Saras Group Interim Financial Report as of 31st March 2014

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Statutory and Control Bodies

BOARD OF DIRECTORS

GIAN MARCO MORATTI	Chairman
MASSIMO MORATTI	Chief Executive Officer
ANGELO MORATTI	Vice Chairman
DARIO SCAFFARDI	Executive Vice President and General Manager
ANGELOMARIO MORATTI	Director
GABRIELE MORATTI	Director
IGOR IVANOVICH SECHIN	Director
GABRIELE PREVIATI	Director
GILBERTO CALLERA	Independent Director
GIANCARLO CERUTTI*	Independent Director

BOARD OF STATUTORY AUDITORS

FERDINANDO SUPERTI FURGA	Chairman
GIOVANNI LUIGI CAMERA	Permanent Auditor
MICHELE DI MARTINO	Permanent Auditor
LUIGI BORRÈ	Stand-in Auditor
MARCO VISENTIN	Stand-in Auditor

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

CORRADO COSTANZO	Chief Financial Officer

INDEPENDENT AUDITING FIRM

PRICEWATERHOUSECOOPERS SpA

* Independent Director elected by the Minority list of Shareholders

Group Activities

The Saras Group operates in the energy sector and it is one of the leading independent oil refiners in Europe. With a production capacity of 15 million tons per year (300,000 barrels per day), the Saras Group's refinery situated in Sarroch, on the South-Western coast of Sardinia, accounts for about 15% of Italy's total refining capacity. It is also one of the biggest and most complex sites in the Mediterranean area, and it enjoys a strategic location at the heart of the main oil routes. Moreover, Saras' refinery is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, skills and technology accrued in almost 50 years of business.

Both directly and through its subsidiaries, the Group sells and distributes oil products, such as diesel, gasoline, heating oil, liquefied petroleum gas (LPG), virgin naphtha and aviation fuel, mainly on the Italian and Spanish markets, but also in various other European and international countries. In particular, in 2013 approximately 2.34 million tons of oil products were sold in the Italian wholesale market, while further 1.31 million tons of oil products were sold in the Spanish market, through the subsidiary Saras Energia SAU, which is active both in the wholesale and in the retail channels.

At the beginning of the years 2000, the Saras Group became involved in the generation and sale of electricity, through an IGCC plant (Integrated Gasification plant with Combined Cycle turbines), with a total installed capacity of 575MW, which is managed by the wholly owned subsidiary Sarlux Srl. The IGCC plant utilises as a feedstock the heavy residue of the refinery, and it produces over 4 billion kWh of electricity each year, which corresponds to more than 30% of the electricity requirements in Sardinia. Moreover, in the island of Sardinia, the Group is also involved in the production and sale of electricity generated from renewable sources, through a wind farm situated in Ulassai. The site, operational since 2005, is managed by the subsidiary Sardeolica Srl and currently has a total installed capacity of 96MW.

Finally, the Saras Group provides industrial engineering and scientific research services to companies which are active in the oil, energy and environmental sectors, via its subsidiary Sartec SpA, and it operates also in the field of exploration for gaseous hydrocarbons.

Structure of the Saras Group

The following picture illustrates the complete structure of the Saras Group and the various business Segments, with the main companies involved in each segment, as of 31st March 2014.

Saras Stock Performance

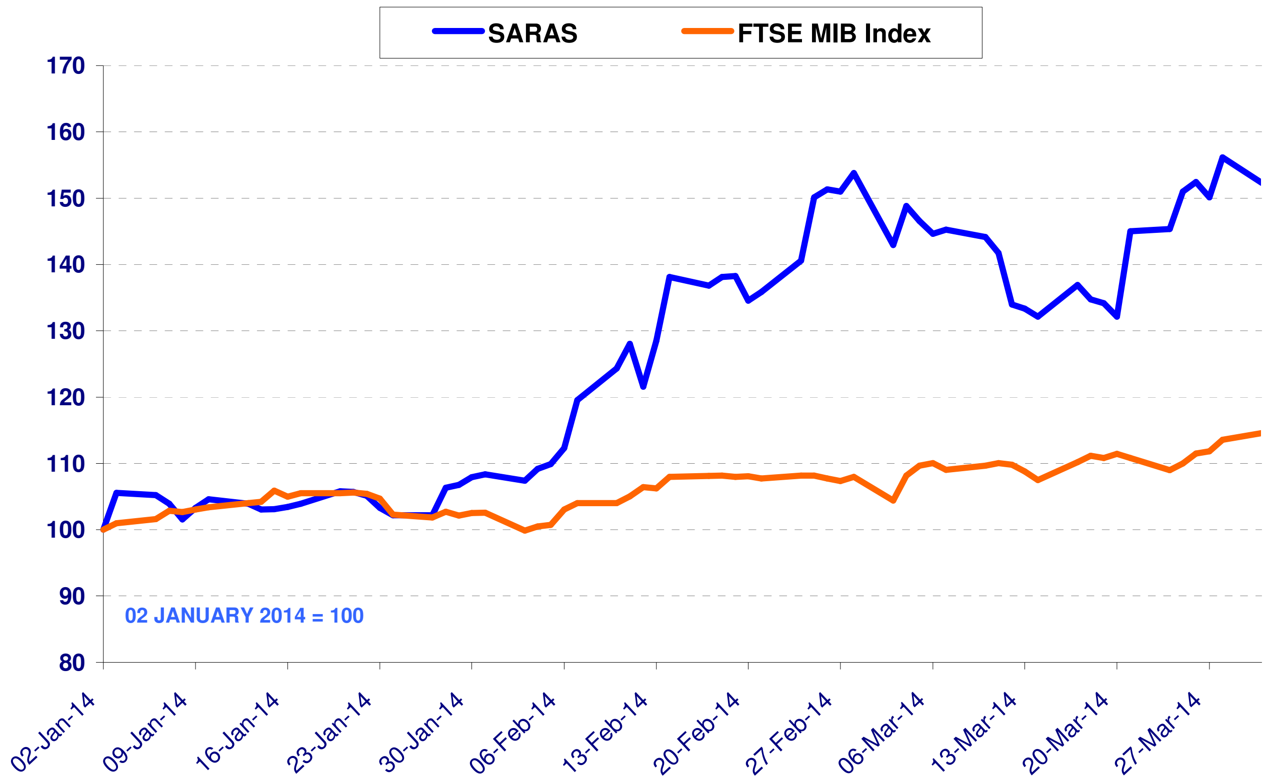
The following data relate to Saras' share prices and the daily volumes, traded during the first three months of 2014.

SHARE PRICE (EUR)	Q1/14
Minimum price (02/01/2014)	0.833
Maximum price (28/03/2014)	1.300
Average price	1.048
Closing price at the end of the first three months of 2014 (31/03/2014)	1.268

DAILY TRADED VOLUMES	Q1/14
Maximum traded volume in EUR million (24/02/2014)	26.1
Maximum traded volume in number of shares (million) (24/02/2014)	22.3
Minimum traded volume in EUR million (02/01/2014)	0.4
Minimum traded volume in number of shares (million) (02/01/2014)	0.5
Average traded volume in EUR million	4.1
Average traded volume in number of shares (million)	3.7

The Market capitalization at the end of the first three months of 2014 was equal to approximately EUR 1,205 ml and the number of shares outstanding was approximately 932 ml.

The following graph shows the daily performance of Saras' share price during the first three months of 2014, compared to the "FTSE Mib Index" of the Italian Stock Exchange:



REPORT ON OPERATIONS

Key financial and operational Group Results[1]

In order to give a better representation of the Group's operating performance, and in line with the standard practice in the oil industry, the operating results (EBITDA and EBIT) and the Net Result are provided also with an evaluation of oil inventories based on the LIFO methodology (and not only according to FIFO methodology, which is used in the Financial Statements). The LIFO methodology does not include revaluations and write downs and it combines the most recent costs with the most recent revenues, thus providing a clearer picture of current operating profitability. Furthermore, for the same reason, non-recurring items and the change in "*fair value*" of the derivative instruments are also excluded, both from the operating results and from the Net Result. Operating results and Net Result calculated as above are called respectively "*comparable*" and "*adjusted*" and they are not subject to audit, just like the quarterly results.

Group consolidated income statement figures

EUR Million	Q1/14	Q1/13	Change %	Q4/13
REVENUES	2,758	2,671	3%	2,901
EBITDA	(17.0)	54.4	-131%	46.7
Comparable EBITDA	**7.3**	**48.2**	**-85%**	**64.4**
EBIT	(65.5)	6.0	n/a	(6.6)
Comparable EBIT	**(41.2)**	**(0.2)**	**n/a**	**11.1**
NET RESULT	(51.7)	(1.8)	n/a	(33.4)
***Adjusted* NET RESULT**	**(40.4)**	**(10.7)**	**-278%**	**5.3**

Other Group figures

EUR Million	Q1/14	Q1/13		Q4/13
NET FINANCIAL POSITION	**(55)**	**(168)**		**(8)**
CAPEX	**23.7**	**33.4**		**26.9**
OPERATING CASH FLOW	**(32)**	**60**		**212**

Comments to First Quarter 2014 results

Group Revenues in Q1/14 were EUR 2,758 ml, up 3% vs. Q1/13. This change is primarily due to the increase in revenues generated by the Refining segment, up by approx. EUR 150 ml (+8%). Indeed, notwithstanding the decline in the price of the refined oil products (i.e. the average price for gasoline stood at 961 $/ton in Q1/14 versus 1,042 $/ton in Q1/13, while diesel traded at an average price of 919 $/ton versus 963 $/ton in Q1/13), the Sarroch refinery processed a significantly higher quantity of crude oil (+7%) in Q1/14, and the consequent increase in the quantity of products sold,

[1] Pursuant to the provisions of article 154 bis, paragraph 2, of the Consolidated Finance Act, Mr. Corrado Costanzo, the Executive Director responsible for the preparation of the company's financial reporting, states that the financial information set out in this press release corresponds to the company's documents, books and accounting records.

more than offset the reduction of their selling prices. Conversely, the decline of the refined products' prices had a negative influence on the revenues generated by the Marketing segment, which decreased by approx. EUR 60 ml (-9%). Finally, revenues from the other segments were substantially unchanged.

Group *reported* EBITDA in Q1/14 was EUR -17.0 ml, down versus EUR 54.4 ml in Q1/13. The difference is almost entirely due to the Refining segment, which faced a particularly harsh market in the first quarter of 2014, and it achieved a lower operational margin than in Q1/13.

Group *reported* Net Result stood at EUR -51.7 ml, down versus EUR -1.8 ml in Q1/13, primarily because of the same reasons discussed at EBITDA level. Indeed, depreciation and amortisation were in line in the two periods under comparison (at approx. EUR 48.5 ml), and also the "Financial Charges and Income", which include the net FOREX result and the result of the derivative instruments used for hedging purposes, had only minor differences (EUR -7.2 ml in Q1/14, versus EUR -2.8 ml in Q1/13).

Group *comparable* EBITDA amounted to EUR 7.3 ml in Q1/14, down from EUR 48.2 ml achieved in Q1/13. As per previous comments, the difference between the two periods under comparison comes mainly from the Refining segment; however, in part, the difference is also due to the Marketing segment, which operated under penalising market conditions, characterised by low demand for oil products and thin margins.

Group *adjusted* Net Result stood at EUR -40.4 ml, down versus the Group *adjusted* Net Result of EUR -10.7 ml in Q1/13, mainly because of the weaker EBITDA results.

CAPEX in Q1/14 was EUR 23.7 ml, in line with the investment programme planned for 2014, and essentially dedicated to the Refining segment (EUR 18.1 ml) and, to a lesser degree, also to the Power Generation segment (EUR 4.5 ml).

Finally, **Group Net Financial Position on 31st March 2014 stood at EUR -55 ml**, versus the position at the beginning of the year (EUR -8 ml), for the reasons illustrated in the chapter specifically dedicated to the Net Financial Position.

Group *adjusted* Net Result and *comparable* EBITDA

As mentioned at the beginning of this section, "*reported*" figures differ from "*comparable*" and "*adjusted*" figures primarily because of the different methodologies used to evaluate the oil inventories. More specifically, the *reported* (IFRS) figures evaluate oil inventories according to the FIFO methodology, while the *comparable* figures are based on the LIFO methodology. Moreover, the *comparable* and *adjusted* figures do not take into account the change in "*fair value*" of the derivative instruments and the non-recurring items. The relevance of the various items in Q1/14 is shown in the following tables.

Group *adjusted* Net Result

EUR Million	Q1/14	Q1/13
***Reported* NET RESULT**	**(51.7)**	**(1.8)**
(inventories at LIFO - inventories at FIFO) net of taxes	15.0	(3.1)
non recurring items net of taxes	0.0	0.0
change in derivatives fair value net of taxes	(3.8)	(5.8)
***Adjusted* NET RESULT**	**(40.4)**	**(10.7)**

Group *comparable* EBITDA

EUR Million	Q1/4	Q1/13
***Reported* EBITDA**	**(17.0)**	**54.4**
inventories at LIFO - inventories at FIFO	24.3	(6.2)
non recurring items	0.0	0.0
***Comparable* EBITDA**	**7.3**	**48.2**

Net Financial Position

The Net Financial Position on 31st March 2014 stood at EUR -55 ml, slightly up versus the position at the beginning of the year (EUR -8 ml). Such change is primarily related to the increase in working capital. Conversely, the positive cashflow from the self-financing, stemming from the provisions for amortisations (EUR 48.5 ml), more than offset the CAPEX for the period (EUR 23.7 ml).

It should be further noted that some payments for crude oil are still outstanding, due to the oil embargo declared by the European Union against Iran, which started on July 2012.

The following table illustrates in details the Group Net Financial Position:

EUR Million	31-Mar-14	31-Dec-13
Medium/long term bank loans	(135)	(137)
Bonds	(249)	(249)
Other financial assets	6	6
Total long term net financial position	**(379)**	**(380)**
Short term loans	(39)	(39)
Debts due to banks	(137)	(110)
Other short term financial liabilities	(33)	(11)
Fair value on derivatives	(2)	(8)
Other financial assets held for trading	34	21
Cash and cash equivalents	494	507
Warranty deposits for derivative instruments	7	11
Total short term net financial position	**324**	**372**
Total net financial position	**(55)**	**(8)**

Oil Market and Refining Margins

Here below there is a short analysis of the trends followed by crude oil quotations, by the *crack spreads* of the main refined oil products, and also by the reference refining margin (the EMC Benchmark) in the European market, which is the most relevant geographical context in which the Refining segment of the Saras Group conducts its operations.

