) as a result of a different, more favourable trend in the price of gas relative to the PUN, with reference to the CCGT, which enabled an improvement in unit margins, in spite of a less favourable local market price environment. This result was achieved thanks also to the high efficiency of our plants, to the contribution of the Energy Management activity and to the results of the new hydroelectric business.

With regard to our interest in the TotalErg joint venture, no longer part of our core business and thus consolidated at equity, in 2015 the company recorded an improvement in margins and income compared to the previous year, mainly as a result of the recovery in the margins of the Refining business and, in part, of the progressive improvement in the results of the fuel distribution Network which benefited from the implemented optimisation and streamlining actions.

For 2016 we expect our results to improve markedly, mainly as a result of the full contribution of the hydroelectric plants and of the new wind farms acquired and built in 2015 and at the start of 2016, with EBITDA forecast at Euro 440 million, in line with the indication of the business plan. The guidance for debt at the end of 2016 was revised upwards to Euro 1,720 million, including the extraordinary dividend of Euro 0.5 per share, in addition to the bringing forward of the investments in the United Kingdom.

Concurrently with the approval of the financial results, we also approved our Sustainability Report, which discusses our social responsibility activities. Sustainability is an inherent element of our way of working and we invite you to read the Report and the Consolidated Financial Statements together, to have an integrated view of our activities, both from the economic and financial viewpoint and with respect to the effects produced on the territory where we operate.
In 2016, thanks to the renewed portfolio of renewable energy generation assets, i.e. wind and hydro, we expect CO_2 avoided to reach nearly 2 million tonnes, equivalent to approximately 600,000 Rome - New York flights.

The quality of our assets is only one of the factors that enable us to achieve our objectives. We believe that the quality of the Management and its ability to build teams and to involve all Persons in attaining the set targets is an essential element for the success of a company. Only by working together can the new challenges be met and present and future opportunities be exploited in the electricity sector, which is undergoing a continuous and profound evolution.

In recent years, we shifted from the idea of “Human Resources” to that of “Human Capital”: we are convinced that “human capital” is a fundamental asset and a resource on which we want to continue to invest.

2015 was also the year of our new Board of Directors. The renewal took place keeping continuity in mind, but in compliance with the gender equality regulations, and seven of the board members are independent.

In 2015, the 2015-2018 Business Plan was presented: in the next three years we aim to consolidate the acquisitions completed between 2015 and early 2016, optimising the operating management of our assets, and to continue on the path to international growth. In addition, Energy Management activities will be developed and will be able to count on an integrated, broader, diversified and balanced electricity generation portfolio.

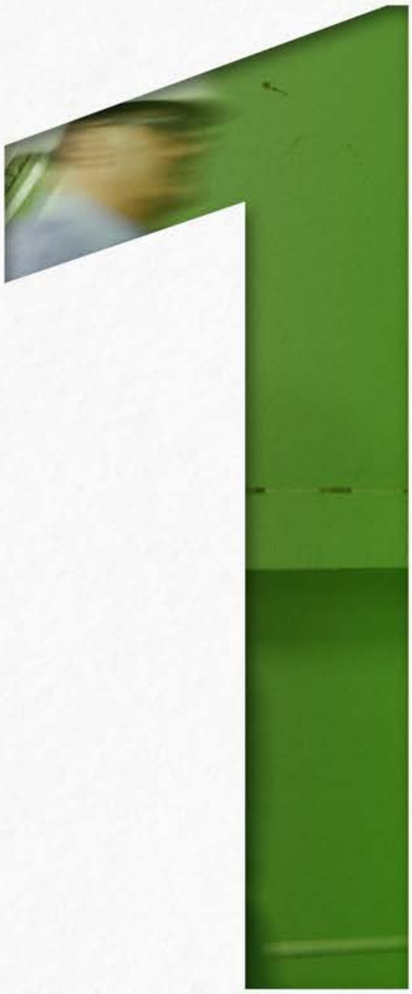
Growth in the time interval of the Plan will mainly take place in wind power abroad, where we expect to further invest in Europe through organic growth, which will enable us to leverage the industrial competencies acquired in recent years, from designing to operating wind farms. We have recently entered the market in the United Kingdom, early with respect to the objectives of the Business Plan we have just presented, with the acquisition of a project for the construction of a 45 MW plant in Northern Ireland, which will be operational in the first quarter of 2017.

According to the Plan's targets, in 2018 total installed capacity will reach 2,950 MW, of which 1,950 MW in wind power (850 MW abroad). In 2018, EBITDA will be approximately Euro 450 million and total investments in the period of the Plan will amount to approximately Euro 1.9 billion, of which Euro 1.5 billion relate to investments completed in 2015 and in the first months of 2016, like the acquisition of the Terni Hydroelectric Facility and of the wind assets in France and Germany, in addition to Euro 400 million of organic growth in the wind sector. The expected debt at the end of 2018 will amount to approximately Euro 1.4 billion.

In consideration of the positive results achieved in 2015, of the conclusion of an essential phase of the project for the strategic repositioning of Group's business portfolio and of the Industrial Plan we had presented, we submit for the approval of the Shareholders' Meeting the payment of a dividend of Euro 1.0 per share, inclusive of a non-recurring component of Euro 0.50.

The 19th Century was the century of coal, the 20th the century of oil, and the 21st Century will be the century of renewable energy. It is a sea change and a challenge that finds us prepared to exploit the great opportunities for development and growth that will come our way in this sector.

Edoardo Garrone	**Luca Bettonte**
Chairman	*Chief Executive Officer*



Report on Operations

CORPORATE BODIES

BOARD OF DIRECTORS[1]

Chairman
EDOARDO GARRONE *(Executive)*

Vice Chairman
ALESSANDRO GARRONE[2] *(Executive)*
GIOVANNI MONDINI *(Non-executive)*

CEO
LUCA BETTONTE

Directors
MASSIMO BELCREDI *(Independent)*[3]
MARIA ANNA RITA CAVERNI *(Independent)*[4]
ALESSANDRO CHIEFFI *(Independent)*[4]
BARBARA COMINELLI *(Independent)*[4]
MARCO COSTAGUTA *(Non-executive)*
LUIGI FERRARIS *(Independent)*[4]
PAOLO FRANCESCO LANZONI *(Independent)*[3]
SILVIA MERLO *(Independent)*[4]

BOARD OF STATUTORY

Chairman
MARIO PACCIANI

Standing Auditors
ELISABETTA BARISONE
LELIO FORNABAIO

DIRECTOR RESPONSIBLE (ITALIAN LAW NO. 262/05)

PAOLO LUIGI MERLI

INDEPENDENT AUDITORS

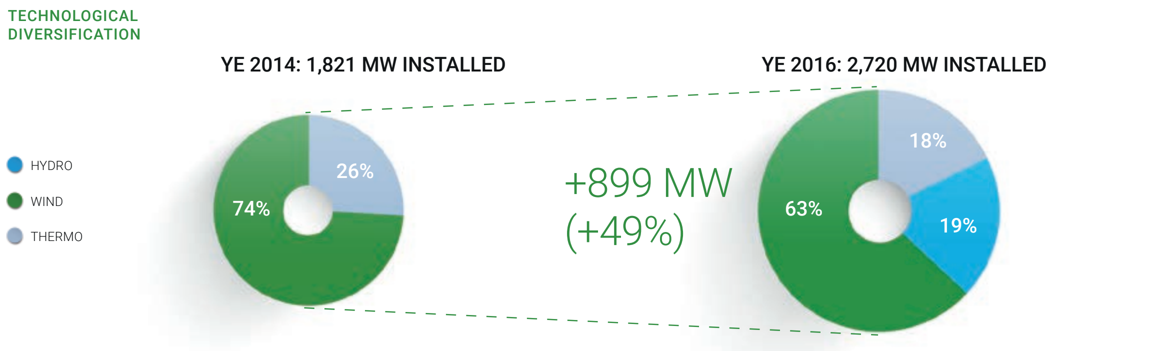
DELOITTE & TOUCHE S.p.A.

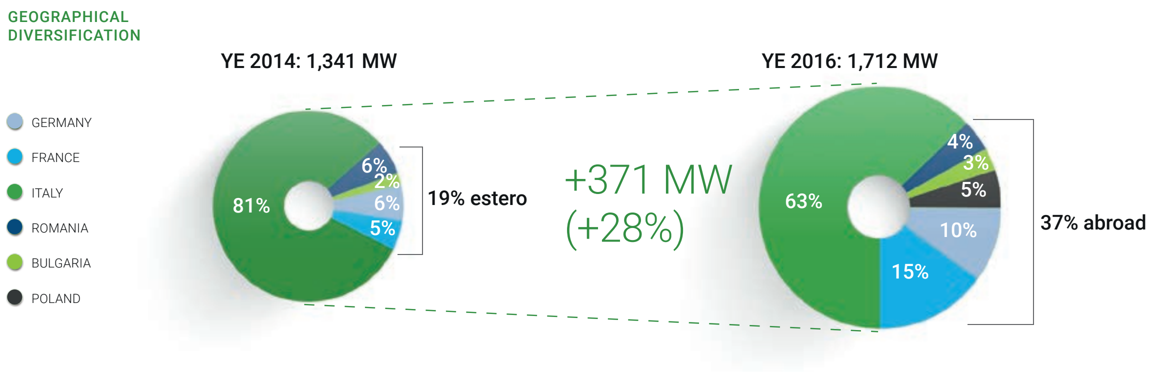
(1) Appointed April 24, 2015
(2) Director-in-charge of the Internal Control and Risk Management System
(3) With reference to that foreseen by article 148, third paragraph of the Financial Services Act
(4) With reference to that foreseen by article 148, third paragraph of the Financial Services Act and the contents of the Self-regulatory Code of Borsa Italiana S.p.A.

THE TRANSFORMATION OF ERG IN 2015 AND THE INDUSTRIAL PLAN 2015-2018

On December 16, 2015, the Industrial Plan 2015-2018 was presented to the financial community. It is the first ERG Plan since the company's complete transformation from industrial operator active in the field of petroleum refining to primary independent producer of electricity mainly from renewable resources. In fact, in 2015 ERG concluded an important industrial transformation started in 2008, reaching two main objectives: technological diversification through the acquisition of the Terni hydroelectric plant (527MW) that was completed on November 30, 2015 and geographical diversification in the wind sector, both through growth of the company in Poland (82MW) and important acquisitions in France and Germany.

ERG Group Diversification[1]





1 The installed capacity at the end of 2015 was 2,513 MW compared with 2,720 MW foreseen in the Plan. The difference is linked to the acquisition of wind assets in France and Germany from Impax Asset Management, initially foreseen for the end of the year, and that upon obtaining the consent of all the banks, was completed on the 2nd of February 2016. Consolidation of the assets will take effect from the 1st of January 2016). The financial contribution is expected to be in line with the forecasts of the Plan. The debt at the end of 2015 was significantly less compared to the estimate in the 2015 Plan and reflects the above.

The Group aims, in the following years, on the one hand to consolidate recent acquisitions, optimising operational management, and on the other hand to continue to grow internationally in the wind indusrty, at the same time optimising and developing energy management activities, with a larger, more diversified and balanced portfolio.

The main targets of the 2015-2018 Plan are the following:

- in 2018, the installed capacity of the Group will reach 2,950 MW, of which 1,950 relative to the wind industry (850 MW abroad);
- in 2018 EBITDA will amount to EUR 450 million;
- total investments during the period covered by the Plan are EUR 1.9 billion, of which 1.5 billion for acquisitions already concluded (including the acquistions of assets in France and Germany completed on February 2, 2016), and a further 400 million for the organic development of the Group. The debt at the end of 2018 is expected to be about EUR 1.3 billion.

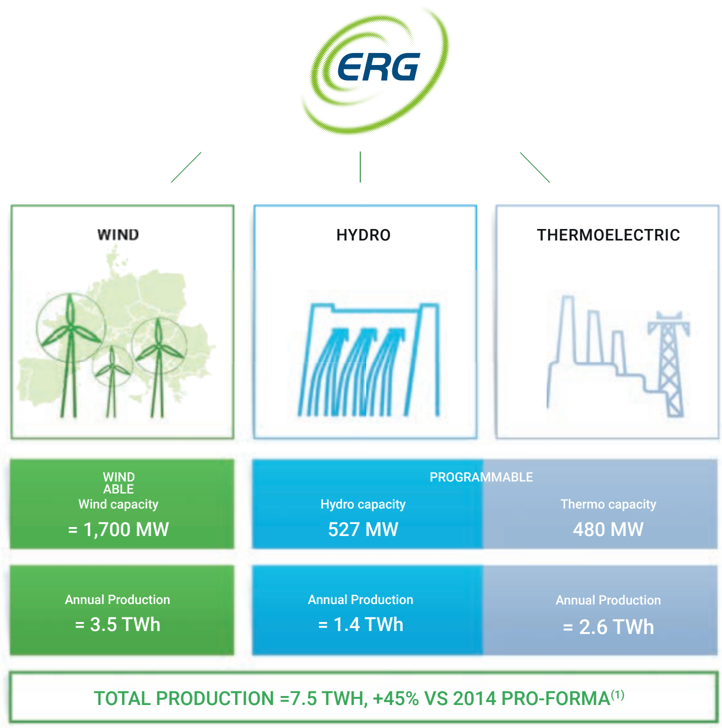
NEW DESIGNATION OF BUSINESS AREAS AND ENERGY MANAGEMENT ACTIVITIES

The Group has opted for a unified management of the electricity portfolio divided as follows:

- production of non-modular and, therefore, **non-programmable** wind energy, reporting to ERG Renew S.p.A.;
- production of thermoelectric energy and hydropower, by nature modular and, therefore, **programmable**, reporting to ERG Power Generation S.p.A.

Energy Management, allocated to ERG Power Generation S.p.A., will manage the entire portfolio of electricity produced by the Group’s plants, including selling on the market in order to optimise the production profile.

The new integrated electricity portfolio



(1) Pro-forma production 2014: 5,2 TWh

NEW PERIMETER

Acquisition of French wind farms

On **July 27, 2015** ERG Renew completed the acquisition from Macquarie European Infrastructure Fund, managed by the Macquarie Group, of 100% of the capital of four French registered companies, owning, directly and indirectly, **six wind farms in France**, with a total installed capacity of 63.4 MW, which began operating between 2005 and 2008. The wind farms have an expected average annual production of about 150 GWh, the equivalent of more than 2,300 hours. These Financial Statements reflect the impact of the consolidation of the new French companies as of July 1, 2015. The acquisition resulted in an increase of net capital invested of about EUR 70 million and an increase in indebtedness of an equivalent amount. EBITDA in 2015 was about EUR 4.6 million.

Acquisition of E.ON Italian hydroelectric plants, with a capacity of 527 MW

On **November 30, 2015** ERG, through its subsidiary ERG Power Generation, completed the acquisition E.ON Produzione's entire hydroelectric operations, consisting in a portfolio of plants located in Umbria, Marche and Lazio, with a total capacity of 527 MW.

The value of the transaction is about EUR 0.95 billion, debt-free and cash-free.

EBITDA expected for the **hydroelectric operations** in the coming years is approximately EUR 110 million per year. The asset portfolio is composed of 16 power stations, 7 dams, 3 tanks and a pumping station. The total average yearly output is estimated at about 1.4 TWh (1.8 TWh in 2014 and 1.3 TWh in 2015), of which approximately 40% is subsidised by the green certificates system. Expiry of the concessions relating to the portfolio of acquired assets is fixed for 2029.

With this transaction more than 100 people joined the ERG Group, including technicians specialised in the operational management of plants, specialists in energy management and dedicated staff.

The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of available liquidity and a corporate acquisition loan of EUR 700 million signed with a pool of seven Italian and international mandated lead arrangers and bookrunners (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Banca IMI–Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).

The acquired company, renamed ERG Hydro S.r.l., was consolidated on December 1, 2015.

For a better understanding of the figures presented in this report, the following are the main impacts of the operation:

- increase in the net financial debt by about EUR 947.5 million, related to the consideration for the purchase;
- allocation of the values arising from the Purchase Price Allocation exercise to Concessions (about 460 million), expected to expire in 2029, and Goodwill (15 million). The measurement of these assets was undertaken on a provisionary basis with the support of models made provided in the evaluation phase of the investment;
- EBITDA for the Group in 2015 is about EUR 8 million.

Split LUKERG Renew

At the end of 2015 the **dissolution** of the LUKERG Renew **joint venture** GmbH (50% ERG Renew) was completed with the acquisition by ERG Renew S.p.A. of wind farms in Bulgaria and the Gebeleisis wind farm (belonging to the subsidiary Corni Eolian) in Romania, whose financial positions were fully consolidated on the 31st of December 2015. The transaction was completed on December 23, 2015, therefore, the 2015 adjusted income statement still reflects the full contribution of the operating results of the LUKERG Renew joint venture.

Expansion in Poland

During 2015 ERG Renew **constructed three wind farms in Poland** for a total installed capacity of 82 MW at the end of 2015. In particular, the first 42 MW wind farm (Orneta) started operating in July 2015 with a contribution in terms of EBITDA of EUR 4 million, while the remaining 40 MW began operations at the end of 2015 and, therefore, will contribute to the operating results of the Group starting from 2016.

INTRODUCTION

The Consolidated Financial Statements as at 31 December 2015, prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union, inclusive of all international standards subject to interpretation (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

This document was audited by the independent auditors Deloitte & Touche S.p.A. in accordance with CONSOB (Italian Stock Exchange Regulator) regulations.

DISCLOSURE PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUER'S REGULATIONS

The Company has selected the option, introduced by CONSOB with its resolution no. 18079 of 20 January 2012, of waiving the obligation to make available to the public an information document upon carrying out significant transactions, i.e. mergers, demergers, capital increase by transfer in kind, acquisition and sale.

RESULTS AT ADJUSTED REPLACEMENT COST

To enhance understandability of performance, the results of the business are also shown at adjusted replacement cost with the exclusion of non-recurring items[2] and inclusive, for the portion attributable to ERG, of the results at replacement cost of the LUKERG Renew GmbH (50%) joint venture for non-programmable sector, whose contribution to the Income Statement not at adjusted replacement cost is represented by the investment measured according to the equity method of accounting until December 31, 2015.

In this respect it should be noted that at the end of 2015 the dissolution of the above-mentioned joint venture was completed with the acquisition by ERG Renew S.p.A. of wind farms in Bulgaria and the Gebeleisis wind farm in Romania, whose financial positions were fully consolidated on 31 December 2015.

It should be noted that starting from the Interim Management Report as at 31 March 2015, the adjusted values no longer include the contribution of the TotalErg joint venture, as it is no longer considered to be a core activity of the Group's new strategic and business structure. As such the comparative pro forma 2014 data do not take into account the contribution of TotalErg.

The investment will continue to be consolidated using the equity method.

2 Non-recurring items include significant but unusual earnings.

2014 PRO FORMA EQUITY VALUE

The comparison of the 2015 results with those of the corresponding period in 2014 was significantly impacted by the change in the scope of the Group which took place in 2014, and in particular:

- of the sale of branches of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC production plant and of the personnel for its operation and maintenance, completed on the 30th of June 2014;
- the sale of ERG Oil Sicilia, completed on the 29th of December 2014;
- the ceasing of purchase and sale activities of crude and petroleum products relating to the subsidiary ERG Supply & Trading S.p.A., which was merged with ERG S.p.A. on July 1, 2015;
- the exclusion of the contribution of TotalErg for the reasons set out above.

Therefore, to enchance understandability of progress in the two periods and in consideration of the new strategic and business structure of the Group, the comparative data for 2014 has been modified to take into account the above-mentioned change in perimeter, thereby making it possible to compare the results on a like for like basis. In particular, the equity values of 2014 were changed, also on a quarterly basis, excluding the contribution of ISAB Energy and ISAB Energy Services, ERG OIL Sicilia and ERG Supply & Trading. It should be noted that the results of the TotalErg joint venture continue to be consolidated with the equity method and are shown in the "Income (charges) from net investments" line.

For further details on the operated adjustments please see the note "**Reconciliation of adjusted 2014 pro forma values**".

		EXCLUSION OF FY 2014 CONTRIBUTIONS					
(EUR million)	Year 2014	ERG Oil Sicilia	ISAB Energy and ISAB Energy Services	ERG Supply & Trading	TotalErg	Inter-company	Year 2014 proforma
Ordinary operations revenues							
Wind	349	–	–		–	–	349
Thermoelectric	1,164	–	(299)		–	(185)	679
Integrated downstream	3,098	(124)	–		(2,974)	–	–
Corporate	30	–	–		–	(9)	21
Inter-segment Revenues	*(291)*	–	–		–	*263*	*(28)*
Total adjusted revenues	**4,350**	**(124)**	**(299)**	**–**	**(2,974)**	**68**	**1,021**
EBITDA							
Wind	267	–	–	–	–		267
Thermoelectric	204	–	(104)	–	–		100
Integrated downstream	44	(5)	–	8	(47)		–
Corporate	(24)	–	–	–	–		(24)
EBITDA at adjusted replacement cost	**491**	**(5)**	**(104)**	**8**	**(47)**		**343**
EBIT							
EBIT	73	1	(109)	19			(16)
of which Group EBIT	**48**	**1**	**(87)**	**19**			**(19)**
of which EBIT of third party shareholders	25	–	(22)	–			3
Group EBIT at replacement cost	**79**	**(1)**	**(27)**	**12**			**60**
Net debt							
Adjusted net financial indebtedness	**538**				**(129)**		**409**

GROUP BUSINESS DESCRIPTION

The ERG Group has completed an important transformation process, from private primary Italian oil operator to independent operator producing electricity from renewable sources, differentiated between non-programmable (wind) and programmable (thermoelectric and hydroelectric) resources, as well as in terms of geographic location (with a growing presence on the wind market abroad, in particular in France and Germany).

Today the Group is a market leader in wind in Italy and is one of the top operators in Europe. Moreover, it is among the top operators active in the production of hydroelectricity in Italy and is also active in high-efficiency and low environmental impact thermal electricity production, with a highly modular high-yield cogenerative CCGT plant, as well as in energy markets through energy management activities.

The ERG Group, through its subsidiaries, operates in the electricity production sector with:

Non-programmable sources

Through ERG Renew (93% subsidiary), ERG operates in the sector of electricity production from wind, with 1,506 MW of installed power as at December 31, 2015. ERG Renew is the biggest producer of wind power in Italy and one of the top ten in Europe.

The wind farms are mainly concentrated in Italy (1,087 MW), but with a significant and growing presence abroad (420 MW at the end of 2015), in particular in France (128 MW), Germany (86 MW), Poland (82 MW entirely developed by ERG in 2015), as well as Romania and Bulgaria (70 MW and 54 MW after the dissolution of the joint venture). These data do not yet include the additional power derived from recent acquisitions, completed at the beginning of 2016, for a further 124 MW in France and 82 MW in Germany.

Through ERG Renew O&M the company has largely completed the internalisation of management and maintenance activities of all the wind parks in Italy.

Programmable resources

The Group is active in the production and marketing of electricity and utilities through:

- ERG Power S.r.l.: the company that owns the so-called “Centrale Nord” (480 MW) plant located in Priolo Gargallo (SR) in Sicily, which operated in 2015 as an Essential Unit in accordance with the Muchetti Amendment[3]. It is a high-yield cogenerative plant, based on the latest combined-cycle technology fuelled with natural gas, which began commercial operations in April 2010, and other ancillary installations for the production of steam and other utilities;

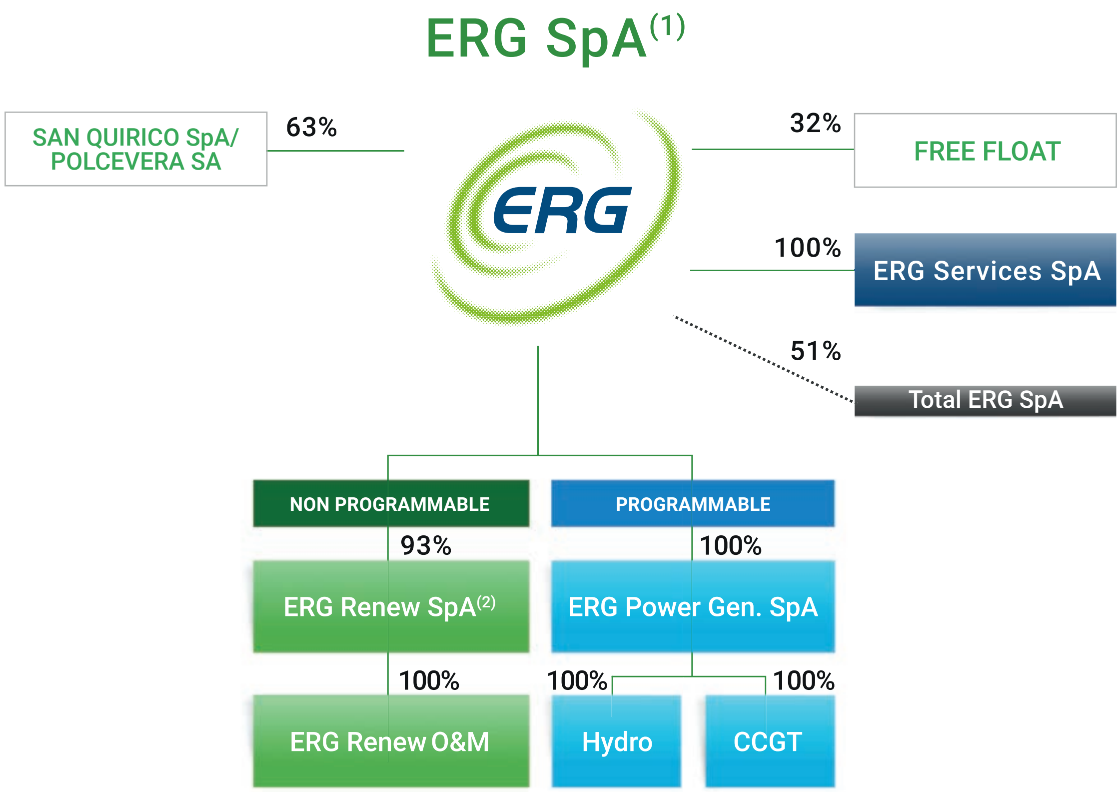
3 Conversion law of the Legislative Decree 91/14 (“Competition Decree”). For further details see the Thermoelectric paragraph.

- ERG Hydro S.r.l.: a newly constituted company which took over the hydroelectric operations acquired from E.ON Produzione in late 2015. ERG Hydro's integrated portfolio of assets is composed of 16 power stations, 7 dams, 3 tanks and a pumping station, located in Umbria, the Marche and Lazio, with 527 MW efficient capacity;
- ERG Power Generation S.p.A.: the company that provides energy management services to the ERG Group and which from the 1st of January 2015, pursuant to the merger by incorporation of ISAB Energy Services S.r.l. into the company, directly performs O&M services for the ERG Power S.r.l. plant.

  ERG Power Generation owns 100% of ERG Power S.r.l. and ERG Hydro S.r.l.

The ERG Group holds a 51% quota in TotalErg.

The structure of the Group as at 31/12/2015



(1) ERG holds 5% of its own shares
(2) UniCredit owns 7.18% of ERG Renew

STRATEGY

ERG has radically changed its business portfolio by anticipating long-term energy scenarios, and becoming a leader in the renewables sector both in Italy and in Europe.

Thanks to the operations completed in 2015 and at the beginning of 2016 the Group has reached an installed capacity of more than 2,700 MW (about 1,700 in the wind sector, 527 in the hydroelectric sector and 480 in the thermoelectric sector). The Group has a portfolio of technologically diversified assets, thanks to the acquisition of the Terni hydroelectric plant, and a significant presence in the wind energy sector abroad.

The Group's strategy is on the one hand to consolidate recent acquisitions, optimising operational management, thanks also to the ERG across-the-board services, and on the other hand to continue to grow internationally in the wind sector, at the same time optimising and developing energy management activities, with a larger, more diversified and balanced portfolio. As regards the participation in TotalERG, the goal is to make the most of it by focusing on the optimisation of the network, within a context characterised by a complex scenario.

Non-programmable resources

The strategy of ERG is to continue the path of growth in the production of electricity from wind via its subsidiary ERG Renew with the objective of consolidating its position as the leading operator on the domestic market thanks to constantly seeking maximum operational efficiency through the direct management of O&M activities and technical services and accelerating the geographical diversification of its portfolio, with the growth of capacity abroad expected to be 37% at the beginning of 2016 and 44% in 2018. ERG Renew's growth strategy will progress from a growth model based mainly on M&A operations to a model of organic growth with over 200 MW of new installations in France, Germany, Poland and the UK.

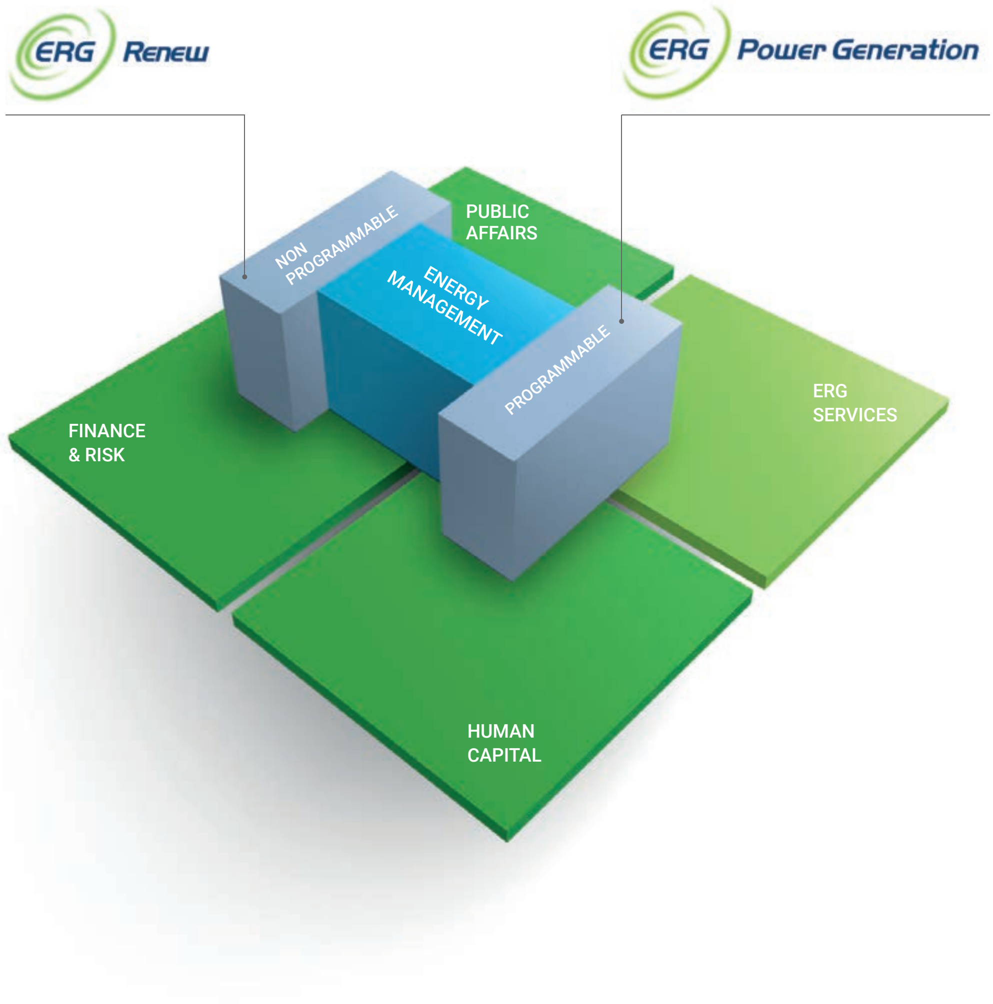
Programmable resources

- **Thermoelectric**: : ERG will continue its activities to improve the quality and efficiency of the ERG Power combined cycle plant in order to maximise the contribution to the economic results of the Group. The plant continues to have a significant role in the electricity production portfolio, in that it is a flexible and efficient asset for energy management activities, as well as being high efficiency and cogenerative.
- **Hydroelectric**: the Terni plant, recently acquired from E.ON, is a highly modular asset in that it is an integrated plant composed of 16 stations, 7 dams, 3 tanks and a pumping station. Within the term of the Plan, all the necessary activities to promote the better integration of people and assets in order to maximise the value of the operation will be continued.

The ERG business model

The ERG Group's business model is based on the production of electricity from predominantly renewable resources: programmable (hydroelectric and thermoelectric) and non-programmable (wind), the sale of which is entrusted to a sole Energy Management unit.

The distinguishing factors of the ERG business model are the centrality and excellence in the management of processes with high added-value (Finance&Risk, Corporate Affairs and Human Capital), in addition to effective and efficient across-the-board management of Group services, through ERG Services.



ERG'S STOCK MARKET PERFORMANCE

On December 30, 2015 the ERG reference price was listed at EUR 12.47, up (+34.7%) compared to the end of 2014, with the growth in the same period of the FTSE All Share (+15.4%), the FTSE Mid Caps (+38.2%) and a decrease of the Euro Stoxx Utilities Index (-5.1%). In the period under consideration ERG was listed between a minimum of EUR 8.91 (12th of January) and a maximum of EUR 13.65 (18th of August).

Figures relating to the prices and exchange volumes of ERG's shares at December 30 are:

Stock price	EUR
Reference price as at 30.12.2015	12.47
Highest price (18.08.2015) [1]	13.65
Lowest price (12.01.2015) [1]	8.91
Average price	11.79

[1] lowest and highest price reached during the day's trading; thus, they do not match the official and closing prices on the same date.

Traded volumes	No. of shares
Maximum volume (30.03.15)	1,305,236
Minimum volume (30.10.15)	51,601
Average volume	251,434

Market capitalisation on the 30th of December 2015 was approximately EUR 1,874 million (EUR 1,391 million at the end of 2014).

ERG'S SHARE PRICE PERFORMANCE COMPARED WITH LEADING INDICES (NORMALISED)

ERG vs Euro Stoxx Utilities, FTSE All Share e FTSE Mid Cap - % change from 31.12.2014 to 30.12.2015

PERFORMANCE HIGHLIGHTS

(EUR million)		YEAR 2015	2014 proforma
MAIN INCOME STATEMENT DATA			
Adjusted revenues (2)		944	1,021
EBITDA at replacement cost (1)		**338**	**329**
EBITDA at adjusted replacement cost (2)		**350**	**343**
EBIT at replacement cost (1)		**175**	**169**
EBIT at adjusted replacement cost (2)		**179**	**175**
Net income		24	(16)
of which Group net income		*21*	*(19)*
Group net profit (loss) at adjusted replacement cost (3)		**96**	**60**
MAIN FINANCIAL DATA			
Net invested capital		**3,124**	**2.049**
Net worth		1,676	1,719
Total net financial indebtedness		1,448	330
of which non-recourse Project Financing (4)		*1,285*	*1,297*
Financial leverage		46%	16%
Total net adjusted financial indebtedness (5)		1,448	409
EBITDA Margin %		**37%**	**34%**
OPERATING DATA			
Wind farm installed capacity at the end of the period	MW	**1,506**	**1,341**
Electric power generation from wind farms	millions of kWh	2,614	2,580
Installed capacity at thermoelectric plants	MW	**480**	**480**
Electric power generation from thermoelectric plants	millions of kWh	2,632	2,622
Hydroelectric power installed capacity at the end of the period	MW	**527**	**–**
Electric power generation from hydroelectric plants	millions of kWh	84	–
Total sales of electric power	millions of kWh	**10,113**	**8,823**
Capital expenditures (6)	EUR million	106	53
Employees at the end of the period	Units	**666**	**604**
MARKET INDICATORS			
Reference price of electricity (7)	Euro/MWh	52.3	52.1
“Green Certificates” sale price (renewable energies)	Euro/MWh	100.1	97.4
Sicily zone price	Euro/MWh	57.5	80.9
Average unit value of ERG wind energy sold in Italy	Euro/MWh	147.8	146.4
Feed in Tariff (Germany) (8)	Euro/MWh	96.2	96.0
Feed in Tariff (France) (8)	Euro/MWh	90.4	91.1
Feed in Tariff (Bulgaria) (8)	Euro/MWh	80.3	94.9
EE price Poland	Euro/MWh	37.1	n.a.
CO price Poland	Euro/MWh	26.0	n.a.
EE price Romania (9)	Euro/MWh	29.7	25.0
CV price Romania (10)	Euro/MWh	29.5	29.3

For the definition and reconciliation of adjusted replacement cost results, please refer to the section “Alternative performance indicators”.

(1) does not include non-recurring items
(2) include the contribution, attributable to ERG, of LUKERG Renew (joint venture with the LUKOIL Group).
(3) does not include TotalErg inventory earnings (losses), non-recurring items and related applicable taxes. Values correspond to the adjusted values
(4) including cash and cash equivalents and excluding the fair value of the related derivatives to hedge interest rates
(5) in 2014 it included the adjusted contribution attributable to ERG of the net financial position of the LUKERG Renew joint venture
(6) in tangible and intangible fixed assets. M&A investments of EUR 1.1 billion in 2015 are not included
(7) Single National Price
(8) value of the feed-in tariffs abroad refer to the prices obtained by ERG Renew plants
(9) EE Romania price refers to the price fixed by the company with bilateral contracts in 2015 (for comparative purposes, in the absence of similar bilateral contracts the market price is shown)
(10) price refers to the unit value of the green certificate

PERFORMANCE HIGHLIGHTS BY SECTOR

	YEAR	
(EUR million)	2015	2014 proforma
REVENUES FROM ORDINARY OPERATIONS		
Non-programmable resources	**345**	**349**
Wind	345	349
Programmable resources	**602**	**679**
Thermoelectric (1)	592	679
Hydroelectric	11	–
Corporate	**22**	**21**
Intra-sector revenues	*(25)*	*(28)*
Total adjusted revenues (2)	**944**	**1.021**
LUKERG Renew 50% contribution at replacement cost	*(24)*	*(22)*
Total revenues from ordinary operations	**920**	**999**
EBITDA		
Non-programmable resources	**254**	**267**
Wind	254	267
Programmable resources	115	100
Thermoelectric (1)	**107**	**100**
Hydroelectric	8	–
Corporate	**(19)**	**(24)**
EBITDA at adjusted replacement cost (3)	**350**	**343**
LUKERG Renew 50% contribution at replacement cost	*(12)*	*(14)*
EBITDA at replacement cost (3)	**388**	**329**
AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
Non-programmable resources	**(134)**	**(137)**
Wind	(134)	(137)
Programmable resources	**(34)**	**(29)**
Thermoelectric (1)	(30)	(29)
Hydroelectric	(5)	–
Corporate	**(3)**	**(2)**
Amortisation and depreciation at adjusted replacement cost (3)	**(171)**	**(168)**
LUKERG Renew 50% contribution at replacement cost	*8*	*8*
Amortisation and depreciation at replacement cost (3)	**(163)**	**(160)**

(continued)

(EUR million)	YEAR 2015	2014 proforma
EBIT		
Non-programmable resources	**120**	**131**
Wind	120	131
Programmable resources	**81**	**71**
Thermoelectric (1)	78	71
Hydroelectric	3	–
Corporate	**(22)**	**(27)**
EBIT at adjusted replacement cost (3)	**179**	**175**
LUKERG Renew 50% contribution at replacement cost	*(4)*	*(6)*
EBIT at replacement cost (3)	**175**	**169**
CAPITAL EXPENDITURES ON TANGIBLE AND INTANGIBLE FIXED ASSETS		
Non-programmable resources	**95**	**38**
Wind	95	38
Programmable resources	**9**	**13**
Thermoelectric (1)	9	13
Hydroelectric	–	–
Corporate	**2**	**3**
Total adjusted capital expenditures(4)	**106**	**53**
Capital expenditures of LUKERG Renew (50%)	–	*(2)*
Total capital expenditures (4)	**106**	**52**

For the definition and reconciliation of adjusted replacement cost results, please refer to the section "Alternative performance indicators"

(1) includes Energy Management contribution

(2) adjusted revenues take into account ERG's share of the revenues generated by the LUKERG Renew joint venture

(3) the results at replacement cost do not include the non-recurring items. Adjusted values include the contribution, attributable to ERG, of the results of LUKERG Renew

(4) take into account ERG's share of the capital expenditures carried out by LUKERG Renew

SALES

ENERGY

Electricity sales made by the ERG Group in Italy, primarily through Energy Management of ERG Power Generation S.p.A., refer to the electricity produced by its plants, wind power (ERG Renew), thermoelectric (ERG Power) and, starting from December 2015, hydroelectric (ERG Hydro), as well as purchases on organised markets and through bilateral physical contracts.

During 2015, the total sales of electricity were 10.1 TWh (8.8 TWh in 2014 on a like-for-like basis), compared to the total value of production of the Group's plants of about 5.3 TWh, of which about 0.7 TWh abroad and 4.6 TWh in Italy. The latter value corresponds to approximately 1.7% of demand for electricity in Italy (1.7% in 2014, on a like-for-like basis).

The distribution of the volumes of electricity sales and the relative resources are shown in the table[4] below:

SOURCES OF ELECTRICITY (GWh)	2015	2014 proforma
ERG Renew Italia - output	1,910	2,051
ERG Renew Abroad - output	705	529
ERG Power Generation - CCGT output	2,632	2,622
ERG Power Generation - HYDRO output	84	–
ERG Power Generation - purchases	4,782	3,621
Total	**10,113**	**8,823**

USES OF ELECTRICITY (GWh)	2015	2014 proforma
EE sold to Priolo plant customers	535	532
EE sold to IREN	2,015	2,015
EE sold wholesale	7,563	6,276
Total	**10,113**	**8,823**

In 2015 sales of steam[5] amounted to 802 thousand tonnes (838 thousand tonnes in 2014), while gas sales ceased in the third quarter of 2014 (320 million Sm3 in 2014).

Electricity sold wholesale includes sales on the IPEX electricity market, both on the Day-Ahead market, the Intraday Market and the Dispatching Services Market, as well as sales to the sector's main operators on the Over the Counter platform. The latter are carried out by Energy Management within the context of fixed-term contracts to hedge the price of production, in line with ERG Group policies.

4 The electricity sources refer to the production of the Group's plants and the purchases made on wholesale markets; the uses include sales made on the basis of physical bilateral contracts and on spot and forward markets. The 2014 comparative values, which in previous reports showed the net balance of the energy bought and sold on wholesale markets, have been appropriately reclassified.

5 Steam supplied to final users net of the quantities of steam withdrawn by the users and of pipeline losses.

COMMENTS ON THE PERFORMANCE OF THE FY

In 2015 **adjusted revenues** were 944 million, down compared to 1,021 million in 2014 on a pro forma basis, due mainly to lower than average prices in the programmable sector in Sicily.

EBITDA at adjusted replacement cost amounted to EUR 350 million, up compared with EUR 343 million in 2014 on a pro forma basis. The change is a result of the following factors:

Non-programmable sources: EBITDA is 254 million, lower compared to the same period of the previous year (267 million) due to a decrease in the results recorded by Italian wind parks with significantly inferior anemological conditions in the period, and in particular as a result the historical lows in November and December in Italy, partly offset by the higher results of parks abroad, mainly thanks to the contribution made by the new parks in France and Poland.

Programmable sources: EBITDA is 115 million, higher than the previous year (100 million) as a result of the different and more favourable price of gas compared to the SNP, which allowed for better unit margins despite the local market being less profitable. This improved result was reached also thanks to constant efficiencies of the plants and recovery of costs in accordance with the Essential Units regulations in force, as well as to the contribution of the Energy Management activities and of the December results from the new hydroelectric power operations.

EBIT adjusted to current values was equal to 179 million (175 million in 2014 pro forma) after depreciation for 171 million (168 million in 2014 on a pro forma basis).

Group net profit at current values was equal to 96 million, compared to a net profit of 60 million in 2014 on a pro forma basis. Improvement in profits was influenced significantly by the better performance of the TotalErg joint venture in all business sectors. The results have also benefited from a lower tax rate due to the declared unconstitutionality of the additional 6.5% "robin tax", which is no longer applied as of January 1, 2015.

Group net profit was 21 million (-19 million compared to 2014 pro forma) and it is affected, if compared to the Group net profit at current values, mainly by the decrease in the value of TotalErg stock due to the effect of the heavy reductions in the price of crude oil and petroleum products and non-recurring items.

Adjusted Group investments in 2015 were 106 million (53 million in 2014 pro forma) of which 90% in the non-programmable field (70%), 8% in the programmable field (24%). Please note that this value does not include M&A investments of 1.1 billion in 2015.

Net financial debt is 1,448 million, an increase of 1,038 million compared to the adjusted value as of December 31, 2014 (thus included in the quota due to LUKERG Renew) mainly for the acquisition of ERG Hydro S.r.l., and the French wind parks. Operational cash flow was higher than cash flows related to the development of the wind parks in Poland, the payment of taxes and the distribution of dividends,.

SIGNIFICANT EVENTS OF THE FINANCIAL YEAR

WIND FARMS ABROAD

23 January 2015

ERG Renew reached an agreement for the acquisition from the PAI Group (Polish Alternative Investments RES) of 100% of Hydro Inwestycje capital, a Polish registered company, holder of permissions to realise a wind farm in Poland, in the municipalities of Szydlowo and Stupsk, with a planned capacity of 14 MW and an electricity production, once fully functioning, estimated at over 36 GWh per year, approximately 2,600 equivalent hours, and a saving of approximately 30 kt of CO_2 emissions. Closing of the transaction took place on February 19, 2015. ERG Renew completed the development works in the fourth quarter of 2015 and the wind farm became operational at the end of December 2015.

12 March 2015

ERG Renew reached an agreement for the acquisition from the PAI Group (Polish Alternative Investments RES), of 100% of a Polish SPV, owner of permissions to realise a wind farm in Poland, in the municipality of Slupia, with a planned capacity of 26 MW and an electricity production, once fully functioning, estimated at over 62 GWh per year, approximately 2,600 equivalent hours, and a saving of approximately 52 kt of CO_2 emissions. ERG Renew completed construction at the end of 2015 and the wind farm became operational in the first few days of 2016.

17 June 2015

ERG Renew completed the acquisition from the Macquarie European Infrastructure Fund, managed by the Macquarie Group, of 100% of the capital of four French registered companies, owners, directly and indirectly, of six wind farms in France, with a total installed capacity of 63.4 MW, which began operating between 2005 and 2008. The parks have an expected average annual production of about 150 GWh, the equivalent of more than 2,300 hours. The value of the acquisition was approximately 72 million in terms of enterprise value. Completion took place on **July 27, 2015**.

25 June 2015

At the end of a three year period of strong growth, the two shareholders of LUKERG Renew S.p.A., a joint venture between ERG Renew S.p.A. and LUKOIL agreed to dissolve the joint venture and distribute the assets. The joing venture was created in 2011 to make investments in the wind sector in Bulgaria and Romania. The agreement to dissolve states that ERG will be assigned the Bulgarian parks of Tcherga (40 MW), Hrabrovo (14 MW) and Gebeleisis in Romania (70 MW) totalling 124 MW, while LUKOIL acquires exclusive ownership of the only park in Topolog (84 MW). This allows ERG to increase the overall installed power of 20 MW over its share of the overall installed power in the joint venture (104 MW).

On **December 23, 2015**, the dissolution of the joint venture (Operation ERG Wind GmbH) was finalised with the acquisition of 50% ownership of the shares by the shareholder OOO LUKOIL - Ecoenergo held in the company LUKERG Renew GmbH by ERG Renew S.p.A.. At the same time, the sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the shareholding in Land Power S.A. was finalised, a company under Romanian law and the acquisition by LUKERG Bulgaria GmbH of the minority share in Corni Eolian S.A., also a company under Romanian law. Therefore, on 31 December 2015, ERG Renew S.p.A. became the sole shareholder of LUKERG Renew GmbH (which in turn controls all of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries as well as Corni Eolian S.A.). Also on 23 December 2015, LUKERG Renew GmbH changed its name to ERG Wind GmbH and LUKERG Bulgaria GmbH to ERG Wind Bulgaria GmbH.(registered with the relevant Austrian Register of Companies on the 20th and 21st of January 2016 respectively).

In **July** the Radziejov wind park in Poland became fully operational, with a capacity of 42 MW and an output of electricity, once fully functioning, estimated at more than 100 GWh per year, approximately 2,400 equivalent hours.

15 October 2015

ERG Renew signed an agreement for the acquisition from a fund managed by Impax Asset Management Group of eleven wind parks in France, with an installed capacity of 124 MW, and six in Germany, with an installed capacity of 82 MW, for a total of 206 MW, and two companies – CSO Energy Sarl and CSO Energy GmbH – that provide technical, operational and sales support to wind operators in France, Germany and Poland, both captive and third-party, for a total of approximately 800 MW. The wind parks, which began operations between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an expected average annual production of about 410 GWh. Completion took place on **February 2, 2016** (see, Significant Events that Occurred after the Closure of the FY).

04 November 2015

The company EW Orneta 2 (100% ERG Renew), owner of the wind farm located in the municipality of Radziejow in Poland, signed a project financing contract. The plant began production at the beginning of the third quarter of 2015, with an installed capacity of 42 MW.

The financing, for a total amount of PLN 177.5 million (approximately EUR 42 million) and a duration of 14 years, was signed by the Mandated Lead Arrangers ING Bank, ING Bank Slaski and Bank Pekao (part of the UniCredit Group). ING Bank Slaski also acts as the agent bank and Bank Pekao as the account bank.

HYDROELECTRIC

06 August 2015

ERG, through its subsidiary ERG Power Generation, reached agreement for the acquisition of all the E.ON Produzione hydroelectric operations, composed of a portfolio of plants in Umbria, Marche and Lazio, with a total capacity of 527 MW.

The value of the operation upon completion was about EUR 0.95 billion, debt-free and cash-free. The EBITDA expected for the hydroelectric business in the coming years is approximately EUR 110 million per annum.

The asset portfolio is composed of 16 power stations, 7 dams, 3 tanks and a pumping station. The total average yearly production is estimated at about 1.4 TWh (1.8 TWh in 2014), of which approximately 40% was subsidised by the green certificates system. Expiry of the concessions relating to the portfolio of acquired assets is fixed for 2029.

05 October 2015

The Antitrust Authority's provision for authorisation was published, with which the go-ahead for ERG to acquire the Terni hydroelectric plant owned by E.ON was given.

Completion took place on the **November 30, 2015**.

With this transaction more than 100 people joined the ERG Group, including technicians specialised in the operational management of plants, specialists in energy management and dedicated staff.

The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of available liquidity and a corporate acquisition loan of EUR 700 million signed with a pool of seven Italian and international mandated lead arrangers and bookrunners (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).

CORPORATE

24 April 2015

The Ordinary Shareholders Meeting of ERG S.p.A. appointed for the three-year period 2015-2017, the new Board of Directors composed of 12 members, represented by Edoardo Garrone, Alessandro Garrone, Giovanni Mondini, Luca Bettonte, Massimo Belcredi, Mara Anna Rita Caverni and Alessandro Chieffi (from the list presented by some of the institutional investors) Barbara Cominelli, Marco Costaguta, Luigi Ferraris, Paolo Francesco Lanzoni, Silvia Merlo and confirmed Edoardo Garrone as President of the company.

The Board of Directors of ERG, which met upon closure of the meeting, confirmed the powers of the President, Alessandro Garrone as Executive Vice President also appointing him administrator-in-charge of the internal auditing and risk management system, and confirmed Giovanni Mondini as Vice President and Luca Bettonte as CEO.

The CEO, as with the previous mandate, was entrusted with the powers necessary to carry out all actions pertaining to company activities, except for those reserved for the Board of Directors (by law or statute) or delegated to other members of the board.
The Board of Directors also positively assessed the independence of Massimo Belcredi and Paolo Francesco Lanzoni, members of the Board, as provided by article 148, third paragraph of the Financial Services Act and the independence of Directors Mara Anna Rita Caverni, Barbara Cominelli, Luigi Ferraris, Silvia Merlo and Alessandro Chieffi as provided both by article 148, third paragraph of the Financial Services Act and the content of the Self-regulatory Code of Borsa Italiana S.p.A.

The Board of Directors confirmed the membership of Director Massimo Belcredi as a member of the Audit Committee and appointed as additional members to the same committee Directors Mara Anna Rita Caverni and Barbara Cominelli. It confirmed the appointment of Director Paolo Francesco Lanzoni to the Nominations and Remuneration Committee, appointing as additional members Directors Mara Anna Rita Caverni and Silvia Merlo, and appointed as members of the Strategy Committee Directors Alessandro Garrone (Chairman) Giovanni Mondini, Luca Bettonte and Marco Costaguta, with Director Luigi Ferraris as an additional member.
The Meeting approved the payment of a dividend of EUR 0.50 per share that was payable from the 20th of May 2015 (payment date), payment of the coupon from the 18th of May 2015 (ex-date) and the record date as the 19th of May 2015.
The meeting authorised the Board of Directors, pursuant to article 2357 of the Italian Civil Code, for a period of 12 months from the 24th of April 2015, to purchase shares up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirtymillionsixtyfourthousand) ordinary ERG shares with a nominal value of EUR 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction. This in order to optimize the structure of the capital with a view to maximizing the creation of value for shareholders, also in relation to the significant liquidity available.
On the same date the Board of Directors approved, pursuant to article 2505, paragraph 2 of the Italian Civil Code, the project for the merger by incorporation of ERG Supply & Trading S.p.A. into ERG S.p.A.

29 June 2015

ERG signed the deed of merger by incorporation of ERG Supply & Trading S.p.A. into ERG S.p.A.,registered on the same date on the Genoa Register of Companies. The merger was effective as of the 1st of July 2015, the accounting and tax aspects of the merger were effective as of the 1st of January 2015.
The Board of Directors approved, pursuant to article

14 October 2015

2505, paragraph 2 of the Italian Civil Code, the merger by incorporation of ISAB Energy S.r.l. into ERG S.p.A.

15 December 2015

The Board of Directors of ERG S.p.A. approved the 2015-2018 Industrial Plan, the contents of which are presented at the beginning of this document.

On the 16th of December the Plan was presented to the financial community.

17 December 2015

ERG signed the deed of merger by incorporation of ISAB Energy S.r.l. into ERG S.p.A., registered on the same date on the Genoa Register of Companies. The merger was effective as of the 18th of December, the accounting and tax aspects of the merger were recognised as of the 1st of January 2015.

TOTALERG

03 November 2015

TotalErg, joint venture between ERG and TOTAL, signed a financing contract denominated in EUR for a period of five years with a group of leading Italian and foreign banks.

The financing, consisting of a credit line of EUR 200 million and a revolving credit line of EUR 500 million, for a total of EUR 700 million, is a senior loan and is not secured by real guarantees or by guarantees from the two shareholders.

With this operation TotalErg, in light of the reduction in its financial needs, replaces the previous credit line worth a total of EUR 900 million, with the confidence of the financial system in its growth prospects confirmed.

TOTALERG AUDIT

With reference to the investigations relating to alleged fiscal irregularities concerning TotalErg (joint venture, 51% ERG and 49% Total, created through the merger of Total Italia and ERG Petroli on the 1st of October 2010), it should be noted that on the **June 26, 2015** ERG was served, in its role as tax consolidation parent, and TotalErg, as a subsidiary (former ERG Petroli), a tax assessment notice for IRES (Corporate Income Tax) related to year 2007. In relation to the same year TotalErg was served directly of a tax assessment notice for IRAP (Regional Income Tax) and VAT.

In the light of specific findings regarding the alleged non-deducible costs for purchase and services of the financial year 2007, included in the formal notice of assessment (Report of Findings) of the 6th of August 2014 of approximately EUR 68 million, the tax assessment notice considerably reduces this amount to EUR 125 thousand.

The subsidary TotalErg was served, as acquirer of

06 July 2015

Total Italia, for the reasons already given, tax assessment notices for IRES, IRAP and VAT for 2007, 2008 and 2009. In light of the specific findings in the Report of Findings, served on the 6th of August 2014, related to approximately EUR 2,864 million of non-deductible costs borne by TotalErg, the tax assessment notice reduces considerably the amount also in this case, to approximately EUR 6 million.

ERG and the subsidiary TotalErg, believing that they have always fully complied with law and regulations in force, have challenged the aforementioned notices of assessment by presenting tax appeals within the deadlines set by the law, in order to have them cancelled.

In relation to the issues described above it should be noted that the joint venture agreement with Total includes an adequate mutual apparatus of guarantees.

In consideration of the above no liabilities have been recognized.

On the date of publication of this document no tax assessment notices had been served to the companies in relation to 2010, year for which the mentioned Report of Findings of the 6th of August 2014 included complaints of a similar nature and content to those mentioned above, mainly related to the period prior to the creation of the joint venture and referable to activities carried out mainly by Total Italia.

RELEVANT REGULATORY FRAMEWORK

The most important measures that have characterized the energy sector in the course of 2015 are:

GENERAL

In February 2015 the European Commission published its "**Energy Union Strategy**", which aims to guarantee Europe and its citizens safe, sustainable energy at affordable prices. Specific measures relate to five key areas including energy security, energy efficiency and decarbonisation. The "package" is divided into three sections:

- a framework strategy for energy union, which specifies the objectives of energy union and concrete measures that will be adopted to achieve it;
- a document outlining the vision of the EU for the Paris new global agreement on climate;
- a document describing the measures necessary to achieve the objective of interconnection of at least 10% of installed electricity by 2020.

At the beginning of November 2015, the Commission published the first Interim Report on the progress achieved by the EU toward full implementation of this initiative.

Climate-Energy package - ETS reform

In October 2015 the process of the joint decision to adopt the **Market Stability Reserve** (MSR) was concluded. This reform of the ETS market, aimed at accelerating the exit from the conditions of over supply in which the system found itself was strongly desired by the Commission and was one of the main initiatives of the so-called structural reforms of the ETS. The Reserve operates as an independent, capable mechanism, on the basis of predefined limits and in a semi-automantic manner, receiving or issuing predetermined numbers of shares, calculated on the basis of demand. In accordance with the agreement reached with the Board and Parliament the MSR will be constituted in 2018, but will be operational and begin to receive shares on the 1st of January 2019.

Legislative Calendar of the Commission

In October the Commission announced its ambitious calendar of legistative initatives for the climate/energy sector for 2016. The size and breadth of the intervention will make 2016 one of the crucial years in the over all reform of the energy market, and in particular the European electricity market. There are four Packages that will be made up of 10 main legislative tools, with about 15 measures to be implemented.

February

- Security of Gas Supply;
- Heating and Cooling Strategy.

April

- Guidelines for regionalisation.

May/June

- Non ETS, Effort Sharing with Land use, Land-use change and Forestry.

July

- Transport Decarbonisation Strategy.

September:

- Energy Efficiency, Energy Performance of Buildings, EcoLabeling and EcoDesign.

November/December

- Market Design, Renewables Directive, Governance of Renewables 2030.

Paris Agreement on Climate Change

On the 12th of December 195 representatives from as many countries formally adopted the text of the Paris Agreement on climate change. Even if within the context of a process still firmly based on the will of individual parties and in the absence of a true instrument of control and sanction, the Agreement establishes the following principles:

- that it affects each signatory country, making the overall objectives the responsibility of all the parties to the agreement, contrary to what was established in Kyoto;
- that it institutionalises a process of revision of the data and the national objectives every 5 years;
- that it recognises the need to keep the average increase of the temperature of the earth “well below” 2 degrees, making all efforts to keep it at 1.5 degrees;
- that it anticipates the need for further efforts to limit global warming within these values, recognizing that the voluntary national programmes signed by the parties to the United Nations Conference are not sufficient

At follow up negotiation meetings the refinement of the agreement reached will be discussed, starting with the definition of the modalities for the provision of financial transfers for developing countries for emission reduction projects and mitigation of environmental risk, the recognition of “loss and damages” of the countries most exposed to the consequences of climate change, and the role of the markets in the global strategy of decarbonisation.

Environmental Issues - Efficiency - Safety

In May 2015 the MSE website published the “Clarifications on energy audits in companies within the meaning of article 8 of Legislative Decree no. 102 of 2014”, necessary for the implementation by the 5th of December 2015 of the diagnosis of large companies and companies with a high energy consumption.

At the end of May 2015 **Law n. 68 of the 22nd of May 2015 on the so-called environmental crimes** was published, which introduces four new offences to the criminal code: environmental pollution, environmental disaster, traffic and abandonment of highly radioactive material and the obstruction of controls.

Among the other provisions of the measure the doubling of the terms of prescription for environmental crimes should be noted, with the intention of limiting impunity due to expiry of time limits, provision for confiscation of property and the restoration to the state of places, as well as the reduction of the penalty by two thirds in the event of active repentance.

WIND

Italy

The renewable energies sector has been the subject of targeted measures, in addition to the interdisciplinary measures already mentioned in the previous paragraph.

Ministerial Decree GSE tariffs

With reference to the aforementioned “Ministerial Decree GSE tariffs”, in May 2015 GSE (Electricity Services Operator) published “Modes of operation for the approval of tariffs to cover the costs incurred by GSE in supporting renewable energy resources and energy efficiency”.
ERG Renew presented an extraordinary appeal to the Head of State for the annulment of the above-mentioned Decree.

The 22/2015 Resolution on the withdrawal price of the 2014 green certificates

With **Resolution 22/2015**, the Regulatory Authority for Electricity, Gas and Water determined that the average value of the price of sale for electricity in 2014 was 55.10 EUR/MWh. Following this update, GSE announced the withdrawal price of green certificates released for 2014 production of EUR 97.42.
Within the new “**Application procedure for the issuing, management and withdrawal of GSE green certificates**”, the algorithm for the calculation of the **extension of the incentive period** was published, relative to the periods of total or partial inactivity of the wind power plant decided by the operator of the national grid (Terna) within the meaning of article 11, sub-paragraph 8 of the Ministerial Decree of 18/12/2008.
Again with regard to green certificates, at the end of October 2015, GSE released the **time periods for the issuing of incentives for plants that have green certificates**, which from 2016 will be **converted into incentive rates (FIP)**.
From the 1st of January 2016, incentives for the conversion of green certificates **will be determined on a monthly basis** and will be issued by GSE on a quarterly basis by the second quarter following the relevant quarter, in line with current timings for the **withdrawal** of green certificates.
GSE will make available to the operators the **monthly certification of production incentives**, the relative economic counter value of the incentive and the date of issue by GSE.

France

The French National Assembly promulgated the “Law for energy transition” on 17 August 2015. The law defines the objectives for energy transition towards decarbonisation and, among the qualifying points, foresees the commitment to reduce greenhouse gas emissions by 40% by 2030 compared to 1990, a 30% reduction in the consumption of fossil fuels by 2030 compared to 2012, an increase of the share of renewable energies as a proportion of energy consumed to 32% by 2030 (40% as regards the production of electricity), the reduction of energy consumed by 50% compared to 2012, the reduction of the nuclear share of electricity production to 50% by 2025 (compared to the current 75%).

Germany

In October 2015, the German parliament began discussing the new law for the relaunch and reform of the German electricity market. The law proposes to not institute any renumeration mechanisms for capacity (neither Capacity Payments nor Capacity Markets) convinced of their intrinsic incompatibility with the so-called energy only markets. The most interesting aspect of the reform and the one that will certainly have the most repercussions on the evolution of the electricity mix in Europe is the decision to institute a Capacity Reserve composed of two elements:

- a Capacity Reserve open to all types of technology and production;
- an Environmental Reserve, dedicated to national coal (2,7 GW).

The plan of the Federal Republic, which must respect more demanding and ambitious decarbonisation targets than those foreseen by EU legislation, is to close the plants on the Environmental Reserve within four years of establishing it.

Bulgaria

On the 2nd of March 2015 an amendment to the legislation in force was approved, preventing access to the system of incentives for new wind farms. This measure, which has no retroactive impacts, is justified by having achieved the objectives for 2020 already in 2013.

In July 2015 the Bulgarian Parliament approved a series of amendments to energy and renewables laws. Two the most significant revisions concern the introduction of:

- maximum thresholds for incentives in terms of hours of operation per year, beyond which the energy is purchased without a premium;
- a fee of 5% of the revenues relating to plants fuelled by renewable resources to finance the development and the adaptation of the national grid.

Poland

On the 11th of March 2015 the Polish President signed the law on the promotion of renewable sources of energy, which came into force 30 days after publication (with the exception of measures relating to the new system of incentives, which will come into force on the 1st of January 2016).

The text amends the current system of certificates of origin and introduces a system of incentives of an auction-based Contracts for Difference (CFD) type for new entrants (from 2016).

A voluntary transition to a system of incentives of a CFD type is foreseen for existing plants, awarded through specific auctions.

The new regulation complies with the European Community Guidelines on State Aid adopted in April 2014.

Romania

On the 4th of May 2015 the DG Competition of the European Commission approved the amendments to the law on renewables adopted by the Romanian Parliament in 2014.

The Commission underlined how the Romanian green certificates scheme involves state aid, which is judged, however, to be compatible with existing legislation and in particular with the European Community Guidelines on State Aid adopted in April 2014.

THERMOELECTRIC POWER

The "Mucchetti" amendment for production units in Sicily - Update on completion of the "Sorgente - Rizziconi" works

The law converting Legislative Decree 91/14 ("Competitiveness Decree") promulgated last year, containing the provision known as the "Mucchetti amendment", has deemed essential for the purposes of safety of the electricity system – starting from the 1st of January 2015 and until the entry into operation of the 380 kV "Sorgente-Rizziconi" power line between Sicily and the continent – all electricity production units exceeding 50 MW present on the island, with the exclusion of non-programmable resources. The completion of the aforementioned power line, which put an end to this continuity regime, was originally envisaged for June 2015.

As a result of a judicial sequestration of part of the works, resolved in part in 2015, the entry into operation of the new power line has been formally postponed **until June 2016**, with the consequent continuation of the continuity regime in 2016.

In this respect, the Regulatory Authority for Electricity and Gas and Water has issued **Resolutions 496/2015 and 574/2015** in order to adapt the existing regulations to the new deadline. In particular, the operating parameters proposed by ERG Power Generation were approved and it will be possible to request an advance for 2016 if the new power line enters into service between the 30th of April and the 31st of August 2016. In 2015 the Regulatory Authority for Electricity issued **Resolution 615/2015** with which provision was made for the payment of consideration to ERG Power Generation for the first half of the year. The payment was made on 31/12/2015.

For the producers of electricity covered by the **CIP 6** convention the Regulatory Authority for Electricity and Gas and Water issued Resolution 538/2015 with which the operators subject to obligation are recognised reimbursement for the costs of the purchase of the **2014** CO_2 shares.

Similarly, with **Resolution 594/2015** the CIP 6 convention producers are recognized the reimbursement of costs for the purchase of green certificates to fulfil **2014** obligations.

Both the reimbursements were made in the last period of the 2015.

For operators who have "closed distribution systems", including the "**Internal Utility Networks**" **(RIU)**, the Regulatory Authority for Electricity and Gas and Water published **Resolution RIU - 539/2015**, which governs the management of these internal networks from 2017, introducing, among other things, the need to adopt functional separation between the distribution and the sale of electricity within the RIU.

ERG Power Generation, as manager of the Priolo RIU, has appealed to the Administrative Court of Lombardy for the partial annulment of the resolution.

HYDROELECTRIC POWER

With regard to green certificates, at the end of October 2015, the GSE released the **timings of the issuing of incentives for plants that have green certificates**, which from 2016 will be **converted into incentive tariffs (FIP)**. From the 1st of January 2016, incentives for the conversion of green certificates will be determined on a monthly basis and **will be issued by GSE on a quarterly basis** by the second quarter following the relevant quarter, in line with current timings for the **withdrawal** of green certificates.

GSE will make available to the operators the **monthly certification of production incentives**, the relative economic counter value of the incentive and the date of issue by GSE.

On the subject of **electricity consumption subject to incentives** and regulated by Resolution 595/2014/R/eel, GSE has established some criteria on the location and requirements of power meters, to be adopted from January 2016 in production plants with medium and high voltage with power exceeding 20 kW.

For operators with **renewables plant** incentives conventions, GSE has updated the "**Request for transfer of Ownership User Manual**", which outlines the procedures to obtain the transfer of ownership of incentives.

Compared to previous versions, a clause has been inserted that provides for, from 2016, the suspension of the procedure for the transfer of ownership and **recognition of incentives** if the request for change of ownership is accompanied by a Single European Authorisation petition for change of ownership submitted to the relevant authority rather than a simple change of ownership.

At the end of December 2015 the Official Journal published Law no. 208/2015, "Stability 2016", for the hydroelectric sector, providing for an allocation of funds for operators of large hydroelectric plants. It provides for the full implementation of verdicts of illegality by the Constitutional Court, relating to additional fees provided for in the Finance Act 2006 (in view of the extension of the concessions).

As regards regional regulations, the Umbria Region published in October 2015 Resolution no. 1067/2015 which contains an increase, as of the 1st of January 2016, in tariffs from 15.6 to about 31 EUR/kW. ERG Hydro S.r.l. has appealed against this provision to the Tribunale Superiore delle Acque Pubbliche (Nautical High Court).

IMPACTS ON THE GROUP

As regards the impact of these measures on the ERG Group in 2015, please see the following chapters dedicated to the different activities.

BUSINESS SEGMENTS

NON-PROGRAMMABLE SOURCES

The ERG Group operates in the wind sector through its subsidiary ERG Renew.

Wind parks consist of nacelles capable of transforming the kinetic energy of wind into mechanical energy, which in turn is used for the production of electricity. Given plant availability, the results expected from each wind park are obviously influenced by the wind conditions of the site of the park.

Operating results are also influenced by the price of sale of electricity which can vary depending on the area where the plants are installed, on the value of the green certificates, and in general on incentive systems for renewable energy resources, which differ from country to country.

REFERENCE MARKET (1)	YEAR	
	2015	2014
Italian Renewable Energies Market (2) (GWh)		
Output from renewable resources (3)	89,832	102,068
of which:		
Hydroelectric	*44,751*	*59,575*
Geothermal	*5,816*	*5,566*
Wind	*14,589*	*15,089*
Photovoltaic	*24,676*	*21,838*
Sale prices (Eur/MWh)		
SNP (Italy) (4)	52.3	52.1
Green certificates	100.1	97.4
EE price central-southern area	50.9	48.9
EE price southern area	49.4	47.4
EE price Sicily	57.5	80.9
EE price Sardinia	51.1	52.2
Average unit price for the sale of ERG energy in Italy (5)	147.8	146.4
Feed-in tariff (Germany) (6)	96.2	96.0
Feed-in tariff (France) (6)	90.4	91.1
Feed-in tariff (Bulgaria) (6)	80.3	94.9
EE price Poland	37.1	n.a.
CO price Poland	26.0	n.a.
EE price Romania (7)	29.7	25.0
GC price Romania (8)	29.5	29.3

(1) estimated output for December
(2) source: Terna S.p.A. monthly report on the electricity system. Estimated data, subject to correction
(3) resources considered: hydroelectric, geothermal, wind and photovoltaic
(4) Single National Price – Source: GME S.p.A.
(5) The average value in Italy does not take into consideration the feed-in tariff of 123.8 EUR/MWh paid to the Palazzo S. Gervasio plant
(6) The value of the feed-in tariffs abroad refer to the prices obtained by ERG Renew plants
(7) EE Romania price refers to the price fixed by the company with bilateral contracts in 2015 (for comparative purposes, in the absence of similar bilateral contracts the market price is shown)
(8) The price of the unit value of the green certificate (the number of GCs recognized and time periods are described in the Romanian scenario section)

MARKET SCENARIO IN ITALY

In 2015 33% of net national electricity production was covered by renewable resources, down compared to 38% in 2014, primarily as a result of reduced availability of water; in particular, 17% of electricity is produced from hydroelectric power, 9% photovoltaic, 5% wind and 2% geothermal.

Compared with the previous year there has been growth in photovoltaic (+13%) and geothermal (+4%), while hydroelectric production has recorded a net decrease (-25%), as well as the wind power production (-3%).

TARIFF SCENARIO

Italy

The system of incentives in Italy provides, for on-shore wind power plants in operation before the end of 2012[6], the continuation of the green certificates system until 2015 and subsequent conversion for the remaining period of entitlement, a feed-in tariff premium calculated with a similar formula and issued on a quarterly basis before the end of the last working day of the second quarter following the quarter in question. GSE established that payment of the incentive that replaces the green certificates will be effective for the first quarter of 2016 by the 30th of September 2016 and for the second quarter of 2016 by the 31st of December 2016.

As regards the green certificates for energy produced in 2015, withdrawal occurs on a quarterly basis according to the following dates: by the 30th of September 2015 with payment on the 31st of October for energy produced in the first quarter of 2015, the 31st of December 2015 with payment by the 31st of January 2016 for the second quarter of 2015, the 31st of March 2016 with payment by the 30th of April 2016 for the third quarter 2015, and for the last quarter of 2015, the 30th of June 2016 with payment by the 31st of July 2016.

With regard to the value of the withdrawal price of 2015 green certificates and 2016 incentives, for purposes of definition, the Regulatory Authority has notified with Resolution 29/2016/R/EFR of the 28th of January 2016 that the average annual value recorded in 2015 of the sale price of electricity for the purposes of the incentive is 51.69 EUR/MWh. Therefore, the withdrawal price of 2015 green certificates and 2016 incentives is 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity of the year before[7], that is, 100.08 EUR/MWh[8].

Wind power plants with a capacity of more than 5 MW realised since 2013 (entered into operation after April 2013) qualify for incentives through discount bidding[9]. The first auction saw, for on-shore wind power, the assignment of 442 MW (the quota for 2013 was 500 MW), while at the second auction that closed on the 10th of June 2013, the entire quota available for 2014 was assigned, 399.9 MW compared to the required capacity of 1,085 MW[10]. At the third

6 A period of transitional is foreseen until the 30th of April 2013, for plants authorised by the 11th of July 2012.

7 The electricity sale price is defined by the Regulatory Authority for Electricity and Gas in implementing article 13, paragraph 3 of Legislative Decree no. 387 of the 29th of December 2003.

8 Please note that for green certificates of the first and second quarter of 2015, 96.00 EUR/GC was the price used as an advance payment, without adjustments in relation to the determination of the withdrawal price.

9 Base price of 127 EUR/MWh.

10 As a result of the Lombardy Regional Administrative Court verdict of the 14th of February 2014, 66 MW previously excluded from the second auction (after closure of the period for submission of bids) were reinstated because they belonged to the transition period. Consequently, this capacity was subtracted from the 2015 quota.

auction, for the 2015 quota that closed on the 26th of June 2014, the full quota available for on-shore wind power, approximately 356 MW was once again assigned (required capacity significantly in excess of the quota, approximately 1,261 MW). To date the Ministerial Decree which will govern access to the new incentives has not yet been published. Furthermore, since 2013, for all subjects that make use of incentives for the production of electricity in renewables plants (with the exception of photovoltaic and plants included in the CIP 6/92 provision), a contribution of EUR 0.5 per MWh of subsidised power is to be paid to GSE.

Dispatching charges

With regard to the revision of the remunerations of imbalance of electricity for production units fuelled by non-programmable renewable resources, following the Council of State verdict no. 2936 of 9/06/2014 they were partially cancelled with regard to 2013 and 2014[11]. Terna provided for any balances due before the 31st of December 2014.
After the DCO 302/2014, the Regulatory Authority for Electricity, Gas and Water issued Resolution 522/2014/R/EEL, which reintroduces as of 2015 imbalance payments, completely eliminating the exemptions provided for by annulled Resolution 281/12/R/EEL and providing for new mechanisms for technology differentiated calculations. The same ruling has established for the past, in particular for the period January 2013 – December 2014, due to the effect of the annulment of Resolution 281/2012 by the Council of State, the restoration of the regulations prior to the annulled resolution (i.e. restoration of article 40, paragraphs 40.4 and 40.5 of Resolution 111/06 to the previous version of Resolution 281/2012). Therefore, GSE proceeded to pay all wind power plants with DD in 2013: (i) imbalance payments imputable to the imbalances due to activities on the Intraday Market carried out by GSE in the period 01/01/2013–08/02/2013 (in that GSE operated within certain limits in this period); (ii) the consideration of participation in the Intraday Market, which is the difference between the day-ahead market area time prices and the Intraday Market for the volume of electricity are traded by GSE on the Intraday Market.
In April the Regulatory Authority published a consultation document (DCO 163/2015) on a possible revision of the mechanism for calculating the price of imbalance in the context of the provision of ancillary services. To date the mechanism for calculating the price of imbalance has not yet been changed.

Decree for spreading incentives

Please note that in October 2014 the decree for spreading incentives was approved (in implementing the "Destination Italy" Law no. 9 of the 21st of February 2014), for producers of electricity from renewable resources excluding photovoltaic, owners of plants that benefit from incentives in the form of green certificates, premium tariffs. Adhesion is voluntary and includes, if the incentive is reduced, an extension of the incentive period for a further seven years. For plants that do not adhere to the change the possibility of benefiting from the incentives is precluded in the case of an intervention of any type for a period of ten years from the end of the incentive period. The option could be exercised

11 Years for which resolution 111/2006 continues to be in effect.

within 90 days from the publication of the decree in the Official Journal. Please note that in this regard ERG, in the absence of a clear regulatory framework on the level and conditions of access to the new incentives, has decided not to opt for an extension of the incentive period.

Law of Stability no. 208/2015

With the approval of the Law of Stability no. 208/2015, a new framework for the determination of the Land Registry income of real estate units used for production was implemeted, with effect from the 1st of January 2016. Specifically, the Law of Stability 2016 in article 1, paragraphs 21–24, foresees that electricity production plants are no longer subject to wind turbine (rotors and nacelles) estimates.

In the same Law of Stability, article 1, paragraph 91, an important tax concession intended to encourage productive investment is provided for, thanks to an increase in the depreciable cost. This is the 140% so-called super depreciation or maxi amortisation that applies to all goods (with some exceptions) purchased between the 15th of October 2015 and the 31st of December 2016.

Germany

The incentive system for wind power in Germany is of the feed-in tariff/feed-in premium type. On the basis of the new EEG[12] 2014 (which confirms the desire to grow in the future), the tariff for the new on-shore wind power plants is equal to 89 EUR/MWh for 20 years (constant)[13]. This value is reduced by 0.4 % for each quarter following the 1st of January 2016. Existing plants, also have the possibility to choose a system of alternative incentives of the feed-in type premium (mandatory for new plants). By choosing this option, the electricity is sold directly on the market and the operator receives, on a monthly basis, a premium equal to the difference between the basic value of the feed-in tariff and the average monthly market price of electricity, to which a “management premium” is added (4 EUR/MWh for 2015 – including a remote control bonus), decreasing over the years, which represents an approximation of costs related to the management of the sale of electricity on the market.

The 2009 version of the law introduced a System Service Bonus of 7 EUR/MWh for interventions made by 2010, recognized if technological works are carried out on the plant (to improve performance relative to adjustment of voltage and frequency), for the first 5 years after the works are carried out.

The tariffs for the ERG Wind parks vary between 87 and 89 EUR/MWh (constant in nominal terms). The Sallgast and Brunsbuttel parks moved to the direct market system in the course of 2014, while the remaining 3 parks continued to use the fixed-fee system. All of the German ERG Wind parks (with the exception of Gembeck, 4 WTG) benefited from this bonus (SDL) of 7 EUR/MWh in 2015.

For new plants realised from 2017 a feed-in type premium incentive is foreseen (through contracts for difference – CFD), awarded through competitive discount bidding.

12 Erneuerbare Energien Gesetz, reform of German law on renewable resources.
13 The incentive period is, in fact, divided into two stages: the first 5 years, the second 15 years. The rate of the first 5 years is confirmed for the remaining 15 years where production does not exceed 80% of the reference production and the incentive is gradually reduced with the increase in production.

France

The incentive system for on-shore wind power is of the feed-in tariff type. The incentive for existing plants is recognised for 15 years and is updated annually on the basis of a formula linked to the index of labour costs per hour and the industrial producer price index[14]. For the first ten years of operations it is the initial tariff, depending on the year in which the contract is stipulated, to be updated on an annual basis, while for the following 5 years the value to index decreases if the operating hours per annum are more than 2,400. For 2006 the value of the initial tariff was 82 EUR/MWh. To define the starting value for the new plants in subsequent years, this tariff is reduced by 2% compared to the previous year, from 2008 onwards, and is updated to take account of the evolution of the indices cited. The value thus determined for each plant, is then updated annually, according to the mechanism described above. As a result of the appeal to the Council of State against the 2008 decree for alleged incompatibility with European Community regulations on state aid, the same 2008 decree was cancelled on the 28th of May 2014 (by virtue of the failure to inform the European Commission before its implementation), and a new decree was issued on the 17th of June 2014, which confirms the same incentive system (for existing plants too). This decree was previously definitively approved by the Directorate General for Competition of the European Commission, which ruled that the text was compatible with the existing legislation on state aid.

The law for energy transition

Regarding guidelines for the future, the Law for Energy Transition was promulgated on the 17th of August 2015. The law defines the objectives for energy transition and, among the qualifying points, includes the commitment to reduce greenhouse gas emissions by 40% by 2030 compared to 1990, a 30% reduction in the consumption of fossil fuels in 2030 compared to 2012, an increase of the share of renewable energies as a proportion of energy consumed to 32% by 2030 (40% as regards the production of electricity), the reduction of energy consumed by 50% compared to 2012, the reduction of the nuclear share of electricity production to 50% by 2025 (compared to the current 75%).

Bulgaria

The current regulatory framework provides for on-shore wind farms, a tariff (feed-in tariff – FIT) in steps, on the basis of hours of operation, constant in nominal terms. In particular, in the case of Tcherga, a park that has been in existence since the 3rd of May 2011, the incentive is recognized for the first 15 years of operations and the value of the tariff is 188.29 BGN/MWh (about 96.3 EUR/MWh) for fewer than 2,250 hours of operation per year and 172.95 BGN/MWh (about 88.4 EUR/MWh) for more than 2,250 hours of operation per year. In the case of Hrabrovo, a park that began operations after this date and before June 2012, the incentive is recognized for the first 12 years of operations and the value of the tariff is 191 BGN/MWh (about 97.7 EUR/MWh) for fewer than 2,250 hours of

14 The indexes considered are the ICHTrevTS ("index du coût horaire du travail (tous salariés) dans les industries Mécaniques et électriques") and the FM0ABE0000 ("index de prix de production de l'industrie française pour l'ensemble de l'Industrie").

operation per year and 173.1 BGN/MWh (about 88.5 EUR/MWh) for more than 2,250 hours of operation per year[15]. With regard to the tariffs initially foreseen, in July 2015 annual operational thresholds were introduced, above which the energy produced is purchased at a price significantly lower, rather than at the FIT.

On the 2nd of March 2015 an amendment to the legislation in force was approved that prevents access to the system of incentives for new plants. This measure, which has no retroactive impacts, is justified by having achieved the objectives for 2020 already in 2013.

Access to the transmission and distribution grids and charges on revenues

In September 2012 the local Regulatory Authority introduced, for producers of power from renewable sources in operation since March 2010, a charge for access to transmission and distribution networks. The charge is based on a detailed analysis of the actual costs of managing networks, applicable from the 13th of March 2014, equal to approximately 1.3 EUR/MWh until July 2015 and then increased to about 3.7 EUR/MWh. A fee of 5% of the revenue of plants fuelled by renewable resources was introduced starting from July 2015.

Trading of electricity

From June 2014 responsibility for balancing, even for non-programmable renewable energies, was introduced.

Romania

Renewable energy in Romania is encouraged through green certificates for the first 15 years of operations. There is an obligation to transfer a certain annual quantity of green energy to the grid (or buy an equal amount of green certificates) based on the consumption of electricity. For wind parks that began operations before 2014, two green certificates are foreseen for every MWh produced until 2017 and one green certificate from 2018 and the unit price of the green certificates varies between a cap (55 EUR/MWh in 2010 currency) and a floor (27 EUR/MWh in the 2010 currency), defined in EUR, and inflation indexed on an annual basis. Green certificates have annual validity and, on the basis of the legislation currently in force, are recognized at the lower value of the expected energy production and that actually produced. Law 23/2014, which amends and transposes the previous emergency ordinance of March 2013, was after some vicissitudes ratified by the President of Romania in March 2014[16]. The law was approved by the European Commission – DG Competition in May 2015.

The Law has introduced some amendments to the system of incentives and in particular provides for the withholding of one green certificate during the period from the 1st of July 2013 to the 31st of March 2017 for wind plants in existence. The green certificates withheld will be gradually "unlocked" starting from the 1st of January 2018 and in any case no later than the 31st of December 2020. The conditions are still to be defined. In the meantime the government, under instruction from

15 In addition, a further threshold of hours of operation per year was introduced, the value of which depends on the annual production of the plant, above which the average market price of electricity is recognized instead of the tariff. However, this provision is not applicable to all the plants. In the case of LUKERG Renew, it applies only to the Hrabrovo plant (14MW).

16 Decree 270/2014 approves Law 23/2014, that approves the Emergency Ordinance 57/2013, that amends and integrates Law 220/2008 for the green certificates incentive system.

ANRE (the local regulatory authority), has taken the annual maximum quota for production of electricity from renewable resources that can be subsidised for 2015 from 16%, included in the previous regulations, to 11.9%. In fact, on the basis of the changes introduced by the new law ANRE has the task of defining this obligatory quota on an annual basis.

Wind power plants in operation after the 1st of January 2014 are subjected to a reduction in the number of GCs (so-called overcompensation) as provided for by the government's decision, which welcomes the decision of the Regulator (ANRE). As a result of the latter, the plants in question access 1.5 GCs for every MWh produced until 2017 and 0.75 GCs per MWh produced from 2018. Relative to the parks owned by LUKERG Renew in Romania, it should be noted that the Gebeleisis park (70 MW, 35 MW ERG quota) accesses the incentives that provide for the recognition of two GCs up until 2017, of which one has been withdrawn until the 31st March 2017, while the Topolog park (84 MW fully operational, 42 MW ERG quota), which began commercial operations in 2014, is subjected to an overcompensation regime which includes the recognition of 1.5 GCs up until 2017, and subsequently 0.75 GCs per MWh produced.

In October 2014 the Directorate General for Competition of the European Commission approved the exemption scheme for intensive electro industries to be legally obligated to acquire green certificates. The relevant decree has been in force since January 2015.

As a result of regulatory changes (negative for wind), in particular with regard to the lowering of the quotas of obligation, the GCs market is in a situation of oversupply and consequently the price fell to the floor (approximately 29.4 EUR/MWh) and the liquidity of the spot market has been drastically reduced.

Poland

The system of incentives in Poland for plants in operation before June 2016 is based on Certificates of Origin (CO) for the first 15 years of activity. Annual requirement quotas are foreseen and the new law on the subsidy of renewable resources of energy, signed on the 11th of May 2015 by the President of Poland (amended subsequently in December 2015), introduced a number of measures to reduce the current oversupply of COs (which do not expired). In particular, starting from 2016 the subsidies for "non-dedicated" co-combustion plants will be halved and the incentives for hydroelectric plants with a capacity exceeding 5 MW will be eliminated. The share of the annual requirement is 14% and 15% for 2015 and 2016 respectively (as per the previous law). Starting from 2017 this value will be increased to 20%, and it will be possible for the Ministry to downwardly revise on an annual basis. The so-called Substitution Fee, the alternative to purchasing Certificates of Origin for obliged parties, which, in fact, constitute a cap on the price of COs, was set at 300.03 PLN/MWh and will remain constant in nominal terms for the near future. The new law also introduces a discount bidding system, with quotas on production, for the award of incentives in the form of Contracts for Difference (CFD) for 15 years (value inflated on an annual basis). This system is optional for plants that have had access to COs (for the remaining period of entitlement to incentives), while it is mandatory for plants that will come into operation starting from July 2016 (initially the law foresaw this incentive system from January 2016, but the amendments of December 2015 have delayed adoption for six months).

The auction system caming into force with CFD depends on the approval of the scheme by DG Competiton of the European Commission

SUMMARY OF THE RESULTS AT ADJUSTED CURRENT VALUES OF THE PERIOD

In order to facilitate understanding of the progress of management of the non-programmables sector the business results are shown at current adjusted values which take account of the ERG quota of eligibility (50%) of the consolidated results of the LUKERG Renew joint venture in 2015. As a result of the dissolution of the joint venture, the figures include the contribution of activities in Romania and Bulgaria fully consolidated as at the 31st of December 2015.

	YEAR	
OPERATING RESULTS	**2015**	**2014**
Revenue from ordinary operations	**345**	**349**
EBITDA at replacement cost [1]	**254**	**267**
Amortisation, depreciation and write-downs [1]	(134)	(137)
EBIT at replacement cost [1]	**120**	**131**
Capital expenditures on tangible and intangible fixed assets	95	38
MAIN FINANCIAL DATA [2]		
Net invested capital	**1,827**	**1,701**
Net worth	679	636
Total net financial indebtedness	1,148	1,065
of which non-recourse Project Financing [3]	1,135	1,120
EBITDA % [4]	**74%**	**76%**

(1) not including non-recurring items indicated in the section "Alternative performance indicators", to which reference should be made for further details
(2) data relating to the consolidated ERG Renew (including the 100% contribution of ERG Wind GMBH, which the activities in Romania and Bulgaria report to)
(3) including cash and cash equivalents
(4) EBITDA at adjusted replacement cost over revenues from ordinary operations

The breakdown of EBITDA at replacement cost among the various geographic areas of the wind energy business was as follows:

	YEAR	
EBITDA AT REPLACEMENT COST	**2015**	**2014**
Italy	**213**	**233**
Germany	*12*	*12*
France	*13*	*8*
Bulgaria (50%)	*4*	*4*
Romania (50%)	*8*	*10*
Poland	*4*	*–*
Abroad	**41**	**34**
Total	**254**	**267**

Consolidated revenues recorded in **2015** are slightly lower than those of the same period of 2014, mainly as a result of the production of the new wind farms in France (63 MW from July 2015) and Poland (42 MW from July 2015, while the additional 40 MW have no impact in so far as they relate to the end of December 2015), which have partly offset the lower revenues in Italy due to lower production (-7%) sold at a price slightly higher (+1%).

As regards the increase in sales prices, for ERG Renew in Italy the electricity sales price was on average 47.7 EUR/MWh, down 3% with respect to the value of 49.0 EUR/MWh recorded in 2014; this value is lower than the single national price (52.3 EUR/MWh) as a result of the specific geographical breakdown of ERG plants, concentrated in the South of Italy and of the hourly production profile. Overall, the ERG Renew average revenue per unit of production in Italy, considering the sales price of energy and of green certificates, was equal to 147.8 EUR/MWh, up compared to 146.4 EUR/MWh in 2014.

This increase is linked to the value of the green certificates at 100.1 EUR/MW, up compared to EUR 97.4/MWh in 2014.

The average income per unit of parks abroad in 2015 was approximately 84.2 EUR/MWh, down compared 87.5 EUR/MWh recorded in the previous year, mainly as a result of the above-mentioned change in tariffs and in the market in Bulgaria and Romania.

EBITDA at 2015 adjusted current values is 254 million over all, down with respect to the values recorded in the same period of the previous year. In more detail, the decrease in profits recorded by the wind parks in Italy, as a result of lower production and the presence in 2014 of positive corrections regarding previous imbalance charges, was partly offset by higher profits in parks abroad with respect to 2014, mainly thanks to the contribution made by the new parks in France and Poland.

EBITDA was equal to 74%, down slightly compared to 76% for the first quarter of 2014. Please note that this margins indicator in 2014 was positively impacted by the verdict of the Council of State on imbalance charges, whereas in 2015, while guaranteeing a high absolute value, was impacted by the increase in production abroad, with sales prices and margins lower on average than those recorded in Italy.

	YEAR	
INSTALLED POWER (MW)	**2015**	**2014**
Italy	**1,087**	**1,087**
of which:		
Campania	*239*	*239*
Calabria	*120*	*120*
Puglia	*249*	*249*
Molise	*79*	*79*
Basilicata	*89*	*89*
Sicily	*198*	*198*
Sardinia	*111*	*111*
Others	*2*	*2*
Abroad	**420**	**254**
of which:		
Germany	*86*	*86*
France	*128*	*64*
Poland	*82*	*n.a.*
Bulgaria	*54*	*27*
Romania	*70*	*77*
Total installed power at period end (1)	**1,506**	**1,341**

(1) power of plants in operation at period end

Installed power as at the 31st of December is 1,506 MW, up 165 MW compared with the 31st of December 2014, following the acquisition of six wind parks for an additional 63 MW in France and an increase of 42 MW in Poland due to the completion of the Radziejov wind park (which made its contribution in terms of production and operating results from the third quarter of 2015), and of the further increase of 40 MW in Poland at the end of the year following the completion of the Szydlowo park (14MW) and the Slupia park (26MW) and of the variations that occurred starting from the end of December 2015 in Bulgaria (+27MW) and Romania (-7MW) simultaneously with the operation that led to the dissolution of the joint venture with LUKOIL.

	YEAR	
OUTPUT (GWh)	**2015**	**2014**
Italy	**1,910**	**2,051**
of which:		
Campania	*414*	*453*
Calabria	*240*	*249*
Puglia	*472*	*502*
Molise	*155*	*163*
Basilicata	*164*	*173*
Sicily	*274*	*313*
Sardinia	*192*	*198*
Others	–	–
Abroad	**705**	**529**
of which:		
Germany	*156*	*144*
France	*206*	*122*
Poland	*68*	*n.a.*
Bulgaria (50%)	*74*	*67*
Romania (50%)	*201*	*196*
Total wind farm output	**2,614**	**2,580**

In 2015 ERG Renew's production of electricity was 2,614 GWh, up compared to 2014 (2,580 GWh), with production down about 7% in Italy (from 2,051 GWh to 1,910 GWh) and up 33% abroad (529 GWh to 705 GWh).

The decrease in production in Italy (-141 GWh) is linked to wind conditions, generally not as good as those of 2014, in particular in Sicily, Campania and Puglia where ERG Renew has about 60% of its installed capacity.

As regards foreign countries, the increase of 175 GWh is attributable both to the contribution of new parks in France and Poland, and to over all growth in production in all countries.

The load factors of wind power plants for the main geographical areas are shown in the following table. This data, which is estimated taking into account the commissioning date of the parks of the individual businesses, provides a measure of the level of production of the various parks in relative terms, and is impacted by the features of the parks and the anemological conditions during the period considered. It is also impacted by the availability of the plants and any restrictions on the energy grids.

