Prospectus concerning the sale of 49%
of ISAB S.r.l. to Lukoil Europe Holdings B.V.

Prepared pursuant to article 71 of the regulation implementing italian legislative decree no. 58 of 24 february 1998, adopted by the CONSOB *(Italian Securities & Exchange Commission)* with its resolution no. 11971 of 14 may 1999 as subsequently amended

Prospectus made available to the public at the registered offices of ERG S.p.A.
and c/o Borsa Italiana on 16 December 2008

Summary of pro-forma consolidated financial data as at and up to 30 june 2008

	1st Half 2008 ERG Group Reported data	*Pro-forma adjustments*	1st Half 2008 ERG Group Pro-forma data
Balance sheet *(million Euro)*			
Fixed assets	2,890	*(236)*	2,654
Net working capital	906	*(397)*	509
Other assets and liabilities	(687)	*79*	(608)
Net invested capital	**3,109**	***(553)***	**2,555**
Shareholders' equity	**1,723**	***940***	**2,663**
Net financial debt	**1,386**	***(1,493)***	**(108)**
Income statement *(million Euro)*			
Total revenues	**6,227**	***(1,449)***	**4,778**
EBITDA	**535**	***(231)***	**304**
EBIT	**433**	***(194)***	**239**
Group net profit	**309**	***(81)***	**228**
Per-share indicators *(Euro)*			
EBITDA	3.605	*(1.558)*	2.047
EBIT	2.916	*(1.306)*	1.610
Basic EPS	2.084	*(0.548)*	1.535
Cash flow	2.978	*(0.800)*	2.178
Consolidated shareholders' equity	11.617	*6.336*	17.953
Adjusted results at replacement cost [1] *(million Euro)*			
EBITDA	**310**	***(90)***	**220**
EBIT	**207**	***(71)***	**136**
Group net profit	**56**	***(18)***	**39**
Adjusted per-share indicators at replacement cost [1] *(in Euro)*			
EBITDA	2.087	*(0.604)*	1.483
EBIT	1.399	*(0.481)*	0.918
Basic EPS	0.380	*(0.118)*	0.262
Cash flow	1.220	*(0.242)*	0.978

[1] Results at replacement cost do not include inventory gains/(losses) and non-recurring items.
In addition, adjusted pro-forma results at replacement cost also include the contribution, for the share attributable to ERG (51%), of the results of ISAB S.r.l.

Fixed assets, net working capital, net invested capital and adjusted results at replacement cost are indicators not defined in IFRSs (International Financial Reporting Standards). Management believes these indicators are important in assessing ERG Group's financial position and operating performance. As the composition of said indicators is not regulated by the related accounting standards, the measuring policies applied by the ERG Group may not be the same as the ones used by others, and therefore they may not be comparable.
For the purposes of this Prospectus, cash flow is conventionally defined as the ERG Group's net profit or loss, including the portion attributable to minority interests. plus amortisation & depreciation and write-downs.

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Introduction

This prospectus (“Prospectus”) – prepared by ERG S.p.A. (“ERG” or “Issuer) pursuant to Article 71 of the Regulation implementing Italian Legislative Decree no. 58 of 24 February 1998, adopted via the CONSOB (Italian securities & exchange commission) resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented (“Issuers Regulation” = Regolamento Emittenti) – contains information concerning sale by ERG Raffinerie Mediterranee S.p.A. (“ERG Med” or “Seller”) to Lukoil Europe Holdings BV (“Lukoil Europe” or “Buyer”) of an equity interest representing 49% of ISAB S.r.l.’s (“Equity Interest Sale”) net equity.

The sale of the Equity Interest was executed based on the approach described in Section 2.1 of this Prospectus, based on a master agreement signed on 24 June 2008 by ERG Med and Lukoil Europe (“Master Agreement”). This agreement envisaged contribution by ERG Med to a newly incorporated company, called ISAB S.r.l. (“ISAB”), wholly owned by ERG Med, of a company division (“Company Division”) mainly comprising all assets of the ISAB Refinery in Priolo Gargallo (Syracuse, Sicily) (“Contribution”). The deed of Contribution was signed on 20 November 2008, taking effect as from 1 December 2008, while the Equity Interest Sale was completed on 1 December 2008.

The schedules, contained in this Prospectus, showing the pro-forma consolidated balance sheet and income statement as at 30 June 2008 have been prepared, as required by Article 71 of the Issuers Regulation, to represent, according to measurement criteria consistent with historical data and compliant with the relevant regulations, the effects on ERG Group’s financial position and economic performance of the Contribution and Sale of the Equity Interest transactions, as if they had been carried out on 30 June 2008 and, specifically with regard to the economic impact, on 1 January 2008. It must be pointed out, however, that if Contribution and the Equity Interest Sale had really taken place on the dates assumed, the results obtained would not necessarily have been the same as the ones illustrated in this document.

1. Warnings

1.1 Risks associated with contractual terms and conditions

The Issuer does not perceive any significant risks for itself arising from the Master Agreement, saving the ones set out hereunder.

1.1.1 *Extension of payment for Sale of the Equity Interest*

As specified in greater detail in the later sub-section 2.1.2 of this Prospectus and in compliance with the amendments to the Master Agreement agreed between ERG Med and Lukoil Europe on 6 November 2008 ("Supplementary Agreement"), payment of the amount for Equity Interest Sale is taking place partly on a deferred basis and in several instalments, the first of which – amounting to Euro 600 million – already paid by Lukoil Europe to ERG Med on 1 December 2008.

The Master Agreement, as amended by the Supplementary Agreement, establishes that the portion of the unpaid contractual amount as at the date of this document must be paid, plus interest on extended terms, in 3 (three) instalments during the first nine months of 2009.

Guarantees were set up in ERG Med's favour against extension of payment of the price in several instalments; specifically, a pledge on the equity interest sold to Lukoil Europe ("Equity Interest") and a parent company guarantee – provided by OAO Lukoil, the Russian group parent company – to the benefit of Lukoil Europe. In addition, an ancillary agreement to the Master Agreement and to the Operating & Processing Agreement (as defined later on) was entered into by virtue of which, in the event Lukoil Europe should not meet its final balance payment obligations, ERG Med would acquire the refining capacity attributable to LITASCO SA ("LITASCO"), a company belonging to the Lukoil Group operating in the international trading of petroleum products, and therefore the right to utilise all available plants, tanks, and infrastructures.

1.1.2 *Indemnification obligations*

As regards indemnification commitments, devised in line with market standards, the Master Plan envisages that ERG Med is obliged to indemnify Lukoil Europe for any losses suffered by the latter also as a result of application of the warranties given or of the contractual obligations taken on pursuant to the Framework Agreement. Any indemnity owed is differentiated according to circumstances and to the effects of the specific contractual provision, although limits – saving specific exceptions – are envisaged for ERG Med's maximum liability. This may change according to the indemnity type, the settlement criteria and the equity interest owned by ERG Med in ISAB. These are quantified as Euro 500 million if ERG Med chooses to compensate Lukoil Europe, or Euro 1 billion if ERG Med chooses to compensate ISAB. For a detailed description of the indemnification commitments made by ERG Med, please read sub-section 2.1.2 of this Prospectus.

1.1.3 *Risks associated with joint management of ISAB by ERG MED and Lukoil Europe*

Arrangement of the rights and obligations reciprocally taken on by ERG Med and Lukoil Europe concerning the management of ISAB is established in the Shareholders' Agreement (as defined hereunder), which responds to the partners' need to define governance on an essentially even footing. This compounding of interests gives rise to the general principle according to which – saving some specifically identified exceptions – the decisions to be taken by ISAB's corporate bodies and officers (selected for office by ERG Med or by Lukoil depending on the cases) must be substantially agreed by both partners.

This co-management structure will remain in force for as long as ERG Med maintains an equity interest of at least 40% in ISAB. If, however, ERG Med ceases to own a majority interest, the rights initially envisaged in favour of ERG Med and Lukoil Europe will be inverted. If one of the parties' equity interest in ISAB drops below 40%, the party will retain limited powers of participation in the company's governance. Although via the Shareholders' Agreement ERG Med and Lukoil have sought to create a balanced governance structure, consequently to the pursuit of different strategies or to conflicting business choices, they might not agree on ISAB's management in the future. Despite the lack of an absolute contractual warranty in this respect, the Issuer is confident that any disputes that may arise in joint management of ISAB can be possibly settled via performance of the specific procedures set forth in the Shareholders' Agreement. For a detailed description of the provisions contained in the Shareholders' Agreement, please read sub-section 2.1.2 of this Prospectus.

