Saras Group Interim Financial Report as of 30th September 2014

Table of contents

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. The Sarroch refinery, on the South-Western coast of Sardinia, is managed by the wholly-owned subsidiary Sarlux Srl and it is one of the biggest and most complex sites in the Mediterranean area. From its strategic location at the heart of the main oil routes, the refinery is regarded as a model of efficiency and environmental sustainability, thanks to a wealth of know-how, skills and technology accrued in more than 50 years of business. Its production capacity is equal to 15 million tons per year (300,000 barrels per day), and it accounts for about 15% of Italy’s total refining capacity.

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 entered the business of power generation & sale, through an IGCC plant (Integrated Gasification plant with Combined Cycle turbines), with an installed capacity of 575MW, which is also managed by the subsidiary Sarlux Srl. The IGCC plant utilises as a feedstock the heavy products 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 generation and sale of electricity from renewable sources, through a wind farm situated in Ulassai. The site, operational since 2005, is managed by the subsidiary Sardeolica Srl and it has an 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 structure of the Saras Group and its business Segments, with the main companies involved in each segment, as of 30th September 2014.

Note: On 10th September it was stipulated the Merger deed by Incorporation of the company Arcola Petrolifera Srl in the company in Saras SpA, of which Arcola was a wholly owned subsidiary. The Merger will be effective as of 1st October 2014 for statutory purposes, whereas the effective date for accounting and tax purposes will be 1st January 2014.

Saras Stock Performance

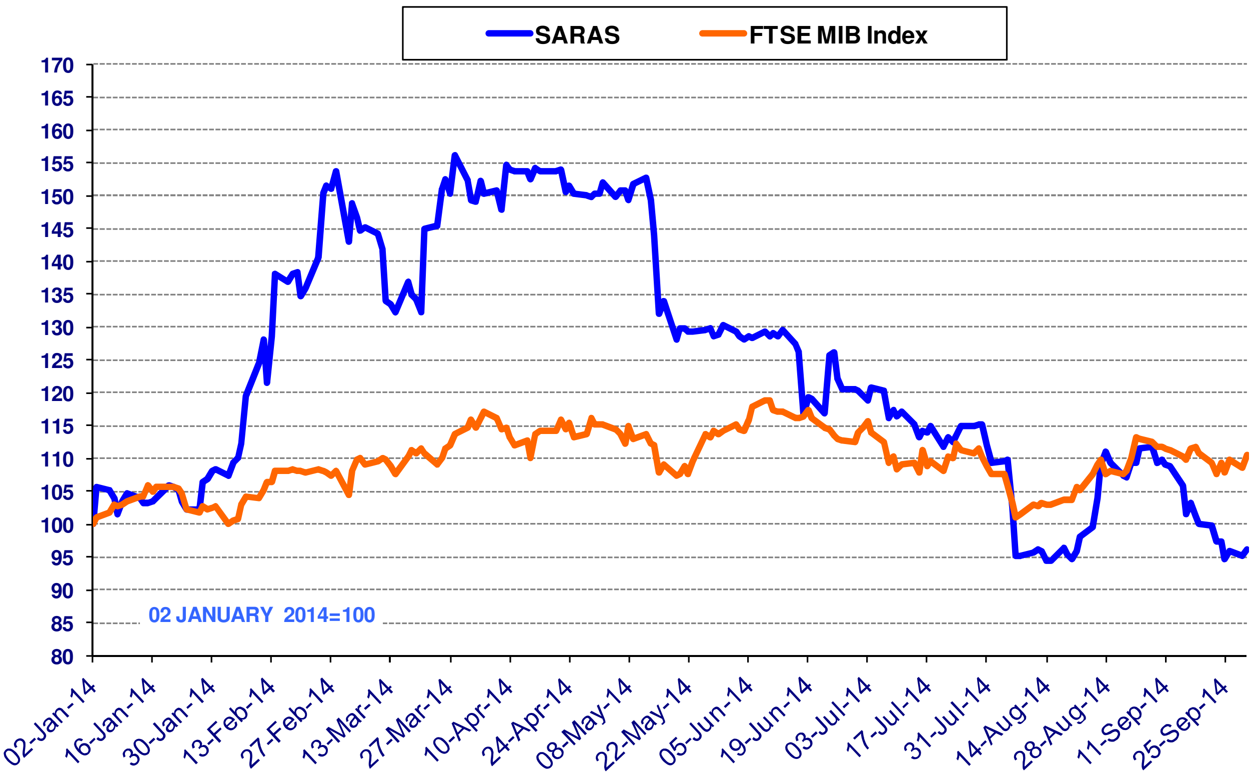
The following data relate to Saras' share prices and the daily volumes traded during the first nine months of 2014.

SHARE PRICE (EUR)	9M/2014
Maximum price (28/03/2014)	1.300
Minimum price (14/08/2014)	0.786
Average price	1.030
Closing price at the end of the first nine months of 2014 (30/09/2014)	0.801

DAILY TRADED VOLUMES	9M/2014
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 (02/09/2014)	0.2
Minimum traded volume in number of shares (million) (02/09/2014)	0.3
Average traded volume in EUR million	2.3
Average traded volume in number of shares (million)	2.1

The Market capitalization at the end of the first nine months of 2014 was equal to approx. EUR 762 ml and the number of shares outstanding was approximately 925 ml.

The following graph shows the daily performance of Saras' share price during the first nine months of 2014, compared with 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 IFRS 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 of the Group. 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	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
REVENUES	2,458	2,884	-15%	2,778	7,995	8,329	-4%
EBITDA	(19.5)	(3.3)	-491%	32.6	(3.9)	25.0	-116%
Comparable EBITDA	**27.3**	**(2.9)**	**1041%**	**8.3**	**42.9**	**51.1**	**-16%**
EBIT	(69.5)	(46.3)	-50%	(16.8)	(151.8)	(347.6)	56%
Comparable EBIT	**(22.7)**	**(46.0)**	**51%**	**(39.9)**	**(103.8)**	**(89.0)**	**-17%**
NET RESULT	(43.4)	(36.4)	-19%	(31.7)	(126.7)	(237.6)	47%
***Adjusted* NET RESULT**	**(29.5)**	**(32.4)**	**9%**	**(38.4)**	**(108.3)**	**(89.4)**	**-21%**

Other Group figures

EUR Million	Q3/14	Q3/13		Q2/14	9M/2014	9M/2013	
NET FINANCIAL POSITION	**(128)**	**(171)**		**(43)**	**(128)**	**(171)**	
CAPEX	**49.7**	**18.4**		**18.0**	**91.4**	**82.7**	
OPERATING CASH FLOW	**(80)**	**(14)**		**44**	**(68)**	**111**	

Comments to First Nine Months 2014 results

Group Revenues in 9M/14 were EUR 7,995 ml, down 4% vs. 9M/13. This change is primarily due to the lower revenues generated by the Refining segment (down by EUR 278 ml) and by the Marketing segment (down by EUR 78 ml), due to a steep decrease in oil prices. More precisely, gasoline quotations had an average of 974 $/ton in 9M/14 (versus 995 $/ton in 9M/13), and diesel quotations stood at an average of 905 $/ton (versus 929 $/ton in 9M/13). Moreover, revenues generated by the Refining segment were influenced also by the slightly lower runs in Sarroch refinery, when compared with 9M/13. Conversely, revenues from the Power Generation segment increased by approx. EUR 30 ml in 9M/14, thanks to higher production and sale of electricity, while revenues from other segments were broadly in line with 9M/13.

[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.

Group *reported* EBITDA in 9M/14 was EUR -3.9 ml, down versus EUR 25.0 ml in 9M/13. The difference is almost entirely due to the Refining segment, which faced harsh market conditions in 9M/14, and it achieved an operating margin 0.5 $/bl lower than the one achieved in 9M/13. On the other hand, the Power Generation segment partially offset the lower results of the Refining segment, thanks to a stronger performance, up by approx. EUR 33 ml versus 9M/13. Moreover, it should be noted that, in both periods under comparison, the fluctuations of oil prices between the beginning and the end of the period produced similar decreases in the value of the oil inventories (approx. EUR 20 ml in 9M/14, versus approx. EUR 12 ml in 9M/13).

Group *reported* Net Result stood at EUR -126.7 ml, significantly up from EUR -237.6 ml in 9M/13. Indeed, notwithstanding the lower EBITDA in 9M/14 for the reasons described in the previous paragraph, it should be noted that 2013 results were heavily penalised, in the second quarter, by a write down of the CIP6/92 contract (worth approx. EUR 232 ml pre-tax), as a consequence of the Decree Law 69/2013. Finally, from the analysis of the "Financial Charges and Income" (which include the net FOREX result and the result of the derivative instruments used for hedging purposes), it can be observed that the net charges were EUR 23.1 ml in 9M/14, while the net charges stood at EUR 18.7 ml in 9M/13. This minor difference can be partially attributed to the results of the derivative instruments used for hedging purposes.

Group *comparable* EBITDA amounted to EUR 42.9 ml in 9M/14, down from EUR 51.1 ml achieved in 9M/13. As per previous comments to the *reported* results, the difference between the two periods under comparison comes mainly from the Refining segment and, to a lower degree, from the Marketing segment, which operated under penalising market conditions, characterised by low demand for oil products and thin margins. On the contrary, the Power Generation segment gave an important positive contribution to the Group results, as already mentioned in the previous paragraphs. More details will be available in the dedicated sections.

Group *adjusted* Net Result stood at EUR -108.3 ml, down versus the Group *adjusted* Net Result of EUR -89.4 ml in 9M/13, mainly because of the weaker EBITDA results.

CAPEX in 9M/14 was EUR 91.4 ml, in line with the investment programme planned for the period, and primarily dedicated to the Refining segment (EUR 83.0 ml). In particular, in September it started the five-year "*turnaround*" of the Fluid Catalytic Cracking unit (FCC), and also of its two main ancillary units: the Alkylation unit (Alky) and the Etherification unit (TAME).

Finally, **Group Net Financial Position on 30th September 2014 stood at EUR -128 ml.** The change versus the position at the beginning of the year (EUR -8 ml) is discussed in the chapter specifically dedicated to the NFP.

Comments to Third Quarter 2014 results

Group Revenues in Q3/14 were EUR 2,458 ml, down 15% versus EUR 2.884 ml earned in Q3/13. As already discussed in the comments to the first nine months, this change can be almost entirely explained with the lower revenues generated by the Refining segment (down by EUR 371 ml) and by the Marketing segment (down by EUR 56 ml), as a consequence of the decrease in oil prices versus the same quarter of 2013. In particular, in Q3/14 the average of gasoline quotations stood at 951 $/ton (versus 994 $/ton in Q3/13), while diesel quotations posted an average of 878 $/ton (versus 943 $/ton in Q3/13). Finally, the decrease in revenues of the Refining segment in Q3/14 is also related to the lower runs in Sarroch refinery (-13% versus Q3/13).

Group *reported* EBITDA in Q3/14 was EUR -19.5 ml, down versus EUR -3.3 ml in Q3/13. The difference can be mainly attributed to the Refining segment which, notwithstanding the improvement of the refining margin, had lower refinery runs in Q3/14. Furthermore, it should be noticed that the quotations of the main oil products decreased between the beginning and the end of the period, in both quarters under comparison. This movement led to meaningful reductions in the value of the oil inventories (approx. EUR 28 ml in Q3/14, versus approx. EUR 33 ml in Q3/13), with negative effects on the reported *results* of both quarters.

Group *reported* Net Result stood at EUR -43.4 ml, down versus the *reported* Net Result of EUR -36.4 ml in Q3/13, primarily for the same reasons discussed at EBITDA level. Moreover, in Q3/14 the Group posted financial income of EUR 5.7 ml, while in Q3/13 the financial charges were equal to EUR 15.2 ml. Such difference in financial results, as already explained in the comments to the first nine months, is mainly related to the result of the derivative instruments used for hedging purposes.

