

# SARAS SpA

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

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

## REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE 58/98

*Dear Shareholders,*

During the year ended 31 December 2014, 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.

### **SUPERVISORY ACTIVITIES**

In compliance with the instructions provided in Consob Communications 1025564 of 6 April 2001, 3021582 of 4 April 2003 and 6031329 of 7 April 2006, we wish to report the following:

We monitored compliance with legislation, the principal and secondary regulations, the Articles of Association and the principles of good administrative practice for listed companies.

We attended Shareholders' Meetings and Meetings of the Board of Directors and the Board Committees, and obtained from the directors, on at least a quarterly basis and pursuant to Article 150 of Legislative Decree 58/1998, information on general operating performance and the outlook for this performance, and on significant transactions affecting the Company's business and financial position, ensuring that the resolutions approved and implemented 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 suitability of the Company's organisational structure in compliance with good administrative practice, by collating information received from the heads of the various administrative functions and through meetings with the external auditors, in order to share relevant information. We have no specific observations to make in this regard.

The Board of Auditors examined and monitored the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2 of Legislative Decree 58/98, and obtained information on their organisational structures and management control systems. It has no specific observations to make in this regard.

We have assessed and monitored the effectiveness of the internal control and the accounting administration systems, as well as the reliability of the latter in terms of accurately representing the results of administrative operations, by:

- (i) examining the report of the Internal Control Manager on the internal control system at Saras;
- (ii) examining the reports from Internal Audit and the information memorandum on the results of activities to monitor the implementation of corrective measures identified by audits;
- (iii) obtaining information from the heads of the various functions;
- (iv) analysing the results of the work carried out by the external auditors;
- (v) sharing information with the control 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.

An Internal Control Committee, a Remuneration and Appointments Committee and a Control and Risks Committee have been established within the Board of Directors. The Board of Auditors, having examined the new legislative provisions and regulations for companies, has verified the Company's compliance activities in this regard and notes that it has reviewed the Remuneration Policy, for Directors and managers with strategic responsibilities, adopted by the Board of Directors, in line with the Corporate Governance Code for Listed Companies and on the recommendation of the Remuneration and Appointments Committee, whose meetings the Board of Auditors attended.

We held meetings with representatives of the external auditors, pursuant to Article 150, paragraph 3 of Legislative Decree 58/98, and no significant information or issues were raised 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 numerous exchanges of goods and services between the Company, other Group Companies and related parties, and specify that these were governed by appropriate conditions as indicated in the notes to the accounts, given 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 offences covered by the decree. The report by the Supervisory Body on the activities carried out in 2014 and the meetings held 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 received analytical information on the impairment testing carried out to confirm the value of some significant fixed assets included in the financial statements of subsidiaries.

No complaints were reported to the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code.

Based on the express declaration of the Directors, the Board of Statutory Auditors notes that in addition to carrying out the audit, the external auditors were assigned the execution of the following services:

- > checking the separate and consolidated financial statements relating to activities in the electricity segment for remuneration of EUR 7,760;
- > signing tax declarations for remuneration of EUR 7,070.

During the year we issued favourable opinions on the following:

- the existence of the requirements for independent directors;
- the annual remuneration of the directors sitting on Board Committees, pursuant to Article 2389, paragraph 3 of the Italian Civil Code;
- the proposed additional services assigned to the external auditor.

By means of direct checks and information obtained from the external auditors, we have 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 that it reflects 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 held 11 meetings, including those with the bodies of the subsidiaries. It attended ten meetings of the Board of Directors, one Shareholders' Meeting, one meeting of the Remuneration and Appointments Committee and five meetings of the Risk Control Committee.

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

In the year under review the Company incorporated the book value of its subsidiary Arcola Petrolifera Srl, as part of the company reorganisation mentioned in the Report on Operations.

#### **ANNUAL FINANCIAL STATEMENTS**

We have reviewed the draft financial statements for the year ended 31 December 2014, provided to us pursuant to Article 2429 of the Italian Civil Code, with regard to which we note the following:

For the purpose of comparison, the balance sheet has been drawn up with columns that include the values that would have been obtained had the merger of subsidiary Arcola Petrolifera Srl with the Company taken place on 1 January 2013;

Since we have not been engaged to carry out the statutory audit of the financial statements, we have supervised their presentation and the general legal compliance of their preparation and structure, and have no specific observations to make in this regard.

The annual financial statements to 31 December 2014 closed on a loss of EUR 328,872,284.

## CONCLUSIONS

The external auditors have issued their report today without reservations.

The Board of Statutory Auditors has raised no objection to the approval of the financial statements and to covering the year's loss as proposed by the Board of Directors.

The Board of Statutory Auditors has made its recommendation for the appointment of an External Auditor pursuant to Article 13 of Legislative Decree 39/2010, due to expiry of the current mandate. You are therefore invited to take action in relation to the proposal.

Finally, may we remind you that on the occasion of the Shareholders' Meeting for the approval of the financial statements for the year ended 31 December 2014, the three-year term of office of the Board of Directors and the Board of Statutory Auditors comes to an end and you are therefore invited to make the necessary appointments.

Milan, 3 April 2015

Representing the Board  
of Statutory Auditors

The Chairman

Ferdinando Superti Furga

A handwritten signature in black ink, appearing to read 'Ferdinando Superti Furga'. The signature is stylized with a long horizontal stroke and a wavy tail.