2. Information concerning the deal

2.1 Summary description of the approach and terms of the deal

The deal described in this Prospectus has taken place based on the Master Agreement concerning (i) Contribution by ERG Med to ISAB of the Company Division primarily comprising all assets of the ISAB Refinery in Priolo Gargallo (Syracuse, Sicily), as better described in the later sub-section 2.1.2, and (ii) subsequent Equity Interest Sale to Lukoil Europe by ERG Med.

The deal is intended to create an industrial partnership in the coastal refining business in line with the growth programme featuring agreements with major international partners and with the ERG Group's multi-energy strategy, designed to optimise invested capital among the various business segments.

The Contribution agreement was signed on 20 November 2008, taking effect as of 1 December 2008, while the Equity Interest Sale was completed on 1 December 2008.

Based on the Master Agreement, Lukoil Europe has committed to pay ERG Med a consideration amount for the Equity Interest Sale of Euro 1,347.5 million, besides 49% of the value of the inventory and of other contributed components, as better described in the later sub-section 2.1.2.

The agreements reached with Lukoil Europe also included the recognition of a put option for ERG Med related to its 51% equity interest in ISAB. For further information concerning terms and conditions of the exercise rights of the put option, please read sub-section 2.1.2 below.

2.1.1 Description of company and/or assets forming the object of the sales deal

ISAB was incorporated by ERG Med on 22 September 2008 with initial capital of Euro 10,000.00. On 20 November, the ISAB quotaholder meeting [ISAB is a private limited liability company and thus has quotas as opposed to shares] resolved to increase the company's capital from Euro 10,000.00 to Euro 50,000,000.00 via issue of a quota with a par value of Euro 49,990,000.00 with premium of Euro 976,553,000.00 to be assigned to ERG Med as payment for the Contribution.

The Company Division comprises the oil refinery plants called ISAB Nord and ISAB Sud with total capacity of 320,000 barrels/day and the power generation plants called Nuce Sud and Turbo Gas with total installed capacity of 99 MW. The oil refinery plants and the thermoelectric plants are located in the Sicilian municipalities of Syracuse, Priolo Gargallo, Melilli, and Augusta.

In order to enable ISAB to carry out its refining activity, the items contributed include personnel (1,070 heads), buildings and appurtenances, registered movable assets, plant, equipment, apparatus, machinery, movable chattels, contracts for the refinery activity and production of energy carriers, receivables and payables with related guarantees, concessions, conventions, official authorisations, licences and permits, and inventory both of the oil type (i.e. relating to petroleum raw materials or finished products) and non-oil type (i.e. the spare parts used for assuring continuity of refinery operations), as well as cash & cash equivalents and the equity interest in Priolo Servizi ScpA.

As regards oil inventory, only the minimum operating inventory needed to operate the refinery was contributed, i.e. a total of approximately 745 thousand tonnes.

The Company Division contributed was the subject of an official appraisal report prepared by Professor Lorenzo Pozza pursuant to Article 2465 of the Italian Civil Code.

Contribution took place on a going concern basis, ensuring accounting continuity and tax impact neutrality as per Article 176 of Italian Presidential Decree 917/1986 (Italian Consolidated Income Tax Act).

The contribution deed included an agreement that any differences between the book shareholders' equity contributed as at the Contribution effective date and the balance sheet carrying values as per the official appraisal report dated 30 September 2008, will be deemed to increase or decrease quota premium.
The positive and negative effects of the Contribution date from 1 December 2008.

2.1.2 Approach, terms and conditions of deal and related forms and timing of payment; criteria applied for calculation of price; parties to whom the Equity Interest has been sold

Master Agreement

The Master Agreement signed on 24 June and disclosed to the market on the same date is regulated by English law. It also includes, but is not limited to, the incorporation of ISAB, the Contribution, and the subsequent Equity Interest Sale.
The Master Agreement effectiveness was subject to the following conditions: (i) execution of the Contribution and completion of all pertaining formalities, (ii) non-occurrence of significantly prejudicial events for the Business Division, (iii) obtaining of approvals from the relevant Antitrust authorities, where required, (iv) obtaining of the tax certification required under Article 14 of Italian Legislative Decree 472/97, and (v) completion of the trade-union personnel transfer procedure established by Article 47 of Italian Law 428/1990, as amended by Italian Legislative Decree 43/2001.
Based on the Sale Agreement, Lukoil Europe has undertaken to pay ERG Med as the purchasing price for the Equity Interest a consideration amount of Euro 1,347.5 million, plus (i) 49% of the value of excess non-oil inventory, (ii) 49% of the market value of the minimum operating inventory and (iii) 49% of the present value of all other assets and liabilities contributed, other than fixed assets and inventories, calculated according to specific valuation procedures.
In accordance with the Supplementary Agreement, the implementation terms of the Sales Agreement were partly redefined. More specifically, the parties have agreed upon a different consideration payment approach. By virtue of the Supplementary Agreement, on 1 December 2008 Lukoil Europe paid ERG Med the sum of Euro 600 million. The remaining amount, as well as any interest accrued, shall be paid as follows, i.e. (i) Euro 150 million on 1 April 2009, (ii) Euro 300 million on 1 July 2009, and (iii) the remainder on 1 October 2009. As a guarantee against the aforesaid payment terms extension, Lukoil Europe set up a pledge in ERG Med's favour on the Equity Interest, effective on the Date of Sale (as defined below), to enforce Lukoil Europe's obligation to pay the remaining portion of the total price to ERG Med as at 1 October 2009.
To further enforce exact fulfilment of Lukoil Europe's payment obligations, OAO Lukoil, the company that indirectly controls Lukoil Europe, also issued a parent-company guarantee in ERG Med's favour.
ERG Med, LITASCO, Lukoil Europe and ISAB also signed an ancillary agreement supplementing the Operating & Processing Agreement (as subsequently defined) and the Master Agreement. This ancillary agreement establishes that, in the event of unfulfilment of balance payment obligations to ERG Med on the part of Lukoil Europe as at 1 October 2009 (besides compensatory interest), ERG Med would acquire LITASCO's refining capacity and therefore the right to use all available plant, tanks and infrastructures, as a waiver to the principle, established in the Operating & Processing Agreement and in the deal's other documents, according to which utilisation must be split between ERG Med and LITASCO in proportion to the equity interests owned by ERG Med and Lukoil Europe

in ISAB. As from the date of any such default, ERG Med would thus acquire the right to use 100% of such plant, tanks, and infrastructure, instead of 51%. As a consequence of ERG Med utilising the refining capacity otherwise attributable to LITASCO, Lukoil Europe – in the event of subsequent full completion of payment - would reduce the remaining portion of unpaid consideration and compensatory interest or interest on arrears owed to ERG Med by that same amount.
The Equity Interest Sale to Lukoil Europe took place on 1 December 2008 ("Date of Sale").
The Master Agreement contains provisions in line with market practice for similar deals, including, in particular, warranty and indemnification clauses in Lukoil Europe's favour.
Specifically, warranty clauses include, but are not limited to, the ones concerning: the full and unencumbered ownership of the Equity Interest and of the assets forming the object of the Contribution (saving some specifically identified restrictions), their state of preservation and their fitness and adequacy for pursuit of ISAB's corporate purpose; ERG Med's undertaking to apply for and/or obtain all permits, licenses, and authorisations, as well as possession of the intellectual property rights deemed necessary, to carry out the business activity; observance of environmental and employment regulations; the breakdown and contractual classification of employed personnel; the existence of appropriate insurance covers; and the status of ISAB and of the business activity carried out by ISAB and by the companies in which it owns equity interests, as well as the contractual constraints to which ISAB and said companies are subject.
As regards the indemnification commitments, defined in line with market standards, the Master Agreements establishes that ERG Med is under the obligation to indemnify Lukoil Europe for any losses suffered by the latter from the execution of guarantees or the contractual obligations assumed pursuant to the Master Agreement. The compensation amount owed differs according to circumstances and to the effects of the relevant provision, although ERG Med's maximum liability has been limited – saving specific exceptions – according to the indemnity type, the settlement method, and to ERG Med's equity interest amount in ISAB at any given time. This is generally quantified as Euro 500 million if ERG Med chooses liquidation of damages to Lukoil Europe, or Euro 1 billion if ERG Med opts for liquidation of damages to ISAB.
The general principle is established that the indemnification obligation arises only following an actual outlay by ISAB. Within the Master Agreement, however, a number of exceptions to this standard principle are provided. Loss of earnings is in any case excluded from the scope of indemnification. Provisions also include – saving specific exceptions – mechanisms that trigger ERG Med's obligation to indemnity only on the overshooting of pre-defined minimum thresholds, upon occurrence of which ERG Med's liability will, in some cases, be limited to the excess and, in other cases, will involve the entire damage amount. Specifically with regard to certain environmental warranties, a franchise amount of Euro 100 million is envisaged, for which, when exceeded, ERG Med shall only be liable for the excess amount.
The extension of ERG Med's liability is – saving specific exceptions – limited in terms of time. Specifically, a term of ten years after the Date of Sale is established for environmental issues, six years as regards legal employment matters, six months after the relevant date of lapse for tax-related questions, and twenty-four months for other types of damage. Should ERG Med receive an indemnity claim within these deadlines, the liability period shall extend through to the settlement of the dispute.