Group *comparable* EBITDA amounted to EUR 27.3 ml in Q3/14, significantly improved versus EUR -2.9 ml achieved in Q3/13. The improvement in the result is due mainly to the Power Generation segment, for the reasons which will be illustrated in the following chapters.

Group *adjusted* Net Result stood at EUR -29.5 ml, up from the Group *adjusted* Net Result of EUR -32.4 ml in Q3/13, as a function of the previously discussed EBITDA results.

CAPEX in Q3/14 was EUR 49.7 ml, in line with the investment programme planned for quarter, which included also an important five-year turnaround cycle for some units of the Sarroch refinery, as previously discussed.

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 Q3/14 and 9M/14 is shown in the following tables.

Group *adjusted* Net Result

EUR Million	Q3/14	Q3/13	9M/2014	9M/2013
***Reported* NET RESULT**	**(43.4)**	**(36.4)**	**(126.7)**	**(237.6)**
(inventories at LIFO - inventories at FIFO) net of taxes	30.3	(0.5)	30.4	29.9
non recurring items net of taxes	0.0	8.7	1.2	130.1
change in derivatives fair value net of taxes	(16.4)	(4.2)	(13.2)	(11.7)
***Adjusted* NET RESULT**	**(29.5)**	**(32.4)**	**(108.3)**	**(89.4)**

Group *comparable* EBITDA

EUR Million	Q3/14	Q3/13	9M/2014	9M/2013
***Reported* EBITDA**	**(19.5)**	**(3.3)**	**(3.9)**	**25.0**
inventories at LIFO - inventories at FIFO	46.8	0.4	46.8	49.7
non recurring items	0.0	0.0	0.0	(23.6)
***Comparable* EBITDA**	**27.3**	**(2.9)**	**42.9**	**51.1**

Net Financial Position

The Net Financial Position on 30th September 2014 stood at EUR -128 ml, up versus the position at the beginning of the year (EUR -8 ml). This change is primarily related to the result from ordinary operations and the CAPEX of the period. On the other hand, such cash outflows were in part offset by self-financing stemming from the provisions for amortisations and depreciations. 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 1st July 2012.

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

EUR Million	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13
Medium/long term bank loans	(117)	(118)	(135)	(137)
Bonds	(423)	(249)	(249)	(249)
Other financial assets	6	6	6	6
Total long term net financial position	**(535)**	**(361)**	**(379)**	**(380)**
Short term loans	(38)	(38)	(39)	(39)
Debts due to banks	(65)	(97)	(137)	(110)
Other short term financial liabilities	(33)	(21)	(33)	(11)
Fair value on derivatives	12	(13)	(2)	(8)
Other financial assets held for trading	38	19	34	21
Cash and cash equivalents	479	451	494	507
Warranty deposits for derivative instruments	13	16	7	11
Total short term net financial position	**407**	**318**	**324**	**372**
Total net financial position	**(128)**	**(43)**	**(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	Q2/14	Q3/14	9M/14
Crude Oil prices and differential ($/bl)				
Brent Dated (FOB Med)	108.2	109.7	101.9	106.5
Urals (CIF Med)	106.8	108.1	101.5	105.4
"Heavy-Light" price differential	-1.4	-1.6	-0.4	-1.1
***Crack spreads* for refined oil products ($/bl)**				
ULSD *crack spread*	15.0	13.3	15.8	14.7
Gasoline 10ppm *crack spread*	6.9	11.1	11.9	10.0
Reference Margin ($/bl)				
EMC Benchmark	-1.9	-1.5	+0.3	-1.0

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

Crude oil prices:
In Q1/14 Brent Dated quotations remained confined within a narrow range comprised between 105 and 110 $/bl, and the average for the period stood at 108.2 $/bl. Such substantial stability derived from the balance between bullish factors supportive for oil prices (such as the Libyan crisis), and bearish factors (such as the reduction in crude oil demand during the traditional spring maintenance activities in various refineries).
Later, in Q2/14, Brent Dated quotations climbed, setting an average of 109.7 $/bl (+1.5 $/bl versus the previous quarter), following worsening geopolitical tensions in many critical areas for the production and supply of crude oil to Europe (i.e. the outbreak of civil war in Iraq, the fighting against separatist rebels in Ukraine, and the worries for potential sanctions against Russia). Moreover, also the export flows of Libyan crude oil were rather irregular during the period, hence contributing to the bullish trend for the oil prices.
In Q3/14 crude oil prices progressively declined, bringing the quarterly average down to 101.9 $/bl. This came as a consequence of two main reasons: on one hand, global economic growth and consumption of oil products have been weak; on the other hand, supply of crude oil has been plentiful, due to faster than expected restart in Libyan crude oil exports, and also due to the constantly growing production of US tight oil. Under the circumstances, Brent Dated dropped below the psychological threshold of 100 $/bl, and the quarter closed at 94.8 $/bl on 30th September.

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 quarterly average 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. 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.
In Q2/14, the differential remained under pressure for almost the entire month of April, once again due to the scarce export volumes of Urals heading to European refineries (approx. 500kb/d less than in the same period of last year). However, starting with May, the differential progressively widened, driven by increased buying interest for light crude oils, on the back of healthy gasoline cracks, and also because of reduced availability of light grades from the North Sea, where a number of oil fields had to be shut for maintenance. Towards the end of the quarter, the differential closed again, following the announcement of Urals "June loading programme" from Novorossiysk, which turned out to be the tightest in the past seven years. Overall, the "heavy-light" crude oil price differential set an average of -1.6 $/bl in Q2/14.
Subsequently, in Q3/14 the "heavy-light" differential was squeezed mainly because of the abundant volumes of light and sweet grades of West African origin, and the rapid production ramp-up of various Libyan oil fields. Between the end of July and the first weeks of August, Urals crude oil moved to a premium versus Brent. Only later, towards the end of the quarter, the differential started to widen again also thanks to a fast increase in refining margins. Therefore, the quarterly average of the "heavy-light" differential settled at -0.4 $/bl in Q3/14.

***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* had a good performance, increasing week after week, and it posted a quarterly average equal to 6.9 $/bl. Such robust performance came as a consequence of increased demand in the Persian Gulf region, and also in Central America and in the United States. Towards the end of the quarter, gasoline *crack spread* got a further boost due to the switch to summer grades, which are notoriously more challenging. Later, in April, gasoline *crack spread* peaked at around 15 $/bl, thanks to healthy demand in North Africa and Turkey, but also in the Persian Gulf and in West Africa, right at the same time when various European refineries were in the middle of their maintenance

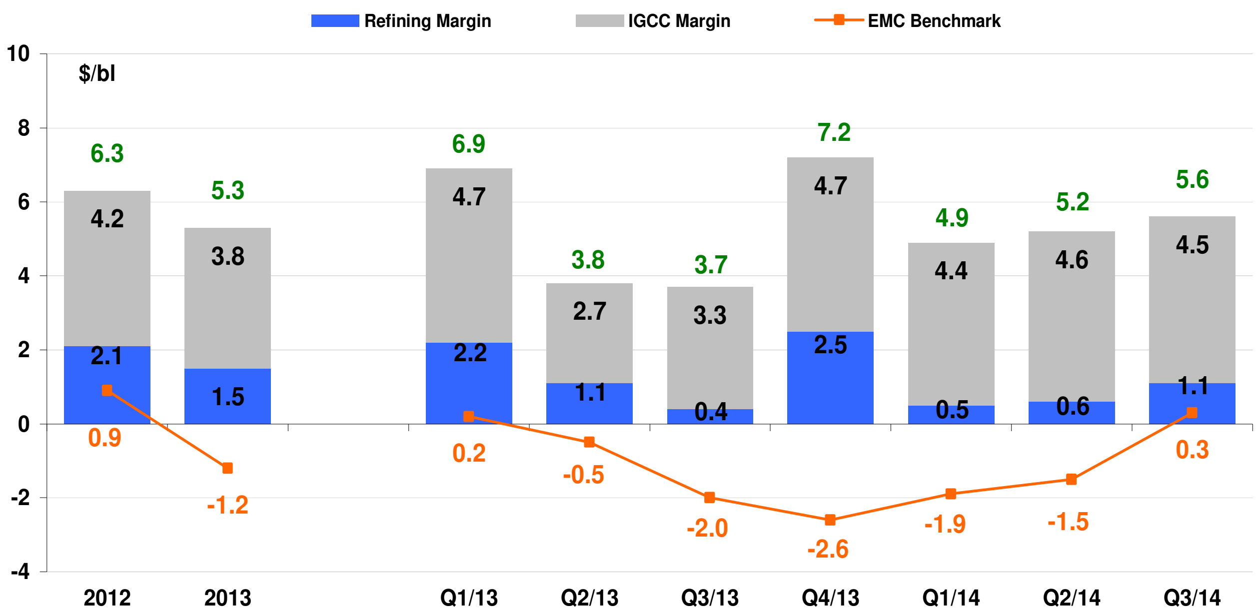
activities. Finally, in the remaining part of Q2/14, spring maintenance ended in Europe and production increased also in the USA, cooling down the gasoline market, and the *crack spread* stabilised at around 10 $/bl. Therefore, the quarterly average settled at 11.1 $/bl in Q2/14. Subsequently, in Q3/14 gasoline *crack spread* had quite a volatile trend: during the month of July and the first half of August, the *crack* went down, because the effects of the sluggish demand prevailed over the drop in crude oil prices. However, during the second half of August, unexpected maintenance in some US refineries contributed to re-open the arbitrage towards the USA, and gasoline *crack spread* posted a good recovery. As such, Q3/14 average for the *crack spread* stood at 11.9 $/bl.

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 some signals of economic recovery. Overall, the ULSD *crack spread* posted an average of 15.0 $/bl in Q1/14. Nonetheless, in Q2/14 the ULSD *crack spread* moved downwards, setting an average of 13.3 $/bl. The weak performance came as a consequence of the conclusion of refinery maintenance activities, and the simultaneous increase in gasoil imports, both in the Mediterranean Sea and in North-East Europe, coming from USA and Russia. In the first part of Q3/14, ULSD *crack spread* continued to be under pressure, at approx. 14 $/bl, due to persistent stagnation of consumption in most of the Euro Zone. In August, however, the previously discussed drop in crude oil prices led to a remarkable improvement of the *crack spread*, which reached a peak of 17.7 $/bl on 19th August, also thanks to increased travels during summer holidays (both by air and by road), and decreased export-flows of Russian gasoil to Europe. Consequently, the average of the ULSD *crack spread* in Q3/14 stood at 15.8 $/bl, up by approx. 20% versus the previous quarter.

<u>Refining Margin:</u>
Moving to the profitability analysis of the refining industry, Saras traditionally uses 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 has been negative almost continuously for one year, form Q2/13 until Q2/14 included, 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, during 2014 the EMC Benchmark margin posted a progressive recovery, and its average settled at -1.9 $/bl in Q1/14, -1.5 $/bl in Q2/14, and finally it came back into positive territory in Q3/14, with an average of +0.3 $/bl. Such improvement is mainly due to the decrease in crude oil prices, as previously discussed.

Finally, as shown in graph here below, the Saras Group's refinery, thanks to the flexibility and complexity of its industrial units, managed to achieve a refining margin constantly above the EMC Benchmark, with a premium which varies from quarter to quarter, according to the specific market conditions and the operating performance of the refinery.