LOAD FACTOR %	YEAR 2015	2014
Italy	**20%**	**22%**
of which:		
Campania	*20%*	*22%*
Calabria	*23%*	*24%*
Puglia	*22%*	*23%*
Molise	*22%*	*23%*
Basilicata	*21%*	*22%*
Sicily	*16%*	*18%*
Sardinia	*20%*	*20%*
Others	*n.a.*	*n.a.*
Abroad	**26%**	**24%**
of which:		
Germany	*21%*	*19%*
France	*24%*	*22%*
Poland	*37%*	*n.a.*
Bulgaria (50%)	*31%*	*28%*
Romania (50%)	*30%*	*29%*
Load factor (1)	**21%**	**22%**

(1) actual production in relation to maximum theoretical production (calculated taking into account the actual date of initial operation of each individual wind farm)

In **2015** the over all load factor, 21%, was actually slightly lower than that of 2014, following a reduction in load factor from 22% to 20% in Italy, partly mitigated by the increase from 24% to 26% abroad, thanks in particular to the excellent results in all countries, and in particular in Poland and Bulgaria.

LUKERG RENEW

In 2015 ERG Renew was present in Bulgaria and Romania via LUKERG Renew, a joint venture between ERG Renew and LUKOIL-Ecoenergo founded in 2011 to work together on the renewables market in Romania, Bulgaria, Ukraine and Russia. In the last three years LUKERG Renew has invested around EUR 300 million, realising 208 MW of which:

- 54 MW in Bulgaria: Tcherga (40 MW) and Hrabrovo (14 MW);
- 154 MW in Romania: Gebeleisis (70 MW) and Topolog (84 MW).

As regards Bulgaria, the Tcherga wind park (40 MW) has been fully operational since December 2009 in the Dobrich region. The Hrabrovo wind park (14 MW) is also in the Dobrich region and has been fully operational since March 2012.

In Romania, the Gebeleisis wind park (70 MW), located in the Galati region, has been fully operational since February 2013 and as regards the Topolog wind park (84 MW) located in the Tulcea region, construction was completed at the end of 2013 and it has been fully operational since December 2013.

With these acquisitions and with the commissioning of Topolog, LUKERG Renew thus reached an installed power of over 200 MW, becoming one of the foremost players on both the markets where it is active.

It should be noted that on the 25th of June 2015 the two shareholders, at the end of three years of strong growth, announced the decision to dissolve the joint venture with the consequent asset breakdown of the same.

In accordance with the agreement, which was completed on the 23rd of December, Topolog park (84 MW) was transferred to LUKOIL while ERG Renew acquired the remaining parks for a total of 124 MW (thus increasing the installed power by 20 MW with respect to the current 104 MW), broken down as follows:

- 54 MW in Bulgaria: Tcherga (40 MW) and Hrabrovo (14 MW);
- 70 MW in Romania: Gebeleisis (70 MW).

Given that the dissolution of the joint venture, with the simultaneous acquisition of wind farms in Bulgaria and Romania (Gebeleisis), was completed in the last few days of 2015, the operating results of 2015 reflect the full contribution for the entire year of the set up before dissolution of the joint venture.

The following figures refer 100% to the consolidated financial statements of the joint venture (pre joint venture).

	YEAR	
	2015	**2014**
EBITDA at replacement cost	**24**	**28**
Depreciation and write-downs	(16)	(16)
EBIT at replacement cost	**8**	**12**
Capital expenditures on tangible and intangible fixed assets	–	4
Installed power		
Bulgaria	54	54
Romania	154	154

2015 EBITDA was equal to about 24 million, lower than the values recorded in 2014 (28 million). The lower selling prices recorded in Bulgaria and Romania as a result of the changed tariff and market context, were only partly offset by increased production.

PROGRAMMABLE SOURCES

Reference market

ITALIAN ELECTRICITY MARKET (1) (GWh)	YEAR 2015	YEAR 2014
Demand	315,234	310,535
Pumping consumption	1,850	2,329
Import/Export	46,381	43,716
Internal output (2)	270,703	269,148
of which:		
Thermoelectric	*180,871*	*167,080*
Hydroelectric	*44,751*	*59,575*
Other renewable energies	*45,081*	*42,493*
SALE PRICES (EUR/MWh)		
SNP (3)	52.3	52.1

(1) Source: Terna S.p.A. monthly report on the electricity system. Estimated data, subject to correction
(2) Output net of consumption for auxiliary services
(3) Single National Price. Source: GME S.p.A.

The demand for electricity[17] of the Italian electricity system in 2015 was equal to 315.2 TWh, an increase (+1,5%) with respect to 2014 figures. As regards Sicily, a region in which ERG is present with its CCGT plant, in 2015 there was a demand of approximately 19.6 TWh, a slight decrease (-1.0%) compared to 2014, while in the Abruzzo-Lazio-Marche-Molise-Umbria regions, in which ERG has been active since the end of 2015 with its hydroelectric plants, demand for electricity was 44.8 TWh (+2.3%).

In the same period, the net internal production of electricity amounted to 270.7 TWh, an increase of 0.6% compared to the previous year, while the net total of exchanges with abroad recorded net imports of 46.4 TWh (+6.1% compared to 2014). 67% of (net) domestic electricity output was obtained from thermoelectric plants and the remaining 33% from renewable resources. Compared to the same period of the previous FY there was an increase in output from thermoelectric resources (+8%) and a lower contribution from renewable resources (-12%). This decrease is due to a drop in hydroelectric production (- 25%) and wind (-3%), which was partially offset by increases from other resources, in particular photovoltaic (+13%) and geothermal (+4%).

The average value of the SNP (Single National Price) in 2015 was 52.3 EUR/MWh, an increase of 0.4% compared with 2014 (52.1 EUR/MWh).

Evolution of the relevant regulatory framework: the Mucchetti amendment

Article 23, paragraph 3 bis of the Italian Legislative Decree no. 91 of 24 June 2014, converted from Law no. 116 of 11 August 2014, establishes that from the 1st of January 2015, when the doubling of the "Sorgente-Rizziconi" power line between Sicily and the mainland became operative: (i) electricity generating units in Sicily with more than 50 MW of power, excluding

17 Including the network losses and net of the consumption of electricity for pumping systems.

non-programmable renewable units, will be deemed essential resources for the security of the electricity system; (ii) the Regulatory Authority shall define the procedures for offering and remunerating the aforesaid units no later than ninety days from the date of entry into force of the law converting Decree Law no. 91/14, following the criterion of punctual recognition, for the individual generating unit, of the variable and fixed costs of an operating nature and of fair remuneration of the residual invested capital attributable to said units, in order to assure reduced costs for the electricity system.

In execution of the provisions of the aforementioned Decree Law, on 24 October 2014 the Regulatory Authority published Resolution 521/2014/R/EEL, relative to provisions on essential plants in Sicily, which aims to regulate, among other things, supply and remuneration criteria of the units defined as essential pursuant to the Legislative Decree.

In October 2014 the Regulatory Authority published Resolution 500/2014/R/EEL, which, though referring to essential units under an ordinary system, clarifies and updates certain parameters of the variable costs payable that impact the essential units pursuant to Legislative Decree 91/2014.

Lastly, with Resolution 667/2014/R/EEL, AEEGSI (Regulatory Authority for Electricity, Gas and Water) approved certain significant parameters for the calculation of costs of production by the essential units pursuant to Legislative Decree 91/2014.

The regulatory framework described above has had a significant impact on ERG's selling prices and in particular on the spot energy markets in the area where it operates (Sicily). In fact, the constraint bid on these markets at a price not higher than its variable cost recognized for production units identified as essential within the meaning of the Legislative Decree invoked, 91/2014, has significantly reduced the price differential between the Region of Sicily and the SNP in 2015 with respect to the values recorded in the same period in 2014.

It should be noted, however, that the fall in revenues on spot markets (day-ahead market, Intraday Market and Dispatching Services Market) for the reasons described above was mitigated by the amount paid to the essential units pursuant to Legislative Decree 91/2014 to reintegrate the variable costs of production, operations and investments, including the equitable remuneration of capital invested.

The period of application of the discipline of the essential units on the basis of Legislative Decree 91/2014, i.e. the entry into operation of the mentioned doubling of the Rizziconi-Sorgente power line, from the notes published by Terna SpA within the meaning of paragraph 4.7 of the AEEGSI Resolution no. 521/2014/R/EEL is now foreseen for the first half of 2016.

It should also be noted that on the 31st of December 2015 the advance payment of the consideration for the restocking of ERG Power Generation's eligible production costs relative to the first half of 2015 was made, in application of AEEGSI's Resolution 521/2014.

Introduction to the main results of the period

Starting from the end of 2015 the ERG Group has been present in a diversified manner in the **programmable resources** field, managed by Power Generation business unit. In particular the ERG Group works:

- in the **hydroelectric** power field: through the participation in the newly established company, ERG Hydro S.r.l., owner of the Terni hydroelectric plant (527 MW), including a system of programmable and flexible plants located in central Italy;

- in **thermoelectric** power: through participation in ERG Power S.r.l., owner of the cogenerative, high-yield, high-efficiency, low-emissions, highly modular and flexible CCGT plant (480 MW).

The ERG Group, within the framework of the ERG Power Generation business unit, has concluded an important process of industrial evolution, completing the transformation of the pre-existing portfolio of thermoelectric assets in Sicily (including the 528 MW IGCC plant sold in 2014 to LUKOIL within the context of the early completion of the CIP6 convention) in an asset portfolio differentiated by technology and geographic area, and distinguished by high flexibility, thanks to the purchase at the end of 2015 of the above-mentioned 527 MW Terni Hydroelectric plant, for which the conessions expire in 2029.

Period performance highlights of the programmable sources sector

In the tables that follow the results and the sources and uses of programmable resources are shown, while in the subsequent paragraphs the results for **thermoelectric** (for which please note that the results are compared with pro forma 2014 data, without including the contribution of the IGCC plant, sold on the 30th of June 2014) and **hydroelectric** power are commented on separately.

	YEAR	
(EUR million)	2015	2014 proforma
Revenue from ordinary operations	**602**	**679**
EBITDA at replacement cost (1)	**115**	**100**
Amortisation, depreciation and write-downs (1)	(34)	(29)
EBIT at replacement cost (1)	**81**	**71**
Capital expenditures on tangible and intangible fixed assets	9	13
EBITDA %	**19%**	**15%**

(1) the data shown here do not include the non-recurring items indicated in the "Alternative performance indicators" section, to which reference should be made for further details

Thermoelectric

During 2015, ERG Power's net electricity output amounted to 2,632 GWh, in line with the previous year (2,622 GWh). The net supply[18] of steam to the Priolo Gargallo petrochemical site's captive customers was about 802 thousand tonnes, which is less than the 838 thousand tonnes of 2014. About a quarter of the energy production of ERG Power was intended to cover the needs of the Priolo industrial site, including the net supplies of steam.

EBITDA at current 2015 values is attributable to 104 million to ERG Power/ERG Power Generation (an increase of approximately 5 million compared to that recorded in the same period of 2014), and for 3 million in significant refunds relative to liabilities inherited from ISAB Energy, a company merged by incorporation into ERG S.p.A. in 2015.

As reported in the section relating to the evolution of the regulatory framework of reference, the contraction of prices on the spot market in Sicily as a result of the application of Legislative Decree no. 91/2014, has led to a reduction of the margins in the energy markets (Market of the Day Before and Intraday Market) and on the Dispatching Services Market, mitigated by the refund of eligible production costs of the ERG Power production units, defined as the Essential

18 That is the supply of steam to the Priolo Gargallo industrial site excluding pipeline losses, net of steam withdrawn from the same customers.

Resources for the Safety of the Electricity System within the meaning of the aforesaid Legislative Decree no. 91/2014. The maintenance of positive results can also be ascribed to the improved performance of the ERG Power CCGT plant and to industrial efficiency steps taken in the period. In fact, in 2015, the plant continued to benefit from high levels of reliability and efficiency, pursued through targeted investment as well as through the first general maintenance programme carried out between March and April 2015 on one of the two modules of the ERG Power plant CCGT.

The positive results also reflect the effectiveness of energy management with the adoption of effective coverage of the production margin. These policies contemplate, among other things, the multi-year forward sale of electricity to IREN Mercato, the use of instruments for hedging the price risk and the sale of steam and electricity to the customers of the Priolo Gargallo petrochemical site through long-term agreements.

The increase in volumes purchased by ERG Power Generation relates mainly to Over the Counter transactions made by Energy Management in the context of development of wholesaling through fixed-term contracts.

Hydroelectric

(EUR million)	2015 (December)
Revenue from ordinary operations	**11**
EBITDA at replacement cost (1)	**8**
Amortisation, depreciation and write-downs (1)	(5)
EBIT at replacement cost (1)	**3**
Capital expenditures on tangible and intangible fixed assets	–
EBITDA %	**73%**
Total Hydroelectric system production	**84**

(1) the data shown here do not include the non-recurring items indicated in the "Alternative performance indicators" section, to which reference should be made for further details

December 2015 EBITDA was EUR 8 million.

Revenues, amounting to 11 million, are related to sales of electricity of 5 million, to revenues from green certificates and incentives of 5 million and to revenues from the Dispatching Services Market and other revenues of about 1 million.

The costs, 3 million over all, are mainly referable to concession fees, personnel costs, insurance fees and service costs.

The average selling prices reflect the selling price of electricity, applied to the entire production, and the green certificates are recognised for a share of the production.

In detail:

- the selling price of electricity, applied to the production of 84 GWh was, on average, 63.2 EUR/MWh, higher than the single national price (52.3 EUR/MWh), thanks to modifications in the plants;
- the value of green certificates, recognised for a production of 40 GWh, was 100 EUR/MWh;

The overall production of ERG Hydro (84 GWh) has, therefore, benefited from an average revenue per unit, considering that the value of the energy sold and the value of the green certificates, amounts to a total of about 111 EUR/Mwh.

EBITDA was generally equal to 73%, guaranteeing particularly high values.

The total efficient capacity of the plants at the Terni complex is equal to 526.5 MW, of which 512.4 MW relates to large sources and 14.1 MW elates to small sources.
The level of the Lake Turano, Salto and Corbara reservoirs at the end of the period was respectively 524, 523 and 127 metres, corresponding in total to 210 GWh.

The consumption load factor in the period was 21% and affected by the reduced reference period, limited only to the month of December and characterised by low water availability.

INVESTMENTS

In 2015, the ERG Group made total adjusted investments of 106 million (53 million in 2014 proforma) of which 101 million on fixed assets (45 million in 2014) and 5 million in intangible assets (10 million in 2014 proforma).

The breakdown of adjusted investments by sector of activity is shown in the following table:

	YEAR	
(EUR million)	2015	2014 proforma
Non-Programmable Sources (1)	**95**	**38**
Wind	95	38
Programmable Sources	**9**	**13**
Thermoelectric	9	13
Hydroelectric	–	–
Corporate	**2**	**3**
Total	**106**	**53**

(1) adjusted investments from Non-Programmable Sources include the ERG share in investments made by LUKERG Renew

Non-Programmable Sources

The investments in 2015 refer chiefly to the new windfarms in Poland for a total of 82 MW, all made directly by ERG Renew, whose contribution in terms of output and financial performance per 42 MW began in July 2015 and will be 40 MW from 2016.

In particular, the Radziejow Windfarm, consisting of 21 Vestas V90-2.0MW wind turbines, with a total installed capacity of 42 MW came into operation in mid-2015.

In addition the Szydlowo Windfarm, consisting of 7 Vestas V100-2.0MW wind turbines, with a total installed capacity of 14 MW came into operation at the end of December 2015 and the Slupia Windfarm, whose planned installation increased during the year from 12 to 13 wind turbines following an extension of the permit, equipped with Vestas V90 turbines with a total power of 26 MW, was completed at the end of 2015 and started up in early 2016.

Progress was also made on the planned Health, Safety and Environment projects.

It should be noted that the data does not include two investments shown as changes in the scope of consolidation: the major investment in France through the acquisition in July 2015 of existing windfarms of 63.4 MW, for a price of some 70 million euros, nor the investment value in December 2015 in Bulgaria and Romania to obtain full ownership of windfarms with a total of 124 MW (+20 MW compared with the previous attributable share totalling 104 MW), corresponding to 27 million euros.

Programmable Sources

The investments in 2015 refer chiefly to ERG Power (9 million) which continued with initiatives focused on investments aimed at preserving the operational efficiency, flexibility and reliability of plants. T Progress was also made on the planned Health, Safety and Environment projects.

Please note that this data does not include the important acquisition of ERG Hydro S.r.l., corresponding to 947.5 million euros.

TOTALERG

ERG S.p.A. holds a 51% share in the joint venture TotalErg S.p.A., formed in 2010 by the merger by incorporation of Total Italia S.p.A in ERG Petroli S.p.A.

The company is positioned as one of the leading operators in the downstream market.

As indicated above in the Introduction, it should be explained that starting from the Interim Management Report at 31 March 2015, the adjusted values of the Group no longer include the contribution of the TotalErg joint venture, as it can no longer be considered a core activity of the new strategic and industrial base of the Group.

The participation will continue to be consolidated according to the equity method.

Given the significance of the participation and further to the information contained in the previous financial reports, this section provides a summary of the economic and financial indicators and the business performance for the period.

Summary of the principal results of TotalErg

The following data refer to 100% of the consolidated balance sheet of the company, effective from 1 October 2010.

	ANNO	
(EUR million)	**2015**	**2014**
Economic results		
Gross operating margin at current values (1)	**144**	**93**
Amortisation and impairments	(82)	(87)
Net operating result at current values (1)	**61**	**6**
Net result at current values(2)	**24**	**(10)**
Investments in tangible and intangible fixed assets	65	66
Principal financial data		
Net capital invested	530	532
Net assets	236	252
Total net financial indebtedness	294	252

(1) the data presented here do not include profits (losses) on stock of some -61 million in 2015 (-135 million in 2014), and also do not include non-recurring items of +4.4 million in 2015 (+8.4 million in 2014)

(2) the data presented here do not include profits (losses) on stock and non-recurring items, commented in note (1), net of the related tax effect

TotalErg operates in the marketing sector through its Italian retail network, consisting of 2,608 installations (1,675 company and 933 contracted), compared with 2,701 at 31 December 2014. It is recalled that at the end of 2012, the network consisted of 3,248 installations and that the reduction in sales outlets is due to the restructuring of the fuel network implemented in those years, which led to the closure of unprofitable sales outlets, modernisation/automation of the more profitable outlets owned by the company and the termination of contracts with third parties relating to unprofitable outlets.

TotalErg also operates in the wholesale market, selling petroleum products mainly to companies which re-sell them to end users in their local markets and directly for consumption through the subsidiary company Restinai ed Eridis, and in the specialist market, though marketing of lubricants, bitumens and LPG.

TotalErg also operates in refining and logistics through the Sarpom di Trecate Refinery, situated in one of the areas of the country with the greatest concentration of consumers, with a total annual capacity of balanced distillation, for the TotalErg share, of 1.6 million tonnes (some 30,000 barrels/day).

The Sarpom Refinery is equipped with catalytic conversion, mainly directed to production of light distillates and works primarily with low sulphur crude.

The gross operating margin in 2015 was some 144 million, a strong rise compared with the same period for the previous year (93 million).

With regard to the marketing sector, the results, although against a background of a globally adverse market, offset by slightly increased demand compared with 2014 but reduced market margins, were higher than the comparable period in the previous year, thanks to efficiency and cost-saving measures achieved in the company and the restructuring of the fuel network.

In the wholesale sector, the economic result for the period was down, while in the specialist sector, the result was a significant rise compared with last year.

With regard to refining and logistics, the results benefited from the strong recovery in refining margins as a result of the significant fall in oil prices, with overall profits much higher than those recorded in the previous year, a year that suffered from the general shutdown of the refinery with some 45 days of lost production.

Finally, it should be noted that TotalErg's net financial position as at 31 December 2015 is equal to 294 million, an increase compared to the 252 million at 31 December 2014, mainly due to time-specific phenomena linked to circulating capital dynamics, even if growth is nevertheless detectable in current economic results and investments are in line with the previous year.

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Margins and production

	YEAR	
UNIT CONTRIBUTION MARGINS AND CURRENT VALUES (1)	**2015**	**2014**
$/barrel	3.91	0.56
Euro/barrel	3.53	0.42
Euro/tonne (2)	26.5	3.2
PRODUCTION VOLUMES (3) (000s tonnes)	**1,609**	**1,275**

(1) the unit contribution margins at current values, stated net of variable production costs (mainly utilities costs) do not include profits (losses) on stock and non-recurrent items.

(2) barrel/tonne conversion factor of 7.505 in 2015 (7.486 in 2014).

(3) volumes produced in the Sarpom Refinery (Trecate)

The unit contribution margins in 2015 were markedly higher than the very depressed margins recorded in 2014, consistent with a favourable environment also linked to the strong fall in prices of crude.

Production in 2015 rose to 1,609,000 tonnes, an increase over the 1,275,000 tonnes produced in the previous year, the latter suffering from the general shutdown of the Refinery lasting some 45 days.

With regard to the conversion of the Rome refinery, the activities envisaged for its transformation into a logistics hub have been completed in full and according to schedule, in particular the adaptation of the fuel storage area and the maritime terminals. The achievement of the target configuration now allows optimization of reception of products by sea, and storage and distribution of finished products.

In addition, the greater flexibility and efficiency of the logistics hub configured in this way allows us to seize new business opportunities, with the movement of the terminal, which in 2015 resulted in growth of 18% over the previous year ("standardized" data to eliminate the effect of the exceptional bad weather which occurred in early 2014).

Lastly, it is pointed out that on 3 November 2015, TotalErg signed a financing agreement denominated in euros for a term of five years with a group of Italian and foreign primary financial institutions. The financing, consisting of a term loan of 200 million and a revolving credit facility of 500 million, making a total of 700 million, is senior and not secured by any guarantee, real or otherwise, by the two shareholders. The financing replaces the "Term Loan and Multicurrency Revolving Credit Facility Agreement" of 900 million, which was due to expire on 4 August 2016, and allows TotalErg to be financially independent in operational management and on-going development activities.

TotalErg investments

In 2015, TotalErg made investments of some 65 million, in line with 2014 (66 million).

The majority of these investments (some 60%) concerned the network, mainly development activities (reconstruction, new service/supply contracts, strengthening and automation of existing sales outlets, etc.) and activities related to optimization and strengthening of the Rome logistics hub. A significant part was also dedicated to investments in maintenance and improvement of aspects of health, safety and environment.

RISKS AND UNCERTAINTIES

Management of risk is an integral and fundamental part of the strategies of any organization: it is the process whereby businesses address risks related to their own activity with the aim of obtaining lasting profits over time and thus guarantee the sustainability of their business. The basis of good risk management consists of identifying and dealing with risks so as to allow an understanding of the potential positive and negative aspects of all the factors that might affect the organisation.

The ERG Group has implemented an integrated risk management model, based on a systematic approach to identify the foremost risks and to assess their potential negative effects and appropriate mitigation actions to be taken. The model is defined according to international best practice and is an integral part of the internal control and risk management system.

The process envisages the definition of a risk management model which takes into account the characteristics of the Group and the businesses/sectors in which it operates. The risk management model is not static but is regularly updated to take account of developments on the environment in which the ERG Group operates.

The methodology adopted is characterised by a regular assessment of the principal risks to which the Group is exposed, whether actual or prospective. The assessment, which involves the risk owners, has the objective of determining which are the most significant risks, checking whether the management strategies and the measures put in place to mitigate them are adequate, and, if necessary, identifying action plans to strengthen the international control and risk management system.

In addition, in 2014, the ERG Group had already adopted the "Risk Management Policy" which identified the risks to which the Group's activity is exposed, assigned the related responsibilities (so-called risk owner), defined the rules for their proper management, as well as monitoring and reporting.

With regard to the activities of the ERG Group, the main risks identified, monitored and managed were:

- market risk (exchange rate, interest rate and price risk);
- regulatory risk;
- new investments risk;
- organisational and human capital risk;
- liquidity risk;
- credit risk;
- default and covenant-related risk;
- volume risk;
- business interruption risk;
- Health, Safety and Environment (HSE) risk;
- Information and Communications Technology (ICT) risk.

Market risk

Market risk comprises three types of risk: exchange rate, interest rate risk and price risk. In particular:

Exchange rate risk

Exchange rate risk is the risk related to fluctuations in the exchange rate of various currencies versus the euro reference currency. Specifically, such fluctuations can have considerable impacts:

- on profits from the effect of the different significance of costs and revenues denominated in a foreign currency compared to the time when the price conditions were defined (economic risk);
- on profits, as a result of the conversion of trade or financial receivables/payables denominated in a foreign currency (transaction risk);
- on the consolidated balance sheet (profit and net assets) through the effect of the conversion of assets and liabilities of companies that prepare their Financial Statements in another currency (translation risk).

The ERG Group has adopted a prudential strategy on exposure to the exchange rate risk, reducing the possible economic impacts tied to the volatility of exchange rates on the financial market.

Use of derivative instruments is authorised only if there is an underlying asset to reduce the economic impacts linked to the volatility of exchange rates on the financial market and it is monitored by the Risk Committee.

Transactions in derivatives for speculative purposes are not allowed in the ERG Group, and this rule is set out in the Group Risk Policy.

The strategies for mitigating such risks are implemented in accordance with company policies.

Interest rate risk

Interest rate risk identifies the change in the level of interest rates that may entail a change in the value of financial positions and the related costs. In this sense, changes in market interest rates can have negative impacts on the level of financial costs such as might compromise the Group's financial stability and its capital adequacy.

The ERG Group uses different forms of financing to cover the requirements of its industrial activities, in particular with regard to the thermoelectric and renewable energies businesses. Any changes in interest rates can cause unfavourable changes in the cost of financing.

The interest rate risk management policy has the objective of limiting such volatility by identifying a balanced mix of fixed rate and variable rate financing and the use of derivative hedge instruments which limit the effects of interest rate fluctuations. To analyse the risks, an internal model has been developed to determine risk exposure by evaluating the impact of variations in interest rates on future financial flows.

Consistent with its market risk management policies, the ERG Group uses contracts such as Interest Rate Swaps. The use of derivative instruments is authorised only if there is an underlying asset to reduce the economic impacts linked to the volatility of exchange rates on the financial market and it is monitored by the Risk Committee

Transactions in derivatives for speculative purposes are not allowed in the ERG Group, and this rule is set out in the Group Risk Policy.

The strategies for mitigating such risks are implemented in accordance with company policies.

Commodity price risk

Commodity price risk is identified as the possibility that fluctuations in the price of purchases and sales may cause significant changes in Group EBITDA, with an impact on income such as might compromise the achievement of the objectives defined in the strategic plan. In the exercise of its activity, the ERG Group is exposed to the risk of fluctuations in the prices of electricity, petroleum commodities, gas and CO_2.

Exposure to electricity price risk derives essentially from selling on spot markets (commodity exchange) of electricity generated and not the subject of "forward" agreements (physical bilateral agreements). The ERG Group minimises the potential impact of fluctuations in the sale and purchase price of electricity on open positions through specific hedging of the long and short positions deriving from its own activities as a producer and supplier of electricity, all in compliance with the approved profit at risk limits.

Exposure to gas price risk lies in the volatility of gas purchase and sale prices on open positions. The ERG Group pursues the goal of hedging open positions through balancing price formulas in natural gas marketing and transformation activities, in compliance with approved profit at risk limits.

Lastly, the ERG Group is exposed to CO_2 price risk. This risk identifies the possibility that the ERG Group may incur economic losses deriving from fluctuations in the CO_2 market. To mitigate this risk, ERG operates in such a way as to keep the purchase formula balanced with the charge-back formula for the quotas of CO_2 tied to commercial agreements, whilst for the quotas tied to sales of electricity to the market, ERG operates within the risk limits approved by the CEO with an advisory opinion of the Risk Committee.

From an operational point of view, net exposures are calculated for the entire asset and contracts portfolio of the Group (so-called industrial portfolio), i.e. the residual exposure after taking advantage of the possibility of vertical and horizontal integration of the various branches of the business. Based on the net exposure, an overall level of the associated economic risk capital is calculated (expressed in millions of euros) measured by the profit at risk method. Profit at risk limits are defined annually, consistent with the Risk Policy applied by the ERG Group, and compliance with these limits is monitored, defining, where necessary, hedge strategies aimed at bringing the risk within the defined limits. The risk is managed by constant monitoring of the total net exposure of the Group portfolio and acting on the factors which have the greatest impact on its activity.

The objective of stabilising cash flows generated by the asset portfolio and existing contracts is achieved through the use of derivative financial instruments, thus contributing to ensuring the economic and financial equilibrium of the Group.

From an organizational point of view, the governance model adopted by the Group provides for the separation of risk control and management functions relating to hedging operations.

Use of derivative instruments is authorised only if there is an underlying asset to reduce the economic impacts linked to the volatility of exchange rates on the financial market and it is monitored by the Risk Committee.

Transactions in derivatives for speculative purposes are not allowed in the ERG Group, and this rule is set out in the Group Risk Policy.

Regulatory risk

This is defined as the risk related to the evolution of the local, national and/or international regulatory framework. This evolution, in consideration of the high level of regulation of the business areas in which the ERG Group operates, may cause negative economic impacts on active and/or potential business areas.

The ERG Group operates in a highly regulated sector. The risk factors in the activity of management are thus considered to be the constant, and not always predictable, changes in the relevant legislative and regulatory framework.

The Group continuously monitors changes in the relevant legislative framework, in order to prevent and/or mitigate as far as possible the effects on various business areas, through integrated management at several levels. This envisages collaboration and dialogue with institutions and government and regulatory bodies in the sector through active participation in industry associations and working groups established in these bodies, as well as the study of legislative changes and official measures in the sector. For this purpose, the Group has established specific organisational units dedicated to the continuous monitoring of the evolution of the relevant national and international regulations.

Future changes in regulatory policies adopted by the European Union or at national level, which might have unforeseen repercussions on the relevant legislative framework and, consequently, the activities and results of the ERG Group, cannot be ruled out.

New investments risk

This risk refers to the set of uncertain events originating from different factors, for example the scenario (micro/macro-economic, political, regulatory, Business), technical, operative, financial, organisational, etc. that can impact on the decision of a New Investment Initiative and on its success, for which it is not possible to develop an absolute forecast of its course during the duration of the Project, with consequent economic or asset losses, or the worsening of the Group's image.

The ERG Group has defined a specific structured process for investment selection, which, depending on the type of amount and features of the operation must pass a series of successive levels of examination and approval by the Investment Committee, the Strategic Committee and the Board of Directors, before they can be implemented, on the basis, amongst other factors, of internal and external support studies, benchmark analyses, legal-regulatory analyses, sustainability models and financial evaluation.

The Group manages the possible risks associated to the new investments by evaluating, for all Significant projects, the potential associated risks (technical, stakeholders, scenario, etc.) .

The ERG group monitors and manages risk through analyses and tools to support the formal evaluation and approval procedure for Investment Projects; the most important are given below:

- technical, legal, commercial, economic and organisational feasibility analysis;
- assessment of risk/uncertainty drivers (at 360°) that might influence the Project, with relative mitigation plan;
- calculation of Project economics with the use where necessary of forecast and final balance probabilistic models;
- estimate of Project contingency (cost/time);
- ex-post evaluation of investment performance (Re-appraisal).

Human Capital Risk

This risk is defined as the risk that ERG Group's human capital (defined as the sum of expertise, knowledge, education, information and technical capacity that result in the human capacity to produce corporate value) might be quantitatively and qualitatively inadequate compared to the evolution of strategic business needs.

As human capital is a key factor of its business model, the ERG Group monitors and manages such risk through the Human Capital Committee and specific Human Capital organisational units that guarantee the planning process for Human Capital, its promotion and constant alignment to the business objectives and to predefined strategies and the development of ERG's managerial culture, through:

- an innovative model for managing competence, measured with an "human capital return" index
- processes and tool to develop and train personnel;
- succession plans, career plans, and personnel internal mobility plans;
- recruitement and selection processes;
- processes to analyse potential, develop managerial behaviour and develop talents;
- analysis of the training needs of Human resources and relative remedial interventions;
- institutional and managerial training plan.

Furthermore, the Human Capital Committee defines and monitors the main programs and activities to develop human resources and supports the Executive Vice President and the CEO in the decision relating to personnel management and to the management of variable remuneration systems and mid-long term incentives, as well as the proposal to present to the Nomination and Compensation Committee.

The mitigation strategies for such risks are conducted in accordance with what established in the corporate policies.

Liquidity risk

Liquidity risk is the risk deriving from the lack of financial resources to fulfil both short and medium/long term commercial and financial commitments. This type of risk considers the possibility that the entity is unable to fulfil payment commitments because of difficulty in obtaining funds (funding liquidity risk), in liquidating assets on the market (asset liquidity risk), or because of inadequate management of the entity's own liquidity.

The consequence may be a deterioration of the entity's reputation with stakeholders, downgrading of the company's financial rating[19] and consequent difficulties in accessing credit, a negative impact on the profit in terms of increased costs, interest expenses and/or higher taxes or, as an extreme consequence, an insolvency situation that jeopardises the entity's viability as a going concern.

Risk management aims to define, within the planning process, a financial structure that, consistently with the business targets and with the limits defined by the Board of Directors, assures an adequate liquidity level for ERG, minimising the related opportunity cost and maintaining a balance in terms of debt maturity and composition.

19 It should be pointed out that the ERG Group has never requested the allocation of a rating by the international agencies as it has not hitherto considered such transactions necessary. However, the term "rating" is extended, in this context, to the judgment and evaluation of analysts (sell/hold/buy) and of credit institutions.

The ERG Group assures adequate coverage of its financial requirements through cash flow generation and the availability of diversified financing sources.

Specifically, ERG manages the liquidity risk through the systematic generation of cash by its own activities and implementing specific structured processes for planning and monitoring a financial structure that is balanced in terms of duration and composition.

Risk mitigation strategies are implemented in accordance with company policies.

Credit risk

Credit risk consists of the deterioration in the creditworthiness of a counterparty with respect to which there is an exposure as to cause an unpredictable change in the value of the credit position, with negative consequences for the Group's economic and financial stability; in addition to the possibility of default, reference is also made to the possibility of deterioration of a counterparty's credit rating.

The ERG Group manages credit risk with the objective of optimising the risk profile in pursuing commercial and business targets, through structured processes in which specific organisational units and the Credit Committee assess the creditworthiness, constantly monitor the total exposure level for each individual counterparty and define and implement any corrective actions.

Moreover, within the sale processes, the Group assigns to each counterparty a specific level of credit that can never be exceeded or, alternatively, it carries out sale transactions upon presentation of a suitable guarantee (e.g. letter of credit).

Risk mitigation strategies are implemented in accordance with company policies.

Default and covenant-related risk

This risk pertains to the possibility that stipulated loan agreements contain provisions that, upon the occurrence of certain events, entitle the counterparties to demand that the debtor immediately repay the amounts loaned, consequently engendering a liquidity risk.

The ERG Group, to finance its own development initiatives, makes use of medium/long term debt, mainly through project financing operations, i.e. long-term loan techniques in which repayment of the loan is guaranteed by the projected cash flows from the operation of the works built with the project.

We are not currently aware of any situation of breach of financial covenant or default by ERG Group companies.

Volume risk

Output volumes are subject to variability, both because of the natural variability of renewable energy sources, and because of possible unavailability of the plants.

The risk related to the natural variability in the availability of wind power sources, which are known to vary according to the weather conditions at the sites where the plants are located, is mitigated through the geographic diversification of the generating plants.

The risk related to possible malfunctions of the plants, or to adverse accidental events that temporarily compromise their functionality, is mitigated by the ERG Group relying on the best prevention and protection strategies, including preventive and predictive maintenance methods, and applying the best practices in this field. The residual risk is managed through specific insurance agreements, directed at hedging a broad range of operational risks, including losses of revenue as a result of lost output.

Risk mitigation strategies are implemented in accordance with company policies.

Business interruption risk

This expression identifies the risk connected to the occurrence of natural, accidental or catastrophic events (i.e. earthquakes, floods, tidal waves, fires, etc.), in the course of the performance of business activities, with negative consequences for the Group in terms of revenues or preservation of corporate assets, such as might place routine operations in severely critical conditions or to undermine the Group's stability and balance in a significant and lasting way.

Insofar as the risks of unavailability of plants are inherent in the business and cannot be completely eliminated, in relation to risks of accident, the Group puts in place preventive mitigation strategies in every business unit, aimed at reducing the possibility of interruption of the business and action strategies designed to mitigate any impacts. In particular, the ERG Group mitigates such risks through appropriate plant management policies aimed at pursuing high levels of safety and operating excellence, in line with the best industrial practices

The safeguarding of Group plants and infrastructure envisages the adoption and constant updating, in line with best practice in the sector, of programmed maintenance procedures, both regular and preventive, aimed at identifying and preventing potential critical situations, including based on specific technical analyses carried out by highly specialised technical staff.

It is also envisaged to carry out regular inspections of plants and the use of instruments for control and telecontrol instruments of technical parameters for monitoring and prompt detection of any defects and also, where possible, recourse to redundancy of the components necessary to ensure continuity of production processes. The continuous provision of specific training course for technical staff is also guaranteed.

The progressive adoption of advanced software and sensors to calculate the actual plant output is also planned, so as subsequently to allow a predictive approach, based on past experience, in the programming and execution of maintenance works. The gradual adoption of these measures is also envisaged in cases of acquisition of new production sites to promote alignment with Group standards and best practice in this area.

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 a business continuity management activity, with the aim of ensuring the operational continuity of industrial production plants.

An aspect of risk which is assuming every increasing importance is that related to sabotage, which could impede the proper conduct of operational activities, with potential repercussions on the safety of operating staff, sites and the surrounding environment, as well as impacts of an economic nature derived from the interruption of production activities. To mitigate this risk, specific procedures are in place to regulate operational means of access to plants, control systems with badge access, surveillance cameras, and security guard services to control the sites most exposed to intrusions.

To cover risks of natural and catastrophic character, through transfer of its own industrial risk to third parties and cover residual risks, the ERG Group resorts to the insurance market, thereby providing a high level of protection for its facilities, even in the event of an interruption of activity. The contractual conditions characteristic of such insurance policies have been reviewed in the light of the operating methods of the plants and conditions in the energy market.

Risk mitigation strategies are implemented in accordance with company policies.

Health, Safety and Environment (HSE) risk

HSE Risk mainly relates to the operation of industrial assets which have an impact on environmental issues and workers' health and safety.

Health risks are those with potential impact and impairment of the biological equilibrium of personnel tasked with performing operations or work processes, as a result of emission into the environment of environmental risk factors of a chemical, physical and biological nature.

Safety risks are connected with the occurrence of accidents or injuries, damage or (more or less severe) physical disablements suffered by the persons assigned to the various work activities.

The ERG Group is strongly committed to mitigating such risks and has adopted specific health, safety and environment guidelines that require, by all the Group companies, compliance with all legislation, the pursuit of specific performance targets, the continuous training of personnel and the certification of specific integrated HSE management systems.

Furthermore, the ERG Group adopts safety standards and operating practices of high quality and reliability in order to assure regulatory compliance, continuous improvement of environmental performance and the effectiveness of actions taken in terms of prevention and containment of potential environmental impacts.

In particular, the companies that manage industrial assets, which, by their nature, are more exposed to HSE risk, all have an OHSAS 18001 and ISO 14001 certified management system, as well as EMAS certification of its main plants.

The companies that do not manage industrial assets have an OHSAS 18001 certified management system.

During 2015, regular inspections were carried out by the certification bodies which issued and/or confirmed the certification held by the Group companies.

Furthermore, the Group pursues the goal of zero injuries, through structured oversight of health and safety issues and the development of numerous programmes for prevention and fostering a "safety culture", directed both at the Group's own personnel and suppliers and vendors. Care for people is also expressed through initiatives directed at personal development, performance assessment at all levels and sharing best practices.

The adoption of the best available technologies, the application of ever more rigorous and stringent operating practices in terms of prevention and reduction of pollution and the correct management of the waste produced enable the ERG Group to manage its industrial activities and the related environmental issues efficiently.

Every year, the ERG Group publishes its own Sustainability Report in which it reports key information and data on

HSE and social issues related to the Group's activity. Health, safety and environmental strategies are implemented in accordance with company policies and are set out in the document "Rules of conduct with regard to Health, Safety and Environment".

Information and Communication Technology (ICT) risk

ICT risk means the risk of the inadequacy of the set of technical and organisational measures aimed at assuring the protection of the integrity, availability, confidentiality of the automated information and of the resources used to acquire, store, process and communicate that information. The growing use of technological solutions in the management of business processes and means of communications and the ever greater spread and penetration of cyber crime have significantly increased the exposure of information to threats and risks related to loss of confidentiality, integrity and availability of confidential data.

In particular, the following risks related to information systems can be identified:

- risk of vulnerability of information systems: this risk consists of the possibility that the architecture/framework of IT systems may be vulnerable to internal/external attacks or exposed to accidental events because of defects in their design, implementation, configuration and/or operating management, as well as the lack of awareness of the risks arising from computer attacks by company staff;
- risk of technological disaster: this risk consists of the possibility that the technological infrastructures serving corporate operations may be dramatically compromised by accidental events.

The ERG Group's activities are managed through information systems which support the main corporate processes, both operational and administrative and commercial. The inadequacy, fragmentation of existing platforms or the failure to update such information systems to meet the needs of the business, their possible unavailability, inadequate management of aspects of the integrity and confidentiality of information, the lack of a continuous campaign to raise awareness of staff and specific training for technical staff, in particular, are potential risk factors that the Group mitigates by means of appropriate control measures, in line with standard ISO 27001:2013 and the Cobit 5 model.

The current process of integration and consolidation of information systems within the Group, designed on the basis of changes in the Group structure in previous years, will yield considerable benefits and a consequent reduction in associated ICT risks thanks to a risk management approach. The development and streamlining of the complex of information systems used by the Group are then continued through the design and implementation of a strategic ICT security plan at ERG Group level aimed at ensuring adequate oversight of security in the following areas: security control, security policies, risk management, security awareness and training, supplier and third parties management, compliance, information protection management, business continuity and disaster recovery, incident management, threat and vulnerability management, identity management and access control, network security, system security, and application security.

To mitigate the potential risks of interruption of the business activities on processes regarded as strategic, the Group has a Disaster Recovery System which ensures continuity of the services and data through an alternative Data Centre the efficiency of which is subject to regular checks.
Furthermore, in the light of the importance of daily activities on the electricity market, particular attention is paid to supervision of the market interface systems. These systems are subject to specific management and maintenance procedures designed to protect their stability.

In the framework of data management, information security risk is identified as the possibility that the Group has not implemented suitable security measures to protect the confidentiality, integrity and availability of the information managed with the support of electronic/IT systems (databases, corporate applications, individual and shared folders, company sites exposed to the Internet, corporate intranet, electronic mail system, etc.).
The ERG Group pursues the objective of constant protection of corporate information and mitigates the risk of failure to protect such information through the implementation and activation of processes and systems for the protection, preservation and recovery of the information available on the IT systems. For this purpose, the ERG Group classifies the information that, in the context of corporate processes, is contained and managed through software applications and electronic documents.
In addition, confidentiality and security of information are the subject of specific oversight by the Group through segregation tools to restrict access to information, as well as specific contractual agreements with third parties who may have access to information. To further improve the current oversight, the segregation of duties between organizational roles and technical roles is guaranteed by our systems. The Group also carries out regular internal and external vulnerability assessments.
Risk mitigation strategies are implemented in accordance with company policies.

HEALTH, SAFETY AND ENVIRONMENT

Protecting persons' health and safety and the environment is a priority that has always characterised the ERG Group's enterprise culture: the prevention and management of the connected risks are therefore central in the implementation of the Group's strategic guidelines.

The Group's organisational and corporate structure and the strategic choices, ever more focused on the renewable energies business supported, in 2015, the necessary revisions of the management of health, safety and environmental issues and, more generally, the Group's corporate social responsibility (CSR).

In line with the principles and guidelines set out in the Code of Ethics, the Group's activities were directed at achieving its business objectives while protecting the environment where the Group operates and safeguarding the internal and external stakeholders with whom it interacts.

Also on the basis of the Group's existing health, safety and environmental Policy, the Group defined, with respect to all stakeholders, the values, commitments, objectives pertaining to sustainability, and the same Policy was applied together with the laws and regulations in force in all Countries where ERG operates, with the principles of behaviour defined in the Code of Ethics, with the other policies and rules adopted by the Group.

Health and safety

Again in 2015, throughout the Group, the specific organisational units responsible for HSE ensured compliance with the laws relating to operations: updating of the table of HSE officers and deputies, training activities at all levels of the organisation, in particular, refresher training for heads of the emergency response teams, fire-fighting and first aid personnel.

In a framework of awareness and care which goes beyond mere compliance with the requirements of the law, and set out, moreover, in the Code of Ethics, the Group continued its activities related to management and maintenance of the certified systems of the Business Unit and major new steps were taken towards achieving excellence.

In particular, the parent company, ERG S.p.A. and ERG Services, in a joint project, obtained certification of their own Occupational Health and Safety Management System in accordance with international standard OHSAS 18001:2007, issued by a leading certification body at the end of November with a validity (subject to regular checks) of 3 years.

This important result was achieved thanks to the team work of the staff in various operational areas of the Company, which was able to provide the Certifier with evidence of a system which, even if only recently implemented, meets the requirements of the law and is properly grounded in logic and principle.

The recognition of the certification is an important asset:

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- for individual persons who feel that they need to feel safe and are kept safe by the System;
- for external individuals working at ERG sites (contractors, consultants and suppliers in general), who are required to respect the high operating standards to guarantee safety;
- for the companies which can enjoy the protection of the law, in particular in the case of corporate administrative liability.

The certification of the Health and Safety Management System is also a concrete expression of the principles enshrined in the ERG Group Code of Ethics and is part of the wider Corporate Social Responsibility Policy. The goal now is to continue to improve the System, and progress in this regard will be reported in the Sustainability Report published by the Group each year.

Environment

ERG Power's CCGT and SA1Nord thermoelectric plants, also in 2015, achieved their objective of improving environmental performance by maintaining the "best available techniques (BAT)" in the framework of the provisions of the Integrated Environmental Authorisation (IEA), issued in accordance with the EC IPPC (Integrated Pollution Prevention and Control) Directive. In particular, it should be recalled that from May 2014, all the groups were fuelled solely with gaseous fuels in order to limit emissions of sulphur oxides and particulate.

As is well known, the ERG Power plants managed by ERG Power Generation operate in the multi-company site of Priolo Gargallo and supply utilities to other client operators. Starting from 2014, opportunities to improve the management of water resources were analysed and evaluated, an environmental aspect certainly of interest to the local community. Consequently, these were reported to the competent authorities, for evaluation of the case, and during 2015, submissions were made concerning the possibility of recovery of backwash water and re-use of the treated water in the Syndial GTP plant, in order to increase the overall efficiency of the system in terms of water consumption by the SA9 Unit dedicated to the production of demineralised water (demineralisation plant).

In addition, again in 2015 (continuing from the previous year) periodic and in-depth tests were carried out in the presence of the supervisory bodies, which confirmed full compliance with best practice and the requirements of the IEA, as well as the accuracy and reliability of the monitoring and control activities, in particular for atmospheric emissions and water discharges.

Management and Certification Systems

ERG Power Generation, as the operator of the ERG Power plants (a company of which it is the owner), undertakes to fulfil all the obligations and requirements to fulfil the policy and objectives established by the Management. ERG Power Generation has designed its own Integrated Management System (IMS) as the entirety of "organisational structures, procedures, processes and resources necessary to implement Quality, Environment and Safety Management".

The Integrated Management System has the following purposes:

- it identifies and describes in detail the production processes managed, showing the interfaces, the related inputs and outputs and control elements;
- it measures and keeps control of processes, so as to achieve the planned results in accordance with the principle of effectiveness, efficiency and constant improvement;
- it manages the processes in accordance with the requirements of standards, ISO 9001, ISO 14001 and OHSAS 18001.

Consistent with the policy adopted by the Group, in 2105 the certification of the ERG Power Generation Integrated Management System was confirmed in accordance with international standards ISO 14001 Environment and OHSAS 18001 Health and Safety, as well as ISO 9001 on Quality. In the course of this certification process, no significant evidence emerged, but only observations/recommendations for the improvement of some processes, thus meeting the effectiveness of the corporate processes in relation to environment, health and safety at work.

Another important objective achieved during 2015 by ERG Power, as the owner of the industrial assets, was obtaining EMAS registration, pursuant to Regulation 1221/2009 EC, following a positive opinion from the Ecolabel and Ecoaudit National Committee and the publication of the revised Environmental Declaration for the year 2014 validated by an accredited certifier.
ERG Power's voluntary membership of a community eco-management system is further confirmation of the subject of environmental sustainability for the ERG Group, to make one of the company's corporate social responsibility (CSR) even more effective: open dialogue with the public.
The registration will allow ERG Power to continue with greater incisiveness the improvement of its own environmental performance, already monitored through the Environmental management System certified in accordance with ISO 14001 as a result of regular and through checks by an accredited body.

With regard to ERG Hydro S.r.l., from 2005, the Terni Hydroelectric Complex obtained certification of its own Environmental Management System under standard ISO 14001 while the first EMAS under Regulation 1221/2009 EC was obtained in 2006. This effort is an important result which required cultural change among all the workers and a notable effort in both organizational terms and personal commitment. The annual review of the Environmental Declaration allows the Terni Complex to present stakeholders with the results achieved in the management of the plants, in both technical and organizational terms, and from an environmental and safety point of view.

The renovation of almost all the plant machinery and automation systems, refurbishment of much of the equipment and the notable interventions of a civil nature during recent years, made the plants much more sustainable, thanks to which it is possible to generate electricity with a high level of efficiency and the maximum respect for nature and the land.

ERG Hydro S.r.l., fully aware of its responsibility, also pursues the object of "zero accidents", to protect all the workers, focusing on respect for personal safety as the essential and priority value. An important instrument in implanting this principle is represented by the Health and Safety Management System, in accordance with international standard OHSAS 18001 which the Terni Complex adopted at the end of 2011.

In the course of the two certification cycles, no significant matters emerged, but only observations/recommendations for the improvement of some processes, thus confirming the effectiveness of the management of corporate processes in relation to environment, health and safety at work.

ERG Renew has implemented and maintains its own Integrated Quality, Environment and Safety Systems (IGS) as laid down in standards UNI EN ISO 9001:2008, UNI EN ISO 14001:2006 and BS OHSAS 18001:2011. This IGS extends to all subsidiary companies generating electricity from wind power in Italy and, with regard to abroad, is limited to certain French and German companies. In this context, ERG Renew Operations and Maintenance S.r.l. adopted its own IGS in the previous year, in accordance with the above-mentioned standards, for management and maintenance of wind power plants.

In November 2015, maintenance checks of the IGS of ERG Renew and ERG Renew Operations and Maintenance were carried out by the certification body.

GOVERNANCE

ERG performs its activity in keeping with the highest Corporate Governance standards, committing to the constant enforcement of the principles of integrity, impartiality and transparency.

With the objective of guaranteeing such principles at all times of corporate life, the Group has implemented a System of Governance and a System for internal Control and management of risks that not only is compliant with the current legal and regulatory requirements but is also aligned to the best practices in existence at the national and internationl level, as well as, in particular, to the recommendation of the current Code for the Self Regulation of Listed Companies promoted by the Italian Stock Exchange.

The elements that constitute ERG's Corporate Governance are the **statutory bodies**, the **committees** and the **corporate governance documents**, which regulate its operation[20].

The **Board of Directors**, appointed by the Shareholders' Assembly on 24 April 2015, is composed of 12 members, of which 7 are independent[21] (one is the representative for minority shareholders), respecting the criteria of gender balance.

The **Nomination and Compensation Committee** is composed, in compliance with what expected by the current Self-discipline Code, by three non-executive administrators, a majority of them independent and has the role, amongst other things, to formulate proposals to the Board of Directors for the remuneration of Board members with delegations or the appointment to particular roles and formulate their opinions to the Managing Director for the creation of remuneration policies and incentive plans for Executives with strategic responsibilities and the Group's Top Management.

ERG has adopted a **Remuneration policy** for members of the Board of Directors and for Executives with strategic responsibilities in line with what set out by the current Code of Self-discipline, aimed therefore at stimulating the maximum alignment of the interests of the beneficiaries with the pursuit of the prime aim of sustainable creation of worth for Shareholders in a mid/long term perspective. The mid/long term monetary incentive System (LTI) set out for the Managing Director, the Executives with strategic responsibilities and other Top managers within the Group has the objective of performance linked with the trends of the ERG title in the period under consideration (2015-2017)

20 For detailed information on this matter, please refer to the section "Report on corporate governance and capital structure" and the 2015 Sustainability report, available on the Company's internet site (www.erg.eu).

21 5 independent board members in accordance to the Consolidated Law on Financial Intermediation and to the Self-discipline Code and 2 independent board members in accordance to the Consolidated Law on Financial Intermediation; the latter were not considered independent also pursuant to the Self-discipline code for the sole reason that they have been serving for a long time in the post.

22 The non-executive component of the Committee has been qualified by the Board of Directors on 24 April 2015 as independent administrator pursuant to the Consolidated Law on Financial Intermediation but not pursuant to the Self-discipline code for the sole reason that they have been serving for a long time in the post. The other components are independent pursuant to the Consolidated Law on Financial Intermediation and to the Code for Self-discipline.

and with the value of dividends per share paid out during the same period (**Total Shareholders Return**), with a weight equal to 40%.

The **Control and Risk Committee** is composed, in compliance to what set out by the current Code of Self-discipline, of three non-executive administrators, the majority of which are independent[23], and has the task of supporting the evaluations and decisions of the Board of Directors in relation, amongst other items, to the System for the internal control and management of risks, as well as in relation to the approval of the scheduled financial reports.

ERG considers that it is of fundamental importance to **manage correctly and mitigate any financial and market risks** and has therefore defined a policy aimed at governing the existing regulations and assigning responsibilities to this effect.

The Group has, therefore, strengthened the **Risks Committee**, an internal committee composed of the Managing Director, the Chief Financial Officer and the Top Management, with the task of managing the risks inherent in the Energy Management activity for the entire Group energy portfolio: to this end, the company has set a single **PAR** (profit at risk).

ERG has brought into being a very strict **system to control and evaluate investments** (both in the M&A context and in the context of organic development) in order to adhere to the established profitability parameters. In such context, a central role is performed by:

- the **Investment Committee**, an internal committee composed of the Managing Director, the Chief Financial Officer and the Top Management, with the task of providing a support in the evaluation of investment proposals by Business Units and to express a technical and economical-financial opinion for the Strategic Committee on each investment proposal;
- the **Strategic Committee**, composed of the executive Vice-President (President of the Committee), the non-executive Vice-President, the Managing Director and two Board members (one of which executive and the other independent) with the task, amongst other things, of providing support to the Managing Director and the Board of Directors in the definition of strategic guidelines concerning business, portfolio and strategic finance and in the decisions relative to the multiannual strategic plans and with reference to important investments and acquisitions.

23 The non-executive component of the Committee has been qualified by the Board of Directors on 24 April 2015 as independent administrator pursuant to the Consolidated Law on Financial Intermediation but not pursuant to the Self-discipline code for the sole reason that they have been serving for a long time in the post. The other components are independent pursuant to the Consolidated Law on Financial Intermediation and to the Code for Self-discipline.

HUMAN RESOURCES

The Group's objectives create considerable challenges, in terms of consistency and impact, with regard to the management of people and processes; in 2015, this meant that ERG has engaged on the one hand in the implementation of a challenging business plan and on the other, in the development of a new plan, and had to work intensively on a new model of Human Capital and organisational development comprising four areas of intervention:

- on-going refinement of the Group's new organisational structure (**Fast Steering**) launched in 2014;
- increasing the value of human assets (PEOPLE), an area in which an innovative assessment model of "ROI on human capital" was developed;
- aligning and motivating managers (MBO);
- focusing on value creation over time and on retention (LTI).

Organisation and processes

2015 saw the completion of the Group's new organisational model, announced at the end of 2013, **Fast Steering**, leading, firstly, to refinement of individual areas and/or processes and, secondly, the benefits of the model, in particular in terms of flexibility and scalability.

Launched with the goal of assuring the alignment between business strategies and the corporate operating model, the Group organisational model envisages the interaction of three macro-roles:

- the ERG S.p.A. Corporate organisation which provides strategic direction, management control and oversight of human and financial capital and relationships as the fundamental assets for development;
- the business units, organisational units focused on their respective businesses and provided with adequate structures of their own (organisational and corporate), more or less complex depending on the specific needs, which can assure operating efficiency, momentum for growth and prompt responses to the volatility of reference markets;
- ERG Services S.p.A., the company established to attain operating excellence in the performance of support services to all companies in the ERG Group.

The implementation of the Group's new corporate organisational model, implemented in 2014 on schedule, allow important benefits to be obtained in 2015, in particular in connection with developments in the business portfolio:

- at the start of the year, with the incorporation of ISAB Energy Services in ERG Power Generation;
- in mid-year, with the Group's exit from marketing of crude and oil products and the merger of ERG Supply and Trading in ERG S.p.A.
- subsequently, in December, with the transplanting of the hydro-electric business (Terni Complex) within the Business Unit Power and the launch of the process of integration of the new staff in the various organisational units of the Group.

On such occasions, the Group has been able to benefit from the operational characteristics of the organisational model, which have led to a rapid realignment of operating processes and a clear delineation of the organisational configuration of all the processes and resources involved, thus streamlining change management initiatives and the pursuit of operational effectiveness and efficiency.

In terms of the Group organisation, at 31 December 2015 ERG counted 666 employees (+62 compared with 31 December 2014), broken down as follows:

- ERG S.p.A. underwent slight down-sizing, with a total of 82 employees compared with 89 at the end of the previous year, following the complete implementation of efficiency measures related to the new Group organisational model;
- ERG Renew S.p.A. and its subsidiaries (212 employees in total at 31 December 2014) recorded a slight increase, to 219 units as a result of 32 employees recruited and 25 leaving (of which 12 and 15 respectively were intra-group);
- ERG Power Generation S.p.A. recorded a complement of 186 employees, significantly higher following the absorption of ISAB Energy Services from 1 January 2015 (an additional 132 employees) as well as a further 13 employees recruited and 19 leaving during the year;
- ERG Services S.p.A. ended 2015 with a complement of 88 employees, compared with an initial workforce at 1 January 2014 of 81 employees, as a result of 20 employees recruited and 13 leaving (of which 15 and 3 respectively were intra-group).
- ERG Hydro S.r.l. a new Group company included in the scope of consolidation following the acquisition of the hydro-electric business of the E.ON Terni Complex from 1 December, ended the year with a payroll of 91 employees, all from the transfer of the business by E.ON in relation to the sale of the company to ERG Power Generation.

The organisational changes, apart from the physical but limited phenomena of turnover in the various Group companies, which concerned a total of 119 employees recruited and 57 leaving the Group, were generated in particular by the following major events that occurred during the year:

- the 14 staff of ERG Power Generation and 7 staff from ERG Services signing up to the voluntary mobility schemes launched, in particular in the Priolo Gargallo and Syracuse sites, in order i) to pursue the achievement of a sustainable functioning of the organization, in terms of costs, in the light of market scenarios and ii) to foster the creation of conditions to implement re-skilling processes, in particular for employees from the discontinued businesses and the organisational units affected, including in the future, by the major operations and business closures;
- the effective launch of re-skilling processes and relocation of staff for some employees less exposed in previous years, to change management or job rotation schemes in relation to the changes in the scope of business at Group level (exit from refining and business supply and trading, in particular);
- other cases of transfer between Group companies totalling 177 employees, in the course of company streamlining and internal re-organisation plans, as well as professional development and optimisation of staff.

The average age of the Group's personnel is approximately 43 years and in terms of education levels, the percentage of employees holding high school diplomas or university degrees amounted to approximately 91%, in line with the previous year, as a consequence of the significant number of operational staff employed in the operation and maintenance of the plants at the Terni Hydroelectic Complex, which joined the Group on 1 December and which offset the mix of staff leaving the Group in 2014 with the disposal of ISAB Energy.

Following the above changes and trends, the Group payroll at 31 December 2015 was characterised by the following 3 main phenomena:

- the concentration in ERG S.p.A. ed ERG Services of the core of staff with the greatest seniority in the Group, with a very similar average age and level of education;
- the concentration in BU Renewables (ERG Renew and subsidiaries) of the group of staff with a lower average age and the greatest presence at international level;
- the substantial reorganisation of BU Power (ERG Power Generation and subsidiaries) with a substantially new organisational structure and an educational and age profile similar to that of the group with the greatest seniority.

Human capital development

Dispersed leadership is ERG's managerial development model. This means that the management team is closely involved in the development of human resources as a lever of corporate competitiveness.

For this reason, during the year the Human Capital Committee maintained its fundamental role in defining and monitoring the main programmes and activities for human resources development, supporting the Executive Vice Chairman and the Chief Executive Officer in major personnel management decisions.

The Committee confirmed its guidance and control role, both with regard to implementing the Group's new organisational model and sharing new organisational changes, and actively promoting the spread of a new managerial culture and the implementation of new strategies and instruments for their achievement.

Again in 2015, the Committee gave a fundamental impulse for the development of the following processes:

- job evaluation and succession planning;
- career planning;
- talent management;
- promotion and key people management.

The objective, emphatically re-confirmed, is to provide the Group with an integrated system for the management of Human Capital, able to assure that its capital of skills and knowledge is continuously adapted to ever-changing business conditions, so that available resources are always capable of rising to the challenges posed by ever keener competition and by a complex, rapidly changing scenario.

In this context, the Group finalised in 2015 the construction of a highly innovative skills management model, strictly based on the requirements to measure the specific skills needed to cover individual roles in the organisation, and "measure" the value of the skills capital in the Group with a centralised process and cross-cutting all the Group's organisational units.

The methodology developed during the year, relying on instruments already introduced in the Group in recent years (the Organisational Manual, the new Group organisational model, a centralised skills register) allowed the calculation of the "Return on Human Capital", redefined as Human Capital Coverage (HCC) index following registration as a trademark; a new indicator which will be the subject of regular measurement and optimisation to express the actual compared to the desired level of coverage, in relation to the skills profile necessary for the effective performance of a given organisational role or a certain set of organisational roles.

The measurement of the HCC index, together with analyses of business and organisational trends, will give greater impetus to human capital management and development processes, and align it more coherently with actual requirements, whether through job rotation and career planning, or development of aptitudes and related investment in training.

Again in 2015, investment in training activities was kept at high levels (some 1,200 days involving approximately 342 staff), but it was distinguished above all by its quality and focus. Today, the system comprises three areas (managerial, institutional and technical/specialist) and it covers all the needs of the company's personnel with an end-to-end approach (from newly hired personnel to executives). Indeed, ERG is reaching the point where it has its own "corporate university", with a training platform integrated in human capital management processes and closely aligned with the requirements dictated by developments in the business.

The coherence with the demands of the business which guides the work of optimising the operational structures is also based on investment in staff development. In particular, in 2015, courses were launched for the placement of technical staff abroad, in the growth area of BU Renewables, and the scheme for the development of post-graduates with an international profile, selected and recruited in 2014, was continued with excellent results. A two-year management development programme for them is expected to conclude in 2016.

Aligning and motivating managers

The ability to align the company's management on clear, integrated objectives is a primary need of modern organisations.

In this regard, the implementation of the incentive system for key executives and managers through a Management By Objectives (MBO) approach, continued in 2015. The selected balance between Group objectives (30%) and individual objectives (70%) matches leading companies' best practice for managerial incentives and was designed to provide further support to the development of leadership and individual initiative

During the year, a new long-term incentive model aimed at the Group's senior management was developed. The system was developed following international best practice in the area, and is aimed at stimulating maximum alignment, in terms of objectives, of the interests of the beneficiaries with the pursuit of the prime aim of sustainable creation of worth for Shareholders in a mid/long term perspective. The performance indices that are simultaneously applied for each recipient of the plan are ERG Group's Economic Value Added and Total Shareholder Return.

- The **Economic Value Added** of the ERG Group is a performance objective that represents the "residual" economic value after all production factors are remunerated, including the costs of the capital used. EVA therefore expresses a measure of income net of capital costs, considering the asset and financial component together with the income component.
- The **Total Shareholder Return** is a performance objective connected to ERG title performance in the three-year period under consideration and to the value of dividends per share paid out during the same period.

CULTURAL AND SOCIAL ACTIVITIES

ERG and culture

During 2015, ERG focused its own efforts relating to corporate social responsibility activities on three specific action pillars: culture and knowledge, environment; health and social development; and youth and sport.

Culture and knowledge

In March, on the occasion of the presentation of the ERG Almanac 2014 in Syracuse, a convention was organised with the title "Sustainable development: from lost opportunities to renaissance – the case of Sicily" with the participation of speakers from the academic and research world, senior officials of the Sicilian Region and journalists. It was an opportunity to discuss development, energy efficiency and the role of renewable energy, protection of the environment and the land, and promotion of cultural and environmental assets.

In 2015, the commitment to the INDA Onlus Foundation continued. Since 1914, the Foundation has organised classical shows in the Greek Theatre of Syracuse. The collaboration provides support for theatrical productions and other activities to promote classical culture on the occasion of the 51st cycle of shows in the Greek Theatre. In collaboration with the Ministry of Cultural Assets and the Special Superintendency of Rome, the INDA Foundation has also been a protagonist of the reopening of the Colosseum to the theatre after 15 years with Seneca's "Medea", which ran from 13 to 15 July.

ERG has also supported the "Un Paradiso da riscoprire" (a paradise to be rediscovered) which, for one week, through the provision of a system of nocturnal artistic illuminations, allowed the opening of evening visits to the Syracuse Neapolis Archaeological Park, one of the most evocative cultural and natural heritage sites in the city. The Archaeological Park, on the occasion of its night opening, was visited by over 20,000 people.

In the Science Festival (held in Genoa from 22 October to 1 November), ERG again collaborated this year in the fourth "Futuro Prossimo" (Near Future) project, a format dedicated to outstanding students and teachers from all of Italy. In particular, ERG took part in the career guidance course "New prospects to imagine your own tomorrow" aimed at 65 children. The course is intended to help guide choices of studies and occupations through meetings with professionals and managers in a wide range of productive areas.

From March to May, the second edition of the environmental education programme "Vai col Vento" ("Go with Wind") took place, promoted by ERG Renew, aimed at third-year middle school students in the towns where the Group has wind farms. The project, which obtained the support of the Ministry of the Environment, involved some 1500 students living in Apulia, Basilicata, Calabria, Campania, Molise, Sardinia and Sicily. The initiative takes the form of classroom lessons focused on renewable energy sources, in particular, wind, environmental issues, such as climate change and energy efficiency. The educational part was integrated with guided visits to wind farms during which technical experts illustrated the different stages of construction, management and operation of the wind farm up to the generation of electricity.

In October this year, the ERG Group initiated a new collaboration with Explora, the Children's Museum in Rome, with the exhibit "Che forza il Vento!" (What a power is wind!), dedicated to wind power, which involves younger children in discovering one of the most important renewable sources developed in our country. The structure allows them to understand, through play, what wind energy is. The idea was born out of the desire to promote and support issues related to sustainable use of the planet's resources.

ERG supported the second "Festival della Comunicazione", held in Camogli from 10 to 13 September. The Festival, promoted by the Region of Liguria and the Municipality of Camogli, consisted of meetings, laboratories, workshops, round tables, on-line chats, excursions, shows, exhibitions, films and installations. The theme of the second edition was language, in its various nuances and uses, with particular reference to the importance today of social networking.

ERG also sponsored the Confindustria's annual Young Entrepreneurs Conference, held on 5 and 6 June 2015 in Santa Margherita Ligure. This event, now in its 45th edition, provides a forum for discussion of economic, political and social issues, and it showcases the role of young Italian entrepreneurs in the country's economic and social development.

For Confindustria Giovani, ERG also sponsored the fourth edition of "Bootcamp", a training event where didactics and practice merge to create useful competencies to confront the challenging environment where Italian companies are currently operating.

In the month of July, in the are of operations carried out in the Genoa territory, ERG contributed to the restoration works for the San Lorenzo cathedral dome, dating back to 1554, designed by architect Galeazzo Alessi. ERG also supported the restoration project on the Valerio Castello (1624-1659) frescoes kept in the Sant'Agostino Museum.

ERG's attention to Sustainability was also demonstrated through two events: following the publication of the ERG Group Sustainability Report the main indicators of the 2014 edition were illustrated during the "Communicate Sustainability" event held on 29 May at the Intesa Sanpaolo The Waterstone space within the Milan Expo. Representatives from the academic world, CSR Manager and sector experts compared notes at a round table.

Furthermore, in the area of participation in the CSR IS - Innovation and Sustainability Show held at the Bocconi University in Milan on 6 and 7 October, ERG organised the "360 degree Sustainable Wind" event, during which the ERG Renew development was illustrated as an industrial operator in the wind segment, attentive to the needs of its contacts.

The ERG Group is also a member of CIVITA, an association actively involved in promoting and managing Italy's cultural heritage and in safeguarding, enhancing and providing access to artistic and cultural assets also, through exhibitions, cinema and European projects and the Magna Carta foundation (Fondazione Magna Carta) that has been dedicated to scientific research, cultural reflection and to devising proposed reforms on major political issues.

Environment, Health and Social

The Group has always striven to promote social development in the communities where it operates. Solidarity and social commitment are a foremost part of ERG's system of values.

Starting in 2010, ERG has supported the "School Project", carrying out activities within schools of all levels in the Siracusa province. In this area, in 2015 ERG also participated and sustained the Legality Project, organised by the Siracusa Province Carabinieri police force Command through the realisation of the "A helmet is worth a life" contest, dedicated to third year middle school students. The activity was structured over two days: a workshop where about 200 young people involved expressed themselves on road safety topics and a closing event where the 250 young people who won the contest connected to the Carabinieri's Legality Project received their award, a personalised motorcycle helmet. Again in the area of institutional activities to promote road safety, ERG sustained "Icaro 2015", a highway education project organised by the Siracusa province Highway Police for high school students.

Also in the context of the "School Project", on 21 November ERG organised Electricity Day, where more than 150 students from five technical institutions in the Siracusa province had the opportunity to visit the ERG Power combined cycle electricity production plant at Melilli and the ERG Renew control centre at Carlentini. ERG Power Generation and ERG Renew managers and technicians illustrated the technical characteristics of the two structures visited by the young people, with particular reference to the topics of ERG production energy efficiency and sustainability.

In the Priolo-Melilli-Augusta area, ERG contributed to the initiatives created by local administrations in favour of young people and the elderly. In particular, at Melilli ERG supported the realisation of the EnERGia Project along with the Municipality Social Services. This project celebrated its fourth edition in 2015, implemented in the territory's senior citizens centres. The activities schedule involves more than 1,000 people.

This year for the Christmas Holidays, ERG once again sustained the Sant'Egidio Community in Liguria for the purchase of gifts and groceries needed to make the 2015 Christmas meals.

Continuing to follow initiatives aimed at assisting those in difficulty, this year ERG decided to choose its own corporate give-aways from the products made by "Dolci Libertà", a chocolate works and pastry laboratory created within the Busto Arsizio Prison Structure that uses appropriately trained inmates in the production processes.

The ERG Group also supported the Gaslini Institute of Genoa, an excellent international centre for the treatment of child diseases, by supporting the project for updating the electromyography equipment operation and data analysis systems.

Out of the commitment of the Group and of the Garrone and Mondini families in social and cultural matters arose, in 2004, the Edoardo Garrone Foundation (Fondazione Edoardo Garrone, FEG). A member of the European Foundation Centre, FEG is a not-for-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 in collaboration with a high-profile scientific committee. In line with these topics, during 2015 the Foundation confirmed its commitment to promote initiatives connected to Progetto Appennino® through the creation of a double edition of ReStartApp®, campus for the new Appennino companies dedicated to 30 young people under 35 years of age who have company and start up ideas involved in the production pipelines typical of the Appennino areas, as well as AppenninoLAB training experience and orientation toward discovering Appennino environmental, economic, social and cultural resources, dedicated to adult students in Liguria and Piedmont high schools.
ERG sustains the Mus-E ONLUS Foundation that has the goal of preventing violence, racism and intolerance through projects aimed particularly at the elementary schools located in high social degradation areas, involving children in common artistic creation experiences for integration in primary school, as well as the Flying Angels Foundation, an Italian project for the world concerned with helping children in health emergencies who need urgent treatment, sustaining costs for air travel required to reach the locations where they will receive assistance.

Young people and sport

ERG has focused its attention and support on projects dedicated to the world of youth and sports in line with its Corporate Social Responsibility policies in the territory.

In 2015 ERG was a sponsor of the “Torneo Ravano”, the largest schools tournament in Europe that registered yet another record in terms of participation with 559 teams, 600 matches played and over 5,000 children getting involved. The 2015 edition was held in the month of May at the Genoa Fair and the sports highlighted for the initiative were football, rugby, volleyball and basketball.
ERG was also a “Gold Sponsor” of the 15th edition of “Stelle nello Sport” (Sports Stars), a project conceived and organised to promote sports in Liguria, under the leadership of the Italian National Olympics Committee (CONI) of Liguria and Genoa. The initiative involved all of Liguria’s sport federations and teams, fans and supporters in an event that provided the opportunity to showcase the local sporting world with a significant public service purpose: to collect funds in favour of Genoa’s Gigi Ghirotti Association and the Areo Onlus Foundation.

ERG is sponsor of the AON Open Challenger - Memorial Giorgio Messina held in Genoa in the month of September. The tournament, already in its thirteenth edition, is the second largest tennis event in Italy after the Foro Italico Internationals.

In 2015 the “Trofeo Archimede e Elettra” reached its twenty-fourth edition. This tournament is considered a school sport classic in the Siracusa Province. The site of the event was the ERG “Riccardo Garrone” Sport Centre in Siracusa. The 2015 edition had a total of 800 participants, all students of institutions in Siracusa and the Siracusa Province. The sports festival organised for the event finals also hosted the matches for the second edition of the Siracusa “Interforze” Tournament where the Siracusa law enforcement and military football teams participate.

TREASURY SHARES

At 31 December 2015 ERG S.p.A., as a result of the acquisition of treasury shares carried out within the plan resolved by the Board of Directors of 10 May 2012, owned 7,516,000 treasury shares representing 5.0% of share capital. In accordance with IAS 32, treasury shares are presented as a reduction of shareholders' equity, through the use of Paid-in capital in excess of par.

BRANCH OFFICES

ERG S.p.A. has its legal and operational headquarters in Genoa and it has offices in Rome and Siracusa. The company does not have branch offices.

RELATED PARTIES

For information on transactions with related parties, including transactions with unconsolidated investee companies, see [**Note 40**] of the Consolidated Financial Statements.

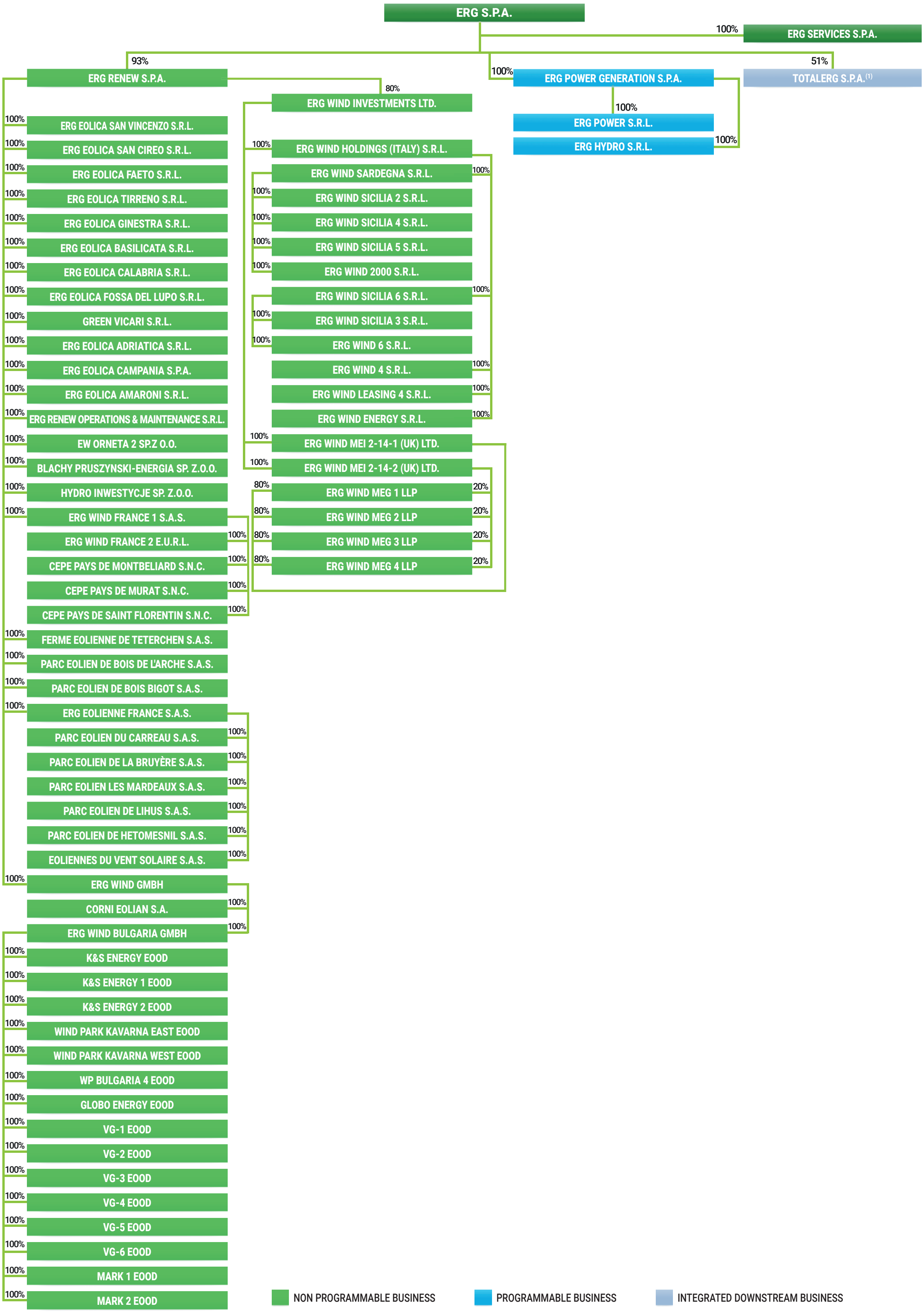
FINANCIAL STATEMENTS

SCOPE OF CONSOLIDATION AND BUSINESS SEGMENTS

The table below shows the scope of consolidation at 31 December 2015.

With respect to 31 December 2014, the following is noted:

- the merger of ISAB Energy Services S.r.l. into parent company ERG Power Generation S.p.A. effective on 1 January 2015;
- purchase of the companies Hydro Inwestycje SP.Z. O.O. (19 February 2015) and Blachy Pruszynski-Energia SP. Z O.O. (12 March 2015);
- the merger of ERG Supply & Trading S.p.A. in ERG S.p.A. on 1 July 2015;
- the consolidation of eight French companies that own six wind farms in France, purchased by the Macquarie group in the month of July 2015;
- purchase of the Hydro Terni S.r.l. company renamed ERG Hydro S.r.l. on 30 November 2015;
- the merger of ISAB Energy S.r.l. into parent company ERG S.p.A. on 18 December 2015;
- dissolution of the joint venture with LUKOIL for the development of Wind Farms in Eastern Europe, with the purchase by ERG Renew S.p.A. of the ownership of 50% of the shares from shareholder OOO LUKOIL – Ecoenergo held in the company LUKERG Renew GmbH. ERG Renew is, therefore, sole shareholder of the company renamed ERG Wind GmbH that controls 100% of Corni Eolian S.A. (Romanian company that was entirely purchased) and ERG Wind Bulgaria GmbH.



(1) Companies measured under the equity method of accounting

FINANCIAL STATEMENTS

It is also specified that the financial statements still reflect the contribution of LUKERG consolidated with the method of net equity since the dissolution operation of the joint venture took place in the final days of 2015.
The equity situation at 31 December 2015 also reflects the values of the assets and liabilities in Bulgaria and Romania entirely consolidated at the period ending date.

INCOME STATEMENT

As already mentioned in the Foreword, to better understand the progress in the two periods and in consideration of the new strategic and business structure of the Group, the comparative figures for 2014 have been modified to take into account the change in the scope of consolidation, thereby making it possible to compare the economic values on a like for like basis.
It is hereby noted that the economic-equity results indicated below include the non recurring items and the changes in inventory.
See the "Alternative performance indicators" section for the analysis of the results net of these captions and including the contribution, for the portion attributable to ERG, of LUKERG Renew which better represent the operational performance of the group.

	YEAR	
RECLASSIFIED INCOME STATEMENT (EUR million)	2015	2014 proforma
Ordinary operations revenues	920.3	998.9
Other revenues and income	16.3	25.7
TOTAL REVENUES	**936.6**	**1,024.6**
Costs for purchases and change in inventories	(412.6)	(491.6)
Service costs and other operative costs	(215.7)	(220.2)
EBITDA	**308.3**	**312.9**
Amortisations and depreciation of fixed assets	(163.0)	(160.0)
EBIT	**145.2**	**152.8**
Net financial income (expenses)	(54.8)	(59.6)
Net shares income (expenses)	(54.2)	(65.0)
Earnings before tax	**36.2**	**28.2**
Income taxes	(12.6)	(44.1)
Earnings for the financial year	**23.7**	**(15.9)**
Earnings of third party shareholders	(3.1)	(2.9)
Group EBIT	**20.6**	**(18.7)**

Ordinary operations revenues

In 2015, revenues amounted to EUR 920 million, versus EUR 999 million in 2014 proforma. The change is a result of the following factors:

- a fall in the **Wind sector** revenues connected primarily to the lower production of the Italian wind farms, partly compensated by the contribution of the new wind farm production in France and Poland;
- a fall in revenues from the **Thermoelectric sector** primarily as a result of lower sale prices.

Other revenues and income

These consist mainly of rental income, insurance indemnification, gains on disposals, indemnities and expense recoveries.

Costs for purchases and changes in inventory

The costs for purchases include the costs for the purchase of gas, utilities and steam used to fuel the ERG Power S.r.l. CCGT plant and the electricity costs for its resale on the market as part of the energy management operations.

In 2015 they amounted to EUR 413 million, versus EUR 492 million in 2014.

The item shows a drop (-79 million) primarily following lower costs for gas purchases.

The change in inventories connected to spare parts warehouses for the period was not significant.

Service costs and other operative costs

Service costs include maintenance costs, commercial expenses (including product transport and electricity costs), costs for utilities, for consulting services (ordinary and connected with extraordinary transactions), insurance, and for services rendered by third parties.

The other operating costs mainly relate to cost of labour, rent, provisions for risks and charges and to taxes other than income taxes.

Amortisation and depreciation of fixed assets

Amortisations refer to the wind farms and the CCGT system and they are slightly higher with respect to those in 2014 proforma due to the impact of the new purchases in the Non Programmable Renewable Energies business (3 million) and the purchase of ERG Hydro S.r.l. (5 million), partially compensated by the end of useful life of electronic components related to wind farms.

Net financial income (expenses)

The net financial expenses of 2015 amounted to EUR 55 million, slightly lower than those reported on the 2014 proforma.

In detail, the item includes net short-term financial income of approximately EUR 10 million (EUR 9 million in the third quarter of 2014) deriving mainly from cash management, and medium-long term financial expenses of approximately EUR 64 million (EUR 72 million in the third quarter of 2014); the medium and long term amounts reflect the effects of the derivatives hedging against the risk of interest rate fluctuations.

Net shares income (expenses)

The item in 2015 reflects the results of the joint venture TotalErg S.p.A. (-11 million) and LUKERG Renew GmbH (-3 million) measured according to the equity method, the accruals to provisions for risks (1 million on ERG Petroleos) and the negative adjustment due to the transfer of the ERG Oil Sicilia equity investment (-0.5 million). Compared to the previous year, a significant improvement is reported for the TotalErg S.p.A. operating result which, in any case, at the end of the period, felt the impact of the devaluation of the OIL stock following the drop in raw material prices (-65 million in 2014).

It is hereby reported that in 2015 the item also includes the financial charges stemming from assessment at fair value of the liability related to an ERG Renew S.p.A. minorities transfer option, transferred to UniCredit in connection to the capital increase operation of 16 January 2014.

Income taxes

In 2015, income taxes amounted to EUR 13 million (44 million in the same period of 2014 proforma).

The tax rate obtained from the ratio between income taxes and pre-tax profit amounted to 19% (156% in 2014 proforma).

The tax rate at adjusted replacement cost, obtained from the ratio between income taxes and pre-tax profit net of non-recurring items, amounted to 23% (42% in 2014).

The lower tax rate is primarily connected to the declaration of the unconstitutionality of the Robin Tax (6.5%) which is no longer applied from 1 January 2015, the positive impact of the ACE (Aiuto Crescita Economica - Economic Growth Assistance) in the amount of 11 million and the IRAP tax credit pursuant to Law 190/2014 (about 1 million).

Proforma economic data of 2014

The comparison of the results for 2015 with those of 2014 has been significantly affected by the change in the perimeter of the Group and in particular:

- of the business units of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC generating plant and to personnel for its operation and maintenance, finalised on 30 June 2014;
- the sale of ERG Oil Sicilia finalised on 29 December 2014;
- the lack of purchase and sale of crude and petroleum products related to the subsidiary.

Therefore, to better understand the progress in the two periods and in consideration of the new strategic and business structure of the Group, the comparative economic data for 2014 has been modified to take into account the change in the above mentioned perimeter, thereby making it possible to compare the results on a like for like basis. In particular, the 2014 economic values were changed, excluding the contribution of ISAB Energy and ISAB Energy Services, ERG OIL Sicilia and ERG Supply&Trading.

It is hereby noted that these changes are consistent with the reclassifications made in application of IFRS 5 on the financial statements and related details indicated on the Annual Consolidated Financial Statement.

Year 2014 proforma

	12 months 2014	ERG Oil Sicilia	ISAB Energy and ISAB Energy Services	ERG Supply &Trading	Intercompany	12 months 2014 proforma
Ordinary operations revenues	1,369	(124)	(299)	–	52	999
Other revenues and income	629	(1)	(595)	(11)	4	26
Total revenues	**1,999**	**(125)**	**(894)**	**(11)**	**56**	**1,025**
Purchase costs	(714)	104	136	(8)	(11)	(493)
Change in inventories	(15)	1	–	16	–	2
Service costs and other operative costs	(659)	16	492	19	(45)	(177)
Labour costs	(64)	1	17	3	–	(43)
EBITDA	**547**	**(2)**	**(250)**	**18**	**–**	**313**
Amortisations and depreciation of fixed assets	(188)	4	23	–	–	(160)
Operative earnings	**359**	**2**	**(227)**	**18**	**–**	**153**
Net financial income (expenses)	(66)	–	(1)	8	–	(60)
Net shares income (expenses)	(65)	–	–	–	–	(65)
Earnings from ordinary management	**228**	**2**	**(228)**	**26**	**–**	**28**
Net extraordinary income (expenses)	–	–	–	–	–	–
Earnings before tax	**228**	**2**	**(228)**	**26**	**–**	**28**
Income taxes	(156)	–	119	(7)	–	(44)
Earnings before third party interests	**73**	**1**	**(109)**	**19**	**–**	**(16)**
Earnings of third party shareholders	(25)	–	22	–	–	(3)
Group EBIT	**48**	**1**	**(87)**	**19**	**–**	**(19)**

STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (EUR million)	31/12/2015	31/12/2014
Non-current assets	3,223.9	2,120.3
Net operative working capital	202.1	189.6
Severance indemnity	(5.5)	(4.7)
Other activities		344.3
Other losses		(600.5)
Net invested capital	**3,124.2**	**2,049.0**
Group net assets		1,671.5
Third party net assets		47.4
Net financial indebtedness		330.1
Own means and financial debts	**3,124.2**	**2,049.0**

As of 31 December 2015 net invested capital amounted to approximately EUR 3,124 million, up from 31 December 2014.

Financial leverage, which represents the ratio of total net financial indebtedness (including Project Financing) and net invested capital, was 46% (16% at 31 December 2014). The increase in financial leverage also reflects the effects of the purchase of ERG Hydro S.r.l., French wind farms and the entire consolidation of the companies in Bulgaria and Romania, following the dissolution of the LUKERG joint venture, as well as the already mentioned development investments in Poland.

Fixed assets

This item includes tangible, intangible and financial fixed assets. The increase can be attributed primarily to the acquisition of ERG Hydro S.r.l., to the acquisitions of the French wind farms and to the new Wind Business investments in Poland, partially compensated by the amortisation and depreciation for the period.

Net working capital

It includes spare parts inventories, credits primarily for carbon credits, for electricity sales, for reintegration of costs connected to the discipline of the ERG Power Generation Essential Units (Muchetti Decree) and the business debts primarily concerning the purchase of electricity, maintenance, development of ERG Renew parks in Poland and other business debt.

Other assets

These mostly comprise deferred tax assets, receivables from Tax Authorities for tax advances and advance payments made against current provision of services.

Other liabilities

These mainly concern the deferred tax liabilities calculated on the differences between the carrying value of recognised assets and liabilities for financial reporting purposes and their corresponding tax basis (mainly leases, fixed assets and inventories), the estimate of income taxes owed for the period, the provisions for liabilities and charges, and VAT payables.

Net financial indebtedness

SUMMARY OF GROUP INDEBTEDNESS

(EUR million)	31/12/2015	31/12/2014
Mid-long term financial indebtedness	1,987.8	1,313.9
Short term financial indebtedness (liquid financial resources)	(540.0)	(983.8)
Total	**1,447.9**	**330.1**

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

MID-LONG TERM FINANCIAL INDEBTEDNESS

(EUR million)	31/12/2015	31/12/2014
Mid-long term debts towards banks	694.6	13.6
Current quota of loans and financing operations	–	(13.6)
Mid-long term financial debts	153.4	181.1
Total	**848.0**	**181.1**
Total Project Financing		
Current quota Project Financing		(164,5)
Mid-long term Project Financing	**1,139.9**	**1,132.8**
TOTAL	**1,987.8**	**1,313.9**

Medium-long-term financial payables include liabilities arising from the fair value measurement of the derivatives to hedge interest rates of EUR 153 million (EUR 181 million as at 31 December 2014).

Medium-long-term bank loans are related to the bank financing distributed to ERG S.p.A., functional to the purchase of ERG Hydro S.r.l., underwritten with a pool of seven Italian and international mandated lead arrangers and bookrunners. At 31 December 2015, financing was 695 million.

The payables for "medium-long-term Project Financing" are for:

- loans of EUR 1,135 million granted to companies in the Non Programmable Renewable Energy Sources business for the construction of wind farms, of which EUR 559 million relating to the wind farms of ERG Wind, net of the positive fair value relative to the notional, i.e. approximately EUR 98 million;
- EUR 150 million in loans granted to ERG Power S.r.l. for the construction of the CCGT plant.

In compliance with IAS 39, the directly attributable expenses incurred to obtain the loans are presented as a reduction of the payable to which they refer, according to the amortised cost method.

With regard to the ERG Wind acquisition, in accordance with IFRS 3 the financial liability relating to Project Financing is measured at fair value. Said fair value was lower than the nominal value, in consideration of the more advantageous contractual conditions than those proposed by the market at the time of the acquisition. The difference between the positive fair value of the liability and its nominal value is consequently managed using the amortized cost method throughout the duration of the loan.

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

SHORT TERM FINANCIAL INDEBTEDNESS (LIQUID FINANCIAL RESOURCES)

(EUR million)	31/12/2015	31/12/2014
Short-term debts towards banks	110.0	60.3
Current quota of loans and financing operations	–	13.6
Other short-term financial debts	68.7	6.0
Short-term financial losses	**178.7**	**79.8**
Liquid financial resources		(1,047.3)
Titles and other short-term financial credits	(92.9)	(58.8)
Short-term financial income	**(719.8)**	**(1,106.1)**
Short-term Project Financing	144.7	164.5
Liquid financial resources	(143.6)	(122.0)
Project Financing	**1.1**	**42.5**
TOTAL	**(540.0)**	**(983.8)**

The other financial payables primarily include liabilities connected to the fair value of the derivatives and to payables for share purchases.

The amount of cash and cash equivalents consists mainly of the liquidity arising from the collection of the consideration for the early termination of the CIP6 convention of ISAB Energy, from the collection deriving from the sale of ISAB S.r.l., and from the restricted bank accounts pursuant to the conditions set out in the Project Financing agreements.

"Short-term financial assets" also comprise short-term securities for use as liquidity.

The change in "Securities and other short-term financial receivables" refers in particular to a different temporary utilisation of liquidity of the securities described above.

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

	YEAR	
(EUR million)	2015	2014
CASH FLOW FROM INCOME DURING THE FINANCIAL YEAR		
Rectified cash flow for the current management (1)	207.2	292.1
Payment of income taxes	(125.5)	(52.1)
Net operative working capital variation	29.2	57.9
Other variations of income and losses during the financial year	81.2	46.5
Total	**192.1**	**344.4**
CASH FLOW FROM INVESTMENT OPERATIONS		
Net investment in tangible and intangible fixed assets	(113.2)	(31.6)
Net investments in financial fixed assets	(1.4)	13,8
Balance due on the sale price of ERG Oil Sicilia	(0.5)	–
"C Recovery" takings	–	515.0
Total	**(115.1)**	**497.3**
CASH FLOW FROM NET ASSETS		
Distributed dividends	(71.4)	(164.9)
Other asset variations	5.2	(202.5)
Total	**(66.2)**	**(367.4)**
CONSOLIDATION AREA VARIATION (2)	**(1,128.6)**	**3.0**
NET FINANCIAL INDEBTEDNESS VARIATION	**(1,117.8)**	**477.4**
INITIAL NET FINANCIAL INDEBTEDNESS	**330.1**	**807.5**
VARIATION FOR THE PERIOD	***1,117.8***	***(477.4)***
FINAL NET FINANCIAL INDEBTEDNESS	**1,447.9**	**330.1**

(1) the item does not include inventory gains (losses) and current income tax for the period

(2) variation of the area of consolidation in 2015 refers to the entire consolidation of Hydro Inwestycje SP.Z. O.O. and the companies Blachy Pruszynski-Energia SP.Z O.O., to the purchase of French wind farms, to the purchase of ERG Hydro S.r.l. and to the dissolution of the joint venture with LUKOIL with the consequent purchase of the ex LUKERG Renew GmbH portion of equity investment

The **net financial indebtedness** is 1,448 million, up 1,118 million compared to what was reported on 31 December 2014 (therefore not including the amount attributable to LUKERG Renew) primarily due to the purchase of ERG Hydro S.r.l. and French wind farms. The operating cash flow was greater than the flows related to the investments connected to the development of wind farms in Poland, to the payment of taxes and to distribution of the dividends.

A detailed analysis of capital expenditures effected may be found in the specific section.

ALTERNATIVE PERFORMANCE INDICATORS

In order to enhance understandability of trends in the business segments, the financial results are also shown at **adjusted replacement cost** excluding non-recurring items, and including the contribution, for the portion attributable to ERG, of the results at replacement cost of the joint venture LUKERG Renew.