Put Option

As part of the agreement reached with Lukoil Europe, ERG Med was accorded a put option on the

51% equity interest owned by the latter in ISAB ("Put Option"), which Lukoil Europe is obliged to purchase upon exercise of the option itself. Specifically, ERG Med has the right to sell the entire Equity Interest or portions of the same in the amount of 11% and a further 20% of ISAB's capital, and thus either losing its ownership entirely or remaining an owner of ISAB at 40% or 20% respectively. The maturity of ERG Med's Put Option is 5 years, beginning on the first anniversary of the Date of Sale. ERG Med shall have the right to exercise the Put Option only once every 12 months and shall be entitled to interrupt the transfer procedure within a period of 20 working days after the date of calculation of fair market value. All expenses incurred upon exercise of the Put Option shall be paid entirely by ERG Med in the event of transfer procedure interruption, otherwise they will be evenly shared with Lukoil Europe. Exercise of the Put Option is subject to a number of clauses including, but not limited to, (i) non-occurrence of a significant prejudicial event involving ISAB and (ii) receipt of Antitrust authorisation (where necessary). The Put Option's exercise price will be calculated on the basis of the fair market value, for 100% of the assets, within a range going from a minimum of Euro 2,000 million to a maximum of Euro 2,750 million, to which the market value of inventory will be added. Fair market value will be determined by means of a procedure which involves independent advisors. In addition, the Euro 2,750 million cap can be increased by an amount equal to that of any investments made by the parties and not included in the business plan approved by ERG Med and Lukoil Europe.

Shareholders' Agreement

On the Date of Sale ERG Med and Lukoil Europe signed an accompanying agreement ("Shareholders' Agreement") designed to define their respective rights and obligations as regards future management of ISAB. The Shareholders' Agreement outlines even-footing governance on the main business decisions, which must be approved by representatives of both owners. As regards ISAB's corporate bodies, owners' rights change according to the equity interest owned in ISAB. Based on the Shareholders' Agreement, ISAB's Board of Directors consists of six members. The Chairman of ISAB's Board of Directors will be chosen from among the directors designated by Lukoil Europe and will remain in office until shareholder approval of financial statements for the financial year ending on 31 December 2009. Subsequently, this office will be held by one of the directors designated by ERG Med until shareholder approval of financial statements for the financial year ending on 31 December 2010. A mechanism of annual alternation of chairmanship is envisaged for the following financial years. The Board of Statutory Auditors shall consist of three standing and two substitute members. ERG Med shall have the right to designate two standing statutory auditors and a substitute statutory auditor. Lukoil Europe has the right to designate one standing and one substitute statutory auditor. The President of the Board of Statutory Auditors will be chosen from among the statutory auditors designated by Lukoil Europe. As regards top management, ERG Med shall have the right to appoint the General Manager and Lukoil Europe the right to appoint the Chief Financial Officer. The Shareholders' Agreement also provides for establishment of two technical committees, respectively called Technical Committee and Operating & Planning Committee. The Technical Committee is entitled to take decisions concerning a number of issues which include, but are not limited to, investments, maintenance, changing of the data book and of the linear programming model for the optimisation of refinery operations (LP Model), budget proposals including operating expenditure (opex) and capital expenditure (capex), drafting of business plans and strategic long-term investment plans to submit to the company's Board of Directors for approval. The Technical Committee has three voting members, i.e. the General Manager and two Board members, one designated by each partner, whose decisions shall be taken unanimously. The Operating & Planning Committee instead takes decisions concerning management of relations arising from the Operating & Processing Agreement (as defined bellow) between ISAB, ERG Med and LITASCO, with specific reference to operating plans, monthly allocations, and settlement of disputes. Its voting members consist of two Board members, one appointed by each partner, who must take unanimous decisions. This co-management structure will remain in force for as long as ERG Med maintains an equity interest of at least 40% in ISAB. If, however, ERG Med ceases to own a majority interest, the rights initially envisaged in favour of ERG Med and Lukoil Europe will be inverted. If at any time one of the parties' equity interest in ISAB becomes lower than 40%, the party shall retain limited powers of participation in the company's governance.

Operating & Processing Agreement

On the Date of Sale, ISAB, ERG Med and LITASCO signed an Operating & Processing Agreement, regulated by Italian law, with the aim of governing utilisation of the refinery. The services performed by ISAB for ERG Med and LITASCO include the receipt, storage, handling and processing of crude oils and petroleum products (defined as "Feedstocks") and the storage and delivery of finished and/or semi-finished products obtained from processing of Feedstocks.

Under the terms of the Operating & Processing Agreement, ERG Med has the right to ask ISAB for utilisation of the plant, tanks and infrastructure up to a maximum extent of 51% of total capacity of such plant, tanks, and infrastructure, while LITASCO has the right to ask for utilisation up to a maximum extent of 49% of the aforesaid total capacity.

This split reflects the equity interests owned in ISAB by ERG Med and Lukoil Europe. The agreement allows for the agreements that the parties may reach at any given time concerning a different split of the rights of utilisation of the capacity offered by ISAB.

The agreement also sets forth the criteria for establishing a minimum and maximum inventory, defined as the minimum and maximum quantity of feedstock and groups of products that the parties must maintain at all times, in proportion to their respective share of refinery utilisation, in order not to jeopardise safe and reliable continuous operation.

Since the Feedstocks and products are the property of these two customers of ISAB, they have undertaken, proportionately to their respective processing quota, to sell (or buy) products to/from ISAB (as the case may be), to enable the latter to fulfil the so-called site contracts in force between ISAB and companies operating in areas adjacent to the refinery.

Lastly, it is possible for a party to use its quota partly or totally to enable third parties to utilise processing on condition that (i) this party has notified the other parties of this utilisation, (ii) such utilisation does not cause prejudice to ISAB or to utilisation of its own quota by the other party, and (iii) the party in question remains responsible for the execution of all obligations under the Agreement.

The Agreement envisages payment for the provision of services under the Operating & Processing Agreement consisting of reimbursement of fixed costs (inclusive of depreciation and amortisation) and of variable costs incurred by ISAB in the processing activity, and an annual compensation fixed at Euro 48,000,000.00 until the end of 2009.

LUKOIL

Lukoil Europe is a company incorporated under Dutch law that manages equity interests in refinery companies on behalf of the Lukoil Group. The Lukoil Group is one of the world's major

integrated groups in the petroleum and gas industry.
Most of the production facilities owned by the Lukoil Group are located in Russia. The main fields are located in Siberia. At present the Lukoil Group is the world's second largest private operator in terms of hydrocarbon reserves.
The Lukoil Group possesses modern refineries, natural-gas pipelines and petrochemical plants in Russia and Eastern Europe. In particular, Lukoil owns refineries with a total capacity of 58.5 million tonnes, corresponding to approximately 2.3% of global petroleum production.
OAO Lukoil shares are listed on the Moscow Stock Exchange and the London Stock Exchange.

2.1.3 Use of resources gathered via the Equity Interest Sale

The Equity Interest Sale will enable ERG to rebalance its financial structure in order to reflect the changes that will occur in its future cash flows and to improve the financial indicators contained in its Business Plan, in an environment featuring growing difficulties in the lending market.
The financial resources stemming from the Equity Interest Sale will also enable ERG to strengthen the Group's capital structure, assuring the flexibility needed to take up any new growth opportunities in its business in Italy and abroad.