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 1st July 2013, aimed at concentrating in a single company all the industrial activities carried out in the Sarroch industrial site, in order 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 and given that Group management's methods of monitoring and managing the activities have not changed, 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	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
EBITDA	(81.3)	(57.9)	-40%	(29.9)	(186.9)	(129.1)	-45%
***Comparable* EBITDA**	**(34.5)**	**(51.1)**	**32%**	**(55.6)**	**(141.2)**	**(111.2)**	**-27%**
EBIT	(111.6)	(85.6)	-30%	(58.6)	(274.6)	(207.3)	-32%
***Comparable* EBIT**	**(64.8)**	**(78.8)**	**18%**	**(84.3)**	**(228.9)**	**(189.4)**	**-21%**
CAPEX	**48.4**	**14.9**		**16.4**	**83.0**	**65.6**	

Margins and refinery runs

		Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
REFINERY RUNS	thousand tons	2,866	3,292	-13%	3,124	9,286	9,758	-5%
	Million bl	20.9	24.0	-13%	22.8	67.8	71.2	-5%
	thousand bl/day	227	261	-13%	251	248	261	-5%
EXCHANGE RATE	EUR/USD	1.326	1.324	0%	1.371	1.355	1.317	3%
EMC BENCHMARK MARGIN	$/bl	0.3	(2.0)		(1.5)	(1.0)	(0.8)	
SARAS REFINERY MARGIN	$/bl	1.1	0.4		0.6	0.7	1.2	

Comments to First Nine Months 2014 results

Refinery runs in 9M/14 stood at 9.29 ml tons (67.8 million barrels, corresponding to 248 thousand barrels per calendar day), down 5% versus the refinery runs in the same period of last year. The difference can be explained primarily with the difference in the maintenance activities carried out in the two periods under comparison, and also with some economic run-cuts made during the first half of 2014.

***Comparable* EBITDA was EUR -141.2 ml**, down versus EUR -111.2 ml in 9M/13. This difference is due almost entirely to the poor market conditions in the first half of 2014, which were only partially offset by the rebound in the refining margins during Q3/14. Conversely, in 2013 margins were close to break-even during the first semester, and they dropped remarkably in the third quarter.

Overall, the EMC Benchmark margin posted an average equal to -1.0 $/bl in 9M/14 (versus the average of -0.8 $/bl in 9M/13). Saras refining margin was 0.7 $/bl in 9M/13 (versus 1.2 $/bl in 9M/13), mainly as a consequence of the higher impact on EBITDA of the scheduled maintenance activities (approx. EUR 37 ml in 9M/14, versus approx. EUR 29 ml in 9M/13).

Finally, it should be noted that the exchange rate EUR/USD was more favourable to the European currency in 9M/14. Indeed, the average of 1.355 US Dollars for 1 Euro is 3% higher than the average of 1.317 in 9M/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 9M/14 was EUR 83.0 ml, in line with the programme of the period, which included the beginning of important maintenance activities on various units. In particular, in September it started the five-year "turnaround" of the Fluid Catalytic Cracking unit (FCC), and also of its two main ancillary units: the Alkylation unit (Alky) and the Etherification unit (TAME).

Comments to Third Quarter 2014 results

Refinery runs in Q3/14 stood at 2.87 ml tons (20.9 million barrels, corresponding to 227 thousand barrels per calendar day), down 13% versus the same period of last year, mainly because of the shut-down for maintenance of the crude distillation unit called T1, which began in the last month of Q3/14, and it was completed in the first month of Q4/14. Conversely, in Q3/13 all the crude distillation units were running regularly.

***Comparable* EBITDA was EUR -34.5 ml,** significantly improved versus EUR -51.1 ml in Q3/13, mainly because of the increase in the refining margin. As a matter of fact, the EMC Benchmark margin had an average equal to +0.3 $/bl (versus the average of -2.0 $/bl in Q3/13), while Saras refining margin stood at 1.1 $/bl (versus 0.4 $/bl in Q3/13). The lower premium achieved by Saras refinery above the EMC Benchmark margin in Q3/14 can be explained with the five-year *turnaround* maintenance of the Fluid Catalytic Cracking unit (FCC), which began in the third quarter 2014 and it caused a reduction of EBITDA worth approx. EUR 31 ml. This compares with the penalisation of approx. EUR 7 ml, due to the maintenance activities carried out in Saras' refinery during Q3/13.

The exchange rate EUR/USD was broadly the same in the two quarters under comparison (with an average of 1.326 US Dollars for 1 Euro in Q3/14, versus the average of 1.324 US Dollars for 1 Euro in Q3/13).

Finally, Refining CAPEX in Q3/14 was EUR 48.4 ml, coherently with the scheduled *turnaround* maintenance previously discussed.

Crude Oil slate and Production

The crude mix processed by the Sarroch refinery in 9M/14 had an average density of 31.2°API, significantly heavier than the mix processed in 9M/13. When looking in detail at the various crude grades used in the feedstock, it can be noted a strong reduction (-12%) in the percentage of light crude oils with extremely low sulphur content ("*light extra sweet*"), with a corresponding increase (+16%) in the percentage of the *heavy* crude oils and of the "*straight run*" residues. These changes in the feedstock mix were mainly due to the shortage of Libyan crude oil, especially during the first part of 2014, and also due to economic and commercial choices.

		Q3/14	9M/2014	9M/2013
Light extra sweet		37%	36%	48%
Light sweet		6%	3%	3%
Medium sweet/extra sweet		2%	4%	1%
Medium sour		16%	20%	29%
Heavy sour/sweet		39%	36%	20%
Average crude gravity	°API	31.7	31.2	32.8

Moving on to the product slate, it can be observed that in 9M/14 the yield in middle distillates (54.4%) was very high, and actually higher than the yield achieved in 9M/13. On the contrary, the yield in light distillates slightly decreased (26.3% versus 27.3% in 9M/13) due to the important five-year *turnaround* of the Fluid Catalytic Cracking unit (FCC), which started in September 2014. Moreover, it can be observed an increase in the TAR yield (9.3%) as a consequence of the heavier crude slate, and a decrease in the LPG yield (1.3%), which was unusually high in the first half of 2013 because of the maintenance activities carried out on the Alkylation unit in that period of last year. Overall, the cumulative yield of high value added products (i.e. middle distillates, light distillates and LPG) stood at 82.0% in 9M/14, which represents a prominent performance within the European competitive context.

		Q3/14	9M/2014	9M/2013
LPG	thousand tons	31	122	212
	yield	1.1%	1.3%	2.2%
NAPHTHA + GASOLINE	thousand tons	703	2,442	2,660
	yield	24.5%	26.3%	27.3%
MIDDLE DISTILLATES	thousand tons	1,581	5,051	5,131
	yield	55.2%	54.4%	52.6%
FUEL OIL & OTHERS	thousand tons	99	273	355
	yield	3.5%	2.9%	3.6%
TAR	thousand tons	284	866	828
	yield	9.9%	9.3%	8.5%

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	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
EBITDA	8.5	13.6	-38%	4.0	11.6	13.6	-15%
***Comparable* EBITDA**	**8.5**	**7.2**	**18%**	**5.4**	**12.7**	**21.8**	**-42%**
EBIT	6.5	11.6	-44%	3.3	6.8	7.4	-8%
***Comparable* EBIT**	**6.5**	**5.2**	**25%**	**3.4**	**6.6**	**15.6**	**-58%**
CAPEX	**0.6**	**0.6**		**1.0**	**2.2**	**2.6**	

Sales

		Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
TOTAL SALES	thousand tons	936	952	-2%	925	2,734	2,689	2%
of which: in Italy	thousand tons	637	608	5%	613	1,803	1,739	4%
of which: in Spain	thousand tons	298	345	-13%	312	931	950	-2%

Comments to First Nine Months 2014 results

During 9M/14, total demand for oil products declined by 3.6% in Italy, versus the same period of last year. Arcola Petrolifera managed to increase its sales (+4%), thanks to its discounting policies in the regions with higher competition, and it also managed to minimise the decline in gross margins (down by approx. 2 EUR/ton), thanks to lower biofuels' blending costs, as well as other cost optimisation initiatives.

In the Spanish market, the contraction in oil products' demand was less steep than in Italy; total demand overall was down by 1.7% versus 9M/13. The Spanish subsidiary Saras Energia continued its policy aimed at the optimization of the sale channels, and it successfully managed to increase its gross margin (+3%) while, at the same time, it kept to a minimum the decline in sales (931ktons, -2% versus 9M/13).

Overall, ***comparable* EBITDA stood at EUR 12.7 ml in 9M/14.** The difference versus EUR 21.8 ml in 9M/13 can be primarily attributed to the disappointing performance of the segment in the first quarter of 2014, while the following two quarters achieved satisfactory results.

Comments to Third Quarter 2014 results

It continued also in Q3/14 the decline of oil products' consumption in the Italian market, which posted a total decline of 2.4%, mainly due to agricultural gasoil and heating gasoil. Conversely, interesting signals of improvement came from the consumption of transportation fuels: more precisely, gasoline was up by 0.2%, and diesel strongly rebounded by +5.9%. Arcola Petrolifera continued to develop its customer base, focusing on specific channels such as the "unbranded" retail stations and the wholesalers. Accordingly, it managed to increase its sales by 5%. The operating margin remained under pressure, shedding almost 1.8 EUR/ton, as a consequence of the discount policies implemented by the competition.

Also the Spanish market recorded a drop in oil products' demand (-2.6% versus Q3/13), with gasoline down by 3.3% and total gasoil also down by 2.3%. In this context, Saras Energia followed the market trends, reducing its sales (298 ktons, down 13% versus Q3/13), while at the same time significantly increasing its gross margin (+16%).

Thanks to the operating strategies implemented by the subsidiaries, ***comparable* EBITDA of the Marketing segment stood at EUR 8.5 ml in Q3/14,** up from EUR 7.2 ml achieved in Q3/13.

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 an installed capacity of 575MW, fully integrated with the Group's refinery, and located within the same industrial complex in Sarroch (Sardinia).

EUR Milion	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
EBITDA	50.4	39.2	29%	52.4	154.3	121.2	27%
***Comparable* EBITDA**	**50.4**	**39.2**	**29%**	**52.4**	**154.3**	**121.2**	**27%**
EBIT	33.9	27.0	26%	36.0	105.0	(163.5)	164%
***Comparable* EBIT**	**33.9**	**27.0**	**26%**	**36.0**	**105.0**	**69.0**	**52%**
EBITDA ITALIAN GAAP	**37.5**	**43.9**	**-15%**	**29.5**	**99.6**	**125.0**	**-20%**
EBIT ITALIAN GAAP	**21.9**	**32.6**	**-33%**	**14.0**	**53.2**	**91.1**	**-42%**
CAPEX	**0.3**	**2.2**		**0.2**	**4.9**	**12.8**	

Other figures

		Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
ELECTRICITY PRODUCTION	MWh/1000	1,085	1,068	2%	1,115	3,285	3,106	6%
POWER TARIFF	**Eurocent/KWh**	**10.0**	**11.5**	**-13%**	**10.0**	**10.0**	**11.9**	**-15%**
POWER IGCC MARGIN	$/bl	4.5	3.3	36%	4.6	4.5	3.5	29%

Comments to First Nine Months 2014 results

The Power Generation segment had a solid operating performance in 9M/14, with **electricity production reaching approx. 3.3 TWh,** up 6% versus the production in 9M/13, notwithstanding similar maintenance activities carried out in the two periods under comparison.

The **Italian GAAP EBITDA stood at EUR 99.6 ml in 9M/14,** down versus EUR 125.0 ml in 9M/13, primarily because of the drop in the CIP6/92 power tariff (-15%), due to the application of the Decree Law 69 of 21st June 2013. More specifically, such Decree introduced a change in the calculation methodology of the tariff, requesting that the "Avoided Fuel Cost" component of the tariff (CEC) shall be determined taking as a reference spot market gas prices (and not anymore Brent crude oil prices). The effects of such revision were modest on the 2013 Italian GAAP results. However, they became relevant starting with the financial year 2014.
Positive contributions to 9M/14 EBITDA came from the higher production and sale of electricity (+6%), and also from the higher sales of steam and hydrogen (up by approx. EUR 6 ml versus the first nine months of 2013).

IFRS EBITDA (coincident with *comparable* EBITDA) was EUR 154.3 ml in 9M/14, strongly up (+27%) versus 9M/13. Such difference is primarily due to the fact that in the year 2014, for the equalization procedure required by the IFRS results, new "*forward*" curves have been used for gas and oil quotations, given that such new curves were released in December 2013 by an important independent consultancy. The new "*forward*" curves contain higher prices than the ones used in the previous curves, and this translates into a positive contribution to the IFRS results. Moreover, further support to 9M/14 results came from the higher sales of hydrogen and steam, as disclosed in the previous paragraph, whose revenues are not subject to the IFRS equalization procedure.