The results at replacement cost and the results at adjusted replacement cost are indicators that are not defined in International Financial Reporting Standards (IAS/IFRS). Management deems that these indicators are important parameters for measuring the ERG Group's operating performance, and are generally used by operators in the petroleum and energy industry in their financial reporting.

Since the composition of these indicators is not regulated by the applicable 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..

The **inventory gains (losses)** [24] 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.

The **non-recurring items** include significant but unusual earnings.

The performance also includes ERG's share of the contribution of the **LUKERG Renew** joint venture.

To enhance understandability of the business performance, the results of the business are also shown at adjusted replacement cost that takes into account ERG's share of the results at replacement cost of LUKERG Renew whose contribution to the Income Statement not at adjusted replacement cost is reported in the measurement of the investment at equity.

It is hereby noted that the dissolution of the aforementioned joint venture, with the purchase by ERG Renew S.p.A. of wind farms in Bulgaria and the first Gebeleisis wind farm in Romania, took place at the end of 2015 and therefore the economic results of the entire year still reflect the contribution of LUKERG consolidated according to the equity method.

It is hereby noted that beginning with the intermediate Report on operations at 31 March 2015, the adjusted operating result does not include the contribution from the TotalErg joint venture, as it will no longer be considered a core activity of the Group's new strategic and business structure.

The equity investment continues to be consolidated using the equity method.

24 The inventory gains and losses refer exclusively to the "net income from investments item" from the joint venture TotalErg

Reconciliation with operating results at adjusted replacement cost

The non recurring items are primarily connected to the important process of Group structure transformation substantially defined in 2015 and they refer in particular to the accessory charges to M&A operations.

	YEAR	
EBITDA	**2015**	**2014 proforma**
EBITDA for continuous activities	**308.3**	**312.9**
Exclusion of non-recurring Items:		
Corporate		
Additional Expenses for extraordinary operations	*1.3*	*0.2*
Additional Expenses for ERG Hydro operations	*11.2*	*–*
Additional expenses for ISAB Energy and ISAB Energy Services operations	*–*	*6.4*
Additional expenses for other operations	*–*	*–*
Devaluation of environmental certificates	*2.6*	*–*
Income and expenses from previous years	*–*	*(7.8)*
Expenses for company restructuring	*1.7*	*16.0*
Programmable Sources		
Expenses for company restructuring	*1.7*	*–*
Additional Expenses for extraordinary operations	*–*	*0.5*
Additional Expenses for ERG Hydro operations	*5.2*	*–*
Non Programmable Sources		
Additional Expenses for extraordinary operations	*6.3*	*0.4*
EBITDA at replacement cost	**338.1**	**328.6**
50% Contribution of LUKERG Renew at replacement cost	*11.9*	*14.0*
EBITDA at adjusted replacement cost	**350.0**	**342.6**

	YEAR	
AMORTISATIONS AND DEVALUATIONS	**2015**	**2014 proforma**
Amortisations at replacement cost	**(163.0)**	**(160.0)**
50% Contribution of LUKERG Renew at replacement cost	*(7.8)*	*(7.9)*
Amortisations at adjusted replacement cost	**(170.9)**	**(167.9)**

	YEAR	
EBIT	**2015**	**2014 proforma**
EBIT at replacement cost	**175.1**	**168.6**
50% Contribution of LUKERG Renew at replacement cost	*4.1*	*6.1*
EBIT at adjusted replacement cost	**179.1**	**174.7**

GROUP EBIT		YEAR 2015	2014 proforma
Group EBIT		**20.6**	**(18.7)**
Exclusion of inventory profits / losses		*21.9*	*45.5*
Exclusion of non-recurring Items:			
Exclusion of capital gains from the sale of ERG Oil Sicily		*0.5*	*(0.6)*
Exclusion of the excerpt of the Robin Tax effect on advance and deferred payments		*(2.9)*	*5.0*
Exclusion of additional expenses for the acquisition of ERG Hydro	**(1)**	*13.1*	–
Exclusion of Devaluation of environmental certificates		*1.9*	–
Exclusion of additional Expenses for extraordinary operations	**(2)**	*6.4*	*5.4*
Exclusion of TotalErg non-recurring Items		*1.6*	*14.6*
Exclusion of contributions and other income (expenses) from previous years		–	*(2.0)*
Exclusion of the contribution L. 488 ERG S.p.A.		–	*(3.5)*
Exclusion of the exchange rate differences ex Div. Refining & Marketing		–	*2.9*
Exclusion of the impact of tax adjustments	**(3)**	*(8.4)*	–
Exclusion of expenses for company restructuring	**(4)**	*2.5*	*11.6*
Exclusion of extraordinary income from the dissolution of the LUKERG joint venture		*0.3*	–
Exclusion of the reserves for equity investment risks		*0.9*	–
Exclusion of financial charges on minorities option	**(5)**	*38.0*	–
Group EBIT at replacement cost (1)		**96.3**	**60.3**

(1) also corresponds to Group net profit (loss) at adjusted replacement cost

Notes:

(1) The accessory charges for the Purchase of ERG Hydro include: 11 million for bonuses to directors and employees and 5 million for consulting and advisoring. 13 million net of the tax effect.

(2) Accessory charges related to other non recurring operations and charges capitalised on equity investments handled as accessory charges on the Group Consolidation.

(3) Removal of the impact of the IRES portion on deferred taxes (24% beginning from 2017) and removal of deferred taxes on reserves that can be distributed related to ISAB Energy Srl, merged into ERG S.p.A. effective retroactively to 1 January 2015.

(4) Costs related to the personnel mobility procedure continued in 2015.

(5) Valuation of financial charges stemming from assessment at fair value of the liability related to an ERG Renew S.p.A. minorities transfer option.

It is hereby pointed out that the non-recurring TotalErg items refer primarily to extraordinary income connected to the transfer of a corporate branch and the removal of non due previous debts.

Reconciliation with adjusted net financial indebtedness

	31/12/2015	31/12/2014 proforma
Net financial indebtedness	**1,447.9**	**330.1**
Net financial position of LUKERG Renew	–	79.3
Adjusted net financial indebtedness	**1,447.9**	**409.5**

In 2014 it included, only on the adjusted level, the contribution attributable to ERG of the net financial position of the LUKERG Renew joint venture.

In the table below the reconciliation of the 2015 Income Statement at adjusted replacement cost is indicated.

(EUR million)	Reported	Non-recurring items	LUKERG	Adjusted replacement cost
Ordinary operations revenues	920.3	–	23.8	944.1
Other revenues and income	16.3	–	0.3	16.6
Total revenues	**936.6**	**–**	**24.1**	**960.7**
Purchase costs	(415.4)	–	–	(415.4)
Change in inventories	2.8	–	–	2.8
Service costs and other operative costs	(157.5)	21.3	(11.8)	(148.1)
Labour costs	(58.2)	8.5	(0.3)	(50.0)
EBITDA	**308.3**	**29.8**	**11.9**	**350.0**
Amortisations and depreciation of fixed assets	(163.0)	–	(7.8)	(170.9)
Operative earnings	**145.2**	**29.8**	**4.1**	**179.1**
Net financial income (expenses)	(54.8)	–	(8.0)	(62.8)
Net shares income (expenses)	(54.2)	63.2	3.6	12.6
Earnings before tax	**36.2**	**93.0**	**(0.3)**	**129.0**
Income taxes	(12.6)	(17.3)	0.3	(29.5)
Earnings before third party interests	**23.7**	**(75.8)**	**–**	**99.5**
Earnings of third party shareholders	(3.1)	(0.1)	–	(3.2)
Group EBIT	**20.6**	**75.7**	**–**	**96.3**

Adjusted reconciliation of results proforma Year 2014

		Exclusion of the contribution for the Year 2014 of:					
(EUR million)	Year 2014	ERG Oil Sicilia	ISAB Energy and ISAB Energy Services	ERG Supply &Trading	TotalErg	Intercompany	Year 2014 proforma
ORDINARY OPERATIONS REVENUES							
Wind	349	–	–	–	–	–	349
Thermoelectric	1,164	–	(299)	–	–	(185)	679
Integrated downstream	3,098	(124)	–	–	(2.974)	–	–
Corporate	30	–	–	–	–	(9)	21
Inter-segment Revenues	(291)	–	–	–	–	263	(28)
Total adjusted revenues	**4,350**	**(124)**	**(299)**	**–**	**(2,974)**	**68**	**1,021**
51% Contribution of TotalErg at replacement cost	*(2.958)*	–	–	–	*2.974*	*(16)*	–
50% Contribution of LUKERG Renew at replacement cost	*(22)*	–	–	–	–	–	*(22)*
Ordinary operations revenues total	**1,369**	**(124)**	**(299)**	**–**	**–**	**52**	**999**
EBITDA							
Wind	267	–	–	–	–		267
Thermoelectric	204	–	(104)	–	–		100
Integrated downstream	44	(5)	–	8	(47)		–
Corporate	(24)	–	–	–	–		(24)
EBITDA at adjusted replacement cost	**491**	**(5)**	**(104)**	**8**	**(47)**		**343**
51% Contribution of TotalErg at replacement cost	*(47)*	–	–	–	*47*		–
50% Contribution of LUKERG Renew at replacement cost	*(14)*	–	–	–	–		*(14)*
EBITDA at replacement cost	**429**	**(5)**	**(104)**	**8**	**–**		**329**
Non-recurring items	*118*	*2*	*(146)*	*10*	–		*(16)*
EBITDA	**547**	**(2)**	**(250)**	**18**	**–**		**313**
AMORTISATIONS AND DEVALUATIONS:							
Wind	(137)	–	–	–	–		(137)
Thermoelectric	(54)	–	25	–	–		(29)
Integrated downstream	(48)	4	–	–	44		–
Corporate	(2)	–	–	–	–		(2)
Amortisations at adjusted replacement cost	**(241)**	**4**	**25**	**–**	**44**		**(168)**
51% Contribution of TotalErg at replacement cost	*44*	–	–	–	*(44)*		–
50% Contribution of LUKERG Renew at replacement cost	*8*	–	–	–	–		*8*
Amortisations at replacement cost	**(189)**	**4**	**25**	**–**	**–**		**(160)**
EBIT							
Wind	131	–	–	–	–		131
Thermoelectric	150	–	(79)	–	–		71
Integrated downstream	(5)	(1)	–	8	(3)		–
Corporate	(27)	–	–	–	–		(27)
EBIT at adjusted replacement cost	**249**	**(1)**	**(79)**	**8**	**(3)**		**175**
51% Contribution of TotalErg at replacement cost	*(3)*	–	–	–	*3*		–
50% Contribution of LUKERG Renew at replacement cost	*(6)*	–	–	–	–		*(6)*
EBIT at replacement cost	**240**	**(1)**	**(79)**	**8**	**–**		**169**
EBIT							
EBIT	73	1	(109)	19			(16)
of which Group EBIT	**48**	**1**	**(87)**	**19**			**(19)**
of which EBIT of third party shareholders	25	–	(22)	–			3
Group EBIT at replacement cost	**76**	**(1)**	**(27)**	**12**			**60**
INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS							
Wind	38	–	–	–	–		38
Thermoelectric	14	–	(1)	–	–		13
Integrated downstream	34	–	–	–	(34)		–
Corporate	3	–	–	–	–		3
Total adjusted investments	**89**	**–**	**(1)**	**–**	**(34)**		**53**
TotalErg investments (51%)	*(34)*	–	–	–	*34*		–
LUKERG Renew investements (50%)	*(2)*	–	–	–	–		*(2)*
Total investments	**54**	**(0)**	**(1)**	**–**	**–**		**52**
NET DEBT							
Adjusted net financial indebtedness	**538**				**(129)**		**409**

OPERATING RESULTS AND FINANCIAL POSITION OF ERG S.P.A.

The separate financial statements for ERG S.p.A. as at 31 December 2015 were drawn up on the basis of the International Accounting Principles issued by the International Accounting Standard Board (IASB) and approved by the European Union, also including amongst the latter all the international standards subject matter of interpretation (International Accounting Standards – IAS) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as well as the previous Standing Interpretations Committee (SIC). The merger of ERG Supply & Trading S.p.A. into ERG S.p.A. became effective as of 1 July 2015, with accounting and fiscal effects as from 1 January 2015. The merger of ISAB Energy S.r.l. into ERG S.p.A., became effective as of 18 December 2015 with accounting and fiscal effects as from 1 January 2015. For the purposes of greater clarity in layout, it was considered appropriate to display and comment on the results in this Management Report without the reclassifications of IFRS 5 and the details are commented further in the Notes to the Financial Statements.

PROFIT AND LOSS ACCOUNT

RECLASSIFIED INCOME STATEMENT (EUR million)	YEAR 2015	2014
Ordinary operations revenues	58.3	452.9
Other revenues and income	11.0	14.6
TOTAL REVENUES	**69.3**	**467.5**
Costs for purchases and change in inventories	(48.9)	(346.1)
Service costs and other operative costs	(55.8)	(153.6)
EBITDA	**(35.4)**	**(32.2)**
Amortisations and depreciation of fixed assets	(0.3)	(0.6)
Net financial income (expenses)	24.7	14.8
Net shares income (expenses)	8.6	58.8
Earnings before tax	**(2.3)**	**40.8**
Income taxes	4.3	5.2
Earnings for the financial year	**2.0**	**46.0**

Ordinary operations revenues

Revenues for 2015 are equal to 58 million compared to 453 million in 2014. The reduction in revenues is mainly due to the transfer of the company branch related to Power business to ERG Power Generation S.p.A. as from 1 July 2014.

Other revenues and income

The other revenues are mainly related to Group companies, in particular they concern revenues for the supply of services and recovery of various costs.

Costs for purchases and change in inventories

Costs for purchases mainly refer to costs for consumables concerning group companies. The notable decrease compared to the value for 2014 is linked to the fact that in the first six months of 2014 there were the costs for procurement of natural gas related to the thermoelectric sector.

Service costs and other operative costs

Service costs and other operative costs mainly included the cost of work and costs for services of other group companies. The decrease compared to the corresponding period of 2014 is mainly linked to the fact that in the first six months of 2014 there were sales costs, costs for transporting natural gas and the consideration for ERG Power S.r.l. related to the tolling contract with regard to the thermoelectric sector.

Amortisation and depreciation of fixed assets

This value is substantially in line with that of 2014 and mainly refers to amortisation on land and depreciation on software.

Net financial income (expenses)

This item mainly includes interest receivables (+9.5 million) on managing liquidity, net intercompany income (+6.5 million) and interest payables (- 2,5 million).

Included, moreover, is income deriving from the recognised positive value of the option to sale minorities of ERG Renew S.p.A. referred to the minority shareholder, estimated as equal to approximately +11 million.

This value is slightly lower compared to 2014 following a reduction in liquidity used in 2015 mainly for the acquisition of ERG Hydro S.r.l.

Net shares Income (expenses)

In 2015 the item includes dividends from ERG Power Generation (+12 million), the devaluation of the I-Faber investment (-2 million), appropriation of risks on equity investments (-1 million on ERG Petroleos) and the negative adjustment for the transfer of stake in ERG Oil Sicilia (-0.5 million).

Reminder is given that in 2014 the item mainly included a devaluation of the investment in ERG Supply & Trading for 19 million, recovery of the investment in ERG Renew for 39 million, capital gain deriving from transfer of stake in ERG Oil Sicilia per 17 million and the dividends distributed by ISAB Energy for 23 million.

Income taxes

Income tax in 2015 is positive at 4.3 million (positive at 5.2 million in 2014).

The item includes the balance of IRES in credit for 2015 of 10.5 million, the balance of deferred tax liabilities of approximately 7 million (including the negative impact linked to the adaptation of the IRES tax rate on deferred taxation as from 2017) and receivables for IRES of previous financial years for 0.7 million.

. STATEMENT OF FINANCIAL POSITION

RECLASSIFIED FINANCIAL STATEMENTS (EUR million)	**31/12/2015**	**31/12/2014**
Non-current assets	2,001.8	1,199.4
Net operative working capital	(42.8)	(10.6)
Severance indemnity	(0.1)	(0.3)
Other activities	84.1	132.1
Other losses	(157.5)	(233.5)
Net invested capital	**1,885.5**	**1,087.1**
Net assets	1,748.7	1,427.7
Net financial indebtedness	136.8	(340.6)
Own means and financial debts	**1,885.5**	**1,087.1**

As at 31 December 2015 the net invested capital amounts to approximately 1,885 million, with an increase of approximately 798 million compared to 2014.

Non current assets

The non current assets mainly consist in long-term investments. The increase is mainly traceable to the equity payment to ERG Power Generation of 262 million and the issue of financial credit in favour of the latter for approximately 700 million for the acquisition of ERG Hydro S.r.l.

Net operative working capital

The net operative working capital is formed of trade receivables and payables concerning Group companies and third parties. The registered variation is traceable both to a reduction in receivables and an increase in payables.

Other activities

These are mainly formed of receivables from the Inland Revenue and other receivables due from Group companies. Such item also includes deferred tax assets and prepaid expenses.

Other losses

These mainly consist in short-term fiscal liabilities, payables owed to Group companies and other debts. Such item also includes the other provisions for risks and charges.

Net financial indebedness (availability)

SUMMARY OF NET INDEBTEDNESS (FINANCIAL RESOURCES)

(EUR million)	31/12/2015	31/12/2014
Mid-long term financial indebtedness	695.0	–
Short-term financial indebtedness (financial resources)	(558.2)	(340.6)
Total	**136.8**	**(340.6)**

The medium-long term financial indebtment is shown in the table below:

MID-LONG TERM FINANCIAL INDEBTEDNESS

(EUR million)	31/12/2015	31/12/2014
Mid-long term debts towards banks	695.0	13.6
Current quota of loans and financing operations	–	(13.6)
Total	**695.0**	**–**

The significant increase in payables owed to banks in the medium-long term is traceable, in particular, to the subscription of a corporate acquisition loan of 700 million Euros issued by a pool of seven Italian and international mandated lead arrangers and book runners in relation to the acquisition of ERG Hydro S.r.l.

Such loan was used to back the acquisition of ERG Hydro by means of the subsidiary ERG Power Generation.

The net financial indebtedness is formed thus:

SHORT-TERM FINANCIAL INDEBTEDNESS (FINANCIAL RESOURCES)

(EUR million)	31/12/2015	31/12/2014
Short-term debts towards banks	110.0	72.4
Other short-term financial debts	–	–
Financial debts towards subsidiary firms	0.9	551.7
Short-term financial losses	**111.0**	**624.1**
Liquid financial resources		(822.1)
Securities and other financial receivables		(4.6)
Financial receivables towards subsidiary firms	(49.2)	(138.0)
Short-term financial income	**(669.1)**	**(964.7)**
TOTAL	**(558.2)**	**(340.6)**

The short term financial payables and receivables concerning subsidiaries are mainly formed of the balances of financial current accounts and centralised treasury held with other companies of the Group in relation to the centred management of finance, the balance as at 31 December 2015 is particularly affected by the decrease in payables owed to subsidiaries due to the discontinuance of the financial management of Isab Energy.

The analysis of the variation in net financial indebtment is as follows:

(EUR million)	31/12/2015	31/12/2014
CASH FLOW FROM INCOME DURING THE FINANCIAL YEAR:		
EBIT of the financial year	2.0	46.1
Amortisations	0.3	0.6
Variation in working capital and other income and losses	4.1	(73.2)
Other	2.2	–
Total	**8.7**	**(26.6)**
CASH FLOW FROM INVESTMENT OPERATIONS		
Net investment in tangible and intangible fixed assets	0.1	(0.3)
Net investment in Financial fixed assets		(131.5)
Payments of loans for the acquisition of ERG Hydro	(697.6)	–
Total	**(964.1)**	**(131.8)**
CASH FLOW FROM NET ASSETS		
Distributed dividends	(71.4)	(142.8)
Purchase of treasury stock	–	–
Other asset variations	(0.1)	0.4
Total	**(71.5)**	**(142.4)**
NET FINANCIAL INDEBTEDNESS VARIATION	**(1,026.9)**	**(300.8)**
VARIATIONS IN THE COMPANY'S SCOPE	**549.5**	**51.9**
INITIAL NET FINANCIAL INDEBTEDNESS	**(340.6)**	**(589.5)**
VARIATION FOR THE PERIOD	**477.4**	**248.9**
FINAL NET FINANCIAL INDEBTEDNESS	**136.8**	**(340.6)**

The increase in net financial indebtment compared to 31 December 2014 is mainly associated to the issue of a credit line in favour of ERG Power Generation aimed at the acquisition of ERG Hydro S.r.l. for 698 million, the payment of dividends to shareholders partially offset by the contribution of liquidity linked to the merger of ISAB Energy S.r.l. into ERG S.p.A. which took place at the end of 2015.

OPERATIONAL NOTES ON THE MAIN NON CONSOLIDATED[25] SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

ISAB Energy Solare S.r.l.

This Company, fully controlled by ERG Renew S.p.A. carries out its activity in the sector of renewable energy; in particular it operates in the production of electricity from solar source. The company has a photovoltaic plant at the industrial facility of ISAB Energy S.r.l. in Priolo Gargallo (SR) for the production of electricity having an installed power equal to 968 kW and became commercially operational during 2011. In 2014 the minority stake of 49% was acquired by Princemark Limited. The company closed its financial year as at 31 December 2015 with a substantially even result.

INFORMATORY DOCUMENT PURSUANT TO ART. 2.6.2, PARAGRAPH 8, OF THE REGULATION OF BORSA ITALIANA S.P.A.

ERG Wind Investments Ltd.

In relation to the obligations pursuant to art. 2.6.2, paragraph 8, of the Regulation of Markets organised and managed by Borsa Italiana S.p.A. and considering the provision pursuant to art. 36 of the Market Regulation adopted by CONSOB with resolution no. 16191 of 29 October 2007 as amended, we certify that (i) ERG S.p.A. acquired, from ERG Wind Investments Ltd.[26] the articles of association, composition and powers related to corporate boards; (ii) ERG Wind Investments Ltd provides Group auditors with the information needed to conduct the activity of control on annual and interim accounts of ERG S.p.A. and avails of an administrative-accounting system enabling regular receipt by the Management and Group audits of data on the financial position, equity and cash flows required for drawing up the consolidated financial statements. Shown below is the accounting situation of ERG Wind Investments Ltd drafted for the purposes of drawing up the consolidated financial statements as at 31 December 2015.

RECLASSIFIED INCOME STATEMENT **(EUR million)**	**2015**	**2014**
Ordinary operations revenues	–	–
Other revenues and income	0.2	(0.1)
Total revenues	**–**	**–**
Purchase costs	–	–
Change in inventories	–	–
Service costs and other operative costs	(0.7)	(1.7)
Labour costs	–	(0.6)
EBITDA	**(0.6)**	**(2.4)**
Amortisations and depreciation of fixed assets	–	–
Operative earnings	**(0.6)**	**(2.4)**
Net financial income (expenses)	(31.3)	(33.8)
Net shares income (expenses)	43.2	34.4
Earnings from ordinary management	**11.3**	**(1.8)**
Net extraordinary income (expenses)	–	–
Earnings before tax	**11.3**	**(1.8)**
Income taxes	9.2	11.1
EBIT	**20.5**	**9.3**

25 For further details on the TotalErg and LUKERG Renew joint venture, refer to the specifically dedicated chapters.
26 A foreign indirectly controlled company not belonging to the European Union of significant relevance on the basis of the provisions pursuant to title VI, chapter II of the Issuer's Regulation.

Reclassified financial statements (EUR million)	31/12/2015	31/12/2014
Intangible fixed assets	–	–
Tangible fixed assets	–	–
Shares and other financial fixed assets	1,141	1,141
Non-current assets	**1,141**	**1,141**
Remainders	–	–
Trade receivables	–	–
Trade liabilities	(1)	(1)
Debts towards the Treasury for excise duties	–	–
Net operative working capital	**(1)**	**(1)**
Severance indemnity	–	–
Other activities	61	74
Other losses	(37)	(34)
Net invested capital	**1,164**	**1,180**
Group net assets	103	70
Third party net assets	–	–
Mid-long term financial indebtedness	688	759
Short-term net financial indebtedness	373	351
Own means and financial debts	**1,164**	**1,180**

ERG S.p.A.'s management and coordination of subsidiaries

ERG S.p.A. carries out management and coordination activities with respect to directly and indirectly controlled companies – respecting the managerial and operational autonomy of these companies, which benefit from the advantages, synergies and economies of scale deriving from inclusion in the Group – represented, in particular, by:

- the definition of business strategies and of the corporate governance systems and shareholding composition;
- the determination of shared general policies with respect to human resources, accounting, budgeting, taxes, finance, risk management, communication, institutional relations, health safety and environment.

Taking into account the new corporate organisational model adopted by the Group starting from 1 January 2014 and in particular the role of ERG Services S.p.A. within the aforesaid reorganisation, the directly and indirectly controlled Italian subsidiaries with respect to which the management and coordination activity within the scope outlined above is carried out in accordance with Article 2497 et seq. of the Italian Civil Code are: ERG Renew S.p.A. – and the following companies under its control:

ERG Eolica Adriatica S.r.l.	ERG Eolica Amaroni S.r.l.	ERG Eolica Basilicata S.r.l.	ERG Eolica Calabria S.r.l.
ERG Eolica Campania S.p.A.	ERG Eolica Faeto S.r.l.	ERG Eolica Fossa del Lupo S.r.l.	ERG Eolica Ginestra S.r.l.
ERG Eolica Lucana S.r.l.	ERG Eolica San Cireo S.r.l.	ERG Eolica San Vincenzo S.r.l.	ERG Eolica Tirreno S.r.l.
ERG Renew Operations & Maintenance S.r.l.	Green Vicari S.r.l.	Eolico Troina S.r.l. in liquidation	ISAB Energy Solare S.r.l.
ERG Wind Holdings (Italy) S.r.l.	ERG Wind Sardegna S.r.l.	ERG Wind Sicilia 2 S.r.l.	ERG Wind Sicilia 3 S.r.l.
ERG Wind Sicilia 4 S.r.l.	ERG Wind Sicilia 5 S.r.l.	ERG Wind Sicilia 6 S.r.l.	ERG Wind 2000 S.r.l.
ERG Wind 4 S.r.l.	ERG Wind 6 S.r.l.	ERG Wind Leasing 4 S.r.l.	ERG Wind Energy S.r.l.

as well as ERG Power Generation S.p.A., ERG Services S.p.A., ERG Power S.r.l. and ERG Hydro S.r.l.

We specify that ERG S.p.A., despite holding relevant stake and the role of shareholder of reference in TotalErg S.p.A., does not perform any activity of management and coordination with regard to the latter, also by effect of the provisions contained in the shareholders' agreement stipulated with the other shareholder.

In 2015, ERG S.p.A. continued managing the various directly and indirectly owned interests, also via service contracts for staff activities, for a total consideration of EUR 6.5 million.

It also received recharges of costs associated to research and development projects of EUR 0.5 million from the Consorzio Delta Ti Research consortium. ERG S.p.A. manages the treasury of some subsidiaries centrally. Transactions are at arm's length.

Moreover, in its capacity as tax consolidation parent, ERG S.p.A. manages the VAT for the Group and the "national tax consolidation" with the main subsidiaries of the Group. In this regard, we report that ERG Power S.r.l. complies with the "tax consolidation" of the parent company San Quirico for the three-year period 2013-2015.

All operations concern ordinary management and are regulated under market conditions.

PRIVACY

Also during 2015 ERG Group invested adequate resources and competences in compliance on the matter of privacy; the internal regulatory system and the system for nominations and delegations were systematically updated, coherently aligning them with external regulatory developments and internal organisational developments, in order to guarantee observance of the provisions of the Privacy Code (Legislative Decree 196/2003) and the Measures issued by the Guarantor Authority for the protection of personal data.

APPROVING THE FINANCIAL STATEMENTS

The Shareholder's Meeting for approving the financial statements, as provided under art. 11 of the Articles of Association of ERG S.p.A., shall be called within 180 days from closure of the corporate financial year. The use of such term respect to the ordinary term of 120 days from closure of the corporate financial year, granted under art. 2364, paragraph 2, of the civil code, is motivated by the circumstance that the Company, required to prepare consolidated financial statements, on 30 November 2015 acquired, by means of the subsidiary ERG Power Generation, the entire hydroelectric business of E.ON Produzione, composed by a portfolio of plants present in Umbria, Marche and Lazio, with a total power of 527 MW.

SIGNIFICANT EVENTS OCCURRING AFTER CLOSURE OF THE FINANCIAL YEAR

02 February 2015

ERG Renew completed an agreement for the acquisition from a fund managed by the Impax Asset Management Group of eleven wind farms in France, with an installed capacity of 124 MW and six in Germany, with an installed capacity of 82 MW, for a total of 206 MW. The wind farms which became operational between 2009 and 2014 in France and between 2004 and 2014 in Germany, present an estimated average annual production of approximately 410 GWh. Within the scope of the transaction there are also two companies, one incorporated in France and one incorporated in Germany, which supply technical, operational and commercial assistance by means of a team formed of twenty-eight professionals, to wind turbine operators in France, Germany and Poland, both "captive" and third parties, for a total of approximately 800 MW (206 MW subject matter of the acquisition and another 83 MW owned by ERG Renew in Germany). The value of the acquisition is approximately 297 million Euros in terms of enterprise value, equal to a multiple of approximately 1.4 million Euros per MW. The farms have already been fully funded by means of limited recourse project financing. In 2016 the predicted Gross Operating Margin shall be approximately 30 million Euros. Closing took place on 2 February 2016 and the comprehensive consideration of the equity is equal to 128 million Euros.

26 February 2015

ERG Renew acquired 100% of the share capital of Brockaghboy Windfarm Ltd ("BWF"), a company under British law, from TCI Renewables ("TCI"), the company holds the authorisations needed for realising a wind farm in Northern Ireland, in the county of Londonderry, with an envisaged capacity of approximately 45 MW and a production of electricity, under full working order, estimated as approximately 150 GWh per year, equal to approximately 3,300 equivalent hours and approximately 71 kt of avoided CO_2 emission. ERG Renew expects to start the works for realising the wind farm in the second quarter of 2016 and complete construction at the end of the first quarter 2017. The total estimated investment for realising the farm is approximately 60 million pounds (about 80 million Euros) inclusive of the initial consideration paid for acquiring the company. The project satisfies the conditions for accreditation to the mechanisms of incentivisation in force (NIRO) provided by the bill under examination by the Parliament of the United Kingdom.

Based on agreements at the end of building and having obtained accreditation of the incentives (NIRO), there is a possibility that BWF could be sold to third parties. ERG Renew will have the right to present a supplementary offer to TCI in order to definitively maintain ownership. In the event that such offer is not accepted and only in the case in which higher offers are received and accepted by third parties, we shall proceed with the sale of BWF and subsequent calculation and division of the capital gain based on agreed contractual mechanisms. By this transaction, ERG Renew enters into the wind power market of the United Kingdom as envisaged by the ERG Strategic Plan 2015-18 by means of an innovative and flexible contractual structure which allows industrial competences matured by ERG Renew to be valorised, as well as optimising the creation of value..

BUSINESS OUTLOOK

The foreseeable outlook for the main indicators regarding scenario and performance in 2016 is described below.

Non Programmable Sources

ERG Renew continues its strategy of international development thanks to which, as early as the start of 2016, it reached 0.6 GW of installed power overseas, equal to 37% of the total 1.7 GW installed, allowing the Group to become the ninth onshore wind power operator in France and the eighth in Europe.

2016 will particularly benefit from the full contribution of three new wind farms of which building in Poland is complete, with total installed power of 82 MW (the realisation of which was progressively completed by ERG during 2015), as well as the acquisition of another six farms in France having the installed power of 63 MW (which allowed the installed power in the country to be doubled since July 2015 from 64 MW to 128 MW) and the increase in installed power of 20 MW in Bulgaria and Rumania (following the dissolution of late 2015 of the joint venture LUKERG Renew and consequent division of the assets envisaged between the two shareholders ERG and LUKOIL).

Reminder is also given of the acquisition which took place at the start of 2016 of eleven wind farms in France (124 MW) and six in Germany (82 MW) with total installed power of 206 MW; this will allow our presence in these countries which consider renewables as essential to their energy policy to increase further, as well as the acquisition of two companies specialised in asset management which shall contribute both to obtaining synergies and the development of the presence of ERG as an industrial operator in the two countries. Such assets shall be consolidated starting from 1 January 2016.

Lastly, the activities with a view to further corporate growth continue by means of evaluating new opportunities of investment, especially overseas.

The results for 2016, albeit in the presence of energy prices which are decreasing significantly compared to 2015, are expected to grow, also thanks to the full contribution of the new farms realised or acquired overseas.

Programmable Sources

ERG Group completed a transaction of great strategic relevance for the Group which allows the sources of production to be diversified following the entrance into the sector of hydroelectric power with a relevant size, in accordance with the strategy of growth in renewables by means of investments in high quality assets.

Thanks to this diversification, the results regarding programmable sources for 2016 are comprehensively expected to grow compared to 2015. The results respectively awaited are commented below:

- **Hydroelectric**: following the transaction completed on 30 November 2015, ERG Power Generation acquired the entire hydroelectric business of E.On Produzione, formed of a portfolio of plants present in Umbria, Marche and

Lazio, with a total power of 527 MW; the contribution of the newly established ERG Hydro will allow profits to increase significantly, as well as cash generation, whereas the considerable increase of the generation portfolio will allow result to improve, also thanks to energy management;

- **Thermoelectric**: as regards the ERG Power plant, reduced results are expected as from the entrance in operation of the Sorgente-Rizziconi quarry, currently envisaged as by 30 June 2016 by Terna.

Nonetheless, until such date satisfying results are expected, in line with 2015. Furthermore, the flexibility and efficiency of the CCGT plant of ERG Power, long-term supply contracts and actions for covering the margin of generation will allow a higher profitability than that registered on average for the same type of plants in Italy to be maintained.
As a whole, for financial year 2016 a gross operating margin of approximately 440 million Euros is expected, in line with the indications given by the Financial Community at the time of Presentation of the Plan 2015-2018 (350 million in 2015).

RISKS AND UNCERTAINTIES RELATED TO BUSINESS OUTLOOK

With reference to the estimates and forecasts contained herein, it should be pointed out that actual results may differ even significantly from those announced in relation to a multiplicity of factors, such as: future price trends, the operating performance of plants, the impact of regulations for the energy and fuel distribution industry and for the environment, other changes in business conditions and in competitors' actions.

Genoa, 22 March 2016

For the Board of Directors
The Chairman
Edoardo Garrone

Report on corporate governance and ownership

HISTORY OF THE GOVERNANCE STRUCTURE

The current governance structure of ERG S.p.A. (hereafter, also "ERG" and the "Company") has evolved over Company history by gradually incorporationg rules of conduct reflecting the most advanced and widely recognised principles of Corporate Governance into the ERG corporate approach.

Even prior to the listing of the Company in October 1997, one of the key aspects of the governance structure was a focus on a proper relationship between management and shareholders and ensuring that business operations are aimed towards the creation of value.

This key aspect of the corporate policy was implemented through:

- coordinated delegation of power amongst the Board of Directors of ERG ("Board of Directors") to achieve clarity and completeness of executive accountability and effective oversight over monitoring activities and assessment of results achieved;
- regular and adequate reporting amongst members of the Board of Directors on actions taken in accordance with their delegated authority and of managerial responsibilities;
- adoption of specific procedures to determine remuneration for the Board of Directors and management.

The listing of the Company on the stock market has highlighted the Company's commitment to shape the governance structure and to engage in business conduct based on ideals of transparency and fairness and has accelerated the process of which such ideals were incorporated in the development of Company policies and procedures, and the organisational structure.

Key features of the implemented policy include:

- the introduction of amendments to the Articles of Incorporation to reflect regulatory changes introduced by the Italian Company Law Reform, on the matters of Shareholders' Rights on transactions with related parties and on gender balance in the composition of corporate bodies;
- adoption of a Code of Ethics, revised May 14, 2014, to define and communicate the duties and responsibilities of ERG towards its stakeholders, in line with the Organisation and Management Model consistent with the requirements of Legislative Decree no. 231/2001;

- acceptance of the Italian Corporate Governance Code for Listed Companies, issued by the Borsa Italiana S.p.A. ("Corporate Governance Code")[1] from the introduction of the first edition in 1999;
- adoption of a Code of Conduct for Directors of ERG Group companies (the "Group"), updated May 14, 2014;
- inclusion of independent and non-executive directors as members of the Board of Directors;
- adoption of a Remuneration Policy for the Board of Directors and key management personnel in line with the provisions of the Code of Conduct, updated on March 11, 2015, to align interests of management with that of the shareholders, and to strengthen the relationship between management and the Company to achive value and continuity of its operations;
- definition of guidelines for the identification and execution of significant transactions, updated March 10, 2016, and other governance documents designed to ensure transparent and timely management of the relationship between the Group and the market;
- adoption of a Policy for the management and treatment of confidential information and the dissemination of statements and information to the public, updated May 14th 2014;
- definition of the Guidelines for the Internal control system and risk management, updated March 3, 2016;
- adoption of a Model of integrated risk management, with the aim of comprehensive identification of the risks inherent in the overall activities of the Group;
- adoption of a policy to ensure transparency and business purpose of transactions with related parties carried out by ERG directly or through its subsidiaries, in accordance with such policy, revised May 12, 2015;
- definition of a Code of Conduct for internal reporting, revised July 1 2015, directed at regulating the obligations of disclosures to the market, the Company and CONSOB with reference to transactions involving ERG shares or related financial instruments carried out, directly or indirectly, by members of the administrative and controlling bodies of ERG and of significant subsidiaries, by members of top management of the ERG Group and by persons closely connected with them;
- adoption of the Anti-Corruption Guidelines and the Guidelines for compliance with Legislative Decree. 231/01 and the anti-corruption laws for the Group companies.

1 On December 15, 2015 the Board of Directors resolved to adhere to the new Corporate Governance Code published in July 2015; consequently, all references to the provisions of the Corporate Governance Code shall be deemed to refer to the aforesaid edition of the Code.

INFORMATION ON OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2015 PURSUANT TO ART. 123-BIS OF LEGISLATIVE DECREE 24 FEBRUARY, 1998 NO. 58 ("T.U.F.")

Structure of the share capital as at 31.12.2015

	Number of shares	Equity capital subscribed and paid up by the shareholder	% compared to the share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	150,320,000	€ 15,032,000.00	100	MTA / FTSE Italy Mid Cap Index	–
Shares with limited voting rights	–	–	–	–	–
Shares without voting rights	–	–	–	–	–

Significant shareholdings at 31.12.2015

Declarant	Direct Shareholder	Share % of ordinary capital	Share % of voting capital
San Quirico S.p.A.	San Quirico S.p.A.	55.628	55.628
San Quirico S.p.A.	Polcevera S.A.	6.905	6.905
ERG S.p.A.	ERG S.p.A.	5.000	5.000

Additional information 31.12.2015

	Yes	No	No information is known in reference
Restrictions on the transfer of securities		X	
Restrictions on voting rights		X	
Shareholders' Agreements			X
Agreements pursuant Art. 123-bis, paragraph 1, letter i) T.U.F. [1]	X		

1 The information in question is contained in the Remuneration Report published pursuant to art. 123-ter of T.U.F.

It is noted that:

- there are no shares that grant special rights to control;
- there is no stock plan for employees;
- in accordance with the provisions of Art. 123-bis, paragraph 1, letter h) of the Consolidated Finance Act, the Company is required to report the existence of certain financing transactions containing provisions relating to a change of control of the debtor, a change that in theory may result in the repayment of the loan in question if there is a change in control for ERG S.p.A. Such transactions include the loan granted by Banca IMI, as an agent bank in a pool of seven banks, on November 30, 2015, for an amount of 750 million Euro, in two tranches, with the last maturity in August 2020. In addition, there are partnership agreements in place with third parties relating to

certain investee companies, which allow for the possibility, but not the obligation, as is frequently the case in such agreements, for third parties that are shareholders of the above-mentioned investee companies, to acquire, usually at market conditions, the shares or stakes of the shareholder belonging to the ERG Group if there is a change in control of ERG. In the case of TotalErg S.p.A. is noteworthy to highlight that the shareholders' agreements provide the possibility, for the other shareholder, when the circumstances occur and in accordance with the procedures prescribed by said agreements, to purchase an equity investment, owned by the ERG Group, representing 2% of TotalErg S.p.A. if control of ERG changes;

- for rules applicable to the appointment and replacement of the members of the Board of Directors and of the Board of Statutory Auditors, and to amendments to the Articles of Incorporation, please refer to the relevant sections of this report (hereafter also the "Report");
- there are no powers to Directors for capital increases pursuant to Art. 2443 of the Italian Civil Code;
- the Directors have no powers to issue equity instruments;
- the Shareholders' Meeting held on April 24, 2015 authorised the Board of Directors, in accordance with Article 2357 of the Italian Civil Code, to purchase treasury shares for a period of 12 months from the date of the related resolution, up to a revolving maximum (i.e. the maximum amount of treasury shares held from time to time) of 30,064,000 (thirty million, sixty-four thousand) shares of ERG common stock with a par value of Euro 0.10 each, at a unit price, including ancillary purchase charges, not lower than 30% below and not higher than 10% above the closing price of the stock on the day immediately preceding each individual transaction.

CORPORATE GOVERNANCE

ERG S.p.A.'s corporate governance system complies with the requirements of the Italian Civil Code and other specific laws and regulations relating to companies – particularly those outlined in the Consolidated Finance Act and is consistent with the Italian Corporate Governance Code in its various revisions over the years[2]. The most current edition of the Corporate Governance Code is available to the public on the Italian Stock Exchange web site (www.borsaitaliana.it).

The elements that comprise corporate governance are **statutory bodies**, the **Board committees** and **corporate governance documents** that govern its operation.

2 Please refer to the previously stated note 1.

STATUTORY BODIES

Board of Directors

The current Board of Directors, comprised of twelve members, was appointed by the Shareholders' Meeting of April 24, 2015[3]. Consequently, the appointment to the Board of Directors shall expire at the date of the Shareholders' Meeting to approve the Financial Statements on December 31, 2017.

For the appointment of the Board of Directors, two lists of candidates have been presented, one by the shareholder San Quirico S.p.A. and the other by some institutional investors as follows[4]:

List San Quirico S.p.A.

1. Edoardo Garrone
2. Alessandro Garrone
3. Giovanni Mondini
4. Luca Bettonte
5. Massimo Belcredi*
6. Marco Costaguta
7. Paolo Francesco Lanzoni*
8. Mara Anna Rita Caverni**
9. Barbara Cominelli**
10. Luigi Ferraris**
11. Silvia Merlo**
12. Alessandro Careri

Institutional Investors list

1. Alessandro Chieffi**

Under the Articles of Association, the Company is managed by a Board of Directors whose membership composition is in compliance with current gender balance laws and regulations. The Board will be comprised of no less than 5 and not more than 15 members.

Directors are appointed on the basis of lists presented by the shareholders in which the candidates are listed in a progressive order, and accompanied by information on the personal and professional characteristics of the candidates and a declaration of whether they meet the independence requirements as prescribed by the Italian Consolidated Finance Act. The list must be filed, in compliance with Article 147-ter, paragraph 1-bis, of the Italian Consolidated

3 With reference to the provisions of criterion 1.C.4. of the Code of Conduct it is noted that the Shareholders' Meeting has not authorized general exceptions in advance to the competition provisions contained in art. 2390 of the Italian Civil Code.

4 For the percentage of votes obtained by the lists in relation to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of April 24, 2015, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Shareholders' Meeting 2015".

* Candidate in compliance with the independence requirements pursuant to the provisions of the T.U.F.

** Candidate in compliance with the independence requirements pursuant to the provisions of the T.U.F. as eligible to qualify as independent under the Corporate Governance Code.

Finance Act, at least 25 days prior to the date of the Shareholders' Meeting and shall be made available to the public at least 21 days prior to the Meeting.

The lists may only be presented by shareholders who, either individually or with other shareholders, represent the minimum percentage of share capital established in accordance with Article 144-quater of the Regulations implementing the Consolidated Finance Act, adopted by CONSOB with its resolution no. 11971 on May 14, 1999 (Issuer's Regulations), which is currently equal to 1%[5].

This share capital percentage is the same for the presentation of lists for the appointment of the Board of Directors in office[6].

Each shareholder may present or contribute to present only one list and each candidate may only be included in one list, under penalty of ineligibility. Each list shall contain a number of candidates not exceeding the maximum number of directors set out in the first paragraph of Article 15 of the Articles of Incorporation and, with the exception of those that present fewer than three candidates, it shall comply with the gender balance criterion prescribed by current laws and regulations.

In accordance with Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, for the first mandate in compliance with Law no. 120 on July 20, 2011, the least represented gender must receive a share equal to a least one fifth of the Directors elected.

The lists indicate which Directors meet the independence requirements set by Article 147-ter, paragraph 4 of the Consolidated Finance Act. At least one candidate from each list, or two candidates, in the case of a Board with more than seven members, must meet the above-mentioned independence requirements.

All candidates must meet the integrity requirements set out by current regulations for members of the control bodies, as well as professionalism requirements for the office to be held.

Together with each list, by the deadline indicated above, each candidate must file the statement accepting his/her candidacy and declaring under his own responsibility that there are no causes for ineligibility and incompatibility, the requirements prescribed by applicable regulations are met, and indicating whether (s)he qualifies as independent director.

For the purposes of the identifying the pool of Directors to be elected, no consideration is given to lists that did not obtain votes representing a percentage of the share capital equal to at least half of the required percentage for the presentation of the lists.

Each eligible person may only vote on one list.

The election of the Directors takes place as follows:

a) from the list that received the majority of the casted votes, in the progressive order in which they are listed, a number of Directors equal to the number of members to be elected minus one, subject to the provisions of Article

5 Pursuant to CONSOB Resolution no. 19499 of January 28, 2016.
6 Pursuant to CONSOB Resolution no. 19109 of January 28, 2015.

15, paragraph 5 and 5-bis of the Articles of Incorporation, for the appointment of independent Directors and compliant with the gender balance criterion in the composition of the Board of Directors;

b) the remaining Director is selected from the minority list that received the highest number of votes;

c) if a single list is presented, or if the required quorum is not reached by the other lists, all Directors shall be elected from the presented list or from the list that reached the quorum, subject to the provisions of Article 15, paragraph 5-bis of the Articles of Incorporation with respect to compliance with the gender balance criterion in the composition of the Board of Directors.

In any case, the election will be won by the candidate or, if the Board has more than seven members, the first two candidates from the list that received the highest number of votes, who meet the independence requirements, belonging to the list that obtained the highest number of votes[7].

The Directors in office as of the date of approval of the Report are as follows[8]:

Edoardo Garrone	*Chairman*
Alessandro Garrone[9]	*Vice Chairman*
Giovanni Mondini	*Vice Chairman*
Luca Bettonte	*CEO*
Massimo Belcredi	*Board Member*
Mara Anna Rita Caverni	*Board Member*
Alessandro Chieffi	*Board Member*
Barbara Cominelli	*Board Member*
Marco Costaguta	*Board Member*
Luigi Ferraris	*Board Member*
Paolo Francesco Lanzoni	*Board Member*
Silvia Merlo	*Board Member*

7 For more information, including those relating to the arrangements for ensuring compliance with the criterion of gender balance in the composition of the Board, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Governance Documents".

8 For the personal and professional qualifications of current members of the Board of Directors, please refer to the relevant curriculum vitae available on the Company's website (www.erg.eu) in the section "Corporate Governance / Board of Directors".

9 Holds the position of Director in charge of the internal control system and risk management.

Executive Directors

Edoardo Garrone

Alessandro Garrone

Luca Bettonte

Non-executive Directors[10]

Giovanni Mondini

Marco Costaguta

Independent non-executive Directors pursuant to T.U.F.

Massimo Belcredi

Paolo Francesco Lanzoni

Independent Directors pursuant to T.U.F. and the Corporate Governance Code

Mara Anna Rita Caverni

Alessandro Chieffi

Barbara Cominelli

Luigi Ferraris

Silvia Merlo

At the first meeting after the appointment, on April 24, 2015, the Board of Directors confirmed the independence of Directors Massimo Belcredi and Paolo Francesco Lanzoni with reference to Art. 148, third paragraph, of the Italian Consolidated Finance[11] and the independence of Directors Mara Anna Rita Caverni, Alessandro Chieffi, Barbara Cominelli, Luigi Ferraris and Silvia Merlo both with reference to Art. 148, third paragraph, of the Consolidated Law on Finance, and with reference to the information contained in the current Code of Conduct.

The Board of Statutory Auditors verified the correct application of the criteria and verification procedures adopted by the Board of Directors to assess the independence of its members.

Regarding the composition of the Board of Directors and the delegation of offices and powers, at this time, it was not considered necessary to designate a lead independent director as provided by application criterion 2.C.3 of the Corporate Governance Code.

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10 In view of the criterion 2.C.1 of the Corporate Governance Code.

11 The Board of Directors, in line with the assessments made during the previous three years, with emphasis on substance rather than form, a principle advocated by the Corporate Governance Code, has confirmed that the Directors Belcredi and Lanzoni do not nor have recently it had, directly or indirectly, relations with the Company or related persons, that would impair their autonomy of judgment, in accordance with Principle 3.P.1. the current Corporate Governance Code promoted by the Italian Stock Exchange. Moreover, in view of their long tenure, the Board of Directors considered it preferable not to qualify them as independent directors pursuant to the Corporate Governance Code..

On February 26, 2016 a meeting was held of the independent directors in the absence of the other Directors; they have however kept their appropriate links and have regularly provided a mutual prior consultation on major matters examined by the Board of Directors.

Other Appointments held by the Directors serving as Director or Statutory Auditor in listed companies in both Italy and abroad, in finance, banking and insurance or companies of significant size as of December 31, 2015 are as follows[12]:

Edoardo Garrone	*Chairman of San Quirico S.p.A. Supervisory Board* *Board Member of Pininfarina S.p.A.*
Alessandro Garrone	*Board Member of Banca Passadore and C. S.p.A.* *Board Member of Gruppo MutuiOnline S.p.A.*
Giovanni Mondini	*Chairman of the Management Board of San Quirico S.p.A.*
Massimo Belcredi	*Board Member of Editoriale l'Espresso S.p.A. Group*
Mara Anna Rita Caverni	*Board Member of Anima Holding S.p.A.* *Board Member of Anima S.G.R.* *Board Member of SNAI S.p.A.* *Board Member of Cerved Information Solution S.p.A.*
Marco Costaguta	*Board Member of the Management Board of San Quirico S.p.A.* *Board Member of OTB S.p.A.* *Board Member of Goglio S.p.A.* *Board Member of Rimorchiatori Riuniti S.p.A.* *Board Member of Holcim Italy S.p.A.*
Alessandro Chieffi	*Board Member of Intermonte SIM S.p.A.* *Board Member of Adriano Lease Sec. S.r.l.*
Silvia Merlo	*Board Member of Finmeccanica S.p.A.* *Board Member of l'Espresso S.p.A. Group* *CEO of Merlo S.p.A.*

12 Other than offices held in Group companies.

Other attendees of Board of Directors meetings

Meetings of the Board of Directors also include representatives from Group management to provide certain specific and timely insights on topics discussed on an as needed basis. In 2015, attendance by representatives from Group Management represented 80%, at 8 of the 10 meetings of the Board of Directors.

Directors' fees and remuneration - Evolutionary approach Remuneration Policy

In accordance with the Corporate Governance Code, on December 20, 2011, the Board of Directors approved the Policy for remuneration of the members of the Board of Directors and key executives proposed by the Nominations and Remuneration Committee, which included:

- Article 6 of the Corporate Governance Code;
- provisions of the Consolidated Finance Act and the Issuers' Regulations on the transparency of the remuneration of the directors of listed companies and of key Executives;
- current Procedure for transactions with Related Parties and the principles expressed in the Code of Ethics of the Group.

Subsequent revisions to the Remuneration Policy, proposed by the Nominations and Remuneration Committee and approved by the Board of Directors, were made as follows:

- on December 18th 2012, to incorporate the powers delegated by the Board of Directors (appointed by the Shareholders' Meeting of April 20th 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");
- on March 11th 2015, effective as from 2015[13], to incorporate Adhesion of the Company to the current Code of Conduct and the general principles of the system LTI 2015-2017 in anticipation of the renewal of the Board of Directors by the Shareholders' Meeting on April 24, 2015[14];

On December 15, 2015, the Board of Directors defined the conditions necessary to implement the LTI Plan 2015- 2017, in line with the Company's remuneration policy, and based on the results from the Shareholders' Meeting held on April 24, 2015 (under the provisions of Art . 123-ter of TUF) and the 2015-2018 Business Plan approved on the same date. In addition, the conditions were defined based on a proposal made by the Nominating and Remuneration Committee and after consultations with the Board of Statutory Auditors.

13 Since the 2015-2017 LTI is also applicable to ERG, the same has been submitted for approval to the Shareholders' Meeting held April 24, 2015, who voted also in favour of the LTI System.

14 The Shareholders' Meeting held on April 24, 2015 voted in favour of the first section of the Remuneration Report prepared in accordance with Article 123-ter of the Consolidated Finance Act.

During 2015, members of the Nomination and Remuneration Committee members submitted to the Board of Directors proposals on the remuneration of Directors (appointed by the Shareholders' Meeting on April 24th 2015), executive or vested with particular roles or subject to be part of the Strategic Committee[15], based on the provisions of current Remuneration Policy[16].

Proxies

At the meeting held on April 24, 2015, the Board of Directors assigned the following powers to certain members of the Board for the next three years, which will be in effect at the the Shareholders' Meeting that will be held to approve the Financial Statements at December 31st 2017:

- **Chairman Edoardo Garrone**
  - the authority to manage, with responsibility for supervision, direction and control, the processes of institutional and external relations, corporate social responsibility and corporate affairs, giving him all the necessary powers for the exercise of the proxy granted[17];
- **Vice Chairman Alessandro Garrone**
  - a proxy to manage preliminary and functional activities to define the strategic objectives of the Company and the Group and the preparation the Strategic Plan to be submitted to the Board of Directors for consideration and possible approval; additionally, to provide strategic coordination of the subsidiary companies;
  - a proxy to exercise supervision and control over activities for the preparation of project Budgets to be submitted for review and possible approval of the Board of Directors;
  - a proxy to provide guidance and supervision for activities related to research, development and negotiation with third parties in mergers and acquisitions transactions and structured finance transactions, which are subject to the approval of the Board of Directors;
  - a proxy to manage the definition of the Company organizational structure up to the second level reporting directly to the CEO, contributing to the decisions regarding the appointment of directors and executives, employee terminations, and remuneration policies and incentives;
  - a proxy to manage, with responsibility for supervision, direction and control, the activity of Internal Audit, Risk & Compliance;
  - the office of Director in charge of internal controls and risk management, with powers and responsibilities as outlined in the current Code of Conduct in line with the Guidelines for the Internal Control System and Risk Management approved by the Company;

15 Although not Group employees and free from a seat on the Board of Directors.
16 For any additional information on this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting in May 2015, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.
17 Assignment of these managerial powers, with particular but not exclusive reference to the activities within the group, takes into account the role carried out as Chairman of the Board of Directors and the provisions of the Corporate Governance Code (Comment to Article 2, fifth paragraph).

- **CEO Luca Bettonte** (Chief Executive Officer of the Company)[18]
  - the necessary powers to perform all activities pertaining to corporate activity, except for those reserved to the Board of Directors (by law or by statute) or delegated to the other Board Members;
  - the powers and responsibilities for the protection of health, and maintenance of safety in the workplace and the environment;
  - a proxy to protect persons and other subjects in processing of personal data.

In accordance with the Articles of Incorporation, the authority to represent the Company in accordance with Article 2384 of the Italian Civil Code rests with Chairman, as also separately belongs to the Managing Director or Managing Directors within limits of the powers conferred to them.

The Corporate Governance Code specifies that the powers vested in the Vice Chairman and the Chief Executive Officer shall be exercised within the scope of the directives and instructions imparted to them by the Board of Directors which shall retain, in addition to the powers that may not be delegated as prescribed by law or by the Articles of Incorporation, the authority to review and approve significant transactions identified on the basis of the criteria set out in the Guidelines for identifying and carrying out significant transactions.

The delegated bodies report to the Board of Directors, on a quarterly basis, on the activities carried out within the scope of the powers vested in them.

Frequency

As prescribed by the Articles of Incorporation, the Board of Directors meets at least quarterly 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, particularly those where there may be a potential conflict of interest.

During 2015, the Board of Directors held **10 meetings** and expects to hold no less than 8 in 2016.

In 2015, the Board of Directors adopted **55 resolutions** of which **30 resolutions** were adopted on the the basis of a proposal or of an opinion provided by the Board Committees. **45** of the resolutions were sent in advance to Directors and Auditors (at least 48 hours before the council of the meeting, subject to certain exceptions) with the relevant documentary information to enable sufficient preparation of the Directors and Auditors.

In some exceptional cases, the Members of the Board of Directors and the Board of Statutory Auditors were informed in advance through the delivery (48 hours before the Board meeting, barring exceptions) of summary documents on matters which were then thoroughly discussed in the course of the meeting. During board meetings, where appropriate, specific and timely insights were provided by representatives of Group management invited by the Board of Directors to participate.

It is also noted, that of the **10 resolutions** in which Board members and auditors had not been sent the related

18 In relation to which does not use the situation of interlocking directorate provided by application criterion 2.C.5 of the Corporate Governance Code.

documentation in advance, **3 resolutions** concerned matters where the Nominating and Remuneration Committee or the Audit and Risk Committee had carried out the preliminary and preparatory work, **4 resolutions** were approved by the newly appointed Board of Directors which met at the conclusion of the Shareholders' Meeting where a new Board member was appointed.

The average duration of the meetings held by the Board of Directors was approximately **approximately 3 hours**.

As of the date of approval of this document, the Board of Directors met **2 times**.

Activities pursued

The Directors made a significant contribution to the work of the Board of Directors and Committees in 2015, in their attendance and effective participation in the proceedings.

During 2015, the Board of Directors performed the activities and held responsibilities referred to in the application criteria 1.C.1. of the Corporate Governance Code in accordance with the role that the Code attributes to the Board of a listed Company.

With respect to letter g) of this criterion, the Board of Directors, at the meeting held on March 10, 2016, has carried out, making use of a document prepared for this purpose by the Nominations and Remuneration Committee, an evaluation of the size, composition and the activities of the Board of Directors and its Committees during FY 2015 expressing an overall positive assessment accompanied by specific guidelines on the activities of the Board and its Committees. The above said document was prepared using an assessment criteria used in the previous year, as well as the results of a self-assessment questionnaire prepared by the Corporate Affairs Division at the request of the Nominations and Remuneration Committee and sent to members of the Board of Directors and of the Board of Statutory Auditors.

The Board of Directors, with respect to the application criteria 1.C.3. of the Corporate Governance Code, acknowledged, that in light of the findings outlied in the document prepared by the Nominations and Remuneration Committee and taking into account the number of directorships and auditorships held by the individual Directors in other listed companies and in finance, banking, insurance companies or companies of significant size, it does not appear to be necessary to establish a maximum number of directorships and auditorships.

Lastly, the Board of Directors, with respect to the recommendations of criterion 5.C.2 of the Corporate Governance Code, acknowledged during the meeting held on March 10, 2015, that at present, the adoption of a plan for the succession of executive directors was not required.

The Chairman of the Board of Directors has ensured that in the course of meetings of the Board and Board Committees, depending on the topics addressed, the CEO and representatives of Group management would provide all directors with the necessary information to provide adequate knowledge of the business environment in which the Group operates, the business dynamics and their evolution, as well as the regulatory framework. To this end, some induction sessions were implemented for Directors and Statutory Auditors, by the representatives of the Group's management, with reference to the respective areas under their responsibility. The Chairman, during the year, also reported specific initiatives and events organized by primary stakeholders (i.e. to provide, among other things, an adequate knowledge of the principles of proper risk management) to which some Directors and Auditors have also participated. Also, as part of the training recommended by the Corporate Governance Code in favour of the Board of Directors Members and in accordance with the provisions of the Confindustria Guidelines for the construction of models of organization, management and control (ed. March 2014), the Company's Supervisory Board, with the support of a law firm specializing in the field, held an information session on the role of the Board of Directors under the regulations dictated by Legislative Decree no. 231/01.

Board of Statutory Auditors

The current Board of Statutory Auditors, is comprised of 3 Standing Auditors and 3 Alternate Auditors, appointed at the Shareholders' Meeting on April 23, 2013. Consequently, the appointment of the Board of Statutory Auditors shall expire at the date of the Shareholders' Meeting to approve the Financial Statements at December 31st 2015.
For the appointment of the Board of Statutory Auditors, only one list of candidates was presented by the shareholder San Quirico S.p.A.[19] as follows:

Mario Pacciani	*Standing Auditor*
Lelio Fornabaio	*Standing Auditor*
Elisabetta Barisone	*Standing Auditor*
Vincenzo Campo Antico	*Alternate Auditor*
Stefano Remondini	*Alternate Auditor*
Luisella Bergero	*Alternate Auditor*

In accordance with the Articles of Association, the Board of Statutory Auditors consists of three statutory auditors and three alternates reflecting the geneder balance criterion prescribed by current laws and regulations.
The appointment of Statutory Auditors, based on lists submitted by the shareholders, pursuant to art. 147-ter, paragraph 1-bis of the Consolidated Finance Act (referred to by Art. 148, paragraph 2 of the TUF) must be filed within five days prior to the date of and made available to the public at least twenty days before the Shareholder's Meeting.
Each list consists of two sections: one for candidates to the office of standing auditor and the other one for candidates to the office of alternate auditor. Each list shall contain a number of candidates, in progressive order, not exceeding the maximum number of auditors to be elected and, with the exception of those presenting fewer than three candidates, it shall comply, for each section, with the gender balance criterion prescribed by current laws and regulations.

19 For the percentage of votes obtained by the list related to the voting capital, please refer to the Summary Report of the voting on the items on the agenda of the Shareholders' Meeting of 23 April 2013, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Shareholders' Meeting 2013".

Candidate lists may only be presented by shareholders who, at the time of presenting the list, has share ownership percentage equal to that required for the presentation of lists for the election of Directors, currently equal to 1%[20].

For the appointment of Statutory Auditors in office, the percentage ownership required for submission of lists was equal to 2.5% of the share capital[21].

Each shareholder may present or contribute to present only one list and each candidate may be included in only one list, under penalty of ineligibility.

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 detailed information about the candidates' personal and professional qualifications and their statements pursuant to the Articles of Incorporation.

Candidates may not be elected to the office of Statutory Auditor unless they meet the requirements of independence, professionalism and integrity as provided by Article 148, paragraph 3 of the Italian Consolidated Finance Act or if they already serve as Standing Auditor in five listed companies[22].

If, at the expiration of the term for the presentation of the lists as indicated above, a single list was filed, or only lists presented by mutually connected shareholders, according to the definition set out in the applicable regulations, were filed, then lists may be presented – in accordance with Article 144-sexies, paragraph 5 of the Issuers' Regulations – until the third day after that date. In this case, the thresholds required for presentation of the lists are reduced by half.

Any list presented without compliance with the required prescriptions[23] shall be considered not to have been presented.

If no list is presented despite the completion of the aforesaid procedure, a majority vote shall be taken in order to ensure that the composition of the Board of Statutory Auditors complies with current laws and regulations and with the Articles of Incorporation. The Shareholders' Meeting shall appoint the Chairman.

If second list is not presented or voted on, the entire Board of Statutory Auditors shall comprise, in the order of presentation, the candidates from the single list that was voted on. The first person on the list, the leading candidate, is elected Chairman.

In case of presentation of multiple lists, the following are elected: the List that obtained the greatest number of votes, in the progressive order by which the two standing members and two alternates are listed; the third standing member the third alternate are elected by selecting the candidates to the respective posts indicated in first place of the list that obtained the greater number of votes after the first, among those presented and voted on by the minority shareholders who are not connected – even indirectly – with the shareholders who presented or voted the list that received the highest number of votes, according to current regulations and subject to the provisions of paragraph 13-bis of the

20 Pursuant to CONSOB Resolution no. 19499 of 28 January 2016.

21 Pursuant to CONSOB Resolution no. 18452 of 30 January 2013.

22 In this regard it is noted that following the CONSOB Resolution no. 18079 of 20 January 2012 - which introduced inter alia for changes to the Issuers Regulation aimed at simplifying the rules governing the number of offices for the members of the Control – the limits to the accumulation of duties per Article 144-terdecies, paragraph 2, of the Issuers' Regulations and the disclosure obligations per Article 144-quaterdecies of the Issuers' Regulations do not apply to those who serve as members of the control body of a single issuer.

23 For more information, including those relating to the arrangements for ensuring compliance with the criterion of gender balance in the composition of the Board of Statutory Auditors, please refer to the Articles of Association, available on the Company's website (www.erg.eu) in the section "Corporate Governance / Governance Documents".

Articles of Incorporation pertaining to compliance with the gender balance criterion in the composition of the Board of Statutory Auditors. The standing auditor drawn from the minority list shall be appointed Chairman.
If the lists receive equal numbers of votes, the candidate on the list that was presented by the shareholders with the largest percentage ownership or by the highest number of shareholders is elected.

The Statutory Auditors in office at the date of approval of the Report are the following[24] :

Mario Pacciani	*Chairman*
Lelio Fornabaio	*Standing Auditor*
Elisabetta Barisone	*Standing Auditor*
Vincenzo Campo Antico	*Alternate Auditor*
Luisella Bergero	*Alternate Auditor*
Mario Lamprati	*Alternate Auditor*

At the Shareholders' Meeting on April 15, 2014 Mr. Mario Lamprati was appointed as Alternate Auditor following the resignation of the Alternate Auditor Mr. Stefano Remondini and December 12, 2013.
The Board of Statutory Auditors, having examined the personal and professional qualifications of each auditor, has concluded that its members can be designated as independent, partly based on the criteria set forth in the Corporate Governance Code for Directors.
The Board of Directors, in light of the information provided in this regard by the members of the Board of Statutory Auditors and of the statements by the Chairman of the Board of Statutory Auditors, during its meeting of May 13, 2013, positively assessed the independence of the members of the Board of Statutory Auditors, both with reference to the provisions of Art. 148, third paragraph, of the T.U.F. and with reference the rules of behaviour of the Board of Statutory Auditors prepared by the National Board of Chartered Accountants and with the Corporate Governance Code for listed companies promulgated by Borsa Italiana S.p.A.
The Board of Directors has carried out the above-mentioned assessment, with reference to the Alternate Auditor Mario Lamprati, at the meeting held on May 14, 2014.
The Board of Statutory Auditors supervised the independence of the independent auditor verifying both compliance with the regulatory provisions, and the nature and extent of services, other than auditing, performed for the Company and for its subsidiaries by the independent auditor and by entities belonging to its network.
The Board of Statutory Auditors also supervised the financial disclosure process, the effectiveness of the internal control, internal audit and risk management systems and the legal auditing of annual accounts and the consolidated accounts.

24 For the personal and professional qualifiactions of each member, please refer to the relevant curriculum vitae available on the Company's website (www.erg.eu) in the section "Corporate Governance / Board of Statutory Auditors".

The Board of Statutory Auditors, in the performance of its activities, was supported by the Internal Audit, Risk & Compliance Division, coordinating with the Control and Risk Committee.

During 2015, the Board of Auditors held **9 meetings** while for the 2016, it is expected that there will be no less than **9** meetings held.

The average duration of the meetings held by the Board of Auditors was approximately 2 hours and 30 minutes.

At the date of approval of this document, the Board of Statutory Auditors had met **2 times**.

Other appointments held by the Directors or Statutory Auditors serving as Statutory Auditors in listed companies in both Italy and abroad, in finance, banking and insurance, or companies of significant size as of December 31, 2015[25] are as follows:

Mario Pacciani	*Chairman of the Board of Boero Bartolomeo S.p.A.*
Lelio Fornabaio	*Standing Auditor of Astaldi S.p.A.*
	Standing Auditor of Atlantia S.p.A.
	Standing Auditor of Italferr S.p.A.
	Standing Auditor of Expo S.p.A.

General Meeting

Article 10 of the Articles of Incorporation states that, in compliance with laws and regulations, the holders of voting rights who exhibit a suitable certification issued in accordance with current regulations by the broker and notified to the Company according to the procedures and within the terms set by current laws and regulations, are entitled to attend Shareholders' Meetings. Holders of voting rights may be represented by proxy in the Shareholders' Meeting, within the limits and according to the procedures prescribed by current laws and regulations. The proxy may be notified via certified electronic mail in accordance with the procedures indicated in the convening notice or using the different instrument which may be indicated in the notice.

Article 11 of the Articles of Incorporation states that the Shareholders' Meeting shall be convened by the administrative body at least once a year, no later than one hundred twenty days from the closing date of the financial year or no later than one hundred eighty days, if the Company must prepare Consolidated Financial Statements and if required by specific provisions related to the organisation or the purpose of the Company.

Article 12 of the Articles of Incorporation states that the Shareholders' Meeting is convened by a notice to be prepared and published within the terms and according to the procedures prescribed by current laws and provisions.

Article 13 of the Articles of Incorporation states that the provisions of law shall apply for the quorum of both Ordinary and Extraordinary Shareholders' Meetings and for the validity of their resolutions.

25 Other than offices held in Group companies.

Meeting Regulations

At the Ordinary Shareholders' Meeting, shareholders approved Regulations governing the proceedings of Ordinary and Extraordinary Shareholders' Meetings.

Article 14 of the Articles of Incorporation expressly gives the Ordinary Shareholders' Meeting the ability to adopt meeting Regulations.

BOARD COMMITTEES

The Board of Directors has assigned advisory and recommending tasks through the creation of the **Audit and Risk Committee**, the **Nominating and Remuneration Committee** and the **Strategic Committee**.

Control and Risk Committee

Composition:

Massimo Belcredi – *Chairman*

Mara Anna Rita Caverni

Barbara Cominelli

Gian Raffaele Rivanera – *Secretary*

The current Audit and Risk Committee is comprised of, in accordance with the provisions of the Code of Conduct, three non-executive mostly independent Directors, appointed by the Board of Directors in the meeting of April 24, 2015.

With reference to the provisions of Principle 7.P.4 of the Corporate Governance Code[26], it should be noted that prior to the first meeting of the Committee held on May 6, 2015, the two independent members, considering the strong change occurred in the composition of the Committee, in order to ensure continuity with respect to the skills and experience acquired through their tenure[27], also for their benefit and support as new members of said Committee, taking into account the independence of ratings made by the Board of Directors in the meeting of April 24th 2015 with particular reference to the autonomy of judgment granted to the non-executive member of the Committee and in view the fact that the Chairman of the Committee during the vote does not enjoy special privileges over other members - with the abstention of the non-executive member - unanimously resolved to confirm the latter in the position of Chairman of the Audit and Risk Committee.

26 "The control and risk committee is comprissed of independent directors. Alternatively, the Committee may be comprised of non-executive directors, most of them independent; In this case, the Chairman of the committee is chosen from the independent directors."

27 It should be noted that the non-executive member of the Committee - qualified on April 24, 2015 by the Board of Directors as an independent director under the T.U.F. but not in accordance with the Code of Conduct only due to the long tenure - has been Chairman the Audit Committee and Risk from November of 2005.

At the meeting on May 6, 2015, the Committee appointed a Secretary outside of its members. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair the meetings.

Members of the Committee have adequate experience in accounting, and in financial and risk management[28].
Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor designated by him, and depending on the topics to be discussed, by all members of the Board of Statutory Auditors. Meetings may also be attended by the Chairman of the Board of Directors, the Executive Vice Chairman and the Chief Executive Officer, who are entitled to participate in the discussion of the agenda items and to identify adequate actions to address critical or potentially critical situations, as well as, the Director in charge of the Internal Control and Risk Management System, the Head of Internal Audit, Risk & Compliance and the Manager responsible for preparing the Company's financial reports.
Employees of ERG Group companies, representatives of the independent auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend Committee meetings.
The Head of Internal Audit, Risk & Compliance shall be invited to attend the meetings in order to inform the Committee, at least once a quarter, about the activity carried out from time to time.
The Manager responsible for preparing the Company's financial reports shall be invited to attend the meetings in order to inform the Committee, at least quarterly, about the accounting standards applied in the preparation of Financial Statements and, at least semi-annually, about the activity carried out from time to time in accordance with Article 154- bis of the Consolidated Finance Act.
The Committee shall meet at least quarterly, according to a schedule set with sufficient advance notice.

Committee members are provided in advance of the meeting date (at least 48 hours before the meeting, subject to certain exceptions) with documentation and information necessary to enable them to express an informed opinion on the matters under consideration. During board meetings, where appropriate, specific and timely insights were also obtained from representatives of Group management, invited to participate for that purpose.

The Committee organises its work in such a way as to combine comprehensive information flows and efficiency of operation with maximum independence of its members.
In particular, resolutions may be adpted without the presence of other parties.

28 These characteristics were evaluated by the Board of Directors At the meeting of April 24, 2015.

Tasks

The Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code. The Chairman of the Committee, in accordance with the current Code of Conduct[29], reports to the Board of Directors at the first board meeting, on the meetings held by the Committee.

In general, through quantitative and qualitative analytical activities, supports the assessments and decisions of the Board of Directors pertaining to the Internal Control and Risk Management System (also, "ICRM System"), as well as those pertaining to the approval of periodic financial reports.

In particular:

- it assists the Board of Directors in the following tasks prescribed by the Corporate Governance Code: definition of the guidelines of the ICRM System; periodic audit of the adequacy, operating effectiveness of the ICRM System; verification that the main corporate risks are correctly identified, adequately measured, managed and monitored;
- it expresses opinions on specific aspects pertaining to the identification of the main corporate risks as well as to the design, implementation and management of the ICRM System;
- it supports, with adequate investigations, the evaluations and decisions of the Board of Directors relating to the management of risks arising out of prejudicial acts of which the Board of Directors is aware;
- it expresses its own opinion on the appointment and termination of the Head of Internal Audit, Risk & Compliance and on the proposal for its remuneration formulated by the Director in charge of the Internal Control and Risk Management System;
- it monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit, Risk & Compliance;
- it assesses the annual work plan and the related budget prepared by the Head of Internal Audit, Risk & Compliance and his/her periodic audit reports audits specific operating areas, as needed;
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- it assesses, together with the Manager responsible for preparing the Company's financial reports, with the input of the independent auditor and the Board of Statutory Auditors, the proper application of the accounting standards and their consistency for the preparation of the Consolidated Financial Statements, of the draft separate Financial Statements, and of the condensed half-year financial report;
- it maintains the appropriate relations with the independent auditor, with the Board of Statutory Auditors, with the Director in Charge of the Internal Control and Risk Management System, with the Head of Internal Audit, Risk & Compliance and with other departments that, within the Group's organisational structure, interface with these parties, in such a way as to contribute to a coordinated and effective performance of their respective activities in the areas of common intervention;

29 As of 15 December 2015.

- it informs the Board of Directors, at least once every six months, upon approval of the annual and half-year financial reports, about the work carried out and the adequacy of the ICRM System;
- review the annual work plan prepared by the Supervisory Committee, established pursuant to the provisions of Legislative Decree no. 231/01 and semi-annual reports;
- it continually assesses adequacy of the corporate procedure directed at regulating, in operational terms, the external communication of documents and information pertaining to the Company and the Group, with particular reference to "price sensitive"; information;
- it provides the Board of Directors, the Chairman, the Executive Deputy Chairman and the Chief Executive Officer with all other advice and proposals, which the Committee deems necessary or appropriate for them to better carry out their respective duties in the areas of control, risk management and corporate disclosure;
- provides to the Board of Directors and to the relevant bodies the opinions provided by the Procedure for transactions with related parties, where appropriate specifically comprised of two Independent Directors belonging to the same Committee and the other Independent Director being part of the Nominating and Remuneration Committee[30]. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditors;
- it carries out any other duties assigned by the Board of Directors.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. As part of the activity performed by the members of the Committee for the purpose of the procedure for transactions with related parties, the Board of Directors does not have any pre-set spending limit for the so-called operation of "lesser importance".

In the performance of its duties, the Committee was able to access the information and made use of the Company functions necessary to carry out its tasks.

In 2015 the Committee held **9 meetings** – all duly recorded in minutes – during which, in addition to the preventive review of the Financial Statements, of the half-year report and of the economic and financial data of interim reports on operations, it examined topics pertaining to the following macro-issues:

- Group Governance;
- Control and risk management system;
- Compliance requirements connected with Italian Legislative Decree no. 231/01;
- Group's administrative and accounting processes.

30 For operations relating to the assignment or the increase in compensation and benefits, in any form, to a member of an administrative function or control of the company or an Executive with strategic responsibilities or in one of the subjects that cover the functions shown in annex 1 to the procedure for related party transactions, the Committee called to issue its opinion on the interest of the Company upon completion of the transaction with the related party and the convenience and the substantial correctness of related conditions is the Nominating and Compensation Committee, if applicable specifically comprised of two independent directors that are part of the same Committee and the independent Director that is part of the internal control Committee, with the understanding that the said operations pursuant to Art. 3.2 (c), the procedure itself are not excluded from the scope of the procedure itself.

The average duration of the meetings held by the Committee was approximately **2 hours**.

At the date of approval of this document, the Control and Risk Committee, met **3 times**.

The most significant issues covered by the Committee are:

Concerning Group Governance:

Appointment of the Chairman and the Secretary of the Committee

- it proceeded, after the renewal, to appoint its Chairman and Secretary.

Remuneration of the Chief Audit, Risk & Compliance Officer

- it issued a favourable opinion on the proposal for remuneration of the Chief Audit, Risk & Compliance Officer, presented by the Director in charge of the Internal Control and Risk Management system with reference to variable remuneration relating to 2014 as well as the fixed and variable remuneration relating to 2015..

Guidelines, procedures and standards

- it gave a favourable opinion to the proposed reduction of the so-called “small transaction threshold” prescribed in the Procedure for transactions with Related Parties;
- it gave a favourable opinion to the proposal for the updating the Procedure for transactions with related parties mainly aimed at allowing the same Committee and the Nominating and Remuneration Committee - specifically, integrated where applicable, in their composition - delivering the opinions required by the procedure itself;
- it has examined and approved the update of the Guidelines for its operations up to implement the new composition of the Committee as decided by the Board of Directors during the meeting held on April 24, 2015.

Specific analyses carried out

- it examined the new approach taken in the preparation of the Report for 2014 remuneration;
- It has verified the scope of application of Articles 2497 et seq. of the Italian Civil Code relating to (i) relations between ERG and its parent Company San Quirico S.p.A.; (ii) the scope of the management and coordination of ERG; (iii) the list of companies with which these activities are carried out;
- at the request of the Board of Directors, it conducted an analysis on the main changes made to the new edition of the Corporate Governance Code, as well as on actions for implementation, reporting on this issue to the Board of Directors.

With regard to the internal Control and Risk Management System:

Dealings with Internal Audit, Risk & Compliance

- it examined and shared the Risk Report on the activity carried out in 2014 and in the first half of 2015;
- examined quarterly updates on the activities carried out by Internal Audit, Risk & Compliance (pursuant to Legislative Decree. 231/01 and 262/05) and any findings by recommending specific actions and requiring follow up on them;

– it examined and expressed a favourable opinion on the plan of activities and budget of Internal Audit, Risk & Compliance for the FY 2016.

Specific analyses carried out

- it received constant updates on ongoing audits and analyses within the scope of the investigations for alleged tax irregularities pertaining to the measure by the Prosecutor's Office of Rome;
- it has deepened the administrative and accounting processes of the foreign Group companies - affected by an ongoing revision project.

As for all compliance relating to Legislative Decree no. 231/01:

Dealings with the Supervisory Committee

- it examined, on a six-month basis, the periodic reports on the activity carried out by the Supervisory Committee;
– it examined the schedule of activities and the budget of the ERG Supervisory Committee for 2016.

Guidelines, procedures and standards

- It has examined and approved the proposal to update the Model of Organisational and Management pursuant to Legislative Decree 231/01 to reflect the main regulatory and legal changes relating to administrative liability of companies.

Concerning the Group's administrative and accounting processes

Dealings with the Manager responsible for preparing the Company's financial reports

- it examined the impairment test procedure on the financial statements as of December 31, 2014, the impairments identified, and the judgements applied behind the proposals and estimated write-downs, together with the manager responsible for preparing corporate accounting documents, reviewed by the Independent Auditors Deloitte & Touche SpA and the Board of Auditors, the correct application of accounting principles, the purpose of the periodic financial reporting, as well as their consistency for consolidated reporting purposes;
- took note of the understanding to arrive at the agreed termination of the statutory audit assignments of accounts held (in ERG Renew SpA and in its subsidiaries) with Ernst & Young SpA and to give the same to the Deloitte & Touche SpA thus allowing the latter to become the Group's sole auditor, also took note of the alternation of the engagement of statutory audit concerning ERG SpA (and its subsidiaries) assigned to Deloitte & Touche by the Shareholders' Meeting on April 23, 2009 for the period 2009-2017.

Specific analyses carried out

- iit examined the financial situation of ERG SpA Supply & Trading at December 31, 2014, following the developments until the merger of the company into ERG SpA;
- it examined the main aspects of the institution of the Tax Consolidation of ERG SpA and its main subsidiaries;

- it took note of the main features of the intragroup services contracts for 2015;
- it examined the methods for the renewal of the Group VAT liquidation procedure for tax year 2015.

The Committee deemed it possible to confirm, in view of the activities carried out in 2015, its positive appraisal with regard to the adequacy of the Internal Control and Risk Management System.

Nominations and Remuneration Committee

Members:

Paolo Francesco Lanzoni – *Chairman*

Mara Anna Rita Caverni

Silvia Merlo

Gian Raffaele Rivanera – *Secretary*

The current Audit and Risk Committee is comprised of, in accordance with the provisions of the Code of Conduct, three non-executive mostly independent Directors, appointed by the Board of Directors on April 24, 2015.
With reference to the provisions of Principle 6.P.3 of the Corporate Governance Code[31], it should be noted that prior to the first meeting of the Committee held on May 6, 2015, the two independent members, considering the strong change occurred in the composition of the Committee, in order to ensure continuity with respect to the skills and experience accrued[32], also for their benefit and support as new members of said Committee, taking into account the independence of ratings made by the Board of Directors in the meeting of April 24, 2015 with particular reference to the autonomy of judgment granted to the non-executive member of the Committee and in view the fact that the Chairman of the Committee during the vote does not enjoy special privileges over other members - with the abstention of the non-executive member - unanimously resolved to confirm the latter in the position of Chairman of the Nominations and Remuneration Committee.
The Committee, during its meeting on May 6, 2015, appointed a Secretary outside of its members. The Chairman, with the collaboration of the Secretary, shall coordinate the activities of the Committee and shall chair its meetings.
Committee meetings are attended by the Chairman of the Board of Statutory Auditors or another auditor appointed by him or, in relation to certain matters, all members of the Board of Auditors; the proceedings may also participate, upon invitation, the Chairman of the Board of Directors, the Executive Vice Chairman and CEO as entitled to intervene on the issues in question and to determine the appropriate course of action, some of which may be potentially critical.

31 "The board of directors created a remuneration committee, made up of independent directors. Alternatively, the Committee may be comprised of non-executive directors, most of them independent; In this case, the Chairman of the committee is chosen amongst the independent directors."
32 It should be noted in this regard that the non-executive member of the Committee - qualified by the April 24, 2015 the Board of Directors as an independent director under the T.U.F. but not in accordance with the Code of Conduct only due to the long tenure - has been Chairman the Nominations and Remuneration Committee since May of 2009.
33 These characteristics were evaluated by the Board of Directors At the meeting of Apri 24,l 2015.

Employees of Group companies, representatives of the independent auditor and, in general, persons whose presence is deemed necessary or appropriate for the discussion of the agenda items may be invited to attend Committee meetings.

The Committee shall meet at least quarterly, according to a schedule set with sufficient advance notice.

Committee members are provided in advance of the meeting date (at least 48 hours before the meeting, subject to certain exceptions), documentation and information necessary to express an informed opinion on the matters under its consideration. During board meetings, where appropriate, specific and timely insights were also obtained with the support of representatives of Group management, purposely invited to participate.

Tasks

The Nominations and Remuneration Committee advises and issues recommendations to the Board of Directors and fulfils the role and responsibilities indicated in the Corporate Governance Code for the Nominations Committee and for the Remuneration Committee[34]. The Chairman of the Committee, as of the date of the current Code of Conduct [35] reports to the Board of Directors at its first board meeting held, on the meetings held by the Committee.

In particular:

- it makes recommendations to the Board of Directors regarding the remuneration of the Chairman, Deputy Chairmen, CEO and, more generally, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors and, upon indication of the CEO, regarding the determination of criteria for the remuneration of the Company's top management and for the definition of incentive plans for the Group's management;
- it periodically assesses the adequacy, overall consistency and consistent application of the Remuneration Policy for members of the Board of Directors and Executives with Strategic Responsibilities;
- it proposes to the Board of Directors the candidates for the office of Director in the case provided by Article 2386, first paragraph, of the Italian Civil Code, if it is necessary to replace an Independent Director;
- it assesses, at the specific request of the shareholders who intend to present lists, the independence of candidates for the office of Director to be submitted to the Shareholders' Meeting;
- it provides the Board of Directors on an annual basis, with an evaluation of the size, composition and operation of the Board itself, and it may express recommendations on the professional profiles that should be included in the Board;
- it expresses recommendations regarding the maximum number of directorships or auditorships in other companies listed on regulated markets in Italy and abroad, in financial, banking, insurance companies or companies of significant size that can be considered comparable with effective performance of the duties of a director;

34 Under the conditions outlined for both Committees in the Corporate Governance Code, except as specified on the Principle 6.P.3 of the Corporate Governance Code.

35 As of 15 December 2015.

- it provides delegated bodies to the Board of Directors and the opinions required by the procedure for related party transactions, if applicable specially composed of two independent directors that are part of the same Committee and an independent Director that is part of the internal control Committee (i) on the Company's interest in carrying out transactions involving the assignment or the increase in compensation and benefits in any form to a member of an administrative or control body of the Company or a key Executive in the same or in one of the parties that cover the roles shown in Annex 1 to the procedure for related party transactions and (ii) on substantive economic convenience and fairness of the relative conditions consists of the members of the Nominating and Remuneration Committee, provided that the said operations pursuant to art. 3.2 (c), of said Procedure, are not excluded from the scope of the procedure itself[36]. If a member of the Committee is the counterparty of the transaction to be assessed or a related party thereof, the other Committee members shall call upon another non related independent director to participate in the meeting or, if none is available, a non related standing member of the Board of Statutory Auditors.

To better carry out its duties, the Committee may employ outside consultants at the Company's expense. As part of the activity performed by the members of the Committee for transactions with related parties the Board of Directors did not have any pre-set spending limit for the so-called transactions of "Minor Relevance".
Whenever the Committee discusses recommendations for the remuneration of the Chairman, Executive Deputy Chairman and CEO, such individuals must leave the meeting.
In the performance of its duties, the Committee was able to access the information and Company functions necessary to carry out its tasks.

In 2015, the Committee held **8 meetings** – duly recorded in minutes – during which in particular, it:
- formulated proposals for setting the remuneration of the Chairman, Deputy Chairmen, CEO and, more in general, of Directors with powers or specific duties and of the Directors called to serve on the Strategic Committee who do not hold positions in the Board of Directors;
- made determinations on the definition of the targets for the year 2015 with reference to the short and long term incentive system and to the value creation achieved in 2014;
- issued opinions – and proposals, when warranted – on the recognition and establishment of bonuses to some of the Company's managers. The members of the Nominations and Remuneration Committee formulated the aforesaid proposals or assessments also taking into account the provisions of the current Procedure for transactions with related parties;
- prepared a supporting document for the evaluation of the Board of Directors regarding the size, composition and

36 If requirements are met in art. 3.2 letter c) of the Procedure for transactions with related parties - namely (i) the Company has adopted a remuneration policy; (ii) defining the remuneration policy included the involvement of the Appointments and Compensation Committee; (iii) that was submitted to the advisory vote of a report setting out the remuneration policy; (iv) the remuneration awarded is consistent with this policy - with their reporting obligations under Article. 154-ter of T.U.F., the same procedure will not apply to transactions involving the assignment or increase of remuneration and economic benefits, in any form, to a member of an administrative organ or control of the Company or an executive with responsibility strategic of the same or at least one of the persons holding the functions specified in Annex 1 to the Procedure for transactions with related parties.

operation of said Board and its Committees during the year 2015 using the evaluation criteria previously applied in the previous year and the results of a self-assessment questionnaire sent to the members of the Board of Directors and of the Board of Statutory Auditors;

- actively participated in determining the Company's remuneration policy, effective 2015, in order to take account of the Company itself to the current Code of Conduct and the general principles of the LTI 2015-2017 System; to define the conditions necessary to give effect to the above LTI System;
- assessed the adequacy, overall consistency and actual application of the Remuneration Policy of the Company, also on the basis of the information provided by the CEO and by the Executive Vice Chairman.

The average duration of the meetings held by the Committee was **approximately 1 hour and 30 minutes**.

At the date of approval of this document, the Nominations and Remuneration Committee had met **2 times**.

Strategic Committee

Members:

Alessandro Garrone – *Chairman*

Giovanni Mondini

Luca Bettonte

Marco Costaguta

Luigi Ferraris

Paolo Luigi Merli – *Secretary*

The Committee advises and issues recommendations to the CEO and to the Board of Directors of ERG and to the Boards of Directors of the operating companies of the Group.

It operates, based on policies approved by the Board of Directors, by defining strategic business and portfolio guidelines, and establishing guidelines and policies on strategic finance and individual finance operations, and monitoring the progress of their implementation over time.

The Committee also examines the long-term strategic plans and capital expenditures budgets of the Group and of the operating companies, as well as the strategic benefits of significant capital expenditures effected at the Group level.

During the year 2015, the Committee held **10 meetings**.

INTERNAL COMMITTEES

The structure and composition of the Internal Committees (no board committees, composed of managers of the Group) is aligned with the working model of the Group's organizational structure.

Leaders Meeting

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it endorses the activities, characteristics and performance of the Group's business;
- it ensures common vision and team working;
- it enhances the Group's human and relational assets and it promotes the managerial culture and values;
- it provides opportunities to compare with best practices outside the Group through witness accounts and benchmarking.

Human Capital Committee

Committee is tasked with advisory tasks and makes recommendations to the Executive Vice Chairman and CEO; in particular:

- it defines and monitors the main programs and development activities of human capital;
- it supports the Vice Chairman and the Chief Executive Officer in decision concerning the development of personnel and the variable remuneration and medium- long term incentive systems, as well as for the proposals to be submitted to the Nominations and Remuneration Committee.

Investment Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it provides support to the Chief Executive in the evaluation of proposals for investment by Business Units;
- it issues a technical, economic and financial opinions with reasons for the Strategic Committee at various stages of the investment process.

Risk Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it supports the Chief Executive Officer in the definition of the strategies and policies for managing financial and market risks;
- it provides the Chief Executive Officer with information useful for the authorisation of operations for managing financial and market risks, for monitoring the execution of transactions of major relevance and for verifying their effects.

Business Review Committee

Committee is tasked with advisory tasks and makes recommendations to the Chief Executive Officer; in particular:

- it monitors the operating performance of the reference Business Unit with the respective Managing Director;
- it identifies opportunities for value creation in the business "as is";
- it evaluates preliminary assessment of potential opportunities for investment / disinvestment.

Sustainability Committee

Committee with is tasked with advisory tasks and makes recommendations the Chairman of the Board, in particular:

- it defines the Group's guidelines on sustainability and promotes the implementation of consistent practices in the field of corporate social responsibility;
- it approves, monitors and evaluates the objectives for sustainability and priority areas of intervention in the field of CSR;
- it approves the timing and mode of communication of the Sustainability Report (RdS) and initiatives in the field of CSR.

CORPORATE GOVERNANCE DOCUMENTS

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

- the Articles of Incorporation;
- the Code of Ethics;
- the Corporate Governance Code;
- the Procedure for the management and processing of confidential information and for the dissemination of statements and information to the public;
- 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 Procedure for transactions with related parties;
- the Policy for the remuneration of members of the Board of Directors and of key Executives;
- Guidelines for compliance with Legislative Decree 231/01 and the anti-corruption laws in the Group companies;
- the Organization and Management Model pursuant to Legislative Decree no. 231/01;
- the Anti-corruption Guidelines.

Articles of Incorporation

The Articles of Incorporation, as illustrated in detail in the report, contains the main rules governing the operation of ERG's corporate bodies and has been recently amended to comply with the changes in laws and regulations on the matter of gender balance in the composition of the administrative and control bodies.

Code of Ethics

The Code of Ethics represents an instrument for raising the awareness of all employees and contractors and all other stakeholders so that, when carrying out their activities, they adopt correct and transparent conduct in line with the ethical-social values to which ERG aspires. The Code of Ethics therefore represents an essential part of the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01.

The Code of Ethics was revised in 2014 to take into account regulatory changes (introduction of the offenses of bribery among private parties) and to improve the representation and communication of the ethical principles promoted by the Group. The latest revision to the Code of Ethics was approved by ERG's Board of Directors on May 14, 2014.

The Code of Ethics is adopted by all companies in the Group, both Italian and foreign, and it is available in English and French.

The Code of Ethics is communicated to the contractors of the Group not only through its publication on the Group's website, but also through reference in the contractual clauses.

The Code of Ethics is administered to employees of the Group through both classroom training and an e- learning course tracked in the system.

Corporate Governance Code

The Company has adopted the Corporate Governance Code of Listed Companies promoted by the Borsa Italiana S.p.A. since its first edition in 1999. On December 15, 2015 the Board of Directors, after the Control and Risk Committee's preliminary evaluation of the main amendments made, decided to adopt the new edition of the Corporate Governance Code published in July 2015.

Procedure for handling and processing privileged information and for the public dissemination of statements and information

The Board of Directors, based on a recommendation made by the Control and Risk Committee, has adopted a procedure for handling and processing privileged information, and for public communication of statements and information. The aim is to ensure that all statements and information intended for the market, for CONSOB and for Borsa Italiana S.p.A. are the outcome of a process that guarantees both timeliness and accuracy.

The procedure, updated on May 14, 2014, defines the tasks and responsibilities of the departments 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, or direct provisions aimed at ensuring a comprehensive and timely flow of information within the companies of the Group as well as between them and the Parent Company to comply with their reporting obligations, regarding the "price sensitive" events for the market and the market's supervisory bodies.

Code of Conduct on Internal Dealing

The Board of Directors has adopted a Code of Conduct, revised on July 1, 2015, to provide transparency to financial transactions carried out by Relevant Persons, those persons who, by virtue of their roles within the Group, have significant decision-making powers or considerable knowledge of corporate strategies which would help them in making investment decisions regarding the financial instruments issued by the Company.