Yearly Average Values(1)	**Q1/14**	**Q1/13**
Crude Oil prices and differential ($/bl)		
Brent Dated (FOB Med)	108.2	112.4
Urals (CIF Med)	106.8	111.0
"Heavy-Light" price differential	-1.4	-1.4
***Crack spreads* for refined oil products ($/bl)**		
ULSD *crack spread*	15.4	17.0
Gasoline 10ppm *crack spread*	6.9	12.3
Reference Margin ($/bl)		
EMC Benchmark	-1.9	0.2

(1) Sources: “Platts” for prices and crack spreads, and “EMC” for the reference refining margin called “EMC Benchmark”

Crude oil prices:
In Q1/14 crude oil quotations remained confined within a narrow range, comprised between 105 and 110 $/bl, and the average for the period stood at 108.2 $/bl. This substantial stability was due to the balance between bullish factors, considered supportive for oil prices (such as, for example, the Libyan crisis which actually halted crude oil exports, and the perspectives of economic recovery in the OECD countries, whose first signals already started to materialise), and bearish factors, exerting downward pressure on oil prices (such as, for example, the spring maintenance activities on the refineries, and the consequent reduction in crude oil demand).

Price differential between “heavy” and “light” crude oil grades (“Urals” vs. “Brent”):
During Q1/14 the “heavy-light” crude oil price differential was quite volatile, with the average for the period finally settling at -1.4 $/bl. In general, the reduction in the export volumes of Libyan crude oil (light sweet grades) acted as a support to the “light crude complex”, especially in the first part of the quarter. The differential reached its peak at -2.7 $/bl towards the end of January. Subsequently, the contraction of Urals’ volumes assigned for export, both from the Black Sea ports and also from the terminals in Northern Europe, heated up the “heavy crude complex”, and the differential was gradually squeezed, closing the quarter almost at zero.

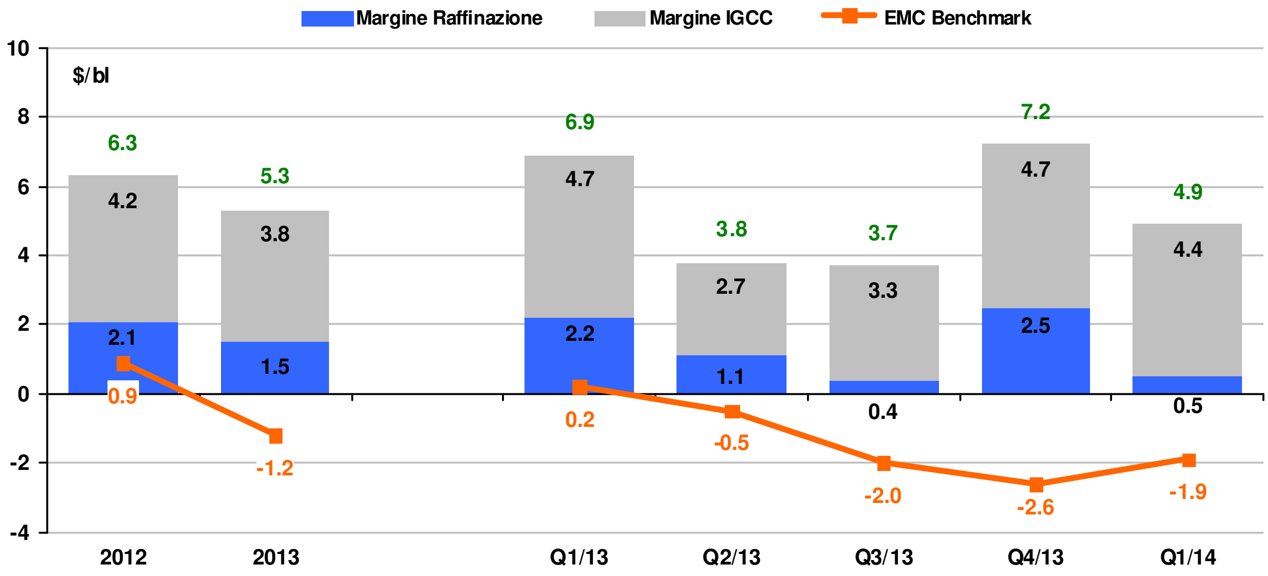
***Crack spreads* of the main products** (i.e. the difference between the value of the product and the price of the crude):
During Q1/14, the gasoline *crack spread* posted a good performance, with weekly progressions and quarterly average equal to 6.9 $/bl, which is a level considered seasonally unusual, by many market players. Such performance can be explained with robust demand materialising both in the Persian Gulf region, and also in Central America and in the United States. Indeed, it was quite a long time that there was no arbitrage opportunities open towards the East Coast of the USA. Towards the end of the quarter, the gasoline *crack spread* touched its highest level, coincidentally with the switch to summer grades.

Moving to the analysis of the middle distillates, the *crack spread* remained at a reasonable level in Q1/14, even if the traditional support from heating gasoil consumption did not materialise, due to mild winter weather. On the contrary, consumption of automotive diesel strengthened globally, and also in Europe, thanks to the first signals of economic recovery. Overall, the ULSD *crack spread* posted an average of 15.4 $/bl in Q1/14.

Refining Margin:
Moving to the profitability analysis of the refining industry, Saras traditionally used a reference refining margin calculated by EMC (Energy Market Consultants) for a mid-complexity coastal refinery, located in the Mediterranean Sea, which processes a feedstock made of 50% Brent and 50% Urals crude oils.

The above mentioned EMC Benchmark margin was negative in FY2013, reaching its historical quarterly minimum in Q4/13, with an average of -2.6 $/bl, because of the unfavourable macro economic context, which continued to depress demand for refined oil products, while at the same time numerous geopolitical tensions kept crude oil prices at high levels. Subsequently, in Q1/14, the EMC Benchmark margin remained close to its bottoms for almost the entire quarter, and it managed to post a decent rebound only during the last weeks. Overall, the average in Q1/14 stood at -1.9 $/bl, and such value clearly reflects the difficult conditions in which the entire European refining sector currently operates.

Finally, as shown in the following graph, the flexibility and complexity of its industrial units, allowed the Saras Group's refinery to achieve a refining margin above the EMC Benchmark, although still weak.



Refining Margin: (*comparable* EBITDA Refining + Fixed Costs) / Refinery runs in the period
IGCC Margin: (EBITDA IGCC plant + Fixed Costs) / Refinery runs in the period
EMC Benchmark: margin calculated by EMC (Energy Market Consultants) with 50% Urals – 50% Brent crude oil slate

Segment Review

Within the corporate reorganisation project approved by the Board of Directors of Saras SpA in January 2013, all the refining activities held by Saras SpA have been transferred to the subsidiary Sarlux Srl, with a contribution in kind effective from the 1st of July 2013, in order to concentrate in a single company all the industrial activities carried out in the Sarroch industrial site, with the aim to achieve higher organisational and operational efficiency.

However, with the purpose of providing a consistent disclosure of the results for each individual business of the Saras Group, it has been decided to calculate and report the financial information according to the same business segments which have always been used in all the previous Financial Reports, including also the intercompany services, which ceased to exist as a consequence of the above-mentioned contribution in kind, using the same economic conditions applied in the previously existing contracts.

Refining

Sarroch refinery is strategically positioned on the South-Western coast of Sardinia, and it is one of the largest and most complex refineries in the Mediterranean area. It has a production capacity of 15 million tons per year, which corresponds to approximately 15% of Italy's total refining capacity.

EUR Million	Q1/14	Q1/13	Change %	Q4/13
EBITDA	(75.7)	(13.4)	-465%	(24.5)
***Comparable* EBITDA**	**(51.1)**	**(24.0)**	**-113%**	**(16.3)**
EBIT	(104.4)	(38.6)	-170%	(53.7)
***Comparable* EBIT**	**(79.8)**	**(49.2)**	**-62%**	**(45.5)**
CAPEX	**18.1**	**26.0**		**21.5**

Margins and refinery runs

		Q1/14	Q1/13	Change %	Q4/13
REFINERY RUNS	thousand tons	3,297	3,088	7%	3,222
	Million bl	24.1	22.5	7%	23.5
	thousand bl/day	267	250	7%	256
EXCHANGE RATE	EUR/USD	1.370	1.321	4%	1.361
EMC BENCHMARK MARGIN	$/bl	(1.9)	0.2		(2.6)
SARAS REFINERY MARGIN	$/bl	0.5	2.2		2.5

Comments to First Quarter 2014 results

Refinery runs in Q1/14 stood at 3.30 ml tons (24.1 million barrels, corresponding to 267 thousand barrels per calendar day), up 7% versus the same period of last year. Indeed, in Q1/13 scheduled maintenance activities involved also one of the three atmospheric crude distillation units. Conversely, in Q1/14 lighter scheduled maintenance activities were carried out, and the distillation units were not involved.

***Comparable* EBITDA was EUR -51.1 ml**, down versus EUR -24.0 ml in Q1/13. Such negative variation can be almost entirely explained with the decline of the refining margin, due to the very challenging market conditions during Q1/14. As such, and for the reasons discussed in the section dedicated to the markets, the EMC Benchmark margin had an average equal to -1.9 $/bl, almost two dollars per barrel lower than the average of +0.2 $/bl in Q1/13.

With such a difficult environment, the Sarroch refinery still managed to post a premium of +2.4 $/bl on top of the EMC Benchmark margin, which is greater than the +2.0 $/bl premium achieved in Q1/13, thanks to the upside coming from the recently implemented programmes to increase energy efficiency, and thanks also to lower impact of the scheduled maintenance activities carried out during the period. More specifically, the EBITDA reduction caused by scheduled maintenance in Q1/14 was equal to approx. EUR 3 ml, while it was equal to approx. EUR 11 ml in Q1/13.

Finally, it should be noted that the exchange rate EUR/USD was slightly more favourable to the European currency in Q1/14. Indeed, the average of 1.370 US Dollars for 1 Euro is 4% higher than the average of 1.321 in Q1/13. As it is well known, the strengthening of the Euro penalises the results of the Refining segment, because in this business the fixed and variable costs are accounted for in Euros, while the gross margin in US dollars.

Refining CAPEX in Q1/14 was EUR 18.1 ml, in line with the programme of the period.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in Q1/14 had an average density of 30.7°API, significantly heavier than the mix processed in FY2013. When looking in detail at the various crude grades used in the feedstock, it can be noted a strong reduction in the percentage of light crude oils with extremely low sulphur content ("*light extra sweet*"), with a corresponding increase in the percentage of the *heavy* crude oils and of the "*straight run*" residues. These changes in the feedstock mix are mainly due to the shortage of Libyan crude oil, following the geopolitical tensions in the country which halted the production and export activities, and due also to economic and commercial choices.

		Q1/14	FY 2013
Light extra sweet		35%	45%
Light sweet		2%	2%
Medium sweet/extra sweet		9%	2%
Medium sour		15%	26%
Heavy sour/sweet		38%	25%
Average crude gravity	°API	30.7	32.3

Moving on to the product slate, it can be observed that in Q1/14 the yield in middle distillates (53.1%) and in light distillates (27.5%) remained at high levels, substantially aligned with the yields achieved in FY2013. On the contrary, the yield in heavy distillates (3.9%) increased as a consequence of the heavier crude slate, while the LPG yield (1.2%) decreased when compared to FY2013, because last year the maintenance activities carried out on the Alkylation unit caused a sizable increase of the LPG production. Overall, the cumulative yield of high value added products stood at 81.8% in Q1/14, which represents a prominent performance within the European competitive context.

		Q1/14	FY 2013
LPG	thousand tons	40	267
	yield	1.2%	2.1%
NAPHTHA + GASOLINE	thousand tons	907	3,558
	yield	27.5%	27.4%
MIDDLE DISTILLATES	thousand tons	1,751	6,959
	yield	53.1%	53.6%
FUEL OIL & OTHERS	thousand tons	128	304
	yield	3.9%	2.3%
TAR	thousand tons	289	1,123
	yield	8.8%	8.6%

Note: Balance to 100% of the production is "Consumption & Losses".

Marketing

The Saras Group is active in the Marketing segment in Italy and Spain, directly and through its subsidiaries, primarily in the wholesale channel. Below are the financial and operational highlights of the segment.

EUR Million	Q1/14	Q1/13	Change %	Q4/13
EBITDA	(0.9)	3.9	-123%	2.4
***Comparable* EBITDA**	**(1.2)**	**8.3**	**-114%**	**11.9**
EBIT	(3.0)	1.8	-267%	0.2
***Comparable* EBIT**	**(3.3)**	**6.2**	**-153%**	**9.7**
CAPEX	**0.6**	**0.7**		**1.1**

Sales

		Q1/14	Q1/13	Change %	Q4/13
TOTAL SALES	thousand tons	873	873	0%	963
of which: in Italy	thousand tons	553	554	0%	603
of which: in Spain	thousand tons	320	320	0%	360

Comments to First Quarter 2014 results

The persistently difficult macroeconomic conditions in various countries of the Euro zone during Q1/14 had a negative influence on the demand for refined oil products. Among the countries with declining consumption there are also Italy and Spain, which are the markets where the Saras Group conducts its marketing activities.

In particular, in Q1/14 total demand for oil products in the Italian market registered a 3.9% drop versus the same period of 2013, with gasoline consumptions down by 4.2% and total gasoil down by 2.7%, mainly because of a mild winter, not very rainy, which strongly reduced the consumption of heating gasoil. In such a context, Arcola Petrolifera defended its market share, also applying discounts to sales in the regions with higher competition. Consequently, volume sold (553 ktons) remained unchanged versus Q1/13, while the operational margin was under pressure.

In the Spanish market, the contraction in oil products' demand was less steep than in Italy. Overall, total demand was down by 0.7% versus Q1/13, with gasoline shedding 0.5%, and consumption of total gasoil slightly improving (+0.3%), pulled by the automotive gasoil, which more than offset the decline in heating gasoil. The Spanish subsidiary, Saras Energia, continued its policy aimed at the optimization of the sale channels, keeping volume sold unchanged (320 ktons).

Overall, ***comparable* EBITDA stood at EUR -1.2 ml in Q1/14,** down versus EUR 8.3 ml in Q1/13.

Power Generation

Below are the main financial and operational data of the Power Generation segment, which refer to an IGCC plant (Integrated Gasification Combined Cycle) with a total capacity of 575MW, fully integrated with the Group's refinery, and located within the same industrial complex in Sarroch (Sardinia).