Finally, CAPEX in 9M/14 was EUR 4.9 ml, coherently with the ordinary maintenance activities carried out in the period.

Comments to Third Quarter 2014 results

Scheduled maintenance activities, which started towards the end of the second quarter on one of the three trains of "Gasifier – combined cycle Turbine" and also one of the two "H_2S Absorber" units, were regularly completed in the first weeks of the third quarter 2014. **The production of electricity stood at 1.085 TWh in Q3/14,** substantially in line (+2%) with the production achieved in Q3/13.

The **Italian GAAP EBITDA stood at EUR 37.5 ml,** down from EUR 43.9 ml in Q3/13, primarily because of the previously mentioned regulatory change regarding the calculation of the CIP6/92 tariff. On the contrary, the higher sales of hydrogen and steam (up by approx. EUR 2.2 ml, versus Q3/13), provided a positive contribution to Q3/14 results.

IFRS EBITDA (which is coincident with the *comparable* EBITDA) was EUR 50.4 ml, significantly increased versus EUR 39.2 ml achieved in Q3/13. As already mentioned in the comments to the first nine months, such remarkable increase (+29%) can be explained mainly with the use of updated "*forward*" curves in the calculation of the IFRS results for the financial year 2014. Lastly, in Q3/14 the sales of hydrogen and steam were higher than in Q3/13 by approx. EUR 2.2 ml.

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	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
EBITDA	3.1	1.8	72%	4.3	16.0	17.6	-9%
***Comparable* EBITDA**	**3.1**	**1.8**	**72%**	**4.3**	**16.0**	**17.6**	**-9%**
EBIT	2.0	0.6	233%	0.7	10.1	14.2	-29%
***Comparable* EBIT**	**2.0**	**0.6**	**233%**	**3.2**	**12.6**	**14.2**	**-11%**
CAPEX	**0.0**	**0.6**		**0.1**	**0.3**	**0.7**	

Other figures

		Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
ELECTRICITY PRODUCTION	MWh	34,302	23,220	48%	36,880	132,728	156,830	-15%
POWER TARIFF	EURcent/KWh	4.5	5.8	-23%	4.4	4.6	5.8	-21%
GREEN CERTIFICATES	EURcent/KWh	9.5	7.9	21%	10.4	9.9	9.0	11%

Comments to First Nine Months 2014 results

In 9M/14 the IFRS EBITDA of the Wind segment (which is equal to the *comparable* EBITDA) stood at EUR 16.0 ml, slightly down versus EUR 17.6 ml in 9M/13. The difference can be mainly explained with the lower production of electricity (-15% versus 9M/13, which was characterised by extraordinary wind conditions) and, to a lesser degree, it can also be explained with the lower value of the power tariff (which decreased by 1.2 EURcent/kWh). Nonetheless, it should be noted that the decline in the power tariff was almost entirely offset by the increase in the value the Green Certificates (up by 0.9 EURcent/kWh).

Comments to Third Quarter 2014 results

In Q3/14 the IFRS EBITDA of the Wind segment (which is equal to the *comparable* EBITDA) stood at EUR 3.1 ml, up versus EUR 1.8 ml in Q3/13, thanks to a significantly higher production of electricity, notwithstanding the summer season (34,302 MWh, versus 23,220 MWh in Q3/13). Moreover, Q3/14 results could benefit also from the increase in the value of the Green Certificates (up by 1.6 EURcent/kWh), whose contribution more than offset the decrease in revenues related to the power tariff (down by 1.3 EURcent/kWh versus Q3/13).

Other Activities

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

EUR Million	Q3/14	Q3/13	Change %	Q2/14	9M/2014	9M/2013	Change %
EBITDA	(0.2)	0.0	n/a	1.8	1.1	1.7	-35%
***Comparable* EBITDA**	**(0.2)**	**0.0**	n/a	**1.8**	**1.1**	**1.7**	**-35%**
EBIT	(0.3)	0.0	n/a	1.8	0.9	1.6	-44%
***Comparable* EBIT**	**(0.3)**	**0.0**	n/a	**1.8**	**0.9**	**1.6**	**-44%**
CAPEX	**0.4**	**0.1**		**0.3**	**0.9**	**1.0**	

Strategy and Outlook

Recent months witnessed deep transformations in the oil market. The reference crude oil, Brent, lost 25% of its value, coming down to approx. 85 $/bl in mid October, from 115 $/bl in mid June. This happened notwithstanding a very turbulent period from a geopolitical point of view: the IS army gaining grounds, the crisis with Russia, Syria, Libya and Nigeria.

Also the market for refined oil products had a steep correction, but the relative values have changed: the price of diesel moved from a 15% premium above Brent in June, to a premium of approx. 20% in September, with immediate positive impact on the refining margins.

This scenario materialised mainly because of stagnating global demand for refined products, while simultaneously crude oil production increased remarkably, especially in North America. According to IEA, global oil demand grew from 92.5 million barrels per day (mbl/d) in Q3/13 up to 93 mbl/d in Q3/14, while oil supply grew from 91.7 up to 93.2 mbl/d, in the same timeframe.

In a very short time, oil markets became long of crude oil, and this was reflected in the discounts and in the premia paid versus Brent for all the other grades. This was even more noticeable in the Mediterranean markets, thanks to a surprisingly rapid ramp-up of the Libyan crude oil production, notwithstanding persistent difficulties in the political landscape of the country. Moreover, new crude oil grades became available in large quantities on the market, especially those which are difficult to process due to their physical and chemical characteristics. These crudes represent a great opportunity for Saras, because the Sarlux refinery is at the technological forefront, thanks to its storage facilities, its processing units, and the know-how of its human resources, which allow capturing the maximum value available in the markets. This situation was actually anticipated by Saras, and it offers a clear improvement of the mid-term perspectives for the refining sector, provided there will be no further shake-up of the markets, due to unforeseeable geopolitical developments.

At the end of September, Sarlux Srl, a subsidiary of the Saras Group which operates the Sarroch industrial complex, reached a preliminary agreement with Versalis SpA, a company owned by the ENI Group, for the acquisition of a Business Segment made of approx. 80% of the production units of Versalis' petrochemical plant in Sarroch (Cagliari).
The main production units being acquired, without significant funding needs, are the following:

- "Reformer": a catalytic conversion unit, fed by virgin naphtha coming from Sarlux refinery, which produces high quality gasoline and hydrogen;
- "BTX": a unit which separates some kind of gasoline into petrochemical components, for further processing;
- "Formex": a unit which extracts from the gasoline some high value components, like benzene and xylenes, used for petrochemical applications;
- "Propylene Splitter": a unit which splits the refinery propylene into high quality propylene for petrochemical use, and into propane for local domestic consumption.

These processing units were already integrated with the production cycle of Sarlux refinery and IGCC plants. However, their capabilities are currently not exploited up to their full potential, both in qualitative and quantitative terms, due to their "stand-alone" nature. When the Saras Group will gain the full control on the operations and on the production planning, it will become possible to implement several production and organizational synergies, leading to an improvement of the profitability of its Refining segment.

Investments by business Segment

EUR Million	Q3/14	9M/2014	9M/2013
REFINING	48.4	83.0	65.6
POWER GENERATION	0.3	4.9	12.8
MARKETING	0.6	2.2	2.6
WIND	0.0	0.3	0.7
OTHER	0.4	0.9	1.0
Total	**49.7**	**91.4**	**82.7**

In Q3/14, the investments in the Refining segment include also the portion of CAPEX made in the quarter, related to the beginning of the five-year "turnaround" of the Fluid Catalytic Cracking unit (FCC) and of its main ancillary units: the Alkylation unit (Alky) and the Etherification unit (TAME).

Risk Analysis

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

The main 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.

Main events after the end of First Nine Months 2014

After the end of the first nine months of 2014, there has not been any significant event to report.

Other Information

Non-recurring and/or unusual transactions

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

Transactions with related parties

At the end of the first nine months 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 nine months of 2014.

Own shares

During the first nine months of 2014 no transactions took place involving the sale or purchase of Saras SpA own shares. Therefore, on 30th September 2014 Saras SpA held in treasury a total number of 19,245,775 own shares, corresponding to 2.024% of the issued share capital.

Information on the accidents happened in 2009 and 2011

With regards to the accident occurred 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 court hearing, upon request of the Judge, has been deferred to a date to be defined. 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 occurred 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: 30th September 2014 and 31st December 2013

EUR thousand	30/09/2014	31/12/2013
ASSETS		
Current assets	**2,175,298**	**2,287,407**
Cash and cash equivalents	479,499	506,827
Other financial assets held for trading	115,584	34,645
Trade receivables	416,373	670,818
Inventories	977,677	926,063
Current tax assets	48,796	48,950
Other assets	137,369	100,104
Non-current assets	**1,508,080**	**1,526,124**
Property, plant and equipment	1,154,679	1,217,425
Intangible assets	91,778	97,083
Other equity interests	502	505
Deferred tax assets	256,060	205,560
Other financial assets	5,061	5,551
Non current assets held for disposal	**12,068**	**0**
Property, plant and equipment	12,039	0
Intangible assets	29	0
Total assets	**3,695,446**	**3,813,531**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	**2,176,787**	**2,014,985**
Short-term financial liabilities	455,309	180,970
Trade and other payables	1,420,058	1,605,867
Current tax liabilities	229,364	168,472
Other liabilities	72,056	59,676
Non-current liabilities	**723,041**	**877,344**
Long-term financial liabilities	290,855	385,780
Provisions for risks and charges	45,913	42,978
Provisions for employee benefits	12,407	19,906
Deferred tax liabilities	4,117	3,641
Other liabilities	369,749	425,039
Total liabilities	**2,899,828**	**2,892,329**
SHAREHOLDERS' EQUITY		
Share capital	54,630	54,630
Legal reserve	10,926	10,926
Other reserves	856,789	1,126,726
Profit/(loss) for the period	(126,727)	(271,080)
Total equity attributable to owners of the Parent company	**795,618**	**921,202**
Minority interests	0	0
Total equity	**795,618**	**921,202**
Total liabilities and shareholders' equity	**3,695,446**	**3,813,531**

Consolidated Income Statement and Statement of Comprehensive Income for the periods: 1st January – 30th September 2014 and 2013

Consolidated Income Statement for the periods: 1st January - 30th September 2014 and 2013

EUR thousand	1st January 30th September 2014	of which non recurring	1st January 30th September 2013	of which non recurring
Revenues from ordinary operations	7,919,386		8,250,858	
Other income	75,418		77,724	23,573
Total revenues	**7,994,804**	***0***	**8,328,582**	***23,573***
Purchases of raw materials, spare parts and consumables	(7,492,352)		(7,796,999)	
Cost of services and sundry costs	(406,325)		(404,926)	
Personnel costs	(99,999)		(101,581)	
Depreciation, amortisation and write-downs	(147,883)	(1,218)	(372,633)	(232,455)
Total costs	**(8,146,559)**	***(1,218)***	**(8,676,139)**	***(232,455)***
Operating results	**(151,755)**	***(1,218)***	**(347,557)**	***(208,882)***
Net income/(charges) from equity interests				
Financial income	187,030		168,793	
Financial charges	(210,095)		(187,486)	
Profit/(loss) before taxes	**(174,820)**	***(1,218)***	**(366,250)**	***(208,882)***
Income tax for the period	48,093		128,609	78,843
Net profit/(loss) for the period	**(126,727)**	***(1,218)***	**(237,641)**	***(130,039)***
Net profit/(loss) for the period attributable to:				
Owners of the Parent Company	(126,727)		(237,641)	
Minority interests	0		0	
Earnings per share - basic (EUR cent)	**(13.70)**		**(25.65)**	
Earnings per share - diluted (EUR cent)	**(13.70)**		**(25.65)**	

Statement of Comprehensive Income for the periods: 1st January - 30th September 2014 and 2013

