

# **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 of the Board of Auditors to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree 58/98**

To the shareholders' meeting of Saras S.p.A.

During the year ended 31 December 2013, 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 articles of association and the principles of good administrative practice.

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 the company's general operating performance and outlook, 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 interests, 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 functions and meeting 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 adequacy of the internal control, administration 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 Internal Control Manager on the internal control system at Saras
- (ii) examining the reports from Internal Audit and information on the results of activities to monitor the implementation of corrective measures identified following audits
- (iii) obtaining information from the heads of the various functions
- (iv) examining Company documents
- (v) analysing the results of the work carried out by the external auditors
- (vi) 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 specific observations to make in this regard.

An Internal Control Committee, Remuneration Committee and 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 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 did not identify 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 the 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 offences covered by the decree. The report by the Supervisory Body on the activities carried out during 2013 and the meetings between the Supervisory Body and the Board of Auditors did not reveal any significant issues that ought to be mentioned in this report.

The Board of Auditors received analytical information on the impairment testing carried out by the Company to confirm the value of goodwill and some significant fixed assets included in the financial statements of the Company and the subsidiaries. The information was provided by the Directors in the notes to the financial statements, pursuant to international accounting standards and Consob regulations.

The Board of 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 been tasked with the following duties in addition to the audit:

- checking the separate and consolidated accounting statements relating to activities in the electricity sector for remuneration of EUR 7,045
- signing tax declarations for remuneration of EUR 5,750
- other services for EUR 24,525 (CH Compliance Workshop for remuneration of EUR 15,000 and year-end closing fiscal representation in respect of UK tax compliance for remuneration of EUR 9,525).

We issued favourable opinions on the following during the year:

- the existence of the requirements for independent Directors
- the annual remuneration of the Directors sitting on the Board Committees, pursuant to Article 2389, paragraph 3 of the Italian Civil Code
- the proposed extension of the mandate of the external auditors.

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 accompanying report on operations. The Board of Auditors also examined the valuation criteria used to prepare the financial statements to ensure that they meet legal requirements and are appropriate for the Company's financial situation, with a particular focus on the criteria and assumptions used to prepare impairment testing.

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 Auditors notes the Company's commitment to continuously improving its environmental and safety systems.

The Board held 12 meetings, including with the subsidiaries' internal bodies, and attended 11 meetings of the Board of Directors, two Shareholders' meetings, three meetings of the Remuneration Committee and five meetings of the Control and Risks 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 affairs.

In February 2013, the Board of Directors launched a major corporate reorganisation programme that includes, *inter alia*, a restructuring of the delegation of operational authority within the Company, appointing and conferring wide-ranging powers upon the new Executive Vice-Chairman. The Directors provided the appropriate information on this programme in the notes to the financial statements.

In the year under review, the Company disposed of assets (the refining division) via a transfer to its subsidiary Sarlux S.r.l.

#### **ANNUAL FINANCIAL STATEMENTS**

We have reviewed the draft financial statements for the year ended 31 December 2013, provided to us pursuant to Article 2429 of the Italian Civil Code. with regard to which we note the following.

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.

In preparing these financial statements, the Directors have not deviated from the law pursuant to Article 2423, paragraph 4 of the Italian Civil Code.

The annual financial statements to 31 December 2013 closed on a loss of EUR 124,037,017.

#### **CONCLUSIONS**

On 2 April 2014, the auditing company issued its report with an unqualified opinion.

The Board of Auditors raises no objection to the approval of the financial statements and to the coverage of the loss for the year proposed by the Board of Directors.

Milan, 3 April 2014

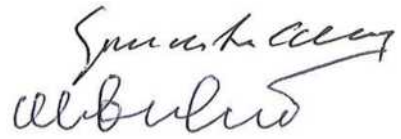
The Board of Auditors

Ferdinando Superti Furga



Giovanni Luigi Camera

Michele Di Martino.

A handwritten signature in cursive script, appearing to read "Giovanni Luigi Camera" on the top line and "Michele Di Martino" on the bottom line. The signature is written in black ink and is positioned to the right of the printed names.