The list of recipients of this Code is published on the Company's website.

Guidelines for the identification and execution of significant transactions

The Board of Directors has defined the Guidelines for the identification and execution of significant transactions, the examination and approval of which – as recommended by the Italian Corporate Governance Code – remain the exclusive responsibility of the Board of Directors.

The Guidelines, most recently revised on March 10, 2016, set out the criteria to be used to identify significant transactions, in accordance with Article 1 of the Corporate Governance Code, consisting of quantitative and qualitative criteria, and criteria deriving from the specific requirements of the parties involved (related-party transactions and intra-group transactions).

The document also indicates the standards of conduct to be followed in carrying out the aforesaid transactions, with particular reference to the transactions carried out by the subsidiaries over which ERG exercises management and coordination in accordance with Article 2497 et seq. of the Italian Civil Code which must be preventively examined and approved by the Board of Directors.

Code of Conduct for Directors of Group companies

The Board of Directors has adopted a Code of Conduct for Directors appointed in Group companies, revised on May 14, 2014, to provide uniform rules of conduct for performing their duties within a systematic framework of reference and in compliance with Corporate Governance principles.

Procedure for transactions with related parties

The Board of Directors, with its resolution of November 11, 2010, with the favourable opinion of the Internal Control and Risk Committee and with input from the Board of Statutory Auditors, approved and adopted a specific internal resolution, effective January 1, 2011, aimed at ensuring the transparency and substantial and procedural correctness of the transactions with related parties carried out by ERG directly or through its subsidiaries.

The procedure has been last updated on May 12, 2015 to reflect certain organizational changes.

Remuneration policy of the Board of Directors and key Management personnel

The Board of Directors adopted, with its resolution of December 20, 2011, at the proposal of the Nominations and Remuneration Committeeman Remuneration Policy for the members of the Board of Directors and for key Executives, in line with the provisions of the Corporate Governance Code. At the proposal of the Nominations and Remuneration Committee, the policy has been revised:

- on December 18, 2012, to take into account the powers delegated by the Board of Directors (appointed by the

Shareholders' Meeting of April 20, 2012) and the adoption of the 2012-2014 Medium/Long Term Incentive System ("LTI System");

– on March 11, 2015, to take into account, effective 2015, the Company's acceptance of the current Corporate Governance Code and of the general principles of the 2015-2017 LTI System[37].

On December 15, 2015, the Board of Directors - in light of the 2015-2018 Industrial Plan approved on the same date and based on a proposal of the Nominating and Compensation Committee and after consultation with the Board of Statutory Auditors, defined the conditions necessary to implement monetary long-term incentives from 2015 to 2017.

Guidelines for Compliance with Legislative Decree 231/01 and the Anti-corruption laws in the ERG Group companies

Guidelines for Compliance with Legislative Decree 231/01 and the Anti-corruption Laws within the Group are aimed at giving the Group companies (Italian and foreign) methodological guidance on the adoption of the Code of Ethics and for the administration of Compliance with the provisions outlined by Legislative Decree 231/01, to establish principles and rules to be followed to ensure compliance with Anti-corruption Laws. The guidelines are not intended to override or remove responsibility of the individual legal entities based on its own Risk Assessment.

The Guidelines were adopted with the purpose that their adoption can provide a valid instrument to protect the Company, and all those who, internally or externally, work for the Group.

The Guidelines approved by ERG's Board of Directors on November 12, 2013 set out the general principles and rules with reference to:

- the adoption of the Group's Code of Ethics by all direct and indirect Italian and foreign subsidiaries;
- the management of the subsidiaries' criminal liability, in order to provide a framework of rules, obligations and prohibitions pertaining to:
  - "compliance 231", for Italian companies (without prejudice to the individual legal entities' liability in the decision as to whether or not to adopt a Model 231 prepared according to their own specific Company);
  - "compliance to the national and international anti-corruption applicable regulations" in order to prevent violation and in order to ensure the utmost respect.

Organisational and Management Model pursuant to Legislative Decree 231/01 and Supervisory Board

Organisational and Management Model pursuant to Legislative Decree 231/01 is intended to ensure fairness and transparency in the conduct of corporate activities and as a valid instrument to prevent the risk of committing the crimes sanctioned by Legislative Decree no. 231/01.

The ERG Board of Directors, on December 21, 2004 resolved to adopt for the first time an organisational, management

37 For additional information in this matter, please refer to the Remuneration Report per Article 123-ter of the Consolidated Finance Act, to be presented to the Shareholders' Meeting convened in May 2015, among other matters, in accordance with Article 2364, second paragraph, of the Italian Civil Code.

and control model pursuant to Legislative Decree 231/01 and has appointed the Supervisory Committee.

After the initial approval, the Model 231 has been revised and improved to reflect regulatory and legislative changes, as well as organisational changes that have taken place within the Group.

The Model was designed according to the Guidelines of Confindustria. In accordance with laws and regulations, the Model 231 includes a disciplinary system aimed at sanctioning any violations of the Model, of the Code of Ethics and the failure to comply with the corporate procedures that provide the safeguards.

The current version of the Model 231 was approved by the Board of Directors on March 11, 2015. An extract of the document is published in the "Corporate Governance" section of the site www.erg.eu.

The Model was developed considering the main positions expressed by jurisprudence with repect to the following characteristics:

- **effectiveness**: the adequacy of the set of controls established to prevent the perpetration of offences;
- **specificity**: the forecasts of the Model take into account the characteristics and size of the Company and the type of activities carried out, as well as the history of the Company;
- **being up to date**: namely, the ability to reduce the risks of offences in reference to the character of the structure and of the business, also with the work of the Supervisory Committee which keeps it up to date and current over time.

The structure of the Model adopted by ERG is characterised by the presence of the following significant components:

- **Code of Ethics**, which expresses the reference principles which must guide the activity of all those who contribute, with their work, to the performance of the corporate activities;
- **general part**, which defines the overall set-up of the Model, in relation to the provisions of the Decree and to the specific decisions made by the Company in its preparation referring to the disciplinary system, to be enforced in the event of violation of the prescribed rules and procedures;
- **special part**, which defines the rules to be followed in the performance of sensitive activities.

Together with the adoption of the Model 231, the decision to comply with Legislative Decree 231/01 led to the appointment of the Supervisory Committee, tasked with overseeing the observance of the Code of Ethics and assuring the adequacy and actual implementation of the Model, and to evaluate whether its subsequent updating is necessary.

The Committee, as a result of the decisions reached by the Board of Directors during its meeting of April 24, 2015, is comprised of:

- an external member, identified in a Statutory Auditor of the Company, acting as Chairman (L. Fornabaio);
- two internal members, identified as the Chief Human Capital Officer (A. Fusi) and as the Chief Audit, Risk & Compliance Officer (D. De Paolis).

The members of the Supervisory Committee shall remain in office for a period preferably no longer than three years and may be confirmed in office. In case of resignation of the Board of Directors which appointed them, they will remain in office until the appointment of new members, or the confirmation of the previous, by the new Board of Directors.

The Supervisory Board carries out its activities in the Parent Company ERG and its Subsidiaries. Each subsidiary has appointed their own Supervisory Board.

The synergies between the Code of Ethics and Model 231 are also emphasized the assignment as Guarantor of the Code of Ethics to the Supervisory Committee of ERG. Similarly, each subsidiary with its own Supervisory Board, has also assigned the same task to its own Supervisory Board.

The Supervisory Committees of ERG and of its subsidiaries shall rely, in their audit activities on the Model 231 and on the Code of Ethics, on the Internal Audit, Risk & Compliance of ERG.

To increase effectiveness of the governance and internal control of the Company, information flows are provided to the Supervisory Committee. The primary function of the information flows is to enable the Supervisory Committee to continuously oversee the functionality of the Model 231 and the identification of possible interventions to update the Internal Control and Risk Management System. To this end, the Supervisory Committee has adopted a procedure which identifies the relevant information flows, the timing for transmission, and the individuals responsible. In order to manage communications to the Supervisory Committee, a dedicated e-mail address has been created. With reference to the provisions of the Comment to Article 7 of the Corporate Governance Code[38], it is specified that the information flows to the Supervisory Committee are made through specific channels and guarantee the anonymity of the informant.

The Supervisory Committee prepares an annual plan of supervision activities which is presented to the Board of Directors of ERG and reports regularly on the implementation of the Code of Ethics and the Model 231 to the Control and Risk Committee.

The Supervisory Committee shall manage the training activities through:

- classroom training to all employees (including managers and executives) on issues pertaining to Italian Legislative Decree no. 231/01, Model 231 adopted by the Company, the Supervisory Committee and the activities it performs, the information flows to the Supervisory Committee;
- an e-learning course dedicated to the Code of Ethics, expected to be attended by employees and newly hired personnel;
- an e-learning course dedicated to 231-related issues, intended for newly hired personnel.

Anti-corruption Guidelines

ERG carries out its activities in accordance with the highest national and international standards of good Corporate Governance. In this context, the Group is firmly committed to respecting and applying the principles of integrity, impartiality and transparency.

These principles increase in importance when addressing corruption, a global phenomenon that irreparably destroys the integrity of both public and private enterprises.

38 "The Committee believes that, at least in the issuing companies belonging FTSE-MIB index, an adequate system of internal control and risk management must be equipped with an internal reporting system by employees of any irregularity or violation of the regulations applicable and internal procedures (so-called whistleblowing systems) in line with the best practices in national and international level, guaranteeing a specific information channel and reserved as well as the anonymity of the informant".

ERG, in order to futher stress that it conducts all aspects of its activity in strict compliance with applicable domestic and international laws and regulations, inter alia, with respect to anti-corruption and further to demonstrate its adoption of the values described above, has decided to adopt, in addition to the Code of Ethics, the Anti-corruption Guidelines. The goal is to provide to all personnel and, in particular, to those working abroad for or on behalf of Group companies, the principles and rules to follow to ensure compliance with local Anti-corruption Laws.

The Anti-corruption Guidelines in force were approved by ERG's Board of Directors on November 12, 2013, translated into English and adopted by all foreign Companies of the Group

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MANAGEMENT AND COORDINATION

ERG S.p.A. is a subsidiary of San Quirico S.p.A. which does not exercise any management and coordination activity over its subsidiary, within the meaning of Articles 2497 et seq. of the Italian Civil Code. Additionally, a provision of its Articles of Incorporation expressly prohibits the Company from carrying out management and coordination activities with its subsidiaries.

This circumstance is periodically evaluated by the Board of Directors, also on the basis of a preliminary review carried out by the Control and Risk Committee. ERG S.p.A. in turn performs management and coordination activities on direct or indirect subsidiaries.

The scope of involved companies and the content of any activity carried out are periodically reviewed by the Board of Directors, also on the basis of a preliminary review carried out by the Control and Risk Committee.

In particular, the Board of Directors, during the meeting held on July 14, 2015, acknowledged that ERG carries out management and coordination activities on direct and indirect subsidiaries – respecting the managerial and operating independence of said companies, which benefit from the advantages, the synergies and the economies of scale deriving from their inclusion in the Group – represented by the definition of business strategies, of the corporate governance system and of the corporate structures, as well as by the determination of shared general policies pertaining to human resources, accounting, Financial Statements, taxation, finance, risk management, communication, institutional relations, corporate social responsibility.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP[39]

Below is the full version of the document "Guidelines for the Internal Control System and Risk Management System", last updated on March 3, 2016, and currently in place by the Group, in order to reflect changes resulting from the Company with the Corporate Governance Code.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM OF THE ERG GROUP: GENERAL GUIDELINES

The ICRM System conforms with the principles contained in the current edition of the Corporate Governance Code and, more in general, with the best domestic and international practices.

The Guidelines – defined and kept up to date by the Board of Directors – outline the general principles for the management of the main risks in the Group, consistent with the strategic objectives identified, while coordinating procedures among the parties listed below in order to maximise the effectiveness and efficiency of the ICRM System.

The ICRM System, in particular, consists of a set of rules, procedures and organisational structures aimed at proactively contributing – through an adequate process of identifying, measuring, managing and monitoring the main risks – to the protection of the Group's assets, to the efficient and effective management of the Group in line with the strategies defined by the Board of Directors, to the trustworthiness, accuracy and reliability of information provided to the corporate bodies and the market and, more in general, to compliance with current laws and regulations.

The System, as an integral part of the enterprise, is applied across the entire organisational structure of the Group: from the Board of Directors of ERG and its subsidiaries[40] (hereinafter "Subsidiaries"), to the Group Management (hereinafter, "Management") and to the Company's personnel.

39 Guidelines of the Internal Control and Risk Management System.
40 For the purposes of the Guidelines for "control" means the provisions of art. 93 of the T.U.F. have therefore to be understood excluding joint venture jointly controlled.

PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The main persons and bodies involved in the ICRM System, according to their respective skills (established in the Guidelines), in compliance with current laws and regulations, and based on recommendations of the Corporate Governance Code, are:

- the Board of Directors, which plays a role of guidance and evaluation of the adequacy of the ICRM System;
- the CEO, which is responsible for identifying the main business risks;
- the Director in charge of the Internal Control and Risk Management System,, responsible for verifying the operating effectiveness and the overall adequacy of the ICRM System;
- the Control and Risk Committee, with the task of supporting, through an adequate preliminary analysis activity, the assessments and decisions of the Board of Directors pertaining to the ICRM System, as well as those pertaining to the approval of periodic financial reports;
- the Chief Audit, Risk & Compliance Officer, in charge of verifying the viability and suitability of the ICRM System.

Board of Directors

The Board of Directors carries out the role and the duties prescribed by the Corporate Governance Code and, within its main function of orienting and assessing the adequacy of the ICRM System, it is the central body of the System.

To this end, the Board of Directors, in particular:

- defines Guidelines[41], so that the main risks[42] are correctly identified and adequately measured, managed and monitored, determining their compatibility with enterprise management that is consistent with the identified strategic objectives;
- assess, at least annually, the adequacy of the ICRM System with respect to the characteristics of the Company and to the risk profile assumed, as well as its effectiveness;
- appoints Chief Audit, Risk & Compliance Officer, defines their remuneration[43], approves at least annually the work plan prepared by the same and examines the outcomes of its activities;
- approves at least annually the work plan prepared by the same and examines the outcomes of its activities;
- identifies within itself one or more directors appointed to set up and maintain an effective Internal Control and Risk Management System and establishes the Control and Risk Committee to carry out (i) assessments and makes decisions pertaining to the ICRM System and ensures that duties and responsibilities are allocated clearly and appropriately and that (ii) the Chief Audit, Risk & Compliance Officer, the Supervisory Committee and the Manager responsible for preparing the Company's financial reports, have adequate resources available for the performance of their duties and enjoy an appropriate level of autonomy within the organisation.

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41 With the opinion of the Internal Control and Risk Committee.
42 Including the risks that may be significant in view of sustainability in the medium to long term.
43 The Board of Directors, at the proposal of the Director in Charge of the Internal Control and Risk Management System and upon approval by the Audit and Risk Committee System, and the Board of Statutory Auditors.

Specifically, responsibility for the creationg and maintenance of an effective Internal Control and Risk Management System are shared between the Chief Executive Officer and the Director in charge of the Internal Control and Risk Management System, as described below.

Chief Executive Officer

The CEO has the powers necessary to carry out all actions pertaining to the Company's business.

As part of ERG's organizational structure, the following report to the CEO: Chief Human Capital Officer, the Chief Public Affairs & Communication Officer, the General Counsel, the Chief Financial Officer, the Renewables Business Unit (ERG Renew S.p.A.), the Business Unit Power (ERG Power Generation S.p.A.).

The Chief Executive Officer identifies the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and by its subsidiaries, and periodically submits them to the review of the Board of Directors, as described in detail below.

The Investment Committee supports the Chief Executive Officer in the assessment of the investment proposals by the BUs/Companies and expresses a reasoned technical and economic-financial opinion for the Strategic Committee in the various stages of the investment process.

Director in charge of the Internal Control and Risk Management System

Ensures the maintenance of the functionality and the overall adequacy of the ICRM System.

For this purpose, the Director in charge of the Internal Control and Risk Management System, shall, in particular:

- implement Guidelines defined by the Board of Directors, providing for the design, implementation and management of the Internal Control and Risk Management System and constantly monitoring the adequacy and effectiveness;
- manage the adaptation of this system to the dynamics of operating conditions and of the legal and regulatory environment;
- verify, through the Internal Audit, Risk & Compliance activity, that Management has identified the main risks, that the risks were assessed with consistent procedures, that the mitigating actions have been defined and are being carried out, and that the risks are managed in accordance with the decisions of the Board of Directors;
- propose to the Board of Directors the appointment and compensation of the Chief Audit, Risk and Compliance Officer[44], ensuring his/her independence and operating autonomy with respect to each manager in charge of operating areas and verifying that (s)he is provided with suitable means to perform his/her duties effectively;
- rely on the Internal Audit, Risk & Compliance Division to perform audits on specific operating areas and on compliance with rules and internal procedures in the execution of corporate operations;
- promptly communicate to the Control and Risk Committee (or to the Board of Directors) on any problem and critical

44 Favourable opinion of the Control and Risk Committee and the Board of Statutory Auditors.

issue noted in the course of his/her activity, or of which (s)he has otherwise become aware, so that the Committee (or the Board of Directors) can undertake the appropriate initiatives.

The Director in Charge of the Internal Control and Risk Management System does not carry out operational activities (S)he is empowered by the Board of Directors to supervise, through oversight, guidance and control duties, the Internal Audit, Risk & Compliance activities.

Control and Risk Committee

The Control and Risk Committee advises and issues recommendations to the Board of Directors and fulfills the role and responsibilities indicated in the Corporate Governance Code, supporting the Board of Directors in the assessments and decisions pertaining to the ICRM System.

For this purpose, the Committee shall, in particular:

- examine the work plan and the periodic reports prepared by the Chief Audit, Risk & Compliance Officer
- express opinions on specific aspects relating to the identification of key risks and support, with adequate investigation, evaluations and decisions relating to risk management Board of Directors arising out of prejudicial acts of which the Board of Directors is aware;
- report to the Board of Directors, on a half-yearly basis, on the activity performed and on the adequacy of the ICRM System;
- monitor the independence, adequacy, effectiveness and efficiency of Internal Audit, Risk & Compliance;
- examine the results of the activities of the Manager responsible for preparing the Company's financial reports;
- in connection with the Financial Reporting Manager, evaluate the correct application of accounting principles[45] and their consistency for the purpose of preparing the consolidated financial statements, and the condensed interim financial statements.

The Board of Statutory Auditors shall attend the meetings of the Control and Risk Committee.

Chief Audit, Risk & Compliance Officer

Internal Audit, Risk & Compliance performs the role and duties prescribed by the Corporate Governance Code, verifying the functionality and suitability of the ICRM System and, in particular, that Management has identified the main risks, that the risks were assessed in accordance with estalibhesd procedures and that appropriate mitigating actions have been defined and carried out. It also verifies that the risks have been managed consistently with the decisions of the Board of Directors, with external rules and with the Group's internal rules.

The Chief Audit, Risk & Compliance Officer is not responsible for any operating area; (s)he reports to the Board of Directors through the Director in Charge of the Internal Control and Risk Management System and management information to be provided to the Control and Risk Committee and to the Board of Statutory Auditors. The Board of Directors, at the proposal of the Director in Charge of the Internal Control and Risk Management System and upon

45 Together with the manager responsible for preparing corporate accounting documents and hearing the opinion of the Independent Auditors and the Board of Statutory Auditors.

approval by the Audit and Risk Committee System, and the Board of Auditors:

- appoints and dismisses the Chief Audit, Risk & Compliance Officer;
- ensures that the Chief Audit, Risk & Compliance Officer is provided with adequate resources for the performance of his/her duties and the fulfilment of his/her responsibilities;
- assesses the adequacy of the activities carried out defining their remuneration consistently with the corporate policies.

The annual work plan, based on a structured process of analysis and prioritisation of the main risks ("Audit Plan"), similarly to the budget, is subject to the approval of the Board of Directors[46]. Moreover, within the scope of the audit plan, Internal Audit Risk and Compliance shall verify the reliability of the information systems including the accounting measurement systems.

At least twice a year, (s)he prepares a summary of the main observations emerged and of the corporate risks to be monitored (Risk Report) which includes an assessment of the suitability of the ICRM System. The findings from these reports are presented to the Director in charge of the Internal Control and Risk Management System, to the Control and Risk Committee, and to the Board of Statutory Auditors.

The Chairmen of the Board of Directors, of the Board of Statutory Auditors and of the Control and Risk Committee, as well as the Director in charge of the Internal Control and Risk Management System are recipients of non-periodic information flows, generated by the Internal Audit, Risk and Compliance Division, in such a way as to ensure their simultaneous involvement.

OTHER RELEVANT PLAYERS WITH SPECIFIC TASKS CONCERNING THE INTERNAL CONTROL AND RISK MANAGEMENT

Chairman of the Board of Directors

Oversees directs and controls the processes of institutional and external relations, corporate social responsibility and corporate affairs.

Executive Vice Chairman

The Executive Vice Chairman supervises the Group's strategic decisions and the definition of the organisational macro-structure. (S)he orients and coordinates the extraordinary transactions, including structured finance transactions. (S)he carries out the strategic coordination of the subsidiaries.

The Executive Vice Chairman, is also the Chairman of the Strategy Committee.

46 After consulting the Supervisory Director of the Internal Control System and Risk Management, heard the Control and Risk Committee and the Board of Auditors.

Chief Financial Officer

With visibility into the operation of the ICRM System (both in terms of effectiveness and efficiency), the Chief Financial Officer through his/her structure ensures:

- the enhancement of the business portfolio within the scope of the defined development strategies, ensuring the directional control processes and the optimal allocation of financial resources;
- operational excellence in the performance of support services for the Group's Companies through the Service Company for which (s)he serves as Chairman of the Board of Directors;
- support to the Chief Executive Officer in the identification of the main corporate risks.

Manager responsible for preparing the Company's financial reports

The Manager responsible for preparing the Company's financial reports, whose activity is regulated by Italian Law no. 262/2005, is responsible for:

- establishing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the application of estalibhsed procedures;
- the release to the market of the attestation of the adequacy and effective application of administrative and accounting procedures for financial reporting purposes of the Group.

Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and with the Articles of Incorporation, adherence with correct administration principles, the adequacy of the organisational structure (for aspects under its cognisance), of the ICRM System and of the administrative-accounting system, and its reliability in correctly representing operations, and the adequacy of the provisions imparted to the Subsidiaries for the proper fulfilment of the prescribed disclosure obligations.

For this purpose, the Board of Statutory Auditors in line with the role and the duties prescribed by the Corporate Governance Code:

- shall share, in a timely manner, with the Control and Risk Committee, the relevant information for the performance of their respective duties;
- may rely on the Internal Audit, Risk and Compliance Division for the performance of audits on specific operating areas or Company transactions.

Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors and it has adequate financial resources available for the performance of its duties, among which are:

- to oversee compliance with the Code of Ethics;
- to verify the effectiveness and adequacy of the Model of organization and management pursuant to Legislative

Decree 231/2001 (hereinafter the "Model"), namely its ability to prevent the occurrence of the offenses referred to in Legislative Decree no. 231/2001 on the basis of an annual audit plan presented to the Board of Directors;
- to verify the adequacy of the organisational solutions adopted for the implementation of the Model;
- to prepare a half-yearly report to the Control and Risk Committee and to the Board of Directors about its activities, informing them of any violation it has observed with respect to the Model.

The Committee shall be provided with all information that pertain, even indirectly, to the perpetration or attempted perpetration of offences and circumvention of the Model and the Code of Ethics as well as at- risk behaviours in general. For this purpose should be sent the information described in "Procedure Information flows to the Supervisory Committee" at the intervals specified therein.

IMPLEMENTATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ERG considers adequate risk management and mitigation to be of fundamental importance: for this reason, Top Management has deemed it appropriate to define a risk management Policy to explain the relationships between risk management and processes to identify objectives and management plans in order to define the procedures to select the different strategies and risk protection techniques, assigning formal management responsibilities within the organisation.

This framework involves the establisment of an organisation able to provide a clear allocation of governance, monitoring and reporting responsibilities, and to institute an inter-relationship between the organisational units and the bodies assigned to carry out risk management and control activities. As a response, ERG has set up specific committees within the Board of Directors (e.g. Strategic Committee) and outside it (i.e. Investment Committee, Risk Committee, Human Capital Committee, Business Review Committee, Sustainability Committee), tasked with analysing issues, providing advice and/or making proposals to particular "sensitive" and economically, financially and strategically relevant matters, that will lead to the adoption, by the Board of Directors, of well- informed, clearly represented decisions. Some of these committees have adopted the same methods for measuring, identifying, assessing and controlling risks, and they provide advisory tasks and make recommendations to the Chief Executive Officer in relation to:
- definition of risk management strategies and policies;
- assessment of the most relevant transactions and analysis of the associated risks;
- monitoring the progress of the most relevant transactions and verification of the enforcement of risk management policies.

Within this scope, the risk management process is developed through:
- the identification and assessment of the main strategic risks tied to the Business Plan and to extraordinary transactions, as well as the definition of the policies required to mitigate them;

- the identification and assessment of the main risks tied to business processes, as well as the definition of the procedures to manage them and of the control instruments;
- the continuous verification of the operation and effectiveness of the risk management process.

The aforementioned steps are described in detail below.

Management of Strategic and Discontinuity Risks

In relation to the management of the risks tied to the Business Plan and to extraordinary transactions, it should be highlighted that strategic decisions are made by the Board of Directors on the basis of a risk assessment performed with the support of the Strategic Committee and the Investment Committee. The Executive Deputy Chairman and the Chief Executive Officer, members of these Committees, periodically report to the Board of Directors on main prospective risks, in terms of strategic decisions and investment.

The process, aimed at the definition of the strategic risks related to the Group's investments and to significant transactions, initially involves the Investment Committee, which expresses a technical and economic-financial opinion on them, and subsequently the Strategic Committee, which assesses the desirability of proceeding in this sense. The process, following this evaluation process, allows the Board of Directors to effectively make strategic decisions related to investment decisions that the Group intends to undertake. The Board of Directors decides both with respect to investments and the risks to be assumed, overseeing "ex post" management of the transactions and of the related risks.

The Chief Executive Officer has the responsibility and accountability for the management of corporate risks and is supported by Management in their identification and assessment, as well as in the definition of the policies for their management. In this regard, (s)he is also supported by the Strategic Committee and by the Investment Committee.

Management of Process Risks

The management of process risks is performed by the Company's Management, who is responsible for the assessment and for the definition of the mitigating instruments. For the management of process risks, Management uses a risk self-assessment tool: Business Process Risk Assessment. The Business Process Risk Assessment (BPRA) enables Management to monitor the riskiest areas on the basis of the adequacy of designed controls in order to mitigate the associated risks, pointing out areas deserving attention, towards which the most appropriate action plans should be adopted. This activity, with the aid of the Internal Audit, Risk & Compliance involves the entire Management of the ERG Group in the identification of the process risks (business and corporate) and of the related associated controls.

Therefore, the BPRA is a valid support that enables the Management to manage the riskiest areas effectively.

In addition, contributions to ensure the effective operation of the ICRM System shall also be made by the Manager responsible for preparing the Company's financial reports, who assesses the adequacy and operation of the controls on the administrative-accounting processes. In addition, contributions are made by the Risk Committee, who provides advice and support to the Chief Executive Officer, in defining of the strategies and policies to manage financial and market risks.

The significance of the risks, classified in categories and sub-categories, is determined based on the probability of occurrence and level of impact not only in economic terms, but also in terms of market share, competitive advantage and reputation.

The assessment of the control environment pertains to:

- the existence, updating and compliance with internal rules (e.g. guidelines, procedures);
- the adequacy of the organisational instruments (e.g. delegated powers and authority);
- the adequacy of the monitoring activities, reporting and internal communication;
- the adequacy of the information systems supporting process management.

Continuous verification of the effectiveness of the risk management process

This verification activity provides the occasion to verify both the extent to which the objectives have been achieved, and the correct implementation of the selected management procedures. Every deviation from the objectives and policies is subjected to a root cause analysis, to review the decision-making processes currently in place and to identify the factors that hinder the success of the identified solutions. Based on the results of these analyses, if necessary, revisions may be made to management programs.

The ICRM System, defined on the basis of domestic and international leading practice, consists of the following three levels of control:

- **First level**: assigned to individual lines consisting of checks carried out by those who perform certain activities and by those who are responsible for their supervision. It also makes it possible to ensure the correct performance of the operating activities;
- **Second level**: assigned to structures other than line, it contributes to the definition of the risk measurement methods, and the identification, assessment and control (Risk Management). It also makes it possible to verify compliance with regulatory obligations (Compliance);
- **Third level**: entrusted to Internal Audit, Risk & Compliance, its purpose is to identify anomalous trends, violations of the procedures and regulations, and to assess the functionality of the overall internal control and risk management system.

Within this context, the Director in charge of the Internal Control and Risk Management System focuses his/her activities on the main corporate risks, taking into account the objectives and characteristics of the activities performed by the ERG Group.

The Model contributes to strengthen the ICRM System, describing the measures and protocols aimed at reducing noncompliance within the corporate organisation.

The Supervisory Committee is tasked to prevent the commission of offenses provided for in the Model pursuant to Legislative Decree. No. 231/2001 and to propose the adoption of new measures if the need arises, to maintain the Model current and effective at all times, adapting it to any regulatory and organisational changes that should occur over time.

STRUCTURE AND OPERATION OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE ERG GROUP

The Group is aware that an effective Internal Control and Risk Management System contributes to a healthy management of the Company, and is consistent with the corporate objectives defined by the Board of Directors, promoting well-informed decisions and contributing to safeguarding the assets, to the efficiency and effectiveness of the processes, to the reliability of financial reporting, compliance with the rules, the by-laws and internal procedures.
To promote and maintain an adequate ICRM System, the ERG Group uses organisational, informational and regulatory instruments, which allow the identification, measurement, management and monitoring of the main risks.
This system is integrated in the organisational, administrative and accounting structure and, more generally, in the corporate governance structure. It is based on the recommendations of the Corporate Governance Code which the Group has adopted, taking as references the domestic and international models and best practices, aimed at consolidating the overall effectiveness and efficiency.

The System of Rules and Procedures

The definition Internal Control and Risk Management System structure and its governing rules takes place through the definition of appropriate internal corporate rules (Policies, Guidelines, Procedures and Operating Note) which regulate the processes and activities carried out by ERG and its subsidiaries.
In relation to each regulation, the related recipients are defined below:

- **Policies**: they are intended for all stakeholders and on the basis of the values expressed in the Code of Ethics which define the fundamental management principles in the performance of corporate activities;
- **Guidelines**: they are intended mainly for those who must set up operations and manage them and they define the principles for the execution of such activities;
- **Procedures**: are intended for the parties involved in the operating processes regulated by them;
- **Operating Notes**: they are intended for the parties who at an operational level, carry out the activity or stages of activity regulated by the document.

Moreover, a specific procedure was formalised in the Group with the goal of defining a method for the uniform, integrated, effective and efficient management of the corporate rules and for regulating the activities performed by the involved parties, in terms of:

- responsibilities of the actors involved in the process;
- (electronic and hardcopy) communication flows among the various players involved in the process;
- control activities connected with the operations reported in the process.

The System for assigning Powers

A correct and effective Corporate Governance system requires a formal assignment of powers consistent with the Company's own organisational system.

A correct attribution of powers entails assessing whether the validity requirements exist, determining its limits and identifying matters that can be delegated.

The system adopted in the Group provides:

- the assignment of powers by the Board of Directors to the Group's different Companies, through Board resolutions, to the Chief Executive Officers for the ordinary management of the Companies;
- the assignment of powers of attorney, normally to the first-level executives reporting to Chief Executive Officers, with powers of signature, representation and external negotiation;
- the assignment of special powers of attorney for the performance of a specific, well- defined action, upon completion whereof the validity of the power of attorney is voided;
- the assignment to the heads of organisational positions internal powers of attorney related to actions that have no external enforceability.

The system of delegated powers and powers of attorney in place within the Group is structured to achieve consistency of the organisational structures, the assigned powers and the corporate regulatory system (Policies, Guidelines, Procedures, Operating Notes and Job Descriptions), and the maintenance of appropriate Segregation of Duties ("SOD")

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

The ways in which the Group has defined its Internal Control and Risk Management System in relation to financial disclosure process (henceforth, "System") at the consolidated level are illustrated below. The purpose of the System is to mitigate significant risks in terms of trustworthiness, reliability, accuracy and timeliness of financial disclosures.

Particularly, the ERG Board of Directors, at the meeting held on March 11, 2014, appointed Paolo Luigi Merli, Chief Financial Offcier, as Manager responsible for preparing corporate accounting documents with responsibility for:

- preparing adequate administrative and accounting procedures for the preparation of financial disclosure documents;
- monitoring the enforcement of the procedures;
- issuing to the market the certification of the adequacy and effective enforcement of the administrative and accounting procedures for the purposes of the Group's financial disclosure.

The Manager responsible for preparing the Company's financial reports shall rely on the support of the Chief Audit, Risk & Compliance Officer in verifying the operation of the administrative and accounting procedures by testing the controls.
This organisational structure ensures segregation of duties between activities for devising the administrative and accounting procedures and the activities for verifying their adequacy and their actual enforcement.

In such a context, all personnel of the Group shall collaborate with functions that directly or 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.

262/05 was presented to the Control and Risk Committee and it applies, from a viewpoint of logic, of methodology and with regard to the principles of process control and correctness, to the companies of the Group.

Role, Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

Role of the Manager responsible for preparing the Company's financial reports

The main responsibility of the Manager responsible for preparing the Company's financial reports of ERG, as described above, is to implement administrative-accounting procedures that govern the process for the preparation of periodic corporate financial reporting, to monitor their application and, together with the Chief Executive Officer, certify to the market that the above principles were followed and that the financial information made available is reliable.

The position of the Manager 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.

Appointment and Requirements of the Manager responsible for preparing the Company's financial reports

The Board of Directors, with the mandatory opinion of the Board of Statutory Auditors, shall appoint the Manager responsible for preparing the Company's financial reports, setting his/her compensation and assigning him/her adequate powers and means. The qualifications of the Manager will include someone who has had at least three years of experience in positions of adequate responsibility in the administrative, financial or accounting area of enterprises or entities, both public and private, or among those who have adequate competence and experience in legal, economic, administrative-accounting or financial matters.

Elements of the system

Methodological approach

The working methodology adopted within the Group is comprised of the following steps:

a. identification and evaluation of the risks applicable to financial reporting;
b. identification of controls to mitigate identified risks at the Company/Group level (entity level) and at the process level;
c. evaluation of controls and management of the implementation and operating effectiveness of such controls, with the aim of reducing risks to a level considered "acceptable" (information flows, gap management, plan for remedial action, reporting system, etc.).

The activity is carried out by Internal Audit, Risk & Compliance and it is periodically shared with the Manager responsible for preparing the Company's financial reports.

Risk identification and assessment

Risk Assessment is conducted annually with the goal of identifying, on the basis of a quantitative and qualitative analysis:

1. the Companies within the Group scope of consolidation to be included in the analysis;
2. the risks at the level of the selected operating Company/Group (Company/Entity Level Controls) in the general corporate context of the Internal Control System, with reference to the five components of the CoSO model developed by the Committee of Sponsoring Organizations of the Treadway Commission, leading practice at

the international level and recognised within Italy as a reference model by the Italian Stock Exchange Corporate Governance Code (control environment, risk assessment, information and communication, control activities, monitoring);

3. the general risks for the Company's information systems supporting related processes (IT General Controls);
4. the processes that generate, with inherent risk, the accounts of the Consolidated Financial Statements for each Company selected;
5. for each relevant process, the specific risks for financial reporting, with particular reference to so-called financial statement assertions (existence and occurrence, completeness, rights and obligations, valuation and allocation, presentation and disclosure).

The process of Risk Assessment starts from the consolidated Group Financial Statements in order to determine the appropriate scope, and is based on the combined application of quantitative and qualitative factors. Quantitative factors considered include:

- Financial Statement Coverage: this dimension is used to measure the percentage of the total financial statements for which controls are to be analysed and evaluated, defined on the basis of significance of such items to the Consolidated Financial Statements;
- significant accounts: this refers to the quantitative size of that item to the Consolidated Financial Statements subject to the application of a materiality threshold;
- significant processes: by means of account-process matching, processes that are identified for which controls should be assessed, since all processes associated with accounts that have balances greater than the materiality threshold form part of the activity.

Quantitative factors considered include:

- to complement the quantitative part of the analysis, as to include or exclude accounts-processes from the scope of the activity on the basis of management knowledge, 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 by management concerning risk levels relating to financial disclosures;
- to define the "level of depth" to which the analysed accounts-processes must be taken into consideration within the scope of the activity 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 Control and Risk Committee.

Identification of controls

Once key risks at the process level are identified, the actions to be taken in order to monitor the associated risks are identified.

In particular, the mapping of accounts-processes and related controls constitutes a tool through which:

- significant processes and associated risks defined within the scope of Risk Assessment, are mapped against the controls that addresses such risks;
- the chart of mapped controls is evaluated to ascertain the capacity of each control to manage and mitigate an identified risk and, in particular, the underlying Financial Statements assertion;
- the operation and representation of a control is shared with its owners, as are the risks and control activities;
- monitoring activities, needed to support the representations that must be made by the Manager Responsible, are carried out.

The identification of risks and associated controls is carried out both with regards to controls relating to financial statement assertions and to other control objectives within the scope of financial disclosure, including:

- observance of authorised limits;
- the segregation of duties and responsibilities for operations and control;
- the physical security and existence of the Company's assets;
- activities of fraud prevention that have an impact on financial disclosure;
- the security of Company information systems and the protection of personal data.

The mapping generated from time to time for a specific process is also used as the basis for periodic testing activities whose goal is to evaluate and monitor both the chart and the effectiveness of controls in place.

Assessment of controls and monitoring processes

In accordance with the provisions of the law regarding formal compliance and in line with the best practices previously referred to, the adopted methodology prescribes constant monitoring of the relevant processes and effective execution of the mapped controls.

The objective of such monitoring is the evaluation of the operating effectiveness of the controls – in other words the effective functioning during the period of the controls mapped for the purpose of analysis.

The plan is formalised in a document that is presented to the Control and Risk Committee and in which strategies and timing are defined for carrying out monitoring tests.

Among the activities carried out, updates are continuously made to the mapping of processes, risks and controls in accordance with Law no. 262/05.

Periodically, reports are produced based on the results of the activities, providing support on the basis of which the Manager responsible for preparing the Company's financial reports releases legal declarations. The Control and Risk Committee, regarding the most important deadlines related to annual and half-year financial reporting, evaluates and participates in the work of the Manager responsible for preparing the Company's financial reports and the functions through which (s)he operates.

THE INDEPENDENT AUDITORS

Auditing is carried out in accordance with the law by a Company enrolled in the Register of Auditors maintained by the Italian Ministry of the Economy and Finance.

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

During the course of the year, the Independent Auditors have the duty to verify:

- that the corporate accounts are property maintained and all operations are properly accounted for in the accounting records;
– that the Separate Financial Statements and the Consolidated Financial Statements match the results of the accounting records and of the inspections carried out and comply with the rules that govern them.

The engagement of Deloitte & Touche S.p.A. includes the limited scope audit of the Half-Year Financial Report.

In the performance of its activities, the Independent Auditors have access to the information, documents and data contained withint various systems, as well as the archives and the assets of the Company and of the Companies of the Group.

INVESTOR RELATIONS

The Company manages relations with its shareholders, institutional investors and the market through the Investor Relations function, which operates within the Division headed by the Chief Financial Officer.
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, through constant innovation and updating of its website. The person in charge of managing investor relations is Ms Emanuela Delucchi.

COMMITMENTS

The Company intends to confirm its commitment:

- to pursue as its primary objective, in its formal acts and conduct, the creation of shareholder value;
- to model its business practices on total compliance with the Group's ethical principles, which are based on a combination of values consisting of personal integrity, correctness of relationships inside and outside the Company, and transparency vis-à-vis shareholders, related stakeholders, and the market – as outlined and explained in the Code of Ethics, adopted in December 2003 and whose most recent version was approved by ERG's Board of Directors on May 14, 2014, to reflect not only the organisational-corporate changes that have taken place in the Group, but also the regulatory changes that have taken place and the evolution certain best practices;
- to ensure, by means of focus on the ongoing evolution of corporate governance principles, observance of such principles by the organisation, in order to ensure, in turn, transparent and efficient operation of the organisation over time.

The main documents concerning Corporate Governance, referenced throughout the Report, are available in the Corporate Governance section of our website www.erg.eu.

TABLE 1: Structure of the Board of Directors and Committees

Office	Members	Year of birth	In office since	In office until	List (M/m)*	Executive	Non Executive
Board of Directors							
Chairman	Edoardo Garrone	1961	24/04/15	Appr. Financial Statements 31/12/2017	M	Yes	
Vice Chairman	Alessandro Garrone	1963	24/04/15	Appr. Financial Statements 31/12/2017	M	Yes	
Vice Chairman	Giovanni Mondini	1966	24/04/15	Appr. Financial Statements 31/12/2017	M		Yes
Chief Executive Officer	Luca Bettonte	1963	24/04/15	Appr. Financial Statements 31/12/2017	M	Yes	
Director	Massimo Belcredi	1962	24/04/15	Appr. Financial Statements 31/12/2017	M		
Director	Mara Anna Rita Caverni	1962	24/04/15	Appr. Financial Statements 31/12/2017	M		
Director	Alessandro Chieffi	1964	24/04/15	Appr. Financial Statements 31/12/2017	m		
Director	Barbara Cominelli	1970	24/04/15	Appr. Financial Statements 31/12/2017	M		
Director	Marco Costaguta	1959	24/04/15	Appr. Financial Statements 31/12/2017	M		Yes
Director	Luigi Ferraris	1962	24/04/15	Appr. Financial Statements 31/12/2017	M		
Director	Paolo Francesco Lanzoni	1953	24/04/15	Appr. Financial Statements 31/12/2017	M		
Director	Silvia Merlo	1968	24/04/15	Appr. Financial Statements 31/12/2017	M		
DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR							
Director	Pasquale Cardarelli	1934	20/04/12	24/04/15	M		
Director	Alessandro Careri	1950	20/04/12	24/04/15	M		Yes
Director	Antonio Guastoni	1951	20/04/12	24/04/15	M		
Director	Graziella Merello	1947	20/04/12	24/04/15	M	Yes	
Director	Umberto Quadrino	1946	20/04/12	24/04/15	M		
Quorum required for list presentation at the time of last appointment: 1%							
No. of meetings held during the reference year: BoD: 10 - CRC: 9 - RNC: 8							

Notes

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or the minority (m).

** This column indicates the percentage attendance of directors at meetings of the Board of Directors and Committees (no. of meetings attended / no. of meetings held during the period of office of the party concerned).

*** This column shows the number of posts held by the Director or Statutory Auditor in other listed companies on regulated markets, even foreign, in financial companies, banks, insurance companies or very large companies other than those covered in the ERG Group.

**** In this column indicates that the member of the Board of Directors to the Committee.

***** This column shows the date of the first election of directors as of 16 October 1997, the Company's listing date.

[1] Member of its Committee until 24/04/2015.

					Control and Risk Committee		Nominations and Remuneration Committee	
Independent as per Code	Independent as per T.U.F.	% attendance (**)	No. of other offices (***)	Lenght of office as from first appointment (****)	(****)	(**)	(****)	(**)
		90%	2	16/10/97				
		100%	2	16/10/97				
		100%	1	16/10/97				
		100%	=	15/12/09				
	Yes	100%	1	29/04/03	Yes	100%	Yes[1]	100%
Yes	Yes	100%	4	24/04/15	Yes	83%	Yes	100%
Yes	Yes	100%	2	24/04/15				
Yes	Yes	100%	=	24/04/15	Yes	100%		
		90%	5	20/04/12				
Yes	Yes	100%	=	24/04/15				
	Yes	90%	=	29/04/03	Yes[1]	100%	Yes	100%
Yes	Yes	88%	3	24/04/15			Yes	100%
Yes	Yes	100%		28/04/06			Yes	100%
		100%		21/06/11				
Yes	Yes	100%		29/04/03	Yes	100%		
		100%		23/04/09				
Yes	Yes	50%		20/04/12				

TABLE 2: Structure of the Board of Statutory Auditors

Board of Statutory Auditors					
Office	**Members**	**Year of birth**	**In office since**	**In office until**	**List (M/m)***
Chairman	Mario Pacciani	1944	23/04/13	Appr.Financial Statements 31/12/2015	M
Standing Auditor	Lelio Fornabaio	1970	23/04/13	Appr.Financial Statements 31/12/2015	M
Standing Auditor	Elisabetta Barisone	1967	23/04/13	Appr.Financial Statements 31/12/2015	M
Alternate Auditor	Vincenzo Campo Antico	1966	23/04/13	Appr.Financial Statements 31/12/2015	M
Alternate Auditor	Luisella Bergero	1971	23/04/13	Appr.Financial Statements 31/12/2015	M
Alternate Auditor	Mario Lamprati	1949	23/04/13	Appr.Financial Statements 31/12/2015	M
STATUTORY AUDITORS WHO LEFT OFFICE DURING THE REFERENCE YEAR					
None					
Quorum required for list presentation at the time of last appointment: 2.5%					
No. of meetings held during the reference year: 9					

Notes

* This column indicates M/m depending on whether the member was elected from the list voted by the majority (M) or the minority (m).

** This column indicates the percentage attendance of Auditors at meetings of the Board of Statutory Auditors (no. of meetings attended / no. of meetings held during the period of office of the party concerned).

*** This column shows the number of director or auditor held by the Auditors in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or other large companies other than those covered in the ERG Group. The complete list of offices is attached, pursuant to art. 144-quinquiesdecies of the Consob Issuer Regulations, the report on supervisory activity drawn up by the auditors pursuant to article 153, paragraph 1 of the T.U.F.

**** This column indicates the date of first appointment of the Statutory Auditors.

Independence as per Code	% of attendance (**)	No. of other offices (***)	Lenght of office as from first appointment (****)
si	100%	1	29/04/04
si	90%	4	15/04/10
si	90%	–	23/04/13
si	–	–	15/04/10
si	–	–	23/04/13
si	–	–	15/04/14

Board of Directors' proposal

BOARD OF DIRECTORS' PROPOSAL

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

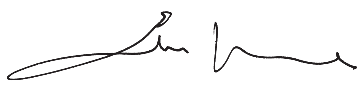
- to approve the ERG S.p.A. Annual Financial Statements for the period ended 31 December 2015, which closes with a profit of Euro 2,027,220.71;
- to allocate to an unavailable reserve pursuant to article 6, paragraph 1, letter a) of Legislative Decree no. 38/2005 the amount of Euro 11,181,413.00, corresponding to unrealized income deriving from recognition of the positive value of an option on minority interests in ERG Renew S.p.A. by using the profit for the year and for the remaining portion by using the "Reserve for IAS transition and retained earnings";
- to pay the Shareholders a dividend of Euro 1.00 per share, including a non-recurring component of Euro 0.50 per share distribution of which is proposed considering the conclusion of the Group's strategic industrial repositioning project and the restructuring and optimization of the long-term financial debt. The dividend will be paid in respect of each share having dividend rights outstanding as of the ex-date, excluding the company's treasury shares, in accordance with article 2357-ter of the Italian Civil Code, by using the earnings carried forward;
- to make the dividend payable starting from 25 May 2016, with an ex- dividend date as of 23 May 2016 and record date of 24 May 2016.

Genoa, 22 March 2016

For the Board of Directors

The Chairman

Edoardo Garrone



Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR thousand)	Notes	31/12/2015		31/12/2014	
Intangible assets	1		845,731		372,589
Goodwill	2		141,098		125,490
Properties, plants and equipment	3		2,054,525		1,366,258
Equity investments:	4		143,569		156,335
- evaluated with the equity method		*142,210*		*154,941*	
- other shares		*1,363*		*1,399*	
Other non-current financial assets	5		38,943		99,583
of which to related parties	40	*330*		*60,239*	
Deferred tax assets	6		173,026		169,671
Other non-current assets	7		42,876		33,729
Non-current assets			**3,439,768**		**2,323,653**
Inventories	8		21,224		49,096
Trade receivables	9		343,450		438,604
of which to related parties	40	*2,324*		*63,139*	
Other receivables and current assets	10		108,821		140,929
of which to related parties	40	*14,659*		*4,527*	
Current financial assets	11		92,861		58,813
of which to related parties	40	*8,491*		*17,268*	
Cash and cash equivalents	12		770,564		1,169,359
Current assets			**1,336,920**		**1,856,801**
Assets destined for sale			**–**		**–**
ASSETS - TOTAL			**4,776,688**		**4,180,454**
Group Net Equity	13		1,625,959		1,671,465
Minority interest	14		50,338		47,387
Net assets			**1,676,297**		**1,718,852**
Employee severance indemnity	15		5,512		4,727
Deferred tax liabilities	16		254,676		179,401
Provisions for non-current risks and charges	17		117,748		101,487
Non-current financial liabilities	18		1,987,829		1,313,904
of which to related parties	40	*–*		*–*	
Other non-current liabilities	19		122,858		95,375
of which to related parties	40	*–*		*–*	
Non-current liabilities			**2,488,623**		**1,694,894**
Provisions for current risks and charges	20		53,886		68,018
Trade payables	21		162,101		297,670
of which to related parties	40	*210*		*12,841*	
Current financial liabilities	22		323,451		244,369
of which to related parties	40	*–*		*237*	
Other current liabilities	24		72,330		156,651
of which to related parties	40	*14,040*		*94,558*	
Current liabilities			**611,768**		**766,708**
Liabilities destined for sale			**–**		**–**
LIABILITIES - TOTAL			**4,776,688**		**4,180,454**

CONSOLIDATED INCOME STATEMENT [1]

(EUR thousand)	Notes	Year 2015		Year 2014	
Revenues from operations	28		921,030		998,899
of which to related parties	40	*14,631*		*8,978*	
Other revenues and income	29		15,234		25,721
of which to related parties	40	*1,158*		*617*	
of which non-recurring amounts	39			*8,059*	
Variations in stock of raw materials	30		2,759		1,613
Costs for purchases	31		(415,366)		(493,208)
of which to related parties	40	*(45)*		*(2,481)*	
Costs for services and other costs	32		(157,279)		(172,013)
of which to related parties	40	*(12,108)*		*(14,216)*	
of which non-recurring amounts	39	*(21,302)*		*(20,127)*	
Labour costs	33		(58,195)		(48,152)
of which non-recurring amounts	39	*(8,529)*		*(3,657)*	
EBITDA FOR CONTINUOUS ACTIVITIES			**308,183**		**312,860**
Amortisations and depreciation of fixed assets	34		**(163,030)**		**(160,013)**
Net financial income	35		32,522		44,667
of which to related parties	40	*2,224*		*3,010*	
Net financial expenses	35		(87,267)		(104,306)
of which to related parties	40	–		–	
of which non-recurring amounts	39	–		*(4,010)*	
Net financial income (expenses)	35		**(54,745)**		**(59,639)**
Net shares income (expenses)			(13,706)		(64,871)
Other net shares income (expenses)			(39,961)		(111)
of which non-recurring amounts	39	*(62,706)*		*806*	
Income (expenses) from net equity	36		**(53,667)**		**(64,982)**
EARNINGS BEFORE TAX			**36,741**		**28,227**
Income tax	37		(12,560)		(44,092)
of which non-recurring amounts	39	*17,254*		*6*	
NET RESULTS FOR CONTINOUS OPERATIONS			**24,181**		**(15,865)**
Net results for discontinued operations	38		(500)		88,531
of which non-recurring amounts	39	*(500)*		*50,795*	
NET RESULT FOR THE PERIOD CONSIDERED			**23,681**		**72,666**
Earnings of third party shareholders			(3,055)		(24,905)
of which non-recurring amounts	39	*115*		–	
GROUP SHARE OF NET PROFIT			**20,626**		**47,761**

(1) The consolidated income statement 2014 is presented in accordance with IFRS 5, with the exclusion of certain branches of the Company, ISAB Energy S.r.l. and ISAB Energy Services S.r.l., which is mainly comprised of the IGCC production plant and staff for its management and maintenance, ERG Oil Sicilia S.r.l. and ERG Supply & Trading S.r.l. The impact of the exclusions of the aforementioned branches, are presented separately in the line "Net profit (loss) of discontinued operations", which are described in more detail in **Note 38 - Net profit (loss) of discontinued operations**

(EUR)	Notes	Year 2015	Year 2014
EBIT for continuous operations by share	41	0.169	(0.111)
Diluted EBIT for continuous operations by share	41	0.169	(0.111)
EBIT for continuous operations by share	41	0.144	0.334
Diluted Group EBIT by share	41	0.144	0.334

CONSOLIDATED OTHER COMPREHENSIVE INCOME/(LOSS)

(EUR thousand)	Year 2015	Year 2014
EBIT FOR THE PERIOD CONSIDERED	**23,681**	**72,666**
Variations that will not be reclassified in the income statement		
TFR fund actuarial variation	(50)	(582)
Income tax referring to the actuarial variation of the TFR fund	15	160
	(36)	**(422)**
Variations that will be reclassified in the income statement		
Variations in the cash flow hedge reserve		(65,681)
Income tax referring to the variations in the cash flow hedge reserve	(5,764)	16,101
	9,988	**(49,580)**
Other components of overall earnings net of taxes	**9,951**	**(50,002)**
EBIT of the financial year	**33,633**	**22,664**
- Earnings of third party shareholders	(3,260)	368
Overall Group EBIT	**30,372**	**23,032**

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR thousand)	Year 2015	Year 2014
CASH FLOW FROM INCOME DURING THE FINANCIAL YEAR (A):		
EBIT for the period considered	23,681	72,666
- Amortisations and depreciation of fixed assets	163,030	187,602
- Net variation in the reserves for risks and expenses	(12,782)	29,983
- Net variation in the assets (liabilities) for prepaid (deferred) taxes	(5,545)	(16,646)
- Devaluation of current receivables and assets	2,581	–
- Capital gains / losses to be realised for non-current assets	232	–
- Quota of the earnings from shares evaluated with the equity method	11,836	64,871
- Settlement for the sale of shares in ERG Oil Sicilia S.r.l.	(500)	–
- Share devaluation	–	531
- Severance indemnity variation	(947)	(117)
- Return on CIP 6 resolution	–	(353,326)
- Sale of company branches and accessory and correlated expenses	–	270,416
Cash flow for the current management	**181,586**	**255,979**
- Variations in other income and losses during the financial year		
- Change in inventories	27,872	41,229
- Variation in trade receivables	152,976	440,108
- Variation in trade liabilities	(154,164)	(377,738)
- Net variation of other receivables/debts and other assets/liabilities	(18,831)	(69,098)
	7,853	**34,501**
Total	**189,439**	**290,480**
CASH FLOW FROM INVESTMENT OPERATIONS (B):		
Intangible assets and goodwill acquisitions	(4,417)	(9,742)
Acquisitions of property, plants and machinery	(102,191)	(44,182)
Acquisition of shares and other non-current financial assets	(970)	(1,461)
Net variation of other increases/decreases in fixed assets	(9,603)	(385)
Takings for CIP 6 resolution	–	514,509
Intangible assets and goodwill disinvestments	500	–
Disinvestments of property, plants and machinery and relative capital gains/losses	2,520	2,683
Disinvestments of shares and other non-current financial assets	3,602	25,879
Disinvestments of company branches	–	–
Total	**(110,559)**	**487,301**
CASH FLOW FROM FINANCING OPERATIONS (C):		
New non-current financing operations	733,698	40,648
Reimbursements of non-current financing operations	(191,800)	(107,265)
Net variation in financing operations towards companies within the Group that have not been fully consolidated	8,684	13,956
Net variation in other non-current financial liabilities	8,202	(128,561)
Net variation in current financial liabilities towards banks	125,941	(104,612)
Net variation of other current financial liabilities / assets	32,397	14,505
Increases/refunds of share capital	–	–
Purchase of treasury stock	–	–
Profits paid out to third parties	(71,398)	(164,854)
Acquisition of minority shares in ISAB Energy, ISAB Energy Services, ISAB Energy Solar	–	(153,130)
Capital increase	–	50,000
Other net assets variations	5,162	(49,389)
Total	**650,886**	**(588,702)**
CONSOLIDATION AREA VARIATION (D)	**(1,128,563)**	**3,005**
NET CASH FLOW FOR THE PERIOD (A+B+C+D)	**(398,797)**	**192,084**
LIQUID FINANCIAL RESOURCES AND EQUIVALENT MEANS AT THE START OF THE PERIOD	**1,169,359**	**977,274**
NET CASH FLOW FOR THE PERIOD	(398,797)	192,084
LIQUID FINANCIAL RESOURCES AND EQUIVALENT MEANS AT THE END OF THE PERIOD	**770,564**	**1,169,359**

ADDITIONAL INFORMATION ON THE FINANCIAL STATEMENT	2015	2014
Payment of income taxes	125,488	52,070
Paid interests	25,076	34,410

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserves	Profits (losses) for the financial year	Total	Third party net assets	Net assets - Total
PAYMENT AT 31.12.2013	15,032	1,730,130	28,395	1,773,556	240,004	2,013,560
Allocation of 2013 earnings	–	28,395	(28,395)	–	–	–
ERG Renew capital increase(1)	–	(47,746)	–	(47,746)	47,746	–
Distribution of profits	–	(142,804)	–	(142,804)	(22,050)	(164,854)
Acquisition of minority shares in ISAB Energy, ISAB Energy Services, ISAB Energy Solar	–	64,826	–	64,826	(217,956)	(153,130)
Other variations	–	603	–	603	10	613
Net earnings 2014	–	–	47,761	47,761	24,905	72,666
Reclassification of ISAB Energy earnings from "third party" to "Group"	–	–	22,043	22,043	(22,043)	–
TFR fund actuarial variation	–	(412)	–	(412)	(10)	(422)
Variations in the cash flow hedge reserve	–	(46,360)	–	(46,360)	(3,220)	(49,580)
EBIT of the financial year	**–**	**(46,772)**	**69,804**	**23,032**	**(368)**	**22,664**
PAYMENT AT 31.12.2014	15,032	1,586,631	69,804	1,671,465	47,387	1,718,852

	Share capital	Reserves	Profits (losses) for the financial year	Total	Third party net assets	Net assets - Total
PAYMENT AT 31.12.2014	15,032	1,586,631	69,804	1,671,465	47,387	1,718,852
Allocation of 2014 earnings	–	69,804	(69,804)	–	–	–
Distribution of profits	–	(71,398)	–	(71,398)	–	(71,398)
Other variations	–	(4,482)	–	(4,482)	(313)	(4,795)
2015 earnings	–	–	20,626	20,626	3,055	23,681
TFR fund actuarial variation	–	(36)	–	(36)	–	(36)
Variations in the cash flow hedge reserve	–	9,783	–	9,783	205	9,989
EBIT of the financial year	**–**	**9,747**	**20,626**	**30,373**	**3,260**	**33,633**
PAYMENT AT 31.12.2015	15,032	1,590,302	20,626	1,625,959	50,338	1,676,297

(1) on 16 January 2014 ERG Renew's assembly passed a resolution for an increase in reserved capital, for an overall market value of EUR 50 million, concurrently subscribed and issued by UniCredit, corresponding to a minority share in ERG Renew equal to 7.14% of its relative share capital. On the same date the Board of directors co-opted a UniCredit representative in accordance to shareholders' agreements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

THE GROUP

ERG Group (the "Group") has undergone an important transformation process from a private leading Italian oil operator to becoming an independent leading operator in electricity production from renewable sources, differentiated between non-programmable sources (wind) and programmable sources (thermoelectric and hydroelectric). The Group has also become a leader in geographical presence, with a growing presence in foreign wind markets, particularly in France and Germany.

The Group currently leads the wind market in Italy and occupies a prominent position abroad. Moreover, the Group is one of the main operators active in electricity production from water sources in Italy, is active in high-efficiency thermal production with low environmental impact on the thermoelectric sector with highly modular co-generation, high-yield CCGT plant and in energy markets through Energy Management activities.

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements as of and for the year ended December 31, 2015 were prepared in accordance with the Standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, inclusive of all international standards that have undergone interpretation (International Accounting Standards – IAS – and International Financial Reporting Standards – IFRS) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the previous Standing Interpretations Committee (SIC).

The Consolidated Financial Statements, expressed in thousands of Euro, were prepared under the historical cost basis, with the exception of certain financial assets classified as assets held for sale, financial assets classified as trading, and derivative instruments, which were measured at fair value.

The Consolidated Financial Statements as of and for the year ended December 31, 2015 were audited by the independent accounting firm Deloitte & Touche S.p.A. in accordance with CONSOB regulations.

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

ERG classifies its income statement using the "nature of expense" method, a form deemed more representative than classification using the "function of expense" method, consistent with internal and management reporting procedures.

The statement of financial position has been prepared with current assets and liabilities classified separately from non-current assets and liabilities, as allowed by IAS 1.

The structure of the statement of cash flows is based on the indirect method.

Furthermore, as required by CONSOB resolution 15519 dated 27 July 2006, significant income and charges arising from non-recurring transactions or from events that do not occur frequently in the ordinary course of business have been presented separately in the income statement and are further explained in the notes to the financial statements.

Also pursuant to the aforementioned CONSOB resolution, balances or transactions with related parties have been presented separately in the statement of financial position and in the income statement and are further explained in the notes ot the financial statements.

Lastly, the income statement for the year ended December 31, 2015 and the year ended December 31, 2014 are presented in accordance with IFRS 5, which prescribes how to report the income and expenses of discontinued operations. The following excluding the income and expenses have been excluded:

- Business units ISAB Energy S.r.l. and ISAB Energy Services S.r.l., consisting mainly of the IGCC generating plant and the personnel for its operation and maintenance, sold June 30, 2014;
- ERG Oil Sicily S.r.l., sold December 29, 2014;
- ERG Supply and Trading S.p.A. whose activities ceased at the beginning of 2015.

ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

Valuation criteria

Significant accounting standards adopted for the preparation of the Consolidated Financial Statements as of and for the year ended December 31, 2015 are described below. Noted no changes from the previous year, except for differences described in the paragraph "Accounting principles, amendments and interpretations effective starting January 1, 2015".

Intangible fixed assets

Intangible assets are recorded as assets, pursuant to IAS 38 (Intangible Assets), whenever they are identifiable, it is probable that their use will generate future economic benefits, and their cost can be measured reliably.

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

In general, intangible assets are amortised over a maximum period of 5 years, with the exception of surface rights and authorisations and concessions relating to wind parks and hydroelectric assets, which are amortised over the contractual term. There are no intangible assets with an indefinite useful life or related to development costs.

Research costs are expensed directly in the income statement in the period in which they are incurred.

Intangible assets recognised from business combinations are presented separately from goodwill if their fair value can be measured reliably.

Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, the liabilities incurred by the Group to the former owners of the acquire, and the equity interests issued by the Group in exchange for control of the acquiree. The costs related to the acquisition are recognised as expenses in the periods in which they are incurred. Goodwill recognised as of the acquisition date is measured as the excess between:

- the sum of the consideration transferred, the amount of any minority interest in the acquiree measured in accordance with IFRS 3 (fair value of the pro-rata share of net assets related to minority interests);
- the net of the acquisition-date amounts of identifiable assets acquired and the liabilities, measured at fair value.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain by the buyer.

When a business combination is achieved in stages, the interest previously held in the acquiree is remeasured to its acquisition-date fair value and resulting gain or loss, if any, is recognised in the income statement. If, amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in the statement of the other comprehensive income/(loss), this amount is recognised in the income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Adjustments to the provisional amounts reflect the new information obtained on facts and circumstances existing at the acquisition date, that, if known, would have affected the amounts recognised at that date. The measurement period lasts for 12 months from the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Goodwill

Goodwill arising from a business combination is not amortised, but subject to impairment tests pursuant to IAS 36 Impairment of Assets annually, or more frequently, if specific events or circumstances indicate that there may have been impairment.

For the purposes of the impairment test, goodwill on the acquisition date is allocated to each of the buyer's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the entity acquired are assigned to these units or groups of units.

If the recoverable amount of the unit (or groups of units) to which the goodwill is allocated is less than its carrying value, an impairment loss is recognised in the following order: first, to reduce the carrying amount of goodwill to the cash-generating unit, and then to the other assets of the unit (or group of units) in proportion to the carrying amount of each asset in the unit or group of units.

If the goodwill has been allocated to a cash-generating unit and the unit is disposed of or transferred, goodwill is included in the carrying amount of the asset is used in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are recognised 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 related asset.

Maintenance costs are recognised as assets in the consolidated statement of financial position as a separate component of the asset in the year in which they are incurred and are depreciated of their estimated useful life.

When there are contractual obligations to do so, the cost of the asset includes charges for dismantling, removal of assets and site restoration to be incurred at the time facilities are abandoned, and the asset retirement obligation is presented as a contra-asset in a specific provision. These charges are recognised on the date when the amount can be reliably estimated for which the disposal will occur in the foreseeable future. Capitalised charges are allocated to the income statement through depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. 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 historical cost less the expected residual value, if material and reliably measurable.

Land is not depreciated, even if acquired together with a building. Assets revertible 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	2.5 - 7.34
Light constructions	10
Generic installations	8.45 - 10.0
CCGT installations *	6.09
Remote control and transmission installations	10
Vehicles, furniture and furnishings, other goods	8.38 - 25.0
Hydraulic and electric machinery	3.5
Fixed water works	1
High pressure pipe lines	2,5
Building leases and other civil engineering works	3,5

* average aliquots

For wind turbines, depreciation rates are determined taking into account the different economic useful lives of each component of the wind farm (Component Analysis).

Impairment of assets (impairment test)

At least annually, the Group subjects its tangible and intangible assets to an impairment test to determine whether there are indicator that they may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 amount of an asset is the higher of fair value less costs to sell, and value in use, determined as the present value of expected future cash flows.

Impairment is recognised if the recoverable value is less than the carrying value. When an impairment loss subsequently reverses, the carrying value of the asset or cash-generating unit is increased to the new estimate of the recoverable value, without exceeding the carrying amount that would have been determined had no impairment been recognised for the asset.

Shareholdings

Joint Ventures

These are companies where the Group has joint control over its activities as defined by IFRS 11 – Joint Arrangements. The Consolidated Financial Statements include the Group's share of the results of the joint venture, measured under the equity method, starting from the date when joint control begins until when it ceases to exist.

If the Group's share of the losses of the joint ventures exceeds the carrying value of the investment, the value of the investment is written down to zero and the share of additional losses is not recognised, except to the extent in which the Group is obligated to be liable for them.

Associates

These are companies in which the Group exercises significant influence, but not control or joint control, over its financial and operating policies, as defined by IAS 28 – Investments in associates and joint ventures. The Consolidated Financial Statements include the Group's share of the results of the associates, measured under the equity method, starting from the date when significant influence begins until when it ceases to exist. If the Group's share of the associates losses exceeds the carrying value of the investment in the consolidated financial statements, the value of the investment is written down to zero and the share of additional losses is not recognised, except to the extent in which the Group is obligated to be liable for them.

Financial assets

IAS 39 provides for the classification of financial assets into the following categories:

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

Initially, all financial assets are recognised at their fair value and ancillary costs for assets other than those classified as FVTPL.

At the time of underwriting, an assessment is made as to whether a contract contains embedded derivatives. Embedded derivatives are bifurcated from the host contract if it meets the definition of a derivative, the host contract is not measured at fair value, and the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group classifies financial assets after initial recognition and, when appropriate and allowable, reviews the classification at the end of each 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 separated embedded derivatives, 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 recognised in the income statement.

As of December 31, 2015, no financial asset had been designated as 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.

Subsequent to initial recognition, HTM financial investments are measured at amortised cost, using the effective interest 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 through the amortisation. process.

As of December 31, 2015, the Group held no investments classified as HTM.

- Loans and receivables (L&R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market.

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest method, net of allowances, if any.

Gains and losses are recognised in the consolidated income statement when loans & receivables are derecognised for accounting purposes or if impairment occurs, as well as through the amortisation process.

Trade receivables are recognized at their fair value, which corresponds to their nominal face value, and are subsequently reduced for impairment, if any. Trade receivables whose due date is not consistent with normal trading terms and 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.

Subsequent to initial recognition, AFS financial assets are measured at fair value and gains and losses are reported as a separate component within shareholders' equity.

AFS financial assets include equity investments in companies other than subsidiaries and associates in which ERG's direct or indirect ownership percentage is less than 20%.

When fair value cannot be reliably measured, equity investments are measured at cost, adjusted for impairment, if any. Dividends received from such companies are included in Other net income (loss) from equity investments.

If the amount of impairment decreased or no longer exist, previously recognized impairement loss is reversed through the income statement to the extent that the carrying amount of the equity investment does not exceed what the amortised cost would have been had the impairment not been recognised. 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 to cover its losses.

IAS 39 provides the following valuation methods for financial assets: Fair value and amortised cost method.

Fair value

For securities widely traded in regulated markets, fair value is determined using market prices at the close of trading as of the date of the financial statements.

For investments in 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 method, net of impairment provisions or allowances, 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 reporting date, the Group assesses whether indicators of impairment are present for a financial asset or group of financial assets.

If there are indicators of impairment for a loan or receivable carried at amortised cost, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future expected cash flows discounted at the asset's original effective interest rate.

The carrying value of the asset is reduced through the use of an allowance account, and the impairment loss is recognised in the income statement. The Group assesses the existence of impairment indicators on an asset-by-asset basis. In a subsequent period, if the amount of impairment loss decreases and this reduction can objectively be attributed to an event occurring after the impairment was recognised, previously recognized impairment loss can be reversed to the extent that the asset's carrying value does not exceed the amortised cost had the impairment not been recognised..

The carrying value of the receivable is adjusted through the use of an allowance account. In case of trade receivables, an allowance for uncollectible receivables is recognised 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 in accordance with the original conditions. Receivables are derecognised if they are deemed unrecoverable.

Cash and cash equivalents

Cash and cash equivalents are presented at face value, according to their nature.

In accordance with IAS 7, cash equivalents represent cash on hand and bank/postal deposits repayable on demand, together with short-term, highly liquid investments that are readily convertible to a known amount of cash. It also includes short-term investments whose redemption value is predetermined at the date of initial purchase/recognition.

Financial liabilities

IAS 39 provides for the classification of financial liabilities into the following categories:

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

All loans are initially recognised at the fair value of the amount received net of ancillary loan acquisition costs.

Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

All gains or losses are recognised in the income statement when the liability is settled, as well as through amortisation.

Financial liabilities at FVTPL include "liabilities held for trading" acquired for short-term sale and is comprised of derivatives, including separated embedded derivatives, unless they have been designated as effective hedging instruments. Gains or losses on HFT liabilities are recognised in the income statement.

As of December 31, 2015, no financial liability had been designated at FVTPL.

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 immediately repay them in its to a third party;
- the Group has transferred the right to receive cash flows from the asset and substantially all the 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 settled.

Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognised at their fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting date.

They are presented as assets when their fair value is positive and as liabilities when it is negative.

ERG enters into a variety of derivative instruments to hedge the risk stemming from fluctuations in raw material and product prices, foreign currency exchange and interest rates.

Derivatives are classified as hedging instruments in accordance with IAS 39, when the relationship between the derivative and the hedged item is formally documented and the hedge effectiveness, measured both beforehand and periodically, is high. When derivatives hedge the risk of fluctuations in the fair value of the underlying hedged asset (fair value hedge), they are measured at their fair value. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement, as well as any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

When the derivative hedges the risk of fluctuations in the cash flows associated with the underlying hedged asset (cash flow hedge), the effective portion of changes in the fair value of the derivatives is initially recognised in shareholders' equity and reclassified into the consolidated income statement when the hedged item effects the income statement, in the same line as the recognised hedged item.

Changes in the fair value of derivatives that do not to qualify as hedges under IAS/IFRS are recognised in the consolidated income statement.

Treasury shares

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

Warehouse stock

Warehouse stock, relating to spare parts, is measured at cost, determined using the weighted average cost method, or market value (replacement cost), whichever is lower.

Foreign currency transactions

Transactions in foreign currencies are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the date of the financial statements. Non-monetary assets and liabilities are translated using the prevailing exchange rate at the transaction date except in case of a persistently unfavourable trend in the exchange rate. Exchange rate differences arising from derecognition of items at different rates differing from those at which they had been translated at the time of their initial recognition and those relating to monetary items at year-end are presented 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 settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Changes in estimates are reflected in the income statement in the period in which they occur.

When the financial impact of the passage of 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 presented as a contra asset against the asset to which it refers to, and recognition in the income statement takes place through depreciation.

Significant contingent liabilities as defined below, are disclosed in the notes to the separate financial statements:

- possible (but not probable) obligations arising from past events, the existence of which will be confirmed only upon the occurrence of one or more uncertain future events not wholly within 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 settlement will not be onerous.

Employee benefits

Until December 31, 2006, the employees' severance indemnities provision (TFR) of Italian companies was considered as a defined benefit plan. The rules for the provision were amended by Italian Law no. 296 dated December 27, 2006 ("2007 Budget Law") and subsequent decrees and regulations were promulgated in the early months of 2007. In light of these amendments, and in particular with reference to companies with at least 50 employees, the TFR is now considered a defined benefit plan solely for the portions accrued prior to January 1, 2007 and not yet liquidated as of the date of the financial statements, whereas it is deemed akin to a defined contribution plan subsequent to January 1, 2007.

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 to as of the reporting date, and accrued over a 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's assets, are recognised pro rata in the income statement for the remaining average service period of the employees participating in the plan, if and to the extent that their net off-balance-sheet value at the end of the previous year exceeds the higher of 10% of the liability pertaining to the plan or 10% of the fair value of the plan assets.

Revenue recognition

Revenues from sales and services are recorded when the actual transfer of the risks and rewards of ownership occurs, which coincides with delivery or based on different contractual specifications, or upon completion of the services.

Revenues stemming from partially provided services are recognised as earned pro rata over completion, provided that it is possible to determine the percentage of completion reliably and there are no significant uncertainties as to the amount and existence of revenues and related costs. Otherwise, they are recognised as the incurred costs are recovered.

Revenues are presented net of returns, discounts, rebates and allowances, as well as of any taxes directly related.

If payment is deferred and does not fall under normal commercial terms, a portion of the total revenue will be allocated to a financing component, which is presented separately from revenues. Since exchanges of goods or services of a similar nature and value do not constitute sales transactions, they do not give rise to recognition of revenues and costs.

Revenues relating to green certificates are recognised based on production in the period and are calculated on the basis of the legal regulations and prevailing resolutions of the Italian Electricity Authority during the period, also taking into account the prevailing pro tempore equalising regulations.

Grants related to assets are recognised when the conditions attached to the grants have been met, and any possible restriction on their collection is removed. They are recognised in the income statement on a systematic basis and rational basis over the useful life of the related assets, with the purpose of matching their economic-technical depreciation.

Dividends

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

Financial income and expenses

These are recognised under the accrual basis of accounting in the consolidated income statement based on the interest due on the net value of financial assets and liabilities, utilising the effective interest rate.

Taxes

Current taxes are accrued based on the estimated tax burden for the period, also taking into account the effects relating to participation of most Group companies in "Tax consolidation".

Income taxes are presented in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve.

Furthermore, pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred-tax assets and liabilities arising from temporary differences between the statutory values and related tax values.

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 are only recognised in the separate financial statements if their future recovery is probable.

With regards to deferred tax assets related to tax losses that can be carried forward, please see the following paragraph.

Deferred taxes are calculated on the basis of the tax rates expected to be in place in the periods in which the taxable temporary differences will be reversed.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

On July 15, 2011, Italian Law no. 111/2011 was passed and converted Italian Law Decree no. 98/2011 setting out Urgent provisions for the financial stabilisation of the Country (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax Act (TUIR) pertaining to the carryforward of tax losses, eliminating the prescribe 5-year time limit, for the purposes of determining whether prior years' tax losses can be carried forward. Such losses, therefore, can be carried forward without limitation, and introduced a quantitative limit to the utilisation of prior years' tax losses (i.e. 80% of the income produced in the following years). The aforesaid quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they relate to a new productive activity.

The new provisions had already been applied starting in 2011 and as clarified by circular 53/E 2011 by the Italian Fiscal Revenue Agency, and applied to tax losses generated prior to 2011 and still being carried forward according to previous regulations.

Corporate income tax rate (IRES) adjustment

Law Decree no. 208 on December 28, 2015 (stability law for 2016) provided for the reduction of the corporate income tax rate (IRES) rate from 27.5% to 24% effective January 1, 2017.

The calculation of pre-paid and deferred tax assets that will be recognized starting from January 1, 2017 have been adjusted.

The rate used for calculating pre-paid and deferred tax assets is equal to the nominal corporate income tax rate (IRES) of 27.5% for income items liable for tax before December 31, 2016 at a rate of 24%, and for those items that will give rise to variations in tax starting from January 1, 2017 has increased, where appropriate, by the regional income tax rate (IRAP) (3.9%)

The impact of the adjustment on the deferred tax assets and liabilities is recognised in the income statement under the item "Taxes" and the net impact was negative by EUR 3 million. In addition, the measurement of the TotalErg S.p.A. joint venture under the equity method reflects a negative impact of EUR 0.7 million (ERG's share) tied to the same effect.

The above effects were isolated as a non-recurring item.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to the parent company's ordinary shareholders by the weighted average number of the ordinary shares outstanding during the period.

To calculate diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted by assuming the conversion of all potentially dilutive ordinary shares.

ENVIRONMENTAL CERTIFICATES

White certificates (Energy Efficiency Certificates) are assigned by GSE when energy savings are made through the application of efficient technologies and systems.

White certificates are accounted for on an accrual basis and classified as other current assets, in proportion to the savings of TOE (Tonnes of Oil Equivalent) recognized during the year. They are measured at the market value at last month of the year, provided that the end of year market value is not significantly lower than the withdrawal price established by GSE according to the value established in Art. 9 paragraph 2 of Ministerial Decree dated September 5, 2011. For ERG, that value has remained consistent over the incentives period, relating to white certificates intended for the market. The value of the white certificates intended for withdrawal by the GSE is measured on the basis of the value established in Article 9, paragraph 2 of Italian Ministerial Decree dated September 5, 2011, or at their prevailing price at the time the co-generation unit commences operations. For the co-generation units that commences operations before the aforementioned Italian Ministerial Decree, the reference price is the prevailing price at the effective date of the decree. The withdrawal price has remained consistent over the subsidised period.

Green certificates from renewable sources are recognized on an accrual basis based on actual energy output from the same sources.

The green certificates are measured at a price amounting to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity recorded in the previous year and published by the Italian Authority for Electricity and Gas, no later than the January 31, of the subsequent year.

The Italian Legislative Decree of March 3, 2011 implementing Directive 2009/28/EC on the promotion of the use of energy from renewable sources, prescribed that for plants already in operation (i.e. for those that commenced operations by December 31, 201), the National Grid Operator (GSE) will continue to withdraw the Green Certificates issued for the generation from renewable sources until 2015, as the operator of last resort, at a price equal to 78% of the difference between 180 EUR/MWh and the average annual value of the sale price of electricity recorded the previous year and announced by the Italian Authority for Electricity and Gas (AEEG), no later than January 31 of the subsequent year, in accordance with Article 13, Paragraph 3, of Italian Law Decree 387 dated December 29, 2003.

On July 6, 2012 the Italian Inter-ministerial Decree providing incentives for renewable electricity sources other than photovoltaic was published.

The incentives were provided for existing plants or those that will be completed by the end of the year 2012 (with a transitory period up to April 30, 2013, for plants authorised prior to December 31, 2012), does not have any significant discontinuities (it confirms the calculation formula). Throughout 2015, the green certificates system remained in force, and it will be converted, for the remaining period of the incentives, with the release of an incentives tariff paid on monthly basis and calculated according to the same formula. Additionally, the timing for the withdrawal of the green certificates by the National Grid Operator (GSE) was defined (in accordance with Article 25, Paragraph 4, of the Italian Law Decree no. 28 dated March 28, 2011) for the green certificates issued for generation from renewable sources in the years from 2011 to 2015.

The same Ministerial Decree defined, through the implementation of Law Decree 28/2011, the new mechanism of incentives for authorised facilities that began operation after December 31, 2012. This mechanism provides for the provision of an incentive tariff to be determined through a mechanism of low bid auctions starting from the fixed base value for the source and plant size. For onshore wind power bigger than 5 MW the starting price was set at 127 EUR/MWh, for the duration of the incentive (useful life), which is twenty years.

Green certificates, to be delivered to the GSE in compliance with the obligation referred to in Art. 11 of Law Decree no. 79/99 for the energy produced from plants supplied from non-renewable sources, are recognised on an accrual basis. If the quantity of green certificates purchased before the end of the accrual year is lower than the quantity necessary to fulfill legal obligations, the company recognises an expense to be incurred for the certificates not yet purchased, as an offset to the liability to the GSE.
If the quantity of green certificates purchased before the end of the accrual year exceeds the quantity required to fulfil the legal obligation, the company recognises a prepaid expense equal to the costs to be adjusted in the following year. These are measured at the average purchase price.
It should be noted that as set out in Article 25 of the Law Decree of March 3, 2011 no. 28, the percentage of electricity produced from plants with non-renewable sources is reduced to zero for production from 2015; the CCGT plant therefore no longer supports the burden of green certificates starting from the financial year 2015.

In the context of green environmental certificates, it is noted that in Romania, renewable energy is incentivised through green certificates for the first 15 years of operation. The obligation to place a certain yearly quantity of green energy in the grid (or to purchase an equal quantity of green certificates) is on the final consumption of electricity. For wind farms commissioned before 2014, 2 green certificates are provided for each MWh generated until 2017 and 1 green certificate from 2018 onwards, and the unit price of the green certificates ranges between a cap (55 EUR/MWh in 2010 currency) and a floor (27 EUR/MWh in 2010 currency) defined in Euro and indexed to inflation on an annual basis. Green certificates are valid for a year and, according to the legislation currently in force, are recognised on the minimum value between the expected energy and that actually produced. Romanian Law no. 23/2014, amending and incorporating the previous Emergency Ordinance of March 2013, was ratified by the Romanian President in March 2014[1]. The law was approved by the European Commission - DG Competition in May 2015.

The Law introduced certain amendments to the incentive system. In particular, for existing wind farms, 1 Green Certificate is to be retained for the period between July 1, 2013 and March 31, 2017. Withheld Green Certificates will progressively be “released” from January 1, 2018 onwards and no later than December 31, 2020, with procedures yet to be defined.

1 Decree no. 270/2014 approving Law 23/2014, which approves the Emergency Ordinance no. 57/2013, amending and supplementing Law no. 220/2008 for the Green Certificate incentive system.

USE OF ESTIMATES – RISKS AND UNCERTAINTIES

The preparation of the Financial Statements and explanatory notes pursuant to IFRS requires ERG to make estimates and assumptions that affect the carrying values of the assets and liabilities recognised in the Separate Financial Statements and disclosures relating to contingent assets and liabilities. Making these estimates involves using information available and subjective judgment.

By their very nature, estimates and assumptions used may vary from year to year, and therefore, it cannot be excluded that in subsequent years, the current financial statement values may differ as a result of the change in the subjective assessments used.

Accounting estimates requiring judgements made by management include:

- the estimate of revenues from ordinary operations relating to Business Power (with particular reference to that indicated in the next chapter);
- provisions for bad debt, inventory obsolescence, and asset write-downs;
- the determination of the useful lives of fixed assets and the related amortisation and depreciation;
- provisions for environmental risks and for liabilities related to legal and fiscal disputes; in particular, the evaluation processes involve both an assessment of the degree of likelihood of the occurrence of conditions that may entail a financial liability, and quantifying the related amount;
- 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 composition and renewal of tax consolidation regimes;
- the impairment test for intangible and tangible assets and for other equity investments, described in detail in the **Impairment test** paragraph, implies – in the estimation of the value in use – the utilisation of the investee companies' business Plans, based on a set of assumptions and forecasts relating to future events and actions by the investee companies' governing bodies, which may not necessarily occur. Similar estimation procedures are necessary when reference is made to the estimated fair value (net of disposal costs) due to the uncertainty inherent in any estimate.

It also indicates a risk of uncertainty concerning the green certificates discussed above in Romania, with particular reference to the value of the actual collection of those matured on production up to 2017 and which will be allocated between 2018 and 2020.

Estimates and assumptions are revised periodically and the effects of each change are reflected in the Income Statement in the period when the change took place.

MUCCHETTI AMENDMENT FOR PRODUCTION UNITS IN SICILY - UPDATE ON COMPLETION OF THE "SORGENTE-RIZZICONI" INTERVENTION

The law converting Law Decree 91/14 ("Competitiveness Decree") promulgated last year contains the arrangement known as the "Mucchetti amendment". For the purposes of the safety of the electrical system, starting from January 1, 2015 and until the entry into operation of the 380 kV "Sorgente-Rizziconi" between Sicily and the continent, all electricity production units whose power exceeds 50 MW present on the island, with the exclusion of non-dispatchable renewable sources were qualified as essential. The completion of the aforementioned power line, which put an end to this essentiality regime, was originally anticipated for June 2015.

As a result of a judicial seizure of part of the works, in the course of 2015, the entry into operation of the new power line was postponed until June 2016, with the consequent continuation of the essentiality regime in 2016.

In this respect, the Authority for Electricity and Gas and the Water System issued resolutions 496/2015 and 574/2015 to adapt the existing rules to the new deadline. In particular, operating parameters proposed by ERG Power Generation were approved so it will be possible to request an advance or 2016 if the new power line is placed into service between April 30 and August 31, 2016. For 2015, the Authority for Electricity recently transmitted Resolution 615/2015 which provides for the provision of the fee payable to ERG Power Generation for the first half of the year. The collection date for this fee is December 31, 2015.

For electricity producers, in convention CIP6, the Authority for Electricity and Gas and the Water System issued Resolution 538/2015 by which operators subject to the obligation, can claim the reimbursement of the costs for buying CO2 quotas in the year 2014.

Similarly, with Resolution 594/2015, producers in convention CIP 6, can claim reimbursements of the costs for buying green certificates to fulfil the obligation of the year 2014.

Both reimbursements were collected in the last period of the 2015.

For operators who own "closed distribution systems", which include "Internal User Networks" (RIU), the Authority for Electricity and Gas and the Water System has published Resolution RIU - 539/2015, which governs the management of these internal networks from the year 2017, introducing, inter alia, the need to adopt separation between distribution activities and those of the sale of electricity within the RIU.

ERG Power Generation, as manager of the Priolo RIU has appealed to the Administrative Court of Lombardy for the partial annullment of the Resolution.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE JANUARY 1, 2015

The following accounting standards, amendments and IFRS interpretations were adopted by the Group starting January 1, 2015:

On May 20, 2013, **IFRIC 21 – Levies** was published, providing guidance on when to recognise a liability for a levy (other than income taxes) imposed by a government. The standard addresses both liabilities for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and the amount of the levy is certain. The interpretation applies retrospectively for financial years that start after June 17, 2014.

On December 12, 2013, the ISAB published the document **Annual Improvements to IFRSs: 2011-2013 Cycle** which incorporates amendments to certain standards within the scope of the annual process for improvement.

The main amendments pertain to:

- **IFRS 3 Business Combinations** – Scope exception for joint ventures. The change clarifies that the accounting for the formation of all types of "joint arrangements", as defined by IFRS 11 is excluded.
- **IFRS 13 Fair Value Measurement** – Scope of portfolio exception. The change clarifies that the scope of the "portfolio exception" includes all contracts accounted for within the scope of IAS 39 regardless of whether they meet the definition of financial assets or financial liabilities provided in IAS 32.
- **IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40**. The change clarifies that IFRS 3 and IAS 40 do not exclude each other and that, in order to determine if the purchase of a property falls within the scope of IFRS 3 or IAS 40, it is necessary to refer respectively to the specific indications provided by IFRS 3 or IAS 40.

The changes apply for financial years beginning on or after January 1, 2015.

It should be noted that the application of the amendments had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION NOT YET MANDATORILY APPLICABLE EXCEPT THROUGH EARLY ADOPTION

- amendment to IAS 19 "Defined benefit plans: Employee Contributions".
- document **"Annual Improvements to IFRSs: 2010-2012 Cycle"** whose main amendments concern:
  - **IFRS 2** Share Based Payments – Definition of vesting condition;
  - **IFRS 3** Business Combination – Accounting for contingent consideration;
  - **IFRS 8** Operating segments – Aggregation of operating segments;
  - **IFRS 8** Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets;
  - **IFRS 13** Fair Value Measurement – Short-term receivables and payables;

  - **IAS 16** Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation;
  - **IAS 24** Related Parties Disclosures – Key management personnel.
- amendment to **IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations**".
- amendments to **IAS 16 Property, plant and equipment** and **IAS 41 Agriculture – Bearer Plants**.
- amendments to **IAS 16 Property, plant and Equipment** and to **IAS 38 Intangibles Assets – Clarification of acceptable methods of depreciation and amortisation**.
- document **Annual Improvements to IFRSs: 2012-2014 Cycle** that introduces changes to the following standards:
  - **IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations;
  - **IFRS 7** – Financial Instruments: Disclosure;
  - **IAS 19** – Employee Benefits;
  - **IAS 34** – Interim Financial Reporting.
- amendment to **IAS 1 - Disclosure Initiative**.

The Group has not applied the standards mentioned above by means of early adoption.

ACCOUNTING PRINCIPLES, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

On the date of the Consolidated Financial Statements, the competent bodies of the European Union have not completed the endorsement process necessary for the adoption of the amendments and the standards described below.

- **IFRS 14** – Regulatory Deferral Accounts.
- **IFRS 15** – Revenue from Contracts with Customers.
- **IFRS 9** – Financial Instruments.
- Amendments to **IAS 27**: Equity Method in Separate Financial Statement.
- Amendments to **IFRS 10** and **IAS 28**: Sale or Contribution of Assets between an Investor and its Associate or joint venture.

CONSOLIDATION PRINCIPLES

Scope of consolidation

The Consolidated Financial Statements contain line-by-line consolidation of data pertaining to ERG S.p.A., the Parent Company, and the subsidiaries either directly or indirectly controlled by ERG S.p.A. Such 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 when the Group effectively obtains control and cease to be consolidated from the date when control is transferred outside the Group.

Associates, where ERG S.p.A. has significant influence, and joint ventures, where it exercises joint control over financial and operational strategy, are recognized using the equity method of accounting. The Group's share of profits or losses is recognised starts on the date when significant influence is obtained.

Should the Group's share of the losses incurred by an associate exceed the carrying value of the investment shown in the Consolidated statement of financial position, after the carrying value of the associate is writen off, a provision is recognised for the Group's share of the losses to the extent that the Group has legal or constructive obligations to cover the losses of the associate or, in any event, to make payments on its behalf.

Investments in consolidated companies

The financial statements of subsidiaries used for consolidation purposes were prepared as of December 31, 2015 based on the same accounting principles and policies adopted by the Group.

All financial statements of the companies consolidated line by line are expressed in Euro.

The main consolidation principles adopted when applying the line-by-line consolidation method are as follows:

- subsidiaries are consolidated from the date on which control is effectively transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group;
- the assets and liabilities, income and expenses of companies consolidated under the line-by-line method are included in full in the consolidated financial statements. The carrying amount of the investments is eliminated against the corresponding portion of equity of the consolidated companies while attributing to each asset and liability item its fair value at the date of acquisition of control (acquisition method as defined by IFRS 3 "Business combinations"). Any residual positive difference is recorded under "Goodwill" while any residual negative difference is recorded in the income statement.
- the portions of shareholders' equity and the net profit/loss for the period attributable to non-controlling interests are disclosed separately under shareholders' equity and in the consolidated income statement;
- subsidiaries consolidated on a line-by-line basis but held for sale are classified in accordance with IFRS 5. Therefore, once consolidated on a line-by-line basis, the related assets are classified under a single caption "Assets held for sale", the liabilities are classified under a single caption "Liabilities held for sale" and the result for the period is classified in the income statement under a single caption "Profit or loss from discontinued operations".

Intra-group transactions

Application of the "line-by-line" method, aimed at eliminating the effects of all intra-group transactions on the consolidated statement of financial position and income statement, results in elimination of reciprocal receivables and payables among the companies included in the scope of consolidation, as well as revenues and costs, income and expenses, gains and losses, if significant, originating from sales of products and assets.

Conversion of financial statements prepared in currencies other than the Euro

ERG's Consolidated Financial Statements have been prepared in Euro, which is the functional currency of ERG S.p.A. and of all the companies included in the scope of consolidation, except for:

- the Polish companies directly controlled by ERG Renew S.p.A.
- the Romanian company directly controlled by ERG Wind GmbH, in turn directly controlled by ERG Renew S.p.A.
- the Bulgarian companies directly controlled by ERG Wind Bulgaria GmbH, in turn directly controlled by ERG Wind GmbH.

Financial statements of the companies measured under the equity method of accounting that are expressed in currencies other than the Euro are translated into Euro by applying the year-end currency exchange rate to individual items in the statement of financial position.

Foreign currency exchange differences resulting from the conversion of initial shareholders' equity items at year-end rates, compared to those rates at the end of the previous year, are charged directly to Consolidated shareholders' equity.

Exchange rate differences arising on a monetary item that is part of a net investment in a foreign operation are recognised initially in the statement of other comprehensive income/(loss) and reclassified from equity to profit (or loss) for the financial year upon disposal of the net investment.

A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is part of the net investment in the foreign operation.