EUR thousand	1st January 30th September 2014	1st January 30th September 2013
Net result for the period (A)	**(126,727)**	**(237,641)**
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	(4)	(27)
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)	**(4)**	**(27)**
Consolidated Comprehensive Result for the year (A + B)	**(126,731)**	**(237,668)**
Net consolidated Comprehensive Result attributable to :		
Owners of the Parent Company	(126,731)	(237,668)
Minority interests	0	0

Statement of Changes in Consolidated Shareholders' Equity: From 31st December 2013 to 30th September 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 31/12/2013	**54,630**	**10,926**	**1,126,726**	**(271,080)**	**921,202**	**0**	**921,202**
Period 1/1/2014 - 30/06/2014							
Appropriation of previous year's profit			(271,080)	271,080	0		0
Reserve for share plan			765		765		765
Effect of translation of F/S in foreign currency			(4)		(4)		(4)
Net profit/(loss) for the period				(83,337)	(83,337)		(83,337)
Total comprehensive profit/(loss) for the period			*(4)*	*(83,337)*	*(83,341)*		*(83,341)*
Balance as of 30/06/2014	**54,630**	**10,926**	**856,407**	**(83,337)**	**838,626**	**0**	**838,626**
Period 1/7/2014 - 30/09/2014							
Reserve for share plan			382		382		382
Effect of translation of F/S in foreign currency			0		0		0
Net profit/(loss) for the period				(43,390)	(43,390)		(43,390)
Total comprehensive profit/(loss) for the period			*0*	*(43,390)*	*(43,390)*		*(43,390)*
Balance as of 30/09/2014	**54,630**	**10,926**	**856,789**	**(126,727)**	**795,618**	**0**	**795,618**

Consolidated Cash Flow Statements as of:
30th September 2014 and 30th September 2013

EUR thousand	1/1/2014 - 30/09/2014	1/1/2013 - 30/09/2013
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	(126,727)	(237,641)
Unrealised exchange losses/(gains) on bank accounts	1,144	0
Amortisation, depreciation and write-downs of fixed assets	147,883	372,633
Grants booked to income statement	0	(23,573)
Net change in provisions for risks and charges	2,935	(13,439)
Net change in employee benefits	(7,499)	(2,589)
Net change in deferred tax liabilities and deferred tax assets	(50,024)	(136,985)
Net interest income (expense)	27,717	18,554
Accrued income tax	1,931	25,699
Change in fair value of derivatives, greeen certificates	(47,975)	(27,928)
Other non cash items	1,147	(4,339)
(Increase)/Decrease in trade receivables	254,445	95,730
(Increase)/Decrease in inventory	(51,614)	(175,933)
Increase/(Decrease) in trade and other payables	(185,809)	183,773
Change in other current assets	(27,580)	(11,891)
Change in other current liabilities	72,811	75,924
Interest received	364	559
Interest paid	(23,629)	(14,919)
Tax paid	(1,470)	(17,323)
Change in other non-current liabilities	(55,290)	4,155
Total (B)	**(67,240)**	**110,467**
C - Cash flow from/(used in) investing activities		
(Investments) in tangible and intangible assets	(91,904)	(73,427)
- *of which interest paid capitalized*	*0*	*(5,528)*
(Investments)/disinvestments in other share holdings	3	21
Change in financial assets	28,359	52,602
Total (C)	**(63,542)**	**(20,804)**
D - Cash generated from/(used in) financing activities		
Increase/(Decrease) in medium/long term borrowings	173,657	(25,433)
Increase/(Decrease) in short term borrowings	(49,582)	(23,304)
(Decrease) in short term financial debts due to repayments	(19,477)	0
Dividends and buy-backs of own shares	0	0
Total (D)	**104,598**	**(48,737)**
E - Cashflow for the period (B+C+D)	**(26,184)**	**40,926**
Unrealised exchange losses/(gains) on bank accounts	(1,144)	0
F - Cash and cash equivalents at the end of the period	**479,499**	**343,876**

For the Board of Directors
The Chairman
Gian Marco Moratti

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30th Sep 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. It is jointly controlled by Gian Marco Moratti S.A.P.A. and Massimo Moratti S.A.P.A., which own 25.01% each, and 50.02% jointly, of the share capital of Saras SpA (excluding own shares held in treasury by the company), under the shareholders' agreement signed by the two companies on 1st October 2013. The company is established, as stated in its incorporation documents, until 31st December 2056.

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 the 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 its subsidiary Sardeolica Srl).

These consolidated financial statements for the period ending 30th September 2014 are presented in euro, since the euro is the currency of the economy in which the Group operates. They consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of changes in Shareholders' Equity and these Notes to the Consolidated Financial Statements. All amounts shown in these Notes are expressed in thousand euro, unless otherwise stated.

The Consolidated Financial Statements for the period ending 30th September 2014 should be read in conjunction with the Consolidated Financial Statements of the Saras Group for the year ending 31st December 2013.

2. General criteria for the preparation of the Consolidated Financial Statements

The consolidated financial statements of the Group for the period ending 30 September 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 Consolidated Income Statement: items are presented according to their nature;
- Cash Flow Statement: items are 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

These consolidated financial statements were prepared in summary form in accordance with the international accounting standard that applies to interim financial statements (IAS 34 "Interim Financial Reporting"), adopted according to the procedures set out in article 6 of Regulation (EC) 1606 of 2002.

The accounting standards and valuation and consolidation criteria adopted to prepare these consolidated financial statements are consistent with those used for the consolidated accounts for the year ended 31 December 2013, to which reference should be made for more comprehensive information. The above-mentioned standards have been applied consistently for all periods shown.

The IASB and IFRIC have approved some changes to, and interpretations of, IFRS, some of which have been endorsed by the European Union and are applicable 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 relating 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 Ventures". The new standard sets out the criteria for identifying joint arrangements based on the rights and obligations arising from the agreement rather than on the legal form of the agreement itself, 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.

On 29 May 2013, the IASB published the amendment to **IAS 36 — Recoverable Amount Disclosures for Non-Financial Assets**, which specifically require information to be disclosed about the discount rate used to determine an impairment loss (or reversal) when the recoverable amount based on the fair value less costs of disposal is determined using the present value method.

IFRIC 21 — Levies. The interpretation published on 20 May 2013 by the IASB applies to financial statements beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets", which stipulates as one of the criteria for detecting a liability the fact that the entity has a current liability due to a past event (i.e. an obligating event). The interpretation clarifies that the obligating event that gives rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Amendments to IAS 32 — Financial Instruments: Presentation on offsetting financial assets and financial liabilities. The amendments clarify certain requirements for offsetting financial assets and financial liabilities. The amendments, published by the IASB in December 2011, were adopted by the European Commission in December 2012 and apply to periods beginning on or after 1 January 2014.

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. Where 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. Specifically, the new provisions require, among other things, that when measuring a financial liability at fair value through the income statement, the changes in fair value relating to changes in the issuer's own credit risk must be recognised in the statement of comprehensive income. The item must be recognised in the income statement to ensure a match with other items relating to the liability, thereby avoiding accounting mismatch.

The IASB also issued the following amendments, for which the European Union had not completed the approval process 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.

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

3.1 Basis of consolidation

Subsidiaries consolidated on a line-by-line basis and other interests held by the Saras group 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%
Labor Eolica Srl	100%
Sarint SA and subsidiaries:	100%
Saras Energia SAU and subsidiary:	100%
Masol Cartagena Biofuel SLU	100%
Reasar SA	100%
Parchi Eolici Ulassai Srl and subsidiary:	100%
Sardeolica Srl	100%
Sargas Srl	100%
Other equity interests: valued at cost as immaterial amounts	
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 values 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 these 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. Refining activities carried out by the Parent Company Saras SpA and the 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, from third parties, oil products that were previously refined on behalf of these same third parties at the Sarroch site in Sardinia;
- by acquiring (to a lesser extent) oil products from third parties.

Finished products are sold to major international operators such as the ENI Group, Shell, British Petroleum and Socar.

[B] revenues from refining activities undertaken on behalf of third parties, which represent the only income from refining activities carried out 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 Spain, by Saras Energia SAU for third-party and Group-owned service stations, supermarkets and resellers via an extensive network of storage facilities located throughout the Iberian peninsula, the most important of which, the Cartagena storage facility, 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 since it has less significance in terms of resources used and volumes produced. The equipment for this activity is being phased out, as mentioned in section 5.3 below.

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. Generation of power by wind farms relates to the activity carried out at the Ulassai wind farm owned by subsidiary Sardeolica 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 Power Generation sectors, the figures shown include also the valuations, using the same economic terms and conditions applied in the previously existing contracts, for those intercompany services which ceased to exist as a consequence of the contribution in kind of the refining activities from the Parent Company Saras SpA to the subsidiary Sarlux Srl during the previous year.

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

	Refining	Marketing	Power Generation	Wind Power	Other	Total
30th September 2013						
Revenues from ordinary operations	7,520,615	2,125,119	397,229	9,076	19,687	10,071,726
less: intersegment revenues	(1,708,183)	(72,980)	(34,430)	0	(5,275)	(1,820,868)
Revenues from third parties	**5,812,432**	**2,052,139**	**362,799**	**9,076**	**14,412**	**8,250,858**
Other revenues	101,454	1,841	25,910	14,466	181	143,852
less: intersegment revenues	(50,127)	(91)	(15,868)	0	(42)	(66,128)
Other revenues from third parties	**51,327**	**1,750**	**10,042**	**14,466**	**139**	**77,724**
Amortisation and depreciation	**(78,194)**	**(6,226)**	**(284,722)**	**(3,304)**	**(187)**	**(372,633)**
Operating profit (a)	**(207,267)**	**7,428**	**(163,547)**	**14,260**	**1,569**	**(347,557)**
Financial income (a)	175,426	2,674	3,863	1,179	219	183,361
Financial charges (a)	(189,671)	(9,340)	(1,007)	(1,952)	(84)	(202,054)
Income taxes	79,572	(2,065)	57,698	(5,881)	(715)	128,609
Net result for the period (a)	**(141,940)**	**(1,303)**	**(102,993)**	**7,606**	**989**	**(237,641)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,456,838**	**649,679**	**660,804**	**110,080**	**31,332**	**3,908,733**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**1,987,099**	**409,133**	**489,996**	**54,445**	**13,369**	**2,954,042**
Investments in tangible assets	65,227	1,326	12,446	133	219	**79,351**
Investments in intangible assets	382	1,264	342	558	829	**3,375**
30th September 2014						
Revenues from ordinary operations	7,281,752	2,000,484	425,186	6,093	15,947	9,729,462
less: intersegment revenues	(1,734,883)	(29,665)	(39,787)	0	(5,741)	(1,810,076)
Revenues from third parties	**5,546,869**	**1,970,819**	**385,399**	**6,093**	**10,206**	**7,919,386**
Other revenues	102,174	5,099	33,868	13,823	357	155,321
less: intersegment revenues	(63,475)	(94)	(16,334)	0	0	(79,903)
Other revenues from third parties	**38,699**	**5,005**	**17,534**	**13,823**	**357**	**75,418**
Amortisation and depreciation	**(87,667)**	**(4,792)**	**(49,242)**	**(5,940)**	**(242)**	**(147,883)**
Operating profit (a)	**(274,604)**	**6,838**	**105,029**	**10,092**	**890**	**(151,755)**
Financial income (a)	194,542	3,248	6,159	706	293	204,948
Financial charges (a)	(219,679)	(6,206)	(963)	(1,071)	(94)	(228,013)
Income taxes	84,028	(2,364)	(28,992)	(4,074)	(505)	48,093
Net result for the period (a)	**(215,713)**	**1,516**	**81,233**	**5,653**	**584**	**(126,727)**
TOTAL DIRECTLY ATTRIBUTABLE ASSETS (b)	**2,384,503**	**563,229**	**606,771**	**106,176**	**34,767**	**3,695,446**
TOTAL DIRECTLY ATTRIBUTABLE LIABILITIES (b)	**2,063,267**	**356,510**	**426,277**	**43,780**	**9,994**	**2,899,828**
Investments in tangible assets	82,779	934	4,444	104	697	**88,958**
Investments in intangible assets	240	1,241	484	207	225	**2,397**

(a) Calculated without taking into account intra-segment eliminations

(b) Total assets and liabilities are calculated after intra-segment 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:

	30/09/2014	31/12/2013	Change
Bank and postal deposits	477,275	504,666	(27,391)
Cash	2,224	2,161	63
Total	**479,499**	**506,827**	**(27,328)**

Bank deposits are mainly attributable to Saras SpA (EUR 363,337 thousand), Arcola Petrolifera Srl (EUR 94,034 thousand), Sarlux Srl (EUR 2,213 thousand), Sardeolica Srl (EUR 10,597 thousand) and Saras Energia SAU (EUR 4,506 thousand). For clarification on restrictions on the use of the cash and cash equivalents of Sardeolica Srl see section 5.5.1. For further details on the net financial position, see both the relevant section in the Report on Operations and 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:

	30/09/2014	31/12/2013	Change
Securities	4,835	3,418	1,417
Green Certificates	28,565	17,599	10,966
Derivative instruments	82,184	13,628	68,556
Total	**115,584**	**34,645**	**80,939**

Green certificates relate to both the generation of electricity from renewable sources by the subsidiary Sardeolica Srl (EUR 13,204 thousand) and to purchases made by the subsidiary Sarlux Srl (EUR 15,361 thousand).

