

## ***C.I.R. S.p.A.***

### **REPORT OF THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH THE TERMS OF ARTICLE 153 D. LGS. NO. 58/1998**

(TRANSLATION FROM THE ORIGINAL ISSUED IN ITALIAN)

To the Meeting of the Shareholders of C.I.R. S.p.A.

During financial year ended December 31 2007 we performed the surveillance activities required of us by law, according to the Principles of Conduct for Statutory Auditors recommended by the National Councils of Business Consultants and Accountants. In the preparation of this report we took into account both the aforesaid principles and the indications given by Consob in its Communiqué no. 1025564 of April 6 2001 and subsequent updates.

In relation to the way in which the duties contained in our mandate were carried out, we hereby attest that:

- We attended all the Shareholders' Meetings and all the Meetings of the Board of Directors that were held during the year under examination and obtained from the Directors timely and suitable information on the activity carried out by the Company and the Group of companies which it controls, with particular regard to the most significant transactions from the economic, financial and equity points of view. We also attest that we attended all the meetings of the Internal Control Committee, even individually, and read the minutes of the meetings of the Compensation Committee set up by the Board of Directors;
- We obtained a degree of knowledge necessary to carry out the duties contained in our mandate regarding compliance with the principles of sound administration and on the adequacy of the organizational structure, the internal control systems and the administrative and accounting systems of the Company. This we did through direct investigation, collecting data and information from the heads of the main departments involved and from the firm of auditors PricewaterhouseCoopers S.p.A;
- We checked the functionality of the control systems of investee companies and verified the adequacy of the instructions given to them, even according to the terms of Article 114.2 of D.Lgs. 58/98;

- We checked that the rules of corporate governance as set out in the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A. had been adopted by the Company and were being put into practice ;
- We verified that the provisions of the law and of regulations were being complied with in relation to the preparation, the organization and the layout of the Statutory Financial Statements and the Consolidated Financial Statements and the documents accompanying them. We also checked that the Management Report for financial year 2007 conformed to current laws and regulations and was consistent with the resolutions adopted by the Board of Directors and also with the events represented in the Statutory Financial Statements for the period and in the consolidated accounts. The Semi-Annual Interim Report and the Quarterly Interim Reports did not require any observations to be made by the Board of Statutory Auditors and were made public as required by law and by regulations on the subject.

In the course of our surveillance activity, carried out as above, no significant facts emerged requiring notification to Surveillance Bodies nor do we have any proposals to make regarding the financial statements, the approval thereof or any other matter relating to our mandate.

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The specific indications that this report must provide are listed below, in accordance with the above-cited Consob Communiqué of April 6 2001 and subsequent updates.

- We obtained sufficient information on the most significant transactions from the economic, financial and equity viewpoint which were entered into by the Company and its subsidiaries. On the basis of the information obtained, we found that these transactions complied with the law and with the Company Bylaws and were not imprudent, rash, in conflict of interest, in contrast with the resolutions adopted by the Shareholders or in any way such as to compromise the integrity of the Company's capital and assets.
- On the basis of the information available to us, nothing emerged regarding the existence of any non-typical and/or unusual transactions.
- Adequate information was given to us regarding routine intercompany transactions and transactions with related parties. Based on the information gathered, we ascertained that these transactions complied with the law and with the Company Bylaws, were in the interests of the Company and did not give rise to any doubts as to the correctness and

completeness of the information given in the financial statements, the existence of situations of conflict of interest, the protection of the company capital and assets and safeguarding minority shareholders.