2.2 Motives and aims of deal

2.2.1 Motives of deal with special reference to operating objectives

The partnership agreement with Lukoil Europe aims to increase the ERG Group's industrial competitiveness and is designed to create synergies and new investment opportunities.
The agreement is also consistent with a strategy of invested capital optimisation amongst the different business segments. It will also enable ERG to reduce its exposure to the international refining business, which features an increasingly volatile environment.
Its cooperation with a major global player such as the Lukoil Group will make it possible to improve the plants' operating skills, with important and significant benefits for the refinery's competitiveness and efficiency. It will also offer potential benefits in terms of synergies and access to new markets. Given the price agreed for the Equity Interest Sale, the agreement also brought about a significant value increase for ERG shareholders.

2.2.2 Programmes developed by the Issuer for ISAB

ISAB will continue to pursue the strategic goals already defined by ERG Med. Specifically:
- Improvement of its competitive position in the pertaining industry
- Reduction of costs with a programme for rationalisation and optimisation of resource utilisation
- Continuation of implementation of the 3-year plan already devised by ERG Med for investments in maintenance and performance improvement.

2.3 Relationships with ISAB and/or with the parties to whom the Equity Interest has been sold

2.3.1 Significant dealings of the Issuer, directly or via subsidiaries, with the company forming the object of the deal and that were in place at the time when the deal was executed

As already mentioned in the earlier sub-section 2.1.1, the Contribution also included the operating contracts needed by ISAB to conduct its business activity ("Site Contracts").
These contracts include key agreements such as the ones entered into with ERG Group companies and concerning the provision of goods and services between these companies and ISAB ("Intercompany Contracts").

More specifically, such Intercompany contracts include, without being limited to, the contracts between ISAB and (i) ISAB Energy S.r.l., for the supply of so-called feedstock and other products stemming from refining activities, functional for the fuelling and operation of some plants owned by ISAB Energy S.r.l., as well as the contracts relating to the transportation of products and utilisation of infrastructure owned by ISAB related to operation of such plants; (ii) ISAB Energy Services S.r.l. for the supply of infrastructure operation and maintenance services; (iii) ERG Petroli S.p.A., for overland shipment of petroleum products and for the storage and custody of such products; (iv) ERG Power & Gas S.p.A., for the supply of services, products, and infrastructure; and (v) ERG Nuova Centrali S.p.A., for the supply of services (including operation and maintenance services) and products.

Under the terms of the Master Agreement, Lukoil has the right to ask ERG Med to arrange for intercompany contracts relating to the Company Division to be terminated earlier than their original expiry date, with the exception of the Site Contracts (which include the aforementioned Intercompany Contracts) and of some other specific contractual categories.

2.3.2 Dealings and/or significant agreements between ERG S.p.A., its subsidiaries, its managers and Board members and the parties to whom the Equity Interest has been sold

The Issuer, its managers, and the members of its Board of Directors, to the best of their knowledge do not have dealings and are not party to significant agreements with Lukoil. The Issuer's subsidiaries do not have dealings and are not party to significant agreements with Lukoil, with the exception of trading of crude oils and products, which in any case are executed at normal market conditions.

2.4 Documents at the public's disposal

2.4.1 Indication of the places where it is possible to consult the documentation that, in the document, ERG states it will make available to the public

The consolidated and separate annual reports for the year ended on 31 December 2007, the half-yearly financial report as at 30 June 2008, and the interim management statement as at 30 September 2008 of ERG S.p.A. are at the public's disposal at the registered offices of ERG S.p.A., Via Nicola Piccinni 2, Milan, on the site www.erg.it and c/o Borsa Italiana S.p.A., Piazza Affari 6, Milan.

This Prospectus, complete with annexes, is at the public's disposal at the registered offices of ERG S.p.A., Via Nicola Piccinni 2, Milan, on the site www.erg.it and c/o Borsa Italiana S.p.A., Piazza Affari 6, Milan.

3. Significant effects of deal

3.1 Description of any significant effects of the deal on the key factors influencing and characterising the Issuer's business, as well as on the type of business performed by the Issuer

As of 1 December 2008 the Equity Interest Sale caused, on the one hand, proportional reduction of costal refinery capacity, offset by the positive impact on the ERG Group's net financial position, totalling approximately Euro 1.5 billion of which Euro 600 million collected in December 2008 and the remainder to be collected gradually during the first nine months of 2009.
The Equity Interest Sale will enable ERG both to reduce its debt and to pursue new growth opportunities in its areas of business in Italy and, selectively, abroad.
The resources will be allocated as follows: in the petroleum industry towards the achievement of a competitive consolidation, also in terms of size, via acquisitions or partnerships; in the electricity business, towards an expansion of its market presence, particularly in the renewable sources business segment, via significant M&A deals; and, as regards natural gas, through an effort to boost imports, including the construction of a regasification terminal.

3.2 Implications of the deal for the strategic guidelines concerning infragroup commercial and financial dealings and centralised services

The ERG Group's strategic guidelines and structure with the respective specialisations will remain unchanged. ISAB will therefore continue to exchange essential goods and services with other Group companies (e.g. receipt of utilities from ERG Power & Gas, receipt of site services from Priolo Servizi, loading on behalf of ERG Petroli of tank trucks for the Sicilian market, and supply of tar to the gasification and power generation plant (IGCC) of ISAB Energy, etc.). On the other hand, however, ISAB has been structured to perform directly in-house, either totally or in part and with absorption of the necessary resources, several staff functions that ERG Med received as services from ERG. The main staff functions that have gone into ISAB are:

a. Legal and corporate affairs
b. Administration and Tax Management
c. Audit
d. Communication
e. Finance
f. Organisation
g. Personnel
h. Non-oil Purchasing
i. Risk Management
j. Institutional and Technical Relations
k. Corporate Security
l. Site Information Technology

4. Income-statement, balance-sheet and financial data relating to Division contributed

4.1 Income-statement, balance-sheet and financial data relating to Equity Interest sold

ISAB was incorporated on 22 September 2008, received the Contribution of the Company Division on 1 December 2008, and will prepare its first financial statements as at 31 December 2008. Consequently, no historical income statement, balance sheet and other financial information is available for the company forming the object of the Sale.

Since, however, the Company Division contributed to ISAB substantially relates – saving the considerations already made in Chapter 2 of this Prospectus - to the ERG Group's Coastal Refining business sector, all information on the company forming the object of the Sale can be deduced from the data and information supplied to the market by the Issuer in Note 45 "Information by Business Division" and in the section "Business sectors – Coastal Refining" of the report on operations of the consolidated annual report for the year ended on 31 December 2007, as well as in the Half-Yearly Financial Report as at 30 June 2008.

5. Pro-forma income-statement, balance-sheet, and financial data of Issuer

5.1 Pro-forma consolidated income-statement and balance-sheet schedules for the semester ended on 30 June 2008

Foreword

Chapter 5 contains ERG Group's pro-forma consolidated balance sheet and income statement schedules for the semester ended on 30 June 2008 ("Pro-forma Consolidated Schedules") which includes the retroactive impact of the Equity Interest Sale of 49% in ISAB, occurred on 1 December 2008, as well as of all other agreements signed between the parties as part of this deal.

The Pro-forma Consolidated Schedules as at 30 June 2008 were prepared starting from condensed half-year financial statements, included in the ERG Group's Half-Yearly Financial Report as at 30 June 2008, and applying the pro-forma adjustments relating to the Sale and to consequent financial and economic operations, as described below.

The ERG Group's condensed consolidated half-yearly financial statements as at 30 June 2008, prepared in compliance with the international accounting standards applicable to interim financial reporting (IAS 34) adopted by the European Union, was subject to a limited legal audit by Reconta Ernst & Young S.p.A., which issued its report on 14 August 2008.

The pro-forma consolidated data were obtained by making appropriate pro-forma adjustments to the reported historical data described above in order to reflect the significant effects of Sale of the Equity Interest and of related financial and economic operations retroactively. More specifically, these effects, based on the indications in CONSOB memorandum No. DEM/1052803 of 5 July 2001, were retroactively reflected in the pro-forma consolidated balance sheet as if the Sale and related operations had been executed on 30 June 2008 and, in the pro-forma consolidated income statement, as if they had been executed on 1 January 2008.

As regards the accounting standards used by the ERG Group to prepare the consolidated reported historical data, please refer to the notes to the consolidated financial statements as at 31 December 2007, prepared by the group parent company ERG S.p.A. in compliance with the IFRSs adopted by the European Union.