The certificates of the subsidiary Sardeolica Srl 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 99.33/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 “Services and sundry costs”.

The purchase of green certificates by the subsidiary Sarlux Srl relates to electricity that is not generated by the IGCC plant, as detailed under section 7.1.

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	1,417	28,551	29,968
Decrease	0	(17,585)	(17,585)
Balance at 30/09/2014	**4,835**	**28,565**	**33,400**

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 416,373 thousand, a decrease of EUR 254,445 thousand compared with the previous year. With the aim of optimising financial income, the group companies carried out factoring transactions that impacted receivables. Receivables relating to Saras SpA totalled EUR 131,131 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:

	30/09/2014	31/12/2013	Change
Raw materials, spare parts and consumables	377,810	328,805	49,005
Semi-finished products and work in progress	101,430	74,166	27,264
Finished products and goods held for resale	497,858	522,345	(24,487)
Advance payments	579	747	(168)
Total	**977,677**	**926,063**	**51,614**

The change compared with the previous year is broadly due to the increase in stocks. The recording of inventories at net realisable value includes a write-down of around EUR 37.5 million; the value of inventories is therefore the same as current values.
No inventories are used as collateral for liabilities.
The Sarroch refinery held no crude oil or oil products belonging to third parties (this was also the case at 31 December 2013).

5.1.5 Current tax assets

Current tax assets break down as follows:

	30/09/2014	31/12/2013	Change
VAT	2,265	1,167	1,098
IRES (corporate income tax, including income tax of foı	37,450	37,821	(371)
IRAP (regional income tax)	4,877	3,866	1,011
Other tax receivables	4,204	6,096	(1,892)
Total	**48,796**	**48,950**	**(154)**

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:

	30/09/2014	31/12/2013	Change
Accrued income	1,349	473	876
Prepaid expenses	11,412	4,163	7,249
Other receivables	124,608	95,468	29,140
Total	**137,369**	**100,104**	**37,265**

Deferred charges mainly relate to insurance premiums for the subsidiary Sarlux Srl.

"Other receivables" mainly comprise:

- a receivable of EUR 27,423 thousand due to the subsidiary Sarlux Srl arising from the recognition pursuant to section II, point 7-bis of CIP Provision 6/92 of the refund of charges applicable to 2013 and the first half 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 the subsidiary Sarlux Srl to GSE of EUR 59,582 thousand, as described in section 7.1 (EUR 44,040 thousand the previous year);
- white certificates worth EUR 7,331 thousand for 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 108.41 per certificate in 2014, compared with EUR 105.98 in 2013);
- deposits to secure derivatives transactions carried out by the Parent Company and the subsidiary Sarlux Srl of EUR 13,111 thousand (EUR 10,911 thousand the previous year).

5.2 Non-current assets

Conditions in the refining sector remained difficult during the period, although margins showed some signs of recovery in the third quarter. The company still considers the results of the impairment test carried out in June to be valid, which did not indicate any need for a write-down.

Moreover, no impairment was indicated for the assets relating to the network of service stations in Spain or to thermal generation and wind power; the positive conclusions reached in preparing the financial statements at 31 December 2013 therefore remain valid.

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 on account	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 on account	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 available for sale	Reversal of impairment loss	Other changes	30/9/2014
Land & buildings	234,380	91		(18,536)		68	216,003
Plant & machinery	2,889,428	3,165	(740)	(31,762)		22,700	2,882,791
Industrial & commercial equipment	28,479	309		(778)		199	28,209
Other assets	495,281	986	(3,534)	(6,727)		14,681	500,687
Assets under construction and payments on account	117,218	84,407				(36,738)	164,887
Total	**3,764,786**	**88,958**	**(4,274)**	**(57,803)**	**0**	**910**	**3,792,577**

ACCUMULATED DEPRECIATION	31/12/2013	Depreciation	(Disposals)	Assets available for sale	Reversal of impairment loss	Other changes	30/9/2014
Land & buildings	107,325	7,398		(14,429)	(414)	185	100,065
Plant & machinery	2,022,550	119,315	(704)	(25,463)	(712)	(191)	2,114,795
Industrial & commercial equipment	19,833	1,533		(608)	(17)	4	20,745
Other assets	397,653	13,592	(3,534)	(5,264)	(152)	(2)	402,293
Total	**2,547,361**	**141,838**	**(4,238)**	**(45,764)**	**(1,295)**	**(4)**	**2,637,898**

NET BOOK VALUE	31/12/2013	Additions	(Disposals)	(Depreciation)	Reversal of impairment loss	Assets available for sale and other changes	30/9/2014
Land & buildings	127,055	91	0	(7,398)	414	(4,224)	115,938
Plant & machinery	866,878	3,165	(36)	(119,315)	712	16,592	767,996
Industrial & commercial equipment	8,646	309	0	(1,533)	17	25	7,464
Other assets	97,628	986	0	(13,592)	152	13,220	98,394
Assets under construction and payments on account	117,218	84,407	0	0		(36,738)	164,887
Total	**1,217,425**	**88,958**	**(36)**	**(141,838)**	**1,295**	**(11,125)**	**1,154,679**

Historic 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 30 September 2014, the residual value of these grants was EUR 2,474 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 73,442 thousand, civic buildings in Milan and Rome belonging to the Parent Company and used as offices with a net value of EUR 5,870 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, totalling EUR 36,626 thousand.

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

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

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

“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 88,958 thousand, mainly reflecting technological work on the refinery plants.

The decrease of EUR 36.7 million recorded under “Work in progress - Other changes” relates to work completed during the year and subsequently 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%

In accordance with IFRS 5, assets held for sale were reclassified under the appropriate item; see section 5.3 for comments.

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 3,646 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	Write-downs	Assets available for sale	Other changes	30/09/2014
Industrial & other patent rights	40,849	781			(98)	609	42,141
Concessions, licences, trademarks & similar rights	57,742				(95)		57,647
Goodwill	21,909						21,909
Other intangible assets	512,105	720				(84)	512,741
Assets in progress & payments on account	22,488	896		(2,518)		(937)	19,929
Total	**655,093**	**2,397**	**0**	**(2,518)**	**(193)**	**(412)**	**654,367**

ACCUMULATED AMORTISATION	31/12/2013	Amortisation	Disposals	Write-downs	Assets available for sale	Other changes	30/09/2014
Industrial & other patent rights	36,790	1,583		(3)	(92)	1	38,279
Concessions, licences, trademarks & similar rights	18,552	2,026		(2)	(72)		20,504
Goodwill	0						0
Other intangible assets	502,668	1,223				(85)	503,806
Total	**558,010**	**4,832**	**0**	**(5)**	**(164)**	**(84)**	**562,589**

NET BOOK VALUE	31/12/2013	Additions	Disposals	Write-downs	Assets available for sale and other changes	(Amortisation)	30/09/2014
Industrial & other patent rights	4,059	781	0	3	602	(1,583)	3,862
Concessions, licences, trademarks & similar rights	39,190	0	0	2	(23)	(2,026)	37,143
Goodwill	21,909	0	0	0	0	0	21,909
Other intangible assets	9,437	720	0	0	1	(1,223)	8,935
Assets in progress & payments on account	22,488	896	0	(2,518)	(937)	0	19,929
Total	**97,083**	**2,397**	**0**	**(2,513)**	**(357)**	**(4,832)**	**91,778**

Amortisation of intangible assets totalled EUR 4,832 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%

In accordance with IFRS 5, assets held for sale were reclassified under the appropriate item; see section 5.3 for comments.

The main items are set out in detail below:

Concessions, licences, trademarks and similar rights
The balance of the item refers mainly to the concessions relating to Estaciones de Servicio Caprabo SA (merged with Saras Energia SAU) 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
This item relates mainly to goodwill (EUR 21,408 thousand) paid for the purchase of subsidiary Parchi Eolici Ulassai Srl: the goodwill was calculated using a projection of future cash flows by Sardeolica Srl until 2035 when the concessions expire.

Other intangible assets
The item relates mainly to costs incurred by the 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 the Region of Sardinia (EUR 18,200 thousand). These costs include capitalisation of internal costs of EUR 133 thousand accrued during the reporting period.

A Services Conference was held on 29 July 2014 as part of the environmental impact assessment (E.I.A.) of the project to drill exploratory wells for hydrocarbons, as authorised by the “Eleonora” exploration permit.
Following the Services Conference, in a report dated 9 September 2014, SAVI (Servizio Sostenibilità Ambientale e Valutazione Impatti della Regione Sardegna) rejected the application to carry out an environmental impact assessment of Project Eleonora and stated that the application should therefore be filed, on the grounds that the project did not comply with the regional landscape plan and the municipal development plan.
Saras holds that SAVI’s rejection of the application is unlawful and, therefore, will submit, by the 15 November deadline, an appeal to the TAR of Sardinia to suspend this ruling, pending its annulment.

5.2.3 Equity investments

The table below shows a list of equity investments held at 30 September 2014, with the main figures relating to each subsidiary:

Company name	HQ	Currency	Share capital	% owned by Group as of 09-14	% owned by Group as of 12-13	% of share capital	Shareholder	% of voting rights	Category
Arcola Petrolifera Srl	Sarroch (CA)	EUR	7,755,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Deposito di Arcola Srl	Arcola (SP)	EUR	1,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sartec Saras Ricerche e Tecnologie SpA	Assemini (CA)	EUR	3,600,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Ensar Srl and subsidiaries:	Milan	EUR	100,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Alpha Eolica Srl	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar Srl	100.00%	Indirect subsidiary
Labor Eolica Srl	Bucarest (Romania)	Leu	1,000	100.00%	100.00%	100.00%	Ensar Srl	100.00%	Indirect subsidiary
Sarint SA and subsidiaries:	Luxemburg	EUR	50,705,314	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Saras Energia SAU and subsidiary:	Madrid (Spain)	EUR	44,559,840	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect subsidiary
Masol Cartagena Biofuel SLU	Madrid (Spain)	EUR	3,000	100.00%	100.00%	100.00%	Saras Energia SAU	100.00%	Indirect subsidiary
Reasar SA	Luxemburg	EUR	2,225,000	100.00%	100.00%	100.00%	Sarint SA	100.00%	Indirect subsidiary
Sarlux Srl	Sarroch (CA)	EUR	100,000,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Parchi Eolici Ulassai Srl and subsidiary:	Cagliari	EUR	500,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Sardeolica Srl	Cagliari	EUR	56,696	100.00%	100.00%	100.00%	Parchi Eolici Ulassai Srl	100.00%	Indirect subsidiary
Sargas Srl	Uta (CA)	EUR	10,000	100.00%	100.00%	100.00%	Saras SpA	100.00%	Subsidiary
Consorzio Cesma	Castellamonte (TO)	EUR	51,000	0.00%	5.00%	0.00%	Saras Ricerche e Tecnologie SpA	0.00%	Other equity investments
Consorzio La Spezia Utilities	La Spezia	EUR	114,000	5.00%	5.00%	5.00%	Deposito di Arcola Srl	5.00%	Other equity investments
Sarda Factoring	Cagliari	EUR	8,320,000	5.95%	5.95%	5.95%	Saras SpA	5.95%	Other equity investments

Changes since 31 December 2013 are as follows: the subsidiary Sartec SpA sold its interest in Consorzio Cesma and the subsidiary Saras Energia BIO SLU changed its company name to Masol Cartagena Biofuel SLU.