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**:

	Registered office	Direct stakes	Group stakes	Share capital (1) (2)	Net assets (1) (2)
ERG S.p.A. (3) (4)					
ERG Power Generation S.p.A. (5)	Genoa	100%	100%	6,000	309,355
ERG Renew S.p.A.	Genoa	93%	93%	107,692	679,485
ERG Services S.p.A.	Genoa	100%	100%	1,200	10,128
ERG Power Generation S.p.A.					
ERG Hydro S.r.l.	Genoa	100%	100%	50,000	784,318
ERG Power S.r.l.	Genoa	100%	100%	5,000	125,734
ERG Renew S.p.A.					
Blachy Pruszynsky-Eenergy SP.Z.O.O.	Rzgów (Poland)	100%	100%	3,000	2,655
ERG Eolica Adriatica S.r.l.	Genoa	100%	100%	10	45,188
ERG Eolica Amaroni S.r.l.	Catanzaro	100%	100%	10	1,827
ERG Eolica Basilicata S.r.l.	Genoa	100%	100%	38	4,120
ERG Eolica Calabria S.r.l.	Catanzaro	100%	100%	10	154
ERG Eolica Campania S.p.A.	Genoa	100%	100%	120	31,644
ERG Eolica Faeto S.r.l.	Genoa	100%	100%	10	7,345
ERG Eolica Fossa del Lupo S.r.l.	Catanzaro	100%	100%	50	20,589
ERG Eolica Ginestra S.r.l.	Genoa	100%	100%	10	1,250
ERG Eolica S. Cireo S.r.l.	Genoa	100%	100%	3,500	19,430
ERG Eolica S. Vincenzo S.r.l.	Genoa	100%	100%	3,500	18,663
ERG Eolica Tirreno S.r.l.	Camporeale	100%	100%	10	26
ERG Eolienne France S.a.s.	Paris (France)	100%	100%	21,625	20,572
ERG Renew Operations & Maintenance S.r.l.	Genoa	100%	100%	10	4,676
ERG Wind France 1 S.a.s.	Paris (France)	100%	100%	1,097	(7,329)
ERG Wind GmbH	Vienna (Austria)	100%	100%	20,508	16,211
ERG Wind Investments Ltd. (6)	Gibraltar	80%	80%	–	177,124
EW Orneta 2 Z.O.O. (7)	Szczecin (Poland)	100%	100%	(558)	50
Ferme Eolienne de Teterchen S.a.s.	Paris (France)	100%	100%	100	1,766
Green Vicari S.r.l.	Camporeale	100%	100%	119	13,054
Hydro Inwestycje SP.Z.O.O.	Warsaw (Poland)	100%	100%	5	(54)
Parc Eolien du Bois de l'Arche S.a.s.	Paris (France)	100%	100%	100	3,242
Parc Eolien du Bois de Bigot S.a.s.	Paris (France)	100%	100%	80	2,186

(1) data referring to the latest approved financial statements

(2) data expressed in thousands EUR with the exception of the companies Blachy Pruszynsky SP Z.O.O.EW Orneta 2 SP. ZOO and Hydro Inwestycje SP Z.O.O. in which they are expressed in thousands of Polish Zloty (Polish currency)

(3) from 1 July 2015 the subsidiary ERG Supply&Trading was incorporated into ERG S.p.A. with accounting and tax effects from 1 January 2015

(4) from 18 December 2015 the subsidiary ISAB Energy S.r.l. was incorporated into ERG S.p.A. with accounting and tax effects from 1 January 2015

(5) from 1 January 2015 the subsidiary ISAB Energy Services S.r.l. was incorporated into ERG Power Generation S.p.A.

(6) within the agreements entered into with the seller, a put and call option is provided on the remaining 20% of the capital, on the basis of which the acquisition of the shares attributable to the minority shareholder was assumed to be certain, with the consequent attraction of the related minority interests in the shareholders' equity of the Group.

(7) in December 2015 ERG Renew carried out a capital increase in the company EW Orneta 2 SP.Z.O.O. amounting to EUR 7,500,000.

	Registered office	Direct stakes	Group stakes	Share capital (1) (2)	Net assets (1) (2)
ERG Eolienne France S.a.s.					
Eoliennes du Vent Solaire S.a.s.	Paris (France)	100%	100%	37	(2,797)
Parc Eolien de Lihus S.a.s.	Paris (France)	100%	100%	1,114	(750)
Parc Eolien de Hetomesnil S.a.s.	Paris (France)	100%	100%	1,114	(504)
Parc Eolien de la Bruyère S.a.s.	Paris (France)	100%	100%	1,060	(309)
Parc Eolien du Carreau S.a.s.	Paris (France)	100%	100%	861	1,533
Parc Eolien les Mardeaux S.a.s.	Paris (France)	100%	100%	1,097	(1,464)
ERG Wind France 1 S.a.s.					
ERG Wind France 2 E.u.r.l.	Paris (France)	100%	100%	1	(11)
Cepe Pays De Montbeliard S.n.c.	Paris (France)	100%	100%	365	(3,530)
Cepe de Murat S.n.c.	Paris (France)	100%	100%	444	2,919
Cepe de Saint Florentin S.n.c.	Paris (France)	100%	100%	251	(4,242)
ERG Wind GmbH					
Corni Eolian S.A.	Constanța (Romania)	100%	100%	152,000	177,358
ERG Wind Bulgaria GmbH	Vienna (Austria)	100%	100%	35	4,822
ERG Wind Bulgaria GmbH					
Globo Energy EOOD	Sofia (Bulgaria)	100%	100%	4,379	4,371
K&S Energy EOOD	Sofia (Bulgaria)	100%	100%	3,179	2,936
K&S Energy 1 EOOD	Sofia (Bulgaria)	100%	100%	3,024	3,461
K&S Energy 2 EOOD	Sofia (Bulgaria)	100%	100%	3,051	3,547
Mark 1 EOOD	Sofia (Bulgaria)	100%	100%	4,113	4,425
Mark 2 EOOD	Sofia (Bulgaria)	100%	100%	4,113	4,221
VG-1 EOOD	Sofia (Bulgaria)	100%	100%	1,520	1,591
VG-2 EOOD	Sofia (Bulgaria)	100%	100%	3,034	2,582
VG-3 EOOD	Sofia (Bulgaria)	100%	100%	3,057	2,834
VG-4 EOOD	Sofia (Bulgaria)	100%	100%	2,955	3,797
VG-5 EOOD	Sofia (Bulgaria)	100%	100%	3,059	2,804
VG-6 EOOD	Sofia (Bulgaria)	100%	100%	3,023	2,611
Wind Park Kavana East EOOD	Sofia (Bulgaria)	100%	100%	505	595
Wind Park Kavana West EOOD	Sofia (Bulgaria)	100%	100%	175	458
WP Bulgaria 4 EOOD	Sofia (Bulgaria)	100%	100%	2,157	2,304

(1) data referring to the latest approved financial statements

(2) data expressed in thousands Eur with the exception of the company Corni Eolian in which they are expressed in thousands of Leu (Romanian currency) and subsidiaries of ERG Wind Bulgaria GmbH in which they are expressed in thousands of Lev (Bulgarian currency)

	Registered office	Direct stakes	Group stakes	Share capital (1) (2)	Net assets (1) (2)
ERG Wind Investments Ltd.					
ERG Wind Holdings (Italy) S.r.l.	Genoa	100%	80%	212	883,700
ERG Wind MEI 2-14-1 Ltd.	London (UK)	100%	80%	–	(1,315)
ERG Wind MEI 2-14-2 Ltd.	London (UK)	100%	80%	–	160
ERG Wind Holdings (Italy) S.r.l.					
ERG Wind Sardegna S.r.l.	Genoa	100%	80%	77	38,604
ERG Wind Sicilia 6 S.r.l.	Genoa	100%	80%	77	29,678
ERG Wind 4 S.r.l.	Genoa	100%	80%	6,633	57,445
ERG Wind Energy S.r.l.	Genoa	100%	80%	1,000	82,116
ERG Wind Leasing 4 S.r.l.	Genoa	100%	80%	10	270
ERG Wind Sardegna S.r.l.					
ERG Wind Sicilia 2 S.r.l.	Genoa	100%	80%	77	39,251
ERG Wind Sicilia 4 S.r.l.	Genoa	100%	80%	77	12,335
ERG Wind Sicilia 5 S.r.l.	Genoa	100%	80%	77	18,024
ERG Wind 2000 S.r.l.	Genoa	100%	80%	77	25,167
ERG Wind Sicilia 6 S.r.l.					
ERG Wind 6 S.r.l.	Genoa	100%	80%	77	47,630
ERG Wind Sicilia 3 S.r.l.	Genoa	100%	80%	77	29,035
ERG Wind MEI 2-14-1 Ltd.					
ERG Wind MEG 1 LLP (2)	London (UK)	80%	80%	33,168	22,402
ERG Wind MEG 2 LLP (2)	London (UK)	80%	80%	28,010	19,174
ERG Wind MEG 3 LLP (2)	London (UK)	80%	80%	33,585	24,330
ERG Wind MEG 4 LLP (2)	London (UK)	80%	80%	29,721	21,414

(1) data referring to the latest approved financial statements
(2) the remaining 20% is held by the company ERG Wind MEI 2-14-2

List of equity investments **measured under the equity method of accounting**:

Company	Office Registered	Quota for shares (direct)	Quota for shares (Group)	Capital (share) (1)	Assets net (1)	Value of the balance sheet as at 31.12.2015
(EUR thousand)						
ERG S.p.A.						
TotalErg S.p.A. (2)	Rome	51.00%	51.00%	47,665	162,261	125,820
Joint venture Company						**125,820**
ERG S.p.A.						
I-Faber S.p.A.	Milan	23.00%	23.00%	5,652	16,664	4,250
ERG Power S.r.l.						
Priolo Servizi S.c.p.A. (3)	Melilli	24.41%	24.41%	25,600	46,648	12,140
Connected companies						**16,390**
TOTAL						**142,210**

(1) data referring to 2015 for join venture enterprises; last approved balance sheets as at the date of the Board of directors for connected enterprise and other enterprises
(2) in joint venture with Total Raffinage Marketing
(3) la consorium is subject to joint control with ISAB S.r.l. Ewith the other members of the Versalis S.p.A. Group and Syndial

List of companies **consolidated according to the cost method of accounting**:

Company	Office Registered	Quota for shares (direct)	Quota for shares (Group)	Capital (share) (1)	Assets net (1)	Value of the balance sheet as at 31.12.2015
(EUR thousand)						
ERG S.p.A.						
ERG Petroleos S.A. (2)	Madrid (Spain)	100.00%	100.00%	3.050	(5.521)	–
ERG Renew S.p.A.						
ISAB Energy Solare S.r.l.	Genoa	100.00%	100.00%	100	186	123
ERG Eolica Lucana S.r.l.	Genoa	100.00%	100.00%	10	9	375
Eolico Troina S.r.l. undergoing liquidation	Palermo	99.00%	99.00%	20	250	25
Subsidiary companies						**523**
ERG Renew S.p.A.						
Longburn Wind Farm Ltd.	Seebeck House (UK)	50.00%	50.00%	–	–	175
Sandy Knove Wind Farm Ltd.	Seebeck House (UK)	50.00%	50.00%	–	–	175
Joint venture companies (3)						**349**
ERG S.p.A.						
CAF Interreg. Dipendenti S.r.l.	Vicenza	0.04%	0.06%	276	1.026	–
Emittenti titoli S.p.A.	Milan	0.51%	0.51%	4.264	15.997	26
Meroil S.A.	Barcelona (Spain)	0.87%	0.87%	19.077	49.690	310
R.U.P.E. S.p.A.	Genoa	4.86%	4.86%	3.058	3.069	155
Other companies						**491**
TOTAL						**1.363**

(1) data referring to 2015 for subsidiary companies and join venture enterprises; last approved balance sheets as at the date of the Board of directors for the other enterprises

(2) company undergoing liquidation

(3) companies evaluated at cost, as not operative

With respect to the negative net equity of ERG Petroleos, a provision for risks on equity investments of approximately EUR 5.5 million has been allocated.

Main transactions carried out involving the Group's equity investments in 2015 are summarised as follows:

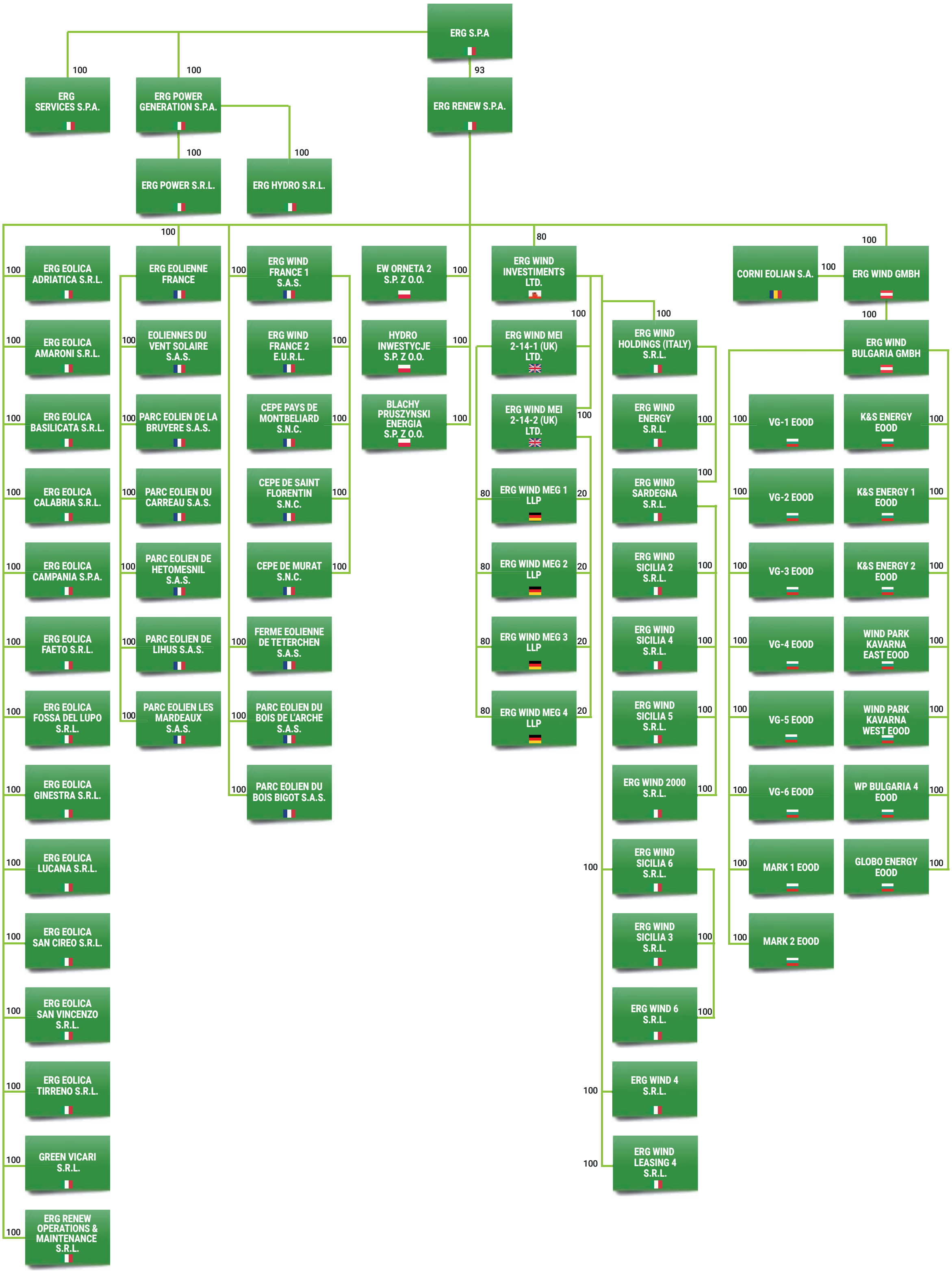
- On **January 1, 2015**, the deed of merger by incorporation of the investee company ISAB Energy Services S.r.l. with its parent company ERG Power Generation S.p.A. became effective on 16 December 2014 and carried out with accounting continuity and fiscal neutrality. The transaction has had no impact on these Financial Statements as it was a transaction between entities under common control.
- On **February 19, 2015**, the agreement with ERG Renew S.p.A. to acquire 100% of the capital of Hydro Inwestycje, a company under Polish law that owns permits to operate a wind farm in Poland, in the municipalities of Szydlowo and Stupsk with a planned capacity of 14 MW from the PAI Group (PAI Polish Alternative Investments RES) was completed.
- On **March 3, 2015**, upon approval of the final liquidation financial statements, the company Ionio Gas S.r.l. in liquidation was removed from the Companies Register and closed on the same date.

- On **March 12, 2015**, ERG Renew S.p.A. acquired 100% of the capital of Blachy Pruszynsky-Energy, a company under Polish law that owns permits to operate a wind farm in Poland, in the municipality of Slupia, with a planned capacity of 24 MW from the PAI Group (PAI Polish Alternative Investments RES).
- On **June 9, 2015**, ERG Renew S.p.A. its 24.95% holding in the Consortium Dyepower, a company consolidated at cost, to Permasteelisa S.p.A.
- On **June 19, 2015**, ERG Renew S.p.A. acquired 50% of the shares of a company incorporated under English law, Longburn Wind Farm Limited and Sandy Knowe Wind Farm Limited, working on the development of two wind projects located in Scotland, with 60 MW and 49 MW of power respectively, whose authorisation is expected to take place in the first half of 2016. The companies are not yet operational. It should be noted that ERG Renew S.p.A. has obtained a series of guarantees and indemnities to cover risk relating to the target companies and to the development projects. ERG Renew S.p.A. has borne 5.0 million in functional charges for the construction and obtaining licences relating to the parks in question that are classified as “Other current assets” pending the finalisation of the authorisation.
- On **June 29, 2015**, the deed of merger by incorporation between ERG Supply& Trading S.p.A. ad ERG S.p.A. was signed with an effective merger date of 1 July 2015, and accounting and tax effects of the merger effective retroactively from 1 January 2015. Consequently, as of 1 July 2015, the relevant corporate bodies no longer exist, as well as any authorisations issued in their name, and ERG S.p.A. has fully taken over all legal relationships concerning the assets and liabilities of the incorporated company. The transaction has had no impact on these Financial Statements as it was a transaction between entities under common control.
- On **July 27, 2015**, ERG Renew S.p.A. acquired 100% of the capital of the four companies under French law from Macquarie European Infrastructure Fund, managed by the Macquarie Group, which directly and indirectly own six wind farms in France, with a total installed capacity of 63.4 MW, entered into operation between 2005 and 2008. The wind farms have an average expected annual production of about 150 GWh, over 2,300 equivalent hours. The acquisition allows ERG Renew S.p.A. to consolidate its position on the French wind market doubling the installed power from 64 MW to 127 MW, one further step in the Group’s geographic diversification and globalisation strategy.
- On **August 6, 2015**, ERG, through its subsidiary ERG Power Generation, reached an agreement with E.ON Italia for the acquisition of the hydroelectric business E.ON Production, withplants located in Umbria, Marche and Lazio, with a total power of 527 MW. The asset portfolio is comprised of 16 plants, 7 dams, 3 tanks and a pumping station. The average total annual production is estimated to be at about 1,4 TWh (1,8 TWh in 2014), of which approximately 40% is incentivised with the green certificates system. The expiry of the licences relating to the portfolio of assets acquired is in 2029. On 5 October 2015, the Antitrust authority published its decision to authorise ERG to acquire the hydroelectric plant in Terni owned by E.ON. The transaction closed on **November 30, 2015**, the date on which over 100 people became part of the ERG Group, from technicians in the operational management of installations, to specialists in energy management and dedicated staff. The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of the available liquidity and with the use of a third party loan of EUR 700 million obtained from a pool of seven Italian and international financial institutions (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Banca IMI - Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).

- On **October 15, 2015**, ERG Renew S.p.A. signed an agreement for the acquisition by a fund managed by Impax Asset Management Group, comprised of eleven wind parks in France, with an installed capacity of 124 MW, and six in Germany, with an installed capacity of 82 MW, totalling 206 MW. The wind parks, which entered into operation between 2009 and 2014 in France and between 2004 and 2014 in Germany, have an average expected annual production of about 410 GWh. The scope of the operation also includes two companies, one under French law and one under German law, that provide technical, operational and sales support, through a team comprising twenty-eight professionals, to both captive and third-party wind operators in France, Germany and Poland, totalling approximately 800 MW (including 206 MW acquired and other 83 MW owned by ERG Renew S.p.A. in Germany). The value of the acquisition is approximately EUR 297 million in enterprise value, equal to a multiple of about EUR 1.4 million per MW. The parks are already fully financed by means of project financing limited recourse. In 2016, the expected Gross Operating Margin will be approximately EUR 30 million, and total equity is EUR 128 million. The closing took place on **February 2, 2016** and therefore the operation does not impact 2015 Consolidated Financial Statements.
- On **December 17, 2015**, ERG signed the deed of merger by incorporation of ISAB Energy S.r.l. into ERG S.p.A., entered in the Companies Register of Genoa on the same date. The effective date of the merger was on 18 December and the accounting and tax effects of the merger effective retroactive from 1 January 2015. The transaction has had no impact on these Financial Statements as it was a transaction between entities under common control.
- On **June 25, 2015**, at the end of a three year period of strong growth, the two shareholders of LUKERG Renew S.p.A., a joint venture between ERG Renew S.p.A. and LUKOIL agreed to dissolve the joint venture and distribute the assets. The joing venture was created in 2011 to make investments in the wind sector in Bulgaria and Romania. The agreement to dissolve states that ERG will be assigned the Bulgarian parks of Tcherga (40 MW), Hrabrovo (14 MW) and Gebeleisis in Romania (70 MW) totalling 124 MW, while LUKOIL acquires exclusive ownership of the only park in Topolog (84 MW). This allows ERG to increase the overall installed power of 20 MW over its share of the overall installed power in the joint venture (104 MW). On **December 23, 2015**, the dissolution of the joint venture (**Operation ERG Wind GmbH**) was finalised with the acquisition of 50% ownership of the shares by the shareholder OOO LUKOIL - Ecoenergo held in the company LUKERG Renew GmbH by ERG Renew S.p.A.. At the same time, the sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the shareholding in Land Power S.A. was finalised, a company under Romanian law and the acquisition by LUKERG Bulgaria GmbH of the minority share in Corni Eolian S.A., also a company under Romanian law. Therefore, on 31 December 2015, ERG Renew S.p.A. became the sole shareholder of LUKERG Renew GmbH (which in turn controls all of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries as well as Corni Eolian S.A.). Also on 23 December 2015, LUKERG Renew GmbH changed its name to ERG Wind GmbH and LUKERG Bulgaria GmbH to ERG Wind Bulgaria GmbH.
- On **March 5, 2015**, ERG S.p.A. assigned half of the share held in the Consortium Delta Ti Research to LFoundry S.r.l., equal to 25% of the consortium fund. Pursuant to the Board of Directors meeting of ERG S.p.A. on 11 November 2015, in a letter dated 18 November 2015 and effective as of **December 24, 2015**, it withdrew its participation in the Consortium Delta Ti, by exercising the right of withdrawal as provided for in Art. 19 of the Articles of Association.

For information on restrictions on the holdings held by the Group, please refer to **Note 26 - Covenants and negative pledges**.

SCOPE OF CONSOLIDATION AS OF 31 DECEMBER 2015



CHANGE IN SCOPE OF CONSOLIDATION

The details of the main transactions involving the Group's equity investments that modified the scope of consolidation are as follows.

The effects of the aforesaid transactions on the Group's consolidated statement of financial position are summarised in the following table.

	CONSOLIDATION AREA VARIATION					
(EUR thousand)	Hydro Inwestycje SP. Z.O.O.	Blachy Pruszynski Energia SP Z.O.O.	Società da Macquarie European Infrastructure Fund	ERG Hydro S.r.l.	Operation ERG Wind GmbH	TOTAL
Intangible assets	1,833	2,622	22,539	459,382	10,868	497,244
Goodwill	–	–	–	15,169	441	15,610
Properties, plants and machineries	552	2,442	56,257	508,859	145,892	714,002
Shares	–	–	–	–	(476)	(476)
Other financial assets	–	–	144	19	(59,108)	(58,945)
Prepaid tax assets	–	–	9,590	24,148	–	33,738
Other non-current assets	–	–	–	–	3,166	3,166
Non-current assets	**2,385**	**5,064**	**88,530**	**1,007,577**	**100,783**	**1,204,339**
Remainders	–	–	–	–	–	–
Trade receivables	–	2	802	44,641	14,958	60,403
Other current receivables and assets	109	391	872	12,534	4,037	17,943
Current financial assets *	–	–	–	75,129	–	75,129
Liquid financial resources and equivalent means*	–	–	5,659	3	9,677	15,339
Current assets	**109**	**393**	**7,333**	**132,307**	**28,672**	**168,814**
ASSETS - TOTAL	**2,494**	**5,457**	**95,863**	**1,139,884**	**129,455**	**1,373,153**
Net assets	**–**	**–**	**–**	**–**	**(316)**	**(316)**
Severance indemnity	–	–	–	1,732	–	1,732
Liabilities for deferred taxes	348	498	17,701	92,656	–	111,203
Non-current risk reserves and expenses	–	–	352	–	1,579	1,931
Non-current financial liabilities*	–	–	–	–	76,777	76,777
Other non-current liabilities	–	–	20	–	–	20
Non-current liabilities	**348**	**498**	**18,073**	**94,388**	**78,356**	**191,663**
Current risk reserves and expenses	–	–	1,100	2,284	9,596	12,980
Trade liabilities	219	72	540	16,224	1,540	18,595
Current financial liabilities*	1,916	4,873	75,997	1,022,632	36,836	1,142,254
Other current liabilities	11	14	153	4,356	3,443	7,977
Current liabilities	**2,146**	**4,959**	**77,790**	**1,045,496**	**51,415**	**1,181,806**
LIABILITIES - TOTAL	**2,494**	**5,457**	**95,863**	**1,139,884**	**129,455**	**1,373,153**
***Impact on net financial position**	**1,916**	**4,873**	**70,338**	**947,500**	**103,936**	**1,128,563**

The method used for the consolidation of the acquired companies were measured according to the provisions of IFRS 3 on business combinations, which includes:

- determining the acquisition and control date;
- determining the total acquisition price;
- measuring and evaluating the identifiable assets acquired, liabilities assumed and any minority interest held;
- measuring and evaluating goodwill or a bargain purchasegain resulting from an acquisition;
- defining the valuation period and determining the elements to be included in the aggregation operation, including the costs incurred related to the acquisition.

Acquisition Hydro Inwestycje SP. Z O.O.

On **23 January 2015**, ERG Renew entered into an agreement with the PAI group (PAI Polish Alternative Investments RES), for the acquisition of 100% of the capital of Hydro Inwestycje, a Polish company that owns the authorisations required for the construction of a wind farm in Poland, in the municipalities of Szydlowo and Stupsk, with planned capacity of 14 MW and energy output estimated at over 36 GWh when fully operational, corresponding to approximately 2,600 equivalent hours and savings of approximately 30 kt of CO_2 emission. ERG Renew S.p.A. started work for the construction of the wind farm in the second quarter of 2015, in order to start operations by the end of the year.

Closing took place on **19 February 2015**.

ERG Renew S.p.A. completed the development work during the fourth quarter of 2015 and the wind farm became operational at the end of December 2015.

Determination of the total price of the acquisition

The consideration for the acquisition was EUR 1.9 million, of which 1.5 million was for the acquisition of 100% of the share capital of the target companies and 0.4 million for the repayment of existing borrowings held by the target company as of the acquisition date. The transaction costs incurred, amounting to EUR 0.2 million, were excluded from the transferred consideration and are recognised in the income statement for the current period in costs for services and other costs.

Valuation of assets and liabilities of the business combination on the acquisition date and allocation of the purchase price

The fair values of the assets acquired and liabilities assumed were determined based on best available estimate as of the preparation date of the consolidated financial statements, and are set out in the table below

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(EUR thousand)	Asset acquisition		Purchase Price Allocation (1)	Total Impact of Hydro Inwestycje SP. Z.O.O.
Intangible assets	2		1,831	1,833
Goodwill	–		–	–
Properties, plants and machineries	552	A	–	552
Shares	–		–	–
Other financial assets	–		–	–
Prepaid tax assets	–		–	–
Other non-current assets	–		–	–
Non-current assets	**554**		**1,831**	**2,385**
Remainders	–		–	–
Trade receivables	–		–	–
Other current receivables and assets	109		–	109
Current financial assets *	–		–	–
Liquid financial resources and equivalent means*	–		–	–
Current assets	**109**		**–**	**109**
ASSETS - TOTAL	**663**		**1,831**	**2,494**
Net assets	**(23)**		**23**	**–**
Severance indemnity	–		–	–
Liabilities for deferred taxes	–		348	348
Non-current risk reserves and expenses	–		–	–
Non-current financial liabilities*	–		–	–
Other non-current liabilities	–		–	–
Non-current liabilities	**–**		**348**	**348**
Current risk reserves and expenses	–		–	–
Trade liabilities	219		–	219
Current financial liabilities*	456	B	1,460	1,916
Other current liabilities	11		–	11
Current liabilities	**686**		**1,460**	**2,146**
LIABILITIES - TOTAL	**663**		**1,831**	**2,494**
***Impact on net financial position**	**456**		**1,460**	**1,916**

(1) temporary attribution

In the column **Asset Acquisition**:

A the value of the property, plant and equipment acquired is attributable to fixed assets under construction;

B the value of the current financial liabilities relates to the debt to shareholders that exists at acquisition date. The fair value as of the acquisition date is approximates the nominal value. It should be noted that the short term classification is due to the repayment by ERG Renew S.p.A. upon closing of the transaction.

The column **Purchase Price Allocation** includes:

- intangible assets represents the non-deductible capital gains when accounting for the acquisition. This capital value was attributed to the concessions and is determined by measurement methods based on the discounted cash flow model for the duration of the concessions;
- liabilities for deferred taxes, represents the value of the deferred tax liabilities recognised for the allocation referred to in the previous point;
- current financial liabilities, represents the the value of the consideration for the acquisition of 100% of the share capital of the target company.

Impact of the acquisition on the Group's results

The wind farm was operational at the end of December 2015, and its contribution to the Group's income statement is not material.

Acquisition Pruszynski Blachy Energia SP Z.O.O.

On **12 March 2015**, ERG Renew S.p.A. acquired 100% of the share capital of a Polish SPV from the PAI (Polish Alternative Investments RES) group. Polish SPV owns the authorisations required for the construction of a wind farm in Poland, in the municipality of Slupia, with planned capacity of 24 MW and energy output estimated at over 62 GWh/year when fully operational, corresponding to approximately 2,600 equivalent hours and savings of approximately 52 kt of CO_2 emissions.

ERG Renew S.p.A. started work for the construction of the wind farm in the second quarter of 2015, in order to commence operations by the end of the year. ERG Renew S.p.A. completed the development work at the end of 2015 and the wind farm commenced operations in early 2016.

Determination of the total price of the acquisition

The consideration for the acquisition was EUR 5.0 million, of which 2.9 million was for the acquisition of 100% of the share capital of the target companies and 2.0 million for the repayment of existing borrowings held by the target company as of the acquisition date. The transaction costs incurred, amounting to EUR 0.9 million, were excluded from the transferred consideration and are recognised in the income statement for the current period in costs for services and other costs.

Valuation of assets and liabilities of the business combination on the acquisition date and allocation of the purchase price

The fair values of the assets acquired and liabilities assumed were determined based on best available estimate as of the preparation date of the consolidated financial statements, and are set out in the table below.

(EUR thousand)	Asset acquisition		Purchase Price Allocation (1)	Total Impact of Blachy Pruszynski Energia SP Z.O.O.
Intangible assets	–		2,622	2,622
Goodwill	–		–	–
Properties, plants and machineries	2,442	A	–	2,442
Shares	–		–	–
Other financial assets	–		–	–
Prepaid tax assets	–		–	–
Other non-current assets	–		–	–
Non-current assets	**2,442**		**2,622**	**5,064**
Remainders	–		–	–
Trade receivables	2		–	2
Other current receivables and assets	391		–	391
Current financial assets *	–		–	–
Liquid financial resources and equivalent means*	–		–	–
Current assets	**393**		**–**	**393**
ASSETS - TOTAL	**2,835**		**2,622**	**5,457**
Net assets	**731**		**(731)**	**–**
Severance indemnity	–		–	–
Liabilities for deferred taxes	–		498	498
Non-current risk reserves and expenses	–		–	–
Non-current financial liabilities*	–		–	–
Other non-current liabilities	–		–	–
Non-current liabilities	**–**		**498**	**498**
Current risk reserves and expenses	–		–	–
Trade liabilities	72		–	72
Current financial liabilities*	2,018	B	2,855	4,873
Other current liabilities	14		–	14
Current liabilities	**2,104**		**2,855**	**4,959**
LIABILITIES - TOTAL	**2,835**		**2,622**	**5,457**
***Impact on net financial position**	**2,018**		**2,855**	**4,873**

(1) temporary attribution

In the column **Asset Acquisition**:

A the value of the property, plant and equipment acquired is attributable to operational wind parks owned by the target companies for which it is assumed that the historic cost of the assets approximates fair value;

B the value of the current financial liabilities relate to the debt to shareholders that exists at acquisition date. The fair value as of the acquisition date approximates the nominal value. It should be noted that the short term classification is due to the repayment by ERG Renew S.p.A. upon the closing of the transaction.

The column **Purchase Price Allocation** includes:

- in Intangible assets, the non-deductible capital gains tax attributed when accounting for the acquisition; this capital value was attributed to the concessions and is determined by means of measurement methods based on the discounting of operating cash flows expected in the time period of the concessions duration;
- in liabilities for deferred taxes, the value of the deferred tax liabilities recognised for the allocation referred to in the previous point;
- in the current financial liabilities, the value of the consideration for the acquisition of 100% of the share capital of the target company

Impact of the acquisition on the Group's results

The park was powered at the start of 2016, therefore the contribution to the Group's income statement is not significant.

Acquisition Company from Macquarie European Infrastructure Fund

On **27 July 2015**, ERG Renew S.p.A. finalised the acquisition of 100% of the capital of the four companies under French law from Macquarie European Infrastructure Fund, managed by the Macquarie Group, which directly and indirectly own six wind farms in France. The wind farms have a total installed capacity of 63.4 MW, and entered operation between 2005 and 2008. The parks have an average expected annual production of about 150 GWh, equal to over 2,300 equivalent hours. The value of the acquisition is approximately EUR 70 million. The acquisition allows ERG Renew S.p.A. to consolidate its position on the French wind market doubling installed power from 64 MW to 127 MW, in addition to a further step in the Group's geographic diversification and globalisation strategy.

The acquisition resulted in a net invested capital increase of about EUR 70 million and an equal increase in the amount of indebtedness. The contribution to the gross operating margin for the year 2015 was equal to approximately EUR 4.6 million.

The Consolidated Financial Statements reflect the impacts of the consolidation of the new French companies starting from 1 July 2015, considering no significant effects on the income statement for the period of time between the closing date and the date of the consolidation.

Determination of the total price of the acquisition

The consideration for the acquisition was EUR 76 million, of which 15 million was for the acquisition of 100% of the share capital of the target companies and 61 million for the repayment of existing borrowings held by the target companies at acquisition date. The transaction costs incurred, amounting to EUR 1.5 million, were excluded from the transferred consideration and are recognised in the income statement for the current period in costs for services and other costs.

Valuation of assets and liabilities of the business combination on the acquisition date and allocation of the purchase price

The fair values of the assets acquired and liabilities assumed were determined based on best available estimate as of the preparation date of the consolidated financial statements, and are set out in the table below.

(EUR thousand)	Aquisition Asset		Purchase Price Allocation (1)	Total impact of Società da Macquarie European Infrastructure Fund
Intangible assets	–		22,539	22,539
Goodwill	–		–	–
Properties, plants and machineries	56,257	A	–	56,257
Shares	–		–	–
Other financial assets	144	B	–	144
Prepaid tax assets	9,590	C	–	9,590
Other non-current assets	–		–	–
Non-current assets	**65,991**		**22,539**	**88,530**
Remainders	–		–	–
Trade receivables	802	D	–	802
Other current receivables and assets	872	E	–	872
Current financial assets *	–		–	–
Liquid financial resources and equivalent means*	5,659		–	5,659
Current assets	**7,333**		**–**	**7,333**
ASSETS - TOTAL	**73,324**		**22,539**	**95,863**
Net assets	**691**		**(691)**	**–**
Severance indemnity	–		–	–
Liabilities for deferred taxes	10,296	F	7,405	17,701
Non-current risk reserves and expenses	352	G	–	352
Non-current financial liabilities*	–		–	–
Other non-current liabilities	20		–	20
Non-current liabilities	**10,668**		**7,405**	**18,073**
Current risk reserves and expenses	–		1,100	1,100
Trade liabilities	540	H	–	540
Current financial liabilities*	61,272	I	14,725	75,997
Other current liabilities	153		–	153
Current liabilities	**61,965**		**15,825**	**77,790**
LIABILITIES - TOTAL	**73,324**		**22,539**	**95,863**
***Impact on net financial position**	**55,613**		**14,725**	**70,338**

(1) temporary attribution

In the column **Asset Acquisition**:

- **A** the value of the property, plant and equipment acquired is attributable to operational wind parks owned by the target companies for which it is assumed that the historic cost of the assets approximate fair value;
- **B** the value of other financial assets relates to deposits and nominal date approximates fair value as of the acquisition date;
- **C** the value of the deferred tax assets relates to receivables for deferred tax assets on operating loss carryforwards totalling EUR 29 million. As of the acquisition date, the Group's Management assessed the recoverability of such deferred tax assets based on expected taxable results and consequently recognised the deferred tax assets of the loss carryforwards;
- **D** the value of trade receivables relates to the sale of electricity. As of the acquisition date, the nominal value approximates fair value;
- **E** other receivables and current assets are represented by shares of deferred charges and receivables due from the tax authorities and the nominal value approximates fair value as of the acquisition date;
- **F** deferred tax liabilities are entered against the reversal of accelerated depreciation accounted for in the local GAAP financial statements of the target companies;
- **G** the provisions for non-current risks and charges relates to liabilities on the investee companies and plant decommissioning charges;
- **H** trade payables mainly relate to maintenance services from third-party suppliers and the nominal value approximates fair value as of the acquisition date;
- **I** current financial liabilities relate to the debt to shareholders that exists at acquisition date. The fair value as of the acquisition date approximates the nominal value. It should be noted that the short term classification is due to the repayment by ERG Renew S.p.A. upon the closing of the transaction.

The column **Purchase Price Allocation** includes:

- intangible assets represents the non-deductible capital gains when accounting for the acquisition. This capital value was attributed to the concessions and is determined by measurement methods based on the discounted cash flow model for the duration of the concessions;
- liabilities for deferred taxes, represents the value of the deferred tax liabilities recognised for the allocation referred to in the previous point;
- provisions for non-current risks and charges represents tax liabilities relating to taxes from previous financial years;
- current financial liabilities, represents the the value of the consideration for the acquisition of 100% of the share capital of the target company.

Impact of the acquisition on the Group's results

The contribution of the business combination on the Group's result between the date of the first consolidation (1 July 2015) and the date of the closure of the financial year was as follows:

(EUR million)	
Total revenues	6,457
EBITDA	4,623
Operative earnings	2,253
EBIT	(307)

The Group's Management believes that these pro-forma results express a reasonable estimate of the performances achieved by the acquired companies and could therefore represent a valid reference point for comparison in future years.

Acquisition ERG Hydro S.r.l.

On 6 August 2015, ERG, through its subsidiary ERG Power Generation, reached an agreement with E.ON Italia for the acquisition of the hydroelectric business of E.ON Production comprising of plants located in Umbria, Marche and Lazio, with a total power of 527 MW.

The forecasted EBITDA for the hydroelectric business in future years is approximately EUR 110 million per annum. The asset portfolio is comprised of 16 plants, 7 dams, 3 tanks and a pumping station. The average total annual production is estimated to be about 1,4 TWh (1,8 TWh in 2014), of which approximately 40% is incentivised with the green certificates system. The licences relating to the portfolio of assets acquired is set to expire in 2029. On 5 October 2015 the Antitrust authority published its decision to authorise ERG to acquire the hydroelectric plant in Terni owned by E.ON.

The transaction closed on **30 November 2015**, the date on which over 100 people became part of the ERG Group, from technicians in the operational management of installations, to specialists in energy management and dedicated staff.

The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of the available liquidity and through a third party loan of EUR 700 million obtained from a pool of seven Italian and international financial institutions (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Banca IMI - Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).

The Consolidated Financial Statements reflect the financial impacts of the acquisition from 1 December 2015.

The operation was finalised through the partial demerger of the E.ON Produzione S.p.A. owned entirely by E.ON Italia S.p.A., with the simultaneous conferring of the company Hydro Terni S.r.l., established on 22 July 2015, of the company's assets comprising the hydroelectric branch at the time owned by E.ON Produzione S.p.A.

On 5 November 2015 the conferral of the company branch owned by E.ON Produzione S.p.A. to Hydro Terni S.r.l took place.

As a result of the aforesaid conferral, as of 1 December 2015, the company started the production and sale of electricity.

Determination of the total price of the acquisition

The acquisition price was EUR 1,022.6 million and includes:

- EUR 957.5 million for the acquisition of 100% of the share capital of the target company, paid to the seller on 30 November 2015;
- EUR 75 million by way of financial adjustment for financial activities (see point E in the table below) of the target company at the time of the acquisition, paid to the seller on 07 March 2016;
- EUR 10 million for estimated adjustments based on the precise value of certain balance sheet items (price component) of the reference final financial statements.

It should also be noted that the transaction costs incurred amounted to EUR 4.7 million, mainly comprising fees for consultants and professional advisors involved in the acquisition. About EUR 11 million were related to non-recurring fees paid to directors and employees.

The above charges were excluded from the transferred consideration and were consequently recognised in the income statement for the current financial year in costs for services and other costs. These costs are considered to be non-recurring items.

Measurement of the assets and liabilities of the business combination on the date of acquisition

The fair values of the assets acquired and liabilities assumed were determined based on best available estimate as of the preparation date of the consolidated financial statements, and are set out in the table below

(EUR thousand)	ERG Hydro S.r.l.		Purchase Price Allocation (1)		ERG Hydro S.r.l. adjusted
Intangible assets	1,682		457,700	J	459,382
Goodwill	154,980		(154,980)	K	–
Properties, plants and machineries	508,859	A	–		508,859
Shares	–		–		–
Other financial assets	19		–		19
Prepaid tax assets	24,148	B	45,865	L	70,013
Other non-current assets	–		–		–
Non-current assets	**689,688**		**348,585**		**1,038,273**
Remainders	–		–		–
Trade receivables	44,641	C	–		44,641
Other current receivables and assets	2,994	D	9,540	M	12,534
Current financial assets *	75,129	E	–		75,129
Liquid financial resources and equivalent means*	3		–		3
Current assets	**122,767**		**9,540**		**132,307**
ASSETS - TOTAL	**812,455**		**358,125**		**1,170,580**
Net assets	**782,550**		**224,910**		**1,007,460**
Severance indemnity	1,732		–		1,732
Liabilities for deferred taxes	5,306	F	133,215	N	138,521
Non-current risk reserves and expenses	2,284	G	–		2,284
Non-current financial liabilities*	–		–		–
Other non-current liabilities	–		–		–
Non-current liabilities	**9,322**		**133,215**		**142,537**
Current risk reserves and expenses	–		–		–
Trade liabilities	16,224	H	–		16,224
Current financial liabilities*	3		–		3
Other current liabilities	4,356	I	–		4,356
Current liabilities	**20,583**		**–**		**20,583**
LIABILITIES - TOTAL	**812,455**		**358,125**		**1,170,580**

(1) provisional attribution

In column **ERG Hydro S.r.l.**:

- **A** the value assigned to purchased property, plant and machinery relates to 16 power stations, 7 dams, 3 tanks and a pumping station;
- **B** the value assigned to deferred tax assets relates to goodwill, property, plant and machinery and for provisions for risks and charges;
- **C** the value assigned to trade receivables relates to the sale of electricity and accrued green certificates;
- **D** other current receivables and assets are comprised of deferred charges;
- **E** current financial assets relates to the adjusted balance to reflect difference between the date of approval of the demerger financial statements of E.On Produzione on 30 June 2015 and 30 November 2015, the date of legal and financial effectiveness of the demerger;
- **F** deferred tax liabilities relates to technical financial amortisations exceeding the fiscal limit;
- **G** non-current provisions for risks and charges relates to possible future liabilities;
- **H** trade payables relates to liabilities incurred in the course of normal business operations;
- **I** other current liabilities relates to deferred income.

In column **Adjusted balance as of acquisition dates** the assigned values refer to:

- **J** the assessment of non-current assets, specifically relating to grants for the production of energy from hydroelectric stations, expiring in 2029;
- **K** goodwill recognized as of the acquisition date necessary for subsequent purchase price allocation,in accordance with IFRS 3;
- **L** deferred tax assets associated with the write-off of deductible goodwill pursuant to the previous point;
- **M** receivables for specific indemnities paid by the seller to ERG (buyer) against certain liabilities reflected in the financial statements of the target company;
- **N** deferred tax liabilities related to the fair value of the grants pursuant to point J.

Determination of residual goodwill

The difference between the considerations transferred and the fair value of the assets acquired and liabilities assumed was recognised as goodwill as follows:

Overall amount of the acquisition	1,022,629
Adjusted net assets of ERG Hydro S.r.l.	(1,007,460)
Goodwill	**15,169**

For considerations transferred in connection with the transaction, refer to the description given in the paragraphs here above.

Contribution of ERG Hydro to the Consolidated Financial Statements as at 31 December 2015

The financial contribution of ERG Hydro from date of consolidation (1 December 2015) and the reporting date was as follows:

Total revenues	10,823
EBITDA	7,820
Operative earnings	3,218
EBIT	1,758

The impact of the acquisition to the Group net financial indebtment as of 1 December 2015 is equal to 1,022 million and relates to the consideration exchanged for the purchase (957.5 million), and the estimate of subsequent adjustments and the net financial position of the target company.

	ERG Hydro S.r.l. adjusted	Acquisition of Shares	Impact on consolidated balance sheet
Non-current financial liabilities	–	–	–
Mid-long term financial indebtedness	**–**	**–**	**–**
Current financial assets	(75,129)	65,129	(10,000)
Current financial liabilities	3	–	3
Liquid financial resources and equivalent means	(3)	957,500	957,497
Short-term net financial indebtedness	**(75,129)**	**1,022,629**	**947,500**
Net financial position	**(75,129)**	**1,022,629**	**947,500**

In addition to the consideration indicated hereabove, supplementary charges related to the transaction of 4.7 million Euro had an impact on the Group's Net Financial Position.

ERG Wind GmbH transaction (dissolution of LUKERG Renew joint venture)

- On **25 June 2015**, at the end of a three year period of strong growth, the two shareholders of LUKERG Renew S.p.A., a joint venture between ERG Renew S.p.A. and LUKOIL agreed to dissolve the joint venture and distribute the assets. The joint venture was created in 2011 to make investments in the wind sector in Bulgaria and Romania. The agreement to dissolve states that ERG will be assigned the Bulgarian parks of Tcherga (40 MW), Hrabrovo (14 MW) and Gebeleisis in Romania (70 MW) totalling 124 MW, while LUKOIL acquires exclusive ownership of the only park in Topolog (84 MW). This allows ERG to increase the overall installed power of 20 MW over its share of the overall installed power in the joint venture (104 MW).
- On **23 December 2015** the dissolution of the joint venture (**Operation ERG Wind GmbH**) was finalised with the acquisition of 50% ownership of the shares by the shareholder OOO LUKOIL - Ecoenergo held in the company LUKERG Renew GmbH by ERG Renew S.p.A.

- Completed on the same date, was the sale by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the shareholding in Land Power S.A. was finalised, a company under Romanian law and the acquisition by LUKERG Bulgaria GmbH of the minority share in Corni Eolian S.A., also a company under Romanian law.

Therefore, on 31 December 2015, ERG Renew S.p.A. became the sole shareholder of LUKERG Renew GmbH (which in turn controls all of LUKERG Bulgaria GmbH and its Bulgarian subsidiaries as well as Corni Eolian S.A.). Also on 23 December 2015, LUKERG Renew GmbH changed its name to ERG Wind GmbH and LUKERG Bulgaria GmbH to ERG Wind Bulgaria GmbH.

Summary of the transaction

The agreements entered into between ERG and LUKOIL for dissolving the LUKERG joint venture included :

a) the purchase of 100% of LUKERG Renew GmbH by ERG Renew S.p.A. and 100% of all the companies controlled by LUKERG Renew S.p.A.;

b) the acquisition of LUKOIL shareholder loans regarding LUKERG Holding, LUKERG Bulgaria, Corni and Hrabovo by ERG Renew S.p.A.;

c) the sale to LUKOIL of 100% of Land Power and contemporarily the shareholder loans granted by ERG to Land Power.

Defining the comprehensive consideration for the purchase

The dissolution of the joint venture takes place through the acquisition of control, by ERG Renew, of the Austrian holding, LUKERG Renew and the sale to LUKOIL of the entire quota of the investee Land Power, to which the Rumanian Topolog project refers.

The transaction is structured as a “Corporate aggregation realised in several stages”, as governed by IFRS 3 § 41 and 42, as ERG’s ownership stake changes from non-controlling stake, or rather subject to joint control, to controlling stake.

When applying such Principle, we proceeded with:

- determining the value of the consideration;
- assessing the fair value at the time of the transaction, of the quota of non-controlling interest (50%), held before the transaction, recognising the difference between the carrying value and the fair value in the income statement;
- assessing the fair value of the purchased quota (50%) and recognising the difference between the consideration paid (10 million) and the fair value thus defined in the income statement.

Lastly, we proceeded with the full consolidation of the acquired companies on 31 December 2015, considering the effects on the profit and loss account for the period of time between the closing date (23 December 2015) and the date of consolidation (31 December 2015) were not material.

The profit and loss account for these Financial Statements thereby reflects the impact of the consolidation on the equity of the stake in the pre-transaction (joint venture) framework.

- **Consideration for the transaction**

  The net consideration for the transaction (Quota Price for the exchange of stake and reciprocal repayment of the Shareholder Loans) is equal to an adjusted balance in favour of LUKOIL of an amount equal to approximately 5.0 million Euro. The net adjusted balance paid by ERG to LUKOIL can be detailed as follows:

(EUR million)	
Net cash out for the regularisation of the LUKOIL Shareholder Loan	(45,0)
Net cash in for the regularisation of the ERG Shareholder Loan	24,9
Net total cash out	**(20,1)**
Cash out Quota Price LUKERG Renew	(10,3)
Cash in Quota Price Land Power	25,3
Net total cash in	**15,1**

- **Assessing interest before the transaction**

  The book value of the shares held in the joint venture (50%) at the time of the transaction, recognised according to the equity method, was equal to 0.4 million which, compared with the corresponding fair value, led to a positive impact on the profit and loss account of 5 million.

- **Assessment of acquired quota**

  The consideration paid for the acquisition of the remaining 50%, equal to 10 million, exceeds the fair value of the acquired quota by approximately 5 million. Based on the estimates of future operational cash flows, this difference is deemed as unrecoverable and we therefore recognised a charge for such amount in the income statement in line investment Charges.

The overall net impact recognized in the income statement for the year was -0.3 million.

Effects of the dissolution of the joint venture

Further to the agreements to dissolve the joint venture and on the basis of assessments carried out in support of the adjusted balance paid to LUKOIL, the impact of consolidating the joint venture and contextual sale of the Land Power stake to LUKOIL are illustrated hereunder:

(EUR thousand)	Asset acquisition	Purchase Price Allocation (1)	Intercompany towards Renew Group prior to full consolidation (2)	Total Impact Lukerg Renew GmbH
Intangible assets	923	9,945	–	10,868
Goodwill	441	–	–	441
Properties, plants and machineries	145,892	–	–	145,892
Shares	(476)	–	–	(476)
Other financial assets	–	–	(59,108)	(59,108)
Prepaid tax assets	2,388	(2,388)	–	–
Other non-current assets	1,303	1,863	–	3,166
Non-current assets	**150,471**	**9,420**	**(59,108)**	**100,783**
Remainders	–	–	–	–
Trade receivables	14,958	–	–	14,958
Other current receivables and assets	3,512	525	–	4,037
Current financial assets *	–	–	–	–
Liquid financial resources and equivalent means*	9,677	–	–	9,677
Current assets	**28,147**	**525**	**–**	**28,672**
		–	**–**	
ASSETS - TOTAL	**178,618**	**9,945**	**(59,108)**	**129,455**
Net assets	**9,988**	**(10,304)**	**–**	**(316)**
Severance indemnity	–	–	–	–
Liabilities for deferred taxes	–	–	–	–
Non-current risk reserves and expenses	1,579	–	–	1,579
Non-current financial liabilities*	91,827	(15,050)	–	76,777
Other non-current liabilities	–	–	–	–
Non-current liabilities	**93,406**	**(15,050)**	**–**	**78,356**
Current risk reserves and expenses	591	9,005	–	9,596
Trade liabilities	1,540	–	–	1,540
Current financial liabilities*	70,644	25,300	(59,108)	36,836
Other current liabilities	2,449	994	-	3,443
Current liabilities	**75,224**	**35,299**	**(59,108)**	**51,415**
		–	-	
LIABILITIES - TOTAL	**178,618**	**9,945**	**(59,108)**	**129,455**
		–	-	
***Impact on net financial position**	**152,794**	**10,250**	**(59,108)**	**103,936**

(1) temporary attribution

(2) elimination of intercompany items towards LUKERG Renew GmbH, consolidated to equity (quota belonging to the Group equalling 50%) until the moment the joint venture is dissolved

Companies under joint venture

TotalErg S.p.A.

ERG S.p.A. holds a 51% stake in the joint venture TotalErg S.p.A., established in 2010 through merger by incorporation of Total Italia S.p.A into ERG Petroli S.p.A. The company is one of the primary operators in the Downstream market. Thanks to the joint venture, ERG has benefitted from a strengthened competitive position in the market by achieving significant commercial and cost efficient synergies, in partnership with one of the most important Oil operators in the world.
The company has been consolidated using equity method since 1 July 2010.
We specify that, starting from 1 January 2015, the adjusted economic and financial values shown in the Management Report no longer includes the contribution of the TotalErg S.p.A. joint venture as this is no longer considered a core activity in the Group's new strategic and industrial framework.
The Group also exercises joint control in the following smaller sized companies:

Priolo Servizi S.C.p.A.

A consortium company subject to the joint control of ERG Power S.r.l. (24.41%), ISAB S.r.l. (38.05%) and by the other shareholders of Gruppo Versalis S.p.A. (33.16%) and Syndial (4.38%).

Longburn Wind Farm Ltd. and Sandy Knove Wind Farm Ltd.

A company under British law of which ERG Renew S.p.A. purchased 50% of the quotas on 19 June 2015. The purchase of the companies, not yet operational, is aimed at the development of two wind turbine projects located in Scotland, having the power of 60 MW and 49 MW respectively, the authorisation of which is predicted in the first six months of 2016.

IFRS 12

IFRS 12 "Disclosure of Interests in Other Entities" includes all disclosure provisions previously included in IAS 27 related to Consolidated Financial Statements, as well as all the disclosure provisions of IAS 31 and IAS 28 concerning an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities, it also envisages new disclosure objectives.
The purpose of this standard is to request an entity to provide information allowing users of the financial statements to assess the nature and risks deriving from its interests in other entities and the effects of such interests on the financial statements.

Assessments and significant assumptions

Companies designated as subsidiaries in paragraph List of Group companies are entities in which Gruppo ERG holds majority of exercisable votes and exercises a dominant influence in the ordinary shareholders' meeting.
Companies designated as jointly controlled subsidiaries and joint associates in paragraph List of Group companies are those which the Group has joint control over its activities, as defined by IAS 28 – Investments in Associates and Joint Ventures.

Investments in subsidiaries

For the purposes of disclosure concerning the composition of the Group, reference is made to the **Area of Consolidation**.

To the extent of restrictions on the Group's ability to access or use assets and extinguish liabilities, reference is made to **Note 26 – Covenants and negative pledges**.

The changes in equity investments in subsidiaries which took place during financial year 2015 are described in paragraph **Variation to the area of consolidation**.

For provisions with the ability to limit the distribution of dividends or other distributions of capital, with regard to Project Financing agreements, the distribution of available quotas of net equity to Shareholders is subordinate to the verification of conditions outlined in the project credit agreement which require that certain financial covenants are achieved, as well as the absence of situations of default. For details on the restrictions and book values of the assets and liabilities to which such restrictions apply, reference is made to **Note 26 – Covenants and negative pledges**.

Investments in joint ventures and associates

For the purposes of disclosure related to the nature, extent and economic-financial effects of the Group in joint ventures and associates, reference is made to the content of paragraphs **List of Group companies**, **Companies under Joint Venture** and **Investment in TotalErg**.

We specify that with respect to the Group's 51% shareholding in TotalErg S.p.A., this is considered as a joint venture by virtue of the agreements among shareholders which outline governance under joint control. A summary of financial information for entities under Joint Venture and associates are provided in the table below.

SUMMARY OF THE MAIN FINANCIAL AND ECONOMIC DATA

	TOTALERG		PRIOLO SERVIZI		I-FABER	
(EUR thousand)	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Non-current assets	631,480	662,924	83,026	85,928	10,293	6,924
Current financial assets	106,378	109,941	–	1	2,440	1,601
Liquid financial resources and equivalent means	105,253	98,945	–	1	1,084	1,124
Current assets	991,588	1,194,292	12,040	15,367	18,561	16,396
Assets - Total	**1,623,068**	**1,857,216**	**95,066**	**101,295**	**28,854**	**23,320**
Non-current financial liabilities	204,071	280,495	–	–	–	–
Non-current liabilities	299,611	401,281	1,321	1,205	280	286
Current financial liabilities	201,699	85,889	27,628	34,242	–	–
Current liabilities	1,087,865	1,203,551	44,010	53,441	10,096	6,370
Net assets	235,593	252,384	49,735	46,649	18,478	16,664
Net assets and liabilities - Total	**1,623,069**	**1,857,216**	**95,066**	**101,295**	**28,854**	**23,320**
Revenues						
Profits/(losses) deriving from operating assets during the financial year	4,642,963	5,891,351	54,728	59,498	19,026	18,512
Capital gains (capital losses) net of the tax charges of the ceased operating assets	(21,070)	(126,797)	586	534	1,809	1,329
Other components of the overall income statement	4,456	149	–	–	–	–
Overall income statement - Total	**(16,614)**	**(126,648)**	**586**	**534**	**1,809**	**1,329**
Devaluations and amortisations	(88,656)	(88,917)	(5,711)	(5,485)	(2,208)	(2,301)
Interest received	1,154	–	1	6	19	84
Interest paid	(26,747)	(25,784)	(940)	(1,108)	–	(321)
income taxes	6,395	17,482	(1,397)	(1,653)	(903)	(949)

RECONCILIATION WITH THE ACCOUNT VALUE OF THE EQUITY INVESTMENT

	TOTALERG		PRIOLO SERVIZI		I-FABER	
(EUR thousand)	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Quota belonging to the ERG Group	51%	51%	24%	24%	23%	23%
Net assets quota belonging to the Group	120,152	128,716	12,140	11,387	4,244	3,832
Purchase Price Allocation / other consolidation adjustments	5,668	6,236	–	–	–	–
Accounting value of the equity investment	**125,820**	**134,952**	**12,140**	**11,387**	**4,249**	**3,832**

OPTION ON MINORITIES

On **December 2013**, ERG entered into an agreement with Unicredit in which a financial institution became a shareholder of ERG Renew S.p.A. by acquiring a minority share equal to 7.14% of the share capital through increasing reserved capital for 50 million Euro.

The agreement outlines a lock-up period lasting four years from the closing date of the transaction (**16 January 2014**) and without prejudice to the possibility for ERG to list ERG Renew S.p.A. (IPO ERG Renew S.p.A.) as well as granting Unicredit the the ability to transfer (option) its stake to ERG S.p.A. in case of no IPO for ERG Renew S.p.A.

To be specific, the main terms of the agreement are as follows:

- **Lock-up period**

  Four years starting from the closing date of the transaction (January 2014) without prejudice to the possibility to list ERG Renew S.p.A.;
- **IPO Period**

  Between the 2nd and 4th anniversary of closing the transaction, from January 2016 to January 2018, the sale of ERG Renew S.p.A. shares with a guaranteed minimum return of 2% per annum, corresponding to inflation, if the placement price does not allow so.
- **Option in the case of no IPO**

  Exercisable within 12 months from the end of the IPO period, therefore between January 2018 and January 2019, sale to ERG S.p.A. of ERG Renew S.p.A. shares at Fair Value, but with a floor and cap corresponding to IRR equal to 2% (floor) and 15% (cap).

Pursuant to the provisions of IAS 32, the assignment of a put option within the terms described above requires the recognition of a liability corresponding to the estimated value of option upon exercise. A liability equal to 50 million was recognised in the **Financial Statements 2014**.

In **December 2015** the Group Management presented the industrial plan 2016-2018, outlining the strategic vision for the medium term in which the public listing of ERG Renew S.p.A. would prove to be less likely.

In such changed context, it became necessary to determine the adjustment of the liability, opting to apply the fair value assessment criterion to the liability in compliance with the provisions of IAS 39.

We therefore proceeded with estimating the value for exercising the option, using, as a precautionary measure, the exercise of the option during the last feasible window and considering a value of the underlying such as to reach the cap value.

A revised estimate of the final liability, needed for extinguishing the obligation, amounted to 88 million Euro, recognised among the "**Other non current liabilities**" (**Note 19**).

Consequently the 39 millin Euro adjustment in the value of booked liability was recognised in the income statement in the period of the change, and included in item "income (charges) from equity investments" (see **Note 36**).

IMPAIRMENT TEST

This section contains a description of the impairment tests performed on the Group's main assets, as required by IAS 36. In order to determine the recoverable value of production plants with a defined life cycle, the value in use was considered, calculated using an estimate of cash flows throughout the useful life of the assets. The indicated methodology, updated and applied starting from the financial statements closed as at 31 December 2014, introduces a method for calculating the terminal value (estimated as an extension of the explicit period for ten years) that is most stable over time and standardises the criterion for the terminal value of the CGU subject matter of analysis.

With regard to investments, the useful life of which is undefined by nature, the characteristics of the latter were taken into account: we therefore refer to the respective paragraphs for the related clarifications on the adopted structure.

Impairment test Wind Power sector

Over the years the Group has completed a series of acquisitions in the Wind Power sector, primiarly of which, consisted of:

- the acquisition of the Enertad Group (now ERG Renew S.p.A.), in stages starting from 2006, concluding with the acquisition of 100% of ERG Renew S.p.A. completed by means of a Public Offer of Purchase in 2011;
- the acquisition of 100% shareholding of five French companies owning a portfolio of wind farms located in France. This transaction was completed by means of an effective transfer of stake from Theta Energy to EnerFrance S.a.s (now ERG Eolienne France), a company established as the sub holding of the wind power sector for activities located in France;
- the acquisition of ERG Eolica Adriatica S.r.l. (formerly IVPC Power 5 S.r.l.), a company owning two wind farms operating in Molise and in Puglia, for a purchase price equal to 71 million Euro;
- acquisition of 100% of ERG Eolica Campania (formerly IVPC Power 3 S.p.A.), owning five wind farms operational since 2008 between the provinces of Avellino and Benevento, with a total installed capacity of approximately 112 MW;
- establishment of the LUKERG Renew S.p.A. joint venture (now ERG Wind GmbH, a company 100% controlled) which, during 2012 and 2013, acquired wind farms operating in Bulgaria and Romania as well as other authorisations for wind farms to be developed in Romania. (see paragraph **Dissolution of joint venture – LUKERG Renew GmbH**);
- 80% acquisition in the share capital of IP Maestrale Investments Ltd, the primary operator in Italy in the sector of renewable energy from wind turbine sources;
- acquisition of 100% of the share capital of ERG Renew S.p.A. Operations & Maintenance S.r.l., a company dedicated to the activities of operation and maintenance of the Italian ERG Wind's wind farms;
- business combinations that took place during 2015 as discussed in section **Variation to the area of consolidation**.

With reference to such acquisitions, we specify that, with the exception of the adjustment in value of the assets assigned to the "Corni" wind farm included in consolidation of the subsidiary LUKERG Renew, initial recognition of the identifiable net assets and goodwill upon acquisitions realised during 2015 were not subjected to impairment tests based on the recent date of the transactions.

The acquisitions were accounted for according to the provisions of IFRS 3 on aggregations of companies, proceeding with the allocation of the cost of corporate aggregation to the assets acquired and liabilities assumed.
Following impairment test appraisals in financial years 2008, 2009 and 2010, an impairment loss was recognized on the goodwill recognized relating to the Enertad acquisitions. In the 2010 financial statements, an impairment loss was recognized on the goodwill recognized in connection with the acquisitions of the French companies.
The goodwill[2] allocated during purchase price allocation subject to the impairment test in 2015 was equal to:

- approximately 213 million based on the greater value of the authorisations and preliminary contracts for operational wind farms, 126 million of which refers to wind farms of the ERG Wind Group;
- approximately 125 million to the goodwill allocated amongst the various Business Combinations:
  - EUR 96 million referred to ERG Wind (Italy and Germany);
  - EUR 19 million referred to ERG Eolica Campania and ERG Eolica Adriatica (Italy);
  - EUR 10 million referred to ERG Renew S.p.A. Operations & Maintenance (Italy).

Considering the values of goodwill and intangible assets recognised in the financial statements, we also proceeded with the calculation of recoverable value for the financial statements 2015, as well as updating the valuation models previously used.

Based on IAS 36, the recoverable value of an asset or a unit generating financial flows is the greater of its fair value less the costs to sell and its value in use.

The recoverable value of the cash generating units (or also “CGUs”) is determine by the value in use. The main estimates used in the calculation of value in use is the discount rate, the growth rate, forecasted changes in the sales prices of energy, as well as the trend in direct costs during the period considered. The Group therefore adopted a discount rate net of taxes which reflects the current market valuations of the cost of capital and specific risks associated with the CGUs. The selected growth rates are based in growth forecasts for the industrial sector to which the Group belongs, without prejudice to the Group’s market share. The variations in sales prices and direct costs are based on past experience and future market expectations.

When selecting the discount rate, Beta financial parameters and the Debt/Equity ratio were considered, using comparable companies in order to contemplate both the market risk of companies operating in the same sector and similar financing structure. The cost of capital (ke) includes the rate of return on risk free assets and is identified as the return from ten-year German government securities.

2 Values related to the business combinations for the previous financial years, not including the allocations related to transactions concluded in 2015 not subject to impairment tests as explained further in the previous paragraph.

Business combination "EnerTAD" (Italy)

With reference to the value of goodwill and intangible assets:

- the Cash Generating Units (CGUs) represent single wind farms;
- in order to determine the recoverable value, in the definition of the value in use, the current value of operational cash flows associated to the CGUs was estimated for the remaining years of operation of the farms equal to twenty years;
- forecasted sale prices and the trend in direct costs during the period are defined on the basis of past experiences, corrected of future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;
- the discount rate used was equal to the sector WACC (4.5%).

Business combination "ERG Eolica Campania and ERG Eolica Adriatica" (Italy)

With reference to the value of goodwill and intangible assets, we identified two Cash Generating Units (CGU) - ERG Eolica Adriatica and ERG Eolica Campania.

In order to determine the recoverable value, in the definition the value in use, the current value of operational cash flows associated to the CGUs was estimated for the remaining years of operation of the farms equal to twenty years.

The terminal value is estimated as an extension of the explicit period for ten years.

The discount rate used was equal to the sector WACC (4.5%).

Business combination "EnerFrance" (France)

With reference to the values of goodwill and intangible assets:

- the identififed Cash Generating Units (CGUs) were single wind farms;
- in order to determine the recoverable value, in the definition of the value in use, the current value, of operational cash flows associated to the CGUs was estimated for the remaining years of operation of the equal to twenty years;
- forecasted sales prices and the trend in direct costs during the period considered are defined on the basis of past experiences, corrected of future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;
- the discount rate used was equal to the sector WACC (3.7%).

Business combination "ERG Wind GmbH" (Bulgaria and Romania)

With reference to the values goodwill and intangible assets:

- the identified Cash Generating Units (CGUs) were single wind farms were identified;
- in order to determine the recoverable value, in the definition of the value in use, the current value, of operational cash flows associated to the CGUs was estimated for the remaining years of operation of the farms equal to twenty years;
- forecasted sales prices and the trend in direct costs during the period are defined on the basis of past experiences, corrected of future market expectations;

- the terminal value is estimated as an extension of the explicit period for ten years;
- for the purposes of actualising the cash flows, a discount rate was used equal to the sector WACC (6.5% for Bulgaria and 5.9% for Rumania).

Business combination "ERG Wind" (Italy and Germany)

With reference to the value of goodwill and intangible assets:

- two Cash Generating Units (CGUs) were identified, in accordance with the methodology used during the phase of determining the purchase price, coinciding with the CGU which includes the wind farms located in Italy and with the CGU which includes the wind farms located in Germany;
- in particular, within CGU Italia, goodwill and intangible assets have been allocated with reference to each point of sale of the energy to the national grid, grouping the related wind farms associated with such sale;
- in order to determine the recoverable value, in the definition of the value in use, the current value, of operating cash flows associated with the CGUs was estimated for the remaining years of operation of the farms respect to the original definition of a useful life presumed as equal to twenty years;
- forecasted sales prices and the trend in direct costs during the period considered for the calculation are defined on the basis of past experiences, corrected of future market expectations;
- the terminal value is estimated as an extension of the explicit period for ten years;
- for the purposes of actualising the cash flows, a discount rate was used equal to the sector WACC (4.5% for Italy and 3.6% for Germany).

The goodwill acquired in the "ERG Wind" was allocated, at the date of acquisition, to the cash generating units from which benefits associated to the aggregation are expected. Consequently the same Cash Generating Units were identified as those identified for determining the value of goodwill and intangible assets arising from preliminary contracts.

In order to determine the recoverable value, in the definition of the value in use, the current value, of operating cash flows associated with the CGUs was estimated for the remaining years of operation of the farms equal to twenty years. The terminal value is estimated as an extension of the explicit period for ten years.

For the purposes of actualising the cash flows, a discount rate was used equal to the sector WACC (4.5% for Italy and 3.6% for Germany).

Business combination "ERG Renew S.p.A. Operations & Maintenance"

With reference to the value of the goodwill and intangible assets, we proceeded with the identification one Cash Generating Unit (CGU).

In order to determine the recoverable value, in the definition of the value in use, the current value, of operating cash flows associated with the O&M contracts with other Group companies was estimated. The terminal value is estimated as an extension of the explicit period for ten years.

For the purposes of actualising the cash flows, a discount rate was used equal to the sector WACC (4.5%).
The Group Management deemed that the assumptions adopted for identifying the recoverable value of tangible and intangible assets as well as goodwill traceable to the various CGUs of the Wind Power sector are reasonable and that on the basis of the aforesaid assumptions no impairment loss was recognized for any of the identified CGUs.
We specify, lastly, that the value of use for the various CGUs form the Wind Power sector was defined according to a definition of value which assumes a meaning separate from the concept of "price".

Sensitivity analysis

The result of the impairment test was performed using best information available to date and reasonable assumptions in its forecast regarding wind intensity, energy price and interest rate.
The Group considered the aforementioned uncertainties in the calculation of the recoverable value goodwill allocated to the "Renewables" sector and also performed a sensitivity analysis on the recoverable value of the various CGUs. Such analysis incorporated a decrease in the price of electricity during the period 2016-2021 with re-alignment of the values starting 2022. The lower sales price of electricity affected wind farms in Italy and Poland more significantly, whereas it did not have an impact on the wind farms in France and Germany which benefit from an incentivised tariff system of the Feed-in Tariff type, the remaining duration of which exceeds 6 years. It also did not have an impact on the wind farms in Bulgaria and Romania which already conservative assumptions.
The results of the sensitivity analysis was a decrease of approximately 41 million (33 million referred to Italy and 8 million to Poland) in the recoverable value, without no impairment loss of the goodwill and intangibles subject matter of impairment.
Lastly, we report that an increase of 0.5% in the rate of actualisation would not lead to an impairment loss of goodwill or intangibles allocated to the "Renewables" CGU.
The analyses listed hereabove confirm the sensitivity of assessments of recoverability of non current assets to variation in the cited variables; in this context the Directors shall monitor the trend in the cited external variables which are not controllable for any adjustments in estimates of recoverability of the entry values for non current assets in the Consolidated Financial Statements.

Impairment test CCGT plant of ERG Power S.r.l.

The new CCGT plant of the subsidiary ERG Power entered into full commercial operation during the month of April 2010; with an installed power of approximately 480 MW, it supplies utilities and electrical energy to industrial clients of the Priolo site, placing the remaining portion of produced electrical energy on the market.
Following the results of the impairment tests in the 2011 financial statements, an impairment loss was recognised for productive assets amounting to a total of 95 million Euro, before tax. In the 2011 financial statements, goodwill (equal to 1.5 million Euro) was fully impaired and the value of tangible fixed assets relating to the CCGT plant was thereby reduced for the remaining 94 million.

The carrying value for the plant as at 31 December 2015, net of impairment losses (67 million Euro as at 31 December 2015) and of amortisation recognized, amounts to approximately 291 million Euro.
When preparing the Financial Statements, we proceeded with assessing the recoverability of the carrying value for the plant considering the uncertainty and variability (or volatility) of the environment of the national electrical market.
For the purposes of the impairment test, the CGU represents tangible assets attributable to ERG Power's CCGT plant and the cash flows generated by the Business Unit Power (2014 ERG Power Generation since 1 July 2014) which manages the plant by means of a tolling contract and trades the produced energy on the free market.
The analysis was conducted by identifying the recoverable value of the Cash Generating Unit in the definition of value in use. The projection of operational cash flows was used for the calculation, associated to the CGU for useful life contained in the financial plan drawn up by the Group which relate to a period of time spanning twenty years; in addition a residual value (or "terminal value) was determined with an additional 10 year extension of the period of evaluation. Expectations regarding variation in the sales prices and trend in direct costs during the period considered for the calculation are determined on the basis of past experience, correct for future market expectations.
Future financial flow were discounted using a discount rate (WACC net of taxes) equal to 4.9%.
The impairment test was prepared by updating the assumptions used for the test carried out for the financial statements 2014. In particular the estimates for the electricity market were updated, the zonal award for Sicily, profitability of the plant in the Dispatching Service Market and the activities of modulation.
Group Management deemed that the assumption adopted for identifying the recoverable value of ERG Power's CCGT plant are reasonable and that according to the aforementioned assumptions no impairment loss as recognised.
The value in use determined for the purpose of the impairment test shows a positive difference compared to the book value, attributed to temporary phenomena also linked to the current level of actualisation rates. Management did not proceed with reversals of previously recognized impairment loss. Such considerations are, moreover, corroborated by third party appraisals performed.

Sensitivity analysis

The result of the impairment test was based on best information available to date and reasonable assumptions in its forecast regarding wind intensity, energy price and interest rate, as well as the development of certain activities and achievement of cost saving initiatives.
The Group considered the aforementioned uncertainties when processing and defining the basic assumptions used for determining the recoverable value of the CCGT plant and also performed a sensitivity analysis on the recoverable value of the various CGUs: a reduction of approximately 50% of the profitability on site contracts, expiring after 2021 would decrease the recoverable value in by approximately 61 million Euro, however, does not result in the recognition of impairment loss.

An increase of 0.5% in the discount ratewould be decrease the recoverable value for an amount equal to approximately 20 million Euro, however, does not result in the recognition of impairment loss.

The Directors shall continue to systematically monitor trend in the cited external uncontrollable variables for any adjustments in estimates of recoverability of the values of entry of non current assets in the Consolidated Financial Statements.

Investment in TotalErg

ERG S.p.A. holds a stake equal to 51% in the joint venture TotalErg S.p.A., established in 2010 through the merger by incorporation of Total Italia S.p.A in ERG Petroli S.p.A..

TotalErg S.p.A. is one of the foremost operators in the Italian market of integrated downstream with a network of about 2,700 sales points, and also operates in the sector of refining and logistics.

In the Consolidated Financial Statements as of 31 December 2015 the investment value amounts to 126 million Euro and determined using the net equity method. This includes goodwill after previous impairment loss (approximately 6 million Euro), reported during the operation of integration of 2010.

In the impairment test performed in connection with the 2013 Financial Statements, the carrying value of the TotalErg stake exceeded its recoverable value, and an impairment loss equal to 58 million Euro was recognised in the consolidated income statement for financial year 2013.

The volatility of the oil and certain market trends present in 2013 continue to exist at the time of these financial statements, we proceeded with verifying the value of the equity investment.

Such verification was performed independently using an internal model used to determine the value of the equity investment as of 31 December 2014 developed by an independent expert who had conducted the analysis using the management plan of TotalErg.

For the purposes of the test, the CGU was TotalErg S.p.A. and its equity investments, subsidiaries and associated companies.

The valuation was performed using the following criteria and assumptions:

- unlevered Discounted Cash Flow method over 6 years of explicit projections plus a terminal value[3] calculated by applying a multiple included in an interval between 4.0x and 5.0x (in line with the market multiples observed during the last 10 years in the integrated Downstream sector) applied to the adjusted EBITDA[4] 2021 for TotalErg;
- TotalErg's WACC (6.0%) calculated on the basis of market parameters;
- the assessment was carried out on the basis of Consolidated income and cash flow statement for TotalErg S.p.A., the scope of consolidation of which includes TotalErg, Eridis, TotalGaz, Restiani, Guazzotti, Gestioni Europa, Sarpom and Raffineria di Roma.

The results of the impairment test described above was an increase in the recoverable value compared to that of

3 For the purposes of calculating the terminal value, the perpetuity growth method was not applied as it is not part of the normal market practices for the refining sector of TotalErg.
4 For the definition of adjusted EBITDA, refer to details commented in the Management Report.

the previous year, also accounts for benefits on future cash flows linked to the lower tax charge for future years post 2016 following the application of the Law on Stability 2016 which considers an IRES tax rate of 24%.

The recoverable value is higher than the carrying value of the TotalErg investment. Given that such value is positively affected by the current discount rates and market volatility resulting net negative results of recent years, we did not proceed with restoring impairment recognised previous years. These considerations are corroborated by broker consensus appraisals.

We specify that the value of investments account for under the equity method as of 31 December 2015 (126 million) decreased from the previous year (135 million) relating to the results for the year which were significantly affected by the devaluation of OIL stock and a consequence of falling price of raw materials recorded at the end of the period.

Sensitivity analysis

The result of the impairment test performed using best information available to date and reasonable forecasts concerning the development of variables subject to uncertainty, such as operating income and the trend in discount rates.

Specifically, sensitivity analyses were carried out based on variations in the discount rate and EV/EBITDA multiples applied to the EBITDA of the last year of the explicit period.

Such analyses highlighted that:

- a 0.5% increase in the actualisation rate would lead to an increase in recoverable value of approximately 9 million (51%), which would not, however, give rise to an impairment loss;
- decrease in the EV/EBITDA multiple from 4.5x to 4.0x would lead to a decrease of approximately 30 million (51%) in the recoverable value, which would give rise to an impairment loss of of the investment of approximately 7 million.

The analyses listed above confirm the sensitivity of the valuations of recoverability of the investment to variations in the cited variables; in this context the Directors shall systematically monitor the trend in the cited external uncontrollable variables for any adjustments in estimates of recoverability of the values of entry of non current assets in the Consolidated Financial Statements.

ANALYSES OF THE STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

NOTE 1 - INTANGIBLE ASSETS

	Concessions and licenses	Other intangible assets	On-going assets	Total
Historical cost	441,388	19,908	5,722	**467,018**
Amortisations	(81,899)	(12,530)	–	**(94,429)**
PAYMENT AT 31.12.2014	**359,489**	**7,378**	**5,722**	**372,589**
Movements for the period:				
Consolidation area variation	495,560	1,685	–	**497,244**
Acquisitions	–	1,991	2,426	**4,417**
Capitalisations/reclassifications	–	899	(899)	**–**
Disposals and divestments	–	748	(337)	**411**
Amortisations	(23,647)	(3,731)	–	**(27,378)**
Devaluations	(604)	(122)	–	**(726)**
Other variations	6,737	(875)	(6,689)	**(827)**
Historical cost	**942,647**	**50,635**	**223**	**993,505**
Amortisations	(105,112)	(42,662)	–	**(147,774)**
PAYMENT AT 31.12.2015	**837,535**	**7,973**	**223**	**845,731**

Changes in the scope of consolidation relates to:

- the acquisition of ERG Hydro S.r.l. for an amount equal to 459,382 thousand;
- the acquisition of the Polish companies Hydro Inwestycje SP.Z.O.O. and Blachy-Puzynski – Energia SP.Z.O.O. for an amount equal to 4,455 thousand;
- the acquisition of the French companies acquired from the Macquarie European Infrastructure Fund for an amount equal to 22,539 thousand;
- the step acquisition of the joint venture LUKERG Renew GmbH with consequent full consolidation of the intangibles related to activities in Bulgaria and Rumania equal to 10,868 thousand.

For further details refer to the comments in paragraph **Area of consolidation**.

The other intangible assets refer to software licences and plant and expansion costs.

Concessions and licences mainly include authorisations for wind farms, amortised according to their remaining duration.

Write-downs equal to 0.7 million concern the wind farms of Pian dei Corsi and Baltera.

NOTE 2 - GOODWILL

Goodwill equal to 141,098 thousand Euro (125,490 as at 31 December 2014) represents the excess of the purchase cost over the value of the net equity of the acquired companies, measured at fair value at the acquisition date according to the purchase price allocation methodology outlined in IFRS 3.

The increase mainly refers to the impact of the acquisition of ERG Hydro S.r.l. for which reference is made to paragraph **Acquisition ERG Hydro S.r.l.**

Goodwill acquired by means of corporate acquisitions was allocated to the distinct cash flow generating units traceable to the following sectors:

- Non programmable renewable sources (Wind Power): 125,929 thousand Euro;
- Programmable renewable sources (Hydroelectric Power) 15,169 thousand Euro.

Goodwill is not amortised, but is subject to an annual impairmet test for indicators of impairment, or more frequently in the case in which there are indications during the year that such asset may have suffered a reduction in value.

Goodwill allocated to the wind power sector was the subject matter of an impairment test as at 31 December 2015. For further details refer to the comments in chapter **Impairment test Wind Power sector**.

NOTE 3 - PROPERTY, PLANT AND MACHINERY

	Land and buildings	Plants and machinery	Other business	Business under construction	Total
Historical cost	**77,101**	**2,174,467**	**19,462**	**51,343**	**2,322,373**
Amortisations and devaluations	(24,401)	(919,362)	(12,352)	–	**(956,115)**
PAYMENT AT 31.12.2014	**52,700**	**1,255,105**	**7,110**	**51,343**	**1,366,258**
Movements for the period:					
Consolidation area variation	67,570	642,597	452	3,383	**714,002**
Acquisitions	141	7,966	856	93,228	**102,191**
Increases	–	7,608	–	759	**8,367**
Capitalisations/reclassifications	752	76,395	628	(77,775)	**–**
Disposals and divestments	(184)	(2,088)	(191)	(57)	**(2,520)**
Amortisations	(4,365)	(128,030)	(1,984)	–	**(134,379)**
Devaluations	–	(547)	–	–	**(547)**
Other variations	864	(144)	3	430	**1,153**
Historical cost	**214,195**	**3,394,669**	**22,988**	**71,311**	**3,703,163**
Amortisations and devaluations	(96,717)	(1,535,807)	(16,114)	–	**(1,648,638)**
PAYMENT AT 31.12.2015	**117,478**	**1,858,862**	**6,874**	**71,311**	**2,054,525**

Account movements for the period related to reclassification and disposals are shown net of the respective accumulated depreciation.

The variation in the area of consolidation refers to:

- the acquisition of ERG Hydro S.r.l. for an amount equal to 508,859 thousand;
- the acquisition of the Polish companies Hydro Inwestycje SP.Z.O.O. and Blachy-Puzynski – Energia SP.Z.O.O. for an amount equal to 2,994 thousand;
- the acquisition of the French companies acquired from the Macquarie European Infrastructure Fund for an amount equal to 56,257 thousand;
- the step acquisition of the joint venture LUKERG Renew GmbH with consequent full consolidation of the intangible fixed assets related to activities in Bulgaria and Rumania equal to 145,892 thousand.

The acquisitions mainly refer to investments related to wind farms under construction in Poland and also include capitalised interests of 858 thousand.

For a more details analysis of the acquisitions, refer to the content of the chapter on **Investments** in the **Management Report**.

Increases mainly refer to dismantling charges and removal of assets from the wind farms (EUR 8,326 thousand).

As regards the existence of restrictions on assets held by the Group, refer to the comments in **Note 26 – Covenants and Negative Pledges**.

NOTE 4 - EQUITY INVESTMENTS

	Shares				
	Subsidiary companies	Joint venture	Connected companies	Other companies	Total
PAYMENT AT 31.12.2014	458	139,722	15,669	491	156,335
Movements for the period:					
Acquisitions/capital increases	65	349	–	–	**414**
Devaluations/use of fund to cover losses	–	–	–	–	**–**
Disposals and divestments		(895)	(450)	–	**(1,345)**
Company evaluation with the equity method		(13,007)	1,171	–	**(11,836)**
PAYMENT AT 31.12.2015	523	126,169	16,390	491	143,569

The acquisitions/increases in capital is mainly attributed to the purchase, completed on 19 June 2015, of 50% of the quotas in the company under British law, Longburn Wind Farm Limited and Sandy Knowe Wind Farm Limited, regarding which reference is made to paragraph **List of Group companies**.

For disposals, refer to the sale of stake held in the Consorzio Dyepower consortium, a company consolidated at the cost and liquidation of Ionio Gas S.r.l..

The decrease of 13,007 thousand Euro is due to the financial results of the subsidiaries for the period. The negative result mainly refers to the subsidiary TotalErg, affected by the devaluation of OIL stock and effects associated to the dissolution of the LUKERG Renew GmbH joint venture at the end of the year, as previously discussed in ERG Wind GmbH Transaction.

The summary of the equity investments held as of 31 December 2015 is as follows:

	Evaluated at Net assets	Evaluated as at cost	Total
Shares:			
in subsidiary non consolidated companies	–	523	**523**
in joint ventures	125,820	349	**126,169**
in connected companies	16,390	–	**16,390**
in other companies	–	491	**491**
Total	**142,210**	**1,363**	**143,569**

Details of the equity investments are provided in the area of consolidation section of the notes.

NOTE 5 - OTHER NON CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables towards not fully consolidated subsidiary companies	331	1.131
Financial receivables towards LUKERG Renew GmbH	–	59.108
Other financial receivables	38.613	39.344
Total	**38.943**	**99.583**

"Other non current financial assets" equal to 38,943 thousand Euro (99.583 thousand as at 31 December 2014) are mainly comprised of receivables for contributions Law 488/92 related to wind farms acquired in connection with the ERG Wind transaction, which are restricted at the dedicated Justice Fund established by art. 61, paragraph 23, Law Decree no. 112/2008 (converted by law no. 133/2008) and awaiting judgement at the Court of Avellino, for an amount equal to 32 million. Pending the outcome of the judgement, the Minister of Economic Development revoked the contributions of Law 488/92 assigned to the beneficiary companies at the time, with decrees served on 29 October and 3 November 2014 respectively. An extraordinary appeal was promptly filed against the decrees of revocation, with request for precautionary suspension of the effectiveness of the challenged measures and a decisions is now awaited for both the precautionary motion and the merits of the appeal. Pending such appeal, on 27 July 2015 the company was served with the payment orders against which ERG Wind lodged opposition before the Court of Genoa, lodging another motion for precautionary suspension. Such motion was accepted, therefore suspending the effectiveness of the payment orders, subject to filing suitable bank guarantees by the appellant companies.

We specify that, against the aforesaid receivables, a liability for the same amount was recognised previously in the 2013 Financial Statements as a potential adjustment to the consideration for the acquisition of ERG Wind Group (**Note 19**) under the purchase price allocation method.

This item also includes a financial receivable due from subsidiaries that are not fully consolidated which is equal to 0.3 million Euro, financial receivables due from third parties for the sale of shares of 2.4 million Euro and safety deposits.

The decrease for the period due to the dissolution of the LUKERG Renew GmbH joint venture and the full consolidation of the net assets assigned to ERG with consequent elimination of intergroup financial relations.

NOTE 6 - DEFERRED TAX ASSETS

Deferred tax assets are recognized on temporary differences between the value of the assets and liabilities for the purposes of statutory statements and the value of the latter for tax purposes, as well as on tax losses which can be carried forward by the amount more likely than not to be recognized in the future.

We report that the tax rate used for calculating deferred taxes is equal to the nominal IRES tax rate (27.5% or 24%) increased, where envisaged, by the IRAP tax rate (3.90% - 5.12%).

Deferred taxes as of 31 December 2015, equal to 173,026 thousand Euro (169,671 thousand as at 31 December 2014), are mainly recognised against derivative financial instruments, appropriations to provisions for risks and charges, tax losses which can be carried forward and recoverable withholdings also in consideration of the provision for taxable items in the medium term and ACE (Aid to Economic Growth) excess accrued and not yet used.

We specify that law no. 208 of 28 December 2015 (stability law for 2016), which reduced the IRES tax rate from 27.5% to 24% starting from 1 January 2017, generated a write-off of deferred tax assets equal to 15.6 million Euro. For further details refer to paragraph **Adjustment to IRES tax rate**.

We also report that deferred tax assets related to excess interest payables in ERG Wind Group, equal to approximately 46 million Euro acquired in 2013, were not recognised on the balance sheet.

NOTE 7 - OTHER NON CURRENT ASSETS

Other non current assets equal to 42,876 thousand Euro (33,729 as at 31 December 2014) mainly relating to:

- the portion of receivables to be collected (22 million) for contributions made in accordance with Law 488/92 relating to wind farms acquired in the ERG Wind transaction. We specify that against such receivables, a liability for the same amount was previously recognized in the 2013 Financial Statements as a purchase price adjustment (**Note 19**);
- various receivables arising from the acquisition of ERG Hydro S.r.l. (10 million);
- prepaid taxes related to VAT receivables (8 million).

NOTE 8 - INVENTORIES

Closing stock includes the following categories:

	31.12.2015	31.12.2014
Raw and ancillary materials, consumables	21,224	18,465
End products and goods	–	30,631
Total	**21,224**	**49,096**

Stock of materials, mainly related to spare parts largely functional to the ordinary maintenance of wind farms and the CCGT plant, are recognised at the lower cost between the cost defined using the average weighted cost and the market value (cost of replacement).

The balance as of finished products and goods as of 31 December 2014 included stock of oil products designated for resale in the Supply & Trading activity, which ceased operations during the first six months of 2015.

NOTE 9 - TRADE RECEIVABLES

The summary of the receivables is as follows:

	31.12.2015	31.12.2014
Receivables towards clients	186,565	239,558
Receivables for Italian Green Certificates	162,209	146,800
Receivables towards companies within the Group that have not been fully consolidated	2,324	62,665
Allowance for doubtful debts	(7,648)	(10,419)
Total	**343,450**	**438,604**

Trade receivables mainly includes receivables for environmental certificates (green and white certificates) and for the sale of electricity to third parties and sale of utilities to entities operating at the Priolo site.

The overall decrease in trade receivables is attributed to the Supply & Trading business which ceased operations during the year.

The balance as at 31 December 2014 for "Receivables due from Group companies not fully consolidated" mainly refer to supplies of oil products to the TotalErg joint venture of the Supply & Trading activity which has now ended as discussed above.

For information on receivables from related parties, refer to **Note 40 - Related parties**.

Below is a summary of movements for the bad debt provision:

	31.12.2015	Allocation to reserves	Uses	Consolidation area variation	31.12.2014
Allowance for doubtful debts	7,648	–	(4,164)	1,393	10,419
Total	**7,648**	**–**	**(4,164)**	**1,393**	**10,419**

The Group assesses the existence of objective indicators of loss in value at the customer level. Such analyses are validated at the level of single company by the Credit Committee which meets periodically in order to analyse outstanding receivables and collection.

We consider whether the current bad debts provision is sufficient to mitigate the risk of uncollectability of outstanding receivables.

The analysis of trade receivables outstanding at the end of the year is shown below:

	31.12.2015	31.12.2014
Non overdue receivables	**309,352**	**425,877**
Overdue receivables:		
Within 30 days	6,700	3,598
Within 60 days	1,820	–
Within 90 days	1,659	273
beyond 90 days	23,919	8,856
Total	**343,450**	**438,604**

The increase in outstanding receivables mainly refers to receivables acquired in business combinations.

NOTE 10 - OTHER RECEIVABLES AND CURRENT ASSETS

	31.12.2015	31.12.2014
Tax receivables	52,662	50,122
Emission trading receivables	–	21,290
Group VAT receivables towards the TotalErg Group	10,141	–
Consolidated corporate income tax receivables towards the TotalErg Group	2,607	2,260
Advances to providers and deferred costs	29,479	47,663
Various receivables	13,932	19,590
Total	**108,821**	**140,925**

Prepaid taxes mainly relate to VAT credit positions and receivables from income tax.

The decrease in receivables from emission trading refers to the collection of ISAB Energy S.r.l. (now ERG S.p.A.) credit related to repayment of the charges concerning emission trading.

Miscellaneous receivables include, amongst others, receivables from Group companies not fully consolidated and deferred costs. This item also includes receivables by reason of indemnity of payables linked to interest and revaluations on contributions as per Law 488/1992 related to wind farms acquired in the ERG Wind transaction and subject to revocation by the Ministry of Economic Development as commented further in **Note 20**..

NOTE 11 - CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Financial receivables towards LUKERG Renew GmbH	–	8,685
Financial receivables towards ERG Petroleos S.A.	8,620	8,583
Other short-term financial receivables	84,241	41,545
Total	**92,861**	**58,813**

Other short-term financial receivables mainly refers to the credit of the subsidiary ERG Hydro S.r.l. from the previous parent company for an amount equal to 75 million Euro related to the purchase transaction described in paragraph **Acquisition of Italian hydroelectric assets of E.ON having the power of 527 MW** and financial receivables from third parties for developing wind farms overseas for a value equal to 3 million Euro.

NOTE 12 - CASH AND CASH EQUIVALENTS

	31.12.2015	31.12.2014
Bank and postal deposits	768,371	1,169,355
Cash money and valuables	2,193	4
Total	**770,564**	**1,169,359**

“Bank and postal current accounts” consists of liquid assets generated by Group activities and extraordinary transactions in previous years and represents short term deposits at the banks. This item includes deposits in the accounts of ERG Power S.r.l. and the companies of Gruppo ERG Renew in accordance with the restrictions on use envisaged by the related Project Financing.

As regards to restricted liquidity, reference is made to the comments in **Note 26 – Covenants and Negative Pledges**.

We specify that as of 31 December 2015, liquid assets subject to various restrictions required by the Project Financing contracts is equal to approximately 144 million (122 million as at 31 December 2014).

The decrease is related to the purchases of wind farms in France and Poland and the acquisition of ERG Hydro S.r.l. related to a change in the Group’s strategic structure.

NOTE 13 - GROUP NET EQUITY

Share capital

The share capital as at 31 December 2015, fully paid, is comprised of 150,320,000 shares with a par value 0.10 Euro and is equal to 15,032,000 Euro (no change respect to 31 December 2014).

As of 31 December 2015, the Corporate Book of Shareholders highlights the following situation:

- San Quirico S.p.A. holds 83,619,940 shares equal to 55.628%;
- Polcevera S.A. (Luxembourg) holds 10,380,060 shares equal to 6.905%.