EUR Milion	Q1/14	Q1/13	Change %	Q4/13
EBITDA	51.5	54.3	-5%	61.2
***Comparable* EBITDA**	**51.5**	**54.3**	**-5%**	**61.2**
EBIT	35.1	34.4	2%	40.5
***Comparable* EBIT**	**35.1**	**34.4**	**2%**	**40.5**
EBITDA ITALIAN GAAP	**32.6**	**36.0**	**-10%**	**59.8**
EBIT ITALIAN GAAP	**17.2**	**24.9**	**-31%**	**40.1**
CAPEX	**4.5**	**6.0**		**4.1**

Other figures

		Q1/14	Q1/13	Change %	Q4/13
ELECTRICITY PRODUCTION	MWh/1000	1,085	937	16%	1,111
POWER TARIFF	**Eurocent/KWh**	**10.3**	**11.9**	**-14%**	**11.9**
POWER IGCC MARGIN	$/bl	4.4	4.7	-6%	4.7

Comments to First Quarter 2014 results

The Power Generation segment achieved a solid operational performance in Q1/14, with the **production of electricity reaching 1.085 TWh.** This 16% increase versus the same quarter of 2013 can be mainly explained with the fact that the Q1/13 maintenance activities involved one of the three trains of "Gasifier – combined cycle Turbine", and also one of the two "H_2S Absorber" units. Conversely, in Q1/14 there was only standard maintenance on one of the three trains of "Gasifier – combined cycle Turbine".

The **Italian GAAP EBITDA stood at EUR 32.6 ml,** down 10% versus EUR 36.0 ml in Q1/13, primarily because of the regulatory change regarding the calculation of the CIP6/92 tariff, according to the Decree Law 69 of 21st June 2013 (the so called "Decreto del Fare"), which introduced a new methodology to determine the "Avoided Fuel Cost" component (CEC), taking as a reference the gas prices in the spot market, and not anymore the Brent crude oil prices. However, the decrease in the CIP6/92 power tariff (10.3 EURcent/kWh, -14% versus Q1/13) was almost entirely compensated by the higher production and sale of electricity, and the higher sales of steam and hydrogen (up by approx. EUR 2 ml).

IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 51.5 ml in Q1/14, down 5% versus Q1/13, mainly because of the equalization procedure, applied throughout the remaining duration of the contract, for the new CIP6/92 tariff calculated according the Decree Law 69/2013, as previously discussed. However, a positive contribution to the Q1/14 results came from the higher sales of hydrogen and steam. Revenues from the aforementioned sales, as it is well know, are not subject to the IFRS equalization procedure.

Finally, CAPEX in Q1/14 was EUR 4.5 ml, coherently with the ordinary maintenance activities carried out in the period.

Wind

Saras Group is active in the production and sale of electricity from renewable sources, through its subsidiary Sardeolica Srl, which operates a wind park located in Ulassai (Sardinia).

EUR million	Q1/14	Q1/13	Change %	Q4/13
EBITDA	8.6	9.6	-10%	5.1
***Comparable* EBITDA**	**8.6**	**9.6**	**-10%**	**5.1**
EBIT	7.4	8.5	-13%	4.1
***Comparable* EBIT**	**7.4**	**8.5**	**-13%**	**4.1**
CAPEX	**0.2**	**0.1**		**(0.5)**

Other figures

		Q1/14	Q1/13	Change %	Q4/13
ELECTRICITY PRODUCTION	MWh	61,546	78,052	-21%	40,212
POWER TARIFF	EURcent/KWh	4.8	6.1	-22%	5.6
GREEN CERTIFICATES	EURcent/KWh	9.9	9.0	10%	8.7

Comments to First Quarter 2014 results

In Q1/14, the IFRS EBITDA of the Wind segment (which is equal to the *comparable* EBITDA) stood at EUR 8.6 ml, down 10% versus Q1/13, which took benefit from extraordinary wind conditions.

Indeed, even if the **production of electricity in Q1/14 was very high (61,546 MWh)**, this was still 21% lower than the exceptional production achieved in Q1/13.

Moreover, Q1/14 results were also influenced by the decrease of revenues due to the lower value of the power tariff (down by 1.3 EURcent/kWh, versus Q1/13), although this was almost entirely offset by the increase in the value the Green Certificates (up by 0.9 EURcent/kWh).

Other Activities

The following table shows the financial highlights of the subsidiaries Sartec SpA, Reasar SA, and others.

EUR Million	Q1/14	Q1/13	Change %	Q4/13
EBITDA	(0.5)	0.0	n/d	2.5
***Comparable* EBITDA**	**(0.5)**	**0.0**	**n/d**	**2.5**
EBIT	(0.6)	(0.1)	-500%	2.3
***Comparable* EBIT**	**(0.6)**	**(0.1)**	**-500%**	**2.3**
CAPEX	**0.3**	**0.7**		**0.7**

Strategy and Outlook

The outlook for the European refining industry should remain difficult in 2014. However, there are some positive developments in Libya, where eastern ports have resumed operations, and the Saras Group has been among the first lifters of crude oil cargoes from the Zueitina oil terminal.

In this environment, Saras' industrial strategy with regards to the Refining and Power Generation segments, remains prudent and based on the improvement of production efficiency, cost optimization, and tight control of the financial position.

In particular, the main areas of attention are the following:

- Full utilization of the refinery's conversion capacity, according with the expectations for the progressive recovery in the refining margin, and the renewed availability of paraffinic crude oils;
- Implementation of the improvement programmes, aimed at increasing operational performance, energy efficiency and cost control, which refer to the activities of "Project FOCUS", ongoing since 2011;
- Limited CAPEX, directed mainly to "HSE" and "Maintain Capacity" initiatives, which are the ones aimed at preserving the full operational efficiency and capacity of all the units;
- Careful management of working capital and oil inventories, in order to achieve a tight control of net debt.

Regarding the development of a commercial joint venture between Saras and Rosneft, the recent announcement of Rosneft's intention to purchase Morgan Stanley's oil commodity trading business further confirms the programme to enhance commercial activities, and it offers new dimensions and opportunities, also for the Saras Group.

Finally, with regards to the other segments, the Group's strategy strives to consolidate the current positions, and possibly rationalize some "non-core" activities, which are not strategically integrated.

Investments by business Segment

EUR Million	Q1/14	FY 2013
REFINING	18.1	87.1
POWER GENERATION	4.5	16.9
MARKETING	0.6	3.7
WIND	0.2	0.2
OTHER	0.3	1.7
Total	**23.7**	**109.6**

Main events after the end of the First Quarter of 2014

On April 8th, 2014 Saras Energia SAU (Saras Group) and Musim Mas Europe Pte Ltd (Musim Mas Group) signed an agreement for the sale of Saras Energia biodiesel business, whose plant is located in Cartagena (Spain), with revenues equal to approx. EUR 115 million in FY2013. The transaction is expected to close during the second half of FY2014.

On April 28th, 2014 Saras SpA Ordinary Shareholders' Meeting approved the Saras SpA Financial Statements as of 31st December 2013, and decided to carry forward the net loss for the year, equal to EUR 124,037,017, and deliberated no dividends distribution for FY2013. The Shareholders' Meeting also approved the General Remuneration Policy pursuant to Art. 123-ter of the Legislative Decree 58/98, the purchase plan of own shares (the "Buyback Plan") and the act of disposal of the shares purchased under the "Buyback Plan", as well as the amendment of Art.2 of the Articles of Association, in order to include in Saras SpA corporate purpose, a specific reference to the activities and services carried out in the "biofuels" sector.

Risk Analysis

Saras bases its risk management policy on the identification, assessment, and possible reduction or elimination of the principal risks associated with the Group's objectives, with reference to the strategic, operational and financial areas.

The principal risks are reported to and discussed by the Group's top management, to create the prerequisites for their management and also to assess the acceptable residual risk.

The management of the risks found in the company processes is based on the principle by which the operational or financial risk is managed by the person responsible for the related process, based on the indications of top management, while the control function measures and controls the level of exposure to risk and the results of the actions to reduce such risk. To manage financial risks, the Saras Group policy includes the use of derivatives, only for the purposes of cover and without resorting to complex structures.

Financial risks

Price fluctuation risk

The results of Saras Group are influenced by the trend in oil prices and especially by the effects that this trend has on refining margins (represented by the difference between the prices of the oil products generated by the refining process and the price of the raw materials, principally crude oil). In addition, to carry out production, the Saras Group is required to maintain adequate inventories of crude oil and finished products, and the value of these inventories is subject to the fluctuations of market prices.
Also subject to fluctuations is the selling price of electricity, produced and sold by our subsidiaries, as well as the prices of green certificates and emissions credits.
The risk of price fluctuation and of the related financial flows is closely linked to the very nature of the business and it can be only partly mitigated, through the use of appropriate risk management policies, including agreements to refine oil for third parties, at partially preset prices. To mitigate the risks deriving from price fluctuation, the Saras Group also takes out derivative contracts on commodities.

Exchange rate risk

The Group's oil business is structurally exposed to fluctuations in exchange rates, because the reference prices for the procurement of crude oil and for the sale of the vast majority of refined oil products are linked to the US dollar. To reduce both the exchange rate risk for transactions that will be executed in the future, and the risk originating from payables and receivables expressed in currencies other than the functional currency, Saras also uses derivative instruments.

Interest rate risk

Loans at variable interest rates expose the Group to the risk of variations in results and in cash flows, due to interest payments. Loans at fixed interest rates expose the Group to the risk of variation of the fair value of the loans received. The principal existing loan contracts are stipulated in part at variable market rates and in part at fixed rates. The Saras Group also uses derivative instruments to reduce the risk of variations in results and in cash flows deriving from interest.

Credit risk

The refining sector represents the Group's reference market and it is principally made up of multinational companies operating in the oil sector. Transactions executed are generally settled very quickly and are often guaranteed by primary credit institutions. Sales in the retail and wholesale markets are small on an individual basis; nonetheless, also these sales are usually guaranteed or insured.

Liquidity risk

The Group finances its activities both through the cash flows generated by operating activities and through the use of externally-sourced financing, and it is therefore exposed to liquidity risk, comprising the capacity to source adequate lines of credit as well as fulfil contractual obligations deriving from the financing contracts entered into. The capacity for self-financing, together with the low level of debt, leads us to consider that the liquidity risk is moderate.

Other risks

Risk related to the procurement of crude oil

A relevant portion of the crude oil refined by Saras originates from countries exposed to political, economical and social uncertainties, higher than in other countries: changes in legislation, political rulings, economic stability and social unrest could have a negative impact on the commercial relationships between Saras and those countries, with potential negative effects on the Group's economic and financial position.

Risks of interruption of production

The activity of the Saras Group depends heavily on its refinery located in Sardinia, and on the contiguous IGCC plant. This activity is subject to the risks of accident and of interruption due to non-scheduled plant shutdowns.
Saras believes that the complexity and modularity of its systems limit the negative effects of unscheduled shutdowns and that the safety plans in place (which are continuously improved) reduce any risks of accident to a minimum: in addition Saras has a major programme of insurance cover in place to offset such risks. However, under certain circumstances, this programme may not be sufficient to prevent the Group from bearing costs in the event of accidents and/or interruption to production.

Environmental risk

The activities of the Saras Group are regulated by many European, national, regional and local laws regarding the environment.
The highest priority of the Saras Group is to conduct its activity with the utmost respect for the requirements of environmental legislation. The risk of environmental responsibility is, however, inherent in our activity, and it is not possible to say with certainty that new legislation will not impose further costs in the future.

Regulatory risk

The Sarlux Srl subsidiary sells the electricity generated to GSE (the Italian National Grid Operator) at the conditions specified by the legislation in force (law no. 9/1991, law no. 10/1991, CIP resolution no. 6/92 and subsequent modifications, law no. 481/1995) which remunerate the electricity produced by plants powered by renewable and assimilated sources based on the costs avoided and time-limited incentives, linked to the actual production. The risk is therefore linked to possible unfavourable modifications to the legislation, which could have significant negative effects.

Dependencies on third parties

The IGCC plant, owned by the Sarlux Srl subsidiary, depends on raw materials derived from crude oil, supplied by Saras, and on oxygen supplied by Air Liquide Italia. If these supplies should fail, Sarlux would have to locate alternative sources, which the company may not be able to find, or to source at similar economic conditions.

Protection of Personal Data

Pursuant to the provisions of Legislative Decree 196 of the 30th June 2003 "Norms related to the protection of sensitive personal data", the Group adopted all minimum safety measures required in the Annex B of such Decree (Article 34); in particular, the Safety Document (DPS), as required by the item 19 of the above mentioned Annex B, has been updated on the 31st March 2012.

Other Information

Non-recurring and/or unusual Transactions

During the first quarter of 2014 the Group did not undertake any non-recurring and/or unusual transactions.

Transactions with related parties

At the end of the first quarter of 2014 there are no relevant effects on Saras Group Balance Sheet and Income Statement, deriving from transactions or positions with related parties.

Research and Development

Saras did not undertake meaningful “Research and Development” activities in the period; therefore, no significant cost was capitalized or accounted in the Income Statement during the first quarter of 2014.

Own shares

During the first quarter of 2014 no transactions took place, involving the sale or purchase of Saras SpA own shares.

Information on the accidents happened in 2009 and 2011

With regards to the accident on 11th April 2011, in which one employee of an external company lost his life while carrying out maintenance activities on the DEA3 unit, the preliminary investigations were completed in May 2013, and a date for the preliminary court hearing is awaited. For the Company, the following are under investigation: (i) the Chairman, the CEO, the General Manager, the Plant Director, the Asset Management Director, the Industrial Operations Director, the Production Area Manager, the Operations Manager, the Shift Foreman, and an operator; (ii) Saras SpA itself, for administrative liability pursuant to Legislative Decree 231/2001. For the external company that employed the workers involved in the accident, the owner, a manager and the team leader are under investigation.

In relation to the tragic accident on 26th May 2009 in which three workmen from CO.ME.SA lost their lives, on 7th March 2014, the Cagliari Court of Appeal reduced the suspended sentences for the then General Manager of the company and the former Plant Director (currently no longer employed with the company) to 20 months each and awarded damages to the plaintiffs (on 4th July 2011, the Cagliari Court had handed down a 24 months' suspended sentence and awarded damages to the plaintiffs). The company is awaiting the reasons for the sentence in order to make the appropriate assessments. The Court of Appeal has also confirmed the acquittal by the Cagliari Court of first instance of the former Production Area Manager and the Industrial Operations Director, (currently no longer employed with the company). The 24 months' suspended sentence of the former legal representative of CO.ME.SA. was also confirmed. Lastly, the Court of Appeal, in agreement with the previous ruling of the Cagliari Court of first instance, confirmed that Saras was exempt from administrative liability pursuant to Legislative Decree 231/01.

