

## **ERG Group**

Disclosure prepared according to Schedule 7  
in Annex 3A of Issuer Regulation  
no. 11971 of 14 May 1999, as amended



**Notice:**

*When the characteristics of the Plan do not permit providing information concerning the points indicated in Schedule 7, they are not listed in this disclosure.*

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*This document provides information concerning the long-term stock options plan offered by the ERG Group, which must be considered "relevant" pursuant to Article 84-bis(2) of the Issuer Regulation*

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## 1. Beneficiaries

1.1 The plan beneficiaries are:

- the members of the Board of Directors of ERG S.p.A. Edoardo Garrone, Alessandro Garrone, Domenico D'Arpizio, Pietro Giordano, Giovanni Mondini, and Giuseppe Gatti;
- the members of the Boards of Directors of the subsidiaries, Aldo Garozzo, Guglielmo Landolfi, Pier Francesco Pinelli, and Raffaele Tognacca.

1.2 The A and B level senior managers (according to the applicable Group classification), also defined Executives..

1.4 a) Executives of the holding company: 3

b) Executives of the subsidiaries: 3

c) not applicable

d) not applicable

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## 2. Reasons for adoption of the Plan

- 2.1.1 The long-term stock options plan approved by the Board of Directors on 5 August 2005 has the following principal objectives:
- to encourage decisions that guarantee sustainable value creation;
  - to avoid risks of under-investment;
  - to increase retention of key persons.

The grant criteria were determined on the basis of a comparison with the aggregate compensation of Executive Directors and Senior Managers with the market benchmarks and percentage ratio between fixed compensation and the short and long-term variable component.

The stock options plan has a medium and long-term time horizon in order to assure alignment with the typical time horizon of Group investments.

- 2.2.1 Performance targets and indicators were not considered, as they are accounted for exclusively in the short-term variable compensation plan.

- 2.3.1 The number of options granted was determined as the ratio of the long-term variable component based on the market benchmark to the fair value of the individual option calculated using the Black & Scholes method.

The amount of the options in both absolute terms and as a ratio of the other components of compensation is competitive with respect to the benchmark market.

- 2.5 Since the Plan was approved when the previous tax laws were applicable, the only relevant element in tax terms that was taken into consideration is determination of the strike price as being equal to the normal value of the share when the option was granted.

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### **3. Approvals process and terms for granting of the instruments**

- 3.1 The plan was approved by the Board of Directors on the basis of a proposal made by the Remuneration Committee.
- 3.2 As proposed by the Remuneration Committee, the Board of Directors determines the number of options to be granted to the Chairman, Deputy Chairmen, and Chief Executive Officer.  
The Chief Executive Officer determines the number of options to be granted to the members of the Boards of Directors of the subsidiaries and the category envisaged at paragraph 1.2 hereinabove.
- 3.3 Throughout the duration of the plan and until any options are exercised, if events or circumstances should occur, such as statutory changes, excluding changes in tax law, applicable to the legal relationships stemming from the plan, changes in CONSOB regulations, corporate mergers and demergers that impact ERG stock, increases and reductions in the share capital of ERG, and amendments to the articles of association affecting ERG ordinary shares, such as to impact the conditions governing application of the Plan by altering the economic and financial bases thereof and partially or wholly defeating its purposes, the Remuneration Committee shall immediately determine all the amendments to be made to the plan regulation in order to protect the options of the plan participants and its nature as an incentive tool. The proposals for amendments to the regulation will be adopted by resolution of the ERG Board of Directors.
- 3.4 ERG shall issue the subscribed shares following exercise of the options and shall execute the instructions given by the grantee for their being made available to him by the third business day after exercise of the options.  
ERG will also have the right, alternatively to issuance of new shares, to sell as many treasury shares to the grantees as the number of new shares that are the object of the options and at the same prices as the strike price of the options.
- 3.5 The Directors did not directly participate in determining the characteristics of the plan, since they limited themselves to accepting the entire proposal made by the Remuneration Committee.  
The Directors for whom the Board of Directors determined the number of options granted to them abstained from voting on the relevant resolution.
- 3.6 The plan was approved by the Board of Directors in a resolution on 5 August 2005, which was approved on the basis of a proposal by the Remuneration Committee defined at the 21 June 2005 meeting.

3.7 Grant of the first tranche of options was approved by the Board of Directors in its meeting held on 20 September 2005 according to a proposal made by the Remuneration Committee finalised at its 20 September 2005 meeting.

