



# Saras S.p.A.

Consolidated financial statements as at December 31,  
2019

Independent auditor's report pursuant to article 14 of  
Legislative Decree n. 39, dated 27 January 2010, and  
article 10 of EU Regulation n. 537/2014

# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of  
Saras S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Saras Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Saras S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were the most significant for our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and so we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of fixed assets, inventories and derivative instruments	
<p>The economic and financial performance of the Group is significantly influenced by the volatility of market factors, including the cost and the availability of crude oil and the world demand for finished products compared to the processing capacity, which determine the margins achievable from refining, the main activity of the Group. The trend of market factors in the foreseeable future represents one of the critical assumptions for the evaluation of fixed assets and of the recoverable amount of inventories as well as for the volatility of fair values of derivative instruments.</p> <p>Management assesses, at least annually, the existence of impairment indicators for fixed assets, and, in case, performs an impairment test; in addition, they verify the recoverable amount at the end of the year of inventory and the fair value of derivative instruments.</p> <p>These estimates involve evaluation processes, even complex, which depend on external industry factors, highly volatile, and they are based on assumptions which, by their nature, involve the use of high degree of judgment by Management.</p> <p>Considering the complexity of the assumptions used by Management in its valuation, and in particular the possible impacts on future cash flows from changes in market conditions, we considered that this area represents a key audit matter.</p> <p>The disclosure related to this issue is included in notes 3.6 "Most significant accounting policies requiring a greater degree of subjectivity" of the explanatory note to consolidated financial statements.</p>	<p>The audit procedures performed in response to this key audit matter, included, among others, the analysis of the economic and sector scenarios considered by Management in preparing such plans, the verification of consistency with the external sources used in developing them, their continuance of their use over time, the analysis of procedure and controls implemented by the Group for the identification of any impairment indicators, as well as the analysis of the valuation models of the recoverability of fixed assets, the recoverable value of inventories and the fair value of the derivative instruments at the end of the year.</p> <p>In performing our procedures, we have also leveraged on the support of our experts in evaluation techniques.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.</p>

Key Audit Matter	Audit Response
<p data-bbox="180 421 1310 488">Complexity of the regulatory environment and related emerging litigations concerning the energy sector</p> <hr/> <p data-bbox="180 539 783 920">The energy sector is regulated by highly complex regulations and authorization procedures, which already led to involvement of the subsidiary Sarlux S.r.l. in administrative claims, whose outcome could influence in the future year, for significant amounts, the valuation of liabilities to be accrued to “Provisions for risks and charges” and other contingent assets related to the late recognition of rights claimed by the Group and not yet accounted for in the consolidated financial statement.</p> <p data-bbox="180 943 783 1133">Management, supported by their lawyers, have provided update information in the group consolidated financial statement about their expectation of the outcome of these administrative procedures and litigations, on the basis of the most recent developments.</p> <p data-bbox="180 1155 783 1469">We considered that this area represents a key audit matter due to the complexity in evaluating the relevant regulatory environment, as well as the significance and the uncertainties involved in the valuation of the outstanding administrative procedures and litigations. The disclosures related to this matter are included in note 7.1 “Main legal actions pending” to the consolidated financial statements.</p>	<p data-bbox="807 539 1390 887">Our audit procedures in response to this key audit matter included, among others, the understanding, through discussions with Management of the assessment of the applicable regulations and recent developments in pending litigations, also supported by the information received from lawyers who assist the Group, the examination of the main supporting documents used by the Group, as well as how such determination are included in the consolidated financial statements.</p> <p data-bbox="807 909 1390 1032">Lastly, we reviewed the adequacy of the disclosure provided in the notes to the consolidated financial statements in relation to this key audit matter.</p>

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Saras S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

## Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Saras S.p.A., in the general meeting held on 28 April 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Saras S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Saras as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Saras Group as at 31 December 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Saras Group as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

#### Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Saras S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, March 18, 2020

EY S.p.A.

Signed by: Alberto Romeo, Auditor

This report has been translated into the English language solely for the convenience of international readers.