For the Board of Directors
The Chairman

Gian Marco Moratti

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Statement of consolidated Financial Position as of: 31st March 2014 and 31st December 2013

EUR thousand	31/03/2014	31/12/2013
ASSETS		
Current assets	**2,210,211**	**2,287,407**
Cash and cash equivalents	493,669	506,827
Other financial assets held for trading	45,385	34,645
Trade receivables	522,433	670,818
Inventories	992,395	926,063
Current tax assets	48,417	48,950
Other assets	107,912	100,104
Non-current assets	**1,513,125**	**1,526,124**
Property, plant and equipment	1,183,657	1,217,425
Intangible assets	95,322	97,083
Other equity interests	505	505
Deferred tax assets	228,017	205,560
Other financial assets	5,624	5,551
Non-current assets held for sale	**10,765**	**0**
Property, plant and equipment	10,741	0
Intangible assets	24	0
Total assets	**3,734,101**	**3,813,531**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**2,020,135**	**2,014,985**
Short-term financial liabilities	223,580	180,970
Trade and other payables	1,468,374	1,605,867
Current tax liabilities	253,584	168,472
Other liabilities	74,597	59,676
Non-current liabilities	**844,104**	**877,344**
Long-term financial liabilities	384,624	385,780
Provisions for risks and charges	32,951	42,978
Provisions for employee benefits	17,132	19,906
Deferred tax liabilities	3,759	3,641
Other liabilities	405,638	425,039
Total liabilities	**2,864,239**	**2,892,329**
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	855,971	1,126,726
Profit/(loss) for the period	(51,665)	(271,080)
Total equity attributable to owners of the Parent company	**869,862**	**921,202**
Minority interests	0	0
Total equity	**869,862**	**921,202**
Total liabilities and shareholders' equity	**3,734,101**	**3,813,531**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 31st March 2014 and 2013

Consolidated Income Statement for the periods:1st January - 31st March 2014 and 2013

EUR thousand	1st January 31st March 2014	of which non recurring	1st January 31st March 2013	of which non recurring
Revenues from ordinary operations	2,730,968		2,654,669	
Other income	27,400		16,572	
Total revenues	**2,758,368**	***0***	**2,671,241**	***0***
Purchases of raw materials, spare parts and consumables	(2,595,482)		(2,449,236)	
Cost of services and sundry costs	(145,900)		(131,588)	
Personnel costs	(34,041)		(36,076)	
Depreciation, amortisation and write-downs	(48,453)		(48,344)	
Total costs	**(2,823,876)**	***0***	**(2,665,244)**	***0***
Operating results	**(65,508)**	***0***	**5,997**	***0***
Net income/(charges) from equity interests				
Financial income	46,492		82,400	
Financial charges	(53,693)		(85,218)	
Profit/(loss) before taxes	**(72,709)**	***0***	**3,179**	***0***
Income tax for the period	21,044		(4,962)	
Net profit/(loss) for the period	**(51,665)**	***0***	**(1,783)**	***0***
Net profit/(loss) for the year attributable to:				
Owners of the Parent Company	(51,665)		(1,783)	
Minority interests	0		0	
Earnings per share - basic (EUR cent)	**(5.59)**		**(0.19)**	
Earnings per share - diluted (EUR cent)	**(5.59)**		**(0.19)**	

Statement of Comprehensive Income for the periods: 1st January - 31st March 2014 and 2013

Migliaia di Euro	1st January 31st March 2014	1st January 31st March 2013
Net result for the period (A)	**(51,665)**	**(1,783)**
Items included in comprehensive income which will be reclassified subsequently to profit or loss (when specific conditions are met)		
Effect of translation of F/S in foreign currency	(57)	(38)
Items included in comprehensive income which will not be reclassified subsequently to profit or loss (when specific conditions are met)		
IAS 19 actuarial effect on end-of-service payments	0	0
Income / (loss), net of fiscal effect (B)	**(57)**	**(38)**
Consolidated Comprehensive Result for the year (A + B)	**(51,722)**	**(1,821)**
Net consolidated Comprehensive Result for the year attributable to :		
Owners of the Parent Company	(51,722)	(1,821)
Minority interests	0	0

Statement of Changes in Consolidated Shareholders' Equity: From 31st December 2012 to 31st March 2014

EUR thousand	Share capital	Legal reserve	Other reserve	Profit / (Loss)	Total equity attributable to owners of the Parent Company	Minority interests	Total equity
Balance as of 31/12/2012	**54,630**	**10,926**	**1,219,718**	**(88,576)**	**1,196,698**	**0**	**1,196,698**
Period 1/1/2013 - 31/03/2013							
Appropriation of previous year's profit			(88,576)	88,576	0		0
Reserve for employee share plan			1,017		1,017		1,017
Effect of translation of F/S in foreign currency			(38)		(38)		(38)
Net profit/(loss) for the period				(1,783)	(1,783)		(1,783)
Balance as of 31/03/2013	**54,630**	**10,926**	**1,132,121**	**(1,783)**	**1,195,894**	**0**	**1,195,894**
Period 1/4/2013 - 31/12/2013							
Acquisto azioni proprie			(5,943)		(5,943)		(5,943)
Reserve for employee share plan			637		637		637
Effect of translation of F/S in foreign currency			(16)		(16)		(16)
Reversal of deferred tax asset (4% Robin tax)			98		98		98
IAS 19 actuarial effect			(171)		(171)		(171)
Net profit/(loss) for the year				(269,297)	(269,297)		(269,297)
Total comprehensive profit/(loss) for the year			*(187)*	*(269,297)*	*(269,484)*		*(269,484)*
Balance as of 31/12/2013	**54,630**	**10,926**	**1,126,726**	**(271,080)**	**921,202**	**0**	**921,202**
Period 1/1/2014 - 31/03/2014							
Appropriation of previous year's profit			(271,080)	271,080	0		0
Reserve for share plan			382		382		382
Effect of translation of F/S in foreign currency			(57)		(57)		(57)
Net profit/(loss) for the period				(51,665)	(51,665)		(51,665)
Total comprehensive profit/(loss) for the period			*0*	*(51,665)*	*(51,665)*		*(51,665)*
Balance as of 31/03/2014	**54,630**	**10,926**	**855,971**	**(51,665)**	**869,862**	**0**	**869,862**

Consolidated Cash Flow Statements as of: 31st March 2014 and 31st March 2013

EUR thousand	1/1/2014 - 31/03/2014	1/1/2013 - 31/03/2013
A - Cash and cash equivalents at the beginning of the period	**506,827**	**302,950**
B - Cash generated from/(used in) operating activities		
Net Profit / (Loss) for the period	(51,665)	(1,783)
Unrealised exchange losses/(gains) on bank accounts	(771)	0
Amortisation, depreciation and write-downs of fixed assets	48,453	48,344
Grants booked to income statement	0	0
Net change in provisions for risks and charges	(10,027)	(20,469)
Net change in employee benefits	(2,774)	(775)
Net change in deferred tax liabilities and deferred tax assets	(22,339)	(166)
Net interest income (expense)	8,820	13,688
Accrued income tax	1,295	5,128
Change in fair value of derivatives, greeen certificates	(32,378)	(24,793)
Other non cash items	382	1,017
(Increase)/Decrease in trade receivables	148,385	58,387
(Increase)/Decrease in inventory	(66,332)	(104,684)
Increase/(Decrease) in trade and other payables	(137,493)	50,560
Change in other current assets	11,180	(16,951)
Change in other current liabilities	98,738	77,987
Interest received	138	212
Interest paid	(7,231)	(7,385)
Tax paid	0	0
Change in other non-current liabilities	(19,401)	(18,375)
Total (B)	**(33,020)**	**59,942**
C - Cash flow from/(used in) investing activities		
(Investments) in tangible and intangible assets	(23,746)	(28,749)
- of which interest paid capitalized	*0*	*(2,864)*
(Investments)/disinvestments in other share holdings	0	21
Change in financial assets	17,807	15,480
Total (C)	**(5,939)**	**(13,248)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	0	(2,864)
Increase/(Decrease) in short term borrowings	25,030	(7,660)
(Decrease) in short term financial debts due to repayments	0	0
Dividends and buy-backs of own shares	0	0
Total (D)	**25,030**	**(10,524)**
E - Cashflow for the year (B+C+D)	**(13,929)**	**36,170**
Unrealised exchange losses/(gains) on bank accounts	771	0
Cash and cash equivalents at the end of the period	**493,669**	**339,120**

For the Board of Directors
The Chairman
Gian Marco Moratti

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31st MARCH 2014

1. Preliminary remarks

Saras SpA (the Parent Company) is a company limited by shares listed on the Milan stock market. Its registered office is at S.S. 195 Sulcitana, km 19, Sarroch (CA), Italy, 19. It is jointly controlled by Gian Marco Moratti SapA and Massimo Moratti SapA, who each own 25.01% and jointly own 50.02% of the share capital of Saras SpA (excluding own shares), under the shareholders' agreement signed by the two companies on 1 October 2013. The Company is established until 31 December 2056, as stated in its articles of association.

Saras SpA operates in the Italian and international oil markets as a buyer of crude oil and a seller of finished products. The Group's activities include refining of crude, the production and sale of electricity via an integrated gasification combined cycle (IGCC) plant operated by its subsidiary Sarlux Srl, and a wind farm run by the subsidiary Parchi Eolici Ulassai Srl (via the subsidiary Sardeolica Srl).

The consolidated financial statements for the period ending 31 March 2014 should be read in conjunction with the consolidated financial statements of the Saras Group for the year ending 31 December 2013.

2. General criteria for the preparation of the consolidated financial statements

The consolidated financial statements of the Group for the period ending 31 March 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS or "International Accounting Standards") issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to article 6 of Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002.

The term IFRS is used to mean all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC), endorsed by the European Commission as of the date the draft consolidated financial statements of the Parent Company were approved by its Board of Directors and set out in the relevant EU regulations published on that date.

In accordance with Consob Resolution 15519 of 27 July 2006, the financial statements have been prepared using the following criteria, which are considered to provide a more complete picture of the Group's assets, liabilities and financial position:

- Statement of financial position: assets and liabilities are divided into current and non-current items, according to liquidity;
- Income statement and statement of comprehensive income: income statement items are presented according to their nature;
- Cash flow statement: presented using the indirect method, which differentiates between financial flows deriving from operating, investment and financial activities.

The accounting standards shown below have been applied consistently to all the periods reported.

3. Accounting standards applied

The IASB and IFRIC have approved some changes to and interpretations of IFRS, some of which have been endorsed by the European Union and apply for the first time from 1 January 2014, and some of which have not been endorsed and are therefore not yet applicable to financial statements referring to periods beginning after 1 January 2014.

Relevant accounting standards, amendments and interpretations applicable from 1 January 2014

The following accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2014:

IFRS 10 – Consolidated Financial Statements. This standard replaces SIC-12 Consolidation – Special Purpose Entities (SPVs) and some parts of IAS 27 – Consolidated and Separate Financial Statements, which is changing its name to IAS 27 – Separate Financial Statements and governs the accounting treatment of equity investments in the separate financial statements. The new IFRS 10 identifies the factor within the concept of control that determines whether or not a company should be consolidated into the parent company's consolidated financial statements, and provides guidance on determining the existence of control in difficult cases.

Transition Guidance (IFRS 10, IFRS 11, IFRS 12). On 28 June 2012, the IASB issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities", a document which clarifies and simplifies the transition requirements for IFRS 10, IFRS 11 and IFRS 12.

IFRS 11 – Joint Arrangements. This standard replaces IAS 31 – Interests In Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the joint arrangements rather than on the legal form of the joint arrangements themselves, and establishes that equity investments in jointly controlled entities may only be accounted for in the consolidated financial statements using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities. This standard describes the additional information to be disclosed about equity investments (subsidiaries, joint arrangements, associates, special purpose entities and other unconsolidated structured entities).

IAS 27 – Consolidated and Separate Financial Statements. The amendment to IAS 27 sets out the standards to be applied when accounting for investments in subsidiaries, joint ventures and associates when preparing separate financial statements after the introduction of IFRS 10.

IAS 28 – Investments in Associates and Joint Ventures. The amendment to IAS 28 (as amended in 2011) sets out the criteria for applying the equity method when accounting for investments in affiliates and joint ventures.

On 16 December 2011, the IASB issued a number of amendments to **IAS 32 – Financial instruments**: Presentation, to clarify the application of some of the criteria for offsetting financial assets and financial liabilities contained in IAS 32.

The amendments are applicable retrospectively for financial years beginning on or after 1 January 2014; their adoption had no significant effect on the Group's financial statements.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

IFRS 9 – Financial Instruments. The IASB issued this standard on 12 November 2009. At the reporting date, the IASB had not set the effective date for the standard and the competent bodies of the European Union had not yet completed the ratification process necessary for the application of the amendment.
The amendments concern the reporting and measurement criteria for financial assets and the related classification in the financial statements. Among other things, the new provisions establish a model for classifying and measuring financial assets based solely on the following categories: (i) assets measured at amortised cost; (ii) assets measured at fair value. The new provisions also require equity investments other than those in subsidiaries, joint ventures or affiliates to be measured at fair value through the income statement. In the event that such investments are not held for trading, fair value changes may be recognised in the statement of comprehensive income, with only the effects of the distribution of dividends being recognised in the income statement. When the investment is sold, the amounts recognised in the statement of comprehensive income do not need to be recognised in the income statement. Furthermore, on 28 October 2010, the IASB incorporated new requirements into IFRS 9 including the criteria for recognising and measuring financial liabilities.

In particular, the new provisions require, among other things, that when measuring a financial liability at fair value through the income statement, the fair value changes relating to changes in the issuer's credit risk (i.e. own credit risk) be recognised in the statement of comprehensive income; this component must be recognised in the income statement to ensure a match with other items in the financial statements relating to liabilities, thereby avoiding accounting mismatch.

The IASB has also issued the following amendments, the ratification process for which has not yet been completed by the European Union by the date of these financial statements.

Investment Entities **(IFRS 10; IFRS 12 and IAS 27)**: On 31 October 2012, the IASB issued the document 'Investment Entities', which regulates the activities carried out by specific types of companies classified as investment entities. The IASB considers investment entities to be companies that invest with the sole aim of increasing the capital invested or the investment income or both. The provisions will be effective from financial years beginning on or after 1 January 2014.