Grant of the second tranche of options was approved by the Board of Directors in its meeting held on 25 September 2006 according to a proposal made by the Remuneration Committee finalised at its 19 September 2006 meeting.

Grant of the third tranche of options was approved by the Board of Directors in its meeting held on 25 September 2007 according to a proposal made by the Remuneration Committee finalised at its 13 September 2007 meeting.

The options were effectively and officially granted in letters dated 3 October 2005 for the first tranche, 2 October 2006 for the second tranche and 1 October for the third tranche.

3.8 The official prices of ERG stock reported on the dates of the meetings mentioned in paragraphs 3.6 and 3.7 are as follows:

21 June 2005: € 16.779

5 August 2005: € 17.505

20 September 2005: € 21.410

19 September 2006: € 15.691

25 September 2006: € 14.934

13 September 2007: € 16.261

25 September 2007: € 15.752

3.9 The stock options plan regulation does not contain any provision that considers the circumstances indicated in this section.

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#### **4. Characteristics of the financial instruments granted**

- 4.1 The plan is based on the grant of options that permit subsequent purchase of ERG shares with settlement by means of physical delivery.
- 4.2 The plan is comprised of three annual grant cycles (with this being construed as the effective and documented grant) of options (October 2005/October 2007).
- 4.3 The plan will terminate in October 2011, upon expiration of the options granted in October 2007.
- 4.4 The maximum number of newly issued shares or treasury shares reserved for servicing the plan is 2,100,000.
- 4.5 The plan is implemented by delivery of an individual letter by the Chairman or Chief Executive Officer of ERG, which assigns the participant a specific number of options. The options grant the plan participant the right to subscribe ERG ordinary shares in the ratio of one ordinary share for each option that is exercised. Within and no later than 30 days after receipt of the letter referred to hereinabove, every plan participant must return a copy of the letter and regulation countersigned in full, unconditional acceptance thereof to ERG S.p.A. via registered mail with return receipt. The grant of the options will become effective after it is accepted by the grantee. The options must be exercised by means of a letter sent via registered mail with return receipt sent to ERG S.p.A. by the deadline indicated in the regulation. The share subscription price must be paid, without the addition of any commissions and expenses charged to the applicants, at the same time the options are exercised. If general meetings of shareholders that own ERG S.p.A. ordinary shares are called for capital transactions, the options may not be exercised from the date of the resolution by the Board of Directors calling the general meetings until the first day after the date of the last of these general meetings and, in any event, until these transactions have been executed. If the options have already been exercised at the date of the resolutions by the Board of Directors referred to hereinabove, the exercise thereof shall not become effective until the day after the date of the last general meeting and, in any event, until the day after execution of these transactions. In this case, exercise of the options will be effective at the end of the aforementioned suspension period, provided that the options have not expired in the meantime pursuant to the regulation.
- 4.6 The options cannot be transferred by agreement between living persons. If the plan participants wish to sell all or some of the shares that they subscribed or acquired in the three months after their issuance or purchase, they must retain one of the investment companies specifically designated for this purpose by ERG S.p.A.
- 4.8 Termination of a plan participant's existing employment and collaboration relationship before the deadline for exercise of the options that is the result of voluntary resignation, dismissal, voluntary request for retirement, resignation, or revocation of

the mandate in the case of Executive Directors will immediately and automatically cause the options granted to that participant to expire, and without the participant consequently being able to demand anything for any reason.

Termination of the employment and collaboration relationship of a plan participant before the deadline for exercise of the options that is the result of death, permanent invalidity, mandatory request for retirement, expiration without renewal of collaboration relationships, and expiration without renewal of the mandate of Executive Directors shall have no impact on the possibility of exercising the options by the grantee or, in the case of death, his or her heirs.

- 4.12 The following table summarizes the expected cost to the company upon granting, determined on the basis of terms and conditions defined in the plan and allocated by grant. The costs are recognised on the financial statements on a pro-rated basis during the vesting period (three years)

	<i>(Euro)</i>
2005 grant	3,929,194
2006 grant	3,196,221
2007 grant	2,573,743

- 4.13 The maximum dilution effect, if any, on share capital is 1.4%.
- 4.16 The options grant plan participants the right to subscribe ERG ordinary shares in the ratio of one ordinary share for every option exercised.
- 4.17 The vested options can be exercised three years after the grant.  
The options must be exercised, on penalty of forfeiture, within one year after the beginning of the exercise period. At the end of that period, they shall cease to be valid.
- 4.18 In any event, the vested options cannot be exercised between 10 November and 15 May.
- 4.19 The strike price of the options is equal to the arithmetic average of the official quotations of ERG ordinary share prices during the 30 days prior to the option grant date.  
The strike price may not, in any event, be less than the par value of ERG ordinary shares.

