

## REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS

To the Shareholders of SFA S.p.A.:

The Board of Statutory Auditors, during the financial year ended on December, 31<sup>st</sup> 2018, duly undertook the duties set forth in art. 2403 and following of the Civil Code.

The legal auditing is carried out by the audit firm Baker Tilly S.p.A., which expressed their opinion on the financial statements through a relevant report.

### **Supervisory activity report under art. 2429, par. 2 of the Civil Code**

During the financial year ended on December, 31<sup>st</sup> 2018, our activity was guided by the provisions of the law and the Behavioral Standards of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, CNDCEC), taking also into account, where applicable and compatible, the Legislative Decree no. 58 dated February 24<sup>th</sup>, 1998 (TUF) and the guidelines provided in Consob Communication no. DEM 102564 of April 6<sup>th</sup>, 2001 and subsequent additions, in consideration of the fact that SFA S.p.A.'s shares are currently listed on the "Prospects" market, the multilateral trading facility (MTF) regulated and managed by Malta Stock Exchange (MSE).

In compliance with these Standards we carried out the self-assessment, with a positive outcome, for each member of the board of statutory auditors.

### **1) Supervisory activity under art. 2403 and following of the Civil Code**

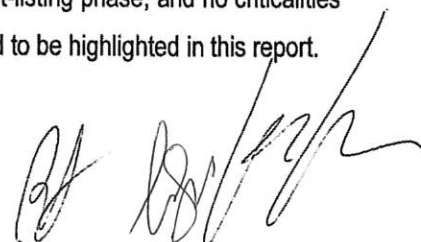
We supervised compliance with the law and the Company's articles of association, and ensured the respect of the principles of sound administration.

We attended the Board of Directors' and shareholders' meetings, in relation to which, on the basis of the available information, we identified neither breaches of the law or bylaws nor operations which were clearly imprudent, reckless, in potential conflict of interest, or such as to threaten the integrity of the Company's assets.

During the meetings, we obtained from the Company Directors, information regarding the general operating performance and its expected evolution, as well as about the most significant transactions in terms of dimensions and characteristics which were carried out by the Company and its subsidiaries, in respect of which, on the basis of the acquired information, we have nothing in particular to report.

We acquired information from the entity appointed to perform the statutory audit, with no significant data and information emerging that needed to be mentioned in this report.

We met the Corporate Advisors, as the entity Malta Stock Exchange appointed to perform a permanent monitoring of the corporate governance and of a proper progress of the entrepreneurial project in its post-listing phase, and no criticalities were found out as to the proper implementation of the organizational model that needed to be highlighted in this report.



We acquired knowledge and supervised, to the extent required by our task, on the adequacy and effectiveness of the administrative-accounting system, as well as on its reliability to adequately reflect the management results, on the basis of the information acquired from the function heads and from the analysis of the company documents, and in such respect we have no particular observations.

No complaints were received from the shareholders under art. 2408 of the Civil Code.

During the fiscal year, the Board of Statutory Auditors did not need to issue any opinions, as required by law.

During the course of the supervisory activities, as described above, no further significant events emerged such as to be worthy of mention in this report.

## **2) Comments on the financial statements**

We reviewed the financial statements as at December 31<sup>st</sup>, 2018 in which regard we report what follows.

The financial statements as at December 31<sup>st</sup>, 2018, drawn up by the directors and duly submitted by them to the Board of Auditors in accordance with the law together with the Management Report, show a net profit for the year of € 49,685.

The draft financial statements for the year ended on December 31<sup>st</sup>, 2018 were approved by the administrative body and consist of balance sheet, income statement, cash flow statements and explanatory note. Moreover, the administrative body prepared the Management Report in accordance with art. 2428 of the Civil Code.

It should be noted that the Company falls within the bound of art. 2), point a) of the Legislative Decree No. 38 dated February 28<sup>th</sup>, 2005 which regulates the exercise of the options provided for in Community Regulation No. 1606/2002 concerning International Accounting Standards, and that, pursuant to art. 4, par. 1 of the above mentioned Legislative Decree, the Company adopted for the first time the International Accounting Standards approved by the European Union (hereinafter referred to as either "IAS/IFRS" or "IFRS") for the preparation of the financial report with effect from the financial year.

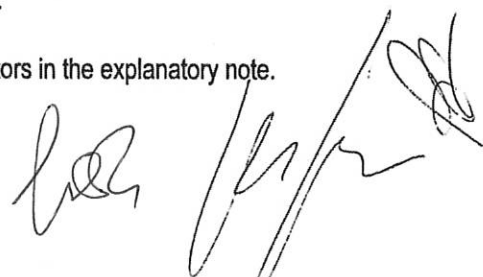
Since we were not required to perform the analytical control of the financial statements content, we supervised their general layout and the overall compliance to the law as regards their organization and structure, and we have no particular observations in such respect.

As far as we know, during the preparation of the financial statements, the directors did not depart from the provisions of law pursuant to art. 2423, par. 5 of the Civil Code.

## **3) Observations and proposals regarding the approval of the financial statements**

Also taking into considerations the results of the activity performed by the legal audit body, as contained in the Report accompanying the financial statements, the Board proposes to the shareholders' meeting to approve the financial statements of the year ended on December 31<sup>st</sup>, 2018, as prepared by the directors.

The Board agrees with the proposed allocation of the profits suggested by the directors in the explanatory note.

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Udine, March 29<sup>th</sup>, 2019

The Board of Statutory Auditors

Dr. Gianpaolo Graberi (President)

Dr. Michele De Faveri (Statutory Auditor)

Dr. Silvia Brihi (Statutory Auditor)

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