On 29 May 2013, the IASB published an amendment to **IAS 36** Recoverable Amount Disclosures for Non-Financial Assets, which requires specific disclosure of the discount rate used to determine an impairment loss (or a reversal) when the recoverable value based on fair value less cost to sell is determined using present value methodology.

At the moment it is not considered that adoption of these amendments will have significant effects on the Group's financial statements.

3.1 Basis of consolidation

Subsidiaries that are consolidated on a line-by-line basis and non-consolidated subsidiaries that are included in the Group's basis of consolidation are listed below.

Consolidated on a line-by-line basis	**% owned**
Arcola Petrolifera Srl	100%
Deposito di Arcola Srl	100%
Sarlux Srl	100%
Saras Ricerche e Tecnologie SpA	100%
Ensar Srl and subsidiaries:	100%
Labor Eolica Srl	100%
Alpha Eolica Srl	100%
Sarint S.A. and subsidiaries:	100%
Saras Energia SAU and subsidiary:	100%
Saras Energia Bio SLU	100%
Reasar SA	100%
Parchi Eolici Ulassai Srl and subsidiary:	100%
Sardeolica Srl	100%
Sargas Srl	100%
Other equity interests of insignificant value (valued at cost)	
Consorzio Cesma	5%
Consorzio La Spezia Utilities	5%
Sarda Factoring	5.95%

3.2 Use of estimates

The preparation of the financial statements requires the directors to apply accounting standards and methodology that, in certain situations, are based on difficult and subjective valuations and estimates founded on past experience and assumptions that at the time are considered reasonable and realistic under the circumstances. The use of these estimates and assumptions affects the values reported in the financial statements, i.e. the statement of financial position, income statement, statement of comprehensive income and cash flow statement, as well as the accompanying disclosures. The actual amounts of accounting entries for which estimates and assumptions have been used may differ from those shown in the financial statements, due to the uncertainty surrounding said assumptions and the conditions upon which the estimates are based.

These types of valuations, particularly those that are more complex, such as the determination of any loss in value of fixed assets, are only fully carried out when the annual consolidated financial statements are prepared, at which time all the required information is available, except in cases where there are impairment indicators requiring an immediate valuation of loss in value.

A summary of the most significant estimates is provided in the Group's consolidated financial statements for the year ended 31 December 2013.

4. Information by business segment and geographical area

4.1 Preliminary remarks

The Saras Group operates primarily in the following business segments:
1. refining;
2. marketing;
3. generation of power by the combined cycle plant;
4. generation of power by wind farms;
5. other activities.

1. The refining activities conducted by Parent Company Saras SpA and subsidiary Sarlux Srl relate to:

[A] The sale of oil products obtained:
- upon completion of the entire production cycle, ranging from the sourcing of raw materials to the refining and production of finished products, which is carried out at the Company's site in Sarroch, Sardinia;
- by acquiring oil products from third parties that were previously refined on behalf of these same third parties at the Sarroch site in Sardinia;
- and to a lesser extent, by acquiring oil products from third parties.

Finished products are sold to major international operators such as the Total Group, the ENI Group, NOC (National Oil Corporation), Shell, British Petroleum and Galp.

[B] Revenues from refining services provided to third parties, which only represent the income from refining activities conducted on behalf of third parties.

2. Marketing activities concern the distribution of oil products, an activity aimed at smaller-sized customers and/or those with distribution procedures that differ from those described above in relation to refining. These activities are undertaken:
- in Italy, by Arcola Petrolifera Srl for off-network customers (wholesalers, purchasing consortia, local authority-owned utility companies and resellers) and oil companies (ENI, Tamoil, Total, etc.) through a logistics network comprising both its own bases (at Sarroch) and those of third-party operators by way of a transit contract (Livorno, Civitavecchia, Marghera, Ravenna, Udine, Trieste, Lacchiarella, Arquata and Torre Annunziata) as well as Deposito di Arcola Srl for the logistics management of the Arcola storage facility in Liguria;
- in Spain, by Saras Energia SAU, for third-party and group-owned service stations, supermarkets and resellers by way of an extensive network of depots spread across the entire Iberian peninsula, the most important of which, the Cartagena depot, is owned by the Company itself In addition, the Cartagena site also produces biodiesel; this activity has been merged with the Group's marketing business, as the management considers it to be an integral part of marketing (analysing its performance within the business), and in view of its minor significance in terms of resources used and volumes produced.

3. Generation of power by the combined-cycle plant relates to the sale of electricity generated at the Sarroch plant owned by Sarlux Srl This electricity is sold exclusively to the grid operator GSE (Gestore dei Servizi Energetici SpA), with sales benefiting from tariffs included in the CIP 6/92 agreement.

4. The generation of power by wind farms relates to the activity carried out at the Ulassai wind farm owned by subsidiary Sardeoloica Srl.

5. Other activities include reinsurance activities undertaken for the Group by Reasar SA and research for environmental sectors undertaken by Sartec SpA.

The management monitors the operating results for individual business segments separately, in order to determine the allocation of resources and evaluate performance. The results of each segment are assessed on the basis of operating profits or losses. The breakdown by business segment and the basis on which segment results are determined are the same as in the consolidated financial statements for the year ended 31 December 2013.

4.2 Segment information

In order to show the individual margins attributable to the "refining" and "electricity generation" sectors, the figures shown include valuations, based on the terms of the previous contracts, for those intersegment services that are no longer provided due to the transfer of the refining activities of Parent Company Saras SpA to subsidiary Sarlux Srl carried out in the previous year.

A breakdown by segment is shown below. For further details, please see the appropriate sections of the Report on Operations:

	Refining	Marketing	Power Generation	Wind Power	Other	Total
31st March 2013						
Revenues from ordinary operations	2,393,199	707,033	144,698	4,794	5,836	3,255,560
less: intersegment revenues	(567,818)	(19,087)	(12,599)	0	(1,387)	(600,891)
Revenues from third parties	**1,825,381**	**687,946**	**132,099**	**4,794**	**4,449**	**2,654,669**
Other revenues	21,776	1,348	7,213	7,218	35	37,590
less: intersegment revenues	(15,728)	(33)	(5,236)	0	(21)	(21,018)
Other revenues from third parties	**6,048**	**1,315**	**1,977**	**7,218**	**14**	**16,572**
Amortisation and depreciation	**(25,209)**	**(2,106)**	**(19,866)**	**(1,102)**	**(61)**	**(48,344)**
Operating profit (a)	**(38,647)**	**1,755**	**34,434**	**8,519**	**(64)**	**5,997**
Financial income (a)	84,893	1,921	1,147	260	57	88,278
Financial charges (a)	(86,074)	(4,424)	(131)	(410)	(57)	(91,096)
Income taxes	13,916	28	(15,275)	(3,580)	(51)	(4,962)
Net result for the period (a)	**(25,912)**	**(720)**	**20,175**	**4,789**	**(115)**	**(1,783)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,281,048**	**653,358**	**919,655**	**126,859**	**31,084**	**4,012,004**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,948,464**	**340,348**	**458,093**	**59,606**	**9,599**	**2,816,110**
Investments in tangible assets	25,719	674	5,980	0	60	**32,433**
Investments in intangible assets	256	4	0	69	629	**958**
31st March 2014						
Revenues from ordinary operations	2,505,390	646,718	144,113	2,944	4,906	3,304,071
less: intersegment revenues	(539,727)	(18,400)	(13,682)	0	(1,294)	(573,103)
Revenues from third parties	**1,965,663**	**628,318**	**130,431**	**2,944**	**3,612**	**2,730,968**
Other revenues	36,256	496	10,495	6,084	32	53,363
less: intersegment revenues	(20,115)	(52)	(5,774)	0	(22)	(25,963)
Other revenues from third parties	**16,141**	**444**	**4,721**	**6,084**	**10**	**27,400**
Amortisation and depreciation	**(28,684)**	**(2,186)**	**(16,353)**	**(1,175)**	**(55)**	**(48,453)**
Operating profit (a)	**(104,396)**	**(3,043)**	**35,092**	**7,377**	**(538)**	**(65,508)**
Financial income (a)	49,338	936	1,878	196	123	52,471
Financial charges (a)	(57,015)	(2,144)	(338)	(126)	(49)	(59,672)
Income taxes	38,025	(37)	(14,116)	(2,891)	63	21,044
Net result for the period (a)	**(74,048)**	**(4,288)**	**22,516**	**4,556**	**(401)**	**(51,665)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,074,942**	**591,304**	**919,851**	**114,159**	**33,845**	**3,734,101**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**2,012,257**	**368,536**	**423,895**	**49,359**	**10,192**	**2,864,239**
Investments in tangible assets	17,970	473	3,972	4	150	**22,569**
Investments in intangible assets	174	113	484	200	142	**1,113**

(a) Calculated without taking into account intra-segment eliminations
(b) Total assets and liabilities are calculated after intersegment eliminations.

5. Notes to the statement of financial position

5.1 Current assets

5.1.1 Cash and cash equivalents

The following table shows a breakdown of cash and cash equivalents.

	31/03/2014	31/12/2013	Change
Bank and postal deposits	490,893	504,666	(13,773)
Cash	2,776	2,161	615
Total	**493,669**	**506,827**	**(13,158)**

Bank deposits are mainly attributable to Saras SpA (EUR 433,841 thousand), Arcola Petrolifera Srl (EUR 29,870 thousand), Sarlux Srl (EUR 16,106 thousand), Sardeolica Srl (EUR 6,120 thousand) and Saras Energia SAU (EUR 1,285 thousand). For information regarding restrictions on the use of the cash of Sardeolica Srl see paragraph 5.4.1. For further details on the company's net financial position, refer to the relevant section of the Report on Operations or the cash flow statement.

5.1.2 Other financial assets held for trading

The table below shows the breakdown of other financial assets held for trading:

	31/03/2014	31/12/2013	Change
Securities	3,410	3,418	(8)
Green Certificates	29,324	17,599	11,725
Derivative instruments	12,651	13,628	(977)
Total	**45,385**	**34,645**	**10,740**

Green certificates relate to power generation from renewable sources by subsidiary Sardeolica Srl.
They are sold on a specific regulated market or through bilateral agreements between market operators, or through withdrawal by GSE at a pre-determined price; the certificates in the portfolio accruing during the reporting period are valued at the price estimated for withdrawal by GSE (EUR 98.7/MWh for 2014 compared with EUR 89.3/MWh for 2013). Gains and losses realised for the period, and any write-downs applied in cases where the market value is lower than the carrying value at the end of the period, are booked to the income statement under "Other income" or "Costs of services and sundry costs".

Changes in securities and green certificates are shown below.

	Securities	Green Certificates	Total
Balance at 31/12/2012	**0**	**10,833**	**10,833**
Increase	3,418	17,575	20,993
Decrease	0	(10,809)	(10,809)
Balance at 31/12/2013	**3,418**	**17,599**	**21,017**
Increase	0	11,725	11,725
Decrease	(8)	0	(8)
Balance at 31/03/2014	**3,410**	**29,324**	**32,734**

The "Financial derivatives" item comprises the positive fair value of derivatives outstanding at the end of the reporting period.

5.1.3 Trade receivables

This item totalled EUR 522,433 thousand, a decrease of EUR 148,385 thousand compared with the previous year.

The change mainly relates to loans due to the subsidiary Sarlux Srl from GSE totalling EUR 5,014 thousand compared with EUR 62,877 thousand in the previous year, and which include EUR 47.6 million relating to the adjustment for 2013 that was received in the first quarter. Receivables relating to Saras SpA totalled EUR 168,454 thousand compared with EUR 237,719 thousand in the previous year.

5.1.4 Inventories

The following table shows a breakdown of inventories and the changes that occurred during the period.

	31/03/2014	31/12/2013	Change
Raw materials, spare parts and consumables	299,835	328,805	(28,970)
Semi-finished products and work in progress	89,869	74,166	15,703
Finished products and goods held for resale	601,211	522,345	78,866
Advance payments	1,480	747	733
Total	**992,395**	**926,063**	**66,332**

The decrease in the price of crude and oil products was largely offset by increases in stocks held.

The recording of inventories at net realisable value led to a write-down of around EUR 41.9 million. This valuation is thus equivalent to the market value.

No inventories are used as collateral for liabilities.

The Sarroch refinery held no crude oil or oil products belonging to third parties (as was the case at 31st December 2013).

5.1.5 Current tax assets

Current tax assets break down as follows.

	31/03/2014	31/12/2013	Change
VAT	563	1,167	(604)
IRES (corporate income tax, including income tax of foreign companies)	37,820	37,821	(1)
IRAP (regional income tax)	3,855	3,866	(11)
Other tax receivables	6,179	6,096	83
Total	**48,417**	**48,950**	**(533)**

IRES receivables are due to excess tax generated in previous years.

The VAT receivable is due to positions accrued by Romanian companies active in the wind farm sector.

5.1.6 Other assets

The balance breaks down as follows.

	31/03/2014	31/12/2013	Change
Accrued income	1,366	473	893
Prepaid expenses	17,617	4,163	13,454
Other receivables	88,929	95,468	(6,539)
Total	**107,912**	**100,104**	**7,808**

Deferred charges mainly relate to insurance premiums for the Parent Company.

“Other receivables” mainly comprises:

- a receivable of EUR 18,208 thousand due to the subsidiary Sarlux Srl arising from the recognition pursuant to section II, point 7-bis of CIP Provision 6/92 for the refund of charges applicable to 2013 and the first quarter of 2014 relating

to the application of Directive 2003/87/EC on emissions trading, as per AEEG Resolution 77/08 (EUR 13,487 thousand the previous year);
- recovery of the amount paid by subsidiary Sarlux Srl to GSE of EUR 32,295 thousand, as described in section 7.1 (EUR 44,040 thousand the previous year);
- white certificates for EUR 22,614 thousand (of which EUR 1,450 thousand have already been awarded) of energy savings made in the Sarroch refinery (EUR 17,187 thousand in 2013). These certificates are sold on an appropriate regulated market or through bilateral agreements between market operators. The certificates in the portfolio are valued at the average end-of-period market price as it is less than the average annual market price (EUR 122.18 per certificate in 2014, compared with EUR 105.98 in 2013);
- deposits to secure derivatives transactions carried out by the Parent Company and subsidiary Sarlux Srl of EUR 6,752 thousand (EUR 10,911 thousand the previous year).

5.2 Non-current assets

5.2.1 Property, plant and equipment

The following table shows a breakdown of property, plant and equipment.