- 4.23 See paragraph 3.3.

Annexes:

- Table 1 of Schedule 7 in Annex 3A of the Issuer Regulation no.11971/99
- Plan Regulation

01/10/2007

**Share-based payment plans**

Table 1 of Schedule 7 in Annex 3A of Regulation no. 11971/1999

Date: 01/10/2007

Name or category	Title (to be indicated only for the persons named herein)	BOX 2								
		Option Grants								
		Section 1 Options granted under valid plans that were approved on the basis of previous Shareholder resolutions								
		Date of Board of Directors resolution	Description of financial instrument	Number of financial instruments underlying the granted options that cannot be exercised	Number of financial instruments underlying the options that can but have not been exercised	Granted by/Grant date		Exercise price	Market price of the underlying financial instruments at the grant date	Option expiration date (*)
Edoardo Garrone	Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	78091		RC 20/09/05	BoD 20/09/05	21.08	21.41	one year starting from 03/10/08
Edoardo Garrone	Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	78091		RC 19/09/06	BoD 25/09/06	15.607	14.93	one year starting from 02/10/09
Edoardo Garrone	Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	78091		RC 13/09/07	BoD 25/09/06	16.143	15.75	one year starting from 01/10/10
Notes										
Alessandro Garrone	Chief Executive Officer ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	173536		RC 20/09/05	BoD 20/09/05	21.08	21.41	one year starting from 03/10/08
Alessandro Garrone	Chief Executive Officer ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	173536		RC 19/09/06	BoD 25/09/06	15.607	14.93	one year starting from 02/10/09
Alessandro Garrone	Chief Executive Officer ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	89152		RC 13/09/07	BoD 25/09/07	16.143	15.75	one year starting from 01/10/10
Notes										
Domenico D'Arpizio	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	140998		RC 20/09/05	BoD 20/09/05	21.08	21.41	one year starting from 03/10/08
Domenico D'Arpizio	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	97614		RC 19/09/06	BoD 25/09/06	15.607	14.93	one year starting from 02/10/09
Domenico D'Arpizio	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	97614		RC 13/09/07	BoD 25/09/07	16.143	15.75	one year starting from 01/10/10
Notes										
Pietro Giordano	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	39046		RC 20/09/05	BoD 20/09/05	21.08	21.41	one year starting from 03/10/08
Pietro Giordano	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	97614		RC 19/09/06	BoD 25/09/06	15.607	14.93	one year starting from 02/10/09
Pietro Giordano	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	97614		RC 13/09/07	BoD 25/09/07	16.143	15.75	one year starting from 01/10/10
Notes										
Giovanni Mondini	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	13015		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
Giovanni Mondini	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	13015		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
Giovanni Mondini	Deputy Chairman ERG S.p.A.	5-8-05	Options on ERG S.p.A. shares with physical delivery	13015		ERG S.p.A. CEO 1/10/07		16.143	15.34	one year starting from 01/10/10
Notes										
Giuseppe Gatti	Chairman ERG Power & Gas	5-8-05	Options on ERG S.p.A. shares with physical delivery	17354		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
Giuseppe Gatti	Chairman ERG Power & Gas	5-8-05	Options on ERG S.p.A. shares with physical delivery	52061		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
Giuseppe Gatti	Chairman ERG Power & Gas	5-8-05	Options on ERG S.p.A. shares with physical delivery	32538		ERG S.p.A. CEO 01/10/07		16.143	15.34	one year starting from 01/10/10
Notes										
Aldo Garozzo	Chairman ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	39046		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
Aldo Garozzo	Chairman ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	32538		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
Aldo Garozzo	Chairman ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	32538		ERG S.p.A. CEO 1/10/07		16.143	15.34	one year starting from 01/10/10
Notes										
Guglielmo Landolfi	Chief Executive Officer ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	30369		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
Guglielmo Landolfi	Chief Executive Officer ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	52061		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
Guglielmo Landolfi	Chief Executive Officer ERG Raffinerie Mediterranee	5-8-05	Options on ERG S.p.A. shares with physical delivery	52061		ERG S.p.A. CEO 1/10/07		(**)	(***)	one year starting from 01/10/10
Notes										
Pier Francesco Pinelli	Chief Executive Officer ERG Petroli	5-8-05	Options on ERG S.p.A. shares with physical delivery	39046		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
Pier Francesco Pinelli	Chief Executive Officer ERG Petroli	5-8-05	Options on ERG S.p.A. shares with physical delivery	52061		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
Pier Francesco Pinelli	Chief Executive Officer ERG Petroli	5-8-05	Options on ERG S.p.A. shares with physical delivery	52061		ERG S.p.A. CEO 1/10/07		16.143	15.34	one year starting from 01/10/10
Notes										
Raffaele Tognacca	Chief Executive Officer ERG Power & Gas	5-8-05	Options on ERG S.p.A. shares with physical delivery	43384		ERG S.p.A. CEO 1/2/07		16.70	17.74	one year starting from 01/02/10
Raffaele Tognacca	Chief Executive Officer ERG Power & Gas	5-8-05	Options on ERG S.p.A. shares with physical delivery	43384		ERG S.p.A. CEO 1/10/07		16.143	15.34	one year starting from 01/10/10
Notes										
A & B level senior managers		5-8-05	Options on ERG S.p.A. shares with physical delivery	78090		ERG S.p.A. CEO 3/10/05		21.08	23.00	one year starting from 03/10/08
A & B level senior managers		5-8-05	Options on ERG S.p.A. shares with physical delivery	96528		ERG S.p.A. CEO 2/10/06		15.607	15.81	one year starting from 02/10/09
A & B level senior managers		5-8-05	Options on ERG S.p.A. shares with physical delivery	113883		ERG S.p.A. CEO 1/10/07		16.143	15.34	one year starting from 01/10/10