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:

	30/09/2014	31/12/2013
Consorzio Cesma	0	3
Consorzio La Spezia Utilities	7	7
Sarda Factoring	495	495
Total	**502**	**505**

5.2.4 Deferred tax assets

The balance of EUR 256,060 thousand at 30 September 2014 essentially comprises:

- deferred tax assets of EUR 94,536 thousand relating to tax assets on tax losses still to be used in connection with the IRES tax consolidation scheme and EUR 47,330 thousand for the additional IRES applicable to the energy sector and 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 80,161 thousand, consisting of deferred tax assets of EUR 137,579 thousand for the straight-line reporting of revenues – IAS 17 and IFRIC 14 – and deferred tax liabilities of EUR 51,306 thousand relating to excess and accelerated depreciation.

The increase of EUR 50,500 thousand compared with 2013 is mainly due to the effect of recording deferred tax assets against tax losses for the period (EUR 48,560 thousand), unrealised exchange rate differences (EUR 18,450 thousand) and the release of deferred tax assets on the straight-line reporting of revenues of subsidiary Sarlux Srl (EUR 23,626 thousand).

5.2.5 Other financial assets

At 30 September 2014, the balance for this item was EUR 5,061 thousand (EUR 5,551 thousand in the previous year) and is mainly represented by the long-term portion of a financial receivable of the Parent Company Saras SpA from third parties (EUR 4,478 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 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 12,068 thousand was calculated net of sales costs and represents the transaction value. This amount, which is higher than the carrying value, led to the partial reversal of the write-down made in 2012.

5.4 Current liabilities

5.4.1. Short-term financial liabilities

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

	30/9/2014	31/12/2013	Change
Bond	249,597	0	249,597
Bank loans	37,808	38,566	(758)
Bank accounts	64,869	110,218	(45,349)
Derivative instruments	70,105	21,424	48,681
Other short term financial liabilities	32,930	10,762	22,168
Total short-term financial liabilities	**455,309**	**180,970**	**274,339**
Total long-term financial liabilities	**290,855**	**385,780**	**(94,925)**
Total financial liabilities	**746,164**	**566,750**	**179,414**

The terms and conditions of the company's loans are explained in the note on the item 5.5.1 - Long-term financial liabilities.

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 duration of five years. 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.

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 see the cash flow statement.

5.4.2 Trade and other payables

The table below shows a breakdown of this item:

	30/09/2014	31/12/2013	Change
Advances from customers: portion due within the period	16,681	89,883	(73,202)
Trade payables: portion due within the period	1,403,377	1,515,984	(112,607)
Total	**1,420,058**	**1,605,867**	**(185,809)**

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.

5.4.3 Current tax liabilities

This item breaks down as shown below:

	30/9/2014	31/12/2013	Change
VAT	88,354	91,667	(3,313)
IRES (corporation tax) and income tax of foreign companies	89	781	(692)
IRAP (regional income tax)	0	353	(353)
Other tax payables	140,921	75,671	65,250
Total	229,364	168,472	60,892

The change in VAT payables is due to the Italy/foreign sales ratio being different in September compared with December 2013.

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

The “Other tax payables” item mainly includes excise duties on products introduced into the market by the subsidiary Arcola Petrolifera Srl (EUR 126,824 thousand) and by the subsidiary Saras Energia SAU (EUR 7,549 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:

	30/9/2014	31/12/2013	Change
Social security payables: portions due within the period	8,921	8,782	139
Due to personnel	22,292	14,185	8,107
Payables to Ministry for grants	15,679	15,679	0
Other payables	21,661	19,062	2,599
Other accrued liabilities	948	619	329
Other deferred income	2,555	1,349	1,206
Total	**72,056**	**59,676**	**12,380**

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

The “Payables to Ministry for grants” item 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 “Other payables” item mainly relates to port duties as determined by the customs authority in respect of the Parent Company (EUR 15,115 thousand); 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. Given the outcome of this dispute, for the current year, as well as for previous years, the entire amount relating to port duties 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:

	30/09/2014	31/12/2013	Change
Euro Bond	173,657	249,224	(75,567)
Bank loans	117,198	136,556	(19,358)
Total long-term financial liabilities	**290,855**	**385,780**	**(94,925)**

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.

On 17 July 2014, the parent company Saras SpA issued a private placement of bonds with a total nominal value of EUR 175 million. The bonds, which mature on 17 July 2019, pay a 5% fixed coupon each year. The bonds are admitted to trading on Third Market of the Wiener Börse AG, the Austrian multilateral trading facility.

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 30/09/14	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	127.9	32.3	95.6		
				142.8	**127.9**	**32.3**	**95.6**		
Saras Energia S.A.									
Banco Santander	27-Jul-12	5.0	Euribor 12M	3.9	2.5	2.5			
				3.9	**2.5**	**2.5**	**-**		
Sardeolica S.r.l.									
Banca Nazionale del Lavoro	28-Dec-05	90.0	Euribor 6M	28.4	24.6	3.0	21.6		
				28.4	**24.6**	**3.0**	**21.6**		
Total payables to banks for loans				**175.1**	**155.0**	**37.8**	**117.2**		

The weighted average interest rate at 30 September 2014 was 4.89%.

Saras SpA's loan agreement for EUR 170 million is subject to covenants as follows:
- 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, there is 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.

Saras SpA's bond agreement for EUR 175 million is subject to covenants:
- In financial terms, the Company will have to meet the following ratios: net debt/EBITDA < 3.5 and net debt/shareholders' equity < 1.5 (both ratios calculated on the basis of the results reported in the Group's Consolidated Financial Statements) at 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.
If the Company fails to comply with these covenants, the pool of lending banks has the right to demand early repayment of the loan.

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	Decrease for use and reversals	Other changes	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	Decrease for use and reversals	Other changes	30/09/2014
Provisions for dismantling of plants	18,963	35	0	0	18,998
Provisions for CO2 allowances	15,044	20,642	(15,047)	3	20,642
Other risk provisions	8,971	1,101	(3,702)	(97)	6,273
Total	**42,978**	**21,778**	**(18,749)**	**(94)**	**45,913**

The provision for dismantling plants relates to the future costs of dismantling plants and machinery, and is 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 20,642 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 30 September totalled 1,506,360 tonnes of CO_2. A provision was made for the shortfall for the period, net of purchases and sales made, of 856,960 tonnes, worth EUR 5,036 thousand;
- for the cogeneration plants, actual emissions as of 30 September totalled 2,866,270 tonnes of CO_2. A provision was made for the shortfall for the period, net of purchases and sales made, of 2,655,446 tonnes, worth EUR 15,606 thousand;
Over the period, EUR 15,047 thousand was used from the provisions, to buy (and deliver) allowances relating to the previous year. The provision was determined taking into consideration the cost of purchasing CO_2 allowances, which were fixed through the use of forward contracts (EUR 19,577 thousand at 30 September 2014).
The "Other risk provisions" item 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:

	30/09/2014	31/12/2013	Change
Employee end-of-service payments	12,250	13,440	(1,190)
Other supplementary pension funds	157	6,466	(6,309)
Total	**12,407**	**19,906**	**(7,499)**

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 using 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 to 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
Deductions	(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)	4,271
Deductions	(1,190)
Payments to supplementary pension schemes (such as INPS treasury fund)	(4,271)
Balance at 30.09.2014	**12,250**

The table below shows changes in the CPAS fund:

Balance at 31.12.2012	**8,992**
Accrual for the period	0
Amount used during the period	(2,526)
Balance at 31.12.2013	**6,466**
Accrual for the period	0
Amount used during the period	(6,309)
Balance at 30.09.2014	**157**

5.5.4 Deferred tax liabilities

Deferred tax liabilities, totalling EUR 4.117 thousand, relate to the foreign subsidiaries.

5.5.5 Other non-current liabilities

Other non-current liabilities break down as follows:

	30/9/2014	31/12/2013	Change
Payables to welfare and social security bodies	0	78	(78)
Deferred income	367,657	422,348	(54,691)
Other	2,092	2,613	(521)
Total	**369,749**	**425,039**	**(55,290)**

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 a 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:

	30/09/2014	31/12/2013	Change
Share capital	54,630	54,630	0
Legal reserves	10,926	10,926	0
Other reserves	856,789	1,126,726	(269,937)
Profit/(Loss) for the period	(126,727)	(271,080)	144,353
Total Shareholders Equity	**795,618**	**921,202**	**(125,584)**

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 856,789 thousand, a net decrease of EUR 269,937 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 1,147 thousand in the reserve for the bonus allocation of shares to employees under stock grant plans for employees and management; the reserve in question totalled EUR 1,785 thousand;
- a decrease of EUR 4,000 due to the translation of the financial statements of subsidiaries into a foreign currency.

Pursuant to IAS 1, paragraphs 1 and 97, note that no transactions relating to shareholders' equity were carried out with owners of the Company's shares.

Net loss

The consolidated loss for the period was EUR 126,727 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 “Revenues from ordinary operations” item breaks down as follows:

	30/09/2014	30/09/2013	Change
Sales and services revenues	7,514,282	7,869,375	(355,093)
Sale of electricity	390,699	370,951	19,748
Other revenues	14,172	10,514	3,658
Change in contract work in progress	233	18	215
Total	**7,919,386**	**8,250,858**	**(331,472)**

Revenues from the sale of electricity include EUR 384,607 thousand relating to the gasification plant of the subsidiary Sarlux Srl and EUR 6,092 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 on a straight-line basis, calculated according to the remaining duration of the contract that expires in 2021, principally taking into account the tariff amount and forward curves of both the crude price and projections of the EUR/USD exchange rate until the contract expires; the 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, for the purposes of these financial statements revenues from the sale of electricity were determined in accordance with Legislative Decree 69/2013 (Decree of Doing).

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 revenues

The following table shows a breakdown of other revenues:

	30/09/2014	30/09/2013	Change
Revenues for stocking of mandatory supplies	6,391	6,528	(137)
Sales of sundry materials	2,251	2,571	(320)
Grants	13,253	14,168	(915)
Chartering of tankers	3,816	691	3,125
Recovery for claims and damages	2,671	67	2,604
Reimbursment of emission trading charges	13,937	9,992	3,945
Other income	33,099	43,707	(10,608)
Total	**75,418**	**77,724**	**(2,306)**

The “Grants” item 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 4.22 per allowance in 2013 to EUR 5.74 per allowance in 2014) and the increase in the number of allowances.

The “Other revenues" item includes income relating to energy efficiency credits (white certificates to the value of EUR 7,331 thousand, compared with EUR 5,554 thousand in the previous year) obtained during the period.

6.2 Costs

The following table shows a breakdown of the main costs.

6.2.1 Purchases of raw materials, replacement parts and consumables

	30/09/2014	30/09/2013	Change
Purchases of raw materials	6,069,242	6,590,079	(520,837)
Purchases of semifinished materials	152,471	37,587	114,884
Purchases of spare parts and consumables	49,813	50,905	(1,092)
Purchases of finished products	1,272,673	1,294,452	(21,779)
Change in inventories	(51,847)	(176,024)	124,177
Total	**7,492,352**	**7,796,999**	**(304,647)**

Costs for the purchase of raw materials and costs for spare parts and consumables overall fell by EUR 304,647 thousand from the same period in the previous year. The change was mainly due to general price falls.

