

SARAS S.p.A.

Registered office in S.S. Sulcitana 195 km. 19° - Sarroch (CA)

Fully paid-up share capital EUR 54,629,666.67

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING  
pursuant to art. 153 of Legislative Decree No. 58/1998 and article 2429, para. 3 of the Civil  
Code

Dear Shareholders,

The purpose of this report, drafted by the Board of Statutory Auditors appointed for three financial years by the Shareholders' Meeting and comprising the Chairwoman, Giancarla Branda (solicitor) and the statutory auditors, Dr Giovanni Luigi Camera and Dr Paola Simonelli, is to ensure effective and transparent information for shareholders, the market and the supervisory authority on the supervisory activity required by law carried out by the Board during the financial year closed at 31 December 2016.

On the activity carried out during the financial year, in line with the recommendations made by the rules of conduct of the Board of Statutory Auditors of listed companies issued by the National Board of Chartered Accountants and Accounting Experts and taking account of the guidelines provided by Consob in its communication of 6 April 2001 - DEM/1025564, as amended and supplemented by the communication of 4 April 2003 - DEM/3021582 and subsequently with the communication of 7 April 2006 - DEM/6031329, the Board reports:

- a) having supervised the observance of law, the main and secondary regulations, and of the Articles of Association;
- b) having obtained from the directors, with the frequency provided by art. 150 of Legislative Decree No. 58/1998 and with the rules laid down by the Articles of Association in art. 22, information on the general performance of operations, on their foreseeable development, as well as on the activity carried out and on operations of major economic, financial and equity importance decided on and performed by the Company and its subsidiaries during the financial year, and being

able to reasonably say, based on the information made available, that the decisions and actions taken comply with the law and the Articles of Association and are not manifestly imprudent, hazardous, in potential conflict of interests, contrary to the resolutions of the Shareholders' Meeting or such as to comprise the integrity of the company's assets. The above information is fully represented in the Directors' Report to which it refers;

- c) not having identified the existence of atypical and unusual transactions with Group companies, third parties or with other related parties. In this regard, in the notes to the accounts - in paragraph 7.4 of Chapter 7 on "Other Information" - the Directors analytically highlight and illustrate the existence of a relationship of interchanging goods and services and financial relationships with subsidiaries and with other related parties, explaining their economic effects, specifying that these relationships have been adjusted to conditions that would apply to transactions of the same nature between unrelated parties and describing the related correspondence with the Company's interests. In addition, in the financial year 2016, the Company has not purchased or sold treasury shares on the MTA of the Italian Stock Exchange, although the Shareholders' Meeting on 22 April 2016 authorised a programme to purchase ordinary shares in Saras S.p.A. pursuant to articles 2357 of the Italian Civil Code and 132 of Legislative Decree No. 58/1998, to be carried out within a period of twelve months from the authorising resolution, therefore by 22 April 2017;
- d) having positively assessed the compliance of the procedure relating to transactions with related parties, approved with the resolution of 23 January 2007 and amended by the resolution of 19 March 2014, to the principles contained in the "Regulations regarding transactions with related parties" adopted by Consob with Resolution No. 17221 of 12 March 2010 and its subsequent amendments and to those indicated in the Code of Conduct; as well as its compliance with the indications contained in Consob Communication no. DEM/10078683 of 24 September 2010; so much so as to be able to conclude that the procedures adopted by the Board are adequate to ensure the proper and transparent regulation of transactions with related parties;