(\*) in reference to the date of effective and official granting

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## **Regulation of the stock options plan reserved for the executive directors and senior managers of the ERG Group**

### **1. Purpose**

The purpose of the stock options plan (hereinafter, the “Plan”) is to create an additional incentive for management to achieve shareholder objectives by contributing to the creation of value for the company and growth in the value of ERG stock, by permitting management itself to benefit together with shareholders from the increase in that value.

### **2. Plan participants**

The Plan participants are the Executive Directors of the ERG Group and A and B level Senior Managers.

### **3. Implementation of the Plan**

The Plan is implemented through delivery of an individual letter by the Chairman or Chief Executive Officer of ERG S.p.A., whereby the participant is granted a specific number of options. The options grant the Plan participant the right to subscribe ERG S.p.A. ordinary shares, in the ratio of one ordinary share for every option exercised, at the terms and conditions specified herein.

Within and no later than 30 days after receiving the letter envisaged hereinabove, every Plan participant must return a copy of the letter and this regulation countersigned in full and unconditional acceptance to ERG S.p.A. via registered mail with return receipt. Granting of the options will become effective once the grantee acknowledges his acceptance as indicated hereinabove.

The options cannot be transferred by agreement between living persons.

### **4. Exercise deadline**

The vested options can be exercised three years after they are granted.

The options must be exercised, on penalty of forfeiture, within one year starting from the beginning of the exercise period. At the end of that period, they shall cease to be valid. In any event, the vested options cannot be exercised between 10 November and 15 May. Without prejudice to the foregoing, if general meetings of shareholders that own ERG S.p.A. ordinary shares are called for capital transactions, the options may not be exercised from the date of the resolution called by the Board of Directors calling the general meetings until the day after the date of the last of these general meetings and, in any event, until these transactions have been executed.

If the options have already been exercised at the date of the resolutions by the Board of Directors referred to hereinabove, the exercise thereof shall not become effective until the day after the date of the last general meeting and, in any event, until the day after execution of these transactions. In this case, exercise of the options will be effective at the end of the aforementioned suspension period, provided that the options have not expired in the meantime pursuant to Section 9 hereunder.

## **5. Strike price**

The strike price of the options is equal to the arithmetic average of the official quotations of ERG ordinary share prices during the 30 days prior to the option grant date.

The strike price may not, in any event, be less than the par value of ERG ordinary shares.