COST	31/12/2012	Additions	(Disposals)	Grants	Other changes	31/12/2013
Land & buildings	229,945	397	(90)	(1,524)	5,652	234,380
Plant & machinery	2,752,173	22,134	(5,366)	(21,045)	141,532	2,889,428
Industrial & commercial equipment	37,031	481	(7,829)	(1,978)	774	28,479
Other assets	479,432	1,051	(6,005)	(2,937)	23,740	495,281
Assets under construction and payments	207,665	81,815			(172,262)	117,218
Total	**3,706,246**	**105,878**	**(19,290)**	**(27,484)**	**(564)**	**3,764,786**

ACCUMULATED DEPRECIATION	31/12/2012	Additions	(Disposals)	(Depreciation)	Grants and other changes	31/12/2013
Land & buildings	96,535	10,029	(38)	(708)	1,507	107,325
Plant & machinery	1,914,648	140,888	(3,989)	(18,700)	(10,297)	2,022,550
Industrial & commercial equipment	27,681	2,052	(7,825)	(1,978)	(97)	19,833
Other assets	378,624	18,618	(5,993)	(2,187)	8,591	397,653
Total	**2,417,488**	**171,587**	**(17,845)**	**(23,573)**	**(296)**	**2,547,361**

NET BOOK VALUE	31/12/2012	Additions	(Disposals)	(Depreciation and write-downs)	Other Changes and Revaluations	31/12/2013
Land & buildings	133,410	397	(52)	(10,029)	3,329	127,055
Plant & machinery	837,525	22,134	(1,377)	(140,888)	149,484	866,878
Industrial & commercial equipment	9,350	481	(4)	(2,052)	871	8,646
Other assets	100,808	1,051	(12)	(18,618)	14,399	97,628
Assets under construction and payments	207,665	81,815	0	0	(172,262)	117,218
Total	**1,288,758**	**105,878**	**(1,445)**	**(171,587)**	**(4,179)**	**1,217,425**

COST	31/12/2013	Additions	(Disposals)	Assets held for sale	Other changes	31/3/2014
Land & buildings	234,380	16		(4,930)	(1)	229,465
Plant & machinery	2,889,428	2,569	(15)	(8,492)	7,535	2,891,025
Industrial & commercial equipment	28,479	21		(208)	157	28,449
Other assets	495,281	558	(3,011)	(1,802)	9,192	500,218
Assets under construction and payments	117,218	19,405			(15,593)	121,030
Total	**3,764,786**	**22,569**	**(3,026)**	**(15,432)**	**1,290**	**3,770,187**

ACCUMULATED DEPRECIATION	31/12/2013	Depreciation	(Disposals)	Assets held for sale	Other changes	31/3/2014
Land & buildings	107,325	2,519		(1,238)	185	108,791
Plant & machinery	2,022,550	39,129	(15)	(2,906)	(188)	2,058,570
Industrial & commercial equipment	19,833	517		(56)	4	20,298
Other assets	397,653	4,719	(3,011)	(491)	1	398,871
Total	**2,547,361**	**46,884**	**(3,026)**	**(4,691)**	**2**	**2,586,530**

NET BOOK VALUE	31/12/2013	Additions	(Disposals)	(Depreciation)	Assets held for sale and other changes	31/3/2014
Land & buildings	127,055	16	0	(2,519)	(3,878)	120,674
Plant & machinery	866,878	2,569	0	(39,129)	2,137	832,455
Industrial & commercial equipment	8,646	21	0	(517)	1	8,151
Other assets	97,628	558	0	(4,719)	7,880	101,347
Assets under construction and payments	117,218	19,405	0	0	(15,593)	121,030
Total	**1,217,425**	**22,569**	**0**	**(46,884)**	**(9,453)**	**1,183,657**

Costs are shown net of grants received for investments. The gross value of grants deducted from fixed assets was EUR 188,448 thousand, and related to the programme agreements entered into with the Ministry of Industry, Commerce and Crafts on 19 June 1995, with the Ministry of Productive Activities on 10 October 1997 and with the Ministry of Economic Development on 10 June 2002, whose final concession decree was submitted on 14 May 2013.

At 31 March 2014, the residual value of these grants was EUR 3,176 thousand (EUR 3,526 thousand at 31 December 2013).

The item “Land and buildings” chiefly includes industrial buildings, offices and warehouses with a net value of EUR 80,615 thousand, civic buildings in Milan and Rome belonging to the Parent Company and used as offices with a net value of EUR 7,126 thousand and land largely relating to the Sarroch and Arcola sites belonging to the Parent Company Sarlux Srl and the subsidiary Deposito di Arcola Srl respectively, worth EUR 36,626 thousand.

The item “Plant and machinery” mainly relates to the refining and combined-cycle power plants at Sarroch.

The item “Industrial and commercial equipment” includes equipment for the chemicals laboratory and the control room for refining activities, as well as miscellaneous production equipment.

“Other assets” mainly includes tanks and pipelines used to carry the products and crude oil of Group companies (Sarlux Srl, Saras Energia SAU and Deposito di Arcola Srl).

The item “Work in progress and advances” reflects costs incurred mainly for investment in tanks, and work to adapt and upgrade existing structures, particularly for environmental, safety and reliability purposes.

Increases for the year amounted to EUR 22,569 thousand, mainly reflecting technological work on the refinery plants.

The decrease of EUR 15.5 million recorded under “Work in progress - Other changes” relates to work completed during the year and consequently recorded under the related asset class.

The main depreciation rates used are as follows:

	I.G.C.C. plant	Other Assets (annual rates)
Industrial buildings (land and buildings)	until 2020	5.50%
Generic plant (plant and machinery)	until 2020	8.38%
Highly corrosive plant (plant and machinery)	until 2020	11.73%
Pipelines and tanks (plant and machinery)		8.38%
Thermoelectric plant (plant and machinery)	until 2020	
Wind farm (plant and machinery)		10.00%
Supplies (equipment plant and machinery)		25.00%
Electronic office equipment (other assets)		20.00%
Office furniture and machinery (other assets)		12.00%
Vehicles (other assets)		25.00%

See section 5.3 for comments on tangible assets held for sale.

The Group has a concession from the Cagliari Port Authority allowing it to occupy state-owned areas until 31 December 2015. These areas contain the Sarroch refinery's service facilities (waste-water treatment, seawater desalinisation, blow-down, flare system and landing stage). Currently there is no reason to believe that the concession will not be renewed on expiry. Internal costs capitalised in the period totalled EUR 2,545 thousand.

5.2.2 Intangible assets

The following table shows the changes in intangible assets.

COST	31/12/2012	Additions	Disposals	Write-downs	Other changes	31/12/2013
Industrial & other patent rights	39,137	1,595	(750)		867	40,849
Concessions, licences, trademarks & similar rights	58,452		(512)		(198)	57,742
Goodwill	21,909					21,909
Other intangible assets	514,204		(2,099)			512,105
Assets in progress & payments on account	22,034	2,157	(1,640)		(63)	22,488
Total	**655,736**	**3,752**	**(5,001)**	**0**	**606**	**655,093**

ACCUMULATED AMORTISATION	31/12/2012	Amortisation	Disposals	Write-downs	Other changes	31/12/2013
Industrial & other patent rights	35,529	2,011	(750)			36,790
Concessions, licences, trademarks & similar rights	16,186	2,632	(346)		80	18,552
Goodwill	0					0
Other intangible assets	255,254	17,057	(2,098)	232,455		502,668
Total	**306,969**	**21,700**	**(3,194)**	**232,455**	**80**	**558,010**

NET BOOK VALUE	31/12/2012	Additions	Disposals	Other changes	(Amortisation write-downs)	31/12/2013
Industrial & other patent rights	3,608	1,595	0	867	(2,011)	4,059
Concessions, licences, trademarks & similar rights	42,266	0	(166)	(278)	(2,632)	39,190
Goodwill	21,909	0	0	0	0	21,909
Other intangible assets	258,950	0	(1)	0	(249,512)	9,437
Assets in progress & payments on account	22,034	2,157	(1,640)	(63)	0	22,488
Total	**348,767**	**3,752**	**(1,807)**	**526**	**(254,155)**	**97,083**

COST	31/12/2013	Additions	Disposals	Assets held for sale	Other changes	31/03/2014
Industrial & other patent rights	40,849	123		(38)	270	41,204
Concessions, licences, trademarks & similar rights	57,742			(25)		57,717
Goodwill	21,909					21,909
Other intangible assets	512,105	250			(84)	512,271
Assets in progress & payments on account	22,488	712			(857)	22,343
Total	**655,093**	**1,085**	**0**	**(63)**	**(671)**	**655,444**

ACCUMULATED AMORTISATION	31/12/2013	Amortisation	Disposals	Assets held for sale	Other changes	31/03/2014
Industrial & other patent rights	36,790	497		(35)		37,252
Concessions, licences, trademarks & similar rights	18,552	676		(5)	(1)	19,222
Goodwill	0					0
Other intangible assets	502,668	396			584	503,648
Total	**558,010**	**1,569**	**0**	**(40)**	**583**	**560,122**

NET BOOK VALUE	31/12/2013	Additions	Disposals	Assets held for sale and other changes	(Amortisation / write-downs)	31/03/2014
Industrial & other patent rights	4,059	123	0	267	(497)	3,952
Concessions, licences, trademarks & similar rights	39,190	0	0	(19)	(676)	38,495
Goodwill	21,909	0	0	0	0	21,909
Other intangible assets	9,437	250	0	(668)	(396)	8,623
Assets in progress & payments on account	22,488	712	0	(857)	0	22,343
Total	**97,083**	**1,085**	**0**	**(1,277)**	**(1,569)**	**95,322**

Amortisation of intangible assets totalled EUR 1,569 thousand, and was calculated using the annual rates shown below.

Industrial patent rights and intellectual property rights	20%
Concessions, licences, trademarks and similar rights	3% - 33%
Other intangible assets	6% - 33%

See section 5.3 for comments on intangible assets held for sale.

The main items are set out in detail below.

Concessions, licences, trademarks and similar rights
The balance of the item mainly refers to the concessions relating to Estaciones de Servicio Caprabo SA (merged with Saras Energia SA) for the operation of the service stations in Spain, and to Sardeolica Srl for the operation of the Ulassai wind farm, which will be fully amortised by 2026 and 2035 respectively.

Goodwill
The item mainly relates to goodwill recorded for the subsidiary Parchi Eolici Ulassai Srl (EUR 21,408 thousand), which was paid to acquire this company: the goodwill was justified given the projection of future cash flows by Sardeolica Srl until 2035 when the concessions expire.

Other intangible assets
The item mainly relates to costs incurred by subsidiary Sarlux Srl for connecting to external power supplies (the ENEL grid and Air Liquide).

Intangible assets in progress and payments on account
This item mainly includes the cost of natural gas exploration in Sardinia (EUR 18,117 thousand). These costs include capitalisation of internal costs of EUR 47 thousand incurred during the reporting period.

5.2.3 Equity investments
The table below shows a list of equity investments held at 31 March 2014, with the main figures relating to each subsidiary.

Company name	HQ	Currency	Share Capital	% owned by Group as of 31st Mar 2014	% owned by Group as of 31st Dec 2013	% of share capital	Shareholder	% of voting rights	Category
Arcola Petrolifera S.r.l.	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Deposito di Arcola S.r.l.	Arcola (SP)	EUR	1,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie S.p.A.	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Ensar S.r.l. and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Alpha Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect subsidiary
Labor Eolica S.r.l.	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar S.r.l.	100.00%	Indirect subsidiary
Sarint S.A.and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Saras Energia S.A.U. and subsidiary:	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Saras Energia Bio S.L.U.	Madrid (Spain)	EUR	3,000	100.00%	100.00%	100.00%	Saras Energia S.A.	100.00%	Indirect subsidiary
Reasar S.A.	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint S.A.	100.00%	Indirect subsidiary
Sarlux S.r.l.	Sarroch (CA)	EUR	100,000,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Parchi Eolici Ulassai S.r.l. and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Sardeolica S.r.l.	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai S.r.l.	100.00%	Indirect subsidiary
Sargas S.r.l.	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras S.p.A.	100.00%	Subsidiary
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	5.00%	5.00%	5.00%	Saras Ricerche e Tecnologie S.p.A.	5.00%	Other equity investments
Consorzio La Spezia Utilities	La Spezia	EUR	114,000	5.00%	5.00%	5.00%	Deposito di Arcola S.r.l.	5.00%	Other equity investments
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras S.p.A.	5.95%	Other equity investments

There were no changes compared with 31 December 2013.

As previously mentioned, equity investments in subsidiaries are consolidated on a line-by-line basis in these financial statements.

5.2.3.1 Other equity interests
Other equity interests break down as follows:

	31/03/2014	31/12/2013
Consorzio Cesma	3	3
Consorzio La Spezia Utilities	7	7
Sarda Factoring	495	495
Total	**505**	**505**

5.2.4 Deferred tax assets

The balance of EUR 228,017 thousand at 31 March 2014 comprises mainly:

- net deferred tax assets of EUR 72,741 thousand relating to tax assets on tax losses still to be used in connection with the IRES tax consolidation scheme and EUR 39,604 thousand for the additional IRES applicable to the energy sector, excluded from the tax consolidation scheme; it is considered that the amounts in question can be recovered against future taxable income;
- net deferred tax assets of the subsidiary Sarlux Srl totalling EUR 88,297 thousand, mainly consisting of deferred tax assets of EUR 156,568 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 14 – and deferred tax liabilities of EUR 63,903 thousand relating to excess and accelerated depreciation;
- net deferred tax assets of the subsidiary Saras Energia SAU of EUR 15,865 thousand, which mainly comprised tax assets on tax losses (EUR 12,956 thousand).

The increase of EUR 22,457 thousand versus 31 December 2013 was mainly due to the provision for deferred tax assets on tax losses in the period.

5.2.5 Other financial assets

At 31 March 2014, the balance of this item was EUR 5,624 thousand (EUR 5,551 thousand in the previous year) and is chiefly represented by the long-term portion of the financial receivable of the Parent Company Saras SpA from third parties (EUR 5,037 thousand), and security deposits granted by the Parent Company Saras SpA and its subsidiary Saras Energia SAU.

5.3 Non-current assets held for sale

On 8 April 2014, Saras Energia SAU signed an agreement with Musim Mas Europe Pte Ltd (Musim Mas Group) to sell its biodiesel energy business, which has a plant in Cartagena (Spain) and reported sales of approximately EUR 115 million in 2013. The transaction is expected to be finalised in the second half of 2014.

The amount of EUR 10,765 thousand relates to the carrying value of tangible and intangible assets held for sale.