6.2.2 Services and sundry costs

	30/09/2014	30/09/2013	Change
Service costs	361,503	374,647	(13,144)
Rent, leasing and similar costs	10,292	10,447	(155)
Provisions for risks and charges	20,642	10,917	9,725
Other operating charges	13,888	8,915	4,973
Total	**406,325**	**404,926**	**1,399**

Service costs mainly comprise maintenance, rentals, transport, electricity and other utilities, as well as bank charges.

The "Rent, leasing and similar costs" item 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 concessions for the Sarroch site and the leasing of equipment) and by the subsidiary Saras Energia SAU for rents of the distribution network.

The "Use of third-party assets" item includes EUR 1,556 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 1,869 thousand for the next year and EUR 431 thousand for the following years. The annual rental payments are pegged to the ISTAT consumer price index for the families of manual workers.

"Provisions for risks" essentially consist of a provision relating to CO_2 allowances applicable to the period that had not yet been purchased as of 30 September 2014. The change compared with the same period last year is due to increases in both the value and number of allowances.

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

6.2.3 Labour costs

"Personnel costs" break down as follows:

	30/09/2014	30/09/2013	Change
Wages and salaries	69,030	70,554	(1,524)
Social security	21,317	21,027	290
Employee end-of-service payments	4,271	4,535	(264)
Other costs	2,667	2,660	7
Directors' remuneration	2,714	2,805	(91)
Total	**99,999**	**101,581**	**(1,582)**

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 1,147 thousand in these Consolidated Financial Statements.

6.2.4 Depreciation, amortisation and write-downs

Depreciation and amortisation figures are shown below:

	30/09/2014	30/09/2013	Change
Amortisation of intangible assets	4,832	20,075	(15,243)
Write-downs of intangible assets	2,513	232,455	(229,942)
Reversal write-downs of intangible assets	(5)	0	(5)
Depreciation of tangible assets	141,838	120,103	21,735
Reversal write-downs of tangible assets	(1,295)	0	(1,295)
Total	**147,883**	**372,633**	**(224,750)**

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 write-down in intangible fixed assets is due to the cancellation of projects relating to wind farms to be built in Romania by Alpha Eolica Srl.

The increase in the depreciation of tangible assets is due to the recalculation of the useful economic life of the IGCC plant made in the second half of 2013 and to the launch in the last quarter of 2013 of the revamping of the Mild Hydrocracking 2 (MHC2) plant.

6.3 Financial income and charges

A breakdown of financial income and charges is shown below:

	30/09/2014	30/09/2013	Change
Financial income:			
- from financial assets recorded under current assets			0
Other income:			
- Interest on bank and post office accounts	354	548	(194)
- Fair value of derivatives held at the reporting date	82,209	21,873	60,336
- Positive differences on derivatives	59,829	64,215	(4,386)
- Other income	442	715	(273)
Exchange gains	44,196	81,442	(37,246)
Total Financial Income	**187,030**	**168,793**	**18,237**
Financial charges :			
- Fair value of derivatives held at the reporting date	(67,792)	(13,319)	(54,473)
- Negative differences on derivatives	(36,013)	(83,523)	47,510
- Other (interest on loans, late payment interest, etc.)	(28,224)	(20,204)	(8,020)
Exchange losses	(78,066)	(70,440)	(7,626)
Total Financial Charges	**(210,095)**	**(187,486)**	**(22,609)**
Total	**(23,065)**	**(18,693)**	**(4,372)**

The table below shows net income/charges by type:

	30/09/2014	30/09/2013	Change
Net interest income / (expense)	(27,870)	(19,656)	(8,214)
Net result from derivative financial instruments	38,233	(10,754)	48,987
- *Realised*	*23,816*	*(19,308)*	*43,124*
- *Fair value of the open positions*	*14,417*	*8,554*	*5,863*
Net exchange gains/(losses)	(33,870)	11,002	(44,872)
Other	442	715	(273)
Total	**(23,065)**	**(18,693)**	**(4,372)**

The fair value of outstanding derivatives at 30 September 2014 represented net income of EUR 14,417 thousand, compared with net income of EUR 8,554 thousand in the same period of the previous year.

As shown, the changes mainly relate to the increase in net interest income, which resulted from the non-capitalisation of financial charges on investment initiatives in the current period, and to the net results of 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:

	30/09/2014	30/09/2013	Change
Current taxes	1,708	7,996	(6,288)
Deferred tax (assets)/liabilities, net	(49,801)	(136,605)	86,804
Total	**(48,093)**	**(128,609)**	**80,516**

Current taxes consist of additional IRES at 6.5% (EUR 1,202 thousand) calculated, where due, on the taxable income of Italian companies, and of IRAP (EUR 861 thousand). The change is due to the negative results recorded 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; the change is mainly due to the effect of recording deferred tax assets against tax losses for the period (EUR 48,560 thousand) and of deferred tax assets against unrealised gains (EUR 18,450 thousand) and the release of deferred tax assets on the straight-line reporting of revenues of subsidiary Sarlux Srl (EUR 23.626 thousand).

The total change compared with the same period of last year is essentially due to the release of deferred taxes allocated by subsidiary Sarlux Srl against the write-down of the agreement to sell electricity to GSE (EUR 95,213 thousand) relating to the financial year 2013.

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 outstanding

The Parent Company Saras SpA and the subsidiaries Arcola Petrolifera Srl and Sarlux Srl were subject to tax inspections 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 the likelihood of any liability to be remote. Moreover, with reference to the subsidiary Sarlux Srl, 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 a specially-created AEEG committee, in reaching a different interpretation of the resolution subsequently, deemed the subsidiary to be subject to this obligation for the years 2002-2005. Sarlux appealed against this interpretation to the Lombardy regional administrative court (TAR); this appeal was rejected on 14 June 2011. The liabilities arising from this dispute, as determined by the GSE, which has already adopted this interpretation, amount to about EUR 32 million (for the acquisition of green certificates that have already been bought, as required by the GSE). These liabilities do, however, 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 in any event purchased and delivered the corresponding green certificates in May 2011 for a total of approximately EUR 12 million with a related refund estimated at around EUR 7 million. Based on the considerations expressed by its advisers on the TAR's rejection of the appeal, Sarlux Srl has 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 30 September 2014 for this case.

As regards production in 2011, in March 2012 the subsidiary Sarlux Srl submitted the cogeneration declaration pursuant to the requirements of Resolution 42/02 as in previous years, since it considered this resolution to be still in force. GSE instead ruled that starting from 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; a refund for this amount (approximately EUR 12 million) was received during the period. 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 all the following years; for 2012 and 2013 in particular, GSE has already rejected the cogeneration statement submitted by the Company, which has arranged for the delivery of the requested 320,637 green certificates (to the value of approximately EUR 27 million) for 2012 production. The associated refund, estimated to be around EUR 15 million, will be paid during 2014; the requirement for 2013 production will be met by the end of the first half of 2015, for which a net liability of approximately EUR 10 million is estimated.

The subsidiary Sarlux Srl believes that the grounds for the appeal are valid and also applicable to the years after 2011, and has not, therefore, 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, the subsidiary Sarlux Srl, as a party to an agreement signed under the CIP 6/92 programme, expressed its interest in an early withdrawal from the agreement to Gestore dei Servizi Elettrici (GSE), on a non-binding basis.

The GSE determined the prices at which withdrawal could be effected. The Ministry for Economic Development extended the deadline for submission of the binding application for voluntary early withdrawal from the CIP6 agreement (previously 30 September 2014) to 30 September 2015. The decree in question, recorded with the Court of Accounts on 10 October 2014, is awaiting publication in the Official Gazette.

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.

During the period, the Group and shareholder Rosneft JV Project SA or its affiliates conducted purchases of semi-finished products totalling EUR 34,586 thousand (classified under item 6.2.1. “Purchases of raw materials, spare parts and consumables”).

7.4 Disclosure on financial instruments (IFRS 7 and IFRS 13)

To the extent that it is applicable to the Saras Group the disclosure on financial instruments to be provided in financial statements and interim reports is mostly set out in IFRS 7 and 13.

IFRS 7 – Financial instruments: Disclosures requires entities to provide supplementary disclosures in financial statements that make it possible to evaluate:

a) the value of financial instruments reported in the financial statements;
b) the nature and extent of the risks deriving from financial instruments to which the company is exposed during the year and at the reporting date, and the way in which this is managed.

IFRS 13 – Fair Value Measurement, which is applicable from 1 January 2013, requires supplementary disclosures on fair value, some of which are also required for interim reports. In general, the standard clarifies how fair value should be calculated for the purposes of financial statements, and it applies to all IFRS standards that require or permit fair value measurement or the presentation of information based on fair value.

Fair value hierarchy

Points a) and b) of paragraph 93 of the standard in question require the submission of the amount of assets and liabilities measured at fair value, broken down by fair value hierarchy. To this end, IFRS 13 defines a precise three-tier fair value hierarchy. The criterion used concerns the actual degree to which inputs used for the estimate can be observed. As such, the hierarchy establishes the various levels of reliability of fair value, depending on whether it is based on:

(a) (unadjusted) prices taken from an active market – as defined by IAS 39 – for the assets and liabilities being valued (level 1);
(b) valuation techniques that use inputs other than listed prices, as indicated in the point above, as a reference, which can either be observed directly (prices) or indirectly (derived from prices) on the market (level 2);
(c) valuation techniques that use inputs that are not based on observable market data as a reference (level 3).

Based on the above, the following table shows assets and liabilities measured at fair value by the Group at 30 September 2014, broken down by fair value hierarchy:

Assets	commodities		Exchange rates		Interest rates		Other		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	27,913			11,250					27,913	11,250	39,163
SWAPS	14,166								14,166	0	14,166
OPTIONS	28,855								28,855	0	28,855
GREEN CERTIFICATES							28,565		28,565	0	28,565
Total	**70,934**	**0**	**0**	**11,250**	**0**	**0**	**28,565**	**0**	**99,499**	**11,250**	**110,749**

Liabilities	commodities		Exchange rates		Interest rates		Other		Total		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
FUTURES	(21,481)			(72)					(21,481)	(72)	(21,553)
SWAPS	(6,773)					(3,216)			(6,773)	(3,216)	(9,989)
OPTIONS	(38,563)								(38,563)	0	(38,563)
Total	**(66,817)**	**0**	**0**	**(72)**	**0**	**(3,216)**	**0**	**0**	**(66,817)**	**(3,288)**	**(70,105)**

Valuation techniques

As can be seen from the table in the section above, financial instruments measured at fair value by the Saras Group largely consisted of derivatives that were mainly entered into by the Parent Company (but also by the subsidiary Sardeolica Srl) to mitigate exchange and interest rate risks and the risks of fluctuating crude oil and oil product prices.

Specifically, the measurement at fair value of these instruments is carried out:

- for interest and exchange rate derivatives, based on regular official statements received from counterparties (financial intermediaries) with whom the instruments were created;
- for commodity-based derivatives, based on account statements on open positions that are periodically received from the clearing broker through whom the instruments are agreed.

For all types of derivatives described above, the fair value measurements received from the counterparties in open positions are verified by comparing them to the fair value measurement carried out within the Group for the same positions. These internal measurements are carried out using reference parameters observable on markets (spot and forward interest rates, exchange rates, and crude oil and oil product prices available in active regulated markets).

The measurement does not take into account counterparty risk as the effect of this is not significant given the deposits securing the positions.

The fair value of non-current assets held for sale was determined based on the selling price negotiated with the counterparty, net of transaction costs.

The Saras Group has no financial assets or liabilities that are measured at fair value level 3 pursuant to IFRS 13.

The criterion used by the Group specifies that financial assets and liabilities measured at fair value should be transferred from one level of the hierarchy to another on the date the circumstances that determine the transfer arise.
There were no transfers between levels of fair value from the previous year.

With regard to the remaining financial assets and liabilities that are not directly measured at fair value, their carrying value is close to their fair value.

7.5 Other

Refer to the Report on Operations of the Consolidated Financial Statements for details of any atypical and/or unusual operations as well as accidents that occurred in 2009 and 2011.