The pro-forma consolidated balance-sheet and income-statement schedules have been derived from the templates included in the ERG Group's condensed Half-Yearly Financial Report as at 30 June 2008 and are shown in a summarised form.

The attached Pro-forma Consolidated Schedules show:

i) In the first column, the ERG Group's condensed half-yearly financial statements at 30 June 2008, as reported;
ii) In the second column, called "ISAB deconsolidation", the assets and liabilities as at 30 June 2008 of the Company Division contributed to ISAB and functional to the Equity Interest Sale. In addition, the pro-forma consolidated income statement shows revenues and expenses of the division in the first half of 2008, including the effects of the contracts entered into between the ERG Group and ISAB;
iii) In the third column, called "ISAB Equity Interest", the carrying value of the ISAB equity interest calculated based on consolidated book values as at 30 June 2008 and the economic effects produced by the valuation of the interest according to the equity method (or equity accounting);
iv) In the fourth column, called "Sale of 49% ISAB Equity Interest" the capital and economic/financial impact of the Equity Interest Sale.

For proper interpretation of the information provided by the pro-forma data, the following aspects should be considered:

i) as the data are representations constructed on assumptions, if the Sale and related financial and economic transactions had really been completed on the dates taken as the basis for preparation of pro-forma data, rather than on the effective date, reported data would not necessarily have been the same as pro-forma data;
ii) the pro-forma data do not reflect prospective data as they have been prepared in such a way as to represent only the single and objectively measurable impact of the Sale and of related financial and economic transactions, without considering the potential effects caused by changes in management policies and operating decisions consequential to the deal.

Moreover, in view of (a) the different purposes of pro-forma data and of data reported in historical financial statements and (b) the different methods of calculation of the effects of the Sale and of related financial and economic operations as regards the balance sheet and income statement, the pro-forma consolidated schedules must be read and interpreted separately, without seeking accounting links between the two documents.

Pro-forma consolidated balance sheet as at 30 June 2008

(Thousand Euro)	30 June 2008 ERG Group Reported data	Pro-forma adjustments *ISAB deconsolidation*	*ISAB equity interest*	*Sale of 49% equity interest*	30 June 2008 ERG Group Pro-forma data
Property, plant and equipment and intangible fixed assets	2,726,193	(844,778)	–	–	1,881,415
Equity investments	149,022	(16,238)	1,226,261	(600,868)	758,178
Other financial assets	13,315	(199)	–	–	13,116
Deferred tax assets	250,893	(19,303)	–	–	231,590
Other non-current assets	67,545	(53,767)	–	–	13,778
Total non-current assets	**3,206,968**	**(934,285)**	**1,226,261**	**(600,868)**	**2,898,076**
Inventories	1,276,606	(396,926)	–	–	879,680
Trade receivables	893,135	–	–	–	893,135
Financial assets	27,072	–	–	975,000	1,002,072
Cash & cash equivalents	225,799	(48,000)	–	580,000	757,799
Other current assets	205,343	(9,640)	–	–	195,703
Total current assets	**2,627,955**	**(454,566)**	**–**	**1,555,000**	**3,728,389**
Total assets	**5,834,923**	**(1,388,851)**	**1,226,261**	**954,132**	**6,626,465**
Shareholders' equity	**1,723,324**	**(1,226,261)**	**1,226,261**	**939,896**	**2,663,220**
Deferred tax liabilities	337,163	(128,597)	–	–	208,566
Non-current financial liabilities	956,241	12,723	–	–	968,964
Other non-current liabilities	506,322	(33,917)	–	–	472,405
Total non-current liabilities	**1,799,726**	**(149,791)**	**–**	**–**	**1,649,935**
Current financial liabilities	682,247	901	–	–	683,148
Trade payables	1,138,957	–	–	–	1,138,957
Other current liabilities	490,669	(13,700)	–	14,236	491,205
Total current liabilities	**2,311,873**	**(12,799)**	**–**	**14,236**	**2,313,310**
Total liabilities and shareholders' equity	**5,834,923**	**(1,388,851)**	**1,226,261**	**954,132**	**6,626,465**

Pro-forma consolidated income statement for the semester ended on 30 June 2008

(Thousand Euro)	1st Half 2008 ERG Group Reported data	Pro-forma adjustments *ISAB deconsolidation*	*ISAB equity interest*	*Sale of 49% equity interest*	1st Half 2008 ERG Group Pro-forma data
Revenues from ordinary operations	6,204,089	(1,446,747)	–	–	4,757,342
Other revenues and income	23,249	(2,353)	–	–	20,896
Total revenues	**6,227,338**	**(1,449,100)**	**–**	**–**	**4,778,238**
Cost of purchases	(5,244,782)	1,339,914	–	–	(3,904,868)
Costs for services & other operating costs	(447,862)	(121,915)	–	–	(569,777)
EBITDA	**534,694**	**(231,101)**	**–**	**–**	**303,593**
Amortisation, depreciation and write-downs of fixed assets	(102,139)	37,376	–	–	(64,763)
EBIT	**432,555**	**(193,725)**	**–**	**–**	**238,830**
Net financial income (expense)	(59,921)	1,239	–	37,948	(20,734)
Net income (loss) from investments carried at equity	5,062	–	10,835	–	15,897
Profit before taxes	**377,696**	**(192,486)**	**10,835**	**37,948**	**233,993**
Income taxes	(38,130)	74,930	–	(12,523)	24,277
Net profit before minority interests	**339,566**	**(117,556)**	**10,835**	**25,425**	**258,271**
Minority interests	(30,498)	–	–	–	(30,498)
Net profit pertaining to Group	**309,068**	**(117,556)**	**10,835**	**25,425**	**227,773**

5.1.1 *Detail of pro-forma adjustments*

5.1.1.1 ISAB

As highlighted in Chapter 2, the deal included contribution of the Company Division by ERG Raffinerie Mediterranee S.p.A. (the Contributor), effective 1 December 2008, to ISAB S.rl. (the Beneficiary). The Contribution concerned assets and liabilities relating to the ISAB Nord and ISAB Sud refining plants, to the connected power station, and the equity interest owned by the Contributor in Priolo Servizi ScpA, which manages services for a number of other subjects operating in the industrial site of Priolo Gargallo (Syracuse, Sicily), where the ISAB refinery is located.

The net assets contributed consist mainly of the following items:

i) property, plant and equipment and the intangible assets relating to refining plants,
ii) non-current financial assets (i.e. the equity interest in Priolo Servizi ScpA and the loan granted by the Contributor to the affiliate ISAB Energy S.r.l.),
iii) the minimum operating inventory (i.e. the quantity of raw materials and finished products obtained from the refining process deemed necessary to assure the refinery's continuity of operation),
iv) personnel and related payables (including amounts payable to pension agencies),
v) the reserve for liabilities relating to carbon dioxide emission exceeding the rights allocated;
vi) the reserve for deferred tax liabilities and assets;
vii) equipment government grants received;
viii) consumables and auxiliary materials and spare parts kept to assure continuous plant operation, and
ix) cash and cash equivalents

From the economic standpoint, the deal envisages performance by ISAB of direct operation of the refining process on behalf of the two partners, whereas it was previously performed directly by the ERG Group.

In order to represent the effects of the operations mentioned above, the following pro-forma adjustments have been made:

- from the ERG Group's consolidated balance sheet as at 30 June 2008 the net assets contributed to ISAB have been eliminated at their carrying value as at 30 June 2008 set against shareholders' equity;
- in the ERG Group's consolidated income statement relating to the first half of 2008:
  i) The costs relating to direct operation of the refinery were cancelled
  ii) The revenues and the purchase costs of materials corresponding to the lower quantities processed in proportion to the production capacity that will be used by the partner Lukoil were also cancelled
  iii) In the line "Costs of services and other operating costs", the costs have been recognised for the processing activities that ISAB will perform on ERG's behalf, calculated on the basis of the Operating & Processing Agreement (about Euro 258 million), as well as all costs related to the usage fee estimated, for ERG's share, pro-rated for the semester, as being Euro 12 million
  iv) Lastly, the tax impact of Euro 102 million, relating to posting of costs relating to the Processing Agreement, was also recognised.

