

**INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLES 14 OF LEGISLATIVE
DECREE No.39 OF 27 JANUARY 2010**

To the Shareholders of
Relais Borgo Santo Pietro S.p.A.

Baker Tilly Revisa S.p.A.
Società di Revisione e
Organizzazione Contabile
50129 Firenze - Italy
Via Cavour 81

T: +39 055 2477851
F: +39 055 214933

PEC: bakertillyrevisa@pec.it
www.bakertilly.it

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion with reliefs

We have audited the financial statements of Relais Borgo Santo Pietro S.p.A. (the Company), which comprise the balance sheet as of 31 December 2019 the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, except for the effects of what is described in the Elements underlying the opinion with findings of this report, the financial statements provide a true and fair representation of the equity and financial situation of Relais Borgo Santo Pietro S.p.A. as at 31 December 2019, the economic result and cash flows for the year ended on that date in accordance with the Italian regulations governing the drafting criteria.

Basis for opinion with reliefs

During 2019, work continued on expanding the Relais Borgo Santo Pietro hotel structure in the Municipality of Chiusdino. To finance the works, the Company resorted to a paid capital increase of approximately € 2.250 million, which in any case was insufficient to complete the work required to improve the occupancy level of the rooms and therefore to increase profitability. Failure to complete the works, the high tax and social security debt and a significant exposure to the credit system have negatively affected the company's economic and financial performance both in terms of turnover and margins and cash flows. The company is implementing an Industrial Plan aimed at a corporate restructuring and a consequent achievement of cash flows such as to allow the optimization of corporate economic margins and the return from exposures.

Business continuity depends on the achievement of the objectives of the aforementioned Plan and significant financial support from shareholders.

We performed the audit in accordance with international auditing standards (ISA Italy). Our responsibilities under these standards are further described in the Responsibilities of the Auditing Firm for the Audit of the Financial Statements section of this report. We are independent from the Company in accordance with the rules and principles on ethics and independence applicable in the Italian legal system to the audit of the financial statements. We believe we have acquired sufficient and appropriate audit evidence on which to base our qualified opinion.

Informative call

Without modifying our judgement, we draw attention to the following informative note in the explanatory notes:

As indicated in the Explanatory Notes, the Board of Directors points out in the paragraph relating to - 'Business continuity perspective' - that - 'As regards this principle, the valuation of the items in the financial statements was carried out with a view to business continuity, the basis of an industrial plan and a reorganization process that the company is preparing, and therefore taking into account the fact that the company constitutes a functioning economic complex, destined, at least for a foreseeable future period of time (12 months from the reference date of closing of the balance sheet), to the production of income. In the prospective assessment of the assumption of business continuity, despite the health emergency linked to COVID-19, for which reference is made to the paragraph "Significant events that occurred after the end of the year", which led to a reduction in turnover, we prepared the financial statements on the assumption of business continuity, making use of the waiver option provided for by art. 7 of the D.L. 8 April 2020 n. 23 as well as on the basis of the information available as of 31 December 2019, in application of paragraph 22 of the OIC 11. In the event that, although not desirable, revenues in future years do not register significant increases, then a intervention by the shareholders for financial and patrimonial support of the company, even if the regulations issued during the health emergency do not make the provisions of art. 2446 and 2447 of the civil code -.

Responsibility of the Directors and the Board of Statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of

financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

- circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
 - We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion in accordance with article 14, paragraph 2, letter e) of Legislative Decree No. 39/10

The directors of Borgo Santo Pietro S.p.A. are responsible for preparing a report on operations of Borgo Santo Pietro S.p.A. as of 31 December 2019, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Borgo Santo Pietro S.p.A. as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Borgo Santo Pietro S.p.A. as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 17 September 2020

Baker Tilly Revisa S.p.A.



Lucia Caciagli
Executive Partner

This report has been translated into English from the Italian original solely for the convenience of international readers