- In the Management Report and the Explanatory Notes the directors have indicated and described the main transactions with third parties, intercompany and related parties, describing the main characteristics of these deals. On this subject it should be noted that in the “Annual Report on the system of Corporate Governance and on compliance with the Code of Conduct for Listed companies” of CIR S.p.A. there is a description of the principles of conduct approved by the Board of Directors for entering into transactions with related parties.
- On April 8 2008 the firm PriceWaterhouseCoopers S.p.A. issued their Audit Reports for the Statutory Financial Statements for the year and the Consolidated Financial Statements as of December 31 2007 without any objections or requests for further information;
- We did not receive any complaints as per Article 2408 of the Civil Code or any petitions, neither did we hear of any such complaints being made to others;
- During the year 2007 CIR S.p.A. gave further mandates to PricewaterhouseCoopers, in addition to the obligatory audit mandate, for various other audit service for the purpose of certification (Euro 89,000) and for other services (Euro 568,000). Lastly the companies of the Group as a whole gave mandates to entities belonging to the network of the firm of auditors for other services for a total amount of Euro 267,000.
- During 2007 the Board of Statutory Auditors gave a favourable opinion on the appointment of the General Manager of the Company, Mr Alberto Piaser, as Officer responsible for the preparation of the company’s financial statements in accordance with art. 154 bis, D.Lgs 58/1998, and it also gave a favourable opinion in accordance with art. 2389 of the Civil Code on the resolutions of the Board of Directors regarding the remuneration of the Chairman and the Chief Executive Officer.
- During 2007 the Board of Directors met 7 times, the Internal Control Committee met twice and the Compensation Committee also met twice. During this same year the Board of Statutory Auditors met 6 times.
- We have no particular observations to make concerning compliance with the principles of correct administration because these appear to have been constantly observed.

- We have no observations to make on the adequacy of the organizational structure which we found to be appropriate for fulfilling the operational and control needs of the Company.
- The system of internal control appeared to be adequate for the size and type of operations of the Company. The Internal Audit Manager of the Group and the Officers responsible for the Internal Control System in accordance with the Code of Conduct for Listed Companies made sure that there was the necessary functional and information link with the Board of Statutory Auditors even by taking part assiduously in all their meetings.
- We have no observations to make regarding the adequacy of the administrative and accounting system or its reliability to represent operating events correctly. We should point out that, regarding the accounting information contained in the statutory and consolidated financial statements as of December 31 2007, on April 8 2008 for the first time the Chief Executive and the Executive Responsible for the preparation of the company's financial statements in accordance with art. 154 bis, paragraph five, of D.Lgs. 58/1998 certified the financial statements.
- We have no observations to make regarding the adequacy of information flows from the subsidiaries to the Parent Company to ensure the timely fulfilment of communication obligations required by law.
- During the regular exchanges of information and data between the Board of Statutory Auditors and the external auditors, in accordance also with art. 150, paragraph 3, of D.Lgs. 58/1998, no aspects emerged that needed to be highlighted in this report.
- The Company has substantially adhered to the recommendations contained in the Code of Conduct prepared by the Committee for the Corporate Governance of Listed Companies, and has illustrated its corporate governance model in the report that will be published in accordance with the Instructions to the Rules of Borsa Italiana S.p.A. To the extent of our responsibility we have monitored the way in which the rules of corporate governance that the Company has publicly stated that it adheres to are actually being implemented, ensuring among other things that the Corporate Governance Report of CIR S.p.A. contained the results of the regular check that the Board of Statutory Auditors has the necessary requisites of independence, which are determined on the same basis as those for the Members of the Board of Directors. CIR S.p.A. has also adopted an "Organizational Model" as per the terms of D.Lgs. 231/2001, as well as a Code of Eth-

ics governing conduct and has appointed the Surveillance Body required by the above-cited Decree.

- Our surveillance activity was carried out on a routine basis during 2007 and did not reveal any omissions, facts that could be censured or any irregularities worthy of note.
- In short, after the surveillance activity we carried out during the year we have no proposals to make as per art. 153, parag. 2. of D.Lgs. 58/98 regarding the separate financial statements of CIR SpA as of December 31 2007, on the approval thereof or on any other matter within our jurisdiction, just as we have no observations to make on the proposed allocation of the net income for the year contained in them.

We must of course remind readers that the three-year mandate of this Board of Statutory Auditors has come to an end as has indeed the mandate given to the firm of auditors as per art. 159 of D.Lgs. 58/98.

While expressing our thanks for the trust you placed in us, we would ask you to take action on this subject and refer you to our proposal in accordance with art. 159 of D.Lgs. 58/1998 on the subject of the appointment of a firm of auditors.

Milan, April 9 2008

THE BOARD OF STATUTORY AUDITORS

Prof. Pietro Manzonetto – Chairman of the Board of Statutory Auditors

Dott. Riccardo Zingales – Statutory Auditor

Dott. Luigi Nani – Statutory Auditor