- e) having acquired knowledge of and supervised, as far as authorised, the adequacy of the organisational system, in terms of the company's structure, procedures and responsibilities and its size, nature and the methods for conducting the company's business;
- f) having supervised observance of the principles of proper administration, by attending Board of Directors' meetings and based on the information acquired, noting that management choices are based on the principle of correct information and reasonableness and that the directors are aware of the risk and effects of transactions executed;
- g) having acquired knowledge of and supervised, pursuant to art. 149, paragraph 1(d) of Legislative Decree No. 58/1998, for major companies subject to control, the adequacy of the instructions issued by the Company to its subsidiaries pursuant to art. 114, paragraph 2 of Decree Law No. 58/1998, by:
- ✓ acquiring information from the heads of the competent corporate functions;
  - ✓ meetings and exchanges of information with the Chairpersons of the Boards of Statutory Auditors and the Sole Auditor where applicable;
  - ✓ meetings with the statutory audit firm;
- and not having any specific comments to make in this respect;
- h) having assessed and monitored the adequacy of the internal control system and the administrative system and accounting procedures as well as its reliability to correctly represent management facts by:
- ✓ examining the report by the designated manager responsible for internal control on Saras' internal control system;
  - ✓ examining the reports of the Internal Audit function and the information taken from that function on the results of the monitoring activities on the implementation of corrective actions in turn identified;
  - ✓ acquiring information from the heads of the respective functions;

- ✓ examining corporate documents;
  - ✓ analysing the results of the work carried out by the audit firm;
  - ✓ the exchange of information with the control bodies of subsidiaries pursuant to art. 151, paragraphs 1 and 2 of Legislative Decree No. 58/1958;
- and not having any specific comments to make in this respect;

- i) having seen and obtained information on activities of a procedural and organisational nature carried out pursuant to Legislative Decree No. 231/2001 and subsequent amendments and additions, having received the minutes of its meetings held during the financial year 2016 from the Supervisory Board and having received the same assurance on the absence of facts or circumstances to be indicated in this report;
- j) having supervised, pursuant to art. 149, paragraph 1(c)-bis of Legislative Decree No. 58/1998, the arrangements for implementing the Code of Conduct for listed companies prepared by the Corporate Governance Committee, which the company has declared signing up to with the resolution of the Board of Directors dated 11 November 2006; having verified the correct application of the assessment criteria adopted by the Board of Directors to assess the independence of Directors; as well as compliance with the independence criteria by the individual members of the Board of Statutory Auditors, as laid down in art. 3, para. C.5 of the Code mentioned above;
- k) having learned from the directors, receiving confirmation from Ernst & Young S.p.A., that tasks involving providing services related to the activity of revising the financial statements were allocated to it - in addition to the audit of the annual financial statements and consolidated financial statements for the financial years 2015/2023, and the limited review of the half-yearly reports for the same period. It concerns the provision of consultancy services related to the implementation of the new accounting process called "*fast closing*" and adapting systems to the new OIC accounting standards;

- l) having received confirmation of its independence from the audit firm pursuant to art. 17 of Legislative Decree No. 39/2010 and pursuant to paragraph 17 of the international auditing standard (ISA Italy) 260;
- m) having issued the following favourable opinions in the financial year 2016:
- ✓ on the replacement of the director Igor Ivanovich Sechin, who resigned on 24 February 2016, with Andrey Nikolayecich Shishkin, pursuant to paragraph 1 of art. 2386 of the Civil Code;
  - ✓ on the remuneration of a director appointed as Chairman of the Supervisory Body, pursuant to paragraph 3 of art. 2389 of the Civil Code;
  - ✓ on the approval of the annual activities plan prepared by the manager responsible for the Internal Audit function, pursuant to art. 7, paragraph 7.C.1(c) of the Code of Conduct;
  - ✓ on the assessment on the proper application of the accounting standards and their standardisation for the purposes of drafting the consolidated financial statements by the Control and Risk Committee pursuant to art. 7, paragraph 7.C.2.(a) of the Code of Conduct, together with the designated manager;
- n) having checked the correct application of the criteria and ascertainment procedures adopted by the Board to assess the independence of its members, pursuant to art. 3, paragraph 3.C.5. of the Code of Conduct;
- o) not having received any complaints pursuant to art. 2408 of the Civil Code and presented;
- p) having received analytical information regarding the impairment tests carried out pursuant to IAS 39 in 2016 to confirm the values of certain assets of significant amounts entered in the financial statements of subsidiaries;
- q) having received analytical information on transactions of major economic, financial and equity importance performed, even through subsidiaries. Of these transactions, examined and approved by the Board of Directors, the following are cited:

- ✓ the bond loan issued on 17 July 2014 for a nominal value of EUR 175 million, over 5 years and whose expiry was originally planned for 17 July 2019 has been repaid early ("*Terms and Conditions of the Notes*");
  - ✓ renegotiation of the financing contract originally taken out for the amount of EUR 150 million with a pool of national and international banks, specifically by reducing the fixed component of the interest rate, the amendment of the depreciation plan and the extension of the final maturity to 30 September 2021;
  - ✓ renegotiation of the financing contract originally taken out for the amount of EUR 265 million expiring on June 2020 with a credit line opened for a maximum amount of EUR 255 million with a reduced interest rate until 10 December 2020;
  - ✓ renegotiation of the financing contract originally taken out for the amount of EUR 50 million with a pool of banks over three years specifically by reducing the fixed component of the interest rate and extending its maturity;
  - ✓ early repayment of a loan for an amount equal to approximately EUR 19.6 million granted by a pool of banks to the company to Sardeolica r.l., an indirectly wholly-owned subsidiary (through Parchi Eolici Ulussai S.r.l.) by the Company;
  - ✓ liquidation of the Romanian subsidiary Alpha Eolica S.r.l.;
  - ✓ partial settlement of the debt for crude purchased from Iran in 2012, following the complete removal of restrictions on international banking circuits;
- r) having held meetings, pursuant to art. 150, paragraph 3 of Legislative Decree No. 58/1998, with representatives from the Companies responsible for carrying out the statutory audit, from which no facts or critical issues worthy of mention in this report emerged;
- s) having received the draft financial statements as at 31 December 2016 according to the terms laid down in art. 2429 of the Civil Code, drawn up in accordance with the international accounting standards, as well as the Directors' Report;

t) having received, on 22 March 2017, legal reports from the audit firm pursuant to art. 14 and art. 19, paragraph 3 of Legislative Decree No. 39/2010 respectively for the financial statements and for the consolidated financial statements closed at 31 December 2016. From these reports it emerged that the Company's financial statements and consolidated financial statements provide a true and correct representation of the assets and liabilities and financial situation of the economic result and cash flows for the financial year closed at 31 December 2016, in accordance with International Financial Reporting Standards adopted by the European Union as well as the measures adopted in implementation of article 9 of Legislative Decree No. 38/2005; and that the Directors' Report and the information in the report on corporate governance and ownership structure indicated in paragraph 4 of art. 123-bis of Legislative Decree No. 58/1998, are consistent with the financial statements and consolidated financial statements.

For the performance of its supervisory activities described above, in the financial year 2016, the Board met twelve times; it attended one Shareholders' Meeting, 6 Board of Directors meetings; five meetings of the Remuneration and Appointments Committee and four meetings of the Control and Risk Committee.

The elements of knowledge necessary to conduct the Board's activities were acquired, in addition to attending the afore-mentioned meetings, also through direct inquiries, and by collecting information from the managers of the functions concerned.

During the supervision activities carried out and based on the information gathered by the audit firm no omissions and/or reprehensible facts and/or irregularities or significant events emerged that require reporting to control bodies or mention in this report.

## **Conclusions**

Based on the supervision activities carried out during the financial year, and from the analysis of the draft financial statements presented, considering that, on 22 March 2017, the audit firm released its reports without any findings, the Board does not find any reasons not to approve the financial statements as at 31 December 2016 and the draft resolutions formulated by the Board of Directors.

27 March 2017

Board of Statutory Auditors

Giancarla Branda - Chairwoman

Giovanni Luigi Camera - Statutory Auditor

Paola Simonelli – Statutory Auditor