5.1.1.2 ISAB equity interest

Following the deal described above, the ERG Group obtained 100% of the ISAB equity interest, the value of which, based on accounting data as at 30 June 2008, was estimated as being Euro 1,226 million, as indicated in the pro-forma consolidated balance sheet, set against shareholders' equity. The pro-forma consolidated income statement reflects valuation according to the equity method – as the company is jointly controlled – of the 51% of ISAB remaining after the Sale. The valuation was performed on the basis of the estimated net profit that will be achieved by ISAB, substantially stemming from the usage fee, revenues coming from the Site Contracts, and from the economic effects of the change in inventory value. This change was estimated assuming that the minimum inventory transferred to ISAB does not change in quantity, except for those products that change in quantity because of the Site Contracts. Consequently, the income statement impact of equity accounting of ISAB's result does not reflect, or it does to a minimum extent, the positive effect of the revaluation of the inventory contributed, which was instead included in ERG Med's reported data for the 1st half of 2008.

5.1.1.3 Sale of 49% of the ISAB equity interest and associated financial effects

The effects of pro-forma adjustments on the individual items of the consolidated balance sheet are reported as follows, and they are indicated in the column "Sale of 49% ISAB equity interest" relating to the Sale.

Specifically, in the pro-forma consolidated balance sheet the following adjustments have been made:

- Reduction of the value of the ISAB equity interest by Euro 601 million, equalling the 49% interest sold;
- Increase of the item "Other current liabilities" by Euro 14 million, corresponding to the tax liability arising from taxation of the capital gain made on sale of 49% of the ISAB equity interest and of related ancillary costs;
- Positive adjustments to shareholders' equity totalling Euro 940 million, corresponding to the net effect of the following items:
  - The capital gain of Euro 974 million made on sale of 49% of the ISAB equity interest;
  - Ancillary transaction costs estimated as Euro 20 million;
  - Negative tax effects of Euro 14 million relating to the pro-forma adjustments previously described;
- Reduction of net financial debt by Euro 1,555 million, corresponding to the effect of:
  - consideration for the sale of 49% of the ISAB equity interest, estimated as being Euro 1,575 million. As described earlier, the selling price is equal to the sum of Euro 1,347.5 million besides the value of net working capital, which, for the purposes of this document, has been estimated based on the amounts as at 30 June 2008 of the contractually relevant asset items, mainly consisting of 49% of petroleum product inventories contributed to ISAB;
  - Payment of ancillary transaction costs of Euro 20 million.

In the pro-forma consolidated income statement, in the column "Sale of 49% ISAB equity interest", the following adjustments have been inserted concerning the effects produced by collection of the selling price. They take the related payment procedure into account and, specifically, positive adjustments of Euro 38 million – before tax effects of Euro 13 million – have been made to "Financial income (expense)" in relation to the following items:

- Reduction of first-half financial expenses by Euro 8 million, estimated as the benefit of

collection of the first instalment on closing date, recognised only within the limit of the financial expense incurred by the ERG Group on short-term debt. This is as required by standards for the preparation of pro-forma accounting data, as no formalised commitments exist for use of part of the residual liquidity to repay medium-/long-term debt, which would have generated a further estimated reduction of financial expenses of about Euro 5 million;
- Recognition of financial income of Euro 30 million, which represents the amount of estimated benefits in the 1st half of 2008 of the interest owed by the Buyer to the Seller for deferral of payment of part of the selling price, as mentioned earlier.

Purpose of presentation of pro-forma consolidated data
The purpose of presentation of pro-forma consolidated data is to reflect retroactively the significant effects of sale of the 49% ISAB equity interest and of related financial and economic transactions, making appropriate pro-forma adjustments to consolidated reported data. More specifically, as highlighted earlier, the effects of the Sale and related financial operations envisaged have been retroactively reflected in the balance sheet as if the deal had been executed on 30 June 2008 and in the pro-forma consolidated income statement as if it had been executed on 1 January 2008.

Assumptions applied for elaboration of pro-forma data
The assumptions used to prepare the pro-forma data are as follows:
i) Sale of 49% of the ISAB equity interest with recognition of a price of Euro 1,575 million estimated on the basis of carrying values as at 30 June 2008;
ii) Collection of the selling price, part of which was deferred, as per the approach indicated below.

These assumptions caused the following effects on the ERG Group's structure and on accounting representation of its activities:
a. Valuation at equity of the joint-control equity interest in ISAB;
b. Reduction of revenues and industrial costs consequent to the smaller quantities of petroleum products that will be processed based on the production capacity contractually envisaged for the ERG Group by the processing contract with ISAB vs. the quantity previous processed with direct operation and full ownership of the plants.

In addition, for the purposes of preparation of pro-forma data, the following further assumptions have been applied:
i) The interest rate used to calculate the reduction of financial expenses consequent to overall reduction of financial debt has been assumed to be approximately 4.8%. Interest income relating to the portions of the price of Sale yet to be collected has been calculated based on the contractual conditions, indicated below;
ii) The tax rate used to calculate tax effects for pro-forma adjustments has been assumed to be 33% for corporate tax (IRES) and an average of 4.8% for regional business tax (IRAP);
iii) Ancillary transaction costs were estimated to be Euro 20 million.

The Sale price as established by the Agreement is the sum of Euro 1,347.5 million besides the value of contractually relevant asset items, consisting mainly of 49% of petroleum product inventories contributed to ISAB. For the purposes of preparation of the Pro-Forma Consolidated Schedules, the price of Sale has been estimated according to the approach established by the

Agreement, but based on the values as at 30 June 2008 of these asset items. Consequently, the definitive Sale price will differ from the amount estimated for the purposes of preparation pro-forma data. More specifically, the price will be significantly affected by the fair market value attributed to the stocks of petroleum products transferred to ISAB, whose market prices have decreased significantly compared with values as at 30 June 2008. This effect will be offset by liquidation of the spread accruing on the collar transaction set up by the ERG Group to hedge inventories transferred against the risk of price fluctuations. The economic and financial effects of the collar deal – amounting to some Euro 100 million – were not recognised in the pro-forma consolidated income statement at 30 June 2008 as they refer to operating acts taking place after that date.
Similarly, the value at which the equity interest is recognised following Contribution will be affected by the different values of the net assets contributed as at 30 June 2008 compared with those as at the date of actual contribution.
In addition, following reduction of the ERG Group's refining capacity, a significant quantity of stocks of petroleum products, not involved in the contribution to ISAB and that will be surplus to the new level of operation, will be sold on the market as part of ordinary refining activity until 1 December 2008. The economic effects of this transaction are not recognised in the pro-forma consolidated income statement at 30 June 2008 as they relate to operating acts taking place after that date and after Contribution.

As indicated in Chapter 2, the price of Sale, estimated based on values at 30 June 2008 as being Euro 1,575 million, is being paid to the Group with the following approach:
- Euro 600 million on the Closing date (which took place on 1 December 2008);
- Euro 150 million on 1 April 2009;
- Euro 300 million on 1 July 2009;
- The balance on 1 October 2009.

Against payment of the instalments falling due in 2009, the Buyer will pay the Seller interest based on 4-month Euribor for the first period and on 3-month Euribor for the subsequent two periods, to which will be added:
- 1.5% from 1 December 2008 to 1 April 2009
- 2.0% from 1 April to 1 July 2009
- 3.0% from 1 July 2009 until payment of the final balance.

The ancillary costs relating to the ISAB sale transactions described earlier and estimated by ERG S.p.A.'s senior management to total Euro 20 million mainly refer to costs concerning advisory and legal services and the success fees paid to brokers, as well as bonuses accorded to directors/employees/outside staff members particularly involved in the project. These costs are additional to those already incurred in the 1st half of 2008 and thus already included in reported data.

5.2 Pro-forma per-share indicators of Issuer

5.2.1 Comparison of reported and pro-forma per-share data

		1st Half 2008 ERG Group Reported data	1st Half 2008 ERG Group Pro-forma data
NWeighted average number of ordinary shares		148,340,379	148,340,379
EBITDA	*Thousand Euro*	534,694	303,593
EBITDA per share	*Euro*	3.605	2.047
EBIT	*Thousand Euro*	432,555	238,830
EBIT per share	*Euro*	2.916	1.610
Group net profit	*Thousand Euro*	309,068	227,773
Basic earnings per share	*Euro*	2.084	1.535
Diluted earnings per share	*Euro*	2.084	1.535
Cash flow*	*Thousand Euro*	441,705	323,034
Cash flow per share	*Euro*	2.978	2.178
Consolidated shareholders' equity	*Thousand Euro*	1,723,324	2,663,220
Consolidated shareholders' equity per share	*Euro*	11.617	17.953

* For the purposes of this Prospectus, cash flow is conventionally defined as the ERG Group's net profit, inclusive of minority interest, plus amortisation, depreciation, and write-downs.