As of 31 December 2015, San Quirico S.p.A. and Polcevera S.A. are controlled by the Garrone and Mondini, families, heirs of the founder of Gruppo ERG, Edoardo Garrone.

Share repurchase

On 24 April 2015, the Shareholders’ meeting of ERG S.p.A. authorised the Board of Directors, pursuant to art. 2357 of the Civil Code for a period of 12 months starting from 24 April 2015, to repurchase within a rotating maximum amount (this meaning the greatest quantity of own shares held from time to time) of 30,064,000 ordinary ERG shares with a par value of 0.10 Euro at a unit price, inclusive of supplementary purchase charges, no less than the minimum of 30% and no higher than the maximum of 10% respect to the market price of the stock registered with the stock exchange the day before each transaction.

The Shareholders’ meeting also authorised the Board of Directors, pursuant to art. 2357-ter of the Civil Code, for a period of 12 months starting from 24 April 2015, to sell, over one or more occasions, using any method deemed appropriate in relation to the purposes by which such sale is effectively intended to pursue, owned shares at a unit price no less than the minimum of 10% respect to the market price of the security registered with the stock exchange the day before each single transaction and no less than the unit value per share of the net equity of the Company as found from time to time in the latest approved financial statements.

As of 31 December 2015, ERG S.p.A. holds 7,516,000 owned shares equal to 5.0% of the share capital.

By application of IAS 32, the owned shares are recognised as a reduction of the shareholder's equity by means of using the share premium account.

The original cost, write-downs by reduction of value, profits and losses deriving from any subsequent sales are recognised as movements in shareholder's equity.

Other Reserves

The other reserves mainly consist in undivided profits, the share premium account and the cash flow hedge reserve.

NOTE 14 - MINORITY INTEREST

The minority interest derives from consolidating the following companies with stake in other companies using the full consolidation method:

	% of third party shareholders	Third party quota
ERG Renew S.p.A.	7.14%	50,338
Total		**50,338**

Related to the acquisition agreement of ERG Wind Group, a put and call option was placed on the remaining 20% of the capital which could be exercised no earlier than three years from the closing date. Considering the terms of this option and methods for calculating the related exercise price, the acquisition of minority shares was assumed as certain.

NOTE 15 - EMPLOYEE SEVERANCE INDEMNITY

The indemnity balance equal to 5,512 thousand Euro as of 31 December 2015 (4,727 as of 31 December 2014), is an estimated liability related to severance indemnities to be paid to employees upon their termination.

Shown below are the main assumptions used when determining the fair value of the liability. The discount rate used was defined according to a panel of securities having a 10-year expiry or more with AA rating.

Discount rate	2.0%
Inflation rate	1.5%
Average turnover rate	3.0%
Average wage increase rate	1.5%
Average age	43

The movement for 2015 follows:

	31.12.2015	31.12.2014
BALANCE DUE AT THE START OF THE PERIOD	**4,727**	**4,995**
Consolidation area variation	1,732	(151)
Increases for the period	2,602	–
Decreases for the period	(3,549)	(117)
BALANCE DUE AT THE END OF THE PERIOD	**5,512**	**4,727**

The increases refers to additions to the liability based on services rendered by the employees, and the decreases refers to payments made to severed employees and advance payments to staff.

The following table shows the impact on liability following a variation of +/-0.5% in the discount rate:

(EUR thousand)	**2015**
Discount rate variation +0,5%: lower liabilities	(200)
Discount rate variation -0,5%: higher liabilities	221

NOTE 16 - DEFERRED TAX LIABILITIES

Defered tax liabilities arise from timing differences arising from the adjustments to the single financial statements of companies consolidated by application of the Group accounting principles, as well as the timing differences between the value of assets and liabilities for statutory and financial purposes.

The tax rate used for calculating deferred taxes is equal to the nominal IRES tax rate (27.5% or 24%) increased, where envisaged, by the IRAP tax rate (3.50% - 5.12%).

Deferred taxes as of 31 December 2015 equal to 254,676 thousand Euro (179,401 as at 31 December 2014), were mainly due to surplus values on corporate aggregations and tax depreciation exceeding book depreciation. A decrease in the IRES rate from 27.5% to 24% starting from 1 January 2017 has reduced deferred tax liabilities equal to 12.6 million Euro. For further details, refer to paragraph **Adjustment of IRES quota**.

NOTE 17 - PROVISIONS FOR NON CURRENT RISKS AND CHARGES

	31.12.2015	Increases	Decreases	Reclassi-fications	Consolidation area variation	31.12.2014
Restoration expenses reserves	28,565	8,868	–	–	1,931	17,766
Priolo site reserves	80,346	–	(1,653)	(1,424)	–	83,424
Other funds	8,836	–	(153)	8,692	–	297
Total	**117,747**	**8,868**	**(1,806)**	**7,268**	**1,931**	**101,487**

The Provisions for non current risks and charges mainly include payables associated with:

- the Priolo site as commented further in **Note 27 - Potential liabilities and disputes** consequent to exiting the Oil sector;
- asset retirement obligation charges for restoring the wind farm site.

The increases for the period refer to the addition of asset retirement obligation related to plants becoming operational during the year as well as an adjustment to the estimates used in the previous years.
The decreases for the period mainly refer to charges sustained during the period related to Refining activities of the previous years.
Reclassification mainly refers to liabilities of a fiscal nature concerning foreign companies acquired in previous years, due to the uncertain outcomes of which led to the reclassification from other non current liabilities to the provisions for non current risks and charges.

NOTE 18 - NON CURRENT FINANCIAL LIABILITIES

The line item is detailed as follows:

	31.12.2015	31.12.2014
Mid-long term loans and financing operations	694,573	13,583
- current quota for mid-long term financing operations	–	(13,583)
	694,573	**–**
Mid-long term Project Financing	1,284,578	1,297,324
- current quota of Project Financing	(144,718)	(164,528)
	1,139,860	**1,132,796**
Other mid-long term financial debts	**153,396**	**181,108**
Total	**1,987,829**	**1,313,904**

Medium-long term mortgages and loans

Mortgages and loans as of 31 December 2015 are equal to 694.6 million Euro (13.6 million as of 31 December 2014) related to the corporate acquisition loan of 700 million Euro, entered into with a pool of seven Italian and international financial institutions in connection with the acquisition of the entire hydroelectric business of E.ON Produzione, now ERG Hydro S.r.l.

Medium-long term Project Financing

The following tables summarise the main characteristics of existing project financing as of 31 December 2015:

			ASSOCIATED FINANCIAL DEBT				
Company	**Wind farm / Thermoelectric Plant**	**Net accounting value of assets**	**Accounting value of financial liabilities**	**Type**	**Issue / Expiration**		**Cover**
ERG Wind Investments	ERG Wind Group wind farms	588,960	558,925	Project Financing	2008	2022	IRS: average fixed rate 4.46%
ERG Eolica Adriatica	Rotello - Ascoli Satriano (CB/FG)	146,198	127,407	Project Financing	2009	2022	IRS: average fixed rate 4.85%
ERG Eolica Fossa del Lupo	Fossa del Lupo (Catanzaro)	126,303	94,620	Project Financing	2012	2025	IRS: average fixed rate 2.26%
ERG Eolica Campania	Bisaccia 2 - Foiano - Molinara - Baselice - Lacedonia 2 (Avellino/ Benevento)	95,235	57,065	Project Financing	2009	2020	IRS: average fixed rate 4.37%
ERG Eolica Ginestra	Ginestra (Benevento)	65,046	33,789	Project Financing	2010	2025	IRS: average fixed rate 3.27%
ERG Eolica Amaroni	Amaroni (Catanzaro)	34,961	26,943	Project Financing	2013	2026	IRS: average fixed rate 1.68%
Green Vicari	Vicari (Palermo)	27,133	19,746	Project Financing	2008	2019	IRS: average fixed rate 2.235%
ERG Eolica Faeto	Faeto (Foggia)	20,457	20,386	Project Financing	2007	2021	IRS starting from 1 January 2016, fixed rate 2.13%
Eoliennes du Vent Solaire	Plogastel Saint Germane (France)	5,378	5,744	Project Financing	2011	2025	Fixed rate financing operations
Parc Eolien les Mardeaux	Les Mardeaux (France)	3,213	4,153	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Hetomesnil	Hetomesnil (France)	3,317	3,444	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de Lihus	Lihus (France)	3,418	3,290	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien de la Bruyere	La Bruyere (France)	3,144	3,060	Project Financing	2005	2019	IRS: average fixed rate 5.77%
Parc Eolien du Carreau	Carreau (France)	2,677	3,019	Project Financing	2005	2019	IRS: average fixed rate 5.39%
ERG Eolica Basilicata	Palazzo San Gervasio (Potenza)	41,934	39,573	Project Financing	2010	2031	IRS: average fixed rate 2.77%
EW Orneta 2 SP Z.O.O.	Radziejów (Polonia)	60,606	40,921	Project Financing	2015	2029	IRS: average fixed rate 1.46%
K & S Energy Eood	Kavarna/Hrabovo	54,731	31,833	Project Financing	2012/13	2018	IRS: fixed rate 1.16% IRS: fixed rate 1.56%
Corni Eolian S.A.	Galati County, Romania	92,377	61,155	Project Financing	2013	2025	IRS: average fixed rate 1.644%
ERG Power	CCGT installations	357,765	149,503	Project Financing	2010	2021	IRS: average fixed rate 2.77%
Total			**1,284,578**				

On **November 4, 2015**, EW Orneta 2, 100% controlled by ERG Renew S.p.A., entered into a loan agreement under Project Financing for its wind farm located in Poland in the municipality of Radziejow. The plant went into production at the beginning of the third quarter 2015, having an installed capacity of 40 MW.

The loan, amounting to a total of 177.5 million Zlotys (approximately 42 million Euro) and a term of 14 years, was was entered into with Mandated Lead Arrangers, ING Bank, ING Bank Slaski and Bank Pekao (part of the UniCredit Group). ING Bank Slaski also acts in its capacity as Agent Bank and Bank Pekao also in its capacity as Account Bank.

As of 31 December 2015 the average weighted interest rate of the mortgages, loans and project financing was 1.52% (1.86% as of 31 December 2014). The indicated rate does not account for coverage transactions on interest rates.

The maturity dates, by year, for the existing medium-long term bank debts are as follows:

	Loans and Financing operations	Project Financing
By the end of 31.12.2016	–	144,718
By the end of 31.12.2017	350,000	122,817
By the end of 31.12.2018	58,625	162,743
By the end of 31.12.2019	117,250	148,396
By the end of 31.12.2020	168,698	153,789
Beyond of 31.12.2020	–	552,115
Total	**694,573**	**1,284,578**

	31.12.2015	31.12.2014
Covered by owned tangible assets		
With expiration dates up to December 2026	1,284,578	1,297,324
Not covered		
With expiration dates up to August 2020	694,573	13,583
Total	**1,979,151**	**1,310,907**

Refer to **Note 26** for a comment on Covenants and negative pledges related to bank debts.

Other medium-long term financial debts

The other medium-long term debts include liabilities deriving from the evaluation at fair value of the derivative instruments covering interest rates for EUR 153 million (EUR 181 million as at 31 December 2014), the detail of which is given below:

	Issuing bank	Contract	Expiration date	Fair value debt	
(EUR thousand)				**31.12.2015**	**31.12.2014**
ERG Wind Investment Ltd.	RBS	IRS	31/12/22	(54,873)	(65,303)
ERG Wind Investment Ltd.	BOS	IRS	31/12/22	(41,077)	(48,884)
ERG Eolica Adriatica S.r.l.	BNP Paribas BNL	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Adriatica S.r.l.	ING	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Adriatica S.r.l.	RBS	IRS	15/06/22	(9,254)	(11,175)
ERG Eolica Fossa del Lupo S.r.l.	ING	IRS	31/12/25	(2,643)	(3,178)
ERG Eolica Fossa del Lupo S.r.l.	Crédit Agricole	IRS	31/12/25	(2,273)	(2,733)
ERG Eolica Fossa del Lupo S.r.l.	Centrobanca	IRS	31/12/25	(1,744)	(2,098)
ERG Eolica Campania S.p.A.	RBS	IRS	31/05/20	(1,572)	(2,144)
ERG Eolica Ginestra S.r.l.	UniCredit	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Ginestra S.r.l.	Centrobanca	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Ginestra S.r.l.	Barclays	IRS	30/06/25	(1,439)	(1,718)
ERG Eolica Amaroni S.r.l.	ING	IRS	31/12/26	(602)	(727)
ERG Eolica Amaroni S.r.l.	Credit Agricole	IRS	31/12/26	(602)	(727)
Green Vicari S.r.l.	BNL	IRS	30/06/19	(319)	(658)
ERG Eolica Faeto S.r.l.	Banco Popolare	IRS	31/12/21	(537)	(478)
ERG Eolica Faeto S.r.l.	UniCredit	IRS	31/12/21	(537)	(478)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(179)	(259)
Parc Eolien les Mardeaux S.a.s.	HSH	IRS	30/12/19	(187)	(271)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(169)	(244)
Parc Eolien de Hetomesnil S.a.s.	HSH	IRS	30/12/19	(176)	(255)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(173)	(250)
Parc Eolien de Lihus S.a.s.	HSH	IRS	30/12/19	(180)	(261)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(181)	(261)
Parc Eolien de la Bruyere S.a.s.	HSH	IRS	30/12/19	(188)	(273)
Parc Eolien du Carreau S.a.s.	HSH	IRS	30/12/19	(54)	(175)
ERG Eolica Basilicata S.r.l.	BNP Paribas BNL	IRS	30/06/31	(584)	(806)
ERG Eolica Basilicata S.r.l.	Credit Agricole	IRS	30/06/31	(584)	(806)
EW Orneta 2 SP Z.O.O.	ING	IRS	31/12/29	(49)	–
EW Orneta 2 SP Z.O.O.	Bank Pekao	IRS	31/12/29	(49)	–
K & S Energy Eood	Raiffeisen Bank	IRS	31/12/18	(495)	–
K & S Energy Eood	Raiffeisen Bank	IRS	31/12/18	(118)	–
Corni Eolian S.A.	Raiffeisen Bank	IRS	31/12/25	(1,478)	–
Corni Eolian S.A.	ING	IRS	31/12/25	(1,478)	–
ERG Power S.r.l.	BNP Paribas BNL	IRS	31/12/21	(2,390)	(3,403)
ERG Power S.r.l.	IntesaSanpaolo	IRS	31/12/21	(2,390)	(3,403)
ERG Power S.r.l.	Credit Agricole	IRS	31/12/21	(1,915)	(2,727)
ERG Power S.r.l.	Santander	IRS	31/12/21	(380)	(541)
ERG Power S.r.l.	Centrobanca	IRS	31/12/21	(380)	(541)
ERG Power S.r.l.	ING	IRS	31/12/21	(380)	(541)
ERG S.p.A.	ING	IRS	06/08/20	(60)	–
ERG S.p.A.	BNP Paribas BNL	IRS	06/08/20	(37)	–
ERG S.p.A.	UniCredit	IRS	06/08/20	(64)	–
ERG S.p.A.	Barclays	IRS	06/08/20	(28)	–
ERG S.p.A.	IntesaSanpaolo	IRS	06/08/20	(60)	–
ERG S.p.A.	Credit Agricole	IRS	06/08/20	(73)	–
ERG S.p.A.	Natixis	IRS	06/08/20	(64)	–
Total				**(153,396)**	**(181,106)**

NOTE 19 - OTHER NON CURRENT LIABILITIES

	31.12.2015	31.12.2014
Liabilities for the minorities assignment option	88,000	50,000
Price of the acquisition of the Wind Group	9,821	9,821
Debts for previous taxes derived from the merging of foreign companies	18,594	18,594
Quotas for income deferred to the following period	1,806	2,131
Debts towards personnel	684	3,235
Other minor amounts	3,953	11,594
Total	**122,858**	**95,375**

The other non current liabilities, equal to 122,858 thousand Euro (95,375 thousand as of 31 December 2014), mainly include the liability associated with the repurchase of the minority interest of ERG Renew S.p.A as commented further in Note "**Option on minorities**".

NOTE 20 - PROVISIONS FOR CURRENT RISKS AND CHARGES

	31.12.2015	Increases	Decreases	Reclassi-fications	Consolidation area variation	31.12.2014
Interests and revaluation reserves Law 488/1992	15,057	177	–	–	–	14,880
Restructuring expenses reserves and related items	1,917	850	(14,078)	(1,820)	–	16,965
Legal and tax risks reserves	9,683	599	(1,347)	1,820	1,100	7,510
Environmental risks reserves	441	–	–	(3,985)	–	4,426
Shareholding risk reserves	5,672	900	(694)	–	–	5,466
Various expenses reserves from Oil business	1,423	–	(10,351)	–	–	11,774
Reserves for risks on potential expenses Arising from foreign companies	9,005	–	–	–	9,005	–
Risks reserves from ERG Nuove Centrali S.p.A.	3,985	–	–	3,985	–	–
Risks reserves for the hydroelectric sector	2,284	–	–	–	2,284	–
Other funds	4,418	25	(4,618)	1,424	591	6,996
Total	**53,886**	**2,551**	**(31,088)**	**1,424**	**12,980**	**68,018**

The provision for current risks and charges as of 31 December 2015 is equal to 53,886 thousand Euro (68,018 thousand Euro as of 31 December 2014) and includes:

- the provision for charges associated with interests and revaluations on contributions Law 488/1992 (15.1 million) related to wind farms acquired in the ERG Wind transaction and subject to revocation by the Ministry of Economic Development, as commented further in Note 5. We specify that the risks connected to revoking said contributions are covered in the purchase agreements of ERG Wind by specific obligations of indemnity issued by the seller and we therefore proceeded with allocating the related credit to the "Other current assets";
- the fund for charges for restructuring and similar (1.9 million) related to initiated mobility procedures and costs for restructuring the assets portfolio;

- the provision for legal and fiscal risks (9.7 million) related to risks concerning existing disputes;
- the provision for environmental risks (0.5 million) related to decontamination expenses;
- the provision for equity investments (5.7 million) mainly related to the subsidiary ERG Petroleos, no longer operational and under liquidation;
- the other charges provision related to the former Oil business (1.4 million) mainly related to demurrage and additional hire charges related to the former Supply & Trading business;
- the provision for risks from potential foreign companies (9.0 million) related to potential liabilities related to Romania;
- the risks provision (4.0 million) related to potential charges for regulating previous and contentious entries originating from the operational management of plants now decommissioned;
- the provisions for risks in the hydroelectric power sector (2.3 million) related to charges of a miscellaneous nature concerning the business of ERG Hydro S.r.l.;
- the other provisions for risks and charges mainly related to charges deemed likely in trade relations and charges deemed likely for surface rights payable to Municipalities.

The increases for the period mainly refer to:

- the adjustment of provisions for restructuring and similar with reference to initiated mobility procedures and costs for restructuring the assets portfolio (0.9 million);
- the adjustment of the provision for equity investments with reference to ERG Petroleos S.A. under liquidation.

The decreases for the period mainly refer to:

- the use of funds for the strategic restructuring of the Group and mobility procedures (14 million);
- the use of the provision appropriated in 2014 concerning the Delta Ti Research consortium, sold during financial year 2015;
- the use of funds concerning previous disputes (5,3 million), the former Oil business and to liabilities related to the activity of the former ERG Supply and Trading (4 million);
- the use of other funds with particular reference to funds appropriated for dealing with site commercial expenses (2.6 million).

The variation in the area of consolidation receives amounts highlighted in Note Variation in the Area of Consolidation.

NOTE 21 - TRADE PAYABLES

	31.12.2015	31.12.2014
Debts towards providers	162,055	285,050
Debts towards companies within the Group that have not been fully consolidated	46	12,620
Total	**162,101**	**297,670**

Trade payables are payables arising from trade relations due within twelve months. They mainly refer to payables for the purchase of utilities (gas and electricity), for investments and residual liability from previous years related to discontinued operations.

The trade creditors have decreased due to the Group's progressive exit from the OIL business.

NOTE 22 - CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
Short-term bank liabilities	**110,028**	**60,267**
Other short-term financial liabilities		
Current quota of mid-long term debts towards banks	–	13,583
Short-term Project Financing	144,718	164,528
Other financial liabilities	68,705	5,988
	213,423	**184,099**
Total	**323,451**	**244,369**

The main information related to “Short term bank liabilities” provided below:

- the amounts of short term lines of credit used as of 31 December 2015 are equal to 17% of the total agreed amounts (21% as of 31 December 2014);
- the average use of short term credit lines during the period was equal to 16% of the total agreed amounts (30% as of 31 December 2014);
- such lines are subject to revocation and not supported by guarantees;
- as of 31 December 2015 the average weighted rate of interest on short term indebtment was 0.20% (0.82% as of 31 December 2014).

The other financial debts mainly include financial debts associated with certain purchase price adjustments yet to be paid related to the estimated consideration for the ERG Hydro transaction, which took place at the end of the year.

NOTE 23 - NET FINANCIAL POSITION

(EUR thousand)	Notes	31.12.2015	31.12.2014
Mid-long term debts towards banks	18	694,573	13,583
- current quota of loans and financing operations	18, 22	–	(13,583)
Mid-long term financial debts	18	153,396	181,108
Total		**847,969**	**181,108**
Mid-long term Project Financing	18	1,284,578	1,297,324
- current quota of Project financing	18, 22	(144,718)	(164,528)
Total		**1,139,860**	**1,132,796**
Mid-long term financial indebtedness/ (Mid-long term financial resources)		**1,987,829**	**1,313,904**
Short-term debts towards banks	22	110,028	73,850
Other short-term financial debts	22	68,705	5,991
Total		**178,733**	**79,841**
Liquid assets	12	(670,772)	(1,047,328)
Titles and other short-term financial credits	11	(92,861)	(58,813)
Total		**(763,633)**	**(1,106,141)**
Short-term Project Financing	18, 22	144,718	164,528
Liquid assets	12	(99,792)	(122,031)
Total		**44,926**	**42,497**
Short-term net financial indebtedness/ (Short-term financial resources)		**(539,974)**	**(983,803)**
NET FINANCIAL POSITION		**1,447,855**	**330,101**

The **net financial indebtment** equals 1,448 million Euro, an increase of 1,118 million Euro compared to that of 31 December 2014, mainly due the following impacts and cash flow for the period:

- +4.2 million related to the **acquisition** from the PAI group (PAI Polish Alternative Investments RES) of 100% of the share capital of Hydro Inwestycje, a company under Polish law, holding the authorisations needed for realising a wind farm in Poland, in the municipalities of Szydlowo and Stupsk, having a foreseen capacity of 14 MW.
- +2.6 million related to the **acquisition** from the PAI group (PAI Polish Alternative Investments RES) of 100% of the share capital of Blachy Pruszynsky-Energy, a company under Polish law, holding the authorisations needed for realising a wind farm in Poland, in the municipality of Slupia, having a foreseen capacity of 24 MW.
- +70.3 million related to the **acquisition** from Macquarie European Infrastructure Fund, managed by the Macquarie group, of 100% of the share capital of four companies under French law, the owners, directly and indirectly, of six wind farms in France, having a total installed capacity of 63.4 MW, which became operational between 2005 and 2008. For further details, refer to paragraph **Acquisition of French wind farms**.

- +947.5 million related to the acquisition from E.ON Italia of the entire hydroelectric power business of E.ON Produzione formed of a portfolio of stations located in Umbria, Marche and Lazio, having a comprehensive power of 527 MW. For further details, refer to paragraph Acquisition of the Italian hydroelectric assets of E.ON having a power of 527 MW.
- +104 million related to the dissolution of the LUKERG Renew GmbH joint venture, followed by:
  - **acquisition** by ERG Renew S.p.A. of a 50% holding in the shares from the shareholder OOO LUKOIL – Ecoenergo held in LUKERG Renew GmbH;
  - **sale** by LUKERG Renew GmbH and LUKERG Bulgaria GmbH of the stake held in Land Power S.A., a company under Rumanian law;
  - **acquisition** by LUKERG Bulgaria GmbH for the minority share of Corni Eolian S.A., also under Rumanian law.
- +71.4 million related to the distribution of dividends to Shareholders;
- -44 million related to the Mucchetti amendment, the details of which can be found in paragraph **Mucchetti Amendment** for the production units in Sicily – update on the completion of the "Sorgente – Rizziconi" intervention.

Recognised in the net financial indebtment are financial liabilities related to the fair value of derivative instruments for hedging the rate of interest of approximately 153 million (181 million as of 31 December 2014)..

NOTE 24 - OTHER CURRENT LIABILITIES

	31.12.2015	31.12.2014
Tax debts	26,088	44,687
Debts towards personnel	10,252	6,676
Debts towards provident and assistance institutes	5,345	4,153
Debts for tax consolidation towards TotalErg S.p.A.	13,533	73,674
Other current liabilities	17,111	27,461
Total	**72,330**	**156,651**

The fiscal liabilities mainly concern the estimate of income taxes of competence for the period and to the VAT debt to be paid.

The decrease in payables owed to TotalErg S.p.A. for tax consolidation can mainly be traced the utilisation of operating loss carryforwards .

We report that during financial year 2015, taxes of approximately 125.5 million Euro were paid for 2015 and advance payments for 2016.

NOTE 25 - GUARANTEES, COMMITMENTS AND RISKS (126,063 THOUSAND EURO)

Guarantees given (116,124 thousand Euro)

The guarantees given mainly concern guarantees issued for using credit in relation to Group VAT and generally in favour of public entities.

Other guarantees given (2,748 thousand Euro)

The other real guarantees given concern guarantees on bank mortgages.

Our commitments (7,191 thousand Euro)

Commitments to third parties mainly concern commitments undertaken for the purchase of hardware, software and IT consultancy services.

NOTE 26 - COVENANTS AND NEGATIVE PLEDGES

Project financing for ERG Renew S.p.A. and its subsidiaries

- Loan subscribed in June 2007 by **ERG Eolica Faeto S.r.l.** (formerly Eos 4 Faeto S.r.l.). The guarantees provides for a mortgage on real estate properties, special privilege on assets, pledge on 100% of the share capital and on restricted current accounts (6.2 million as of 31 December 2015) of the company, as well as a letter of patronage of ERG Renew S.p.A. The loan is also subject to the following covenants and negative pledges:
  - Historical Debt Service Coverage Ratio (DSCR): this is calculated as the ratio between the cash flow of the project net of VAT flows destined for repaying the capital share of the VAT line for the half-year in progress and the previous one, as well as the total amount of the repayment of debt outlined in the amortisation plan for the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If lower than 1.10, ERG Eolica Faeto S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project outlines a negative pledge which protects the creditor’s right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Faeto S.r.l. cannot issue further guarantees on its assets unless they concern guarantees provided in accordance with the law.

- Loan entered into on August 2007 by **Green Vicari S.r.l.** The guarantees given provide for a mortgage on surface rights, special privilege on real estate assets, pledge on 100% of the share capital, credit and current accounts of the company (9.0 million as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:

- Average Debt Service Coverage Ratio (ADSCR): this is determined as of 30 June and as of 31 December of each year and is calculated as the ratio between the cash flow of the project net of VAT flows for the two previous half-years and the comprehensive total of the repayment of debt outlined in the amortisation plan of the capital share of the base line and subsidised loan, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If below 1.10, Green Vicari S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
- The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore Green Vicari S.r.l. cannot issue further guarantees on its assets.

- Loan related to acquisition of five **wind farms located in France**.
  The guarantees given provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (6.4 million as of 31 December 2015) of the companies. The loan is subject to the following financial covenant concerning the distribution of dividends.
  - Historical Debt Service Coverage Ratio (DSCR): this is calculated as the ratio between the cash flow of the project net of VAT flows destined for repaying the capital share of the VAT line for the half-year in progress and the previous one, as well the comprehensive total of the repayment of debt outlined in the amortisation plan of the capital share of the base line and subsidised loan, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If below 1.10, the French companies cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks.
  - The Project provides for a "negative pledge" which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore the French companies cannot issue further guarantees on their assets.

- Loan subscribed by **Eoliennes Du Vent Solaire S.a.s.** related to the realisation of a wind farm located in France. The guarantees given provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (1.3 million as of 31 December 2015) of the company. The loan is also subject to the following covenants and negative pledges:
  - Debt Service Coverage Ratio (DSCR): this is calculated as the ratio between the cash flow of the project net of VAT flows destined for repaying the capital share of the VAT line for the half-year in progress and the previous one, as well the comprehensive total of the repayment of debt outlined in the amortisation plan of the capital share of the base line and subsidised loan, the sum of the interests, commissions, costs paid or to be paid in relation to the

lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If below 1.15, Eoliennes Du Vent Solaire S.a.s. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.

- The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore Eoliennes Du Vent Solaire S.a.s. cannot issue further guarantees on its assets.

- Loan entered into on January 2010 by **ERG Eolica Ginestra S.r.l.** The guarantees provide for a mortgage on real estate assets, special privilege on assets and pledge on 100% of the share capital and restricted current accounts (5.1 million as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of C, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Eolica Ginestra S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the Historical DSCR is below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between the current net value, discounted at the averaged weighted cost of the debt, operational cash flows envisaged by the company in the periods ranging between the date of calculation and the year the debt expires as well as the total debt existing as of the date of calculation. If below 1.20, ERG Eolica Ginestra S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Ginestra S.r.l. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan entered into on October 2009 by ERG Eolica Adriatica S.r.l. The guarantees provide a a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (9.2 million as of 31 December 2015.

The base line of the loan is subject to the following covenants and negative pledges:

- Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.20, ERG Eolica Adriatica S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. If the Historical and/or Future DSCR are lower than 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
- Balloon Cover Ratio (BLCR): the BLCR is calculated as the ratio between the value of the current net value, discounted of the average weighted cost of the debt, operational cash flows envisaged by the company in the periods ranging between the last date of repayment and 60 months thereafter and the total of the last loan instalment (Balloon). If below 1.50, ERG Eolica Adriatica S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks.
- The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Adriatica S.r.l. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan entered into on October 2007 by **ERG Eolica Campania** (formerly IVPC POWER 3 S.p.A.). The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (9.4 million as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Eolica Campania S.p.A. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. If the Historical and/or Future DSCR are below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Campania S.p.A.. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan issued in March 2012 to **ERG Eolica Fossa del Lupo S.r.l.** The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (4.2 million as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Eolica Fossa del Lupo S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. If the Historical and/or Future DSCR are below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Fossa del Lupo S.r.l. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan issued in April 2013 to **ERG Eolica Amaroni S.r.l.** The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (2.1 million as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Eolica Amaroni S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. If the Historical and/or Future DSCR are below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Amaroni S.r.l. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan issued in September 2014 to **ERG Eolica Basilicata S.r.l.** The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (4.1 million as of 31 December

2015). The loan is also subject to the following covenants and negative pledges:

- Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Eolica Basilicata S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. If the Historical and/or Future DSCR is below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
- The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore ERG Eolica Basilicata S.r.l. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan issued in 2008 to **ERG Wind Investments LTD.** The loan is subject to the following covenants and negative pledges:
  - Covenants

    The main financial covenant is the HDSCR (Historical Debit Service Cover Ratio), which is calculated on a half-yearly basis, with reference to cash flows generated in the last 12 months, related to the payment of the financial debt (capital, interests, fees and swap) for that period.

    If the DSCR proved to be lower than 1.05, this would be a default event of the Finance Project. A DSCR higher than 1.15 is required for the distribution of dividends.
  - Security Package

    By way of guaranteeing the commitments undertake pursuant to the loan agreement, the latter envisaged the subscription of guarantee contracts governed by normatives pertaining to various jurisdictions.

    The guarantee documents indicated in the loan agreement include, amongst others, pledges on quotas, pledges on shares, transfer of credit under guarantee (also related to insurance receivables) and pledges on current accounts. (65.0 million as of 31 December 2015)..

- Loan issued in November 2015 to **EW Orneta 2 SP. Z O.O.** The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (4.9 million Euro as per the exchange rate as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum

of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.20, EW Orneta 2 SP.ZO.O. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the Historical DSCR is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.

- Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between the current net value, discounted at the averaged weighted cost of the debt, operational cash flows envisaged by the company in the periods ranging between the date of calculation and the year the debt expires as well as the total debt existing as of the date of calculation. If below 1.15, EW Orneta 2 SP.ZO.O. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
- The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore EW Orneta 2 SP.ZO.O. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan issued in December 2013 to **Corni Eolian S.A.** The guarantees given provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (4.1 million Euro as per the exchange rate as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.20, Corni Eolian S.A. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the Historical DSCR is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between the current net value, discounted at the averaged weighted cost of the debt, operational cash flows envisaged by the company in the periods ranging between the date of calculation and the year the debt expires as well as the total debt existing as of the date of calculation. If below 1.20, Corni Eolian S.A. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.

  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore Corni Eolian S.A. cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

- Loan (multiborrower project) issued in April 2012 and September 2013 to **LUKERG Bulgaria**. The guarantees provide for a mortgage on real estate assets and pledge on 100% of the share capital and restricted current accounts (4.9 million as per the exchange rate as of 31 December 2015). The loan is also subject to the following covenants and negative pledges:
  - Historical and Future Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt (base line) outlined in the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements. If the Historical and/or Future DSCR prove to be lower than 1.20, LUKERG Bulgaria cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the Historical DSCR is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
  - The Project provides for a negative pledge which protects the creditor's right on the assets released by the debtor as guarantee of repayment of the loan. Therefore LUKERG Bulgaria cannot issue further guarantees on its assets unless they concern guarantees given in accordance with the law.

Project Financing for ERG Power S.r.l.

In December 2009 the Company entered into, with a group of international banks (Banca IMI, BNP Paribas, Banco Santander, Crédit Agricole Corporate and Investment Bank, Centrobanca, ING Bank, MPS Capital Services, Unicredit Mediocredito Centrale, WestLB), a limited recourse Project Financing contract for an amount equal to 330 million. The Agent for the project is Unicredit Mediocredito Centrale.

The loan was issued in April 2010 following satisfaction of all the suspensive conditions outlined in the contract.

The contract, finalised at the issuance of a loan for repowering a CCGT plant, required, the guarantee of the payment of amounts and compliance with all obligations deriving from the credit contract:

- the establishment of a first charge mortgage in favour of the issuing credit institutions on real estate owned by the Company and the real estate on which a surface right exists;
- the establishment of special privilege of plant, machinery, instrumental goods, raw materials, products works in progress, finished products, stock and receivables deriving from the sale of such assets above certain thresholds of value;

- the establishment of a pledge on receivables deriving from the main project contracts and on the project current accounts of ERG Power;
- monitoring of incoming and outgoing flows of the financial management by the lending banks.

The guarantees given include, amongst others, a pledge on 100% of the Corporate share capital.

Lastly, the Project provides for a negative pledge which protects the creditor's right on assets released by the debtor as guarantee of repayment of the loan. Therefore, in principle, ERG Power cannot issue further guarantees, without prejudice to standard exceptions for this type of transaction. The duration of the guarantees is associated to the repayment of the loan agreement. The loan is also subject to the following:

- Historical and Future Annual Debt Service Coverage Ratio (DSCRS): this is calculated, for each period of 12 months before and after each date of calculation, as the ratio between the cash flow of the project net of VAT flows and the comprehensive total of the repayment of debt envisaged by the amortisation plan of the capital share of the base line, the sum of the interests, commissions, costs paid or to be paid in relation to the lines of credit and the amounts paid or to be paid by the company to hedging banks or by hedging banks to the company pursuant to hedging agreements.. If the Historical and/or Future DSCR prove to be lower than 1.15, ERG Power S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the historical DSCR is below 1.05 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.
- Loan Life Cover Ratio (LLCR): the LLCR is calculated as the ratio between the current net value, discounted at the averaged weighted cost of the debt, operational cash flows envisaged by the company in the periods ranging between the date of calculation and the year the debt expires as well as the total debt existing as of the date of calculation. If below 1.20, ERG Power S.r.l. cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks. In the case in which the value is below 1.10 and the company does not implement any contractually established remedy, the banks may ask for the loan agreement to be terminated and guarantees to be enforced.

We report that, in relation to the Project financing for ERG Power S.r.l., starting from 30 June 2011, the the compliance with the following covenants, to be calculated on a half-yearly basis on the consolidated date of ERG Group:

- Ratio of Adjusted Consolidated Net Financial Position and Adjusted Consolidated Gross Operating Margin (adjusted NFP, adjusted GOM): if higher than 4.0, the company cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks.
- Ratio of Adjusted Consolidated Gross Operating Margin and Adjusted Consolidated Financial Charges and Income: if lower than 3.0, the company cannot proceed with distributing dividends to shareholders, or repaying subordinate debts without prior authorisation from the banks.

Failure to observe the aforesaid covenants three consecutive times shall lead to the partial early repayment of the loan for an amount equal to the excess cash flow as contractually defined and restricted in dedicated bank accounts in the previous three periods.

As of the date the financial statements, the Company was in compliance with the covenant requirements, with the exception of the first covenant calculated on the consolidated data of ERG Group (adjusted NFP, adjusted GOM). The ratio is equal to 4.1 following a notable increase in indebtedness related to important acquisitions carried out by ERG Group at the end of 2015. Such acquisitions were made in connection with an industrial transformation from industrial operator active in the oil refining sector to primary independent producer of electricity mainly from renewable sources. The increase in indebtment commented above is compared to an Adjusted GOM which only reflects one month of positive results associated to the acquisition of ERG Hydro S.r.l. by ERG Group.

As already mentioned, in the event noncompliance, the subsidiary cannot proceed with distributing dividends to shareholders, nor repaying subordinate debts without prior authorisation from the banks.

Corporate acquisition loan ERG S.p.A.

On 7 August 2015, **ERG S.p.A.** entered into, with a pool of seven financial institutions and coordinated by the agent bank, Banca IMI S.p.A. (Unicredit, IntesaSanpaolo, BnpParibas, Credit Agricole, Ing, Natixis, Barclays) a loan agreement to acquire assets related to the hydroelectric unit in Terni from EON.

The loan agreement outlines the following Financial Covenant and noncompliance constitutes an "event of default" pursuant to the loan agreement:

The Ratio of Net Financial Indebtment and Gross Operating Margin (NET DEBT /EBITDA) referred to the Consolidated Financial Statements for Gruppo ERG must prove to be lower or equal to 4.50 starting from 31/12/2016, with values progressively decreasing to the final value of 3.75 as of 31/12/2020, according to the following scale on the respective dates of calculation:

– 4.50 as of 31/12/2016 and 30/06/2017
– 4.25 as of 31/12/2017 and 30/06/2018
– 4.00 as of 31/12/2018 and 30/06/2019
– 3.75 as of 31/12/2019 ; 30/06/2020 ; 31/12/2020

Should the covenant be breached, the agreement outlines the possibility for the borrower to intervene with an "Equity Cure" which shall be taken into consideration as a reduction of the net financial indebtment, to be implemented within the 15 days from 30 April (when referring to the ratio calculated as of 31 December) and 30 September (when referring to the ratio calculated as of 30 June).

The agreement also provides for a standard negative pledge for loan agreements of this type, which prohibits assets provided in guarantee of any third party lenders.

In general, with reference to the covenants indicated in these Notes, in our opinion no violations of the financial covenants exist as of 31 December 2015 according to the assessments and recalculations carried out by the Group.

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NOTE 27 - POTENTIAL LIABILITIES AND DISPUTES

ERG is a party in civil, administrative and fiscal proceedings and in legal actions in the normal performance of its activities. Nonetheless, on the basis of the information available and considering the appropriated provisions for risks, we consider that such proceedings and actions shall not give rise to significant negative effects on the Group.

Priolo site

As previously mentioned in the 2013 Financial Statements, on 30 December 2013 ERG S.p.A. had sold the last share held in ISAB S.r.l., thus exiting the business of Coastal Refining.

However, potential liabilities still exist,associated with the Priolo Site, originating from previous years and not yet completely defined.

As noted in the 2013 Financial Statements, in consideration of the contingency inherent to disputes, taxation, the complexity of the site relations and, in general, the conclusion of activities associated to the coastal refining business, we proceeded with a comprehensive valuation of the risk connected to the issues commented above, estimating a "Provision for the Priolo Site" equal to 91 million Euro (80 million as of 31 December 2015). Specifically:

- with reference to the dispute established at the time by ERG Raffinerie Mediterranee (now ERG S.p.A.) with the Tax Authorities concerning the application of **port duties** to embarkation and disembarkation at the jetty in Santa Panagia, we recall that on 6 April 2011, the Provincial Tax Commission of Syracuse announced a ruling on the matter, partially accepting the Company's appeal and declaring port duties not due until the end of 2006, declaring, instead, that they were due starting 2007. The first instance ruling was challenged in the terms by the Inland Revenue and ERG with a cross-appeal related to the period after 2006. During the hearing for discussion of 11 February 2013, each party presented its case to the Court by the Attorney General and the lawyers of the Company. In the second instance ruling, issued by the Regional Tax Commission and filed on 27 May 2013, appealed the first instance ruling not in favour of ERG. Following a thorough evaluation of the grounds for the second instance ruling, the Company decided to appeal by Cassation, deeming its reasons solidly grounded (particularly with regard to the notion of port pursuant to Law 84/94 and the presumed novative and retroactive worth of art. 1 paragraph 986 of the finance law for 2007). The Regional Tax Commission of Syracuse accepted the request for suspending the effectiveness of the second instance ruling on 4 November 2013 against the issue of an insurance guarantee on first demand in favour of the Customs Agency. We are waiting for the hearing date to be set. Since 2007 the disputed duties have been recognised in the profit and loss account and no appropriation had been made, for 2001 to 2006;
- with reference to the **environment risk**, at the Sito Sud [south site], the likelihood of exposure to potential liabilities is judged as remote as the risk at issue was resolved following the transaction subscribed with the Ministry of the Environment in August 2011 and registered by the Court of Auditors on 20 December 2011 and quantified by the Settlement Agreement subscribed on 30 December between ERG S.p.A. and LUKOIL. As regards Sito Nord [north site], given the dual mechanism of guarantees deriving both from the contract completed with ENI (previous owner of the site) and that completed with LUKOIL (new owner), the following derives therefrom: (i) for the potential environmental damages prior to 1st October 2002, ENI answers unlimitedly;

(ii) with reference to the potential damage related to the period 1st October 2002 – 1st December 2008 which derived from the violation of environmental guarantees given by ERG, the latter answers. Applied to the contractual responsibility of ERG regarding LUKOIL are the following limitations: (a) maximum higher limit applicable equal to the transfer price of the stake in ISAB S.r.l.; (b) the environmental guarantees last for 10 years and, in the case of uncertain identification of the period to which the potential damage refers, a decalage is applied until 2018. The contract with LUKOIL assigns unlimited responsibility for ERG over time for potential damages associated to known events at the time of stipulating the contract (Known Environmental Matters). Up to an amount of 33.4 million Euro the expenses are divided between ERG and LUKOIL (51% and 49%);

- with reference to the **commercial site relations**, some minor positions residually persist, both of a credit and debt related nature, mainly concerning supplies of oil products and utilities related to previous years.

In the preparation of the 2015 Consolidated Financial Statements, Group Management, assisted by corporate departments and the opinions of its legal and fiscal advisors, performed a comprehensive re-analysis of the issues described above. In the absence of any significant developments, no adjustments were made to the previous assessments. As of 31 December 2015, therefore, the risks provision is deemed adequate and only a partial use of approximately 3 million Euro is reported.

TotalErg

On **3 December 2013**, at the facilities of TotalErg S.p.A. in Rome and Milan and ERG S.p.A. in Genoa, the Finance Police of Rome implemented an order of seizure issued by the Public Prosecutor at the Court of Rome related to criminal proceedings initiated against ERG S.p.A. and TotalErg S.p.A. (company born from the merger by incorporation of Total Italia S.p.A. into ERG Petroli S.p.A.).

The investigations - according to the findings of the accusation brought in the aforesaid order - had as subject matter presumed fiscal irregularities concerning financial year 2010. The subject matter was related to invoices recorded by TotalErg S.p.A. for allegedly inexistent transactions for the purchase of crude products, issued for a total of 904 million Euro by Companies based in Bermuda belonging to the Total Group. The costs were included in the tax statements of TotalErg S.p.A., and received by the tax consolidation parent, ERG S.p.A. in the declaration of national tax consolidation of ERG Group.

As soon as the Company became aware of the investigations, it engaged in activities of verification aimed to analyse the facts and transactions subject to the investigation, as well as a careful analysis of the internal control system.

On **6 August 2014** ERG S.p.A., received, in its capacity as tax consolidation parent, a formal report of findings (PVC) by the Finance Police of Rome, drawn up in relation to TotalErg, the contents of which essentially recall the aforesaid contestations. On the same date TotalErg received a formal report of findings for presumed tax irregularities concerning Total Italia for 2007 through 2009, of a nature and for amounts that were substantially the same, for each financial year, to those recalled above. The findings refer to periods prior to the establishment of the TotalErg joint venture.

As a response to the findings, ERG S.p.A. and TotalErg S.p.A., presented the Financial Administration with their observations and results of the in-depth examination performed.

On **26 June 2015**, ERG S.p.A. in its capacity as tax consolidation parent and TotalErg S.p.A., in its capacity as tax consolidation subsidiary (formerly ERG Petroli S.p.A.), were served with a notice of assessment for IRES purposes for tax year 2007. On the same date, TotalErg S.p.A. was directly served a notice of assessment for IRAP and VAT purposes.

Given the specific relevance concerning the presumed non deductibility of purchase costs and services for financial year 2007 stated in the aforesaid PVC of 6 August 2014, equal to approximately 68 million Euro, the notice of assessment considerably reduces such amount to 125 thousand Euro.

On **6 July 2015**, TotalErg S.p.A., in its capacity as absorbed company of Total Italia S.p.A., was served, again on the grounds shown above, notices of assessment for IRES, IRAP and VAT purposes for the tax years 2007, 2008 and 2009.

Given the specific findings of the related PVC equal to approximately 2,864 million Euro of non deductible costs, the notices of assessment considerably reduce such amount to approximately 6 million Euro.

Asserting that they had always acted in full observance of the laws and normatives in force, ERG and the subsidiary TotalErg, challenged the cited notices of assessment, filing tax court appeals in order to obtain the annulment thereof.

The joint venture agreement with Total requires an adequate reciprocal system of guarantees.

Considering the above, we did not proceed with recognising liabilities on the matter.

As of the date of publication of this document, no notice of assessment was found to have been issued against the companies for 2010, a tax year for which, again in the cited PVC of 6 August, contestations had been served of a nature and content similar to those recalled above and mainly traceable to the period prior to the establishment of the Joint Venture and referable to activities mainly brought about by Total Italia.

ERG Eolica Ginestra

During 2014 ERG Eolica Ginestra S.r.l. was subjected to a tax audit for tax year 2010 for IRES, IRAP and VAT purposes by the Provincial Management of Genoa of the Inland Revenue, which concluded with the issuance of a report of findings served to the company on 13 November 2014. The Inland Revenue solely contests a presumed illegitimate use of the tax concession governed by art. 5 of Law Decree no. 78/2009, converted with amendments by law no. 102/2009 ("Detaxation of investments in machinery") so-called Tremonti ter, proposing that previously unpaid taxes were paid for IRES purposes in 2010 at 50% of the investments which the company had fiscally favoured.

The Company deems that it is able to defend its position and challenge of the notice of assessment which could be issued following such report of findings.

On 30 March 2015 ERG Renew S.p.A., in its capacity as tax consolidation parent and ERG Eolica Ginestra S.r.l. in its capacity as tax consolidation subsidiary, were served a notice of assessment for IRES purposes for tax year 2010, confirming the finding during investigations for an amount equal to approximately 26 million Euro of minor tax loss.

The company filed an appeal on 5 June 2015, with related motion to suspend the collection which was accepted on 16 July 2015.

By ruling filed on 14 January 2016, the Provincial Tax Commission of Genoa upheld the appeal presented by ERG Eolica Ginestra S.r.l. The terms for the Inland Revenue to file a cross-appeal are still pending.

Considering the above, the Group does not consider the risk of losing the case to be likely, therefore we did not proceed with recognising liabilities on the matter.

Contributions as per Law 488/92 of ERGWind companies

During the period 2001-2005, prior to the acquisition companies of the International Power Maestrale IPM Group by ERG Renew S.p.A., such companies were assigned funds pursuant to Law 488/1992 for a total of 53.6 million Euro.

In relation to the assignment of such contributions during the first six months of 2007, an investigation was initiated by the Public Prosecutor at the Court of Avellino concerning presumed falsification of some of the documents provided at the time of application.

Seizure of the incentives as per Law 488 yet to be issued (21.9 million Euro) during 2007 and on 30 September 2008 the Public Prosecutor ordered preventive seizure of seven wind farms. Thereafter, following the deposit of an amount equal to 31.6 million Euro by the companies involved, during January 2010 the seizure wind farms were returned and then transferred to the Single Guarantee Fund.

In March and April 2014, the companies receiving the incentives 488 received measures from the Ministry of Economic Development by which the initiation of the procedures for revoking said incentives was notified.

On 6 February 2015, extraordinary appeals were served against the Ministry of Economic Development by the companies involved with request for the precautionary suspension of the effectiveness of the challenged measures.

On 27 July 2015 the companies were served with the payment orders against regarding which civil proceedings were brought opposing the orders which are currently in the phase of preliminary investigation. In the context of such proceedings, on 18 September 2015 a ruling for the suspension of the enforcement orders was obtained from the Civil Judge, against the deposit of a bank guarantee for a value equal to the full amount of the latter (44 million EUR). A judgement is expected by the end of the year at the latest.

With regard to the administrative proceedings, on 7 October 2015 the State Council ruled with a merely interlocutory measure without any decision regarding suspension in relation to the decrees for revocation.

Given such lack of ruling by the State Council, as well as considering the acceleration in the civil proceedings, on 10 March 2016 we filed an act of initiation of arbitration against the Seller, taking account of the repeated denial of the latter concerning the related responsibilities of indemnity pursuant to the contract.

Reminder is given that the risks associated to the revocation of said contributions are covered in the purchase agreements of ERG Wind by specific obligations of indemnity issued by the seller: considering the aforesaid agreements, a liability had already been appropriated against said credit, for the same amount in Financial Statements 2013 in defining the purchase price allocation as a potential adjustment to the consideration for the acquisition of ERG Wind Group (Note 19 - Other non current liabilities).

Considering the described guarantees and that recognised in the previous financial years, further appropriations in the balance sheet do not prove to be necessary.

Tax assessment ERG Wind Investments

On 21 October 2015 the Finance Police - Special Income Squad - Investigations Group of Rome, served ERG Wind Investments Limited a final report of findings (hereinafter "PVC") of an assessment which began on 17 June 2015.
Apart from some findings of an insignificant amount, such investigations gave rise to (i) failure to apply withholdings on the differentials associated to Interest Rate Swaps paid during tax periods 2010-2013 to foreign counterparties as qualified as interests, for 8.7 million, (ii) undue deduction of interest payables during tax periods 2010-2013 on an up-stream loan by foreign subsidiaries to ERG Wind Investments Limited not supported by valid financial reasons (abuse of right as per art. 10-bis of Law no. 212/2000) with consequent higher taxes of 8.8 million (iii) failure to apply withholdings on interests paid to non resident entities during tax periods 2010-2013 on existing Project Financing at 14 million.
With reference to the cited PVC, on 28 December 2015 it received (i) notice of assessment for the sole tax period 2010 due to presumed failure to apply withholdings on IRS differentials paid to foreign counterparties for 2.5 million, as well as a sanction of 3 million and accrued interests as of 22 December 2015 for 0.4 million, (ii) a further contestation of the case pursuant to point (i) with separate quantification of the sanctions for omitted payment of withholdings of 0.8 million and (iii) a questionnaire for the presumed undue deduction of interest payables on an up-stream loan from the foreign subsidiaries to ERG Wind Investments Limited inasmuch as not supported by valid financial reasons (abuse of right as per art. 10-bis of Law no. 212/2000) for tax periods 2010-2013.
Following the cross-examination initiated with the Provincial Head Office I of Rome and the documentation provided, the finding pursuant to the PVC concerning failure to apply withholdings on interests paid to non resident entities during tax periods 2010-2013 in the context of Project financing in course for 14 million was removed.
Submitted, on 29 January 2016, to the Inland Revenue - Provincial Head Office I of Rome, was a tax assessment settlement proposal against the notice of assessment, to obtain an extension in the terms for lodging the appeal and to continue in the cross -examination with the Court, as well as arguments by the defence against the act of contestation.
Should the outcome of the tax assessment settlement proposal prove to be unsuccessful, an appeal shall be filed given that the Company deems that it is able to provide a valid defense.
Moreover, in relation to the contest in question, ERG Renew S.p.A. has activated the guarantees pursuant to the Share and Purchase Agreement stipulated with Engie (formerly Gaz de France Suez) concurrently with the acquisition of ERG Wind Group. Engie declared that the contested issue can only be considered as a "Seller Driven Matter"[5] for tax periods 2010 and 2011.

5 Engie formally acknowledges its responsibility on the basis of the cited Share and Purchase Agreement.

On 25 February 2016, ERG Wind Investments Limited presented, moreover, to the Inland Revenue - Provincial Head Office I of Rome, a response to the presumed ineligible deduction of interest payables on the up-stream loan by the foreign subsidiaries from the foreign subsidiaries to ERG Wind Investments Limited. Meetings were held with Provincial Head Office I of Rome in order to highlight, amongst others, the valid financial reasons underlying said loans, as well as the absence of any real financial advantage, these being essential presumptions for a contestation of abuse of right as per art. 10-bis of Law no. 212/2000.The Inland Revenue - Head Office I of Rome has a pending term of 60 days to complete its appraisals.

Tax assessment ERG Wind Holdings (Italy)

On 3 December 2015 the Finance Police - Special Income Squad - Investigations Group of Rome, served ERG Wind Holdings (Italy) S.r.l. with a final report of findings (hereinafter "PVC") of the assessment which began on 6 August 2014.

Apart from some findings of an insignificant amount, such investigation only gave rise to a finding on the matter of registration tax referring to the extraordinary transaction in 2012 which concerned conferral, by the 16 UK LLPs, of corporate branches of the electricity production plants formed (held by means of company rent agreements) to ERG Wind Energy S.r.l. and the subsequent assignment to the two shareholders (two UK LTDs) of the stake in ERG Wind Energy S.r.l.

Such finding, based on the requalification of the corporate transfer transaction, would lead to registration tax of approximately 9.5 million excluding fines.

ERG Wind Holdings (Italy) S.r.l. would be jointly and severally obliged to pay the cited registration tax as the incorporating company during 2013 of the two UK shareholders of the 16 UK LLPs (or the two UK LTDs).

With reference to the cited PVC, on 14 December 2015 ERG Wind Holdings (Italy) S.r.l. was served, by the Inland Revenue - Provincial Head Office 3 of Rome, a notice to pay the registration tax and the issue of fines.

The higher taxes requested amount to 9.5 million, plus interests (of 0.9 million) and fines (of 11.4 million) reaching a total of 21.8 million.

As the Company deemed that it has a valide defense, ERG Wind Holdings (Italy) S.r.l. filed an appeal on 10 February 2016.

The Group considers the risk of losing the case unlikely and did not therefore proceed with recognising liabilities on the matter.

We specify, furthermore, that in relation to the contest in question, ERG Renew S.p.A. activated the guarantees pursuant to the Share and Purchase Agreements stipulated with Engie (formerly Gaz de France Suez) concurrently with the acquisition of Gruppo ERG Wind. Engie has confirmed that the contestation can be considered as a "Seller Driven Matter"[6].

6 Engie formally acknowledges its responsibility on the basis of the cited Share and Purchase Agreement.

ANALYSIS OF THE PROFIT AND LOSS ACCOUNT

The profit and loss account for 2015 does not consider the results for ERG Supply & Trading S.p.A., the operations which ceased during the first six months of 2015. In addition, in accordance with IFRS 5, corporate branches of ISAB Energy S.r.l. and ISAB Energy Services S.r.l., mainly consisting in the IGCC production facility and personnel for its management and maintenance, ERG Oil Sicilia S.r.l. and ERG Supply & Trading S.p.A. The financial statements have been adjusted to remove the financial impact for the prior periods presented.

The financial impact are , reported separately in line "Net result discontinued operations", are described further in **Note 38 – Net result discontinued operations**.

NOTE 28 - REVENUES FROM OPERATIONS

	2015	2014
Profits from sales	717,775	806,833
Profits from services	5,715	1,207
Profits for Italian Green Certificates, Romania and Poland	197,540	190,859
Total	**921,030**	**998,899**

The division of the total revenues from operations per sector can be represented as follows:

	2015	2014
Wind sector	316,785	315,098
Thermoelectric sector	592,262	677,551
Hydroelectric sector	10,552	–
Corporate	1,431	6,250
Total	**921,030**	**998,899**

Revenues from sales mainly consist of sales of electricity produced by wind turbine and thermoelectric plants, as well as sales on organised markets and by means of physical bilateral contracts.

Energy is sold through the wholesale channel to industrial operators in the site of Priolo and to clients by means of bilateral contracts. Wholesale energy sold includes sales on the IPEX electric stock exchange, both in the "day ahead market" (DAM), in the "intra-day market" (IM) and in the "dispatching service market" (DSM), as well as sales to the main sector operators on an "over the counter" (OTC) platform.

Lastly, the sales of water and steam is administered to the industrial operators of the Priolo site.

The details for revenues from sales are as follows:

	2015	2014
Debts towards companies within the Group that have not been fully consolidated	12,689	35,514
Sales to third parties	715,960	771,319
Total	**728,649**	**806,833**

Revenues for green certificates, Italy, Romania and Poland are related to production for 2015 from operational wind farms of ERG Renew Group. The valorisation of the green certificates Italy, which represent almost all of the revenues from the Group's Green Certificates, was calculated at the price of 100.08 Euro/MWh determined according to the presumed value of realisation. With reference to the regulatory discipline for green certificates, refer to the comments in paragraph **Criteria of redaction**.

NOTE 29 - OTHER REVENUES AND INCOME

	2015	2014
Indemnities	1,116	2,179
Expense recovery	200	470
Capital gains from assignments	240	12
Casual profits	6,147	4,812
Other revenues	7,531	18,248
Total	**15,234**	**25,721**

Other revenues and income is mainly comprised of minor recharges to third parties, working capital grants and recharges to Group companies not fully consolidated.

The decrease in other revenues from 2014 is mainly due to the contribution to the sinking fund pursuant to Law 488 collected in 2014 concerning the plants of the Refinery owned by ERG Raffinerie Mediterranee S.p.A. merged into ERG S.p.A. in 2010.

NOTE 30 - VARIATIONS IN STOCK OF RAW MATERIALS

The variation in stock of raw materials, is related to spare parts recognised at the lower amount between the cost determined using the average weighted cost method and the market value, is equal to 2.8 million Euro (1.6 million as of 31 December 2014).

NOTE 31 - COSTS FOR PURCHASES

The value as of 31 December 2015 amounts to 415 million Euro (493 million as of 31 December 2014) and is mainly related to the purchase of electricity from GME and gas from Edison and from Gazprom S.p.A.

NOTE 32 - COSTS FOR SERVICES AND OTHER COSTS

	2015	2014
Service costs	121,554	114,010
Passive leases, fees and rentals	15,863	15,139
Devaluations of receivables	2,581	–
Allocation to reserves for risks and expenses	1,899	21,908
Duties and taxes	10,445	14,032
Other costs of ownership	4,937	6,924
Total	**157,279**	**172,013**

The costs for outside services are formed thus:

	2015	2014
Trade, retail and transport costs	12,357	7,194
Maintenance and repair operations	21,988	17,427
Utilities and supplies	2,336	2,451
Insurance policies	7,572	7,851
Consultancies	22,757	16,560
Advertising and promotions	555	512
Other services	53,989	62,015
Total	**121,554**	**114,010**

- The **costs of sales** distribution and transport refer to supplementary charges related to the distribution of electricity. The increase is mainly attributed to the supply of electricity to an end client of the site connected to the interconnection points with the national grid based on a new contract signed in 2015.
- Item **maintenance and repairs** mainly includes costs for ordinary maintenance of electricity producting plants. The increase is associated to the changes in the scope of consolidation, with particular reference to the French companies acquired from Macquarie European Infrastructure Fund and Polish companies acquired from PAI Polish Alternative Investments RES.
- The increase in item **consultancy** compared to 2014 is due to the higher charges incurred related to the extraordinary transactions completed during the period.
- **Other services** crepresent payments to Directors and Auditors (equal to 13 million), including non recurrent remunerations to Directors for the acquisition of ERG Hydro S.r.l., the costs related to services supplied by the consortium Priolo Servizi to the CCGT plant of ERG Power in the industrial facility of Priolo Gargallo (equal to 12 million) bank costs, general expenses and additional staff costs.

Appropriations for risks and charges in 2014 mainly refers to legal disputes and the staff mobility procedure initiated at the end of the year, as well as charges for restructuring the asset portfolio.

Taxes and duties relates to the single municipal tax (IMU and TASI) on the CCGT plant of ERG Power on the wind farms, the non-deductible VAT for the financial activity of ERG S.p.A. and the other duties and taxes.

NOTE 33 - LABOUR COSTS

	2015	2014
Salaries and stipends	39,265	30,860
Social security contributions	11,759	9,990
Severance indemnity	2,287	2,032
Other costs	4,884	5,270
Total	**58,195**	**48,152**

The other costs include supplementary staff severance indemnities.

The increase in the cost of work is mainly due to the payment of bonuses to employees for extraordinary operations achieved during the financial year and the costs for the staff mobility which continued in 2015.

Shown below is the composition of the employees of ERG (average employees for the period):

	2015	2014
Executives	42	48
Supervisors	146	155
Office workers	268	320
Manual workers - Intermediate supervisors	144	171
Total	**600**	**694**

The change in the average number of employees is attributed to the transfer corporate branch employees responsible personnel for managing and maintaining the IGCC plant, and to mobility procedures initiated at the end of 2014 and continuing in 2015.

As of 31 December 2015 the comprehensive staff structure is comprised of 666 employees and reflects the new employees following the acquisition of the Italian hydroelectric assets of E.ON.

The staff structure for 2014 indicated in the table does not take account of IFRS 5 reclassifications applied to accounts data.

NOTE 34 - AMORTISATION AND DEPRECIATION OF FIXED ASSETS

	2015	2014
Amortisations for intangible fixed assets	27,378	23,530
Amortisations for tangible fixed assets	134,379	130,703
Devaluation of fixed assets	1,273	5,780
Total	**163,030**	**160,013**

The increase in the value of amortisation and depreciation is mainly attributed to higher value of assets subject to depreciation from the acquisitions of ERG Hydro S.r.l., the wind farms in France.

NOTE 35 – NET FINANCIAL INCOME (EXPENSES)

	2015	2014
Income		
Exchange differences received	320	1,426
Bank interests received	9,618	14,408
Other financial revenue	22,584	28,833
	32,522	**44,667**
Expenses		
Exchange differences paid	(333)	(4,185)
Short-term bank interests paid	(339)	(2,419)
Mid/long-term bank interests paid	(24,737)	(31,728)
Other financial expenses	(61,858)	(65,974)
	(87,267)	**(104,306)**
Total	**(54,745)**	**(59,639)**

The decrease in interest receivables reflects the decrease in liquid assets following the acquisitions made in 2015. The overall purpose of the acquisitions was to strengthen the Group as a primary independent operator in the production of electricity from renewable sources, with the acquisitions described in paragraph **Variation in the area of consolidation**.

The decrease in bank interest payables compared to 2014 is mainly due to the reduction in market interest rates and the lower volume following the repayments for the period.

The other financial income and charges mainly refer to the gains and losses recognized on the derivative instruments, and also includes the impact of the change in the fair value of the ERG Wind Investments Ltd loan. At acquisition, the fair value of the loan was adjusted downwards by 159 million Euro.

NOTE 36 - INCOME (EXPENSES) FROM NET EQUITY

The income and charges from equity investments equal to -53.667 thousand Euro (-64,982 thousand as of 31 December 2014) mainly include:

- the charges (-38 million) from the fair value adjustment of the liability related to a transfer option on the minorities of ERG Renew S.p.A.;
- the portion belonging to the Group related to the result of the TotalErg S.p.A. (-10.7 million) joint venture affected by significant stock depreciation following the fall in crude prices at the end of the year;
- the result of the LUKERG Renew GmbH joint venture (-3.5 million). The profit and loss account for Gruppo ERG, the consolidation of LUKERG Renew GmbH using the net equity method had an impact until 31 December 2015, the date of reference for dissolving the joint venture and transformation thereof into the new ERG Wind GmbH. For further details refer to paragraph ERG Wind GmbH Transaction.
- the impact of the adjustment to the risks provision on subsidiaries of -0.9 million related to ERG Petroleos.

In 2014, the balance mainly included:

- the portion belonging to the Group related to the result of the TotalErg S.p.A. joint venture (-64.7 million) as a consequence to the particularly critical scenario specifically concerning the OIL sector which led to significant stock depreciation;
- the result of the LUKERG Renew GmbH joint venture (-0.9 million).

NOTE 37 - INCOME TAX

	2015	2014
Current income taxes	30,613	50,127
Taxes from previous financial years	(2,785)	(2,934)
Deferred and prepaid taxes	(15,268)	(3,101)
Total	**12,560**	**44,092**

The appropriation of income taxes for the period was calculated taking account foreseeable taxes to be applied to the income of companies in the energy sector.

Deferred and prepaid taxes from the temporary differences arising from adjustments recorded on the balance sheets of the consolidated companies by application of Group accounting principles, temporary differences between the value of the assets and liabilities for statutory purposes and operating loss carryforwards.

We report, moreover, that deferred taxes for 18.5 million Euro are directly attributed to the net equity (positive at 16.1 million in 2014), calculated on the fair value of derivative instruments accounted for as a cash flow hedge.

We also report that, as shown previously, law no. 208 of 28 December 2015 (stability law for 2016) provided a reduction in the IRES tax rate from 27.5% to 24% as from 1 January 2017.

An adjustment was applied to deferred taxes calculated on the income entries which shall become fiscally effectives starting from 1 January 2017, which had a negative impact of 3 million Euro.

The tax rate used for calculating deferred taxes is equal to the nominal IRES rate of 27.5% for income entries which shall be fiscally recognised prior to 31 December 31, 2016 and a rate of 24% for those recognised starting 1 January 2017, increased, by the IRAP tax rate (3.9%).

We specify that, by application of Law 190 of 2014, credit from IRAP tax recognised was equal to approximately 1.0 million

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Reconciliation between the tax charge in the financial statements and the theoretical tax charge

IRES		
Earnings before tax	**36,241**	
Theoretical IRES 27.5%	**9,966**	
Impact of the consolidation adjustments that are not relevant for tax calculation purposes		1,903
Impact of permanent tax variations		(7,579)
Current, deferred and prepaid IRES		**4,291**

IRAP		
Operative earnings	145,231	
Devaluation of receivables	–	
Total	**145,231**	
Theoretical IRES 3.5%	**5,083**	
Effect of increased regional business tax (IRAP) share for some companies		5,381
Impact of permanent tax variations and of the consolidation adjustments that are not relevant for tax calculation purposes		590
Current, deferred and prepaid regional business tax (IRAP)		**11,054**
Theoretical taxes - Total	**15,049**	
Total IRES and IRAP (regional business tax) in the balance sheet		**15,345**
Taxes from the previous financial year		**(2,785)**
Substitute taxes		**–**
TAXES IN THE BALANCE SHEET - TOTAL		**12,560**

The impact of adjustments from consolidation mainly refer to the results of the valuation of the TotalErg S.p.A. joint venture according to the net equity method.

We specify that the aforesaid reconciliation is calculated on a "Pre-tax result" which already accounts for reclassification for IFRS 5 purposes.

NOTE 38 - NET RESULT DISCONTINUED OPERATIONS

The Consolidated Financial Statements reflect the exclusion of:

- the corporate branches of ISAB Energy S.r.l. and ISAB Energy Services S.r.l. mainly the IGCC production plant and personal for its management and maintenance, sold on 30 June 2014;
- for ERG Oil Sicilia S.r.l., sold on 29 December 2014;
- for ERG Supply and Trading S.p.A. the activities of which ceased in the first six months of 2015.

As such transactions concerned Group activities which reflect the definition of "entity component" as provided under IFRS 5, we proceeded with providing the supplementary information required by the standard.

For financial year 2015 and, for comparative purposes, for financial year 2014 the items of cost and income related to discontinued operations and those to be discontinued, were to be classified in item Net result discontinued operations.

Shown below are the details of the impact of IFRS 5 reclassification on the Profit and Loss Account. The following tables also show the impact of the eliminations of the intergroup entries taking place between the companies belonging to the disposal group and those falling within the perimeter of consolidation of the continuous assets. The accounting criterion adopted by the Group favoured the objective to show the situation as it effectively is after deconsolidating the assets subject matter of the transaction.

		Year 2015			
(EUR thousand)	**Notes**	**ERG Oil Sicilia S.r.l.**	**ERG Supply & Trading S.p.A.**	**Intergroup Relations**	**Discontinued operations**
Ordinary operations revenues	A	–	224.559	726	225.285
Other revenues and income	B	–	5.328	(1.061)	4.267
Products change in inventories	C	–	(30.631)	–	(30.631)
Raw materials change in inventories		–	–	–	–
Purchase costs	D	–	(198.168)	–	(198.168)
Service costs and other costs	E	–	(4.075)	335	(3.740)
Labour costs	F	–	(3.641)	–	(3.641)
EBITDA		**–**	**(6.628)**	**–**	**(6.628)**
Amortisations and depreciation of fixed assets	G	–	(31)	–	(31)
Net financial income (expenses)	H	–	(3.386)	–	(3.386)
Net shares income (expenses)	I	(500)	–	–	(500)
Earnings before tax		**(500)**	**(10.045)**	**–**	**(10.545)**
Income taxes		–	2.762	–	2.762
EBIT		**(500)**	**(7.282)**	**–**	**(7.782)**
Use of the restructuring reserves assets portfolio (1)			7.282		7.282
EBIT for discontinued operations		**(500)**	**–**	**–**	**(500)**

(1) the line includes the use of the reserve for 10 million and the relative tax effect amounting to -2.8 million

The consistency of the items in the financial statements of ERG Supply & Trading S.p.A. shows strongly decreasing values compared to those of 2014 due to the exiting of the Supply & Trading Business.

- A The characteristic operating income of ERG Supply & Trading refers to the sale of oil products;
- B The characteristic operating income of ERG Supply & Trading refers to the sale of oil products;
- B Other revenues and income to charges for demurrage and vetting services;
- C The variation in stock to the valorisation of the variation in stock of oil products destined for resale in the short term;
- D Purchase costs relate to costs associated with the purchase of oil products and additional charges associated to the latter;
- E Costs for services and other costs include costs related to the commercialisation, distribution and transport of oil products;
- F The cost of work refers to salaries, social charges and allocation of the severance indemnity of corporate personnel;
- G Amortisation, depreciation and write-downs refer to software licences;
- H Net financial income (charges) refer to differences in exchange rates and interests payable to the parent company ERG S.p.A. under a centralised treasury contract;
- I Income (charges) from net equity refer to the negative adjustment (0.5 million) in partial correction of the provisional price collected in 2014 in the sale of ERG Oil Sicilia S.r.l.

		Year 2014				
(EUR thousand)	**Notes**	**ERG Oil Sicilia S.r.l.**	**ISAB Energy S.r.l. (1)**	**ERG Supply & Trading S.p.A.**	**Intergroup Relations**	**Discontinued operations**
Ordinary operations revenues	1	123,601	299,340	3,829,487	(52,415)	4,200,013
Other revenues and income	2	1,069	595,031	11,118	(3,695)	603,523
Products change in inventories	3	(1,409)	182	(15,860)	–	(17,087)
Raw materials change in inventories		–	293	–	–	293
Purchase costs	4	(104,416)	(135,978)	(3,821,282)	11,084	(4,050,592)
Service costs and other costs	5	(15,845)	(496,927)	(18,836)	45,026	(486,579)
Labour costs	6	(849)	(11,874)	(2,719)	–	(15,442)
EBITDA		**2,151**	**250,067**	**(18,092)**	**–**	**234,129**
Amortisations and depreciation of fixed assets	7	(3,942)	(23,491)	(157)	–	(27,590)
Net financial income (expenses)	8	205	1,211	(7,810)	–	(6,395)
Net shares income (expenses)		–	–	–	–	–
EARNINGS BEFORE TAX		**(1,586)**	**227,787**	**(26,059)**	**–**	**200,144**
Income taxes		471	(118,720)	6,636	–	(111,613)
EBIT for discontinued operations		**(1,115)**	**109,067**	**(19,423)**	**–**	**88,531**

(1) ISAB Energy S.r.l., ISAB Energy Services S.r.l.

1 Standard operating income:
- Sale of petroleum products by ERG Oil Sicilia S.r.l.;
- ISAB Energy's sale of electric energy to GSE. This entry, furthermore, includes the limited sale of hydrogen and other utilities;
- Sale of petroleum products by ERG Supply & Trading S.p.A.

2 Other revenue:
- leasing of property for bars and markets, as well as land for car-wash facilities on points of sale owned by the company by ERG Oil Sicilia S.r.l.;
- from ISAB Energy, from the early termination of the CIP 6 contract, equal to approximately 515 million Euro, and from the remnants of the deferral relating to the increase of the CIP 6 fee, as defined on the basis of International Accounting Standard, as further described in Paragraph **Agreement for the transfer of the ISAB Energy plant and early termination of the CIP 6**, relating to fiscal year 2014;
- from ERG Supply & Trading S.p.A., primarily for demurrage charges and vetting services.

3 Any variation in the inventory of the ERG Supply & Trading S.p.A. products is added to petroleum based products subject to resale in a short period of time.

4 Costs for purchases:
- from ERG Oil Sicilia S.r.l., and include accessory, insurance, transport, commissions, inspections, and customs expenses;
- from ISAB Energy, relating to feedstock, other fuel oils, oxygen, electric energy and nitrogen;
- from ERG Supply & Trading S.p.A., relating to the purchase of petroleum product and accessory expenses related thereof.

5 Service and other costs:
- from ERG Oil Sicilia S.r.l., and comprised of transport expenses, technical and legal consulting costs, promotion costs and charges from sister companies for commercial services;
- from ISAB Energy S.r.l., from a net loss for the transfer of equipment and personnel for management and maintenance, equal to 405, in addition to other related costs (24 million Euro), pertaining to the transation, and, in particular, to write offs relating to branches;
- from ERG Supply & Trading S.p.A., primarily for costs relating to marketing, distribution and transport of petroleum product.

6 ISAB Energy's work-related costs concern the business branch primarily constituted by management and maintenance personnel relating to the IGCC plant.

7 Amortisation:
- from ERG Oil Sicilia S.r.l., as it relates primarily to plants and equipment;
- from ISAB Energy, primarily relating to the IGCC plant.

8 The net financial income (charge) of ERG Supply & Trading S.p.A. primarily refer to interest expenses relating to the centralized cash management system towards ERG S.p.A.

NOTE 39 - NON-RECURRING ENTRIES

(EUR thousand)		2015		2014
Ordinary operations revenues		–		–
Other revenues		–	7)	8,059
Purchase costs		–		–
Change in inventories		–		–
Service costs and other costs	1)	(21,302)	8)	(20,127)
Labour costs	2)	(8,529)	9)	(3,657)
Amortisations and depreciation of fixed assets		–		–
Net financial income (expenses)	3)	(38,000)	10)	(4,010)
Net shares income (expenses)	4)	(24,706)	11)	806
Income taxes	5)	17,254	12)	6
Earnings of third party shareholders		115		–
Group EBIT (continuous assets)		**(75,168)**		**(18,923)**
EBIT for discontinued operations	6)	(500)	13)	50,795

In 2015

1) service costs and other costs refer to expenses incurred for extraordinary transactions and to the devaluation of environmental shares recorded as the current assets (2,6 mln EUR);
2) management costs refer to bonuses to employees for special transactions carried out during the fiscal year, and to costs of promotions during 2015;
3) the net financial income (charges) refer to charges relating to the conditional transfer to UniCredit following its entry into ERG Renew S.p.A. capital stock in a share equal to 7.14% in January 2015;
4) income (charges) for shares primarily refers the share of the ERG Group relating to inventory losses relating to TotalErg, in addition to the adjustment of the provisions for bad debts relating to ERG Petroleos, as well as the impact (-0,3 mln) of the dissolution of the LUKERG Renew joint venture;
5) this entry includes all tax burdens on entries above, in addition to the impact of the IRES rate on advance and deferred taxes, calculated on those entries to be assessed as of 1 January 2017, and the impact of any deferred taxes on future dividends relating to mergers in progress during the year;
6) the net retuls for discontinued operations reflects negative adjustments upon partial change of the provisional prices, following the transfer to ERG Oil Sicilia S.r.l.

In 2014

7) other income include contributions pursuant to Law 488/92, received during the fiscal year, relating to ERG Raffinerie Mediterranee S.p.A., as well as the impact of any remnants of accounting records relating to previous fiscal years;
8) costs for services and other burdens for extraordinary transactions, the employee mobility program implemented at the end of 2014, and restructuring of portfolio of activities;
9) management costs to reward employees for extraordinary transactions;

10) net financial income (charges) relating to variances in exchange rates relating to Raffinazione;

11) net financial income (charges) from profit relating to the transfer of ERG Oil Sicilia S.r.l.;

12) tax assessements relating to previous entries;

13) the entry includes primarily the results of the Agreement for the transfer of ISAB Energy and the early termination of CIP 6, as described above.

NOTE 40 - CORRELATED PARTS

For completeness, the entries below do not consider the reclassification required by the IFRS 5, and are, therefore, also include the amounts included in the line "Results net of transferred assets and liabilities".

Balance sheet

	Non-Current financial assets	Trade receivables	Other current receivables and assets	Current financial assets	Non-current financial liabilities	Other non-current liabilities	Trade liabilities	Current financial liabilities	Other current liabilities
LUKERG Renew GmbH	–	–	–	–	–	–	–	–	–
TotalErg S.p.A.	–	648	–	–	–	–	157	–	14,015
Priolo Servizi S.C.P.A.	–	1,559	12,748	–	–	–	–	–	–
San Quirico S.p.A.	–	–	1,882	–	–	–	–	–	–
ISAB Energy Solare S.r.l.	330	–	–	–	–	–	–	–	–
ERG Petroleos S.A.	–	–	–	8,491	–	–	–	–	–
ERG Eolica Lucana S.r.l.	–	–	–	–	–	–	–	–	–
ERG Eolico Troina S.r.l.	–	–	–	–	–	–	–	–	-
Total	**330**	**2,207**	**14,630**	**8,491**	**–**	**–**	**157**	**–**	**14,015**
% incidence on the total item	*0%*	*1%*	*13%*	*9%*	*0%*	*0%*	*0%*	*0%*	*19%*

Income statement

	Ordinary operations revenues	Other revenues and income	Purchase costs	Service costs and other costs	Financial revenue	Financial expenses
LUKERG Renew GmbH	–	–	–	–	2,224	–
TotalErg S.p.A.	1,548	685	(45)	–	–	–
Priolo Servizi S.C.P.A.	13,083	–	–	(12,008)	–	–
San Quirico S.p.A.	–	473	–	–	–	–
Fundation Edoardo Garrone	–	–	–	(100)	–	–
SIGEA S.p.A.	18	(5)	(9)	–	–	–
ISAB Energy Solare S.r.l.	–	–	–	–	–	–
Others	28	(208)	–	–	33	–
Total	**14,659**	**950**	**(45)**	**(12,108)**	**2,257**	**–**
% incidence on the total item	*5%*	*8%*	*0%*	*8%*	*7%*	*0%*

Business transactions with subsidiaries excluded in the scope consolidation, with sister companies and joint ventures invove the exchange of goods, delivery of services, as well as the collection and use of financial resources.
All transactions are part of the Group's normal course of business and are conducted at arm's length, governed by market conditions.
It should be noted that ERG S.p.A. has exercised the option to consolidate the following subsidiaries (even indirectly) for the years 2015-2017: ERG Renew S.p.A., Green Vicari S.r.l., ERG Eolica Amaroni S.r.l., ERG Eolica Campania S.p.A. and ISAB Energy Solare S.r.l.
In the previous three years, (2012-2014), ERG Renew S.p.A., Green Vicari S.r.l., ERG Eolica Amaroni S.r.l. and ERG Eolica Campania S.p.A., were included in the consolidation of ERG Renew S.p.A. (which ended at the end of 2014).
Interactions with other sister companies, as defined under the IAS Principle n. 24, we report that in the course of the first six months of 2015, 73,000 EUR were paid to I.E.C. S.r.l.
Furthermore, during March 2015, 100,000 EUR were paid to the Fondazione Edoardo Garrone a contribution of the year 2015.
It is hereby clarified that any other income in this six-month, abridged Financial Statement, are included 473,000 EUR paid by San Quirico S.p.A. to ERG S.p.A., following an agreement concerning ERG Power S.r.l.'s participation to the tax consolidation program of San Quirico S.p.A., for the 2013-2015 period.

NOTE 41 - NET RESULT PER SHARE

The calculation of the result per share is based upon the following data:

	2015	2014
Group EBIT (1)	20,626	47,761
Average number of circulating shares(2)	142,804,000	142,804,000
EBIT for continuous operations by share(3)	0.169	(0.111)
Diluted EBIT for continuous operations by share(3)	0.169	(0.111)

(1) EUR thousand
(2) units
(3) EUR units

There are no diluitive factors that impact the net results for the Group.

Connection of the net worth with the ERG S.p.A. result

	Net assets		Earnings for the financial year	
	31.12.2015	31.12.2014	2015	2014
Net assets and earnings for the period for ERG S.p.A.	**1,748,702**	**1,427,703**	**2,027**	**46,051**
Elimination of the effects of operations performed between consolidated companies:				
Elimination of intra-group profits on stock and fixed assets	(7,328)	(7,328)	–	–
Elimination of infra-group profits	–		(12,009)	(22,950)
	(7,328)	**(7,328)**	**(12,009)**	**(22,950)**
Deferred taxes:				
Deferred taxes on consolidation adjustments	**(3,962)**	**(15,466)**	**10,863**	**(18,109)**
Elimination of the book value of shares				
Difference between the book value and pro-rata value of Net Assets	(184,278)	384,050	–	–
Pro-rata adjusted earning made by investees		–	22,800	67,678
Accounting of Assets and Liabilities from company partn	123,163	(70,107)	–	–
	(61,115)	**313,943**	**22,800**	**67,678**
Net assets and earnings for the period	**1,676,297**	**1,718,852**	**23,681**	**72,666**
Net assets and earnings for the period for thrid parties	**(50,338)**	**(47,387)**	**(3,055)**	**(24,905)**
Net assets and earnings for the consolidated peridiod for the ERG Group	**1,625,959**	**1,671,465**	**20,626**	**47,761**

NOTE 42 - POLICY FOR ACTIVITY SECTOR

The sector activity policy is presented in accordance with the requirements set forth in IFRS 8 -Operating segments.

The policy structure comprises activity sectors.

In order to permit an understanding of the management of each businss, the financial results are listed at current adjusted values, with the exclusion of profit (losses) in the inventory and non-standard entries, and include any contribution, as it pertains to ERG, of results relating to TototalErg and LUKERG Renew S.p.A. joint ventures.

The current adusted result are indicators that are not defined in the IAS/IFRS principles. Management believes that such indicators are important parameters to easure the ERG Group's current economic performance.

(EUR million)	Renewable energy	Power	Corporate	TOTAL current adjusted values	Amounts in reconciliation	TOTAL reported	Discontinued operations	TOTAL continuous assets
31.12.2015								
Total revenues	345	602	22	969				
Inter-segment Revenues	(4)	(0)	(21)	(25)				
Ordinary operations net revenues	**341**	**602**	**1**	**944**	**(24)**	**920**	**1**	**921**
EBITDA	**254**	**115**	**(19)**	**350**	**(42)**	**308**	**(0)**	**308**
Amortisations and devaluations	(134)	(34)	(3)	(171)	8	(163)	–	(163)
EBIT at replacement cost	**120**	**81**	**(22)**	**179**	**(34)**	**145**	**(0)**	**145**
Capital expenditures in fixed assets	**95**	**9**	**2**	**106**	**–**	**106**	**–**	**106**

(EUR million)	Renewable energy	Power & Gas	Other	TOTAL current adjusted values	Amounts in reconciliation	TOTAL reported	Discontinued operations	TOTAL continuous assets
31.12.2014 (1)								
Total revenues	349	679	21	1.049				
Inter-segment Revenues	(13)	(1)	(15)	(29)				
Ordinary operations net revenues	**337**	**678**	**6**	**1.021**	**(22)**	**999**	**–**	**999**
EBITDA	**267**	**100**	**(24)**	**343**	**(30)**	**313**	**–**	**313**
Amortisations and devaluations	(137)	(29)	(2)	(168)	8	(160)	–	(160)
EBIT at replacement cost	**131**	**71**	**(27)**	**175**	**(22)**	**153**	**–**	**153**
Capital expenditures in fixed assets	**38**	**14**	**3**	**54**	**(2)**	**53**	**–**	**53**

(1) the data relating to the 2014 financial year are presented in keeping with what reported in the chapter **2014 economic data proforma** of the **Interim management report**

Amounts listed in column "Other" refer to corporate activities and are, primaril, structure costs non attributable to operational businesses.

For details and entries reconciled, please see chapter **Alternative Performance Indicators**, contained in the **Management Report**.

NOTE 43 - DIVIDENDS

Dividends paid by ERG S.p.A. in 2015 (71.4 mln EUR), and in 2014 (142.8 mlm EUR) which were discussed during the approval of the previous year's balance sheet, which corresponds to 0.50 and 1.00 Euro, for each of the entitled shares at the coupon detachment, respectively.

On 22 March 2016, the Board of Directors proposed the payment to shareholders of a dividend of EUR 1.00 per share, including a non-recurrent component of EUR 0.50 per share in consideration of the conclusion of the strategic projectinvolving the industrial reorganisation of the Group and the restructuring and optimisation of long-term debt. The dividend shall be payable as of 25 May 2016, with the validity date for registration of the dividend as of 23 May 2016 and record date on 24 May 2016.

NOTE 44 - FINANCIAL INSTRUMENTS

31.12.2015	FVTPL [1]	L&R [2]	AFS [3]	Other liabilities	Derivates for cover purposes	Total	of which non-current	Fair value
Shares in other companies	–	–	1,363	–	–	1,363	–	–
Financial receivables	–	131,642	1	–	–	131,643	38,943	–
Derivative instruments	–	–	–	–	25	25	–	25
Trade receivables	–	343,450	–	–	–	343,450	86,477	–
Financial securities in the working capital	–	–	–	–	–	–	–	–
Other receivables	–	71,213	–	–	–	71,213	34,490	–
Liquid Assets	–	770,564	–	–	–	770,564	–	770,564
Assets - Total	**–**	**1,316,869**	**1,364**	**–**	**25**	**1,318,258**	**159,910**	**770,589**
Loans and financing operations	–	–	–	694,573	–	694,573	694,573	–
No recourse Project Financing	–	–	–	1,284,578	–	1,284,578	1,139,860	–
Short-term debts towards banks	–	–	–	110,028	–	110,028	–	–
Financial debt	–	–	–	68,516	–	68,516	–	–
Derivative instruments	–	–	–	–	153,585	153,585	153,396	153,585
Trade liabilities	–	–	–	162,101	–	162,101	–	–
Other debts	–	–	–	150,153	–	150,153	121,031	150,153
Liabilities - Total	**–**	**–**	**–**	**2,469,949**	**153,585**	**2,623,534**	**2,108,860**	**303,738**

31.12.2014	FVTPL [1]	L&R [2]	AFS [3]	Other liabilities	Derivates for cover purposes	Total	of which non-current	Fair value
Shares in other companies	–		1,399	–	–	1,399	–	–
Financial receivables	–	95,187	39,344	–	–	134,531	99,583	–
Derivative instruments	–	–	–	–	7,413	7,413	–	7,413
Trade receivables	–	438,604	–	–	–	438,604	–	–
Financial securities in the working capital	–	–	–	–	–	–	–	–
Other receivables	–	86,685	–	–	–	86,685	25,622	–
Liquid Assets	–	1,169,359	–	–	–	1,169,359	–	1,169,359
Assets - Total	**–**	**1,789,835**	**40,743**	**–**	**7,413**	**1,837,991**	**125,205**	**1,176,772**
Loans and financing operations	–	–	–	13,583	–	13,583	–	–
No recourse Project Financing	–	–	–	1,297,324	–	1,297,324	1,132,796	–
Short-term debts towards banks	–	–	–	60,270	–	60,270	–	–
Financial debt	–	–	–	3,294	–	3,294	–	–
Derivative instruments	–	–	–	–	183,802	183,802	181,108	183,802
Trade liabilities	–	–	–	297,670	–	297,670	–	–
Other debts	–	–	–	194,659	–	194,659	93,244	194,659
Liabilities - Total	**–**	**–**	**–**	**1,866,800**	**183,802**	**2,050,602**	**1,407,148**	**378,461**

(1) FVTPL: fair value through profit or loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

The following table shows financial instruments valued at fair value and classified into Levels 1 – 3, based upon the observability value of the fair value:

- level 1, the fair value is determinated by prices of active markets;
- level 2 the fair value is determined by valuation techiques based on inputs that are directly or indirectly observable on the market;
- level 3 the fair value is determined via valuation techniques based on inputs that are not observable on the market.

	Level 1	Level 2	Level 3
Financial assets			
- FVTPL	–	–	–
- AFS	–	–	–
- Hedging derivatives	25		–
Total	**25**	**–**	**–**
Financial liabilities			
- FVTPL	–	–	–
- Hedging derivatives	–	153,585	–
Total	**–**	**153,585**	**–**

The Group does not own any financial instrument classified as Level 3.

The financial instruments classified as Level 1 represent futures on petroleum product, whose value is traded daily. Derivatives are classified as level 2, in order to estimate the market value of these instruments, ERG uses various measurement and valuation models, which are summarised in the table below:

Type	Instrument	Pricing model	Market data used	Data providers	IFRS 7 hierarchy
Lending interest rate derivatives	Interest Rate Swap	Discounted Cash Flow	- Deposit interest rates (Euribor) - Swap interest rates	- Reuters	Level 2
	Interest Rate Option (Cap, Collar)	Black & Scholes	- Deposit interest rates (Euribor) - Swap interest rates - implicit volatility of short term interest rates	- Reuters - ICAP (via Reuters)	Level 2
Currency exchange derivatives	FX Forward	Discounted Cash Flow	- Zero coupon curves of reference currencies - BCE spot exchange	- Reuters	Level 2
	FX Option	- Black & Scholes - Edgeworth Expansion - Monte Carlo Simulation	- zero coupon curves of reference currencies - BCE spot exchange - implicit volatility of exhange rates	- Reuters	Level 2
Commodity derivatives	Commodity Swap - Crude - Oil products - Crack spread - Gas formulas	Discounted Cash Flow	- Official stop listings of reference commodities - Forward prices listed on the OTC markets - Forward prices derived (i.e. Linear regression) from OTC prices - Zero coupon curves on Euro and Dollar - BCE spot exchange	- Platt's (Sarus) - Reuters	Level 2
	Commodity Futures	Listed instruments	- official closing listings (settlement prices) - Source:ICE	- Reuters	Level 1
	Contract for Difference (CfD)	Discounted Cash Flow	- Forward PUN listed on the OTC markets - Zero coupon curva on the Euro	- TFS - Reuters	Level 2

NOTE 45 - DISCLOSURE ON RISKS

The main risks identified and actively managed by the ERG Group are as follows:

- Credit risk, the probability of default by a counterparty or the possible deterioration of the assigned creditworthiness;
- Market risk, deriving from exposure to fluctuations in currency exchange rates, mainly between the Euro and the US dollar, and interest rates, as well as variations in the of prices of products sold and raw materials purchased (commodity price volatility risk);
- Liquidity risk, which expresses the risk of available financial resources being inadequate to meet payment obligations.

ERG Group attaches great importance to the identification and measurement of risk and to their associated internal controls, in order to ensure the efficient management of the identified risks. In accordance with this objective, an advanced Risk Management system has been adopted that guarantees the identification, measurement and management of risk at central level for the entire Group in accordance with existing policies.

The Risk Finance department ensures compliance with the assigned limits and provides appropriate support for strategic decisions, via its own analysis, both to individual subsidiaries and to the Risk Committee and top management of the parent Company.

Credit risk

Exposure to credit risk, inherent in the likelihood that a given counterparty is unable to meet its contractual obligations, is managed through appropriate analyses and valuations, assigning to each counterparty an Internal Based Rating (a composite creditworthiness evaluation index). The rating provides an estimate of the likelihood of default by a given counterparty that determines the level of credit assigned, which is closely monitored and which must never be exceeded. The selection of counterparties for both industrial business and financial negotiations is subject to the decisions of the Credit Committee, whose decisions are supported by credit rating analysis.

The risk of concentration, both for customers and sector, is also continuously monitored even though it has never been a cause for concern for the Group.

The table below provides information on the ERG Group's exposure to credit risk at the end of the financial year, through the classification of receivables not yet due (**see Note 9**) as a function of the corresponding creditworthiness reflecting the internal ratings assigned

.

	2015	2014
AAA evaluation	5,915	48
AA+ /AA- evaluation	10	1,055
A+ /A- evaluation	–	623
BBB+ /BBB- evaluation	239,264	270,880
BB+ /BB- evaluation	129	4,739
B+ /B- evaluation	10,867	23,960
CCC- evaluation	3,228	–
Receivables towards Group companies	555	57,552
Not assigned	49,383	67,020
Total	**309,352**	**425,877**

Liquidity risk

It is the risk that financial resources may be insufficient to meet all the obligations falling due. Today, with its cash flow generation and the availability of lines of credit made available by various counterparties, the ERG Group ensures adequate coverage of its financial requirements.

The following tables summarise the maturity profile of the Group's financial liabilities as of 31 December 2015 and as of 31 December 2014, based on undiscounted contractual payments.

31/12/2015	Register of debts				
(EUR thousand)	On demand	Less than three months	From 3 to 12 months	From 1 to 5 years	More than 5 years
Loans and financing operations	–	1,063	6,403	721,023	–
No recourse Project Financing	–	182	170,673	671,483	722,590
Short-term debts towards banks	110,028	–	–	–	–
Derivative instruments	–	–	37,348	99,194	18,876
Financial debt	–	–	–	–	–
Trade liabilities	81,963	79,531	582	–	25
Liabilities - Total	**191,991**	**80,775**	**215,006**	**1,491,700**	**741,490**

31/12/2014	Register of debts				
(EUR thousand)	On demand	Less than three months	From 3 to 12 months	From 1 to 5 years	More than 5 years
Loans and financing operations	–	46	13,537	–	–
No recourse Project Financing	–	179	205,613	673,214	876,050
Short-term debts towards banks	60,267	–	–	–	–
Derivative instruments	–	–	39,069	86,813	20,046
Financial debt	–	–	–	–	–
Trade liabilities	103,213	173,336	18,055	3,065	–
Liabilities - Total	**163,480**	**173,560**	**276,274**	**763,091**	**896,095**

Market risk

It includes currency exchange risk, interest rate risk and commodity price risk. Management of these risks is regulated by the guidelines in the Group's Policy and the internal procedures of the Finance Group.