5.4 Current liabilities

5.4.1 Short-term financial liabilities

The following table provides a breakdown of short-term financial liabilities.

	31/03/2014	31/12/2013	Change
Bank loans	39,309	38,566	743
Bank accounts	136,588	110,218	26,370
Derivative instruments	14,612	21,424	(6,812)
Other short term financial liabilities	33,071	10,762	22,309
Total short-term financial liabilities	**223,580**	**180,970**	**42,610**
Total long-term financial liabilities	**384,624**	**385,780**	**(1,156)**
Total financial liabilities	**608,204**	**566,750**	**41,454**

The terms and conditions of the Company's loans are explained in the note on the item "5.4.1 - Long-term financial liabilities".

The "Financial derivatives" item includes the negative fair value of the financial derivatives in place at the reporting date.

"Short-term financial liabilities" mainly comprises the interest accrued on the bond issued by the Parent Company.

For further details, please see the cash flow statement.

5.4.2 Trade and other payables

The table below shows a breakdown of this item.

	31/03/2014	31/12/2013	Change
Advances from customers: portion due within the period	20,552	89,883	(69,331)
Trade payables: portion due within the period	1,447,822	1,515,984	(68,162)
Total	**1,468,374**	**1,605,867**	**(137,493)**

The item “Customer advances” relates to payments on account received from the Parent Company’s customers for the supply of oil products.

The balance of “Payables to suppliers” includes the payable for the provision of crude oil purchased from Iran, the payment for which continues to be suspended due to restrictions in international banking networks resulting from the total oil embargo decided by the European Union; the change in payables to suppliers in the last two years is mainly due to said deferrals.

5.4.3 Current tax liabilities

This item breaks down as shown below.

	31/3/2014	31/12/2013	Change
VAT	116,383	91,667	24,716
IRES (corporation tax) and income tax of foreign companies	1,326	781	545
IRAP (regional income tax)	698	353	345
Other tax payables	135,177	75,671	59,506
Total	253,584	168,472	85,112

The change in VAT payables is due to an advance tax payment made in December 2013, as required by law, but not due for the year.

IRES liabilities comprise the balance accrued by Italian companies in the energy sector for the additional 6.50% (Robin Hood tax).

The item “Other tax payables” chiefly includes excise duties on products introduced into the market by the subsidiary Arcola Petrolifera Srl (EUR 122,249 thousand) and by the subsidiary Saras Energia SAU (EUR 6,533 thousand). The increase was largely due to advance payments of excise duties made only in December, as required by regulations.

5.4.4 Other liabilities

A breakdown of other current liabilities is shown below.

	31/3/2014	31/12/2013	Change
Social security payables: portions due within one period	8,294	8,782	(488)
Due to personnel	20,527	14,185	6,342
Payables to Ministry for grants	15,679	15,679	0
Other payables	26,187	19,062	7,125
Other accrued liabilities	1,176	619	557
Other deferred income	2,734	1,349	1,385
Total	**74,597**	**59,676**	**14,921**

The item “Payables to personnel” includes salaries not yet paid in March, the portion of additional monthly payments accrued and performance bonuses for the achievement of business targets.

The item “Payables to ministry for grants” relates to the advance (EUR 15,679 thousand) received by the subsidiary Sardeolica Srl from the Ministry of Economic Development for the construction of the Ulassai wind farm, for which the final decree has yet to be issued.

The item “Other payables” mainly relates to port duties as determined by the customs authority in respect of the Parent Company (EUR 15,115 thousand); please note that the initial phase of the Company’s longstanding dispute with the Italian tax authority regarding port duties payable for the Sarroch landing dock for the 1994-1995 period was settled to the full satisfaction of Saras, after the Court of Cassation found in favour of the Company and issued a definitive ruling declaring that the taxes were not due.

In the second phase of the dispute, the Court of Cassation ruled against the Parent Company in March 2012, in part due to regulatory amendments that had been introduced in the intervening period.

As a result of the outcome of this dispute, the entire amount relating to port duties for the current year, as well as for previous years, has always been booked on an accruals basis under “Cost of services and sundry costs”.

5.5 Non-current liabilities

5.5.1. Long-term financial liabilities

This item breaks down as shown below.

	31/03/2014	31/12/2013	Change
Euro Bond	249,347	249,224	123
Bank loans	135,277	136,556	(1,279)
Total long-term financial liabilities	**384,624**	**385,780**	**(1,156)**

On 16 July 2010, the Parent Company Saras SpA, an unrated company, carried out a bond issue reserved for institutional investors, with a nominal value of EUR 250 million and a five-year duration. The bonds, which are listed on the Luxembourg stock exchange, have a coupon of 5.583% and will mature on 21 July 2015. They are not secured by collateral and are not subject to any covenants.

The bond issue is recorded net of issue charges incurred; note that market values from the relevant stock market are not available for the bond issue. The value of the related cash flows discounted to present value using the market rate is not significantly different from the carrying value in the financial statements.

On 27 June 2012, the Company signed a five-year loan agreement for EUR 170 million with a group of leading national and international banks. This is a senior loan that is not backed by collateral. It carries an interest rate equal to Euribor plus a fixed annual component and is repayable in nine half-yearly instalments, of which the first, equal to 5% of the capital, is due on 27 June 2013 and the last on 27 June 2017.

Details of the terms and conditions of bank loans are shown in the table below.

Figures in Euro million	Loan origination date	Amount originally borrowed	Base rate	Net book value at 31/12/13	Net book value at 31/03/14	Maturity			Collateral
						1 year	from 1 to 5 years	after 5 years	
Saras S.p.A.									
Loan in pool	3-Jul-12	170.0	Euribor 6M	142.8	143.0	31.5	111.5		
				142.8	**143.0**	**31.5**	**111.5**		
Saras Energia S.A.									
Banco Santander	27-Jul-12	5.0	Euribor 12M	3.9	3.7	2.5	1.2		
				3.9	**3.7**	**2.5**	**1.2**		
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	28.4	27.9	5.3	22.6		
				28.4	**27.9**	**5.3**	**22.6**		
Total payables to banks for loans				**175.1**	**174.6**	**39.3**	**135.3**		

The weighted average interest rate at 31 March 2014 was 4.97%.

Saras SpA's loan agreement for EUR 170 million is subject to covenants:
- In financial terms, the Company will have to meet the following ratios: net debt/EBITDA < 3.25 and net debt/shareholders' equity < 1.5, both ratios calculated on the basis of the results reported in the Group's consolidated financial statements for the previous 12 months) at 30 June and 31 December each year.
- In corporate terms, mainly in relation to the Company's ownership structure, a ban on changing business activities, reducing the share capital, selling the majority of its significant shareholdings or selling a significant portion of its non-current assets;
- As regards dividends, the Company is allowed to pay out a maximum amount of 60% consolidated adjusted net profit provided that, after distribution, it still complies with the net debt/EBITDA ratio covenant. Note that the covenant in question is consistent with the policy adopted some time ago by the Parent Company.

If the Company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.

Sardeolica Srl entered into a loan agreement divided into five credit lines with a pool of banks (led by Banca Nazionale del Lavoro), which was signed on 6 December 2005. The loan is repayable in half-yearly instalments by the end of 2016, and carries a variable interest rate equivalent to Euribor plus a margin, which is also variable.
This loan agreement imposes certain covenants on the subsidiary.

- financial (mainly comprising liquidity parameters that must be met every six months and a ban on carrying out derivatives transactions unless authorised by the pool of banks);
- operational, in regard to the management of the wind farm and the obligation to provide insurance cover;
- corporate, connected to the Company's ownership structure, specifically a ban on carrying out extraordinary financing transactions without the authorisation of the lending banks or making changes to the licences and permits the company needs to carry out the project.

If the Company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.
In addition, to guarantee the loan taken out by Sardeolica, all of the shares in the Company were pledged as collateral to the financing banks.

At the last contractual deadline, the covenants relating to the above-mentioned loans had been complied with.

5.5.2 Provisions for risks and future liabilities

Provisions for risks and future liabilities break down as follows:

	31/12/2012	Additions	Use and reversals	Movements	31/12/2013
Provisions for dismantling of plants	18,836	127	0	0	18,963
Provisions for CO2 allowances	23,886	15,044	(23,896)	10	15,044
Other risk provisions	9,669	56	(750)	(4)	8,971
Total	**52,391**	**15,227**	**(24,646)**	**6**	**42,978**

	31/12/2013	Additions	Use and reversals	Movements	31/03/2014
Provisions for dismantling of plants	18,963	35	0	0	18,998
Provisions for CO2 allowances	15,044	5,071	(15,047)	3	5,071
Other risk provisions	8,971	4	(93)	0	8,882
Total	**42,978**	**5,110**	**(15,140)**	**3**	**32,951**

The provisions for dismantling plants relate to the future costs of dismantling plants and machinery, which are made wherever there is a legal and constructive obligation to be met in this regard. This was adjusted during the year on the basis of ISTAT changes. The year-on-year increase comprises the above-mentioned ISTAT adjustment.

The provision for CO_2 allowances (EUR 5,071 thousand) was made pursuant to Legislative Decree 216 of 4 April 2006, which introduced limits on CO_2 emissions from plants. If these limits are exceeded, allowances covering the excess amount of CO_2 must be purchased on the appropriate market. The provision in question represents allowances required and not yet purchased.

Under the "Allocation Plan" for allowances in the period 2013-2020, the Sarroch site has been allocated 2,556,762 tonnes of CO_2 for 2014; within this allocation, the part technically relating to the refinery plants, calculated using

methodology compliant with the provisions set by the new allocation plan, is 1,975,289, and the part relating to the cogeneration plants is 581,473. This results in the following situation:
- for the refinery plants, actual emissions as of 31 March totalled 528,720 tonnes of CO_2. A provision was made for the shortfall for the period, net of purchases, of 29,619 tonnes, worth EUR 180 thousand;
- for the cogeneration plants, actual emissions as of 31 March totalled 948,070 tonnes. A provision was made for the shortfall for the period, net of purchases, of 803,111 tonnes, worth EUR 4,891 thousand.

Over the period, EUR 15,047 thousand was used from the provisions, to buy (and deliver) allowances relating to the previous year.

CO_2 allowances already held by the Group are taken into account in determining the provision.

The item “Other risk provisions” mainly relates to provisions made for potential legal and tax liabilities.

5.5.3 Provisions for employee benefits

A breakdown of this item is shown below.

	31/03/2014	31/12/2013	Change
Employee end-of-service payments	13,059	13,440	(381)
Other supplementary pension funds	4,073	6,466	(2,393)
Total	**17,132**	**19,906**	**(2,774)**

Employee end-of-service payments are governed by article 2120 of the Italian Civil Code and reflect the estimated amount that the Company will be required to pay employees when they leave their employment. The liability accrued at 31 December 2006 was determined according to actuarial methods.

On 30 June 2010, following the cancellation by the Parent Company of the agreement establishing CPAS, the Company’s supplementary employee pension fund, the fund was dissolved and put into liquidation, with workers given the option of transferring the benefits earned until that date to another supplementary pension scheme or of redeeming the full amount. The trade unions disputed the termination of the fund, and a number of the employees involved have mounted a legal challenge to the admissibility, appropriateness and legitimacy of this decision. Having taken legal advice from the lawyers assisting the Company in this matter, the Company is confident that the propriety of its actions will be upheld in court. Following the cancellation, the Saras CPAS fund is the Company’s supplementary employee pension fund, and is structured as a defined contribution fund.

The following table shows the changes in “Employee end-of service payments”.

Balance at 31.12.2012	**13,833**
Accruals for defined contribution plan (TFR)	5,944
Utilisations for the year	(992)
Payments to supplementary pension schemes (such as INPS treasury fund)	(5,345)
Balance at 31.12.2013	**13,440**
Accruals for defined contribution plan (TFR)	1,372
Utilisations for the period	(381)
Payments to supplementary pension schemes (such as INPS treasury fund)	(1,372)
Balance at 31.03.2014	**13,059**

The table below shows the changes in the CPAS fund, which is a defined contribution plan.

Balance at 31.12.2012	**8,992**
Accrual for the period	0
Utilisations for the period	(2,526)
Balance at 31.12.2013	**6,466**
Accrual for the period	0
Utilisations for the period	(2,393)
Balance at 31.03.2014	**4,073**

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 3,759 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	31/3/2014	31/12/2013	Change
Payables to welfare and social security bodies	0	78	(78)
Deferred income	403,546	422,348	(18,802)
Other	2,092	2,613	(521)
Total	**405,638**	**425,039**	**(19,401)**

The change compared with 31 December 2013 is mainly due to the decrease in "Deferred income" posted by the subsidiary Sarlux Srl. The item in question relates to the agreement for the sale of energy between the subsidiary and GSE (Gestore dei Servizi Energetici SpA), which was accounted for according to IFRIC 4. Revenues from the sale of energy are calculated on a straight-line basis since the electricity supply contract, pursuant to IAS 17 (Leases) and IFRIC 4 (Determining Whether an Arrangement Contains a Lease), has been recognised as a contract regulating the use of the plant by the customer of Sarlux Srl, meaning that it is comparable to an operating lease. Such revenues have therefore been stated on a straight-line basis in accordance with both the duration of the contract (20 years) and forecast changes in the price of crude oil and gas, which are determining factors for electricity tariffs and electricity production costs.

5.6 Shareholders' equity

Shareholders' equity comprises the following:

	31/03/2014	31/12/2013	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	855,971	1,126,726	(270,755)
Profit/(Loss) for the period	(51,665)	(271,080)	219,415
Total Shareholders Equity	**869,862**	**921,202**	**(51,340)**

Share capital

At 31 December 2013, the fully subscribed and paid-up share capital of EUR 54,630 thousand comprised 951,000,000 ordinary shares with no par value.

Legal reserve

The legal reserve was unchanged from the previous year and stood at one-fifth of the share capital.

Other reserves

This item totalled EUR 855,971 thousand, a net decrease of EUR 270,755 thousand compared with the previous period. The net decrease was the combined result of:

- the allocation of the loss from the previous year (EUR 271,080 thousand);
- an increase of EUR 382 thousand relating to the establishment of a reserve for the bonus allocation of shares to employees and management under the companies' stock grant plans;
- a decrease of EUR 57 thousand due to the translation of the financial statements of subsidiaries into foreign currency.

Pursuant to IAS 1, paragraphs 1 and 97, please note that there were no changes in shareholders' equity relating to the owners of the Company's shares.

Net profit/(loss)

The consolidated loss for the period was EUR 51,665 thousand.

Dividends

On 28 April 2014, the ordinary shareholders' meeting of Saras SpA called to approve the financial statements ending 31 December 2013 voted not to pay any dividends.