5.2.2 Significant changes in per-share data caused by Deal

The number of ERG S.p.A. shares corresponds to the weighted average number of shares outstanding during the semester ended on 30 June 2008. Per-share data as at 30 June 2008 show:

- A decrease of both pro-forma EBITDA and EBIT per share compared with the reported consolidated figures of the ERG Group. This is due to the reduction in revenues and industrial costs following the smaller quantities of petroleum products that will be processed according to the production capacity contractually established for the ERG Group by the processing agreement with ISAB vs. the quantities previously processed with direct operation and fully plant ownership. In addition, this decrease is worsened by the fact that ISAB S.r.l. is consolidated at equity, meaning that, apart from the bottom-line result, its operating results are not included in the ERG Group's operating results;
- A decrease of pro-forma earnings per share (EPS) vs. the ERG Group's reported consolidated earnings, due to the lower pro-forma EBIT, as discussed above, partly offset by the pro-forma adjustments concerning the economic effects of:
  - Equity valuation of ISAB
  - Lower revaluation of inventories contributed to ISAB and reflected in the equity accounting method
  - Reduction of financial expense
  - Lower taxes owed due to reduction of EBIT.

We also recall the fact that a further Euro 5-million reduction of net financial expense has not been recognised as there no formalised commitments exist to use of the remaining liquidity to repay medium-/long-term debt.

- A decrease in pro-forma per-share cash flow, compared with the ERG Group's reported consolidated amounts, due to the lower pro-forma bottom-line result discussed above.

To better understand the above mentioned changes, it is pointed out that the capital gain and ancillary costs relating to sale of the 49% ISAB equity interest were not recognised in the pro-forma consolidated income statement as at 30 June 2008 as they are one-off components of the Sale deal, attributable solely to the period when the Sale actually took place.
As regards the pro-forma shareholders' equity per share, there is an increase vs. the ERG Group's reported amount mainly because of the capital gain made on sale of the 49% equity interest in ISAB, which, as previously highlighted in pro-forma adjustments, has been recognised set against shareholders' equity.

5.3 External auditor's report on examination of pro-forma consolidated schedules

The external auditor's report concerning its examination of the preparation of pro-forma consolidated income statement and balance sheet data and certifying the reasonableness of the basic assumptions used to prepare them, is attached to this Prospectus.

5.4 Other information

Results at replacement cost

In order to facilitate understanding of the businesses' operating performance, pro-forma economic results – in line with the data shown in the Half-Yearly Financial Report as at 30 June 2008 – are also shown at replacement cost, excluding inventory gains (losses) and non-recurring items
Inventory gains (losses) are the difference between the current cost of products sold and the cost given by application of weighted average cost. They represent the higher (lower) value, in the event of an increase (decrease) in prices, applied to the quantities corresponding to inventory levels existing at the beginning of the period and still present at the end of the period concerned.
Non-recurring items include significant income items of an unusual nature.
The items indicated in the Half-Yearly Financial Report as at 30 June 2008 refer to (a) the capital gain of some Euro 7 million made vs. third parties, relating to contribution of a company division to the investee company Priolo Servizi; (b) costs of approximately Euro 3 million for reinstatement of the area earmarked for construction of the new gas turbine unit at the Nord site; and (c) the effect of alignment of tax rates of Italian Decree Law 112/2008 (the so-called Robin Hood tax), whose overall income-statement impact, recognised in the "Income taxes" caption, was Euro 116 million, deriving mainly from release of deferred tax provision exceeding the 16% substitute tax that will have to be paid on the difference between the LIFO value and weighted average cost of year-end inventories.
In addition, given the major impact of the deal on businesses' representation, information is provided on the ERG's proportional share (51%) of the EBITDA and EBIT of ISAB, whose contribution to the pro-forma figures shown in previous sections consists of the equity interest's valuation at equity.

Reconciliation of results at replacement cost

	1st Half 2008 ERG Group Reported data	*Pro-forma adjustments*	1st Half 2008 ERG Group Pro-forma data
EBITDA	**534.7**	***(231.1)***	**303.6**
Exclusion of inventory gains/losses for Coastal Refining	*(139.0)*	*107.5*	*(31.5)*
Exclusion of inventory gains/losses for Integrated Downstream	*(82.1)*	*–*	*(82.1)*
Exclusion of non-recurring items	*(3.9)*	*–*	*(3.9)*
EBITDA at replacement cost [1]	**309.6**	***(123.6)***	**186.0**
Contribution of 51% of ISAB at replacement cost	*–*	*34.0*	*34.0*
Adjusted EBITDA at replacement cost [2]	**309.6**	***(89.7)***	**219.9**
EBIT	**432.6**	***(193.7)***	**238.8**
Exclusion of inventory gains/losses for Coastal Refining	*(139.0)*	*107.5*	*(31.5)*
Exclusion of inventory gains/losses for Integrated Downstream	*(82.1)*	*–*	*(82.1)*
Exclusion of non-recurring items	*(3.9)*	*–*	*(3.9)*
EBIT at replacement cost [1]	**207.5**	***(86.2)***	**121.2**
Contribution of 51% of ISAB at replacement cost	*–*	*14.9*	*14.9*
Adjusted EBIT at replacement cost [2]	**207.5**	***(71.3)***	**136.1**
Group net profit	**309.1**	***(81.3)***	**227.8**
Exclusion of inventory gains/losses for Coastal Refining	*(87.7)*	*63.8*	*(23.9)*
Exclusion of inventory gains/losses for Integrated Downstream	*(51.8)*	*–*	*(51.8)*
Exclusion of non-recurring items	*(113.1)*	*–*	*(113.1)*
Group net profit at replacement cost [3]	**56.4**	***(17.5)***	**38.9**

[1] Results at replacement cost do not include inventory gains/(losses) and non-recurring items.
[2] Adjusted pro-forma data at replacement cost also include the contribution, for the share attributable to ERG (51%), of the results of ISAB S.r.l. It is pointed out that, in the official pro-forma data, calculated according to IFRS requirements, ISAB S.r.l. is accounted for at equity.
[3] It is the same as adjusted net profit at replacement cost.

Results at replacement cost by business sector

	1st Half 2008 ERG Group Reported data	*Pro-forma adjustments*	1st Half 2008 ERG Group Pro-forma data
Coastal refining [1]	166.9	*(84.0)*	83.0
Integrated downstream	34.7	*0.0*	34.7
Thermoelectric power generation [2]	119.7	*(5.7)*	114.0
Renewable energy sources	6.8	–	6,8
Corporate	(18.5)	–	(18,5)
Adjusted EBITDA at replacement cost [3]	**309.6**	***(89.7)***	**219.9**
Coastal refining [1]	(35.7)	*16.6*	(19.1)
Integrated downstream	(25.2)	–	(25.2)
Thermoelectric power generation [2]	(30.3)	*1.7*	(28.7)
Renewable energy sources	(9.5)	–	(9,5)
Corporate	(1.3)	–	(1,3)
Depreciation, amortisation and write-downs	**(102.1)**	***18.3***	**(83.8)**
Coastal refining [1]	131.2	*(67.3)*	63.9
Integrated downstream	9.5	–	9.5
Thermoelectric power generation [2]	89.3	*(4.0)*	85.3
Renewable energy sources	(2.7)	–	(2,7)
Corporate	(19.9)	–	(19,9)
Adjusted EBIT at replacement cost [3]	**207.5**	***(71.3)***	**136.1**

[1] Pro-forma figures include the contribution, for the share attributable to ERG (51%), of the results of ISAB S.r.l.

[2] Pro-forma adjustments refer to the contribution of the Sud gas turbine unit (interlocked with the plant contributed to ISAB S.r.l.). Whose results are reflected, for the share attributable to ERG (51%), in Coastal Refining results, as indicated in note (1)

[3] Results at replacement cost do not included inventory gains (losses) and non-recurring items. In addition, adjusted results at replacement cost include the contribution, for the share attributable to ERG (51%) of the results of ISAB S.r.l.