Furthermore, for the Power & Gas business, specific risk management policies and procedures, based on sector best practices, were developed for the continuous measurement of risk exposure levels with respect to a Risk Capital value allocated by the parent company.

Currency exchange rate risk

This is the fluctuation in the exchange rates of the various foreign currencies with respect to the Euro, which impacts the economic results of the business. The net cash flows generated by the company in currencies other than the Euro (reference currency) constitute the exposure to exchange rate risk. In order to offset the volatility of these exposures, open positions are hedged on both the spot and the forward markets.

The following table shows the impact on pre-tax profit, when all the other variables remain constant, of the adjustment to the fair value of financial assets and liabilities resulting from a fluctuation of +/-10% in the exchange rate towards the dollar.

(EUR million)	2015	2014
Shock-up (variation in the Euro/dollar exchange +10%)	–	10.1
Shock-down (variation in the Euro/dollar exchange -10%)	–	(12.3)

Interest rate risk

It identifies the fluctuation in future fluctuations of interest rates trends that could determine higher costs for the Group. Interest rate risk is hedged by using derivative contracts such as Interest Rate Swap and Interest Rate Option (plain vanilla).

The following table represents the impact on pre-tax profit (due to fluctuations in the fair value of financial assets and liabilities) and on the Group's shareholders' equity (due to fluctuations in the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/-1% change in interest rate, when all other variables remain constant.

Impact on Consolidated Income Statement

(EUR million)	2015	2014
Shock-up (variation in interest rates +1%)	(18.6)	0.8
Shock-down (variation in interest rates -1%)	(19.6)	–

Impact on shareholders' equity

(EUR million)	2015	2014
Shock-up (variation in interest rates +1%)	72,9	50,9
Shock-down (variation in interest rates -1%)	(26,1)	(5,4)

Commodity risk

Commodity price risk consists in the unexpected fluctuation in the cost of raw materials, of procurement of services, of finished products and services provided for sale on the open market. With regard to the management of risk linked to trading activities, internal policies prescribe hedging a single price (price risk tied to the possible price changes periods between each individual purchase and its corresponding resale).

The objective defined in the Risk Finance policy is to manage the trading margin to the risk of market price fluctuation.

In order to realise the average monthly trading margin, to hedge the price, the Group uses derivatives instrument such as Futures and Commodities Swaps 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 the impact on pre-tax profit (due to fluctuations in the fair value of financial assets and liabilities) and Group shareholders' equity (due to the adjustment to the fair value of the derivative instruments comprising the cash flow hedge reserve) of a +/-25% fluctuation in the price of commodities, when all other variables remain constant.

Impact on Consolidated Income Statement

(EUR million)	2015	2014
Shock-up (variation in the price of commodities +25%)	0.3	(22.1)
Shock-down (variation in the price of commodities -25%)	(0.3)	22.1

Impact on shareholders' equity

(EUR million)	2015	2014
Shock-up (variation in the price of commodities +25%)	0.5	1.2
Shock-down (variation in the price of commodities -25%)	(0.5)	(1.2)

Derivative financial instruments used

The main types of derivative financial instruments used to manage financial risk, with the sole purpose of hedging, are the following:

Options: contracts whereby one of the parties, on payment of a sum to the other (premium) acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments (the underlying asset) at an established price (exercise price).

Forward contracts: contracts for the purchase or sale between two parties of a certain financial instrument (the underlying asset) at a future date and at a price fixed at the time the contract is stipulated; this category also includes future contracts which, unlike future contracts, are standardised, negotiated in lots and for predetermined maturity dates within regulated markets.

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, take on different forms.

The derivative instruments held by ERG to offset the exposures to financial risk as of December 31, 2015 are as follows:

Interest rate derivatives

- Interest Rate Options that establishes upper (cap) and lower (floor) limits to be applied to interest rate fluctuations on variable rate loans;
- Interest Rate Swaps to restrict fixed and variable rate loans to the most appropriate risk profile. Interest Rate Swaps provide for an exchange between the counterparties to pre-determined fixed or variable rates and to pre-defined face value and timing.

Currency exchange rate derivatives

- FX Forwards are used for the management of exchange rate risk on the anticipated availability or requirement of foreign currency in the reference period. The purpose of these contracts is the purchase or sale or a currency with delivery at a specified future date, at a fixed price. In such contracts the party committing to purchase the currency assumes a "long" position, while the party committing to sell the currency assumes the "short" position;
- FX Options used for the management of currency exchange rate. These are contracts which, after payment of a premium, assigns 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

- CfDs (Contracts for Difference) to hedge the risk of fluctuations in the price of electricity; this instrument makes it 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

As of December 31, 2015, the derivative instruments held by ERG, designed to hedge its exposure to commodities prices, foreign currency exchange rate and interest rate risks were as follows:

	Type	Risk covered	Reference notional value	Fair Value as at 31.12.2015
				(EUR thousand)
	Hedge instruments in the cash flow			
A	Swap Interest Rate and Cap Interest Rate	Economic risk Interest rate	EUR 1,369 million	(153,396)
B	Swap to hedge the gas price risk	Transactional commodity risk	137 Thousands of MWh	(158)
C	CFD to hedge the electricity price risk	Transactional commodity risk	37 Thousands of MWh	(5)
	Hedge instruments in the cash flow - Total			**(153,560)**
	ERG GROUP DERIVATIVE INSTRUMENTS - TOTAL			**(153,560)**

Cash Flow Hedge instruments

A Interest Rate Swaps and Interest Rate Caps and Collars.

Transactions for hedging the “interest rate” economic risk tied to fluctuations in interest rates on loans.

The underlying assets are held by the following companies:

- ERG S.p.A.;
- ERG Power;
- Companies in the renewable energies business.

As of December 31, 2015 ther fair value of the assets were negative in the amount of Euro 153.4 million. The change is recognised in the Cash Flow Hedge reserve.

B 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 December 2015, the fair value of the contracts were negative in the amount of EURO 0.2 million.

C Electricity price risk hedging CFD

Swap transactions are used to hedge the risk of fluctuations in the price of electricity in forward agreements for the purchase and sale of electricity. 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 December 2015, the fair value of the contracts were not material.

NOTE 46 - INDEPENDENT AUDITOR FEES

In accordance with Article 149-duodecies of the Issuers' Regulations, we outlined below the costs in 2015 relating to services rendered by the independent auditor, Deloitte & Touche S.p.A., the ERG Group's main independent auditor, and by the companies belonging to its network.

Service type	Entity providing the service	Recipient	2015 compensation (EUR thousand)
Legal auditing of accounts	Parent company auditor	Parent company	235
	Parent company auditor	Subsidiary companies [1]	679
	Parent company auditor network	Subsidiary companies [1]	46
Total Auditing services			**960**
Services other than the audit	Tax consultancy services	Subsidiary companies [1]	205
	Parent company auditor	Parent company	213
	Parent company auditor network	Parent company	40
	Parent company auditor network	Subsidiary companies [1]	185
	Parent company auditor	Subsidiary companies [1]	325
Services other than the audit - Total			**968**
TOTAL			**1.928**

(1) the amount does not take into consideration the audit and other services provided to the joint venture TotalErg

Auditing services include an audit of the annual Separated and Consolidated Financial Statements and the limited audit of the Half-Year Interim Report.

Services other than auditing refer mainly to:

- certification services for Euro 61 thousands pertaining to the conformity review of the separate yearly accounts for the purpose of AEEG resolution no. 11/2007;
- tax consultancy services for Euro 205 thousands;
- other services for Euro 145 thousands provided by Deloitte & Touche to the parent company pertaining to the agreed verification procedures voluntarily requested on quarterly data of subsidiary companies; for Euro 172 thousands related to services provided by Deloitte & Touche to subsidiary companies pertaining to an audit of the reporting package (yearly and half-yearly) and Euro 165 thousand related to service provided by companies of the Deloitte & Touche network for an audit of the reporting package of foreign subsidiary companies.

NOTE 47 - OTHER INFORMATION

Disclosures on significant events occurring after the reporting period are provided in the relevant section of the **Report on Operations**.

NOTE 48 - PUBLICATION DATE OF THE CONSOLIDATED FINANCIAL STATEMENTS

On March 22, 2016 the Board of Directors of ERG S.p.A. authorised the publication of the Consolidated Financial Statements together with the reports by the supervisory bodies in compliance with the deadlines prescribed by current laws and regulations.

Genoa, 22 March 2016

On behalf of the Board of Directors
The Chairman
Edoardo Garrone

REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 DATED 14 MAY 1999, AS AMENDED

1. The undersigned Luca Bettonte, Chief Executive Officer of ERG S.p.A., and Paolo Luigi Merli, Manager responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions set out in Article 154-bis, subsections 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998, represents as to:
   - the suitability in relation to the characteristics of the ERG Group and
   - the actual application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements in the period between 1 January 2015 and 31 December 2015.
2. In this regard, the following is pointed out:
   - the suitability of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements of the ERG Group was verified by the assessment of the system of internal control over financial reporting. This assessment was carried out with reference to the criteria established in the model "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
   - the assessment of the system of internal control over financial reporting did not uncover any significant aspects.
3. It is furthermore represented that:
   - the Consolidated Financial Statements of the ERG Group:
     - were prepared in accordance with the applicable International Accounting Standards recognised in the European Commission pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;
     - match the underlying accounting books and records;
     - are suitable to provide a true and fair view of the consolidated financial position and results of operations of the issuer and of the group of companies included in its consolidation;
   - the Report on Operations contain a reliable analysis of the operating performance and results, as well as the financial position of the issuer and the group of companies included in its consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Genoa, March 22, 2016

The Chief Executive Officer	The Financial Reporting Manager
Luca Bettonte	**Paolo Luigi Merli**

REPORT BY THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

To the shareholders,

ERG S.p.A.'s consolidated financial statements for year 2015 were provided within the terms of law, together with the Management Report, and drawn in conformity with the International Financial Reporting Standards – IFRS promulgated by the International Accounting Standards Board (IASB) adopted by the European Union.

In accordance with Leg. Decree of 27 January 2010, n. 39 and art. 41 par. 2 of Leg. Decr. of 9 April 1991, n. 127, the Auditing Company is assigned the task of verifying the conformity of the consolidated Financial Statements to the legal requirements and their correspondence to the accounts and consolidation entries. Our supervision activities have been carried out in compliance with the principles of conduct of the Board of Auditors emanated by the National Board of Chartered Accountants and have entailed in particular:

- the verification of the existence and adequacy within the organizational structure of ERG S.p.A. of a function responsible for relations with controlled and allied companies;
- the examination of the Group's composition and participations, for the purpose of evaluating the determination of the consolidation and its variations with respect to the previous statements;
- the obtainment of information on the activities carried out by the controlled companies and on the operations of economic, financial and patrimonial relevance carried out within the Group, through the information received from the Directors of ERG S.p.A., the Auditors' Board and the Auditors of the controlled companies.

Following the supervision activities of the consolidated financial statements, it is hereby attested that:

- the determination of the consolidation area and the choice of consolidation principles of the participated companies conform with the requirements of the IFRS;
- the norms of law inherent to the drawing up and formulation of the financial statements and management report have been respected;
- we have ensured the adequacy of the provisions issued by ERG S.p.A.'s competent function in obtaining the flow of data needed for the consolidation, examining the information provided by the controlled companies subject to legal control by the respective Board of Statutory Auditors;
- the Financial Statements correspond to the facts and information acquired in the exercise of supervisory duties and control and inspection powers;
- the Notes to the consolidated Financial Statements report all the information provided for in paragraph 134 of IAS Accounting Principle 36 – Reduction of asset value, the application of which is defined in the document of

Banca d'Italia/Consob/Isvap n. 4 of March 3, 2010. The Board of Auditors acknowledges having examined the documents containing the analyses carried out and the results obtained in the impairment test activity. The Board of Auditors has confirmed the correctness of the procedure and soundness of the main evaluation hypotheses, and has consequently shared its results;

- the Group's Management Report is coherent with the data and results of the consolidated financial statements and provides ample information on the Group's economic-financial performance and risks as well as on the relevant facts occurred during the accounting period and after closing of the same period and on the foreseeable business evolution;
- the Managing Director and the Manager drawing up the company's financial statements have issued the certification, in pursuance of art. 81 – ter of CONSOB Regulation n. 11971/1999, subsequent amendments and integrations and of art. 154-bis of Leg. Decr. N.58/1998 (T.U.F.).

***

On April 7, 20126 the Board of Statutory Auditors issued the report in conformity with article 14 and 16 of Leg. Decr. 39/2010 in which it is confirmed that the consolidated financial statements at 31 December 2015 conform to the IFRS, as well as to the provisions emanated by the implementation of art. 9 of Leg. Decr. n. 38/2005, and is drawn up clearly and gives a true and correct representation of the assets and liabilities, and financial position, profits and losses and cash flows of the Gruppo ERG for the financial year closing on said date.

***

The mandate conferred to the Board of Statutory Auditors by the Shareholders Assembly on 23 April 2013 expires upon approval of the financial statements at 31 December 2015. You are therefore invited to nominate a new Board of Statutory Auditors for the 2016-2018 thee-year period.

Genoa, 8 April 2016

The Board of Statutory Auditors

(Dott. Mario Pacciani)

(Dott.ssa Elisabetta Barisone)

(Dott. Lelio Fornabaio)

AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
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**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of
ERG S.p.A.**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ERG S.p.A. and its subsidiaries (the "ERG Group"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidate statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the ERG Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended 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.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of ERG S.p.A., with the consolidated financial statements of the ERG Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the ERG Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Genoa, Italy
April 7, 2016

This report has been translated into the English language solely for the convenience of international readers.

Notes to the Separate Financial Statements

CALLING OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Ordinary and Extraordinary Shareholders' Meeting is convened on **3 May 2016** 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 **4 May 2016** 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 2015 and the Report on Operations; resolutions related and consequent thereto. Presentation of the Consolidated Financial Statements at 31 December 2015;
2. Allocation of the net profit for the year; resolutions related and consequent thereto;
3. Appointment of the Board of Statutory Auditors:
   3.1. Appointment of the members of the Board of Statutory Auditors and the Chairman;
   3.2. Determination of the remuneration of the Chairman and the other members of the Board of Statutory Auditors;
4. Determination of the remuneration of the members of the Board of Directors for the year 2016;
5. Determination of the remuneration of the members of the Control and Risk Committee for the year 2016;
6. Determination of the remuneration of the members of the Nominations and Remuneration Committee for the year 2016;
7. Authorisation for the purchase and disposal of treasury shares;
8. Remuneration Report pursuant to Article 123-ter of Legislative Decree no. 58 dated 24 February 1998.

Extraordinary Part

1. Proposal to amend Article 3 of the Articles of Association

Participation and representation

The Meeting may be attended by those persons for whom the Company has received notification from the authorised intermediary certifying, based on the relevant records as at close of business on **22 April 2016**, that they are holders of voting rights.

Persons appearing as holders of voting rights after **22 April 2016** will not be entitled to attend or vote in the Shareholders' Meeting.

Holders' of voting rights may be represented at the Shareholders' Meeting by way of written proxy drawn up in accordance with the laws in force and, for such purpose, may use the proxy form provided on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting".

In accordance with Article 135-*undecies* of the T.U.F., the Company has designated Computershare S.p.A., with offices at Via Nizza 262/73, Turin, as representative to whom holders of voting rights may deliver proxies containing voting instructions in respect of all or some of the proposals on the agenda provided that such proxies are received no later **29 April 2016**, in the case of a meeting held in first call, and no later than **2 May 2016** in the case of a meeting held in second call, according to the procedures indicated and using the specific proxy form available on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting".
The proxies shall not be effective with regard to proposals for which voting instructions have not been given.
For the electronic or other communication of proxies, the instructions given on the forms in question must be followed.

Presentation of lists

The appointment of the Board of Statutory Auditors will take place in accordance with Article 22 of the Company's Articles of Association, to which reference is made.
Lists for the appointment of the Board of Statutory Auditors may only be presented by Shareholders who, by themselves or together with others, at the time of presenting the list, are in possession of a shareholding corresponding to 1% of the Company's share capital.
The lists, complete with the documentation set forth by the aforesaid Article 22 of the Articles of Association and by the applicable legislative and regulatory provisions currently in force, must be presented to the Company's registered office or sent to the certified e-mail address **erg@legalmail.it** no later than **8 April 2016**; in the latter case copy of a valid identity document of the parties presenting the lists must be attached thereto.
In the event that, by such deadline, only one list, or only lists presented by interrelated Shareholders, within the meaning set forth by applicable legislative and regulatory provisions, have been lodged, further lists may be presented no later than **11 April 2016**. In such case the 1% threshold specified for the presentation of lists is reduced to 0.50%.
The identity and the shareholding required for presentation of the lists – determined considering the shares registered in the name of the shareholder on the day when the lists are presented, or sent, to the Company - must be stated on a certificate to be issued by the authorised intermediary and received by the Company no later than **12 April 2016** at the certified e-mail address **erg@pecserviziotitoli.it**.
The lists for the appointment of the Board of Statutory Auditors, presented by Shareholders, will be placed at the disposal of the public at the Company's registered office at Via De Marini 1, Genoa, on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting", at the offices of Borsa Italiana S.p.A. and on the "Nis-Storage" authorised storage mechanism (**www.emarketstorage.com**) by **12 April 2016**.

Other Shareholder rights

Shareholders may pose questions regarding the matters on the agenda even prior to the Meeting according to the procedures and within the terms indicated on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting". Questions received on or before **30 April 2016** will be answered at the latest during the course of the Shareholders' Meeting.

Shareholders representing, even jointly, at least one fortieth of share capital may ask for discussion points to be added to the agenda, indicating in the request the additional items proposed, or present additional draft resolutions regarding matters already on the agenda by **4 April 2016** (extended term with respect to the actual deadline on 3 April 2016, which is a holiday). The said request is not allowed for matters regarding which the Shareholders' Meeting resolves, according to law, upon a proposal by Directors or based on a project or report prepared by same, other than those referred to in Article 125-ter, first paragraph of the Consolidated Finance Act. Procedures and terms for the exercise of such right are specified on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting".

Documentation

The full text of the proposed resolutions – together with the explanatory report – as well as all documents submitted to the Shareholders' Meeting will be placed at the disposal of the public at the Company's registered office at Via De Marini 1, Genoa, on the Company's website (**www.erg.eu**) in the section "Corporate Governance/2016 Shareholders' Meeting", at the offices of Borsa Italiana S.p.A. and on the "Nis-Storage" authorised storage mechanism (**www.emarketstorage.com**) within the terms required by current legislative and regulatory provisions.

Genoa, 24 March 2016

ERG S.p.A.

The Chairman of the Board of Directors

Edoardo Garrone

RESOLUTIONS OF THE SHAREHOLDERS' MEETING

Extract

On 3 May 2016, the Ordinary Shareholders' Meeting held in Genoa:

- approved the Financial Statements as at 31 December 2015 which show a profit of Euro 2 million;
- resolved to pay Shareholders a dividend of Euro 1 per share, including a non-recurring component of Euro 0.50 per share;
- resolved to make the dividend payable starting from 25 May 2016, with an ex-dividend date as of 23 May 2016 and record date of 24 May 2016;
- appointed the new Board of Statutory Auditors for the next three-year period, composed of three Standing Auditors and three Alternate Auditors, in the persons of Elena Spagnol (Chairman), Lelio Fornabaio and Stefano Remondini (Standing Auditors), Vincenzo Campo Antico, Luisella Bergero and Paolo Prandi (Alternate Auditors);
- determined the annual fee payable to the Chairman of the Board of Statutory Auditors and to the other two Standing Auditors for the entire term of office as well as the fees due to members of the Board of Directors, the Control and Risk Committee and the Nominations and Remuneration Committee for the year 2016;
- authorised the Board of Directors, in accordance with Article 2357 of the Italian Civil Code, for a period of 12 months starting from 3 May 2016, to purchase treasury shares up to a revolving limit of 30,064,000 ordinary ERG shares;
- authorised the Board of Directors, in accordance with Article 2357-ter of the Italian Civil Code, for a period of 12 months starting from 3 May 2016, to sell treasury shares, in one or more stages;
- lastly, approved the first section of the Remuneration Report prepared in accordance with Article 123-ter of the Consolidated Finance Act.

The Extraordinary Shareholders' Meeting, held on the same date, approved the purely formal amendment to Article 3, first sentence, of the Articles of Association proposed by the Board of Directors.

BALANCE SHEET-FINANCIAL SITUATION

(EUR)	Notes	31/12/2015		31/12/2014	
Intangible Assets	1		105,812		315,762
Goodwill			–		–
Property, plant and equipment	2		2,662,191		2,776,369
Investments	3		1,173,337,234		1,074,059,241
Other financial assets	4		822,995,536		119,592,754
of which with related parties	35	*811,814,123*		*118,669,885*	
Deferred tax assets	5		13,119,904		18,126,303
Other non-current assets	6		5,023,728		*4,607,321*
Non-current assets			**2,017,244,405**		**1,219,477,751**
Inventories					
Trade receivables	7		14,380,474		74,825,952
of which with related parties	35	*6,860,798*		*63,295,091*	
Other current receivables and assets	8		68,587,875		112,057,006
of which with related parties	35	*47,442,268*		*77,990,748*	
Current financial assets	9		52,590,593		142,620,609
of which with related parties	35	*49,230,004*		*138,019,483*	
Cash and Cash Equivalents	10		616,554,815		822,124,226
Current assets			**752,113,757**		**1,151,627,792**
Assets to be transferred			**–**		**–**
of which with related parties	35	–		–	
TOTAL ASSETS			**2,769,358,162**		**2,371,105,543**
Net Equity	11		**1,748,702,464**		**1,427,706,861**
Employee Severance Indemnities	12		63,135		310,183
Deferred Tax Liabilities	13		1,632,561		1,842,952
Provisions for non-current risks and charges	14		82,735,619		83,638,515
Non-current financial liabilities	15		694,959,588		–
Other non-current liabilities	16		4,424,671		7,603,481
of which with related parties	35	–	–	–	–
Non-current liabilities			**783,815,574**		**93,395,130**
Provisions for current risks and charges	17		9,780,784		35,886,579
Trade Payables	18		57,129,963		85,181,942
of which with related parties	35	*1,926,089*	–	*34,463,135*	–
Current financial liabilities	19		110,989,365		624,121,916
of which with related parties	35	*924,106*	–	*551,718,943*	–
Other current liabilities	20		58,940,011		104,813,115
of which with related parties	35	*27,034,751*	–	*98,822,449*	–
Current liabilities			**236,840,124**		**850,003,551**
Liabilities to be transferred			**–**		**–**
of which with related parties	35		–		–
TOTAL LIABILITIES			**2,769,358,162**		**2,371,105,543**

INCOME STATEMENT (1)

(EUR)	Notes	2015		2014	
Revenue from ordinary operations	25		58,264,423		122,252,195
of which with related parties	35	*55,327,757*		*63,320,139*	
of which non-recurring items	34	–		–	
Other revenues and income	26		11,045,157		12,415,682
of which with related parties	35	*6,373,449*		*3,630,231*	
of which non-recurring items	34	–		*8,059,000*	
Changes in inventories of products			–		–
Changes in inventories of raw materials			–		–
Purchase Costs	27		(48,871,102)		(103,109,395)
of which with related parties	35	*(48,704,189)*		*(88,106,992)*	
Cost of services and other costs	28		(38,773,471)		(45,098,562)
of which with related parties	35	*(7,360,342)*		*(15,761,063)*	
of which non-recurring items	34	*(11,011,272)*		*(18,311,000)*	
Labour costs	29		(17,024,874)		(15,314,409)
of which non-recurring items	34	*(5,698,322)*		*(2,840,000)*	
GROSS OPERATING MARGIN			**(35,359,867)**		**(28,854,489)**
Amortisations and impairment of property	30		**(281,692)**		**(274,833)**
Income (loss) from disposal of business unit					
of which non-recurring items		–		–	
Financial incomes	31		27,323,038		25,661,631
of which with related parties	35	*6,539,863*		*8,120,118*	
Financial expenses	31		(2,578,756)		(10,832,622)
of which with related parties	35	*(592,375)*		*(1,386,669)*	
Net financial Income (expenses)	31		**24,744,282**		**14,829,009**
of which non-recurring items	34	–		–	
Income (expense) from net equity investments	32		8,586,027		58,776,533
of which non-recurring items	34	–		–	
Other Income (expenses) from net equity investments			–		–
Income (expense) from net equity investments	32		**8,586,027**		**58,776,533**
EARNINGS BEFORE TAXES			**(2,311,249)**		**44,476,220**
Income taxes	33		**4,338,470**		**5,347,475**
of which non-recurring items		–		*3,168,721*	
NET EARNINGS FROM CONTINUING OPERATIONS			**2,027,221**		**49,823,695**
Net earnings of operations to be transferred			–		(3,773,206)
of which non-recurring items		–		–	
NET PROFIT FOR THE PERIOD			**2,027,221**		**46,050,489**

(1) the separated income statement for FY 2014 presented to the exclusion of the forecast of the financial results of the ERG Supply & Trading S.p.A. business, accounted for in the 2014 financial statements with a special provision for risks and charges.

STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR)	2015	2014
NET PROFIT FOR THE PERIOD	**2,027,221**	**46,050,489**
Changes that will not be reclassified to the income statement		
Actuarial change in TFR provision	(3,539)	(26,655)
Income taxes attributable to the change in actuarial TFR provision	973	7,330
Total	**(2,566)**	**(19,325)**
Changes that will not be reclassified to the income statement		
Change in the cash flow hedge provision	(183,463)	269,049
Income taxes attributable to the change in the cash flow hedge reserve	44,031	(97,380)
Total	**(139,432)**	**171,669**
Other components of comprehensive income net of taxes	**(141,998)**	**152,344**
Total net income	**1,885,223**	**46,202,833**

STATEMENT OF CASH FLOW

	Notes	31.12.2015	31.12.2014
CASH FLOW FROM FINANCIAL ASSETS (A):			
Net earnings from continuing operations		2,027	46,050
- Depreciation, amortisation and impairment of intangible assets	30	281	565
- Change in provisions for risks and charges	14, 17	(27,009)	11,749
- Net change in assets (liabilities) due to (deferred) tax assets	5, 13	4,796	(21)
- Write-down of receivables	7	2,581	–
- Gains / losses on disposals of non-current assets		–	–
- Net write-downs of financial fixed assets	3	2,065	10,170
- Net Revaluation of financial assets		–	(38,793)
- Gain on exercise of put option in ISAB S.r.l.		–	–
- Change in employee severance indemnities	12	(247)	19
Cash flow from current operations		**(15,506)**	**29,740**
Changes in other operating assets and liabilities:			
- Changes in inventories		–	–
- Changes in trade receivables	7	60,447	143,615
- Change in trade payables	18	(28,052)	(214,119)
- Net change in other receivables / payables and other assets / liabilities	7,8,18,16	(8,580)	(8,622)
		23,815	**(79,126)**
Total		**8,309**	**(49,386)**
CASH FLOW FROM INVESTMENT ACTIVITIES (B):			
Acquisitions of intangible assets and goodwill	1	(8)	(287)
Acquisitions of property, plant and equipment		–	-
Purchase of investments	3	(261,733)	(145,027)
Gain from the exercise of put option ISAB S.r.l.		–	–
Disposals of intangible assets	1	51	–
Disposals of property, plant and equipment	2	–	39
Disposals of investments	3	160,390	13,546
Total		**(101,301)**	**(131,729)**
CASH FLOW FROM FINANCING ACTIVITIES (C):			
New non-current loans		(694,960)	–
Repayments of non-current loans		–	(107,265)
Net change in non-current financial assets / liabilities	4, 15	686,519	114,394
Net change in current financial liabilities to banks	19	(513,133)	316,287
Net change in other current financial assets	9	90,030	30,641
Share Capital Increases / repayments		–	–
Dividends		(71,398)	(142,804)
Other changes in equity	11	390,365	389
Total		**(112,577)**	**211,642**
CASH FLOW FROM ASSETS HELD FOR SALE (D):			
NET CASH FLOW FOR THE PERIOD (A+B+C)		**(205,569)**	**30,527**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10	**822,124**	**791,597**
NET CASH FLOW FOR THE PERIOD		(205,569)	30,527
CASH AND CASH EQUIVALENTS AT END OF PERIOD BEFORE RECLASSIFICATION IFRS 5		**616,554**	**822,124**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10	**616,554**	**822,124**

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Reserves	Profit (loss) for the year	Total Equity
BALANCE AS AT 31.12.2013	**15,032**	**1,479,874**	**29,166**	**1,524,071**
Allocation of operating profit 2013	–	–	–	**–**
Distribution of dividends	–	(113,638)	(29,166)	**(142,804)**
Acquisition of treasury shares	–	–	–	**–**
Operating profit 2014	–	–	46,050	**46,050**
Change in cash flow hedge provision	–	172	–	**172**
Change in Available For Sale reserve	–	–	–	**–**
Other changes	–	217	–	**217**
BALANCE AS AT 31.12.2014	**15,032**	**1,366,625**	**46,050**	**1,427,707**

	Share Capital	Reserves	Profit (loss) for the year	Total Equity
BALANCE AS AT 31.12.2014	**15,032**	**1,366,625**	**46,050**	**1,427,707**
Allocation of operating profit 2014	–	–	(46,050)	**(46,050)**
Distribution of dividends	–	(71,398)	–	**(71,398)**
Acquisition of treasury shares	–	–	–	**–**
Operating profit 2015		–	2,027	**2,027**
Change in cash flow hedge provision	–	(139)	–	**(139)**
Change in Available For Sale reserve	–	(3)	–	**(3)**
Other changes	–	436,558	–	**436,558**
BALANCE AS AT 31.12.2015	**15,032**	**1,731,643**	**2,028**	**1,748,702**

NATURE OF THE COMPANY

ERG S.p.A., a company listed on the stock exchange since 1997, operates, through its subsidiaries, in the production of energy from renewable sources and thermal power plants, the sale of electricity, steam and gas, sector.

MERGERS WHOLLY OWNED SUBSIDIARIES

On **29 June 2015** the deed of merger by incorporation between ERG Supply & Trading S.p.A. ad ERG S.p.A. was signed with an effective merger date of July 1, 2015, and accounting and tax effects of the merger effective retroactively from January 1, 2015. Consequently, as of July 1, 2015, the relevant corporate bodies no longer exist, as well as any authorisations issued in their name, and ERG S.p.A. has fully taken over all legal relationships concerning the assets and liabilities of the incorporated company. The value of investments had already been zero for 2014 Financial Statements.

On December 17, 2015 ERG signed the deed of merger by incorporation of ISAB Energy S.r.l. into ERG S.p.A., entered in the Companies Register of Genoa on the same date. The effective date of the merger was on December 18 and the accounting and tax effects of the merger effective retroactive from January 1, 2015. The value of investments at year-end is therefore, zero.

The equity effects in ERG S.p.A., resulting from a merger of ERG Supply and Trading S.p.A. and ISAB Energy S.r.l. and related intercompany eliminations, are shown in the table below:

(EUR thousand)	ERG S.p.A. 31/12/2014	ERG Supply & Trading S.p.A. 31/12/2014	ISAB Energy S.r.l. 31/12/2014	Merger adjustments ERG Supply & Trading	Merger adjustment ISAB Energy	ERG S.p.A. proforma
Intangible Assets	316	451	–	–	–	767
Property, plant and equipment	2,776	–	165	–	–	2,941
Investments	1,074,059	–	–	–	(159,890)	914,169
Other financial assets	119,593	–	–	–	–	119,593
Deferred tax assets	18,126	2,085	568	–	–	20,779
Other non-current assets	4,607	2	49	–	–	4,658
Non-current assets	**1,219,478**	**2,538**	**782**	**–**	**(159,890)**	**1,062,907**
Inventories	–	30,631	–	–	–	30,631
Trade receivables	74,826	144,239	25,307	(476)	(60,676)	183,220
Other current receivables and assets	112,057	5,993	21,385	(5,594)	–	133,841
Current financial assets	142,621	33,464	437,178	(122,789)	(437,178)	53,296
Cash and Cash Equivalents	822,124	36,065	178,322	–	–	1,036,511
Current assets	**1,151,628**	**250,392**	**662,193**	**(128,859)**	**(497,854)**	**1,437,499**
Assets to be transferred	**–**	**–**	**–**		**–**	**–**
TOTAL ASSETS	**2,371,106**	**252,930**	**662,975**	**(128,859)**	**(657,744)**	**2,500,406**
Net Equity	1,427,707	(9,308)	550,353	9,357	(159,890)	1,818,219
Employee Severance Indemnities	310	277	–	–	–	587
Deferred Tax Liabilities	1,843	487	–	–	–	2,330
Provisions for non-current risks and charges	83,639	–	2,012	–	–	85,651
Non-current financial liabilities	–	–	–	–	–	–
Other non-current liabilities	7,603	–	–	–	–	7,603
Non-current liabilities	**93,395**	**764**	**2,012**	**–**	**–**	**96,171**
Provisions for current risks and charges	35,887	6,479	–	(9,358)	–	33,008
Trade Payables	85,182	130,881	89,268	(476)	(60,676)	244,179
Current financial liabilities	624,122	123,154	–	(122,789)	(437,178)	187,309
Other current liabilities	104,813	960	21,342	(5,594)	–	121,521
Current liabilities	**850,004**	**261,474**	**110,610**	**(138,217)**	**(497,854)**	**586,017**
Liabilities to be transferred	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**2,371,106**	**252,930**	**662,975**	**(128,860)**	**657,744**	**2,500,407**

The columns “mergers adjustments” mainly reflect the following factors:

- elimination of intragroup receivables and payables;
- excerpt of the value of the investment in ISAB Energy S.r.l. for an amount equal to 159,890 thousand Euro. It is noted, that the value of investments of ERG Supply & Trading S.p.A. Company was fully written down as of December 31, 2014;

- elimination of the net assets of the merged companies. It is noted, that for ISAB Energy S.r.l. the currency realignment reserves were replenished pursuant to Law 266/05 for an amount equal 28,709 thousand Euro;
- reversal of the provision for coverage of the company equal to 9,358 thousand Euro, which had been entered in the 2014 Financial Statements of ERG S.p.A., and was allocated to cover the negative value of net equity downstream of cancelling of the carrying value of the investment.

As of December 31, 2015 the merger surplus was equal to 361,755 thousand Euro for ISAB Energy and 49 thousand Euro for ERG Supply and Trading S.p.A., respectively.

CRITERIA OF PRESENTATION

The Financial Statements as of and for the year ended December 31, 2015 have been prepared, without any exception, in accordance with International Accounting Standards as issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, also inclusive of all international standards that have undergone interpretation (International Financial Reporting Standards - IFRS) and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).
The Financial Statements, expressed in Euro, has been prepared under the historical cost basis, with the exception of certain financial assets classified as assets held for sale, financial assets classified as trading and derivative instruments that have been measured at fair value.
In the interests of greater clarity, it is deemed preferable to indicate in the notes all amounts rounded to the nearest thousand Euro; consequently, in some tables, total amounts may differ slightly from the sum of their parts.
The Financial Statements as of and for the year ended December 31, 2015, has been audited by the independent accounting firm Deloitte & Touche S.p.A. in accordance with CONSOB regulations.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

ERG S.p.A. presents its income statement by nature, in a structure deemed more representative than presentation by destination. The choice of form is, in fact, in compliance with internal reporting and management.
The statement of financial position has been prepared with current assets and liabilities classified separately from non-current assets and liabilities, as allowed by IAS 1.

The structure of the statement of cash flows is based on the indirect method.
In addition, as required by CONSOB Resolution 15519 of July 27, 2006 in the income statement, significant income and expenses from non-recurring transactions or events that do not occur in the ordinary course of business, have been presented separately and are further explained in the notes to the financial statements.

Also in application of the aforementioned CONSOB resolution, in the diagrams of the balance sheet and income statement, amounts regarding related party transactions and positions, are stated separately and are further explained in the notes to the financial statements.

Lastly, it is noted that the income statement for the year ended December 31, 2015 and the year ended December 31, 2014 are presented in accordance with IFRS 5, which governs the exposure in financial statements of profit or loss from discontinued operations, thus excluding the financial results:

- of ERG S.p.A. Supply & Trading in ceasing the Supply and Trading business, in view of the negative actual results in 2014. It noted that on June 29, 2015, a merger document was signed for incorporation of ERG Supply and Trading S.p.A. into ERG S.p.A. with actual effect of the merger on July 1, 2015 and effective for accounting and tax purposes from January 1, 2015 . Consequently, as of July 1, 2015, ERG Supply & Trading S.p.A. was terminated, the related corporate bodies elapsed, as well as all powers of attorney issued in the name of the same, and ERG S.p.A. was thus wholly replaced in all legal assets and liabilities statements of the merged company.

ACCOUNTING STANDARDS AND POLICIES

The adopted accounting principles and valuation criteria applied in preparing the financial statements as of December 31, 2015, are described below.

Intangible Assets

Intangible assets are recorded as assets, pursuant to IAS 38 (Intangible Assets), whenever they are identifiable, it is probable that their use will generate future economic benefits, and their cost can be measured reliably.

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

In general, intangible assets are amortised over a maximum period of 5 years, with the exception of surface rights and authorisations and concessions relating to wind parks and hydroelectric assets, which are amortised over the contractual term.

There are no intangible assets with an indefinite useful life or related to development costs.

Research costs are expensed directly in the income statement in the period in which they are incurred.

Intangible assets recognised from business combinations are presented separately from goodwill if their fair value can be measured reliably.

Property, plant and equipment

Property, plant and equipment are recognised 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 related asset.

Maintenance costs are recognised as assets in the consolidated statement of financial position as a separate component of the asset in the year in which they are incurred and are depreciated of their estimated useful life.

When there are contractual obligations to do so, the cost of the asset includes charges for dismantling, removal of assets and site restoration to be incurred at the time facilities are abandoned, and the asset retirement obligation is presented as a contra-asset in a specific provision. These charges are recognised on the date when the amount can be reliably estimated for which the disposal will occur in the foreseeable future. Capitalised charges are allocated to the income statement through depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. 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 historical cost less the expected residual value, if material and reliably measurable.

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 buildings	2.75 - 5.5
General plant	10
Furniture and office furniture	12
Electronic machines	20
Equipment	25
Incremental expenses	8 - 25

Impairment of assets (impairment test)

At least annually, the Group subjects its tangible and intangible assets to an impairment test to determine whether there are indicator that they may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 amount of an asset is the higher of fair value less costs to sell, and value in use, determined as the present value of expected future cash flows.

Impairment is recognised if the recoverable value is less than the carrying value. When an impairment loss subsequently reverses, the carrying value of the asset or cash-generating unit is increased to the new estimate of the recoverable value, without exceeding the carrying amount that would have been determined had no impairment been recognised for the asset.

Investments

Investments in subsidiaries, joint ventures and associates are stated at purchase or subscription cost reduced subscription for long-term impairment losses.

The positive difference arising at purchase, between the purchasing cost and the share of net assets at current values of the pertaining investee of the Company is therefore included in the investment carrying amount.

In the event that the book value of certain investments is greater than the corresponding share of equity derived from the latest approved financial statements, the value is maintained if the same does not constitute a long-term impairment.

Investments in other companies are measured at fair value and recognized in equity.

When the fair value cannot be reliably determined, the investments are measured at cost and eventually adjusted for impairment losses and dividends from such companies are included in “Net investment income.”

When the reasons for impairment cease to exist, investments accounted for at cost are revalued within the limits of write-downs made and recognized on the Income Statement.

The risk deriving from any losses exceeding net equity, is recognized in a specific reserve to the extent that the company is required to fulfil legal or implicit obligations towards the subsidiary or to cover its losses.

Financial assets

IAS 39 requires the classification of financial assets into the following categories:

- financial assets at fair value with changed recorded in the income statement (FVTPL): Fair value through profit or loss;
- held to maturity (HTM) investments: Held-to-maturity investments;
- loans and receivables (L & R): Loans and receivables;
- available for sale (AFS) financial assets: Available for sale financial investments.

Initially, all financial assets are recognisedat fair value and ancillary costs for assets other than those classified as FVTPL.

At the time of underwriting, an assessment is made as to whether a contract contains embedded derivatives. Embedded derivatives are bifurcated from the host contract if it meets the definition of a derivate, the host contract is not measured at fair value, and the economic characteristics and risks of embedded derivates are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year.

Financial Assets at fair value through profit or loss (FVTPL)

This category includes:

- assets held for trading;
- assets designated upon initial recognition as financial assets at fair value with changes recognized on the income statement.

Assets held for trading are all those assets acquired for sale in the short term. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading unless they have been designated as effective hedging instruments. Gains or losses on assets held for trading are recognised on the income statement.

As of December 31, 2015, no financial asset had been designated at fair value with changes recognized on the income statement.

Held to maturity (HTM) investments

Financial assets that are not derivative instruments and which are characterized by fixed or determinable maturity payments are classified as "investments held to maturity" when the Group has the intention and the ability of holding them in the portfolio until maturity.

After initial recognition, financial investments held to maturity are measured at amortized cost using the method of effective interest rate. Gains and losses are entered on the income statement when the investment is de-recognised for accounting purposes or when impairment occurs beyond the amortisation process.

As of December 31, 2015, the Group held no investments classified as held to maturity.

Loans and receivables (L & R)

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, these assets are accounted for using the amortized cost using the effective interest method net of any provision for impairment.

Gains and losses are recognised on the income statement when the loans and receivables are eliminated or impaired in accounting, and through the amortization process.

Trade receivables are recognized at their fair value corresponding to the nominal value less any impairment losses.

Trade receivables which due date exceeds the normal commercial terms and do not bear interest, are discounted.

Available for sale (AFS) financial assets

Available for sale financial assets are those financial assets, excluding derivative financial instruments, which have been designated as such or are not classified in any of the three preceding categories.

Subsequent to initial recognition, financial assets held for sale are measured at fair value and gains and losses are recorded in a separate component within shareholders' equity.

Financial Assets available for sale include equity investments in companies other than subsidiaries and associates in which ERG holds directly or indirectly a lower percentage of ownership at 20%.

When the fair value cannot be reliably determined, the investments are measured at cost and adjusted for impairment losses and dividends from such companies are included in Other net income (expense) from equity investments.

In the amount of impairment decreased or no longer exist, investments accounted for at cost are revalued within the limits of write-downs made and recognized on the Income Statement.

The risk deriving from any losses exceeding net equity, is recognized in a specific reserve to the extent that the company is required to fulfil legal or implicit obligations towards the subsidiary or to cover its losses.

IAS 39 provides the following valuation methods: fair value and amortized cost method.

Fair value

In the case of investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For investments for which there is no active market, fair value is determined using valuation techniques based on:

- recent transaction prices between independent parties;
- the current market value of a substantially similar instrument;
- the analysis of discounted cash flows;
- option pricing models.

Amortised cost method

"Investment held-to-maturity" and "Loans and receivables" are measured at amortized cost, calculated using the method of effective interest rate less any provision for impairment. This calculation includes all discounts or premiums and includes fees that are an integral part of the effective interest rate and transaction costs.

Impairment of financial assets

At each reporting date, the Group assesses whether indicators of impairment are present for a financial asset or group of financial assets.

If there are indicators of impairment for a loan or receivable carried at amortised cost, the amount of such impairment is measured as the difference between the asset's carrying value and the present value of future expected cash flows discounted at the asset's original effective interest rate. The carrying value of the asset is reduced through the use of an a allowance account. The amount of the loss is recognized in the income statement.

The Group assesses the existence of impairment indicators on an asset-by-asset basis.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after recognition of impairment, the previously reduced value can be restored. Any impairment loss is recognized in the income statement, to the extent that the carrying amount does not exceed the amortized cost at the reversal date.

With reference to trade receivables, a provision for impairment is made when there is objective evidence (such as, for example, the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to recover all amounts due under the original terms.

The carrying value of the receivable is reduced by recourse to a special fund. The credits under impairment loss are reversed if deemed unrecoverable.

The Group has applied the provisions of IFRS 2 as of January 1, 2005, and then to all stock options plans implemented after that date.

As of December 31, 2015, there were no stock option plans.

Cash and cash equivalents

Cash and cash equivalents are presented at face value, according to their nature.

According to IAS 7, cash equivalents represent cash on hand and bank / post office deposits repayable on demand, short-term investments readily convertible into a cash amount. Also included, are short-term investments for whose redemption value is predetermined at the time of purchase / initial recognition.

Financial liabilities

IAS 39 provides for the classification of financial liability into the following categories:

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

All loans are initially recognised at fair value of the amount received net of ancillary charges for acquiring loans.

Subsequent to initial recognition, loans are measured at amortized at cost using the effective interest rate method.

Any gain or loss is recognized in the income statement when the liability is settled as well as through the amortization process.

Financial liabilities at fair value through profit or loss include “liabilities held for trading”.

“Liabilities held for trading” are those acquired for the purpose of short-term sale and comprise derivatives, including those separated, unless they are designated as effective hedging instruments. Gains or losses on assets held for trading are recognised on the income statement.

As of December 31, 2015, are financial liabilities designated at fair value with changes recognized on the income statement.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is derecognized 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 assumed the contractual obligation to pay them in full without material delay to a third party;
- the Group has transferred its rights 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 the risks and rewards of the asset, but has transferred control same.

In cases where the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control of the asset, the asset is recognized in the Group financial statements to the extent of its residual involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or settled.

Derivative financial instruments and hedging transactions

Derivative financial instruments are initially recognized at fair value and value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting date.

They are recorded as assets when the fair value is positive and as liabilities when it is negative.

Derivatives are classified, in accordance with IAS 39, as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, is verified in advance and periodically, as high.

When derivatives hedge the risk of changes in fair value of the underlying hedged item (fair value hedge), these are recognized at fair value recognised in the income statement; accordingly, the hedged instruments are adjusted to reflect changes in the fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the underlying hedged item (cash flow hedge), the effective portion of changes in fair value of derivatives are initially recognized in net equity and subsequently recognized on the income statement consistently with the economic effects of the hedged transaction.

The variations of fair value of derivatives that do not meet the formal requirements for hedge accounting according to IAS / IFRS are recognized on the income statement.

Treasury shares

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

Foreign exchange operations

Transactions in foreign currencies are recognised at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the date of the financial statements. Non-monetary assets and liabilities are translated using the prevailing exchange rate at the transaction date except in case of a persistently unfavourable trend in the exchange rate. Exchange rate differences arising from derecognition of items at different rates differing from those at which they had been translated at the time of their initial recognition and those relating to monetary items at year-end are presented in the income statement under financial income and expenses.

Provisions for risks and charges

ERG S.p.A. records provisions for risks and charges when:

- there is a current, legal or constructive, obligations towards third parties;
- it is probable that it will be necessary to use the Group's resources to settle the obligation;
- the amount of said obligation can be reliably estimated.

Changes in estimates are reflected on the income statement in the period in which the change occurs.

When the financial impact of the passage of time is significant and the payment dates 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 due to the passage of time is recognized on the income statement under Financial Income (charges).

When the liability regards tangible assets (for example, site restoration and abandonment), the provision is recorded against the asset to which it refers, and recognition on the income statement is made through the amortization process.

The notes to the financial statements describe the significant potential liabilities represented by:

- possible (but not probable) obligations arising from past events and whose existence will be confirmed only upon the occurrence or non- occurrence of one or more future events not wholly within the control of the company;
- present obligations arising from past events whose amount cannot be reasonably estimated or whose fulfilment may not be onerous.

Employee benefits

Until December 31, 2006, the Employee Severance Indemnity (TFR) of Italian companies was considered a defined benefit plan. The regulations of this provision have been amended by Law no. 296 of December 27, 2006 ("Financial Law 2007") and subsequent decrees and regulations issued in early 2007. In light of these amendments, and in particular with reference to companies with at least 50 employees, this fund is now considered a defined benefit plan solely for portions accrued before January 1, 2007 and not yet paid as of the balance sheet date, while after said date it is treated as a defined contribution plan.

The liabilities related to defined benefit plans are determined separately for each plan, using actuarial assumptions, estimating the amount of future benefits that employees have accrued at the reporting date, and is recognized on an accrual basis over the vesting period of the right; the liability is determined by independent actuaries.

Gains and losses related to defined benefit plans arising from changes in actuarial assumptions used, or changes in the plan conditions are recognized pro-rata to the income statement, for the average remaining working lives of employees participating in the plan, if and insofar as their net value unidentified at the previous year's end exceeds the greater amount between 10% of its liabilities relating to the plan and 10% of fair value of plan assets available.

Recognition of revenue

Revenues from sales and services are recognized upon the transfer of significant risks and rewards of ownership, coinciding with the time of delivery or according to different contractual specifications, or completion of the service.
Allocations of revenues related to partially rendered services are recognized on the accrued payment, if it is possible to reliably determine the stage of completion and there are no significant uncertainties and existence of the revenue and related costs; otherwise they are recognized to the extent of recoverable costs incurred.
Revenues are recorded net of returns, discounts, allowances and bonuses and directly related taxes.
In the event of a deferred payment that does not fall within normal commercial terms, the financial component that will be attributed as income in the period allowed, is separated from revenue. The exchange of goods or services of a similar nature and value, because not representative of sales operations, does not lead to the recognition of revenues and costs.
Grants related to plants are recognized at the time when there is a formal assignment or any possible restriction is removed on their collection, and are recognized on the income statement over the term of the investments, with the aim of compensating for the economic-technical depreciation of said systems.

Dividends

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

Financial income and expenses

These are recognised under the accrual basis of accounting in the consolidated income statement based on the interest due on the net value of financial assets and liabilities, utilising the effective interest rate.

Taxes

Current taxes are accrued based on the estimated tax burden for the period, also taking into account the effects relating to participation of most Group companies in "Tax consolidation".
Income taxes are presented in the income statement, with the exception of those relating to items directly debited or credited to a shareholders' equity reserve.
Furthermore, pursuant to the accrual basis of accounting, the Consolidated Financial Statements include deferred-tax assets and liabilities arising from temporary differences between the statutory values and related tax values.
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 are only recognised in the separate financial statements if their future recovery is probable.

With regards to deferred tax assets related to tax losses that can be carried forward, please see the following paragraph.

Deferred taxes are calculated on the basis of the tax rates expected to be in place in the periods in which the taxable temporary differences will be reversed.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

On July 15, 2011, Italian Law no. 111/2011 was passed and converted Italian Law Decree no. 98/2011 setting out Urgent provisions for the financial stabilisation of the Country (2011 Corrective Budget). In particular, the Law Decree amended Article 84 of the Unified Income Tax Act (TUIR) pertaining to the carryforward of tax losses, eliminating the prescribe 5-year time limit, for the purposes of determining whether prior years' tax losses can be carried forward. Such losses, therefore, can be carried forward without limitation, and introduced a quantitative limit to the utilisation of prior years' tax losses (i.e. 80% of the income produced in the following years). The aforesaid quantitative limit of 80% does not apply for tax losses generated in the first three years from the incorporation of the company, provided that they relate to a new productive activity.

The new provisions had already been applied starting in 2011 and as clarified by circular 53/E 2011 by the Italian Fiscal Revenue Agency, and applied to tax losses generated prior to 2011 and still being carried forward according to previous regulations.

IRES rate adjustment

Law no. 208 of December 28, 2015 (stability law for 2016) provided for the reduction in IRES rates from 27.5% to 24% starting from January 1, 2017.

Therefore, the adjustment of deferred tax assets calculated on those income items that will have a tax effect from January 1, 2017, was made.

Therefore, it is noted that the rate used for the calculation of deferred tax amounts is equal to the nominal amount of IRES of 27.5% for those income items that will be recognised for tax purposes within 31/12/2016 at the rate of 24% and for those which will have tax changes for those tax changes starting on 01/01/2017, increased, where required, by the IRAP rate (3.9%).

USE OF ESTIMATES - RISKS AND UNCERTAINTIES

The preparation of financial statements under IFRS requires ERG to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. The development of such estimates involves using available information and the adoption of subjective assessments.

By their nature, the estimates and assumptions used may vary from year to year and, therefore, it should not be excluded that in future years the current book values may differ due to changes in the subjective evaluations.

The main estimates for which it is required to use subjective evaluations have been used, among other things, to:

- provisions for doubtful debts, obsolete inventories and impairment of assets;
- the defining of the useful life of fixed assets and related depreciation;
- provisions for funding environmental risks and liabilities related to disputes of a legal and tax nature; in particular, the valuation procedures apply to both the determination of the degree of probability of fulfilment of the conditions that can result in an outflow of funds, and the quantification of the amount;
- deferred tax assets, recognition of which is supported by the Group's prospective taxability arising from expected profitability expected from the business plans and the provision of composition and renewal of consolidated tax;
- the verification procedure of the stable value of intangible assets, tangible assets and other investments, specifically described in paragraph **Impairment test on investments** implies - in estimating the value in use - the use of Financial Plans of the subsidiaries that are based on a series of assumptions and hypotheses about future events and actions of the administrative bodies of the subsidiaries, which may not necessarily occur. Similar estimation processes are necessary in case of reference to the estimated realizable value because of the uncertainty inherent in each transaction.

Estimates and assumptions are reviewed periodically and the effects of any changes are reflected on the income statement in the period in which the change occurs.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED FROM 1 JANUARY 2015

The following accounting standards, IFRS amendments and interpretations were applied for the first time by the Group starting on January 1, 2015.

On 20 May 2013, the interpretation **IFRIC 21 - Levies** was published, which provides clarification on the period of recognition of a liability related to taxes (other than income taxes) imposed by a government agency. The standard addresses both the liabilities for taxes which fall within the scope of IAS 37 - Provisions, contingent liabilities and contingent assets, and those for the taxes whose timing and amount are certain. The interpretation is applicable retrospectively for years beginning at the latest by June 17, 2014 or later date.

On 12 December 2013 the IASB published the document "**Annual Improvements to IFRSs: 2011-2013 Cycle**" transposing the amendments to certain standards as part of the annual process of improvement of the same. The main changes concern:

- **IFRS 3 Business Combinations** - Scope exception for joint ventures. The amendment states that the establishment of all types of joint arrangement as defined in IFRS 11, are excluded from the scope of application of the standard;
- **IFRS 13 Fair Value Measurement** - Scope of portfolio exception. The amendment states that the portfolio exception applies to all contracts within the scope of IAS 39 regardless of whether they meet the definition of financial assets and liabilities provided by IAS 32;
- **IAS 40 Investment Properties** - Interrelationship between IFRS 3 and IAS 40. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the purchase of a property falls within the scope of IFRS 3 or IAS 40, reference should be made, respectively, to the specific guidance provided by IFRS 3 or IAS 40.

The amendments are effective for annual periods beginning on January 1, 2015 or at a later date.

It is noted, that the application of the above-stated news did not have an impact on the Group's numbers.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS IFRS AND IFRIC INCORPORATED BY THE EUROPEAN UNION, NOT YET COMPULSORILY APPLICABLE UNLESS IN ADVANCE

- amendment to **IAS 19 "Defined Benefit Plans: Employee Contributions**",
- document "Annual Improvements to IFRSs: 2010-2012 Cycle" whose main changes are:
  - **IFRS 2** Share Based Payments - Definition of vesting condition.
  - **IFRS 3** Business Combinations - Accounting for contingent consideration.
  - **IFRS 8** Operating segments - Aggregation of operating segments.
  - **IFRS 8** Operating segments - Reconciliation of total of the reportable segments' assets to the entity's assets.
  - **IFRS 13** Fair Value Measurement - Short-term receivables and payables.
  - **IAS 16** Property, plant and equipment and IAS 38 Intangible Assets - Revaluation method: proportionate restatement of accumulated depreciation / amortization.
  - **IAS 24** Related Party Disclosures - Key management personnel.
- amendment **IFRS 11 Joint Arrangements - Accounting for acquisitions of interests in joint operations**.
- amendments to **IAS 16 Property, plant and Equipment** and to **IAS 38 Intangibles Assets - Clarification of acceptable methods of depreciation and amortization**.
- document **Annual Improvements to IFRSs: 2012-2014 Cycle** introducing amendments to the following principles:
  - **IFRS 5** - Non-current Assets Held for Sale and Discontinued Operations.
  - **IFRS 7** - Financial Instruments: Disclosure.
  - **IAS 19** - Employee Benefits.
  - **IAS 34** - Interim Financial Reporting.
- amendment to IAS 1 - **Disclosure Initiative**.

The Group has not applied the above-mentioned Principles in advance.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS OF IFRS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of these Financial Reports, the competent bodies of the European Union have not yet completed the approval process required for the adoption of amendments and the principles below:

- **IFRS 14** - Regulatory Deferral Accounts,
- **IFRS 15** Revenue from Contracts with Customers,
- **IFRS 9** - Financial Instruments,
- amendments to **IAS 27**: Equity Method in Separate Financial Statement,
- amendments to **IFRS 10** and **IAS 28**: Sale or Contribution of Assets between an Investor and its Associate or joint venture.

Acquisition ERG Hydro

On **August 6, 2015** ERG, through its subsidiary ERG Power Generation, reached an agreement with E.ON Italia for the acquisition of the hydroelectric business E.ON Production, withplants located in Umbria, Marche and Lazio, with a total power of 527 MW. The asset portfolio is comprised of 16 plants, 7 dams, 3 tanks and a pumping station. The average total annual production is estimated to be at about 1,4 TWh (1,8 TWh in 2014), of which approximately 40% is incentivised with the green certificates system. The expiry of the licences relating to the portfolio of assets acquired is in 2029. On October 5, 2015, the Antitrust authority published its decision to authorise ERG to acquire the hydroelectric plant in Terni owned by E.ON. The transaction closed on **November 30, 2015**, the date on which over 100 people became part of the ERG Group, from technicians in the operational management of installations, to specialists in energy management and dedicated staff. The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of the available liquidity and with the use of a third party loan of EUR 700 million obtained from a pool of seven Italian and international financial institutions (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Banca IMI - Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).

Impairment tests on investments

ERG Renew S.p.A.

In the Financial Statements, the carrying value of the equity investment in ERG Renew S.p.A. is equal to 689 million.
In 2009 and 2010 mainly due to the worsened economic scenario and the delayed commissioning of some wind farmsunder construction, the equity investment had been written down by a total amount of 73 million.
In the 2013 Financial Statements, in consideration of the values recognized by UniCredit for the share capital increase of January 2014, as well as broker consensus feedback and internal assessments developed with the Discount Cash Flow method at the time of approval of the aforementioned transaction, an excess recoverable value had emerged, i.e. fair value, relating to the carrying amount of the equity investment in ERG Renew in the Financial Statements of ERG S.p.A., subject to previous write-downs.

The recovery of value from 615 million to 650 million Euro (+ 35 million), was recognised as an increase in the value of the equity investment and an increase in income from equity investments in the income statement.

In the Financial Statements 2014, the value in use resulting from the impairment test showed a positive difference relative to the carrying amount. These considerations were supported by broker consensus evaluations. In consideration of the above, it was then proceeded to recover the value of the equity investment to the extent of the residual impairment as of December 31, 2014 (+39 million), with matching income statement entry.

For the Financial Statements 2015, as in previous years, the values of the equity investment in ERG Renew S.p.A. was tested. Taking into account that the value is affected in a positive manner from the current value of discount rates and volatility of the referenced scenario, we didn't proceed to restore the values written down in the preceding years.

The test was performed by determining the recoverable value, i.e. the value in use, based on the "sum of parts" methodology; therefore the value of the equity investment was determined by adding the equity value of the Cash Generating Unit that comprise ERG Renew's assets.

For more details on the calculation of the equity values of the Cash Generating Units please refer to the Consolidated Financial Statements.

The value in use resulting from the impairment test shows a positive difference relative to the carrying amount. These considerations aresupported by broker consensus evaluations.

In view of the above, no impairment of the value of the equity investment was recognized.

Sensitivity analysis

The result of the impairment test derives from information available to date and from reasonable estimates on future changes in the following variables: wind strength, energy price and interest rates.

The ERG Group took into account the aforesaid uncertainties in processing and defining the basic assumptions used to determine the recoverable amount of the goodwill allocated to the "Renewables" sector and has also developed a sensitivity analysis on the recoverable value of the different CGUs. This analysis assumed a decline in the price of electricity in the 2016-2021 period with a realignment of values starting from 2022: the lower energy sales affect most significantly the wind farms in Italy and Poland, while there is no effects for plants in France and Germany, benefiting from incentive-based Feed-in Tariff whose duration lasts more than 6 years. Lastly, please note that there were no impacts on the wind farms in Bulgaria and Romania since the test, as described in the paragraph above, already included more conservative assumptions in the referenced scenario. In this case, the aggregate amounts of equity investments would have decreased by approximately 41 million, without however, any impairment of the equity investment.

Lastly, it is noted that a 0.5% increase in the discount rate would not have entailed any decrease in the value of the equity investment.

The above listed analyses confirm the sensitivity of the recoverability evaluation of non-current assets to changes of the above-stated variables; in this context, the Directors will systematically monitor the progress of the above-stated external and uncontrollable variables in order to make any adjustments to the estimated recoverability of the carrying values of non-current assets in the Financial Statements.

TotalErg S.p.A.

ERG S.p.A. holds a 51% investment in the TotalErg S.p.A. joint venture, established in 2010 through the merger of Total Italia S.p.A. into ERG Petroli S.p.A.

The transaction had resulted in the loss of control over ERG Petroli S.p.A. (previously, a wholly owned subsidiary) and the acquisition of an equity investment in the aforesaid Joint Venture recognized in the Financial Statements using the cost method, determined in the manner set out below.

IAS 27 prescribes that following the sale of controlling shares, any residual interest held in the entity subjected to disposal is measured at fair value.

The fair value of the new equity investment was determined, at the time of loss of control, according yo the values mutually exchanged by the parties and used for the definition of the share swap for the purposes of reaching the 51/49 interests prescribed by the agreements. Therefore, said fair value, represented the initial carrying value of the new company amounting to 432 million, with the consequent recognition of a capital gain of 346 million in the 2010 income statement. In view of the capital gain in question, the shareholders' meeting to approve the 2010 Financial Statement had made a portion of the equity reserves of the same amount unavailable.

It is noted that the **2012** and **2013** impairment tests had shown impairment losses totalling 234 million, recognised as a reduction in the value of the equity investment.

These impairment losses were tied to the significant volatility in the Oil scenario and of the reference market, as well as to the transformation of the Rome Refinery into a logistical facility and plan to streamline the sales network. These factors had a negative impact specifically both on the final results of the investee and on the expected profitability forecasts.

Also for the purposes of 2015 financial statements, some critical elements were found caused by the volatile oil trading environment and by the performance of the reference market in which TotalErg operates.

In view of the persistence of these critical elements, and also on the occasion of these financial statements, we proceeded to verify the value of the investment.

The test was conducted independently through a model developed internally accordingly to the test that had been performed on the values as of December 31, 2014 by an independent expert who had conducted the analysis using the processing of the plan already prepared by the TotalErg management.

For purposes of the test, the CGU consists of TotalErg S.p.A. and its investees, subsidiaries and associates.

The evaluation was conducted using the following criteria and assumptions:

- unlevered Discounted Cash Flow method over 6 years of explicit projections plus a terminal value[1] calculated applying a multiple between 4.0x and 5.0x (in line with market multiples observed in the last 10 years in the integrated Downstream sector) applied to the Adjusted EBITDA[2] 2021 of TotalErg;

1 for the calculation of terminal value the perpetual growth method was not applied as it does not fall among the normal market practice for the reference sector of TotalErg

2 for the determination of EBITDA adjusted please reference further details to the comments in the Report on Operations

- the discount rate used is the WACC TotalErg (6.0%) calculated on the basis of market parameters;
- the assessment was conducted based on the processing of the Consolidated Economic-Financial plan of TotalErg S.p.A., whose scope of consolidation includes TotalErg, Eridis, TotalGaz, Restiani, Guazzotti, Gestioni Europa, Sarpom and Raffinerie di Roma.

The above-mentioned impairment test yielded an estimated recoverable value that was higher than the previous year, taking into account the benefits of future cash flows related to the lower tax burden in future years post 2016 following the application of the Law of Stability 2016 which takes into account an IRES rate at 24%.
The recoverable amount is slightly higher than the carrying value of the TotalErg equity investment in the separate financial statements, therefore not resulting in any impairment under the income statement. These considerations are supported by broker consensus valuations.

Sensitivity analysis
The result of the impairment test is derived from the information available to date and from reasonable estimates on the variables related to the margins expected to vary, in particular the pertaining financial performance and discount rates.
In particular, sensitivity analyses have been developed based on the changes in the discount rate and the EV / EBITDA multiples applied to the EBITDA of the last year of the specific period.

These analyses showed that:
- a 0.5% increase in the discount rate would result in a decrease of the recoverable value of approximately 9 million (51%), which would not lead to any write-down;
- a decrease in the EV / EBITDA multiple from 4.5x to 4.0x would result in a decrease of the recoverable value of approximately 30 million (51%), resulting in a write-down of approximately 7 million.

The above listed analyses confirm the sensitivity of the recoverability evaluation of non-current assets to the changing of the above-stated variables; in this context, the Directors will systematically monitor the progress of the above-stated external and uncontrollable variables in order to make any adjustments to the estimated recoverability of the carrying values of non-current assets in the Financial Statements.

ERG Power Generation S.p.A.[3]

In April 2010, the new ERG Power CCGT plant came into full operation with installed capacity of approximately 480 MW, which provides electricity to utilities and industrial customers of the Priolo site, placing on the market the remaining portion of electricity produced.

A CGU is identified consisting of the cash flows generated by the ERG Power Generation S.p.A. which operates through the tolling the CCGT plant and sells the energy produced on the open market.

On the occasion of the 2011 Financial Statements, these values were checked in view of the increased weighted average cost of capital (WACC), of the of the greater Robin Tax rates for 2011-2012-2013 and lower margins as a result of the worsening scenario that has characterized the domestic electricity market.

This test had shown a devaluation, net of tax, equal to 63 million. This impairment was attributed to the carrying value of the equity investment in ERG Nuove Centrali, (now ERG Power Generation), which thus incurred in a complete write-off. The remaining difference (equal to 29 million Euro) was then recognized in a "provision for charges on equity investments"[4].

On the occasion of these Financial Statements the recoverability of the carrying value of the aforementioned facility was verified in view of the continuing, also for the year 2015, uncertainties and variability (or volatility) of the scenario that characterizes the domestic electricity market.

For the purposes of the impairment test, the CGU comprises the tangible assets attributable to the CCGT plant of ERG Power and from the cash flows generated by the Business Unit Power (from July 1, 2014 ERG Power Generation) which operates the plant through a tolling agreement and trades on the energy produced on the open market.

The analysis was carried out by identifying the recoverable amount, i.e. the value in use, of the Cash Generating Unit. The basis for the calculation was the forecast of operating cash flows associated to the CGU for its useful life, contained in the financial plan prepared by the Group management and pertaining to a period of twenty years; additionally, a residual value (or "terminal value") was assumed, calculated with a further 10-year extension of the measurement period. Expected changes in selling prices and cost trends during the period used for the calculation are determined based on past experience, corrected by future market expectations.

Projected cash flows were discounted using a conservative estimate of the discount rate (WACC net of tax) equal to 4.9%.

The impairment test was prepared by updating the assumptions used for the impairment test performed for the 2014 financial statements; specifically, the estimates of the scenario of the electricity market, of the zone bonus in Sicily, the facility's profitability in the Market for Dispatching Services and modulation activities, have been updated.

The Management of the ERG Group determined that the assumptions adopted for the identification of the recoverable value of the CCGT plant of ERG Power are reasonable and the aforementioned assumptions revealed no impairment.

3 On 15 May 2014, the subsidiary ERG Nuove Centrali S.p.A. changed its name to ERG Power Generation S.p.A.
4 This liability has been transferred to ERG Power Generation S.p.A. on 1 July 2014.

The value in use resulting from the impairment test shows a positive difference compared to the carrying amount: taking into account that this difference is mainly due to temporary phenomena that will exhaust their positive effects after the first years of the measurement period, the Management did not reverse the previous write-downs. Moreover, said considerations are supported by broker consensus..

Sensitivity analysis

The result of the impairment test derived from the information available to date and from reasonable estimates on the external variables such as energy price and the interest rates, as well as the development of certain activities and the achievement of cost savings objectives.

The Group took into account the aforesaid uncertainties in processing and defining the basic assumptions used to determine the recoverable value of the CCGT plant and has also carried out a sensitivity analysis on the recoverable amount of the CGU: This analysis showed that in the event of a reduction of approximately 50% of the profitability of the site contracts maturing after 2025, the recoverable value would decrease by an amount of approximately 61 million Euro. However, this would not result in any impairment of the carrying value.

Lastly, it is noted that an increase of 0.5% in the discount rate, would result in a decrease of the recoverable value for an amount equal to approximately 20 million Euro, without any write-down of the carrying value.

The Directors will continue to systematically monitor the progress of the aforementioned external and uncontrollable variables for any adjustments to the estimated recoverability of the carrying values of non-current assets in the Financial Statements.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NOTE 1 - INTANGIBLE ASSETS

	Other intangible assets	Assets under construction	Total
BALANCE AS OF 31.12.2014	191	125	316
Movements during the year			
Acquisitions	7	1	8
Capitalization / reclassifications	113	(113)	–
Transfers and disposals	(50)	–	(50)
Depreciation	(168)	–	(168)
Other changes	–	–	–
BALANCE AS OF 31.12.2015	94	13	106

To enhance understandability, changes during the period relating to reclassifications, disposals and divestments are shown net of the respective accumulated depreciation and impairment losses. “Other intangible fixed assets” mainly consists of software applications and consulting services provided during the implementation of the same.

NOTE 2 - PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plants and machinery	Other activities	Assets under construction	Total
Historical cost	2,090	3	1,424	–	3,517
Depreciation and write-downs	(704)	(3)	(34)	–	(741)
BALANCE AS OF 31.12.2014	1,386	–	1,390	–	2,776
Movements during the year					
Acquisitions	–	–	–	–	–
Capitalization / reclassifications	–	–	–	–	–
Transfers and disposals	–	–	–	–	–
Other changes	–	–	–	–	–
Depreciation	(108)	–	(6)	–	(114)
Historical cost	2,090	3	1,424	–	3,517
Depreciation and write-downs	(812)	(3)	(40)	–	(855)
BALANCE AS OF 31.12.2015	1,278	–	1,384	–	2,662

To enhance understandability, movements during the period relating to reclassifications, disposals and divestments are shown net of the respective accumulated depreciation and impairment losses. The item “Land and buildings” includes land on the Priolo Gargallo site. The item “Other assets” mainly consists of equipment, furniture and furnishings and works of art.

NOTE 3 - INVESTMENTS

The changes in the equity investments during the year are as follows:

	Investments				
	Subsidiaries	Joint venture	Associated companies	Other companies	Total
Historical cost	**986,916**	**443,860**	**8,184**	**491**	**1,439,451**
Write-downs	(120,163)	(243,411)	(1,819)	–	**(365,393)**
BALANCE AS OF 31.12.2014	**866,753**	**200,449**	**6,365**	**491**	**1,074,059**
Movements during the year					
Acquisitions / capital increases / revaluations	261,733	–	–	–	**261,733**
Transfers and disposals	–	(449)	(50)	–	**(499)**
Merger by incorporation ISAB Energy S.r.l.	(159,890)	–	–	–	**(159,890)**
Write-downs / use of provisions to cover hedge losses	–	–	(2,065)	–	**(2,065)**
Other changes	–	–	–	–	**–**
Historical cost	**1,088,759**	**443,411**	**8,135**	**491**	**1,540,796**
Write-downs	(120,163)	(243,411)	(3,885)	–	**(367,459)**
BALANCE AS OF 31.12.2015	**968,596**	**200,000**	**4,250**	**491**	**1,173,337**

The **acquisitions / capital increases** refer to the capital contribution made on 26 November in favour of ERG Power Generation S.p.A., for an amount equal to 262 million for the acquisition of hydroelectric assets.

The **disposals / divestments** refer to the sale of shareholding in Consortium Delta Ti Research, consolidated company at cost and the liquidation of Ionio Gas S.r.l. that on March 3, 2015 was removed from the Register of Companies.

The **write-downs** refer to the investment in I-Faber S.p.A., whose value was written down at the end of the year for an amount equal to 2,065 thousand Euro in line with the net assets of the associate. As of December 31, 2015 the value of the investment therefore amounts to 4,250 thousand Euro.

The following summarizes the main transactions during the year.

- On **March 3, 2015**, upon the outcome of the approval of the final liquidation Financial Statements, the Ionio Gas S.r.l. company in liquidation, was delisted from the Register of Companies and was terminated on the same date.
- On **March 5, 2015** ERG S.p.A. sold to LFoundry S.r.l. half of the participation share held in the Consortium Delta Ti Research, equal to 25% of the consortium, resulting in a change of the equity shares held. Effective from **24 December 2015** ERG S.p.A. permanently left the Consortium by exercising its right of withdrawal as established in the agreement.
- On **June 29, 2015** the deed of merger by incorporation between ERG Supply & Trading S.p.A. and ERG S.p.A. was signed with an effective merger date of July 1, 2015, and accounting and tax effects of the merger effective retroactively from January 1, 2015. Consequently, as of July 1, 2015, the relevant corporate bodies no longer

exist, as well as any authorisations issued in their name, and ERG S.p.A. has fully taken over all legal relationships concerning the assets and liabilities of the incorporated company.

- On **August 6, 2015** ERG, through its subsidiary ERG Power Generation, reached an agreement with E.ON Italia for the acquisition of the hydroelectric business E.ON Production, with plants located in Umbria, Marche and Lazio, with a total power of 527 MW. The asset portfolio is comprised of 16 plants, 7 dams, 3 tanks and a pumping station. The average total annual production is estimated to be at about 1,4 TWh (1,8 TWh in 2014), of which approximately 40% is incentivised with the green certificates system. The expiry of the licences relating to the portfolio of assets acquired is in 2029. On **October 5, 2015**, the Antitrust authority published its decision to authorise ERG to acquire the hydroelectric plant in Terni owned by E.ON. On **November 26, 2015**, downstream of the resolutions passed by the respective Boards of Directors dated August 6, 2015, Erg S.p.A. company made a capital contribution in favour of Erg Power Generation S.p.A., for an amount equal to 262 million, thus the value of the investment as of December 31, 2015, is equal to 270 million. The transaction closed on **November 30, 2015**, the date on which over 100 people became part of the ERG Group, from technicians in the operational management of installations, to specialists in energy management and dedicated staff. The acquisition by ERG Power Generation was financed by ERG S.p.A. through the partial use of the available liquidity and with the use of a corporate third party acquisition loan of EUR 700 million signed obtained from with a pool of seven Italian and international mandated lead arrangers and bookrunnersfinancial institutions (Barclays Bank Plc, BNP Paribas S.A., Credit Agricole Corporate & Investment Bank S.A., ING Bank N.V., Banca IMI - Intesa Sanpaolo S.p.A., Natixis S.A. and UniCredit S.p.A.).
- On **December 17, 2015** ERG signed the deed of merger by incorporation of ISAB Energy S.r.l. into ERG S.p.A., entered in the Companies Register of Genoa on the same date. The effective date of the merger was on December 18 and the accounting and tax effects of the merger effective retroactive from January 1, 2015. The value of the equity investments at the end of the year is therefore zero.

The following tables show the list of equity investments with the data required by Article 126 of CONSOB Resolution no. 11971, as amended.

(EUR thousand)	Registered Headquarters	Share Capital	%	Net equity [1]	Profit (loss) [1]	Our share of net equity [1]	Book value
Subsidiaries							
ERG Power Generation S.p.A.	Genoa	6,000	100%	309,355	21,695	309,355	269,641
ERG Petroleos S.A.	Madrid (Spain)	3,050	100%	(5,521)	(871)	(5,521)	–
ERG Renew S.p.A.	Genoa	107,692	92,86%	679,485	44,150	630,970	688,793
ERG Services S.p.A	Genoa	1,200	100%	10,128	122	10,128	10,162
Total subsidiaries							**968,596**
Jointly controlled entities							
TotalErg S.p.A.	Rome	47,665	51%	162,261	(32,703)	82,753	200,000
Total jointly controlled entities							**200,000**
Affiliates							
I-Faber S.p.A.	Milan	5,652	23%	16,664	1,329	3,833	4,250
Total affiliates							**4,250**
Other companies							
CAF Interregionale Dipendenti S.r.l.	Vicenza	276	0%	1,026	9	–	–
Emittenti Titoli S.p.A.	Milan	4,264	1%	15,997	10,104	82	26
Meroil S.A.	Barcelona (Spain)	19,077	1%	49,690	6,694	432	310
R.U.P.E. S.p.A.	Genoa	3,058	5%	3,069	(2)	149	155
Total Other companies							**491**
TOTAL INVESTMENTS							**1,173,337**

(1) data relating to 2015 for subsidiaries and joint ventures; most recent financial statements approved on date of Board of Directors' meeting and for the other companies and associated companies

In view of the negative equity of ERG Petroleos SA in liquidation, a provision for risks on equity investments of approximately 5,549 thousand Euro has been allocated, of which 900 thousand Euro allocated in 2015.

For the valuation of investments in ERG Renew S.p.A. and TotalErg S.p.A. please refer to paragraphs **Impairment tests on equity investments**.

For a complete list of Group's equity investments please, see the Notes to the Consolidated Financial Statements.

NOTE 4 - OTHER FINANCIAL ASSETS

	31.12.2015	31.12.2014
PERIOD STARTING BALANCE	**119,593**	**160,587**
Movements during the year:		
Disbursements and interest	3,926	4,993
Loan disbursement ERG Power Generation S.p.A.	697,599	–
Repayments	(8,380)	(17,300)
Write-downs	–	–
Reclassifications	–	–
Other changes	10,257	(28,687)
ENDING PERIOD BALANCE	**822,996**	**119,593**

The balance of “Other financial assets” as of December 31, 2015 was equal to 822,996 thousand Euro and is mainly composed of:

- the amount due from the indirect subsidiary ERG Power S.r.l. (114,216 thousand Euro) in relation to the loan agreement called Project Sponsor Subordinated Loan Agreement which refers to the activities of construction remaining on the CCGT after completion of the plant and related activities for revamping the water demineralisation plant that supplies treated water for the processes of the Priolo production facility;
- an amount payable by the direct subsidiary ERG Power Generation S.p.A. (697,599 thousand) granted in 2015 as part of the acquisition of hydroelectric assets in the context of the acquisition of the hydroelectric business;
- in particular, on August 6, the Board of Directors of ERG S.p.A., in order to provide ERG Power Generation of financial resources for the payment of part of the purchase consideration of Hydro Terni S.r.l. (now ERG Hydro S.r.l.) and their associated costs, issued a resolution to make available a loan of the same, in a simple payable credit line request form, with forecast repayment revocation and an interest rate at least equal to that applied by the financing banks to Erg S.p.A. as part of the contract loan signed on the same date.

Other changes relate to the recognition of the positive value of the sale option on ERG Renew S.p.A. non-controlling interest attributed to the subsidiary’s minority shareholder, estimated to be equal to 11.2 million. For further details pertaining to the Option, the comments in the Notes to Consolidated Financial Statements may be referenced.
In other changes the elimination of the receivables is also included on the Italian Carbon Fund entered in Financial Statements 2014, for allocation of CO_2 allowances by the ICF, which are equal to 924 thousand Euro.

NOTE 5 - DEFERRED TAX ASSETS

	31.12.2015		31.12.2014	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Provisions for risks and charges	36,736	10,212	52,339	15,760
Provision for doubtful accounts	3,202	769	3,204	1,089
Tax losses and other temporary differences	9,167	2,095	4,951	1,278
Derivatives	183	44	–	–
Reclassification IFRS 5	–	–	–	–
Total		**13,120**		**18,126**

Deferred taxes are recognized, provided their future recovery is probable, on the taxable temporary differences between the carrying value of recognized assets and liabilities for statutory purposes and their corresponding tax basis.

Law no. 208 of December 28, 2015 (stability law for 2016) reduced the IRES rates from 27.5% to 24% starting from January 1, 2017.

Therefore, the rate used for the calculation of deferred tax amounts is equal to the nominal amount of IRES of 27.5% for those income items that will be recognised for tax purposes within 31/12/2016 and at the rate of 24% for those items which will be recognised for tax purposes starting from 01/01/2017, increased, where required, by the IRAP rate (3.9%)

In view of the above, the adjustment of deferred taxes was used based on those income items which will tax effect from January 1, 2017; this adjustment resulted in the deletion of deferred taxes of 1,940 thousand Euro.

Deferred tax assets as of December 31, 2015 were equal to 13,120 thousand Euro (18,126 thousand Euro as of December 31, 2014), are mainly recognized on provisions for risks and charges.

NOTE 6 - OTHER NON-CURRENT ASSETS

	31.12.2015	31.12.2014
Medium / long-term Tax receivables	2,363	1,913
Medium / long-term loans to others	2,661	2,694
Total	**5,024**	**4,607**

Medium / long-term Tax receivables amounted to 2,363 thousand and mainly refer to VAT receivables.

Other medium / long-term receivables as of December 31, 2015 amounted to 2,661 thousand Euro and mainly include receivables (2,400 thousand) related to a deferred portion of the ERG Oil Sicilia S.r.l. sale price, which occurred in December 2014, and other security depositsfor lease agreements.

NOTE 7 - TRADE RECEIVABLES

The summary of receivables is as follows:

	31.12.2015	31.12.2014
Receivables from customers	10,361	18,528
Receivables due from group companies	6,860	63,303
Bad debt provision	(2,841)	(7,005)
Total	**14,380**	**74,826**

The item "Receivables from customers" includes trade receivables for an amount equal to 7,060 thousand Euro and invoices to be issued for 3,301 thousand Euro.

These receivables are primarily derived from dealings with the energy sector, thermoelectric and oil customers originating from the companies merged into ERG S.p.A. in 2015 and in previous years. In particular, it is noted that for receivables for demurrage pertaining to the assets of ERG Supply & Trading S.p.A. (3,140 thousand euro), receivables to GSE for reimbursement of Green Certificates for production in 2014 relating to the activities of ISAB Energy S.r.l. (3,101 thousand Euro), receivables related to prior-year items of Refining (1,154 thousand Euro) and receivables related to retail electric energy sold in 2012, covered by the provision for doubtful accounts.

The decrease in trade receivables in 2015 is mainly due to the finalization on 30 December 2015 of the settlement agreement signed on December 10, 2015 with ENI for past positions concerning Refining activity.

Said agreement stipulated the settlement of receivables for approximately 11 million, net of a provision for risks already budgeted, with net proceeds by ERG S.p.A. equal to 6,847 thousand Euro.

The item "Receivables due from group companies" mainly includes receivables for services contracts concerning the Group companies, in particular 6,108 thousand Euro to subsidiaries, 126 thousand Euro from affiliated companies and lastly, 627 thousand Euro from joint ventures.

It is noted that the item "Receivables due from group companies " for FY 2014 included for 54,727 thousand Euro, receivables from the subsidiary ERG Power Generation S.p.A. for the sale of electricity purchased by Renew Group.

As of July 1, 2015, ERG Power Generation S.p.A. purchases the energy produced by wind farms directly from ERG Renew S.p.A..

Movements in the bad debt provision are shown below:

	31.12.2014	Provisions	Uses	Other Changes	31.12.2015
Provision for doubtful accounts	7,005	–	(4,164)	–	2,841
Total	**7,005**	**–**	**(4,164)**	**–**	**2,841**

It is noted that during 2015, it was decided to finalize the deletion and the use of the provision for receivables considered uncollectable from bankrupt parties or subject to other insolvency proceedings relating to the business of selling retail electricity from the former ERG Power & Gas S.p.A., converged in ERG S.p.A. downstream on the merger which occurred in 2010.

	31.12.2015	31.12.2014
Receivables not overdue	**9,026**	**66,198**
Receivables overdue		
within 30 days	179	203
within 60 days	(142)	528
within 90 days	66	–
over 90 days	5,250	7,896
Total	**14,380**	**74,826**

NOTE 8 - OTHER CURRENT RECEIVABLES AND ASSETS

	31.12.2015	31.12.2014
Tax receivables	19,068	31,023
Indemnifications to be received	80	40
Other receivables due from Group companies	47,442	77,991
Other Receivables	1,998	3,003
Total	**68,588**	**112,057**

"Tax receivables" are mainly related to tax receivables for consolidated IRES (10,953 thousand Euro), advances on electricity and gas excise taxes (763 thousand Euro), IRES and IRAP (1,583 thousand Euro) and other receivables to tax authorities for 5,296 thousand Euro, relating to receivables for IRES and IRAP refunds and payments made on a provisional basis pending judgment.

"Other receivables due from Group companies" consist of receivables from subsidiaries and joint ventures for tax consolidation IRES. The change compared to 2015 is determined by a decrease in the consolidated tax base of the Group.

NOTE 9 - CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014
Securities	136	136
Financial receivables from subsidiaries and associates	49,230	138,019
Other short-term receivables	3,224	4,464
Total	**52,590**	**142,621**

"Financial receivables from subsidiaries and associates" mainly consist of:

- receivables for centralized treasury contract with ERG Renew (13,815 thousand Euro);
- receivables for centralized treasury contract with ERG Power Generation (26,610 thousand Euro);
- receivables for centralized treasury contract with ERG Petroleos (8,807 thousand Euro);
- others financial receivables from subsidiaries.

The item significantly decreased compared to the previous year, because, as of December 31, 2014, it included financial receivables of approximately 121,813 thousand Euro from ERG S.p.A. Supply & Trading, which were closed due to the merger into ERG S.p.A. as previously mentioned.

"Other short-term financial receivables" mainly comprise financial receivables from customers.

NOTE 10 -CASH AND CASH EQUIVALENTS

	31.12.2015	31.12.2014
Bank and postal deposits	616,552	822,123
Cash and cash equivalents on hand	3	1
Total	**616,555**	**822,124**

For further clarification please refer to the Statement of Cash Flow .

NOTE 11 - NET EQUITY

Share Capital

The share capital as of December 31, 2015, fully paid, consists of 150,320,000 shares with a nominal value of 0.10 Euro each and is equal to 15,032,000 Euro (unchanged from December 31, 2014).

As of December 31, 2015 the Company's Shareholders Register, relating to significant equity shareholders, shows the following situation:

- San Quirico S.p.A. is the holder of 83,619,940 shares equal to 55.628%;
- Polcevera S.A. (Luxembourg) is the holder of 10,380,060 shares equal to 6.905%.

As of 31 December 2015 the 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.

Treasury shares

On April 24, 2015, the Shareholders' meeting of ERG S.p.A. authorised the Board of Directors, pursuant to art. 2357 of the Civil Code for a period of 12 months starting from April 24, 2015, to repurchase within a rotating maximum amount (this meaning the greatest quantity of own shares held from time to time) of 30,064,000 ordinary ERG shares with a par value of 0.10 Euro at a unit price, inclusive of supplementary purchase charges, no less than the minimum of 30% and no higher than the maximum of 10% respect to the market price of the stock registered with the stock exchange the day before each transaction.

The Shareholders' meeting also authorised the Board of Directors, pursuant to art. 2357-ter of the Civil Code, for a period of 12 months starting from April 24, 2015, to sell, over one or more occasions, using any method deemed appropriate in relation to the purposes by which such sale is effectively intended to pursue, owned shares at a unit price no less than the minimum of 10% respect to the market price of the security registered with the stock exchange the day before each single transaction and no less than the unit value per share of the net equity of the Company as found from time to time in the latest approved financial statements.

Lastly, the Shareholder's Meeting authorized the Board of Directors to delegate, even to authorized operators the power to perform the transactions of purchase and sale of treasury shares.

As of December 31, 2015, unchanged from 31 December 2014, ERG S.p.A. holds 7,516,000 owned shares equal to 5.0% of the share capital.

By application of IAS 32, the owned shares are recognised as a reduction of the shareholder's equity by means of using the share premium account.

The original cost, write-downs by reduction of value, profits and losses deriving from any subsequent sales are recognised as movements in shareholder's equity.

Reserves

	31.12.2015	31.12.2014
Paid-in capital in excess of par	22,863	22,863
Legal reserve	3,236	3,236
Reserve for first time adoption of IAS /IFRS and retained earnings	854,853	880,205
Cash flow hedge reserve	(139)	–
Merger surplus in 2010	250,563	250,563
Merger surplus ISAB Energy in 2015	361,755	–
Other reserves	238,513	209,758
Total	**1,731,643**	**1,366,624**

- the "**Paid-in capital in excess par**" consists of the premium paid by the shareholders for the subscription of shares relating to the capital increases carried out on October 14, 1997, July 2, and August 5, 2002. Said reserve was used for the purchase of treasury shares, which took place:
  - in 2006 for a value of 11,210 thousand Euro,
  - in 2008 for a value of 14,779 thousand Euro,
  - in 2012 for a value of 25,672 thousand Euro.
- the "**Reserve for first time adoption of IAS /IFRS and retained earnings**" consists of the adjustments made to the financial statements of ERG S.p.A. on conversion (mainly for the derecognition of dividends receivables) and retained earnings. The decrease reflects the net effect of the reclassification of the previous year and the distribution of dividends in 2014;
- the "**Cash flow hedge reserve"** as of " December 31, 2015, is equal to -139 thousand Euro and reflects the effect of the loan taken out in 2015 to the pool of banks to finalize the acquisition of Hydro Terni S.r.l.

The item "Other reserves" is composed mainly of monetary revaluation reserves; during 2015 it was increased due to the reconstitution of former ISAB Energy S.r.l. by the reserve currency realignment under Law 266/05 for an amount of 28,709 thousand Euro. Such reservation may be subject to distribution to Shareholders, in which case it will contribute to the formation of the Company's taxable income, or can be used to cover losses, in which case the Company will not proceed to distribute dividends, without first reconstituting the amount. The Company has not allocated deferred tax liabilities on these reserves because uses that can generate taxes are not expected. It is also noted that the surplus generated in 2010 from the merger by incorporation of ERG Raffinerie Mediterranee S.p.A. and ERG Power & Gas S.p.A. into ERG S.p.A., equal to 446 million Euro, was allocated in part in the reserve "Merger surplus 2010 " (251 million) and in part in replenishment of specific untaxed net equity reserves (195 million).

The increase in the period relates mainly to the surplus generated by the merger of ISAB Energy S.r.l., which occurred during the year, amounting to 361,755 thousand Euro.

The following table lists the equity items and indicates for each the possible allocation as well as any tax restrictions.

	Amount	Possibility of use	Amount available and distributable	Untaxed amount
Share Capital	15,032	–	–	15,032
Share premium account	22,863	A B C	22,863	–
Legal reserve	3,236	B	–	–
IAS transition reserve and retained earnings	854,853	A B C	737,900	–
Cash flow hedge reserve	(139)	–	–	–
Other reserves and merger surplus	850,830	A B C	850,830	255,070
Profit (loss) for the year	2,027	A B C	2,027	–
Total	**1,748,702**		**1,613,621**	**270,102**

Legend
A – For share capital increase
B – To cover losses
C – For distribution to shareholders

It is noted that as a result of non-accounting deductions already made under the previous Art. 109, 4th Paragraph, Letter b) of the TUIR, which is subject to the application on a transitional basis (including those operated by the incorporated companies) in the case of the profits for distribution and / or reserves, the amount of reserves equity and earnings for the year carried forward must not fall below the total residual negative components non-accounting deductions amount, which net of deferred tax liabilities, is estimated at 7.6 million. If there is such a case, the amount of reserves and / or profits for the year distributed that affects the minimum level will form the taxable income of the Company.

It is noted, that the unavailable share equal to EUR 116,953 thousand of the "IAS transition reserve and retained earnings" refers to the residual amount of the unavailable5 reserve intended by the General Meeting of 14 April 2011 to receive part of the 2010 profit, amounting initially to EUR 346 404 thousand, consisting of the unrealized portion, net of related tax, of the gain on the formation of the joint venture TotalErg S.p.A.

It is noted, that following the approval of the Financial Statements 2012 and the Financial Statements 2013, part of the unavailable portion of the "IAS transition reserve and retained earnings" was freed equal to a total amount of EUR 229,450,160.55 consisting of the impairments, net of the related tax effects, made in the corresponding financial years of participation in the Joint Venture TotalErg S.p.A.

It also revealed that following the approval of the Financial Statements 2015, pursuant to Article 6, paragraph 1, section a) of Legislative Decree no. 38/2005, the amount of EUR 11,181,413.00, corresponding to the unrealized income deriving from the recognition of the positive value of an option on the minority shares of ERG Renew S.p.A., shall be allocated to a non-distributable reserve, by using the profits for the financial year and for the remaining part by using the "IAS transition reserve and retained earnings".

5 Pursuant to Article 6, Paragraph 1, Letter a) of Legislative Decree no. 38/2005.

NOTE 12 - EMPLOYEE SEVERANCE INDEMNITIES

	31.12.2015	31.12.2014
PERIOD STARTING BALANCE	310	758
Increases	1,088	915
Decreases	(1,335)	(1,364)
Other changes	–	–
ENDING PERIOD BALANCE	63	310

The item includes the estimated liability, determined using actuarial techniques, relating to employee severance indemnities to be paid to employees upon termination of employment.

The movements shown on the table does not include the TFR share matured and transferred to the INPS treasury fund.

Below are the main assumptions used in determining the actuarial value of the liability relating to employee severance indemnities. It is noted that the discount rate was determined based on a panel of corporate securities with a maturity of 10 years or more with a rating of AA.

	2015
Discount rate	2.03%
Rate of inflation	1.50%
Average turnover rate	3.00%
Average earnings growth rate	1.50%
Average age	44

The following table shows the impact on liabilities arising from a variation of +/- 0.5% in the discount rate.

(EUR thousand)	2015
Change in discount rate +0.5%: less liabilities	(18)
Change in discount rate -0.5%: greater liabilities	20

NOTE 13 - DEFERRED TAX LIABILITIES

	31.12.2015		31.12.2014	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Actuarial evaluation TFR	614	147	641	189
Unrealized foreign exchange gains	250	60	79	22
Other deferred taxes	5,939	1,426	5,973	1,632
Total		**1,633**		**1,843**

The item deferred tax liabilities are recognized on taxable temporary differences between the financial reporting value of assets and liabilities and their value for tax purposes.