## **6. Terms and conditions for exercise**

The options must be exercised by means of a letter sent via registered mail with return receipt sent to ERG S.p.A. by the deadline indicated in section 4 hereinabove. The share subscription price must be paid, without the addition of any commissions and expenses charged to the applicants, at the same time the options are exercised or, in the cases envisaged in Section 4 hereinabove, on the day when the options can be exercised again. ERG S.p.A. shall issue the subscribed shares following exercise of the options and shall execute the instructions given by the grantee for their being made available to him by the third business day after exercise of the options or, in the cases envisaged in Section 4 hereinabove, on the day when it will be possible to exercise the options again.

ERG will also have the right, alternatively to issuance of new shares, to sell as many treasury shares to the grantees as the number of new shares that are the object of the options and at the same prices as the strike price of the options determined in accordance with Section 5 hereinabove. This right may also be exercised only for the portion of shares covered by the options.

## **7. Limits on transfer of shares**

If the plan participants wish to sell all or some of the shares that they subscribed or acquired in the three months after their issuance or purchase, they must retain one of the investment companies specifically designated for this purpose by ERG S.p.A.

## **8. Change in position**

If the Plan participant's position or function changes due to organisational changes or other reasons during the vesting period, he or she shall keep all his or her vested options.

## **9. Termination of employment and collaboration relationship**

Termination of a Plan participant's existing employment and collaboration relationship before the deadline for exercise of the options that is the result of voluntary resignation, dismissal, voluntary request for retirement, resignation, or revocation of the mandate in the case of Executive Directors will immediately and automatically cause the options granted to that participant to expire, and without the participant consequently being able to demand anything for any reason.

Termination of the employment and collaboration relationship of a Plan participant before the deadline for exercise of the options that is the result of death, permanent invalidity, mandatory request for retirement, expiration without renewal of collaboration relationships, and expiration without renewal of the mandate of Executive Directors shall have no impact on the possibility of exercising the options by the grantee or, in the case of death, his or her heirs.

### **10. Safeguard clause**

Throughout the duration of the Plan and until any options are exercised, if events or circumstances should occur, such as statutory changes, excluding changes in tax law, applicable to the legal relationships stemming from the plan, changes in CONSOB regulations, corporate mergers and demergers that impact ERG stock, increases and reductions in the share capital of ERG, and amendments to the articles of association affecting ERG ordinary shares, such as to impact the conditions governing application of the Plan by altering the economic and financial bases thereof and partially or wholly defeating its purposes, the Remuneration Committee shall immediately determine all the amendments to be made to the Plan regulation in order to protect the options of the plan participants and its nature as an incentive tool.

The proposals for amendments to the regulation will be adopted by resolution of the ERG S.p.A. Board of Directors.

### **11. Inseverability clause**

All the clauses of this Regulation are interconnected and inseverable.

### **12. Arbitration clause**

Should any controversy arise over execution of the Plan, or over application and interpretation of this Regulation, it shall be deferred to the exclusive jurisdiction of a board of three arbitrators, one of whom shall be designated by ERG S.p.A., one by the Plan participant (or his heirs), while the third arbitrator, who shall act as Chairman, shall be designated by the first two or, if they do not do so within 15 days after being appointed, by the Presiding Judge of the Court of Genoa upon petition by the more diligent party.

The latter shall also have the prerogative of designating an arbitrator for one of the parties if said party does not do so or fails to substitute a designated arbitrator within 15 days after the arbitrator resigns or otherwise leaves his position.

The Board of Arbitration shall have its seat in Genoa and shall define its procedures at its own discretion, without prejudice to the right of cross-examination, and shall decide on the basis of what is equitable. Its decision cannot be appealed.

The Board's decision shall have the same effect and force as an agreement between the parties.

### **13. Confidential information**

All the participants are required to maintain the strictest confidence in regard to the Plan and options granted to them, since this Regulation is based on confidential information. If this confidentiality clause is violated, the participant will lose his or her vested options. The confidentiality clause obviously does not apply in all cases where disclosure is the consequence of compliance with a legal obligation by the Plan participant.

#### **14. Notices**

Any notice regarding the Plan must be made in writing and sent via registered mail with return receipt, and be addressed to ERG S.p.A. if sent by the participant, and to the domicile indicated by the participant himself if sent by ERG S.p.A.

Genoa, \_\_\_\_\_

ERG S.p.A.

\_\_\_\_\_

I certify my agreement with the contents of this regulation, which I approve and accept fully and unconditionally.

Date \_\_\_\_\_

Signature \_\_\_\_\_

ERG S.p.A.

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*ENERGY FROM KNOW-HOW.*