6. Notes to the income statement

6.1 Revenues

6.1.1 Revenues from ordinary operations

The item "Revenues from ordinary operations" breaks down as follows:

	31/03/2014	31/03/13	Change
Sales and services revenues	2,594,235	2,515,072	79,163
Sale of electricity	133,059	136,365	(3,306)
Other revenues	3,174	3,176	(2)
Change in contract work in progress	500	56	444
Total	**2,730,968**	**2,654,669**	**76,299**

Revenues from ordinary operations of the Group were equal to EUR 2,731 ml, up by approx. EUR 76 ml versus Q1/13. This change is primarily due to the increase in revenues generated by the Refining segment, up by approx. EUR 140 ml, thanks to the increase in the quantity of refined products sold, which more than offset the reduction of the selling prices. Conversely, the decline of the refined products' prices had a negative influence on the revenues generated by the Marketing segment, which decreased by approx. EUR 60 ml.

Revenues from the sale of electricity include EUR 130,115 thousand relating to the gasification plant of the subsidiary Sarlux Srl and EUR 2,944 thousand relating to the wind farm owned by the subsidiary Sardeolica Srl.

Revenues from the sale of electricity by Sarlux Srl reflect the reporting of figures equalised on a straight-line basis, throughout the remaining duration of the contract that expires in 2021, principally taking into account the amount of the power tariff and the forward curves of both crude and gas prices, and also the projections of the EUR/USD exchange rate until the contract expires; these projections are reviewed when there are significant changes.

Note that, pending the settlement of the dispute with the AEEG (gas and electricity regulator) over the method of calculating the avoided fuel cost component (CEC), for the purposes of these financial statements, revenues from the sale of electricity were determined in accordance with Legislative Decree 69/2013 (the so called "Decreto del Fare").

Other payments are mainly attributable to revenues posted by the subsidiaries Sartec SpA and Reasar SA in their respective business segments.

6.1.2 Other income

The following table shows a breakdown of other income.

	31/03/2014	31/03/13	Change
Revenues for stocking of mandatory supplies	2,094	1,855	239
Sales of sundry materials	68	249	(181)
Grants	6,081	7,035	(954)
Chartering of tankers	2,181	0	2,181
Recovery for claims and damages	0	2	(2)
Reimbursment of emission trading charges	4,721	1,977	2,744
Other income	12,255	5,454	6,801
Total	**27,400**	**16,572**	**10,828**

The item "Grants" mainly includes the revenues from green certificates obtained by the subsidiary Sardeolica Srl.

The item "Reimbursement of emissions trading charges" comprises income posted by the subsidiary Sarlux Srl, deriving from the reimbursement, pursuant to section II, point 7-bis of CIP Provision 6/92, of charges relating to the application of Directive 2003/87/EC (Emissions Trading), as per AEEG Resolution 77/08. The increase on the previous period is due both to the rise in the price of allowances (from EUR 4.47 per allowance in 2013 to EUR 5.88 per allowance in 2014) and the increase in the number of allowances.

The item “Other income” mainly includes income from energy efficiency credits (white certificates) of EUR 6,260 thousand (compared with EUR 3,309 thousand in the previous year) accrued during the period, as well as EUR 2,259 thousand relating to the adjustment to market value of the allowances still held at 31 March 2014.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	31/03/2014	31/03/13	Change
Purchases of raw materials	2,213,034	2,058,906	154,128
Purchases of semifinished materials	35,338	37,376	(2,038)
Purchases of spare parts and consumables	20,320	23,255	(2,935)
Purchases of finished products	392,354	434,326	(41,972)
Other purchases	26	36	(10)
Change in inventories	(65,590)	(104,663)	39,073
Total	**2,595,482**	**2,449,236**	**146,246**

Costs for the purchase of raw materials, replacement parts and consumables rose EUR 146,246 thousand from the previous year.

6.2.2 Cost of services and sundry costs

	31/03/2014	31/03/13	Change
Service costs	132,687	120,120	12,567
Rent, leasing and similar costs	3,314	3,553	(239)
Provisions for risks and charges	5,075	3,012	2,063
Other operating charges	4,824	4,903	(79)
Total	**145,900**	**131,588**	**14,312**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges.
The increase of EUR 12,567 thousand compared with the previous year was mainly due to the rise in the costs of rentals, transport and electricity.

The item “Rent, leasing and similar costs” includes the costs incurred by the Parent Company and the subsidiary Sarlux Srl (for the lease of its offices in Milan and Rome, the state concession at the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia SAU for rents on the distribution network.

The item “Use of third-party assets” includes EUR 519 thousand in costs relating to rental of the building that houses the registered office of the Parent Company Saras SpA in Milan. The cost has been reported on a straight line basis according to IAS 17 – Leasing, IAS 1, IAS 8 and SIC Interpretation 15, for the eight-year duration of the contract, which expires on 30 September 2015. Minimum future payments under the terms of the contract are EUR 2,156 thousand for the next year and EUR 1,294 thousand for the following years. The annual rental payments are pegged to the ISTAT consumer price index for the families of manual workers and employees; the contract will be renewed for a further eight-year period at the expiry date, and at every subsequent expiry date, unless cancelled with at least 12 months’ notice prior to the expiry date.

Provisions for risks mainly consist of a provision relating to CO_2 allowances for the period that had not yet been purchased as of 31 March 2014. The change from the same period of the previous year is mainly due to the increase in both the value and number of allowances.

The item “Other operating charges” chiefly comprises non-income taxes (combined municipal tax on property (IMU), atmospheric emission taxes) and membership fees.

6.2.3 Personnel costs

"Personnel costs" break down as follows:

	31/03/2014	31/03/13	Change
Wages and salaries	23,428	25,351	(1,923)
Social security	7,382	7,580	(198)
Employee end-of-service payments	1,372	1,377	(5)
Other costs	941	850	91
Directors' remuneration	918	918	0
Total	**34,041**	**36,076**	**(2,035)**

On 24 April 2013, the Shareholders' Meeting approved the "Plan to grant free company shares to the Saras Group management" (the "2013-2015 Stock Grant Plan" or the "Plan"), assigning the Board of Directors all powers necessary and appropriate to implement the Plan.

Beneficiaries of the Plan are:

- Managers with strategic responsibilities within the Company
- Directors of Italian and/or foreign companies controlled by the Company
- Other senior managers in the Group, including those with an independent employment contract

Each beneficiary is assigned the right to receive free shares upon achieving performance objectives determined in relation to the performance of Saras' Total Shareholder Return (TSR) compared to the TSR of a group of industrial companies forming a part of the FTSE Italia Mid Cap Index (the 'Peer Group').

TSR is calculated as the change in the value of Saras shares and the shares of Peer Groups during the three-year period 2013-2015; the change will be calculated using as a reference the initial value (average value of shares recorded on the Milan Stock Exchange from 1 October 2012 to 31 December 2012) and the ending value (average value of shares recorded on the Milan Stock Exchange from 1 October 2015 to 31 December 2015).

The maximum number of shares covered by the Plan is 9,500,000. Shares are to be delivered within six months of the end of the Plan, and the beneficiary undertakes not to sell, transfer, dispose of or subject to any restriction a number of shares equivalent to 20% of the shares for a period of 24 months from the delivery date.

On 8 August 2013, the Board of Directors set the maximum number of shares to be assigned to individual beneficiaries, with a cost of EUR 382 thousand in these consolidated financial statements.

6.2.4 Depreciation, amortisation and write-downs

Depreciation and amortisation figures are shown below:

	31/03/2014	31/03/13	Change
Amortisation of intangible assets	1,569	9,328	(7,759)
Depreciation of tangible assets	46,884	39,016	7,868
Total	**48,453**	**48,344**	**109**

The decrease in amortisation is due to the full write-down of the agreement between GSE and the subsidiary Sarlux Srl in the second quarter of 2013.

The increase in depreciation was due to the recalculation of the useful economic life of the IGCC plant carried out in 2013.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below.

	31/03/2014	31/03/13	Change
Financial income:			
- from financial assets recorded under current assets		1,300	(1,300)
Other income:			
- Interest on bank and post office accounts	129	212	(83)
- Fair value of derivatives held at the reporting date	10,525	18,450	(7,925)
- Positive differences on derivatives	13,496	37,886	(24,390)
- Other income	167	164	3
Exchange gains	22,175	24,388	(2,213)
Total Financial Income	**46,492**	**82,400**	**(35,908)**
Financial charges :			
- Fair value of derivatives held at the reporting date	(10,037)	(16,805)	6,768
- Negative differences on derivatives	(12,627)	(27,800)	15,173
- Other (interest on loans, late payment interest, etc.)	(9,043)	(5,879)	(3,164)
Exchange losses	(21,986)	(34,734)	12,748
Total Financial Charges	**(53,693)**	**(85,218)**	**31,525**
Total	**(7,201)**	**(2,818)**	**(4,383)**

The table below shows net income/charges by type:

	31/03/2014	31/03/13	Change
Net interest income / (expense)	(8,914)	(5,667)	(3,247)
Net result from derivative financial instruments	1,357	11,731	(10,374)
- Realised	*869*	*10,086*	*(9,217)*
- Fair value of the open positions	*488*	*1,645*	*(1,157)*
Net exchange gains/(losses)	189	(10,346)	10,535
Other	167	1,464	(1,297)
Total	**(7,201)**	**(2,818)**	**(4,383)**

The fair value of outstanding derivatives at 3 March 2014 represented net income of EUR 1,357 thousand, compared with net income of EUR 11,731 thousand in the same period of the previous year.

As shown, the main changes relate to net exchange rate differences, as well as gains/losses on derivatives. The financial derivatives in question relate to hedging transactions to which hedge accounting is not applied.

6.4 Income tax

Income tax can be shown as follows.

	31/03/2014	31/03/13	Change
Current taxes	724	7,878	(7,154)
Deferred tax (assets)/liabilities, net	(21,768)	(2,916)	(18,852)
Total	**(21,044)**	**4,962**	**(26,006)**

Current taxes consist of additional IRES at 6.5% (EUR 421 thousand) calculated, where due, on the taxable income of Italian companies, and of IRAP (EUR 303 thousand).

The change is due to the negative results registered in the period by some consolidated companies, both for the purposes of the tax consolidation scheme and additional IRES.

Deferred tax income/expenses relate to changes during the period in the temporary differences between values recorded in the financial statements and those recognised for tax purposes, mainly due to deferred tax assets allocated against tax losses for the period (totalling EUR 22,714 thousand).

7. Other information

For information on events that took place after the end of the period, please see the relevant section in the Report on Operations.

7.1 Main legal actions pending

The Parent Company Saras SpA and subsidiaries Arcola Petrolifera Srl and Sarlux Srl were subject to tax audits and assessments by the tax authorities that led, in some cases, to disputes pending before tax courts.
Although the decisions made by the tax courts were not consistent, the Company assumes that any liability is likely to be remote.
Moreover, with reference to the subsidiary Sarlux Srl, please note that companies generating electricity that is not from renewable sources or cogeneration (as defined by AEEG Resolution 42/02) are required to purchase green certificates for a certain percentage of electricity introduced into the grid. In 2007, having subsequently come to a different interpretation of the resolution, a specially created AEEG committee ruled that the subsidiary was subject to this obligation for the years 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR); the appeal was rejected on 14 June. The liabilities arising from this dispute, as determined by GSE, which has already adopted this interpretation, are estimated at approximately EUR 32 million (for the acquisition of green certificates that have already been bought, as required by GSE); however, these liabilities would qualify for partial relief pursuant to section II, point 7-bis of CIP Provision 6/92 in respect of costs arising from article 11 of Legislative Decree 79/99 in application of AEEG Resolution 113/06, as supplemented by AEEG Resolution ARG/elt 80/08, of around EUR 14 million (the refund was made during the previous year through the compensation fund for the electricity sector – CCSE). If the above-mentioned interpretation of the committee were to be confirmed, the obligation in question would also be extended to financial year 2009, for which the subsidiary has in any event already purchased and delivered the corresponding green certificates in May 2011 totalling approximately EUR 12 million with a related refund estimated at around EUR 7 million.
Based on the considerations expressed by its advisors on the TAR's rejection of the appeal, Sarlux appealed against the TAR's ruling to the high court (Consiglio di Stato) and believes that its appeal will be successful. As a result, no provision was made in the financial statements at 31 December 2013 for this case.
As regards production in 2011, in March 2012 the subsidiary Sarlux submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered this resolution was still in effect. GSE instead ruled that starting with the 2012 obligation (2011 production), the only reference regulation was that for High Yield Cogeneration as set out in the Ministerial Decree of 4 April 2011, and therefore rejected the company's request. As a result, Sarlux Srl lodged an appeal with the TAR. However, in order to avoid incurring administrative penalties, the company purchased green certificates as per GSE's calculation totalling approximately EUR 21 million, and immediately forwarded the request for a refund to the AEEG; this has already been recognised but not yet granted (approximately EUR 12 million). In addition, based on further clarifications with GSE, Sarlux Srl submitted to GSE a request to review the High Yield Cogeneration valuation for 2011 production.
The situation described above also applies to 2012, 2013 and 2014; for 2012 in particular, GSE has already rejected the cogeneration statement submitted by the company and has stated that the number of green certificates to be purchased amounts to EUR 320,637. Should the company lose the case, the net cost for the specified period would amount to about EUR 12 million.
The subsidiary Sarlux Srl believes that the grounds for the appeal are valid and also applicable to the years after 2011, and therefore has not recorded any liability or revenue.

7.2 Early withdrawal from CIP 6/92 agreement

Based on the provisions of article 3, paragraph 1 of the Ministry for Economic Development Decree of 2 December 2009, on 16 December 2009 Sarlux Srl, as a party to an agreement signed under the CIP 6/92 programme valid as of 1 January 2010 for plants that use process fuels from residues, expressed its interest in an early withdrawal from the agreement to Gestore dei Servizi Elettrici (GSE), on a non-binding basis.
GSE determined the fees payable to settle this decision: the Ministry for Economic Development subsequently extended the deadline for presentation of the binding application for voluntary early withdrawal from the CIP6 agreement to 30 September 2014.
The company is assessing the alternatives available in order to arrive at a decision by the deadline.

7.3 Transactions with related parties

The effects on the statement of financial position and the statement of comprehensive income of the Saras Group of transactions or positions with related parties are not significant.

7.4 Other

Please refer to the Report on Operations for the details of any atypical and/or unusual operations, as well as for the information on the incidents occurred in 2009 and 2011.