The tax rate used to calculate deferred taxes is the same as the nominal IRES rate (27.5%) for those items which will have tax recognition by December 31, 2016, at the rate of 24% for those items that will reverse from January 1, 2017 and the nominal IRAP rate (3.9%).

The adjustment of deferred tax at the new rate of 24% resulted in the deletion in the income statement of deferred taxes for approximately 275 thousand Euro.

Deferred tax liabilities at December 31, 2015 were equal to 1,633 thousand Euro (1,843 thousand as of December 31, 2014).

NOTE 14 - PROVISIONS FOR NON-CURRENT RISKS AND CHARGES

The value of funds for non-current risks and charges was equal to 82,736 thousand Euro (83,639 as of December 31, 2014).

This item refers mainly to provisions allocated to meet possible future liabilities and charges relating to the Priolo Site also as a result of the exit from the refining Business, for an amount of 80,346 thousand Euro. Further details are provided under **Note 24 - Potential liabilities and disputes**.

Moreover, this item consists mainly of:

- “Provision for future expenses for finished products” for an amount equal to 1,106 thousand Euro, a provision merged from the ISAB Energy S.r.l. into ERG S.p.A. merger. Said provision, set aside following the disposal of the business unit which took place on 30 June 2014, is intended to cover certain contingencies related to the industrial activity of the IGCC plant carried out prior to the sale;
- “Italian Carbon Fund Provision” for an amount equal to 1,068 thousand Euro, allocated to cope with potential write-downs of CO_2 allowances still to be accredited by the Italian Carbon Fund.

NOTE 15 - NON-CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
Medium and long-term loans and financing	694,574	13,583
Financial debts over 12 months due to derivatives	386	–
Other Long– and medium–term financial debt	–	(13,583)
Total	**694,960**	**–**

Mortgages and long-term loans as of December 31, 2015 were equal to 694,574 thousand Euro and relate to the financing paid out by a pool of banks, which facility agent is Banca IMI S.p.A., in order to provide ERG Power Generation S.p.A. the financial resources for the payment of the purchase consideration of Hydro and Terni S.r.l. and its associated costs. This loan will be repaid bi-yearly for the next 5 years, the first instalment is scheduled for repayment as of 6 August 2017, two years after the date of signature and acceptance of the loan agreement. The funding in question bears the following covenants: net debt / EBITDA in reference to Consolidated Financial Statements.

The ratio is shown in the following table:

Key Date	Financial Debt / EBITDA Ratio
31 December 2016	4.50x
30 June 2017	4.50x
31 December 2017	4.25x
30 June 2018	4.25x
31 December 2018	4.00x
30 June 2019	4.00x
31 December 2019	3.75x
30 June 2020	3.75x
31 December 2020	3.75x

For more details, reference may be made to **Note 23 - Covenants**.

The 694,574 thousand Euro consist of the value of the Facility A and Facility B both of 350 million Euro net of commission costs and other charges for the starting of the same for a total of 5.9 million Euro. These costs were measured using the amortized cost method in accordance with IAS 39 in the amount equal to 483 thousand Euro.

As of December 31, 2015 the weighted average rate of the mortgage and loan interest was 0.95% (0.92% as of December 31, 2014).

Financial debts over 12 months due to derivatives regard the negative fair value of the derivative on the financing in question.

NOTE 16 - OTHER NON-CURRENT LIABILITIES

The value as of December 31, 2015 was equal to 4,425 thousand Euro (7,603 as of December 31, 2014), it mainly consists of payables to employees and Directors.

NOTE 17 - PROVISIONS FOR CURRENT RISKS AND CHARGES

	31.12.2015	31.12.2014	Increases	Decreases	Other changes
Provision to hedge associated companies losses	5,549	14,007	900	(9,358)	–
Provision for Environmental risks	381	381	–	–	–
Provision for Legal risks	359	385	–	(27)	–
Other Provisions	3,492	21,114	1,376	(18,754)	(244)
Total	**9,781**	**35,887**	**2,276**	**(28,139)**	**(244)**

The value as of December 31, 2015 of the provision for risks and charges is deemed sufficient to meet any future risks and charges.

The provision for hedge of equity investments refers to the provision for the investment in ERG Petroleos and was increased at the end of the by 900 thousand Euro to cover expected losses for net negative equity of the same company.

During the year, some of the provision was used to cover the subsidiaries equal to 9,358 thousand Euro in reference to the losses incurred in 2014 by the company ERG Supply and Trading S.p.A.: in 2014, the value of participating interest was cleared and a provision for the remaining difference was recorded, for 9,358 thousand Euro. This provision was then used in 2015 for recapitalization of the Net equity of the company, which took place earlier this year.

The item "Other provisions" equal to 3,492 thousand Euro as of December 31, 2015 was increased by 1,376 thousand Euro for the provision of demurrage charges resulting from the merger with Erg Supply and Trading S.p.A.,

The decrease of 18,754 thousand Euro is mainly composed as follows:

- 11,023 thousand Euro to use the restructuring provision related to the merger of ERG Supply and Trading Company S.p.A.;
- 5,250 thousand Euro use of provision of transactions to finalize the transaction with ENI previously described in the section "Trade receivables", see **Note 7 - "Trade Receivables"**;
- 1,161 thousand Euro use of provision for charges related to the restructuring of the Parent company;
- 1,320 thousand euro for the use of the Provision for risks of refineries in San Quirico and others.

The column "Other changes" includes the release of the provision Delta Ti for 244 thousand Euro following termination of consortium participation. For more details see **Note 3 - Investments**.

NOTE 18 - TRADE PAYABLES

	31.12.2015	31.12.2014
Trade payables	55,204	50,714
Payables due to group companies	1,926	34,468
Total	**57,130**	**85,182**

The trade payables derive from commercial transactions with domestic and foreign suppliers payable within one year.

Trade payables mainly include payables for OIL supplies from previous years as well as other liabilities for services to third parties and consulting services, also liabilities related to management of the closure of the business of companies merged into ERG S.p.A..

Payables to group companies mainly include debts for services and consulting.

The debts to Group companies in 2014 included mainly the debts for the purchase of energy produced by the Renew Group.

NOTE 19 - CURRENT FINANCIAL LIABILITIES

	31.12.2015	31.12.2014
Short-term banks		
Short-term banks in Euro	110,022	58,774
Short-term banks in foreign currency	–	3
	110,022	**58,777**
Other current short-term financial liabilities		
Amount short-medium-long term payables to banks	–	13,583
Project short-term financing	–	–
Financial Payables to Group companies	–	551,719
Other Short-term Liabilities	967	43
	967	**565,345**
TOTAL	**110,989**	**624,122**

The item "short-term banks" equal to 110,022 thousand Euro and includes restricted credit lines of four banks, in particular BNL for 30 million, Unicredit for 20 million, Banca Passadore for 10 million and Banca Popolare di Sondrio for 50 million.

As of December 31, 2015 the weighted average rate on short-term interest was 0.20% (0.80% as of 31 December 2014).

"Financial payables to Group companies", which were equal to 967 thousand Euro, mainly include:

- liabilities arising from the financial management of Erg Services S.p.A. (924 thousand Euro);
- other borrowings (43 thousand Euro).

The financial payables to Group companies in 2014 included payables for treasury management of certain subsidiaries in particular (ERG Renew S.p.A., ISAB Energy S.r.l. and ISAB Energy Services S.r.l.).

NOTE 20 - OTHER CURRENT LIABILITIES

	31.12.2015	31.12.2014
Taxes payable	18,899	553
Tax payables for excise duties	–	270
Payables to personnel	5,047	2,244
Payables to social security institutions	1,848	1,098
Other current liabilities	33,148	100,649
Total	**58,940**	**104,813**

"Tax payables" mainly relate to the VAT debt of the Group for 18,322 thousand Euro and 518 thousand Euro for withholding taxes.

"Payables due to personnel" relate to the period compensation not yet paid and include vacation days, paid days off not taken, productivity bonuses and bonuses linked to the Compensation Plan for Management.

Payables "Due to social security institutions" relate to contributions on salaries and wages for December 2015.

"Other current liabilities" mainly consist of other short-term borrowings from subsidiaries (13,020 thousand Euro), other payables to group companies (14,015 thousand Euro) and other payables (5,923 thousand Euro). The decrease is mainly related to the decrease in the IRES receivables from jointly controlled companies.

NOTE 21 - ASSETS AND LIABILITIES HELD FOR SALE AND NET PROFIT

In the balance sheet and income statement reports for 2015, no reclassification was applied under IFRS 5.

The income statement for 2014 below, shows data net of the allocation of the provision in Erg S.p.A. of 11.9 million Euro related to potential restructuring charges linked to the merger of ERG Supply and Trading Company S.p.A.

		2014	Delta perimeter	2014 reclassified
Revenue from ordinary operations	24	122,252,195	–	122,252,195
Other revenues and income	25	12,415,682	–	12,415,682
Changes in inventories of products		–	–	–
Changes in inventories of raw materials		–	–	–
Purchase Costs	26	(103,109,395)	–	(103,109,395)
Cost of services and other costs	27	(56,998,562)	11,900,000	(45,098,562)
Labour costs	28	(15,314,409)	–	(15,314,409)
EBITDA		(40,754,489)	11,900,000	(28,854,489)
Amortisations, depreciationand write downs of fixed assets	29	**(274,833)**	**–**	**(274,833)**
Income (expenses from disposal of business unit		**–**	**–**	**–**
Financial incomes	30	**25,661,631**	**–**	**25,661,631**
Financial expenses	30	(10,832,622)	–	(10,832,622)
Net financial Income (expenses)	30	14,829,009	–	14,829,009
Net income (expense) from net equity investments	31	58,776,533	–	58,776,533
Other Income (expenses) from equity investments		–	–	–
Income (expense) from equity investments	31	**58,776,533**	**–**	**58,776,533**
PROFIT (LOSS) BEFORE TAXESS		**32,576,220**	**11,900,000**	**44,476,220**
Income taxes	32	8,425,163	(3,077,688)	5,347,475
NET EARNINGS FROM CONTINUING OPERATIONS		**41,001,383**	**8,822,312**	**49,823,695**
Net profit (loss) from assets held for sale		5,049,106	(8,822,312)	(3,773,206)
NET PROFIT FOR THE PERIOD		**46,050,489**	**–**	**46,050,489**

For more details, please refer to the specific notes on the Income Statement.

NOTE 22 - GUARANTEES, COMMITMENTS AND RISKS

	31.12.2015	31.12.2014
Guarantees in favour of Group companies	322,620	2,558,319
Guarantees given to third parties	18,434	52,229
Our commitments to third parties	158	126
Total	**341,211**	**2,610,674**

The guarantees in favour of Group companies relate mainly to guarantees given to subsidiaries with respect to loan agreements.

The guarantees given in favour of third parties belong mainly to sureties to foreign suppliers with regard to contracts for the supply of crude oil and electricity.

Commitments to third parties mainly represent commitments for the management of information systems specifically pertaining to finance.

Lastly, ERG S.p.A. issued a Parent Company Guarantee issued in favour of Group companies mainly relating to the wind business for approximately 123 million Euro.

NOTE 23 - COVENANTS

On August 7, 2015 ERG S.p.A. signed, with a pool of seven banks coordinated by Banca IMI S.p.A. agent bank (Unicredit, Intesa Sanpaolo, BNP Paribas, Credit Agricole, ING, Natixis, Barclays) a loan agreement for the acquisition by E.ON of the assets of the Terni hydroelectric plants.

The loan agreement provides for the following Financial Covenants, which if breached constitute an “event of default” under the loan agreement:

- the Ratio of Net Financial Debt and EBITDA (NET DEBT / EBITDA) reported in the Consolidated Financial Statements of the ERG Group must be less or equal to 4.50 with effect on 31.12.2016, with values in ranges down to the final value of 3.75 at 31.12.2020, according to the scale at the respective dates of calculation:
  - 4.50 as of 31.12.2016 and 30.06.2017
  - 4.25 as of 31.12.2017 and 30.06.2018
  - 4.00 as of 31.12.2018 and 30.06.2019
  - 3.75 as of 31.12.2019; 30/06/2020; 31.12.2020.

In case of breach of the covenants of the agreement, the borrower may intervene with an “Equity Cure” which will be taken into account as a reduction of the net debt, to be put in place within 15 days from April 30 (when referring to the date of calculation of the ratio as of 31 December) and September 30 (when referring to the calculation date of June 30).

The contract also provides for standard Negative pledges for loan agreements of a similar nature to this, with prohibiting guaranteeing of assets of any other third-party lenders.

.NOTE 24 - CONTINGENT LIABILITIES AND LITIGATION

ERG S.p.A. is involved in civil, administrative, fiscal and legal actions connected with the normal course of its activities. However, based on the information available and considering the liability provisions, these proceedings and actions will not have material adverse effects on the Group.

Priolo Site

As already indicated in the 2013 Financial Statements , on December 30, 2013 ERG S.p.A. had sold the final share held in ISAB S.r.l., permanently exiting the Coastal Refining business.

However, potential liabilities still exist, associated with the Priolo Site, originating from previous years and not yet completely defined.

During the preparation of the Financial Statements 2013 in consideration of litigation even in tax disputes from the complexity of the site reports and in general the conclusion of the activities linked to the coastal Refining business, a comprehensive assessment was carried out of the risk related to the issues commented above, estimating allocation to a “Provision for Priolo Site “of 91 million Euro (80 million as of December 31, 2015). In particular:

- with reference to the dispute established, in turn, by ERG Raffinerie Mediterranee (now ERG S.p.A.) with Tax Authorities over the application of **port taxes** for embarkation and disembarkation rights at the Santa Panagia jetty. On April 6, 2011 the Provincial Tax Commission of Siracusa has ruled on the merits and upheld in part the company’s appeal, declaring port charges not due for 2006, and instead declaring taxes due starting in 2007. The decision at first instance has been challenged in due time by the Agenzia delle Entrate and by ERG with appeal relating to the period after 2006. During the hearing for discussion of February 11, 2013, the Panel of Judges heard the Attorney of the State and the Attorneys of the Company’s argument in support of each party. The second-instance judgment, issued by the Regional Tax Commission and filed on May 27, 2013, has defined the appeal by reforming the decision at first instance in a negative sense for ERG. Following an in-depth evaluation of the rationale of the second appeal judgment, the company has decided to appeal to the Supreme Court, considering his case solidly founded (in particular concerning the concept of the port in pursuant to Law 84/94 and the presumed novation or retrospective value of Art. 1, Paragraph 986 of the Budget law for 2007). The Regional Tax Commission of Siracusa, on November 4, 2013 accepted the suspension request of the effectiveness of the second-instance judgment against the issuing of an insurance guarantee on first demand in favour of the Customs Agency. Scheduling of the hearing is awaited. Since 2007 the disputed duties have already been recognized in the profit and loss account and, on the other hand, no provision was made for 2001 to 2006;
- with reference to **environmental risk**, regarding the South site the likelihood of exposure to potential liabilities is considered remote because the risk in question was resolved following the transaction signed with the Environment Ministry in August 2011 and registered by the Court of Auditors on December 20, 2011 and quantified by the Settlement Agreement signed on December 30, 2013 between ERG S.p.A. and LUKOIL.

  As for the North site, depending on the dual mechanism of guarantees arising both from the perfected agreement with ENI (previous owner of the site), and from that perfected with LUKOIL (new owner) it follows that: (i) for potential environmental damage prior to October 1, 2002, ENI is solely liable without limitations; (ii) with reference to the potential damage for the period October 1, 2002 to December 1, 2008 and deriving from violation of environmental guarantees issued by ERG, the latter is liable. The following restrictions apply to ERG's contractual liability to LUKOIL: (a) upper applicable maximumlimit equal to the sale price of the equity investment in ISAB S.r.l.; (b) the environmental guarantees have a duration of 10 years and in case of uncertain identification of the period to which the potential damage is referred, a time shift until 2018 is applied. The agreement with LUKOIL prescribes, for ERG, a liability without time limitations for potential damages related to events known at the time of stipulation of the contract (Known Environmental Matters). Up to an amount of 33.4 million Euro, the expenses are allocated between ERG and LUKOIL (51% and 49%);

- with reference to **site business relations** relations some minor positions both of a creditor nature and debtor nature remain residually mainly related to the supply of petroleum products and utilities related to prior years.

During the preparation of the 2015 Financial Statements, the Management of the Group, assisted by corporate departments and the advice of their own legal and tax advisors, performed a comprehensive reanalysis of the issues described above. In the absence of any significant divelopments, no adjustments were rmade to the previous assessments. As of December 31, 2015, therefore, the risks provision is deemed adequate and only a partial use of approximately 3 million Euro is reported.

TotalErg

On December 3, 2013, at the offices TotalErg S.p.A. in Rome and Milan and ERG S.p.A. of Genoa, the Guardia di Finanza [Italian Revenue Police] of Rome implemented a search warrant issued by the Public Prosecutor at the Court of Rome in criminal proceedings against some members of ERG S.p.A. and TotalErg S.p.A. (a company created from the merger by incorporation of Total Italia S.p.A. into ERG Petroli S.p.A.).

Investigations - as is evident from the indictment formulated in the decree - it concerned alleged tax irregularities relating to financial year 2010, which had allegedly been carried by recording in the accounts of TotalErg of invoices for alleged non-existent transactions to purchase crude oil, issued for a total of 904 million Euro by companies based in Bermuda belonging to Total Group, which costs have been included in the tax returns of TotalErg S.p.A., and endorsed by the consolidating company ERG S.p.A. in the declaration of the National Tax Consolidation of the ERG Group.

As soon as informed of the ongoing investigations, the Company embarked on intense verification activities, directed by the precise reconstruction of the facts and transactions in dispute, as well as careful analysis of the internal control system.

Concerning tax, on **August 6, 2014** ERG S.p.A. as a result of the investigation, has received as tax consolidator, a report on findings (PVC) by the Guardia di Finanza in Rome issued against TotalErg which contents essentially referenced the aforementioned disputes.

On the same date, TotalErg received a formal notice of assessment for alleged tax irregularities related to Total Italy for 2007, 2008, 2009, substantially similar in nature and amounts, for each year, to those mentioned above, thus referring to periods prior to the establishment of the TotalErg joint venture .

Faced with the reports on findings, ERG S.p.A. and TotalErg S.p.A., to further establish the correctness of its actions, presented to the Tax Administration their observations and in-depth notes.

On **June 26, 2015** , ERG S.p.A. as tax consolidating, and TotalErg S.p.A., as a consolidated company (formerly ERG Petroli S.p.A.), received the notice of assessment for IRES purposes for the tax period 2007. For the same year, TotalErg S.p.A. directly received the notice of assessment for IRAP and VAT purposes.

Given the specific importance concerning the alleged non-deductibility of costs for purchase and for services in the year 2007 used in the referenced PVC of August 6, 2014, equal to approximately 68 million Euro, the notice of assessment greatly reduces this amount to 125 thousand Euro .

On **July 6, 2015** , TotalErg S.p.A. as investee, as incorporating company of Total Italia S.p.A., were notified for the reasons already given, with notices of assessment for IRES, IRAP and VAT for the years 2007, 2008 and 2009.

In view of specific findings made in the pertaining PVC also notified on August 6, 2014 for TotalErg S.p.A., equal to approximately 2,864 million Euro in non-deductible costs, the assessment notices considerably reduced, also in this case, that amount to approximately 6 million Euro.

ERG and the investee TotalErg, in believing to have always operated in full compliance with laws and regulations in force, challenged the said claims by presenting within the legal deadline the tax appeals in order to have it annulled.

In relation to the issues described above, it is noted that the agreement of joint venture with Total provides an adequate system of mutual guarantees.

In view of the above, we did not proceed to detect pertaining liabilities.

As of the date of publication of this document, no notice of assessment was found to have been issued against the companies for 2010, a tax year for which, again in the cited PVC of 6 August, contestations had been served of a nature and content similar to those recalled above and mainly traceable to the period prior to the establishment of the Joint Venture and referable to activities mainly brought about by Total Italia.

INCOME STATEMENT ANALYSIS

The individual items in the following tables show the values of revenues and costs in 2015 and 2014 of assets not held for sale, therefore net of IFRS 5 revenues and costs as specified in the paragraph **New Organizational Model** and **Note 21 - Assets and liabilities held for sale and net profit**.

Comments are therefore consistent with this approach.

NOTE 24 - REVENUE FROM ORDINARY OPERATIONS

	2015	2014
Profits from sales	48,915	113,648
Revenues from services	9,349	8,604
Total	**58,264**	**122,252**

Revenues from sales refer to the sale of energy to ERG Renew S.p.A. purchased from ERG Renew Group until June 2015, based on the electricity supply agreement stipulated on 23 April 2013.

Starting from July 2015, the ERG Renew Group companies directly sell energy to ERG Power Generation S.p.A.

Revenues from services mainly relate to charges for services provided to subsidiaries, including the year-end adjustments.

NOTE 26 - OTHER REVENUES AND INCOME

	2015	2014
Other revenues from Group companies	6,373	3,631
Recovery of expenses from third parties	174	427
Other	4,498	8,358
Total	**11,045**	**12,416**

"Other revenues from Group companies" mainly refer to other recoveries and charges to Group companies, related to various consulting and special projects, as well as to service agreements.

The other revenues mainly include:

- 804 thousand Euro as a result of the settlement agreement of Eni for interest calculated at the statutory rate in force at the time on amounts paid by the counterparty;
- 3,222 thousand Euro for reimbursement of Green Certificates related to prior years generated in ISAB Energy S.r.l. merged into ERG S.p.A., as previously mentioned.

NOTE 27 - PURCHASE COSTS

The **purchase costs**, equal to 48,871 thousand Euro (103,109 thousand Euro in 2014), refer to the purchase of energy from the Renew Group which ERG S.p.A. sold to ERG Renew S.p.A. during the first six months of the year.

	2015	2014
Negotiation term effect of crude oil and products	–	–
Purchase Costs	48,871	103,109
Other	–	–
Excise	–	–
Total	**48,871**	**103,109**

NOTE 28 - COST OF SERVICES AND OTHER COSTS

	2015	2014
Service costs	33,298	37,681
Rents and leases	650	987
Impairment of current receivables	2,581	–
Accruals of Provisions for Liabilities and Charges	–	2,864
Taxes and other dues	726	1,646
Other operating costs	1,518	1,921
Total	**38,773**	**45,099**

In 2014, the item "Accruals of Provisions for Liabilities and Charges" had the net value of 11,900 thousand Euro relating to the provision for the company ERG Supply and Trading S.p.A. merged into ERG S.p.A. during the 2015, based on the application of IFRS 5 as set out above.

The item "Impairment of current receivables" refers to the write-down of receivables for advances paid for CO_2 allowances to the Italian Carbon Fund.

Service costs are as follows:

	2015	2014
Trade, distribution and transport costs	48	–
Utilities and supplies	105	262
Insurance	991	1,026
Consultancy and Brokerage	8,458	5,649
Advertising and Promotions	464	437
Emoluments paid to Directors and Statutory Auditors	12,741	8,647
Other services	10,491	21,660
Total	**33,298**	**37,681**

This item mainly includes costs for consulting services, emoluments and bonuses to Directors and Statutory Auditors. The item other services includes the performance of other Group companies, EDP services by third parties, services for personnel, other services such as the service provided for the full year by ERG Renew in relation to the acquisition of ERG S.p.A. electricity from wind farms in the Renew Group for the first six months of the year.

NOTE 29 - LABOUR COSTS

	2015	2014
Wages and salaries	11,343	8,927
Social security contributions	3,057	2,920
Employee severance indemnities	538	619
Other costs	2,087	2,848
Total	**17,025**	**15,314**

The item “Wages and salaries” includes the recognition of employees’ bonuses for extraordinary transactions completed during the year.

	2015	2014
Management	17	23
Supervisor	43	54
Employees	27	39
Total	**87**	**115**

As of December 31, 2015 the total number of employees was 82 units (89 as of December 31, 2014).

The average workforce and headcount change mainly reflects a decrease due to the mobility procedures initiated in late 2014 and continued in 2015.

NOTE 30 - AMORTISATIONS AND IMPAIRMENT OF PROPERTY

	2015	2014
Amortizations of intangible fixed assets	168	159
Depreciation of tangible fixed assets	114	116
Write-downs of fixed assets	–	–
Total	**282**	**275**

NOTE 31 - FINANCIAL INCOME (EXPENSES)

	2015	2014
INCOME		
Foreign Currency exchange gains	73	1,430
Interest income on bank accounts	9,445	13,937
From receivables recorded under non-current financial assets	–	1,865
Other financial income	17,805	8,430
	27,323	**25,662**
EXPENSES		
Foreign Currency exchange losses	(116)	(4,187)
From subsidiaries	(592)	(1,531)
Interest on short-term bank borrowings	(300)	(2,393)
Interest on medium and long-term borrowings	(1,063)	(1,711)
Other financial expenses	(507)	(1,010)
	(2,579)	**(10,833)**
TOTAL	**24,744**	**14,829**

Income and expenses from subsidiaries are related to interest on cash accounts and cash pooling relationships with Group companies.

The amount of bank interest income relates to the use of available cash in deposit accounts.

In addition, it includes gains related to the recognition of the positive value of the sale option on ERG Renew S.p.A. non-controlling interest attributed to the subsidiary's minority shareholder. This amount was estimated in about EUR 11 million as of December 31, 2015.

Interest on medium/long term borrowings refers to the new loan for the acquisition of Hydro Terni S.r.l.

NOTE 32 - INCOME (EXPENSE) FROM EQUITY INVESTMENTS

	2015	2014
Dividends and other income from subsidiaries	12,009	39,514
Dividends and other income from other companies	67	59
Revaluations	–	38,794
Write-downs and losses from investments	(3,491)	(19,590)
Total	**8,586**	**58,777**

The item Dividends and other income from subsidiaries refers entirely to dividends paid by ERG Power Generation S.p.A.

The item Dividends and other income from other companies relates to dividends paid by the Securities Issuing Company and Meroil.

The item Revaluations in 2014 included the recovery of the value of the equity investment in ERG Renew equal to 39 million Euro. The value of the equity investment in ERG Renew as of December 31, 2014 was equal to 688,793 thousand Euro as commented in the chapter Impairment test on equity investments of Financial Statements 2014.

The item Write-downs mainly includes:

- the write down of the equity investment in the I Faber for 2,065 thousand Euro;
- the negative balance equal to 500 thousand Euro on the disposal of the investment Erg Oil Sicily at the end of 2014;
- the loss on the sale of Delta Ti for 25 thousand Euro;
- the adjustment of provision for charges on investment for 900 thousand Euro relating to the company ERG Petroleos, in view of negative equity, as commented in the chapter on Investments.

NOTE 33 - INCOME TAXES

	2015	2014
IRES for the year	10,528	(347)
Deferred IRES	–	–
Deferred IRAP	–	–
Previous year tax	784	1,526
Substitute taxes	–	–
Benefit from tax consolidation and deferred tax assets	(6,973)	7,246
Total	**4,338**	**8,425**

The taxes for the year, positive for 4,338 thousand Euro, include positive taxes arising from the exploitation of tax losses under tax consolidation ERG and the allocation/utilisation of deferred tax assets/liabilities on other income items for a net balance of 6,973 thousand Euro.

The following table reports the balance sheet of the consolidated tax:

	31.12.2015	31.12.2014
Receivables from Group companies (payable to tax authorities)	21,723	74,845
Payables to Group companies (receivables from tax authorities)	(15,328)	(79,768)
Debt position of ERG S.P.A.	10,527	(347)
Total	**16,922**	**(5,270)**

It is also noted that, as previously reported, the law no. 208 of December 28, 2015 (stability law for 2016) provided for the reduction in IRES from 27.5% to 24% as from January 1, 2017.

Therefore, the adjustment of deferred tax assets calculated on those income items that will have a tax effect from January 1, 2017, was made.

The tax rate used for calculating deferred taxes is equal to the nominal IRES rate of 27.5% for income entries which shall be fiscally recognised prior to December 31, 2016 and a rate of 24% for those recognised starting January 1, 2017, increased, by the IRAP tax rate (3.9%). The negative impact related to the IRES calculating the adjustment amounts to 1.9 million.

Reconciliation between actual tax charge and the theoretical tax charge(1)

The reconciliation between the tax charge reported in the Financial Statements and the Theoretical tax charge before the application of IFRS 5.

	Taxable	Tax
IRES		
Profit before taxes	**(2,311)**	
Theoretical tax burden (27.5%)		(636)
Permanent tax changes	(18,311)	
Taxable income	**(20,622)**	
IRES rate (27.5%)		(5,671)
Excerpt prepaid IRES taxes / other changes		1,683
IRES taxes relative to previous financial years		233
IRAP		**(3,755)**
Difference between production costs and revenues	(35,889)	
Costs and revenues not relevant for IRAP	19,606	
Theoretical taxable base for IRAP	(16,283)	
Theoretical tax charge (4.82% rate)		
Permanent tax changes	(8,001)	
Theoretical IRAP tax	**(24,284)**	
Theoretical IRAP on Financial Statements		
Write-off deferred tax IRAP / other changes		200
Tax relative to previous financial years		(784)
TOTAL TAXES IN FINANCIAL STATEMENTS		**(4,339)**

(1) the permanent tax adjustments consist mainly of dividends from subsidiaries and the write-downs of investments

NOTE 34 - NON-RECURRING ITEMS

Non-recurring items for the year 2015 before tax effects refer to:

- charges for extraordinary operations and studies of special projects for 853 thousand Euro;
- bonus for the special project "10 di cuori" for 7,559 thousand Euro (divided between director's bonus and personnel bonus);
- write off of Italian Carbon Fund credit for 1,871 thousand Euro;
- expenses related to retirement incentives for 1,151 thousand Euro.

NOTE 35 - RELATED PARTIES

The following tables gives evidence of the details of the assets, liabilities, income and expenses to/from related parties. The values shown are the values before IFRS 5 reclassifications.

FY 2015 - FINANCIAL POSITION - ASSETS

	Other financial assets	Trade receivables	Other current receivables and assets	Current financial assets
ERG Power S.r.l.	114,216	–	467	–
ERG Eolica Adriatica S.r.l.	–	–	244	–
ERG Eolica Amaroni S.r.l	–	–	490	–
ERG Eolica Basilicata S.r.l.	–	–	768	–
ERG Eolica Campania S.p.A.	–	–	4,820	–
ERG Eolica Faeto S.r.l.	–	–	331	–
ERG Eolica Fossa del Lupo S.r.l.	–	–	2,406	–
ERG Eolica S. Cireo S.r.l.	–	–	1,308	–
ERG Eolica S. Vincenzo S.r.l.	–	–	1,715	–
ERG Power Generation S.p.A.	697,599	5,096	14,341	26,927
ERG Renew Operations & Maintenance S.r.l.	–	(9)	1,630	–
ERG Renew S.p.A	–	911	306	13,816
ERG Services S.p.A.	–	83	–	(3)
ERG Petroleos S.A.	–	–	–	8,490
ERG Wind 2000 S.r.l.	–	–	140	–
ERG Wind 4 S.r.l.	–	1	4,012	–
ERG Wind Energy S.r.l.	–	1	–	–
ERG Wind Holdings S.r.l.	–	6	–	–
ERG Wind Investiments Ltd.	–	8	8	–
ERG Wind Leasing 4 S.r.l.	–	1	–	–
ERG Wind Sardegna S.r.l.	–	–	1,099	–
ERG Wind Sicilia 2 S.r.l.	–	–	141	–
ERG Wind Sicilia 4 S.r.l.	–	–	22	–
ERG Wind Sicilia 5 S.r.l.	–	–	11	–
Green Vicari S.r.l.	–	–	406	–
Priolo Servizi S.c.p.A.	–	122	–	–
SIGEA S.p.A.	(1)	6	30	–
TotalErg S.p.A.	–	622	12,719	–
Other	–	13	28	–
Total	**811,814**	**6,861**	**47,442**	**49,230**
% Impact on total item	*98.64%*	*47.71%*	*69.17%*	*93.61%*

FY 2015 - FINANCIAL ASSETS / LIABILITIES

	Other non-current liabilities	Trade payables	Current financial liabilities	Other current liabilities
ERG Eolica Adriatica S.r.l	–	11	–	23
ERG Eolica Amaroni S.r.l	–	1	–	–
ERG Eolica Basilicata S.r.l.	–	–	–	178
ERG Eolica Calabria S.r.l	–	–	–	8
ERG Eolica Campania S.p.A.	–	59	–	45
ERG Eolica Faeto S.r.l.	–	114	–	–
ERG Eolica Fossa del Lupo S.r.l.	–	18	–	27
ERG Eolica Ginestra S.r.l.	–	76	–	438
ERG Eolica S. Cireo S.r.l.	–	2	–	272
ERG Eolica S. Vincenzo S.r.l.	–	7	–	331
ERG Eolica Tirreno S.r.l.	–	–	–	1
ERG Power Generation S.p.A.	–	1,043	–	1,081
ERG Renew Operation & Maintenance S.r.l.	–	11	–	–
ERG Renew S.p.A	–	56	–	34
ERG Services S.p.A.	–	244	925	953
ERG Wind 4 S.r.l.	–	7	–	–
ERG Wind 6 S.r.l.	–	–	–	245
ERG Wind Energy S.r.l.	–	76	–	8,867
ERG Wind Holdings S.r.l.	–	–	–	152
ERG Wind Sicilia 3 S.r.l.	–	–	–	143
ERG Wind Sicilia 6 S.r.l.	–	–	–	197
Ionio Gas in liquidazione S.r.l.	–	48	–	–
SIGEA S.r.l.	–	1	1	(4)
TotalErg S.p.A.	–	146	–	14,008
Other	–	6	(2)	36
Total	**–**	**1,926**	**924**	**27,035**
% Impact on total item	*0,00%*	*3.37%*	*0.83%*	*45.87%*

FY 2015 - INCOME STATEMENT - INCOME

	Revenue from ordinary operations	Other revenues and income	Financial incomes
ERG Power S.r.l.	29	2	3,926
ERG Supply & Trading S.p.A.	1	–	–
ERG Power Generation S.p.A.	3,030	4,976	2,490
ERG Renew Operations & Maintenance S.r.l.	–	2	–
ERG Renew S.p.A	50,217	11	101
ERG Services S.p.A.	499	66	21
ERG Wind 4 S.r.l.	–	1	–
ERG Wind Energy S.r.l.	–	1	–
ERG Wind Holdings S.r.l.	–	10	–
ERG Wind Investiments Ltd.	–	11	–
ERG Wind Leasing 4 S.r.l.	–	1	–
ISAB Energy S.r.l.	–	130	–
San Quirico S.p.A.	–	473	–
SIGEA S.p.A.	(4)	–	1
TotalErg S.p.A.	1,530	689	–
Other	26	–	1
Total	**55,328**	**6,373**	**6,540**
% Impact on total item	*94.96%*	*57.70%*	*23.94%*

FY 2015 - INCOME STATEMENT/ TAXES

	Purchase costs	Cost of services and other costs	Financial expenses
ERG Eolica Faeto S.r.l.	1,007	–	–
ERG Wind 4 S.r.l.	502	–	–
ERG Wind Energy S.r.l.	18,365	–	–
ERG Eolica Adriatica S.r.l	5,520	–	–
ERG Eolica Amaroni S.r.l.	1,131	–	–
ERG Eolica Basilicata S.r.l.	1,853	–	–
ERG Eolica Campania S.p.A.	5,890	–	–
ERG Eolica Fossa del Lupo S.r.l.	4,756	–	–
ERG Eolica Ginestra S.r.l	1,104	–	–
ERG Eolica S. Vincenzo S.r.l.	1,586	–	–
ERG Eolica S. Cireo S.r.l.	1,438	–	–
ERG Power Generation S.p.A.	–	1,059	21
ERG Renew S.p.A	–	–	564
ERG Services S.p.A.	–	6,301	7
ERG Wind 6 S.r.l.	1,445	–	–
ERG Wind Sicilia 3 S.r.l.	862	–	–
ERG Wind Sicilia 6 S.r.l.	1,340	–	–
Green Vicari S.r.l.	1,897	–	–
SIGEA S.r.l.	8	–	–
Other	–	–	–
Total	**48,704**	**7,360**	**592**
% Impact on total item	*99.66%*	*18.98%*	*22.96%*

Assets are mainly related to trade receivables, the granting of loans, Group VAT and the "consolidated tax regime".
Liabilities mainly concern trade payables and loan agreements.
Income and expenses mainly include the effects of the purchase and sale of the energy produced by wind farms of Group's companies with respect to the first six months of the year as well as the services performed for the investees and the dividends paid by subsidiaries.
Of particular notice are costs for purchases from the companies of the Renew Group for the purchase of the energy produced by the wind farms that in the first half of the year was resold to the market.
Starting from July 1, 2014, after the transfer to ERG Power Generation S.p.A., ERG S.p.A. has sold the above-mentioned electricity to ERG Power Generation S.p.A.
From January 1, 2015 ERG S.p.A. purchased electricity from the companies of the Renew Group, to then sell it to ERG Renew S.p.A., which in turn resold the energy to ERG Power Generation S.p.A.. As of July 1, 2015, the companies of the Group Renew, sell the energy produced to ERG Renew S.p.A., which in turn sells it to ERG Power Generation S.p.A..
All the transactions are part of ordinary operations and are regulated at market conditions.

NOTE 36 - INDEPENDENT AUDIT FEES

According to Art. 149 duodecies of the Issuers' Regulations, we report the pertaining charges for 2015 relating to services rendered by the independent auditor Deloitte & Touche S.p.A., auditor of the ERG Group, and by the companies belonging to its network .

	2015
Auditing services	235
Services other than auditing	253
Total	**488**

Services other than auditing refer to:

- certification services for 33 thousand Euro pertaining to the conformity review of the separate yearly accounts to the purposes of AEEG Resolution no. 11/2007;
- other services for 145 thousand Euro pertaining to the agreed verification procedures voluntarily requested on quarterly data of the subsidiaries companies, for 35 thousand Euro for preparing the sustainability report.

It is noted that the balance of the statutory audit includes remuneration relative to the two merged companies, ISAB Energy S.r.l. and ERG Supply and Trading S.p.A.

NOTE 37 - DIVIDENDS

Dividends paid by ERG S.p.A. in 2015 (71.4 million Euro) and in 2014 (142.8 million Euro) as resolved upon approval of the Financial Statements for the previous year, amounted respectively to 0.50 Euro and 1 Euro (of which non-recurring item 0.50) for each of the share with dividend rights as of the dividend date.

On March 22, 2016, the Board of Directors proposed the payment to shareholders of a dividend of EUR 1.00 per share, including a non-recurrent component of EUR 0.50 per share in consideration of the conclusion of the strategic project involving the industrial reorganisation of the Group and the restructuring and optimisation of long-term debt. The dividend shall be payable as of May 25, 2016, with the validity date for registration of the dividend as of 23 May 2016 and record date on May 24, 2016.

NOTE 38 - FINANCIAL INSTRUMENTS

31.12.2015	FVTPL (1)	HTM	L&R (2)	AFS (3)	Other liability	Derivatives hedging	Total	*of which non-current*	Fair value
Investments in other companies	–	–	–	491	–	–	491	–	–
Financial receivables	–	–	866,929	–	–	–	866,929	*814,475*	–
Derivatives	11,181	–	–	–	–	–	11,181	–	11,181
Trade receivables	–	–	14,380	–	–	–	14,380	–	–
Financial securities in current assets	–	–	–	–	–	–	–	–	–
Other receivables	–	–	48,881	–	–	–	48,881	–	–
Cash and cash equivalents	–	–	616,555	–	–	–	616,555	–	616,555
Total assets	**11,181**	**–**	**1,546,745**	**491**	**–**	**–**	**1,558,417**	***814,475***	**627,736**
Mortgages and loans payable	–	–	–	–	694,573	–	694,573	*694,573*	–
No-recourse Project Financing	–	–	–	–	–	–	–	–	–
Short-term payables to banks	–	–	–	–	110,022	–	110,022	–	–
Financial payables	–	–	–	–	968	–	968	–	–
Derivatives	–	–	–	–	–	386	386	*386*	386
Trade Payables	–	–	–	–	57,130	–	57,130	–	–
Other Payables	–	–	–	–	37,535	–	37,535	*4,425*	37,535
Total liabilities	**–**	**–**	**–**	**–**	**900,228**	**386**	**900,614**	***699,384***	**37,921**

31.12.2014	FVTPL (1)	HTM	L&R (2)	AFS (3)	Other liability	Derivatives hedging	Total	*of which non-current*	Fair value
Investments in other companies	–	–	–	491	–	–	491	–	–
Financial receivables	–	–	261,153	923	–	–	262,076	*119,593*	–
Derivatives	–	–	–	–	–	–	–	–	–
Trade receivables	–	–	74,826	–	–	–	74,826	–	–
Financial securities in current assets	–	–	–	–	–	–	–	–	–
Other receivables	–	–	7,446	–	–	–	7,446	*2,400*	–
Cash and cash equivalents	–	–	822,124	–	–	–	822,124	–	–
Total assets	**–**	**–**	**1,165,549**	**1,414**	**–**	**–**	**1,166,963**	***121,993***	**–**
Mortgages and loans payable	–	–	–	–	13,583	–	13,583	–	–
No-recourse Project Financing	–	–	–	–	–	–	–	–	–
Short-term payables to banks	–	–	–	–	58,777	–	58,777	–	–
Financial payables	–	–	–	–	551,762	–	551,762	–	–
Derivatives	–	–	–	–	–	–	–	–	–
Trade Payables	–	–	–	–	85,182	–	85,182	–	–
Other Payables	–	–	–	–	32,686	–	32,686	*7,602*	–
Total liabilities	**–**	**–**	**–**	**–**	**741,990**	**–**	**741,990**	***7,602***	**–**

(1) FVTPL: Fair value through profit and loss
(2) L&R: Loans and receivables
(3) AFS: Available for sale financial investments

The following table shows an analysis of derivative financial instruments measured at fair value, Grouped into Levels 1 to 3 based on the degree of observability of fair value:

- level 1, fair value is determined from quoted prices in active markets;
- level 2 fair value is determined using valuation techniques based on variables that are directly (or indirectly) observable on the market;
- level 3, fair value is determined using valuation techniques based on significant unobservable variables in the market.

	Level 1	Level 2	Level 3
Financial assets			
- FVTPL	–	11,181	–
- AFS	–	–	–
- Hedging derivatives	–	–	–
Total	**–**	**11,181**	**–**
Financial liabilities			
- FVTPL	–	–	–
- Hedging derivatives	–	386	–
Total	**–**	**386**	**–**

NOTE 39 - INFORMATION ON RISKS

The main risks identified and actively managed by ERG S.p.A. are as follows:

- credit risk, which reveals the possibility of insolvency (default) of a counterparty or potential deterioration of the assigned creditworthiness;
- liquidity risk, which expresses the risk that available financial resources available are insufficient to fulfil payment commitments.

ERG S.p.A. attaches great importance to the identification and measurement of risks and related control systems, in order to ensure efficient management of the risks assumed. Consistent with this goal, a Risk Management system has been adopted aimed at ensuring, in compliance with existing policies, the identification, measurement and monitoring at central level for the entire Group of the degree of exposure to individual risks.
The Risk Finance department ensures consistency with the set limits and provide adequate support with their own analysis, both to individual subsidiaries and to the Risk Committee and Top Management of the Parent Company, for strategic decisions.

Credit Risk

The exposure to credit risk, inherent in the probability that a given counterparty fails to meet its contractual obligations, is managed through appropriate analysis and evaluation by giving each party an internal rating (Internal Rating Based, summary valuation index of creditworthiness). The rating class provides an estimate of the probability of insolvency (default) of a given counterparty which determines the degree of reliance assigned, is carefully monitored and should never be exceeded. The selection of counterparties both in reference to the industrial business and financial negotiations, is subject to the approval of the Credit Committee, whose decisions are supported by the analysis of creditworthiness.

The concentration risk, both for the customer and for the sector is monitored continuously without ever having resulted in alert situations.

The following table provides information on ERG S.p.A.'s exposure to credit risk at year-end by a classification in loans not past due (see **Note 7 - Trade receivables**) based on the internal credit ratings assigned.

	2015
AAA rating	854,000
AA +/ AA- rating	10,056
A+ / A- rating	(549,915)
BBB+ / BBB- rating	953,415
BB+ / BB- rating	129,368
B+ / B- rating	1,281
CCC- rating	199,955
Loans to Group companies	5,697,891
Unassigned	1,729,790
Total	**9,025,841**

Liquidity risk

Liquidity risk is the risk that financial resources may not be sufficient to cover all obligations falling due. To date, by generating flows and available credit lines provided by various counterparties, ERG ensures adequate coverage of its financial requirements.

The following tables summarize the maturity profile of financial liabilities of ERG S.p.A. as of December 31, 2015 and December 31, 2014 based on undiscounted contractual payments.

31/12/2015	**Ledger of debts**				
(EUR thousand)	**On demand**	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**
Mortgages and loans payable	–	1,063	6,403	721,023	–
No-recourse Project Financing	–	–	–	–	–
Short-term bank borrowings	110,022	–	–	–	–
Derivatives	–	–	584	11,812	–
Financial payables	–	–	–	–	–
Trade Payables	57,103	27	–	–	–
Total liabilities	**167,125**	**1,090**	**6,987**	**732,835**	**–**

31/12/2014	Ledger of debts				
(EUR thousand)	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years
Mortgages and loans payable	–	46	13,537	–	–
No-recourse Project Financing	–	–	–	–	–
Short-term bank borrowings	58,774	–	–	–	–
Derivatives	–	–	–	–	–
Financial payables	–	–	–	–	–
Trade Payables	56,688	28,494	–	–	–
Total liabilities	**115,462**	**28,540**	**13,537**	**–**	**–**

Regarding the disclosure of the "fair value hierarchies" required by IFRS 7, please refer to what is specified in **Note 45** of the Consolidated Financial Statements.

Interest rate risk

Identifies change in the future interest rates that could determine higher costs for Erg S.p.A. The containment of interest rate risk is pursued through the use of derivative contracts as Interest rate swaps and interest rate options (plain vanilla).

The following table represents the impact on profit before tax (due to changes in fair value of assets and liabilities) and equity of ERG S.p.A. (due to changes in the fair value of derivative instruments cash flow hedge) Of change of + /- 1% interest rate, with all other variables unchanged.

Impact on net equity

(Millions of Euro)	2015
Shock-up (variation in interest rate +1%)	11.7
Shock-down (-1% change in interest rates)	(3.7)

Derivative instruments used

The main types of derivative instruments used to manage financial risks, with the sole purpose of hedging, are as follows:

Options: a contract whereby one party, by paying a fee (premium) to the other, acquires the right to buy (call option) or sell (put option), at a future date, a certain quantity of financial instruments (below) at a set price (strike price);

Forward or futures contracts: involve the purchase or sale between two parts of a given asset (underlying) at a future date at a predetermined price at the time of conclusion of the contract; futures contracts also fall into this category, which unlike the forward contracts are standardized, traded in lots and for predetermined intervals within regulated markets.

Swap: a contract that determines the exchange of streams of payments on certain dates between two parties. Payments can be expressed in the same currency or in different currencies and their amount is determined in relation to an underlying asset.

The underlying can be of various types and considerably influences the characteristics of the contract which may, in practice, many forms.

The derivative instruments arranged by ERG S.p.A. and to manage its exposure to financial risks as of December 31, 2015 are:

Derivatives on interest rate

- Interest Rate Options type tools which allow for setting of upper limits (cap) and lower (floor) to fluctuations in interest rates relative to loans indexed to a variable rate;
- Interest Rate Swap type tools to bring about the risk profile considered most appropriate for bank loans at fixed and variable rates. IRS require that counterparties, with reference to a notional value defined and predetermined deadlines, share flows of interest calculated in relation to fixed rates or variable rate parameters previously agreed.

Summary of derivative instruments used

The derivative instruments arranged by ERG, to hedge the risk exposure of interest rate, exchange rate and interest rate, as of December 31, 2015 are as follows:

Types	Hedged risk	Referenced notional	Fair Value as at 31.12.2015
			(Thousands of Euro)
Cash Flow Hedging instruments			
Interest Rate Swaps and Interest Rate Caps	Financial Interest Rate Risk	1,369 EUR million	(386)
Total Cash Flow Hedging instruments			**(386)**

Cash Flow Hedging instruments

A. Interest Rate Swaps and Interest Rate Caps and Collars.

Financial risk hedging transactions for “interest rate” risk related to changes in interest rates on loans.

As of December 31, 2015 there was a negative fair value total equal to 386 thousand Euro. The change is recognized in the reserve of Cash Flow Hedge.

It is also reported, that the 205 Financial Statement includes a gain equal to 11 million Euro related to the recognition of the positive value of the sale option on ERG Renew S.p.A. non-controlling interest attributed to the subsidiary’s minority shareholder.

NOTE 40 - FINANCIAL STATEMENTS WITHOUT RECLASSIFICATION IFRS 5

For the sake of complete disclosure, we have included in these Notes the Income Statement of the company without the application of IFRS 5.

Income Statement

(Euro)	2015		2014	
Revenue from ordinary operations		58,264,423		452,918,127
of which with related parties	*55,327,757*		*91,496,886*	
Other revenues and income	–	11,045,157	–	14,576,850
of which with related parties	*6,373,449*		*3,651,598*	
of which non-recurring items	–		*8,059,000*	
Changes in inventories of products		–		–
Changes in inventories of raw materials		–		–
Purchase Costs		(48,871,102)		(346,100,356)
of which with related parties	*(48,704,189)*		*(90,784,264)*	
Cost of services and other costs		(38,773,471)		(135,403,285)
of which with related parties	*(7,360,342)*		*(84,612,116)*	
of which non-recurring items	*(11,011,272)*		*(18,311,000)*	
Labour costs		(17,024,874)		(18,202,234)
of which non-recurring items	*(5,698,322)*		*(2,840,000)*	
GROSS OPERATING MARGIN		**(35,359,867)**		**(32,210,898)**
Amortisations and impairment of property		**(281,692)**		**(565,553)**
of which non-recurring items	–		–	
Financial incomes		27,133,907		25,661,631
of which with related parties	–		*8,120,118*	
Financial expenses		(2,389,625)		(10,832,622)
of which non-recurring items	–		–	
of which with related parties	–		*(1,386,669)*	
Net financial income (expenses)		**24,744,282**		**14,829,009**
of which non-recurring items	–		–	
Income (expense) from net equity investments		8,586,027		58,776,533
of which non-recurring items	–		–	
Other Income (expenses) from net equity investments		–		–
Income (expense) from net equity investments		8,586,027		58,776,533
EARNINGS BEFORE TAXES		**(2,311,249)**		**40,829,091**
Income taxes		**4,338,470**		**5,221,398**
of which non-recurring items	–		*3,168,721*	
NET EARNINGS FROM CONTINUING OPERATIONS		**2,027,221**		**46,050,489**
Net earnings of operations to be transferred		–		–
of which with related parties	–		–	
of which non-recurring items	–		–	
NET PROFIT FOR THE PERIOD		**2,027,221**		**46,050,489**

NOTE 41 - PUBLICATION DATE OF FINANCIAL STATEMENTS

On March 22, 2016 the Board of Directors of ERG S.p.A. authorized the publication of the separate Financial Statements together with the reports of the supervisory bodies in compliance with the deadlines prescribed by current laws and regulations provided by law.

Genoa, 22 March 2016

On behalf of the Board of Directors

The Chairman

Edoardo Garrone

REPRESENTATION ON THE SEPARATE FINANCIAL STATEMENTS

PURSUANT TO ART. 81-TER OF REGULATION CONSOB No. 11971 OF 14 MAY 1999 AS AMENDED

1. The undersigned Luca Bettonte, as Chief Executive Officer of ERG S.p.A., and Paolo Luigi Merli, as Manager Responsible for preparing the financial reports of ERG S.p.A., taking into account the provisions of Art. 154-bis, Paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, certify the following:
   - the suitability in relation to the characteristics of the business and
   - the actual application of the administrative and accounting procedures for the preparation of the Separate Financial Statements in the period between January 1, 2015 and December 31, 2015.
2. In this regard it is noted that:
   - the suitability of the administrative and accounting procedures for the preparation of the Separate Financial Statements of ERG S.p.A. was verified by the assessment of the system of internal control over financial reporting. This assessment was carried out with reference to the criteria established in the model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO);
   - the assessment of the system of internal control over financial reporting did not uncover any significant aspects.
3. It is furthermore represented that:
   - the Separate Financial Statements of ERG S.p.A. as of December 31, 2015:
     - were prepared in accordance with the applicable International Accounting Standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 by the European Parliament and Council, dated July 19, 2002;
     - match the underlying accounting books and records;
     - are suitable to provide a true and fair view of the financial position, and results of operations of the issuerand cash flows;
   - the Report on Operations contains a reliable analysis of the operating performance and results, as well as the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Genoa, 22 March 2016

The CEO

Luca Bettonte

The Corporate Financial Reporting Officer

Paolo Luigi Merli

REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS MEETING WITHIN THE MEANING OF ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

At the Shareholders Meeting of ERG S.p.A.

The Board of Statutory Auditors, in office at the date of this report, was appointed by the Shareholders Meeting of the 23rd of April 2013 and the terms of office will expire with the approval of the Financial Statements as at the 31st of December 2015. The appointment was made in accordance with the applicable laws, regulations and articles of association and the composition of the Board fulfils the gender parity criteria referred to in Article 148 of Legislative Decree 58/98 (Financial Services Act).

The auditors recognise that the appointment was made on the basis of the proposal submitted by the majority shareholder, in accordance with applicable national laws, regulations and articles of association.

The Board of Statutory Auditors note that they assessed, during the financial year, for all the auditors, on the basis of the statements made by the auditors themselves and of the information available, the lack of grounds of invalidation, ineligibility and incompatibility provided for in Articles 2382 and 2399 of the Italian Civil Code and by Article 148 of Legislative Decree no. 58/98, as well as compliance with the independence requirements provided for in the same Article, on the basis of the criteria laid down by the Standards of Behaviour of the Board of Statutory Auditors, drawn up by the National Board of Chartered Accountants and by the Corporate Governance Code for listed companies with reference to the independent directors, having regard more to the substance (guarantee of independent judgement) than the form, as recommended by the Corporate Governance Code. No events occurred that could nullify the independence requirement with respect to the verifications carried out at the time of the appointment.

The Board of Statutory Auditors notified the Board of Directors of the results of these assessments, pursuant to Article 144-novies, Paragraph 1-ter of CONSOB Regulation no. 11971, for the consequent disclosure to the public.

During the year, the Statutory Auditors carefully evaluated the effort and time required for diligent performance of the assigned duties and compliance with the limit to the accumulation of offices which may be held in other companies, established by the law (Article 148-bis of the Financial Services Act and related implementing rules, Articles 144-duodecies to 144-quinquiesdecies of the Issuers' Regulations), fulfilling their disclosure obligations to the CONSOB and the public as prescribed, respectively, by Articles 148 of the Financial Services Act and 144-terdecies of the Issuers' Regulations.

Lastly, the Board of Statutory Auditors reports that no statutory auditor had any interest, on his/her own or on behalf of third parties, in a determined transaction during the year.

Supervisory activity: legal, regulatory and ethical sources

The supervisory activity required on the part of the Board of Statutory Auditors was carried out in accordance with the law and, in particular, with Article 149 of Italian Legislative Decree no. 58/98 (Financial Services Act), with the recommendations of the CONSOB with regard to corporate controls and activities of the Board of Statutory Auditors (in particular, communication no. DAC/RM 97001574 of the 20th of February 1997), with the indications contained in the Corporate Governance Code, and with the Standards of Behaviour of the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants, 2015 edition.

In preparing this report, due consideration was given to CONSOB Communication no. 1025564 of the 6th of April 2001, no. 3021582 of the 4th of April 2003 and no. 6031329 of the 7th of April 2006, pertaining to the content of the reports of the Boards of Statutory Auditors to the Shareholders' Meetings of companies with shares listed on the stock market.

Lastly, the Board of Statutory Auditors undertakes that on the 24th of April 2015 it delivered to CONSOB, in compliance with CONSOB Communication no. 6031329 of the 7th of April 2006, the "Summary of oversight activities" regarding the financial year 2014, according to the form provided for this purpose by the same authority.

Attendance at the meetings of corporate bodies

The Board of Statutory Auditors undertakes that:

- In the course of financial year 2015, the Board of Statutory Auditors held nine meetings and attended the Shareholders' Meeting and the ten meetings of the Board of Directors.

  From the closing date of the Financial Statements to the date of this report, the Board of Statutory Auditors met twice;
- The Internal Control and Risk Committee met nine times (of which five times in joint session with the Board of Statutory Auditors, in view of the issues discussed) and the Nominations and Remuneration Committee met eight times.

  The Board of Statutory Auditors attended all meetings of the Internal Control and Risk Committee, for some topics in their entirety, and with reference to the Nominations and Remuneration Committee through the participation of its own Chairman or another auditor designated by him/her.

Supervision of compliance with the law, with the articles of association and regulations and of the enforcement of proper administration standards

By attending the Shareholders' meetings and the meetings of the Board of Directors, the Board of Statutory Auditors supervised compliance with the articles of association and the laws and regulations that govern the operations of the company's bodies and the enforcement of proper administration standards. The frequency of the meetings of the Board of Directors, the Directors' average attendance rate and the duration of the meetings were adequate and no significant resolutions were passed without providing sufficient information to the directors and statutory auditors. The Board of Statutory Auditors verified that all resolutions were in accordance with the best interests of the company and were supported by suitable documentation and by expert opinions pertaining to the economic and financial congruity of transactions, when necessary.

The Board of Statutory Auditors acknowledges that the Board of Directors receives adequate information from the Chief Executive Officer and from the Internal Control and Risk Committee; it supervises the general operating performance, periodically comparing the results achieved with those planned; it scrutinises and approves transactions with significant relevance and it is aware of the risk and effects of the transactions carried out.

The disclosure obligations pertaining to information that is regulated, privileged or required by the Supervisory Authorities.

The Board of Statutory Auditors considers that the instruments and institutions of governance adopted by the company constitute valid management with respect of the principles of proper administration. Reference is made to the Report on Corporate Governance and the ownership structure of ERG S.p.A. for further insights on corporate governance, with respect to which the Statutory Auditors made a positive assessment.

Information about the overall activity carried out by the company and by its subsidiaries

The Board of Statutory Auditors acquired from the directors, at least once per quarter, adequate information on the overall activity carried out by the company, in the various businesses where it operated, also through subsidiaries and associates, and on the transactions with the greatest economic and financial relevance. On the basis also of the flows of information acquired during its supervisory activity, the Board of Statutory Auditors ascertained that the actions resolved and carried out were compliant with the law and with the articles of association and were not manifestly imprudent or foolhardy, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the company's capital. The Board of Statutory Auditors also supervised compliance with the Guidelines, the Standards of Behaviour and Procedures in force within the Group, and adherence to the processes whose outcome is brought to the directors' attention for decision-making.

Additional information about the investees of ERG S.p.A. was obtained from the independent auditors and from the statutory auditors of the companies themselves.

The Board of Statutory Auditors acquired knowledge and supervised, for matters under its competence, compliance with proper administration standards, also through the information received directly from the heads of the various company functions and from representatives of the independent auditors.

On the basis of the information acquired in the supervisory activity, it emerged that the transactions of greatest relevance in economic and financial terms carried out by the company, also through direct or indirect investees, are the following:

– merger by incorporation of ISAB Energy S.r.l. in ERG S.p.A., within the context of the project for the corporate reorganisation of the ERG Group called "**Fast Steering**" to reduce the command and control structure, with consequent advantages from an organisational and operational point of view and the saving of operating and administrative costs;
– merger by incorporation of ERG Supply & Trading S.p.A. in ERG S.p.A. after the Group left the business sector;

– acquisition through ERG Power Generation S.p.A. of the hydroelectric assets of E.ON Produzione S.p.A., with the purchase of the entire stake of a newly established company (Hydro Terni S.r.l) the owner of the aforementioned hydroelectric assets, as beneficiary in the partial demerger of E.ON Produzione S.p.A.;
– acquisition through ERG Renew S.p.A. of wind parks in the United Kingdom, France and Germany as well as two companies providing technical support services and consultancy to the wind sector;
– dissolution of the joint venture ERG Renew-LUKOIL in Lukerg Renew.

In addition, detailed information was provided at the Board of Directors meetings on:

– procedures relating to the withdrawal of funds allocated, within the meaning of Law 488/92 from the companies of the ERGWind Group, before acquisition by ERG Renew S.p.A. of the IPM Group companies: any risks arising from the transaction were contractually guaranteed by the seller at the time of the acquisition and cannot, therefore, be attributed to any effects on the Financial Statements of ERG S.p.A.;
– developments in the litigation concerning the noted dispute of the alleged tax irregularities related to activities merged in TotalErg S.p.A., with reductions in the sums contested to insignificant amounts;
– tax disputes opened as a result of verifications relating to ERG Eolica Ginestra, ERG Wind Holdings (Italy) S.r.l. and ERG Wind Investments Limited;
– evolution of the complex regulatory framework of the reference market.

All the above-mentioned operations were adequately illustrated in the Board of Directors meetings pertaining to the deliberation of necessary and exhaustive resolutions and fully illustrated in the Notes to the Financial Statements and the Management Report of the financial year 2015, which also provides a complete update of the evolution of the complex regulatory framework of reference.

Operations on own shares

In the financial year 2015 the Board of Directors did not make use of the authorisation of the meeting of the Board of Directors to purchase its own shares, which, therefore, remain unchanged compared to the previous year.

Merger by incorporation in ERG S.p.A. of ISAB Energy S.r.l. and ERG Supply & Trading S.p.A.

The mergers were carried out with a resolution of the Board of Directors, as allowed by Article 17 of the company's Articles of Association, with the conditions required by law.

The Board of Statutory Auditors supervised compliance by the administrative body of rules of law and the applicable articles of association as well as the observance of the principles of proper administration and in particular the existence of conditions for documentary and procedural simplifications.

The Board of Statutory Auditors certified the payment of the entire share capital and the non-existence of the situations provided for in Articles 2446 and 2447 of the Italian Civil Code.

Exercise of the option to waive the public disclosure obligation

The company selected the option, introduced by CONSOB with Resolution no. 18079 of the 20th of January 2012, to waive the obligation to make available to the public an information document upon carrying out significant transactions, that is, mergers, demergers, capital increase by transfer in kind, acquisition and sale. Disclosure of this decision is provided in the Management Report, as required by Article 70 of the Issuers' Regulation.

"Market Abuse" and "Protection of Savings" regulations

The Board of Statutory Auditors supervised the discharge of the obligations related to the "Market Abuse" and "Protection of Savings" regulations pertaining to corporate disclosure and "Internal Dealing", with particular reference to the handling of privileged information and to the procedure for disseminating notices and information to the public. In particular, the Board of Statutory Auditors monitored compliance with the provisions of Article 115-bis of the Financial Services Act and in Articles 152-bis to 152-quinques of the Regulation, regarding updates to the Register of persons with access to privileged information.

Supervisory activity on the occasion of the appointment of the Board of Directors

The Board of Statutory Auditors verified, to its knowledge, the attestations of the members of the Board of Directors appointed by the meeting of the 24th of April 2015, for the financial years 2015-2017, regarding the existence of the requirements provided for in Article 2387 of the Italian Civil Code and the lack of grounds of invalidation, ineligibility and incompatibility provided for in Article 2382 of the Italian Civil Code.

The Board of Statutory Auditors verified the proper application of criteria and assessment procedures adopted by the Board of Directors to evaluate the independence of its members, sharing their conclusions and, with this report, it is disclosed to the market.

Supervisory activity on relations with the subsidiaries and related parties

The instructions given to the subsidiaries are adequate for the purpose of assuring their timely compliance with the disclosure obligations to the market prescribed by law within the meaning of Article 114 of the Financial Services Act.

The Board of Statutory Auditors reviewed and assessed the document for the verification and update both of the areas where the parent company exercises management and control and of the companies over which said powers are exercised, verifying compliance with the provisions of Article 2497 et seq. of the Italian Civil Code.

The intra-group and related parties transactions refer almost entirely to rationalisation and cost-effectiveness operations. They are part of the ordinary operations, are regulated at market conditions and are illustrated in the Management Report and in the Notes to the Financial Statements. In particular, the Board of Statutory Auditors reviewed and approved the document containing the main income data of the intercompany service agreements for the year 2015, deeming adequate the analysis in the identification of the criteria for charging back to individual companies the services set out therein, in accordance with the services used.

The corporate reorganisation of the Group, that foresaw the creation of new companies and allocated a part of the services originally provided by ERG S.p.A. through ERG Services, has made it necessary to revise the contracts in force. In particular, ERG Services was entrusted with the management of synergistic processes and across-the-board management and strategic services supporting the Group and ERG S.p.A.

In relation to Art. 18 ter of CONSOB Regulations concerning Markets (which includes obligations regarding the subsidiaries established and regulated under the laws of countries outside the European Union and of substantial relevance to the consolidated financial statements), the Group companies where this regulatory provision is applicable, have appropriate procedures for regular reporting to management of the Company and the parent company's auditor the economic, equity and financial data necessary for preparation of the consolidated financial statements.

Regarding transactions with related parties as defined by IAS no. 24, also illustrated in the Notes to the Financial Statements, the Board of Statutory Auditors has been able to verify, through participation in the meetings of the Audit and Risk Committee, abiding to proper procedures to ensure that related Parties are correctly identified and that the transactions with them are carried out transparently and in compliance with substantive and procedural fairness criteria by assessing the suitability of the thresholds specified in the Procedure for transactions with related Parties as well as compliance with corporate interests of transactions and the adequacy of the information provided by the directors in the Report on Operations and the Notes to the Financial Statements.

The Board of Statutory Auditors took note of the updating of the list of Related Parties and supervised the review of the Procedure, approved by the Board of Directors upon proposal of the Audit and Risk Committee concerning, in particular, the reduction of the "paucity threshold" for remuneration and economic benefits to members of the administrative or control bodies, or key management personnel - in line with the thresholds provided for by the majority of listed companies - and the provision of a particular composition of the Control and Risk Committee and the Nominations and Remuneration Committee to formulate specific opinions identified by the Procedure, in line with the provisions laid down in the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010.

Opinions delivered by the Board of Statutory Auditors

Remuneration to the Directors for special duties and non-recurring remuneration

The Board of Statutory Auditors, sharing the decisions of the Appointments and Compensation Committee, has expressed a favourable opinion, pursuant to Art. 2389 of the Civil Code, in relation to the resolutions of the Board of Directors, concerning:

– he award of remuneration on an annual basis for directors with specific duties, commensurate with the commitment and defined, with the support of a specialized consulting company, through a market benchmarking of listed companies;

– the recognition of non-recurring remuneration to management which provided a decisive contribution to the realisation of the acquisition of hydroelectric assets from EON - including Executive Vice Chairman Alessandro Garrone and Chief Executive Officer Luca Bettonte.

  The Board of Statutory Auditors has shared with the Nominating and Compensation Committee both the reasons and the criteria used for the quantification of remuneration, ensuring the existence of the requirements encompassing the Group's policy, announced in the Report on remuneration, the recognition of non-recurring remuneration for management in view of extraordinary transactions, in accordance with certain rules and both qualitative and quantitative parameters (relevant strategic reach, strong value creation for the company and for the shareholders and the extraordinary contribution of the management receiving the remuneration).

The Board of Statutory Auditors has verified that the above-stated decisions, taken by the Board of Directors, upon proposal of the Appointments and Compensation Committee, with the involvement of the Board of Statutory Auditors, complies with the relevant guidelines of the Group and is consistent with the recommendations of the Corporate Governance Code with the requirements laid down by the Remuneration Policy, contained in the Report on remuneration, subject to the advisory vote of the Shareholders Meeting and therefore excluded from the scope of the Procedure for transactions with Related Parties pursuant to Art. 3.2, Letter (c) of said Procedure.

The information on the remuneration Policy in general and the nature and amount of remuneration are set out in the Remuneration Report (pursuant to Article 123-ter of Legislative Decree no. 58/98), which recording was made by the Board of Statutory Auditors and examined and shared with the Audit and Risk Committee.

Remuneration of the Chief Audit, Risk and Compliance Officer

The Board of Statutory Auditors, also expressed a favourable opinion, as explicitly required by the Corporate Governance Code - Art. 7, criterion 7.C.1. the attribution to the Chief Audit, Risk and Compliance Officer of the remuneration, partly fixed and partly variable, for the year 2015, established by the Board of Directors upon proposal of the Director in charge of the Internal Control System and risk management, with favourable opinion of the Audit and Risk Committee. The Board of Statutory Auditors noted that the process of allocation of the variable bonus and performance assessment bonus is separate from the bonus system on the rest of the company, in line with the logic of full autonomy to be granted to the role itself and that the level of said remuneration takes into account both comparisons within the company and precise market surveys on remuneration of similar figures.

Remuneration of Key Management personnel

The Board of Statutory Auditors noted that the remuneration proposals of Key Managers (Chief Financial Officer of ERG S.p.A and CEO of ERG Power Generation S.p.A) - on which the Nominations and Remuneration Committee gave a favourable opinion - are in line with the benchmark data and are consistent with the remuneration Policy and, as such, excluded from the scope of the Procedure for transactions with Related Parties.

Other opinions to the Board of Directors

The Board of Statutory Auditors also verified, issuing a favourable opinion in view of the pertinent resolutions of the Board of Directors in this regard:

– the accurate application of accounting standards and their consistency for the preparation of the separate and consolidated financial statements and periodic reports;
– the activity plan of the internal audit and the adequacy of resources allocated;
– the approval of the Long-term Cash Incentive Plan 2015-2017 (LTI system), prepared with the support of the specialised company The European House - Ambrosetti and aimed at insuring greater alignment of the interests

of management to the main objective of creating value for shareholders in the medium to long term, in line with the strategic guidelines of the ERG Group, verifying the list of its participants, in compliance with the Corporate Governance Code;

– the updating of the values and business indicator thresholds of the MBO System for the year 2014;
– the updating the target value of EVA and EVA delta and the related thresholds, in line with the provisions of the Regulation of the medium-long term (LTI) Incentive system and verification of compliance with the on / off conditions required by the Regulation.

Sustainability Report 2014

The Sustainability Report 2014 was approved by the Board of Directors, at its meeting on 12 May 2015.

Concrete implementation of the corporate governance rules

The Board of Statutory Auditors has actually considered the effective and correct implementation of corporate governance rules in the implementation of the Corporate Governance Code, to which the company adheres, as adequately shown in the Report on Corporate Governance and Ownership Structure, in compliance with Art. 124-ter of the T.U.F. and Art. 89 bis of the Issuers Regulation.

The Board of Statutory Auditors examined the additions and changes proposed in the 2015 edition, considering the impact of the changes on corporate governance, not significant.

The Board of Statutory Auditors examined, in accordance with art. 3, c. 5 of the Corporate Governance Code, concerning supervision for effective implementation of corporate governance rules, the correct application of the auditing criteria and procedures adopted by the Board of Directors, regarding the positive assessment of the independence of the Directors, both with reference to Art. 148, third paragraph, of the T.U.F., and with reference to the contents of the Corporate Governance Code, giving more importance to substance (independent opinion assurance) rather than form.

The Board of Statutory Auditors shared the positive assessment made by the Nominations and Remuneration Committee and adopted by the Board of Directors, as required by application criterion no. 1 Paragraph 1, Letter g) of the Corporate Governance Code, regarding the size and composition and to the Board and its operation and size, composition and operation of the Board committees. In the evaluation we used the evaluation criteria already used in the previous year, based on the results of a self-assessment questionnaire, prepared by the Nominations and Remuneration Committee and completed by all the members of the Board of Directors and Board of Statutory Auditors.

Results of the audits is disclosed to the market as part of the Directors' report on corporate governance.

Review of the Remuneration Policy

The Remuneration Policy, in line with the provisions of the Corporate Governance Code - 2014 Edition - to which the Company adheres, has been amended upon the proposal of the Nominations and Remuneration Committee in order to incorporate the essential elements of the new multi-year incentive plan (LTI System in 2015 -2017) and the amendments of the text 2014 edition of the Corporate Governance Code, in particular with regard to the claw back clause and disclosure procedures and those involved in the process of determining the compensation and remuneration of the ERG Directors of and its Key Management Personnel.

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Supervisory activities on the adequacy of the organizational structure

The Board of Auditors has been constantly and adequately informed by the Chief Human Capital Officer on the development of the reorganization of the ERG Group, based on the sole responsibility of the entire Administration, Finance and Control world and the system of internal Committees to work jointly with the Board Committees.
The Board of Statutory Auditors has verified the consistency between the company's decision-making structure and delegated powers.

Fulfilments related to the Legislative Decree 231/2001

With reference to the organizational and procedural activities carried out pursuant to and by all effects of Legislative Decree 231/2001, on administrative liability of Entities for the offenses prescribed by the regulations, the Board of Statutory Auditors has noted, both in meetings with the Supervisory Board and from periodic reports on the activity carried out by said Body, that no significant critical issues were found for the purposes of implementation and effectiveness of the Organisation, Management and Control Model.
As limited by its authority, the Board of Statutory Auditors has:

– evaluated the existence of professional qualifications of members of the Supervisory Board, required by the Model pursuant to Legislative Decree 231/2001;
– verified the adequacy of the powers and financial resources allocated to the Supervisory Board for the proper performance of its institutional duties;
– verified the consistency of the information received and information requirements contained in the Model;
– examined the schedule of activities and the budget of the ERG Supervisory Body for the year 2016.

The Model was revised, with changes and additions resulting from the corporate reorganization, in view of the thorough examination of best practices and relevant case law.
The Board of Statutory Auditors attended the information session on the role of the Board of Directors under the regulations dictated by Legislative Decree no. 231/01, held by the Supervisory Body, with the support of a law firm specialising in the field, as part of training recommended by the Corporate Governance Code in favour of Board Members, pursuant to the provisions of the Confindustria Guidelines for the construction of Organization, Management and Control Models (edition 2014).
For a description of the mode of implementation of the Organisational and Management Model, reference may be made to the Report on Corporate Governance and Ownership Structure for the year 2015.

Legislation on health, safety, and environment

The Board of Statutory Auditors has been periodically informed about the activities of the Group in the area of health, safety, environment and quality, as well as on training and updating in relation to the legislation issued, from time to time, on the subject and found the constant attention of corporate bodies and of the Executive Board with regard to these issues, whose policy is an integral part of the Code of Ethics. In particular, both the emphasis on continuous training, updating and improvement activities and the existence of a formalised system of powers has been confirmed, with precise definition of duties and responsibilities.

The Board of Statutory Auditors noted that, consistently with the Sustainability Policy, which issues relating to health safety and environment are an integral part, the certification of the competent Bodies were renewed.

Legislation on privacy

During the year, the ERG Group updated its security policies to ensure an adequate level of protection of personal data processed in application of the Privacy Code (Legislative Decree 196/2003) and of the Provisions issued by the Guarantor Authority.

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Monitoring of the adequacy of the internal control system

The Board of Statutory Auditors monitored and assessed the adequacy of the Internal Control System, consistent with the principles in the Corporate Governance Code and, more generally, with best practices, both in design and in operation.

Participation in the meetings of the Audit and Risk Committee has allowed both the timely exchange of information relevant to the performance of respective tasks and the coordination with the activities of the Committee in the performance of the function of the Committee for Internal Control and Auditing, attributed the Board of Statutory Auditors by Art. 19 of Legislative Decree no. 39/2010, aimed, in particular, at the supervision of the financial information process and the effectiveness of internal control, auditing and risk management systems.

The Board of Statutory Auditors acknowledges that they have checked the most relevant activities undertaken by the overall system of internal control and risk management through participation in meetings of the Control and Risk Committee and the Nominations and Compensation Committee and periodic meetings with the Internal Audit, Risk & Compliance department.

As part of this activity, in particular, the Board of Statutory Auditors acknowledges that it has received and reviewed:

– periodic reports on its activities prepared by the Control and Risk Committee and Internal Audit, Risk & Compliance Department;
– the reports prepared, at the conclusion of the auditing and monitoring activities, by the Internal Audit, Risk & Compliance Department, with their results, recommended actions and controls for the implementation of said actions;
– quarterly updates on the evolution of the risk management process, the results of monitoring and assessment activities carried out by Internal Audit, Risk & Compliance as well as the objectives achieved.

Both in the periodic reports and in meetings with the Internal Audit, Risk & Compliance Department, no restrictions were found for monitoring activity or lack of available resources.

The Board of Auditors has expressed a favourable opinion, as expressly required by the Corporate Governance Code, on the plan of activities and budget of Internal Audit, Risk & Compliance for the year 2016, also regarding the adequacy of available resources.

With regard to risk management, the Board of Statutory Auditors found that, in compliance with the guidelines, transactions are implemented in order to minimize the risks of electricity price volatility and financial risks (exchange rate and interest rate), for the sole purpose of hedging, without assuming speculative positions; derivative financial instruments are used, as defined in Art. 2427 bis of the Italian Civil Code (options, swaps, futures and forwards). The Notes to the Financial Statements show, pursuant to Art. 2427-bis of the Italian Civil Code, the market values, based on the mark to market values estimated by the market, with verification of the adequacy using appropriate instruments and valuation models.

Following the activities undertaken during the period, as detailed above, the Board of Statutory Auditors shared the positive assessment made by the Control and Risk Committee of the adequacy of the Internal Control and Risk Management System.

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Monitoring the adequacy of the administrative and accounting system

In connection with the revision of the organizational model, which provides for the allocation of administrative functions to a separate Group company, the subsidiary ERG Services S.r.l, the Control and Risk Committee and the Board of Statutory Auditors verified that an unchanged level of efficiency and effectiveness of administrative activities and of services performed remained and the quality of previously tested controls, on which both the Audit and Risk Committee and the Board of Statutory Auditors had expressed a positive opinion.

With reference to monitoring the adequacy of the administrative and accounting system and its reliability in correctly representing management, the Board of Statutory Auditors acknowledges to have received adequate information on monitoring activities of business processes with administrative-accounting impact within the internal control System, performed both during the year and in relation to the periodic reports on management both in the closure stage of accounts and for the preparation of the Financial Statements, in compliance with the monitoring requirements and attestation to which ERG S.p.A is subject pursuant to Law 262/05.

In this regard, the Board of Statutory Auditors examined the proposed updates to the Model pursuant to Law 262/2005, as a result of organisational and corporate character changes which occurred in the Group, the risk assessment and the results of the tests activities, taking note of the results of the test activities on the controls performed and the plan of activities scheduled.

The adequacy of the administrative-accounting system was also evaluated by obtaining information from the managers of the respective departments and the analysis of the work performed by the Auditing Company.

There were no particular issues and elements militate preventing the issue of the certificate by the Manager responsible for preparing corporate accounting documents and the CEO on the adequacy of the administrative and accounting procedures for preparation of the ERG S.p.A Financial Statements and Consolidated Financial Statements for the year 2015.

The Board of Statutory Auditors has monitored compliance with the legal requirements applicable to preparation and publication of the Interim Financial Report and Interim Reports on Operations, as well as the entries of the same and the correct application of accounting standards, including using the information obtained from the Independent Auditors.

The Board of Statutory Auditors has supervised the adequacy of the instructions issued by ERG S.p.A to its subsidiaries, in reference to the information flows required for the preparation of the Financial Statements and Interim Reports.

Omissions or reprehensible actions

As a result of supervisory and control activities during the year, the Board of Statutory Auditors can attest that:

– during the course of activities, there were no omissions, irregularities or reprehensible or significant matters that required reporting to the control bodies or mention within this report;

– no complaints were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code or submitted by third parties;

- no transactions with any third parties, or intra-group transactions and / or related parties were identified that would highlight atypical or unusual profiles, due to the contents, nature, size and timing.

Supervision of statutory auditing activity of accounts

During the year, regular meetings were held with the Auditing Company, both through formal meetings also attended by the heads of administration, and through informal meetings between individual Executive Officers of the Company, and through informal meetings between individual members of the Board and representatives of the Auditing Company, in order to facilitate the mutual exchange of data and relevant information, in compliance with Art. 150 of Legislative Decree no. 58/98. Full cooperation was always observed, also regarding the preparatory work for the Annual Financial Statements, and did not reveal any issues worthy of mention.

As required by Art. 6 of Legislative Decree 39/2010, in which the Board of Statutory Auditors is qualified as the Internal Control and Audit Committee, the auditing company submitted the Auditing Plan 2015 to the Board of Statutory Auditors .

On 7 April 2016, the Auditing Company forwarded to the Board of Statutory Auditors, as the “Committee for internal control and audit in accordance with art. 19 of Legislative Decree no. 39/2010” the report on key matters arising from the statutory audit, on which no significant deficiencies were found in the internal control system in relation to the financial reporting process. The Board of Statutory Auditors has issued a favourable opinion on the results presented in the report, in accordance with Art. 7.C.1, Letter. e) of the Corporate Governance Code.

Taking into account the “Annual Transparency Report” document prepared by Deloitte & Touche S.p.A, published on its website and communicated to the Board of Statutory Auditors, as well as the formal confirmation of their independence issued by the above-mentioned company and communication of powers granted, including through entities belonging to the network, by ERG S.p.A and the consolidated companies, verified that no appointments for services have been attributed that could compromise the independence of Auditors pursuant to Art. 17 of Legislative Decree. 39/2010, the Board of Statutory Auditors does not consider that there are critical issues related to the independence of Deloitte & Touche S.p.A.

Additional statutory audit assignments of accounts conferred to Deloitte & Touche S.p.A

In order to unify the positions of a single auditing company, following a consensual withdrawal, by which Ernst & Young cancelled its assignment at ERG Renew S.p.A and its subsidiaries, ERG Renew S.p.A has assigned statutory audits of the above-mentioned companies to Deloitte & Touche S.p.A, giving continuity to the parent company's mandate.

The decision was taken in order to make more efficient the tasks in terms of cost (taking into account the specific supplementary activities required of the principal auditor in order to revise / supplement the activities of the secondary auditor) and in terms of corporate organisational commitment by having a single point of reference.

Changes in the scope concerned by the auditing

Following the appointment of the statutory audit of the subsidiary ERG Renew S.p.A and its relevant subsidiaries with their registered office in Italy, there was no need to fulfil additional specific audit activities, as also indicated also by ISA 600R, on the findings of the audits performed by other Auditing Companies on significant components of the ERG Group. Such cases in the past, had led to recognition of supplementary fees contained in the original offer.

On 30 November, the ERG Group, via its subsidiary ERG Power Generation S.p.A, completed the acquisition of Hydro Terni S.r.l, owner of the Italian hydroelectric assets previously held by E.ON Group.

Revision of fees

The auditing company Deloitte & Touche S.p.A, was paid for the complete auditing of the financial statements and consolidated financial statements and the limited auditing of the Interim Financial Report for a total compensation of € 235 thousand (including the remuneration of Euro 100 thousand relating to the two merged companies, ISAB Energy S.r.l and ERG Supply & Trading S.p.A)

It is noted that on 23 April 2009, the Ordinary General Meeting of Shareholders of ERG S.p.A appointed Deloitte & Touche S.p.A as independent statutory audit of the financial and consolidated statements, as well as verification of regular bookkeeping and the correct reporting of management events in the accounting records of ERG S.p.A for the 2009-2017 period, pursuant to Legislative Decree 24 February 1998, no. 58 (now Legislative Decree no. 39 of 27 January 2010). Said task is governed by the Deloitte proposal for professional services dated 26 February 2009, as amended, respectively dated 7 December 2010, 24 September 2012, 7 January 2014, 1 July 2014 and 29 June 2015.

In relation to the above mentioned changes in the scope of the referenced scenario, the Board of Statutory Auditors verified that the revision of the fees, leading to a different commitment required of the auditing company, is consistent with the contractual terms of the original proposal and that the rates are unchanged compared to those of the above-mentioned proposal

Additional assignments were also attributed by ERG S.p.A to Deloitte & Touche S.p.A for a total consideration of Euro 213 thousand for the following activities:

- agreed verification procedures on periodic reports of the subsidiary companies: Euro 145 thousand;
- certification services relating to the examination of conformity of separate annual accounts for the purpose of AEEG resolution no. 11/2007 and tax returns: Euro 33 thousand;
- services for the preparation of the annual and semi-annual reporting package: Euro 35 thousand.

The assignment was conferred on the company associated with the Deloitte & Touche network (Deloitte ERS) for the determination of the GAP Analysis for the purpose of the sustainability report for consideration of Euro 40 thousand. The Board of Statutory Auditors examined the proposals for professional consulting services and verified that the activity is not incompatible with the auditing activities, pursuant to Art. 160 of the Issuers' Regulations, as confirmed by CONSOB in the "outcome of the consultation" of 4 May 2007.

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For completeness of information, it is confirmed that ERG S.p.A. and the controlled companies have assigned Deloitte & Touche S.p.A. the following tasks:

- accounting audit for an overall total of Euro 914,000;
- further assignments other than auditing for an overall amount of Euro 538,000, of which:
  - Euro 117,000 for certification services;
  - Euro 421,000 for other services, among which in particular, the voluntarily agreed verification procedures required for the controlled companies' quarterly data.

ERG S.p.A. and the controlled companies have assigned Deloitte & Touche S.p.A. and its network the following tasks:

- accounting audit for an overall total of Euro 46,000;
- further assignments other than auditing for an overall amount of Euro 430,000, of which:
  - Euro 205,000 for tax consultancies;
  - Euro 40,000 for drafting the sustainability report;
  - Euro 185,000 for other services (review of reporting package of foreign controlled companies, certification services and voluntarily agreed veri-fication procedures required on quarterly data by the controlled compa-nies).

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Supervisory activities relating to the annual financial statements and consolidated balance

With regard to the annual financial statements and the consolidated balance at 31 December 2015:

- the Board of Auditors has established, through direct assessments and information gathered by the same Auditors, the observance of the laws that regulate the formation and entries in the financial statements and management report and the procedures adopted, attesting the correct use of accounting principles, as described in the Notes to the Company's Fi-nancial Statements and Management Report.

- in application of CONSOB resolution n. 15519/2006, the effects of the re-lationship with the correlated parties are expressly indicated in the ba-lance sheets.
- the Notes to the Financial Statements contain the information required by the international accounting standards regarding the reduction in asset value. The conformity of the impairment test procedure regarding IAS Principle 36, in line with the recommendations of the Joint Document of Banca d'Italia/Consob/Isvap n. 4 of 3 March 2010, has been formally approved by the Board of Directors at the board meeting of 10 March 2016, autonomously and in advance with respect to the time of approval of the financial reports, as recommended by the above mentio-ned Document. The Board of Statutory Auditors acknowledges having analysed and discussed, in a joint meeting with the Control and Risks Committee, all the supporting documentation and verified the coherence with the formulation previously adopted, confirms the correctness of the procedure and soundness of the evaluation assumptions and has conse-quently shared the outcomes.

  The results of the impairment tests, adequately illustrated in the Notes to the Financial Statements, have been the object of a sensitivity analysis in view of the evolution of the variables in energy costs and interest ra-tes, in conformity with the indications provided for in CONSOB's communication n.3907 of 19 January 2015.
- The Statements correspond to the facts and information which the Board of Auditors have been informed of in the exercise of its supervisory du-ties and powers of control and inspection.
- The Chief Executive Officer and the Manager in charge of drawing the company's accounting documents have issued the certification, in pur-suance of art. 81 – ter of Consob Regulation n. 11971/1999 and subse-quent amendments and integrations and of art. 154-bis of Leg. Decr. N. 58/1998 (T.U.F.).
- The management report meets the requirements of law and is coherent with the entries and results of the statements; it provides ample informa-tion on the more important assets and operations, of which the Board of Auditors has been punctually informed, as well as on the principle risks involving the company and its controlled companies and inter-company operations and operations with correlated companies, as well as the ad-justment of the company's organization to the principles of corporate governance, in conformity with the Self Regulation Code of listed com-panies.
- In virtue of the provisions of art. 123-ter of Leg. Decr. N. 58/1998 (T.U.F.), the Shareholders Assembly is presented with the remuneration report, the formulation of which the Board of Statutory auditors has examined and shared in a joint meeting with the Control and Risks Committee.

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On 7 April 2016, the Auditing Company issued the reports in conformity with articles 14 and 16 of Leg. Decr. N. 39/2010 which confirms that the consolidated annual financial statements at 31 December 2015 are consistent with the international accounting principles – IFRS – adopted by the European Union, as well as with the regulations emanated in pursuance of art. 9 of Leg. Decr. n. 38/2005, and are formulated with clarity and represent a true and correct picture of the company's assets and liabilities, financial situation, profits and losses and cash flows for the financial year ending at such date.

The Auditors' report also expresses opinions on the coherence with the management report statements and with the information contained in the Company Governance Report in pursuance of art. 123-bis of Leg. Decr. n. 58/98.

With regard to the contents of this report, the Board of Auditors has no comments to formulate with respect to the approval of the Financial Statement at 31 December 2015 and the proposal of the Board of Directors, as contained in the Management Report.

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The mandate conferred to the Board of Statutory Auditors by the Shareholders' Assembly on 23 April 2013 expires with the approval of the financial statements at 31 December 2015. You are therefore requested to nominate a new Board for the 2016-2018 period.

Genoa, 8 April 2016

The Board of Statutory Auditors

(Dott. Mario Pacciani)

(Dott.ssa Elisabetta Barisone)

(Dott. Lelio Fornabaio)

AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
ERG S.p.A.

Report on the Separate Financial Statements

We have audited the accompanying Separate Financial Statements of ERG S.p.A., which comprise the statement of financial position as at December 31, 2015, the income statement, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

The Company's Directors are responsible for the preparation of these Separate Financial Statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these Separate Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Separate Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Separate Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Separate Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of Separate Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Separate Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Separate Financial Statements give a true and fair view of the financial position of ERG S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended 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.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the Separate Financial Statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of ERG S.p.A., with the Separate Financial Statements of ERG S.p.A as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above is are consistent with the Separate Financial Statements of ERG S.p.A as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Barbieri
Partner

Genoa, Italy
April 7, 2016

This report has been translated into the English language solely for the convenience of international readers.

FINANCIAL STATEMENTS OF THE MAIN SUBSIDIARIES AND JOINT VENTURES

BALANCE SHEET

	ERG Power S.r.l.	ERG Power Generation S.p.A.	ERG Hydro S.r.l.
	(EUR thousand)	(EUR thousand)	(EUR thousand)
Tangible Fixed Assets	350,084	–	507,103
Intangible Fixed Assets	7,685	408	154,077
Equity Investments	11,233	1,059,341	169
Non current Assets	**369,002**	**1,059,749**	**661,349**
Inventories	8,819	–	–
Trade Receivables	11,676	141,051	25,412
Trade Payables	(12,452)	(81,772)	(14,157)
Tax payables for excise duties	–	(448)	–
Net Working capital	**8,043**	**58,831**	**11,255**
Employees' severance Indemnities	–	(1,040)	(1,715)
Other assets	7,779	9,808	131,818
Other liabilities	(468)	(35,938)	(11,067)
Net invested capital	**384,356**	**1,091,410**	**791,640**
Shareholders’ Equity	125,736	309,354	784,318
Net financial indebtedness	258,620	782,056	7,322
Shareholders' equity and financial debt	**384,356**	**1,091,410**	**791,640**

PROFIT & LOSS

	ERG Power S.r.l.	ERG Power Generation S.p.A.	ERG Hydro S.r.l.
	(EUR thousand)	(EUR thousand)	(EUR thousand)
Revenues from ordinary operations	123,624	692,668	5,990
Other revenues and income	52	7,274	4,833
Total revenues	**123,676**	**699,942**	**10,823**
Costs for purchases	(3,370)	(492,525)	(381)
Changes in inventory	154	–	–
Costs for services and other operating costs	(45,475)	(156,146)	(2,021)
Personnel Costs	–	(19,489)	(601)
EBITDA	**74,985**	**31,782**	**7,820**
Amortisation, depreciation and write-downs of fixed assets	(36,079)	(289)	(4,602)
EBIT	**38,906**	**31,493**	**3,218**
Net financial income (expenses)	(12,925)	(2,468)	(4)
Net income (loss) from equity investments	–	–	–
Result of ordinary management	**25,981**	**29,025**	**3,214**
Net income extraordinar	–	11	–
Result before taxes	**25,981**	**29,036**	**3,214**
Income taxes	(7,702)	(7,343)	(1,456)
Result for the period	**18,279**	**21,693**	**1,758**

ERG Services S.p.A.	ERG Renew S.p.A.	ERG Renew Group	TotalErg S.p.A.	TotalErg Group
(EUR thousand)	(EUR thousand)	(EUR thousand)	(EUR million)	(EUR million)
9,024	1,019	1,253,421	388.1	490.2
2,171	1,687	473,661	23.2	42.2
88	527,649	35,037	89.2	67.7
11,283	**530,355**	**1,762,119**	**500.5**	**600.1**
–	–	12,405	249.0	277.8
1,981	47,535	159,449	378.7	465.5
(2,461)	(14,993)	(32,738)	(565.8)	(603.1)
–	–	–	(125.3)	(125.3)
(480)	**32,542**	**139,116**	**(63.4)**	**14.9**
(494)	(594)	(2,451)	(5.9)	(8.3)
1,526	34,825	209,361	134.8	168.0
(2,635)	(2,576)	(281,377)	(219.4)	(245.1)
9,200	**594,552**	**1,826,768**	**346.7**	**529.7**
10,127	679,485	679,116	161.4	235.6
(927)	(84,933)	1,147,652	185.3	294.1
9,200	**594,552**	**1,826,768**	**346.7**	**529.7**

ERG Services S.p.A.	ERG Renew S.p.A.	ERG Renew Group	TotalErg S.p.A.	TotalErg Group
(EUR thousand)	(EUR thousand)	(EUR thousand)	(EUR million)	(EUR million)
20,485	119,307	366,934	3,960	4,643.0
282	2,053	8,543	73	79.4
20,767	**121,360**	**375,477**	**4,033**	**4,722.4**
(114)	(105,066)	(52,273)	(3,463)	(4,050.8)
–	–	2,605	(81)	(81.7)
(10,500)	(18,053)	(76,413)	(394)	(429.0)
(7,340)	(6,195)	(13,741)	(46)	(74.2)
2,813	**(7,954)**	**235,655**	**50,2**	**86.7**
(2,278)	(1,370)	(123,104)	(75,3)	(88.7)
535	**(9,324)**	**112,551**	**(25,1)**	**(1.9)**
(14)	8,107	(52,614)	(19,1)	(25.6)
–	39,558	(4,055)	(0,5)	0.1
521	**38,341**	**55,882**	**(44,7)**	**(27.5)**
–	–	1	2,0	–
521	**38,341**	**55,883**	**(42,7)**	**(27.5)**
(400)	5,810	(11,107)	10,0	6.4
121	**44,151**	**44,776**	**(32,7)**	**(21.1)**

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