

# **SARAS S.P.A.**

Registered office: S.S. 195 "SULCITANA" KM 19 - SARROCH (CA)

Share capital: EUR 54,629,666.67, fully paid up

## **Report by the Board of Statutory Auditors to the shareholders' meeting pursuant to article 153 of Legislative Decree 58/98 and article 2429, paragraph 2 of the Italian Civil Code**

To the shareholders of Saras S.p.A.

During the year ending 31 December 2010, we carried out the supervisory activities required by law, updated by Legislative Decree 39/2010, in accordance with the Code of Conduct for Internal Auditors recommended by the National Accounting Board.

Moreover, in compliance with the instruction provided in Consob communication 1025564 of 6 April 2001, we wish to report the following.

- We have monitored compliance with the law and the articles of association.
- We have obtained from the Directors, at least every three months, a report on activities carried out, describing any significant transactions affecting the business or financial position of the company (and its subsidiaries), and we can therefore reasonably assert that the actions approved and implemented comply with the law and the articles of association, and that they were not imprudent or risky, did not represent a potential conflict of interest, did not run counter to resolutions adopted by shareholders, and did not jeopardise the company's assets.

We examined and monitored, within the parameters of our remit, the effectiveness of the company's organisational structure, in compliance with good administrative practice, and the appropriateness of the instructions given by the company to its subsidiaries, pursuant to paragraph 2 of article 114 of Legislative Decree 58/98, by collating information received from the heads of the various functions and meeting with the external auditors in order to share relevant information, and we have no particular observations to make in this regard.

In relation to the company's main subsidiaries, the Board of Statutory Auditors obtained information on the organisational structure and the management control system, and we have no particular observations to make in this regard.

- We have assessed and monitored the effectiveness of the internal audit, administrative and accounting systems, and the reliability of the accounting system in terms of accurately representing the results of operations, by:

- (i) examining the report by the head of Internal Audit on the internal audit system at Saras
- (ii) examining the statements from Internal Audit and the information on the results of activities to monitor the implementation of corrective measures identified following audit activities
- (iii) obtaining information from the heads of the various functions
- (iv) examining company documents
- (v) analysing the results of the work conducted by the external auditors
- (vi) sharing information with the audit bodies of subsidiaries, pursuant to paragraphs 1 and 2 of article 151 of Legislative Decree 58/98

We have no particular observations to make in this regard.

- The Internal Control Committee and the Remuneration Committee have been established by the Board of Directors.
- We held meetings with representatives of the external auditors, pursuant to article 150, paragraph 2 of Legislative Decree 58/98, and no significant information emerged that ought to be included in this report.
- We have not discovered any atypical or unusual transactions carried out with third parties, group companies or related parties.
- In the notes to the accounts, the Directors indicate and explain the existence of an extensive exchange of goods and services between the company, other group companies and related parties, and specify that this was governed by appropriate conditions as indicated in the notes to the accounts in light of the nature of the goods and services provided.
- We have obtained and reviewed information from the Supervisory Body regarding organisational and procedural activities implemented pursuant to Legislative Decree 231/01, as subsequently amended, relating to the administrative responsibility of entities for the crimes covered by the decree. The report by the Supervisory Body on the activities carried out during 2010 and the meetings between the Supervisory Body and the Board of Statutory Auditors did not reveal any significant issues that ought to be mentioned in this report.
- The Board of Statutory Auditors regularly met and shared information with representatives of the external auditors, PricewaterhouseCoopers, and – although the audit reports on the annual and consolidated accounts are not yet available – the Board has good reason to believe that the external auditors will issue an unqualified opinion on both.
- The Board of Statutory Auditors has received no complaints or accusations pursuant to article 2408 of the Italian Civil Code.
- Based on the express declaration of the Directors, we can report that the external auditors have also been charged with the following additional duties:

- checking the separate consolidated accounting statements relating to activities in the electricity sector for remuneration of EUR 6,585
- signing tax declarations for remuneration of EUR 10,069
- During the year, the Board of Statutory Auditors issued the opinions required by law.
- By means of direct checks and information obtained from the external auditors, the Board of Statutory Auditors has verified compliance with legal requirements regarding the preparation and presentation of the company's annual financial statements and the report on operations that accompanies them. The Board of Statutory Auditors has also examined the valuation criteria used in preparing the financial statements to ensure that it meets legal requirements and is appropriate for the company's financial situation.
- In the risk analysis section, the Directors describe the main risks and uncertainties to which the company and the group are exposed, including operational, financial (price volatility, credit, liquidity, exchange rate, interest rate) and general risks.
- The Board of Statutory Auditors confirms that the company has taken steps during the year to verify the independence of the independent directors.
- During the course of its supervisory activities and on the basis of the information obtained from the external auditors, the Board uncovered no omissions and/or reprehensible acts and/or irregularities or significant events that it deemed necessary to report to the audit bodies or mention in this report.
- The Board of Statutory Auditors met ten times and attended six meetings of the Internal Control Committee, five meetings of the Board of Directors, one shareholders' meeting, two meetings of the Remuneration Committee, one meeting of the independent directors and one meeting of the Committee for Related-Party Transactions.

The report on operations provides sufficient information on the company's operations and is appropriate for the scope and complexity of the company's affairs.

In light of the above, the Board of Statutory Auditors raises no objection to the approval of the financial statements to 31 December 2010, which show a loss to be carried forward of EUR 110,086,524.

Milan, 4 April 2011

The Board of Statutory Auditors

Ferdinando Superti Furga

Giovanni Luigi Camera

Michele Di Martino