Comparison of reported and pro-forma results per share

		1st Half 2008 ERG Group Reported data	1st Half 2008 ERG Group Pro-forma data
Weighted average number of ordinary shares		148.340.379	148.340.379
Adjusted EBITDA at replacement cost	*Thousand Euro*	309.606	219.948
Adjusted EBITDA at replacement cost per share	*Euro*	2,087	1,483
Adjusted EBIT at replacement cost	*Thousand Euro*	207.467	136.123
Adjusted EBIT at replacement cost per share	*Euro*	1,399	0,918
Group net profit at replacement cost	*Thousand Euro*	56.369	38.858
Basic Group earnings per share at replacement cost	*Euro*	0,380	0,262
Cash flow*	*Thousand Euro*	180.946	145.121
Cash flow per share	*Euro*	1,220	0,978

* For the purposes of this Prospectus, cash flow is conventionally defined as the ERG Group's net profit, inclusive of minority interest, plus amortisation, depreciation, and write-downs.

6. Business outlook of the ERG Group

This section highlights what was reported in the Interim Management Statement as at 30 September 2008.

Risks and uncertainties facing the business outlook in Q4 2008
Pursuant to Article 154-ter (4) of the Consolidated Finance Act, and with reference to the estimates and forecasts set out in this section, notice is given that actual results might differ significantly from officially forecast results due to a number of factors including, but not limited to: future changes in crude oil prices, plant operating performances, the impact of environmental and other regulations on the oil and energy sector, other changes in business conditions, and the actions of competitors.

Coastal Refining
It is expected that EMC (FCC) base refining margins in 4Q 2008 will be in line with those realised during the first nine months of the year, supported by the strength of diesel sales and the coming into effect of new specifications for vehicle products (the maximum content of sulphur is being reduced from 50 ppm to 10 ppm in unleaded gasoline and in EN590 diesel) and the shutdown of plants at various refineries.
In this context, it is expected that the contribution of investments made in the new refinery configuration and deferral until 2009 of the shutdown that was originally planned for 2008 will produce good results in 4Q 2008 as well.

Integrated Downstream
It is expected that both sales and profitability in the retail network will improve from the average results for the previous quarters of 2008.
For the wholesale network, it is expected that in 4Q 2008 sales will improve slightly and the margins for the first nine months consolidated.
For Inland Refining, it is expected that processing during the last quarter of the year will decrease from the average levels of the previous quarters, due to scheduled shutdowns at the two Inland Refineries.

Thermoelectric Power Generation
Since the accident at the ISAB Energy plant on 13 October, inspections and studies are underway to develop a repair plan and place the plant back into service.
During the year, development of the electric power and gas trading and sale business to wholesalers and end customers, including the customers of the Priolo industrial site, and to the national grid operator (GSE) for production by CIP 6 plants will continue.
Notwithstanding the accident at ISAB Energy mentioned above, it is expected that the profitability of the Thermoelectric Power Generation division will be higher than in 2007.

Renewable Energy Sources
In spite of the expected improvement in profitability in 4Q 2008, mainly due to consolidation of the French wind farms, wind segment results for 2008 will be negatively affected by the events that impacted the results at 30 September 2008 and by the lower output of Italian wind farms in 3Q 2008. They are consequently expected to be slightly lower than in the previous year.

Certification by the manager responsible for preparation of the company accounts pursuant to Article 154-bis (2) of Legislative Decree 58/1998 (Consolidated Finance Act)

The Manager responsible for preparing the accounts of ERG S.p.A., Luca Bettonte certifies, pursuant to Article 154-bis (2) of the Consolidated Finance Act, that to the best of his knowledge, the disclosures set out in this Prospectus correspond to the company's documentary evidence, accounting records and books.

Genoa, 15 December 2008

Luca Bettonte
Manager responsible for preparing
the company accounts

7. Annexes

7.1 7.1External auditor's report on its examination of pro-forma consolidated schedules as at 30 June 2008

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Relazione della società di revisione
sull'esame dei Prospetti Consolidati Pro-forma

Al Consiglio di Amministrazione della
ERG S.p.A.

1. Abbiamo esaminato i prospetti relativi allo stato patrimoniale ed al conto economico consolidati pro-forma (i "Prospetti Consolidati Pro-forma") corredati delle note esplicative della ERG S.p.A. per il semestre chiuso al 30 giugno 2008.

   Tali Prospetti Consolidati Pro-forma derivano dai dati storici relativi al bilancio consolidato semestrale abbreviato del Gruppo ERG per il semestre chiuso al 30 giugno 2008, predisposto in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea, e dalle scritture di rettifica pro-forma ad essi applicate e da noi esaminate.

   Il bilancio consolidato semestrale abbreviato del Gruppo ERG per il semestre chiuso al 30 giugno 2008 è stato da noi assoggettato a revisione contabile limitata, a seguito della quale è stata emessa la relazione in data 14 agosto 2008.

   La revisione contabile limitata è consistita principalmente nella raccolta di informazioni sulle poste del bilancio consolidato e sull'omogeneità dei criteri di valutazione, tramite colloqui con la direzione delle Società, e nello svolgimento di analisi di bilancio sui dati contenuti nel predetto bilancio consolidato. La revisione contabile limitata ha escluso procedure di revisione quali sondaggi di conformità e verifiche o procedure di validità delle attività e delle passività ed ha comportato un'estensione di lavoro significativamente inferiore a quella di una revisione contabile completa svolta secondo gli statuiti principi di revisione. Di conseguenza, non è stato espresso un giudizio professionale di revisione sul predetto bilancio consolidato.

   I Prospetti Consolidati Pro-forma sono stati redatti sulla base delle ipotesi descritte nelle note esplicative per riflettere retroattivamente gli effetti dell'operazione di cessione del 49% della partecipazione nella ISAB S.r.l. detenuta dalla ERG Raffinerie Mediterranee S.p.A. (controllata dalla ERG S.p.A.) a favore di Lukoil Europe Holdings B.V., avvenuta in data 1° dicembre 2008, nonché gli effetti degli altri contratti stipulati tra le parti.

2. I Prospetti Consolidati Pro-forma, corredati delle note esplicative, relativi al semestre chiuso al 30 giugno 2008, sono stati predisposti ai fini di quanto richiesto dall'articolo 71 del Regolamento Consob n. 11971/99, e successive modifiche, di attuazione del D.Lgs. 58/98 concernente la disciplina degli emittenti.

   L'obiettivo della redazione dei Prospetti Consolidati Pro-forma è quello di rappresentare, secondo criteri di valutazione coerenti con i dati storici e conformi alla normativa di riferimento, gli effetti dell'operazione di cessione della partecipazione e delle operazioni finanziarie ed economiche ad essa conseguenti sull'andamento economico consolidato e

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Capitale Sociale € 1.402.500,00 i.v.
iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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sulla situazione patrimoniale consolidata della ERG S.p.A., come se esse fossero virtualmente avvenute il 30 giugno 2008 e, per quanto si riferisce ai soli effetti economici, all'inizio dell'esercizio 2008. Tuttavia, va rilevato che qualora l'operazione di cessione della partecipazione e le operazioni connesse sopramenzionate fossero realmente avvenute alle date ipotizzate, non necessariamente si sarebbero ottenuti gli stessi risultati qui rappresentati.

La responsabilità della redazione dei Prospetti Consolidati Pro-forma compete agli amministratori della ERG S.p.A.. E' nostra la responsabilità della formulazione di un giudizio professionale sulla ragionevolezza delle ipotesi adottate dagli amministratori per la redazione dei Prospetti Consolidati Pro-forma e sulla correttezza della metodologia da essi utilizzata per l'elaborazione dei medesimi prospetti. Inoltre è nostra la responsabilità della formulazione di un giudizio professionale sulla correttezza dei criteri di valutazione e dei principi contabili utilizzati.

3. Il nostro esame è stato svolto secondo i criteri raccomandati dalla Consob nella Raccomandazione n. DEM/1061609 del 9 agosto 2001 per la verifica dei dati pro-forma ed effettuando i controlli che abbiamo ritenuto necessari per le finalità dell'incarico conferitoci.

4. Dal lavoro svolto nulla è emerso che ci induca a ritenere che le ipotesi di base adottate da ERG S.p.A. per la redazione dei Prospetti Consolidati Pro-forma per il semestre chiuso al 30 giugno 2008, corredati delle note esplicative per riflettere l'operazione di cessione della partecipazione e le operazioni connesse sopramenzionate, non siano ragionevoli, che la metodologia utilizzata per l'elaborazione dei predetti prospetti non sia stata applicata correttamente per le finalità informative descritte in precedenza e, infine, che nella redazione dei medesimi prospetti siano stati utilizzati criteri di valutazione e principi contabili non corretti.

Milano, 15 dicembre 2008

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